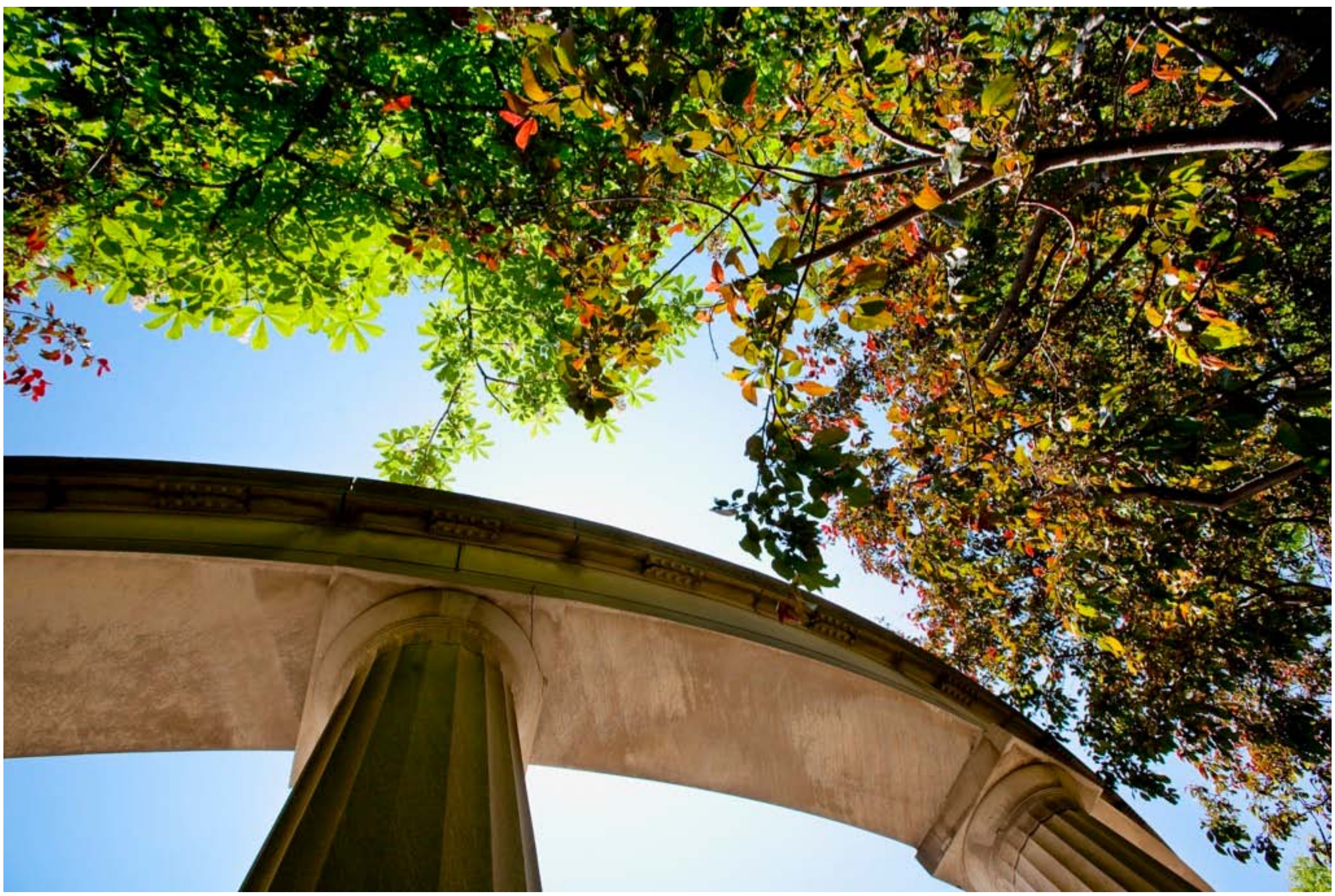
McGill

McGill University Budget Book for fiscal year 2012



Prepared by the Office of the Provost
May 2011

Letter from McGill Principal and Vice-Chancellor,

Prof. Heather Munroe-Blum

May 2011

Dear Members of the McGill Community,

This is an important year in McGill's history as we mark the 190th anniversary of our founding as a university and celebrate our long tradition of excellence, as expressed in our mission: *"[T]he advancement of learning through teaching, scholarship and service to society by offering to outstanding undergraduate and graduate students the best education available, by carrying out scholarly activities judged to be excellent when measured against the highest international standards, and by providing service to society in those ways for which we are well suited by virtue of our academic strengths."*

We all contribute to and benefit from McGill's success and impact as a leading international institution, as do the communities we serve. It is the pursuit of this mission that guides the directions and actions of the senior administration, and, the budget for fiscal year 2012 has been developed to this end. There are four key themes that underpin this budget:

1. We will dramatically change the way we do business in order to remain academically competitive within a sustainable budget framework. This transitional budget positions us to make these changes.

McGill's budget for Fiscal Year 2012, which begins May 1, 2011, provides for both continuity and change. The attached "budget book" document demonstrates the commitment of the senior administration to aligning available resources with the University's academic mission and priorities. As in years past, we will do so within the context of a multi-year budget allocation plan.

You will note some changes in the presentation of the budget: the fiscal year has shifted forward by one month in response to a Quebec government decree; in this regard we have fully adapted the presentation of the budget to the newly mandated accounting methodology (GAAP or Generally Accepted Accounting Principles, which replaces the older *Ministère de l'Éducation, du Loisir et du Sport* methodology); and, more detail is provided at the Faculty and administrative unit levels. Most importantly, FY2012 represents the start of a new five-year planning cycle and marks a transition in how we at McGill fund, organize, and execute our work.

2. Revenues have grown but expenses have grown faster.

The period of serious ongoing economic uncertainty dating from the 2008 downturn in financial markets persists. McGill has continued, nonetheless, to adapt and grow. Revenues are again projected to follow an upward trajectory during FY2012 but, in light of expenditure increases, the Provost has requested of our Board that our operating budget close FY2012 with a deficit of $6M (on a pre-GAAP basis). This decision was not taken lightly, and its attainment will demand considerable effort on the part of all members of our community.

The financial challenges we face are many and significant. Notwithstanding McGill's growing revenues, to reach our commitment to a balanced budget will make significant demands of us. While our revenues have grown consistently, they have not kept pace with:

- rising expenditures for salaries;
- the funds required for recruiting and retaining top academic talent;
- the necessity of continuing to improve and support student financial aid and student life and learning;
- the reduction in the revenues that we derive from our endowment fund;
- the sizeable additional contributions required to support the McGill Pension Fund; and
- financial demands of our very significant accumulated deferred maintenance on our aging and historical buildings, among other challenges.

Our strategic plan and resource-allocation framework from FY2006 to FY2011 achieved impressive progress on many fronts, allowing us to reduce an annual deficit of $20M. Over the last five years, in keeping with the expectations of MELS and our own Board of Governors, we have used every incremental means available to us to arrive at a balanced budget while continuing to invest in supporting the academic priorities that will uphold, enhance, and ensure McGill's standing among the world's leading universities. Having reached that balance, however, it has become exceedingly clear to me and my executive team that the financial pressures I noted above lead to an unsustainable situation. McGill is significantly underfunded in relation to our needs. We are not alone. Peer universities across Canada and the U.S. are facing drastic shortages and, in some cases, declining revenues. Year after year, the funding gap between us and key peer universities has continued to grow. In the recent Québec budget the government acknowledged elements of a system-wide funding gap and introduced measures to begin to redress Quebec university under-funding over the next six years.

Nonetheless, these measures will not take effect quickly and the constraints require us to make choices, some sacrifices, and to implement changes that allow us to reengineer some of what we do in order to do better, not more. At the same time, we aim to achieve savings to the bottom line, some of which will be used to take down the debt and deficit, and some for strategic reinvestment in order to sustain and build academic quality.

3. Reducing costs in FY2012 through budget cuts and salary deferral.

At McGill, we have engaged numerous ongoing and rigorous efforts to reduce costs. During FY2010, there was a 1.5% across-the-board budget cut and additional targeted cuts were made. In addition, all staff made the sacrifice of accepting a 6-month postponement of scheduled pay increases. FY2011 also saw a 1.5% budget cut. For FY2012, we took the difficult step of cutting 2.5% of the budget for academic and administrative units across the University. In addition, our academic staff has accepted another six-month delay in the next increment of agreed-upon salary increases in order to avoid more drastic measures.

These actions are part of a sustained effort by our academic and administrative leaders to ensure that we prioritize effectively our program and activity expenditures. The Provost, the Vice-Principals, the Deans, and the Directors of all administrative and support units are being called on to constrain, and in some cases, cut and/or realign our resources, as a result.

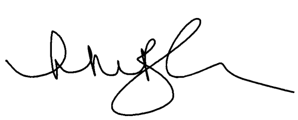
4. Incremental change can take us only so far, and transformational change is also needed.

Given the growing gap between McGill's resources and our needs, it has become increasingly clear that if we do not change course, we will fall behind. In order to support our people and our programs and to sustain McGill's reputation, performance and rank, we are transforming many of our approaches. In Fall 2010 we launched an administrative "Strategic Reframing Initiative" or SRI (http://www.mcgill.ca/sri/), to modernize our administrative processes in ways that would contain or reduce costs, mitigate the risk of increasing deficits, and increasingly diversify revenue sources while at the same time enhancing our research, scholarship, teaching and services. We are working to ensure that we continue to meet our mission while holding ourselves to high standards of financial, administrative and academic accountability. It is what those we serve, deserve, and those who fund us, expect. The SRI initiatives are likely to see a first positive impact on our budget and our resources beginning in FY2013.

In closing, let me say that this budget reflects a delicate balance. It demonstrates our commitment to sustaining and growing our capacity to contribute as one of the world's top publicly-purposed universities, while making every effort to do so in smart, well-planned, and affordable ways. In the face of tumultuous change in North American universities, and during this year ahead that commemorates the 190th anniversary of McGill's founding, we will continue to build on our historical high standards of contribution to scholarly and scientific achievement, a student-centred university, and service to society. The FY2012 budget reflects McGill's pledge to manage our costs and to make better use of existing resources in ways that allow us to make choices, improve efficiencies, work smarter rather than more, and that are consistent with our core academic mission. Expanded levels of competitive research support, effective cost structures, Campaign McGill program innovation, and other means will at the same time grow our revenues. We are committed to achieving high standards of financial accountability, efficient, effective administration and services, high quality programs and transparency of accountability. Continuing McGill's great legacy in a way that demonstrates our flexibility to adapt, we will do everything in our power to preserve our standard of excellence despite the significant challenges we face.

My sincere thanks to the Provost and his team, the senior administration as a whole, the Board of Governors, Senate, and the entire McGill community of colleagues, students, alumni, and friends for your continuing commitment to sustaining the strengths, reputation, and leadership of this great University. Your contribution to our collective community, combined with a dedication to the strength and success of McGill, assures that we will meet the challenges and embrace the opportunities ahead.

With warm appreciation and all best wishes,



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Executive Summary—Prof. Anthony C. Masi, Provost

During the last fiscal year, we made important strides toward achieving our mission-based goals and objectives under exceptionally challenging financial circumstances. With strong leadership from our Deans, careful stewardship from our Vice-Principals, generous support from our donors and with the energy and creativity of the entire McGill academic and administrative community, revenues from most sources rose in FY2011; indeed, continued growth is forecast. We ensured alignment between the University's strategic academic plan and our multi-year resource allocation framework over the period from FY2006 to FY2011. This combination has help us to achieve many of our goals and objectives while simultaneously reducing our annual operating budget deficits from $20M in FY2006 to a balance of revenues and expenses that we expect to report in our upcoming financial statements for FY2011.

We were able to arrive at a balanced budget relying primarily on sound management of our resources and by means of incremental changes in our methods of operation. The budget for FY2012, however, marks the beginning of a new, more transformative approach to the alignment of expenses to resources. McGill's expenditures, primarily associated with increases in salary and benefits costs, continue to outpace revenue growth. In addition, starting in FY2011 we had to take on some unanticipated expenditures associated with our pension plan. Meeting these challenges is made more difficult for McGill as a publicly-funded university in Quebec. We note in this budget book a series of compensating measures that we have decided to take.

In prior years, we have taken actions to bring our annual deficit down. Senior administrators, including deans, have taken salary cuts, and there have been reductions in resource allocations of approximately 1.5%, and the postponement of pay increases for six months for almost all staff. For FY2012, we decided to take the difficult step of implementing a 2.5% budget cut for nearly every academic and administrative unit at the University. In addition, our academic staff has accepted yet another six-month delay in the next increment of agreed salary increases. These actions, among others, are part of a sustained effort by our academic and administrative leaders to ensure that we carefully prioritize all program and activity expenditures.

McGill's operating fund supports activities associated with the University's core teaching and operations.

On a GAAP-adjusted basis, our shortened, 11-month 2011 fiscal year is projected to end with a breakeven balance in our operating fund, while our 11-month pre-GAAP accounting for fiscal year 2011 is expected to close with a $5.3 million surplus. The latter is primarily due to the timing of retirement payouts following the implementation of the first phase of McGill's Retirement Incentive Plan for academic staff.

The following table offers a snapshot of the current and future expected state of McGill's operating fund, which under GAAP is reported with the other three funds (Restricted, Plant, and Endowment) in one total for the University.

Current financial snapshot:

McGill University Operating Fund (Pre-GAAP)

5 Year Outlook - as of April 2011 (pre-GAAP)		11 Month					
	FY10a	FY11f	FY12b	FY13	FY14	FY15	FY16
Revenue	639.4	626.3	677.9	712.0	733.3	758.2	779.4
Expenses	646.8	621.0	684.0	718.8	733.4	758.3	779.4
Annual Surplus/(Deficit)	(7.4)	5.3	(6.0)	(6.8)	(0.1)	(0.1)	(0.0)
Accumulated Surplus/(Deficit)	(103.5)	(98.2)	(104.2)	(111.0)	(111.1)	(111.1)	(111.2)

a = actual; f = forecast; b = budget; all other years are plan

The following points summarize key developments during the FY2011 year that will have an impact on McGill's budget in FY2012 and beyond.

- **Tuition rates**: The Quebec Ministère de l'Éducation, du Loisir et du Sport (MELS) has stated that beginning in FY2013 (fall 2012), it will increase tuition fees by $325/year, with a 35% holdback redirected into the provincial student aid program. At McGill, this increased revenue will be directed toward top University priorities and toward balancing the budget.

- **Pension fund valuation**: An amount of $4.8 million from our operating budget must be paid into McGill's pension fund from our operating budget to compensate for increased pension liabilities, poorer-than-expected fund performance, and in order to meet defined benefit valuation obligations.

- **Endowment fund**: McGill's endowment is well managed and designed to resist "normal" market shocks, however the fund was not immune to the market collapse and ensuing financial crisis that began in 2008. To protect the capital base of these funds, the Investment Committee has opted to continue the annual payout at the reduced annual rate of 4.25% resulting in a second year of decreased revenues from this source to our operating fund from this source.

- **Accumulated deferred maintenance**: The urgent need to conduct deferred maintenance interventions will result in additional spending over and above the annual deferred maintenance "capital" grants McGill receives from MELS. As a result, the University's overall bank borrowings will increase above normalized levels and will have an impact on borrowing costs. This puts additional pressure on the administration to divert operating funds to cover cost overruns in renovations projects.

- **Projected increases in interest rates**: McGill's Treasurer estimates that the cost of borrowing will be no less than 2.15% for FY2012. This represents an increase from the approximate 1.2% average rate for FY2011.

- **Bill 100**: Recently put forward by the Quebec legislature, Bill 100 contains a directive to all public institutions, including universities, in the province of Quebec to reduce the numbers of managerial and administrative personnel in order to reduce operating expenses. The full impact of this will be better understood once we have received implementation guidelines from the MELS.

- **Set-asides for applications to major research competitions**: To enhance our competitiveness in major research competitions, we have increased the total monies budgeted for research-related initiatives from $3.9 million to $4.4 million for FY2012.

McGill's operating budget is expected to close FY2012 with a $6 million deficit, working toward an effective breakeven position (pre-GAAP) by FY2014.

Introduction

Over the past five years, McGill University's budget has been guided by a single overarching principle: the alignment of available resources with top strategic academic priorities. Our goals and objectives, as well as specific actions, have been defined in a series of planning documents that have articulated how McGill could achieve its mission, maintain and enhance its reputation and standing among the world's leading research-intensive universities, and do so in a transparent, financially responsible and sustainable fashion. McGill has made considerable progress by using all of the means of incremental change at the administration's disposal to balance expenditures with revenues, even as both continued to increase. However, it has become increasingly apparent that in order to build on our strengths and reach our noble aspirations, we will need to reframe the approach we have taken and move toward more transformative measures.

The University continues to face a time of significant uncertainty and change in the context of current public policy in Quebec. The impacts of the recent financial crisis and the subsequent economic downturn are still being felt by publicly-funded universities, especially those in Quebec where tuition levels are far below the national average and where the student per capita grant is no longer among the most generous. As we position McGill for success in the future, notwithstanding these increasingly difficult circumstances, the administration is committed to protecting and enhancing the considerable progress that our University has made over the last decade. With this in mind, the budget book for FY2012 should be seen as transitional to the strategic reframing noted above – a redirection not in what we plan to achieve but rather in how we will go about doing so.

In this transition and in order to reduce the gap between expenses and revenues while ensuring resources for top priorities, for FY2012 we have had to take the difficult step of requiring a steep 2.5% budget cut or internal reallocation for nearly every unit at the University. In order to comply with this cut, all units have reassessed their priority areas in order to ensure that resources will flow to them. We have mandated that replacements for attrition will now require approval by the senior executive responsible for the area. In addition, we have instructed unit heads to consider eliminating existing positions as they become vacant. Finally, we are assessing processes and procedures that no longer match our strategic objectives with an eye toward eliminating duplication of effort.

While the primary focus of the proposed fiscal year FY2012 Budget is the Operating (Unrestricted) fund, changes required due to the adoption of GAAP financial reporting that came into force with the financial statements for FY2010 and the budget for FY2011, means that there must be greater integration between the Operating Fund and McGill's other Funds (e.g., Restricted, Plant and Endowment). As noted above, the FY2012 Budget marks a transition to a new five-year planning cycle insofar as the previous five-year cycle comes to an end with FY2011. This new planning cycle affords the University an exciting opportunity to start fresh and re-think our priorities and how we must act in order to achieve them. It should be clear, however, the existing slate is not blank. The University is expecting a pre-GAAP accumulated deficit of approximately $100M (cash basis) as of 30 April 2011 – the new fiscal year end imposed by MELS. This represents a significant increase from the pre-GAAP accumulated deficit of approximately $11M that we had in FY2002. The GAAP accumulated deficit is forecast to be approximately $280 million. During this decade, McGill grew its academic staff to support our mission of teaching and research excellence by hiring more than 800 tenure track staff (a net increase of more than 200). The administrative and support staff count also grew significantly to support the academic growth and increases in the student body, especially over the past five years.

Under these circumstances, the need to grow our resource base and efforts to continue to use our existing resources more efficiently has never been more urgent. The resource gap between McGill and our peer institutions outside Quebec is growing dramatically. Indeed, we are at a crossroads, with our leadership in a number of important research and academic program areas being increasingly challenged by universities within Canada, the U.S., and across the globe. Even smaller institutions – once considered regional in their impact and reach – now compete aggressively for research funding and academic talent (professors and students).

The Principal’s Strategic Reframing Initiative (SRI) launched in June 2010 is a process undertaken to support and advance McGill’s academic mission through the identification of potential new resources through revenue generation and a more efficient use of current funds. Through SRI, five working groups have been addressing the following areas:

1. Cost efficiencies
2. Enrolment mix
3. Philanthropy
4. Transformative research and innovation
5. Performance enhancement

In general, tuition fees at McGill are regulated by the provincial government. For more than a decade, Quebec has had the lowest tuition in the country (an average of $2,068 in Quebec versus an average of $5,667 in the rest of Canada). As a result, post-secondary education in Quebec continues to be chronically and dramatically underfunded. The Quebec Ministère de l'Éducation, du Loisir et du Sport (MELS) has indicated that beginning in FY2013 (fall 2012), tuition fees will be increased by $325/year, with a 35% holdback (reduction of the operating grant) for student aid. This increased revenue, together with resources that will be identified with the implementation of various SRI initiatives, will be directed toward top University priorities that have been underfunded due to the chronic annual funding shortfall.

More substantial tuition increases would be necessary in order to allow McGill to address the large accumulated deficit that has been built up over the years. If McGill were to receive the average Canadian tuition fees for all students and was not subject to the forfeiture of MELS differentials, there would be at least $40M in additional revenues at our disposal.

After presenting to the Board of Governors the preliminary considerations for developing the McGill budget for FY2012 and incorporating their suggestions and recommendations, the senior administration of the University is proposing to run several years of budget deficits (on a pre-GAAP basis) starting with FY2012, but returning to an effective breakeven budget beginning in FY2014, as these modest tuition increases take effect.

Over the last five fiscal years, the University's operating budget has improved significantly. We have reduced, slowly and deliberately, the annual operating deficit for FY2006 of close to $20M to a projected breakeven (or possible slight surplus) as we bring FY2011 (on an 11 month fiscal year) to a close. This position, however, is in part a reflection of timing. We had a successful uptake of a retirement incentive package for academic staff, and had to book the payouts in FY2010. As a consequence, we ran a slightly higher than projected deficit for that fiscal year. The benefits of the reduction in the growth rate of the academic staff, therefore, are being felt as we close FY2011.

In short, we have made important strides in meeting our goals and objectives under exceptionally challenging financial circumstances. Revenues from most sources have steadily increased. We have every reason to project that this trend will again be true for FY2012. Mechanisms at the institutional level for the allocation of spending to the Faculties and administrative units at the institutional level have been working well to better align more tightly with clearly defined strategic academic priorities (primarily in terms of academic renewal, student life and learning, improved support for graduate students, securing support for research initiatives, the Master Plan for campuses, and Campaign McGill). Additionally, and in line with repositioning our approach to resource allocation mechanisms, we have decided to include in our administrative implementation of the budget exercise for FY2012 both enrolment and research incentives for the Faculties that are designed to boost revenues in strategic areas for the University. Indeed, these represent the first concrete manifestations of the Strategic Reframing Initiative SRI project described in detail at http://www.mcgill.ca/sri/.

