

Secretariat

845 Sherbrooke St. West, room 313

Montreal, QC, H3A 0G4

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

The following items arise from the Finance Committee meeting of November 14, 2016. They are presented to the Board of Governors for its consideration.

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

Further to the Board's approval of a \$400 million financing plan to support expenditures linked to the University's accumulated deferred maintenance and information technology needs, the Finance Committee was informed that the University, in January 2016, realized \$160 million of this plan, which is due in January 2056. It is expected that the University will go to the market for two more tranches in fiscal years 2018 and 2019.

2. Outstanding Capital Borrowings at April 30, 2016

The Committee received a report on outstanding capital borrowings. As of April 30, 2016 then short-term borrowings include amounts due from the province totaling \$79.0 million.

3. Budget Implementation 2016-2017 Year-to-Date

The Committee received a report on the implementation of the 2016-2017 budget. The Committee was reminded that the audit of the University's FY 2016 financial statements resulted in an unqualified opinion from external auditors, and that the FY 2016 ended with a slight surplus of \$1.8 million.

Members were informed that at year end, the revenues of the operating fund exceeded forecast and that the total bank indebtedness decreased. Members were also informed that a long-term debt with Financement-Quebec was recently approved by the Executive Committee of the Board of Governors.

4. Budget Planning 2017-18 Report I

The Committee received an overview of the budget planning exercise for FY2018. The Presentation in support of the budget planning exercise is attached as Appendix A.

5. University Advancement Annual Report (2015-2016)

The Committee received the 2015-2016 Report on Philanthropy as well as reports concerning the planning of McGill's Bicentennial. The Report on Philanthropy showed that overall performance was quite robust and that despite not being in a campaign mode, the University's position was relatively strong. Senate received this report at its meeting of October 19th, 2016 and the Board will receive the report on December 1, 2016.

6. Report on the Funding of the Genome Center

The Committee received a report from the Faculty of Medicine concerning the funding of the Genome Center, a proposal for which had been approved by the Board in 2010. The Committee was informed of progress made in repaying the line of credit that had been established in support of acquiring new talent and equipment for the Genome Centre. More specifically, members were informed that last year's \$11.5 million balance on the line of credit had been substantially repaid. The remaining balance is \$7.4 million.

7. 2016-2017 Finance Committee Orientation Package

The Committee received its 2016-2017 Orientation Package, which contained updated reference materials for the Committee's information.

END

December 2016

FY2018 Budget Planning Report I

Key Considerations DRAFT

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

1 December 2016

Presentation to Board of Governors



McGill

FY2016 Operating and GAAP Deficits

\$98.1M Actual accumulated financed operating deficit at start of FY2016

\$4.5M Forecast annual financed operating deficit at start of FY2016

\$15.7M Actual operating surplus at close of FY2016

\$102.6M Forecast accumulated financed operating deficit at close of FY2016
($\$98.1\text{M} + \$4.5\text{M} = \$102.6\text{M}$)

\$82.4M Actual accumulated financed operating deficit at close of FY2016
($\$98.1\text{M} - \$15.7\text{M} = \$82.4\text{M}$)

\$326.8M GAAP accumulated deficit at start of FY2016

\$1.8M GAAP surplus

\$325.0M GAAP accumulated deficit at close of FY2016

Budget Snapshot FY2017

- \$82.4M** Actual accumulated financed operating deficit at the start of FY2017
- \$2.7M** Forecast annual operating deficit at the start of FY2017 (per FY2017 Budget Book)
- \$85.1M** Projected accumulated financed operating deficit at the close of FY2017

Mid-year FY2017 developments

Delay in planned borrowing and spending for deferred maintenance

Timing of revenues and expenses to materialize in subsequent years

Règles budgétaires for FY2017 have yet to be released

Budget Snapshot FY2018

- \$85.1M** Anticipated accumulated financed operating deficit at start of FY2018
- \$4.3M** Projected annual operating deficit for FY2018 (per FY2017 Budget Book)
- \$89.4M** Projected accumulated financed operating deficit at close of FY2018

Priorities

Support academic mission, strategic plan, and the Principal's 5 Priorities

Address critical deferred maintenance

Invest in sustainability science, School of Public Policy, Indigenous studies & populations, student support, student life and learning, and online initiatives

Review budget measures

Implement admin/support and academic salary policy commitments

Diversify revenue generation

Plan longer-term surpluses to address accumulated deficit and bond repayment.

