



Memorandum

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TO: Senate

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

SUBJECT: Budget Planning 2018-2019 Report I

DATE: December 6, 2017

DOCUMENT #: D17-32

ACTION REQUIRED: INFORMATION APPROVAL/DECISION

ISSUE The Budget Planning 2018-2019 Report I is presented for Senate’s information.

BACKGROUND & RATIONALE The presentation provides an update to the FY2018 budget and an overview of key uncertainties and risks for the coming fiscal year.

“Budget Planning I” begins the first in a series of budget communications to the University community, outlining major considerations shaping the budget for the coming fiscal year. “Budget Planning I” is followed later in the year by “Budget Planning II”, “Budget III” and finally by the release of the McGill University Budget Book.

PRIOR CONSULTATION Finance Committee of the Board of Governors

SUSTAINABILITY CONSIDERATIONS The FY2019 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 December 12, 2017
 - “Budget Planning II” delivered to Finance Committee on February 8, 2018
 - “Budget Planning II” delivered to Board of Governors on February 15, 2018
 - “Budget Planning II” delivered to Senate on March 28, 2018
 - McGill University Budget (Budget III) delivered to Finance Committee on April 11, 2018 for approval and recommendation to Board of Governors
 - McGill University Budget (Budget III) presented to Senate on April 19, 2018 for information
 - McGill University Budget (Budget III) presented to Board of Governors for approval on April 26, 2018
 - McGill University Budget Book published and delivered as soon as possible after the approval of the budget.

**MOTION OR
RESOLUTION
FOR APPROVAL**

This item is presented for information.

APPENDICES

Appendix A: “McGill FY2019 Budget Cycle – Budget Presentation I –
McGill University Budget FY2018 – November Update”

McGill FY2019 Budget Cycle Budget Presentation I

McGill University Budget FY2018: November Update

Presentation to Senate
December 6, 2017

Christopher Manfredi, Provost and Vice-Principal (Academic)



FY2018 Budget November Update: Sources of Variance

▶ **Variance in Operating Revenue:**

▶ **Higher than budgeted federal grants:**

- ▶ Research Support Fund (RSF): One-time increase in FY2017 was extended to FY2018

▶ **Higher than budgeted provincial grants:**

- ▶ Confirmed teaching grant amount +\$45 per weighted FTE
- ▶ Confirmed support grant amount +\$17 per FTE

▶ **Higher than budgeted tuition & fees:**

- ▶ Undergraduate Fall 2017 enrolment surpassed target by 305 (1.2%)
- ▶ Most of this overage was in deregulated programs – 230 over target (10.4%)

▶ **APB Revenue Projection Model:**



- ▶ Budget finalized using targets and assumptions as model inputs; actuals and confirmed amounts only become available later in the fiscal year (see slide: Timeline for APB FY2018 Revenue Projections)
- ▶ Some variation inherent in projection model itself (i.e., margin of error)

FY2018 Budget November Update: Sources of Variance (cont'd)

▶ **Variance in Operating Expenses:**

- ▶ Increased contribution from federal grant transferred to hospitals (Research Support Fund)
- ▶ Additional in-year allocations (for new administrative and support positions)
- ▶ Additional in-year allocations (for items not known or identified during the preparation of the budget book)
- ▶ Defined benefit pension plan solvency top-up contributions

FY2018 Operating Budget Overview

	FY2018		Variance	
	(\$'000)	Budgeted		Nov. Update
Total revenues		\$815,031	\$832,216	 \$17,185
Total expenses ⁽¹⁾		\$824,960	\$842,152	 \$17,192
Annual financed surplus (deficit)		(\$9,929)	(\$9,936)	(\$7)
Financed accumulated deficit		(\$94,321)	(\$94,328)	
<i>Financed accumulated deficit / Revenues %</i>		11.57%	11.33%	

⁽¹⁾ Excluding year-end actuarial adjustments and related accruals

Note: Chart colour for expenses is inverted as a decrease denotes a positive outcome, and an increase denotes a negative outcome

