Report of the Finance and Infrastructure Committee

GD23-61

Board of Governors Meeting of April 25, 2024

Secretariat
845 Sherbrooke St. West, room 313
Montreal, QC, H3A 0G4
Tel: (514) 398-3948 | Fax: (514) 398-4758

The following items arose from the Finance and Infrastructure Committee meeting of April 19, 2024. The items are for consideration by the Board of Governors.

I. FOR APPROVAL BY THE BOARD OF GOVERNORS

1. Proposed Provisional McGill University Budget: 2024-2025 [FIC23-52]

The Committee received the third and final presentation in a series of budget presentations, which outlined the factors that have influenced budget planning for fiscal year 2025. Considering the uncertainty regarding enrolment-driven revenues and the level of Quebec grant revenues the University will receive in light of changes to the funding policies, the Finance and Infrastructure Committee is recommending to the Board approval of a provisional budget at this time, followed by approval of a final FY2025 budget in fall 2024.

The Committee was presented information about the impacts of the funding policy changes announced by the Government of Quebec, which would result in a $9M drop in anticipated operating revenues for FY2025, and which would gradually increase to an annual loss of $37M by FY2028. It was noted that the estimated losses assumed that the University would maintain its current enrolment levels and distribution among the different student populations and did not factor in potential losses that could stem from declined enrolment as a result of French-language proficiency requirements.

The Committee was presented a provisional budget plan with a $12M deficit, including a $10M contingency for recommendation to the Board of Governors. It is anticipated that a final budget for FY2025 and recovery plan will follow in Fall 2024 for approval.

> *Be it resolved that the Board of Governors, on the recommendation of the Finance and Infrastructure Committee, approve the proposed provisional FY2025 Budget, as described in Appendix A.*

The FY2025 Budget Planning Report III is attached as Appendix A to this report.

2. Maximum Short-Term Borrowing Resolution for FY2025 [FIC23-48]

The *Ministère de l'Enseignement supérieur* (MES) requires annual borrowing authorization limits to be confirmed by the University. In accordance with the Finance and Infrastructure Committee's Terms of Reference, the Committee reviewed the extent and methods of external borrowing for both operating and capital needs. Given the absence of borrowings over the past several years, combined with timely draws on the *Financement Québec* (FQ) short-term lines, the MES has waived substantiation of an operating borrowing facility of up to $10 million.

The Committee recommends that the Board approve an annual short-term borrowing limit of $10 million from June 1, 2024 to May 31, 2025. If this limit would need to be increased during the year, a cash flow that substantiates the requested amount would be submitted to the MES for authorization, followed by a resolution by the Board of Governors for approval.

Be it resolved that the Board of Governors, on the recommendation of the Finance and Infrastructure Committee, approve a maximum borrowing of up to $10 million, for the twelve-month period from June 1, 2024 to May 31, 2025.

3. Project 18-156: McConnell Arena Upgrade [FIC23-56]

The Board of Governors is asked to approve Lot 2B of Project 18-156: McConnell Arena Upgrade. Lot 2B is the general contractor for the main construction package. The funding required to proceed with Lot 2B, based on tender results, is $13,689,939, to bring the total funded project budget to $17.3M, including taxes, rebates, soft costs, and contingencies.

The McConnell Arena upgrade is funded by the *Ministère de l'Enseignement supérieur* (MES) in the form of a grant from the *Programme de soutien aux infrastructures sportives et récréatives scolaires et d'enseignement supérieur* (PSISRSES), with bond proceeds, and funds provided by McGill Athletics.

McConnell Arena was built in 1956, has a seating capacity of 1,600, and boasts a standard North American-sized rink. The Arena supports student programming and events, and is home to several McGill winter sports team, notably the men's and women's hockey teams. The Arena also generates about $250,000 in annual gross revenues through ticket sales, concession stand sales, intramural hockey league fees, skating and hockey classes, and rental contracts.

The Arena's upgrade will address deferred maintenance repairs identified through an external audit conducted on buildings at McGill's downtown and Macdonald campuses in 2015, in addition to a 2017 study conducted by an external consulting firm, which identified essential upgrades to replace aging HVAC systems. The upgrade also aims to increase the Arena's electrical infrastructure and improve and modernize the ventilation and cooling systems.

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

Be it resolved that the Board of Governors, on the recommendation of the Finance and Infrastructure Committee, approve Lot 2B of Project 18-156: McConnell Arena Upgrade in the amount of $13,689,939 to bring the total funded budget for this project to $17.3M.

Be it further resolved that the Board of Governors authorize the Interim Vice-President (Administration and Finance), the Associate Vice-President (Facilities Management and Ancillary Services) or the Director, Project Management, to sign contracts and any other agreements with respect to this approval on behalf of The Royal Institution for the Advancement of Learning/McGill University, provided that the total amount of the contracts does not exceed the project's total funded budget amount, and that the contracts are reviewed by Legal Services, as necessary.

4. Proposed Policy for the Management of Moveable Assets [FIC23-59]

The Finance and Infrastructure Committee received and recommended for approval by the Board of Governors the proposed *Policy for the Management of Moveable Assets* (Policy).

The proposed Policy is related to the recently approved *Sustainable Procurement Policy*, which was approved by the Board of Governors at its meeting of December 14, 2023. The *Sustainable Procurement Policy* is a revision of the former *Procurement Policy*, in which information about asset management was removed for the purpose of establishing new and distinct policies for the management of the University's physical assets.

The *Policy for the Management of Moveable Assets* establishes a framework for the University to manage, maintain, and track its moveable assets for the lifecycle of the asset. The Policy will distribute responsibility for moveable assets to "Asset Stewards", which will be delegated accordingly, to persons, units, and faculty involved in the acquisition, use, maintenance, transfer, and/or end-of-life management of the assets.

The proposed Policy, as presented in Appendix B, reflects relevant legislative and granting agency requirements, and has been reviewed by Legal Services.

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

> *Be it resolved that the Board of Governors, on the recommendation of the Finance and Infrastructure Committee, approve the proposed Policy for the Management of Moveable Assets, as presented in Appendix B.*

II. FOR THE INFORMATION OF THE BOARD OF GOVERNORS

1. Navigating Financial Uncertainty: Assessing the Implications of the New Funding Policy on Budgetary Outlook [FIC23-53]

As a result of the uncertainty surrounding tuition revenue projections following the government's tuition announcements, the Finance and Infrastructure Committee requested information on longer-term assumptions and scenario modelling. The Committee received this information at the April 19, 2024, meeting. More specifically, the Committee reviewed four distinct revenue and expense scenarios and their impact on rating agency ratios. The Committee supported the administration's position that additional revenue-generating initiatives and expense reduction measures will need be needed, as described in the FY 2025 budget. The Committee will continue monitoring the financial health of the University and report to the Board accordingly.

2. Approval for Renewal of a Lease of Space at 141 President Kennedy [FIC23-55]

The Finance and Infrastructure Committee, on the recommendation of the Interim Vice-President (Administration and Finance), authorized the Royal Institution for the Advancement of Learning / McGill University to enter into a lease agreement for 13,755 ft2 of laboratory space and 250 ft2 of storage space at 141 President Kennedy Avenue (*Université du Québec à*

Montréal – UQAM) for a term of five-years, with the option to renew the lease for four-years, at an estimated gross total cost of $6,786,407.90, and subject to approval from the Quebec government, as required.

