



Secretariat

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The following items arose from the Finance and Infrastructure Committee meeting of November 30, 2023. They are presented to the Board of Governors for consideration.

I. FOR APPROVAL BY THE BOARD OF GOVERNORS

1. Proposed Revisions to Procurement Policy [FIC23-28]

The Finance and Infrastructure Committee reviewed and recommended for approval by the Board of Governors the proposed Revisions to the *Procurement Policy* (Policy).

The Policy was initially approved by the Board of Governors on April 26, 2013, and came into effect on May 1, 2013, and established a mandatory, unambiguous model for procurement activities conducted at the University. The Policy was subsequently amended in April 2018.

The review schedule of the Policy calls for review prior to May 1, 2023. Revisions are necessary to address updated legislation, findings of annual reports produced by the Government of Quebec, to incorporate clarifications provided by the Treasury Board Secretariat, and to meet certain strategic considerations.

The document structure of the revised Policy remains substantially the same. The proposed revisions aim to:

- i. Underscore the link between procurement activities and other University policies
- ii. Streamline the procurement cycle
- iii. Expand the scope to include procurement activities from institutional sources
- iv. Consolidate and simplify governing principles, and
- v. Position a competition-based sustainable procurement model as the centerpiece of the McGill Strategy. This change is communicated through a renaming of the “Procurement Policy” to the “Sustainable Procurement Policy”. Further, the criteria for justifying exceptions to the procurement model’s commitment to competitive tendering are outlined in a new standard named the “Standard on Procurement Exceptions” (the “Standard”).

The proposed revisions remove direct references to asset management, which will be the object of a new and distinct policy.

The proposed revisions to the Policy are presented in Appendix A and have been reviewed by Legal Services. The new Standard is presented in Appendix B, and is provided as information only. The Standard will be issued pursuant to the authority of the Policy’s executive sponsor in accordance with the University Policy Framework.

The recommendation is presented for approval by the Board of Governors, as follows:

Be it resolved that the Board of Governors, on the recommendation of the Finance and Infrastructure Committee, approve of the proposed revisions to the Procurement Policy under the policy's new title, Sustainable Procurement Policy, as presented in Appendix A.

II. FOR THE INFORMATION OF THE BOARD OF GOVERNORS

1. FY2025 Budget Planning Report I [FIC23-21]

The first of three presentations regarding the budget planning exercise for FY2025 was provided to the Finance and Infrastructure Committee.

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

2. Update of IT Strategic Plan and Reports on IT Initiatives and Projects [FIC23-27]

The Committee received an update of the IT Strategic Plan and a Report on IT Initiatives and Projects.

In 2019, Information Technology Services (ITS) embarked on a planning exercise that resulted in the 2020-2025 IT Strategic Plan and Roadmap, which was developed in alignment with the University's strategic objectives, most notably the Principal's Priorities, the Strategic Academic Plan 2017-2022, and the Strategic Research Plan 2019-2024. The Board of Governors endorsed the IT Strategic Plan and Roadmap at its meeting of May 21, 2020 on the recommendation of the IT Committee.

At its meeting of November 30, 2023, the Finance and Infrastructure Committee, which is now mandated to receive reports on the IT Strategic Plan and on IT Projects and Initiatives, was informed that 78% of the IT projects are currently in the execution / delivery phase, compared to 48% in the previous year, and that the completion of the projects remain within the scope and timeline of the strategic plan.

The Committee was also informed that, with respect to the Report on IT Initiatives and Projects for the period ended October 31, 2023, active projects over \$1 million are expected to be completed within target finish dates despite resource constraints. The Committee also received a comprehensive update on the University Advancement (UA) Customer Relationship Management (CRM) upgrade project.

3. Other Updates and Reports

The Committee received the following reports and updates for information:

- Report on Treasury Matters [FIC23-12]
- Quarterly Fiscal Results for the Period Ending October 31, 2023 [FIC23-13]
- Outstanding Capital Borrowings at April 30, 2023 [FIC23-14]

- Report on Contracts and Projects Approved by Management [FIC23-15]
- Annual Report of the Senate Committee on Physical Development [FIC23-16]
- Update on Board Approval of FIC Items [FIC23-18]

END
December 2023



DOCUMENT TITLE	SUSTAINABLE PROCUREMENT POLICY
Approving body	Board of Governors
Initial approval date	April 26, 2013
Date of last review	April 26, 2018
Date of next review	December 14, 2028
Executive sponsor	Vice-Principal (Administration and Finance)

Related documents	<ul style="list-style-type: none"> • Policy on the Approval of Contracts and Designation of Signing Authority • McGill University Sustainability Policy • Regulation on Conflict of Interest • Policy on Enterprise Data Governance • Enterprise Risk Management Policy • Gift Acceptance Policy • Sponsorship Policy • Gift-in-Kind Policy • Policy on Responsible Use of IT Resources • Policy on Safe Disclosure
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PART I – PURPOSE, SCOPE AND HIERARCHY

1.1. PURPOSE

- 1.1.1. The purpose of the Sustainable Procurement Policy (“Policy”) is to affirm the governing principles serving as the foundation for the University’s culture of ethical and responsible acquisition of resources.
- 1.1.2. The Policy establishes a single prevailing framework for the procurement activities of the University. By integrating institutional policies with the legal requirements for public procurement, the Policy enables procurement practices which help improve the University’s triple bottom line (social, environmental, economic) while delivering overall regulatory compliance.

1.2. SCOPE AND HIERARCHY

The Policy and its implementation documents govern all the procurement activities that are part of the procurement cycle (in relation to the acquisition of goods, services or construction works) carried out by any individual in support of the University’s mission, indiscriminately of the amount of the expense and of the source of funding. Any other governing document prescribing actions or behaviors in the performance of procurement activities must be interpreted in a way that is consistent with this Policy and its implementation documents. For clarity, this Policy and its implementation documents shall supersede other University governing documents insofar as any part of the latter documents relate to procurement

activities. The procedures that constitute the procurement cycle are as follows: “Define Needs”, which focuses on a holistic description of the University’s procurement needs and the risks involved in their fulfillment; “Develop Contracting Blueprint”, which focuses on deciding which combination of award method, contract standards and performance levers will lead to a contract that fulfills the needs while mitigating risks; “Award Contract”, which focuses on the implementation of the contracting blueprint to deliver an approved contract; and “Manage Contract”, which is about each party’s performance of its respective obligations.