Uncertainties in FY2018

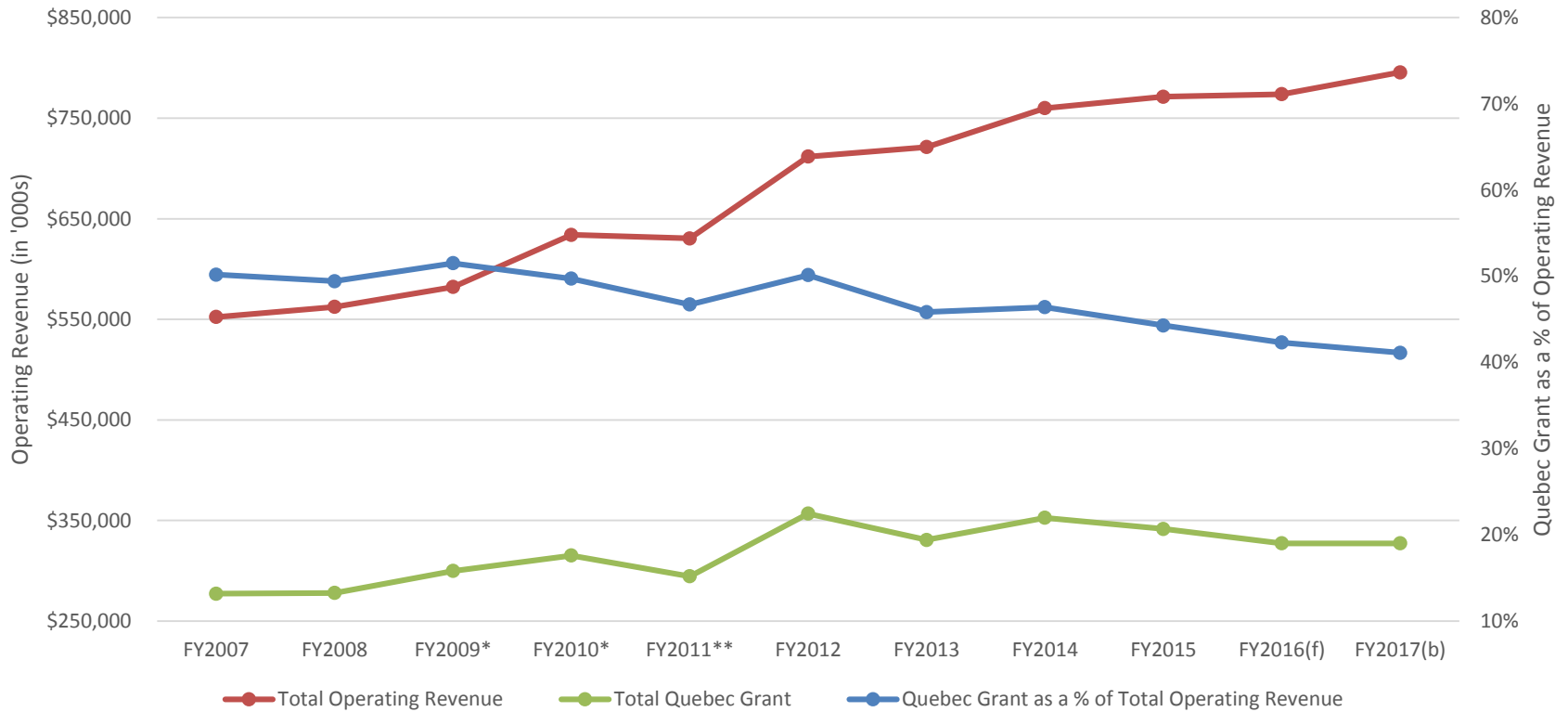
Specific to McGill	QC system	Macro
Achieving enrolment targets	Stability of government commitments	Persistent low interest rates
Deferred maintenance and IT requirements	Changes to funding formula (chantiers sur le financement)	Canadian dollar exchange rate
Unexpected pay equity adjustments		
Carry forward liabilities		

