

Memorandum

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TO: Senate

FROM: Professor Anthony C. Masi, Provost

SUBJECT: Budget Considerations II

DATE: March 23, 2011

DOCUMENT #: D10-52

ACTION REQUIRED: INFORMATION APPROVAL/DECISION

ISSUE: The Provost will present Senators with updated forecasts for major line items in the FY2012 McGill University Budget. Implicit in this budget presentation is the formulation and validations of assumptions about key budget variables.

BACKGROUND & RATIONALE: The attached document provides a framework for understanding the nature and context of the projected FY2012 budget deficit and the effect of various planned deficit-reduction measures. The budget assumptions are framed by McGill's major strategic priorities as well as by other internal and external factors.

MOTION OR RESOLUTION FOR APPROVAL: N/A

PRIOR CONSULTATION:

- Budget Considerations I—Presented to Senate in December of 2010
- Preliminary Budget Model Assumptions—Presented to P7 October 21 2010 and January 14 2011
- Deans budget meetings—January 17 2011 and February 2 2011
- Budget Considerations II presented to P7 February 17 2011
- Budget Considerations II presented to Finance Committee March 1 2011
- Budget Considerations II presentation to Board of Governors March 15 2011

NEXT STEPS:

- Draft McGill University Budget to come to Finance Committee April 6, Board of Governors and Senate, April 27, 2011

APPENDICES: Appendix A: PowerPoint presentation—Budget Considerations II



Budget Considerations II

Prof. Anthony C. Masi
Provost
McGill University



McGill

Presentation to Senate
23 March 2011

Major strategic objectives

1. Academic renewal plan → **New directions in Faculty hiring**
2. UG composition and experience → **Innovative delivery of educational programs**
3. Improved Grad Studies environment → **Ensuring competitiveness of graduate studies and research performance**
4. Disciplines and interdisciplinarity → **Transformative initiatives based on research strengths**
5. Quality support services → **Best practices**
6. Professional development, productivity and satisfaction → **Career development opportunities**
7. Performance management indicators → **Analytics**
8. Service to Quebec, Canada and the global community → **strengthen/focus these activities**

Total budget includes four funds

- Going forward, GAAP requires that we combine these into one column:
 - Operating
 - Restricted
 - Plant
 - Endowment
- Operating budget continues to be the focus and will be presented from a cash (MELS) perspective, with GAAP adjustments.

Comparisons of Key Indicators

Actual FY2010 GAAP Operating Financial Statements Comparison

	<u>McGill</u>	<u>Montreal</u>
In \$000s		
Annual Surplus/(Deficit)	(11,914)	(14,972)
Accumulated Surplus/(Deficit)	(283,000)	(334,878)
Accumulated Deficit / Operating Revenue	-45%	-52%
<u>GAAP Payables</u>	179.5	190.7
% of Operating Revenue	28%	30%

Actual FY2010 Pre-GAAP Financial Statements Comparison

	<u>McGill</u>	<u>Montreal</u>
Annual Surplus/(Deficit)	(7,400)	(4,972)
Accumulated Surplus/(Deficit)	(103,000)	(139,100)
Accumulated Deficit / Operating Revenue	-16%	-22%

Current Economic Realities:

Significant projected shortfall for FY2012 (**\$19M**)

1. Salary adjustments
2. Unanticipated additional contributions to the **pension** fund
3. Reduced payout from our **endowment** funds
4. Financial demands of accumulated **deferred maintenance**
5. Projected increases in **interest rates**
6. Set asides for applications to major **research** competitions
7. Special **constraints** for Quebec universities

Actions proposed to address deficit

1. Increase UG enrolment by 1.5% (vs. original plan of 0.3%):
Approximately \$2.2M incremental revenue
2. Budget cut of 2.5% and other institutional cost-saving measures (approximately \$12.8M in savings): \$9.8M toward deficit, \$3M toward priorities
 - Budget cut =2.5% of all permanent, 1A operating funds.
 - Excludes self-financing operations, temporary budgets, Libraries, energy and some institutional costs.
3. SRI Cost Efficiencies: Currently estimate \$1.6M to be realizable in FY2012

Total cost-saving measures: \$13.6M

New projected deficit for FY2012: \$6M

Revenue assumptions for FY2012 (1 of 2)

- UG enrolment growth (FTEs)
 - 1.5% (330 FTEs), same admits as FY2011
 - Incremental \$2.2M of net revenue
- Graduate enrolment growth (funded FTEs)
 - Masters: 1.5% (50 FTEs) - incremental \$0.9M
 - PhD: 3.5% (73 FTEs) - incremental \$2.4M
 - Residents: 1.0% (17 FTEs) - incremental \$0.2M

FY2010 and FY2011 FTEs by Cycle

	FY2010 Actual FTEs	FY2011 Estimated FTEs	% growth
Undergraduates	21,682	22,272	2.7%
Masters NT	1,963	2,210	
Masters Thesis	1,243	1,265	
Total Masters	3,205	3,343	4.3%
PhD - Yrs 1-5	1,934	2,068	7.0%
Med Residents	1,609	1,751	8.8%

