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McGILL UNIVERSITY **SENATE**

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:	Budget Planning 2016-17 Report II
DATE:	February 17, 2016
DOCUMENT #:	D15-34
ACTION REQUIRED:	☒ INFORMATION ☐ APPROVAL/DECISION

ISSUE	The Budget Planning 2016-17 Report II is presented for Senate's information.
BACKGROUND & RATIONALE	This is the second of three annual presentations to the University community on the McGill University budget. The first presentation was delivered on November 18, 2015. The final presentation, which will accompany the release of the McGill University Budget Book, will be delivered in April. This presentation provides forecasts for the FY2017 to members of Senate for their information and input.
PRIOR CONSULTATION	Finance Committee of the Board of Governors Board of Governors
SUSTAINABILITY CONSIDERATIONS	The budget includes several allocations for sustainability initiatives.
IMPACT OF DECISION AND NEXT STEPS	After review by Senate, the key messages and issues identified in this presentation will frame the McGill University Budget Book. The McGill University Budget will be delivered to Senate on April 20, 2016, and to the Board of Governors on April 21, 2016.
MOTION OR RESOLUTION FOR APPROVAL	N/A
APPENDICES	Appendix A: Budget Planning 2016-17 Report II (Powerpoint Presentation)

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Budget Planning II

FY2017 Budget and Outlook for FY2018-FY2021

Presentation to Senate

17 February 2016

Prof. Christopher Manfredi
Provost and VP (Academic)

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1. Forecast for FY2016: possible deficit of $10.2M compared to budgeted $4.7M

Summary of variances against original budget	
Annual financed operating deficit budget for the FY2016 (FY2016 Budget Book: April 2015)	**($4.7M)**
Anticipated major operating budget variances for FY2016	
Gain from sale of land (Redpath)	**$20.6M**
Increased sale of goods and services	**$8.5M**
Foreign exchange gain	**$4.0M**
Reduced interest and bank charges	**$2.0M**
Added allocations / expenses reported since start of FY2016	**($8.2M)**
Deferred maintenance charges – (incl. bond forwards)	**($8.2M)**
Pay equity	**($7.0M)**
Lower than budgeted QC grant	**($5.5M)**
Lower than budgeted tuition revenues	**($3.2M)**
Additional pension plan contributions	**($2.6M)**
Reduction / Spend-down of carry-forwards	**TBD (est'd at approx. $6.0M)**
Updated annual financed operating deficit FY2016 projection	**($10.2M)**

2a. Looking ahead FY2017 – FY2021: Revenues

1. Potential for yet another MEESR cut in FY2017: estimated at $2M-$4M (no details yet available)

2. MEESR Funding Workgroups (stemming from Tremblay-Roy recommendations) have been largely inactive
   a) No clear signal of government reinvestment
   b) Some indication that changes in international and non-QC tuition policies may be possible (may result in increased revenues)

3. Enrolment strategy
   a) Limited overall enrolment growth; some recalibration of enrolment mix
   b) Recent decline in Canadian dollar has made international tuition more affordable – some indication that international applications have increased

2b. Looking ahead FY2017 – FY2021: Expenses

1. Need to continue investing in top priorities
2. Salary Policy commitments beyond FY2017 yet to be finalized for some employee groups
3. Higher costs than originally planned for deferred maintenance borrowing
4. Slow-down of academic renewal priority and related tenure-track complement objectives
5. No added cuts beyond those planned in FY2016 Budget Book (continuation across all Faculties and Administrative Units of cuts over next 5 years)
6. Management of faculty carry-forwards:
    a) Represents an additional liability of approximately $100M on the operating funds
    b) Revision of carry-forward policy under consideration

3a. Operating Budget: past, present and future outlook (preliminary draft) – Scenario 1 - $4M MEESR cut

