



# Memorandum

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**TO:** Senate

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

**SUBJECT:** Presentation on the McGill University Provisional Budget 2020-2021

**DATE:** May 13, 2020

**DOCUMENT #:** D19-52

**ACTION REQUIRED:**  INFORMATION     APPROVAL/DECISION

**ISSUE** This presentation on the McGill University Provisional Budget 2020-2021 is delivered for Senate’s information.

**BACKGROUND & RATIONALE** The extraordinary circumstances resulting from the unprecedented COVID-19 pandemic have created particular uncertainties with respect to FY2021 revenues, which are heavily dependent on student enrolments.

Timing compounds the issue of predictability – our fiscal year starts May 1<sup>st</sup>. Our primary revenue generating activities (i.e., teaching) do not begin in earnest until September. Our capacity to predict enrolments and the revenues they generate in a typical year is well-developed, but the uncertainties of the current situation limit this predictive capacity.

The coming year will also result in exceptional expenses and revenue losses if we are prevented from returning to business-as-usual in Fall 2020.

Given these circumstances, a second budget plan for FY2021 will be presented to the Finance Committee in November 2020, for confirmation or adjustment of the intentions presented here.

**PRIOR CONSULTATION** Finance Committee of the Board of Governors  
Board of Governors  
Senior Administrators

**SUSTAINABILITY CONSIDERATIONS** Sustainability remains an institutional priority and is a factor in budget development. The FY2021 Provisional Budget is focused on maintaining institutional stability.

**IMPACT OF DECISION AND NEXT STEPS** The key messages and highlights identified in this presentation will frame the McGill University Provisional Budget FY2021.

A second budget plan for FY2021 will be presented to the Finance Committee in November 2020, for confirmation or adjustments of the intentions presented here.

**MOTION OR  
RESOLUTION  
FOR APPROVAL**

This item is presented for information.

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**APPENDICES**

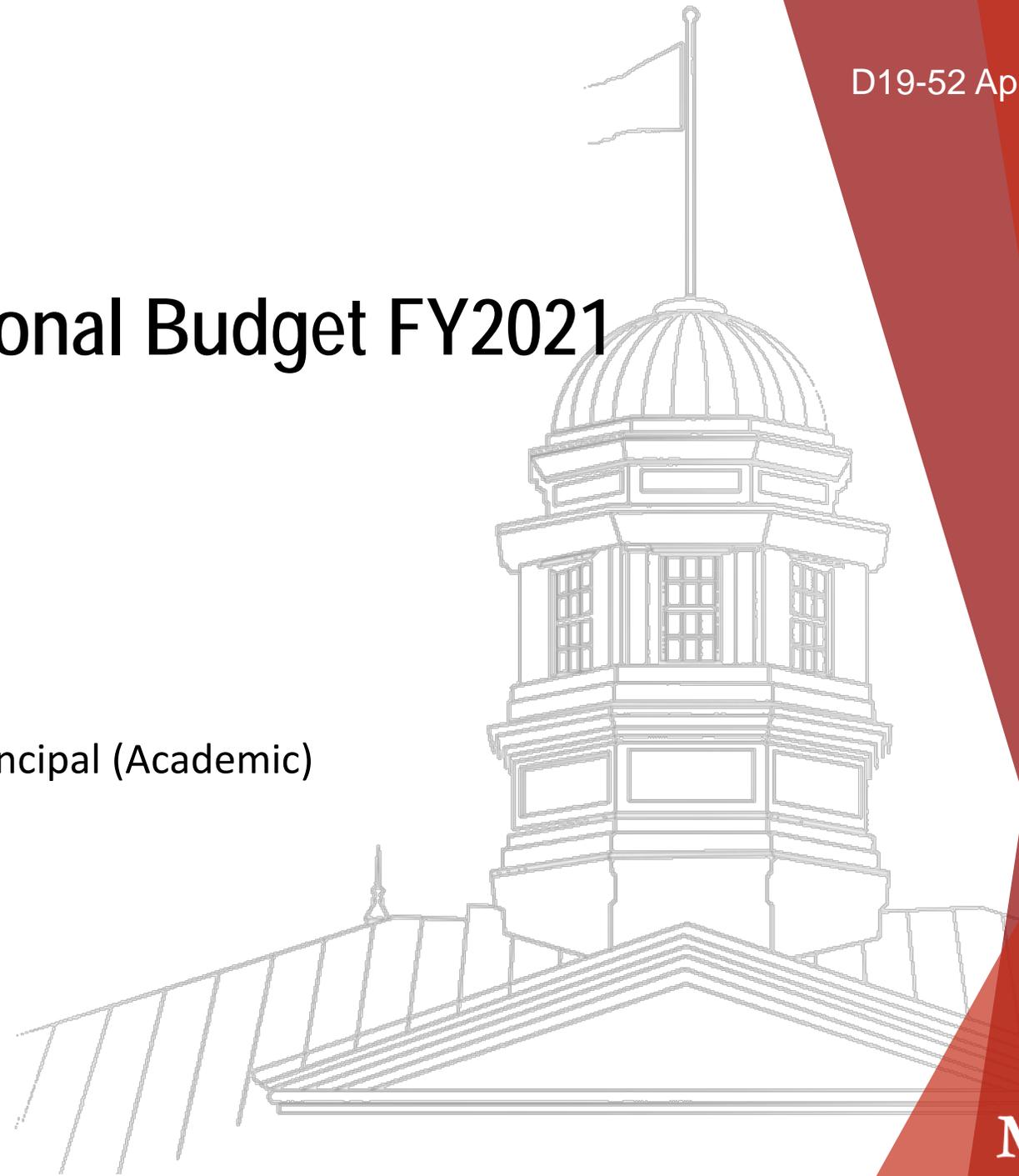
Appendix A: FY2021 Provisional Budget Presentation

