

Memorandum

Office of the Provost and Vice-Principal (Academic)

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TO: Senate

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

SUBJECT: Budget Planning 2019-2020 Report I

DATE: December 5, 2018

DOCUMENT #: D18-24

ACTION REQUIRED: ☒ INFORMATION ☐ APPROVAL/DECISION

ISSUE	This presentation provides general observations about the FY2019 budget, as well as an overview of key uncertainties and risks for the coming fiscal year. The McGill FY2020 Budget Planning Report I is presented for the information of Senate.
BACKGROUND & RATIONALE	“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 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 FY2020 Budget plan will be guided by a greater focus on our financial sustainability, but will continue to address environmental and social sustainability factors.
IMPACT OF DECISION AND NEXT STEPS	<ul style="list-style-type: none">• “Budget Planning I” delivered to Board of Governors on 13 December 2018• “Budget Planning II” delivered to Finance Committee on 12 February 2019• “Budget Planning II” delivered to Board of Governors on 14 February 2019• “Budget Planning II” delivered to Senate on 27 March 2019• McGill University Budget (Budget Planning III) delivered to Finance Committee on 16 April 2019 for approval and recommendation to Board of Governors• McGill University Budget (Budget Planning III) presented to Senate on 17 April 2019 for information• McGill University Budget (Budget Planning III) presented to Board of Governors for approval on 25 April 2019• McGill University Budget Book published and delivered as soon as possible after the approval of the budget.

**MOTION OR
RESOLUTION
FOR APPROVAL**

N/A

APPENDICES

Appendix A: “McGill FY2020 Budget Cycle – Budget Planning I – McGill University Budget FY2019 –November Update”

McGill FY2020 Budget Cycle Budget Planning I

McGill University Budget FY2019: November Update

Presentation to Senate for the December 5th, 2018 Meeting

Christopher Manfredi, Provost and Vice-Principal (Academic)



FY2019 Budget

Operating Budget (Presented April 2018): Budget and future outlook (\$000s)

5-year outlook	<i>FY2019(b)</i>	<i>FY2020(o)</i>	<i>FY2021(o)</i>	<i>FY2022(o)</i>	<i>FY2023(o)</i>
Total revenues	870,863	898,264	925,834	938,506	955,642
Total expenses ⁽¹⁾	886,305	906,513	931,370	938,818	951,920
Annual financed surplus (deficit)	(15,442)	(8,249)	(5,536)	(312)	3,722
Financed accumulated deficit	(143,343)	(151,592)	(157,128)	(157,439)	(153,717)
Financed accumulated deficit/Revenues (%)	16.46%	16.88%	16.97%	16.78%	16.09%

b = budget; **o** = outlook

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

General Observations

FY2019 Budget November Update: Sources of Variance

▶ **Anticipated Variance in Unrestricted Revenues:**

▶ **New Provincial Funding Policy:**

- ▶ Exact impact still unclear
- ▶ *Subvention de fonctionnement* in the *Règles budgétaires* higher than budgeted, but includes reallocated envelopes

