



Memorandum

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TO: Senate

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

SUBJECT: Budget Planning FY2017-2018: Report II

DATE: March 22, 2017

DOCUMENT #: D16-44

ACTION REQUIRED: INFORMATION APPROVAL/DECISION

ISSUE	The Budget Planning FY2017-2018 Report II is presented for Senate’s information.
BACKGROUND & RATIONALE	This is the second of three annual presentations that was made to the Finance Committee on the McGill University budget. The final presentation, which will accompany the release of the McGill University Budget Book, will be delivered to Finance Committee in April. We present this advance look at our forecasts for FY2018 to the members of Senate for their information and input.
PRIOR CONSULTATION	Finance Committee and Executive Committee of the Board of Governors.
SUSTAINABILITY CONSIDERATIONS	The FY2018 Budget plan includes support of sustainability research and practice on campus.
IMPACT OF DECISION AND NEXT STEPS	<p>After review by Senate, the key messages and issues identified in this presentation will frame the McGill University Budget Book.</p> <p>The McGill University Budget will be presented to Senate on April 20, 2017 for information and to the Finance Committee of the Board of Governors on April 25, 2017 for approval and recommendation to Board of Governors.</p> <p>It will be presented to the Board of Governors for approval on April 27, 2017.</p>
MOTION OR RESOLUTION FOR APPROVAL	N/A
APPENDICES	Appendix A: Budget Planning 2017-2018: Report II - powerpoint presentation

DRAFT

D16-44 Appendix A

Budget Planning II

FY2018 Budget and Outlook for FY2019-FY2022

Presentation to Senate

March 22, 2017

Prof. Christopher Manfredi
Provost and VP (Academic)



McGill

Safe Harbour Statement

- This presentation represents the status of our revenue and expense modeling as of February 9th, 2017.
- At this early point, the revenue estimates are solidifying.
- The expense estimates are still very much in flux and many key elements for modeling have just been received.
- New versions of this presentation will be prepared as the current reality requires.

1. Initial forecast for FY2017: Better position than original projection

Summary of variances against original forecast	
Annual financed operating surplus/(deficit) forecast for FY2017 (FY2017 Budget Book: April 2016)	(\$2.7M)
Anticipated major operating budget variances for FY2017	
1. Sales of goods & services (indexing would have suggested growth)	\$0.0M ↓ Rev
2. Higher than anticipated tuition (including deregulated tuition)	\$3.5M ↑ Rev
3. Research Support Fund (Federal Grant)	\$3.0M ↑ Rev
4. Quebec Grant	\$2.6M ↑ Rev
5. Deferred maintenance bond interest and capital repayments	\$5.3M ↓ Exp
6. Pay Equity	\$3.2M ↓ Exp
7. Foreign Exchange Gain	(\$1.5M) ↓ Rev
8. MNH Space Maintenance	(\$4.1M) ↑ Exp
9. Additional net allocations (incl. \$4.8M for FMAS)	(\$9.4M) ↑ Exp
Updated annual financed operating surplus/(deficit) forecast	
	Balance

2a. Looking ahead FY2018 – FY2022: Revenues

1. Government has announced some reinvestment in education, but very little coming to universities
 - a) *Plan d'action pour la réussite*: \$2.63M per year for 3 years to McGill starting in FY17
 - b) Additional \$3.9M to the entire réseau in FY17 as part of the *Mise à jour économique* of November 2016; likely \$507K to McGill
2. Little progress on the MEES Funding Workgroups (stemming from Tremblay-Roy recommendations)
 - a) No reinvestment on the horizon
 - b) Academic classification system revision nearly completed
 - c) New funding grid development stalled
 - d) No changes signaled related to tuition deregulation
3. Little growth forecast in McGill's enrolment targets, but government commits to providing funding for every FTE