Timeline for APB FY2018 Revenue Projections

		FY2018 Revenue Model Inputs						
		McGill-controlled			Ministry-controlled			
		Bachelors Enrolment	Deregulated Enrolment	Graduate New Registrations	QC (basic) Tuition Rate	ROC and Int'l Supplement Rate	Support Grant (\$ per FTE)	Teaching Grant (\$ per WFTE)
Nov/Dec 2016	Enrolment plans prepared following ES/Dean GPS meetings with Deans	targets	targets	targets	assumption	assumption	assumption	assumption
Jan 31, 2017 (Q3)	FY17 tuition collection stabilizes - Required input for FY18 tuition projections	targets	targets	targets	assumption	assumption	assumption	assumption
Apr 6, 2017	VRAAF: <i>Taux de croissance du revenu disponible par habitant</i> updated	targets	targets	targets	confirmed	assumption	assumption	assumption
FY18 Budget Finalized								
May 8, 2017	<i>Indexation des droits de scolarité des étudiants étrangers et canadiens non-résidents du Québec pour l'année universitaire 2017-2018</i>	targets	targets	targets	confirmed	confirmed	assumption	assumption
May 19, 2017	<i>Orientations Budgétaires</i>	targets	targets	targets	confirmed	confirmed	confirmed	confirmed
Oct 15, 2017	Fall census enrolment date	actuals	actuals	actuals (winter new registrations estimated)	confirmed	confirmed	confirmed	confirmed

FY2018 Updated Operating Revenue = \$832.2M (↑ \$17.2M)

	FY2018		Variance	
	(\$'000)	Budgeted		Nov. Update
Grants - Canada		\$25,708	\$28,422	\$2,714
Grants - Quebec		\$332,544	\$337,302	\$4,758
Tuition and Fees		\$307,836	\$317,231	\$9,395
Sales of Goods & Services		\$134,067	\$134,814	\$747
Gifts & Bequests		\$6,884	\$6,455	(\$429)
Foreign Exchange Gain		\$500	\$500	\$0
Investment Income		\$4,859	\$4,859	\$0
Interest Income		\$2,633	\$2,633	\$0
Total Operating Revenue		\$815,031	\$832,216	\$17,185

Revenue Lever: Overall Enrolment & Enrolment Mix

Bachelors Enrolment (Headcounts)

	FY2018		Variance	
	(Fall 2017)	Targets ⁽¹⁾		Actuals
Regulated programs		22,167	22,242	75
Deregulated programs		1,991	2,221	230
Total Bachelors Enrolment		24,158	24,463	305





Graduate New Registrations (Headcounts - Annualized)

	FY2018		Variance	
	(Fiscal Year)	Targets		Actuals (p)
Total Masters		2,002	1,967	-35
Masters Non-Thesis (excl. Management)		1,028	996	-32
Masters Thesis		974	971	-3
Doctoral		728	778	50
Total Graduate New Admits		2,730	2,745	15

⁽¹⁾ Regulated targets are derived from overall targets minus deregulated targets

(p) projected: FY2018 new registrations to graduate programs are projected based on headcounts as at October 15 census and the assumption that Winter 2018 new registrations will be consistent with Winter 2017

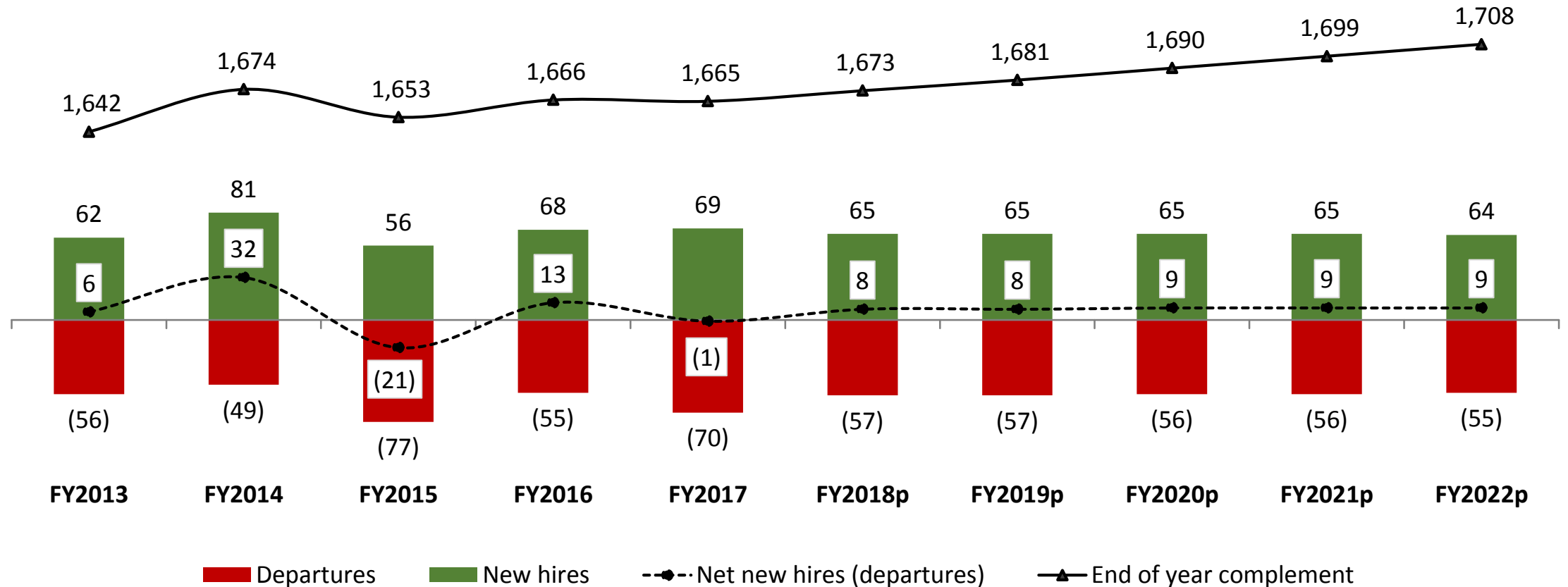
FY2018 Updated Operating Expenses = \$842.2M (↑ \$17.2M)

