



Memorandum

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TO: Senate

FROM: Prof. Anthony C. Masi, Provost

SUBJECT: Budget Planning 2012-2013: Report I

DATE: 7 December 2011

DOCUMENT #: D11-25

ACTION REQUIRED: INFORMATION APPROVAL/DECISION

ISSUE: Highlights of key considerations for the development of the FY2013 budget in the context of a new 5-year budget planning cycle.

BACKGROUND & RATIONALE: This is the first of three presentations made to Senate on the McGill University budget for FY2013. The second presentation (Budget Planning 2012-2013 Report II) will be given in the Winter semester, and will be followed by a final presentation on the budget for fiscal year 2013 in April.

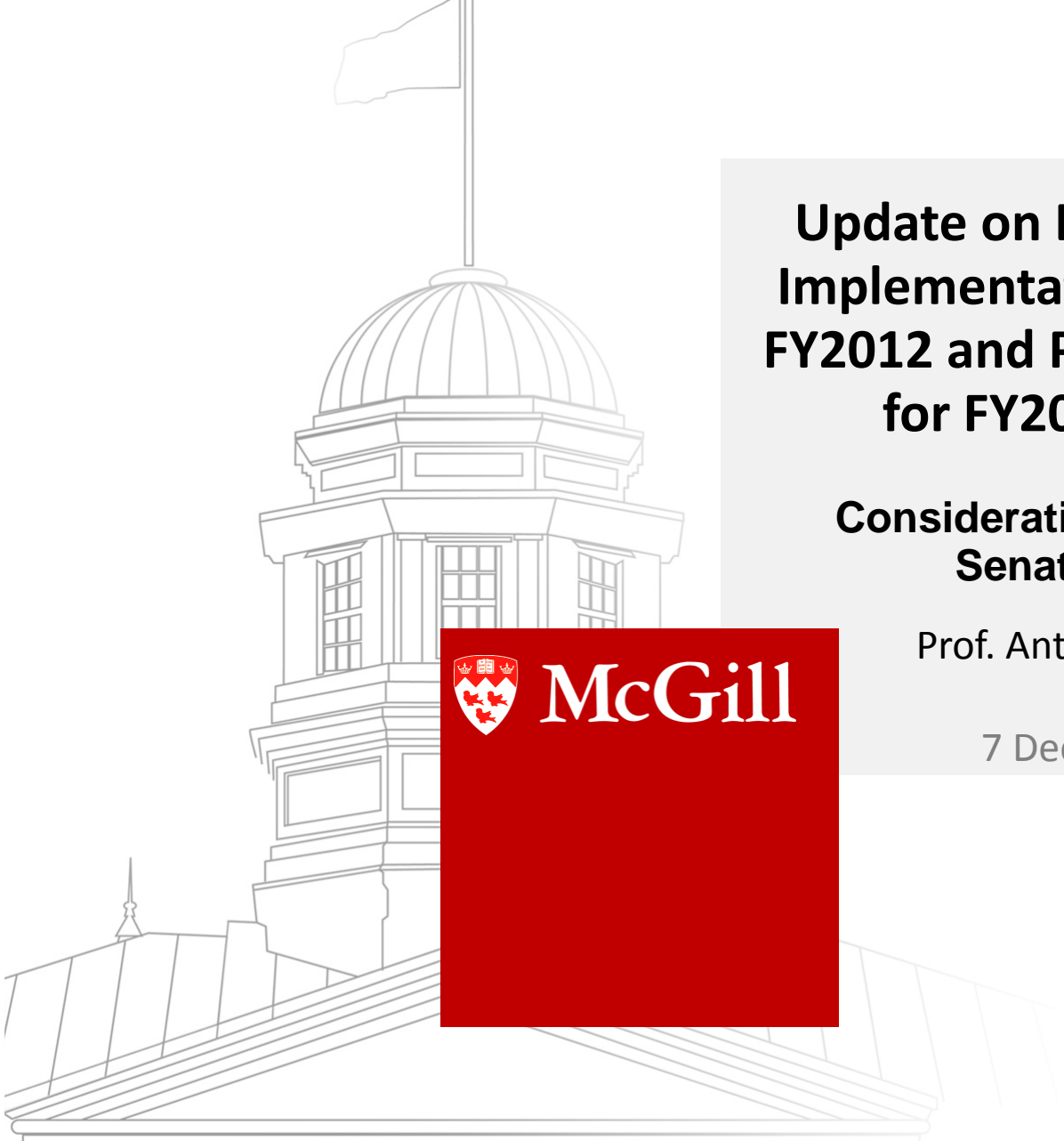
The key messages in this presentation will frame the development of the FY 2013 McGill University Budget. Further developments on the budget planning as well as updated forecasts of key expenses and revenue drivers will be presented in Report II.