2b. Looking ahead FY2018 – FY2022: Expenses

1. Invest in top priorities
 - a) Principal's priorities
 - b) Provost's strategic academic plan elements
 - c) Recommendations from Provost's Task Force on Indigenous Studies and Indigenous Education
2. Interest expense, rate lock and earnings on invested amounts on deferred maintenance bond issuance now recorded in plant fund
3. Academic renewal priority and related tenure-track complement objectives to be updated
4. No added budget measures beyond those planned in FY2016 Budget Book
5. A lightening of the Admin & Support Staff budget measure
6. Gradual drawdown of carry-forwards, subject to prior approval of plans

3a. FY2018 McGill budget model assumptions: increases in enrolment driven revenues

Targets / Projections	FY2018	Cumul. FY2018-22
Teaching grant growth	\$3.9M	\$29.2M
De-regulated tuition growth (net of student aid)	\$4.3M	\$17.3M
Support grant growth	\$0.8M	\$5.3M
Regulated tuition growth (net of supplements and student aid)	\$0.8M	\$6.4M
“Frais institutionnels obligatoires” (FIOs) growth	\$0.9M	\$5.9M

3b. FY2018 McGill budget model assumptions: increases in expenses

Targets / Projections	FY2018	Cumul. FY2018-22
Salary policy growth	\$16.3M	\$72.4M
Building Occupancy & Energy Costs growth	\$5.0M	\$8.0M
Student Support growth	\$0.7M	\$3.5M
Initiatives associated to indigenous peoples projects	\$0.5M	\$2.3M
Deferred Maintenance capital repayments growth	\$0.0M	\$12.2M

4. Operating Budget Outlook (\$M): Preliminary

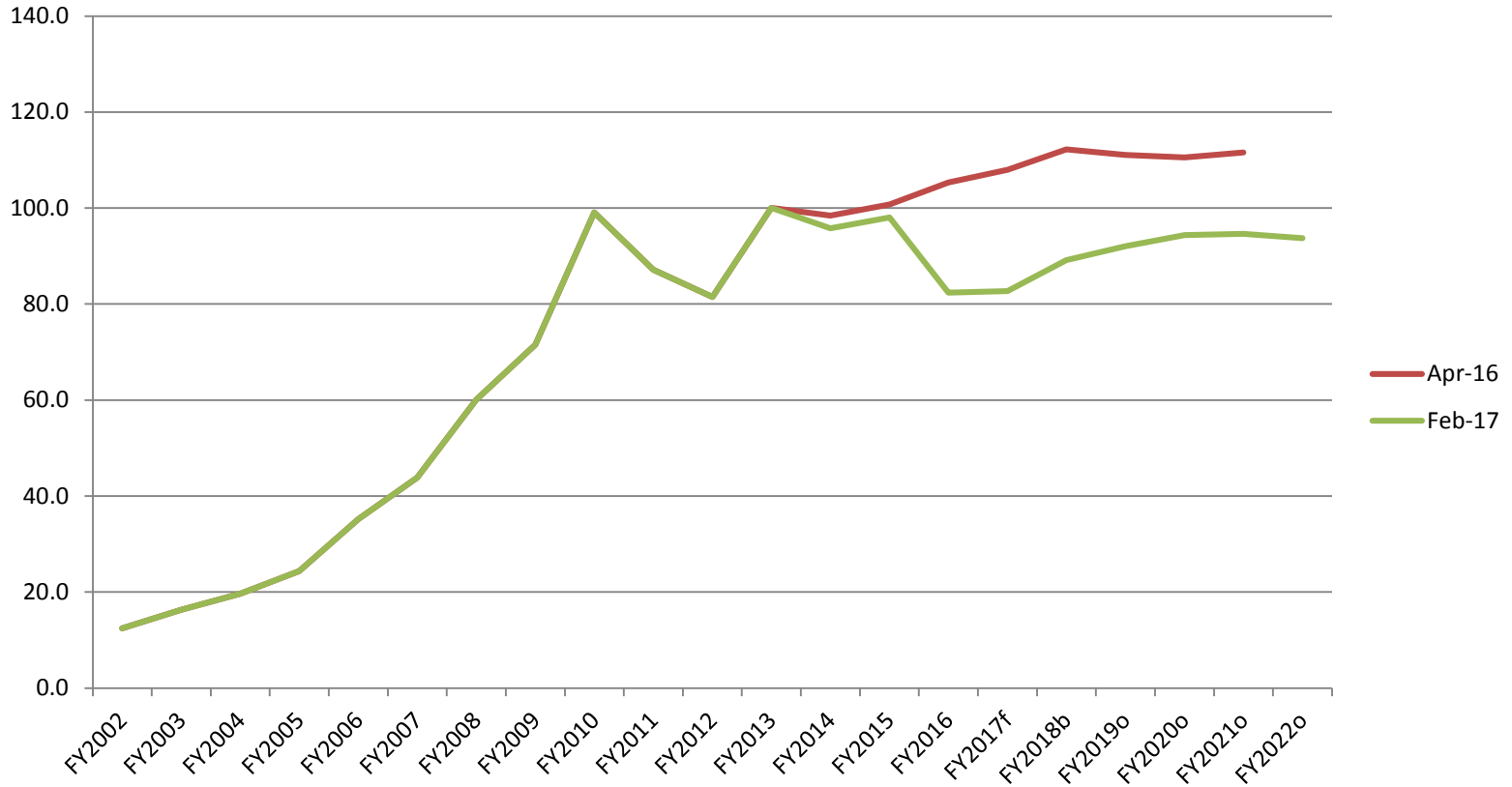
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5-year outlook	FY17 Budget	FY17 Forecast	FY18 Budget	FY19 Proj.	FY20 Proj.	FY21 Proj.	FY22 Proj.
Total Revenues ⁽¹⁾	795.6	807.1	812.2	827.0	848.3	871.7	891.1
Total Expenses ⁽²⁾	798.2	807.5	818.6	829.9	850.6	871.9	890.2
Annual Financed Surplus (Deficit)	(2.7)	(0.4)	(6.4)	(2.9)	(2.3)	(0.2)	0.9
financed accumulated deficit		(82.7)	(89.1)	(92.0)	(94.4)	(94.6)	(93.7)
Fin accum. def / revenues %		10.25%	10.97%	11.13%	11.13%	10.85%	10.52%

