

Secretariat

845 Sherbrooke St. West, Room 313

Montreal, QC H3A 0G4

Tel: 514-398-3948 | Fax: 514-398-4758

The following items arise from a meeting of the Finance Committee on December 8, 2022. They include items that are presented for approval by the Board of Governors.

I. FOR ACTION BY THE BOARD OF GOVERNORS**1. Short-Term Line of Credit with *Financement-Québec* [F22-11]**

The Finance Committee reviewed and recommended for approval by the Board of Governors the renewal of the short-term line of credit with *Financement-Québec* (FQ). This short-term line of credit was initially adopted by the Board of Governors at its meeting of December 16, 2021 on the recommendation of the Finance Committee and is set to expire on December 31, 2022. This facility is used to finance projects or portions thereof that are not funded by the *Ministère de l'Enseignement supérieur* (MES).

The MES, FQ and the *Ministère des Finances* require the Board of Governors to adopt the standard resolution in Appendix A for the renewal of this short-term line of credit.

II. FOR THE INFORMATION OF THE BOARD OF GOVERNORS**1. Update on Financing Plan for Deferred Maintenance and IT Initiatives [F22-09]**

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 October 31, 2022, a total of \$112M of the \$260M had been spent on deferred maintenance and \$103M of the \$140M had been spent on information technology.

2. Outstanding Capital Borrowings at April 30, 2022 [F22-10]

The Finance Committee received a report on outstanding capital borrowings at April 30, 2022. The report highlighted the amounts borrowed on behalf of the Quebec government (\$178.5 million) as well as borrowings for past capital projects awaiting fundraising receipts (\$19.1 million).

3. Update on New Vic Project [F22-14]

The Committee received an update on the progress of the New Vic Project further to the Board of Governors' approval of the project's construction phase. At its meeting of October 6, 2022, the Board of Governors approved the construction phase of the project within a total budget of \$870 million, of which the University's maximum contribution has been set at \$250 million. The Committee also received an update on the project costs and timeline.

4. Biannual Report on the Status of the McGill University Master Plan

4.1 Implementation of the Master Plan: Executive Summary [F22-12]

The Finance Committee received an executive summary report on the implementation of the McGill University Master Plan. The Executive Summary provides an overview of the Master Plan's implementation from a financial perspective and a real estate perspective.

4.2 Financial Considerations for the McGill University Master Plan and all Deferred Maintenance Projects [F22-13]

The Finance Committee also reviewed key considerations of the Financial Plan in support of the Master Plan, which it receives further to the Board of Governors' endorsement, on May 23, 2019, of the first phase of the Financial Plan. The Board endorsed the first phase of the financial plan with the understanding that the Finance Committee would review the Plan's status on a semi-annual basis.

5. Budget Planning 2023-2024 Report I [F22-16]

The first of three presentations regarding the budget planning exercise for FY2024 was provided to the Finance Committee.

The Presentation in support of the budget planning exercise is attached as Appendix B and outlines the major considerations shaping the budget for the upcoming fiscal year.

6. Overview of the Financial Impacts of the COVID-19 Pandemic [F22-08]

The Finance Committee received a presentation on the financial challenges and other external factors which impacted the University's operations during the pandemic. This presentation highlighted that the actions taken to mitigate the financial impact of the pandemic revealed financial levers available to mitigate future financial challenges.

8. Update on Quarterly Financial Results for Fiscal Period Ending October 31, 2022 [F22-15]

The Finance Committee received a report on the quarterly financial results for the period ended on October 31, 2022.

7. Treasury Report [F22-17]

The Finance Committee received a progress report on treasury matters relating to the University's borrowing, investing and hedging activities for the period ended October 31, 2022.

END
December 2022

Extrait du procès-verbal d'une assemblée régulière du Conseil d'administration de l'Institution Royale pour l'Avancement des Sciences / l'Université McGill dûment convoquée et tenue à Montréal, Québec, le 15 décembre 2022 à compter de 16h et à laquelle il y avait quorum.

Résolution no : _____

ATTENDU QUE, conformément à l'article 78 de la Loi sur l'administration financière (RLRQ, chapitre A-6.001), l'Institution Royale pour l'Avancement des Sciences / l'Université McGill (l'« Emprunteur ») souhaite instituer un régime d'emprunts, lui permettant d'effectuer des emprunts par marge de crédit auprès de Financement-Québec, pour financer ses projets d'investissement pour lesquels une subvention est accordée par la ministre de l'Enseignement supérieur (les « Projets »);

ATTENDU QUE le montant des emprunts à contracter en vertu de ce régime d'emprunts ne devra pas excéder les montants autorisés par la ministre de l'Enseignement supérieur, conformément à la Loi sur l'administration financière;

ATTENDU QUE les Projets seront financés uniquement auprès de Financement-Québec;

ATTENDU QU'il est opportun, à cet effet, d'autoriser le régime d'emprunts en vertu duquel l'Emprunteur peut effectuer des emprunts par marge de crédit auprès de Financement-Québec, et d'en approuver les conditions et modalités;

