



# Memorandum

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**TO:** Senate

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

**SUBJECT:** Budget Planning 2021-2022 Report II

**DATE:** February 24, 2021

**DOCUMENT #:** D20-37

**ACTION REQUIRED:**  INFORMATION     APPROVAL/DECISION

**ISSUE** This presentation provides general observations about the FY2022 budget, as well as an overview of key uncertainties and risks for the coming fiscal year. The McGill FY2022 Budget Planning Report II is presented for the information of Senate.

**BACKGROUND & RATIONALE** This presentation is the second in a series of three budget communications to the University community outlining major considerations shaping the budget for the coming fiscal year starting 1 May 2021.

For the fiscal year ending on April 30, 2021 (FY2021), the extraordinary circumstances resulting from the COVID-19 pandemic led to the approval by the Board of Governors of a provisional budget plan in April, followed by a final budget on December 10, 2020 with an anticipated unrestricted funds deficit of \$13.1M.

Looking ahead to FY2022, there is continued COVID-driven uncertainty impacting all our primary revenue sources: Quebec government funding, tuition and fees, and the sales of goods and services.

To deal with the many unknowns, we are establishing assumptions for the main revenue sources and expenses using 3 scenarios (pessimistic, realistic and optimistic). This process will allow us to set the amount of the contingency to be included in FY2022 budget.

**PRIOR CONSULTATION** Finance Committee of the Board of Governors, Board of Governors

**SUSTAINABILITY CONSIDERATIONS** The FY2022 Budget plan will be guided by a greater focus on financial sustainability, but will continue to address environmental and social sustainability factors.

**IMPACT OF  
DECISION AND  
NEXT STEPS**

- McGill University FY2022 Budget (“Budget Planning III”) delivered to Finance Committee on 15 April 2021 for approval and recommendation to Board of Governors
- McGill University FY2022 Budget (“Budget Planning III”) delivered to Senate on 20 April 2021 for information
- McGill University FY2022 Budget (“Budget Planning III”) presented to Board of Governors for approval on 22 April 2021
- McGill University Budget Book published and delivered as soon as possible after the approval of the budget.

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**MOTION OR  
RESOLUTION  
FOR APPROVAL**

