

**Secretariat**

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The following items arise from a meeting of the Finance Committee on February 11, 2020. They are presented to the Board of Governors for information.

**I. FOR THE INFORMATION OF THE BOARD OF GOVERNORS****1. Update on Financing Plan for Deferred Maintenance and IT Initiatives [F19-14]**

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 Finance Committee was informed that, as at December 31, 2019, a total of \$95,259,831 of this allocation was spent on the listed capital projects and a total of \$58,906,563 on the listed IT projects.

**2. Budget Planning 2020-21 Report II [F19-19]**

The Committee was informed that the forecast for FY2020 is a deficit of \$6.4M versus the original budgeted deficit of \$8.7M. The second of three presentations regarding the budget planning exercise for FY2021 was provided to the Finance Committee and is attached as Appendix A.

**3. Update on New Vic Project**

Further to a request made at its meeting in November 2019, the Committee received an update on the New Vic Project. In December 2019, McGill University, the Ministère de l'Éducation et de l'Enseignement supérieur (MEES) and the Société québécoise des infrastructures (SQI) entered into a protocole d'entente (Memorandum of Understanding) on the project's governance structure. The current estimated total project budget is \$740 million. The project team is working to reduce costs without affecting the overall project scope as a reduction in scope would reduce the government's contribution. The Government of Quebec's financial contribution to the project has yet to be confirmed but was anticipated to be in the amount of approximately \$465 million. The University maintains its position that it would contribute \$150 million towards the project.

**4. Update on Strategy to Generate Equity to Finance the First Phase of the McGill Master Plan**

At its meeting of May 23, 2019, the Board of Governors, on the recommendation of the Finance Committee, endorsed the financial plan of the first phase of the McGill Master Plan. The financial plan outlines an analysis of assumptions regarding Master Plan funding sources such as government funding, donations, and equity. The Committee was updated on the status of the financial plan with respect to funding stemming from possible equity generating initiatives and donations. The Finance Committee will receive an update on the status of the Financial Plan of the Master Plan on a semi-annual basis.

**5. Progress Report on Treasury Matters** [F19-16]

The Committee received a progress report on treasury matters relating to the University's borrowing, investing and hedging activities for the period ended December 31, 2019 for information.

**6. Report on Quarterly Financial Results for Fiscal Period Ended October 31, 2019** [F19-18]

The Committee received a quarterly report on the financial results for the period ended on October 31, 2019. The report included operational highlights, and a summary of overall revenues and expenses for the period ended October 31, 2019.

**7. Finance Committee 2020-21 Meeting Date** [F19-13]

The Committee received its meeting dates for the 2020-21 governance year.