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# McGill University Provisional Budget FY2021

Presentation to Senate  
May 13, 2020

Christopher Manfredi, Provost and Vice-Principal (Academic)



# FY2021 Provisional Budget

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- ▶ This provisional budget plan was presented to the Finance Committee of the Board of Governors for review and approval on 23 April in anticipation of the new fiscal year starting 1 May 2020.
- ▶ The extraordinary circumstances resulting from the unprecedented COVID-19 pandemic have created particular uncertainties with respect to FY2021 revenues, which are heavily dependent on student enrolments.
- ▶ Timing compounds the issue of predictability – our fiscal year starts 1 May. Our primary revenue generating activities (i.e., teaching) do not begin in earnest until September. Our capacity to predict enrolments and the revenues they generate in a typical year is well-developed, but the uncertainties of the current situation limit this predictive capacity.
- ▶ The coming year will also result in exceptional expenses and revenue losses if we are prevented from returning to business-as-usual in Fall 2020.
- ▶ Given these circumstances, a second budget plan for FY2021 will be presented to the Finance Committee in November 2020, for confirmation or adjustment of the intentions presented here.

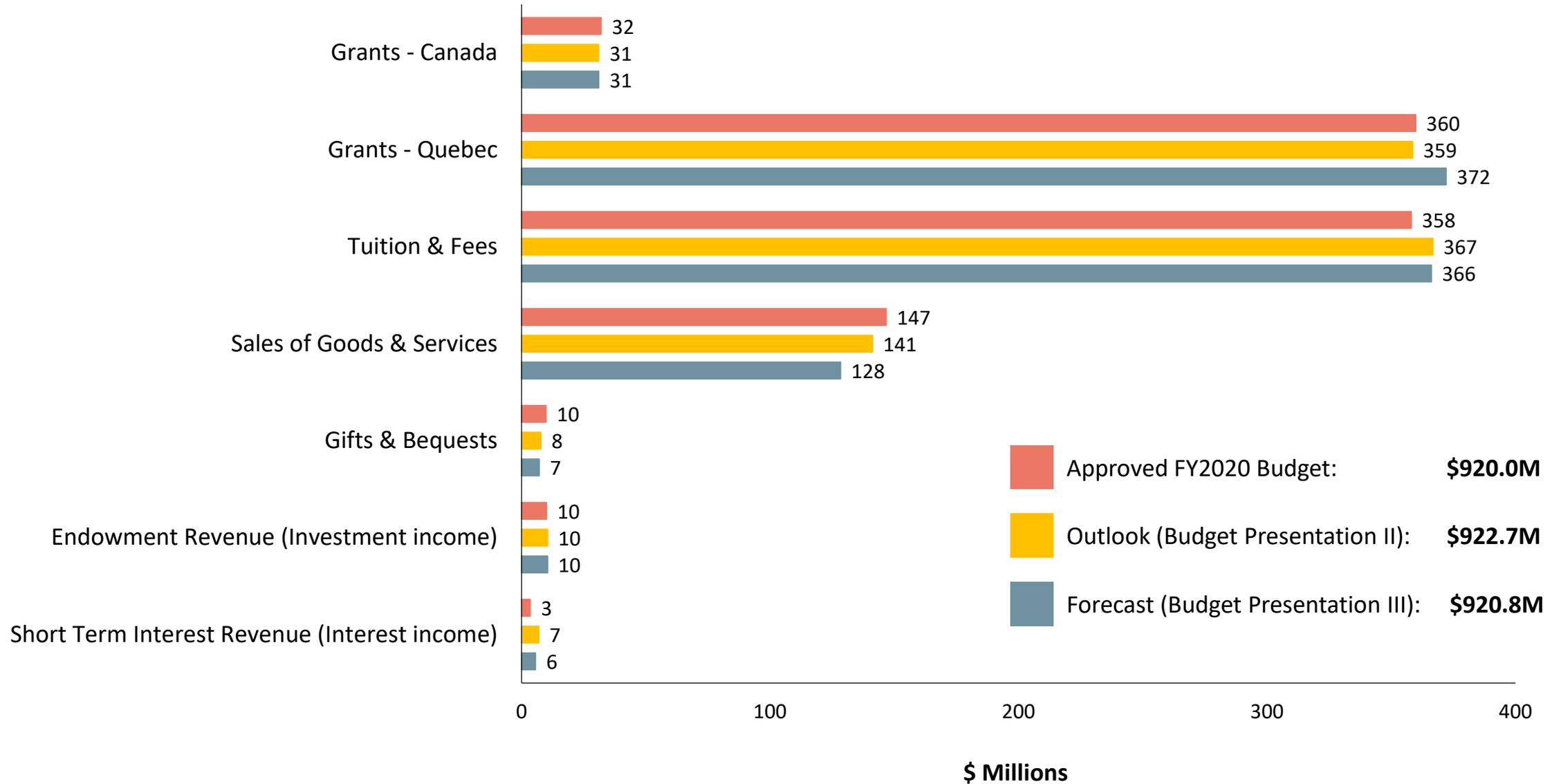
# FY2020 Forecast

# FY2020: Unrestricted Revenues

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- ▶ A more precise model of anticipated grant revenues is possible after the close of the third quarter of the year (that is, after Budget Presentation II)
- ▶ Higher than anticipated enrolments = higher than anticipated tuition and grant revenues
- ▶ Tuition and fees, and provincial grant revenues variance (forecasted vs. budgeted) = +\$20.4M
- ▶ The unprecedented disruption of activity in the last months of the academic year is not expected to materially affect revenues from tuition and fees or grants in FY2020.
  
- ▶ However, revenues from sales of goods and services have been substantially affected
- ▶ SOGS variance (forecasted vs. budgeted) = (\$18.3M)
  - ▶ Pro-rated refunds for residence leases, meal plans, athletics memberships
  - ▶ Loss of activity in other ancillary services (e.g., bookstore, parking, printing services, other food services)
  - ▶ Losses within Faculties (e.g., dental clinic, performances)

