

BUDGET EQUILIBRIUM AND INSTITUTIONAL SUCCESS: A SHORT- AND LONGER-TERM VIEW

SUMMARY PRESENTATION

Concordia University's 2023-24 budget
Presented to the Finance Committee

May 10, 2023

- After 10 years of growth, enrolment dropped 2.4% in 2021-22 and 2.1% in 2022-23, mostly due to **demographics and labour market**
- Quebec universities remain **underfunded** by **\$2 billion** compared to other provinces
 - The government's 2023 funding-formula review is critical
- Concordia has a number of **exciting projects**, such as School of Health, PLAN/NET ZERØ, \$123M CFREF, etc.
- **Structural changes** to our budget management will be needed

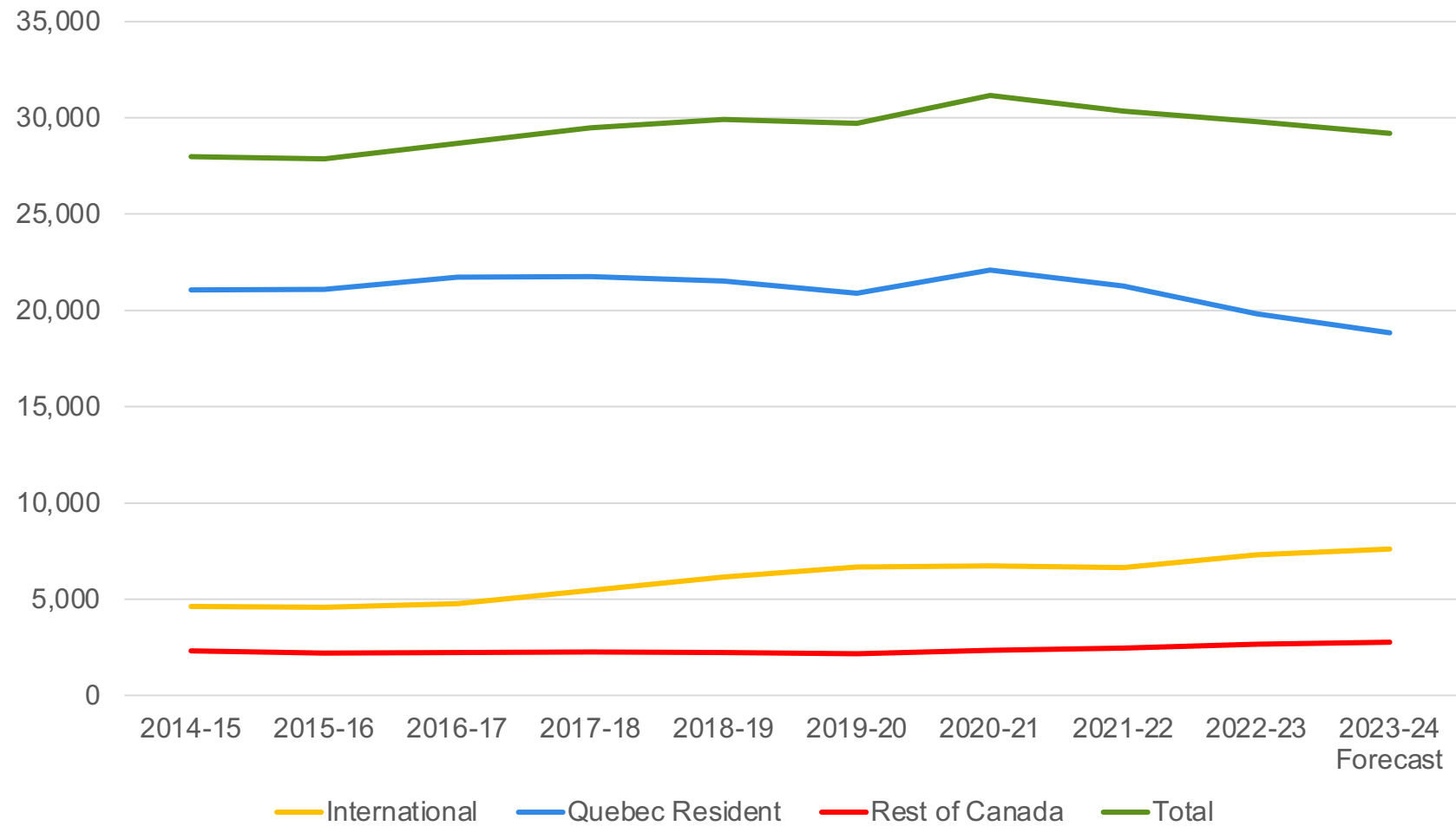
BUDGET 2023-24: CONTEXT

BUDGET 2023-24: KEY HIGHLIGHTS

- Concordia, like its Quebec university peers, faces **financial challenges**
- **Sources of revenue:** The amount of our operating budget coming from the Government of Quebec grants continues to decline and will be **less than 50%** in 2023-24
 - This contrasts significantly with the average in the *réseau*, which is 69%

Fiscal Year	Grants	Tuition fees	Others
2022-23	50.7%	35.8%	13.5%
2023-24	49.4%	37.3%	13.3%

CONCORDIA'S FTEs: CHANGING GEOGRAPHIC PROFILE OVER TIME





OPERATING BUDGET

Responsibility and ambition

- How do we maintain a long-term sustainable financial framework while supporting the numerous transformational projects and continuing Concordia's momentum?