The space is currently used by the Department of Bioengineering, Faculty of Engineering, to provide lab support, and to provide needed space for post-graduate students. The University has been using the space since 2014, and its continued use is needed while major infrastructure works continue.

3. Report on Planned, Approved, and Ongoing Projects (Construction and Renovation) [FIC23-57]

The Finance and Infrastructure Committee received a status report on McGill's planned, approved, and ongoing construction and renovation projects that are valued over $6 million (total or projected values).

4. Other Updates and Reports

The Committee received the following reports and updates for information:

- Update on Board Approval of FIC Items [FIC23-50]
- Report on Contracts and Projects approved within the Authority of Management [FIC23-49]
- Update on Major Projects: (New Vic, Fiat Lux) [FIC23-54]
- Committee Meeting Dates for 2024-2025 and 2025-2026 [FIC23-51]
- Update on Financial Plan for Deferred Maintenance and IT Initiatives [FIC23-58]

END
April 2024

Budget Report III:
FY2024 Forecast and FY2025 Provisional Budget

Presentation to the Finance and Infrastructure Committee
April 19, 2024

Christopher Manfredi, Provost and Executive Vice-President (Academic)

Executive Summary

- For the fiscal year ending on April 30, 2024 (FY2024) our forecast suggests that we will balance the budget.
- In March 2024, the Québec Government announced major changes to its funding policies. As a result, McGill's anticipated operating revenue will drop by $9M in FY2025, gradually increasing to a $37M annual loss in FY2028. This $91M cumulative loss over the FY2025 to FY2028 period assumes that we will maintain our current enrolment levels and distribution among the different student populations.
- Considering revenue projections after these funding policy changes and current assumptions for the growth of expenses following the implementation of $35M in budget measures, the University's annual operating deficit would reach $89M as of FY2028. These projections exclude additional potential revenue losses due to declined enrolment as a result of the French proficiency requirements.
- Major revenue-generating and expense reduction initiatives, as well as critical transformational changes need to be planned and implemented immediately to correct this unsustainable trajectory.
- In light of the very high level of uncertainty and risk, we are recommending the approval by the Board of Governors of a provisional budget plan at its April meeting with a $12M deficit, including a $10M contingency, followed by the approval of a final FY2025 budget and recovery plan in fall 2024.

1. Fiscal Year 2023-2024 Forecast

(for information)

McGill

1.1. FY2024: Revenue and Expense Forecast

($000)

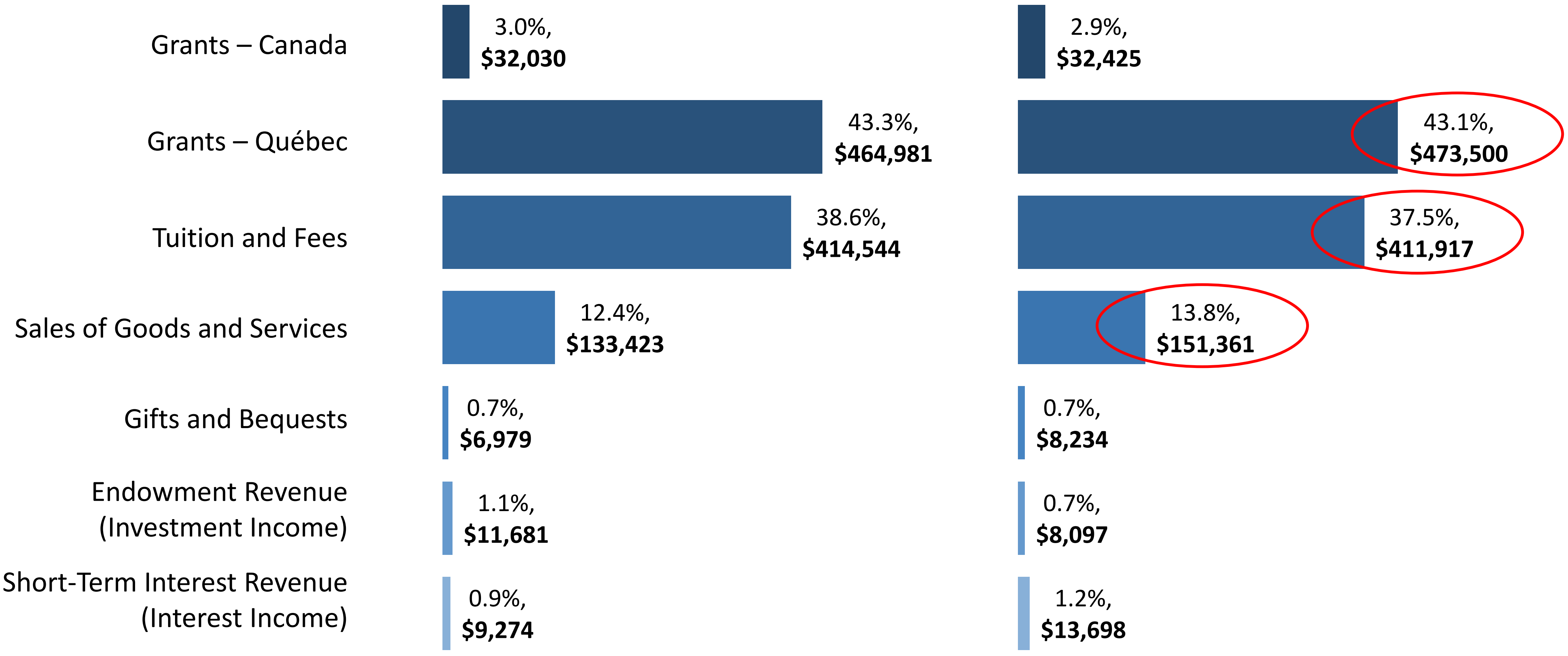
	FY2021 Actuals	FY2022 Actuals	FY2023 Actuals	FY2024 Budget	FY2024 Forecast**
Total revenues	898,216	978,172	1,025,899	1,072,913	1,099,231
Total expenses	897,406	976,822	1,025,507	1,072,344	1,098,808
Annual surplus / (deficit)	810	1,350	392*	569	422

Excluding year-end GAAP adjustments
*FY2023 surplus for subvention conditionnelle calculation is $392K
**As per January 31, 2024 actuals and commitments, inputs from units, and trend forecasts

1.2. FY2024 Forecast: Unrestricted Revenues

($000s)

FY2024 Budget: $1,072,913 | **FY2024 Forecast*: $1,099,231**



*As per January 31, 2024 actuals, inputs from units, and trend forecasts.

1.3. FY2024 Variance Analysis: Unrestricted Revenues

Grants – Québec

- We anticipate an increase in provincial funding of $9M compared to the budget.
- There are multiple factors, including additional funding for salary indexation, buildings and grounds, as well as deferral of targeted grants from FY2023 to FY2024.

Tuition and Fees

- Tuition and fees revenue expectations are down about $3M compared to budget, mainly from deregulated tuition.
- There are smaller shortfalls in application fees, as well as regulated tuition.