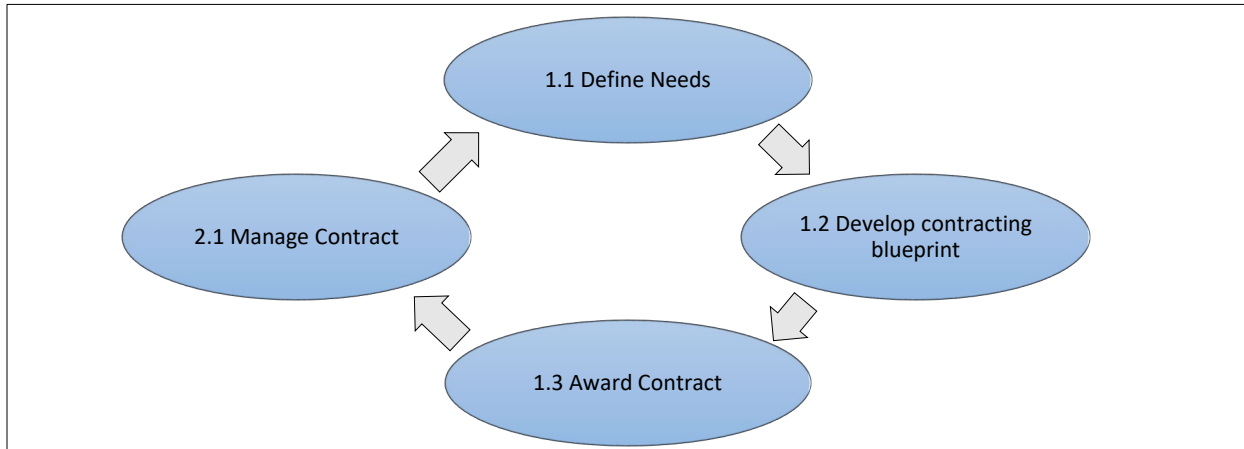


FIGURE 1: PROCUREMENT CYCLE

PART II – GOVERNING PRINCIPLES AND MCGILL STRATEGY

2.1. GOVERNING PRINCIPLES

The governing principles of *Integrity* and *Responsibility* aim to extend the University’s level of excellence to procurement activities and provide guidance on the reflections associated with ethical behaviour in a procurement context.

2.1.1. *Integrity* in procurement requires that University representatives consistently carry out procurement activities honestly and equitably.

- a) Motives are transparent and, more generally, information is shared fully and accurately with stakeholders.
- b) Decisions are based on the impartial evaluation of the merits of proposals (or contractor performance), in relation to needs defined in a neutral manner.

2.1.2. *Responsibility* in procurement requires that University representatives are committed to the University’s best interests and accountable for protecting its reputation and resources.

- a) Fair return for the use of resources is pursued, with meticulous consideration for risks and opportunities relative to the University’s triple bottom line (see 1.1.2 above).
- b) The needs are justified, confirming that the use of resources is reasonable to fulfill the needs and compliant with the University’s policies.

2.2. MCGILL STRATEGY

The McGill University strategy to implement the Policy leverages the referenced policies to reinforce the Governing Principles. The McGill Strategy is to employ a procurement model predominantly constructed on a commitment to merit-based, competitive tendering, to certify environmentally and socially responsible supply chain opportunities and protect the University's economic interests, thus supporting progress toward the University's triple bottom line, total acquisition cost objectives.

2.3. PROCUREMENT SERVICES

In support of the McGill strategy, the University entrusts Procurement Services with the responsibility to provide clear procurement direction and maintain a robust procurement process that is executed using suitable procurement tools.

- 2.3.1. Direction for all procurement matters shall reside with Procurement Services, hereby mandated with providing leadership in the procurement function through the administration of the Policy, empowered with the authority to see that it is respected, and entrusted with facilitating an ethical and productive relationship with contractors and potential contractors alike.
- 2.3.2. Procurement Services is the owner and custodian of the University's procurement process, designed to manage risk and opportunity through best-in-class contracting and performance oversight practices. The process rests upon the following procurement framework:
 - a) The *Standard on Procurement Exceptions*, which governs situations in which procurement contracts may be exempted from the commitment to competitive tendering;
 - b) *Procedures* that focus on the implementation of the Policy and set forth practices for carrying out procurement activities during the stages of the procurement cycle;
 - i. *directives* that complement procedures by detailing methods for carrying out procurement tasks in specific, pre-determined contexts;
 - ii. *guidelines that* complement procedures by providing recommendations for decision-making and carrying out corresponding tasks, in specific, pre-determined contexts.
- 2.3.3. Procurement Services maintains a services platform which hosts the tools necessary for the orientation and support of University representatives involved in procurement activities.
 - a) The services platform is bolstered by procurement systems and a collection of templates that reduce the risks associated with a decentralized procurement function and provide easy access to procurement know-how essentials:
 - i. by directing all acquisition transactions through its sanctioned procurement methods, systems which incorporate regulatory controls and record-keeping requirements;
 - ii. by augmenting key procurement activities with templates that incorporate best practices of cost predictability and performance guarantees.
 - b) Procurement Services complements its services platform with continuous, dynamic training on the basics of the procurement direction, process and tools.

PART III – AUTHORITY

- 3.1. The Vice-Principal (Administration and Finance) shall hold authority to approve procedures, directives and guidelines hereunder, and may delegate authority to approve directives and guidelines.

PART IV – REVIEW

- 4.1. This Policy shall be reviewed every five years.
- 4.2. Notwithstanding the foregoing, the Vice-Principal (Administration and Finance) may, at any time between these mandatory reviews, submit revisions to the Policy for review and approval.



PROCEDURE TITLE	STANDARD ON PROCUREMENT EXCEPTIONS
Executive Sponsor	Vice-Principal, Administration and Finance
Initial approval date	
Date of last review	N/A
Date of next review	December 14, 2028

Related documents	<ul style="list-style-type: none"> Sustainable Procurement Policy
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PART I – PURPOSE AND SCOPE

- 1.1. The purpose of the Standard on Procurement Exceptions (the “Standard”) is to establish criteria, and rules of interpretation for assessing and determining whether a situation may be exempt from the commitment to a competitive tendering process provided for within the applicable regulatory framework.
- 1.2. The Standard is to be read in conjunction with the Sustainable Procurement Policy (the “Policy”). The expressions used in the Policy, as well as the Policy’s scope, governance hierarchy, governing principles, strategy and description of responsibilities, fully apply to the Standard.