▶ **Enrolment**

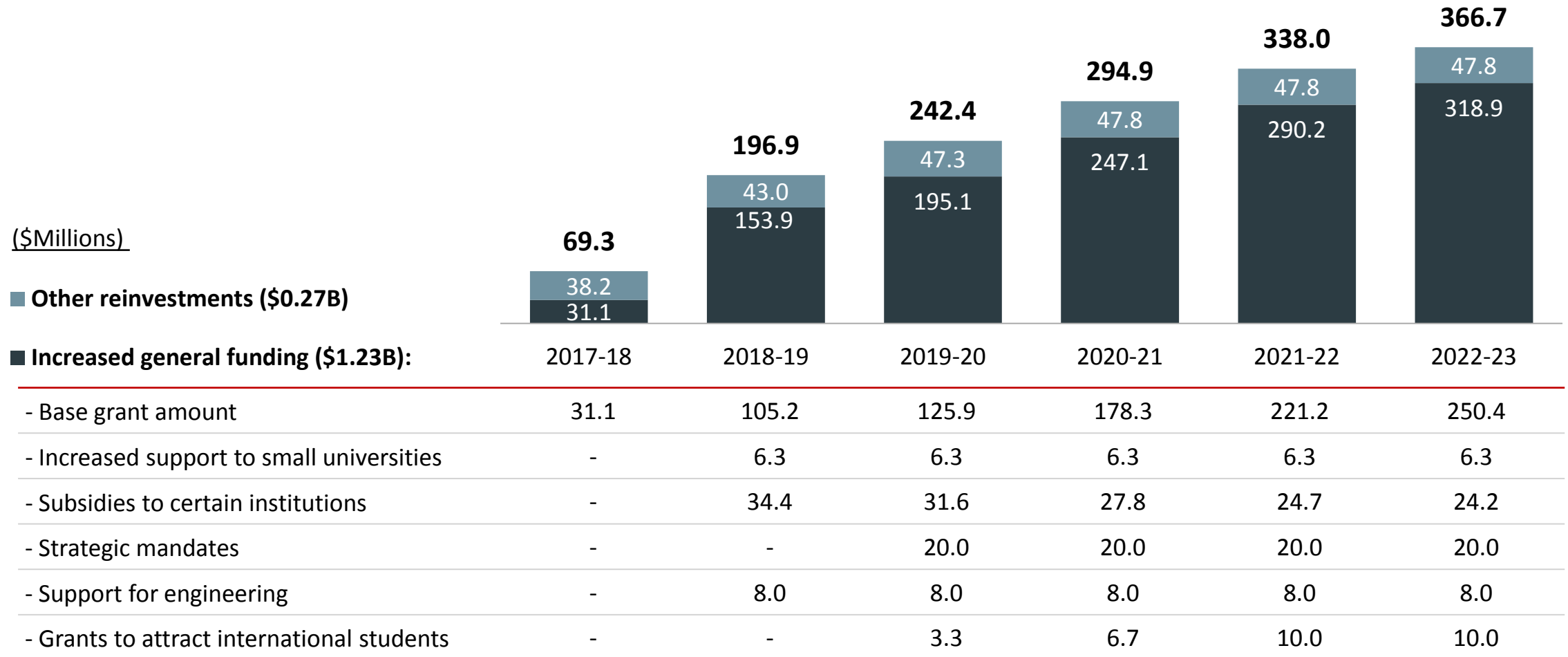
- ▶ Undergraduate fall 2018 enrolment (headcount) surpassed target by 187 (0.8%)
 - ▶ Enrolment for deregulated programs was 248 over target (11.0%)
 - ▶ Enrolment for regulated programs was 61 below target (0.2%)
- ▶ Graduate annual new registrations estimated at 105 over target (3.5%)
- ▶ Will result in higher than budgeted tuition and fees

▶ **Sales of Goods and Services**

- ▶ Anticipated increase based on trends and unit expectations to date

FY2019 Budget November Update: Distribution of government reinvestment

► Reinvestment in the university network of \$1.5B over 6 years



FY2019 Budget November Update: Ministry estimate of impact over five years

<u>\$ Millions</u>	2016-17 operating grant	<u>Estimated annual impact of revised funding policy and reinvestment (\$1.23B)</u>						2022-23 estimated operating grant ⁽¹⁾	Increase over 2016-17
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23		
Bishop's	24.9	0.3	1.5	2.3	3.0	3.8	4.5	29.4	18.1%
Concordia	245	3.2	15.4	21.7	24.6	26.5	29.5	274.5	12.0%
Laval	430.3	4.7	22.9	27.0	35.8	42.7	47.1	477.4	10.9%
McGill	326.2	4.6	15.6	18.7	21.8	26.4	30.5	356.7	9.4%
Montréal	507.5	5.6	31.0	39.6	51.9	61.1	66.5	574.0	13.1%
HEC Montréal	77.7	0.8	3.3	4.5	6.6	8.3	9.1	86.8	11.7%
Polytechnique	93.9	1.0	4.2	5.1	7.0	7.4	7.4	101.3	7.9%
Sherbrooke	264	2.8	11.4	13.9	17.1	21.1	23.7	287.7	9.0%
Université du Québec	853.9	8.1	48.6	62.3	79.3	92.9	100.6	954.5	11.8%
Total for the university network	2,823.4	31.1	153.9	195.1	247.1	290.2	318.9	3,142.3	11.3%