MOTION OR RESOLUTION FOR APPROVAL: N/A.

PRIOR CONSULTATION: Senior administration
Finance Committee of the Board of Governors;
Board of Governors.

NEXT STEPS: Budget Planning 2012-2013: Report II – To be presented to Senate in February
McGill University Budget 2012-2013 – To be presented to Senate in April

APPENDICES: Appendix A: PowerPoint Presentation “Update on Budget Implementation for FY2012 and Planning for FY2013: Considerations for Senate” (presentation not distributed as part of mailing)



**Update on Budget
Implementation for
FY2012 and Planning
for FY2013**

**Considerations for
Senate**

Prof. Anthony C. Masi
Provost

7 December 2011



McGill

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1. Preface:

Key budget messages

1. supporting quality and excellence in teaching, research, and service

- a) academic analytics with precise KPIs and strategic enrolment management
- b) academic, administrative and support staff renewal, including career development

2. balancing revenues and expenses

- a) new sources of revenues and optimization of traditional ones
- b) cost efficiency measures

3. targeted future-oriented investments

- a) performance-oriented: incentives, rewards, consequences
- b) reputational lift

2. Multi-year budgeting principles: FY2013 to FY2017 (second iteration)

- protect McGill's **quality and performance** as manifest in **current investments and planning**
- **new multi-year resource allocation framework**
- **invest in top priorities** and measure quality and performance via **analytics and KPIs**
 - people: training and development
 - educational programs: innovative approaches
 - research: strategic innovations
 - Infrastructure: renewed

3. Objectives and benchmarking

- recruit and retain **academic talent**
- sustain and enhance **research quality and quantity**
- continue implementation of SEM plan, with particular attention to **optimizing** both undergraduate and graduate **student to TT ratios**
- support **Faculty-specific and institutional initiatives**
- remain a top-quality employer in Canada by **investing in career development for all staff**
- accelerate investments in **deferred maintenance** to counter decay in physical infrastructure

4a. FY2012 progress to date: Preliminary outlook

- FY2012 budget **target**: (\$6M) deficit in University operating fund

Anticipated operating budget variances FY2012	Estimated impact
Increases	\$8.5 M
Decreases	\$8.55 M
Expected net effect	(\$0.05 M)
Expected FY2012 deficit	(\$ 6.05 M)

4b. FY2012 progress to date: Factors with unknown impact

- total increases in labour costs
- infrastructure requirements
- potential volatility in government funding at both the federal and provincial levels
- unforeseen contingencies
- an updated forecast will be available in the next quarter