The proposed budget is intended to maintain a responsible balance between the cost of investments in our strategic academic priorities and our available resources. McGill must continue to invest in these and other emerging priorities in order to remain one of the top publicly-funded, research-intensive, and student-centred universities in the world. These priorities include, but are not limited to:

1) increasing compensation costs required to attract and retain talented faculty and staff;
2) providing financial aid and support to our growing student population, especially at the graduate level;
3) continuing to attend to our documented strategic priorities, including but not limited to such areas as Green Chemistry, Broadband, Pain, Neuroscience, Social and Public Policy, Languages, literatures, and cultures,, and Genomics;

4) maintaining adequately our physical infrastructure; and,
5) growing reporting demands from the Quebec and the federal governments.

As a function of new academic hires and net growth in our tenure track and tenured complement of professors, we have increased support staff and services. It will be increasingly difficult to retain top academic talent and highly qualified personnel in support roles without substantial, and highly anticipated new investments by the Quebec government, and the deregulation and development of significant new revenue streams. We are in the midst of a multi-year provincial capital investment plan in which $25M per year will be dedicated to reducing deferred maintenance backlogs. This however, will not address new deferred maintenance issues and does not provide any funding for preventative maintenance, nor does it address ongoing operational needs. We welcome these one-time-only stimulus-based initiatives; however, we need to secure ongoing funding of a permanent nature to match the annual costs we must incur to avoid further decay of our buildings and facilities. In addition, although this level of investment is significant compared to prior years, it will still not allow us to fully address McGill University's deferred maintenance project list. In the medium-to-long term, we must continue to find ways to allocate a portion of our overall revenues to these projects, including some contribution from the operating fund.

Composition of McGill's budget framework

McGill's overall budget framework consists of four major funds: *Operating* (primarily the grant from the MELS, tuition and fees, overhead on research grants and contracts, investment and endowment income, annual undesignated gifts, and the sale of goods and services); *Restricted* (primarily research-related funds from Canadian, Quebec, international and other sources); *Plant* (capital projects and assets, including those funded by Quebec capital grants, donations, and other sources), and *Endowment* (endowed gifts, grants, and bequests).

The McGill Budget and Process

The FY2012 McGill budget has been designed to achieve the following:

a) enhance quality and level of services and support to students, faculty, and staff to ensure that McGill can deliver on its mission
b) streamline processes and reduce "red tape" via continual incremental improvements, while building a platform from which to launch large-scale transformations in the way in which we go about our work
c) augment recognition programs and incentives for outstanding research and scholarship
d) expand acknowledgment for teaching excellence and community service across our campuses
e) recruit, develop, and retain the best academic talent in identified priority areas by means of new approaches to hiring
f) continue to attract the most talented students, undergraduate and graduate, from around the corner and around the world

g) remain among “Canada’s Top 100 Employers” for all categories of employees
h) develop in the McGill community a sense of shared responsibility for achieving priorities and significant cost savings.

Over the last five years, we have developed and operated McGill University’s budgeting and **resource allocation**[1] process within the framework of an integrated multi-year cycle; that cycle is designed to attain strategic academic goals and plans that have been formalised and presented to Senate and the Board in four documents: a white paper call to action entitled *Strengths and Aspirations* (currently referred to as the Strategic Academic Plan), the final report of the *Principal’s Task Force on Student Life and Learning* (together with the administrative response), the *Master Plan* establishing principles for the development of our campuses, and the general principles governing Campaign McGill, our ambitious, comprehensive fund-raising effort. During the academic years 2010-2011 and 2011-2012, the Provost is developing the next version of the 2006 white paper, *ASAP 2012: Achieving Strategic Academic Priorities* for discussion and consultation by the McGill community. In addition, the Provost will provide an administrative response to the *Principal’s Task Force on Diversity, Excellence, and Community Engagement* by the end of calendar year 2011. Finally, as noted above, the senior administration has embarked on a “Strategic Reframing Initiative” (SRI), a process for shaping how we go about achieving our strategic goals and objectives – a change in the “how” not the “what”.

Within that context, McGill University’s budget process aims to accomplish three things simultaneously:

1) align resources with priorities and performance,
2) provide transparency in the allocation mechanisms and their execution, and
3) ensure accountability for delivering results on the agreed upon goals and objectives to both the University community and the outside world.

Our budget is also developed to illustrate the ways in which McGill will ensure that **resources** continue to be aligned with priorities, to simplify and clarify our budget categories, and to measure success in achieving academic goals, all while remaining fiscally responsible and moving to a balanced budget over the next two years.

The process

Consistent with past years, four main principles have guided budget preparations for **fiscal year (FY)** 2012:

1) while the University has asked almost all Faculties and administrative areas for an across the board 2.5% cut, it fully expects units to continue to support priorities and to target their cuts towards **expenses** which will have the least impact on University objectives;
2) achieve a balance between investing in priorities of the University and fiscal responsibility to live within our means;
3) allocations must provide a clear and accountable picture of how goals will be realised;

[1] Note: items in bold are defined in the Glossary of Terms on page 22.

4) metrics must be in place to monitor performance and make adjustments as necessary given changing circumstances.

The allocations presented in this budget book are based on a series of assumptions relative to revenue sources, taking into account already existing commitments, and made to support the following activities:

(a) academic renewal in strategic areas;
(b) graduate student funding, especially at the doctoral level;
(c) student life and learning, emphasising advising and the research experience;
(d) the Master Plan, particularly in the service of top academic priorities;
(e) Campaign McGill;
(f) **sustainability** and environmental responsibility;
(g) staff professional development;
(h) effective organisational practices.

Budgeting for FY2012 began by estimating total revenues and projecting confirmed expenses. Running a research-intensive, student-centred university is labour intensive; consequently, the largest component of expenditures is compensation. The largest component of revenue, grants from the province, are estimated based on projected increases in enrolment by degree and by Faculty. These estimates are then applied to the previous year's Fall enrolment of students and converted to a MELS full-time equivalent (FTE) student. This FTE is weighted by funding sector based on the course taken (for undergraduate and non-thesis masters level courses) or by discipline (for thesis masters and PhD students).

Expenses include a priority pool, which represents amounts available for reallocation. We analyzed units that consistently ran budget deficits to determine if there was a structural deficit that could be alleviated through an additional budget allocation or if there was a management issue that required assistance from Human Resources or Financial Services to aid in a restructuring.

The current financial situation and outlook for the future drove us to accelerate our evaluation of several aspects of McGill's procedures and processes with respect to planning, budgeting, fiscal responsibility, and accountability. Already this year, the Strategic Reframing Initiative has been active in bringing forward suggestions and recommendations on reducing expenses and approaching resource allocation more efficiently. Several recommendations are being implemented in FY2012, but the majority of cost efficiency initiatives will not have an impact until FY2013 and beyond.

Appendix 1 provides a summary of the budget process activities that are undertaken by various units in the University, along with a timeline for when those activities take place.

Update on Strategies of the University

We are in the process of redefining the University's strategies we want to pursue in the next planning cycle. In developing our strategy, we will need to do the following:

- **Build on strengths** and achievements of the 2006 White Paper.

- Establish a **roadmap** for the next 5 years.
- **Outline McGill's strategy** for sustaining and furthering our academic leadership.
- Emphasize **transparency** and **accountability** in implementation.

The overarching goals in the 2006 White Paper on which we will build are first, that we will consistently rank among the top 10 **publicly funded** research-intensive universities worldwide, and in selected areas our performance will unambiguously position the University among world leaders. Second, we will achieve this aided by plans and strategies, measuring our progress, and readjusting our roadmap against our successes, our areas of progress, and the challenges and opportunities that we encounter.

In the next cycle, we will incorporate learning from the Strategic Reframing Initiative as well as recommendations into the next strategic academic plan entitled *ASAP 2012: Achieving Strategic Academic Priorities*. We will continue to achieve the overarching goals and further build on the successes of the past five years by means of 10 major strategic objectives:

2006 White Paper Objectives	Progress to-date	ASAP 2012 starting points
Academic renewal plan	· Targets being achieved · Quality hires	· New directions in Faculty hiring, development, and retention, including cluster hires
UG composition & experience	· Program reviews completed · SLL implementation and report card · Progress on research for UGs	· Innovative delivery of programs. · Cyclical review process · Appropriate levels of student aid
Graduate Studies environment	· Doctoral enrolments increased · Funding levels more competitive	· Ensuring innovation in graduate studies based on research strengths and competitive funding
Disciplines and inter-disciplinarity	· Neurosciences, IPLAI, green chemistry, genomics	· Transformative research initiatives based on competitive advantage
Quality support services	· Improvements in several areas	· Developing a culture of "best practices" in academic endeavours
Professional development, productivity & satisfaction	·Remain a top 100 Employer	· Career development opportunities for administrative and support staff
Performance enhancement & indicators	· KPIs launched	· Academic analytics, processes, tools, and feedback loops

NEW THIS YEAR

- Service to Quebec, Canada and the global community by means of activities and international collaborations with measurable impact
- McGill as a research-intensive geographic magnet for diversity of students, faculty, and staff
- Revitalization of professional education programs to national leadership positions

The first of the new initiatives makes explicit our obligation not only to provide our students with a world-class learning environment, but also acknowledges a broader obligation to the City of Montreal and the Province of Quebec, as well as to Canada and the global community. McGill is known worldwide for its teaching and scholarship, but we're also committed to stepping outside the classroom to serve society in concrete, immediate ways. Whether we're providing free dental care to needy Montrealers or building AIDS awareness half a world away, McGill's staff, students and faculty members are constantly finding new ways to enrich their communities – local and global alike.

ASAP 2012: Relationship to KPI's and SRI

- ASAP 2012 will engage in consultation to identify strategic academic priorities derived from past experiences and develop roadmap
- Key Performance Indicators (KPIs) will institute benchmarks toward analytics
- Strategic Reframing Initiative (SRI) will deliver recommendations about the ways and means through which we advance

KPI's: Measuring performance to support progress

McGill emphasizes continual performance improvement. We have a tradition, rare among universities, of basing compensation and salary increases for academic staff prominently on merit and on-the-job performance. Administrative and support staff are also inspired to do their best through collaborative performance assessments and annual raises targeted to their individual achievements. Over the last few years, we have been steadily building our capacity to identify and track other key indicators that will measure our institutional performance in many areas against Quebec, Canadian and international peers, as well as against our past accomplishments at McGill. Developing these key performance indicators, or KPIs, is an important expression of our accountability to those we serve.

Enterprise Risk Management (ERM)

The University initiated the ERM project in 2009. ERM enhances the traditional risk management approach of identifying, evaluating and mitigating risks to include both insurable and non-insurable risks. It raises awareness of the interdependencies between operations, and provides a methodology to report and track mitigation plans to reduce the potential adverse effects of identifiable risks. The **ISO 31000 ERM Framework** was adopted to serve as a guide toward implementation and future reporting.

A Risk Committee was formed to assist in the ERM risk identification and evaluation process. It is comprised of members from across the University, representing both academic and administrative units. General risk themes were developed for the initial report, and their existing mitigation plans were recognized.

The three main risk factors currently affecting the University have been identified as Information Technology, Human Resources and Infrastructure. The ERM report has illustrated that there is a conscientious commitment on the part of these units (Chief Information Officer; AVP Human Resources; and AVP University Services) to address and mitigate risks affecting their operations.

The next steps in the ERM process include prioritizing the University's top risks, developing effective mitigation plans to reduce the adverse impact of these risks, including implementation costs. An action plan, including the resources required to support it, will be presented to the Audit Committee in the fall of 2011. This will assist in the budget process allowing financial support to be earmarked toward reducing risks facing McGill University.

Goals and Objectives of Units

University

Each of the strategic objectives for McGill stated in the sections above, are the responsibility of each unit in the University to implement. The Organization Chart shown in Appendix 2 illustrates how the University's leadership is structured to best help us meet these objectives. Each unit is allocated an appropriate budget from the Operating Fund and may also derive resources from restricted sources, such as research grants, donations, or endowed gifts. The unrestricted and restricted resources available to each major unit represented on the organization chart can be found in Appendices 3a, 3b, 3c and 3d.

The Mission of McGill University is the advancement of learning through teaching, scholarship and service to society by offering to outstanding undergraduate and graduate students the best education available, by carrying out scholarly activities judged to be excellent when measured against the highest international standards, and by providing service to society in those ways for which we are well suited by virtue of our academic strengths.

Faculties

The following are Faculties of the University (for additional information on these units, including goals and objectives, please refer to their corresponding websites):

- Agricultural and Environmental Sciences
- Arts
- Dentistry
- Education
- Engineering
- Law
- Desautels Faculty of Management
- Medicine
- Schulich School of Music
- Religious Studies
- Science

Each Faculty is led by a Dean, appointed for a five-year term, who has the mandate of ensuring that the Faculty carries out teaching, research and other scholarly work that is deemed excellent according to the highest international standards. The variety of disciplines is such that excellence takes on individual expression within each Faculty. Regular meetings between the Provost and the Deans align these expressions with the overall University strategic priorities and objectives.

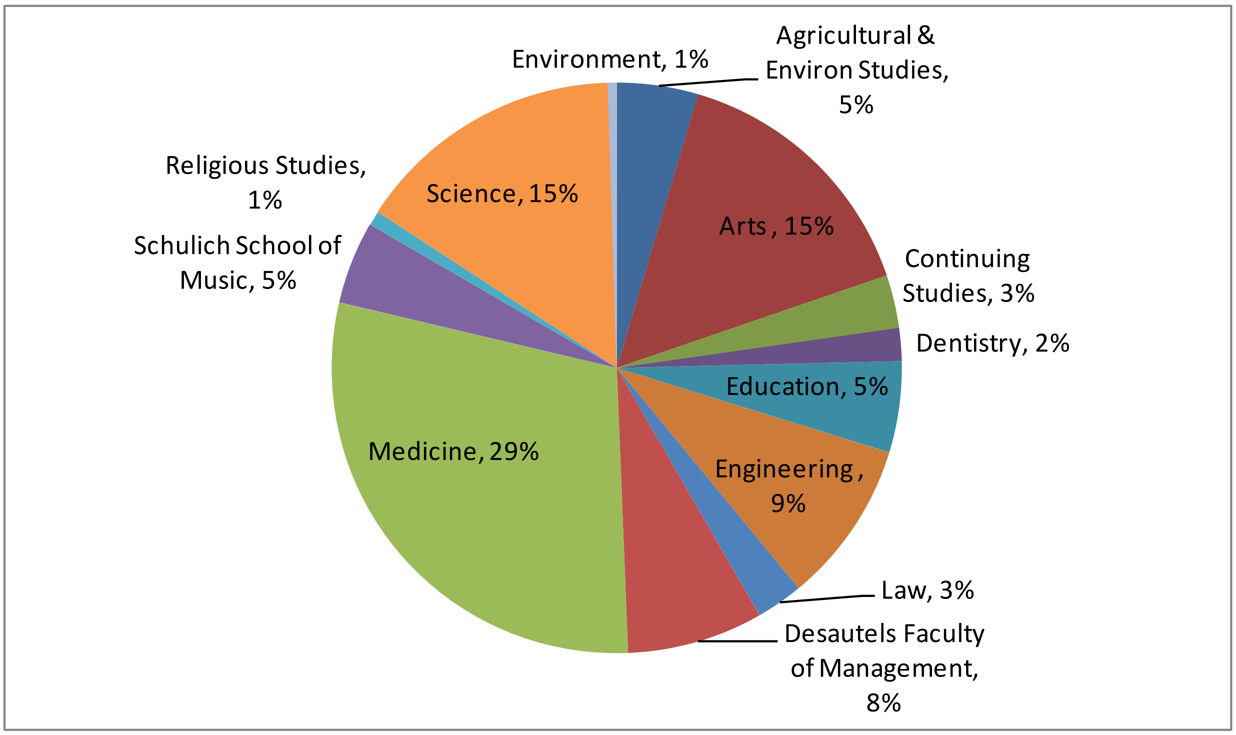
The Dean of each Faculty, under the direction of the Provost as the Principal's delegate, administers the affairs of the Faculty, academic and executive, including the preparation of the budget of the Faculty.. In Faculties with departments, the Deans consult with chairs of departments while preparing the budget.

School of Continuing Studies (SCS, formerly Centre for Continuing Education)

The mandate of SCS is to provide high quality education to meet the needs of students interested in life-long learning, personal growth or meeting the challenges of today's dynamic work environment. Regular meetings between the Provost and the Dean align the mandate with the overall University strategic planning and objectives.

The Dean of SCS, who also reports to the Provost, administers the academic and administrative affairs of the School and is responsible for the preparation of a budget submission..

Figure 1: Faculties' Share of Operating Expenses, Budget FY2012



Source: Office of the Budget, FY2012 Budget Model

Libraries

The mandate of the Libraries, through the range and quality of its collections and services, is to deliver innovative information products of the highest quality that are focused on client needs and support the University's strategic mission and directions.

The Libraries are led by a Dean / Director, appointed for a five-year term renewable once, who reports to the Provost.

Graduate and Postdoctoral Studies

The mission of Graduate and Postdoctoral Studies is to provide university-wide leadership and promotion of excellence for graduate and postdoctoral education at McGill, in collaboration and consultation with Faculties, Recruiting Units, Graduate Programs, and other administrative and academic units. Regular meetings between the Provost and the Dean align the mandate with the overall University strategic planning and objectives.

The Dean of Graduate and Postdoctoral Studies, appointed for a five-year term renewable once, under the direction of the Principal, administers academic and administrative affairs of this function. The Dean of Graduate and Postdoctoral Studies is responsible for the preparation of a budget submission.

Administrative Units

This section contains descriptions of each major Administrative Unit at the University. For additional information on these units, including responsibilities and direct reports, click on the title of the Senior Administrator to link to the unit's website.

The chief executive officer of McGill, the **Principal and Vice-Chancellor**, works with the University community to achieve excellence in teaching, research and service, and represents McGill to external bodies at home and around the world.

As McGill's chief academic officer after the Principal, the **Provost** has responsibility for the development, implementation and assessment of academic strategies, policies, and programs, budget planning and resource allocation for the entire University.

The **Deputy Provost (Student Life and Learning)** is the senior administrator responsible for the implementation of policies, actions, and decisions aimed at enhancing student life and learning at McGill.

The **Vice-Principal (Administration and Finance)**, the chief financial and administrative officer of McGill, oversees financial services, university services and human resources.

The **Vice-Principal (Development and Alumni Relations)** promotes the University to its community and its many publics, builds on McGill's record of fundraising success and enhances relations with alumni, volunteers and friends of McGill.

The **Vice-Principal (Health Affairs)**, who is also the Dean of the Faculty of Medicine, is responsible for advancing the impact and success of the McGill academic health network, including McGill's affiliated teaching hospitals.

The **Executive Head (Public Affairs)** oversees and enhances McGill's relations with the media, government and the diplomatic corps, and serves as chief liaison with other organizations and public institutions.

The **Vice-Principal (Research and International Relations)** oversees research services and policies, works to optimize the research successes of the University and its affiliated hospitals and serves as the main representative on research and related matters.

The **Secretary General** oversees McGill's governance office responsible for the Board of Governors, the Senate and their committees.

McGill's **General Counsel and Director of Legal Services** is responsible for providing legal advice to the senior administration of the University.

The **Executive Director, Planning and Institutional Analysis (PIA)**, oversees the office responsible for gathering, maintaining, analyzing and communicating institutional and other relevant data. PIA also plays an important role in shaping the external policy framework that supports the advocacy work of the Principal, the Provost and McGill's senior executive team.

The **Internal Audit Department** was established by Management and the Board of Governors to provide independent appraisals of academic and administrative units to the Audit Committee, a standing committee of the Board of Governors with oversight responsibilities for financial and audit matters of the University.

Partners

McGill University Affiliated Hospitals

The teaching hospital network of McGill University is an integral part of the research, teaching, and clinical activities of the Faculty of Medicine. By agreement and tradition, the administration, medical staff, and scientific personnel of these institutions are closely integrated with McGill University and form the basis of the clinical departments of the Faculty of Medicine. These hospitals include:

- The Douglas Mental Health University Institute
- The McGill University Health Centre (MUHC)
  - Montreal Chest Institute
  - Montreal Children's Hospital
  - Montreal General Hospital
  - Montreal Neurological Hospital
  - Royal Victoria Hospital
  - Lachine Hospital & Camille-Lefebvre Pavilion
- Sir Mortimer B. Davis - Jewish General Hospital
- St. Mary's Hospital Centre

Economic and Political Environment

The impact of the economic crisis on universities in North America is ongoing. Although the economy has emerged from the severe recession of 2008 and 2009, jobs have not fully recovered, business profits are lower and, therefore, tax revenues generated by municipalities are reduced. This has an especially significant impact on publicly funded universities.

The Quebec government recently announced its budget plan for 2011, which included several items that will positively affect universities in Quebec and will improve the quality of teaching offered to students. For fiscal year 2010–11, the province of Quebec is projecting a deficit of $4.2 billion, $300 million less than was previously projected. Only by 2013–14, and only by relying upon a highly aggressive expenditure management plan, does the Quebec government expect to return to fiscal balance. GDP growth in 2010 in Quebec was higher than expected at 3.0%. It is expected to fall closer to the historical trend to reach 2.0% in 2011 and 2.2% in 2012.

It was acknowledged in the budget plan that the level of financial resources available to universities in the province has not been sufficient to ensure a high standard of quality for teaching and research, leading to significant annual and accumulated deficits being generated by the universities. To address this, and as noted above, it was announced that tuition fees charged by universities in Quebec will be increased in autumn 2012 by $325/year, with 35% to be held back from the operating grant for student aid administered by the province. These annual tuition increases of $325 will continue from FY2013 through FY2017, when tuition will reach $3,793 a year for Quebec residents. This is still approximately 30% below the current Canadian average. The Quebec government has also announced an additional $320 million to be made available to Universities to account for inflation and changes to student populations over the next 5 years. The exact apportionment to McGill is not known at this time.

