



Memorandum

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TO: Senate

FROM: Professor Christopher P. Manfredi, Provost and Vice-Principal (Academic)

SUBJECT: McGill University FY2021 Final Budget

DATE: December 2, 2020

DOCUMENT #: D20-25

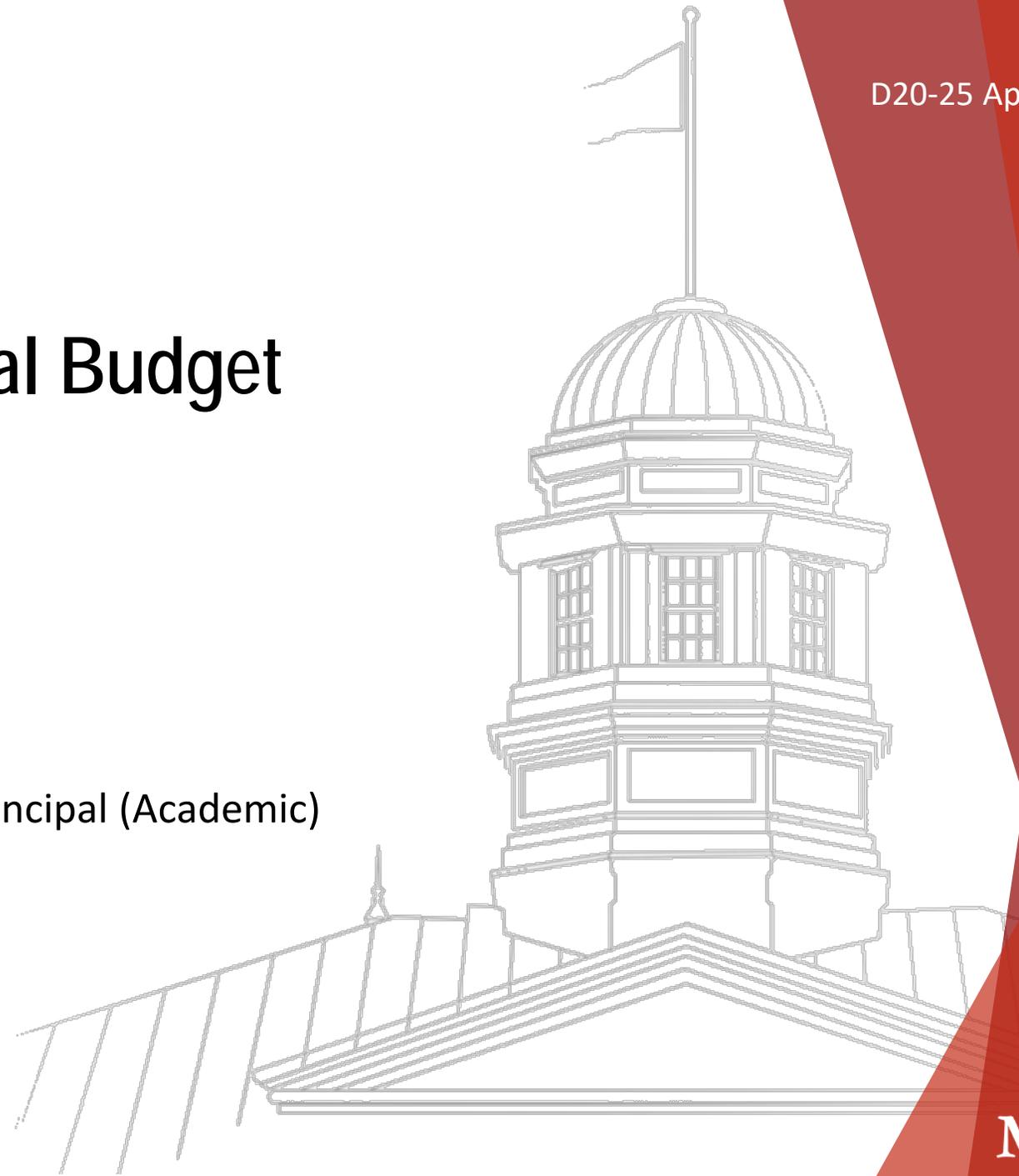
ACTION REQUIRED: INFORMATION APPROVAL/DECISION

ISSUE	This presentation on the McGill University FY2021 Final Budget is delivered for the information of Senate.
BACKGROUND & RATIONALE	<p>The extraordinary circumstances resulting from the COVID-19 pandemic led to the approval by the Board of Governors of a provisional budget plan on 23 April 2020 for the fiscal year starting 1 May 2020.</p> <p>We monitored revenue and expense activity throughout the summer months, and continuously discussed revised expectations with academic, administrative, and central units.</p> <p>As of Fall 2020, the impact on primary revenues for FY2021, which are driven by student enrolments, is less severe than it could have been. Nevertheless, these revenues are lower than projected in the provisional FY21 budget. However, the impact on projected sales of goods and services, which are heavily dependent on student presence on campus, is significant.</p> <p>This FY2021 Final Budget is being presented for the information of Senate with an anticipated unrestricted funds deficit of \$13.1M.</p>
PRIOR CONSULTATION	Finance Committee of the Board of Governors
SUSTAINABILITY CONSIDERATIONS	Sustainability remains an institutional priority and is a factor in budget development. The FY2021 Final Budget is focused on maintaining institutional stability.
IMPACT OF DECISION AND NEXT STEPS	The key summary and highlights identified in this presentation will be presented to the McGill Board of Governors on 10 December 2020 for final approval.
MOTION OR RESOLUTION FOR APPROVAL	N/A
APPENDICES	Appendix A: FY2021 Final Budget presentation deck

FY2021 Updates and Final Budget

Presentation to Senate
