



McGill University Budget FY2013—Summary and Highlights

Prof. Anthony C. Masi
Provost
McGill University

Presentation to Senate
18 April 2012



McGill

Major Strategic Academic Priorities

- **Faculty and research:** recruitment, retention, development; improving research performance and knowledge transfer
- **Students and educational programs:** attracting, retaining and supporting top students; enhancing student life and learning; innovative delivery of educational programs; enhancing professional programs
- **Administrative staff and support services:** enhancing career development; developing a culture of best practices in support of academic mission
- **Engagement:** serving the local, national and global communities
- **Diversity and sustainability:** encouraging diversity in origin and ideas
- **Performance measurement:** academic analytics and KPIs

Budget FY2013 in context

- **5-year planning cycle:** focus aligning resources to our top strategic academic priorities for education and research
- ***ASAP 2012: Achieving Strategic Academic Priorities*** and the **Strategic Research Plan:** identify strategic academic and research priorities and develop roadmap
- **Strategic Reframing Initiative (SRI):** mechanism delivering recommendations about the ways and means through which we advance
- **Key Performance Indicators (KPIs):** institute benchmarks and comprehensive academic analytics

McGill's total budget includes four funds

- **GAAP rules** require combining these four funds into a single “column”:
 - Operating (unrestricted)
 - Restricted (research)
 - Plant (capital)
 - Endowment
- **Budget Book FY2013:** operating budget continues to be the focus, unless otherwise indicated all numbers are GAAP compliant

Updated Forecast for FY2012

Summary of variances against original forecast

1. Original proposal in FY2012 Budget: operating fund

(\$6.0M)

Anticipated operating budget variances for FY2012

2. Positive variance

\$24.3M

3. Negative variance

\$17.9M

4. Updated Surplus (Deficit) forecast FY2012

\$0.4M

FY2013 Operating budget & outlook

in \$ millions

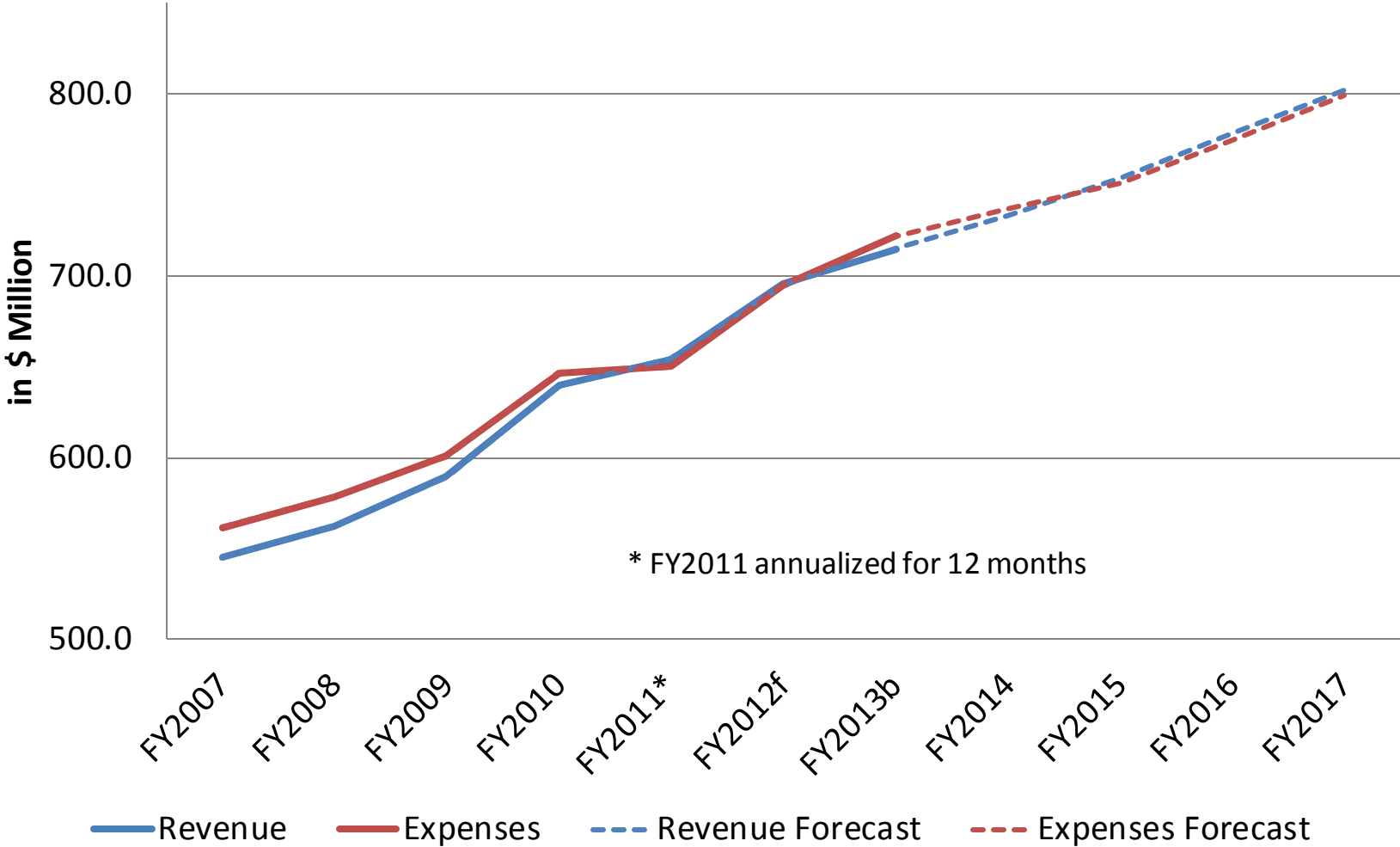
5 Year Outlook - as of March 2012

	11 Month			Outlook			
	<u>FY11a</u>	<u>FY12f</u>	<u>FY13b</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Revenue	630.5	695.4	710.5	732.7	754.2	778.9	802.3
Expenses & Adjustments	625.8	695.0	717.4	736.6	751.1	774.7	799.0
Annual Surplus/(Deficit)	4.7	0.4	(7.0)	(3.9)	3.0	4.2	3.2
GAAP Accumulated Surplus/(Deficit)	(275.3)	(274.9)	(281.9)	(285.8)	(282.7)	(278.6)	(275.3)

