

D08-52

Budget FY2009-2010

Key Considerations

Prof. Anthony C. Masi, Provost

Presentation to Senate

25 March 2009



McGill

Objectives

- objectives in implementation:
 - sustain quality as reflected in the investments made over the last 5 years
 - retain and recruit academic talent
 - sustain and enhance research quality and quantity
 - increase targeted recruitment and enrolment of undergraduate and graduate students
 - support faculty-specific and institutional initiatives
 - remain among Canada’s “employers of preference” by investing in professional development for staff

Commitments

- close FY2009 with no more than \$10M deficit
- propose an operating budget for FY2010 with no more than a \$5M deficit
- balance the operating budget in FY2011
- develop mechanisms to pay-down accumulated deficit

Building the Budget

Revenues

- MELS operating grant
- tuition and fees
- indirect or institutional cost recoveries from research grants and contracts
- endowment income
- self-financing revenues

Expenditures

- salaries
- benefits
- student financial aid
- non-salary operating expenses
- energy costs
- interest payments

Past and Future

Five Year Plan - May 2008

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Annual Deficits	(\$16.9)	(\$10.1)	(\$4.9)	(\$0.8)	\$1.7	\$2.8
Accumulated Deficit	(\$74.9)	(\$85.0)	(\$89.9)	(\$90.7)	(\$89.0)	(\$86.2)

Five Year Plan - March 2009 (prior to expense reductions)

	<u>FY08A</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Annual Deficits	(\$16.8)	(\$9.8)	(\$17.0)	(\$13.5)	(\$13.6)	(\$20.8)
Accumulated Deficit	(\$60.7)	(\$71.1)	(\$88.1)	(\$101.6)	(\$115.2)	(\$135.9)

Target Plan

	<u>FY08A</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Annual Deficits	(\$16.8)	(\$10.0)	(\$5.0)	\$0.0	\$1.5	\$3.0
Accumulated Deficit	(\$60.7)	(\$70.8)	(\$75.8)	(\$75.8)	(\$74.3)	(\$71.3)

