Budget 2010 (and beyond):

Key Considerations

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presentation to
Senate
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Update on MELS Funding

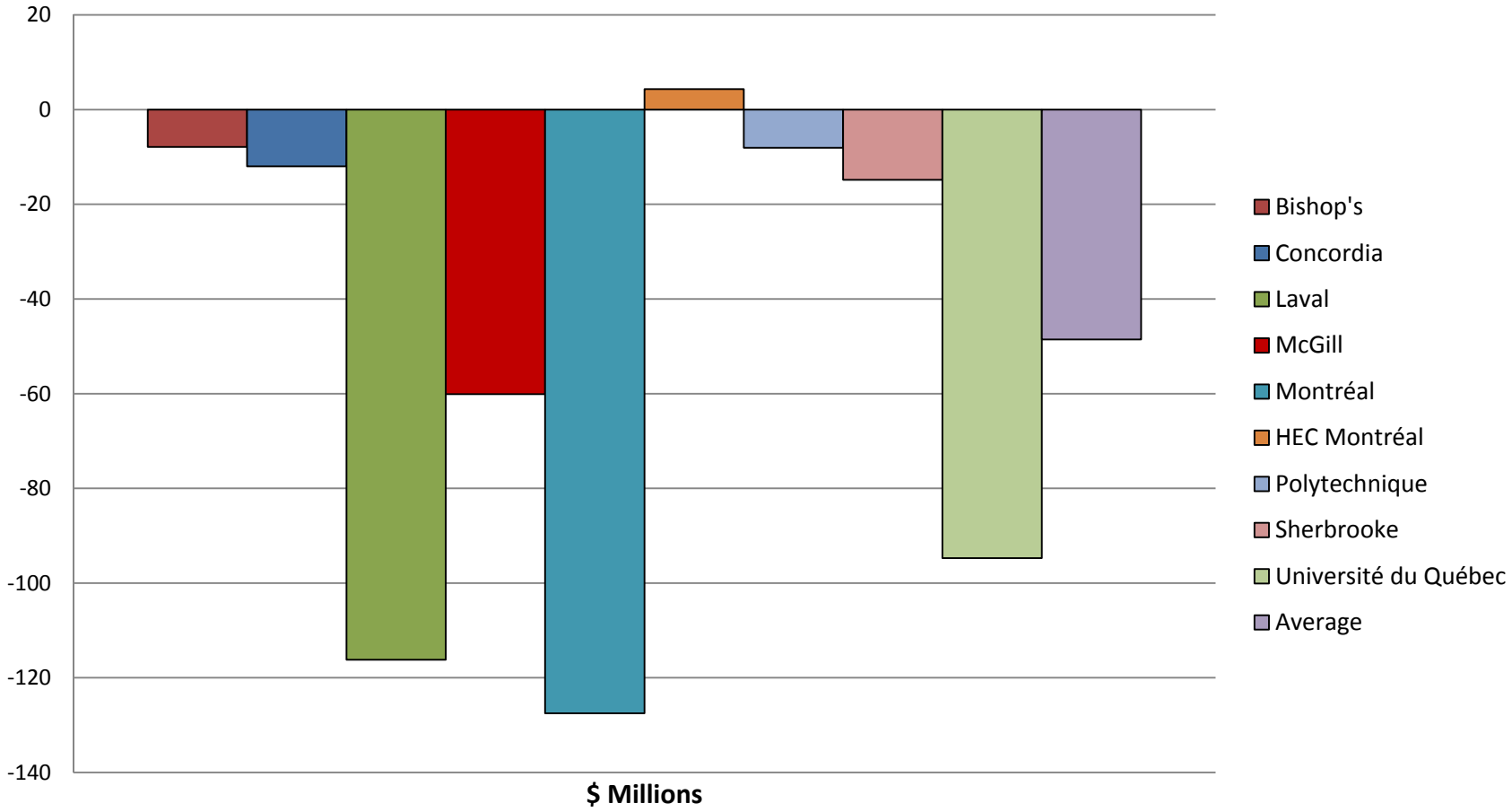
FY 2008 – FY 2009

- MELS FY08-09 funding slightly higher than original Budget projected, due to:
  - higher $/ WFTE than expected
    - $3,435/ WFTE vs budget of $3,291/ WFTE
  - accrual $ may be even higher
    - if actual Fall 2008 enrolment of Graduate students continues
  - but, expenses in 08-09 higher than expected
    - more complete picture by January 2009

Objectives and Mandates

1. build the future for McGill as a publicly-funded, research-intensive, student-centred university
   a) retain academic talent
   b) increase research quality and quantity
2. balance operating position to be achieved by FY11
   a) sustain investments made in last 5 years
   b) limit operating deficit to $ 10M (FY09); $ 5M (FY10); essentially balanced in FY11
3. strengthen McGill's national and international reputation

Quebec Universities' Accumulated Operating Deficit (May 2008)