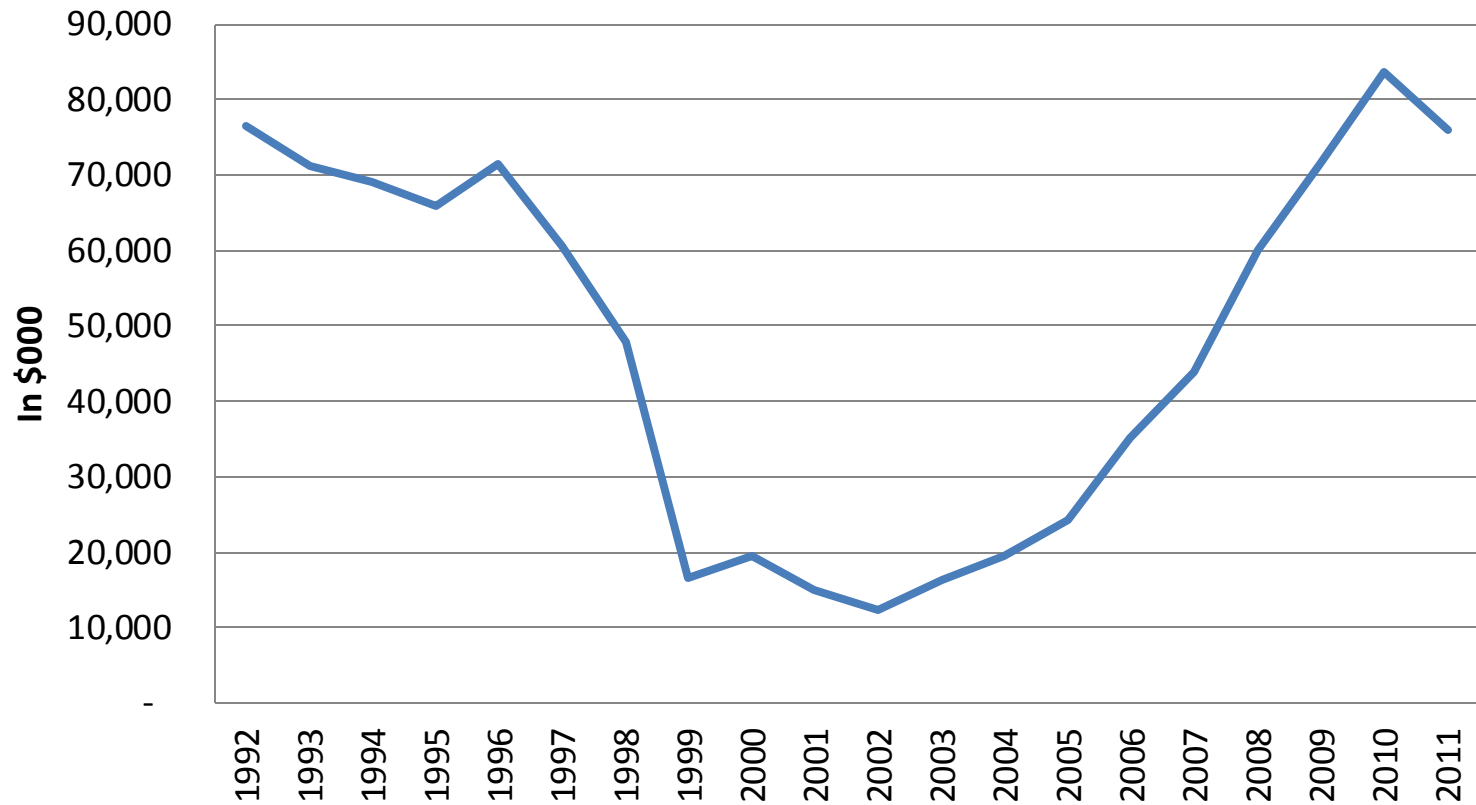
a = actual; f = forecast; b = budget; all other years are plan