FY2010 Operating Budget

Prior to expense reduction

McGill University

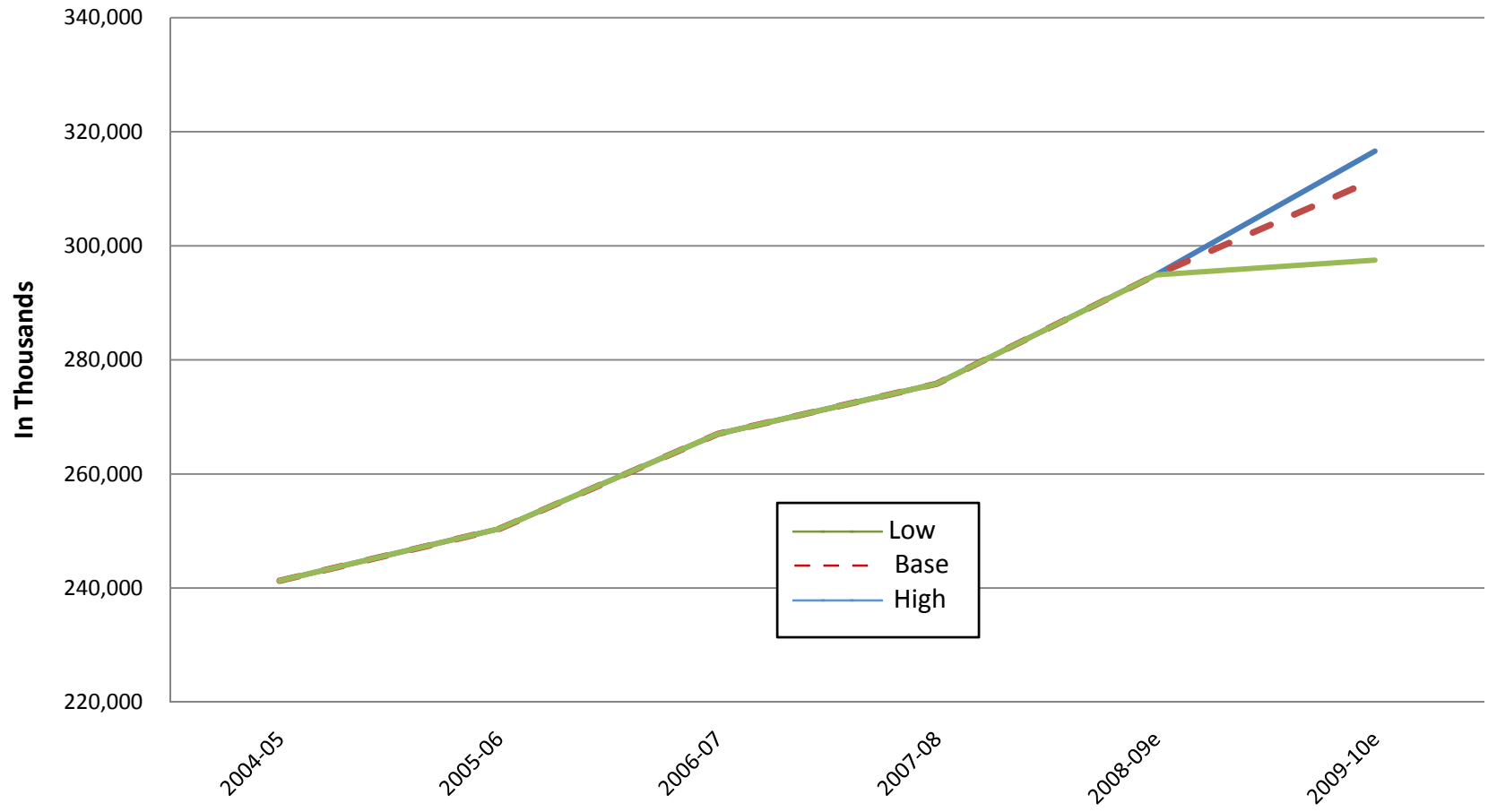
2009-10 Operating Budget and Outlook

000s

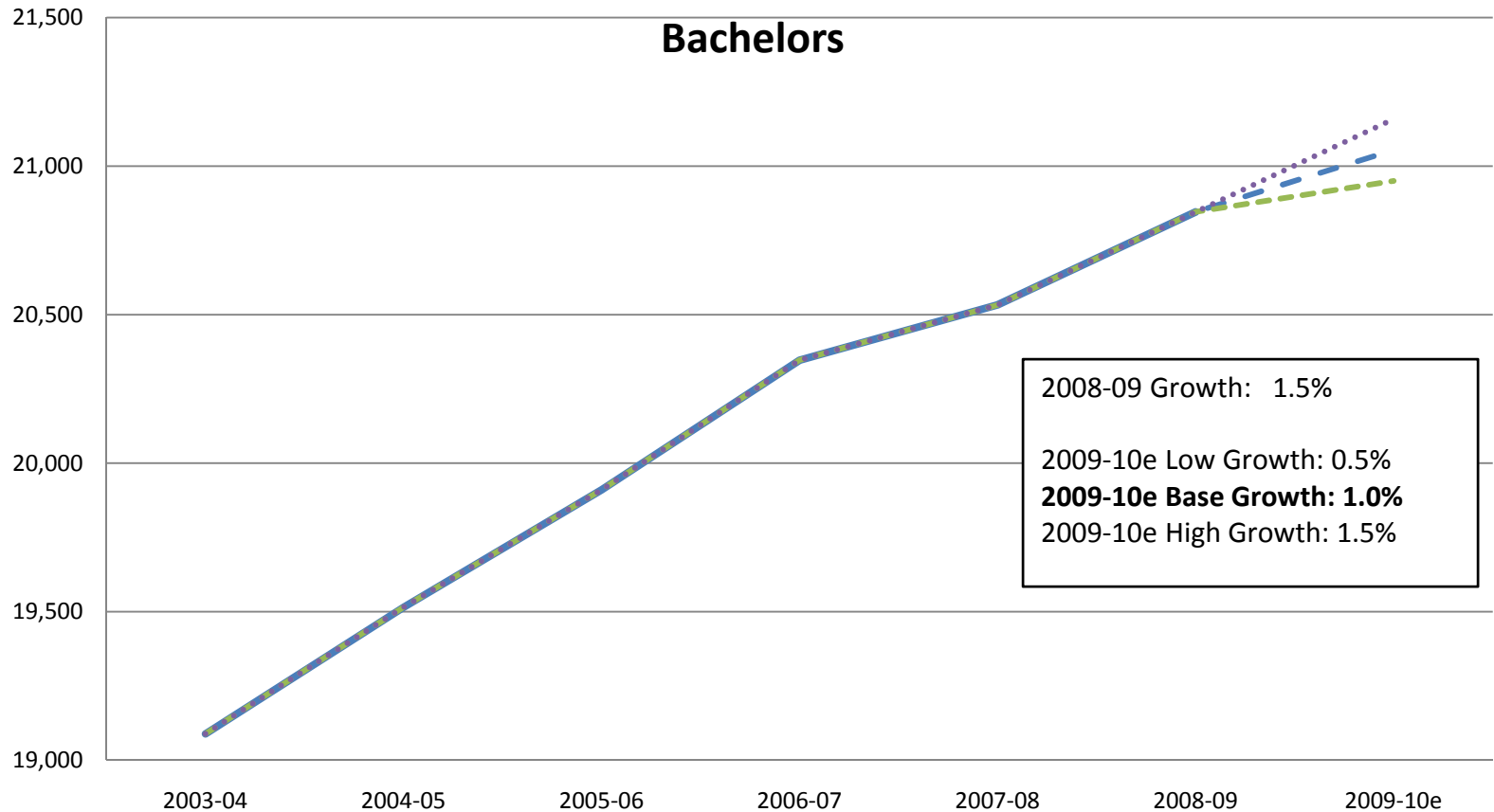
	Forecast 2008-09	Budget 2009-10	Outlook	
			2010-11	2011-12
Total operating revenues:	485,402	512,046	533,165	552,925
<i>Growth %</i>		5.5%	4.1%	3.7%
Total operating expenses:	499,303	531,655	549,750	569,679
<i>Growth %</i>		6.5%	3.4%	3.6%
Operating Surplus / (Deficit)	(13,901)	(19,610)	(16,585)	(16,754)
Self-financing Revenue	95,921	98,679	101,013	103,412
Self-financing Expenses	91,777	96,080	97,889	100,263
Net contribution from self-financing activities:	4,144	2,599	3,124	3,149
Decrease (Increase) in accumulated deficit :	(9,757)	(17,011)	(13,461)	(13,605)