# FY2020 Forecast: Unrestricted Revenues

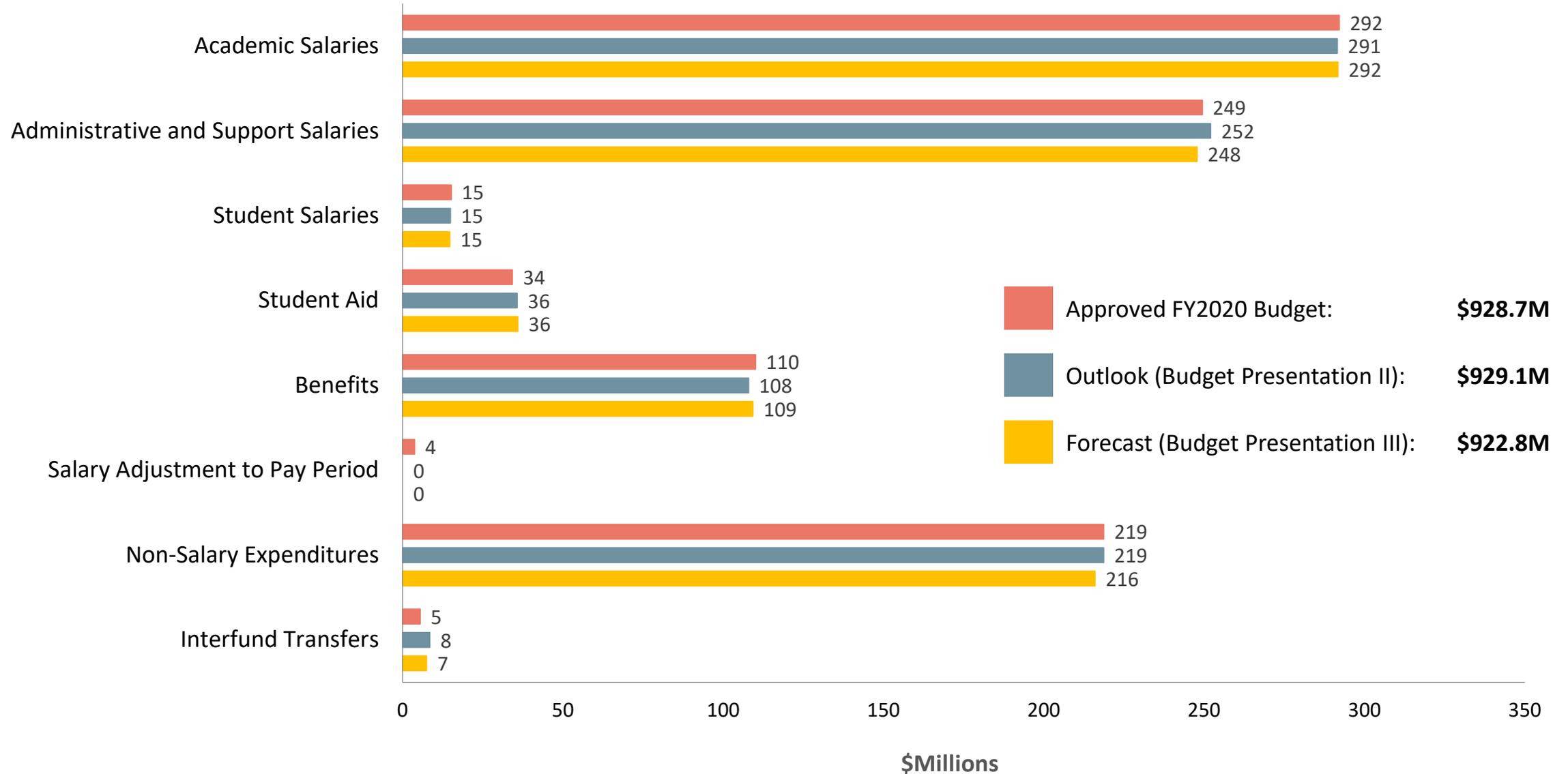


# FY2020 Forecast: Unrestricted Expenses

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- ▶ Despite the unanticipated reduction in revenues, overall expenses have not declined significantly.
- ▶ Unrestricted expenses variance (forecasted vs. budgeted) = (\$5.9M)
- ▶ The Quebec Government has thus far instructed universities to continue to pay employees based on pre-established expectations.
- ▶ Some non-salary expenses have changed, with some normal activities ceasing, and new activities taking their place. For example:
  - ▶ Significantly reduced travel
  - ▶ Suspension of Macdonald Campus shuttle
  - ▶ Investment in software and hardware necessary to deliver the remainder of the Winter 2020 term online
  - ▶ Increased student aid to address need with respect to access to resources to complete courses
- ▶ Some unit-level year-end surpluses