Historical operating revenue and expenses

Operating Revenue and Expenses

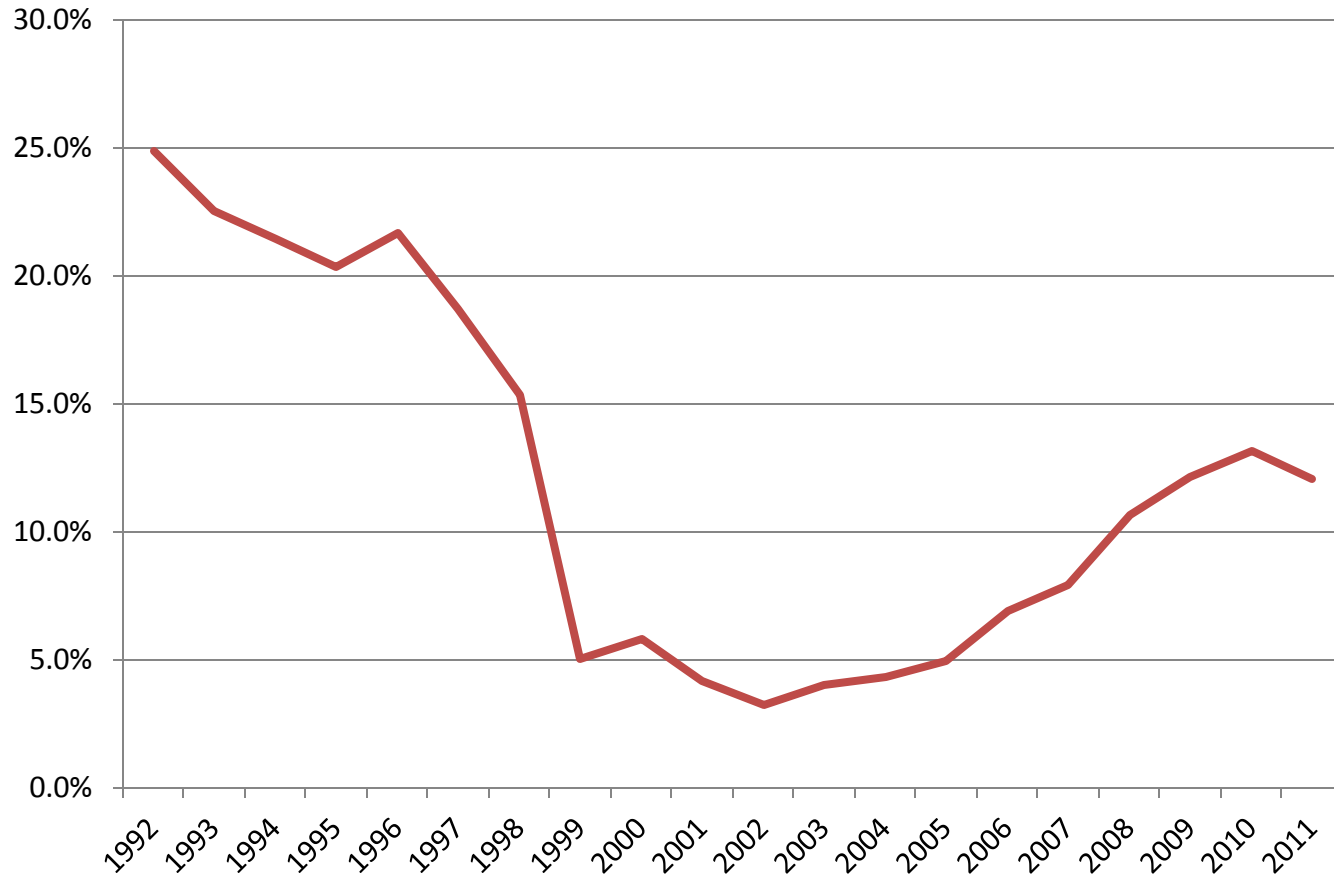


Operating Fund: History of non-GAAP accumulated deficit



Note: Illustrated in nominal or “current” dollars.

Operating Fund: History of non-GAAP accumulated deficit as a share of Operating revenue



Note: Illustrated in nominal or “current” dollars.

Budget Deficit Comparison: FY2011 (11 months)

Overview of
Targets
section of
budget book

In \$000	<u>McGill</u>	<u>Laval</u>	<u>U Montreal</u>	<u>All Other QC Universities</u>
Total Operating Revenue	630,456	507,100	622,446	1,933,504
Annual Surplus/ (Deficit)	4,745	(30,267)	(32,724)	(12,442)
Annual Deficit % of Revenue	surplus	6.0%	5.3%	0.6%
Accumulated Deficit (GAAP)	(275,291)	(337,039)	(367,602)	(1,162,029)
Accum Deficit % of Revenue	43.7%	66.5%	59.1%	60.1%

4-fund FY2013 budget (GAAP)

Appendix 26 of Budget Book

Budget FY2013 and Forecast FY2012

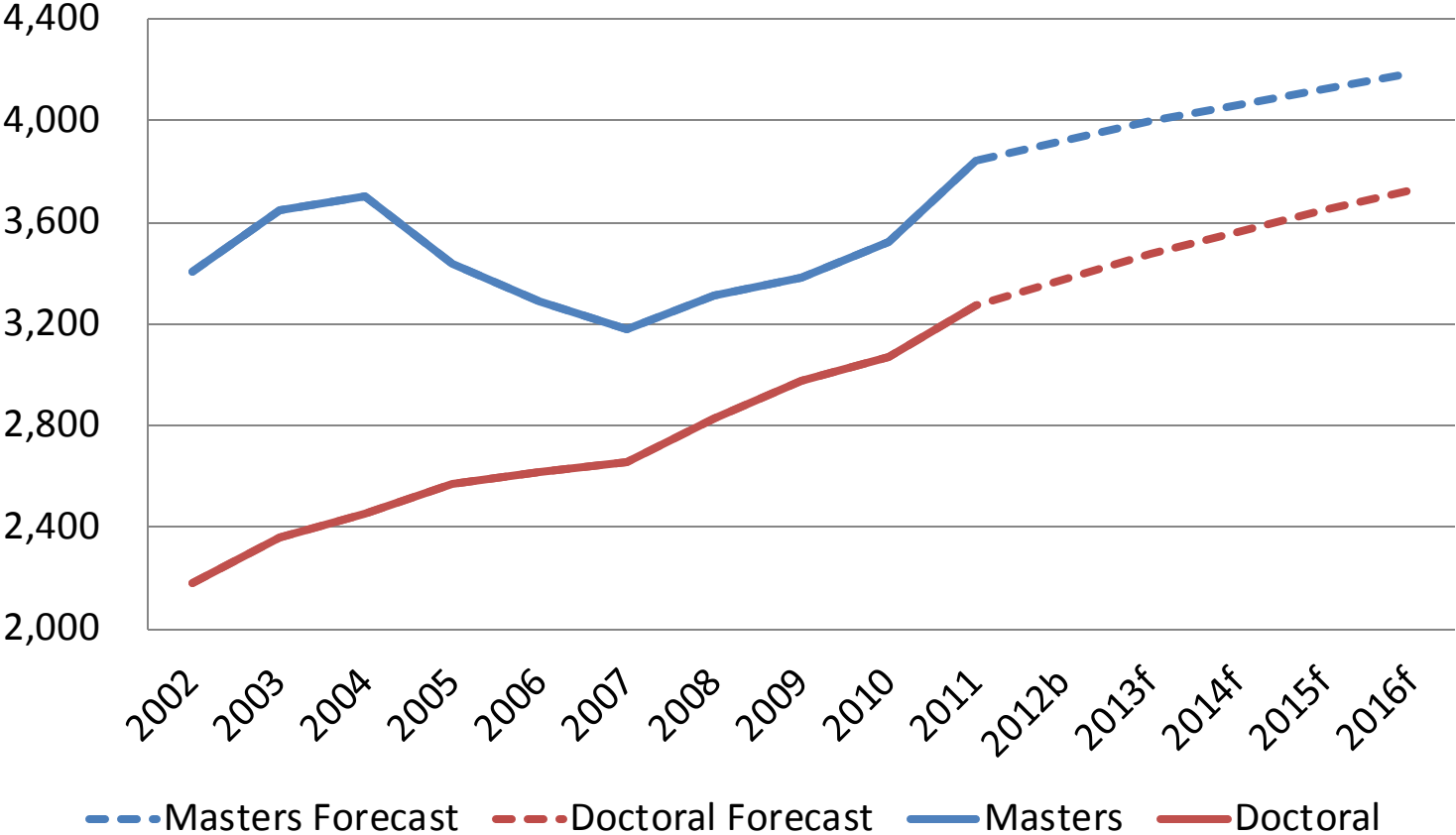
For the twelve month period ended: April 30, 2013