Revenue

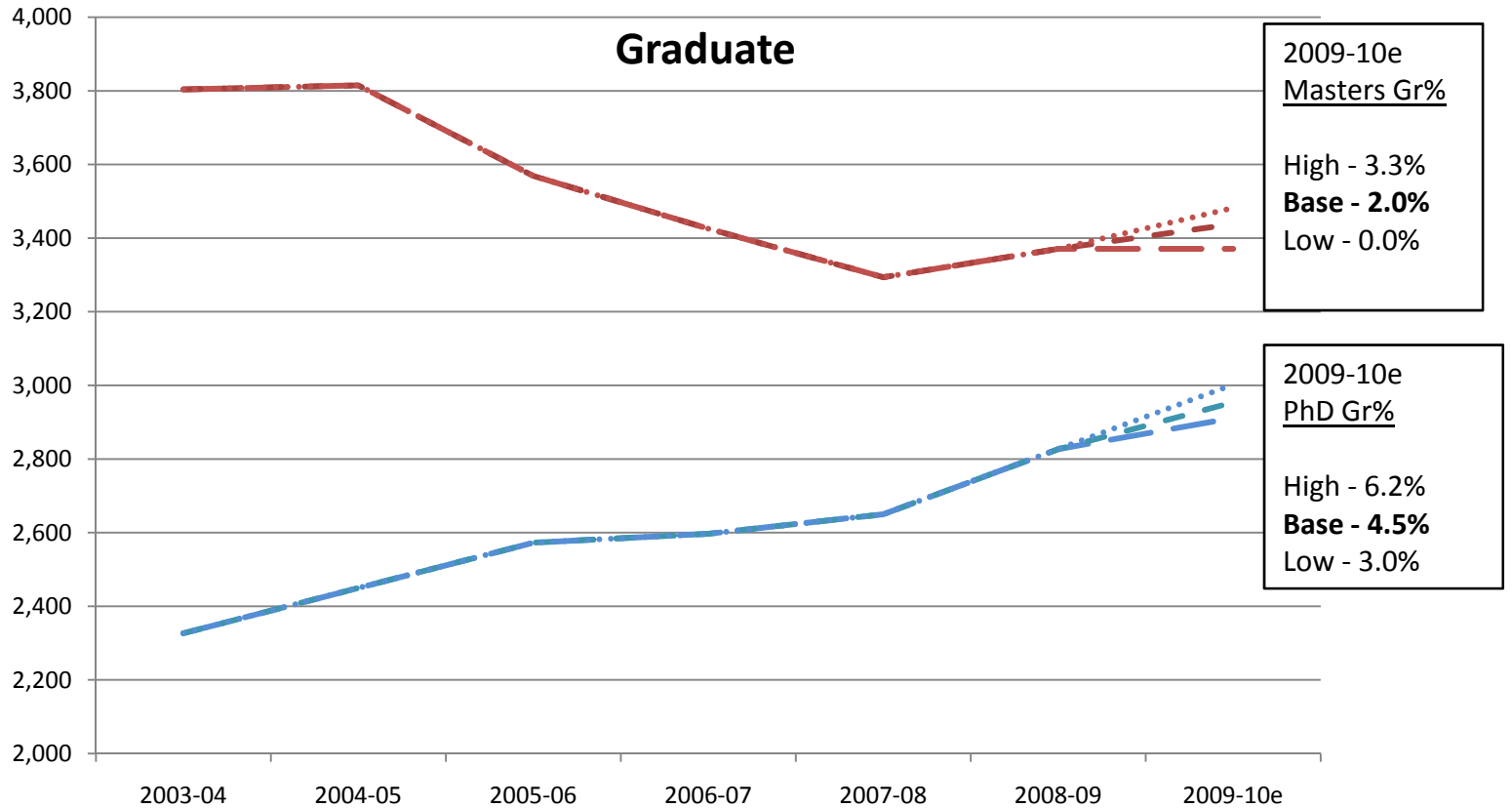
MELS operating grant



Undergraduate (FTE) enrolment



Graduate (FTE) enrolment



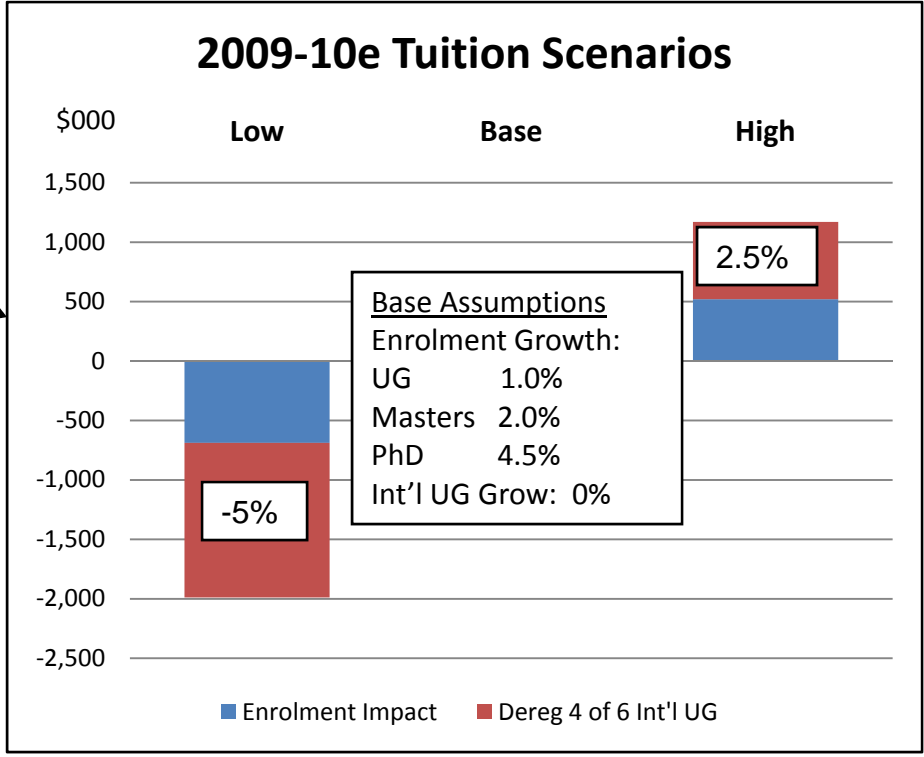
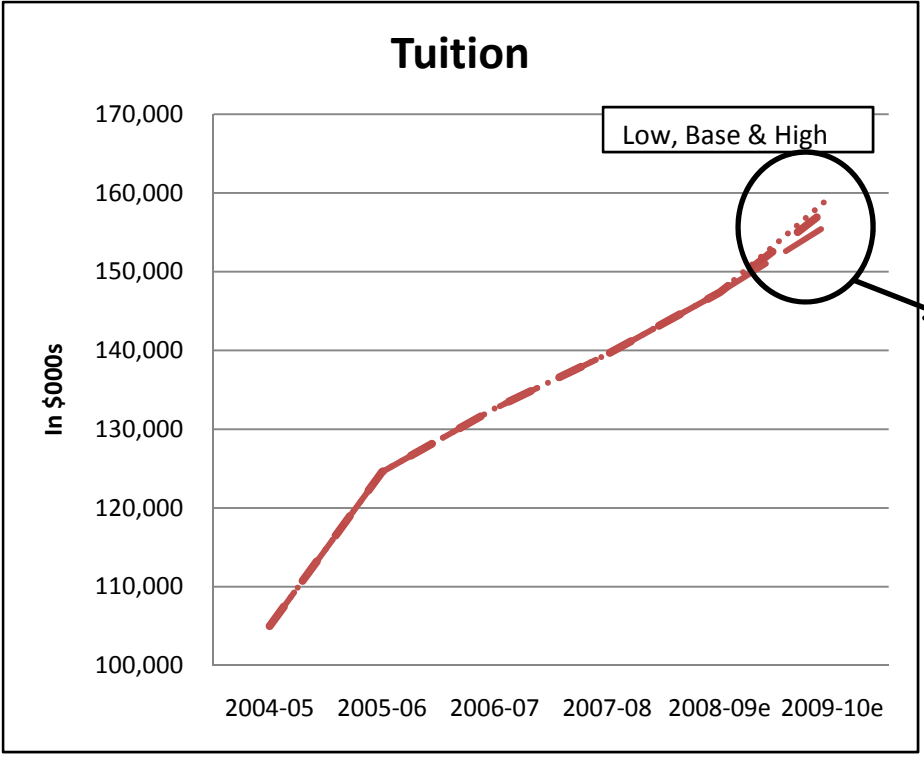
Revenue

FTE Student Enrolment (% change)

FY 2004 – FY 2011e (base case)



Revenue Tuition



Revenue

In-Province Tuition & Grant

University	Retained Tuition(a)	Operating Grant/FTE (b)	Combined
Alberta	\$4,901	\$14,122	\$19,023
Calgary	\$4,958	\$13,798	\$18,756
British Columbia	\$4,343	\$11,089	\$15,432
Toronto	\$4,776	\$10,352	\$15,128
McMaster	\$4,717	\$10,225	\$14,942
Ottawa	\$4,751	\$10,077	\$14,828
Queen's	\$4,785	\$9,231	\$14,016
Waterloo	\$4,788	\$8,779	\$13,567
Average (c)	\$4,752	\$10,892	\$15,644
McGill	\$1,868 (d)	\$11,269	\$13,137
Opportunity Cost (e)	- \$63M	+ \$9M	- \$54M

(a) Tuition for full-time students for 2008-2009. Excludes programs with differential fees.

(b) Provincial Revenue for 2006/07, data from CAUBO, G13 DE President's Fact-Book

(c) McGill not included in the average.