N/A

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**APPENDICES**

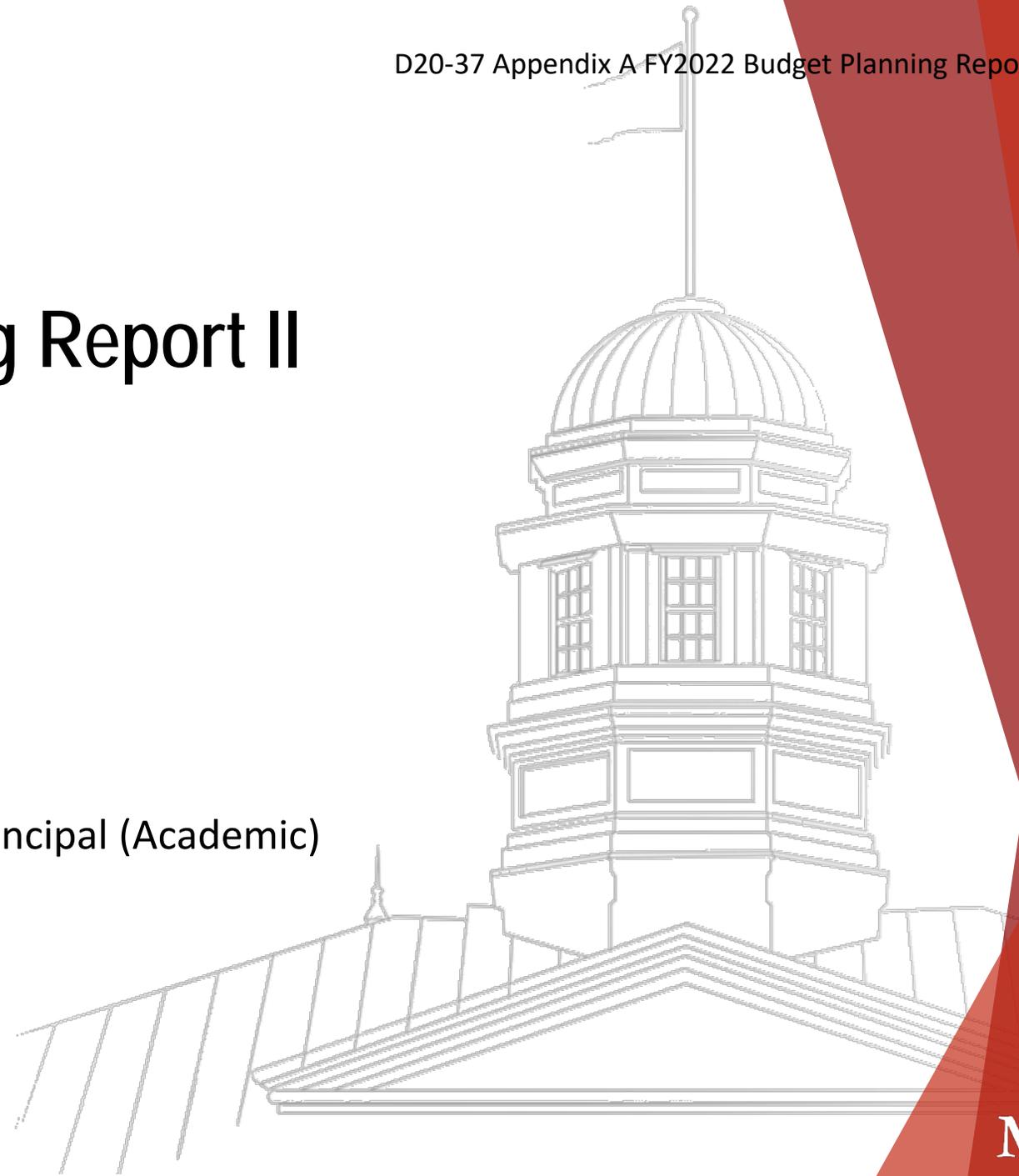
Appendix A: FY2022 Budget Planning Report II presentation deck

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# FY2022 Budget: Planning Report II

Presentation to Senate  
February 24, 2021

Christopher Manfredi, Provost and Vice-Principal (Academic)



# Executive Summary

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- ▶ For the fiscal year ending on April 30, 2021 (FY2021), the extraordinary circumstances resulting from the COVID-19 pandemic led to the approval by the Board of Governors of a provisional budget plan in April, followed by a final budget on December 10, 2020 with an anticipated unrestricted funds deficit of \$13.1M.
- ▶ Looking ahead to FY2022, there is continued COVID-driven uncertainty impacting all our primary revenue sources : Quebec government funding, tuition and fees, and the sales of goods and services.
- ▶ To deal with the many unknowns, we are establishing assumptions for the main revenue sources and expenses using 3 scenarios (pessimistic, realistic and optimistic). This process will allow us to set the amount of the contingency to be included in FY2022 budget.

# FY2021 Updates

# FY2021: Student Enrolment

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- ▶ As at the October 15 census, total enrolment for Fall 2020 (39,736) is comparable to Fall 2019 (39,664).
- ▶ As at the first day of classes for the Winter term (January 7), early signs indicate stability. Students have until January 29 to withdraw from courses or from the University with refund.
- ▶ New admit objectives are being met:
  - ▶ Bachelor's: 6,835 new registrations for the fall term, +565 (+9%) above objectives.
  - ▶ Graduate research programs: FY2021 objectives were met based on summer, fall and winter new registrations to-date. Summer and fall new registrations as at October 15 census; winter new registrations as at first day of classes (January 7).  
Master's Thesis: 1,090 new registrations, +61 (+6%) above objectives;  
PhD: 831 new registrations, +15 (+2%) above objectives.