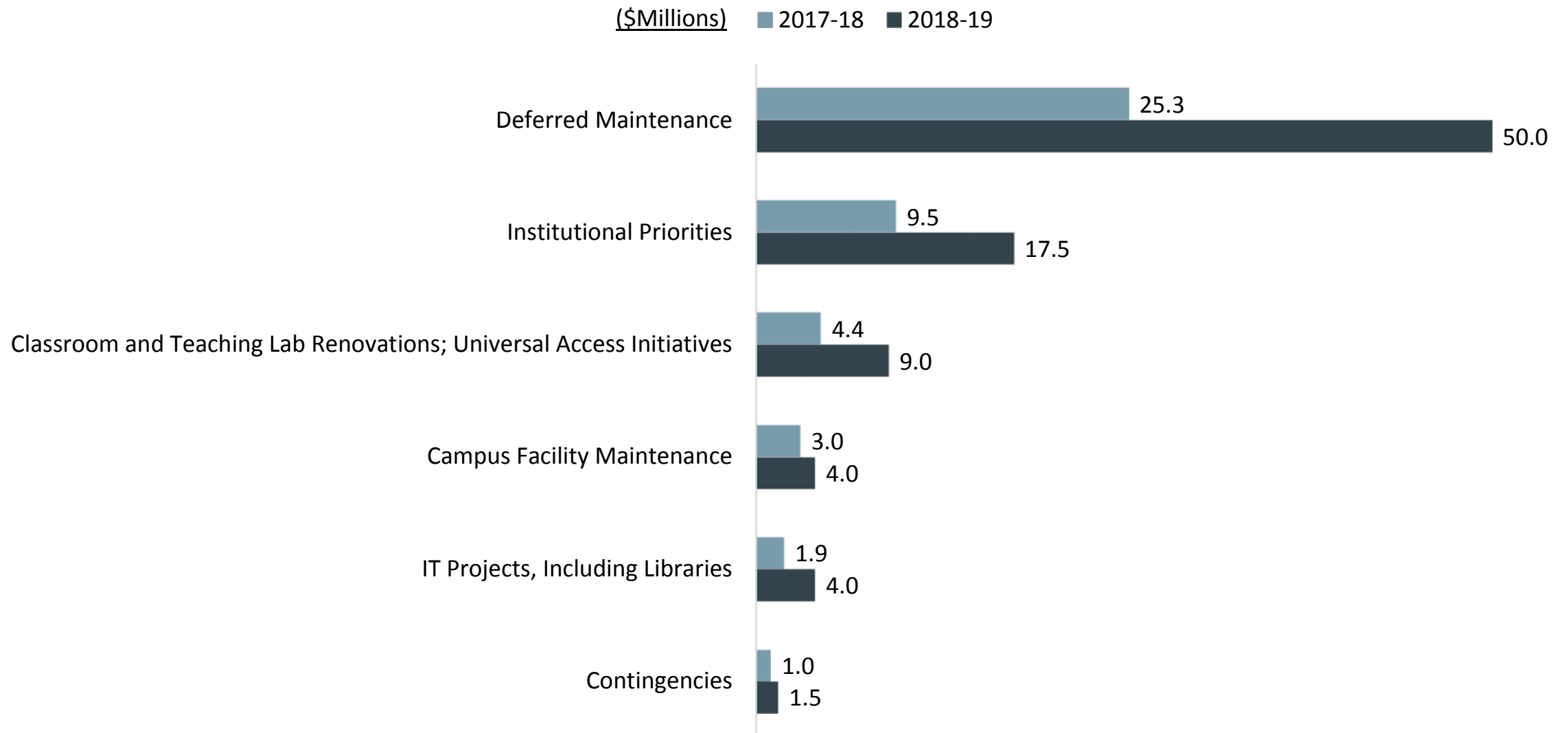
(1) Holding enrolment constant at 2016-17 levels