5-year outlook (April 2015)	FY14a	FY15f	FY16b	FY17p	FY18p	FY19p	FY20p	
Total Revenues	759.9	773.7	764.2	782.1	805.6	824.3	849.1	
Total expenses (1)	755.6	769.4	768.9	788.0	805.5	836.9	854.7	
Annual financed surplus (deficit)	4.3	4.3	(4.7)	(5.9)	0.1	(12.6)	(5.6)	
Financed accumulated deficit	(95.8)	(91.5)	(96.2)	(102.1)	(102.0)	(114.6)	(120.2)	
5-year outlook (Jan 2016)	**FY14a**	**FY15a**	**FY16f**	**FY17b**	**FY18p**	**FY19p**	**FY20p**	**FY21p**
Total revenues		771.4	788.9	777.3	791.2	808.8	825.9	842.5
Total expenses (1)		773.7	799.0	787.7	797.0	815.9	822.9	836.9
Annual financed surplus (deficit)		(2.3)	(10.2)	(10.4)	(5.8)	(7.2)	2.9	5.7
Financed accumulated deficit	(95.8)	(98.1)	(108.3)	(118.7)	(124.5)	(131.7)	(128.8)	(123.1)
Fin accum. deficit / revenues %	12.61%	12.72%	13.73%	15.27%	15.74%	16.28%	15.60%	14.61%

(1) excluding “GAAP” adjustments

$M

Note: values rounded to nearest $0.1M

3b. Operating Budget: past, present and future outlook (preliminary draft) – Scenario 2 - $2M MEESR cut

5-year outlook (April 2015)	FY14a	FY15f	FY16b	FY17p	FY18p	FY19p	FY20p	
Total Revenues	759.9	773.7	764.2	782.1	805.6	824.3	849.1	
Total expenses (1)	755.6	769.4	768.9	788.0	805.5	836.9	854.7	
Annual financed surplus (deficit)	4.3	4.3	(4.7)	(5.9)	0.1	(12.6)	(5.6)	
Financed accumulated deficit	(95.8)	(91.5)	(96.2)	(102.1)	(102.0)	(114.6)	(120.2)	
5-year outlook (Jan 2016)	**FY14a**	**FY15a**	**FY16f**	**FY17b**	**FY18p**	**FY19p**	**FY20p**	**FY21p**
Total revenues		771.4	788.9	779.3	793.2	810.8	827.9	844.5
Total expenses (1)		773.7	799.0	787.7	797.0	815.9	822.9	836.9
Annual financed surplus (deficit)		(2.3)	(10.2)	(8.4)	(3.8)	(5.2)	4.9	7.7
Financed accumulated deficit	(95.8)	(98.1)	(108.3)	(116.7)	(120.5)	(125.7)	(120.8)	(113.1)
Fin accum. deficit / revenues %	12.61%	12.72%	13.73%	14.97%	15.19%	15.50%	14.59%	13.39%