PART II – CONTENT

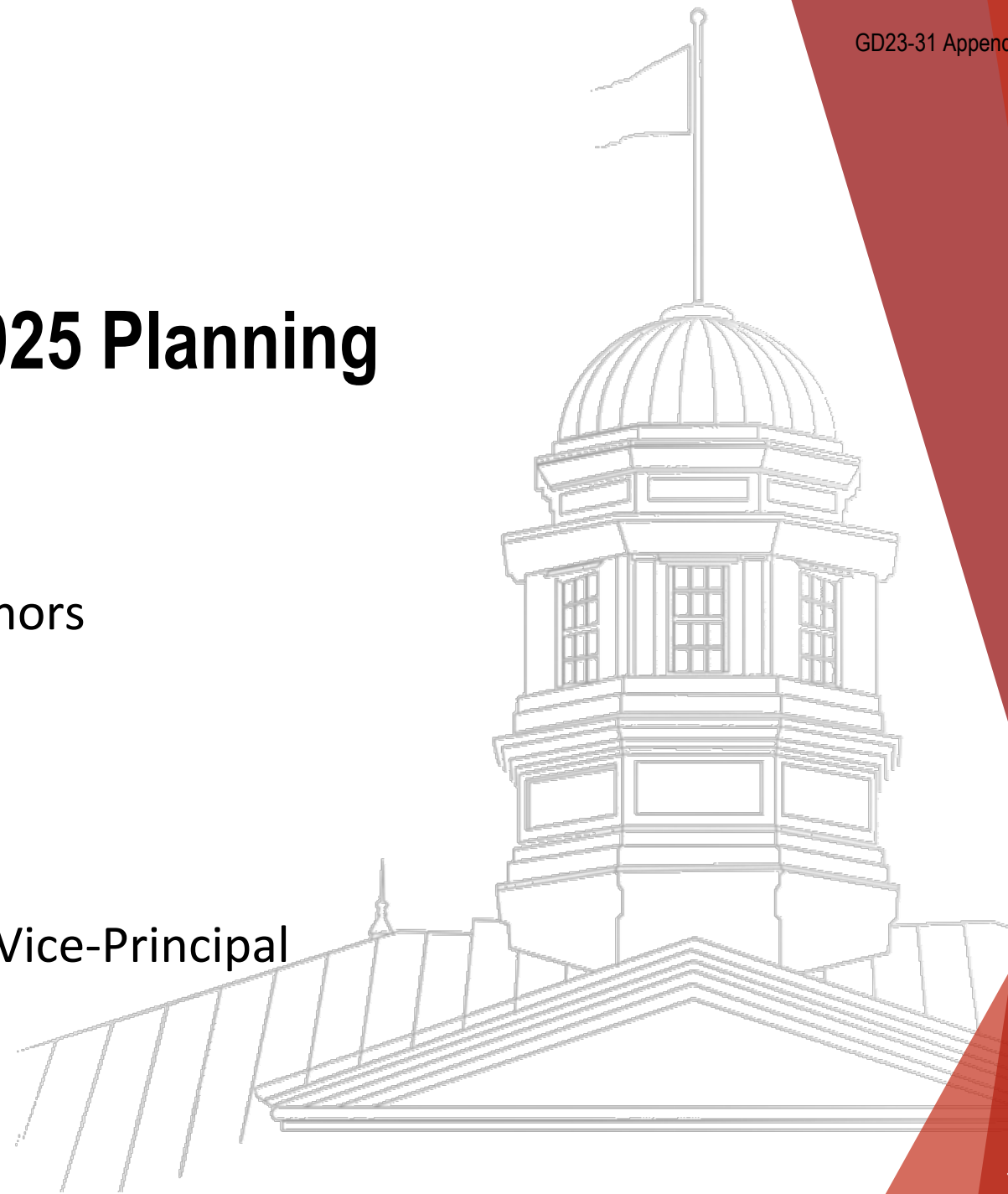
- 2.1. To be eligible for exemption from the competitive tendering process, the contemplated acquisition must meet one or more of the criteria below and the determination of whether such criteria are fulfilled must be reached exclusively by McGill University Procurement Services:
 - 2.1.1. The goods, services or construction works will be acquired at no cost (i.e., “free of charge”, with a straight invoice cost of zero dollars);
 - 2.1.2. The goods or services being acquired fall within a category and financial threshold that are authorized by the University’s Pcard Directive;
 - 2.1.3. The goods or services will be acquired from another institution (higher education or healthcare organization, municipality, etc.). The determination of an entity’s institutional character shall be achieved by way of an assessment of the organization’s mission and statutes, and is not limited to its name;
 - 2.1.4. The goods, services or construction works are currently being acquired under a contract that is expiring and the disruption caused by a contractor change would be significantly detrimental to the University’s triple bottom line total acquisition cost goals. The disruption cannot be the result of a lack of planning or delayed execution of the steps of the procurement cycle;

- 2.1.5. A single potential contractor has been identified for the provision of the goods, services or construction works being acquired and following a serious and rigorous market research exercise, the University deems that competition is not possible, due to one of the following reasons:
- a) The potential contractor is the exclusive holder of the legal rights required to fulfill the needs of the University, or provides the University with a compatible solution, without the University needing to make unreasonable compromises. In such a case, it will be necessary for the potential contractor to demonstrate (with third party supporting documentation, where appropriate) that it is the holder of the exclusive licence, patent, moral rights or any other right to legally deliver the required goods, services or construction works to the University, as the case may be.
 - b) The potential contractor is the sole party able to meet the contract requirements. Such contract requirements may include, but are not limited to, technical specifications, service levels, magnitude, quantity, pace or circumstances of execution. In such a case, the contract requirements must reflect characteristics that are strictly necessary for the University's needs to be met without the University making unreasonable compromises.
 - c) The goods, services or construction works being acquired are of a confidential nature, to a degree which prevents the dissemination of information typically necessary to conduct a competitive tendering process.
 - d) The potential contractor is able to provide exceptional conditions which benefit the University's triple bottom line total acquisition cost goals to a level which competition cannot reasonably be expected to replicate.
- 2.1.6. Following a competitive tendering process which yielded no results, a potential contractor has been identified based on a previously conducted serious and rigorous market research exercise (as well as on the potential contractor's corroborating performance as a participant in the competitive tendering process, as the case may be). In such a case, there must be no evidence or reasonable expectation that a new competitive tendering process would deliver improved results, and the contract by mutual agreement must be entered into within a timeframe that does not affect this premise.
- 2.1.7. The goods, services or construction works being acquired are required in order to manage an unforeseen emergency situation where the safety of people or property is at stake and the University requires such goods, services or construction works in order to maintain its delivery of teaching and research services.
- 2.1.8. The goods or services being acquired are subject to the terms and conditions of a framework agreement put in place by the government and approved for contracts by mutual agreement. Such framework agreement includes a list of predetermined potential contractors and are approved by way of regulation or government decree.
- 2.1.9. The main object and purpose of the contemplated transaction is the acquisition or rental of land, existing buildings or other immovable property or the rights thereon.
- 2.2. For the avoidance of doubt, the procurement process applies to all acquisitions eligible for exemption from the commitment to a competitive tendering process, with appropriate adaptations to be determined and implemented by Procurement Services.