# FY2020 Forecast: Unrestricted Expenses



# FY2020 Forecast: Summary

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	<i>Approved FY2020 Budget</i>	<i>FY2020 Outlook (Budget Presentation II)</i>	<i>FY2020 Forecast (Presentation III)</i>	<i>Variance (Budget vs. Forecast)</i>
Total revenues	920,001	922,701	920,817	0.1%
Total expenses <sup>(1)</sup>	928,870	929,075	922,772	0.6%
Annual financed surplus/(deficit)	(8,668)	(6,374)	(1,955)	
Financed accumulated deficit <sup>(2)</sup>			(121,755)	
Financed accumulated deficit/Revenues (%)			13.22%	

<sup>(1)</sup> Excluding year-end actuarial adjustments and related accrual

<sup>(2)</sup> FY2019 ending financed accumulated deficit = \$119,800

# FY2020 Government support

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- ▶ Quebec Universities are in discussion with the Quebec Government to assess the extent of lost revenues and extraordinary expenditures in the last months of FY2020
- ▶ Extent of any subsidy for lost revenue or reimbursement of costs remains to be determined, but is a possibility.

# FY2021 Provisional Budget

# FY2021 Key Budget planning assumptions

- ▶ Enrolment targets and enrolment-driven revenues for FY2021 were modelled before disruption and have not been adjusted.
- ▶ Anticipated loss of revenues has been addressed through creation of a significant contingency and the implementation of expense reduction measures.
- ▶ Additional, unknown and thus unbudgeted expenses may yet be incurred in FY2021 if a return to business-as-usual is not possible in academic year 2020-21.
- ▶ Loss of revenue in self-funding units must be met with corresponding reduction in expenses.
- ▶ Some degree of additional financial support from the Quebec Government may be forthcoming for FY2021.

# FY2021 Key Pre-COVID-19 Assumptions: Student Enrolment

- ▶ Growth in PhD enrolment; slight decrease in undergraduate enrolment.

			% CHANGE
<b>Total FTEs</b>	<b>32,693.18</b>	<b>32,734.71</b>	<b>0.1%</b>
Med Residents (FTEs)	2,284.3	2,367.6	3.6%
3 <sup>rd</sup> Cycle (FTEs)	2,181.0	2,286.4	4.8%
2 <sup>nd</sup> Cycle (FTEs)	4,114.3	4,023.4	-2.2%
1 <sup>st</sup> Cycle (FTEs)	24,113.5	24,057.4	-0.2%
	<b>FY 2020(p)</b>	<b>FY 2021(e)</b>	
<b>Total weighted FTEs <sup>(1)</sup></b>	<b>99,313.7</b>	<b>99,383.5</b>	<b>0.4%</b>

(1) WFTEs = FTEs weighted by discipline and level, using the new CAFF weighting grid

p = projected; e = estimate

# FY2021 Enrolment Considerations I

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- ▶ Student enrolment accounts for approximately 80% of University revenues in normal circumstances – directly via tuition and fees, and indirectly through support grants received from the Quebec Government
- ▶ Lost enrolments in 2020-21 could remain “lost” for several years as a smaller-than-normal cohort makes its way through its programs, meaning revenues could be equally depressed for an extended period of time. (Mitigation strategies are in development.)
- ▶ Self-funded units also generate significant revenue through student activity – e.g., residences, food services, athletics, University bookstore
- ▶ Enrolment retention remains a top priority
  - ▶ Enrolment Services has adopted a policy of over-admission where applicant pools are sufficiently strong to allow this
  - ▶ Graduate programs are also adopting a more aggressive approach to admissions
  - ▶ Increased, proactive engagement with new and returning students throughout the spring and summer months
- ▶ The confirmation deadline will be extended from 1 May to 1 June to accommodate this period of exceptional uncertainty, but this will reduce visibility into the intentions of admitted applicants.