In addition, the Minister of Finance announced an increase in the matching of private donations from the current level of $10 million to $40 million. The objective is to increase private donations to universities by 50%. McGill will likely benefit from this increased level of matching funding.

It was also stated in the budget plan that partnership agreements between the government and universities will be put in place to ensure that the additional revenues translate into improved performance. It is uncertain at this time what this will mean in terms of accountability or restrictions for how we use our resources.

Current Economic Realities

The economic and political environment has translated into a projected shortfall for FY2012 due to the following factors:

1. salary adjustments – higher than expected indexation from MELS on operating grants (see section on Expense Assumptions);
2. additional contributions required for the pension fund (see section on Expense Assumptions);
3. reduced payout from endowment funds (see section on Endowment);
4. financial demands of accumulated deferred maintenance (see section on Capital Fund);
5. projected increases in interest rates (see section on Overall Borrowing and Debt Position);
6. support for applications to major research competitions (see section on Expense Assumptions);
7. special circumstances for Quebec universities, including:
    a. new accounting rules and a new fiscal year
    b. indirect costs of research increasingly assumed by university operating budgets
    c. average tuition significantly below the Canadian average (outlined in section above)

d. Quebec Bill 100 requiring public organizations to reduce spending (see section on Expense Assumptions).
e. penalty imposed by MELS for MBA program

Design of the FY2012 budget—starting a new 5 year cycle

Overview of targets and performance

The goals of quality, excellence, and accessibility that figure so prominently in our multi-year plan come at a cost. As previously stated, the current fiscal and economic contexts require finding even greater efficiencies in the delivery of academic programs and the provision of services. While autonomously chartered and independently self-governed, McGill nonetheless is publicly-purposed, and depends to a large extent on public financing while operating within the framework of a relatively underfunded Quebec system of universities. A shortfall of revenues, combined with insufficient government reinvestment, has resulted in accumulated operating deficits at most of the major research universities in Quebec.

As shown in *Table 1* below, McGill's **accumulated operating deficit** (pre-GAAP) of $103.5M at May 2010 represented an amount equal to 16.5% of total operating revenue. To put this in perspective, the highest level in the past 20 years of accumulated deficits as a percentage of operating revenue was 28.4% in FY1991 and the lowest was approximately 3% in FY2002. As of May 31, 2010, MELS required Universities to report on a GAAP basis, which significantly increased our accumulated deficit due to the recognition of employment benefits previously not recognized under former MELS financial reporting guidelines.

Table 1: McGill's Accumulated Deficit ($Million)

As of May 31, 2010		
Pre-GAAP Accumulated Deficit	$ (103.5)	16.5% of Operating Revenue
- GAAP Adjustments		
Post retirement benefits	$ (108.3)	
Pension	$ (49.3)	
Vacation & Other	$ (21.9)	
- Total GAAP Adjustments	$ (179.5)	
Total Accumulated Deficit	$ (283.0)	
Accumulated Deficits:	High: $(79.5) in FY1991; 28.4% of Operating Revenue	
	Low: $(11.3) in FY2002; 2.9% of Operating Revenue	

Source: McGill Budget Office

The underfunding of Quebec universities has been recognized by Quebec City as being an issue that will be partially addressed through the increase of tuition rates beginning in FY2013. McGill is counting on these new revenues to not only allow for a balanced budget, but also to work down the accumulated deficit that is expected to continue growing until FY2016 and to invest in priorities that will keep McGill as one of the top publicly funded Universities in the world. We are therefore proposing a pre-GAAP deficit budget in FY2012 of approximately $6M.

While we have made the decision to not jeopardize the investments in priorities the University has made over the past few years, we recognize the need to develop, and put in place, strategies to generate additional revenues and to limit the increase of the accumulated deficit. These strategies include:

- enhancing recruitment of undergraduate students through the development of additional revenues in targeted programs that have the capacity to receive them;
- engaging in more ambitious recruitment of graduate students, consistent with our enrolment plan and the academic plan to increase the proportion of research students at McGill;
- addressing system underfunding through public policy channels to increase tuition to levels that more closely approximate that of our Canadian peers (toward which we are making progress);
- working to achieve further increases to tuition and **re-regulation** of fees for international undergraduate students across all programs of study, consistent with our commitment to growing student aid equivalent to 30% of all new net revenues from tuition;
- linking replacements to **actual,** and not anticipated, departures of tenure track professors and re-assessing administrative and support positions as they become vacant to optimise efficiencies and reduce costs;
- targeting expense reductions across a broad range of activities within both the Faculties and the administrative and support units wherever possible; and,
- re-allocating significant expenditure budgets to advance initiatives consistent with and informed by the Strategic Academic Plan.

This strategically focused marshalling of resources will help us to further develop critical masses of excellence in targeted areas of teaching, research, and outreach, thus ensuring McGill's ability to compete with the best institutions of higher learning in the world. The Strategic Reframing Initiative will help senior administration identify additional funds that will enable us to support the University's top priorities.

In FY2010, McGill incurred an $11.9M GAAP operating deficit ($7.4M pre-GAAP). Although the final numbers will not be ready until the summer, our current estimate for the 11 months ended April 30,2011 is that McGill will show a surplus of approximately $5M on a pre-GAAP basis, which meets the obligation that the senior administration undertook to at least "break even" on a pre-GAAP basis by FY2011. Unfortunately, this will be a short-lived, one-year surplus, based on the ability to record 100% of tuition revenue but not realizing 100% of expenses in the 11 month year. See Appendix 5 for a comparison of last year's 5 year outlook compared to the current 5 year outlook.

McGill's senior administration continues to work with all levels of government to help craft public policies that will allow for diversification and enlargement of the revenue streams upon which we can draw. A fundamental pillar of that public policy effort is securing a firm commitment that any future tuition increases will not result in a displacement of government **contributions** to funding universities, especially research-intensive, medical-doctoral institutions. Both sources of revenue are required to sustain and advance excellence, to allow for balanced annual budgets, and to gradually reduce universities' accumulated operating debts. McGill remains committed to the principle that in order not to adversely affect accessibility, tuition increases will be accompanied by increases in student financial aid.

Under the assumptions for revenues and expenditures presented in the FY2012 budget, McGill's overall accumulated (cash) operating debt is forecast to be approximately $100M by 30 April 2011 on a non-GAAP basis. The key determinants of this projection, all of which will be monitored carefully, are:

- MELS operating grants;
- tuition fee increases;
- stabilisation of the **tenure**-track academic complement;
- re-assessment of the size, composition, and distribution of administrative and support staff;
- indirect costs of research;
- gifts, bequests, and donations and spendable endowment income.

All budgets, and the resource allocations they affect, are based on key assumptions regarding the political, institutional and financial context in which they will be implemented. The following sections present the key principles and significant assumptions underlying operating revenues and expenditures in FY2012.

The multi-year financial outlook can be found in *Appendix 6*, comparing two years of actual (FY2009 and FY2010) with the FY2011 forecast and FY2012 Budget.

Overall Budget

Components of McGill's budget

The overall University **Budget** is comprised of four funds: **operating (unrestricted)**, **restricted**, **capital (plant)**, and **endowment**. The first two funds deal with all of those activities normally associated with the University's core teaching and research activities. The primary difference between them is that monies received with specific restrictions on their use (e.g., research **grants**) must be recorded in the restricted fund. Of course, the associated **expenditures** must also be recorded separately to facilitate tracking and reporting. The capital fund records all **revenues** from sources other than operating or restricted funds that are specifically earmarked for the acquisition, construction or renovation of capital **assets**. The endowment fund consists of all **gifts**, donations, and **bequests,** including those for named chairs, financial aid, and other specific purposes for which the capital has been endowed. The presentation of items within these funds has changed due to a conversion to a GAAP presentation which occurred last year. The major changes from this conversion include:

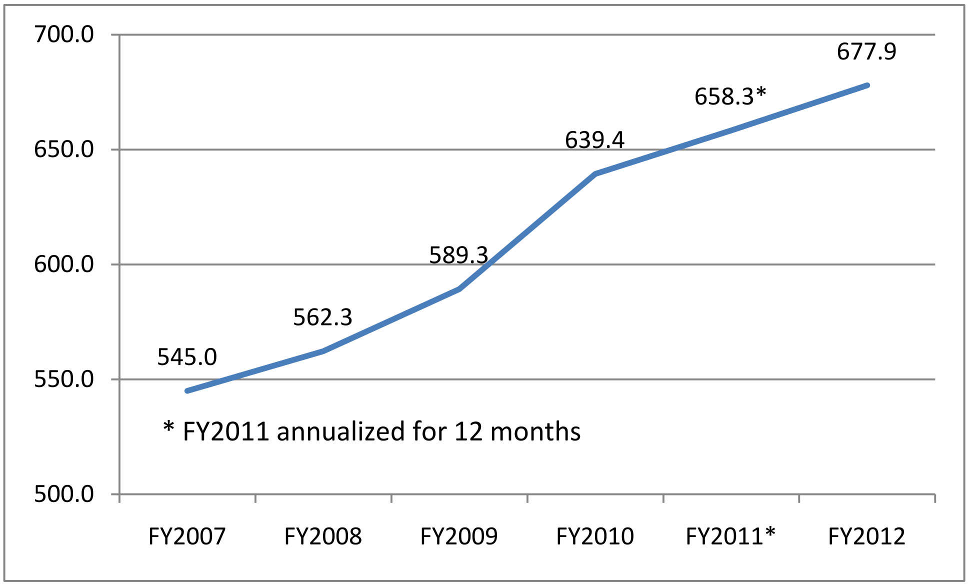
- “cash” operating deficits are affected by non-cash accruals including:
  - vacation accrual post-retirement obligations (primarily dental and medical coverage)
  - pension deficits
  - other GAAP adjustments
- the accumulated operating deficit increased significantly due to recording of the above liabilities which were never allowed to be recorded under previous MELS reporting guidelines
- GAAP no longer includes purchases of capital assets as “expenses” in either the operating or restricted funds (positive effect on accumulated deficit), but rather shows this as a transfer of fund from either fund to the capital fund. The same applies to repayments of internal loans, which are presented as transfers from the operating to the capital fund
- restricted revenues & expenses are matched in year expense occurs; excess revenues are deferred on the Balance Sheet and recorded as income in year spent; donation pledges are no longer recorded; donations are recorded on a cash basis (with note disclosure) to be consistent with industry standards
- other presentation changes to Plant fund assets; amortization calculations & disclosures also changed.

Appendix 7 highlights the combination of the four funds into one column, for both the FY2011 forecast and budget for FY2012. While the new GAAP format combines all four funds into one column, the fund that the University uses to focus on its operations is still the Operating fund. Additionally, the University’s net assets are shown in Appendix 9.

Operating Revenues

Revenues to the University have increased steadily over the past 5 years, as shown in the graph below. Note that for purposes of presentation, we have annualized the MELS operating grant portion of our revenues in FY2011. Additionally, revenues in FY2010, forecast FY2011 revenues and forecast FY2012 revenues have been adjusted from GAAP to reflect the former presentation (pre-GAAP), including the endowment contribution.

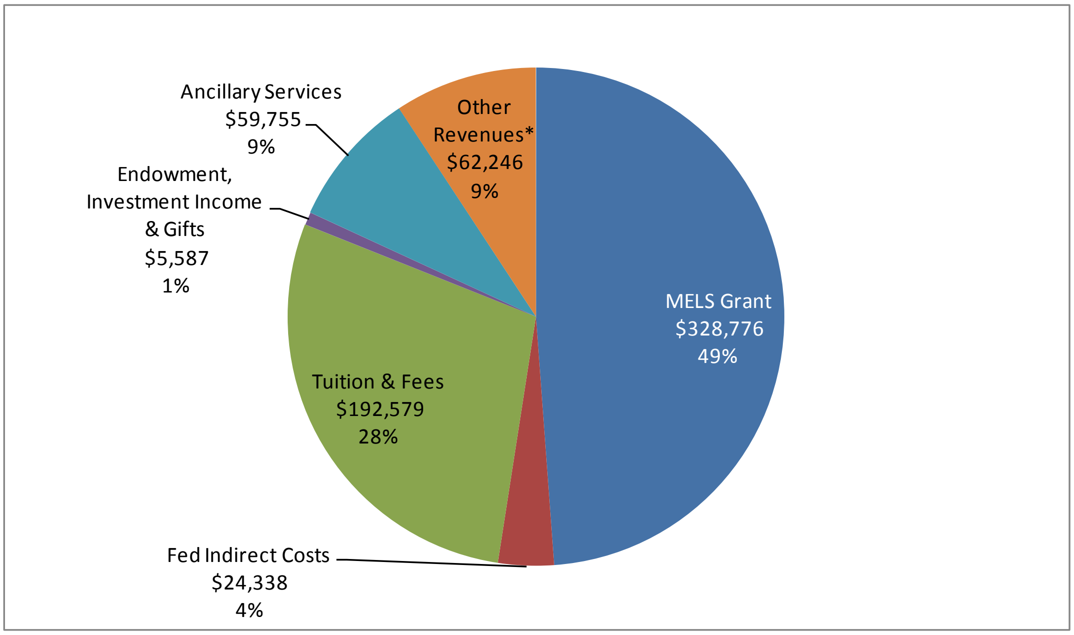
Figure 2: Pre-GAAP Operating Revenue from FY2007 to FY2012 Budget ($M)



The sources of revenue for McGill's operating budget for FY2012 are: MELS grant (49%), tuition and fees (28%), **ancillary** revenues (9%), the federal grant covering the **indirect costs of research** (4%), investment and endowment income and gifts (1%); and "Other" (9%), which includes revenues from self-funded activities, services to the community, some student services, and management fees. For FY2012 total revenues from these sources are projected to be $678M as shown in *Figure 3* (including endowment management fee revenue of approximately $5M which is under GAAP, and not as a revenue item), representing an annualised increase of 3% per year over the past two years (using actual revenues for FY2010 as the comparator year).

Total revenues under GAAP presentation exclude the endowment management fee and amount to $673 million, however, the economic picture does not change, as the difference between pre-GAAP is captured as an inter-fund transfer into the operating fund. The change in fiscal year end from May 31 to April 30 also has an impact on comparisons, as FY2011 forecast results represent an 11 month year.

Figure 3: Pre-GAAP Budget Operating Revenue - FY2012 (thousands) $677,941



* Other Revenue includes: Sales of goods and services, self-funded activities, services to the community, student services and an inter-fund transfer from the endowment fund (representing endowment management fees)

Assumptions

Student enrolments and the MELS operating grant

- McGill's enrolment in FY2012 will reflect the strategic commitment and focus on growing the number of students in all graduate programs, especially those of a research nature. Indeed, based on the work of the Strategic Enrolment Management Advisory enrolment in post-graduate research master's and doctoral programs are projected to increase over the next five years in response to enhanced funding initiatives, improvements in the time to completion, and increased attention to graduate student capacity indicators as per the assessment by Graduate and Post Doctoral Studies (GPDS) and Planning and Institutional Analysis (PIA).
- Undergraduate enrolment is expected to remain stable or increase in specific areas that have a capacity to grow without jeopardising our high quality standards for admission.
- Table 2 below shows the growth assumptions that have been modelled in the planning period. Enrolment is tracked and measured by PIA.

Table 2: Changes in total enrolment (%)

		FY12	FY13	FY14	FY15	FY16
Undergraduate		1.5	0.0	0.0	0.0	0.0
Grad	Masters	1.5	1.0	0.5	0.5	0.5
	PhD	3.5	2.5	2.0	2.0	2.0

MELS operating grant assumptions

- As of 8 April 2011, MELS had not yet announced the rate of indexation increase over the value in FY2010 for the FTE-based components of the grant. The March 2011 Quebec budget confirmed that the government has indicated that it expects to increase its contribution to universities by $320M over the next 5 years. We conservatively modelled a 1.4% annual indexation increase in the budget.
- MELS has announced a change in its allocation methodology for the Provincial indirect costs grant. This will lead to a slight decrease in McGill's revenue from this source for FY2012.
- McGill will finally benefit in FY2015 from the trade-off between the loss of revenues from the "teaching services" grant associated with the disciplines for which international tuition (at McGill these are Science, Engineering, Management, and Law) and the offset by being able to retain the higher tuition over the same period. This was originally communicated to be a 5 year gradual trade-off.
- While tuition will rise due to the $325/year announced increase beginning in FY2013, the 35% holdback for provincially funded aid will reduce the net benefit in operating grant.

The combination of the MELS operating grant and tuition and fees account for more than 75% of McGill's total operating revenues. For the purposes of the FY2012 budget exercise, we assume the EMLS "grille de pondération" (the cost-factor weighted grid, based on student enrolments in programs) will remain unchanged. However, we may benefit from a recalculation of the "Clardar codes" assigned to our courses which will lead to a higher weighting of these courses, and a corresponding higher grant. MELS has indicated McGill will receive an increase in revenue based on our submission for such reconsideration, and we are awaiting official confirmation of the amount.

While we project slight and targeted increases in undergraduate numbers, consistent with our strategic plan, we anticipate substantial increases in enrolment in our graduate research programs. Recruitment initiatives to help bring this about were put in place during FY2008 and were very successful. These initiatives are being modified for the upcoming year as detailed in the Graduate Education section of the budget book and we expect to see a further increase in graduate enrolment in the coming years.

See Appendix 10 in the back for details of the MELS Operating Grant from FY2010 actual through FY2012 Budget.

Tuition and other student charges

As discussed previously, the Quebec government announced it would allow an increase in university tuition fees as of fall 2012 by $325/year for the next 5 years. For Fall 2011, the increase will remain at $100.

- The net revenues from basic tuition fees in FY2012 will increase by $75 (gross increase = $100/yr), net of claw-back by Quebec for student aid.
- Beginning in FY2013, the net revenues from basic tuition fees will increase by $211.25 (gross increase = $325/yr), net of 35% claw-back by Quebec for student aid – approx $6M incremental net tuition annually.
- For the international undergraduate deregulated disciplines (Engineering, Business, Law and Science) 10% increase in FY2012 for in course students; 8% increase in FY2012 for new students who started in FY10 or more recently
- The MELS imposed “forfaitaires” will increase by the following estimates shown in *Table 3* (not yet provided by MELS):

Table 3: MELS forfaitaires

	FY 2012	FY 2013	FY 2014
Out-of province supplement	2.5%	2.5%	2.5%
International supplement	7%	7%	7%

In order to secure medium to long-term financial positions, McGill and the entire Quebec university network must be allowed to re-regulate tuition fees and reverse the trend of declining accessibility and quality in the province’s post-secondary education system. Along these lines, McGill has been and remains committed to re-investing 30% of the resulting new net revenues in needs-based student aid, such as the **entrance bursary program** and graduate student aid programs.

Research revenues

Federal indirect costs of research (ICR) grant assumptions

- the environment for federal grants will become increasingly competitive as the numbers of tenure track staff grow in all universities, as the grant budgets are not increased commensurately, and as more funds are being targeted towards centres and infrastructures; we are estimating McGill’s share of the total federal envelope will remain at approximately 7.5% share over the planning period;
- the proposed federal budget announced an increase in the total ICR envelope available in Ottawa of $10M in FY2012; however, due to the uncertainty of passing this budget, our assumption for the available ICR envelope is to remain at approximately $322M.

Research funds are McGill’s largest source of restricted funds, but the latter also includes investment income, restricted donations, and other government grants for either restricted purposes or capital projects. The research activities of our professors generate additional income to support the direct operating expenses incurred in the production of new knowledge. One of the most significant contributions to McGill's academic renewal envelope comes from the Canada Research Chair program which now provides 154 tenure-track professorial positions at McGill; this is up from the previous year by one chair , but down from the original allocation in 2000 of 165. Note that McGill has chosen to split some of the Tier I CRC awards to provide 2 Tier II's, bringing our total internal CRC allocation to 160. McGill must continue to improve its research performance in order to protect this level of CRC chairs.

Both the federal and provincial governments recognise the need to support the full administrative "institutional" or "indirect" costs of administering and managing top-notch research activities, i.e.: those activities that are not directly attributable to a specific research project, such as maintaining and heating buildings and providing a large array of services from the optical backbone network to Library subscriptions to research journals to hazardous waste removal and the like. Research contracts and grants generally provide some compensation to the University for the increased operating costs that it incurs in conjunction with such research.

The MELS compensates the University in the amount of 50-65%, depending on the type of research conducted, of total research revenues from grants paid by its accredited agencies: Fonds de recherche en santé du Québec (FRSQ), Fonds québécois de la recherche sur la nature et les technologies (FQRNT) and Fonds québécois de la société et la culture (FQRSC). This funding is included as a component in the **MELS grant** and therefore directly included in the operating budget of the University. While the total funding envelopes are relatively small, McGill will continue to work to increase its presence and success rates in competitions for provincial research dollars.

The federal government also provides support for the indirect costs of the research its agencies fund. The support we receive via this envelope is just under 19% of the funds we receive in Tri-Council grants (the three granting agencies known as the Tri-Council are the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council (NSERC), and the Social Sciences and Humanities Research Council (SSHRC). McGill allocates 25% of this income with the Faculties that generate it, and the remainder is used to absorb institutional costs described above. Unfortunately, the current rate of approximately 19% does not cover the full costs incurred supporting research at our institution. We will continue to urge the federal government to provide full funding of the indirect costs of research.

In order to incentivise more research, we will be implementing a new program to allocate faculties share a greater portion of indirect costs of research grant received above a baseline level of research activity. This incentive program will be in effect for both Federal Tri-Council and Provincial ICRs. The Faculties will use these incremental dollars to promote increased research in their units.

Federal Granting Agencies

The below graphs (*Figures 4a, 4b, 4c*) show McGill Federal research grants and share within the G13 from each of the Tri-councils (including scholarships which do not generate indirect grants). In the past few years, grant dollars have increased steadily, but McGill's share within the G13 has declined in both CIHR and SSHRC, indicating that other G13 universities' grants have grown at a faster rate.

Note: Amounts represented $ awarded by the agency in the agency's fiscal year (i.e. April 1 to March 31st).