ATTENDU QUE, conformément à l'article 83 de la Loi sur l'administration financière, l'Emprunteur souhaite, dans le cadre de ce régime d'emprunts, que le pouvoir d'emprunter et celui d'approuver les conditions et les modalités des emprunts soient exercés par au moins deux de ses dirigeants;

ATTENDU QUE le deuxième alinéa de l'article 83 de cette loi précise que lorsqu'il s'agit d'effectuer un emprunt à court terme ou par marge de crédit, le pouvoir peut être exercé par un membre du personnel autorisé par l'organisme, pouvant agir seul;

ATTENDU QUE ce régime d'emprunts doit être autorisé par la ministre de l'Enseignement supérieur, conformément à la Loi sur l'administration financière;

ATTENDU QU'il y a lieu de reconduire la convention de marge de crédit conclue entre l'Emprunteur et le ministre des Finances, à titre de responsable du Fonds de financement;

IL EST EN CONSÉQUENCE RÉSOLU :

1. QUE, sous réserve de l'autorisation requise de la ministre de l'Enseignement supérieur, l'Emprunteur soit autorisé à instituer un régime d'emprunts, lui permettant d'effectuer des emprunts par marge de crédit auprès de Financement-Québec, pour financer ses projets d'investissement pour lesquels une subvention est accordée par la ministre de l'Enseignement supérieur (les « Projets »), selon les limites et caractéristiques suivantes :
 - a) le taux d'intérêt payable sur les emprunts sera établi selon les critères déterminés par le gouvernement en vertu du décret numéro 514-2022 du 23 mars 2022, tel que ce décret peut être modifié ou remplacé de temps à autre;
 - b) les emprunts par marge de crédit seront réalisés en vertu de la convention de marge de crédit conclue avec Financement-Québec, conformément aux conditions et aux modalités qui y sont établies;
 - c) le montant des emprunts effectués par marge de crédit ne devra, en aucun temps,

excéder les montants autorisés par la ministre de l'Enseignement supérieur en vertu de lettres d'autorisation qu'elle délivre de temps à autre.

2. QUE les Projets soient financés uniquement auprès de Financement-Québec;
3. QU'aux fins de déterminer le montant des emprunts auquel réfère le paragraphe 1c), il ne soit tenu compte que du solde des emprunts en cours et non encore remboursés contractés auprès de Financement-Québec, ainsi que des emprunts temporaires contractés auprès d'institutions financières pour les Projets, antérieurement à la présente résolution;
4. QU'aux fins de constater chaque emprunt ou un remboursement de capital ou d'intérêt sur la marge de crédit, l'Emprunteur soit autorisé à remettre à Financement-Québec, une confirmation de transaction;
5. QUE le/la, le/la Vice-principal, administration et finances, ou le/la chef des placements et trésorière, le/la Vice-principal associée, services financiers, de l'Emprunteur, pourvu qu'ils soient deux agissant conjointement, soit autorisé, pour et au nom de l'Emprunteur, à signer la convention de marge de crédit, à consentir à tout ajout ou modification non substantiellement incompatible avec les dispositions des présentes et à poser tous les actes et à signer tous les documents nécessaires ou utiles pour donner plein effet aux emprunts par marge de crédit;
6. QU'en plus des dirigeants identifiés au paragraphe 5, le/la Conseiller principal et trésorier adjoint, le/la Directeur, placements, de l'Emprunteur, soient autorisés, pour et au nom de l'Emprunteur, à signer toute confirmation de transaction nécessaire pour conclure un emprunt par marge de crédit ou effectuer tout remboursement sur cette marge;
7. QUE la présente résolution remplace toutes les résolutions antérieurement adoptées pour les mêmes fins.

