

Report of the Finance Committee

GD19-54

Board of Governors Meeting of April 23, 2020

Secretariat

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The following items arise from a meeting of the Finance Committee on April 16, 2020. They are presented to the Board of Governors for information.

I. FOR ACTION BY THE BOARD OF GOVERNORS**1. Maximum Borrowing Resolution for Fiscal Year 2021 [F19-29]**

The *Ministère de l'Éducation et de l'Enseignement supérieur* (MEES) requires annual borrowing authorization limits to be confirmed by the University. In accordance with its terms of reference, the Committee reviewed the extent and methods of external borrowing for both operating and capital needs. Given the uncertainty surrounding the financial impacts of the COVID-19 pandemic on the University's financial operations, the Committee recommends that the Board approve an annual short-term borrowing limit of \$400 million from June 1, 2020 to May 31, 2021.

Be it resolved that the Board of Governors, on the recommendation of the Finance Committee, approve a maximum borrowing of up to \$400 million, for the twelve-month period from June 1, 2020 to May 31, 2021.

Be it further resolved that the Board of Governors, on the recommendation of the Finance Committee, approve that the Vice-Principal (Administration and Finance) or the Associate Vice-Principal, Financial Services or the Chief Investment Officer and Treasurer be authorized to sign contracts, documents, or any instruments pertaining to these borrowings.

2. Recommendation regarding Rate Locks for Last Tranche (\$150M) of \$400M Bond [F19-31]

Further to its meeting of March 13, 2020, the Committee was presented with several options regarding the use of derivative instruments for hedging the interest rate risks associated with the University's financing plan for deferred maintenance and information technology initiatives (i.e., the \$400 million bond). Following a review of the options, the Committee recommended proceeding with Option 1 [Roll-over the rate locks (on \$150 million total) and use a portion (\$90 million) to hedge the financing costs of the purchase of property purchase while keeping the balance to hedge a portion (\$60 million) of the last tranche (\$150 million) in support of financing IT initiatives] as the preferred option given that the University can confirm that debt will be required for the building purchase and for IT initiatives. The Board of Governors is asked to approve this Option.

Be it resolved that the Board of Governors, on the recommendation of the Finance Committee, further and pursuant to the relevant provisions of Board of Governors resolutions GD15-21 and GD14-17 and Executive Committee resolution ED14-14, approve and authorize the Chief Investment Officer and Vice-Principal (Administration and Finance) to continue to roll over the interest rate locks (on \$150 million total) and use a portion (\$90 million) to hedge the financing costs of the property acquisition while keeping the balance to hedge a portion (\$60 million) of the last tranche (\$150 million) in support of financing IT initiatives subject to the receipt of any required government approvals.

3. Revisions to the Long Term Investment Policy Relating to the Sinking Fund [F19-33]

The Committee reviewed a proposed amendment to the University's Investment Policy – Sinking Fund for Debt from the Deferred Maintenance Financing. The Policy deals with a specific purpose account and mechanisms for the orderly reserve of funds and the appropriate investment of such funds in order to allow the University to meet its debt repayments. The proposed amendment seeks to include the financial considerations of the first phase of the financial plan in support of the McGill University Master Plan. Following review of the amendment, the Committee recommended it for approval by the Board of Governors.

Be it resolved that the Board of Governors, on the recommendation of the Finance Committee, approve to rename and amend the Politique de Placement – Fonds d'amortissement des emprunts découlant du plan de financement d'entretien différé, (Investment Policy – Sinking Fund for Debt from the Deferred Maintenance Financing) to "Politique de Placement, Afférente aux actifs détenus dans le fonds d'amortissement des emprunts à long terme de l'Université McGill, (Investment Policy – Sinking Fund for Repayment of McGill University Long-Term Debt)" as attached in Appendix A.

Be it further resolved that the Board of Governors authorize the Vice-Principal (Administration and Finance) to amend Schedules A and B of the Politique de Placement, Afférente aux actifs détenus dans le fonds d'amortissement des emprunts à long terme de l'Université McGill, (Investment Policy – Sinking Fund for Repayment of McGill University Long-term Debt), from time to time, subject to receipt of any required authorizations from the Ministère de l'Éducation de l'Enseignement supérieur and the Ministère des Finances.

4. McGill University Provisional Budget 2020-2021 [F19-32]

The Committee received and subsequently recommended for approved by the Board of Governors, a provisional budget for fiscal year 2020-2021. In light of the extraordinary circumstances resulting from the unprecedented COVID-19 pandemic and more notably the particular uncertainties with respect to FY2021 revenues, which are heavily dependent on student enrolments, the Committee approved proceeding with the adoption of a provisional budget with a second budget plan for FY2021 to be presented to the Committee in November 2020, for confirmation or adjustments of the intentions presented in the provisional budget.

Be it resolved that the Board of Governors, on the recommendation of the Finance Committee, approve the proposed FY2021 Provisional Budget, as described in Appendix B.

II. FOR THE INFORMATION OF THE BOARD OF GOVERNORS

1. Update on Financing Plan for Deferred Maintenance and IT Initiatives [F19-27]

Further to the Board of Governors' 2015 approval of a \$400 million financing plan to support investment in the University's accumulated deferred maintenance and information technology (IT) needs, the Committee was informed that as at March 31, 2020, a total of \$97.5M of the \$250M allocation was spent on the listed capital projects and a total of \$68.9M of the \$150M allocation was spent on the listed IT initiatives and projects.

2. Update on New Vic Project [F19-28]

Further to a request made at its meeting in November 2019, the Committee received an update on the New Vic Project. The Committee was informed that the University continues to work towards a total project cost of \$700 million. It was also advised that the University had requested a firm \$475M contribution from government and that the government take on the risk associated with any increase in costs related to special site conditions (estimated at \$200M). This request is currently under consideration from by the *Ministère de l'Éducation et de l'Enseignement supérieur*. The University maintains its position that it will contribute \$150 million towards the project.

3. Annual Report on the McGill University Pension Plan [F18-30]

The Committee received, for information, the annual report on the McGill University Pension Plan for the fiscal year ended December 31, 2019, as approved by the Pension Administration Committee.

4. Progress Report on Treasury Matters [F19-34]

The Committee received a progress report on treasury matters relating to the University's borrowing, investing and hedging activities for the period ended March 31, 2020 for information.

5. Update on Property Acquisition

The Committee received an update on the property acquisition discussed at the Board of Governors meeting of October 3, 2019. It was noted that an additional month had been requested to finalize the due diligence process, which had been accepted by the owner. The Committee was informed that the University hoped to come to a final agreement by the end of June.

6. Report on Risk Related to the Pension Plan Deficit [F19-35]

The Committee received a report on the risks and corresponding potential impacts related to the going-concern deficit of the McGill University Pension Plan ("MUPP") for information. In light of the evolving situation relating to the COVID-19 pandemic, a recommendation relating to addressing the Pension Plan Deficit will be presented to the Committee in the fall.