Figure 4a—Tri-Council Research Grants (CIHR)

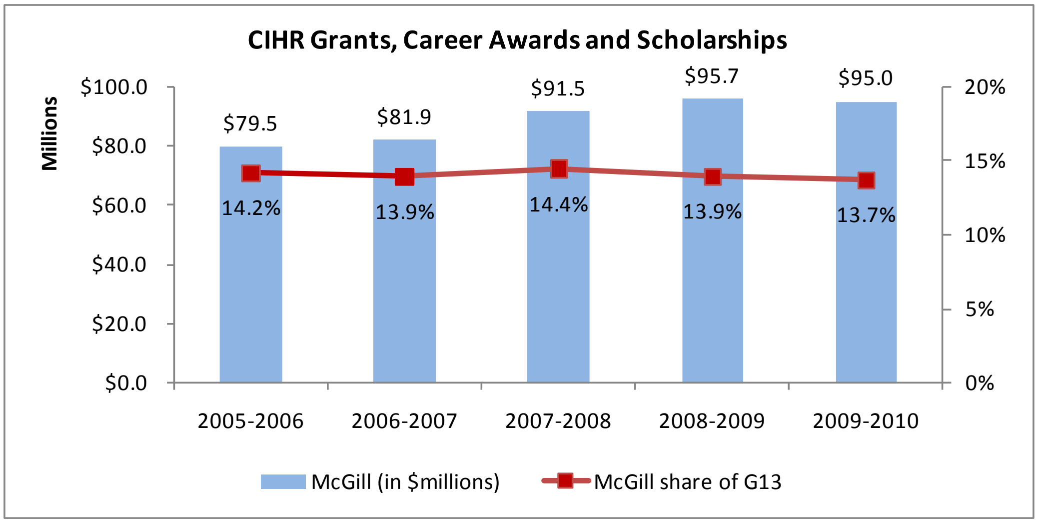


Figure 4b—Tri-Council Research Grants (NSERC)

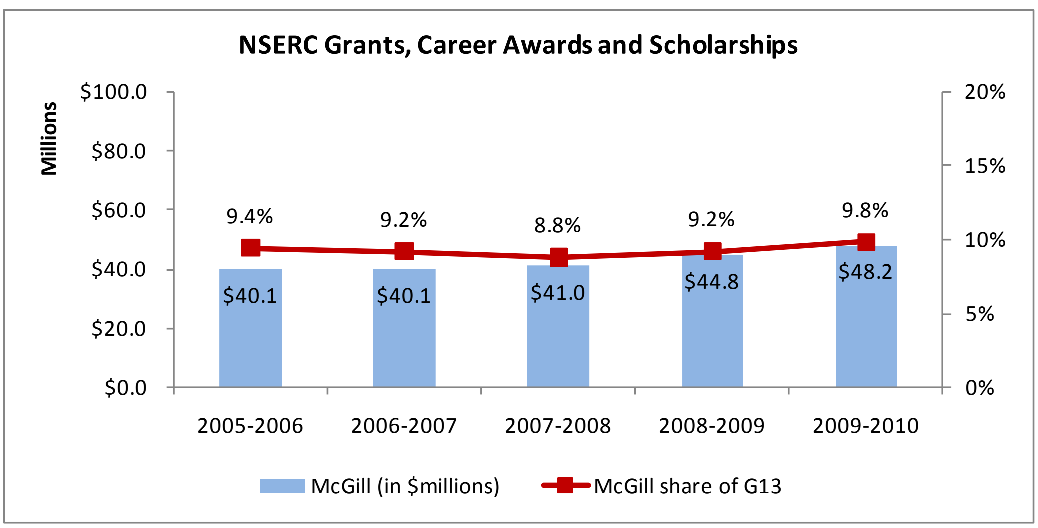
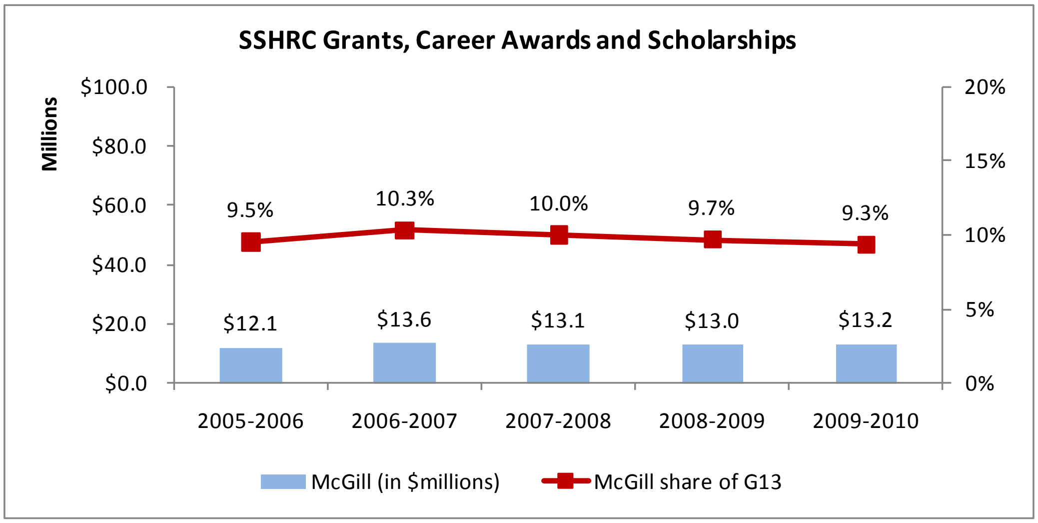


Figure 4c—Tri-Council Research Grants (SSHRC)



Source: G13 Data Exchange (OST data cube)

Provincial Granting Agencies

While total provincial grants awarded to McGill have increased from all 3 agencies over the past 5 years as shown in *Figures 5a, 5b, &5c*, McGill's share of both FRSQ and FQRNT grants has gone down. This indicates that other universities within the Province have seen their grants increase at a faster rate. Notes: For FRSQ the grants allocated to research networks are reported as "multiple affiliations" when awarded to more than one university. Since about 15% of FRSQ is attributed to "multiple affiliations", the amounts awarded to McGill may be underrepresented here. For FQRSC and FQRNT the amount allocated for each year is the sum total of awards won during that competition year plus the committed amounts won in previous competition years.

Figure 5a—Provincial Research Grants (FRSQ)

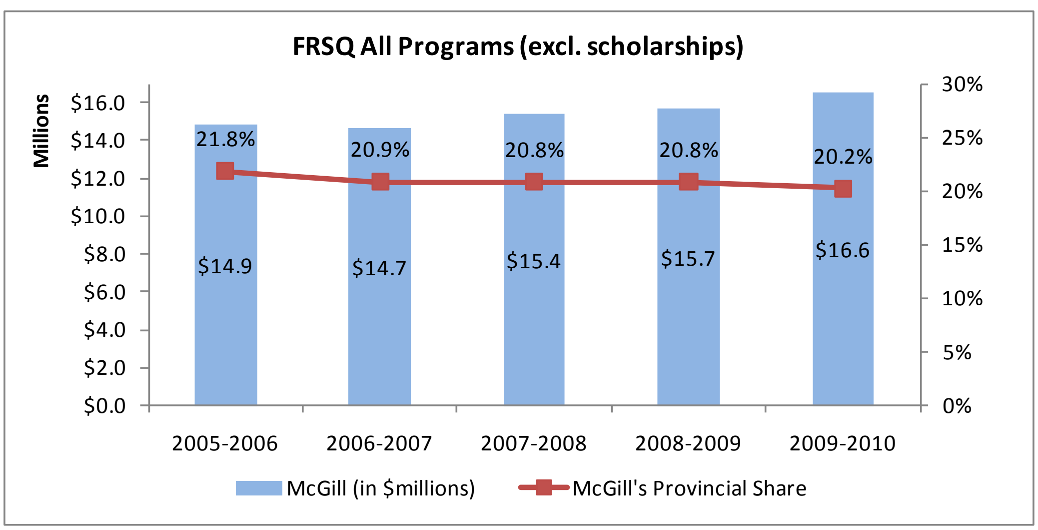


Figure 5b—Provincial Research Grants (FQRSC)

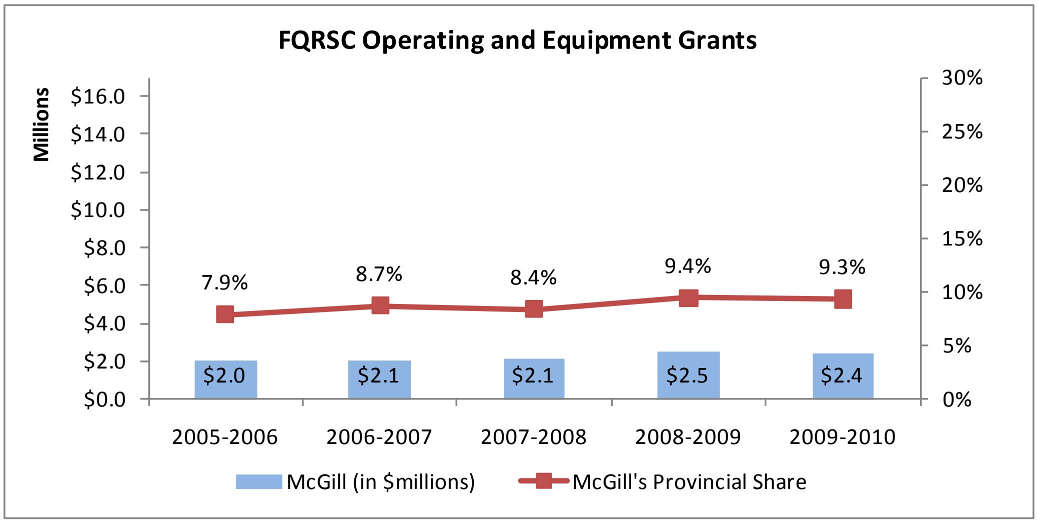
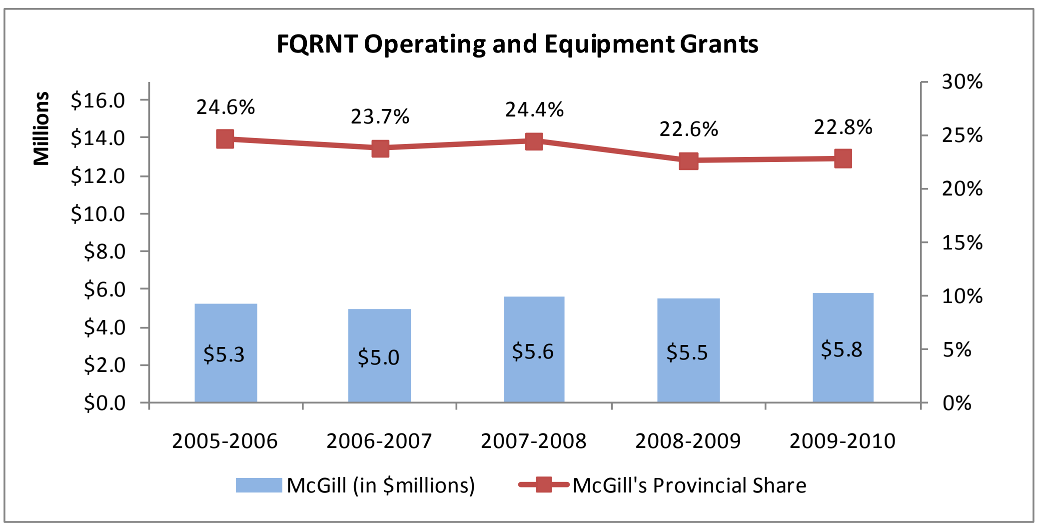


Figure 5c—Provincial Research Grants (FQRNT)



Source: FRSQ and FQRNT/FQRSC extranet

Development and Alumni Relations

Campaign McGill, the comprehensive fundraising campaign launched in October 2007, is seeking to raise $750M, with a sustainable goal of $100M in annual support following the end of the Campaign on April, 30 2013. The Campaign's priorities were determined by McGill's academic leadership, following extensive consultation across the University. The Campaign is seeking endowed and direct-funded gifts for:

- graduate fellowships
- undergraduate aid and scholarships
- enhancement of student life and learning
- chairs and professorships

- academic and research infrastructure
- program support
- Montreal Neurological Institute
- emerging priorities.

Notwithstanding the impact of the recent economic situation on philanthropic giving, we are confident that we will attain our $750M objective within the Campaign's announced time frame. Total gifts (including commitments to date) represent 83% of the objective, compared to 77% of the time elapsed since Campaign's inception.

For the upcoming year, we have increased our emphasis on qualifying new prospects, growing McGill's donor pool, and enhancing solicitation strategies to match evolving donor circumstances.

We have also taken a hard look at the DAR budget and the deployment of resources. We have reformulated our approach to regional markets and to DAR services in general to increase efficiencies across the unit and reduce event, print and postage costs, while making better use of emerging electronic and social media communication tools to further engage alumni and donors.

Total gifts (cash basis- excluding pledges) are forecasted to be $64.5M in FY2011 (11 months) and budgeted at $75.0M for FY2012. These amounts include $25M and $32.5M in endowed gifts for FY2011 (forecast) and FY2012 (Budget), respectively.

Endowment assumptions

- Payout on the endowment to remain on a 3 year rolling average at 4.25%, lowered from 5% in FY2009. Shortfalls in Endowed Chair payouts will be supported by a $1M envelope in the Operating funds.
- The University is a careful steward of the gifts and donations it receives. We are also very mindful of the obligations we undertake whenever we accept philanthropic support. However, we have recently re-examined some of our practices and discovered that some restrictions that have been applied to these funds were creating a bottleneck in allocating the proceeds. By modifying certain procedures and taking appropriate corrective measures, we expect that this will allow for lower recapitalisations of income, thus taking some pressure off of the operating budget. This will allow us to meet current obligations while still positioning McGill to guarantee the intergenerational equity aspect of all such endowments. The initiative to utilise re-capitalised endowment income is expected to save the University approximately $2M in operating funds for FY2012 and beyond.

Self-funded units assumptions

- There will continue to be a positive contribution from self-funded operations.
- This contribution is expected to remain lower in FY2012, a decrease of more than $1.0M compared to FY2010 due to sustainability efforts (reduced parking spaces on campus) and no longer receiving contributions from printing services (savings will be realized in units, not at the institutional level).

- Self-funded units are expected to continue using funds generated as investments in academics activities and student support, including using prior year fund balances to these purposes.

Operating Expenditures: Assumptions

A balance must be achieved between investment in top University priorities and fiscal responsibility. Some budget cuts will be necessary in order to achieve the financial goals to which we are firmly committed. Additionally, Bill 100 requires all Quebec universities to:

- Reduce "general administrative operating expenses" by a total of 10 percent over the next four years;
- Develop a four-year plan to reduce the number of general administrative staff through attrition (one replacement for every two departures);
- Place limits on salary increases for selected managerial and administrative staff.

McGill will need to comply with Bill 100, but we must find the best way to manage our own resources in order to achieve the top strategic priorities of the University.

Budget cuts require action on the part of the McGill community

For FY2012, Faculties and administrative and support units will be required to take a 2.5% expense cut that will be primarily used to reduce the University's deficit. A portion of this cut will also be used to fund University priorities and initiatives. Difficult management decisions will have to be made, but be consonant with and guided by McGill's strategic objectives.

Salary policy for all Academic staff will be postponed by 6 months in FY2012. This delay will provide a one-time savings for FY2012 of approximately $4M. This sacrifice was agreed to by MAUT in recognition of the higher pension costs and the ongoing operating deficits the University faces. The pension plan liability was confirmed in the summer of 2010 following a December 31, 2009 actuarial valuation and has resulted in an expense that the University is now required to fund.

Including the pension plan liability accrual, expenses for FY2012 are expected to grow by approximately 3.7% annually over where they were in FY2010. Note that due to the 11-month FY2011 a one year comparison is difficult.

Total GAAP liabilities include amounts for pension and post-retirement liabilities, which are assumed to remain constant with the December 2009 valuation. The expenses include the following:

	Forecast FY2011	Budget FY2012
Pension liability	$5.2M	$5.6M
Post-retirement obligations	$4.7M	$5.1M
Total GAAP expense	$9.9M	$10.7M
Pension deficit contributions	($3.5M)	($4.8M)
Net increase in GAAP liabilities	$6.4M	$5.9M

Alignment of resources to University priorities

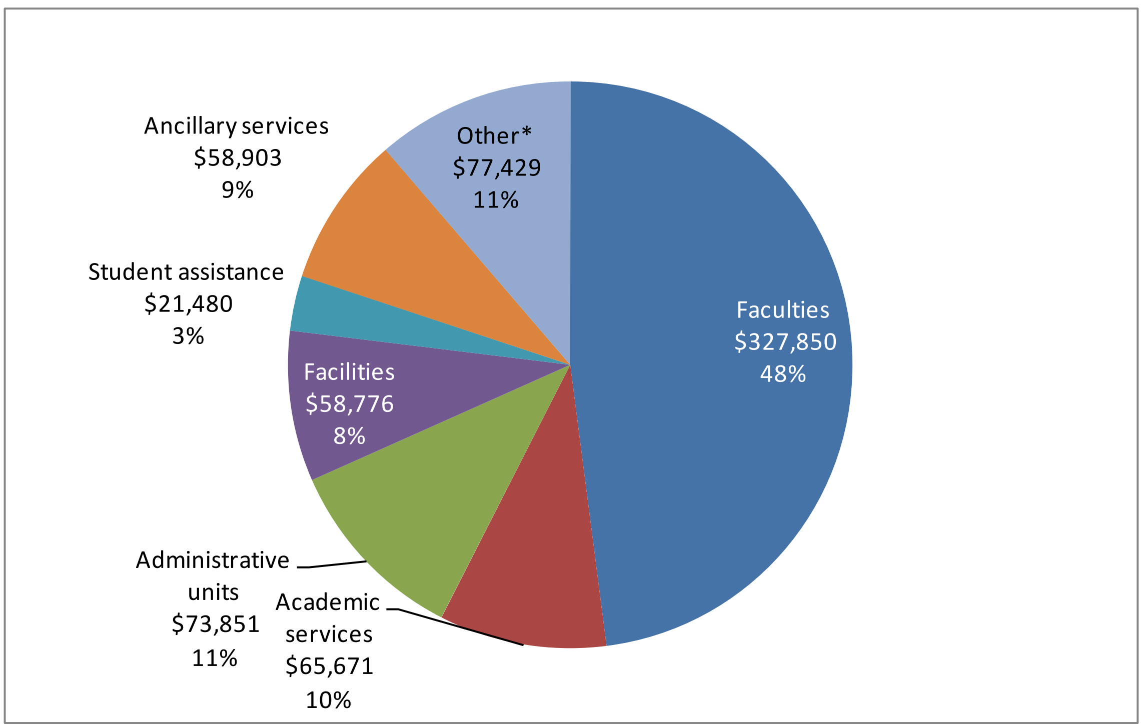
There are several University priorities that will require significant resource investments.

- faculty research initiatives – including new projects that require seed funding
- future rounds of CFI competition
- upfront investments in SRI initiatives that will either allow the University to more efficiently operate in the future or add to the effectiveness of a strategic priority
- salary increases

Total Expenditures

The planned distribution of operating revenues to various units is illustrated by *Figure 6* shown below. Most operating expenses are for the compensation of existing staff and new hires, including the incidental costs of investing in the new hires, such as recruitment costs and operating support costs.

Figure 6: Pre-GAAP Budget Operating Expenses (by unit) - FY2012 (thousands) $683,960

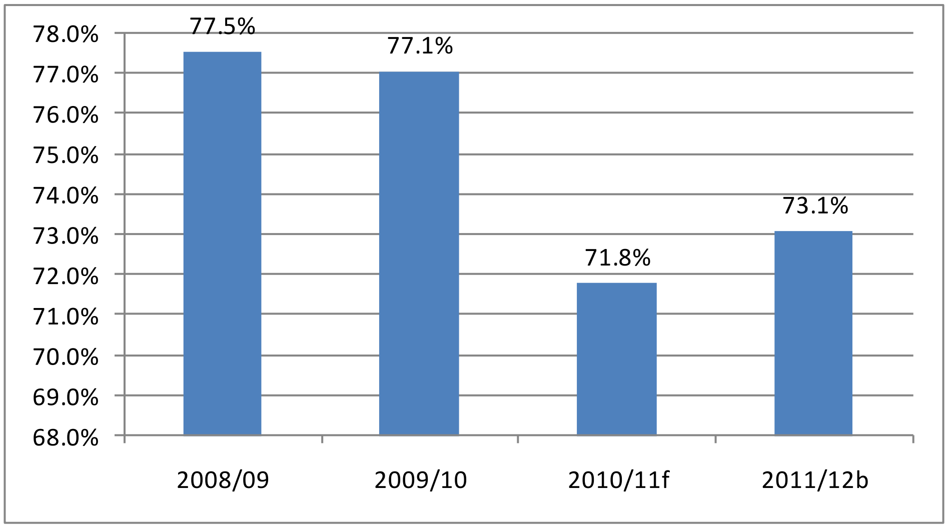


**"Other" includes interest expense, contingency, student and community services, teaching support*

Figure 7 below shows the ratio of all salaries (including benefits and aid) to total operating revenue. As seen in the graph, this ratio is expected to decline from a high of 77.5% in FY2009 to a forecasted

71.8% in FY2011 (impacted partially by only incurring 11 months worth of salary & benefit expense vs. receiving a full year's worth of tuition revenue), and to a budgeted 73.1% in FY2012, partially reflecting the effect of the uptake for the academic retirement incentive program. We will monitor this indicator relative to our principle peer comparators in Canada's G13 and for the research-intensive group in the United States, the American Association of Universities, both of which McGill is a member and participant in the data exchanges.

Figure 7: Total Salaries & Benefits to Operating Revenue



Source: Office of the Budget

Alignment of resources to University priorities

Despite the cuts in expenses, the FY2012 budget is in keeping with the following strategic goals:

- facilitate recruitment of research graduate students; we will continue our significant investments made in graduate student support. In addition, we have provided for additional support for student endowments which will be affected by the reduction in distribution rate;
- implement enrolment and research incentive programs whereby Faculties can earn additional funds by increasing enrolment and research levels above FY2011 results;
- continue to enhance the student learning environment;
- retain high-calibre, full-time academic staff members; continue to invest $4M in our McGill / Dawson programs, as well as our $2M investment in research centres;
- continue to allocate significant amounts (approx $5M) of our Federal indirect cost of research grants to our academic units;
- ensuring efficient administrative support, including the streamlining of some of our current procurement practices and overall research administration activities;
- upgrade and maintain facilities and campus infrastructures.