BUDGET 2023-24: A FUNDAMENTAL QUESTION IN MIND

SCENARIOS AND ASSUMPTIONS IN PREPARING THE BUDGET

Topic	Assumption / Decision	Contingent factors
Tuition fees – Quebec, Canada and regulated international	3% - as prescribed by the Government of Quebec	Fixed for 2023-24
Tuition fees – Deregulated international (undergraduate and master's with no thesis)	4.25% to 8.25%, as per the 2019-20 to 2023-24, 5-year plan approved by the Board	Number of international students
Number of students	Reduction of 600 FTEs (2%), as follows: <ul style="list-style-type: none"> - 1 000, - 5.1% from Quebec (2022-23, - 7.4%) + 100, 3.7%, rest of Canada (2022-23, 11.7%) + 300, 4.1%, international (2022-23, 8.9%) 	High volatility until the beginning of the fall term
Provincial grants	As per March 2023 Règles budgétaires	\$182.7M to be distributed by the MES, mostly in specific grants – Concordia's portion unknown
Salaries and non-salary expenditures	As per best information in hand at the time of the preparation of the budget	Negotiations of the collective agreements

CONCORDIA 2023-24 OPERATING BUDGET SUMMARY (\$M)

Description	2022-23 Q3 Forecasts	2023-24 Operational activities	2023-24 President's Transformational Fund	Total 2023-24	Variance	
					Budget 2023-24 vs. 2022-23 Q3	%
Total Revenue	\$592.2	\$613.2		\$613.2	\$21.0	3.5%
Expenses	(\$617.7)	(\$649.6)	(\$4.1)	(\$653.7)	(\$36.0)	5.8%
Use of accumulated reserves		\$9.4		\$9.4	\$9.4	-
Mitigation Plans		\$11.7		\$11.7	\$11.7	-
Operating Surplus (Deficit)	(\$25.5)	(\$15.3)	(\$4.1)	(\$19.4)	\$6.1	23.9%



MITIGATION PLAN

- A major challenge in terms of cost mitigation is that the vast majority of our operating budget is tied up in fixed costs, i.e., salaries and benefits, etc.



MITIGATION PLAN

MOST EXPENSES ARE SALARIES AND FIXED COSTS — DIFFICULT TO MAKE RAPID AND STRUCTURAL CHANGES

2022-23 Academic sector operating framework by expenses (\$M)

Units	Personnel regular	Personnel temporary	Benefits	% of personnel expenses over total budget	Non-personnel expenses
FAS	\$80.5	\$23.5	\$26.0	97.5%	\$3.4
GCS	\$44.9	\$8.9	\$13.1	86.5%	\$10.4
JMS*	\$26.5	\$9.5	\$8.9	92.0%	\$3.8
FOFA	\$22.7	\$10.3	\$8.3	96.5%	\$1.5
Total	\$174.6	\$52.2	\$56.3	93.4%	\$19.1

**Excluding revenues from privatized programs*

LONG-TERM PLANNING TO AIM FOR A BALANCED BUDGET

How the current structural challenges are influencing our strategy (\$M)

Fiscal Year	Reduction of Deficit – 2022-23 forecast	Reduction of Deficit – updated 2023-24 forecast
2021-22 ⁽¹⁾	Forecast (20.5), Actual (14.3)	Forecast (20.5), Actual (14.3)
2022-23	(15.0)	(25.5)
2023-24	(7.0)	(19.4)
2024-25	(1.0)	(15.0)
2025-26	3.0	(10.0)
2026-27	5.0	(6.0)
2027-28	8.0	(3.0)
2028-29		Balanced budget

(1) Structural deficit, excluding one-time and catch-up \$23M Quebec grant

- **Several initiatives** will support our mitigation plan:
 - Review **the pace of recovery** of the deficit to return to a balanced budget while keeping the capacity to support our strategic initiatives
 - **Masse salariale**: intensify position, review oversight and controls
 - Aggressively pursue **special funding envelopes** to offset operation costs
 - **Use accumulated reserves** to support specific initiatives
 - **Increase revenues** where possible