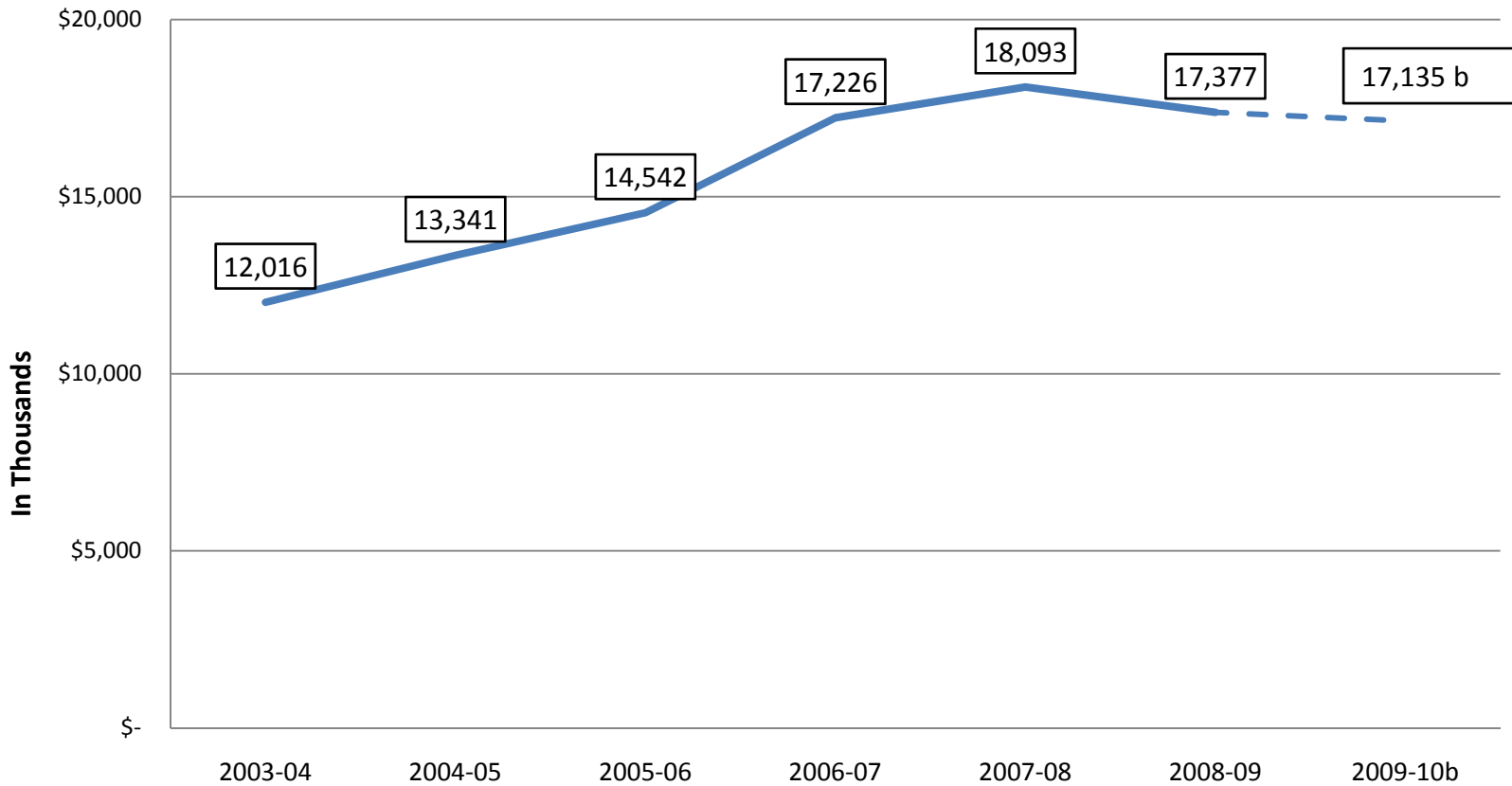
(d) Tuition rate for Quebec students only: McGill must rebate to MELS the difference for Cdn and Int'l students.

(e) Calculated as difference between McGill and Average for total students

Revenue

Federal Indirect Cost of Research

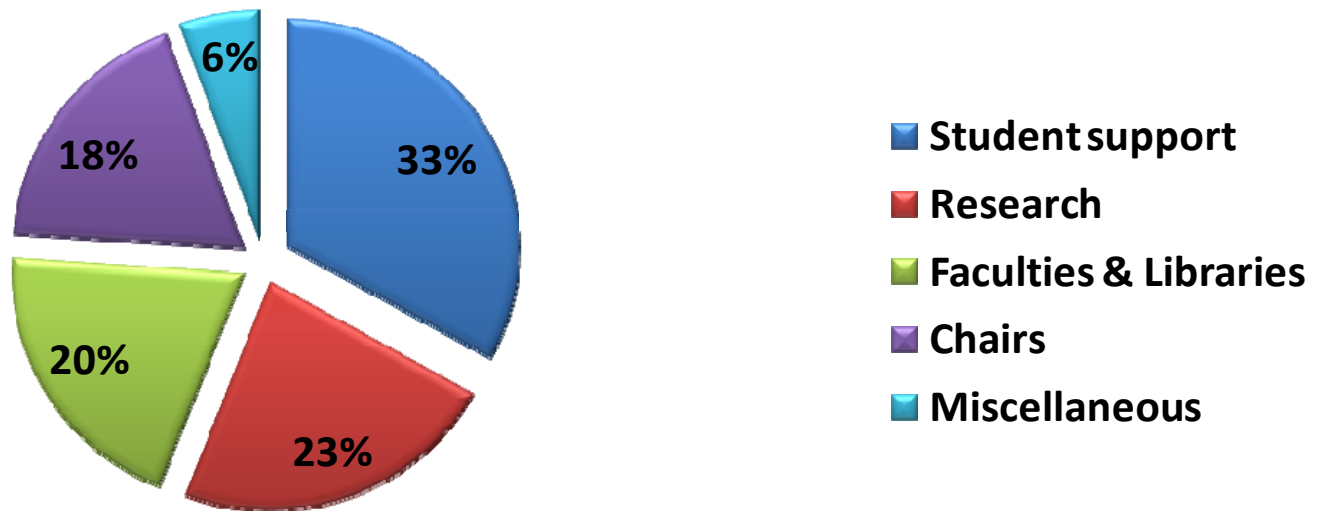
FY 2004 – FY 2010 Budget estimate



Revenue

Endowment Interest

- 2008-2009: approx \$45M payout, or 5% on 3 year rolling average of endowment's market value
- 2009-10 payout under review due to large decline in current value (\$730M)