(\$000's)

	BUDGET FY 2013				Budget (12 months) 2013	Forecast (12 months) 2012
	Unrestrict'd	Restricted Fund	Plant Fund	Endowment	All Funds	
	Total	Total	Total	Total	Total	Total
Revenue						
Total Revenues	<u>710,490</u>	<u>355,980</u>	<u>92,900</u>	<u>-</u>	<u>1,159,370</u>	<u>1,137,275</u>
Expenses						
Salaries:						
Total Salaries	<u>525,974</u>	<u>195,588</u>	<u>-</u>	<u>-</u>	<u>721,562</u>	<u>705,859</u>
Non-Salary:						
Total Non-Salary	<u>173,605</u>	<u>111,537</u>	<u>128,000</u>	<u>-</u>	<u>413,142</u>	<u>395,998</u>
Total Expenses	<u>699,579</u>	<u>307,125</u>	<u>128,000</u>	<u>-</u>	<u>1,134,704</u>	<u>1,101,857</u>
Excess of revenue over expenses:	<u>10,911</u>	<u>48,855</u>	<u>(35,100)</u>	<u>-</u>	<u>24,666</u>	<u>35,418</u>
Net Assets, beginning of year	<u>(274,916)</u>	<u>(6,752)</u>	<u>514,474</u>	<u>967,637</u>	<u>1,200,443</u>	<u>1,150,025</u>
Net change in Endowment net assets				15,000	15,000	15,000
Interfund Transfers:	(17,864)	(46,159)	71,144	(7,121)	-	-
Net Assets, end of period:	<u>(281,869)</u>	<u>(4,056)</u>	<u>550,518</u>	<u>975,516</u>	<u>1,240,109</u>	<u>1,200,443</u>

Graduate student enrolments (Fall)