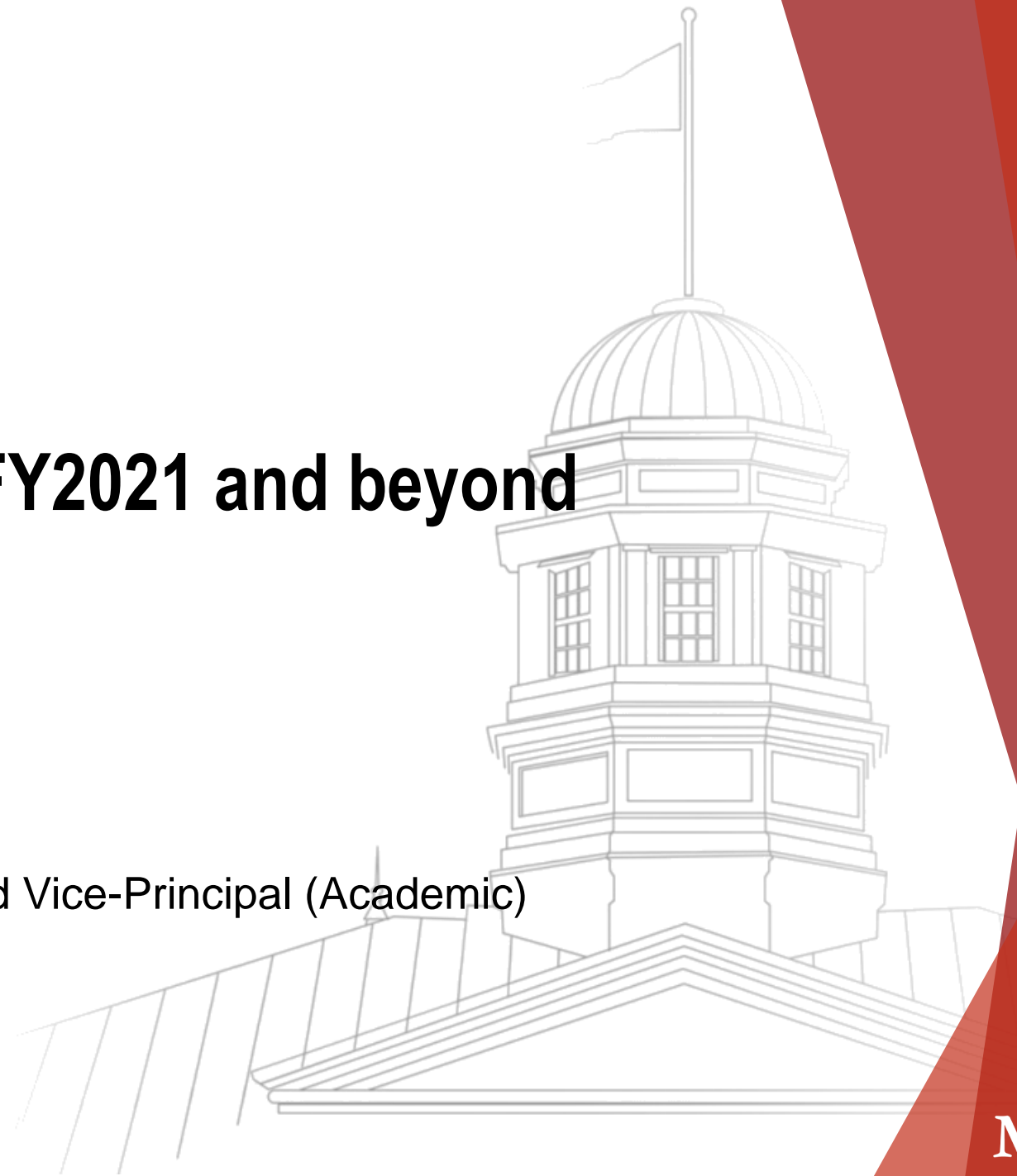
**END**  
**February 2020**

# Budget Planning II

## FY2020 Outlook and Budget Hypotheses for FY2021 and beyond

Presentation to the Board of Governors  
February 13, 2020  
DRAFT

Prof. Christopher Manfredi, Provost and Vice-Principal (Academic)



# Agenda

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- ▶ FY2020 Outlook
- ▶ Looking Ahead: FY2021 and beyond

# **FY2020 Outlook**

# Safe Harbour Statement

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- ▶ This presentation provides a preliminary projection of our revenues and expenses for FY2020 based on updated trend forecasts for each academic and administrative area using the financial results at December 31, 2019, supplemented by input provided by individual FFOs, unit heads, and central FFMs in January 2020.
- ▶ Revenue and expense estimates come into clearer focus at this point.

# FY2020 Year-End Estimates: Unrestricted Revenues

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- ▶ As approved in the FY2020 Budget, the University's three major unrestricted revenue categories can be summarized as follows:
  - ▶ Provincial grants (39.1%)
  - ▶ Tuition and fees (38.9%)
  - ▶ Other (22.0%)
    - ▶ Federal grants
    - ▶ Sales of Goods and Services
    - ▶ Gifts & Bequests
    - ▶ Endowment Revenue (Investment Income)
    - ▶ Short-term Interest Revenue
  
- ▶ The two largest revenue sources are driven by our student enrolment
  - ▶ The tuition and fees impact is immediate and easier to forecast
  - ▶ The provincial grant numbers are modeled largely based on the student population and their activities, and we book these estimates. The provincial government only arrives at an independent conclusion two years after the fact, and adjusts the grant payments accordingly.