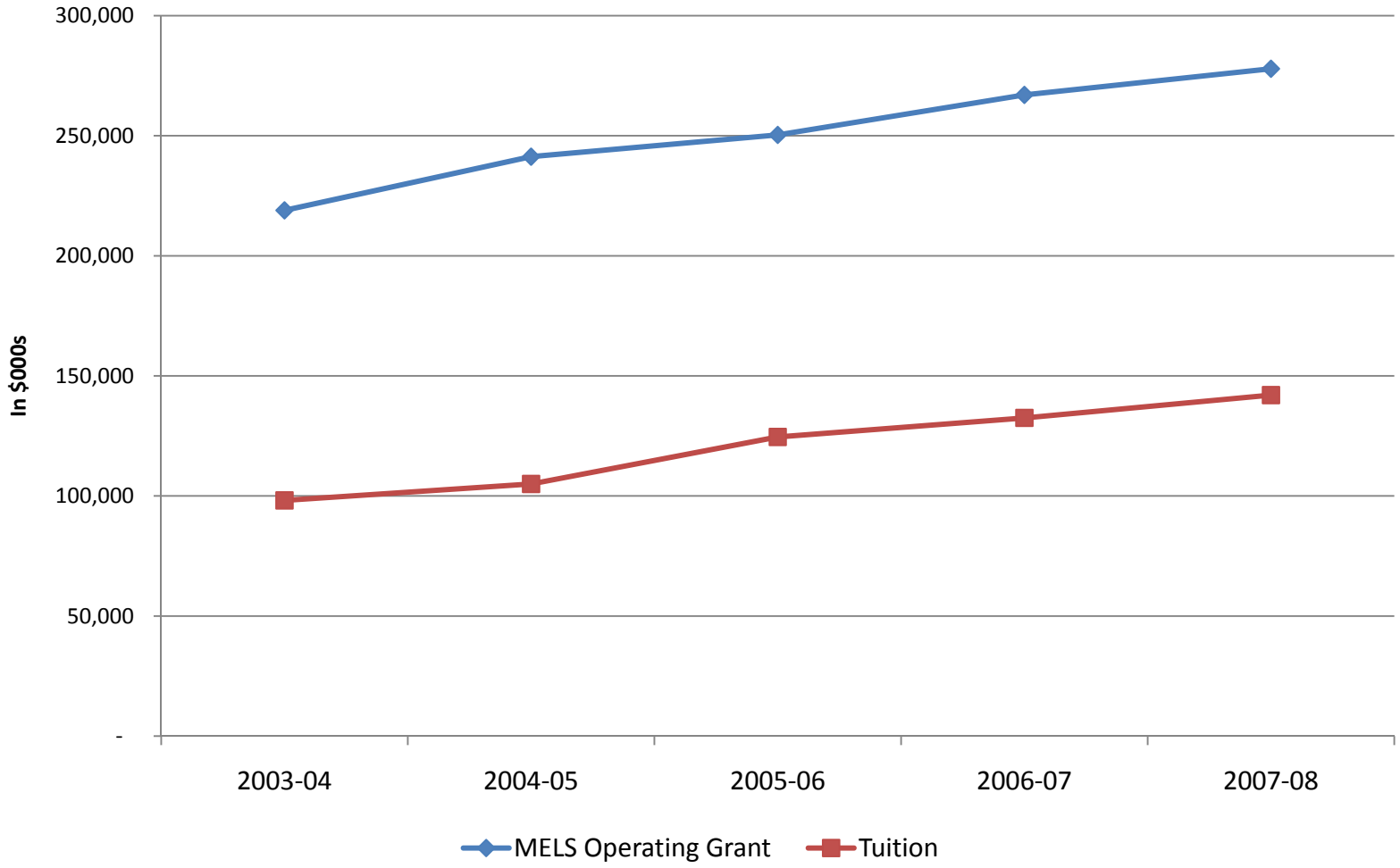
Revenue Growth

- tuition and MELS operating grant revenues have increased steadily for the last 5 years (*Graph 1a*)
- high growth in graduate FTEs in FY09
  - expect continued growth in graduates (*Graph 1b,1c*)
- modest increase in Bachelor students (*Graph 1d*)
- increased research activity has led to consistent and significant indirect cost recoveries from all sponsors (*Graph 1e*)

Graph 1a:

MELS operating grant and tuition revenues

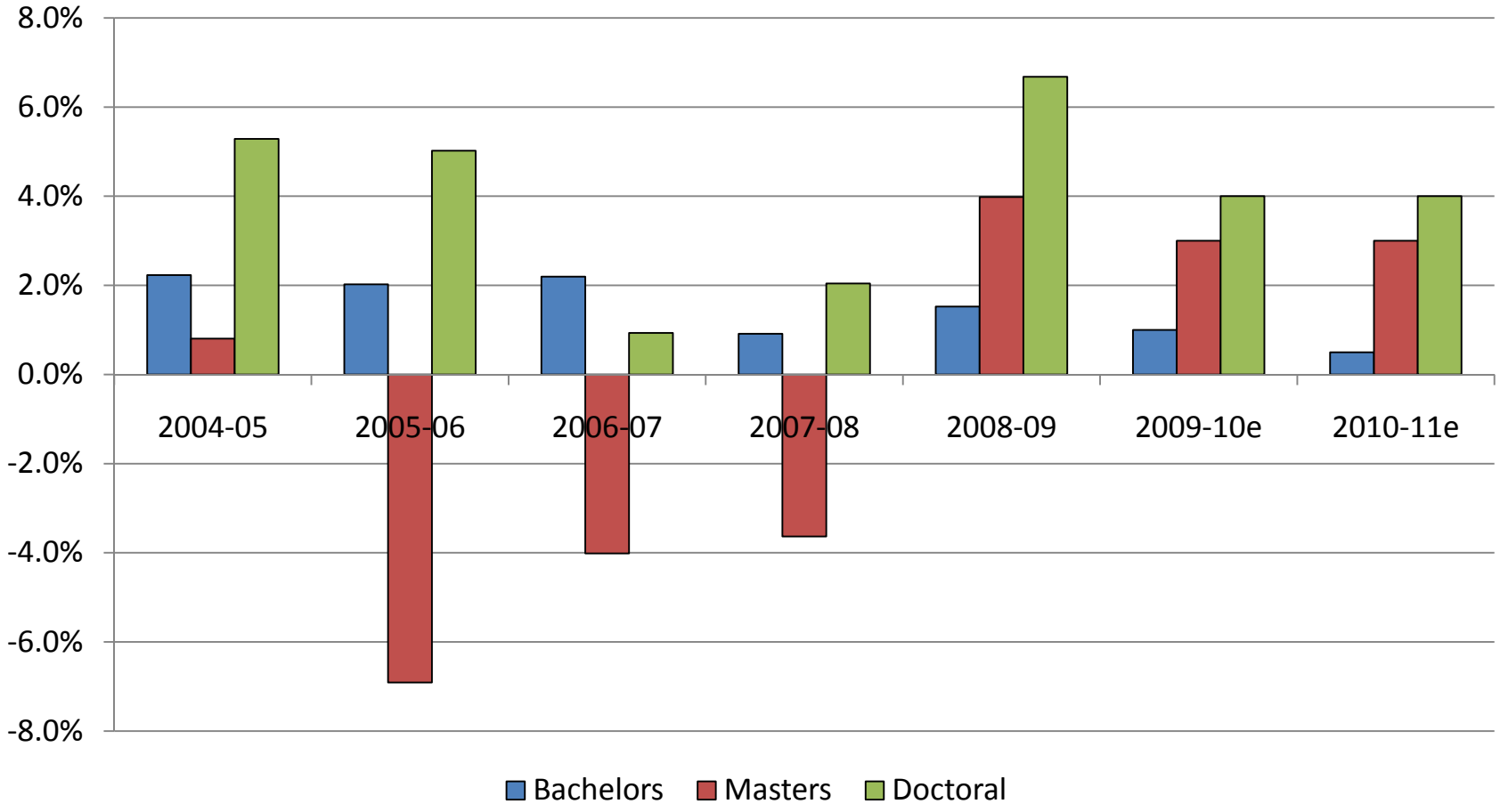
FY 2004 to FY 2008



Graph 1b:

FTE Student Enrolment (% change)

FY 2004 – FY 2011 (estimated)

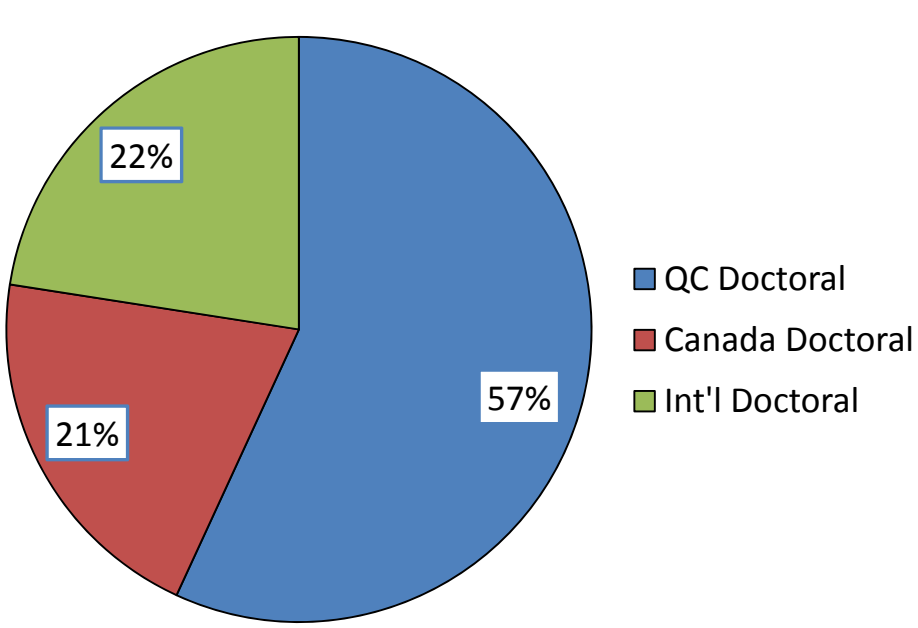


Graph 1c:

PhD increase in FY09 due primarily to international students

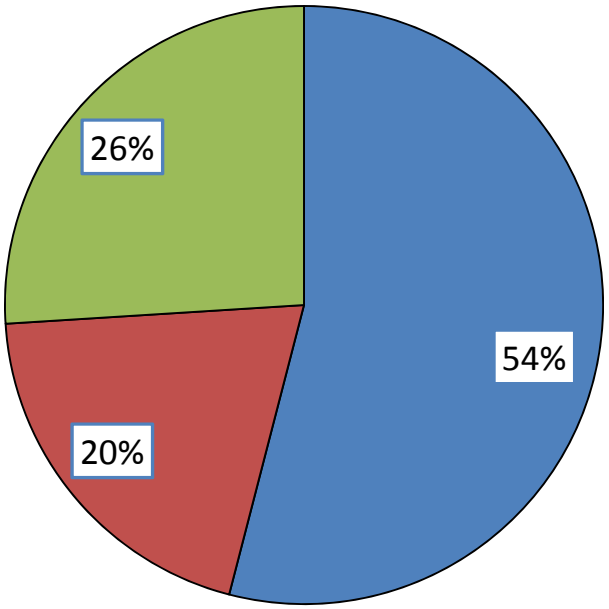
2007-08

2,650 Total PhD students



2008-09

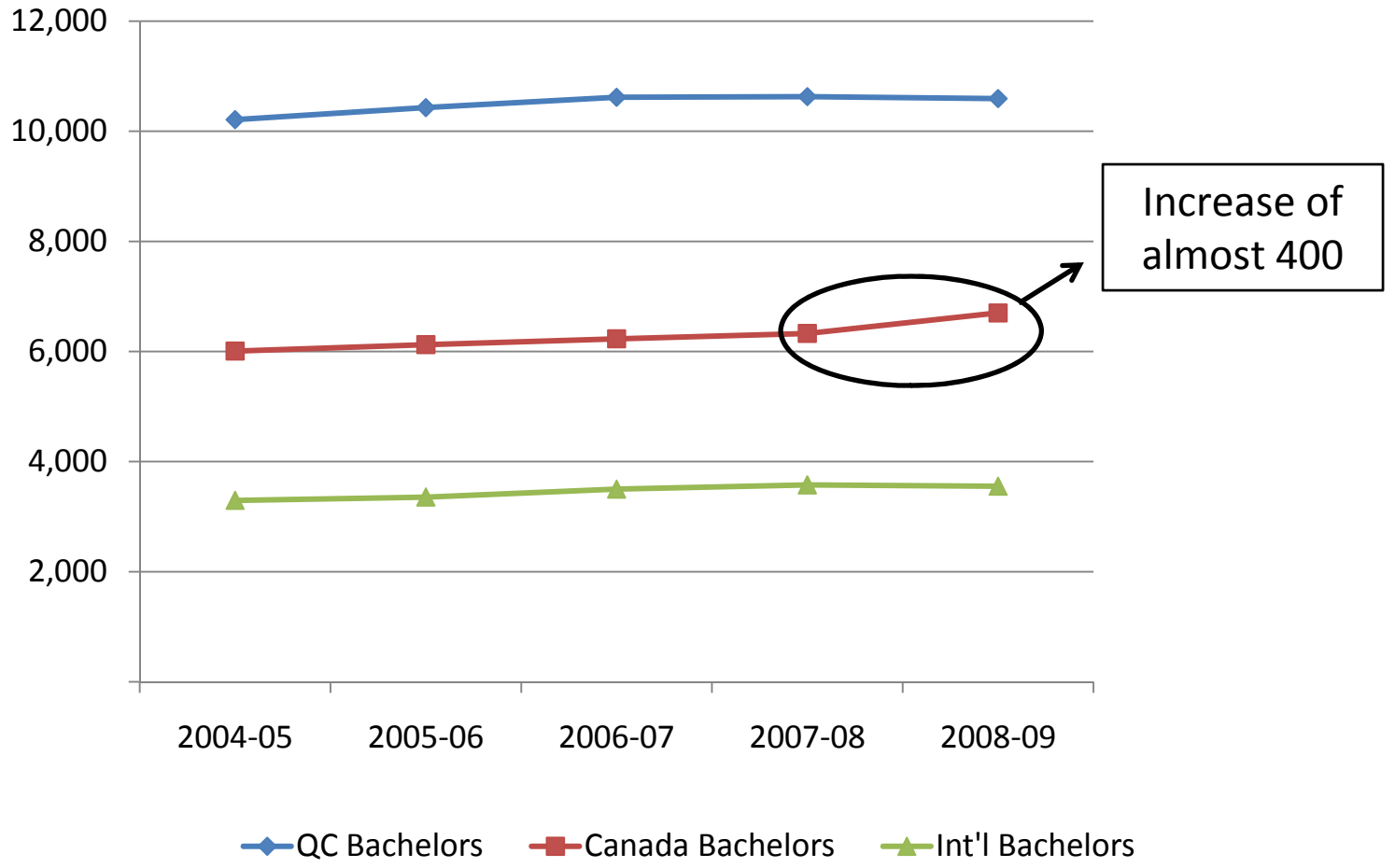
2,827 Total PhD students



Graph 1d:

Bachelors increase

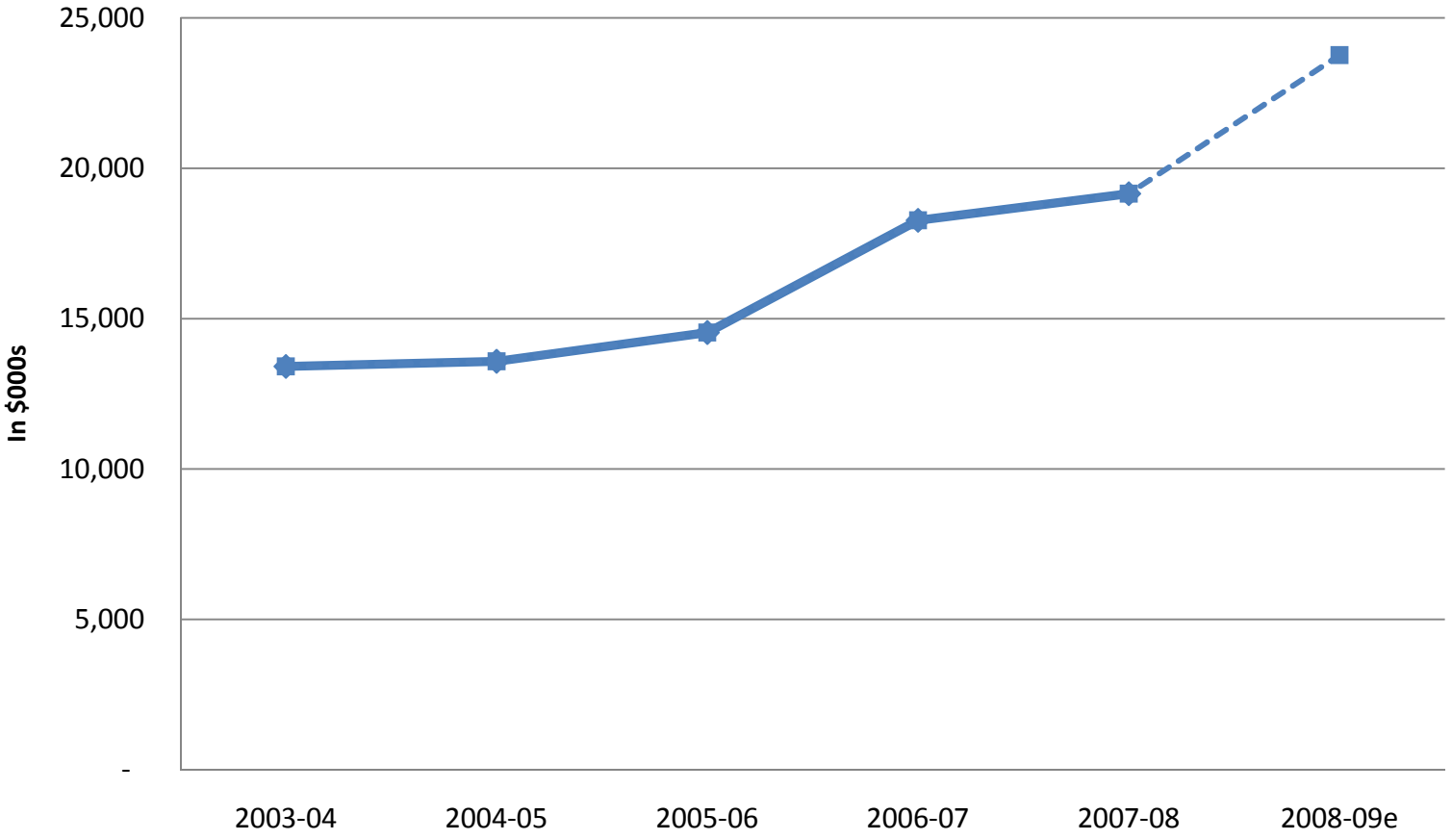
(primarily in Canadian students)



Graph 1e:

Federal Indirect Cost of Research

FY 2004 – FY 2008



Revenue Opportunities

- leverage growth in research graduate students (masters and doctoral); continued investment in aid required
- international fee liberalisation will provide growth in tuition revenues (*Table 1*)
  - six disciplines will gradually deregulate over the next five years
  - price sensitivity analysis underway
    - US and international applications are up, even with the Canadian dollar at parity
- strategic enrolment growth of academic programs in Faculties
- undertaking analyses of potential growth areas
  - summer studies at McGill
  - new vision and mission for continuing education at McGill

Table 1:

Re-regulation to de-regulation of International Undergraduate Fees in 6 Disciplines

Estimated Impact from Deregulation of 6 Disciplines (including Management, Law, Engineering, Science)

$ in (000s)

	FY09	FY10	FY11	FY12	FY13	FY14
Total Incremental Revenue						
Tuition increase (8% annually)[1]	$ 1,648	$ 2,382	$ 3,025	$ 3,893	$ 4,842	$ 5,880
Portion of Forfaitaire kept[2]		$ 3,208	$ 6,929	$ 11,122	$ 15,867	$ 21,222
Loss of MELS Teaching Grant[3]		$ (1,674)	$ (3,406)	$ (5,198)	$ (7,053)	$ (8,970)
less: 30% of net tuition increase to student aid	$ (494)	$ (715)	$ (907)	$ (1,168)	$ (1,453)	$ (1,764)
Net Incremental Revenue for Operations	**$ 1,153**	**$ 3,202**	**$ 5,641**	**$ 8,648**	**$ 12,204**	**$ 16,368**
Gradual loss of McGill premium:						
- no tuition increases non-6 disciplines [4]	$ (1,252)	$ (1,531)	$ -	$ -	$ -	$ -

- Assume FTEs @ FY 08 levels ([1]); no growth in FTEs in 6 disciplines (approx 1,350 FTEs in 6 Disciplines)
- In FY10 and beyond, Forfaitaires kept by McGill increases 20% per year ([2]) and MELS annual grant (per FTE) reduced by 20% per year to full deregulation in FY14 ([3])
- Tuition on non-6 disciplines will be frozen until forfaitaires catch up, effectively reducing the McGill premium ([4]). From 2011 on, there will be no McGill premium for the non-6 disciplines.

Strategic Enrolment Management

- maintain undergraduate student : tenure track professors ratio at level comparable to leading peer competitors
  - current target is 15 : 1, maybe lower
- increase research graduate students : tenure track professors ratio to level of publicly-funded AAU leaders
  - 5 : 1, maybe higher
- minimal growth in undergraduate student populations
  - 1.5% increase FY09 over last year

Constraints

- Quebec per capita grants are no longer the most generous in the nation, but tuition fees are by far the lowest
- aim to make our tenure-track academic salaries competitive with our national and international peers (competitors)
- increase in “poaching” activities (retention)
- actual “unwanted” mobility of professors up slightly
- reported difficulty in landing top candidates from searches
- inadequate physical infrastructure
- more dollars must be allocated to attract graduate students

Compensation Issues: academic staff

- stated goal: McGill to be among the top 3 in G13 (*Tables 2a,b*)
- retirement targets increasing
  - median age of TT profs = 50.1
  - average age of retirement (*Graph 2a*)
  - Total of TT professors at/approaching retirement age (*Graph 2b*)
- average age of assistant professor at hiring = 35
- additional pressure on benefit costs

Table 2a:
Professorial Salaries McGill vs.Top 5 G-13

Average salaries⊥ of full-time teaching staff^ at Canadian universities and colleges, 2005-06

	Full professors†	Associate professors†	Assistant professors	Rank below assistant	Rank below preceding	Other teaching staff
McGill	**122,739**	**96,380**	**78,137**	**68,805**	**-**	**76,772**
Toronto	136,789	104,707	87,692	85,277	-	-
UBC	134,693	101,881	89,858	83,121	74,953	-
Alberta	126,347	91,857	X*	X*	-	-
Calgary	135,223	103,653	89,364	77,022	-	-

•Salary calculations exclude deans, directors equivalent to deans (i.e. directors who have significant administrative responsibilities), staff not paid according to regular salary scales, staff on leave of absence, and visiting professors.

^ Includes medical/dental staff.

† Includes professors with and without senior administrative duties.

* Suppressed by Statistics Canada to meet the confidentiality requirements of the Statistics Act.