	FY2018		Variance	
	(\$'000)	Budgeted		Nov. Update
Total Salary Expenditures		\$626,043	\$641,378	 \$15,335
Non-Salary Expenditures		\$154,295	\$161,237	 \$6,942
Interfund Transfers		\$44,622	\$39,537	 (\$5,085)
Total Operating Expenses		\$824,960	\$842,152	 \$17,192

Note: Chart colour for expenses is inverted as a decrease denotes a positive outcome, and an increase denotes a negative outcome

Expense Lever: Academic Staff (and Benefits)

Tenured and Tenure-Track Faculty: Net new hires (departures) and end-of-year complement

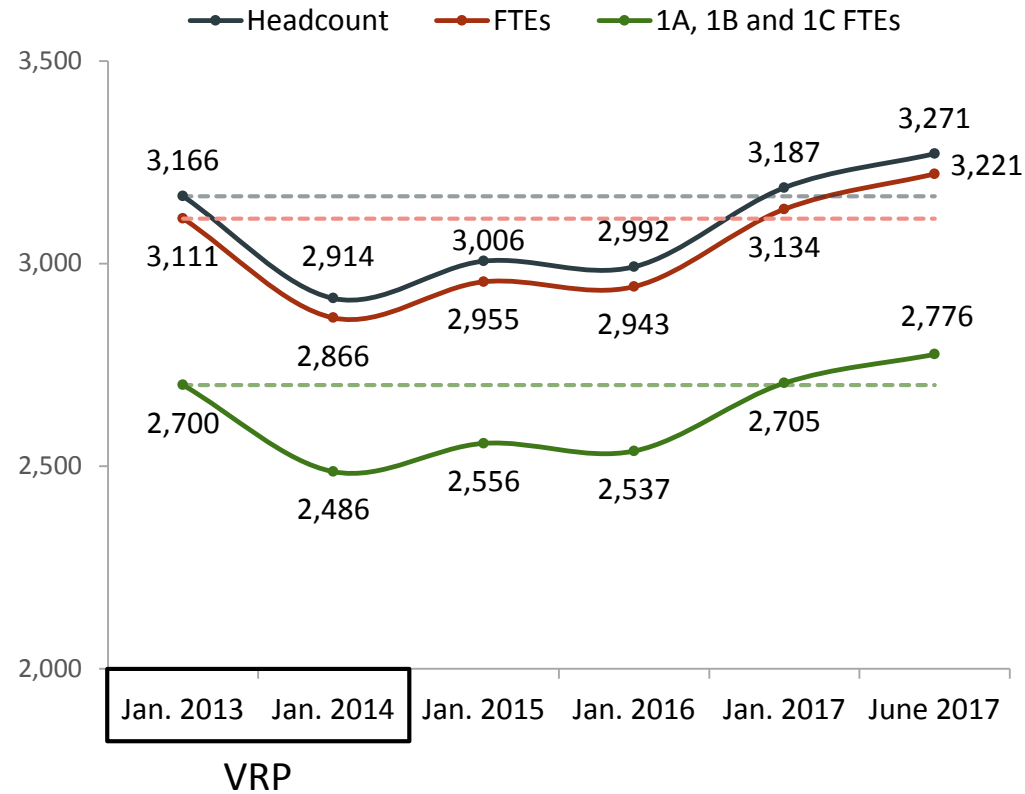


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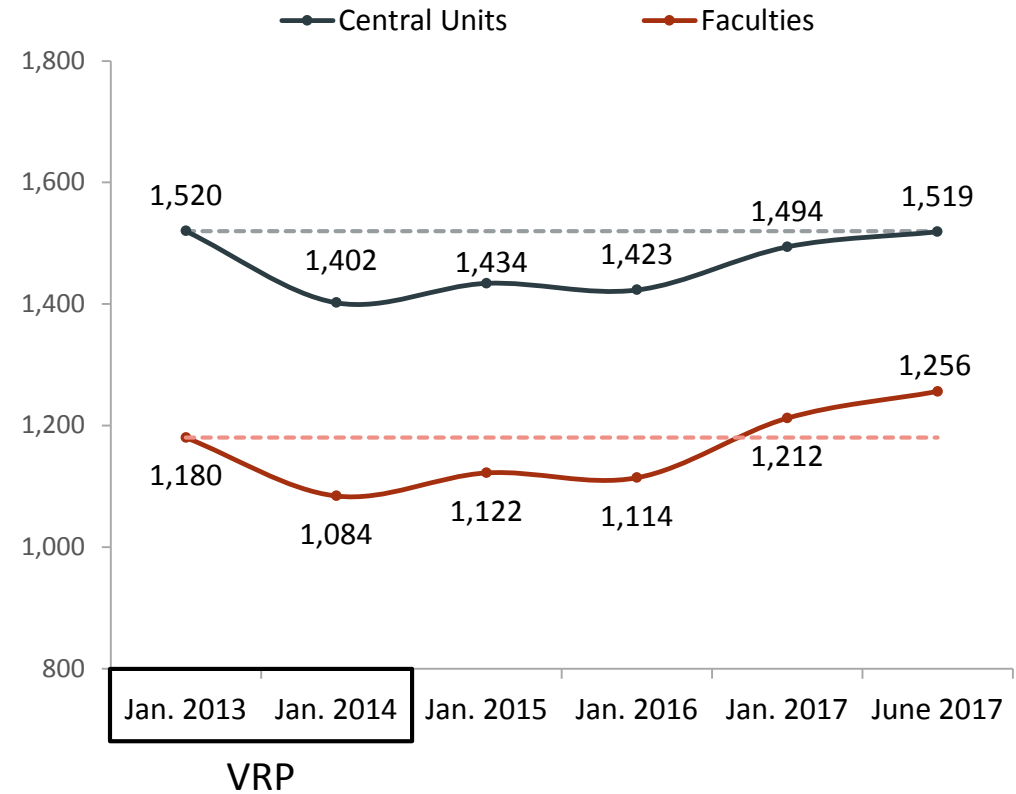
Note: Excludes librarians

Expense Lever: Administrative and Support Staff (and Benefits)

Administrative and Support Staff



**Administrative and Support Staff
(1A, 1B and 1C FTEs)**



VRP: Voluntary retirement program in 2013/2014; dotted lines represent pre-VRP staffing levels

Note: Headcount and FTE numbers are January 31st snapshots from respective years

Uncertainties and Risks for FY2019: McGill-controlled

▶ **McGill-controlled:**

- ▶ Managing to overall, as well as deregulated, enrolment targets
- ▶ Graduate enrolment increases
- ▶ Managing to mix of students by fee type (e.g., Quebec, Canadian non-resident Quebec, International, French citizens)
- ▶ Preparedness for further deregulation or privatization – common vision for McGill’s student mix
- ▶ R2R and administrative and support staff position control
- ▶ Bicentennial campaign impact on operating budget
- ▶ Bond payback planning
- ▶ New building projects
- ▶ New program development coherence and accountability
- ▶ Incremental allocations

Uncertainties and Risks for FY2019: Ministry-controlled and Macro

▶ **Ministry-controlled:**

- ▶ Stability of government commitments: grant and tuition indexation, general reinvestment as announced in March 2017
- ▶ Changes to funding policy – including funding formula
- ▶ New building projects
- ▶ Potential change in government (Fall 2018 provincial elections)

▶ **Macro:**

- ▶ Canadian dollar exchange rate
- ▶ Interest rates
- ▶ Global political landscape and its effect on international student mobility