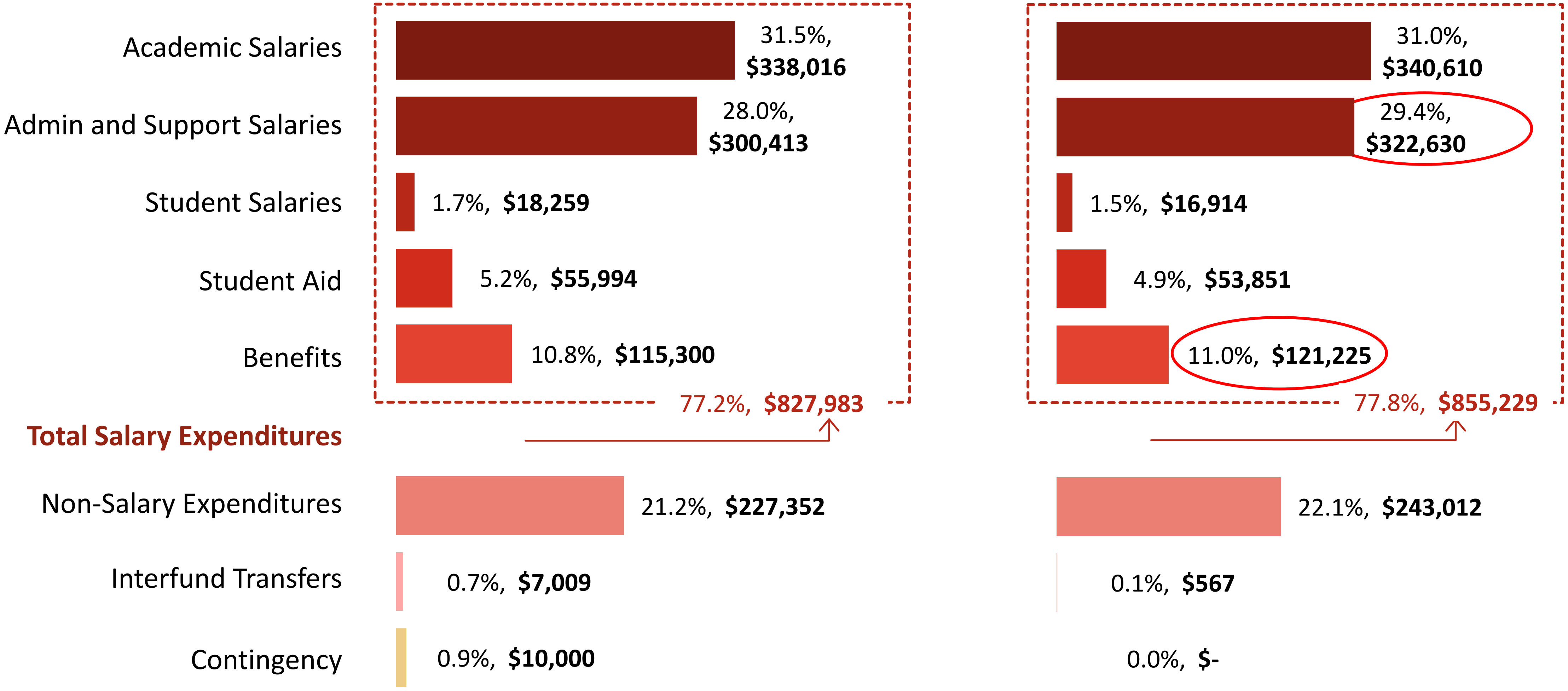
Sales of Goods and Services

- Increased expectations of $18M compared to budget.
- This is driven largely by increased expectations in external revenues in Food Services, Faculty of Medicine and Health Sciences, and Student Housing, as well as royalties and licensing revenues, and U.S. exchange.

1.4. FY2024 Forecast: Expenses

($000s)

FY2024 Budget: $1,072,344 | **FY2024 Forecast*: $1,098,808**



*As per January 31, 2024 actuals and commitments, inputs from units, and trend forecasts

1.5. FY2024 Forecast: Non-Salary Expenditures

($000s)	FY2024 Budget: $227,352	FY2024 Forecast*: $243,012	Variance: $15,660
Building & Occupancy Costs	46,802	57,132	10,330
Materials, Supplies & Publications	40,278	43,607	3,329
Contract Services	26,506	36,900	10,394
Energy	21,277	21,505	228
Hardware and Software Maintenance	19,358	21,125	1,767
Cost of Goods Sold & Services Rendered	18,914	12,476	(6,438)
Contribution to Partner Institutions	11,221	10,428	(792)
Professional Fees	11,116	11,709	593
Capital Purchases	8,240	7,175	(1,065)
Interest & Bank Charges	1,936	2,330	394
Other (incl. travel, receptions, events, catering, meals, photocopying)	21,706	18,625	(3,081)

*as per January 31, 2024 actuals and commitments, inputs from units, and trend forecasts

1.6. FY2024 Variance Analysis: Expenses

- **Admin and Support Salaries**
  - The number of administrative and support staff has grown.
  - Anticipated reductions did not materialize. Prior to the December 1, 2023 hiring restrictions, fewer units than expected had included savings in this category as a budgetary measure.
  - Some incremental expenses are associated with increased activity in support of targeted grants.
  - Anticipated pay equity contributions have been factored into the forecast.

- **Benefits**
  - Benefits forecasts are up due to the higher-than-anticipated staffing expenses noted above.

- **Non-Salary expenditures**
  - **Building and Occupancy Costs:** There are increases in cost expectations in several units, including some related to the asbestos file, leases, operating expenses, renovations, and internal loan repayments for infrastructure projects.
  - **Contract Services and Cost of Goods Sold and Services Rendered:** There is a shift of approximately $7M from the cost of goods sold to contract services due to a change in the administration of the meal plan in Food Services.

2. Fiscal Year 2024-2025 Provisional Budget

(for recommendation to the BOG)

McGill

2.1. Québec Government: Additional Changes to Funding Policies

- In March 2024, the *Ministère de l'Enseignement supérieur* (MES) announced major changes to its funding policies and underlying guiding principles. Over the next four years, existing funding will be redistributed among the university network to better support priorities of the Québec Government.

- The Government's priority fields are guided by workforce shortage areas in strategic sectors of the economy (engineering and information technology) and in essential public services (health and social services, education). Energy transition has been added to the priority fields for the upcoming years.

- Major changes to the funding policy include:
  - Reduction of the activity-driven component of university funding (-$181.2M for McGill)
  - Creation of a fixed grant (+148.5M for McGill)
  - Both measures offer some protection for variations in enrolment
  - Upcoming change to the weighting of teaching disciplines (and possibly cycles)

- All these listed changes have negative impacts for McGill. Our enrolment-driven revenue models will need to be rebuilt and past budget allocation decisions will need to be revisited.

2.2. Québec Government: CNRQ students

Effective Fall 2024

Tuition Changes for Canadian Non-resident of Québec (CNRQ) Students

- Tuition will increase from $9K to $12K per year for newly enrolled students in undergraduate and professional master's programs enrolled in English-language universities. Bishop's is held harmless.
- Universities offering programs in English can charge tuition above $12K and retain the difference.
- Students who started prior to fall 2024 are grandfathered. Their tuition will be indexed at 3% ($9.3K). They will have five years to complete their program at this rate level (subject to any standard indexation that may take place).
- This measure will **not** apply to research degrees at the masters or doctoral level.