Graduate student enhancement funds

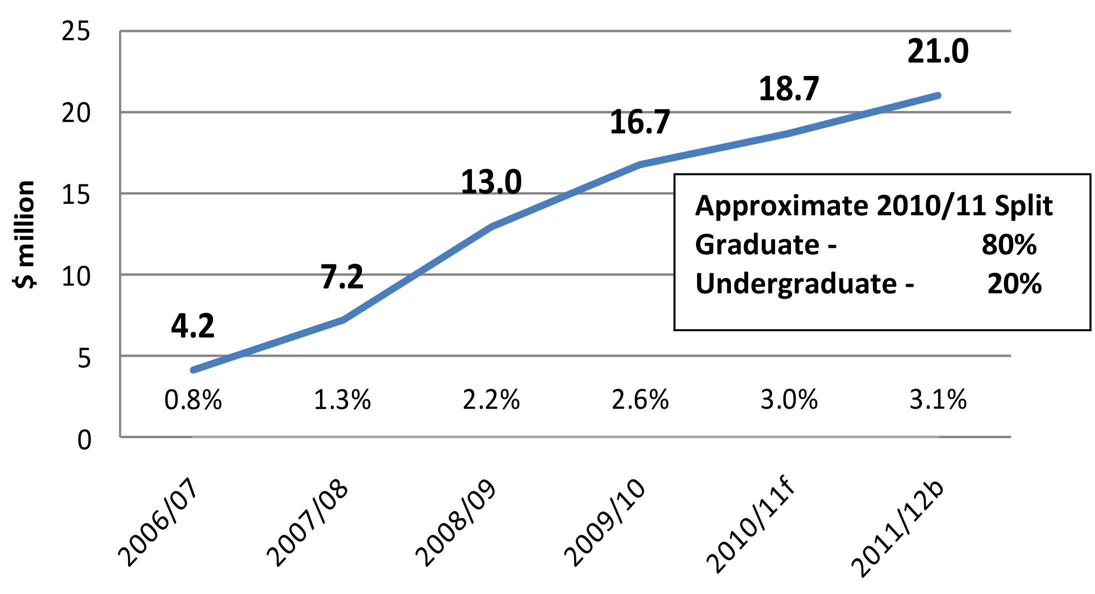
Graduate student enhancement funds assumptions

- Funding will be frontloaded to facilitate graduate recruitment against a resulting increase in MELS grant.

Increased funding will be available for graduate students through the new GPS funding model which distributes $14.43M from institutional funds, in addition to $2.1M in university-wide endowed awards by means of a mechanism that leverages strategic graduate enrolment. This central allocation is supplemented by donor-directed and endowed funds from the Faculties and Departments.

Figure 8 depicts total student assistance from the Operating Fund. Included in this number is an estimate of the 30% portion of net tuition increases that are directed toward students. It should be noted that Restricted funds (donor funded fellowships and other endowment income) also make a significant contribution to student aid (approximately $30M annually). Additionally, the University expects to pay student salaries in the amount of approximately $65M through the operating and restricted funds.

Figure 8: Student Assistance from Operating Fund



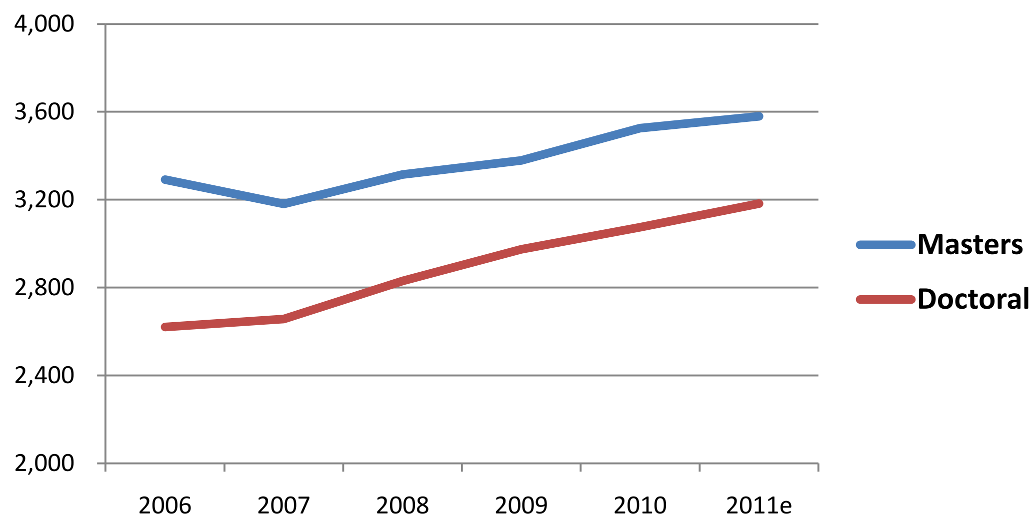
Note: Percentage figures on horizontal axis indicate student aid share of pre-GAAP operating revenue.
Source: Financial Services, Office of the Budget

As outlined in the *Strategic Academic Plan*, the University will continue to enhance graduate enrolment through various initiatives. The competition for graduate students is fierce. Achieving the goals of increasing quality graduate student enrolment involves several objectives for FY2012:

- making graduate student support packages even more competitive to help Faculties attract the best students, both domestic and international;
- assuring adequate professorial numbers for increased graduate student supervision;
- enforcing times to completion commensurate with disciplinary norms;
- finalizing Graduate Program Capacity Indicators to help put McGill in the top rank in graduate students per tenure track faculty among peer publicly funded research intensive universities.

Figure 9 highlights the growth in Graduate enrolment at McGill over the past 5 years. Growth in Masters enrolment in fall of 2010 was 4.4% higher than the previous fall and is expected to continue to grow 1.5% in fall of 2011. PhD enrolment grew close to 3.5% in 2010 vs 2009 and is expected to growth another 3.5% in 2011 vs 2010.

Figure 9: Graduate Student Enrolment based on Fall Enrolment



Source: Enrolment Graduate (Banner) Report

Enhance learning

Library funding assumption

- Spending on libraries' collections had increased $ 1M per year for the 5 years ending FY2010. The goal for FY2012 is to maintain the level of spending that had been built up over the previous years. Libraries are one of the few areas that were exempt from the across-the-board budget cut in FY2012.

Beginning in FY2004, the University established the investment in its libraries as a high priority, one it has continued annually in order to enhance the quality and availability of library resources and services to all users. There were more than 5.8 million visitors to McGill's Libraries in 2009-10, a 12% increase vs 2008-09. The increased expenditure in Libraries over the past few years has resulted in an expansion of physical collections to over 7 million items. There has been considerable growth of online resources to more than 70,000 e-journal titles and 2 million e-books. There has been considerable attention placed on service to students and the Libraries have enhanced their communication services with the implementation of social networking tools such as Twitter and promoted M-learning (mobile learning) at the Library.

Retain high-caliber academic staff

Pre-determined Faculty Compact agreement assumptions

- Faculties' Discretionary Funding Envelope are preserved in the budget for FY2012.
- All "equipment" allocation to Faculties will be negotiated through the compact agreements to ensure compliance with tightened purchasing guidelines and practices.
- Specific commitments that have been made to Deans during the current academic year will be honoured through funding in the FY2011 compacts.
- Priorities Pool envelope at $3.1M in FY2011, is expected to remain stable for FY2012.

Salary and benefits increase assumptions

- **Retention** and anomaly envelope, along with promotions for academic staff will be retained at approximately $1M in FY2011.
- McGill's academic salaries will increase by 3.95% beginning 1 December 2011, a 6 month delay (for 1 year only) agreed to by MAUT. This delay is expected to save the University approximately $4M in FY2012. Expect 2.0% salary growth from FY2013 and beyond.
- Increase the minimum salary for course lecturers, which had been one of the lowest in the Province at $5,000 per course, to $7,200 per course by 1 January 2012 (currently at $6,000 per course).

Academic renewal assumptions

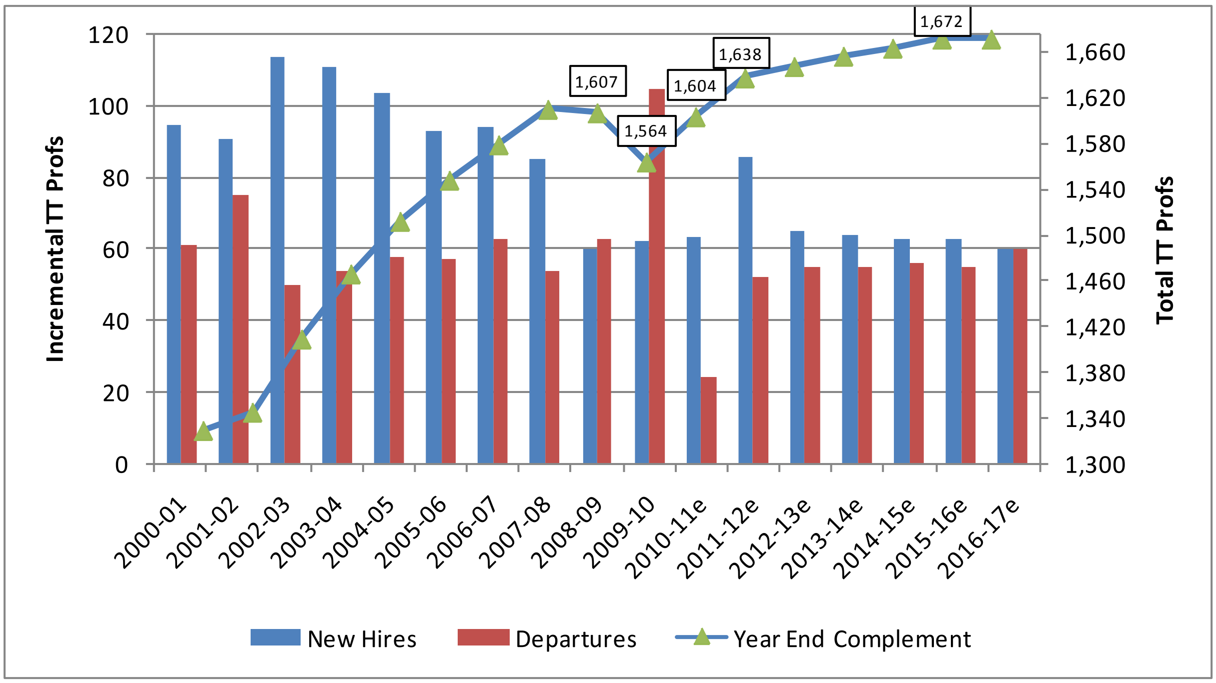
In 2001, McGill embarked on an aggressive academic renewal plan, which was articulated in detail in 2006 in the Provost's white paper on strategic planning, "Strengths and Aspirations". The objectives were to grow the tenure-track professoriate in order to permit McGill to remain among the world's leading research-intensive and student-centred universities. As we approach our overall target complement, one should expect the numbers of recruitments to gradually decrease to the level of departures.

With the implementation of a successful retirement incentive program in FY2010 however, nearly 80 tenure track staff accepted the buyout. Since academic units were only allowed to replace 1.33 years after the retirements occurred, most will see a greater than usual volume of tenure track hiring in FY2012. The dip in the graph below (*Figure 10* represents the departures related to the program, while the upswing reflects the "course-correction" that is expected.

The academic renewal envelope (ARE) is the funding source which contributes towards the academic renewal activity found in the compacts. Typical expenditures covered by the academic renewal envelope include salaries of new recruits, retirement allowances, and contributions towards recruitment costs as well as operating start-up costs

A target TT complement is set by the Provost for each Faculty. The target is compared to the actual staff count for each Faculty to determine the number of available positions.

Figure 10: Tenure-Track Staff (FY2001 - FY2017)



Note: Year End Complement in Figure 9 includes approximately 40 individuals who are spousal hires or senior administrators in "vacated academic positions" or holding positions in administration and not teaching, that cannot be used for tenure-track hiring,. McGill is expected to achieve the target complement by FY2016.

Source: Academic Management Office, Academic Staff & Faculty Affairs

Estimated tenure-track academic staff hires and departures are shown in *Table 4* below:

Table 4: Tenure-track complement

	2010/11	2011/12	2012/13	2013/14	2014/15
New hires	63.5	86	65	64	63
Departures	24	52	55	55	56
End of year complement	1604	1638	1648	1657	1664

The number of expected annual departures will remain at approximately 55.

The net cost of academic renewal is estimated at $3.3M (perm) and $1.7M (temp) for FY2012.

Costs include:

- Operating start-up costs.
- Capital start-up costs.
- Retirement incentive.
- Other costs, including recruitment, salary award contributions, and regular retirement allowances.

Currently projected costs of the ARE are shown in *Table 5*.

Table 5: Cost of Academic Renewal (in millions)

	2010/11*	2011/12	2012/13	2013/14	2014/15
Annual	3.9	3.3	1.3	0.7	0.5
One Time	1.0	1.7	1.8	2.1	2.2
Total	4.9	5.0	3.1	2.8	2.7

**Note: Fiscal Year 2010/11 is an 11 month year.*

Ensuring efficient administrative support

Administrative Priorities assumptions

- Priorities Pool envelope is expected to be approximately $1.1M in FY2012, a 10% increase from FY2011, although $0.4M has been committed in prior years.
- Administrative & Support salaries will increase between 2.0% and 3.5% beginning 1 June 2011. Salary growth from FY2013 onward is expected to be 1.2% - 1.5%.
- A “compact” discussion will take place between the Provost and each Vice Principal, specifying budget allocations and performance expectations.

Administrative and support positions, student advisors, and trades and services all play vital roles supporting the mission of the University. Yet, we must re-assess the number and skill sets of the current staff positions in order to allow them to develop professionally and to support the University's top academic priorities.

McGill can only remain competitive and continue to achieve its academic priorities, goals, and objectives by ensuring the administrative and support staff are well-matched to their roles and provided with the tools and support required to be successful. The significant contributions of these employees are recognised through on-going professional development programs, as well as by means of internal training and development courses. We also intend to continue the "Financial Specialists" program, which has as its prime objective to bring financial specialists to work directly with researchers in the Faculties. Our current administrative and support staff includes approximately 3,568 full time individuals and is distributed as shown in *Figure 11.* This represents an overall administrative headcount increase of 12% since 2005. We fully expect the growth rate to flatten or even decrease slightly, by means of strategic attrition, over the next few years.

Figure 11: Administrative & Support Staff – Full time only as of May 31, 2010

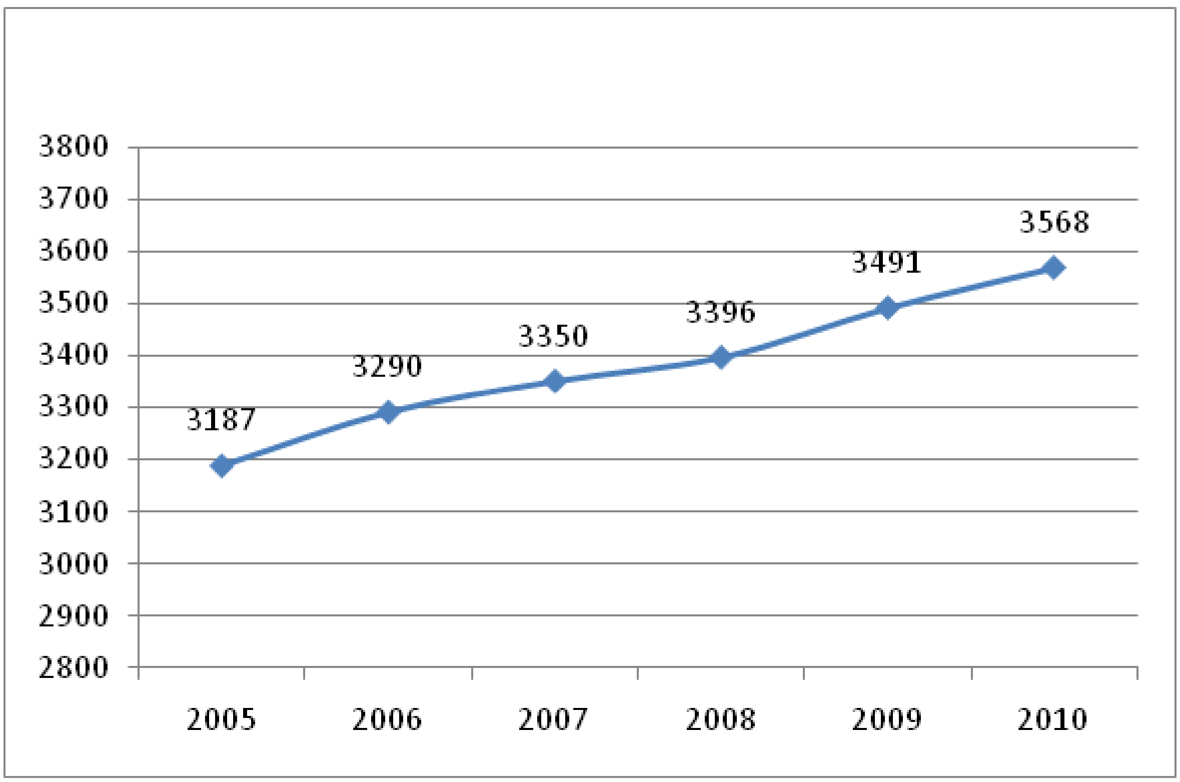


Figure 10 source: McGill Staffing Report

Administrative and Support Staff Breakdown within Faculties and Major Units

Table 6 below illustrates that the total administrative and support staff within the Faculties and Libraries has grown by 7.4% during this period, a relative decline compared to the 5-year growth rate of 11.8% reported in 2009. Data for the 1-year period shows an increase of 1% in total headcount across this group since 2009. It is important to note, however, that some individuals who are on the payroll for institutional units are actually physically located and work in Faculties.

Table 6: Administrative and Support Staff Counts within the Faculties and Libraries

	Year			1-yr change		5-yr change	
	2005	2009	2010	#	%	#	%
Grand Total	1527	1624	1640	*16*	*1.0%*	*113*	*7.4%*

Note: Table excludes staff on long-term disability and placement transition.
Source: McGill Staffing report

Table 7 below illustrates that university administrative units have experienced an overall growth of 16.1% in administrative and support staff since 2005, a relative decline compared to the 5-year growth rate of 21.5% reported in 2009. The 1-year change indicates growth of 3.7%.

Table 7: Administrative and Support Staff Counts within Admin Units

	Year			1-yr change		5-yr change	
	2005	2009	2010	#	%	#	%
Grand Total	1660	1867	1928	*61*	*3.7%*	*268*	*16.1%*

Note 1: Table excludes staff on long-term disability and placement transition.
Note 2: Affiliated Units include McGill-Queen's University Press, McGill Student Society, Valacta, Morgan Arboretum, Dairy Herd Analysis
Source: McGill Staffing Report

Overall Borrowing and Debt Position

As outlined in *Appendix 11*, the University's total debt was $665.5 as at May 2010, including $150M of its own Debentures issued in 2002. The remainder is substantially all due from MELS for which University charges MELS interest. During the year, MELS also issues an unknown amount of new debt for either maturing long-term debt or reimbursement of amounts owing which are temporarily financed using lines of credit. The projected MELS total debt is expected to be $550M by April 2012.

McGill's Board of Governors has approved maximum borrowings of $250M under short-term credit facilities. Unsecured and uncommitted lines of credit, totalling $345M, are available to McGill and are normally drawn through bankers' acceptances for periods of up to one year.

Our bank borrowing was $175.8M at May 31, 2010, of which approximately $100M was borrowed on behalf of MELS. This total also includes amounts temporarily borrowed for capital projects ($50M) for which current fundraising efforts are ongoing (see *Appendix 12*). The remainder of the net borrowings is to finance the accumulated deficit. On the Operating side, any bank indebtedness relating to MELS temporary borrowings are charged back to them at the monthly CDOR rate plus 30 basis points (currently at approximately 1.5%). Other interest rate assumptions are shown below.

Interest Expense assumptions

- Cost of borrowing is expected to be no less than 2.15% in FY2012 (estimate from McGill Treasury) and total interest expenses are forecast to be $4.7M in FY2012. We have anticipated that this rate will rise further to 2.45% in FY2013.

Capital (Plant) Fund

The capital fund includes capital grants received primarily for the purposes of adding new buildings or renovating existing space.

MELS has only just confirmed the total capital budget for FY2010, so the figures for FY2011 or FY2012 are not yet available. However, based on the FY2010 capital budget, it is expected that the FY2012 budget will include two renovation/development 'envelopes' of $16.2 M (to be used primarily to fund capital projects related to new academic hires, Faculty major renovation projects, renovation projects for classrooms/teaching labs, and institutional capital priority renovations), $ 27.5 M for deferred maintenance (with no requirement for the University to match the funds), $3.7 M for a "correction envelope" for renovations, and $3.6 M for information technology (IT) equipment, and IT development. The specific grants would be as follows:

	Budget FY2012	Actual FY2010
Envelope for developing existing space	$ 3.1 M	$ 3.1 M
Envelope for renovating existing space	$ 13.1 M	$ 12.9 M
Deferred Maintenance (current program)	$ 10.7 M	$ 10.5 M
Deferred Maintenance (new program)	$ 16.8 M	$ 16.7 M
MAO-TIC	$ 1.7 M	$ 1.6 M
Corrections envelope for renovations	$ 3.7 M	$ 3.7 M
Subtotal ('Maintien des actifs')	$ 49.1 M	$ 48.5 M
IT Development	$ 1.9 M	$ 1.9 M
TOTAL	$ 51.0 M	$ 50.4 M

In addition to these funds, the University has been granted approximately $81M via the federal Knowledge Infrastructure Program for three projects related to the infrastructure upgrades in the McIntyre Medical, Macdonald Engineering, and Otto Maass Chemistry Buildings. Half of this amount will be funded by the federal government and the remainder by a combination of funding from provincial Ministries and approximately $9 M from McGill's deferred maintenance allocation from MELS. This work will be completed over the summer of 2011.