# FY2020 Year-End Estimates: Student Enrolment

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- ▶ Fall 2019 enrolment of deregulated Bachelors students surpassed estimate:
  - ▶ FY2020 Budget based on steady-state assumption of FY2019 projection as at end of Q2.
  - ▶ Current estimate of deregulated headcounts is 149 above initial estimate (5,546 versus 5,397).
  - ▶ Positive impact on tuition, institutional fees, and sales of goods and services revenues.



# FY2020 Year-End Estimates: Student Enrolment

## Bachelors Enrolment (Headcounts)

	FY2020		Variance	
	(Fall 2019)	Target/ Estimate <sup>(1)</sup>		Actuals
Regulated students		18,914	19,139	225
Deregulated students <sup>(2,3)</sup>		5,397	5,546	149
<b>Total Bachelors Enrolment</b>		<b>24,311</b>	<b>24,685</b>	<b>374</b>

## Graduate New Registrations (Headcounts - Annualized)

	FY2020		Variance	
	(Fiscal Year)	Targets		Actuals (p)
Total Masters		2,316	2,437	121
Masters Non-Thesis		1,318	1,415	97
Masters Thesis		998	1,022	24
Doctoral		795	774	-21
<b>Total Graduate New Admits</b>		<b>3,111</b>	<b>3,211</b>	<b>100</b>

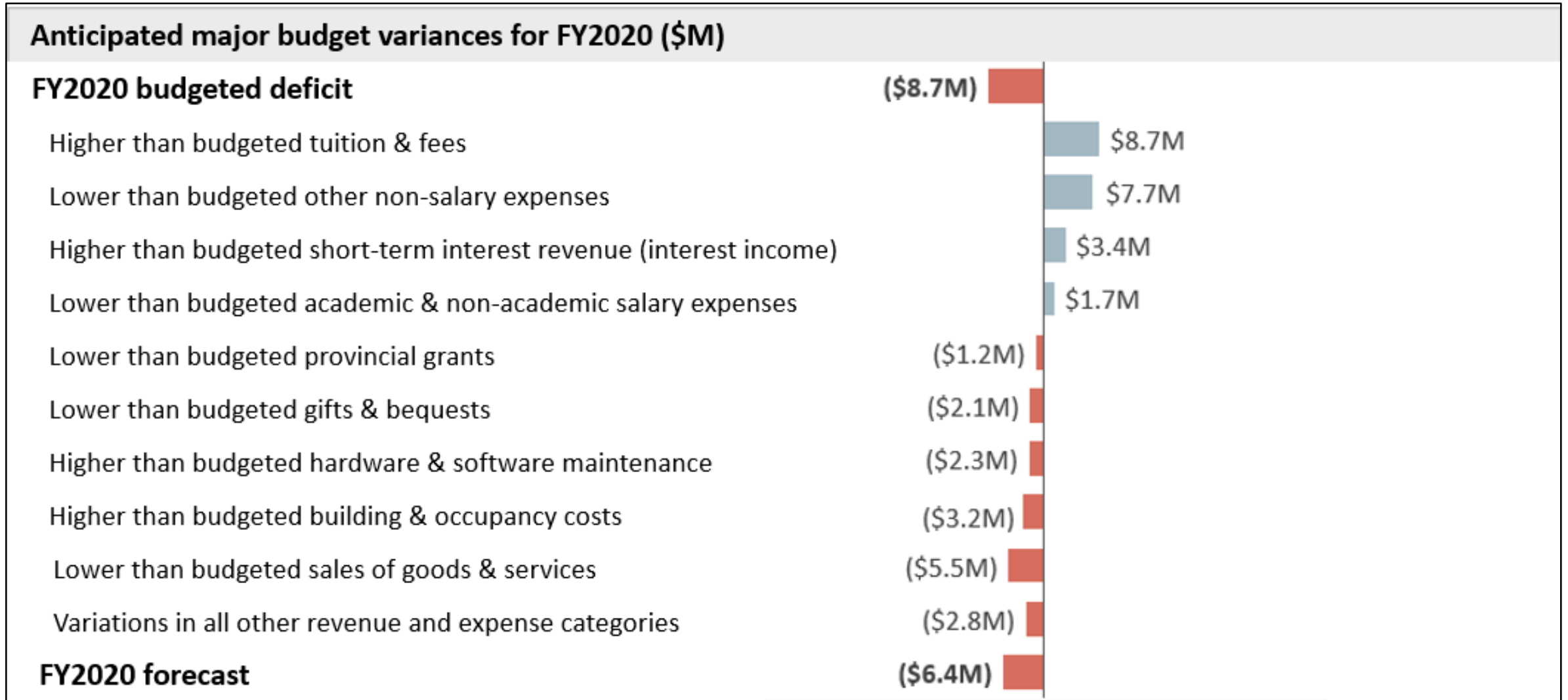
<sup>(1)</sup> Regulated targets/actuals are derived from overall targets/actuals minus deregulated estimate/actuals.