Revenue assumptions for FY2012 (2 of 2)

- MELS indexation on grants: 1.4%
 - each incremental 0.5% = \$1.7M
- Tuition increases:
 - FY2012: \$100
 - FY2013 +: \$250
- Student fee increase: 2% (approx \$15)

Expense assumptions for FY2012 (1 of 2)

- Replace tenure track retirements from FY2010 Retirement Incentive Plan (80)
- Student aid increase
 - \$1.24M to meet 30% commitment
 - Additional \$2.25M for graduate student aid
- Operational start-up funding (previously capital)*
 - *Note start-up lags hires by 1 year*
 - FY2012: \$1.8M
 - FY2013: \$2.9M

Expense assumptions for FY2012 (2 of 2)

- Pension Liability funding*
 - FY2012: \$4.8M (includes \$1M for settlements)
 - FY2013: \$7.3M (includes \$1M for settlements)

* *New valuation in Dec. 2012*

FY2012 Other Assumptions (1 of 3)

- Recapped Endowment fund usage (savings)
 - Endowed Chairs: \$1.0M
 - UG student aid: \$0.5M
 - Grad student aid: \$0.5M
- MELS unknowns

FY2012 Other Assumptions (2 of 3)

	<u>In \$Mil</u>
Salary & Benefit increases (11 Mos)	\$9.0
CFI contributions (MDEIE, Round 6&7) and other research priorities	\$4.4 includes portion of cut
Provost Contingency, Dean's Discretionary (compacts)	\$2.5 includes portion of cut
Endowment shortfall student aid	\$1.5
Genome & Remaining CERC \$	\$1.4
Enrolment incentives	\$1.4
Total Other Funding Priorities	<u>\$20.2</u>

FY2012 Other Assumptions (3 of 3)

- SRI-related matters: Estimated benefits or additional investments – values to come.
 - Cost efficiencies
 - Research and innovation
 - Enrolment mix
 - Philanthropy
 - Performance-related incentives

FY2010 – FY2016 Operating Outlook - Preliminary

In \$ Million

	Actual	Forecast	Projected	Outlook			
	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>
		(11 mos)					
Revenues	\$ 634.0	\$ 624.1	\$ 675.5	\$ 697.1	\$ 717.8	\$ 743.7	\$ 765.9
Expenses	\$ 641.4	\$ 618.8	\$ 681.5	\$ 709.9	\$ 724.6	\$ 743.8	\$ 765.9
Annual Deficit	\$** (7.4)	\$ 5.3	\$ (6.0)	\$ (12.8)	\$ (6.8)	\$ (0.1)	\$ (0.1)
Accumulated Deficit	\$ (103.5)	\$ (98.2)	\$ (104.2)	\$ (117.0)	\$ (123.8)	\$ (123.9)	\$ (124.0)
GAAP Adjustments	\$ (179.5)	\$ (179.5)	\$ (179.5)	\$ (179.5)	\$ (179.5)	\$ (179.5)	\$ (179.5)
GAAP Accumulated Defi	\$ (283.0)	\$ (277.7)	\$ (283.7)	\$ (296.5)	\$ (303.3)	\$ (303.4)	\$ (303.5)

**Includes inter-fund transfers



Budget Considerations II

Discussion

Comments?

Questions?

Concerns?

Suggestions?

Complaints?

Criticisms?

Back up

	McGill Undergraduate FTE/TT					
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/2010
Agricultural & Environmental Sciences	7.6	7.8	8.4	8.7	8.9	9.4
Arts	20.7	19.4	19.5	19.2	19.0	20.5
Dentistry	9.0	9.6	8.8	8.8	8.3	7.5
Education	19.8	18.9	18.6	17.6	16.6	17.9
Engineering	11.6	12.0	11.4	11.7	12.0	12.4
Law	14.6	14.0	13.9	13.0	13.5	13.3
Desautels Faculty of Management	43.9	38.9	35.5	32.1	27.8	25.0
Medicine - Clinical	3.1	3.2	3.3	3.2	3.3	3.3
Medicine - Schools	13.9	15.5	14.0	11.7	11.4	10.6
Medicine- Basic Sciences	6.3	6.4	6.4	6.5	6.7	6.7
Schulich School of Music	15.0	13.6	13.8	11.9	11.4	11.2
Religious Studies	37.9	35.4	30.6	28.5	25.7	26.8
Science	17.3	17.3	17.6	17.8	19.5	19.5
McGill School of Environment	123.0	118.0	127.2	132.2	134.2	136.0
TOTAL³	13.3	12.9	12.8	12.5	12.6	12.8