In order to build our multi-year capital budget projections, we have assumed that this funding level from MELS will continue for the next five years, and that the envelopes for **deferred maintenance** will continue for a 15-year period (beginning in 2007), as indicated in Quebec's own budget for FY2009. It is expected that MELS will confirm the FY2011 allocations later this year. The Corrections envelop for renovations of $3.7 M is a program meant to address funding shortfalls in the past. At present, it is not known how long this additional funding will be available. We have built these MELS allocations into the budget for FY2012 and into preliminary planning for subsequent fiscal years.

Our deferred maintenance deficit is estimated at more than $600 M (excluding non-subsidized space, e.g., residences, parking structures, etc.) in work that was identified in our deferred maintenance inventory, as estimated in a Province-wide exercise led by CREPUQ in 2007. While McGill has been addressing a significant amount of high-priority deferred maintenance work since it began its major activities in this area in 2008, it should also be noted that our annual deferred maintenance backlog continues to accumulate due to the shortfall between the capital grant and the amount that should be invested each year in renovations. The accelerated program of deferred maintenance work that began in 2008 has been financed based on MELS deferred maintenance funding programs. To-date, it has not been necessary to borrow against future years of funding in support of this work. However, given the extremely large volume of high-priority deferred maintenance projects that cannot be delayed any longer, it is anticipated that over the coming years it may become necessary for McGill to borrow against future capital funding.

In March 2009, the University submitted a comprehensive analysis to the MELS of our deferred maintenance situation and McGill's particular needs given the number and age of our buildings. The document will be used to press our public policy agenda for additional deferred maintenance and capital funding from the MELS and other government bodies. Furthermore, McGill is working with other universities through CREPUQ to put in place a uniform prioritization and reporting system for deferred maintenance inventories for all Quebec universities. In addition to this, CREPUQ is planning to solicit additional resources to meet increasing IT needs and costs.

Excluded from the above total are supplemental specific capital grants as follows:

- new construction/initiatives,
- capital grants received from CFI, and Quebec's matching contribution, donations,
- capital research grants from the Quebec research agency FQRNT

For new construction and capital initiatives, McGill submitted the following projects for FY2010 as part of the annual MELS *Plan Quinquennal d'investissments* submission:

- Teaching Laboratory and Classroom Renewal

- New Bio-engineering Building
- Lyman Duff Building Renewal

It is anticipated that a similar submission will be made this spring for FY2012 and will also include a request for support of additional rental costs. MELS did not comment on the FY2010 submission, and early indications are that MELS' funds will continue to be extremely limited for new capital initiatives for the next few years.

CFI funds are allocated via the CFI funding program on a project by project basis.

For FY2010, the University has also extensively lobbied MELS to increase the University's subsidized space allocations to include the Montreal Neurological Institute (MNI) and various recent building acquisitions; e.g., the Durocher Street Building and Martlett House. The University has received confirmation that the MNI is now included in the portfolio of subsidized space for FY2010. For the capital budget, this has been the major factor in an increase to the formula grants of $2.2M relative to FY2009. MELS will also retroactively recalculate the operating grants for the Terrains et Bâtiments and Frais Indirect de Recherche envelopes to include this space for FY2010 and for subsequent years. The University continues to lobby for the space at Durocher, Martlett House, etc., to be included as subsidized space, as MELS currently does not recognize it as such.

For FY2012, the University anticipates allocating $48.6M in capital monies, including for Deferred Maintenance (DM) projects, as follows:

Institutional Priorities	$	4.5 M
Faculty Compact Allocations	$	4.3 M
Admin & Support Staff Base Allocations	$	0.9 M
Campus Facility Maintenance	$	3.0 M
IT Projects	$	1.9 M
Innovative teaching space renovations	$	2.0 M*
Deferred Maintenance to address the backlog	$	25.9 M
Capital Repayment of Deferred Maintenance Loans	$	5.1 M
Contingencies	$	1.0 M
TOTAL for FY2012	$	48.6 M

*Budgeted teaching space renovations for FY2012 vs. the previous 7 years shown in Table 8 below:

Table 8: Teaching space renovations FY2005 – FY2012

Renovation Type	Number of Classrooms	
	FY 2005-2011	**FY 2012**
Major renovations(100k+)	12	Bronfman – predesigned but postponed McIntyre – pre-designed but postponed
Minor renovation	33	50 smaller rooms
IT / AV, IT / Computers	184 rooms	164 rooms
Total Classrooms renovated	**229**	**214 in 49 Buildings**

It should be noted that while the allocations are less than budget for the year, due to the cash flow nature of capital projects, the actual funds expended during the year will be within the funds available. This follows our "traditional" assumptions regarding the allocation of these funds.

Within the Faculty Compact Allocations, an allocation is calculated for capital start-ups for new recruits, which contributes to the development of research labs and renovation. These allocations are calculated and adjusted based on expected academic renewal.

Restricted Fund

The Restricted fund is primarily composed of research and other restricted revenues, received in the form of grants, donations or other revenues which are to be spent in accordance with the terms of the grant or wishes of the donors.

In addition to the operating expenses for running and equipping modern laboratories and/or for research infrastructures and services, an important part of research grants is used to support the education and training of graduate students and post-doctoral fellows. In 2002, the federal government recognised that research activity also resulted in an increased level of indirect costs which required funding. These costs are incurred for common resources and activities that cannot be attributed to a specific project or activity, and it is difficult to assess precisely which users should pay what share. In FY2004, the federal government formally created an "Indirect Cost of Research" grant program based on recognised sponsored research grants to our professors intended to cover some of these costs. Unfortunately, this level of funding indirect costs falls short of the real indirect costs of conducting research on campuses such as McGill's. In the past few years, we have allocated 25% of these revenues (net of amounts owed to the teaching hospitals) directly to the Faculties in proportion to their tri-council research grant performance. The remainder of the grant is used for institutional expenses such as utilities, building operations, library investments, the optical backbone IT network, and other truly "indirect" costs relative to conducting research.

Endowment Fund

The market value of McGill's endowment increased by 10.4% FY2010 ($849M vs. $769M), and is projected to increase further by approx 11% in FY2011 ($940M vs. $849M).

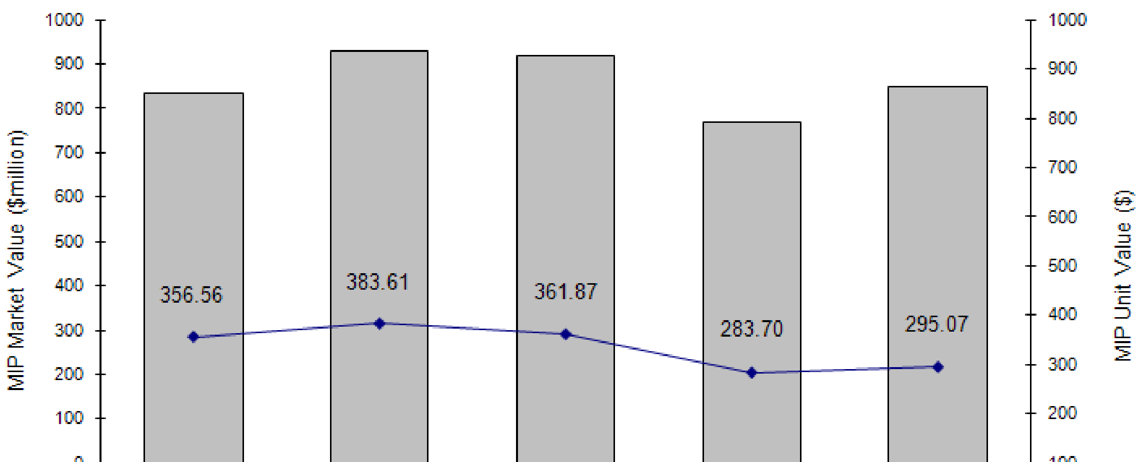
Management fees contributed by the Operating fund continue to be approximately 50 basis points (bpts). An additional 40 bpts is paid for associated external costs for the costs of The Office of Investment Management.

The McGill Investment Pool ("MIP") consists of investments for the McGill endowments and accounts managed on behalf of McGill units and affiliated entities.

MIP Market and Unit Value

The MIP market and unit value changes over five years ended May 31, 2010 are shown below:

Figure 12: MIP Market Value and Unit Value Change (May 31, 2006-2010)



	2006	2007	2008	2009	2010
Market Value ($Million)	832.80	928.00	917.03	769.24	849.16
Unit Value ($)	356.56	383.61	361.87	283.70	295.07

MIP Growth

Table 9: Change in McGill Investment Pool market value for the year ended May 31, 2010

($ in millions)	2010		2009	
Opening Book Value June 1st	753.3		805.6	
Unrealized Market Value	10.1		96.5	
Opening Market Value	763.4		902.1	
New Gifts Received	38.7	5.1%	46.5	5.2%
Net Income (Loss) Realized	67.0	8.8%	(57.8)	(6.4%)
Net Income Distributed (Net of capitalizations)	(32.3)	(4.2%)	(39.1)	(4.3%)
Transfers to (from) Other Funds	4.3	0.6%	(1.9)	(0.2%)
Realized Increase (Decrease) in Assets	77.7	10.2%	(52.3)	(5.8%)
Change in Unrealized Market Values	(0.9)	(0.1%)	(86.4)	(9.6%)
Total Increase (Decrease) in Fund Value	**76.8**	**10.1%**	**(138.7)**	**(15.4%)**
Closing Book value at May 31st	831.0		753.3	
Unrealized Market value	9.2		10.1	
Closing Market Value	**840.2**		**763.4**	

In FY2011 it was decided to maintain the income distribution rate at 4.25%, consistent with the rate of the previous year. The Board of Governors has approved the income distribution rate at 4.25% for FY2012. Although the rate will remain the same in FY2012, the income distribution expressed in dollars will be 8.7% less per unit because of the three-year moving average of market values on which the income distribution rate is based. While the Academic Renewal envelope, which funds all tenure-track professors, will cover the shortfall in endowed chair salaries for tenure track professors, there are a number of endowment-supported activities in the Faculties and Administrative Units that will need to be rationalised.

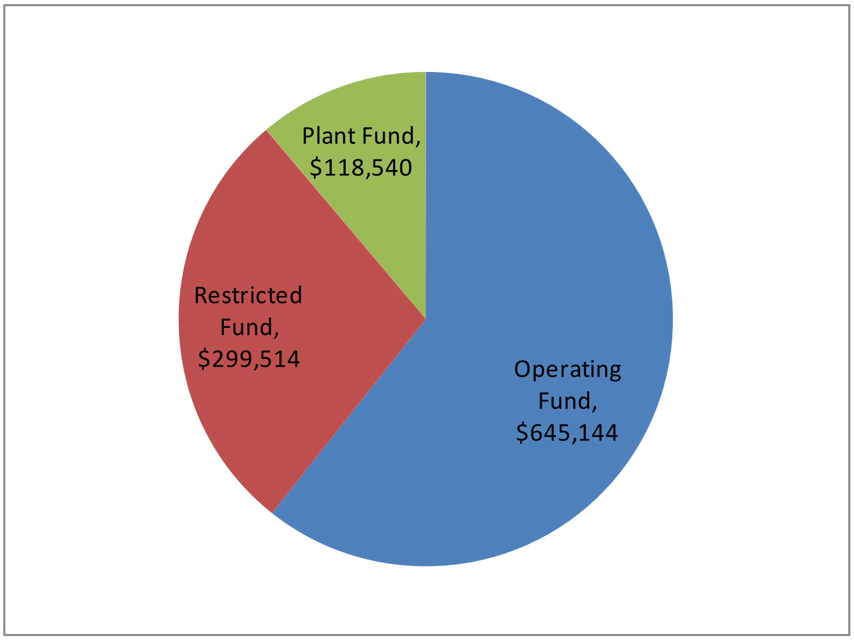
Development and Alumni Relations (DAR) activities will continue to meet the annual gifts and donation objectives over the next few years.

Conclusion

The overall expense budget of the University under GAAP for FY2012 is highlighted in *Figure 13*. These total expenses are to be supported by various revenue budgets derived from several funding sources, as highlighted by *Figure 14*.

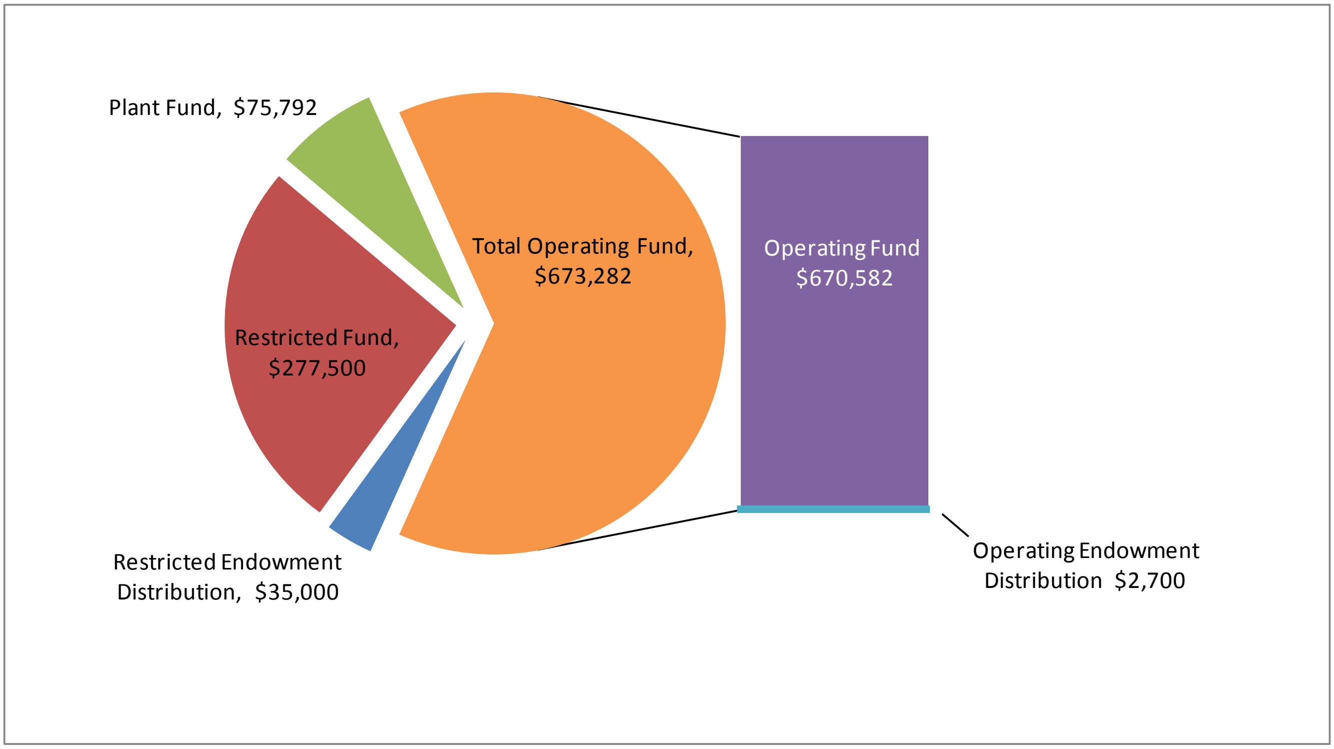
While the budget proposed for FY2012 includes the need for significant sacrifices, it has been designed to continue investing in priority areas for the University. This budget builds on past investments and continues to lay the groundwork for future successes. The annual deficit in FY2012 on a GAAP and total funds basis, is approximately ($3.1M). We will continue to show progress in academic renewal and faculty research, graduate student numbers, funding, and quality, enhanced learning experiences for undergraduates, and increased commitment to sustainability and to the professional development of our staff. It will be challenging, but the McGill community is up to the task.

Figure 13: GAAP Total Budget Expenses - FY2012 (thousands) $1,063,198



Note: Endowment Fund expenses are allocated to the Operating and Restricted funds under GAAP. They are recorded as a reduction of Net Assets.

Figure 14: GAAP Total Budget Revenue - FY2012 (thousands) $1,061,575



Note: Revenues earned from Endowment investments are recorded in the Operating and Restricted funds under GAAP.

Appendix 8 provides a detailed breakout for each of the four funds in terms of forecast revenue sources and expenditures for FY2011 and the budgeted revenues and expenditures for FY2012 under GAAP.

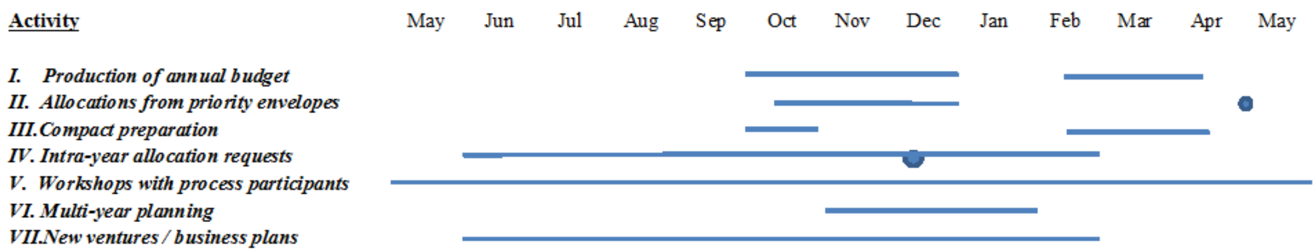
The Challenge

The proposed budget for FY2012 is the start of a new 5-year cycle for the University. We met our commitment to achieve a break-even budget at the end of the last 5 year cycle. However, continuing to propose a break even or positive budget would require stopping investments in priority areas that would hurt the progress we have made over the past few years.

Everyone can, should, and must play a significant role in allowing the budget for FY2012 to become a framework for developing a new budget process for McGill in subsequent years.

Appendix 1: Budget Process Timeline

Budget Process Timeline



I ***Production of Annual Budget***

Inputs :

- **A** Departures / Hires / Complement targets
- **B** Estimate of FTEs, turnover rates, etc..
- **C** MELS / FICR grant assumptions
- **D** Salary & benefit increase assumptions
- **E** Cuts / reallocations

Outputs :

- **F** Prelim. budget presentation to Finance Cttee
- **G** Budget presentation to Deans
- **H** Budget presented to Finance Cttee/BOG /Senate

II ***Allocations from priority envelopes***

- **A** Request for priority pool (PP) allocations
- **B** Preliminary discussions with ACM
- **C** PP envelope allocation
- **D** Budget transfers - PP allocations

III ***Compact preparation***

- **A** Academic/Enrolment/Research objectives
- **B** Preliminary discussions with Deans
- **C** Preliminary Compact
- **D** Updated Compact (October)

IV ***Intra-year allocation requests (> $ 50k)***

- **A** Specific Faculty requests
- **B** Validation & recommendation to Provost
- **C** Budget transfer & Inclusion in Compact
- **D** Does Approved Budget need to be Amended?

