



# Memorandum

Office of the Provost and VP (Academic)  
Room 504, James Administration Bldg.  
Tel: 514-398-4177 | Fax: 514-398-4768

**TO:** Senate

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

**SUBJECT:** FY2022 Budget Planning Report I

**DATE:** December 2, 2020

**DOCUMENT #:** D20-26

**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 I is presented for the information of Senate.

**BACKGROUND & RATIONALE** This presentation is the first 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. “Budget Planning I” is followed later in the year by “Budget Planning II,” “Budget Planning III,” and finally by the release of the McGill University Budget Book.

**PRIOR CONSULTATION** Finance Committee of the 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**
- “Budget Planning I” delivered to Board of Governors on 10 December 2020
  - “Budget Planning II” delivered to Finance Committee on 9 February 2021
  - “Budget Planning II” delivered to Board of Governors on 11 February 2021
  - “Budget Planning II” delivered to Senate on 24 February 2021
  - McGill University Budget (“Budget Planning III”) delivered to Finance Committee on 15 April 2021 for approval and recommendation to Board of Governors
  - McGill University Budget (“Budget Planning III”) delivered to Senate on 20 April 2021 for information
  - McGill University 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.

**MOTION OR  
RESOLUTION  
FOR APPROVAL**

N/A

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**APPENDICES**

Appendix A: FY2022 Budget Planning Report I presentation deck

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# FY2022 Budget: Planning Report I

Presentation to Senate  
December 2, 2020

Christopher Manfredi, Provost and Vice-Principal (Academic)



# Executive Summary

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- ▶ Looking ahead to FY2022, there is continued COVID-driven uncertainty impacting all our major revenue sources – Quebec government funding; tuition and fees; sales of goods and service – all of which may be in flux.
- ▶ Expense reduction measures and contingency plans will need to be adjusted accordingly.

# FY2022 Planning

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- ▶ Enrolment Planning meetings with Faculties, late Fall 2020
- ▶ Academic Review and Renewal Planning, Winter 2021
- ▶ Financial review of Faculties and units, Winter 2021
- ▶ Non-compressible budgets (CPDO, FMAS, ITS, SLL)
- ▶ Other incremental budget allocations
- ▶ Review projected revenues and expenses from the sales of goods and services and fees
- ▶ Monitor the impacts of COVID-19 : costs and expense reduction measures, if warranted

# FY2022 Government funding outlook

## **Grants - Canada**

- ▶ Canada Research Continuity Emergency Fund program may or may not be extended.

## **Grants – Quebec**

- ▶ Expect enrolment-driven grants to return to being based on actual enrolments in 2021-2022.
  - ▶ The Ministry has indicated that 2020-2021 enrolments would be excluded from future funding calculations, which in certain conditions would consider a rolling average of recent years.
- ▶ This assumption is contingent on the Ministry's capacity to maintain their pre-COVID financial commitments to Universities.
- ▶ Orientations should be communicated by late spring 2022, after the modeling of our FY2022 budget.

# FY2022 Sales of Goods and Services and Enrolment-driven fees

- ▶ 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.
- ▶ Sanitary measures also impact the collection of fees from students for certain services (e.g. Athletics).
- ▶ Revenue expectations have been tempered for FY2021, but FY2022 amounts could also be impacted.

# FY2022 Salary and Non-Salary Expenses

- ▶ Will need to provide for a required sinking fund payment.
- ▶ In FY2021, expense reduction measures were put into place in an attempt to mirror overall revenue losses, to the extent possible.
- ▶ Revenue losses were expected to be felt in the short- to medium-term.
- ▶ If the longer-term outlook becomes bleaker, then expense reduction measures will have to be revisited and/or bolstered, including measures to reduce the University's overall salary mass.
- ▶ Conversely, if the longer-term outlook is more positive, the relaxing of expense reduction measures will need to be approached cautiously and methodically.



# FY2022 : Review financial considerations and targets

- ▶ Financed accumulated deficit/Revenues (%): maintain at or below 15%.
- ▶ Debt service costs as a percentage of revenue, including building acquisitions never exceeds 5%.
- ▶ Sinking fund payments outlook: no change at \$17M per year.
- ▶ Pension plan payments outlook. Current valuation as per December 2019 for a maximum of 3 years.
- ▶ Commitment to return to a balanced budget by Fiscal Year 2024 (originally FY2022).

# FY2022: Uncertainties and Risks

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**While the risks mentioned for FY2021 are inherently present as we move towards FY2022, the ones with the greatest potential impact include:**

- ▶ COVID-19
- ▶ Stability of government commitments
- ▶ Global political landscape and its effect on international student mobility
- ▶ Effective management of activities expected to be self-financing
- ▶ Effect of market volatility on pension fund and University obligations
- ▶ Expense reduction measures
- ▶ Balancing remote vs. in-person delivery
- ▶ Space considerations

# Discussion

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