FY2019 Budget November Update: Sources of Variance (cont'd)

▶ **Variance in Expenses (compared to approved budget):**

- ▶ Tenure-Track Salary Expenditures (initial budget is 100% of salary; leaves/departures reduce the overall cost)
- ▶ Increased Other Academic Salaries & Payments (offsets, in part, Tenure-Track savings above)
- ▶ Increased Support Staff Salaries and Payments
- ▶ Increased Materials, Supplies and Publications
- ▶ Increased Contract Services
- ▶ Decreased Other Non-Salary Expenses (funds are often set aside here, but spent in the other categories noted above)

FY2019 Budget November Update: New capital allocation





Revenue: Estimate constraints and revenue drivers

Timeline for Analysis, Planning, and Budget (APB) FY2019 Revenue Projections

FY2019 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)	CAFF Weights for Teaching Grant
Nov/Dec 2017	Enrolment plans for BY19 prepared following ES/Dean GPS meetings with Deans	targets	targets	targets	assumption	assumption	assumption	assumption	validation with Ministry
Jan 31, 2018 (FY18 Q3)	FY18 tuition collection estimates stabilize (Required input for FY19 tuition projections)	targets	targets	targets	assumption	assumption	assumption	assumption	validation with Ministry
February 2018	Institut de la Statistique du Québec and Statistics Canada	targets	targets	targets	assumption	assumption	assumption	assumption	validation with Ministry
March 15, 2018	<i>Indexation des droits de scolarité des étudiants étrangers et canadiens non-résidents du Québec pour l'année universitaire 2018-2019</i>	targets	targets	targets	confirmed	confirmed	assumption	assumption	validation with Ministry
FY2019 Budget Finalized									
May 25, 2018	<i>Orientations Budgétaires</i>	targets	targets	targets	confirmed	confirmed	confirmed	confirmed	confirmed
July 2018	<i>Règles Budgétaires</i>	targets	targets	targets	confirmed	confirmed	confirmed	confirmed	confirmed
Oct 15, 2018	Fall census enrolment date	Enrolment actuals (FTEs estimated)	Enrolment actuals (FTEs estimated)	New registration actuals (winter new registrations & FTEs estimated)	confirmed	confirmed	confirmed	confirmed	confirmed
Oct 31, 2018 (FY19 Q2)	FY19 tuition collection estimates (high-level)	Preliminary FTEs available			confirmed	confirmed	confirmed	confirmed	confirmed
Jan 31, 2019 (FY19 Q3)	FY19 tuition collection estimates stabilize; preliminary FY19 FTE data available.				confirmed	confirmed	confirmed	confirmed	confirmed
Apr 30, 2019 (FY19 Q4)	FY19 tuition collection actuals; FY19 FTE data stabilizes.	FTEs stabilize (Ministry submissions for winter 2019 not yet final)			confirmed	confirmed	confirmed	confirmed	confirmed

FY2019 Revenue Lever: Overall enrolment & enrolment mix

Bachelors Enrolment (Headcounts)

	FY2019			Variance
	(Fall 2018)	Targets ⁽¹⁾	Actuals	
Regulated programs		22,195	22,134	-61
Deregulated programs ⁽²⁾		2,248	2,496	248
Total Bachelors Enrolment		24,443	24,630	187

Graduate New Registrations (Headcounts - Annualized)

	FY2019			Variance
	(Fiscal Year)	Targets	Actuals (p)	
Total Masters		2,304	2,414	110
Masters Non-Thesis (excl. Management)		1,313	1,375	62
Masters Thesis		991	1,039	48
Doctoral		753	748	-5
Total Graduate New Admits		3,057	3,162	105