MITIGATION PLAN – OPERATIONAL ACTIVITIES



MITIGATION PLAN – PRESIDENT’S TRANSFORMATIONAL FUND

- **Structural review of activities and programs** to identify recurrent additional revenues and reduction of expenses
- Purpose is to give us the **capacity to articulate and modify the way we are doing things**, while **keeping the capacity to support critical initiatives**
- **Creation of a \$4.1M President’s Transformational Fund** to provide flexibility to support transformation and initiatives



CAPITAL BUDGET
2022-23 to 2025-26

Maintain investment levels

CAPITAL BUDGET

- **\$466.7M** total capital investments, **\$4.7M** less than the last 2022-23 to 2024-25 cycle, to address the reduction of fiscal capacity
- **Compliance** to our CFO-4 funding framework
- **Debt-to-FTE**
- **Provincial capital budgets are under review** with the MES funding formula review

Category	Threshold as per CFO-4 Policy	2021-2022 Audited Financial Statements	2025-2026 Forecast	Compliance (Yes/No)
Active Debt-to-FTE	\$12,000	\$5,964	\$11,954	Yes
Strategic Debt-to-FTE	\$3,000	\$2,484	\$3,179	No \$5.2M to reduce by 2025-2026



CASH BUDGET

Barometer for long-term sustainability

CASH BUDGET IN A UNIVERSITY CONTEXT

- Cash budget requires **MES approval**
- MES budget framework requires:
 - Quantification of the university's **maximum total liquidity needs** for the 2023-24 fiscal year divided by **monthly usage and disbursements**
 - **Exclusion of PQI grant bond issuances** by Financement Quebec
 - That the **peak borrowing** is determined by taking **net monthly outflows** *prior* to the MES operating grant disbursement
 - **Board** must approve the cash budget and its projected maximum usage
- The MES has put in place a **credit line** with Financement Quebec to finance capital expenses funded by PQI, which is serviced by the MES

CASH BUDGET — SCENARIO ANALYSIS

- Matrix detailing the net effect of various cash budget scenarios to the short-term financing budget of 2023-24:

Net effect per LOC scenarios (\$M)

	Avg WACC/ Avg Net Usage	Ending LOC Usage per Scenario	Peak Usage per Scenario	Maximum WACC (5.5%)	Expected WACC (5.1%)	Minimum WACC (4.7%)
The MES requires Board to approve maximum LOC	Maximum Net Average LOC (\$220M)	\$374	\$437	-\$10.4	-\$9.5	-\$8.6
	Expected Net Average LOC (\$194M)	\$282	\$345	-\$9.0	-\$8.3	-\$7.4
	Minimum Net Average LOC (\$173M)	\$227	\$290	-\$7.9	-\$7.2	-\$6.5

CASH BUDGET: 2023-24 FISCAL YEAR

	2023-24	Comments
OPERATING FUNDS		
	Budget (\$M)	
Operating budget - accumulated deficit	\$148.0	+\$22M deficit
Working Capital	(\$13.6)	+full reversion to the mean for accrued payables
TOTAL	\$134.4	
DESIGNATED FUNDS		
Net uninvested capital	(\$85.5)	+\$6M projected restricted spending
TOTAL	(\$85.5)	
CAPITAL INVESTMENTS		
PQI/SIF grant bond MFQ financing program - temporary financing	\$0.0	New PQI expenses and new FQ loans must net to zero
University's Funded Investments	\$165.5	\$17M acquisition reserve, \$59M other capex increase in FY24 and \$14M repayment of long-term debt
Working Capital	\$159.3	+1.5M sinking funds transfer (LTP only)
TOTAL	\$324.8	
TOTAL USAGE OF LOC		
Total LOC Usage @ year-end	\$373.7	\$203M increase from 2022-23 projected ending balance due to \$83M full rebalancing of Operating WC, \$59M non-acquisition capex, \$22M operating deficit, \$17M acquisition reserve, \$14M LTD repayments, \$8M other
Peak as per CU in April 2022	\$437.0	As per MEES framework, balance taken prior to in-month provincial grant payment. \$355M without real estate acquisitions scenario
Peak as per MES in April 2024	\$437.0	As per MES framework, balance taken prior to in-month provincial grant payment
Avail. Amt relative to MES Peak	\$38.0	As per Treasury's expected peak forecast, we will be in compliance with the CFO-4 minimum requirement of \$75M
% of usage @ year-end	79%	

- Demographic trend and challenges put pressure on our short-term and long-term financial framework.
- Integrated financial framework gives us the capacity to maintain a long-term sustainable financial position.
- On course to return to a balanced budget, adjusted in time to consider our current and future environment.
- Concordia will continue to be the next-generation university that our students, faculty and staff expect.

CONCLUSIONS

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