Alignment of resources to University priorities section of Budget Book

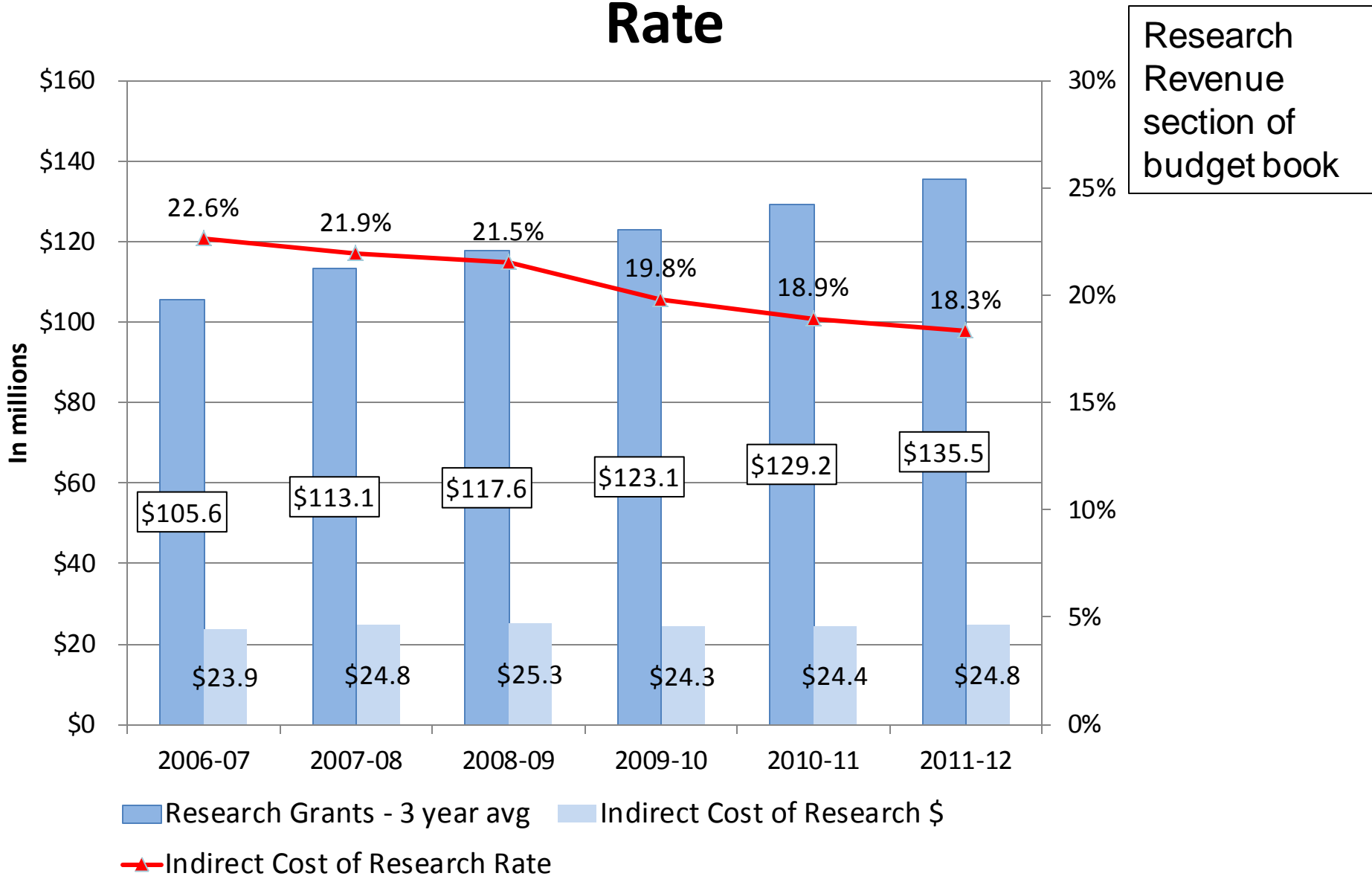


b = Budget; f = Forecast
 Source: Banner Electronic Factbook

Key revenue assumptions FY 2013: Tuition

- net revenues from **basic tuition fees** in FY2013 will **increase by \$211.25**
 - gross increase = \$325/yr. per FTE student, net of 35% deduction by Quebec for government's loans and bursaries program for Quebec students
 - approximately \$6M increment annually
- international undergraduate deregulated disciplines (Engineering, Business, Law and Science)
 - **7.0% increase in FY2013** for in-course students
 - new students who start in FY2013, move to higher tuition but guaranteed for 4 years

Tri-Council Grants vs. Federal Indirect \$ and Rate



FY2013 total forecast revenues: \$1,159,370

in thousands

Plant Fund,
\$92,900

Restricted
Fund,
\$321,300

Restricted
Endowment
Distribution,
\$34,680

Total Operating
Fund,
\$714,868

Operating Fund
\$710,490

Operating
Endowment
Distribution
\$4,378

Conclusion section of
Budget Book

GAAP vs. pre-GAAP: Revenues earned from Endowment investments are recorded in the Operating and Restricted funds under GAAP

Key assumptions FY2013:

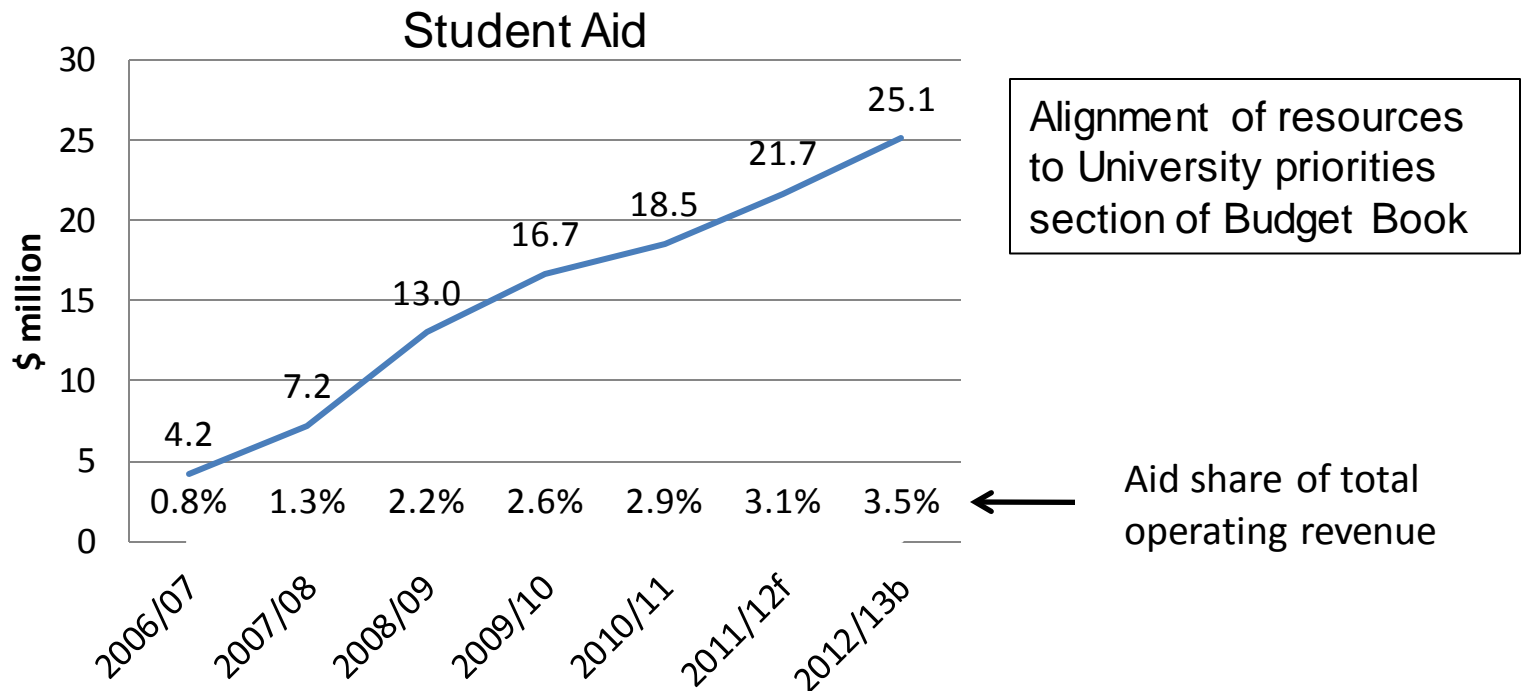
General expenditures

- no across-the-board budget cuts
- SRI cost efficiency programs (\$4.1M savings, \$2.7M implementation costs)
- investment in CFI rounds 6 and 7 = \$6.5M over the next 4 years
- annual pension liability funding required to FY2017: \$7.3M
- pay equity maintenance charges = \$3.5M into base