V ***Workshops with process participants***

- **A** Monthly workshops with FFOs + administrators
- **B** Update of "Budget" Knowledge Database
- **C** Periodic communication & updates

VI ***Multi-year planning***

Faculties / Units :

- **A** Initial preparation & submission
- **B** Final annual submission - 5 year plan

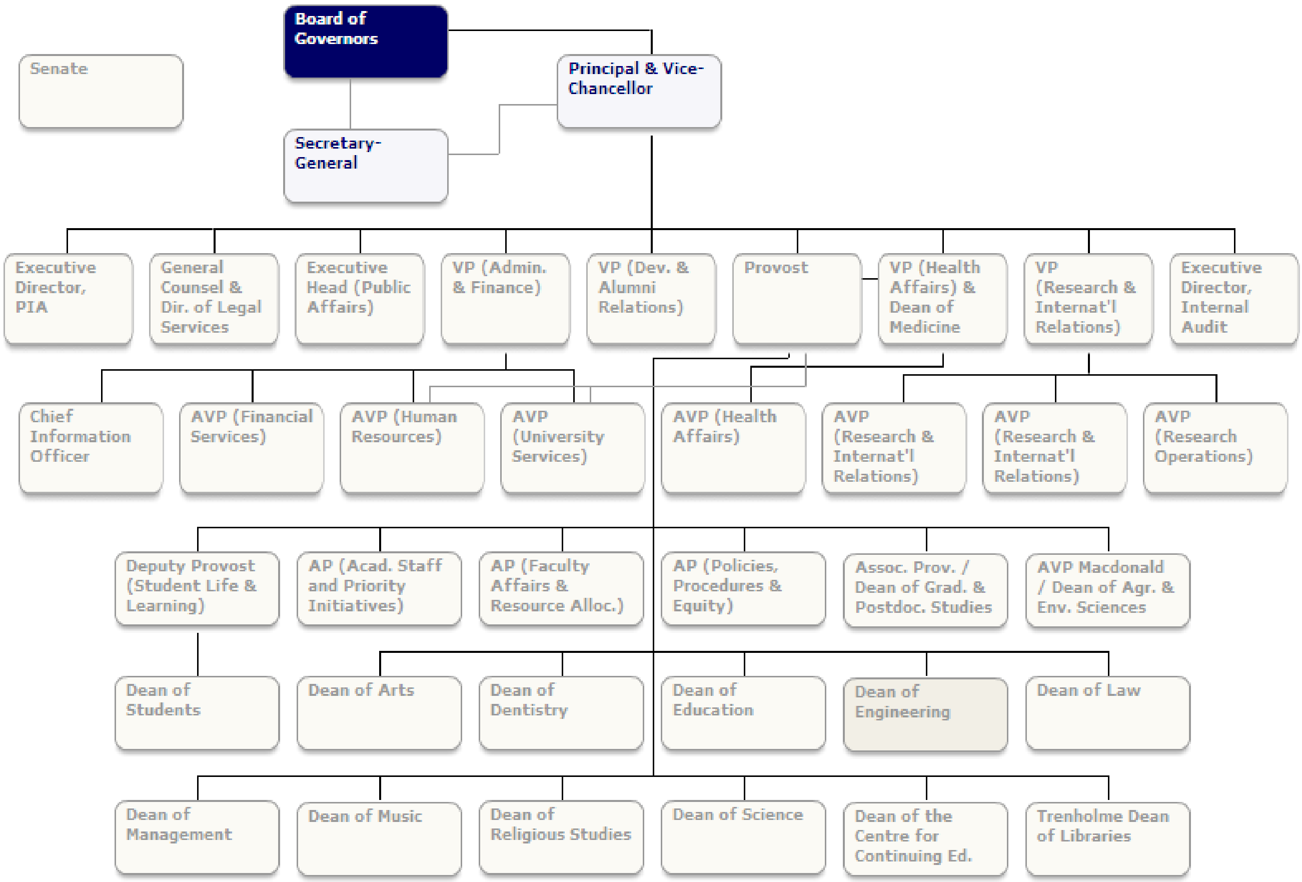
Institutional :

- **C** Communication of changes to Faculty plans

VII **New ventures / business plans**

- **A** Identification of new initiative
- **B** Validation & recommendation to Provost
- **C** Implications on multi-year plans

Appendix 2: Organizational Chart for McGill University



Appendix3a: Unit Level Unrestricted Expenses FY2010 – Faculties& Libraries

McGill University
Full Year Expenses as at May 31, 2010
Unrestricted (Operating) Fund: Faculties
($ 000)

	Agricultural & Environmental Science	Arts	Continuing Education	Dentistry	Education	Engineering	Law	Management	Medicine	Music	Religious Studies	Science	Libraries	MSE	Total Faculty
Expenses															
Salaries:															
Academic	9,408	30,171	5,813	3,213	9,530	15,508	4,766	13,400	55,689	8,796	1,607	24,993	5,514	845	**189,253**
Administrative & Support	3,335	6,122	2,426	1,468	2,654	6,123	1,544	4,870	17,688	3,042	446	7,799	7,360	150	**65,027**
Student	683	2,753	1	104	433	1,444	113	680	828	338	153	4,204	-	63	**11,797**
Student Aid	18	430		4	4	142	4	87	140	-	4	293		14	**1,140**
Benefits	3,015	8,039	1,383	758	2,923	3,799	1,023	2,854	15,338	2,316	351	6,784	2,698	220	**51,501**
Sub-total Salaries:	**16,459**	**47,515**	**9,623**	**5,547**	**15,544**	**27,016**	**7,450**	**21,891**	**89,683**	**14,492**	**2,561**	**44,073**	**15,572**	**1,292**	**318,718**
Non-Salary:															
Materials, Supplies and Publications	401	157	64	304	84	390	35	223	932	109	3	438	12,443	1	**15,584**
Transfers to Partner Institutions		-		48	2				821		-	-			**871**
Contract Services	126	640	153	241	188	(58)	200	403	574	373	11	289	804	-	**3,944**
Professional Fees	1	150	792	257	87	93	43	1,497	1,116	229	6	102	10	28	**4,411**
Travel	462	518	177	106	246	530	118	548	905	126	36	1,167	99	4	**5,042**
Cost of Goods & Services Rendered	18			394				68		159		309			**948**
Building Occupancy Costs	108	149	109	182	45	269	24		939		4	475	1,763	9	**4,076**
Hardware & Software Maintenance															**-**
Tuition Expense	1	18	35	1	1	3		98	52	3		8			**220**
Energy	8								7			65			**80**
Other Non-Salary Expenses	892	1,732	1,584	494	338	657	302	1,683	2,121	688	81	1,139	797	47	**12,555**
Capital Purchases	257	237	31	133	174	991	65	86	1,246	684	17	874	676	2	**5,473**
Interest & Bank Charges	-	2	56	18	3	2	2	18	11	16		-	7		**135**
Sub-total Non-Salary:	**2,274**	**3,603**	**3,001**	**2,178**	**1,168**	**2,877**	**789**	**4,624**	**8,724**	**2,387**	**158**	**4,866**	**16,599**	**91**	**53,339**
Total Expenses:	**18,733**	**51,118**	**12,624**	**7,725**	**16,712**	**29,893**	**8,239**	**26,515**	**98,407**	**16,879**	**2,719**	**48,939**	**32,171**	**1,383**	**372,057**

Note: Academic Salaries exclude year end accruals for retirement incentive program

Appendix 3b: Unit Level Restricted Financials FY2010 – Faculties& Libraries

McGill University
Research & Restricted Funds
For the year ended May 31, 2010
Summary (In '000s)

Revenues	Agriculture	Arts	Continuing Studies	Dentistry	Education	Engineering	GPS	Law	Management	Medicine	Music	Religious Studies	Science	Libraries	McGill School of Environment	Total
Grant - Government Sponsors																
Canada	12,022	27,589	3	2,741	1,944	18,877	11,346	814	2,030	68,009	832	156	43,375		71	189,808
Quebec	3,964	1,841		1,211	725	2,585	55	562	308	16,640	335		13,706			41,933
United States	7	0		34	-1	669			284	3,786			1,617			6,396
Other Grant Sponsors	537	280		766	123	2,286	60	171	531	13,371	172		3,235			21,532
Contracts	1,130	106		305	-74	3,803			454	1,225	928		3,816			11,692
Tuition & Fees		1														1
Sales of Goods & Services	187	123	0	958	54	20	173	188	102	6,101	29		181	13		8,129
Gifts and Bequests	918	1,378	41	375	267	2,172	882	623	1,562	8,207	876	9	1,012	1,247	28	19,599
Investment & Interest Income	788	2,919	14	641	285	3,241	3,328	1,214	1,443	12,021	900	92	2,031	1,293	22	30,233
Deferred Contribution																0
Total Revenue:	19,552	34,237	59	7,031	3,324	33,653	15,844	3,573	6,715	129,360	4,072	257	68,973	2,553	121	329,323
Expenses																
Salary																
Academic	3,223	4,398		1,905	1,025	4,210	4	1,038	882	35,474	472	41	9,091	122	5	61,888
Administrative and support	643	922	0	555	259	1,467	0	185	170	16,658	303	1	1,194	108		22,465
Student	3,076	2,896		861	1,349	10,316	134	619	797	22,242	500	89	12,754		60	55,692
Benefits	886	1,156	0	480	293	1,130	0	289	223	10,855	148	12	2,217	29	3	17,722
Student Aid	499	748	6	72	211	2,108	16,158	386	96	2,140	906	16	743		13	24,102
Total Salary:	8,326	10,120	6	3,873	3,138	19,232	16,296	2,517	2,167	87,369	2,328	160	25,998	258	81	181,869
Non-Salary																
Materials, Supplies and Publications	1,577	458	1	490	107	1,863	1	48	138	17,476	35	16	2,703	1,901	1	26,815
Contributions to Partner Institutions	1,850	2,788		304	142	3,641		54	90	13,577	0	104	3,108		12	25,671
Contract Services	161	455		163	21	371		137	211	3,129	7	2	518	191		5,367
Professional Fees	166	733		124	49	162		25	721	2,453	161		285			4,880
Travel	1,070	2,262	0	164	385	1,763	2	398	611	3,983	309	47	3,334	10	4	14,343
Building & Occupancy Costs	576	167	6	167	132	510		92	13	5,329	15	0	4,304	-5		11,307
Tuition	23	81		81		1		17	22	147			138			511
Energy						0				435						435
Other Non-Salary Expenses	2,197	2,105	47	832	477	10,553	9	418	929	32,287	784	23	9,176	137	8	59,982
Interest & Bank Charges		0		3	0	0		0	3	2			2			10
Total Non-Salary:	7,621	9,049	55	2,328	1,313	18,866	12	1,189	2,737	78,819	1,312	191	23,568	2,234	26	149,321
Total Expense:	15,948	19,169	61	6,200	4,451	38,098	16,309	3,706	4,904	166,189	3,640	351	49,566	2,492	106	331,190
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted	3,604	15,068	-2	831	-1,127	-4,445	-464	-134	1,811	-36,829	432	-95	19,407	61	14	-1,867
Interfund Transfer	(1,256)	(665)	8	(450)	120	(632)	22	(54)	(1,640)	2,502	(82)	75	634	708	(3)	(713)
Total Change in Net Assets:	2,348	14,403	6	381	(1,007)	(5,076)	(442)	(187)	170	(34,326)	350	(20)	20,041	769	12	(2,580)

Note: These financials represent budgets at the unit level and exclude GAAP adjustments

Appendix 3c: Unit Level Unrestricted Expenses FY2010 – Administrative Units

McGill University
Full Year Expenses as at May 31, 2010
Unrestricted (Operating) Fund: Administrative Units
($ 000)

	Principal and Vice Chancellor	Institutional Services	Provost and Admin Unit Reports	Planning and Institutional Analysis	Assoc. VP (Macdonald Campus)	Deputy Provost (Student Life and Learning)	Assoc. Provost (Graduate Education)	VP A&F, IA, Risk Mgmt, Investments	Information Technology Services	Assoc. VP (University Services)	Assoc. VP (Human Resources)	Asst. VP (Financial Services)	Vice-Principal (Research & International Relations)	Vice-Principal (Development and Alumni Relations)	Public Affairs	Total Admin Units
Expenses																
Salaries:																
Academic	20	66	365		2	3,044	37	-	-	1	14		2,046	3		**5,598**
Administrative & Support	664	3,342	1,355	896	1,324	22,897	1,819	2,067	19,710	26,694	6,043	6,725	3,195	9,193	2,383	**108,307**
Student		3	32		4	215	12	-		15			4			**285**
Student Aid		-	-			1,902	13,606	-			-		19			**15,527**
Benefits	113	5,051	293	155	281	5,423	349	377	3,735	5,277	145	1,215	1,023	1,618	404	**25,459**
Sub-total Salaries:	**797**	**8,462**	**2,045**	**1,051**	**1,611**	**33,481**	**15,823**	**2,444**	**23,445**	**31,987**	**6,202**	**7,940**	**6,287**	**10,814**	**2,787**	**155,176**
Non-Salary:																
Materials, Supplies and Publicatic	16	93	30	3	100	3,496	78	13	69	3,914	18	20	38	79	123	**8,090**
Transfers to Partner Institutions		-	-				21	-			3		105			**129**
Contract Services	127	1,157	21	3	488	3,011	31	70	(1,109)	14,561	101	104	174	958	123	**19,820**
Professional Fees	129	2,930	41	17	1	154	-	50	69	133	500	1	655	5	109	**4,794**
Travel	56	196	189	19	40	1,126	29	20	172	(138)	38	23	177	425	22	**2,394**
Cost of Goods & Services Rendered		-	-			7,098		-		13,112						**20,210**
Building Occupancy Costs	12	499	7	-	726	7,028	6	1,910	4,241	(1,966)	232	13	24	243	(3)	**12,972**
Hardware & Software Maintenance		-	-					-								**-**
Tuition Expense		-	-			81		-	-			509		-		**590**
Energy		-	-		278	3,674		-		14,483						**18,435**
Other Non-Salary Expenses	168	8,683	572	25	130	2,539	193	7,738	(1,628)	(797)	574	268	414	2,752	293	**21,924**
Capital Purchases	12	127	41	-	78	2,754	16	23	3,052	(3,258)	29	9	13	48	14	**2,958**
Interest & Bank Charges		2,139	49		102	4,688		-	3	494		3	-	20		**7,498**
Sub-total Non-Salary:	**520**	**15,824**	**950**	**67**	**1,943**	**35,649**	**374**	**9,824**	**4,869**	**40,538**	**1,495**	**950**	**1,600**	**4,530**	**681**	**119,814**
Total Expenses:	**1,317**	**24,286**	**2,995**	**1,118**	**3,554**	**69,130**	**16,197**	**12,268**	**28,314**	**72,525**	**7,697**	**8,890**	**7,887**	**15,344**	**3,468**	**274,990**

Note: Institutional Services includes, Legal, Secretariat, and Other Institutional units

Appendix 3d: Unit Level Restricted Financials FY2010 – Administrative Units

McGill University
Research & Restricted Funds
For the year ended May 31, 2010
Summary (In '000s)

Revenues	Institutional Services	Provost	Deputy Provost SLL	VP Admin & Finance	HR	VP RIR	Sponsored Research	VP DAR	Total Admin Units
Grant - Government Sponsors									
Canada				(43,890)		662	227		(43,002)
Quebec			3,445	(7,508)					(4,063)
United States									0
Other Grant Sponsors				343					343
Contracts								4	4
Tuition & Fees									0
Sales of Goods & Services	11	105	109	78		81	2	102	488
Gifts and Bequests	21		1,806	1				10,134	11,961
Investment & Interest Income	112	101	5,493	903	6	148		323	7,086
Deferred Contribution									0
Total Revenue:	144	206	10,853	(50,073)	6	890	229	10,563	(27,182)
Expenses									
Salary									
Academic		228	27			178	1	1	435
Administrative and support	377		947			138			1,461
Student			78	8					85
Benefits	(4)		83	1		75		0	155
Student Aid			8,458			84			8,542
Total Salary:	373	228	9,592	9	0	475	1	1	10,678
Non-Salary									
Materials, Supplies and Publications			63	3		25		1	91
Contributions to Partner Institutions			10						10
Contract Services	14		34			(231)		15	(169)
Professional Fees			30				6	10	45
Travel			79			8	35	2	124
Building & Occupancy Costs			101			5			106
Tuition									0
Energy									0
Other Non-Salary Expenses	229		155	(278)		44	109	23	283
Interest & Bank Charges						13			13
Total Non-Salary:	243	0	471	(275)	0	(135)	151	49	504
Total Expense:	616	228	10,063	(267)	0	340	151	50	11,182
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted	(472)	(22)	791	(49,807)	6	550	77	10,512	(38,364)
Interfund Transfer	200	1,204	652	(1,542)	(6)	403	(246)	(2,669)	(2,004)
Total Change in Net Assets:	(272)	1,182	1,443	(51,348)	(0)	953	(169)	7,843	(40,368)

Appendix 4: University Financial Policies and GAAP Principles

Financial/ accounting policies

As of 1 June 2009, in accordance with the prescribed guidelines set out by Ministère de l'Éducation, du Loisir et du Sport du Québec ("MELS"), the University has retrospectively adopted the standards set out in the Canadian Institute of Chartered Accountants' Handbook and has prepared its financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") using the deferral method without funds. Previously, McGill followed the accounting policies and practices required by the Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec (the "Cahier"), as required by MELS.

The adoption of these policies had the following effects on the financial statements of the University:

Revenue Recognition

The University changed from the restricted fund method to the deferral method of accounting for contributions, which include donations and government grants.

Interest and dividend revenue is recorded on an accrual basis. Realized gains or losses on sales of investments are recorded when securities are sold based on the cost. Unrealized gains and losses related to the change in market value are disclosed as investment income.

One-time revenues are non-recurring in nature. The amount of one-time revenue year-after-year is generally consistent, though it may come from different sources (examples include restricted grant revenue, special MELS grant envelopes, and donations/bequests).

Balanced Budget

MELS does not require Quebec universities to submit a balanced budget every year, but they must show a plan to return to a balanced budget within an acceptable time period. The University defines a "balanced budget" as having annual operating revenues sufficient to meet all operating expenses. An annual budgeted breakeven position would mean operating revenues exactly equal to operating expenses. If actual financial results differ from the previous year's budgeted amounts, explanations are provided in the financial statement analysis.

While the University forecasts a balanced budget in FY2011, it is expected to run annual deficits for FY2012 and FY2013 and then return to an effective balanced budget by FY2014. Additional tuition increases above those recently announced by MELS would allow McGill to begin to decrease its accumulated deficit, with the ultimate long-term goal of eliminating that deficit through sustained annual surplus budgets. The current level of accumulated deficit is benchmarked against other universities in the province and is generally consistent with the other large universities that have medical schools.

Contingency fund

The University has increased its mid-year Contingency fund in FY2012 to $5M to cover unexpected operational or building needs.

Capital assets

As part of its financial reporting reform, MELS modified the capitalization thresholds, categorization, method, recording and amortization periods of capital assets. In addition, MELS previously required that capital assets be recognized as assets of the Plant Fund and as an expense of the fund from which the transaction originated. These amounts are now capitalized in the Plant Fund and no longer expensed in the other funds.

Facilities Management, the group which repairs and maintains the physical assets of the University, accounts for their expenses through the Operating Fund.

Grants receivable

Previously, as part of MELS reporting guidelines, amounts receivable from MELS were recorded as a decrease to the Fund Balance of the Plant Fund. Under GAAP, these amounts meet the criteria of an asset and have therefore been recorded as grants receivable. An offsetting charge is recorded as a corresponding deferred contribution. See the section entitled “revenue recognition” above for further details.

In addition, the long term portion of grants receivable has been discounted to its present value using the borrowing rate in effect as of 31 May 2010. Previously, grants receivable were not discounted to a present value since MELS reporting guidelines held that the market rate of interest for such receivables was 0%.

Pledges

Pledges from fundraising and other donations are recorded in the period in which they are collected, with future pledges receivable being disclosed. Previously, pledges were recognized as revenue and a receivable when pledged. See note 17 of the Financial Statements for further details on pledges outstanding.

Long-term debt

Previously, as part of MELS reporting guidelines, long-term debt was recorded net of bond sinking fund contributions from the Government of Quebec. Starting in 2009, long-term debt is presented at the gross value of all outstanding debt, on a retrospective basis.

Short-term debt

McGill’s Board of Governors has approved a maximum borrowing level of $250M under short-term credit facilities. Unsecured and uncommitted lines of credit, totalling $345M, are available to McGill and are normally drawn through bankers’ acceptances for periods of up to one year.

Employee Future Benefits

The University conformed to section 3461 of the CICA handbook, “Employee Future Benefits” on a retrospective basis, to account for future benefit plans and pension costs of its employees, resulting in accruals for future employee benefits over the period that services are rendered to the University by the employee. Previously these amounts were recorded on a cash basis. This includes accruals for vacation pay, banked overtime, and all other employee benefits.

Investment Income

Effective 1 June 2009, the University adopted the following recommendations of CICA Handbook:

- Section *1000, Financial Statement Concepts:*
  - This section clarifies that assets failing to meet the formal definition of an asset or the attendant recognition criteria are not permitted to be recognized on the Balance Sheet. The adoption of this Section had no impact on the financial statements.

- Section *1540, Cash Flow Statement:*
  - This Section has been amended to include not-for-profit organizations within its scope. The adoption of this Section had no impact on the financial statements.

- Section *4400 Financial Statement Presentation:*
  - This Section has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of fund balance and, instead, permit a not-for-profit organization to present such an amount as a category of an internally restricted fund balance when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in a transaction.

- Section *4460 Financial Statement of disclosures of related-party transactions:*
  - This Section establishes the disclosure standards for related-party transaction. The adoption of this Section had no impact on the financial statements.

Implementation of Generally Accepted Accounting Principles (GAAP)

For FY2010 and onwards, as mandated by MELS, the University's financial statements will be prepared in accordance with GAAP. Although certain GAAP adjustments are known at this time, other adjustments which require external valuations, such as actuarial valuation of the post-retirement benefits and pension obligation will only be performed as of 31 May 2010. The following are the most significant GAAP changes:

1. *Pledges*

   In FY2010, pledges are no longer recorded as receivables. Gifts and bequest revenue will be recorded on a cash basis (as received). Pledges receivable will be disclosed in the notes to the financial statements, consistent with other Canadian universities and industry practice.

2. *Discounting of Long-Term Grants Receivable*

   Under GAAP, long-term receivables are discounted to their present values. In the past, MELS has dictated the use of a 0% discount rate, which is not GAAPcompliant. A rate based on risk of the counterparty will be agreed to. These valuations will be performed at year-end.

3. *Deferral of Research and Capital Grants*

Unspent research funds will now be recorded as deferred revenue, rather than as grant revenue, to reflect an equivalent amount of revenue to match the related expense in any one year. In the past, the total revenue related to any one year was recorded. This resulted in an excess of revenues over expenses in the Restricted Fund, for which the Fund Balances were drawn down in future years as other expenses were incurred. These adjustments will be recorded at year-end once all grant award amounts are known for fiscal 2010.

4. *Capital Assets*

Categorization and amortization rates will be modified based on new MELS guidelines, which are consistent with GAAP. In addition, purchases made using Operating or Restricted funds will no longer be presented as part of expenses in those respective Funds, but rather capitalized directly in the Plant Fund. This change is to conform to GAAP, as the prior presentation accounted for the same asset twice. Current year-to-date amortization expense amounts reflect changes in the categorization of assets and amortization rates. Restricted funding contributions will be recorded in the Plant Fund as deferred contributions and recognized as revenue in paralell with the corresponding amortization expense.

This change in policy will be applied retrospectively and opening balances will be restated at year's end.

5. *Employee Future Benefits, Vacation Accrual and Other Pension Costs*

Under GAAP, accruals for the above items are required to be recorded over the periods of service. The current method used is to record these expenses as they are paid (i.e. cash basis). An actuarial valuation identifying the future liability related to past retirement benefits will be performed at year-end to determine the Balance Sheet liability (and corresponding increase to the accumulated deficit) with respect to these costs and the annual related expense. The valuation will use assumptions and changes made to the current benefit plans during the current fiscal year.

Other accruals, such as vacation ($33 million estimated in note 2 to the May 2009 audited financial statements) will be updated and accounted for as a liability for the first time.

6. *Other Presentation Changes*

Several presentation changes will be required which will not affect the net results for the year. Presentation changes will be recorded, including restatement of prior year adjustment, at year's end.

The following table incorporates both the current “MELS” presentation of revenues and expenses, and the estimated “GAAP” presentation. The GAAP presentation includes our current estimates of year end liabilities and other changes which are being confirmed and finalized on 31 May 2010. Some of these amounts will change once final calculations have been confirmed and audited at year end.

