



CONCORDIA UNIVERSITY BUDGET CONVERSATION 2024-25

June 17 and 18, 2024

CONCORDIA

- Our university is facing extraordinarily challenging times. Since we presented our last budget, **many major developments** have influenced our environment:
 - A cumulative **decline of 2.8%** in our student population since 2020-21
 - The results of the **funding formula review** by the MES
 - **International instability** that is significantly affecting our community
 - Government of Quebec's **changes to the tuition fees framework** for out-of-province Canadian and international students

BUDGET 2024-25: CONTEXT



THE PROVINCIAL BUDGET CHALLENGES AND UNCERTAINTIES

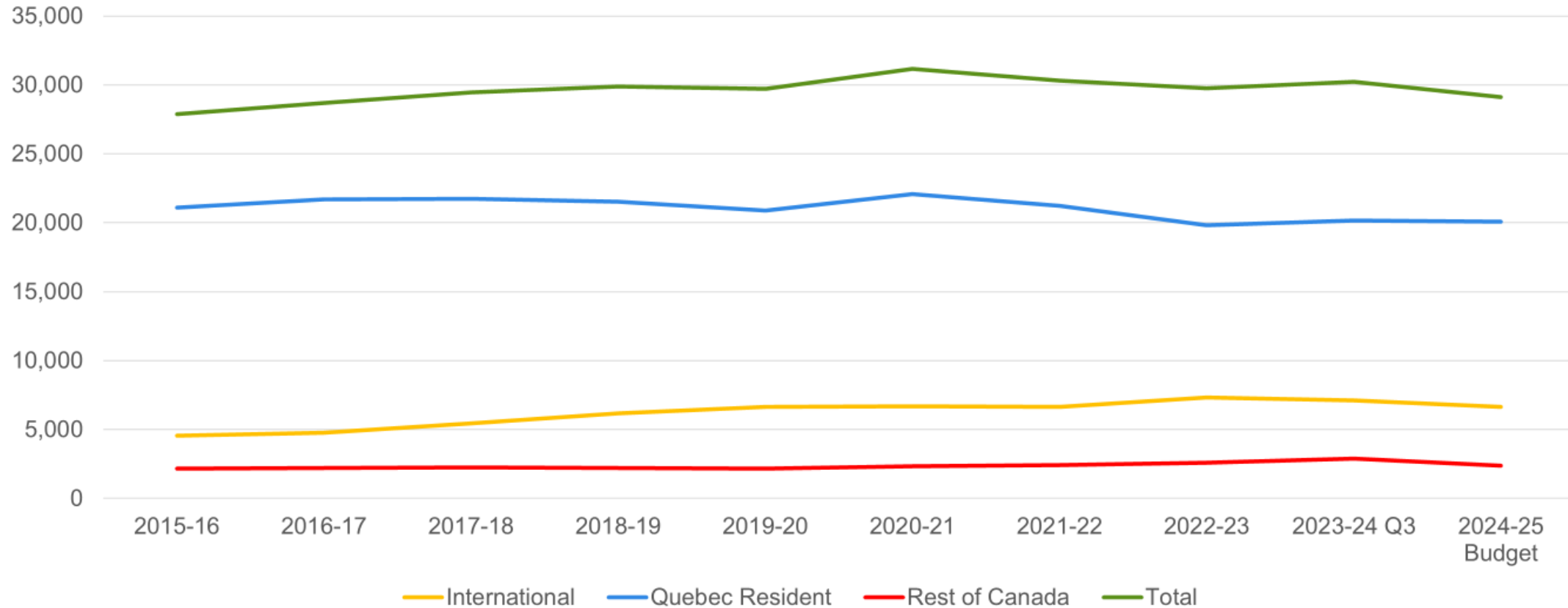
- **Divestment** from the government in higher education – **reduction of \$180M (4.8% of provincial funding)**
- Concordia grant: **4.1% decline, \$13.6M grant reduction, largest of all Quebec universities**
- **Claw back:**
 - Now at **\$400M**, 54 % increase, representing now 10% of the total \$4B provincial envelope — **\$79M (19%)** coming from Concordia
 - **Anglophone institutions: 50%** of the claw back compared to **20%** of the grants, excess contribution of **\$116M** in favour of francophone universities
- **No-access to anglophone institutions for two important envelopes:**
 - Recruitment and integration of students outside of Quebec
 - Support for transition of the funding formula
 - **Total of \$105M not accessible to anglophone institutions (Concordia share: \$8.5M)**