December 2, 2020

Christopher Manfredi, Provost and Vice-Principal (Academic)



Executive Summary

- ▶ The extraordinary circumstances resulting from the COVID-19 pandemic led to the approval by the Board of Governors of a provisional budget plan on 23 April 2020.
- ▶ We monitored revenue and expense activity throughout the summer months, and continuously discussed revised expectations with academic, administrative, and central units.
- ▶ As of Fall 2020, the impact on primary revenues for FY2021, which are driven by student enrolments, is less severe than it could have been. Nevertheless, these revenues are lower than projected in the provisional FY2021 budget.
- ▶ However, the impact on projected sales of goods and services, which are heavily dependent on student presence on campus, is significant.
- ▶ This FY2021 final budget was presented to the Finance Committee of the Board of Governors for review and approval on 19 November 2020 with an anticipated unrestricted funds deficit of \$13.1M.

FY2021 Updates (for information)

Implementing the provisional budget

- ▶ In planning for FY2021, we provided units with their base budgets allocations (unchanged) based on past agreements (unchanged), and institutional imperatives (unavoidable cost increases).
- ▶ New financial requests were not to be considered until we had a clearer understanding of residual spending capacity.
- ▶ COVID eliminated the residual spending capacity (and more), along with the possibility of considering new financial requests.
- ▶ Given that no financial requests were approved in advance, we did not have to stop the initiatives mid-stream.
- ▶ Considering the current situation, only critical financial requests are being authorized, either to maintain essential activities or to adapt to the evolving sanitary measures, including remote teaching.

Fall 2020: Student Enrolment

► Overall, Fall 2020 enrolment (headcounts) is comparable to Fall 2019.