2.3. Québec Government: International students

Effective Fall 2024

Tuition Changes for International Students

- Re-regulation of tuition for international students. Applies to both English-language and French-language universities.
- Claw back of the difference between grants and the forfaitaire ($17K) per newly enrolled international student in undergraduate and professional master's programs, due to tuition policy and funding formula changes.
- Students who started prior to fall 2024 are grandfathered. Claw back will not be applied to tuition paid by students who started summer 2024 or earlier.
- This measure will **not** apply to research degrees at the masters or doctoral level.
- French citizens and francophone Belgian students will have tuition indexed at 3% ($9.3K).
- Changes to the funding formula have been communicated in March and are not yet published in the *Règles budgétaires.*

2.4. Québec Government: French Proficiency Requirements

Effective **Fall 2025**

French proficiency requirements

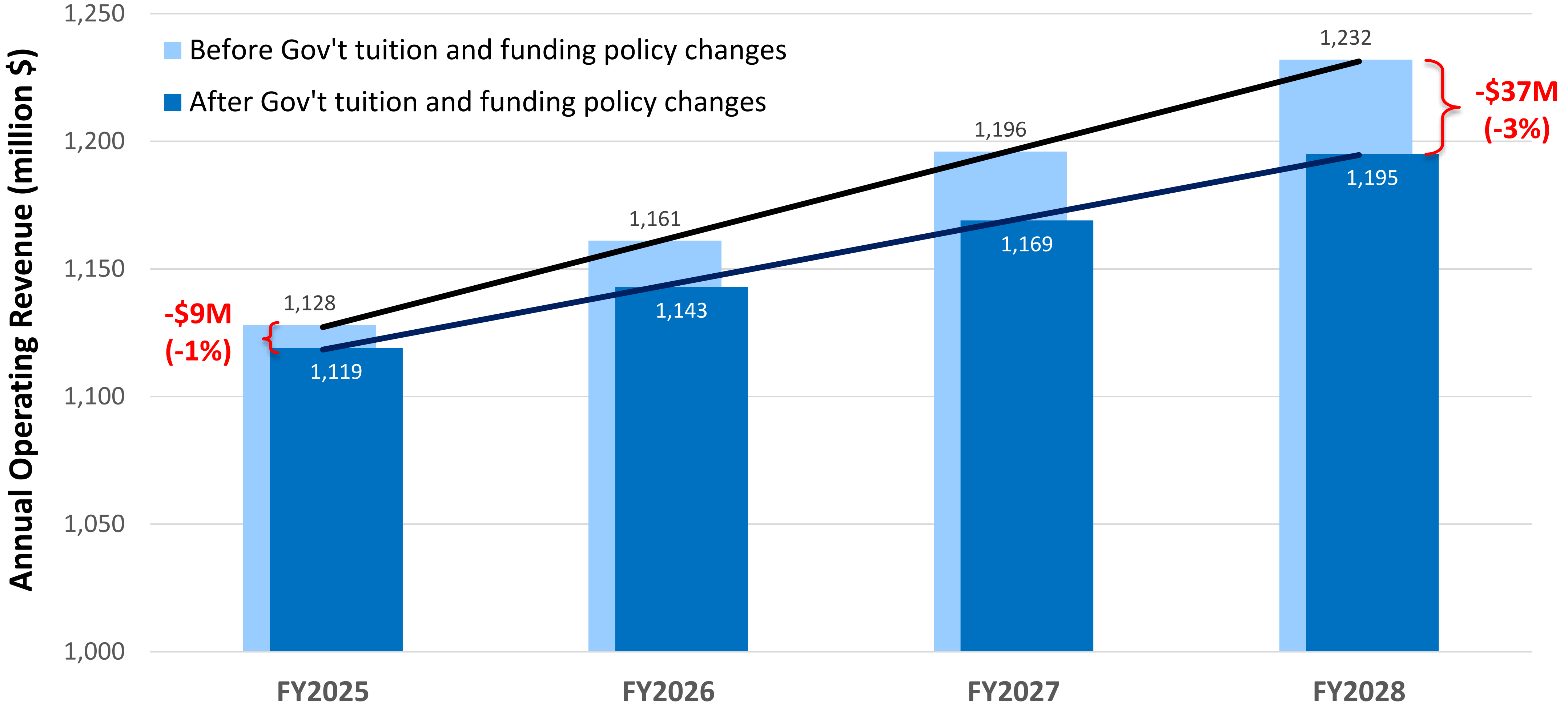
- English-language universities will be required to have 80% of their undergraduate students from outside Québec reach a level 5 (intermediate) proficiency in French by the time they graduate, starting with students beginning their studies in **fall 2025**.
- There has been no indication to date as to how this requirement will be monitored or measured.
- It has been specified that if McGill and Concordia do not achieve the 80% requirement, they will incur financial penalties, but such penalties have yet to be defined. Bishop's is exempt.
- Announced by the *Ministère de l'Enseignement supérieur* on December 14, 2023 and are not yet published in the *Règles budgétaires.*

2.5. Estimating the Financial Impact of Government Changes

- The *Ministère de l'Enseignement supérieur* has informed McGill that the overall changes to tuition and funding policies will result in:
  - A reduction in our expected operating revenues of **$9M for FY2025.**
  - A steady decrease in expected revenues over the next four years, **reaching an annual loss of $37M in FY2028.**
  - This **$91M cumulative loss** over the FY2025 to FY2028 period **assumes constant enrolment levels** and **distribution among the different student populations**.
- For CNRQ students, considering the enrolment loss mitigation measures that have been deployed (e.g., Canada Award and increasing the number of offers to quality students), we are assuming that fall 2024 enrolment levels overall will be comparable to previous years.
- We are assuming that the financial impact for CNRQ students will be limited to the investment into the Canada Award program: $13M over 4-years for the fall 2024 cohort. No decision has been taken with regards to the renewal of this initiative for fall 2025+ cohorts.
- Ultimately, the full financial impact of the Government changes will increase with each entering cohort and will only become clear once we see **the effect of the new requirements for French proficiency** and its impact on enrolment levels and distribution among the different student populations.

2.6. Revenue Projections: Impact of Government Changes

- Before Québec Gov’t changes, our global revenue projections assumed an overall indexation of about 3% per year.
- After changes, anticipated operating revenue will drop by $37M annually by FY2028, assuming constant enrolment.
- If there is a decrease in enrolment levels, the financial impact will be more severe.



2.7. Estimating Enrolment-Driven Revenues

- Enrolment-driven grants and tuition fees represent 80% of McGill's total operating revenues.

- A reliable assessment of enrolment-driven grant revenues will only be known in late October (6 months into the fiscal year), after the course or university withdrawal with refund deadline, when the determinants of enrolment-driven revenue (e.g., student **residency status and citizenship**, student credit hours, enrolment per program, cycle, etc.) are more certain.

- Until then, fall enrolment progress is monitored using the following data:
  - Confirmations of newly admitted students (post May 1st)
  - Registrations of newly admitted students (post July 1st)
  - Enrolment on the first day of classes (post September 1st)
  - Enrolment as of the Student Census (October 15th)

- Considering the uncertainty regarding enrolment-driven revenues and the fact that major changes to the funding policies are not yet published in the *Règles budgétaires*, thus limiting our ability to model Québec grant revenues, we are recommending the approval by the Board of Governors of a provisional budget plan at its April meeting followed by the approval of a final FY2025 budget in fall 2024.