⁽¹⁾Net of Reserves

⁽²⁾Excluding GAAP adjustments

5. Operating fund: Financed accumulated deficit (\$M)



6a. Projected McGill capital allocations from the capital budget FY2017 (\$M)

Institutional Priorities	\$ 4.0
Faculty Allocations	
\$2.0M Faculty Capital Base Allocations	\$ 3.9
\$1.9M for capital start-ups	
Admin and Support Services Capital Base Allocations	\$ 0.9
Campus Facility Maintenance	\$ 3.0
IT Projects (incl. Libraries)	\$ 1.9
Classroom and teaching lab renovations and universal access projects, managed by working groups.	\$ 4.4
Deferred Maintenance to address the backlog	\$ 26.9
Contingencies	\$ 1.0
TOTAL for FY2017	\$ 46.0

6b. Current deferred maintenance bond capital, interest, rate lock and amortization fund interest plan (\$M)

	FY17	FY18	FY19	FY20	FY21	FY22
TOTAL OUTFLOW	(13.86)	(5.93)	(11.22)	(35.71)	(41.20)	(41.10)
Capital Payment ⁽¹⁾	0	0	0	(22.1)	(27.0)	(27.0)
Interest payment ⁽²⁾	(6.36)	(6.36)	(11.33)	(14.20)	(14.20)	(14.20)
Rate lock (M to M) ⁽²⁾⁽³⁾	(8.80)	0	0	0	0	0
Interest earned ⁽²⁾	1.30	1.10	0.68	0.59	0	0.10
Expenses ⁽²⁾⁽⁴⁾	0	(0.67)	(0.57)	0	0	0

⁽¹⁾Operating fund

⁽²⁾Plant fund

⁽³⁾ FY17 is realized to December 31, 2016; Unrealized gain at Jan 31, 2017 of \$7.4M

⁽⁴⁾ Expenses consist of syndication, legal and rating agency fees associated with planned issuance



Discussion

Comments?

Questions?

Concerns?

Suggestions?