	Fall 2019 Enrolment (Headcounts - Oct 15 census)	Fall 2020 Enrolment (Headcounts - Oct 15 census)	% Variance	
Undergraduate	Bachelors	23,098	23,918	3.6%
	First Professional	1,587	1,614	1.7%
	Undergraduate - Certificate/Diploma	1,110	1,185	6.8%
	Undergraduate Exchange/QIUT/Special/Visiting	1,683	767	-54.4%
Graduate	Masters Qualifying	133	99	-25.6%
	Masters - Non-Thesis	2,690	2,518	-6.4%
	Masters - Thesis	2,334	2,424	3.9%
	PhD	3,637	3,804	4.6%
	Graduate Certificate/Diploma	1,144	1,157	1.1%
	Graduate Exchange/QIUT/Special/Visiting	263	263	0.0%
Residents and Fellows	1,247	1,349	8.2%	
Postdoctoral	738	638	-13.6%	
Grand Total	39,664	39,736	0.2%	

Fall 2020: Student Enrolment (cont'd)

- ▶ As at the October 15 census, total enrolment for Fall 2020 (39,736) is comparable to Fall 2019 (39,664).
 - ▶ Enrolment in Bachelor's programs and graduate research programs is up year-over-year.
 - ▶ As may be expected in the current context, decreases are observed in our exchange, inter-university transfer, special, and visiting populations.
 - ▶ Master's Non-Thesis enrolment, particularly in self-funded programs, has declined.
- ▶ New admit objectives are being met
 - ▶ Bachelor's: 6,835 new registrations for the fall term, +565 (+9%) above objectives.
 - ▶ Graduate: On track to meet FY2021 objectives for research programs, with summer and fall new registrations and winter confirmations (i.e., accepted offers) ahead of pace compared to last year.
- ▶ Bachelor's students registered for a slightly higher course load this fall compared to last year.
- ▶ Degree-seeking students at all levels were surveyed in the summer about their academic and student life needs for the fall term. A follow-up survey of all students to check in on their experiences thus far was administered in October. Results will be used to continue and adapt supports and services to keep students engaged and help mitigate potential retention concerns.

Fall 2020: Student Enrolment (cont'd)

- ▶ International student enrolment has held steady.
 - ▶ As at the October 15 census, total international enrolment for Fall 2020 (12,108 student) is down 4% compared to Fall 2019 (12,610 students).
 - ▶ However, this drop is largely due (understandably) to a loss of exchange/special/visiting international students (down 659 students in Fall 2020 compared to Fall 2019). Excluding this population, **international enrolment in Fall 2020 is up 1% year over year.**
- ▶ Among our international students, the subset which are deregulated fee-paying has remained stable year-over-year.
 - ▶ Although the number of returning deregulated students increased, the University experienced a decrease in newly admitted deregulated students in Fall 2020
 - ▶ The smaller incoming cohort of deregulated students poses a challenge to achieving desired deregulated enrolment levels in subsequent years.
 - ▶ Proactive recruitment efforts and yield initiatives will need to be prioritized for the upcoming 2021-2022 admissions cycle.

Sales of Goods and Services

- ▶ In addition to tuition, fees, and Quebec government funding, revenues from Sales of Goods and Services are also heavily enrolment dependent.
- ▶ Revenues that necessitate the physical presence of students (as well as faculty and staff) on campus have been most severely impacted by the pandemic (e.g., residences, food services, Le James Bookstore, parking, Faculty Club).
- ▶ Although affected units have been able to reduce many direct expenses, some fixed and contractual commitments are more difficult to shed.

Update on some FY2021 Key expense reduction measures

- ▶ *“Establish a \$20M contingency to brace against as yet unknown enrolment decline and/or extraordinary costs associated with alternate program delivery”*
 - ▶ The \$20M contingency has been fully allocated in arriving at the FY2021 budgeted deficit.
- ▶ *“Achieve approximately \$2M in additional non-salary expenditure reductions – to be determined and managed by local leadership (e.g., Deans and VPs)”*
 - ▶ As demonstrated later in this presentation, the changes in non-salary expenditures from the provisional budget to the final budget are extremely significant. Some of the main reasons are noted below:
 - ▶ Non-salary expenditure reductions managed by local leadership emanating from each unit’s unrestricted budget allocation.
 - ▶ Natural cost reductions (such as travel and meals) have not been replaced with spending in other categories.
 - ▶ Revenue generating units that were asked to mirror sales of goods and services reductions with cost reductions have done so largely by decreasing non-salary expenses across the board. Some savings, like the reduction in cost of goods sold, are directly related to the decrease in sales, while others are not.