7. Update on the University's Financial Situation in Light of COVID-10

The Committee was provided with an overview of the University's financial situation in light of the COVID-19 pandemic. The Committee reviewed the University's strategies for addressing potential financial impacts in the context of the item relating to the adoption of the Provisional Budget for fiscal year 2020-2021.

END
April 2020

INVESTMENT POLICY

Sinking Fund for Repayment of McGill University Long-term Debt

Presented to the Finance Committee 16-04-2020

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1. PREAMBLE

This Investment Policy aims to establish a framework for long-term invested assets for the repaying (unamortized) debts, current or future, issued by McGill University ("the University"), the details of which appear in Schedule B ("the Debts").

The University agrees to pay the amounts indicated in Schedule A annually to supply the sinking fund and to pay interest related to the long-term debt issuances.

2. LEGAL FRAMEWORK

The University is subject to the provisions of Chapter VIII of the *Financial Administration Act* (CQLR, chapter A-6.001) and its regulations, thereto, *inter alia*, the *Regulation respecting investments made by a body* (CQLR, chapter A-6.001, r .8) (the "Regulations").

In accordance with section 77.2 of the *Financial Administration Act*, the University must obtain authorization from the Minister of Education and Higher Education for making long-term investments as well as the authorization of the Minister of Finance, as to the nature, terms and conditions of the investments to be made.

Consequently, this investment policy and its schedule, as well as any subsequent modification, must be subject to the authorization of the Minister of Education and Higher Education and the Minister of Finance.

3. POLICY PURPOSE AND OBJECTIVES

The purpose of this Investment Policy is to define and provide a framework for the management of the long-term investment portfolio in order to obtain investment income until the funds are used by the University, all the while preserving capital. The University is committed to optimize its capital structure and is sensitive to the income generated by such investments while having a low tolerance for financial risks that could lead to losses on the investments regulated by this policy.

Financial objectives of this Policy:

- Ensure the liquidity necessary for the payment of interest due for debt issuances;
- Ensure the repayment of capital for each debt at maturity;
- Preserve the capital invested; and
- Achieve the best possible return given the constraints of the policy.

4. ROLES AND RESPONSIBILITIES OF THE VARIOUS STAKEHOLDERS IN THIS POLICY

The role and responsibilities of the various stakeholders of this Policy are:

4.1 The Board of Governors (“the Board”) after the recommendation of the Finance Committee of the Board of Governors

- Approval of amendments to the Investment Policy excluding the Schedules, which are approved by Vice-Principal, Administration and Finance and the Minister of Finance.

4.2 Investment Managers and Office of Investments of McGill University

The Investment Manager and the Office of Investments are responsible for setting up and managing the portfolio according to the distribution established in this investment policy and maintaining compliance with it, at all times.

- Publishing of the following monthly reports:
 - Monthly statement listing all the securities held and the following : description, cost, issuer, market value and maturity date;
 - List of all transactions performed during the month;
 - Monthly report showing the aggregate return on the portfolio.

4.3 Vice-principal, Administration and Finance

The Vice-Principal Administration and Finance responsibilities:

- Development, updating and application of the Investment Policy;
- Approval of the Schedules in accordance with updates;
- Execution and confirmation of transactions;
- Selection of securities custodian and manager(s), as applicable;
- Verification and approval of management fees and expenses, as applicable.

5. AUTHORIZED INVESTMENTS

The authorized investments, subject to the specific directives and guidelines presented herein below are as follows:

- a) cash deposit with a financial institution authorized to carry on business under a law applicable in Québec or Canada;
- b) a Treasury bond or short-term note issued by the Gouvernement du Québec, the Government of Canada or the government of another province or Canadian territory;
- c) bond or coupon issued or guaranteed by Gouvernement du Québec, the Government of Canada or the government of another province or Canadian territory;
- d) a short-term note, bond or coupon issued or guaranteed by a municipality or municipal body situated in Québec, or by a body within the meaning of section 77 of the *Financial Administration Act*;
- e) a certificate, note or other security or paper issued or guaranteed by a bank listed in Schedules I, II, and III of the *Bank Act* (statutes of Canada, 1991, Chapter 46), by the Caisse de dépôt et placement du Québec or by a financial services cooperative;

- f) corporate bonds rated “A” or higher (Investment Grade) by the credit rating agency with the lowest rating for a particular security;
- g) a pooled fund comprised of the vehicles in 5a) through 5f) hereinabove managed by a recognized investment manager in Canada, subject to compliance with the requirements and constraints set out in this investment policy.

For category 5f):

- the University may not invest more than 10% of the value of the portfolio of securities issued or guaranteed by the same issuer; and
- the use of debentures is prohibited.

6. REQUIREMENTS AND CONSTRAINTS

- The minimum rating for the money market securities shall be R-1 (as rated by DBRS) at all times, except for the securities of Quebec municipal bodies, for which this minimum rating is not required.
- The maximum maturity of a security may not exceed that of the debt with the most distant maturity date

7. PORTFOLIO ALLOCATION

The asset allocation of the portfolio is based on the projected repayment of debts as they fall due. The manager will respect the following limits by asset category:

Asset Mix ⁽¹⁾	Minimum	Maximum
Federal	0%	30%
Provincial	20%	60%
Municipal	0%	40%
Corporate	0%	45%

(1) The assets be issued or guaranteed, as set out in Section 5 of this Policy, by an issuer in any of the categories above.

The yield target will vary depending on the investment horizon until the next maturity of the debt. However, it is expected that the average return of the portfolio will be greater than the rate of return of the index FTSE TMX Universe Short Term Bond.

8. TERM

This Policy shall come into force as soon as it is approved by the Board of Governors, on the recommendation of its Finance Committee, which will follow the required ministerial authorizations and

shall be valid until the furthest due date of the debts targeted by this policy. An annual policy review will be carried out.

9. SECURITIES CUSTODIAN

The custodian shall be available at all times and any authorized person connected with the implementation of this Policy shall have access to the custodian at all times.

10. CONFLICT OF INTEREST

A conflict of interest, whether real or apparent, is defined for the purposes hereof as any situation in which a member of the Board or its committees, an investment manager, an agent or mandatary, an advisor, a staff member of the University or any other party directly related to the preceding persons could obtain personal benefit or gain from information about the portfolio, from the person's involvement in the portfolio or from an investment decision or decision concerning the securities held in the portfolio.

In discharging their responsibilities, all the parties mentioned herein shall at all times avoid conflicts of interest and act in the best interests and for the benefit of the portfolio, bearing in mind all the duties of the University.

Schedule A

McGill will pay a minimum of \$20 million per year into the sinking fund between 2020 and 2025. This amount will be reviewed at least every five (5) years and adjusted as necessary in the future for the repayment of debts as they fall due.