# FY2021 Enrolment Planning

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- ▶ Summer 2020 courses will be delivered remotely; this will ensure instruction can continue through the summer months, regardless of what emergency measures may still be in place, but will require that some courses not compatible with remote delivery will not be offered.
- ▶ The University has begun, provisionally, to plan for remote-only delivery for Fall 2020. The decision to take the route is not final, but planning must begin now to ensure we are capable of making the transition if necessary.
- ▶ Program delivery in Fall 2020 may be 100% remote, or combination of remote and in-person, on-campus instruction.
- ▶ Additional considerations for admission, support and supervision of graduate students and postdoctoral fellows will be necessary if our campuses remain closed.

Scenario	Approximate Potential Revenue Loss	Assumptions	Mitigation Difficulty
1	\$10M	<ul style="list-style-type: none"> <li>Stable QC enrolment</li> <li>5% decline in new CNRQ enrolment; stable returning enrolment</li> <li>10% decline in new international enrolment; 5% decline in lower level international enrolment; stable upper level international enrolment</li> </ul>	<b>Moderate</b>
2	\$17M	<ul style="list-style-type: none"> <li>5% increase in new QC enrolment</li> <li>10% decline in new CNRQ enrolment; 5% decline in returning enrolment</li> <li>20% decline in new international enrolment; 10% decline in lower level returning international enrolment</li> </ul>	<b>Difficult</b>
3	\$28M	<ul style="list-style-type: none"> <li>Stable Quebec enrolment</li> <li>5% decline in new CNRQ students; stable returning enrolment</li> <li>10% decline in international student enrolment</li> </ul>	<b>Very Difficult</b>
4	\$30M	<ul style="list-style-type: none"> <li>Stable Quebec enrolment</li> <li>10% decline in new CNRQ enrolment; stable returning CNRQ enrolment</li> <li>10% decline in international enrolment</li> </ul>	<b>Very Difficult</b>
5	\$39M	<ul style="list-style-type: none"> <li>Stable QC enrolment</li> <li>10% decline in international and CNRQ enrolment</li> </ul>	<b>Extreme</b>
6	\$61M	<ul style="list-style-type: none"> <li>10% decline in total enrolment</li> </ul>	<b>Extreme</b>

# FY2021 Key expense reduction measures I

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- ▶ Establish an \$20M contingency to brace against as yet unknown enrolment decline and/or extraordinary costs associated with alternate program delivery
- ▶ Defer approximately \$10M in planned expenditures for FY2021 across all sectors of the University, including some new commitments for FY2021 that were made in previous years
- ▶ Achieve approximately \$2M in additional non-salary expenditure reductions – to be determined and managed by local leadership (e.g., Deans and VPs)
- ▶ Limit spending and restrict new allocations in particular to mission-critical activities, core operations, and contractual obligations
- ▶ Reduction of FY2021 sinking fund payment from \$11.5M to \$8.5M