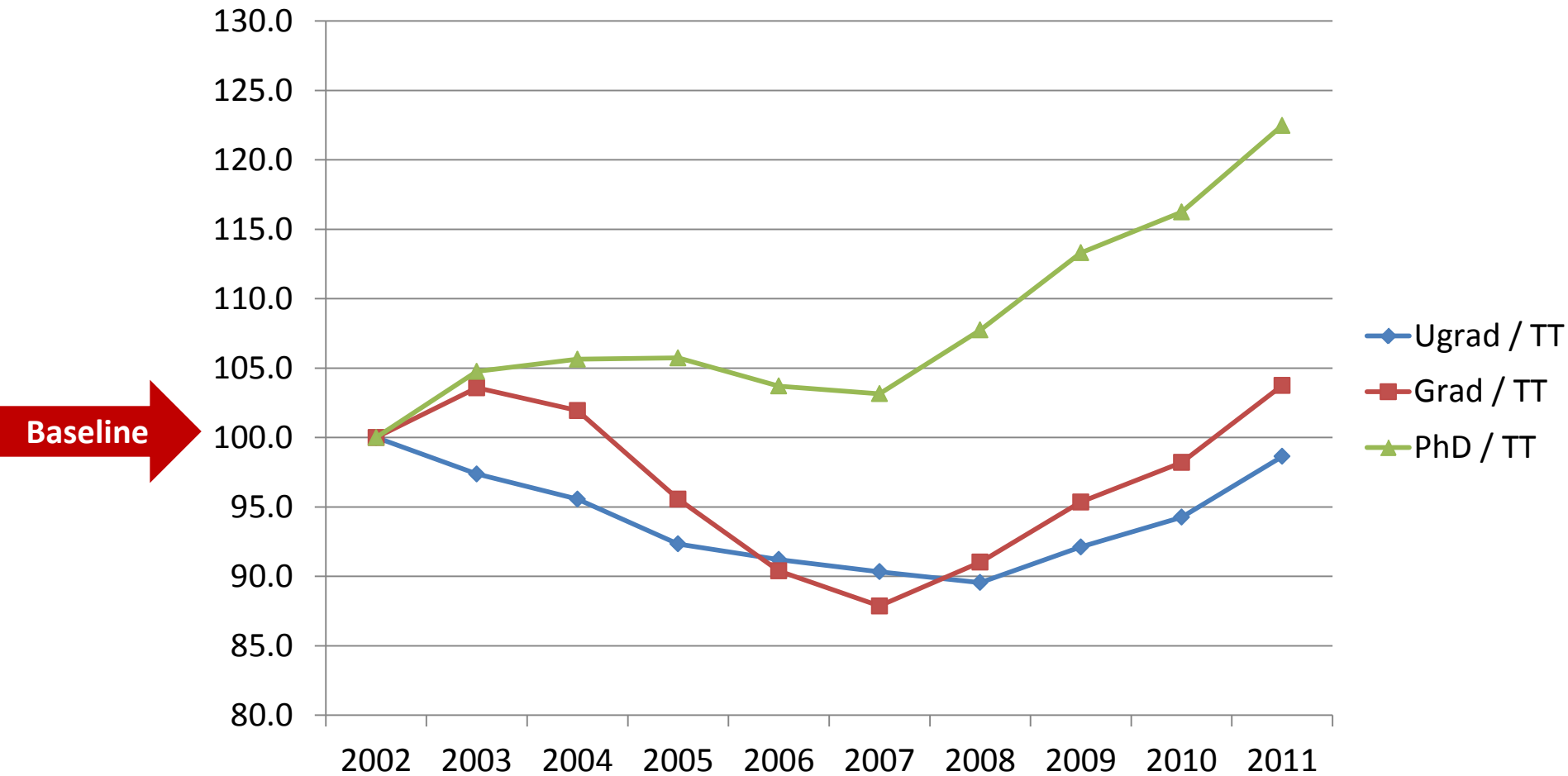
5. Looking Ahead: FY2013 – FY2017

- operating revenue expected to grow
 - gross tuition to grow to \$2,493/FTE/year in FY2013 vs. Canadian average of approx \$6,000/FTE/year
- operating expenses expected to grow as well
- be able to return to breakeven
 - accumulated deficit repayment plan required medium to long-term
- large impact of possible accelerated deferred maintenance
 - potential debt service on \$150 million+ in borrowings

6a. FY2013 budget model assumptions: MELS grant-funded enrolment growth

Student level	Target	FY2008-09 Ratio
Undergraduate	Lowest UG-TT ratio in U15	UG FTE / TT McGill: 13.6 U13 low: 13.6
Masters – Professional	Increase significantly	
Masters – Thesis	Increase where capacity	
PhD	Highest PhD-TT ratio in U15 Highest percentage of PhD to all students	PhD FTE / TT McGill: 1.7 U13 high: 2.7
Residents	Flat or low growth – plateau after historical increases	
Postdoctoral students	Ensure appropriate ratio of PDF to TT professor	Current PDF / TT ratio is approximately 0.5

6b. FY2013-17 budget model assumptions: Student to tenure-track ratios



6c. FY2013 budget model assumptions: Other revenue

- % indexation on MELS Grant: **0.75%**
 - \$1.7M for every 0.5% increment
 - Recent behaviour: actual indexation lower than announced
- tuition & fees
 - \$211/year net tuition increase over approximately 28,500 full-time equivalent students = ~\$6M/year in incremental revenue
 - McGill commitment: **30% net new tuition to student aid approx (\$0.9M)**
- approximately 25% of new student revenues will be channeled directly to Faculties via the **enrolment incentive** program

6d. FY2013 budget model assumptions: Deficit and salary mass starting points for FY2013

- Forecast accumulated deficit (GAAP) at end of FY2012:
(\$281M)
 - of which total (cash) operating deficit is expected to be:
(\$96.05M)
- Operating budget: **\$564M***
- Salary mass from operating budget: **\$420M***
 - Represents **74.46%** of operating budget

*Excludes self-funded operations

7. FY2013 budget: Key goals

- implementation of priority SRI cost efficiencies and revenue generation measures
- across-the-board budget cuts
- managing compensation costs
- determining priority areas for reinvestment
- pay equity settlements
- pension liabilities



Discussion

Comments?

Questions?

Concerns?

Suggestions?