A one-time payment of \$ 85 million is expected in 2029, when a long-term investment matures, matched with a currency and interest rate swap made in September 2002.

Schedule B

Debt issued by McGill and due date:

1. \$ 150 million, Series "A" 6.150%, September 22, 2042
2. \$ 160 M, Series "B" 3.975%, January 29, 2056
3. \$ 90 M, Series "C" 2.926%, July 26, 2049

POLITIQUE DE PLACEMENT

**Afférente aux actifs détenus dans le fonds d'amortissement
des emprunts à long terme de l'Université McGill**

Présenter au comité de finance le 16-04-2020

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1. PRÉAMBULE

L'établissement de cette politique de placement concerne les actifs investis à long terme dans le but de rembourser, à leurs échéances, les dettes à long terme non amorties, en cours ou à venir, émises sur les marchés financiers et dont le détail apparaît à l'Annexe B (« les Dettes ») par l'Université McGill (« l'Université »).

L'Université s'engage à déboursier annuellement les montants indiqués à l'Annexe A pour approvisionner le fonds d'amortissement et pour payer les intérêts reliés aux Dettes.

2. CADRE LÉGAL

L'Université est soumise aux dispositions du chapitre VIII de la Loi sur l'administration financière (RLRQ, chapitre A-6.001) et à ses règlements, notamment le Règlement sur les placements effectués par un organisme (RLRQ, chapitre A-6.001, r.8) (le « Règlement »).

Conformément à l'article 77.2 de la Loi sur l'administration financière, l'Université doit, pour effectuer des placements à long terme, obtenir l'autorisation du ministre de l'Éducation et de l'Enseignement supérieur, quant à l'opportunité d'effectuer les placements, ainsi que l'autorisation du ministre des Finances, quant à la nature, aux conditions et aux modalités des placements à effectuer.

Conséquemment, cette politique de placement et ses annexes, ainsi que toutes modifications subséquentes, doivent être soumises à l'autorisation du ministre de l'Éducation et de l'Enseignement supérieur et du ministre des Finances.

3. BUT ET OBJECTIFS DE LA POLITIQUE

Le but de la présente politique de placement est de définir et d'encadrer la gestion du portefeuille de placements à long terme du fonds d'amortissement, afin d'obtenir des revenus de placement en attendant que les fonds soient utilisés par l'Université aux fins du remboursement des Dettes, tout en préservant le capital. L'Université est soucieuse d'optimiser sa structure de capital et est sensible aux revenus générés par ces placements tout en présentant une faible tolérance aux risques financiers susceptibles d'engendrer des pertes sur les placements encadrés par la présente politique.

Objectifs financiers :

- assurer la liquidité nécessaire pour le paiement des intérêts dus sur les Dettes;
- assurer le remboursement du capital à l'échéance respective des Dettes;
- préserver le capital investi; et
- obtenir le meilleur rendement possible en respect de la politique.

4. RÔLES ET RESPONSABILITÉS DES DIFFÉRENTS INTERVENANTS DANS LA PRÉSENTE POLITIQUE

Le rôle et les responsabilités des différents intervenants dans la présente politique sont :

4.1 Le Conseil des Gouverneurs

Le Conseil des Gouverneurs (« Le Conseil ») après recommandation du Comité des Finances, doit approuver la politique de placement et les mises à jour subséquentes, à l'exclusion des annexes qui sont approuvées par le Vice-principal, administration et finances et par le Ministre des Finances.

4.2 Gestionnaires de placements et Bureau de placements

Le Gestionnaire de placements et le Bureau de placements sont responsables de la mise en place et de la gestion du portefeuille en fonction de la répartition établie à la présente politique de placement et en respectant celle-ci, et ce, à tout moment.

Ils doivent produire les rapports mensuels suivants :

- Un état de compte listant tous les titres détenus et indiquant la description, le coût, l'émetteur, la valeur marchande et la date d'échéance de ces titres;
- La liste de toutes les transactions effectuées durant le mois; et
- Un rapport mensuel démontrant le rendement global du portefeuille.

4.3 Vice-principal, administration et finances

Le Vice-principal, administration et finances est responsable de :

- L'élaboration, la mise à jour et l'application de la politique de placement;
- Approbation des Annexes selon les mises à jour;
- L'exécution et la confirmation des transactions;
- La sélection du gardien de valeurs et du/des gestionnaires, le cas échéant;
- La vérification et l'approbation des frais et honoraires de gestion, le cas échéant.

5. PLACEMENTS AUTORISÉS

Les véhicules de placement autorisés, sujets aux directives particulières et aux orientations présentées ci-dessous, sont les suivants :

- a) un dépôt d'argent auprès d'une institution financière autorisée à exercer ses activités en vertu d'une loi applicable au Québec ou au Canada ;
- b) un bon du Trésor ou billet à court terme émis ou garanti par le gouvernement du Québec, le gouvernement du Canada ou celui d'une autre province ou d'un territoire canadien;
- c) une obligation ou un coupon émis ou garanti par le gouvernement du Québec, par le gouvernement du Canada, par une autre province ou un territoire canadien;
- d) un billet à court terme, une obligation ou coupon émis ou garanti par une municipalité ou un organisme municipal situé au Québec ou par un organisme au sens de l'article 77 de la Loi sur l'administration financière;

- e) un certificat, un billet ou autre titre ou papier émis ou garanti par une banque figurant aux annexes I, II et III de la Loi sur les banques (Lois du Canada, 1991, chapitre 46), par la Caisse de dépôt et placement du Québec ou par une coopérative de services financiers;
- f) une obligation de société ayant une cote de A ou plus (Investment grade) selon l'agence de crédit ayant établi la plus basse cote pour un titre donné.
- g) un fonds commun de placements composé des véhicules énumérés aux paragraphes 5a) à 5f) ci-haut géré par un gestionnaire de placement reconnu au Canada par une autorité réglementaire compétente, sous réserve du respect des exigences et contraintes prévues à la présente politique de placement.

Pour la catégorie 5f) :

- l'Université ne peut investir plus de 10 % de la valeur du portefeuille dans des titres émis ou garantis par un même émetteur; et
- l'utilisation de débentures est interdite.

6. EXIGENCES ET CONTRAINTES

- La cote minimale pour l'acquisition des titres de marché monétaire est, en tout temps, de R-1 (selon DBRS) à l'exception des titres d'organismes municipaux du Québec pour lesquels cette cote minimale n'est pas exigée.
- L'échéance maximale d'un titre ne peut en aucun cas excéder celle de la dette ayant la date d'échéance la plus lointaine.