2.8. FY2025 Provisional Budget: Assumptions

- In light of the high degree of uncertainty regarding revenue expectations in upcoming years, the immediate objectives for FY2025 are to reduce budget allocations and tightly control expenses, where possible, while actively working on strategic revenue growth and expense reduction initiatives, as well as on institutional improvements for increased effectiveness of administrative processes.

- For FY2025, our baseline general assumption is that overall enrolment levels will be comparable to FY2024.

- Recalibration of centrally allocated budgets will save $25M through the reduction of compressible expenses.

- For administrative and support staff, an ambitious target of replacing one out of two departures would save $10M. A reduction in the tenure stream complement is also planned.

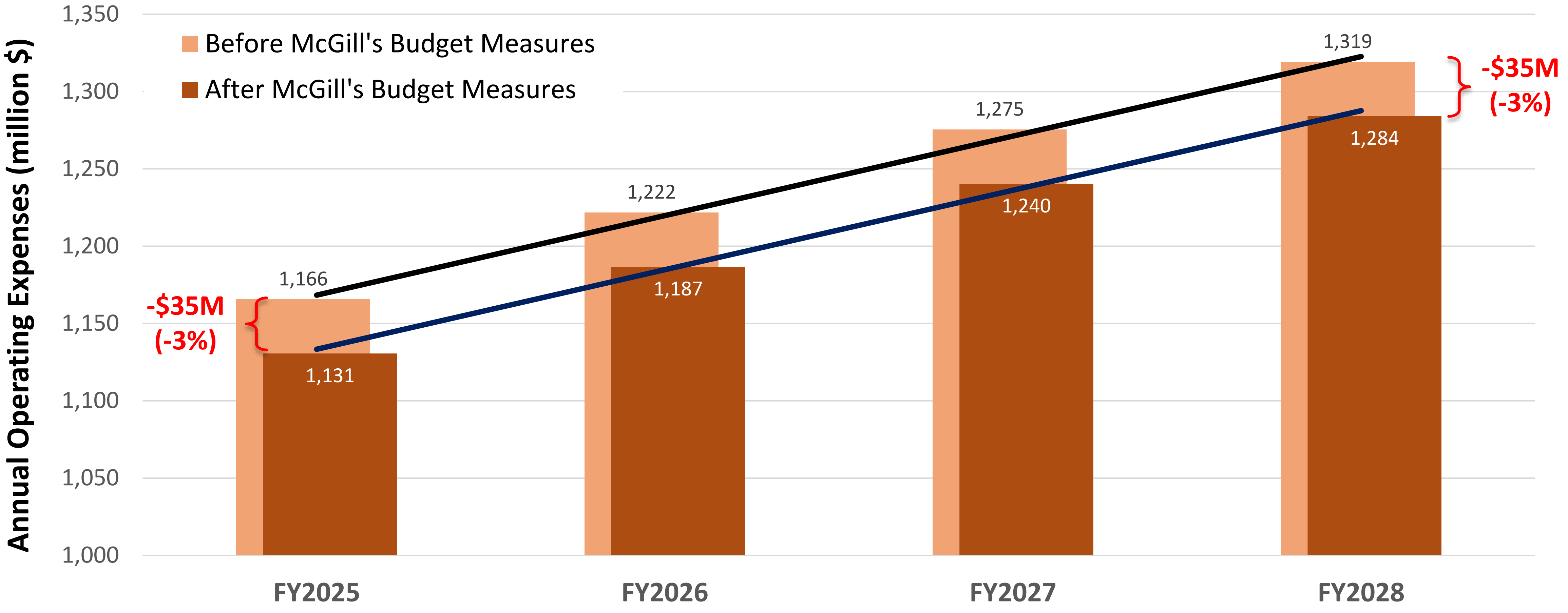
- The university will proceed with the planned schedule for the issuance of new debt for infrastructure and IT projects.

- Overall, the FY2025 Provisional budget is anticipating a $12M deficit. This provisional budget includes a $10M contingency.

- Additional revenue generating initiatives and expense reduction measures will need to be strategic and recurrent. This will require leadership and tough choices from leaders across the University.

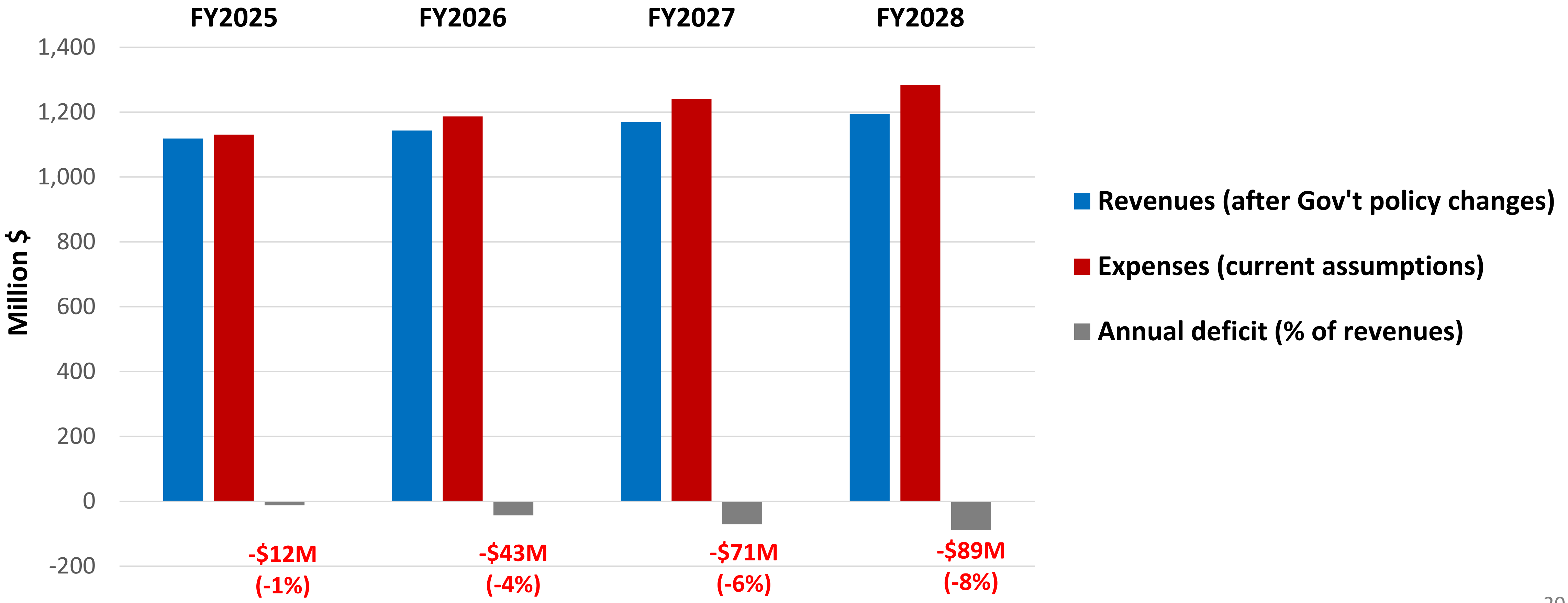
2.9. Current Expense Projections

- Prior to Government announcements, our planned global expense projections assumed indexation rates of:
  - 3.0% to 4.5% range for salary policy, 3.0% for non-salary expenses
  - Required sinking fund payments of $27M annually for FY26-FY30, as per the current $510M debt issuance plan
- Budget measures implemented by McGill in FY2025 have reduced our expense projections by $35M per year.