## FY2021: Student Enrolment (cont'd)

- ▶ As at the first day of classes in the winter term (January 7), the average course load is comparable to last winter. This pattern is observed amongst both domestic and international students alike.
- ▶ 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.

Of the nearly 10,000 respondents, 74% were living in the Montreal-area, yet on-campus presence was low. Most students experienced more challenges with remote learning than benefits, and frequent assessments led students to feel overworked and lacking time to maintain social connections and wellbeing. Traditional assessment, improving access to campus, enhancing in-class and other social engagement opportunities, and increasing financial assistance were among the ways students felt McGill could better support them.

# FY2021 Outlook

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- ▶ We are monitoring revenue and expense activity monthly, and are continuously discussing expectations with academic, administrative, and central units.
- ▶ Based on the financial information collected from units in December, actuals as of December 31, 2020, and on historical trend forecasts, we are not anticipating any major variances in the total expected revenues and expenses.
- ▶ Considering the short time period since the approval of the final budget in December and this presentation, we will be presenting a forecast and a variance analysis at the next budget presentation.

# FY2022 Planning

# FY2022 Planning Updates

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- ▶ **Enrolment targets**, meetings held with Faculties. Revenue modeling in January.
- ▶ **Non-compressible budgets**, information assessed for CPDO, ITS, FMAS and SLL.
- ▶ **Deregulated tuition increases**, decisions made, information updated on web site
- ▶ **Academic review and renewal planning**, in January
- ▶ **Other incremental budget allocations**, in February
- ▶ **Financial review of Faculties and units**, in February
- ▶ **Finalization of the FY2022 budget**, in March

# Major Budget Assumptions and Scenarios

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- ▶ Objectives:
  - ▶ Deal with the many uncertainties related to the COVID pandemic
  - ▶ Provide guiding principles for building the FY2022 budget
  - ▶ Establish 3 scenarios (pessimistic, realistic, optimistic), when applicable
- ▶ These scenarios will help to set the amount of the contingency for the FY2022 budget.
- ▶ Excel tools have been developed to easily translate assumptions into variations in revenues and expenses.
- ▶ Here, we present initial assumptions and set points for establishing the budget scenarios.

# Grants – Quebec

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- ▶ The Ministry communicates preliminary budgetary rules in late spring (after submitting the budget for approval).
- ▶ We assume that the Quebec Government will not cut enrolment-driven funding in FY2022. The possibility of cuts in higher education, as for other sectors, appear greater for FY2023, after the end of the pandemic.
- ▶ For all scenarios, we expect to return to a pre-COVID funding methodology (using 2021-2022 enrolments).
- ▶ Scenarios for the indexation of Quebec government enrolment-driven grants consider the following :
  - ▶ Pessimistic: no indexation
  - ▶ Realistic : 50% of pre-COVID indexation assumption (Support grant: 0.5%; Teaching grant: 0.6%)
  - ▶ Optimistic: pre-COVID indexation assumption (Support grant: 1.0%; Teaching grant: 1.2%)
- ▶ We also consider a drop of 50% in COVID-specific grants (loss of \$5M) for all scenarios.

# Regulated Tuition Rates

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- ▶ The Ministry sets regulated tuition rates (Quebec base tuition, Canadian supplement, International regulated supplement) in the spring (after submitting the budget for approval).
- ▶ Under normal conditions, regulated tuition rates follow the perspective of household disposable income per capita in Quebec. However, the COVID context adds uncertainty in the orientations that will be taken.
- ▶ Scenarios for the indexation of the Quebec base tuition rate consider the following :
  - ▶ Pessimistic: the lowest indexation seen in the past 4 years, 2.7%
  - ▶ Realistic : the average indexation for the past 4 years, 3.0% (below pre-COVID based expectations)
  - ▶ Optimistic: pre-COVID based expectations, 3.9%
- ▶ The same logic will be applied to the Canadian (2.3%, 3.2% and 3.9%) and International regulated supplement rates (2.7%, 3.0% and 3.9%).

