



McGill

McGill University Budget FY2014— Summary and Highlights

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Presentation to Senate

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Overview

1. McGill's fund structure
2. Context of continued uncertainty
3. Revised forecast for FY2013
4. Major strategic academic priorities
5. FY2014 budget objectives
6. FY2014 Operating Budget Outlook
7. FY2014 operating budget revenues
8. FY2014 operating budget expenses
9. Other funds
10. Finance and budget integration
11. Summary of objectives

1. McGill's Fund Structure

1. **Operating** (unrestricted)
2. **Restricted** (research and otherwise constrained)
3. **Plant** (capital funds, including deferred maintenance)
4. **Endowment** (payout flows into one of the other three funds for expenditure)

Budget Book focus = operating fund

2a. Context of continued uncertainty

- **Unprecedented challenges:**

- government-imposed cuts of \$38.3M from 1 January 2013 to 30 April 2014
- government rescinded tuition increases (\$6M for FY2013 and \$12M for FY2014)
- projected operating budget deficit of \$43M for FY2014
- partial compensation for lost tuition expected in provincial grant, but unconfirmed

- **Aims in preparing the FY2014 budget:**

- protect core academic and research missions
- act in a fiscally responsible manner
- choose remedial measures that minimize negative impact
- comply with budget rules and institutional agreement with the Ministry of Higher Education

2b. McGill's financial trajectory: post-December 2012

In \$ Million						
	FY2012 (A)	FY2013 (F)	FY2014 (B)	FY2015 (P)	FY2016 (P)	FY2017 (P)
FY2013 5 year plan (Including \$325 tuition)		(\$7.0)	(\$3.9)	\$3.0	\$4.2	\$3.2
Announced provincial cuts		(\$19.1)	(\$19.2)	\$0	\$0	\$0
Loss of expected indexation			(\$4.0)	(\$5.0)	(\$6.0)	(\$7.0)
Loss from rescinded tuition increase		(\$6.0)	(\$12.0)	(\$18.0)	(\$24.0)	(\$30.0)
Compensation from QC – expected in the grant		\$4.4	\$8.8	\$0	\$0	\$0
Subtotal		(\$27.7)	(\$30.3)	(\$20.0)	(\$25.8)	(\$32.8)
Additional Pension liabilities			(\$8.0)	(\$8.0)	(\$8.0)	(\$8.0)
Pay Equity		\$0	\$0	(\$10.0)	(\$10.0)	\$0
Commitments / Regulatory		(\$2.1)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
Projected Deficit before reinvestment/other actions	\$0.9	(\$29.8)	(\$43.3)	(\$43.0)	(\$48.8)	(\$45.8)
Variance to FY2013 5 year plan		(\$22.8)	(\$39.4)	(\$46.0)	(\$53.0)	(\$49.0)
Projected Financed Accumulated Deficit	(\$95.2)	(\$125.0)	(\$168.3)	(\$211.3)	(\$260.1)	(\$305.9)

3. FY2013 Forecast

Summary of variances against original forecast

1. Original proposal in FY2013 Budget: operating fund

(\$7.0M)

Anticipated operating budget variances for FY2013

2. Positive variance

\$11.0M

3. Negative variance

(\$33.8M)

4. Updated Surplus (Deficit) forecast FY2013

(\$29.8M)

4. Major Strategic Academic Priorities

- **Consistent with our mission, academic and research plans:**
 - Faculty complement, research productivity, quality of teaching
 - student composition and improved educational programs
 - administrative and support staff
 - excellence, diversity, community engagement
 - performance measurement and improvement