7. RÉPARTITION DU PORTEFEUILLE

La répartition de l'actif du portefeuille repose sur les remboursements projetés des Dettes à leurs échéances et respectera les limites suivantes par catégories d'émetteur :

Catégories d'émetteur ⁽¹⁾	Minimum	Maximum
Fédéral	0%	30%
Provincial	20%	60%
Municipal	0%	40%
Corporatif	0%	45%

(1) Les actifs doivent être émis ou garantis, comme énoncé à la section 5 de la présente politique, par un émetteur de l'une ou l'autre des catégories ci-dessus.

L'objectif de rendement variera selon l'horizon de placement jusqu'à la prochaine échéance de dette. Cependant, il est espéré que le rendement moyen du portefeuille soit supérieur au taux de rendement de l'indice obligataire à court terme FTSE TMX Univers.

8. DURÉE

Cette politique de placement entre en vigueur dès son approbation par le Conseil, après recommandation de son Comité des Finances, laquelle suivra l'obtention des autorisations ministérielles requises, et est valide jusqu'à la date d'échéance la plus lointaine des dettes visées par la présente politique. Une revue annuelle de la politique doit être effectuée.

9. GARDIEN DE VALEURS

Le gardien de valeurs devra être disponible en tout temps et toute personne reliée à l'application de la présente politique aura un accès en tout temps à ce gardien.

10. CONFLIT D'INTÉRÊTS

Le conflit d'intérêts, réel ou apparent, est défini aux fins de la présente politique comme toute situation dans laquelle un membre du Conseil ou de ses comités, un gestionnaire de placement, un mandataire, un conseiller, un membre du personnel de l'Université ou toute autre partie directement liée à l'une des personnes précédentes, pourrait tirer un avantage personnel de renseignements sur le portefeuille, de sa participation au portefeuille, ou encore d'une décision de placement ou de titres détenus dans le portefeuille.

En s'acquittant de leurs responsabilités, toutes les parties mentionnées à la présente politique doivent en tout temps éviter les conflits d'intérêts et agir au mieux des intérêts et à l'avantage du portefeuille, compte tenu de l'ensemble des obligations de l'Université.

L'Université versera un minimum de 20 millions de dollars par année au fonds d'amortissement, entre 2020 et 2025. Ce montant sera révisé au minimum à chaque cinq (5) ans et ajusté selon les besoins futurs reliés aux remboursements des Dettes à leurs échéances respectives.

Un versement ponctuel de 85 M\$ est également prévu en 2029, soit au moment de l'échéance d'un placement à long terme apparié à un contrat d'échange de devise et de taux d'intérêt réalisé en septembre 2002.

Dettes émises par McGill et date d'échéance :

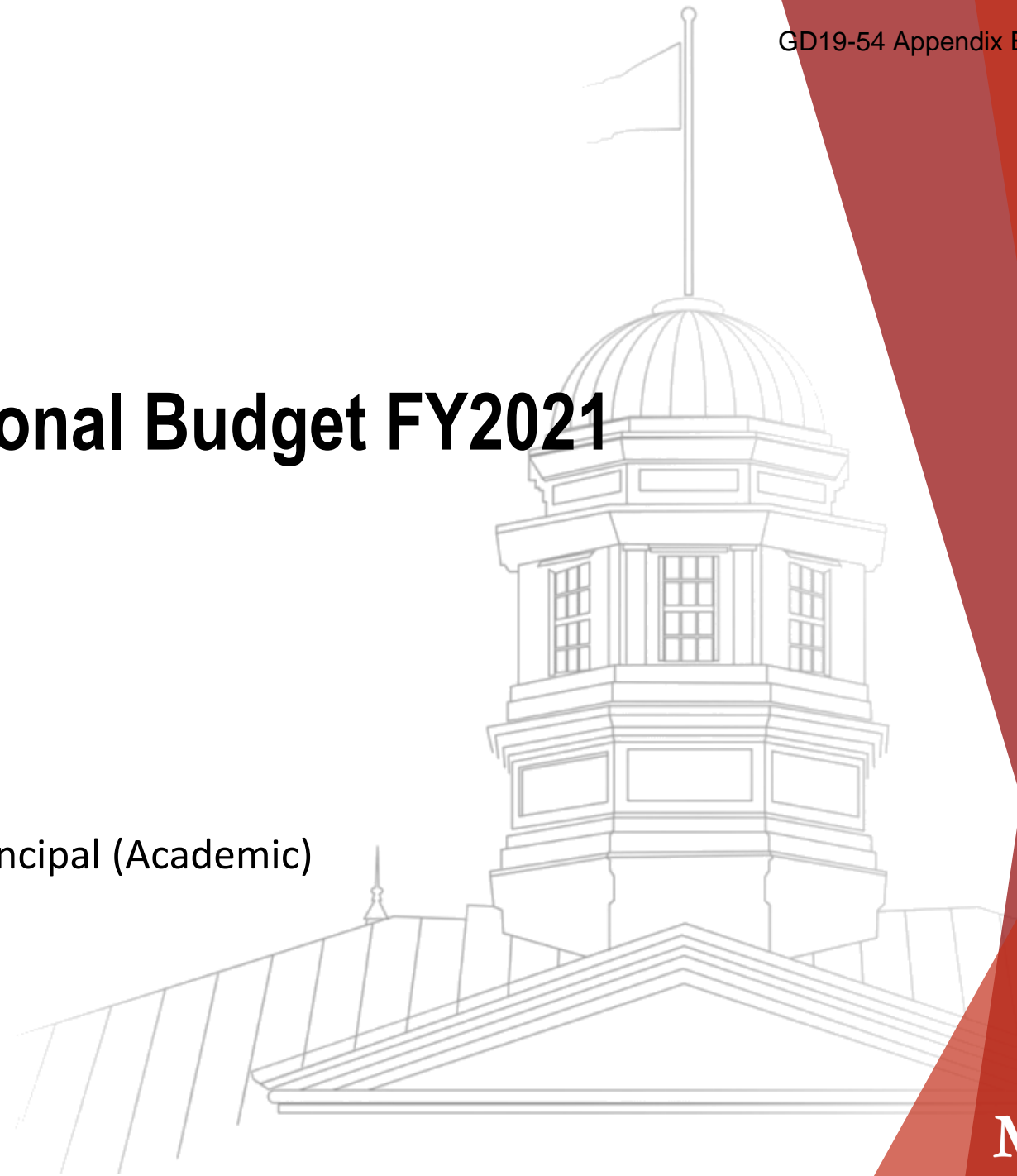
1. 150 M\$, Séries «A» 6.150%, 22 septembre 2042
2. 160 M\$, Séries «B» 3.975%, 29 janvier 2056
3. 90 M\$, Séries «C» 2.926%, 26 juillet 2049

Budget Planning III

McGill University Provisional Budget FY2021

Presentation to the Board of Governors
April 16, 2020

Christopher Manfredi, Provost and Vice-Principal (Academic)



FY2021 Provisional Budget

- ▶ This provisional budget plan is presented to the Finance Committee of the Board of Governors for review and approval in anticipation of the new fiscal year starting 1 May 2020.
- ▶ The extraordinary circumstances resulting from the unprecedented COVID-19 pandemic have created particular uncertainties with respect to FY2021 revenues, which are heavily dependent on student enrolments.
- ▶ Timing compounds the issue of predictability – our fiscal year starts 1 May. Our primary revenue generating activities (i.e., teaching) do not begin in earnest until September. Our capacity to predict enrolments and the revenues they generate in a typical year is well-developed, but the uncertainties of the current situation limit this predictive capacity.
- ▶ The coming year will also result in exceptional expenses and revenue losses if we are prevented from returning to business-as-usual in Fall 2020.
- ▶ Given these circumstances, a second budget plan for FY2021 will be presented to the Finance Committee in November 2020, for confirmation or adjustment of the intentions presented here.