Revenue

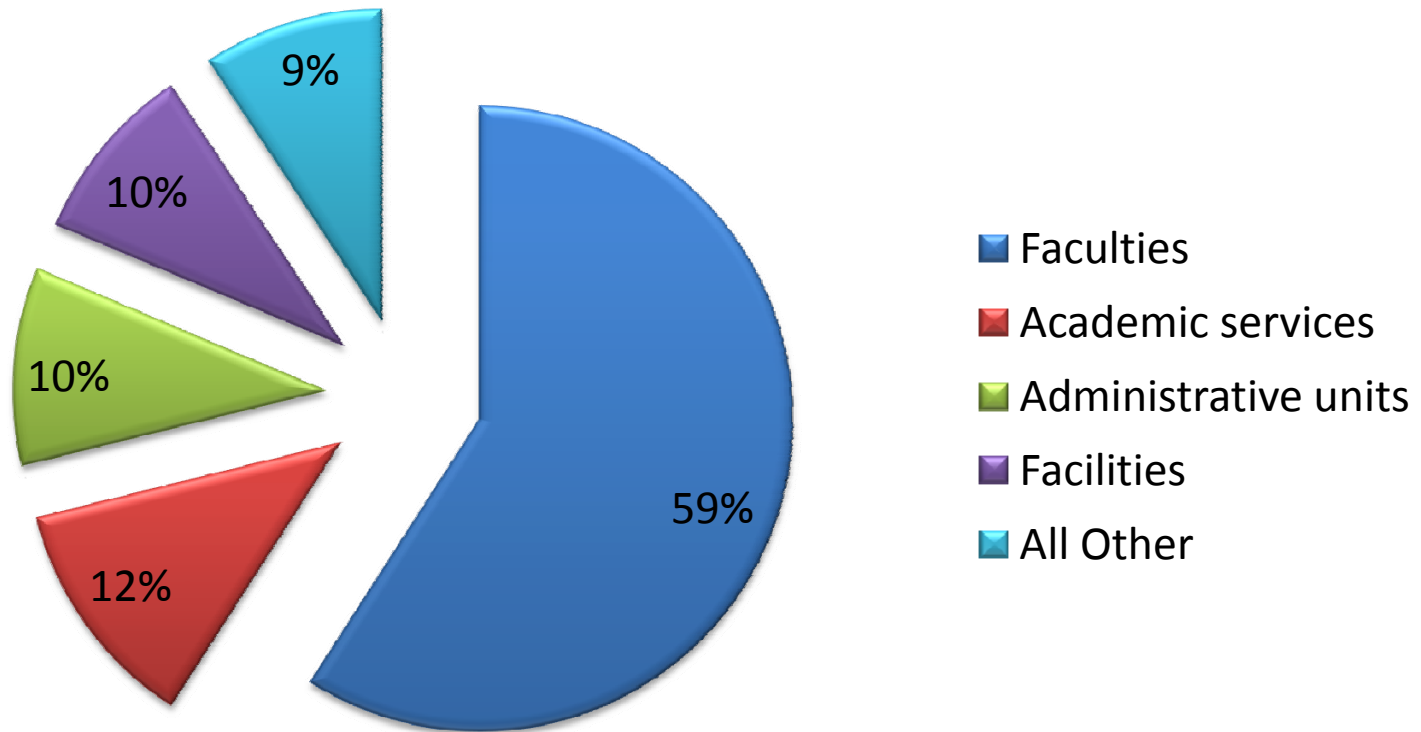
Other Revenue

- lower in FY2010 than earlier expectations
 - interest income (offset by lower borrowing costs)
 - bequests and unrestricted gifts
- contribution from self-financing ancillary activities
 - expected to generate \$3M in FY2010 and beyond

