



Budget Planning II

**FY2013 Budget and
Outlook for FY2014-FY2017**

Presentation to Senate

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McGill

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1. Key budget messages

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

- a) academic analytics with precise KPIs and strategic enrolment management
- b) academic and 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

- protect McGill's **quality and performance** as manifest in **current investments** and **planning**
- **implementation of ASAP 2012 and SRI initiatives**
- continue to **invest in top priorities**
 - people: training and development
 - educational programs: innovative delivery and content
 - research innovations: identified and supported
 - Infrastructure: improvements

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 staff**
- accelerate investments in **deferred maintenance** to counter decay in physical infrastructure

4. FY2012

Preliminary forecast

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

Anticipated operating budget variances FY2012	Estimated impact
Expected (under) spending by units / contingency	Unknown
Pay Equity – one time charge (2002-2008 est.)	Unknown
Pay Equity – one time charge (2008-2011 est.)	Unknown
Expected net effect	Unknown
Expected FY2012 deficit	Unknown

* Expect additional expenses to appear in next forecast.

5. Current economic uncertainties: Projected shortfall for FY2013 (\$5.8M)

1. Commitment to **salary** increases
2. Unanticipated ongoing **pay equity** obligations
3. Contributions to the **pension** fund
4. Reduced payout from our **endowment** funds
5. Projected increases in **interest rates**
6. Set asides for applications to major **research** competitions

6. 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
- goal: to be able to return to breakeven
 - accumulated deficit repayment plan required medium to long-term
- large impact of accelerated deferred maintenance
 - potential debt service on borrowings
- **grant indexation unable to sustain salary growth**

7. Past, present and future outlook

5 Year Outlook - as of April 2011							
	11 Month				Outlook		
	<u>FY10a</u>	<u>FY11f</u>	<u>FY12b</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Revenue	639.4	626.3	677.9	712.0	733.3	758.2	779.4
Expenses	646.8	621.0	684.0	718.8	733.4	758.3	779.4
Annual Surplus/(Deficit)	(7.4)	5.3	(6.0)	(6.8)	(0.1)	(0.1)	(0.0)
Accumulated Deficit (GAAP)	(283.0)	(277.7)	(283.7)	(290.5)	(290.6)	(290.6)	(290.7)

5 Year Outlook - as of January 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	671.2	709.9	731.7	757.0	782.4	808.0
Expenses	625.8	685.7	715.7	738.6	756.0	782.8	807.7
Annual Surplus/(Deficit)	4.7	(14.5)	(5.8)	(7.0)	1.0	(0.4)	0.3
Accumulated Deficit (GAAP)	(275.3)	(289.8)	(295.6)	(302.6)	(301.6)	(302.0)	(301.7)

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

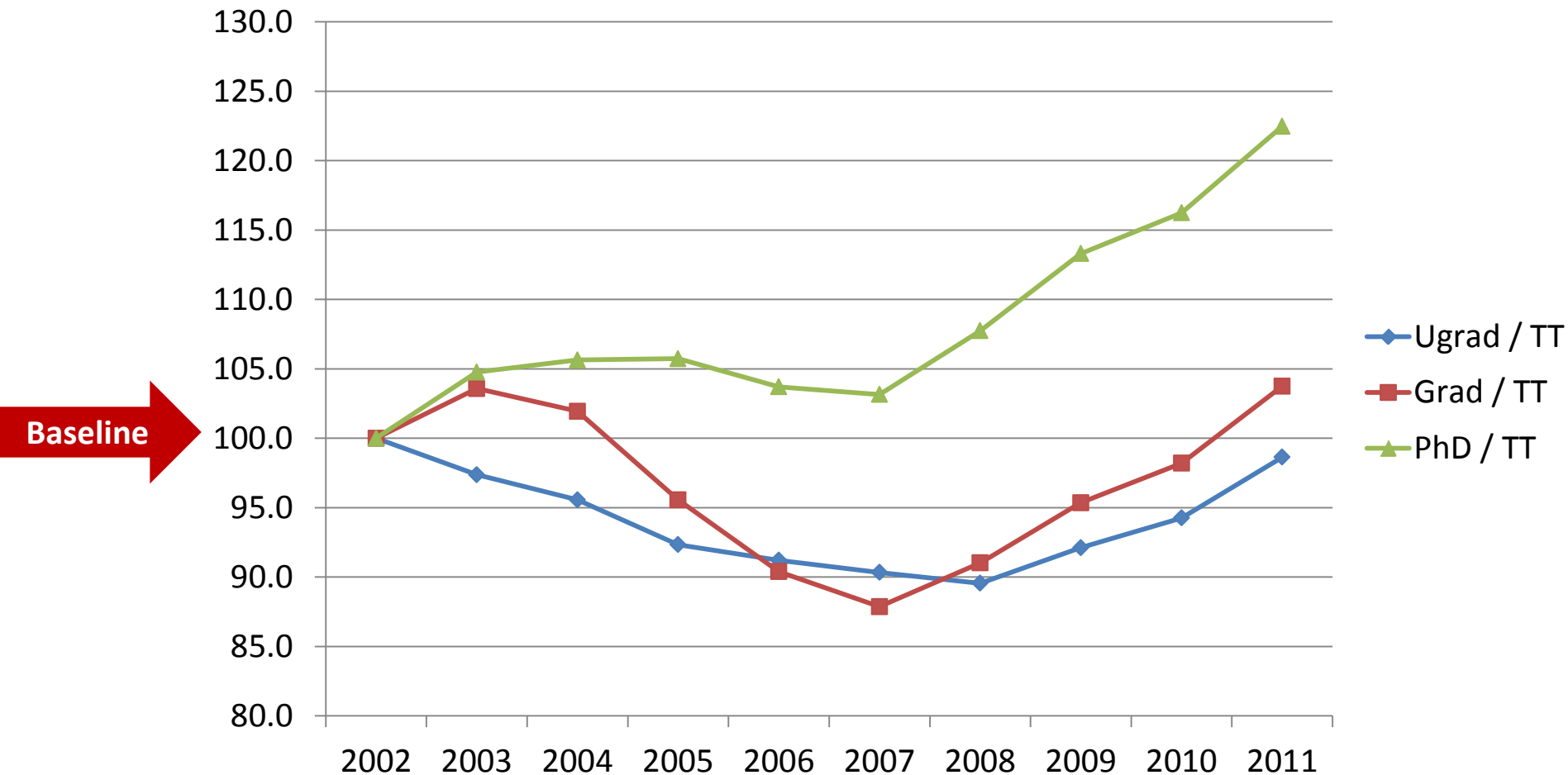
* Note FY2012 includes estimated one-time charge for pay equity