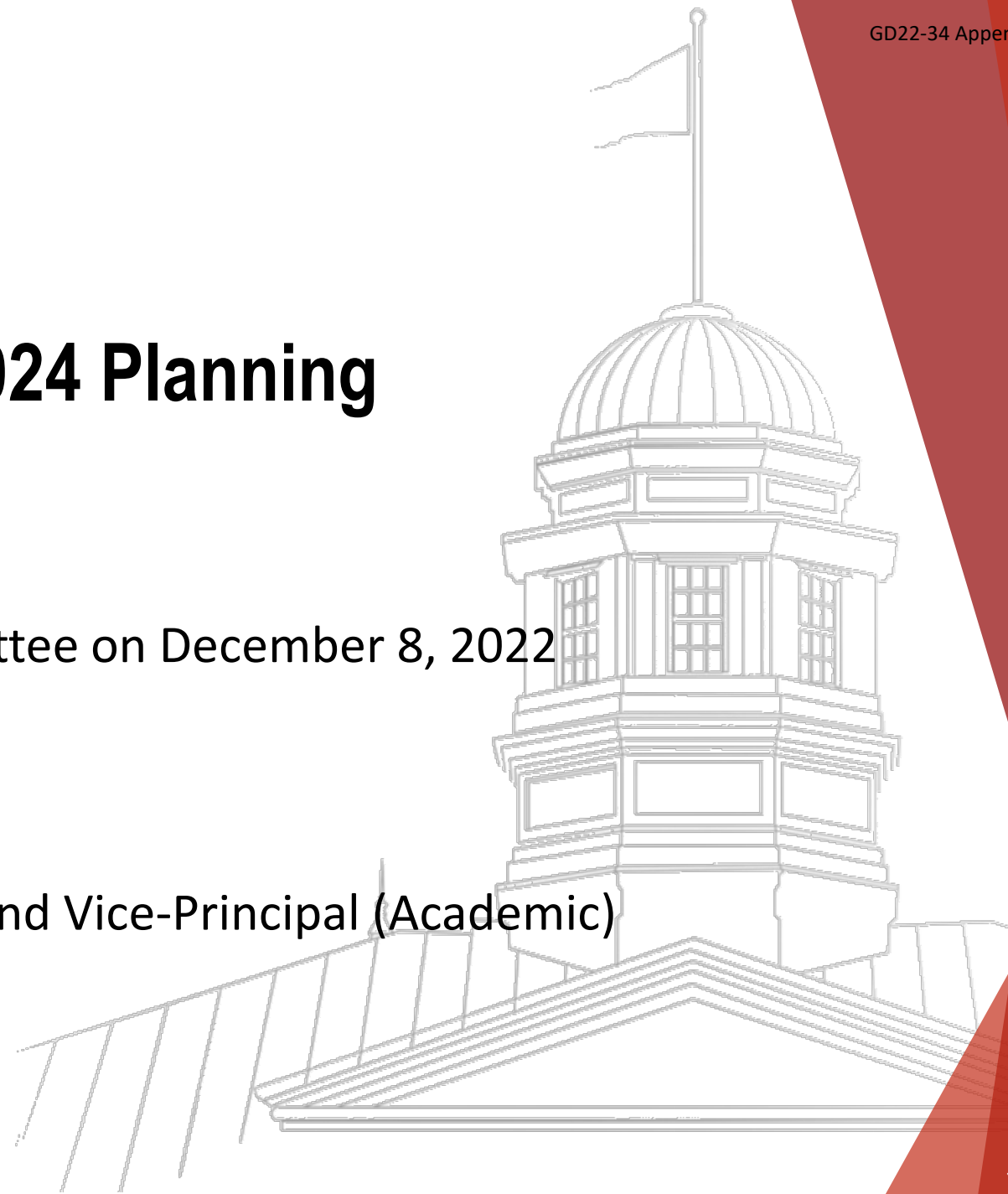
ADOPTÉE

Copie conforme
le

Budget Report I: FY2023 Update and FY2024 Planning

Presentation to the Finance Committee on December 8, 2022

Fabrice Labeau, Co-acting Provost and Vice-Principal (Academic)



Executive Summary

- ▶ For the fiscal year ending on April 30, 2023 (FY2023), the Board of Governors approved an operating (unrestricted fund) budget with an anticipated deficit of \$9.4M, including a \$20M contingency.
- ▶ Based on September 30, 2022, actuals and commitments, financial information collected from units and historical trends, our updated expectations are that both revenues and expenses will be higher than originally anticipated, with an anticipated deficit of \$9.2M, including a \$5.5M remaining contingency.
- ▶ Looking ahead to FY2024, we are planning to present a balanced budget, assuming that there will be continued financial support by the Quebec Government.
- ▶ Priorities for the FY2024 budget include maintaining competitive salary policy increases, while continuing to be fiscally responsible, proactive recruitment efforts and yield initiatives to continue to strengthen diversity of international recruitment pools and absorbing costs associated with major capital investments.

1. Fiscal Year 2022-2023 Update

(for information)

1.1. FY2023: Revenue and Expense Forecast

(\$000)

	FY2020 Actuals	FY2021 Actuals	FY2022 Actuals	FY2023 Budget	FY2023 Forecast*
Total revenues	922,085	898,216	978,172	1,001,500	1,006,206
Total expenses	922,240	897,406	976,822	1,010,879	1,015,383
Annual surplus / (deficit)	(155)	810	1,350	(9,379)	(9,177)

Financed accumulated deficit

119,932

119,122

117,772

127,145

126,949

Excluding year-end GAAP adjustments

*As per September 30, 2022 actuals and commitments, inputs from units, and trend forecasts

1.2. FY2023: Fall 2022 Student Enrolment

- ▶ Over 80% of operating revenues are driven by student enrolment.
- ▶ Globally, Fall 2022 enrolment (headcounts) is comparable to Fall 2021.

	Fall 2021 Enrolment (Headcounts - Oct 15 census)	Fall 2022 Enrolment (Headcounts - Oct 15 census)	% Variance
Undergraduate			
Bachelors	23,520	23,140	-1.6%
First Professional (BCLJD, DMD, MDCM)	1,633	1,656	1.4%
Undergraduate - Certificate/Diploma	1,081	1,251	15.7%
Undergraduate Exchange/QIUT/Special/Visiting	531	1,038	95.5%
Graduate			
Masters Qualifying	103	111	7.8%
Masters - Non-Thesis	2,472	2,330	-5.7%
Masters - Thesis	2,517	2,491	-1.0%
PhD	4,022	4,116	2.3%
Graduate Certificate/Diploma	1,072	1,014	-5.4%
Graduate Exchange/QIUT/Special/Visiting	225	282	25.3%
Residents and Fellows	1,393	1,432	2.8%
Postdoctoral	698	652	-6.6%
Grand Total	39,267	39,513	0.6%