Budget Report I: FY2024 Update and FY2025 Planning

Presentation to the Board of Governors
December 14, 2023

Christopher Manfredi, Provost and Vice-Principal
(Academic)



Executive Summary

- ▶ For the fiscal year ending on April 30, 2024 (FY2024), the Board of Governors approved an operating (unrestricted fund) budget with an anticipated surplus of \$0.6M, including a \$10M contingency.
- ▶ Based on September 30, 2023 actuals and commitments, historical trends, and input from all units, the current FY2024 forecasts suggest a \$24.5M deficit for FY2024, with no contingency. Additional expense reduction measures totaling \$25M are being implemented to maintain a balanced budget.
- ▶ Looking ahead to FY2025, changes in the funding model related to university tuition, announced by the Government of Quebec on October 13, has created high levels of financial uncertainty and risks. If implemented, measures will have profound and far-reaching consequences for McGill. These range from a drop in the number of students and important revenue losses, to devastating consequences for some Faculties and a suspension or re-evaluation of some major infrastructure projects.
- ▶ McGill remains committed to working with the Government of Quebec to find more effective ways to help it achieve its goals of promoting and protecting the French language while reinvigorating Quebec's university system.
- ▶ Mitigation measures have been deployed. The FY2025 budget is being prepared using a range of possible scenarios.

1. Fiscal Year 2023-2024 Update

(for information)

1.1. FY2024: Revenue and Expense Forecast

(\$000)

	FY2021 Actuals	FY2022 Actuals	FY2023 Actuals	FY2024 Budget	FY2024 Forecast**
Total revenues	898,216	978,172	1,025,899	1,072,913	1,080,900
Total expenses	897,406	976,822	1,025,507	1,072,344	1,080,354
Annual surplus / (deficit)	810	1,350	392*	569	546

Excluding year-end GAAP adjustments

*FY2023 surplus for subvention conditionnelle calculation is \$392K

**As per September 30, 2023 actuals and commitments, inputs from units, and trend forecasts

1.2. FY2024: Fall 2023 Student Enrolment

- ▶ Over 80% of operating revenues are driven by student enrolment.
- ▶ Globally, Fall 2023 enrolment (headcounts) is comparable to Fall 2022.

	Fall 2022 Enrolment (Headcounts - Oct 15 census)	Fall 2023 Enrolment (Headcounts - Oct 15 census)	% Variance	
Undergraduate	Bachelors	23,140	23,487	1.5%
	First Professional (BCLJD, DMD, MDCM)	1,656	1,683	1.6%
	Undergraduate - Certificate/Diploma	1,251	1,025	-18.1%
	Undergraduate Exchange/QIUT/Special/Visiting	1,038	1,001	-3.6%
Graduate	Masters Qualifying	111	94	-15.3%
	Masters - Non-Thesis	2,330	2,398	2.9%
	Masters - Thesis	2,491	2,498	0.3%
	PhD	4,116	4,177	1.5%
	Graduate Certificate/Diploma	1,014	759	-25.1%
	Graduate Exchange/QIUT/Special/Visiting	282	221	-21.6%
Residents and Fellows	1,432	1,461	2.0%	
Postdoctoral	652	576	-11.7%	
Grand Total	39,513	39,380	-0.3%	

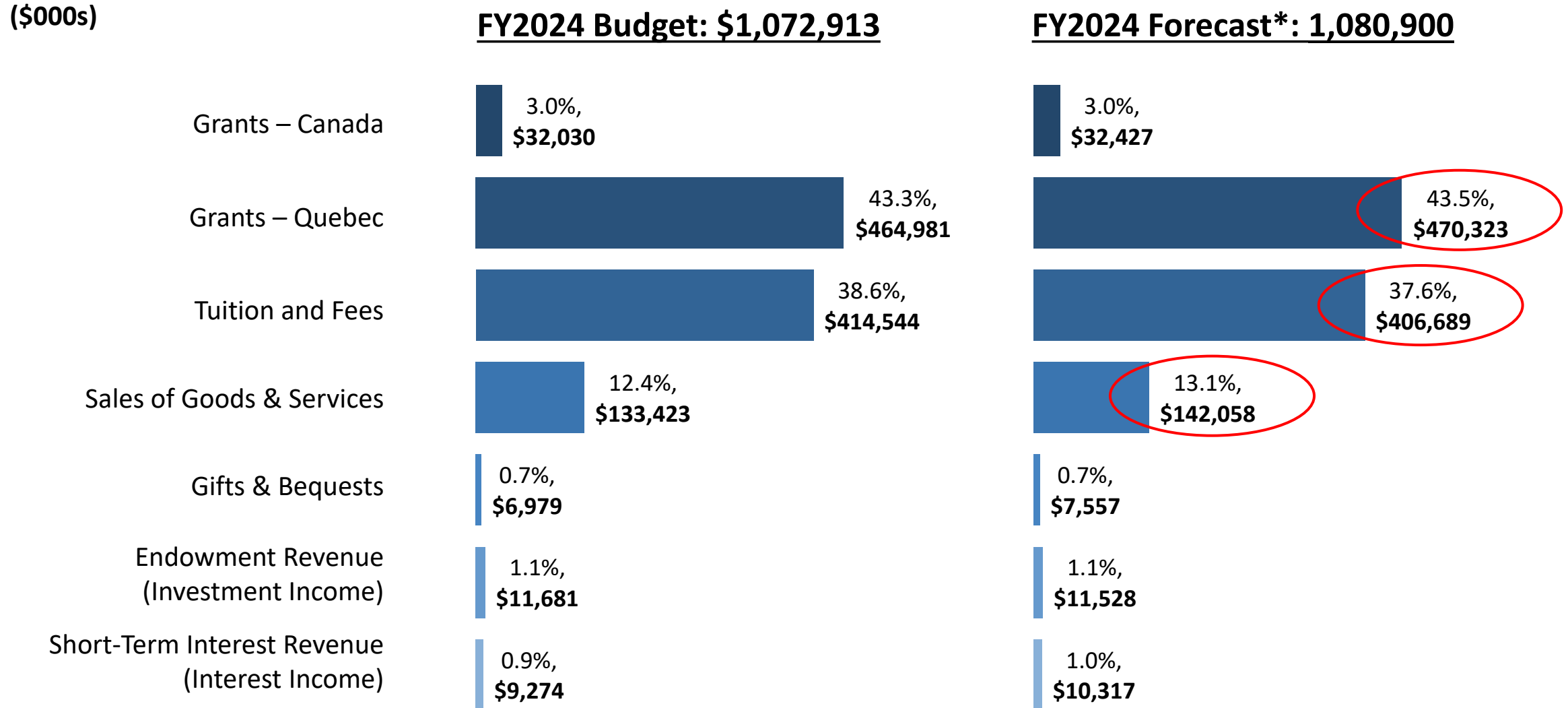
1.3. FY2024: Fall 2023 Student Enrolment (cont'd)

- ▶ As at the October 15 census, total enrolment for Fall 2023 is comparable to Fall 2022.
 - ▶ Bachelor's programs: enrolment is up slightly year-over-year. This is consistent with a small planned increase.
 - ▶ Graduate research programs: enrolment is up slightly year-over-year.
 - ▶ Master's Non-Thesis: enrolment is up. Within this population, self-funded Master's programs are down slightly.
 - ▶ A large decrease is observed in the certificate and diploma population, mainly driven by a drop in enrolment at the School of Continuing Studies :
 - ▶ End of the PRATIC Government of Quebec program that was driving enrolment in Comp. Sci undergraduate programs
 - ▶ Enrolment in multiple Graduate programs has declined considering delays in the required conversion of 9 Diplomas (which had been listed as graduate programs) into Graduate Certificates.
 - ▶ For Fall 2023, only 4 of 17 Graduate Certificates were opened for admissions. For Winter 2024, applications will be open for the majority of SCS graduate certificates, so we anticipate an increase in enrolment.
- ▶ New admissions: actual vs. objectives
 - ▶ Bachelor's: new registrations for the Fall term were 2.8% below objectives (-191 students).
 - ▶ Objectives were increased for Fall 2023; Year-over-year, new registrations are up 3.9% (249 students).
 - ▶ Graduate: Summer/Fall new registrations and Winter confirmations (i.e., accepted offers) are tracking below FY2024 objectives for Master's and Doctoral programs.