Update on some FY2021 Key expense reduction measures (cont'd)

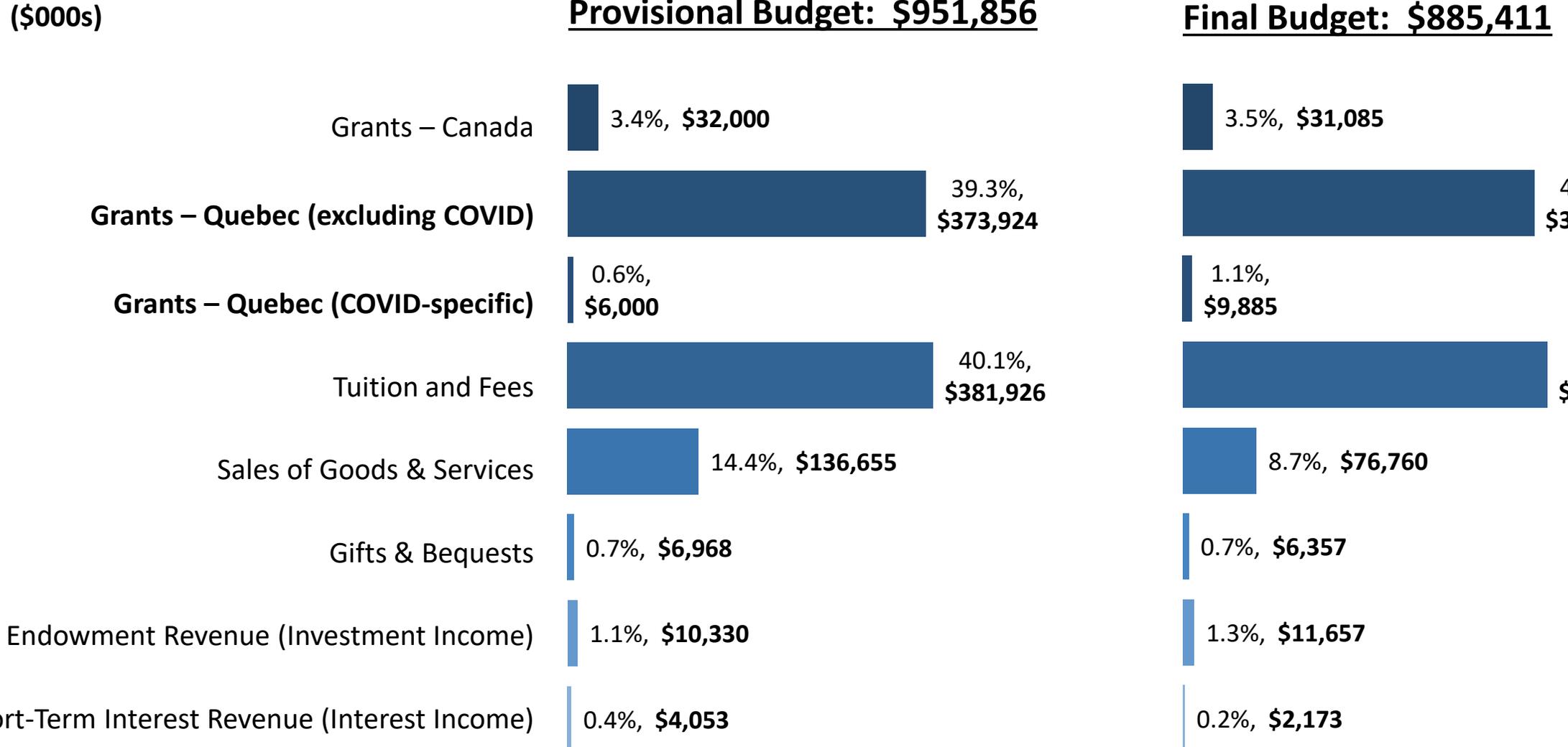
- ▶ *“Suspend administrative and support staff hiring until further notice”*
 - ▶ There have been fewer than modeled departures, thus reducing the anticipated savings.
 - ▶ Some critical replacements have been approved.
 - ▶ Some incremental COVID-related expenses are appearing in this category.