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

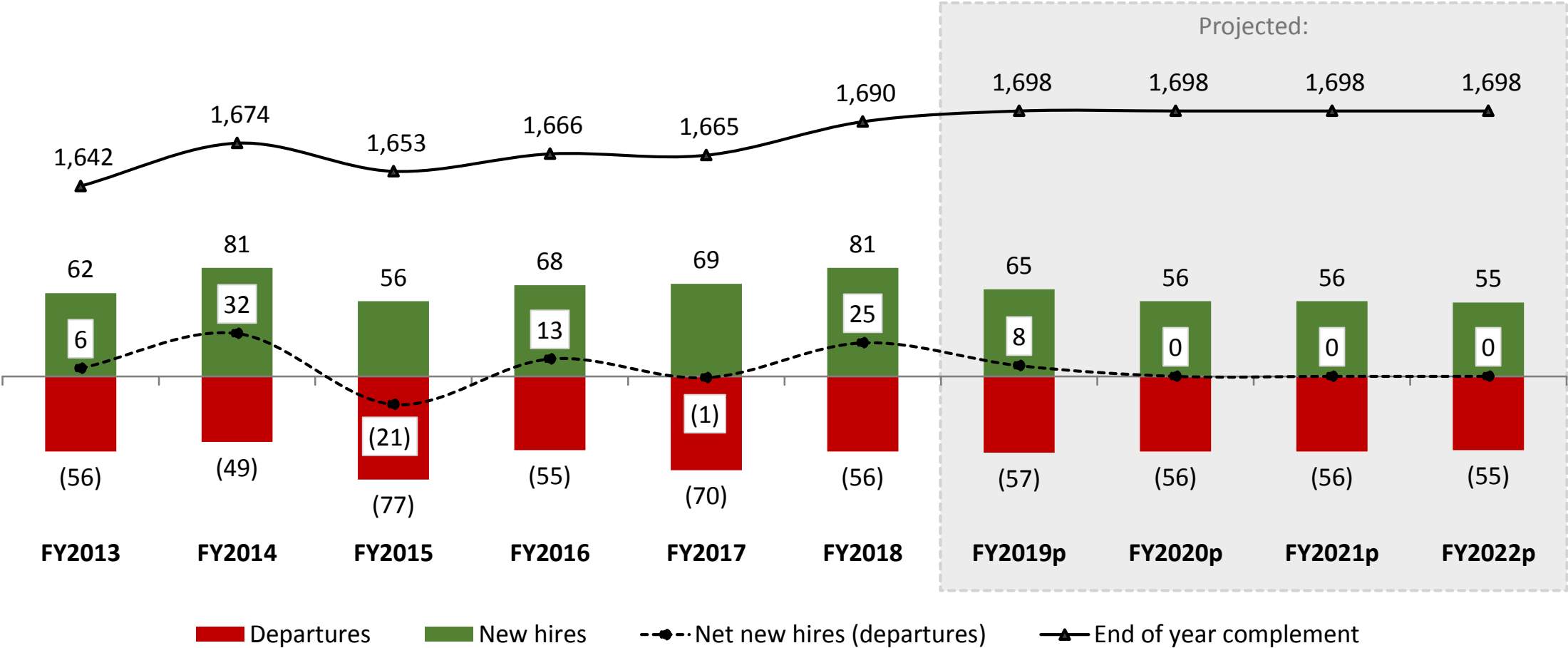
⁽²⁾ Deregulated enrolment actuals are an estimate based on students enrolled in deregulated programs, paying international fees, and who are not Canadian citizens, Permanent Residents, or French citizens. Newly admitted students have until the end of the first term to provide proof of citizenship/residency, and thus the number of those considered to be deregulated may decrease slightly from what is shown here.

(p) projected: FY2019 new registrations to graduate programs are projected based on the sum of Summer/Fall 2018 new registrations as at October 15 census and Winter 2019 confirmations as at October 25.