1.3. FY2023: Fall 2022 Student Enrolment (cont'd)

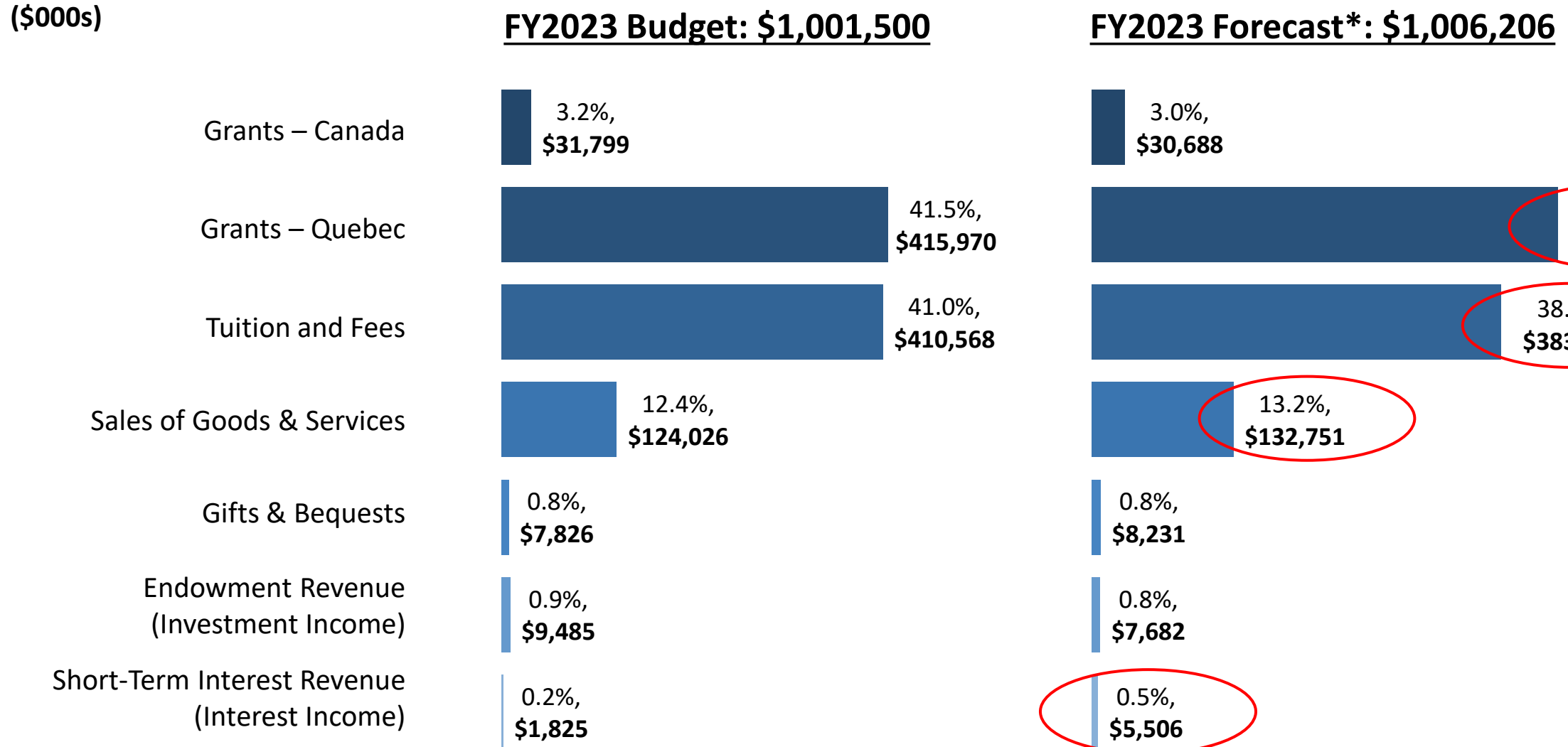
- ▶ As at the October 15 census, total enrolment for Fall 2022 is comparable to Fall 2021.
 - ▶ Bachelor's programs: enrolment is down slightly year-over-year. This is consistent with our projected enrolment, as a small decrease was expected.
 - ▶ Graduate research programs: enrolment is up slightly year-over-year.
 - ▶ Master's Non-Thesis: enrolment is down. Within this population, enrolment in self-funded Master's programs is also down.
 - ▶ A large increase is observed in the exchange, inter-university transfer, special, and visiting population due to the resumption of student exchanges.

- ▶ New admissions: actual vs. objectives
 - ▶ Bachelor's: new registrations for the Fall term were 1.3% below objectives.
 - ▶ Graduate: Summer/Fall new registrations and Winter confirmations (i.e., accepted offers) are tracking below FY2023 objectives for Master's and Doctoral programs.