- ▶ *“Defer June 2020 merit increases for all non-unionized academic and administrative and support staff until December 2020; across-the board economic increases to be implemented 1 June as planned”*
 - ▶ June 1 economic increases executed as planned
 - ▶ Merit increase are expected to be paid, as planned, in December, with no retroactive payment. One-time savings in excess of \$4M.

- ▶ *“Full salary freeze for senior administrators”*
 - ▶ Salary increases delayed as planned until at least December 6.

FY2021 Final Budget (for decision)

FY2021 Budgeted Revenues



FY2021 Tuition and Fees

- ▶ Tuition and fee estimates for the final FY2021 budget were estimated as follows:
 - ▶ Central tuition revenues for the final FY2021 budget were modeled based on Summer 2020 and Fall 2020 actuals, captured at the October 15 census.
 - ▶ Central fee revenues were modeled based on actual fees received through September 30, combined with historical revenue patterns for the past four years, customized for each individual fee.
 - ▶ The projected self-financed tuition and fee revenues for the final FY2021 budget were estimated by individual revenue-generating units based on the knowledge of their own operations.
- ▶ Total tuition and fees are projected to be \$1.4M lower than the level presented in the provisional budget.
- ▶ Enrolment retention remains a top priority.

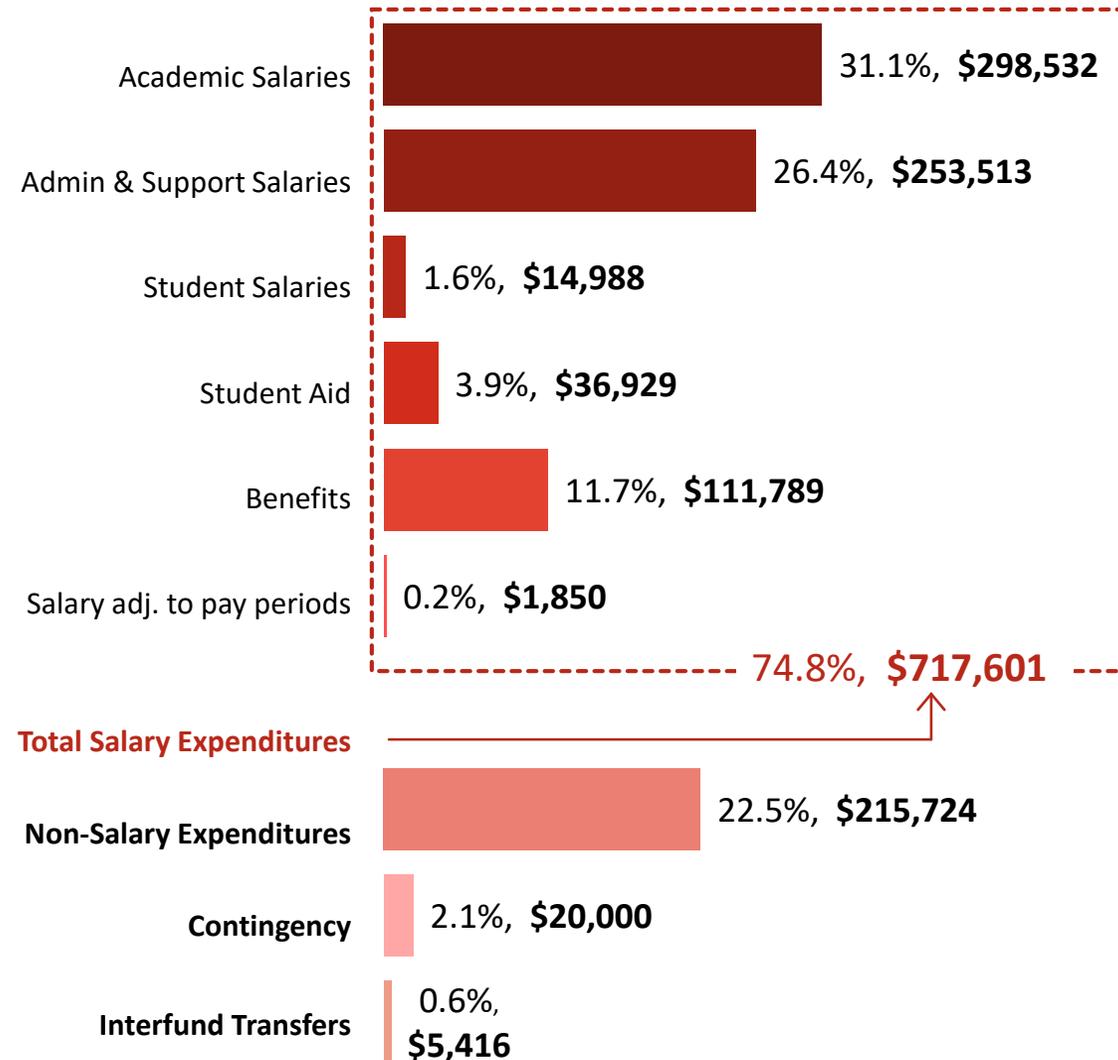
2020-2021 Enrolment Considerations

- ▶ Summer 2020 enrolment was higher compared to last year (+5%), with students also registered, on average, for more credit hours than in a typical summer term.
- ▶ As mentioned earlier, Fall 2020 is largely stable compared to Fall 2019.
- ▶ Tuition revenues are projected under the assumptions that there will be a similar flow-through of activity from fall to winter compared to last year for returning students, and that there will be a similar amount of new intake in the winter term.
 - ▶ Master's Thesis and PhD programs typically have a sizable winter intake of new students. Confirmations (i.e., accepted offers) for Winter 2021 are tracking higher compared to last year at a similar point in time, signaling strong intentions from this population.
- ▶ Risks and uncertainties:
 - ▶ It is not yet known how the recent announcement of remote delivery paired with provincial and federal COVID-19 measures may impact winter term activity.
 - ▶ In order to ensure graduating students can meet their program requirements in a timely fashion, the delivery of critical experiential in-person components (laboratories, clinical activities, etc.) needs to remain a top priority for winter term planning.