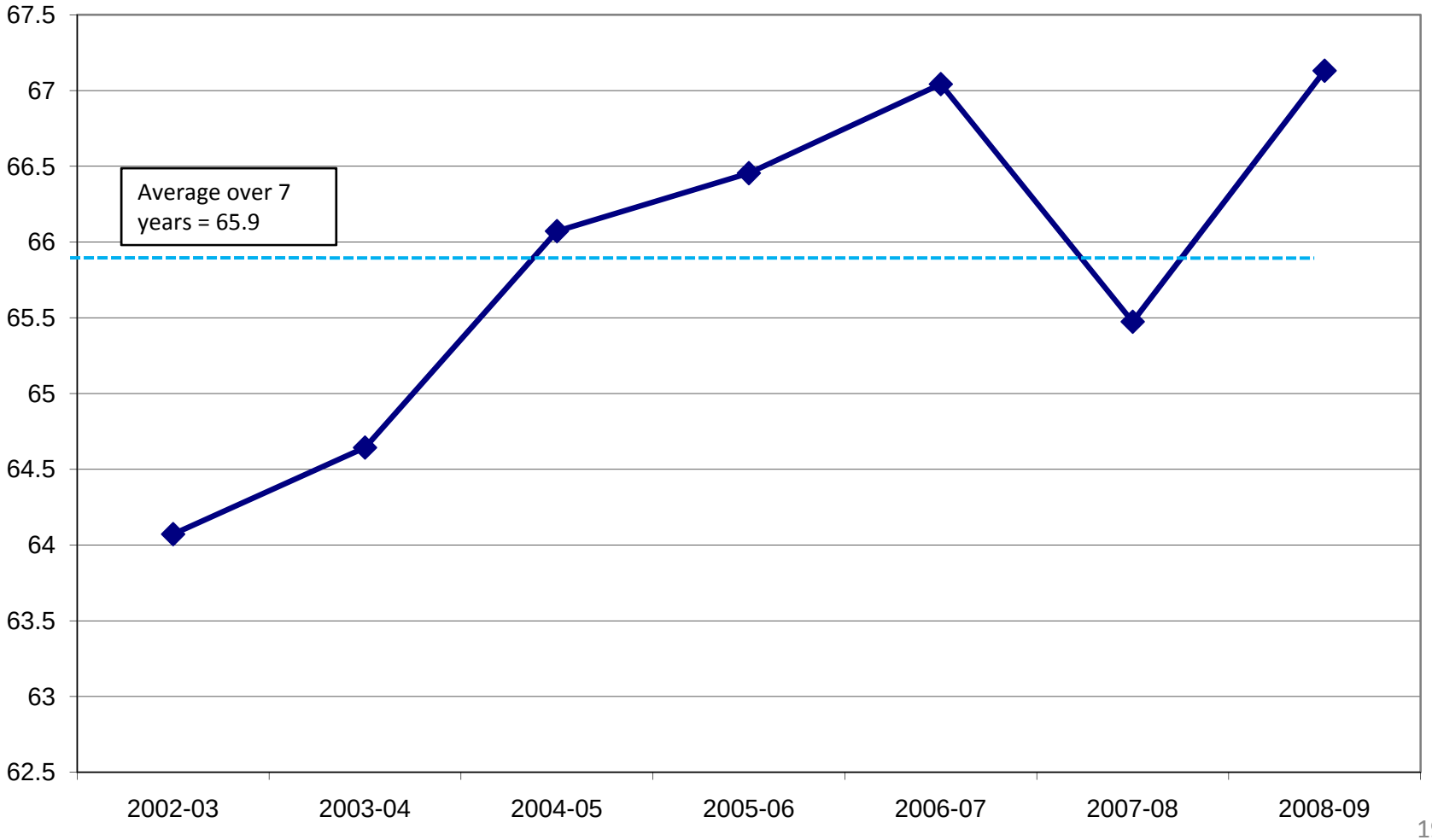
Table 2b:
Professorial Salaries McGill vs.Top 5 G-13

Average salaries of full-time teaching staff at Canadian universities and colleges, 2006-07

	Full professors	Associate professors	Assistant professors			
McGill	**128,386**	**101,731**	**81,432**			
"Top 3" G13 Average*	139,759	106,468	89,590			

•Note: Data from G13; Statistics Canada not yet updated for 2006-07
Not able to list individual Universities' data until available from Statistics Canada
* Includes UofT, UBC, and Alberta (Calgary data not available)

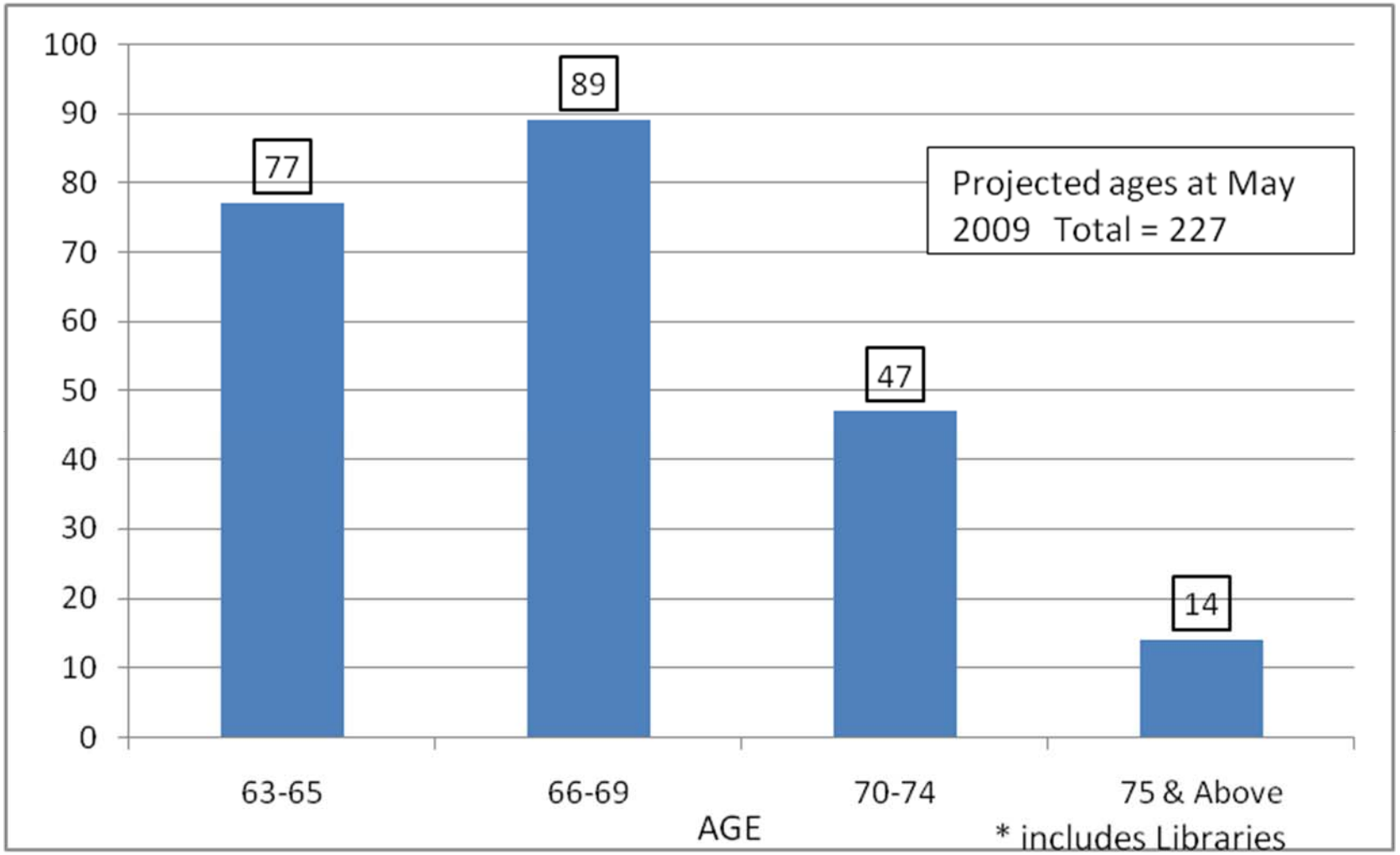
Graph 2a:
Average Age of Retirements



Graph 2b:

Tenure Track Faculty over Age 63

(Almost 15% of Total TT Profs*)



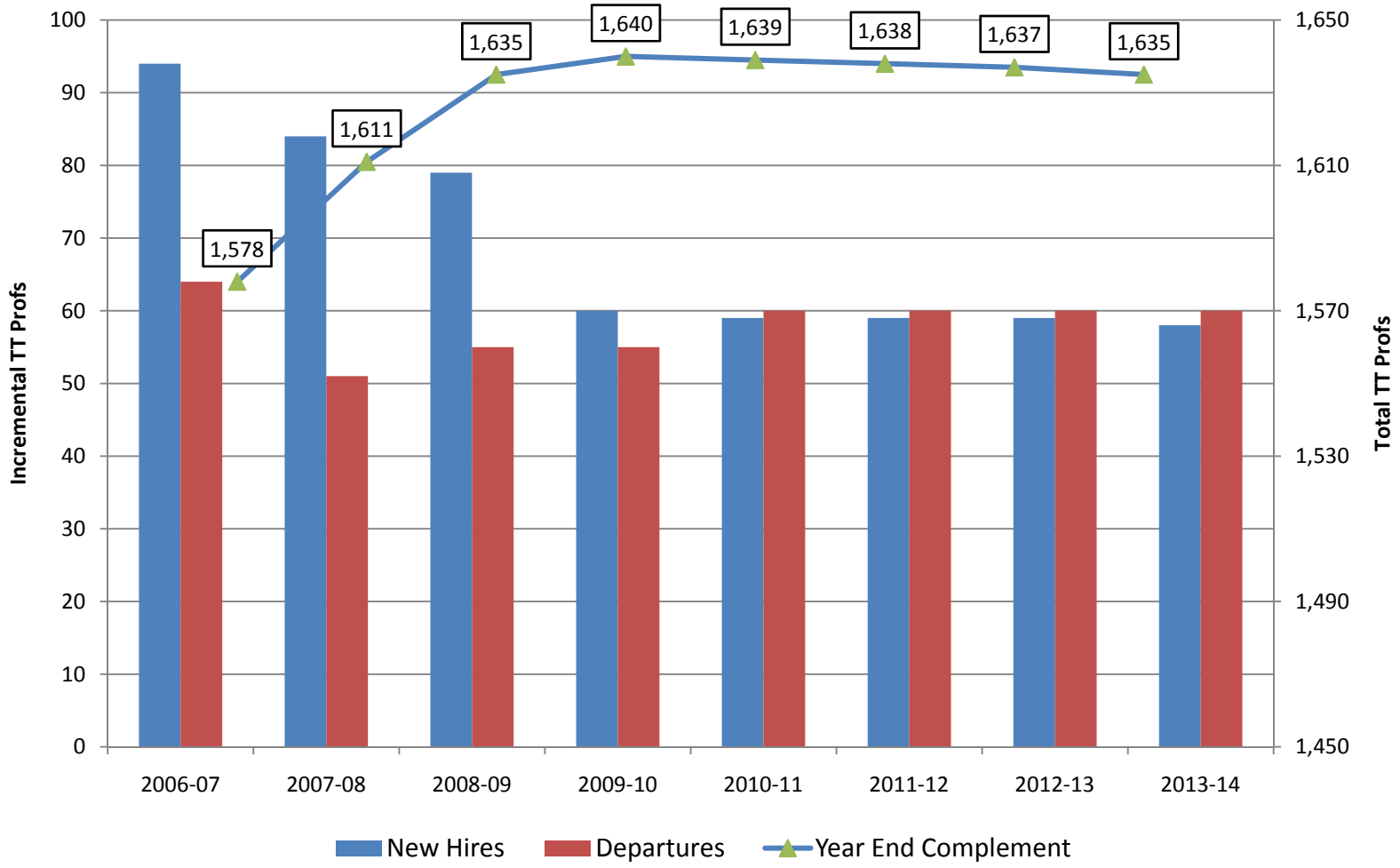
Tenure-Track Academic Staffing

- arrivals vs. departures of tenure-track academics over the last 2 years and projected for next 6 years (*Graph 3*)
- current complement is at 1,635 versus originally projected 1,550
  - some of the delta is due to increased revenue and competitive pressures
  - increase in the number of tenured professors now serving in senior administration or within deaneries
- pressure of expected departures who have not yet retired
- space required to entice movements
- conversion costs required
- new hires more costly (salaries, support staff, lab start ups)

Graph 3:

Academic Renewal Pattern

FY 2007 – FY 2014



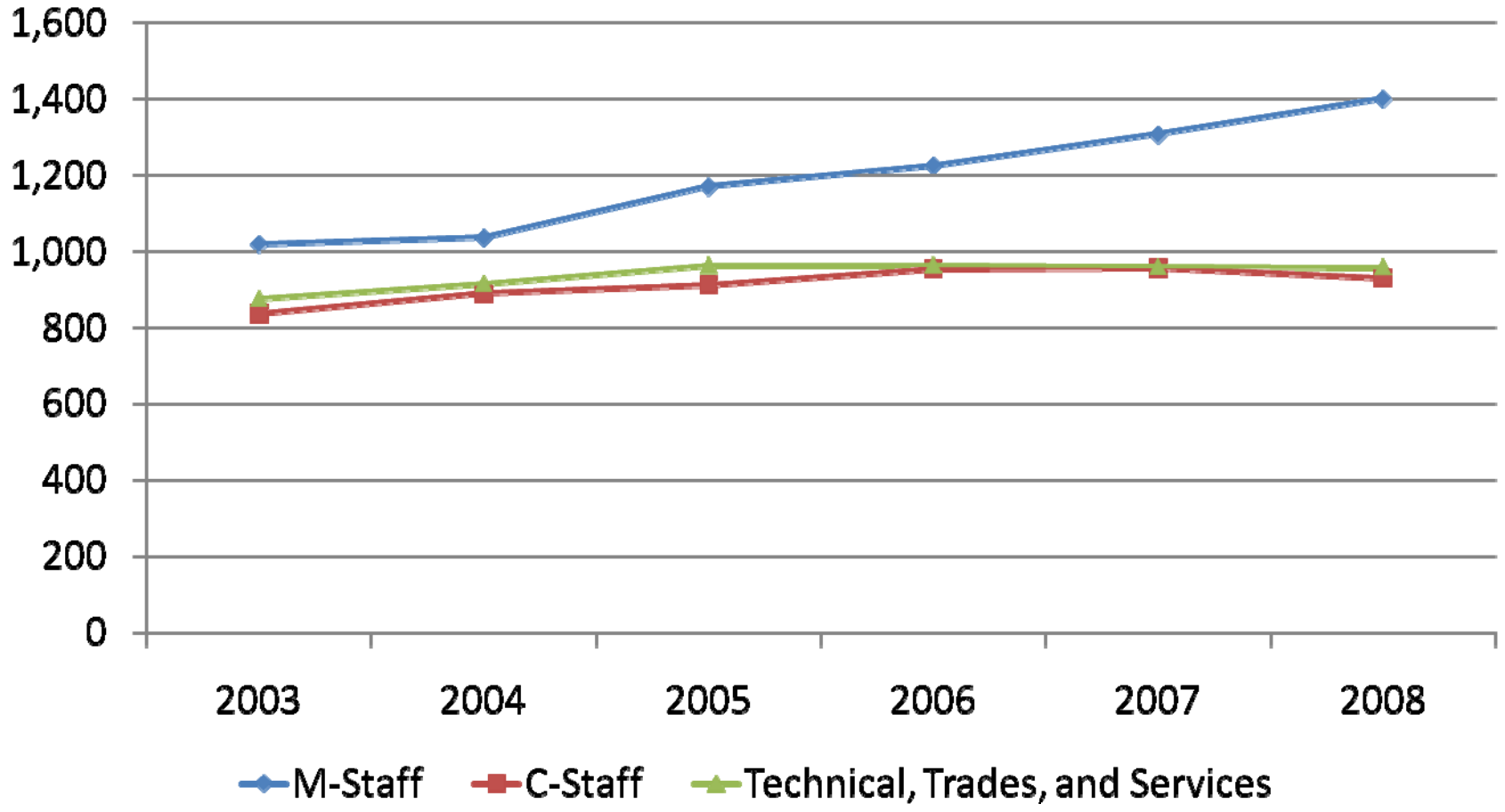
Compensation Issues: administrative and support staff

- manage the growth in numbers of administrative and support staff
  - greater than 30% increase in the last 5 years (*Graph 4*)
- need also to upgrade skills and capacity
  - recruitment, training, mentoring, and succession planning
- negotiations with unions and associations ongoing
  - controls on administrative and support staff salaries and working conditions may lead to turnover
  - possible work stoppages

Graph 4:

Administrative and Support Staff

FY 2003 – FY 2008



Significant Unknowns: Future Costs

- substantial up front investment in financial support required to increase number of graduate students
  - GERI program, Year 1: students (via Faculties) received $5,000 for each new PhD registrant and $1,500 for each new Research Masters registrant
  - GERI program very successful at PhD level, increasing registrants more than expected
  - continued pressure to increase investment in this area: guaranteed funding
  - potential unfunded liability relating to TT hires in hospital R.I.'s

Significant Unknowns: Infrastructure

- research space requires substantial and continuing investments
- increased number of graduate students
  - pressure for the conversion and/or upgrading of space
- professorial retirees will necessitate converting some existing space and reusing underutilised or inappropriately used spaces
- deferred maintenance continues to be an issue, notwithstanding new provincial funding injections

Significant Unknowns: future of MELS policy environment

- shortfall in “reseau” is increasing rapidly, now over $450M
- continued annual indexation ($100/year/FTE) of basic tuition fee, beyond original 5 year plan
- new cap on increases for administrative (FIO) fees
- timing and impact of international pricing policy – additional disciplines (6+)

Significant Unknowns: McGill specific issues

- retirement: average age, pension costs, program-specific effects
- drive for increases in graduate students
- price-sensitivity for international students
- aging infrastructure, strategic acquisitions, new buildings, re-deployment of existing spaces, redevelopment on existing sites
- salary levels in our competitive environment

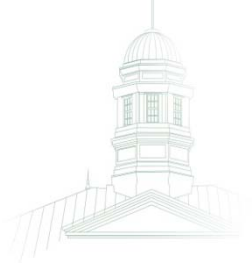
New for FY 2010 Budget

- pilot an “activity-based costing” model
  - Human Resources on the administrative side
  - Desautels Faculty of Management on academic side
- activity based process:
  - start with **Goals** of the Organization
  - list **Activities** that support those Goals, over a multi-year planning period
  - identify **Resources** needed to undertake those Activities
  - estimate the **Costs** required to fund those Resources
- present preliminary budget to BC, APG, P7/PVP
  - then Provost to present to Finance Committee, Senate, Executive Committee, Board

New for FY 2010 Budget (but starting in FY2009)

- develop mechanisms to multi-year plan for spend-down or re-absorption of carry-forward amounts
  - during FY 2009, require all academic and administrative unit heads to submit a plan to either spend positive carry-forward balances or payback negative balances
  - continue this requirement going forward at end of year for significant fund balances
- explore continued need for separate merit portion of salaries

Revised Budget Preparation Schedule and Procedures



- October year-to-date spend is basis for projecting expenses to year end and framework for FY 2010 Budget
- expense input provided by HR, Facilities, AMO, etc.
- revenue forecasts being completed with input for Deans, SEMA, Finance, etc.
- expect first pass of budget availability by January

Discussion

Question?

Comments?

Suggestions?

Criticisms?

Complaints?