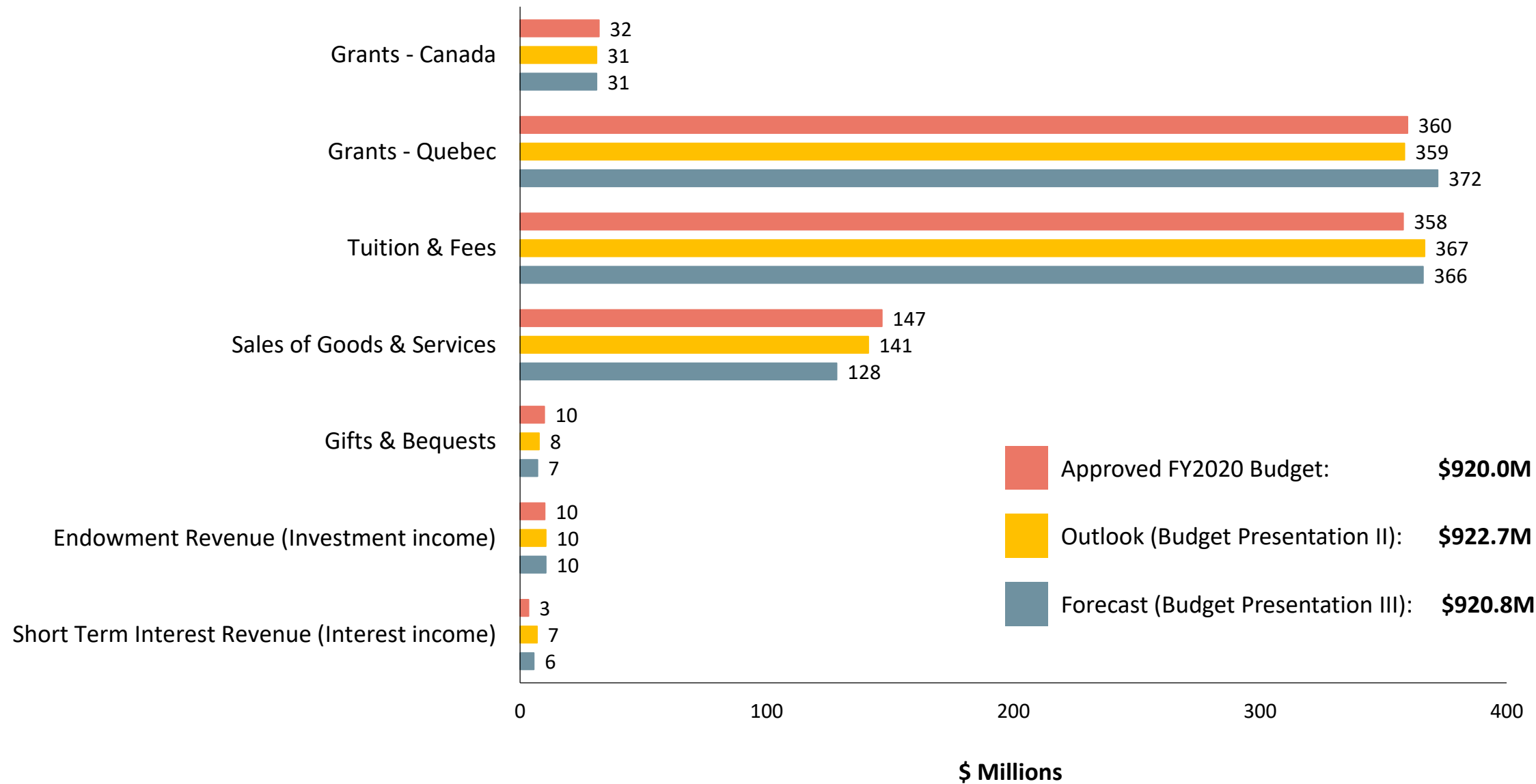
FY2020 Forecast

FY2020: Unrestricted Revenues

- ▶ A more precise model of anticipated grant revenues is possible after the close of the third quarter of the year (that is, after Budget Presentation II)
- ▶ Higher than anticipated enrolments = higher than anticipated tuition and grant revenues
- ▶ Tuition and fees, and provincial grant revenues variance (forecasted vs. budgeted) = +\$20.4M
- ▶ The unprecedented disruption of activity in the last months of the academic year is not expected to materially affect revenues from tuition and fees or grants in FY2020.

- ▶ However, revenues from sales of goods and services have been substantially affected
- ▶ SOGS variance (forecasted vs. budgeted) = (\$18.3M)
 - ▶ Pro-rated refunds for residence leases, meal plans, athletics memberships
 - ▶ Loss of activity in other ancillary services (e.g., bookstore, parking, printing services, other food services)
 - ▶ Losses within Faculties (e.g., dental clinic, performances)