# FY2022 Bachelor's Admissions & Enrolment

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- ▶ As at January 10, the number of Fall 2021 applicants to Bachelors programs is ahead of pace compared to previous years. We cannot yet say if there will be more applicants overall this cycle or if this is just due to students applying earlier than usual, but the latter seems likely especially for admit types for whom the application deadline is nearing.
  - ▶ US and overseas high school applicants, for whom the application deadline is January 15, are applying in much higher numbers compared to the last two years at similar points in time. This holds true for those estimated to be deregulated.
  - ▶ The number of Ontario and other Canadian high school applicants, for whom the application deadline is February 1, are also up significantly over the past two years.
  - ▶ It is still quite early in the cycle for Quebec CEGEP applicants, who have until March 1 to apply, however the trends are promising thus far.
- ▶ In Fall 2020, although the number of returning deregulated students increased, the University experienced a decrease in newly admitted deregulated students. This smaller incoming cohort of deregulated students poses a challenge to achieving desired deregulated enrolment levels in subsequent years (FY2022 onwards).

# Sales of Goods and Services (SOGS) and Enrolment-driven fees

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- ▶ The physical presence of faculty, staff and students is critical for many of the self-financing units to earn sales of goods and services revenues (e.g., residences, athletics, parking, food and dining services, etc.)
- ▶ Sanitary measures may also impact the collection of fees from students for certain services (e.g. athletics).
- ▶ For FY2021, revenue expectations for the sales of goods and services are down \$60M compared to pre-COVID levels.
- ▶ For FY2022, scenarios for the SOGS consider:
  - ▶ Pessimistic: 25% recovery of revenue levels
  - ▶ Realistic : 50% recovery of revenue levels
  - ▶ Optimistic: 75% recovery of revenue levels

# Travel and other selected non-salary expenditures

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## ▶ For FY2021

- ▶ Travel expenditure forecasts are running at about 13% of what we have seen in past years (\$1.3M vs. 10M)
- ▶ Receptions are at 0.3% (\$15K vs. \$5.7M)
- ▶ Meal expenses are at 6% (\$93K vs. \$1.5M)
- ▶ Catering expenses are at 3% (\$30K vs. \$1.1M)

## ▶ For FY2022, scenarios consider :

- ▶ Least probable: 75% recovery of pre-COVID levels of expenses
- ▶ Probable : 50% recovery of pre-COVID levels of expenses
- ▶ Most probable: 25% recovery of pre-COVID levels of expenses

# Other budget assumptions under evaluation

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## Salary expenditures

- ▶ Academic review and renewal
- ▶ Continue to contain growth in staff complements
- ▶ Salary policy increases
- ▶ Estimated impact of unsigned collective agreements
- ▶ Pay Equity
- ▶ Non-insured benefits
- ▶ Student Aid

## Interest and exchange rates

- ▶ US exchange rates
- ▶ Endowment and pension funds
- ▶ Pension plan actuarial deficit contributions

## Unit allocations

- ▶ Agreement allocations from past years
- ▶ Historical allocations from past years
- ▶ Non-compressible allocations
- ▶ Compact allocations
- ▶ New (one-time or multi-year) commitments
- ▶ Mid-year allocations
  
- ▶ **Other**
  - ▶ Use of accumulated carry forward budgets
  - ▶ Operating budget contributions to capital projects

# Uncertainties and Risks

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Among many risks, those with the greatest immediate impact include:

## **External**

- ▶ COVID-19
- ▶ Stability of government commitments
- ▶ Global political landscape and its effect on international student mobility
- ▶ Effect of market volatility on pension fund and University obligations

## **McGill-controlled**

- ▶ Effective management of activities expected to be self-financing
- ▶ Expense reduction measures
- ▶ Balancing remote vs. in-person delivery
- ▶ Space considerations (e.g., flexible work arrangements, classrooms, swing space for renovations)

# Discussion

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