1.4. FY2023: Fall 2022 International Student Enrolment

- ▶ Overall, international student enrolment is up slightly.
 - ▶ Total international enrolment for Fall 2022 is up 0.5% compared to Fall 2021.
 - ▶ When excluding inbound exchange students, international enrolment for Fall 2022 is down 3.5% compared to Fall 2021.
 - ▶ At the Bachelor's level, international enrolment for Fall 2022 is down 7.1% compared to Fall 2021.
- ▶ Among international students, the subset that is deregulated fee-paying has declined.
 - ▶ The University experienced a decrease in newly admitted deregulated fee-paying students for the third consecutive year, mainly from China.
 - ▶ Delays in study permit approvals by Immigration, Refugees and Citizenship Canada (IRCC) likely contributed to the decline this year.
 - ▶ Deferrals among Bachelor's students self-declaring as international are up 34% compared to last year.
 - ▶ Proactive recruitment efforts and yield initiatives will continue to be prioritized for the upcoming 2023-2024 admissions cycle.

1.5. FY2023 Forecast: Unrestricted Revenues



*as per September 30, 2022 actuals, inputs from units, and trend forecasts

1.6. FY2023 Variance Analysis: Grants - Quebec

- ▶ We anticipate an increase in provincial funding of \$21.4M compared to the budget.
- ▶ Provincial funding is either accounted for on the operating (unrestricted fund) budget, the restricted fund or the plant fund, as per directives by the Ministry.
- ▶ For FY2023, the Ministry informed universities at the end of August that targeted funding that was anticipated to be directed to the restricted fund should be accounted on the operating (unrestricted fund) budget. The increase in anticipated revenues is mostly a reflection of this reclassification.
- ▶ The net impact of this reclassification on the bottom line for FY2023 will be positive or null. It will depend on the amount of corresponding expenses (new and transferred from the restricted fund) that will be accounted on the operating (unrestricted fund) budget before the end of this fiscal year (April 30, 2023).