Expenditures

Total Operating Budget

FY 2009 – FY 2010



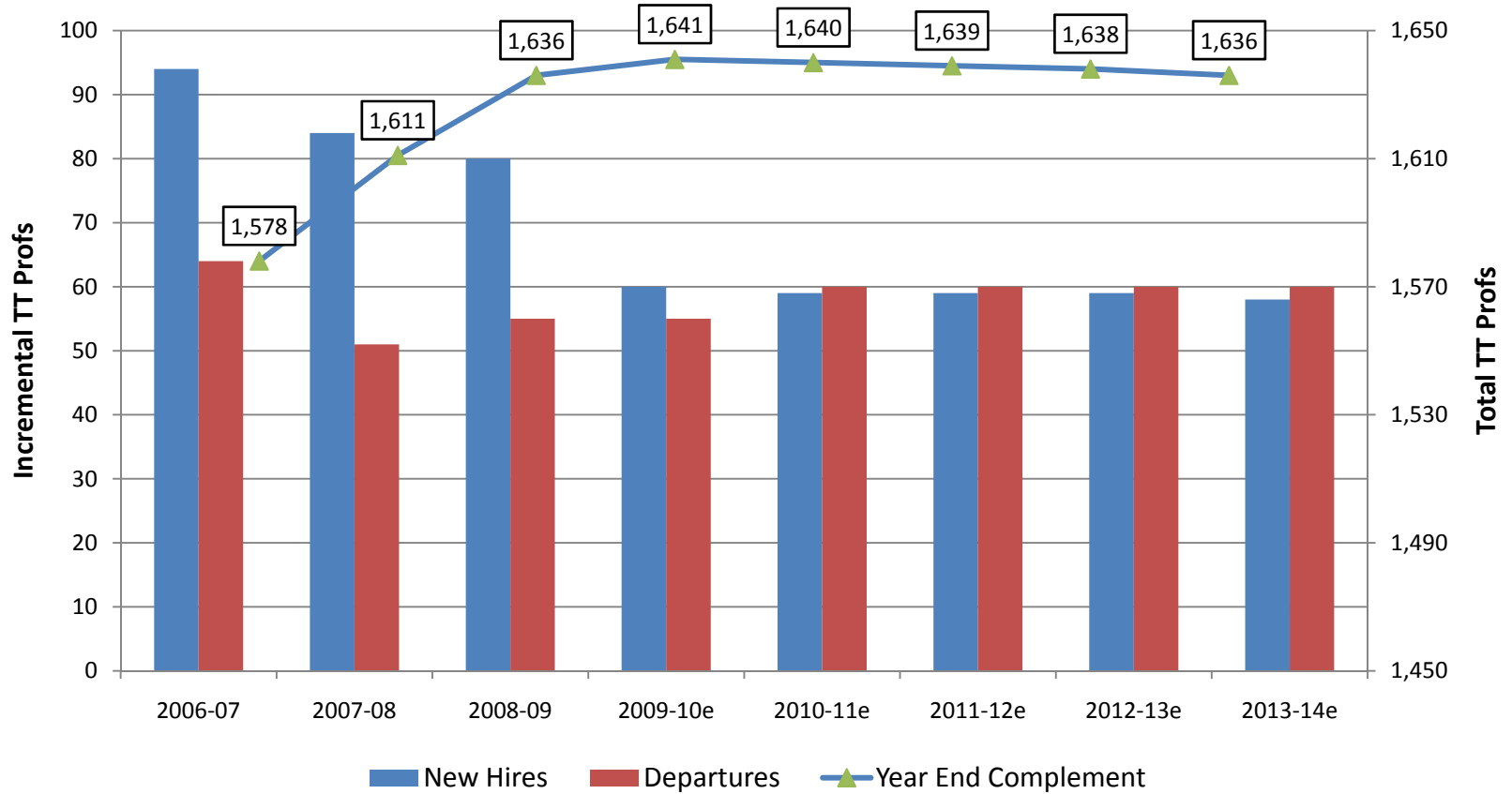
Expenditures

Negotiated or agreed upon salary and benefits increases for FY2010

- 4.15% academic salary increase
- 3.0% administrative salary increase
- 2.0% increase in total benefits
- all compensation items are under review by Task Force on Dealing with Economic Uncertainty