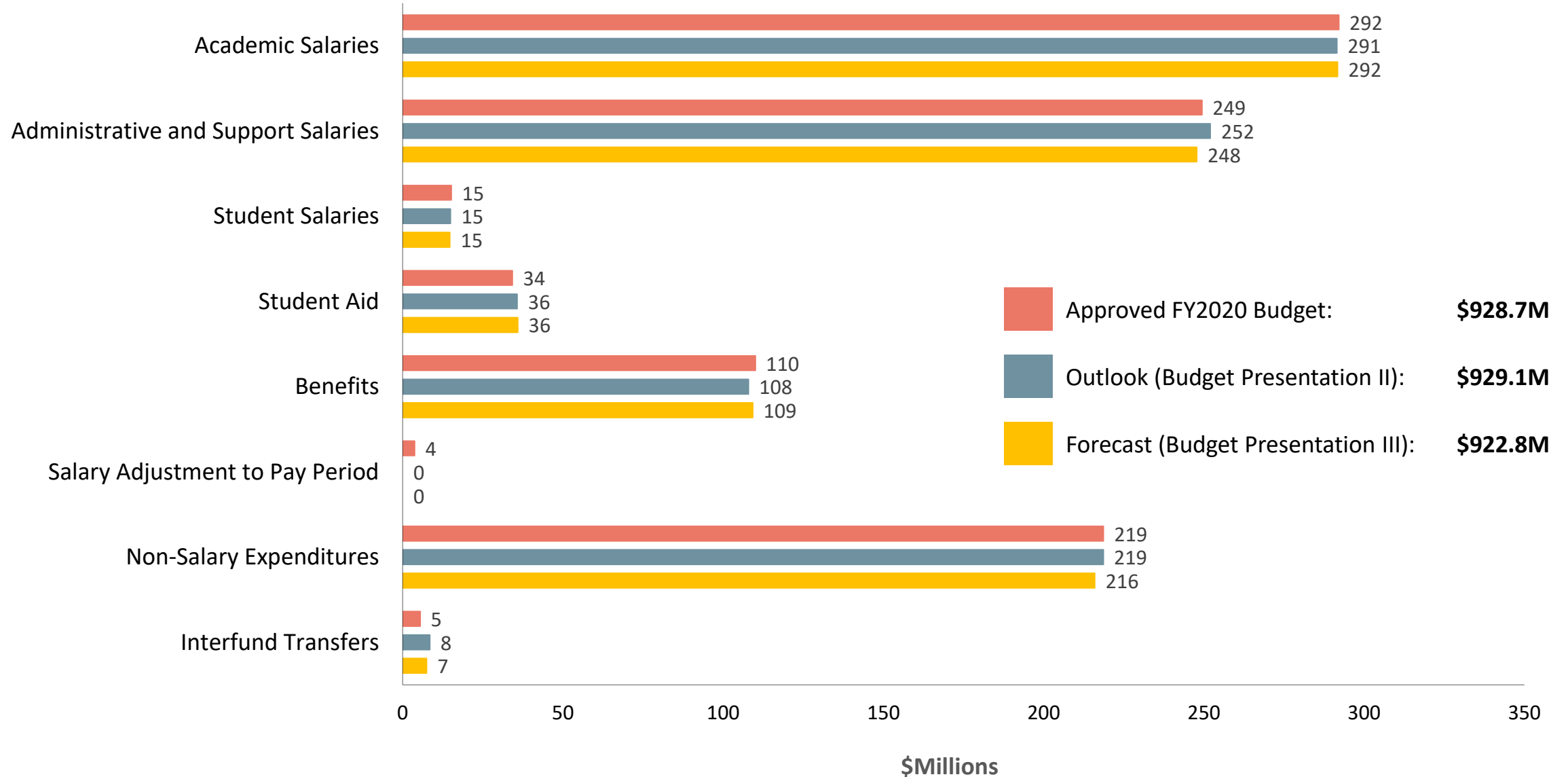
FY2020 Forecast: Unrestricted Revenues



FY2020 Forecast: Unrestricted Expenses

- ▶ Despite the unanticipated reduction in revenues, overall expenses have not declined significantly.
- ▶ Unrestricted expenses variance (forecasted vs. budgeted) = (\$5.9M)
- ▶ The Quebec Government has thus far instructed universities to continue to pay employees based on pre-established expectations.
- ▶ Some non-salary expenses have changed, with some normal activities ceasing, and new activities taking their place. For example:
 - ▶ Significantly reduced travel
 - ▶ Suspension of Macdonald Campus shuttle
 - ▶ Investment in software and hardware necessary to deliver the remainder of the Winter 2020 term online
 - ▶ Increased student aid to address need with respect to access to resources to complete courses
- ▶ Some unit-level year-end surpluses

FY2020 Forecast: Unrestricted Expenses



FY2020 Forecast: Summary

	<i>Approved FY2020 Budget</i>	<i>FY2020 Outlook (Budget Presentation II)</i>	<i>FY2020 Forecast (Presentation III)</i>	<i>Variance (Budget vs. Forecast)</i>
Total revenues	920,001	922,701	920,817	0.1%
Total expenses ⁽¹⁾	928,870	929,075	922,772	0.6%
Annual financed surplus/(deficit)	(8,668)	(6,374)	(1,955)	
Financed accumulated deficit ⁽²⁾			(121,755)	
Financed accumulated deficit/Revenues (%)			13.22%	

⁽¹⁾ Excluding year-end actuarial adjustments and related accrual

⁽²⁾ FY2019 ending financed accumulated deficit = \$119,800

FY2020 Government support

- ▶ Quebec Universities are in discussion with the Quebec Government to assess the extent of lost revenues and extraordinary expenditures in the last months of FY2020
- ▶ Extent of any subsidy for lost revenue or reimbursement of costs remains to be determined, but is a possibility.

FY2021 Provisional Budget

FY2021 Key Budget planning assumptions

- ▶ Enrolment targets and enrolment-driven revenues for FY2021 were modelled before disruption and have not been adjusted.
- ▶ Anticipated loss of revenues has been addressed through creation of a significant contingency and the implementation of expense reduction measures.
- ▶ Additional, unknown and thus unbudgeted expenses may yet be incurred in FY2021 if a return to business-as-usual is not possible in academic year 2020-21
- ▶ Loss of revenue in self-funding units must be met with corresponding reduction in expenses
- ▶ Some degree of additional financial support from the Quebec Government may be forthcoming for FY2021.

FY2021 Key Pre-COVID-19 Assumptions: Student Enrolment

- Growth in PhD enrolment; slight decrease in undergraduate enrolment.

			% CHANGE
Total FTEs	32,693.18	32,734.71	0.1%
Med Residents (FTEs)	2,284.3	2,367.6	3.6%
3 rd Cycle (FTEs)	2,181.0	2,286.4	4.8%
2 nd Cycle (FTEs)	4,114.3	4,023.4	-2.2%
1 st Cycle (FTEs)	24,113.5	24,057.4	-0.2%
	FY 2020(p)	FY 2021(e)	
Total weighted FTEs ⁽¹⁾	99,313.7	99,383.5	0.4%

(1) WFTEs = FTEs weighted by discipline and level, using the new CAFF weighting grid

p = projected; e = estimate

FY2021 Enrolment Considerations I

- ▶ Student enrolment accounts for approximately 80% of University revenues in normal circumstances – directly via tuition and fees, and indirectly through support grants received from the Quebec Government
- ▶ Lost enrolments in 2020-21 could remain “lost” for several years as a smaller-than-normal cohort makes its way through its programs, meaning revenues could be equally depressed for an extended period of time. (Mitigation strategies are in development.)
- ▶ Self-funded units also generate significant revenue through student activity – e.g., residences, food services, athletics, University bookstore
- ▶ Enrolment retention remains a top priority
 - ▶ Enrolment Services has adopted a policy of over-admission where applicant pools are sufficiently strong to allow this
 - ▶ Graduate programs are also adopting a more aggressive approach to admissions
 - ▶ Increased, proactive engagement with new and returning students throughout the spring and summer months