Key expenditure assumptions FY2013:

Student aid

- student assistance (bursaries and graduate student funding) to increase as tuition fees rise
- \$3.4 M incremental contribution: exceeds 30% of net tuition increase commitment to aid

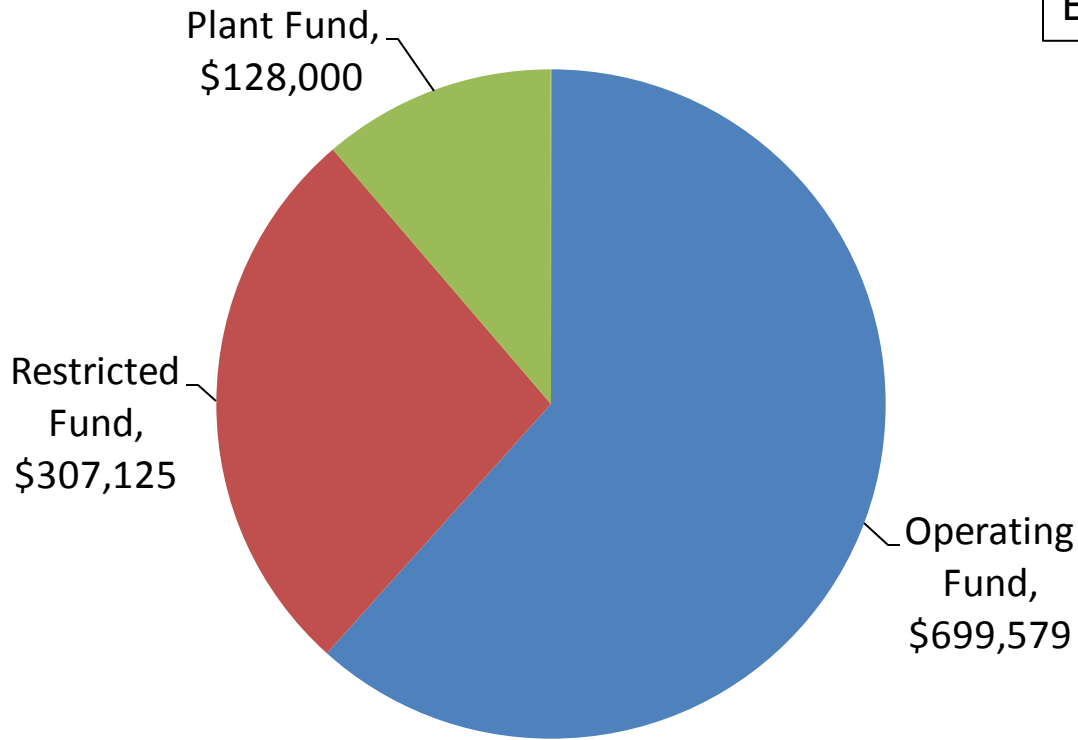


Note: Percentage figures are student aid share of pre-GAAP Operating Revenue by Year

FY2013 total budget expenditures: \$1,134,704

in thousands

Conclusion section of
Budget Book



Note: Endowment fund expenses are allocated to the Operating (\$4.4M) and Restricted (\$34.6M) funds under GAAP