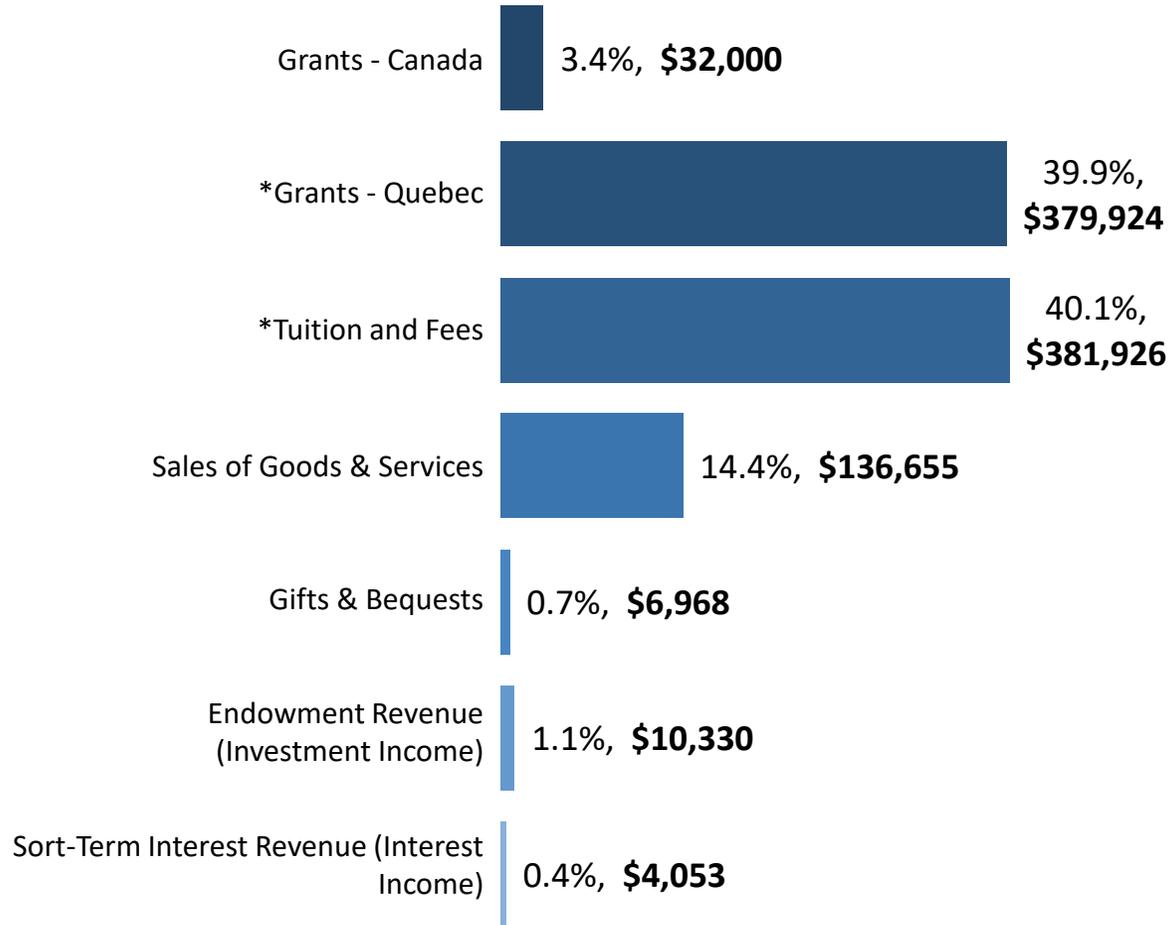
# FY2021 Key expense reduction measures II

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- ▶ Suspend tenure-track and contract academic hiring until further notice (course lecturers excepted where needed to ensure program continuity)
- ▶ Suspend administrative and support staff hiring until further notice
- ▶ 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
- ▶ Full salary freeze for senior administrators
- ▶ Suspend authority within units to spend-down 1A individual budget carry-forward fund balances