	McGill Total FTE/TT					
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/2010
Agricultural & Environmental Sciences	10.5	10.7	10.9	11.3	11.9	12.8
Arts	23.5	21.8	21.8	21.4	21.2	22.9
Dentistry	9.9	10.9	10.0	10.0	9.4	9.0
Education	25.6	24.6	24.5	23.7	23.1	25.0
Engineering	16.4	16.5	15.2	15.5	16.4	17.6
Law	17.2	16.5	16.4	15.6	16.0	15.5
Desautels Faculty of Management	57.4	49.4	45.0	39.2	34.7	31.3
Medicine - Clinical ³	3.9	3.9	4.1	4.1	4.1	4.2
Medicine - Schools	17.8	20.1	18.1	16.0	17.6	19.1
Medicine- Basic Sciences ³	9.9	9.7	9.5	9.6	9.8	9.9
Schulich School of Music	18.5	16.7	16.9	15.2	14.8	14.4
Religious Studies	41.1	38.8	33.6	30.9	28.6	30.0
Science	19.8	19.6	19.8	20.0	21.8	21.8
McGill School of Environment	123.8	120.1	129.0	134.2	139.2	139.5
TOTAL³	16.3	15.7	15.5	15.1	15.3	15.8

Agricultural & Environmental Sciences
Arts
Dentistry
Education
Engineering
Law
Desautels Faculty of Management
Medicine - Clinical
Medicine - Schools
Medicine- Basic Sciences
Schulich School of Music
Religious Studies
Science
McGill School of Environment
TOTAL^z

Tenure Track					
2005	2006	2007	2008	2009	2010
88	88	88	87	89	89
256	273	271	275	280	272
15	15	16	16	17	18
84	86	84	83	81	76
129	128	138	141	143	144
38	41	43	44	42	43
47	51	50	58	63	67
368	378	376	391	392	395
34	35	37	42	41	40
134	142	143	144	144	147
49	53	53	56	58	59
12	12	13	13	13	13
247	249	257	255	245	255
1	1	1	1	1	1
1,502	1,552	1,570	1,606	1,609	1,619

	McGill Undergraduate FTE					
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/2010
Agricultural & Environmental Sciences	672.4	689.8	736.2	753.1	788.4	836.2
Arts	5,294.8	5,303.9	5,295.7	5,284.3	5,330.0	5,579.5
Dentistry	134.9	143.7	141.0	141.2	140.7	135.0
Education	1,664.7	1,626.8	1,565.3	1,459.4	1,346.3	1,358.6
Engineering	1,491.2	1,541.9	1,574.4	1,646.4	1,719.4	1,782.3
Law	556.1	573.8	597.4	572.6	568.1	572.6
Desautels Faculty of Management	2,063.5	1,981.4	1,774.5	1,863.8	1,750.2	1,675.0
Medicine - Clinical	1,152.0	1,205.3	1,224.0	1,268.4	1,299.7	1,299.5
Medicine - Schools	471.5	542.7	517.6	490.7	468.7	425.0
Medicine- Basic Sciences	849.8	904.6	909.4	935.3	962.9	980.2
Schulich School of Music	733.0	718.9	728.9	667.1	663.8	663.6
Religious Studies	454.7	425.0	398.4	370.6	334.5	348.0
Science	4,276.2	4,298.3	4,524.3	4,538.2	4,774.9	4,978.5
McGill School of Environment	123.0	118.0	127.2	132.2	134.2	136.0
TOTAL³	19,937.9	20,074.1	20,114.1	20,123.4	20,281.8	20,770.0

	McGill Total FTE					
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/2010
Agricultural & Environmental Sciences	920.4	939.0	959.2	986.0	1,057.6	1,142.1
Arts	6,027.3	5,941.5	5,911.5	5,874.0	5,929.0	6,237.8
Dentistry	148.6	163.8	159.2	159.5	160.3	161.5
Education	2,146.7	2,118.0	2,053.9	1,965.3	1,869.2	1,900.8
Engineering	2,112.9	2,106.3	2,101.7	2,191.0	2,346.4	2,537.5
Law	654.9	676.1	707.0	685.0	673.3	665.5
Desautels Faculty of Management	2,699.1	2,521.1	2,247.6	2,274.4	2,188.5	2,099.0
Medicine - Clinical ³	1,448.0	1,484.0	1,534.5	1,601.9	1,618.0	1,669.7
Medicine - Schools	606.6	704.0	669.3	672.8	721.3	763.6
Medicine- Basic Sciences ³	1,323.6	1,374.1	1,360.7	1,377.4	1,405.2	1,461.4
Schulich School of Music	904.7	887.5	896.8	852.0	857.7	848.7
Religious Studies	493.5	465.8	436.7	401.6	371.2	390.4
Science	4,883.7	4,880.7	5,098.5	5,101.2	5,331.6	5,571.0
McGill School of Environment	123.8	120.1	129.0	134.2	139.2	139.5
TOTAL³	24,493.7	24,381.8	24,265.4	24,276.1	24,668.4	25,588.3