Budget operating expenses – FY2013: \$721,802

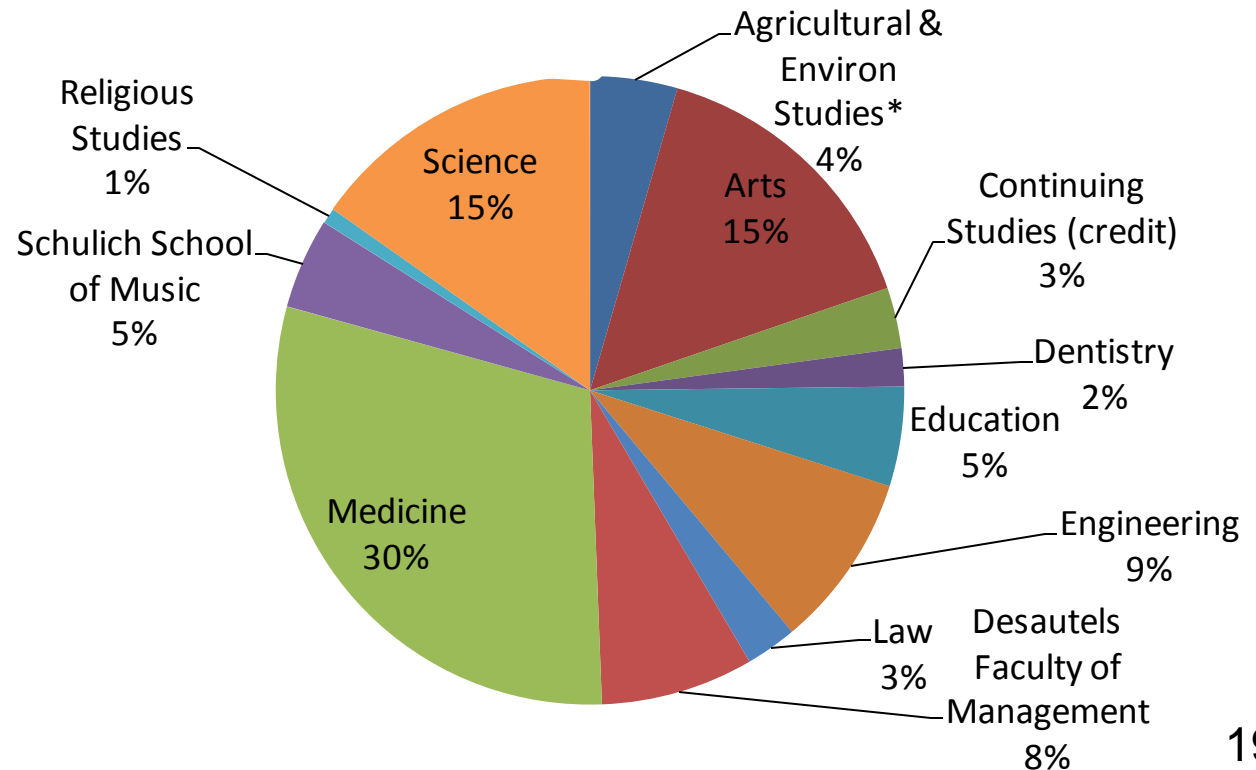
In \$ thousands

Expense Comparison

	Forecast FY2012	Budget FY2013	% change
Faculties	\$ 327,177	\$ 347,060	6.1%
Academic services	\$ 65,324	\$ 69,622	6.6%
All Other expenses	\$ 305,081	\$ 305,119	0.0%
Total Expenses	\$ 697,582	\$ 721,802	3.5%

Operating Expenditures
section of Budget Book

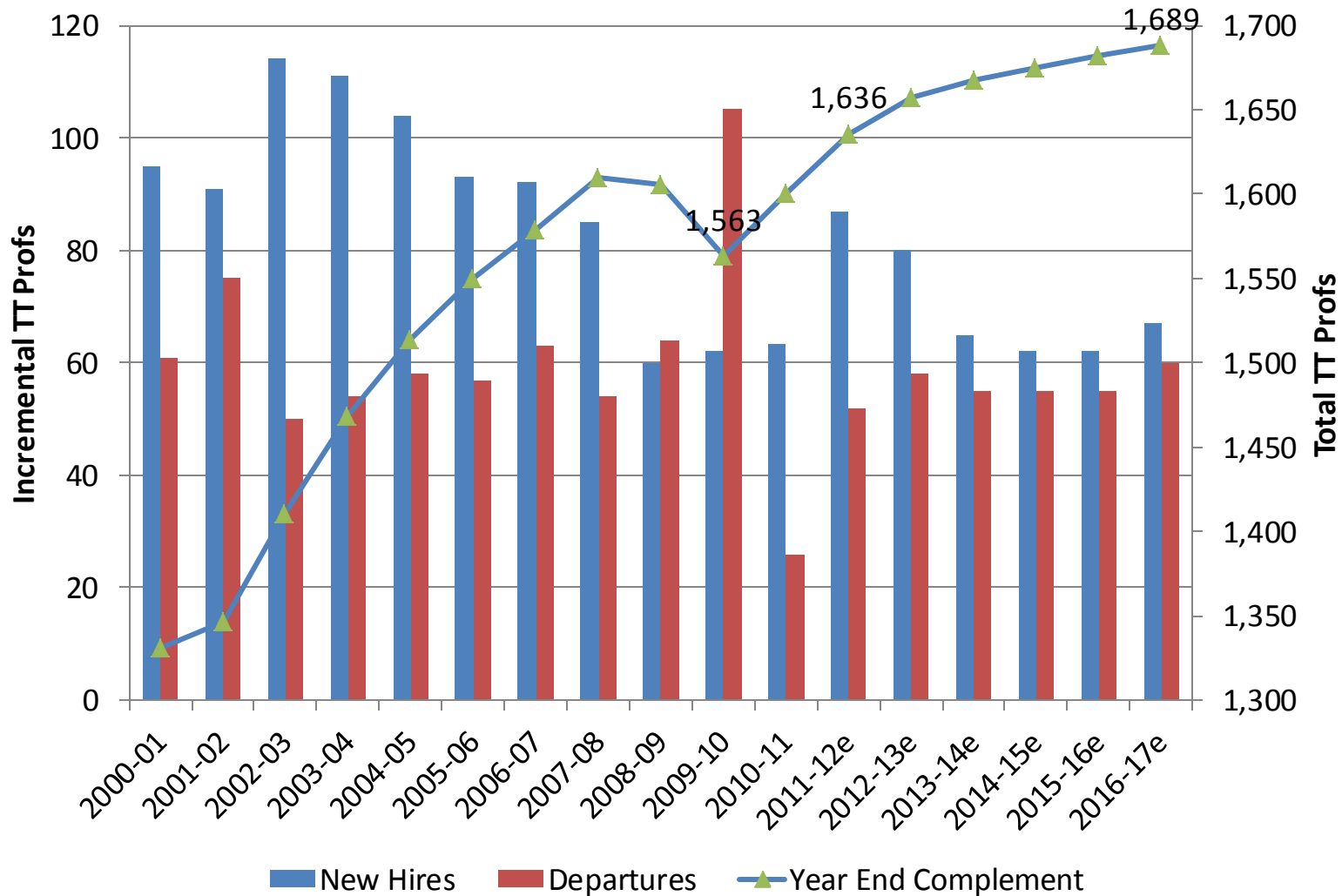
FY2013 Faculties expense \$347M breakdown