1.7. FY2023 Variance Analysis (cont'd)

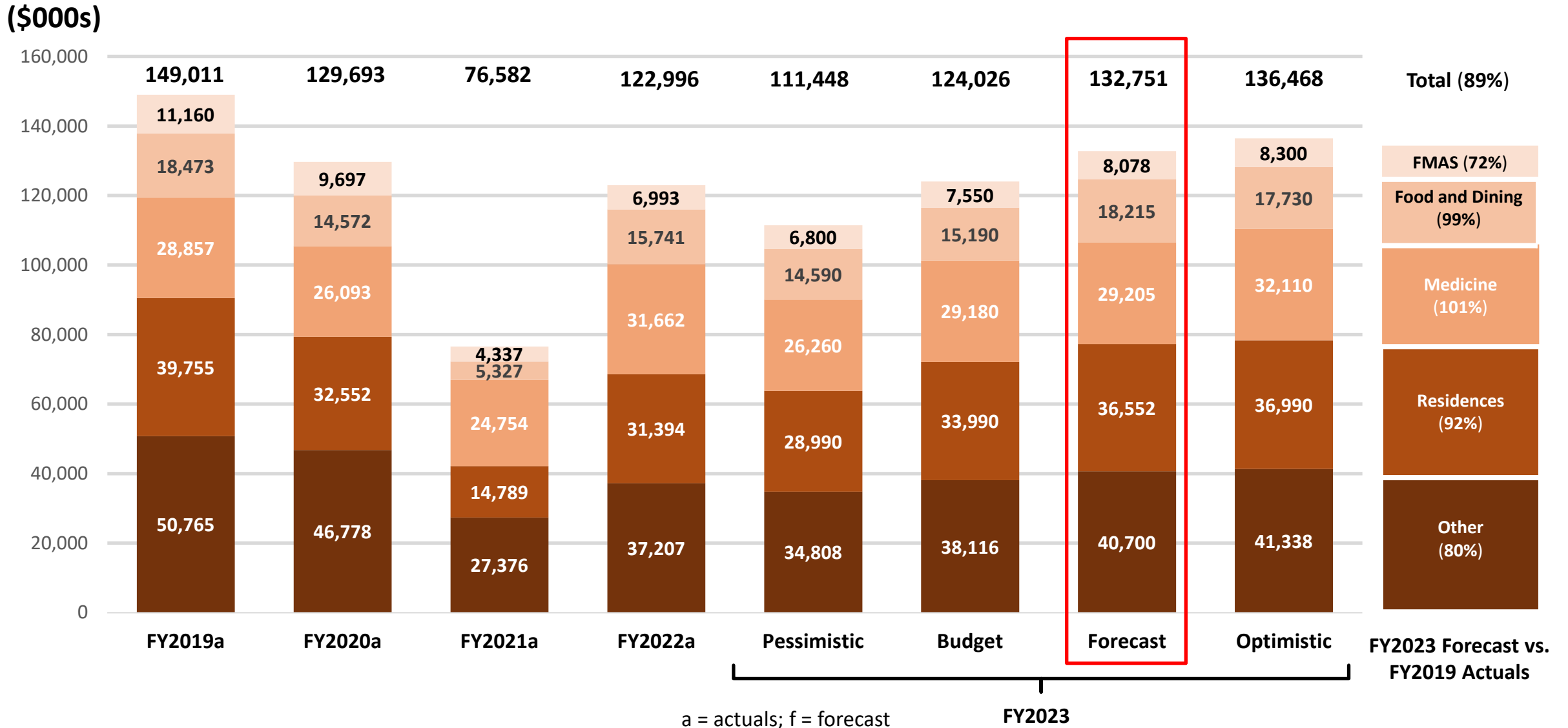
Tuition and fees

- ▶ Tuition and fees revenue expectations are down about \$27M compared to the budget :
 - ▶ \$23M in deregulated tuition
 - ▶ This is largely driven by a reduced number of new deregulated fee-paying students compared to budgeted targets
 - ▶ This loss will impact revenues for the upcoming years (i.e., for the duration of programs)
 - ▶ \$2M in self-funded tuition, namely in Management Masters programs (MBA, MMA, MMR, MMF).
 - ▶ \$1.5M in regulated tuition, resulting from underachieving new registration targets for Bachelors, Masters and Doctoral programs.

Short-Term Interest Revenue

- ▶ Increased expectations of \$3.7M compared to budget due to higher interest rates and cash balances.

1.8: FY2023 Variance Analysis: Sales of Goods and Services



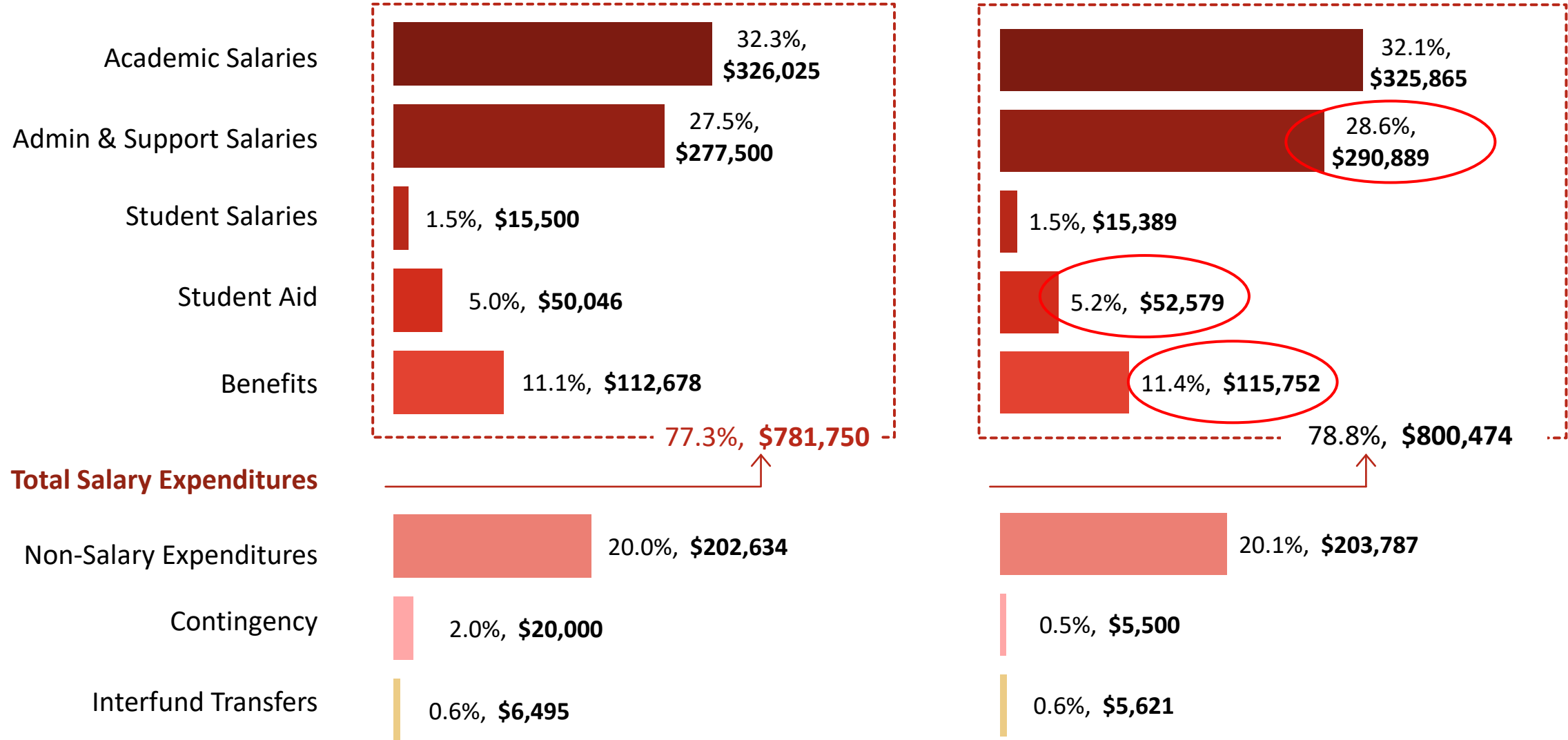
► Based on current information and assumptions, we are anticipating revenues \$9M higher than budget.