Expense drivers

Expense Lever: Academic Staff (and Benefits)

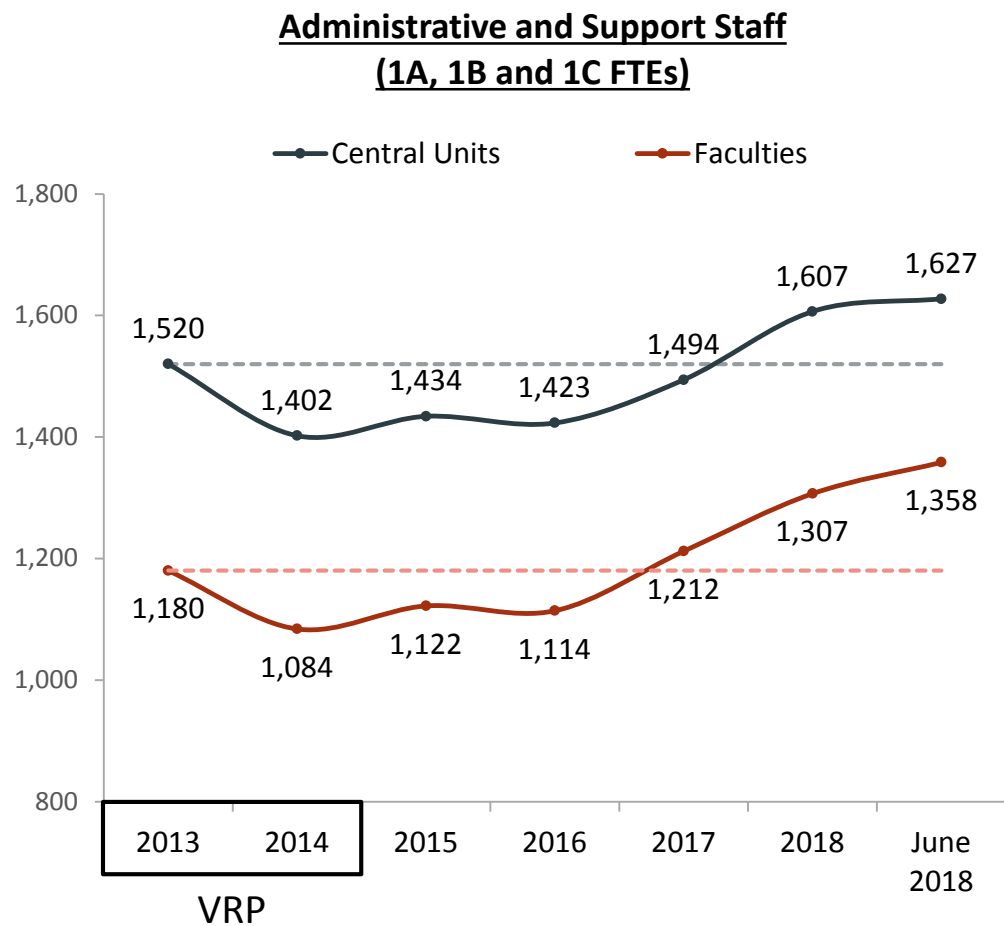
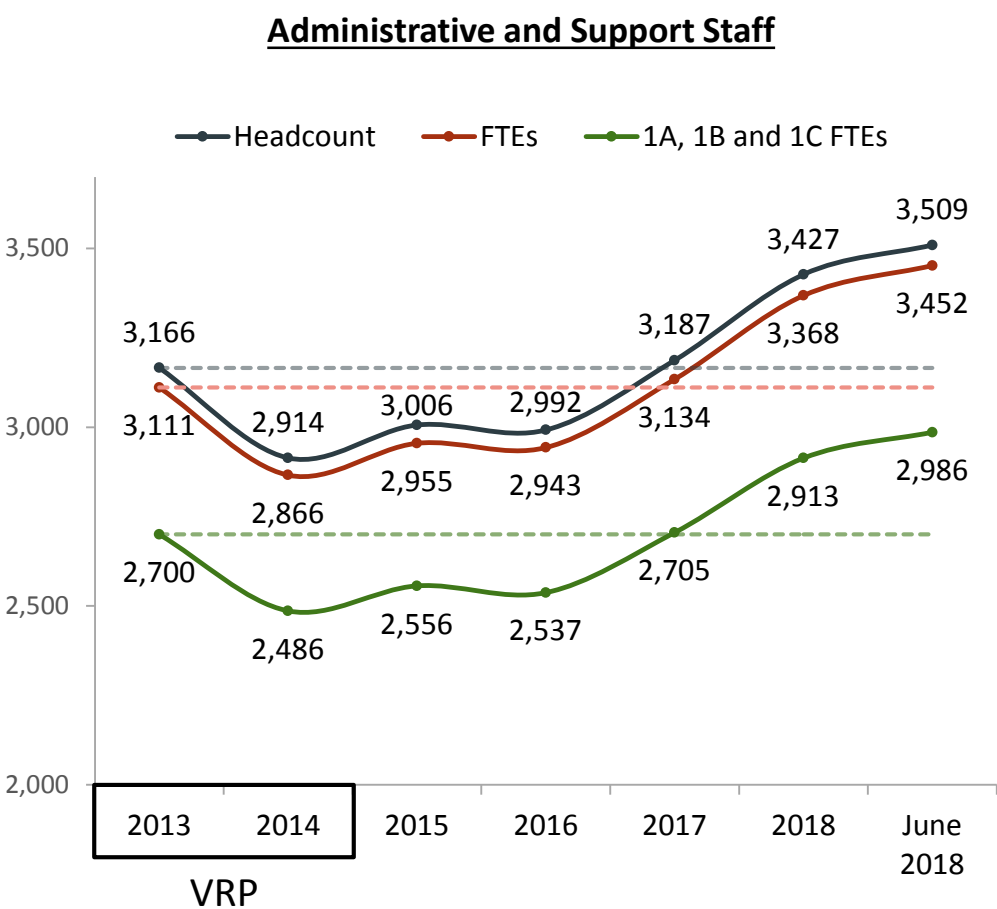
Tenured and Tenure-Track Faculty: Net new hires (departures) and end-of-year complement