<sup>(2)</sup> Deregulated estimate used in the FY2020 budget represents a steady-state assumption based on students billed deregulated tuition fees as of FY2019 Q2.

<sup>(3)</sup> Deregulated enrolment actuals are based on students who are billed deregulated tuition fees as of FY2020 Q2. Newly admitted students have until the end of the first term to provide proof of citizenship/residency, and thus the number of those considered to be deregulated may decrease slightly from what is shown here.

(p) projected: FY2020 new registrations to graduate programs are projected based on the sum of Summer/Fall 2019 new registrations as at October 15 census and Winter 2020 new registrations as at January 30, 2020.

# FY2020 Year-End Estimates: Unrestricted Funds



# FY2020 Year-End Estimates: Unrestricted Revenues

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## Variations

- ▶ Higher than budgeted tuition and fees **+\$8.7M**
  - ▶ Deregulated tuition accounts for about 2/3 of the increase
  - ▶ Regulated tuition and student fees account for the remainder
- ▶ Higher than budgeted short-term interest revenue **+\$3.4M**
  - ▶ Largely driven by interest owed to McGill for costs incurred related to capital projects
- ▶ Lower than budgeted provincial grant revenue **(\$1.2M)**
  - ▶ Still finalizing estimates based on known student population at end of Q3 (January 31, 2020)
- ▶ Lower than budgeted gifts and bequests **(\$2.1M)**
  - ▶ Current estimates include lower expectations in some areas compared to FY2019 final results
- ▶ Lower than budgeted sales of goods and services **(\$5.5M)**
  - ▶ Current forecast includes lower expectations in several areas
  - ▶ Historically, forecasts in this category have been more conservative than final results.

# FY2020 Year-End Estimates: Unrestricted Expenses

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## Variations

- ▶ Prior year Budget Planning II estimates contained:
  - ▶ Large positive variances in the “other non-salary expense” budget line item (where central and unit contingencies were retained before being redeployed)
  - ▶ Negative variances in many of the other expense categories where the activity eventually occurred
- ▶ The FY2020 Budget Planning II estimates contain smaller variances given that the budget was more closely aligned with anticipated spending on a category-by-category basis
  - ▶ The “other non-salary expense” variance has decreased from +\$29.0M in last year’s Budget Presentation II to +\$7.7M in this year’s Budget Presentation II