* Includes School of Environment

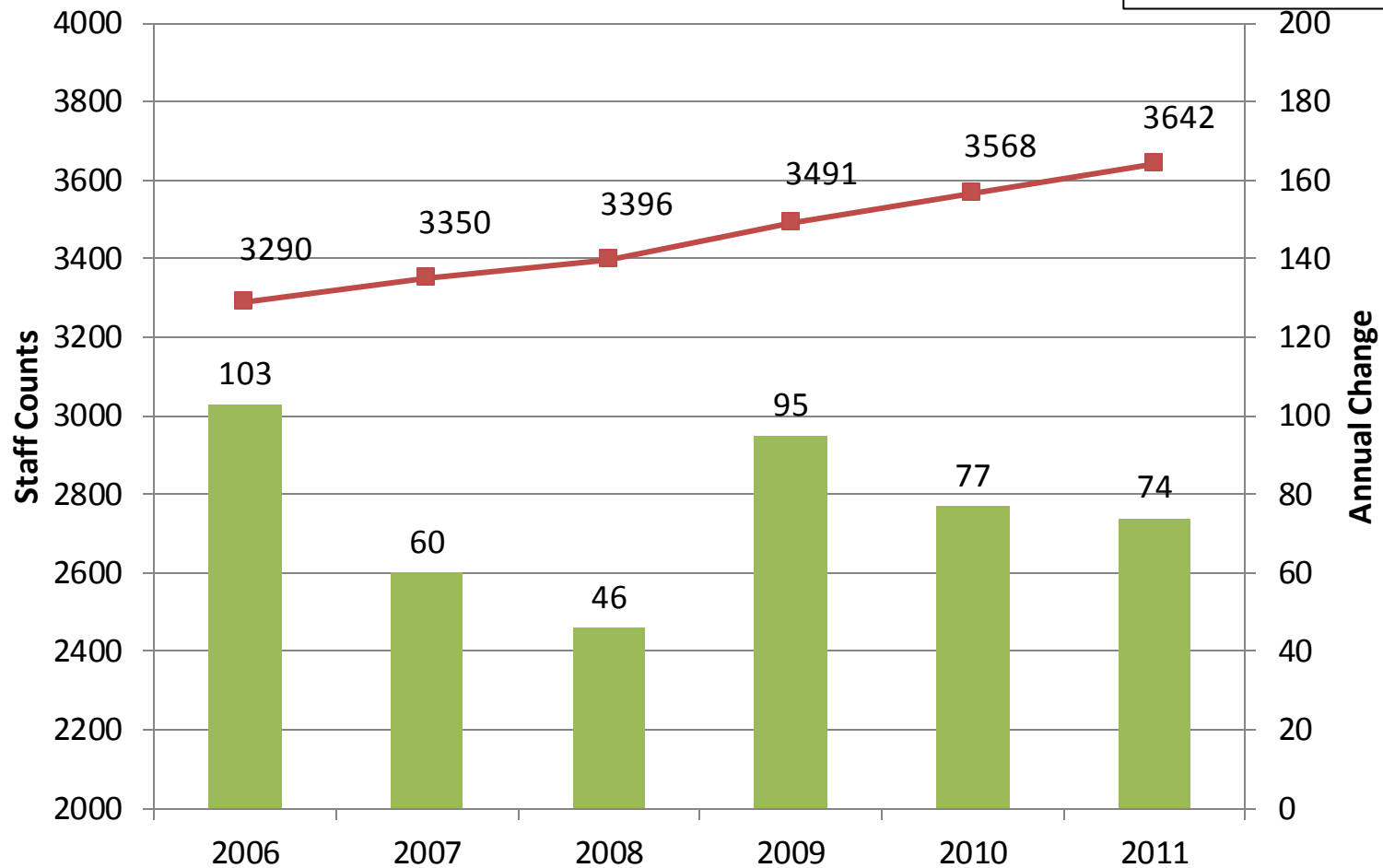
Academic renewal FY 2001 – FY 2017e

Alignment of resources to University priorities
section of Budget Book



Full-time administrative & support staff as of 31 May 2011

Alignment of resources to University priorities
section of Budget Book



Bars represent change in staff counts; line represents actual staff counts

FY2013 Plant Fund: MELS Capital Budget Allocations

Capital Fund section of Budget Book
--

Institutional Priorities	\$	4.5 M
Faculty Compact Allocations	\$	4.3 M
Admin & Support Staff Perm Salary	\$	0.9 M
Campus Facility Maintenance	\$	3.0 M
IT Projects	\$	1.9 M
Innovative teaching space renovations	\$	2.0 M
Deferred Maintenance to address the backlog	\$	25.9 M
Capital Repayment of Deferred Maintenance Loans	\$	5.1 M
Contingencies	\$	<u>1.0 M</u>
TOTAL for FY2013	\$	48.6 M

Captures budgets from MELS (does not include CFI or other Federal funds)

FY2013 Restricted Fund: \$356M in Revenue

Restricted Fund section
of Budget Book

- The Restricted fund is primarily composed of research and other restricted revenues
 - received in the form of grants, donations or other revenues which are to be spent in accordance with the terms of the grant or wishes of the donor.
- Overlap with Operating fund through Indirect Costs of Research (ICR) paid by federal and provincial governments and other agencies on research grants

Endowment Fund: Market Value of \$933M

Endowment Fund
section of Budget Book

- The market value of McGill's endowment increased by 13.5% for FY2011 (\$954M vs. \$840M), but has decreased by \$21M to \$933M as of January 31, 2012 (9 months into Fiscal 2012).
- Overlap with Operating fund through endowment management fees and covering the cost of the Office of Investment Management (90 basis points)
- Additional interaction with Restricted & Operating fund through student aid, salary relief through endowed chairs and other endowment support activities

Funding for top academic and administrative priorities

- Achieving new directions in faculty hiring, retention and leadership development: **\$9.8M**
- Enhancing the undergraduate and graduate experience: **\$3.71M**
- Developing and implementing transformative interdisciplinary initiatives: **\$0.95M**
- Enhancing career development for administrative and support staff: **\$0.43M**
- Providing further service to Quebec, Canada and the global community: **\$1.35M**
- Diversity and sustainability: **\$0.14M**

Objectives in FY2013 budget implementation

- **sustain quality** as reflected in the investments made over the last 5 years
- continue to invest in **top priorities** of the University
- retain and recruit **academic talent**
- sustain and **enhance research quality** and quantity
- increase **targeted recruitment** and enrolment of undergraduate and research graduate students
- to achieve these objectives: **(\$7.0M) deficit for FY2013 budget**



**McGill University Budget
FY 2013**

Discussion

Comments?

Questions?

Concerns?