BUDGET 2024-25: KEY HIGHLIGHTS

- **Sources of revenue:** The amount of our operating budget coming from the Government of Quebec grants declined until 2022-23, at 52.1%
 - This contrasts significantly with the average in the *réseau*, which is 69%
- Regulation of international students will increase the grant portion and reduce tuition fees portion in the years to come
- We forecast that the portion of revenues coming from grants would be in the magnitude of 56% by 2026-27

Fiscal Year	Grants	Tuition fees	Others
2022-23 (audited, financial statements)	52.6%	34.6%	12.8%
2023-24 Q3	52.1%	34.6%	13.3%
2024-25 Budget	53.1%	33.9%	13.0%

Concordia's FTEs: changing geographic profile over time



The background image shows a university campus scene. In the foreground, several students are walking on a paved path. To the right, there is a modern building with large glass windows. In the background, a historic building with domes is visible. The entire image is overlaid with a semi-transparent red filter. A white diagonal line is present in the top left corner.

OPERATING BUDGET

Responsibility and resilience

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



BUDGET 2024-25: A FUNDAMENTAL QUESTION IN MIND

SCENARIOS AND ASSUMPTIONS IN PREPARING THE BUDGET

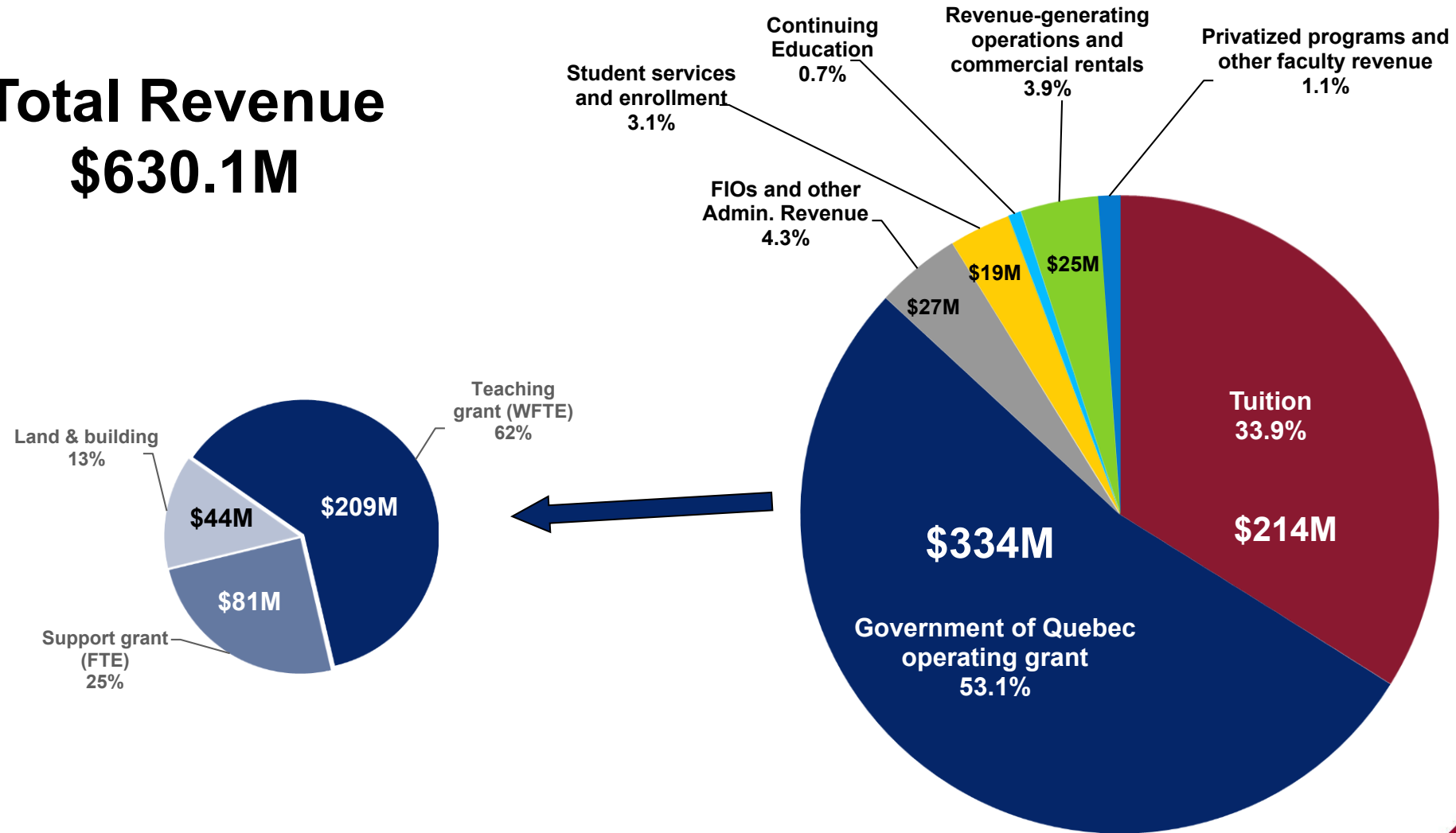
Topic	Assumption / Decision	Contingent factors
Tuition fees – Quebec, Canada and regulated international	3% - as prescribed by the Government of Quebec	Fixed for 2024-25
Tuition fees – partially deregulated international (undergraduate and master's with no thesis)	4.25% to 8.25%, as per the 2019-20 to 2023-24, 5-year plan approved by the Board	Number of international students
Number of students	Reduction of 1,190 FTEs (4%), as follows: <ul style="list-style-type: none"> - 210, - 5.1% from Quebec (2023-24, 1.7%) - 560, - 19.0%, rest of Canada (2023-24, 11.7%) - 420, - 5.9%, international (2023-24, - 3.1%) 	High volatility until the beginning of the fall term
Provincial grants	As per April 2024 Règles budgétaires	\$120.7M 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 2024-25 OPERATING BUDGET SUMMARY (\$M)