1.4. FY2024: Fall 2023 International Student Enrolment

- ▶ Overall, international student enrolment is down slightly.
 - ▶ Total international enrolment for Fall 2023 is down 0.8% (-92 students) compared to Fall 2022.
 - ▶ At the Bachelor's level, international enrolment for Fall 2023 is down 2.9% (-180 students) compared to Fall 2022.
- ▶ In Fall 2019, deregulation was expanded to all first-cycle and second-cycle (non-thesis) programs, including medical residents and fellows.
- ▶ Among international students, the subset that is deregulated fee-paying has declined.
 - ▶ Deregulated enrolment for Fall 2023 is down 2.2% (-118 students) compared to Fall 2022.
 - ▶ Deregulated enrolment for Fall 2023 is down 19.9% (-1,299 students) compared to Fall 2019.
- ▶ Among international students at the Bachelor's level, the subset that is deregulated fee-paying has declined.
 - ▶ Deregulated Bachelor's enrolment for Fall 2023 is down 4.9% (-217 students) compared to Fall 2022.
 - ▶ Deregulated Bachelor's enrolment for Fall 2023 is down 24.6% (-1,381 students) compared to Fall 2019.
 - ▶ After three consecutive years of decline, deregulated Bachelor's new registrations in Fall 2023 are up 15.1% (140 students) compared to Fall 2022.

1.5. FY2024 Forecast: Unrestricted Revenues



*As per September 30, 2023 actuals, input from units, and trend forecasts.

1.6. FY2024 Variance Analysis

Grants – Quebec

- ▶ We anticipate an increase in provincial funding of \$5M compared to the budget, due largely to additional funds for buildings and grounds.
- ▶ The current forecast excludes the impact of the variation between the anticipated and actual student populations, which will be estimated later in the fiscal year.

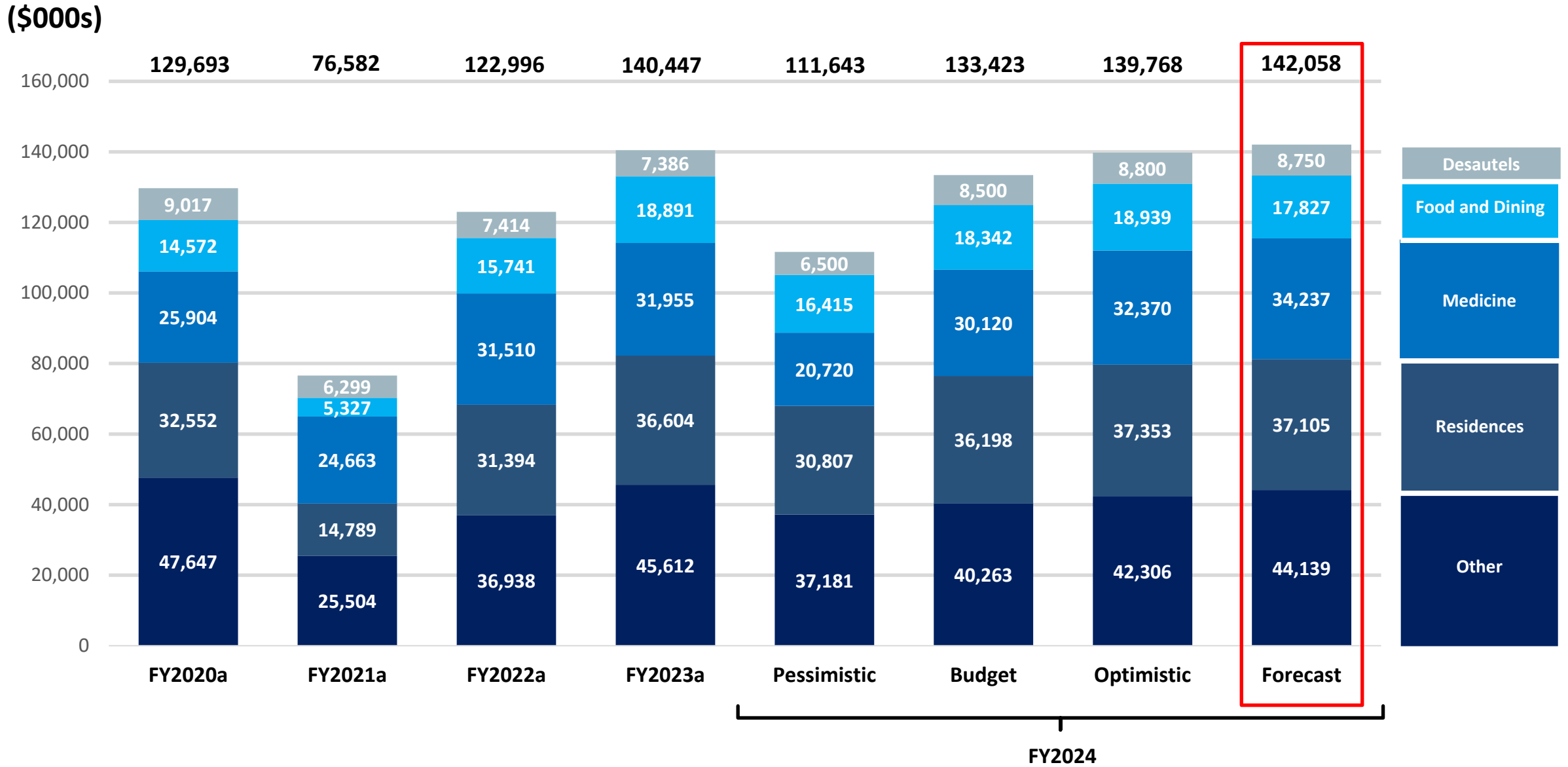
Tuition and fees

- ▶ Tuition and fees revenue expectations are down about \$8M compared to budget.
- ▶ This is driven largely by a shortfall in deregulated tuition, which will have a ripple effect on future years.

Sales of Goods and Services

- ▶ Increased expectations of \$9M compared to budget.
- ▶ This is driven largely by increased expectations for royalties and licensing revenues and U.S. exchange, as well as external revenues in the Faculty of Medicine and Health Sciences, and Student Housing.