5a. FY2014 Operating Budget Objectives

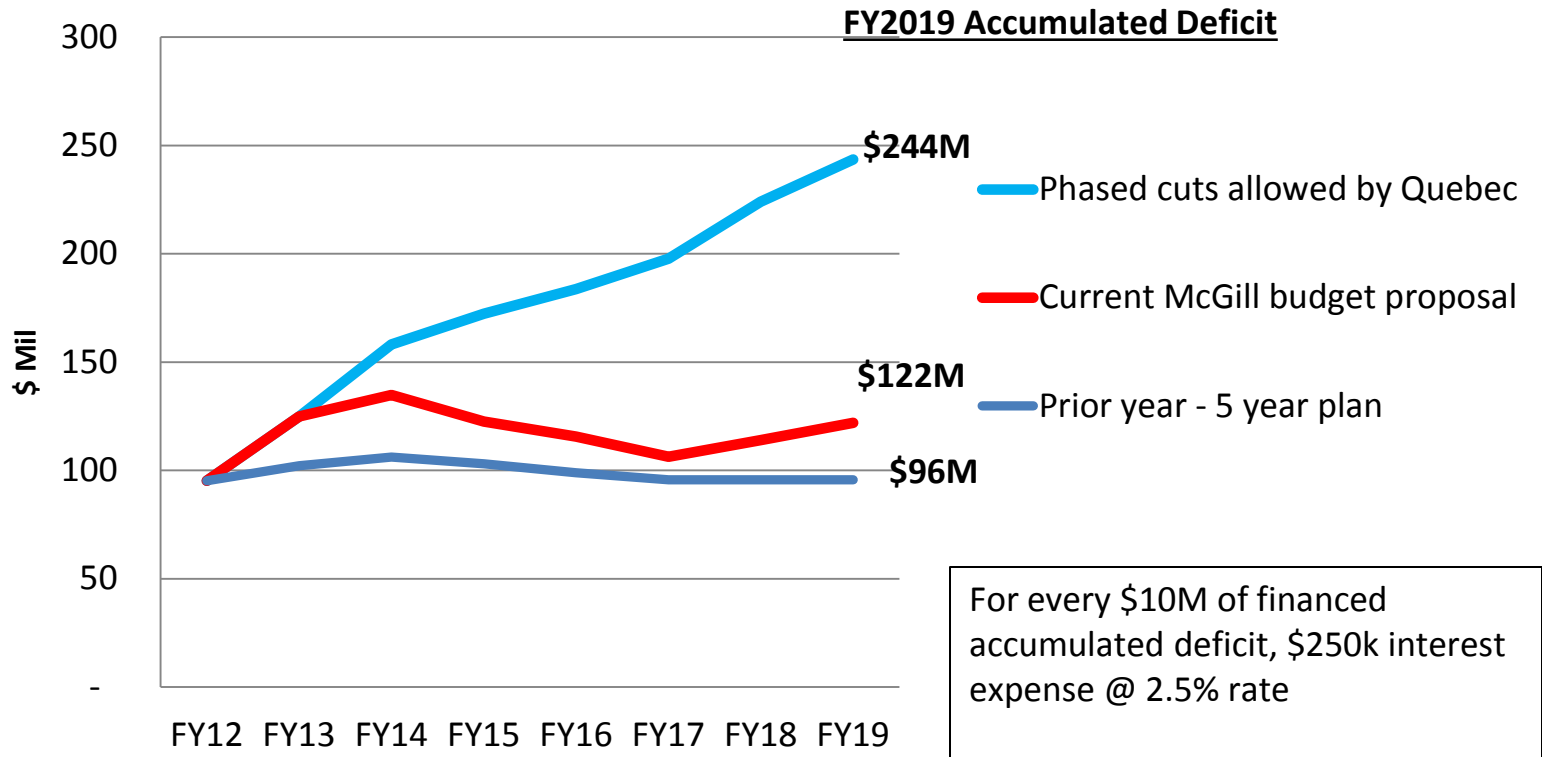
- **\$43M in cuts (6.0%) from operating budget allocations**
 - \$32M (4.5%) after implementation costs
- **Sustain quality of investments made over the last 5 years**
 - retain academic talent , but recruit at a slower pace (ratio below replacement rate)
 - continue to enhance research quality, productivity and quantity
 - recruitment and enrolment of undergraduate and graduate students to be driven by the strategic enrolment plan
 - protect McGill's credit rating to ensure lowest possible borrowing rate
 - Safeguard McGill's reputation for excellence and autonomy of action
- **Trajectory: (\$10.4M) deficit in FY2014, breakeven in FY2015**

5b. FY 2014 expense savings actions: \$43m gross (\$32m net) budget cuts

- Hiring freeze and suspension of job re-classifications
- One-year freeze on the total university wage-bill
- Voluntary retirements via an incentive package
- Targeted cuts to specific expense items
- Additional staff reductions, contingent on uptake of the voluntary retirement program

5c. Why make significant budget cuts?