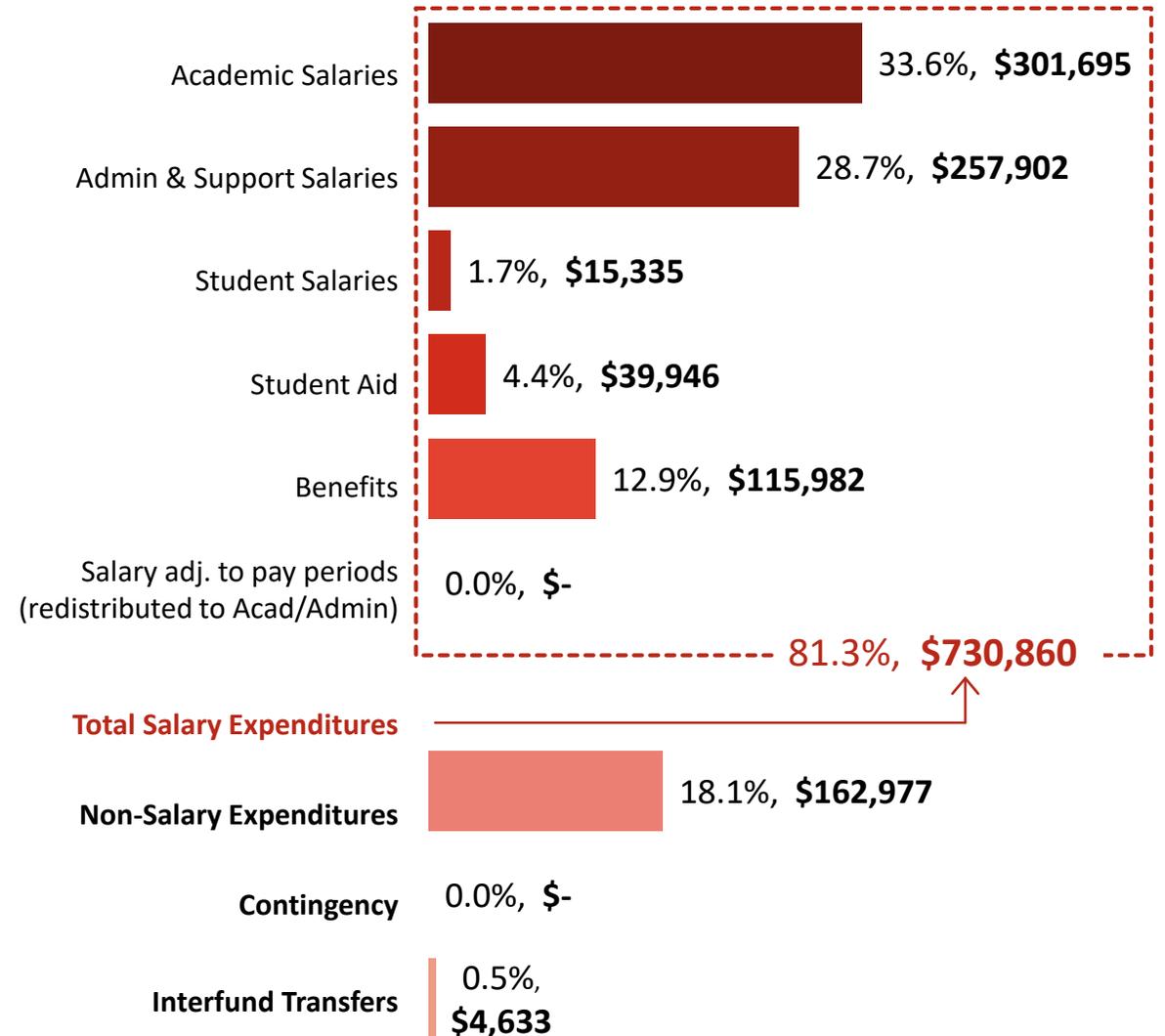
FY2021 Budgeted Expenses

(\$000s)