MEES Operating Grant: Budget vs. Actuals

MEES Unrestricted Operating Grant projections (\$M)

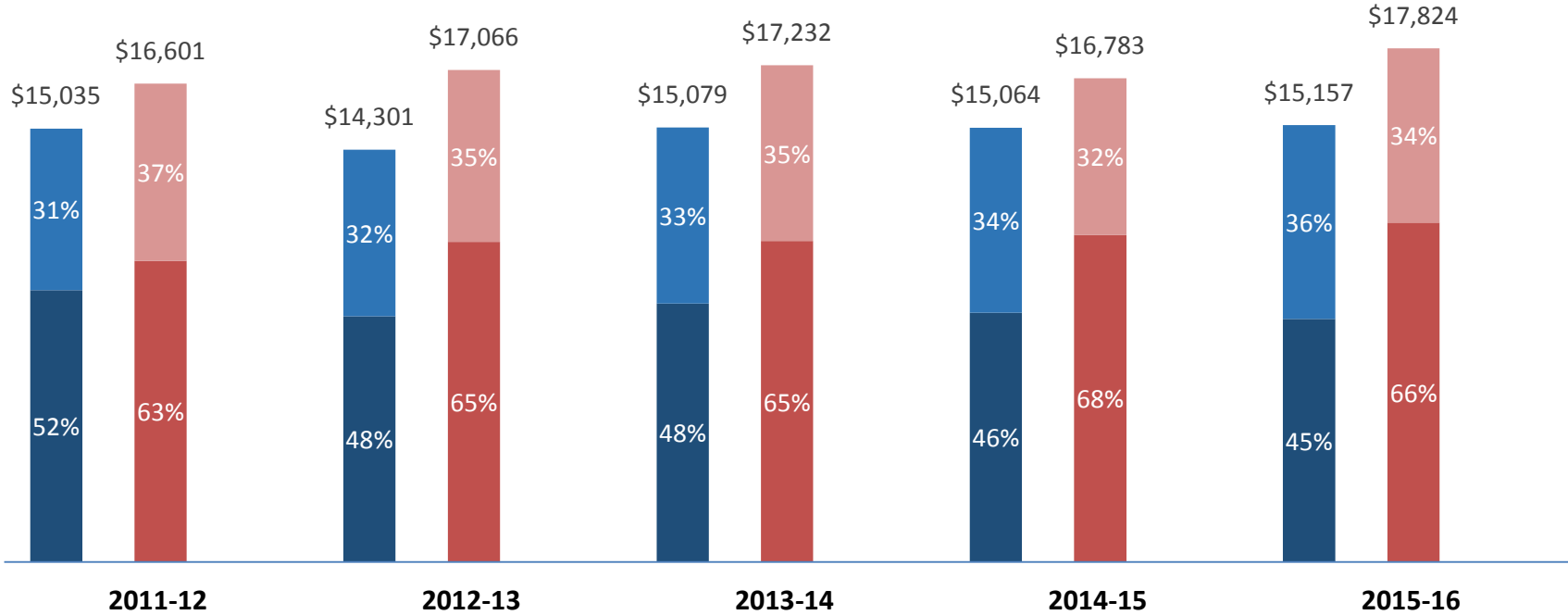
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Budget	328.8	346.2	331.9	358.8	320.8	324.7	326.0	331.3	336.5	339.1
Actuals	354.7	328.4	350.4	339.2	334.5					
Difference	25.9	(17.8)	18.5	(19.6)	13.7					

Declining Contribution of the Quebec Grant to McGill's Operating Revenue



Notes:
 *GAAP (FY2010) or Restated to GAAP (FY2009) Year
 **11-month year
 (f) forecast
 (b) budget
 Source: FY2007-FY2015, Financial Statement Analysis; FY2016 & FY2017, Budget Book FY2017
 Unrealized Gains (Losses) and extraordinary items are excluded.
 Prepared by Analysis, Planning, and Budget (bt,cv)

University Operating Revenue and Expenditures per Student



- Quebec Grant Revenue
- Tuition and Fee Revenue
- Academic and Student Service Expenditures
- Support Expenditures



Budget Planning: FY2018