(1) excluding "GAAP" adjustments

$M

Note: values rounded to nearest $0.1M

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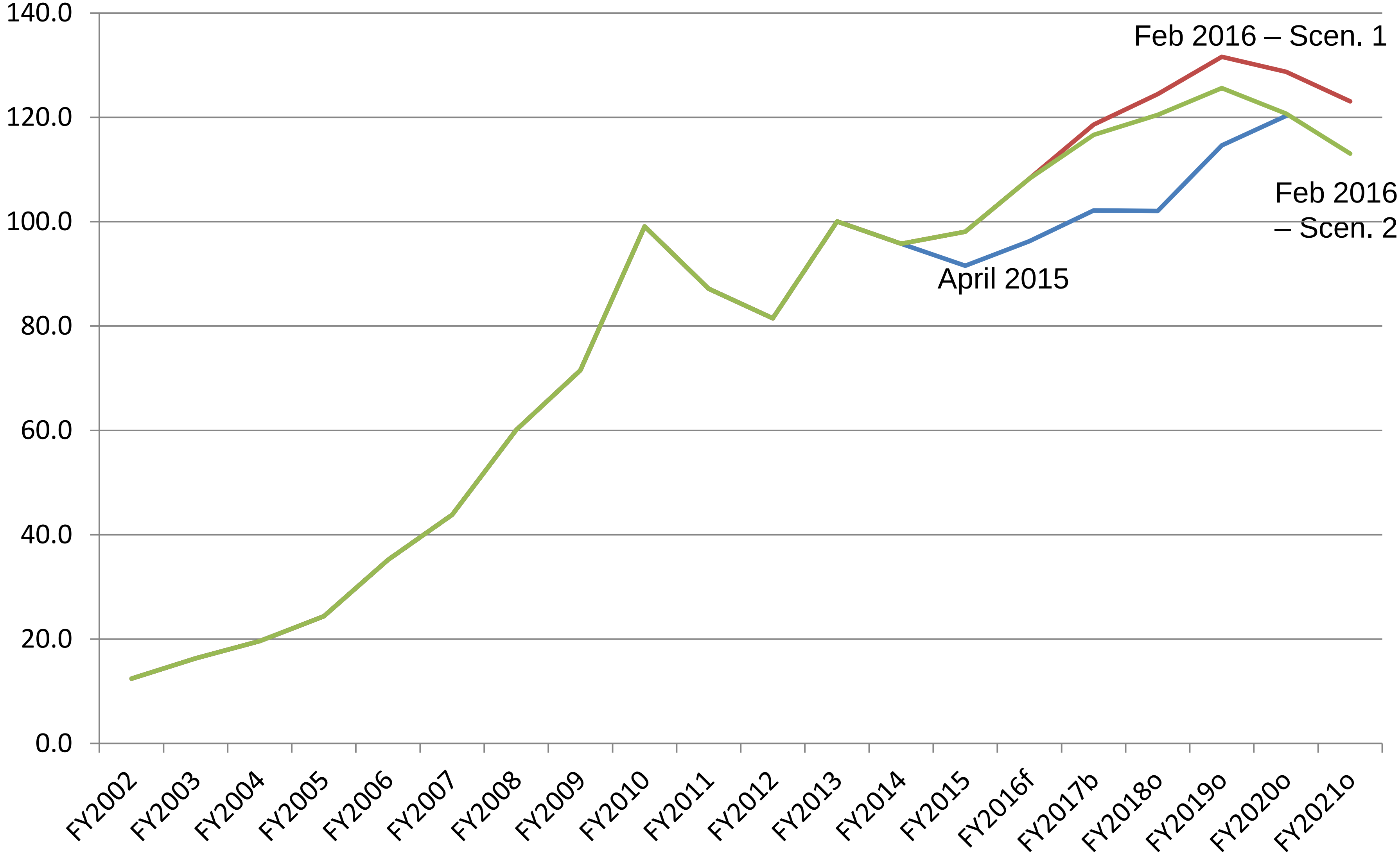
4. Operating fund: financed accumulated deficit



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5a. FY2017 McGill budget model assumptions: increases in enrolment driven revenues

targets / projections	FY2017	Cumul. FY2017-21
teaching grant growth	\$3.2M (1.1%)	\$25.7M (9.0%)
de-regulated tuition growth (net of student aid)	\$5.0M (9.6%)	\$15.8M (30.3%)
support grant growth	\$0.7M (1.4%)	\$4.2M (8.2%)
regulated tuition growth (net of supplements and student aid)	\$0.8M (1.4%)	\$5.3M (8.9%)
“frais institutionnels obligatoires” (FIOs) growth	\$0.4M (1.5%)	\$2.5M (8.9%)

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5b. FY2016 McGill budget model assumptions: increases in other major revenue sources

targets / projections	FY2017	Cumul. FY2017-21
facilities and buildings	$9.5M (20.3%)	$14.2M (30.2%)
provincial indirect costs of research*	-$8.0M (-100%)	-$8.0M (-100%)
sales of goods and services	$2.6M (2%)	$13.5M (10.4%)
MEESR recoveries (increases in supplements and student aid contributions deducted from grant)	-$3.0M (3.1%)	-$15.0M (13.5%)

* The decline in indirect support is largely offset by increased support of facilities and buildings

Discussion