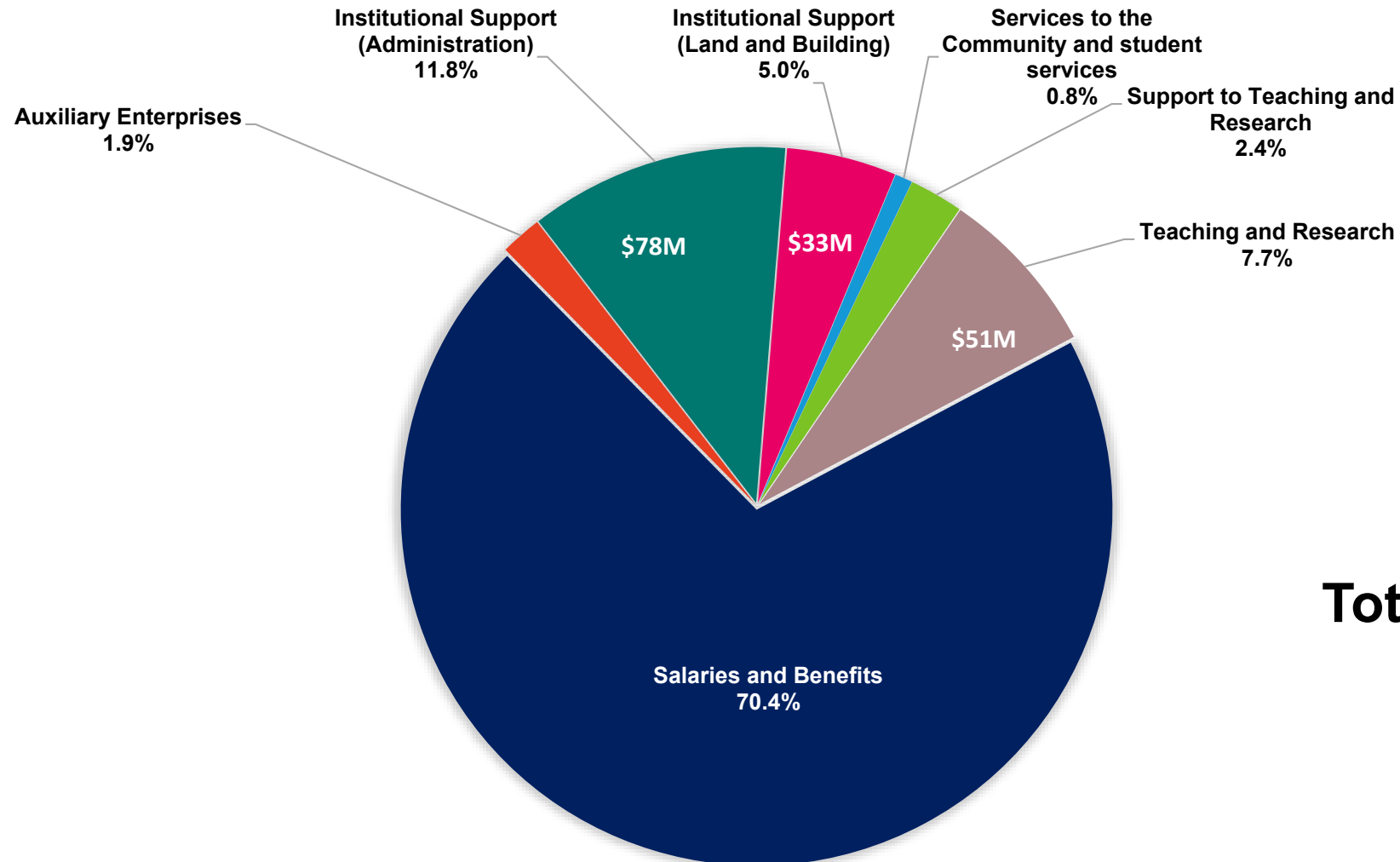
			Variance	
Description	2023-24 Q3 Forecasts	2024-25 Budget	Budget 2024-25 vs. 2023-24 Q3	%
Total Revenue	\$629.7	\$630.4	\$0.7	0.1%
Expenses	(\$660.6)	(\$664.9)	(\$4.3)	0.6%
Operating Deficit	(\$30.9)	(\$34.5)	\$(3.6)	11.7%

PROJECTED REVENUES 2024-25

Total Revenue
\$630.1M



PROJECTED EXPENSES 2024-25



**Total Expenses
\$664.9M**

CONCORDIA 2024-25 DASHBOARD

STUDENTS AND REVENUE (\$,000)

STUDENTS

	2023-2024		2024-2025 Budget	Variance 24-25 Budget vs 23-24 Budget		Variance 24-25 Budget vs 23-24 Q3 Projection	
	Original Budget	Q3 Projection					
QUEBEC	18,975	20,287	20,075	1,100	5.8%	(213)	-1.0%
ROC	2,623	2,952	2,392	(231)	-8.8%	(560)	-19.0%
INTERNATIONAL DEREGULATED	5,378	4,691	3,360	(2,018)	-37.5%	(1,332)	-28.4%
INTERNATIONAL REGULATED	2,225	2,381	3,295	1,069	48.0%	913	38.4%
TOTAL RFTE	29,201	30,312	29,121	(80)	-0.3%	(1,191)	-3.9%
QUEBEC	43,099	45,750	45,926	2,827	6.6%	177	0.4%
ROC	5,958	6,657	5,473	(485)	-8.1%	(1,184)	-17.8%
INTERNATIONAL DEREGULATED	11,647	11,046	7,773	(3,875)	-33.3%	(3,274)	-29.6%
INTERNATIONAL REGULATED	5,622	5,370	7,436	1,814	32.3%	2,066	38.5%
TOTAL WFTE	66,327	68,823	66,609	281	0.4%	(2,215)	-3.2%