1.7. FY2024 Variance Analysis: Sales of Goods and Services

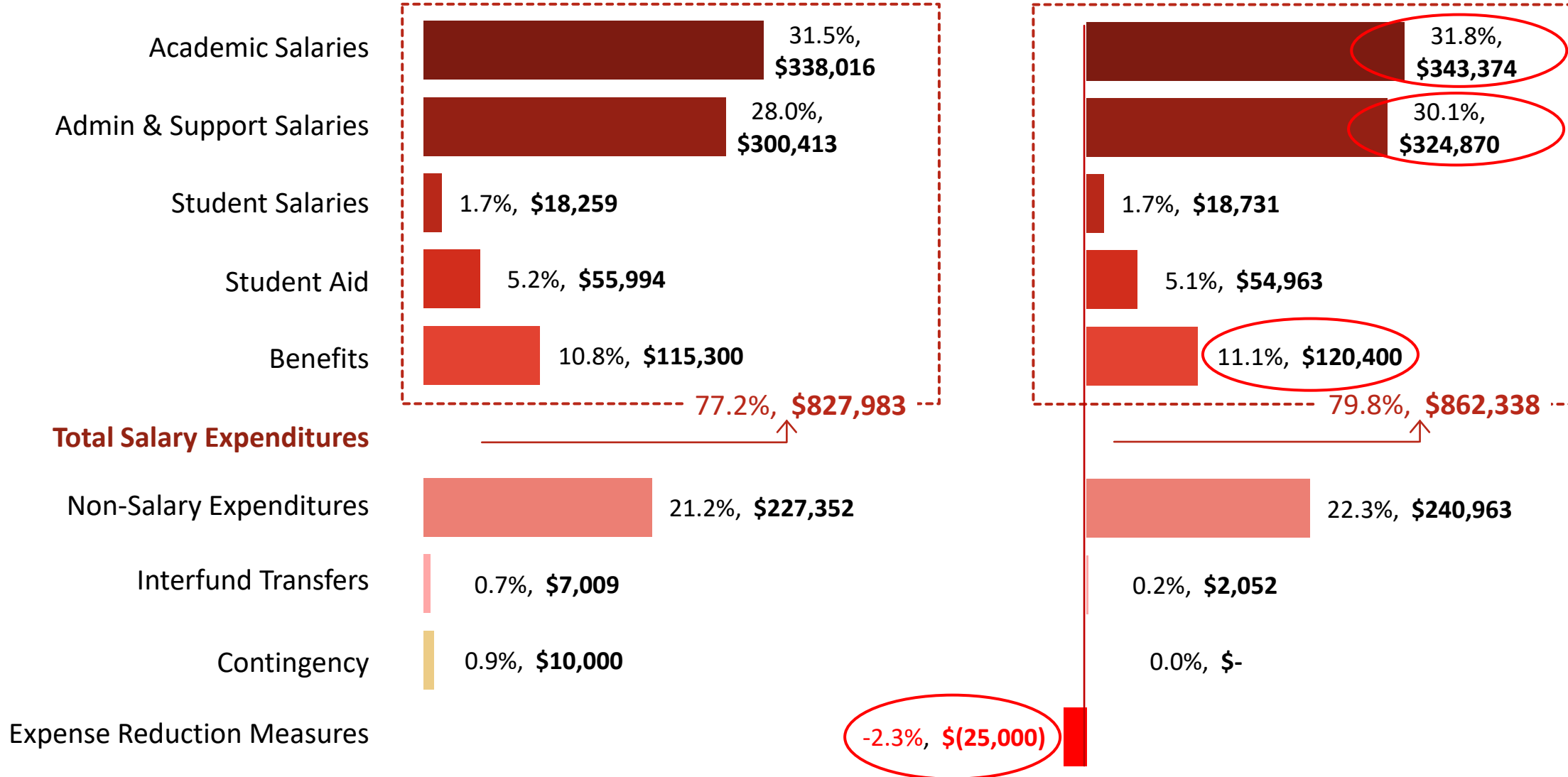


1.8. FY2024 Forecast: Unrestricted Expenses





















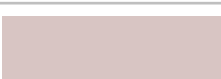
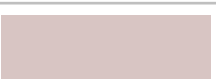
(\$000s)

FY2024 Budget: \$1,072,344

FY2024 Forecast*: \$1,080,354



1.9. FY2024 Forecast: Non-Salary Expenditures

(\$000s)	FY2024 Budget: \$227,352	FY2024 Forecast*: \$240,963	Variance: \$13,611
Building & Occupancy Costs	 46,802	 54,597	7,796
Materials, Supplies & Publications	 40,278	 41,482	1,204
Contract Services	 26,506	 33,815	7,309
Energy	 21,277	 21,220	(57)
Hardware and Software Maintenance	 19,358	 21,549	2,192
Cost of Goods Sold & Services Rendered	 18,914	 12,174	(6,740)
Contribution to Partner Institutions	 11,221	 10,265	(956)
Professional Fees	 11,116	 11,888	772
Capital Purchases	 8,240	 8,669	429
Interest & Bank Charges	 1,936	 4,660	2,724
Other (incl. travel, receptions, events, catering, meals, photocopying)	 21,706	 20,645	(1,061)

*as per September 30, 2023 actuals and commitments, inputs from units, and trend forecasts

1.10. FY2024 Variance Analysis: Expenses

▶ Academic Salaries

- ▶ The University has taken on \$3.5M of tenure-track salaries previously covered by the MUHC
- ▶ Increases in vacation entitlements must now be captured in annual costs

▶ Admin & Support Salaries

- ▶ The number of administrative and support staff has grown.
- ▶ Units are also forecasting aggressively in terms of increased activity levels, and successful hiring within the current year.
- ▶ Some incremental expenses are associated with increased activity in support of targeted grants.
- ▶ Increases in vacation entitlements must now be captured in annual costs.
- ▶ Anticipated pay equity obligations have been factored into the forecast.