2.10. Current Projected Annual Operating Deficits

- Considering revenue projections after the funding policy changes and current assumptions for the growth of expenses following the implementation of $35M in budget measures, the **University's annual operating deficit would reach $89M as of FY2028** (8% of revenues). These projections assume constant enrolment levels and student profiles.
- Major revenue generating and expense reduction initiatives, as well as critical transformational changes need to be planned and implemented immediately to correct this unsustainable trajectory.



2.11. Possible Revenue-Generating Activities

Recurring

- Strategic enrolment growth
  - In person, Montréal campuses
  - In person, international locations
  - Online and remote delivery of existing and new programs
  - Development of new self-funded programs
- Increase tuition for certain disciplines for CNRQ and internationals, based on market studies and benchmarks

One-time

- Government funding and additional donations for major capital projects
- Sale of properties

2.12. Possible Expense Reduction Measures

- Reduce leased spaces; some leases maturing in 2024 will not be renewed
- Suspension and re-evaluation of some major infrastructure projects
- Delay the issuance of new debt and associated initiatives
- Strict restrictions and planning for the hiring of administrative and academic staff
- Optimize the academic complement
- Reduce the growth rate of salary expenses (number of positions, while maintaining competitive salary policy)
- Institutional efficiencies of administrative processes and structures
- Optimize the scope of Montreal campus operations to align with a potential enrolment decline

2.13. FY2025 Provisional Budget

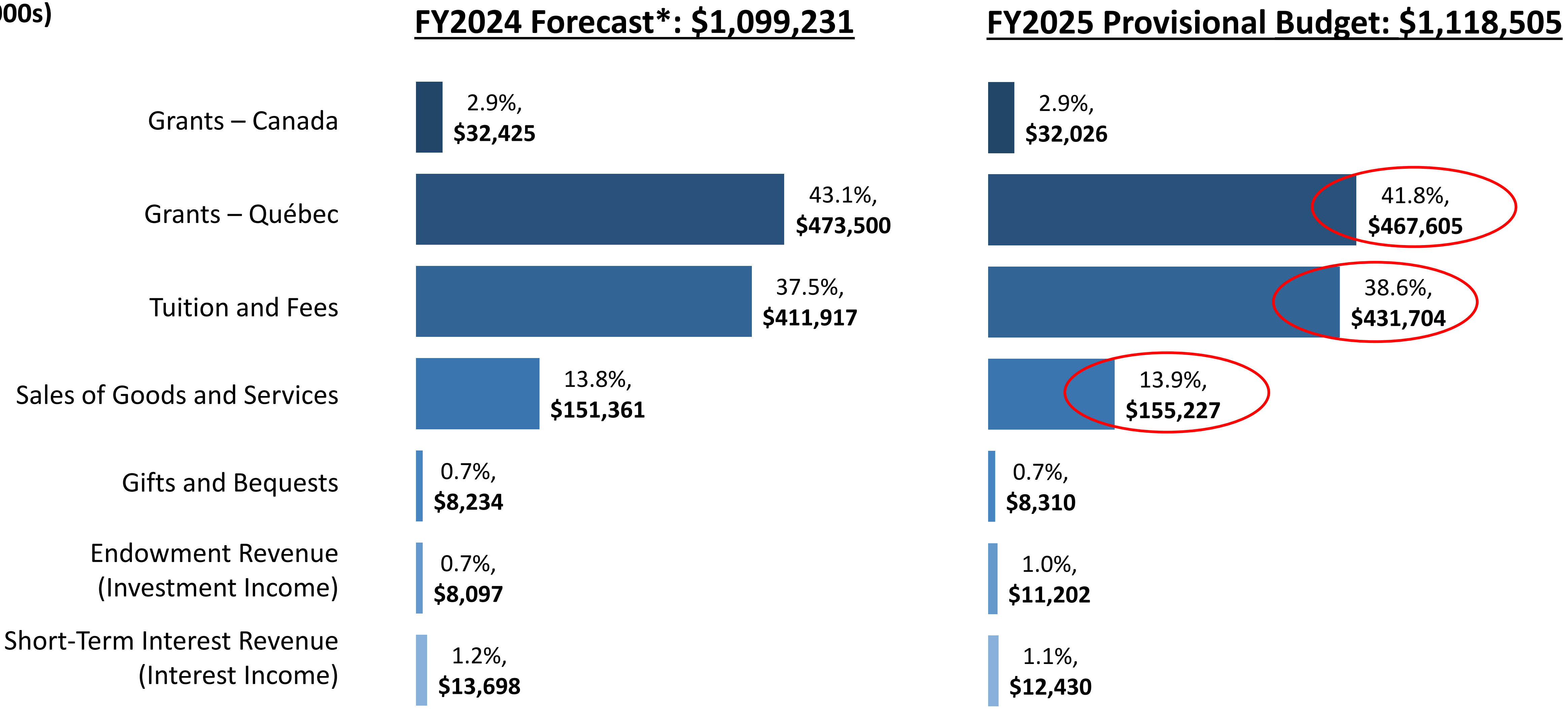
($000)

	FY2021 Actuals	FY2022 Actuals	FY2023 Actuals	FY2024 Forecast	FY2025 Budget (Provisional)
Total revenues	898,216	978,172	1,025,899	1,099,231	1,118,505
Total expenses	897,406	976,822	1,025,507	1,098,808	1,130,610
Annual surplus / (deficit)	810	1,350	392*	422	(12,105)

Excluding year-end GAAP adjustments
*FY2023 surplus for subvention conditionnelle calculation is $392K
**As per January 31, 2024 actuals and commitments, inputs from units, and trend forecasts