1.9. FY2023 Forecast: Unrestricted Expenses

(\$000s)























FY2023 Budget: \$1,010,879

FY2023 Forecast*: \$1,015,383



*as per September 30, 2022 actuals and commitments, inputs from units, and trend forecasts

1.10. FY2023 Forecast: Non-Salary Expenditures

(\$000s)	FY2023 Budget: \$202,634	FY2023 Forecast*: \$203,787	Variance: \$1,153
Materials, Supplies & Publications	 39,583	 38,129	(1,454)
Building & Occupancy Costs (excluding sinking fund payment)	 38,859	 42,360	3,501
Contract Services	 24,002	 26,040	2,038
Energy	 19,605	 19,675	70
Cost of Goods Sold & Services Rendered	 18,767	 18,791	24
Hardware and Software Maintenance	 16,562	 17,793	1,231
Professional Fees	 12,285	 11,894	(392)
Contribution to Partner Institutions	 10,366	 10,042	(324)
Capital Purchases	 9,175	 5,358	(3,817)
Interest & Bank Charges	 932	 694	(239)
Sinking Fund Payment	-	-	0
Other (incl. travel, receptions, events, catering, meals, photocopying)	 12,497	 13,012	515

1.11. FY2023 Variance Analysis: Expenses

▶ Admin & Support Salaries

- ▶ The number of administrative and support staff has remained relatively stable.
- ▶ The anticipated increase of \$13.4M in expenditures compared to budget is largely due to the higher-than-anticipated cost of staff collective agreements.
- ▶ Units are also forecasting aggressively in terms of increased activity levels, and successful hiring within the current year.
- ▶ Some incremental expenses are also associated with the targeted funding that is now in the unrestricted fund

▶ Student Aid

- ▶ The current forecast includes larger-than-anticipated payments of Student Aid during FY2023.

1.12. Variance analysis: Expenses (cont'd)

▶ **Benefits**

- ▶ Benefits forecasts are up due to the higher-than-anticipated staffing costs.

▶ **Non-Salary expenditures**

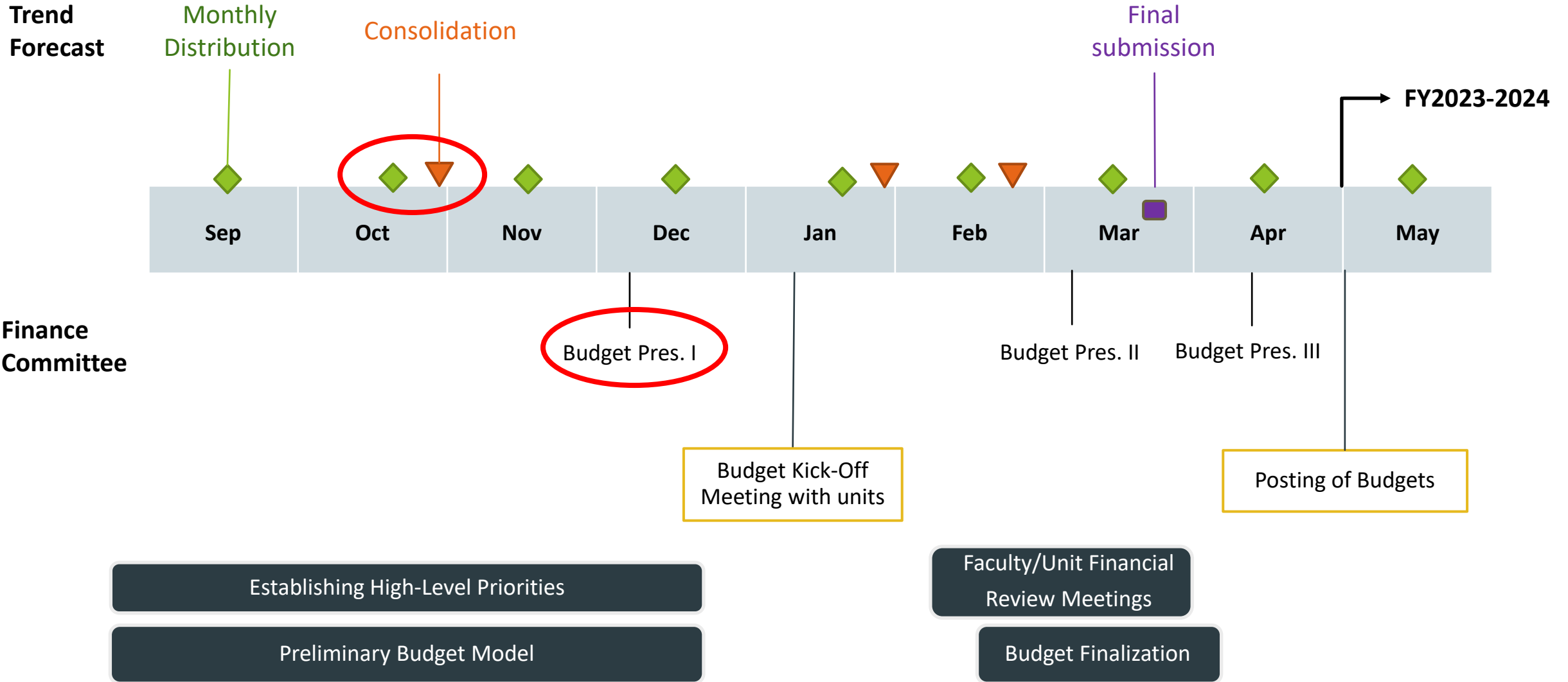
- ▶ **Materials, Supplies and Publications:** Some Library collection expenses were paid before the end of FY2022, which may reduce the cost in FY2023
- ▶ **Building & Occupancy Costs:** Material increases in cost expectations in FMAS, RVH, and Athletics
- ▶ **Capital Purchases:** Units are not currently forecasting a return to pre-pandemic levels

▶ **Contingency**

- ▶ COVID-related and unforeseen expenses are included in the budget update, classified by category.
- ▶ Amount of available contingency has been reduced to \$5.5M for the remaining months.