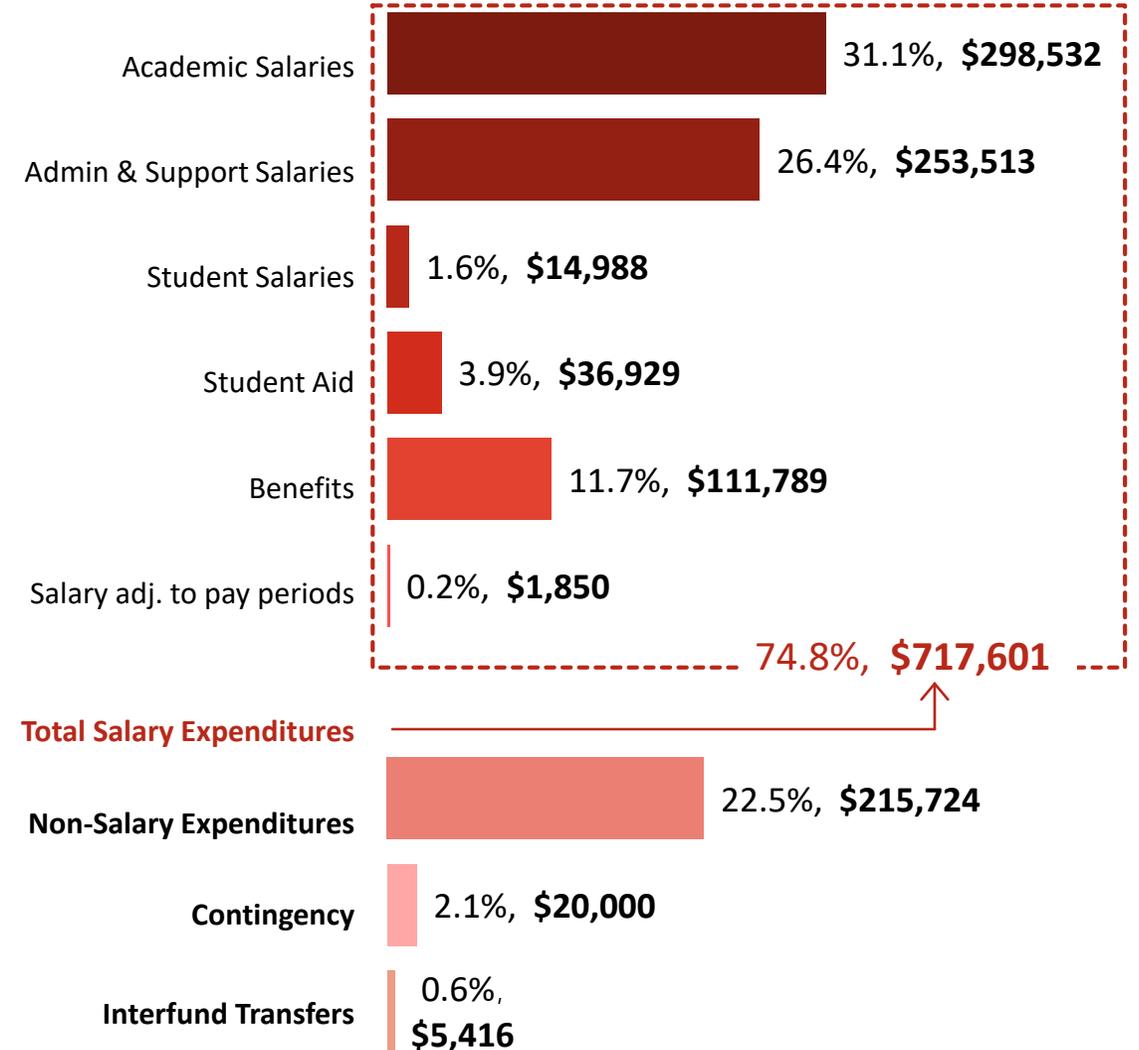
# FY2021 Provisional Budget

## (\$000s) Budgeted Revenues FY2021: \$951,856



\*unadjusted pre-COVID-19 values

## Budgeted Expenses FY2021: \$958,740



# FY2021 Provisional Budget

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**(\$000)**

	<b><i>FY2021 Provisional Budget</i></b>
<b>Total revenues</b>	<b>951,856</b>
<b>Total expenses (incl. contingency)</b>	<b>958,740</b>
<b>Annual financed surplus/(deficit)</b>	<b>(6,884)</b>

# FY2021 Risks/Unknowns

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- ▶ Duration of COVID-19 emergency measures will directly affect our capacity to return to business-as-usual, and is out of our control
- ▶ Additional costs for software, bandwidth, instructional tools, specialist staff for sustained remote delivery of core program components are not yet known
  - ▶ These are being evaluated now. Precise cost estimate is not yet available, but spending will be prioritized as budget permits
- ▶ Effect of economic downturn and market volatility on philanthropic revenues and the University's endowment fund remains to be seen
- ▶ Effect of market volatility on pension fund and University obligations remains to be seen

# Discussion

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