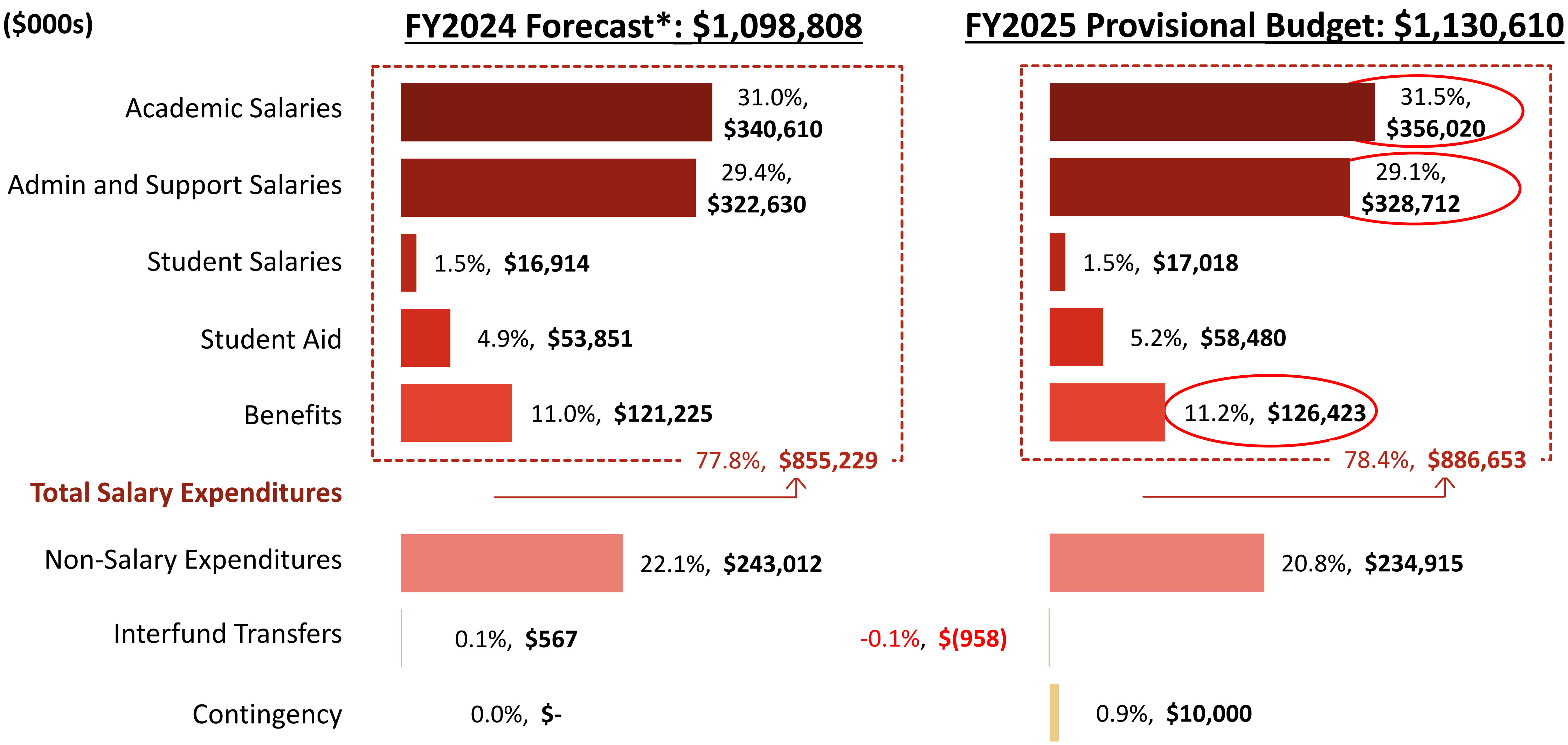
2.14. FY2025 Provisional Budget: Unrestricted Revenues

($000s)



*As per January 31, 2024 actuals, inputs from units, and trend forecasts.

2.15. FY2025 Provisional Budget: Expenses



*As per January 31, 2024 actuals and commitments, inputs from units, and trend forecasts

2.16. FY2025 Provisional Budget: Non-Salary Expenditures

($000s)	FY2024 Forecast*: $243,012	FY2025 Provisional Budget: $234,915	Variance: ($8,098)
Building and Occupancy Costs (excluding sinking fund payment)	57,132	50,244	(6,888)
Materials, Supplies & Publications	43,607	41,749	(1,858)
Contract Services	36,900	36,273	(628)
Energy	21,505	21,996	491
Hardware and Software Maintenance	21,125	22,696	1,571
Cost of Goods Sold & Services Rendered	12,476	11,236	(1,240)
Professional Fees	11,709	10,914	(795)
Contribution to Partner Institutions	10,428	10,677	248
Capital Purchases	7,175	4,466	(2,709)
Interest & Bank Charges	4,898	2,144	(2,755)
Sinking Fund Payment	-	8,000	8,000
Other (incl. travel, receptions, events, catering, meals, photocopying)	16,056	14,520	(1,536)

2.17. Sinking Fund Payments through FY2029

- McGill is required to contribute annually to a sinking fund using operating (unrestricted fund) revenues.
- The sinking fund will eventually be used to repay each debt at its maturity.
- Expected payments for FY2024+ have been revised as per actual cumulative contributions, interest rates, amounts and timing for the issuance of new debt.

($000s)

Fiscal Year	Expected (Annual)	Expected (Cumulative)	Contributions (Annual)	Contributions (Cumulative)	Comments
FY2024	0	**107,000**	0	**107,000**	Any excess operating surplus will be applied to FY2026 thereon required contributions.
FY2025	0	**107,000**	8,000	**115,000**	Planned issuance of a $90M 40-year bond
FY2026	27,000	**134,000**	19,000	**134,000**	Planned issuance of a $130M 30-year bond
FY2027	27,000	**161,000**	27,000	**161,000**	Planned issuance of a $150M 40-year bond
FY2028	27,000	**188,000**	27,000	**188,000**	
FY2029	27,000	**215,000**	27,000	**215,000**	Planned issuance of a $140M 40-year bond

2.18. Uncertainties and Risks

On February 15, the University launched a legal challenge against the increase in tuition for CNRQ students and the changes to the funding model for international students. The University is asking the court to issue a stay, which if granted would suspend the application of the two measures while the court considers the challenge.

- **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
  - Inflation
- **McGill-controlled:**
  - Success of the University in deploying its enrolment plan
  - Expense control measures
  - Effectiveness of controlling the growth of the salary mass for academic and support staff
  - 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

POLICY NAME	**POLICY ON THE MANAGEMENT OF MOVEABLE ASSETS**
Approving body	Board of Governors
Initial Approval Date	
Date of Last Review	
Date of next review	
Executive Sponsor	Vice-President (Administration and Finance)

Related Documents	• Sustainable Procurement Policy • Sustainability Policy • Gift-in-Kind Policy • Policy on the responsible use of McGill Information Technology resources

PART I – PURPOSE, DEFINITIONS AND SCOPE

1.1. PURPOSE

The purpose of the Policy on the Management of Moveable Assets (the “Policy”) is to establish a framework for the lifecycle management of McGill University’s moveable assets that promotes health and safety, sustainability and economic efficiency objectives, in compliance with any applicable regulatory framework. To achieve this purpose, the Policy defines:

1.1.1. Governing principles to guide the execution and continuous improvement of McGill University’s asset lifecycle management process and enable correlation with financial reporting;

1.1.2. Comprehensive asset categories and asset purposes, to determine beneficial, classification-specific processes that promote the governing principles;

1.1.3. An accountability-based, collaborative strategy for the distribution of responsibilities for Faculty and staff in overseeing or performing asset lifecycle management activities.

1.1.4. The Executive Sponsor’s authority to issue procedures, directives and guidelines that further detail the collaborative strategy to implement the Policy.

1.2. DEFINITIONS

In this Policy and in the procedures, directives and guidelines adopted under this Policy, the following words and expressions shall have the respective meanings defined below.

1.2.1 Asset: Any moveable property in the scope of the Policy, which meets one or more of the following criteria (the whole as detailed in the procedures, directives and guidelines issued under the Policy): (i) it meets a financial value threshold upon acquisition; (ii) it is subject to a tracking requirement for compliance purposes; or (iii) its lifecycle poses environmental, health and safety risks.

1.2.2 Asset Category: Asset grouping nomenclature generally based on the United Nations Standard Products and Services Codes (UNSPSC) commonly used to classify the different Asset varieties, in combination with Asset Purposes.

1.2.3 Asset Category Administrator: Person responsible for overseeing the Asset Lifecycle Management for an Asset Category.