▶ Benefits

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

1.11. FY2024 Variance Analysis: Expenses (cont'd)

▶ Non-Salary expenditures

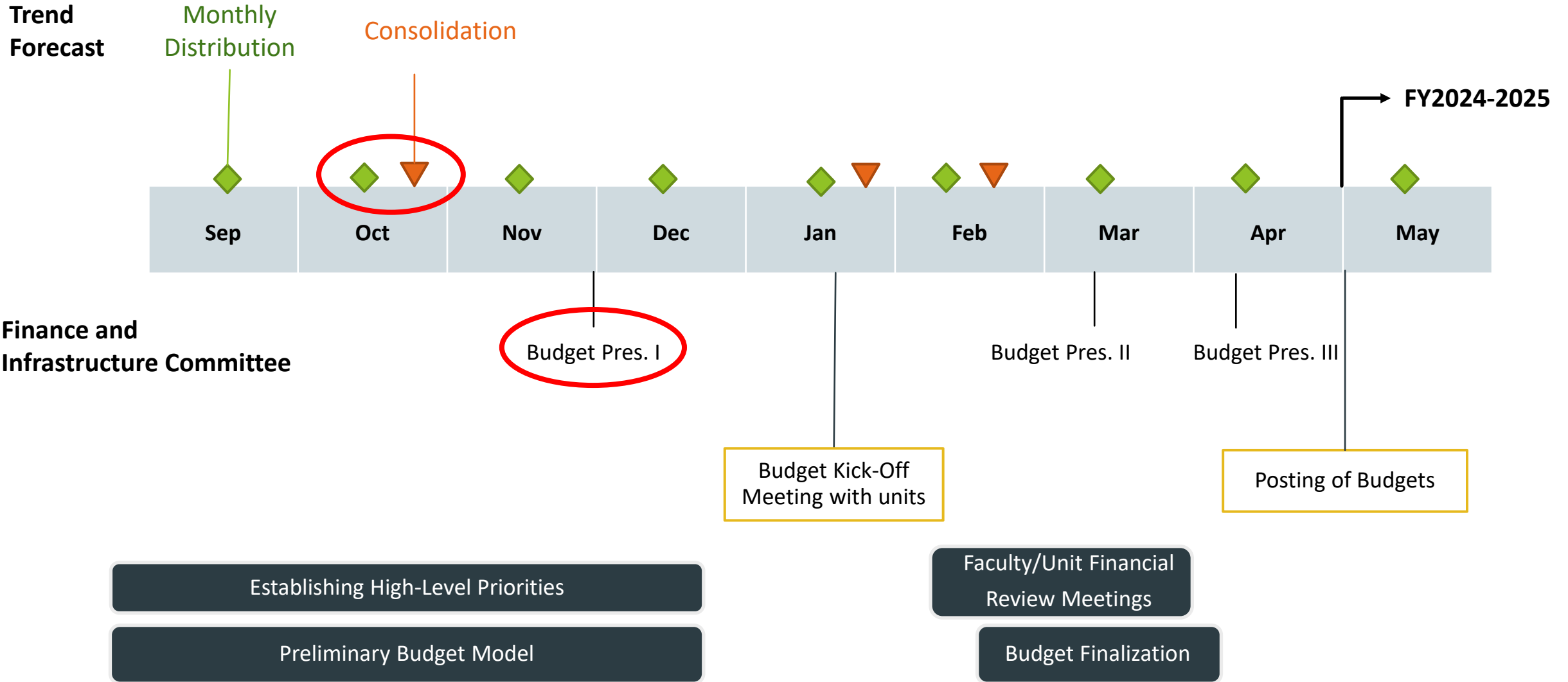
- ▶ **Building & Occupancy Costs:** There are material increases in cost expectations in several units, including some related to the asbestos file, leases, operating expenses, renovations, and internal loans use to finance infrastructure projects.
- ▶ **Contract Services:** The increased cost here is largely due to a shift in expenditures from cost of goods sold to contract services as a result of a change in the administration of the meal plan in Food Services. In addition, renewal of existing contracts (such as the Shuttle bus between campuses, and incremental cleaning activities) are facing upwards expense pressure.
- ▶ **Cost of Goods Sold and Services Rendered:** The decreased cost here is largely due to a shift in expenditures from cost of goods sold to contract services as a result of a change in the administration of the meal plan in Food Services.

▶ Required Expense Reduction Measures

- ▶ Units are being asked to curb spending on the unrestricted fund in the short-term to contain FY2024 expenses within available revenues.
- ▶ A \$25M expense reduction effort is required to balance the FY2024 budget.

2. Fiscal Year 2024-2025 Budget Planning (for information)

2.1. Summary of the Budget Cycle



2.2. FY2025 Quebec Government Announcements

- ▶ On October 13, the Government of Quebec announced plans to change the funding model related to university tuition.
- ▶ Tuition fees for Canadian students from outside of Quebec would increase from \$8,992 to around \$17,000. The tuition changes would apply to students beginning their studies in Fall 2024. Current students would have five years to complete their program of study under the existing tuition structure.
- ▶ The funding model for universities regarding international students would change, with the Government clawing back more money from tuition fees than is currently the case, applicable to tuition collected by all deregulated-fee paying students.
- ▶ These two changes would apply to undergraduate programs and non-research and professional master's programs.
- ▶ Much of the tuition that students pay to McGill would be returned to the Government and reallocated to francophone universities in Quebec, but the University would receive Government of Quebec grants to partially support the cost of teaching.

2.3. FY2025 Quebec Government Announcements: Impacts (if Implemented)

- ▶ **Enrolment of Canadian Non-Resident of Quebec (CNRQ) students will drop** (by 20% to 80%). Many Canadian students from outside Quebec will likely not come to McGill because their tuition as of Fall 2024 for comparable programs will be much higher than in universities elsewhere in Canada.
- ▶ **Annual enrolment-driven revenue will drop.** An estimated loss of \$42 million to \$94 million annually.
 - ▶ International student tuition fees: an annual loss of \$24.5 million, effective as of FY2025
 - ▶ CNRQ: an annual loss growing to between \$17.6 million and \$69.8 million per year over 4 years, once all grandfathered students are replaced.
- ▶ **Some Faculties will lose all their students from the rest of Canada, with no ability to replace them.**
 - ▶ Schulich School of Music, with an undergraduate student population of almost 40 per cent from CNRQ.
 - ▶ The Faculty of Agricultural and Environmental Sciences, the Faculty of Education and the B.A. & Sc. interfaculty programs will also be severely affected.
- ▶ **Measures will have to be implemented to protect McGill's financial stability.** Hiring freeze, job reductions that could reach between 650 and 700, a deferral of planned expenditures and additional non-salary reductions.
- ▶ **Our ability to move forward with major infrastructure projects will be compromised.** The projected revenue loss will reduce McGill's borrowing limit and capacity to service debt.
- ▶ **Varsity teams will see a major impact.** A third of our student-athletes are from out-of-province.

2.4. FY2025 Quebec Government Announcements: Mitigation Measures

- ▶ McGill remains committed to working with the Government of Quebec to find more effective ways to help it achieve its goals of promoting and protecting the French language while reinvigorating Quebec's university system.
- ▶ We are working to recruit a greater number of prospective students from Quebec or from countries around the world to fill the places normally taken by students from the rest of Canada.
- ▶ Considering our current FY2024 forecast and financial uncertainties for FY2025+, expense reduction measures are being planned and implemented immediately:
 - ▶ Strict restrictions in the hiring of administrative and academic staff, unless mission critical
 - ▶ Deferral of planned expenditures and additional non-salary reductions in expenditures
 - ▶ Suspension and re-evaluation of some major infrastructure projects
 - ▶ Delay in the issuance of any new debt
 - ▶ Evaluation of academic programs, planning to rationalize programs and courses, if needed
 - ▶ Review of space utilization

2.5. FY2025 Changes to the Fall 2019 Deregulation Policy

- ▶ Effective Fall 2024, the Government of Quebec announced on October 13 a partial re-regulation of international students:
 - ▶ the Government is fixing a mandatory minimum tuition level for international students of approximately \$20K, comprised of base Quebec tuition (currently \$2.9K) and a *forfaitaire* (approximately \$17.1K).
 - ▶ the Government will recoup the *forfaitaire* but will provide a grant for these students that would vary according to discipline. Universities would be permitted to set tuition fees above the mandatory minimum and retain all fees above that amount.
- ▶ This new hybrid funding policy would be applicable to all first-cycle and second-cycle (non-thesis) programs, including medical residents and fellows (to be confirmed).