REVENUES

	2023-2024		2024-2025 Budget	Variance 24-25 Budget vs 23-24 Budget		Variance 24-25 Budget vs 23-24 Q3 Projection	
	Original Budget	Q3 Projection					
TUITION FEES	228,765	218,011	213,796	(14,969)	-6.5%	(4,215)	-1.9%
OTHER ACADEMIC REVENUES	26,344	26,344	27,134	790	3.0%	790	3.0%
TOTAL ACADEMIC REVENUES	255,109	244,355	240,930	(14,179)	-5.6%	(3,425)	-1.4%
OPERATING GRANT	302,778	327,743	334,203	31,426	10.4%	6,460	2.0%
DEPARTMENTAL REVENUES	54,837	57,566	55,241	403	0.7%	(2,325)	-4.0%
TOTAL REVENUES	612,724	629,664	630,375	17,650	2.9%	710	0.1%

CONCORDIA 2024-25 DASHBOARD

EXPENSES (\$,000)

EXPENSES

	2023-2024		2024-2025 Budget	Variance 24-25 Budget vs 23-24 Budget		Variance 24-25 Budget vs 23-24 Q3 Projection	
	Original Budget	Q3 Projection					
TOTAL PERSONNEL AND BENEFITS	452,900	460,196	468,189	15,288	3.4%	7,992	1.7%
AUXILIARY ENTERPRISES	12,824	13,347	12,514	(310)	-2.4%	(833)	
INSTITUTIONAL SUPPORT (ADMINISTRATION)	67,497	83,589	78,371	10,874	16.1%	(5,218)	
INSTITUTIONAL SUPPORT (LAND AND BUILDINGS)	33,712	35,367	33,159	(553)	-1.6%	(2,208)	
SERVICES TO THE COMMUNITY - STUDENT SERVICES	4,681	5,624	5,272	591	12.6%	(352)	
SUPPORT TO TEACHING AND RESEARCH	14,268	17,333	16,251	1,983	13.9%	(1,082)	
TEACHING AND RESEARCH	67,328	54,524	51,120	(16,208)	-24.1%	(3,404)	
TOTAL NON PERSONNEL EXPENSES	200,310	209,783	196,687	(3,623)	-1.8%	(13,096)	-6.2%
TOTAL EXPENSES	653,210	669,979	664,876	11,665	1.8%	(5,103)	-0.8%
SURPLUS OR DEFICIT	(40,486)	(40,315)	(34,501)				
Use of reserves	9,400	9,400					
Mitigation plan	11,700						
Deficit after use of reserves and mitigation plan	(19,386)	(30,915)					
MES framework adjustment		1,800	3,500				
Deficit as per MES framework		(29,115)	(31,001)				



ACTION 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.

ACTION PLAN

SUMMARY OF 2024-25 CHALLENGE (\$M)

Total revenue	Forecast 2024-25
Initial deficit	\$(78.9)
Savings already identified and confirmed	\$8.6
Adjusted deficit	\$(70.3)
Budget adjustments / challenge	\$(35.8)
Proposed deficit	\$(34.5)

Challenge coming from:	
• New policy framework on tuition fees	\$15.0
• Other factors (demographics, inflation, etc.)	\$20.8
• Total	\$35.8

HOW TO ADDRESS THIS \$35.8M CHALLENGE?