FY2021 Enrolment Considerations II

- ▶ The numbers of new students who have confirmed their acceptance of our offer of admission as of early April 2020 are broadly comparable to those from April 2019, with some qualification:
 - ▶ Confirmations from CEGEPs and US high schools are up, though more offers were made to each population this year
 - ▶ Confirmations from Ontario high schools are on par, though this follows considerably more offers having been made
 - ▶ Confirmations from Canadian high schools (excluding QC and ON) are down, despite making a similar number of offers
 - ▶ Confirmations from international (non-US) high schools are down slightly, though slightly fewer offers were made this year
- ▶ The month of April usually sees the greatest number of confirmations – so there are many more outstanding offers than confirmed acceptances
- ▶ The confirmation deadline will be extended from 1 May to 1 June to accommodate this period of exceptional uncertainty, but this will reduce visibility into the intentions of admitted applicants.

FY2021 Enrolment Planning

- ▶ Summer 2020 courses will be delivered remotely; this will ensure instruction can continue through the summer months, regardless of what emergency measures may still be in place, but will require that some courses not compatible with remote delivery will not be offered.
- ▶ The University has begun, provisionally, to plan for remote-only delivery for Fall 2020. The decision to take the route is not final, but planning must begin now to ensure we are capable of making the transition if necessary.
- ▶ Program delivery in Fall 2020 may be 100% remote, or combination of remote and in-person, on-campus instruction
- ▶ Admission to some programs and/or the delivery of some program components may still need to be deferred to January 2021 or later if an in-person start in September 2020 is not possible
- ▶ Fuller course offerings in Summer 2021, or possibly a full Summer term, are also possibilities
- ▶ Additional considerations for admission, support and supervision of graduate students and postdoctoral fellows will be necessary if our campuses remain closed.

Scenario	Approximate Potential Revenue Loss	Assumptions	Mitigation Difficulty
1	\$10M	<ul style="list-style-type: none"> Stable QC enrolment 5% decline in new CNRQ enrolment; stable returning enrolment 10% decline in new international enrolment; 5% decline in lower level international enrolment; stable upper level international enrolment 	Moderate
2	\$17M	<ul style="list-style-type: none"> 5% increase in new QC enrolment 10% decline in new CNRQ enrolment; 5% decline in returning enrolment 20% decline in new international enrolment; 10% decline in lower level returning international enrolment 	Difficult
3	\$28M	<ul style="list-style-type: none"> Stable Quebec enrolment 5% decline in new CNRQ students; stable returning enrolment 10% decline in international student enrolment 	Very Difficult
4	\$30M	<ul style="list-style-type: none"> Stable Quebec enrolment 10% decline in new CNRQ enrolment; stable returning CNRQ enrolment 10% decline in international enrolment 	Very Difficult
5	\$39M	<ul style="list-style-type: none"> Stable QC enrolment 10% decline in international and CNRQ enrolment 	Extreme
6	\$61M	<ul style="list-style-type: none"> 10% decline in total enrolment 	Extreme

FY2021 Key expense reduction measures I

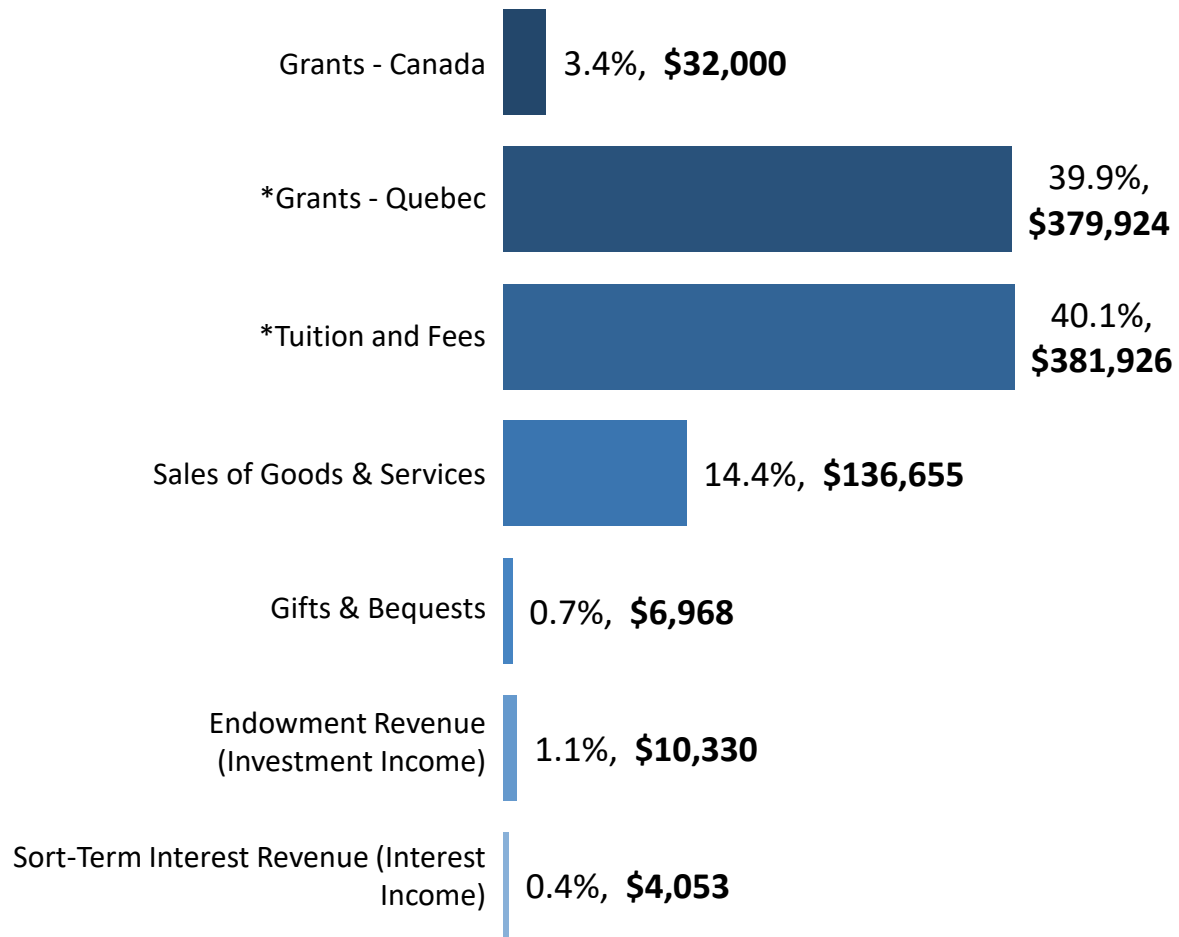
- ▶ Establish an \$20M contingency to brace against as yet unknown enrolment decline and/or extraordinary costs associated with alternate program delivery
- ▶ Defer approximately \$10M in planned expenditures for FY2021 across all sectors of the University, including some new commitments for FY2021 that were made in previous years
- ▶ Achieve approximately \$2M in additional non-salary expenditure reductions – to be determined and managed by local leadership (e.g., Deans and VPs)
- ▶ Limit spending and restrict new allocations in particular to mission-critical activities, core operations, and contractual obligations
- ▶ Reduction of FY2021 sinking fund payment from \$11.5M to \$8.5M