8a. FY2013 budget model assumptions: Revenue

- Continued focus on increasing quality and quantity of graduate students, combined with modest growth in undergraduate numbers

	<u>Growth %</u>	<u>Incremental Revenue</u>
• UG:	0.6% (137 funded FTEs)	\$1.3M
• Masters:	2.0% (70 funded FTEs)	\$1.4M
• PhD:	3.0% (63 funded FTEs)	\$2.2M

8b. FY2013-17 budget model assumptions: Student to tenure-track ratios



8c. FY2013 budget model assumptions: Other revenue

- % indexation on MELS Grant: **1.0%**
 - \$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. \$1.4M, which includes both deregulated international and non-Quebec tuition)**
- approximately 25% of new student revenues (net tuition & MELS grant) will be channeled directly to Faculties via the **enrolment incentive** program (\$3.5M in FY2013, up from \$1.4M in FY2012)

8d. FY2013 budget model assumptions: Salary Expenses

- FY2012 salary mass: **\$414 million**
- Expected growth: **\$12.9 million**
- Forecast FY2013 salary mass: **\$426.9 million**
- Weighted average salary increases expected for FY2014-2017: **3.4%**

8e. FY2013 budget model assumptions: Other Expenses

- **Pay equity:** TBD
- **Pension liability funding:** \$7.3M (includes \$1M for solvency) annual expense over planning period
- **Previously Capital Budget funded items:** \$2.5M (Faculty start-ups and Teaching lab equipment)
- **Discretionary contingency:** \$2M
- **Increased expenditures for teaching support:** TBD
- **Borrowing rate:** 2.1% (currently just over 1%)
- **Claw-back MELS grant for labour disruption:** TBD

8f. FY2013 budget model assumptions: Impact of SRI initiatives on operating budget

Total net expected savings from SRI of \$4.1M in FY2013

- 1. Workforce planning initiative**
- 2. Cost savings and new revenue generation**
- 3. Financial process & procurement savings**
- 4. Expected total implementation costs**

9. FY2013 budget:

Key issues

- Continuing to investing in top academic priorities
 - determining priority areas for reinvestment
- Further SRI measures
 - cost efficiencies
 - revenue generation measures
 - transformative change
- Avoiding across-the-board cuts on top of SRI
- Determining pay equity
- Addressing pension liabilities

10. FY 2012-FY2017 budget:

Top academic priorities

- Top academic priorities identified in ASAP 2012 Major Strategic Objectives include:
 - Achieving new directions in faculty hiring, retention and leadership development
 - Enhancing the undergraduate and graduate experience
 - Developing and implementing transformative interdisciplinary initiatives
 - Enhancing career development for administrative and support staff
 - Providing further service to Quebec, Canada and the global community



Discussion

Comments?

Questions?

Concerns?

Suggestions?