1.2.4 Asset Lifecycle Management: The management of Assets with the objective to optimize the health and safety, environmental, social, and economic impacts of Assets during the stages of acquisition, use and end-of-life.

1.2.5 Asset Purpose: Asset grouping nomenclature based on the primary function for which Assets are acquired, used to classify the different Asset varieties, in combination with Asset Categories.

1.2.6 Asset Steward: Person, administrative unit, or Faculty responsible for the custody and integrity of an Asset.

1.2.7 Central Asset Management System(s): Asset management tool(s) sanctioned by McGill University to register, maintain inventory, and track the status of Assets.

1.2.8 Circularity: Asset management strategy aiming to reduce related material flows, extend Asset useful life and limit waste.

1.2.9 End-of-Life Asset: Refers to an Asset destined to recycling for downstream material recovery, because it is too worn or damaged to serve its function and does not meet the appropriate standards for reuse.

1.2.10 Technical Steward: Asset Steward, or other person or group, responsible for the commissioning, maintenance and/or decommissioning of Assets.

1.2.11 Used Asset: Refers to any Asset that is not new but meets the appropriate standards for reuse.

1.3. SCOPE

1.3.1. The Policy explicitly excludes intellectual property and other intangibles, living organisms, facilities (including moveable assets that are integral parts of facilities to ensure their utility, and that lose their individuality in the process) and consumables. The Policy applies to all other Assets, notwithstanding their location or method of acquisition. Assets may be owned or leased by McGill University, or co-owned with another entity (as defined by an inter-institutional agreement).

PART II – GOVERNING PRINCIPLES, ASSET CLASSIFICATION AND STRATEGY

2.1 GOVERNING PRINCIPLES

McGill University upholds governing principles of stewardship, responsibility, and circularity in the performance of Asset Lifecycle Management, to maintain timely access to the Assets that its research, teaching and operations activities need.

2.1.1 Stewardship: McGill University community members are mindful custodians of the goods acquired to support McGill University's mission.

2.1.2 Responsibility: McGill University community members who become involved in Asset Lifecycle Management are responsible for performing their tasks with a resolve to preserve value.

2.1.3 Circularity: McGill University community members are committed to reducing Asset consumption, extending Asset useful life, and limiting Asset-related waste.

2.2 ASSET CLASSIFICATION

McGill University utilizes an asset classification method which makes use of Asset Categories in combination with Asset Purposes and [Canadian Accounting standards for not-for-profit organizations ("ASNPO")] for asset accounting, further detailed in the procedures, directives and guidelines adopted under the Policy. The classification method aims to facilitate compliance and make Asset Lifecycle Management efficient by ensuring that a single process, relevant to any given Asset, in any given stage of its lifecycle, is applied. The classification method also supports simplified collection of Asset Lifecycle Management data and financial reporting, providing insights into Asset performance, useful life, and maintenance or replacement planning. The Asset Categories, Asset Purposes and ASNPO are comprehensive, meaning that each Asset belongs to one Asset Category, serves at least one Asset Purpose, and when appropriate, is reported on in accordance with one asset accounting standard.

2.2.1 Asset Categories: The Asset Categories are listed and described in Appendix A to the Policy. A change to an Asset's primary function does not affect the Asset Category. The Asset Category remains fixed throughout the lifecycle of the Asset.

2.2.2 Asset Purposes: McGill University acquires Assets to serve one of three main functions: (i) in support of teaching ("Teaching Assets"), (ii) in support of research ("Research Assets") or (iii) in support of operations ("Operations Assets"). Assets may be fit to serve multiple Asset Purposes at any one time, however the main function for which an Asset was acquired determines the Asset Purpose. A change to an Asset's primary function changes the Asset Purpose. The procedures, directives and guidelines issued under the Policy determine how this is recorded.

2.3 STRATEGY

The implementation strategy relies on the distribution of responsibilities for oversight, communications, and logistics among McGill University community members, across all stages of Asset Lifecycle Management.

2.3.1 Oversight: McGill University aims to maintain an accurate inventory to monitor the whereabouts and status of Assets to optimize Asset Lifecycle Management while ensuring compliance with regulatory framework requirements.

2.3.2 Communications: McGill University undertakes to present appropriate, up-to-date information on Assets to its community members, to promote their optimized use, provide transparency in the decisions that affect their status, and ensure the conditions for their removal are made widely available and understood.

2.3.3 Logistics: McGill University endeavours to facilitate transportation logistics of Assets throughout the stages of Asset Lifecycle Management, to encourage Asset reuse and timely and safe Asset removal.

PART III – AUTHORITY TO APPROVE RELATED IMPLEMENTATION DOCUMENTS

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

PART IV – REPORTING

4.1 Some of the Assets subject to this policy are considered capital assets for purposes of McGill University's financial reporting practices. For the initial recognition and subsequent accounting of these capital assets, McGill University makes use of Canadian accounting standards for not-for-profit organizations.

4.2 Procurement Services, Financial Services and Asset Stewards (to whom this responsibility is assigned under applicable procedures, directives or guidelines issued pursuant to the Policy) will deliver an annual assessment on the overall implementation of the Policy to the Vice-President (Administration and Finance) and the Vice-President (Research and Innovation).

PART V – REVIEW

5.1 This Policy shall be reviewed every five years.

5.2 Notwithstanding the foregoing, the Vice-President (Administration and Finance) may, at any time between these mandatory reviews, submit revisions to the Policy for review and approval.

Appendix A to the *Policy for the Management of Moveable Assets*:

Asset Categories (and most commonly used UNSPSC & ASNPO references)

Asset Category	Description	UNSPSC References	ASNPO Reference
Furniture and appliances	Furniture, appliances, and utility objects used to equip or furnish a classroom, a laboratory, an office or any other room or outdoors areas.	56110000 - Commercial and industrial furniture 56120000 - Classroom and instructional and institutional furniture and fixtures 52140000 - Domestic Appliances 24130000 - Industrial refrigeration	Equipment
IT Assets	Information technology hardware, software, system, or peripheral device used to transmit, display, manipulate, or store data.	43000000 - Information Technology Broadcasting and Telecommunications	Equipment* *(Software falls into Intangible Assets)
Musical instruments and accessories	Wind, string, percussion or other instrument, and accessories needed to play them.	60130000 - Musical Instruments and parts and accessories	Equipment
Non-depreciable Assets	Books, artwork, architectural element, artifacts, or other items of historical significance.	55101500 – Printed publications 60120000 – Art + Various	Non-Depreciable Assets** **(Books fall into Library Materials)
Scientific instruments	Tools or devices used to perform specific tasks, measurements, or experimentation in different fields of scientific research.	41100000 - Laboratory and scientific equipment + Various	Equipment
Athletic and recreational assets	Gym, fitness, or recreational equipment used indoors, outdoors, on land or water.	49000000 – Sports and Recreational Equipment and Supplies and Accessories	Equipment
Tools and machinery	General-purpose machines and instruments necessary for manual work in maintenance, fabrication, repairs, cleaning, or related activities.	27000000 – Tools and General Machinery 30190000 – Construction and maintenance support equipment	Equipment
Vehicles	Motorized and non-motorized vehicles and attachments used in the transportation of people or goods.	25100000 - Motor vehicles	Rolling Stock