■ Budget adjustments for faculties and units		\$ 25.0M
■ Academic and research activities	3.9%	
■ Non-academic units	8.1%	
■ Institutional expenses, additional revenue and others		<u>\$ 10.8M</u>
■ Total		\$ 35.8M

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

2023-24 Initial Budget - Academic sector operating framework by expenses (\$M)

Units	Personnel regular	Personnel temporary	Benefits	% of personnel expenses over total budget	Non-personnel expenses
FAS	\$79.0	\$25.8	\$26.1	97.5%	\$3.4
GCS	\$45.4	\$9.5	\$13.4	89.2%	\$8.3
JMSB*	\$25.5	\$10.0	\$8.9	90.8%	\$4.5
FOFA	\$22.8	\$11.0	\$8.6	98.1%	\$0.8
Total	\$172.7	\$56.3	\$57.0	94.4%	\$17.0

**Excluding revenues from privatized programs*

We need to maintain our focus on **transforming our operations**, including:

- Maintaining our **hiring freeze and attrition plan**.
- Evaluating the costs associated with **managing and administering** our benefits portfolio.
- Reviewing our **course and program offerings**.
- Examining the use of **campus space**.
- Integrating **technology and digital transformation**.



**TRANSFORMING
OUR
UNIVERSITY**



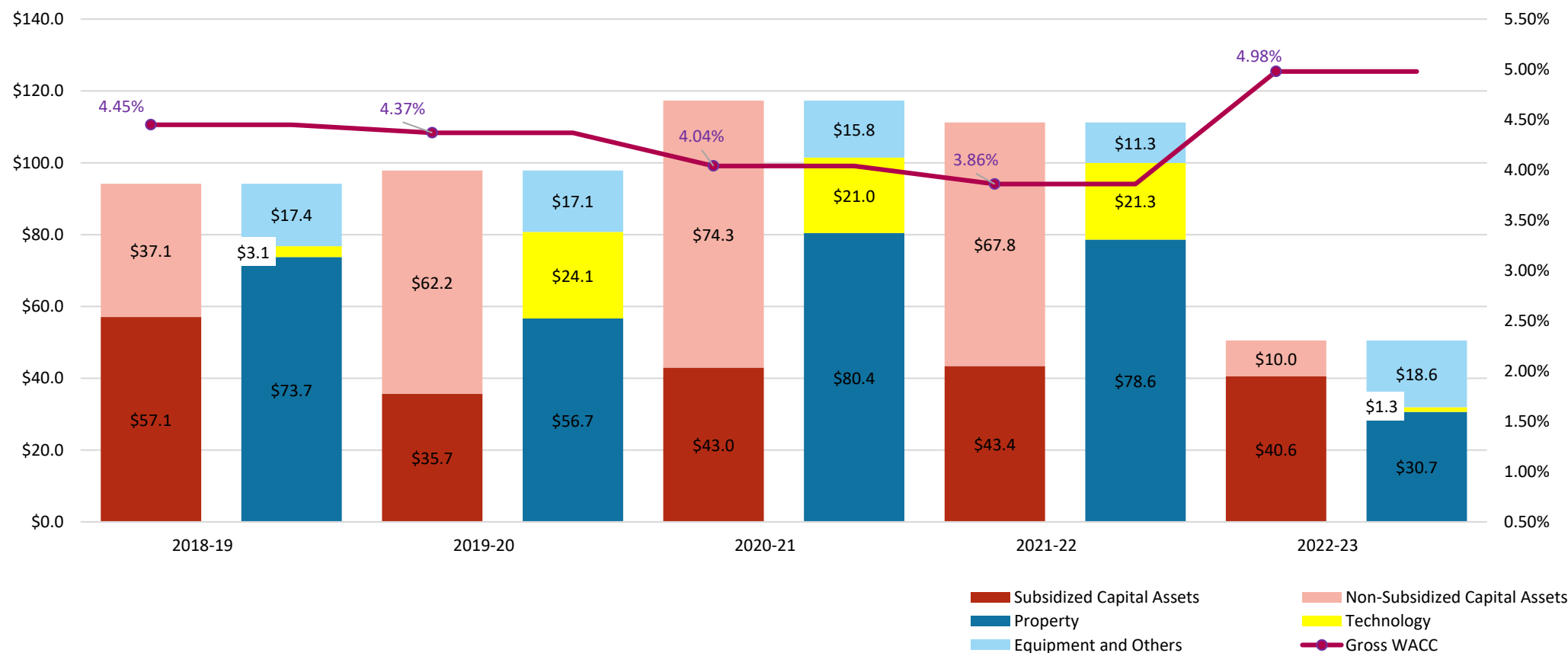
CAPITAL BUDGET

2023-24 to 2026-27

A changing context

CAPITAL INVESTMENTS IN RECENT YEARS – ADJUSTMENT OF INVESTMENTS IN 2023-24

Spending in Capital Assets (\$M) by Source of Funding, Asset Type and Gross Weighted Average Cost of Capital (%)



CAPITAL BUDGET

- **\$347.5M** total capital investments, **\$119.2M** less than the last 2023-24 to 2025-26 cycle, to address the reduction of fiscal capacity
- **Compliance** to our CFO-4 funding framework
- **Debt-to-FTE**
- **\$144M** total effort until 2030-31 to address the current financial pressure

Category	Threshold as per CFO-4 Policy	2022-2023 Audited Financial Statements	2025-2026 Forecast	Compliance (Yes/No)
Active Debt-to-FTE	\$12,000	\$6,603	\$14,487	No \$81.8M to reduce by 2026-27
Strategic Debt-to-FTE	\$3,000	\$2,507	\$2,609	Yes



CASH BUDGET

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 2024-25 fiscal year according to the peak projected **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 2024-25:

Net effect as per Lines of credit scenarios (\$M)

	Ending LOC Usage per Scenario	Peak Usage per Scenario	Maximum Gross LOC WACC (5.5%)	Expected Gross LOC WACC (5.3%)	Minimum Gross LOC WACC (5.1%)
Maximum Net Average LOC (\$268M)	\$382	\$445	-\$13.3	-\$12.9	-\$12.4
Expected Net Average LOC (\$230M)	\$270	\$348	-\$11.9	-\$11.6	-\$11.2
Minimum Net Average LOC (\$220M)	\$220	\$316	-\$11.2	-\$10.9	-\$10.5

CASH BUDGET: 2024-25 FISCAL YEAR

	2024-25	Comments
OPERATING FUNDS	Budget (\$M)	
Operating budget - accumulated deficit	\$241.6	+\$70M deficit per structural table
Working Capital	(\$80.4)	+\$49.9M partial reversion to the mean for accrued payables
TOTAL	\$161.3	
DESIGNATED FUNDS		
Net uninvested capital	(\$124.9)	+\$26.3M expected usage of restricted funds, offset by -\$51.4M recovery of CMO program at CUF
TOTAL	(\$124.9)	
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	\$157.6	+\$53M other capex increase in FY25 and +\$13.6M repayment of long-term debt
Working Capital	\$187.6	+1.5M and \$9.5M sinking funds transfer (infrastructure and equipment)
TOTAL	\$345.2	
TOTAL USAGE OF LOC		
Total LOC Usage @ year-end	\$381.6	\$173M increase from 2023-24 projected ending balance due to \$70M operating deficit, \$67M net impact of capex after projected LTD issuance, \$50M gradual rebalancing of Operating WC, \$26M restricted funds usage, \$11M sinking fund contributions and -\$51 CMO recovery
Peak as per MES in April 2025	\$445.0	As per MES framework, balance taken prior to in-month provincial grant payment
Avail. Amt relative to MES Peak	\$30.0	Out of balance with the CFO-4 minimum requirement of \$75M
% of usage @ year-end	80%	

CONCLUSIONS

- Demographic trend, new provincial funding formula, new tuition fees framework for students outside Quebec and other challenges put important 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. Recovery plan will be our reference point for the years to come.
- Clear commitment for structural transformation to address these external factors.
- Concordia will continue to be the next-generation university that our students, faculty and staff expect.

CONCLUSIONS

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