# FY2020 Year-End Estimates: Unrestricted Expenses

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## Variations

- ▶ Lower than budgeted other non-salary expenses **+\$7.7M**
  - ▶ Actuals at the end of December 2019 are within \$300K of actuals at the same date last year.
  - ▶ Generally used as the placeholder for expense types that are not known at the time the budget is approved
- ▶ Lower than budgeted academic and non-academic salaries **+\$1.7M**
  - ▶ Salary budgets include the salary adjustment to pay periods (to cover the two additional weekdays in FY2020), but exclude the residual unapplied budget measures
- ▶ Higher than budgeted hardware and software maintenance **(\$2.1M)**
- ▶ Higher than budgeted building and occupancy costs **(\$3.2M)**
  - ▶ Actuals at the end of December 2019 are relatively stable compared to the same date last year, but current unit expectations are higher

# Looking Ahead: FY2021 and beyond

# Looking ahead: FY2021 and beyond - Unrestricted Revenues

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- ▶ McGill expects to maintain the enrolment goals set out in the Strategic Academic Plan:
  - ▶ Maintain undergraduate enrolment and increase graduate enrolment
  - ▶ Maintain international student enrolment at 25-30% of the total undergraduate population
- ▶ Quebec students must represent at least 50% of enrolment across programs affected by deregulation.
- ▶ Effective Fall 2019, deregulation expanded to affect all international students, with the exception of those in PhD and Master's (thesis) programs, and those exempted from paying deregulated tuition (e.g., French citizens).
  - ▶ All provincial grant funding associated with deregulated students is eliminated
  - ▶ Temporary transition grant to new funding policy: \$2.1M in FY2020 and \$1.1M in FY2021
  - ▶ The University will establish appropriate increases for new incoming cohorts of students

# Looking ahead: FY2021 and beyond - Unrestricted Expenses

## **New Investments in Student Aid**

- ▶ The newly approved deregulated tuition for BA and BARSCI will result in incremental revenue for the University.
- ▶ Financial assistance for students will increase by an estimated \$3M over the next three years.



# Looking ahead: FY2021 and beyond - Unrestricted Expenses (cont'd)

- ▶ Annual payment of \$11.5M to amortization fund
  - ▶ Amount was to increase to \$23M in FY2021, but we made an advance payment in FY2019
  
- ▶ Previously approved FY2021 Faculty and Administrative Unit Agreement allocations totaling \$9.0M
- ▶ Approved FY2021 Faculty compact allocations and mid-year allocations totaling \$29.6M (including the enrolment driven allocation to Faculties).
  
- ▶ Salary indexation
  - ▶ Salary Policy estimate of \$15.0M

# Looking ahead: FY2021 and beyond - Unrestricted Expenses (cont'd)

- ▶ FY2021 institutional imperatives (unavoidable cost increases):
  - ▶ **Indexation:** Increased cost of existing necessary expenditures (i.e. renewal of service contracts).
  - ▶ **Required service level increases:** Unavoidable expenditures (i.e. expanding an existing service to a new building), or new expenditures for previously approved initiatives (new mandatory requirement).
  - ▶ Acquisition/occupation of new buildings/space has a significant impact on the unrestricted fund.
  
- ▶ Eligible project management fees will now be applied to the capital grant, relieving pressure on the operating fund
  
- ▶ FY2021 contingency, if available, to cover in-year requests and issues

# A Final Note

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- ▶ This financial outlook informs our understanding of the resources the University has to achieve its academic mission.
- ▶ The effectiveness of available resources in achieving the University's academic mission also depends on current internal policies (i.e., both their design and application) and on non-financial drivers.
- ▶ The University is developing Business Intelligence that enables the ability to link University resource use with achievement of the academic mission of the University:
  - ▶ Data production
  - ▶ Data governance
- ▶ The University must ensure that its staff has the required financial skills to process budget transactions correctly, technical skills to use detailed data beyond pre-formatted reports, information management skills, and ability to transfer institutional memory or know where to obtain it.

# Discussion

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