Appendix 5: "Pre-GAAP" Operating Fund comparison to prior year's outlook

5 Year Outlook - as of May 2010 (pre-GAAP)							
		11 Month					
	FY10f	FY11b	FY12	FY13	FY14	FY15	FY16
Revenue*	629.4	610.7	660.7	677.1	699.1	719.3	733.2
Expenses*	634.6	611.1	669.4	688.1	706.7	723.3	736.3
Annual Surplus/(Deficit)	(5.2)	(0.4)	(8.7)	(11.0)	(7.5)	(3.9)	(3.1)
Accumulated Surplus/(Deficit)**	(103.3)	(103.7)	(112.3)	(123.3)	(130.8)	(134.7)	(137.8)

5 Year Outlook - as of April 2011 (pre-GAAP)							
		11 Month					
	FY10a	FY11f	FY12b	FY13	FY14	FY15	FY16
Revenue	639.4	626.3	677.9	712.0	733.3	758.2	779.4
Expenses	646.8	621.0	684.0	718.8	733.4	758.3	779.4
Annual Surplus/(Deficit)	(7.4)	5.3	(6.0)	(6.8)	(0.1)	(0.1)	(0.0)
Accumulated Surplus/(Deficit)	(103.5)	(98.2)	(104.2)	(111.0)	(111.1)	(111.1)	(111.2)

a = actual; f = forecast; b = budget; all other years are plan

* Reclass hospital portion of Federal Indirects Costs of Research; previously netted against expenses

** Reclass $20M deficit from Restricted fund

Note, the major differences between pre-GAAP recording of Revenue and Expenses and GAAP is that all inter-fund transfers (such as contribution from the endowment fund), along with capital purchases are captured "below the line" (under GAAP). That is why Revenue is higher in the pre-GAAP Operating fund than it is under GAAP ($677.9M for Budget FY2012 pre-GAAP vs $673.3M under GAAP).

Also note, some key differences between the previous outlook (as of May 2010) and the current one (as of April 2011):

- Sale of Goods and Services, along with corresponding expenses, come in much higher than budget ($8M-$10M). We budget for activities that are certain and much of this category is not known during the planning process, including Four-Points and some food services. The margin impact on the bottom line of these activities is negligible.
- Enrolment in FY2011 was higher than expected ($3M-$4M). Enrolment growth assumptions in all outer years build on the base enrolment which adds to the divergence in Revenue.

Appendix 6: Unrestricted Fund FY2009 and FY2010 Actuals, FY2011 Forecast and FY2012 Budget (GAAP)

McGill University
Multi-year financial outlook by Revenue and Expense
($ 000)

Unrestricted (Operating) Fund	Actual 2008-09	Actual 2009-10	Forecast 2010-11 11 months	Budget 2011-12
Revenue				
Government Sources				
Canada	25,315	24,331	24,414	24,338
Quebec	299,837	315,195	296,948	330,827
Tuition & Fees	169,815	186,966	202,317	215,687
Sales of Goods & Services	92,860	95,539	88,549	92,357
Gifts & Bequests	5,029	5,038	4,477	4,513
Short-term investment income	3,944	1,779	3,137	3,612
Endowment investment income	(14,679)	5,105	2,020	1,947
Total Revenues:	**582,121**	**633,953**	**621,862**	**673,282**
Expenses				
Salaries:				
Academic	191,397	206,866	183,158	204,220
Administrative & Support	164,336	173,689	164,307	185,253
Student	11,577	12,082	13,141	10,275
Student Aid	13,011	16,667	17,932	19,829
Benefits	71,110	79,224	68,006	77,191
Sub-total Salaries:	**451,431**	**488,528**	**446,544**	**496,768**
Non-Salary:				
Energy	21,967	18,515	16,599	16,446
Interest & Bank Charges	5,396	2,421	3,281	4,719
Other Non-Salary Expenses, Contingency, Priority budgets net of cuts	107,160	102,597	117,592	127,211
Sub-total Non-Salary:	**134,523**	**123,533**	**137,472**	**148,376**
Total Expenses:	**585,953**	**612,060**	**584,015**	**645,144**
Excess (Deficiency) of Revenue over Expenses	**(3,833)**	**21,893**	**37,847**	**28,138**
Book-to-Market Adjustment	7,932	60		
Over/(Under) Distributed of Endowment Income	8,997	(2,410)		
Interfund Transfers	(30,754)	(36,318)	(37,021)	(38,815)
Contribution from the Endowment Fund	4,953	5,452	4,487	4,660
Net Capitalization & Decapitalization of Investment Income	271	(590)		
Decrease (Increase) in accumulated deficit :	**(12,434)**	**(11,913)**	**5,313**	**(6,017)**

Appendix 7: Pro forma GAAP FY2012 Budget (1 column)

McGill

Revenue and Expenses (all funds) - One Column
University Fiscal Year Ending April 30, 2012
FY2012 Budget vs FY2011 Forecast (11 months)
($000's)

	12 Months **2012 Budget**	11 Months **2011 Forecast**
	All Funds	
	Total	**Total**
Revenue		
Government Sources		
Canada	174,038	173,349
Quebec	432,463	393,989
United States	8,000	7,989
Grants - Other Sources	24,500	24,480
Contracts	17,000	13,310
Tuition & Fees	215,687	202,317
Sales of Goods & Services	98,773	94,742
Gifts & Bequests	42,513	39,477
Deferred Contributions (Net)	8,000	4,000
Investment Income	40,599	31,156
Total Revenues	**1,061,575**	**984,809**
Expenses		
Salaries:		
Academic Salaries	267,220	235,853
Non-Academic Salaries	209,253	186,004
Student Salaries	65,275	65,318
Student Aid	50,188	50,632
Benefits	94,231	83,623
Total Salaries	686,167	621,431
Non-Salary:		
Materials & Supplies & Publications	42,922	41,642
Contributions to Partner Institutions	34,298	34,595
Contract Services	20,850	20,030
Professional Fees	18,354	17,996
Travel	23,200	22,505
Cost of Goods Sold & Services Rendered	26,630	24,617
Building Occupancy Costs	22,511	21,687
Energy	16,846	16,866
Other Non-Salary Expenses	43,105	38,357
Hardware and software maintenance	5,232	4,841
Amortization	88,000	77,703
Interest & Bank Charges	35,083	33,639
Total Non-Salary	378,537	355,687
Total Expenses	**1,064,704**	**977,117**
Excess of revenue over expenses:	**(3,129)**	**7,692**
Net Assets, beginning of year	**1,060,795**	**952,357**
Net change in Endowment net assets	110,000	100,746
Interfund Transfers - Operations	-	-
Net Assets, end of period:	**1,167,666**	**1,060,795**

Appendix 8: Proforma GAAP Financials FY2012 Budget vs FY2011 Forecast (11 Mos) – 4 Funds

McGill

Revenue and Expenses (all funds)
University Fiscal Year Ending April 30, 2012
FY2012 Budget vs FY2011 Forecast (11 months of operations)
($000's)

	Unrestricted Fund	Restricted Fund	Plant Fund	Endowment Fund	All Funds 12 Months 2012 Budget	All Funds 11 Months 2011 Forecast
	Total	Total	Total	Total	Total	Total
Revenue						
Government Sources						
Canada	24,338	136,000	13,700	-	174,038	173,349
Quebec	330,827	46,000	55,636	-	432,463	393,989
United States	-	8,000	-	-	8,000	7,989
Grants - Other Sources	-	24,500	-	-	24,500	24,480
Contracts	-	17,000	-	-	17,000	13,310
Tuition & Fees	215,687	-	-	-	215,687	202,317
Sales of Goods & Services	92,357	6,000	416	-	98,773	94,742
Gifts & Bequests	4,513	32,000	6,000	-	42,513	39,477
Deferred Contributions (Net)	-	8,000	-	-	8,000	4,000
Investment Income	5,559	35,000	40	-	40,599	31,156
Total Revenues	**673,282**	**312,500**	**75,792**	-	**1,061,575**	**984,809**
Expenses						
Salaries:						
Academic Salaries	204,220	63,000	-	-	267,220	235,853
Non-Academic Salaries	185,253	24,000	-	-	209,253	186,004
Student Salaries	10,275	55,000	-	-	65,275	65,318
Student Aid	19,829	30,359	-	-	50,188	50,632
Benefits	77,191	17,040	-	-	94,231	83,623
Total Salaries	496,768	189,399	-	-	686,167	621,431
Non-Salary:						
Materials & Supplies & Publications	16,922	26,000	-	-	42,922	41,642
Contributions to Partner Institutions	9,298	25,000	-	-	34,298	34,595
Contract Services	10,850	10,000	-	-	20,850	20,030
Professional Fees	11,354	7,000	-	-	18,354	17,996
Travel	9,200	14,000	-	-	23,200	22,505
Cost of Goods Sold & Services Rendered	26,630	-	-	-	26,630	24,617
Building Occupancy Costs	17,511	5,000	-	-	22,511	21,687
Energy	16,446	400	-	-	16,846	16,866
Other Non-Salary Expenses	20,314	22,515	276	-	43,105	38,357
Hardware and software maintenance	5,132	100	-	-	5,232	4,841
Amortization	-		88,000	-	88,000	77,703
Interest & Bank Charges	4,719	100	30,264	-	35,083	33,639
Total Non-Salary	148,376	110,115	118,540	-	378,537	355,687
Total Expenses	**645,144**	**299,514**	**118,540**	-	**1,064,704**	**977,117**
Excess of revenue over expenses:	**28,138**	**12,986**	**(42,748)**	-	**(3,129)**	**7,692**
Net Assets, beginning of year	**(275,746)**	**(9,600)**	**409,646**	**936,496**	**1,060,795**	**952,357**
Net change in Endowment net assets	-	-	-	110,000	110,000	100,746
Interfund Transfers - Operations	(34,155)	(13,885)	52,700	(4,660)	-	-
Net Assets, end of period:	**(281,763)**	**(10,499)**	**419,598**	**1,041,836**	**1,167,666**	**1,060,795**

Appendix 9: Statement of change in net assets – 4 year

McGill University
Statement of change in net assets
year ended May 31, 2010
(in thousands of dollars)

	2012 Budget	2011 Forecast	2010	2009
Net Assets, beginning of year	$ 1,060,795	$ 952,357	$ 873,290	$ 998,707
Excess (deficiency) of revenue over expenses	(3,170)	7,692	5,654	(13,538)
Endowment contributions	35,000	25,000	38,966	46,906
Investment income items reported as direct increase (decrease) in net assets	75,000	75,746	34,447	(158,785)
Net assets, end of year	**$ 1,167,625**	**$ 1,060,795**	**$ 952,357**	**$ 873,290**

Appendix 10: MELS Operating Grant

$000s	*Notes*	2009-10 Actual	2010-11 Forecast 11 Mos.	2011-12 Budget
Teaching services	a	240,641	252,283	290,639
Administrative and support services	b	44,014	44,045	50,563
Other MELS Operating Grant	c	29,859	11,002	12,182
Facilities and buildings		33,982	33,454	34,981
General fixed costs		2,394	2,177	2,665
Total Operating (Permanent) Grant		**350,890**	**342,961**	**391,030**
Contribution to student aid	d	(7,368)	(7,462)	(8,812)
Canadian fee supplements		(23,952)	(24,951)	(29,576)
International fee supplements	e	(42,381)	(42,441)	(49,795)
Total MELS Recoveries:		**(73,701)**	**(74,854)**	**(88,184)**
Allocation for graduation premiums	f	6,036	6,049	6,394
Indirect Cost of Research Grant		16,419	14,271	15,568
Information technology and libraries		2,630	2,464	2,711
Other grants	g	10,928	4,210	1,258
Specific (Temporary) Grants		**36,013**	**26,994**	**25,931**
Total Operating Grant	h	**313,202**	**295,101**	**328,777**

Notes:

a) Based on weighted FTEs (FY2011 factors adjusted by 91% to account for 11 month year)

b) Based on un-weighted FTEs

c) Includes reinvestment, International fees compensation, and enrolment adjustment (FY2010 adjustment of $18M)

d) Increasing due to higher tuition - QC keeps 25% of $100 tuition increase

e) Increased supplement for international deregulated students (assumed that McGill will keep the tuition offset beginning in FY2015)

f) $500 per undergraduate, $1,000 per Masters and $7,000 for PhD graduates

g) Includes matching donation, lease rental, Chantiers and other support envelopes from MELS; FY2010 includes $4.2M from Calculs Definitifs 08/09

h) Note that a portion of MELS grant ($2,051k budget for FY2012) flows directly to student services. GAAP accounting would include in total.

Appendix 11: Schedule of McGill's Total Debt and Bank Borrowings

in $ millions

Forecast for FY2011	
MELS debt	$511.8
McGill Debentures	$150.0
Other government debt	$3.8
Total debt (gross)	$665.5
less: MELS sinking fund	($27.3)
Total debt (net)	$638.2
less: current portion of LTD	($50.9)
Long-term debt (including McGill)	$587.4
Budget for FY2012	
Expected new debt – MELS	$90.0
Projected total debt for FY2012	$677.4

Bank Borrowings:

Total bank borrowings projected FY2011:	
MELS borrowings	$105M
Capital projects	50M
Accumulated deficit	100M
Cash balances	(55M)
Net borrowings FY2011	**$200M**
Additional borrowing FY2012	**$40M**
Projected YE balance FY2012	**$240M**

Appendix 12: Capital Projects

FACULTY FUNDING COMMITMENTS

	Amount Spent	Future Spending	Pledges	Future Fundraising
Music	$ 3,422	$ -	$ 22	$ 3,400
Genome	$ 6,000	$ -	$ -	$ 6,000
Bellini	$ 9,122	$ 1,266	$ 1,072	$ 9,316
MNI - MCBIR (CFI)	$ -	$ 13,000	$ 2,039	$ 10,961
MNI - Brain Tumour	$ 5,019		$ -	$ 5,019
Barton Library	$ 4,212		$ 2,084	$ 2,128
Bronfman Basement	$ 2,819	$ 181	$ 77	$ 2,923
Law Library	$ 388		$ -	$ 388
MDEIE Projects	$ 6,700		$ -	$ 6,700
Subtotal	$ 37,682	$ 14,447	$ 5,294	$ 46,835
Future				
Law renovations	$ -	**$ 1,473**	$ -	$ 1,473
TOTAL	$ 37,682	$ 15,920	$ 5,294	$ 48,308

Appendix 13: McGill University – Quick Facts

At a glance

- Founding date of McGill University: 1821
- Degrees granted in 2009-10: 7,739
- Downtown campus: 845 Sherbrooke St. W., Montreal, Quebec
- Macdonald campus: 21111 Lakeshore Road, Ste. Anne de Bellevue, Quebec H9X 3V9

Leadership

- Chancellor: Arnold Steinberg
- Chair, Board of Governors: Stuart ("Kip") Cobbett
- Principal and Vice-Chancellor: Heather Munroe-Blum

Students

- 36,531 students
- Most Rhodes Scholars of any Canadian university

Faculty and staff

- 1,627 tenured and tenure-stream faculty

Faculties and schools

- 11 faculties and 11 schools

Research

- $432.118 million awarded in research funding in 2008-09 (McGill and affiliated hospitals)

Notable firsts

- Nature of radioactivity (Ernest Rutherford)
- Discovery of the role of the hippocampus in memory (Brenda Milner)
- First artificial cell (Thomas Chang)

- First Internet Search Engine (Peter Deutsch, Alan Emtage, Bill Heelan)
- Invention of the Charge Coupled Device used in digital cameras and photocopiers (Willard Boyle, BSc'47, MSc'48 and PhD'50)
- Solving how cells protect their DNA from damage (Jack Szostak, BSc'72)
- Discovery of the fastest spinning neutron star (Vicky Kaspi)

Health

- Canada's first faculty of medicine, established in 1829
- 4 teaching hospitals affiliated with McGill, including the McGill University Health Centre, an amalgamation of 6 hospitals and institutes.
- Through its Faculty of Medicine and teaching hospitals, McGill is responsible for tertiary health care services, teaching and research in a region (Réseau Universitaire Intégré de Santé or RUIS) covering 63% of the Quebec's land mass – and about 1.7 million people.

Tuition

- Quebec residents $2,068
- Rest of Canada $5,668
- International students $15,00 (Depending on program—see source)

Financial highlights

- Total Operating Revenue for 2009-2010: $1,043,483,000

Glossary of Terms

Academic Renewal: The program by which the University sets Faculty-based tenure-track academic targets and provides Faculties with the operating support needed to reach the targets, including operating salaries, start-ups, and recruitment funds.

Accumulated Operating Debt: The total debt (i.e., the sum of the operating deficits) incurred to support the accumulated spending that is in excess of revenues.

Actual: Real revenues, salaries, expenditures, or transfers that have been posted to a fund.

Administrative and Support Services: All institutional administration, including such services as physical plant.

Amortisation: The accounting of a purchased asset, which represents a non-cash expense over a period of time. Also, for those units required to repay internal loans, it represents the systematic repayment of the debt over the agreed upon period.

Ancillary Operations: Resources devoted to the activities and jobs that complement the range of services offered by the University; examples include food services, residences, and printing.

Asset: A tangible or intangible item of positive value to the University. Some examples are: cash, government receivables, a building, or a piece of equipment.

Balance Sheet: A report of financial position at a specific point in time outlining the Institution's assets, liabilities, and fund balances available for future purposes.

Bequest: A gift given to the university at the time of a person's death as set forth in the individual's last will and testament. Bequests can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Bequests are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted.

Budget: An organisational plan stated in monetary terms; functions as a tool to measure revenue levels and expenditures against expectations.

Campaign McGill: An intensive set of operations or actions undertaken by the University to increase the amount of money coming from philanthropic donations to support academic priorities, goals, and objectives.

Campus Renewal Loans: Loans that the University has obtained from financial institutions in order to fund deferred maintenance projects requiring immediate attention.

Capital Fund: Holds all the assets acquired by the University and any debt incurred to acquire such assets.

Compact: An agreement between the Provost and the Deans regarding academic objectives, resource allocations, intended results for specific projects, and other desired outcomes.

Contribution: Gifts, grants, bequests and any similar transfer of resources (both monetary and in-kind).

Deferred Maintenance: The amount of renovation and upgrade required for the University's physical infrastructure. The repairs are serious and urgent in nature as preventive maintenance was not performed in prior years. Examples include: upgrading ventilation systems, roof replacements, and building or wall replacements.

Deficit: Also known as overdraft; the amount by which an account's expenses and transfers out exceed revenues and transfers in, resulting in a balance of less than $0.

De-regulated tuition: Universities allowed to charge the tuition they deem appropriate (refer to regulated and re-regulated tuition)

De-regulation: Government cedes tuition setting authority to university for a program(s).

Entrance Bursary Program: A financial award for students entering McGill.

Endowment Fund: This Fund, consisting of all gifts, donations, and bequests including those for Chairs, financial aid, and other specific purposes, is invested to earn a reasonable rate of return over time, while attempting to protect the purchasing power of the original gift. Earned income from the endowment is distributed according to University policy in effect and spent in specifically designated ways, as required by the donor.

Expenditure: The amount spent for goods delivered or services rendered, whether paid or accrued, including expenses, debt service, and capital outlays.

Expense: Charges incurred, whether paid or accrued, for operation, maintenance, interest, and other charges that are presumed to benefit the current fiscal period.

Fiscal Year (FY): Twelve consecutive months used as an accounting period. For 2009-2010, the university fiscal year was June 1 through May 31. As of 2010-2011, the fiscal year will end on April 30, resulting in an 11-month fiscal year. As of 2011-2012 the 12-month fiscal year will start on May 1, 2011 and end on April 30, 2012.

Forfaitaires: (also called tuition supplements) the additional tuition, above the Quebec student tuition, charged to out-of-province Canadians and International students. These amounts are determined by MELS annually and the universities remit them back to the Province in exchange for having the students funded through the grant.

Fund Balance: The difference between assets and liabilities in a fund; also defined as the cumulative results of a fund.

Gift: A resource provided by a donor who enters into the transaction voluntarily and receives nothing other than a token of appreciation in exchange for the resource he/she is providing. Contributions can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Gifts are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted.

Grant: A monetary award, allowance or subsidy.

Indirect Cost of research: The institutional costs incurred by the University to support research projects. Costs include items such as central administrative support, utilities and other plant costs.

Investment: Refers to an exchange of cash for a less liquid asset that is expected to increase in value beyond the initial purchase price. Investment vehicles include corporate stocks and bonds, government bonds and real estate.

ISO 31000 ERM Framework: Created by the International Organization for Standardization, this framework provides principles and general guidelines on risk management. It serves as a guide towards the implementation of best practices.

MELS (*Ministère de l'Éducation, du Loisir et du Sport)* **grant:** The grant received from the Québec Ministry of Education in support of teaching and research.

Operating Fund: Revenue primarily from grants, tuition and fees, overhead on research grants, investment and endowment income, and annual gifts. The revenue is pooled and then allocated to units concerned with fundamental and on-going operations, dealing primarily with those activities normally associated with the University's core teaching and research. The operating fund is unrestricted and there are no external constraints as to how these funds are spent as long as the University policies and procedures are respected.

Plant Fund: Capital projects and assets; including those funds from Quebec capital grants, donations, and other sources.

Publicly-funded: An educational institution for which the majority of its operating funds are from the government or a government-owned agency or unit.

Regulated tuition: Tuition rates set and frozen by MELS

Re-regulated tuition: Lift of tuition freeze within the framework of increases set by MELS (refer to regulated tuition)

Re-regulation: Tuition adjustments approved by provincial government and the Board of Governors to increase the share of program funding coming from tuition rather than the annual government grant. In the Quebec context, these tuition increases may be accompanied by a reduction in the level of the government's program funding and by the setting aside of a proportion of the tuition increase for student financial assistance to protect student accessibility to tertiary education.

Resources: Assets available (actual and anticipated) for University operations; includes people, equipment, and facilities.

Resource Allocation: The process of distribution resources to units in order for them to achieve their designated activities, absorb operating and/or facilities costs in order to achieve goals for the future.

Restricted Fund: Any fund with stipulations imposed by a sponsor or donor external to the University. A particular project or activity is specified in writing by the donor. These funds also refer to research-related funds from Canadian, Quebec, and international sources.

Retention Envelope: An envelope reserved for adjusting the salaries of certain professors to ensure that the University's best can be retained in the face of the external competitive environment.

Revenue: Income generated by the supply of goods or services by the University unit to an external customer. Some examples are: tuition and fee revenue, sales of goods and services to external entities, and earnings on investments.

Sustainability: meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Tenure: A permanent appointment granted to Associate and Full Professors who have demonstrated excellence in teaching and research.