FY2021 Key expense reduction measures II

- ▶ Suspend tenure-track and contract academic hiring until further notice (course lecturers excepted, but to be hired only where needed to ensure program continuity)
- ▶ Suspend administrative and support staff hiring until further notice
- ▶ [TBC] Defer June 2020 merit increases for all non-unionized academic and administrative and support staff (including University executives) until December 2020; across-the-board economic increases to be implemented 1 June as planned
- ▶ Suspend authority within units to spend-down 1A individual budget carry-forward fund balances

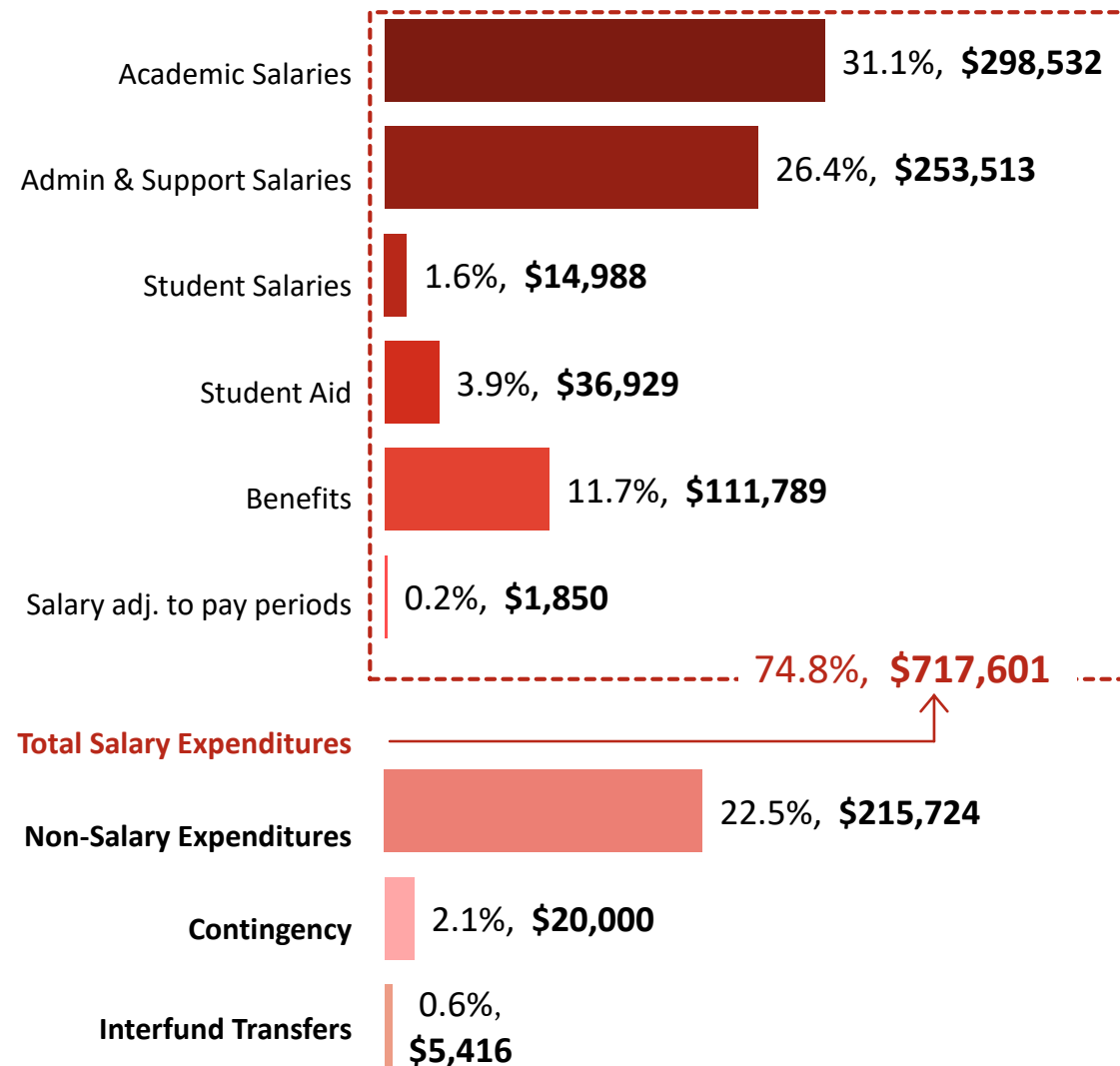
FY2021 Provisional Budget

(\$000s) Budgeted Revenues FY2021: \$951,856



*unadjusted pre-COVID-19 values

Budgeted Expenses FY2021: \$958,740



FY2021 Provisional Budget

(\$000)

	<i>FY2021 Provisional Budget</i>
Total revenues	951,856
Total expenses (incl. contingency)	958,740
Annual financed surplus/(deficit)	(6,884)

FY2021 Extraordinary expenses still to be evaluated

- ▶ Additional costs for software, bandwidth, instructional tools, specialist staff for sustained remote delivery of core program components
 - ▶ These are being evaluated now. Precise cost estimate is not yet available, but spending will be prioritized as budget permits

- ▶ Potential delay of go-live for R2R Program and the implementation of Workday as the University's new HR information system.
 - ▶ Go-live has been deferred by one month. This delay will have little budgetary or operational impact, but is contingent on a return to business-as-usual by early summer. If emergency measures are extended, go-live may need to be delayed further, which will put pressure on university resources.

FY2021 Risks/Unknowns

- ▶ Duration of COVID-19 emergency measures will directly affect our capacity to return to business-as-usual, and is out of our control
- ▶ Remote delivery of academic programs in Fall 2020 is feasible, but the proportion of our programs that are effectively adaptable to such delivery is to be determined
- ▶ The proportion of our new and returning students who are willing and/or able to participate in remote instruction over a full term is to be determined
- ▶ Effect of economic downturn and market volatility on philanthropic revenues and the University's endowment fund remains to be seen
- ▶ Effect of market volatility on pension fund and University obligations remains to be seen

Discussion

- ❓ Questions
- ❓ Comments
- ❓ Concerns
- ❓ Suggestions