2.6. FY2025 Considerations for International Students

- ▶ The international student recruitment landscape has changed dramatically since the start of the pandemic.
- ▶ Additional recruitment challenges have emerged:
 - ▶ Global economic conditions may influence students planning to study abroad to focus on more affordable options.
 - ▶ A need to diversify markets in a climate of growing global competition for international students.
 - ▶ Governments around the world strengthening the links between immigration and international education policies to address labour needs. Quebec’s international student strategies are focused towards attracting international students to the regions and cities outside of Montreal¹.
 - ▶ Changes to the Programme de l’expérience québécoise (PEQ). The PEQ is a fast track for international students to obtain a Quebec selection certificate, which is a step toward permanent residency. Students who come to Quebec to study in English and do not have a sufficient knowledge of French will no longer qualify.
 - ▶ International students are increasingly being blamed for worsening the housing crisis in Canada. The federal government is considering a cap on the number of international students.
 - ▶ Political tensions between Canada and India. In Fall 2022, there were nearly 17,000 Indian citizens studying at U15 universities.
 - ▶ Increasing political tensions in the United States, leading towards the 2024 presidential election.
 - ▶ Some universities are offering significant reductions in their tuition fees to attract international students².

¹ A limited number of exemptions from differential tuition fees will be granted to international students enrolled at and selected by a university or college located outside the territory of the Montréal metropolitan community.

<https://www.quebec.ca/en/education/study-quebec/financial-assistance-international-students/exemption-additional-tuition-fees-depending-program-region>

² E.g. U of Ottawa is offering renewable scholarships for students from Africa, Indonesia, Vietnam, China, South Korea, India or Bangladesh studying in English.

<https://www.uottawa.ca/study/fees-financial-support/international-english-scholarship>

2.7. FY2025 Considerations for International Students (cont'd)

- ▶ At McGill, the subset of international students which are deregulated fee-paying has been in decline since 2019-2020.
 - ▶ Across the U15, enrolment of Chinese citizens at the Bachelor's level has dropped by 14% between Fall 2020 and Fall 2022.
 - ▶ Immigration, Refugees and Citizenship Canada (IRCC) delays in processing student permit applications has created additional yield challenges. These delays can lead to late arrivals, deferral requests, and in other cases, withdrawals or no-shows. Awareness of these delays could be dissuading prospective students from choosing Canada as a study destination.
 - ▶ McGill is among several Canadian Designated Learning Institutions (DLIs) participating in an IRCC pilot project (survey) to earn a "Trusted Institution" status. Fast-tracking of study permits for foreign students attending "trusted" institutions is being considered by IRCC.

2.8. FY2025 Deregulated Tuition Rate Orientations

- ▶ The October 13, 2023 announcements by the Government of Quebec has created a great deal of uncertainty in the ability of the University to retain CNRQ students able to pay the higher tuition and/or its ability to replace them from other student pools such as Quebec residents, exempted international students (e.g., French citizens) or international students.
- ▶ Benchmarking of tuition rates in peer Canadian universities demonstrate that we are reaching a plateau in disciplines that have been deregulated since 2008 (i.e., management, science, engineering).
- ▶ Deregulated fee-paying students have been in decline since 2019-2020, with a slight increase in US pools in Fall 2023.
- ▶ Geopolitical tensions and challenges with immigration remain.
- ▶ Taken together, we will be limiting the increase of deregulated tuition rather than increasing deregulated tuition rates as a mean to offset the financial losses that would result from the implementation of the recent Government of Quebec announcements.

2.9. FY2025 Regulated Tuition Rates

- ▶ The Ministry sets regulated tuition rates (Quebec base tuition, Canadian supplement, International regulated supplement), usually in the spring of each year, which take effect in the Fall.
- ▶ **Quebec residents.** To combat rising inflation, the government tabled Bill 1 that caps the indexation of government tariffs for Quebec residents, which applies to tuition rates, at 3% for the duration of their mandate (2023-2026).

We are assuming that the government will continue to compensate universities for the shortfall, as compared to the indexation levels as calculated in previous years based on economic indicators.

- ▶ **Canadian non-residents of Quebec (CNRQ) and permanent residents.** On October 13, the Government of Quebec announced that tuition will increase from moving from \$8,992 to around \$17,000.
- ▶ **Exempted international students** (e.g., French citizens). Based on our interpretation of the October 13 announcements, funding policies would not change. We are anticipating that exempted international students will continue to pay the Quebec or the former Canadian (non-Quebec) rates, program-dependent. We are assuming a 3% indexation.
- ▶ **International students enrolled in Master's Thesis or Doctoral Programs.** Based on our interpretation of the October 13 announcements, funding policies would not change. We are assuming a 3% indexation.

2.10. FY2025 Revenue Outlook - Other Revenues

Targeted Grants – Quebec

- ▶ We believe that the provincial Government will continue its level of commitment for targeted grants accounted for in the unrestricted fund (i.e., \$25M for FY2024)
- ▶ Funding allocations for FY2025 should be communicated by late Spring 2024.

Sales of Goods and Services

- ▶ For FY2025, we are anticipating a slight increase compared to the FY2024 forecast

Short-Term Interest Revenue

- ▶ If the Bank of Canada were to reduce its policy interest rate during FY2025, we will see a drop in short-term interest revenues.

2.11. FY2025 Budget Planning

- ▶ **Enrolment targets**, meetings to be held with Faculties in December/January. Revenue modeling in January.

We have been actively working to recruit a greater number of prospective students from Quebec or from countries around the world to fill the places normally taken by students from the rest of Canada.

- ▶ **Non-compressible budgets**, information to be assessed in November/December.
- ▶ **Deregulated tuition increases**, decisions finalized in December.
- ▶ **Academic review and renewal planning**, in January
- ▶ **Other incremental budget requests**, in February
- ▶ **Financial review of Faculties and units**, in February
- ▶ **Final decisions on budget measures effective in FY2025**, in February.
- ▶ **Finalization of the FY2025 budget using scenarios to deal with the many unknowns**, in March

2.12. Uncertainties and Risks

▶ External:

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

2.13. Uncertainties and Risks (cont'd)

▶ **McGill-controlled:**

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

Discussion

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