2. Fiscal Year 2023-2024 Budget Planning (for information)

2.1. Summary of the Budget Cycle



2.2. FY2024 Budget Planning

- ▶ **Enrolment targets**, meetings held with Faculties in November. Revenue modeling in December and January.
- ▶ **Non-compressible budgets**, information to be assessed in November/December for ITS, FMAS, and SLL.
- ▶ **Deregulated tuition increases**, decisions finalized in December.
- ▶ **Academic review and renewal planning**, in January
- ▶ **Other incremental budget allocations**, in February
- ▶ **Financial review of Faculties and units**, in February
- ▶ **Finalization of the FY2024 budget using scenarios to deal with the many unknowns**, in March

2.3. FY2024 High-Level Priorities

- ▶ Prioritize our teaching, research and critical operations.
- ▶ Present a balanced operating (unrestricted fund) budget.
- ▶ Maintain competitive salary policy increases, while continuing to be fiscally responsible.
- ▶ Continue proactive recruitment efforts and yield initiatives to address the decline in new deregulated-fee paying international students.
- ▶ Contain the growth of administrative and support staff, while addressing HR challenges (e.g., turnover in some areas, labour shortage)
- ▶ Absorb costs associated with major capital investments (e.g, issuance of new debt, swing space, and leasehold improvements).
- ▶ Maintain the financed accumulated deficit below \$130M and establish a repayment schedule.
- ▶ Debt service costs as a percentage of revenue, including building acquisitions, should not exceed 5%.
- ▶ Maintaining our credit ratings.

2.4. FY2024 Preliminary Revenue Outlook

Grants – Quebec

- ▶ We believe that the provincial Government will maintain its financial commitments to Universities.
- ▶ Orientations should be communicated by late Spring 2023.

Regulated Tuition and Fees

- ▶ The Ministry sets regulated tuition rates (Quebec base tuition, Canadian supplement, International regulated supplement) in the Spring.
- ▶ Increases in regulated tuition rates have generally been determined based on changes in household disposable income per capita in Quebec. Although this indicator is high, we expect the increase to be comparable to recent years (2.6%-3.9%).

Sales of Goods and Services

- ▶ The physical presence of faculty, staff and students is critical for many of the self-financing units to earn sales of goods and services revenues.
- ▶ For FY2024, we are anticipating that most units will get back to pre-COVID levels.

2.5. Sinking Fund Payments through FY2028

(\$000s)

Fiscal Year	Expected (Annual)	Expected (Cumulative)	Contributions (Annual)	Contributions (Cumulative)	Comments
FY2019	0	0	11,500 (a)	11,500	
FY2020	11,500	11,500	27,000 (a)	38,500	
FY2021	20,000	31,500	16,000 (a)	54,500	
FY2022	17,000	48,500	49,000 (a)	103,500	
Expected payments for FY2023+ have been revised as per actual cumulative contributions, revised interest rates, amounts and timing for the issuance of new debt.					
FY2023	0	103,500	0 (b)	103,500	Any excess operating surplus in FY2023 will be applied to FY2026 thereon required contributions. Planned issuance of \$150M 40-year bond
FY2024	0	103,500	0 (o)	103,500	Planned issuance of \$120M 40-year bond
FY2025	0	103,500	0 (o)	103,500	
FY2026	27,000	130,500	27,000 (o)	130,500	Planned issuance of \$120M 40-year bond
FY2027	27,000	157,500	27,000 (o)	157,500	
FY2028	27,000	184,500	27,000 (o)	184,500	Planned issuance of \$120M 40-year bond

(a) actual; (b) budgeted; (o) outlook

2.6. Uncertainties and Risks

▶ External:

- ▶ Global political landscape and its effect on international student mobility
- ▶ COVID-19 (and associated health and safety measures)
- ▶ Stability of government commitments
- ▶ Effect of market volatility on pension fund and the University's endowment fund
- ▶ Canadian dollar exchange rate
- ▶ Interest rates
- ▶ Inflation
- ▶ Labor shortage

2.7. Uncertainties and Risks (cont'd)

▶ **McGill-controlled:**

- ▶ Success of the University in deploying its enrolment plan
- ▶ Mitigation of the impacts of COVID-19
- ▶ Stability of activities expected to be self-financing
- ▶ Expense control measures
- ▶ Management of carry forward balance spend down
- ▶ Effectiveness of position budgeting and control
- ▶ Cost of space for teaching, research and services (e.g., new leases, leasehold improvements, swing space for renovations)

Discussion

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