p=projected

Note: Excludes librarians

Expense Lever: Administrative and Support Staff (and Benefits)



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

Uncertainties and Risks for FY2019 and onwards: McGill-controlled

▶ **McGill-controlled:**

- ▶ Managing to overall, as well as newly self-financed, enrolment targets
- ▶ Graduate enrolment increases in keeping with our mission as a research university
- ▶ R2R and administrative and support staff position control
- ▶ Bicentennial campaign impact on operating budget
- ▶ Bond payback planning
- ▶ New building projects and their impact on the unrestricted budget
- ▶ New space and its impact on the unrestricted budget
- ▶ New program development coherence and accountability
- ▶ Incremental allocations

Uncertainties and Risks for FY2019 and onwards: Developing position control

- ▶ **In progress**
 - ▶ Working with HR
 - ▶ Monthly progress reported to Budget Working Group

- ▶ **Each permanent position will need to have a permanent budget**
 - ▶ Any excess or shortfall will be isolated in a contingency account within each unit, making it easier to identify the funds available for proposed new hires

- ▶ **New positions will be reviewed for funding prior to posting**
 - ▶ Does the unit have a permanent salary contingency amount sufficient to cover the salary for this position?
 - ▶ Was this area balanced (or in a surplus position) in the last fiscal year?
 - ▶ Is the area forecasting a surplus in the current year sufficient to cover the additional cost?

Uncertainties and Risks for FY2019 and onwards: Ministry-controlled and Macro

▶ **Ministry-controlled:**

- ▶ Stability of government commitments; self-financing of first-cycle and second-cycle non-research international students to begin in fall 2019
 - ▶ No indication from the Ministry about how this element of the new funding policy will be implemented
 - ▶ Possible impacts of this element of the new funding policy on our capital grant
- ▶ New building projects
- ▶ Unfunded mandates (e.g., deferred maintenance audits mandated by the Ministry)

▶ **Macro:**

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

? Questions

? Comments