Expenditures

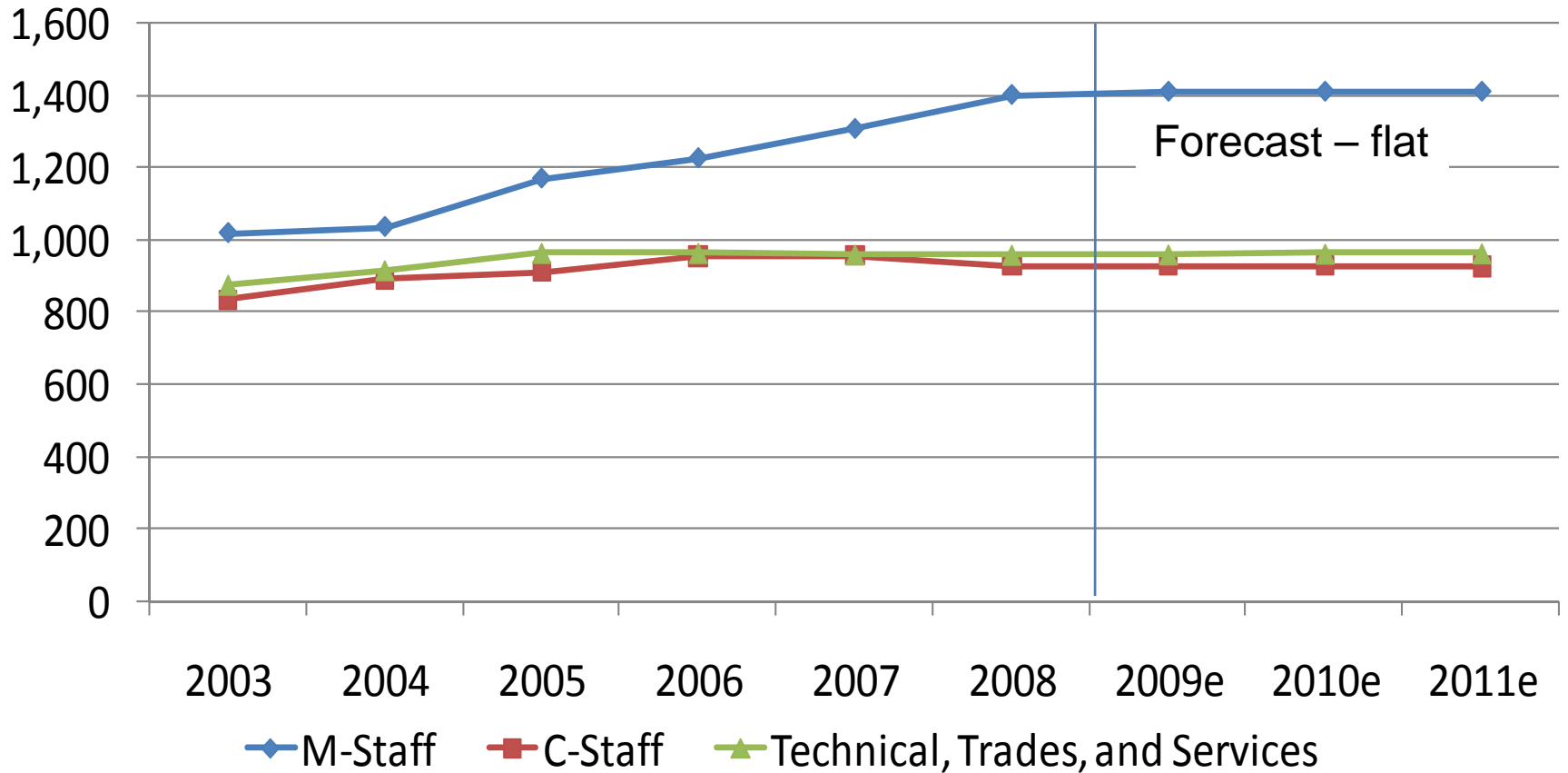
Academic Renewal Pattern



Expenditures

Administrative & Support Staff

FY 2003 – FY 2011e



Expenditures

Student support

- graduate student enhancement funds
- net student aid
 - 30% of the net increases in tuition fees that come to McGill
 - 30% of undergraduate international tuition in 4 of 6 “de-regulated” disciplines (management, engineering, science, law)
 - reduction of McGill “premium” will lower amount set aside
 - change in endowment payout would also impact funds available

Strategic Initiatives

- targeted investments and cuts
- support academic renewal
- enhance graduate student funding
- improve student life & learning
- continue to support research initiatives
- facilitate interdisciplinary initiatives

FY2010 Reality

- plan to reduce annual deficit from \$10M to \$5M
- requires minimum \$12M reduction in operating expenses, but may need to be closer to \$15M
- possible ways to close the budget gap:
 - input from the Provost's Administrative Task Force on Dealing with Economic Uncertainty
 - work closely with Deans, Chairs, Vice-Principals, and Directors in monitoring target expenditures and potential revenues

Economic Uncertainty Task Force

- 21 members from across McGill community
- mandate to bring forward suggestions for FY10 and beyond on:
 - 1) total compensation
 - 2) business efficiencies
 - 3) program delivery
 - 4) revenue generation

Total compensation

- implement salary increases on 1 June 2010 instead of 1 December 2009 (\$6.0M)
- reallocate 3 CRCs internally (\$0.5M)
- non-replacement of 5% of turnover (\$0.3M)
- shift in benefits cost-sharing (\$0.2M)
- One Time Only reduction in life insurance reserve (\$0.7M)
- 50% reduction in Faculty Club subsidy (\$0.4M)
- 3% reduction in senior administrator salaries (\$0.14M)

Total potential savings for FY2010 = \$8.24M

Business efficiencies

- charge the full costs of capital projects to the capital budget (\$1.5M from operating)
- energy efficiencies (potential savings up to \$0.25M)
- reduce administrative travel by 10% for FY10 (approx. \$0.7M)
- clarify spending guidelines (\$0.5M)
- reduction in IT spending (\$1M)
- Reduction in DAR, net of communications (\$0.6M)

Possible reductions for FY2010= \$4.55M

Program delivery

- reduction of teaching support allocations (approx. \$1.5M)
- rationalise teaching loads
- reduce number of small class sizes (under 10 students)
- more web-based and other IT course support
- move to 12 week semester, add full summer semester

Identified possible reductions in FY2010 = \$1.5M

Revenue generation

- explore possibilities of increasing student contributions to their own educations
- work with Quebec government
 - extend re-regulation based on person rather than discipline
 - increase and extend 5 year indexation of tuition to arrive at Canadian average
 - provide funding for registered post-doctoral fellows
- explore better utilisation of facilities

Recap : Building the Budget

- FY 2008–2009
 - \$581M total revenue forecast
 - \$591M total expenditure forecast
 - **(\$10M) net forecast**
- FY 2009–2010
 - \$611M estimated total revenue
 - \$628M estimated total expenditure
 - **(\$17M) prior to expense reductions**
 - **need \$12M in cuts or revenues to meet \$5M deficit target**

Questions & Discussion