Provisional Budget: \$958,740



Final Budget: \$898,469

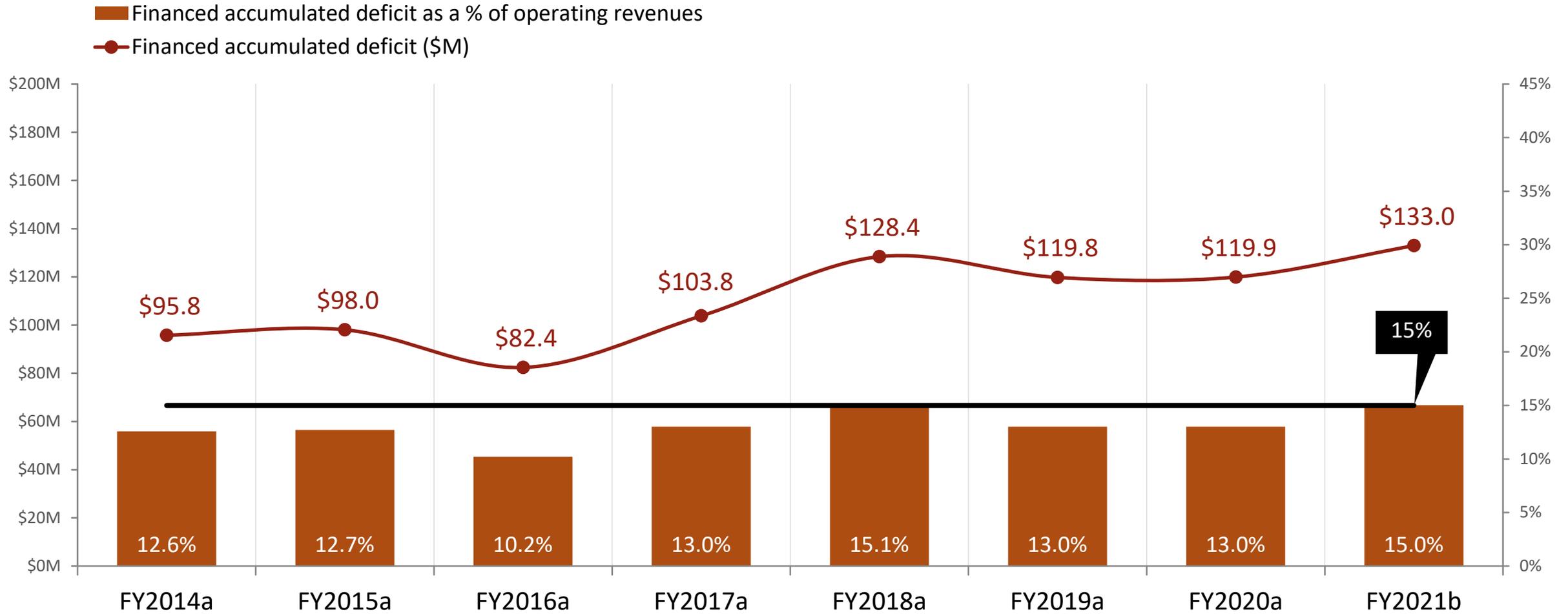


Revenue and Expense Summary

(\$000)

	FY2019 Actuals	FY2020 Budget	FY2020 Actuals	FY2021 Provisional Budget	FY2021 Final Budget
Total revenues	920,750	920,002	922,085	951,856	885,411
Total expenses	912,088	928,670	922,240	958,740	898,469
Annual financed surplus / (deficit)	8,662	(8,668)	(155)	(6,884)	(13,058)
Financed accumulated deficit	119,777		119,932		132,990
Financed accumulated deficit/Revenues (%)	13.0%		13.0%		15.0%

Operating Fund: Financed Accumulated Deficit



a = actual; b = budget;

Uncertainties and Risks for FY2021 and Beyond

▶ External:

- ▶ COVID-19 (and associated sanitary measures)
- ▶ Stability of government commitments
- ▶ Willingness of students to participate in prolonged remote delivery
- ▶ Impact on philanthropic revenues and the University's endowment fund
- ▶ Effect of market volatility on pension fund and University obligations
- ▶ Global political landscape and its effect on international student mobility
- ▶ Unfunded mandates
- ▶ Indirect costs of research funding
- ▶ Canadian dollar exchange rate
- ▶ Interest rates

Uncertainties and Risks for FY2021 and Beyond (continued)

▶ **McGill-controlled:**

- ▶ Mitigation of the impacts of COVID-19
- ▶ Balancing remote vs. in-person delivery
- ▶ Effective management of activities expected to be self-financing
- ▶ Expense reduction measures
- ▶ Workday integration issues (impacting salary expense forecasts)
- ▶ Success of the University in deploying its enrolment plan
- ▶ Application of optimal pricing strategy for deregulated students
- ▶ New program development coherence and accountability
- ▶ Management of spending down carry forward balances
- ▶ Position budgeting and control
- ▶ Unrestricted budget use for capital expenditures

Discussion

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