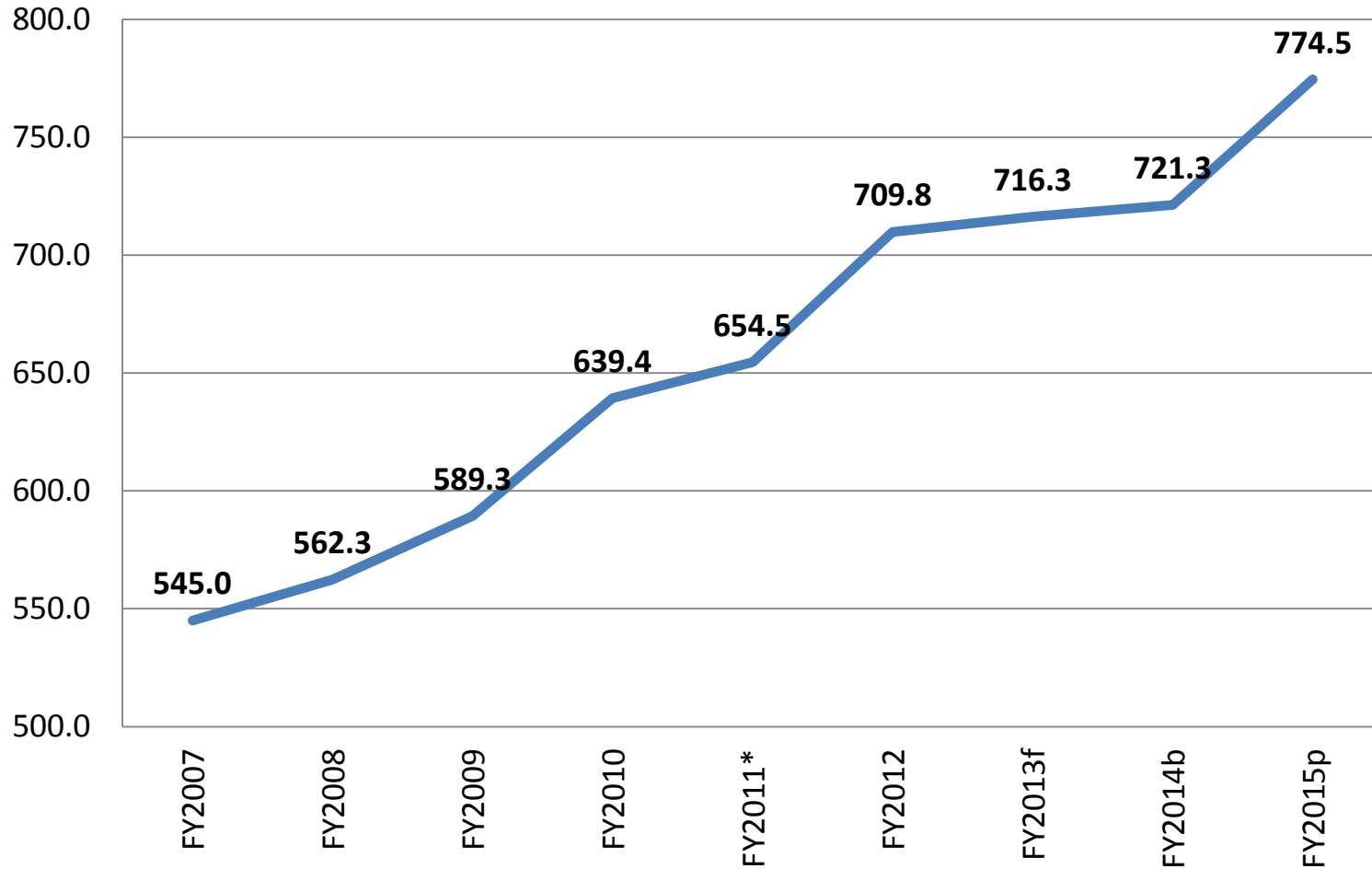
McGill's Projected Accumulated (financed) Deficit Comparison



6. FY2014 Operating Budget Outlook

5 Year Outlook - as of April 2013							
In millions	Outlook						
	<u>FY12a</u>	<u>FY13f</u>	<u>FY14b</u>	<u>FY15p</u>	<u>FY16p</u>	<u>FY17p</u>	<u>FY18p</u>
Revenue	710.0	735.5	740.6	760.4	775.6	788.2	799.3
Announced cuts by QC		(19.1)	(19.2)				
Expected Reinvestments from QC				21.8	34.3	47.2	49.6
Uncertainty of McGill's share of new reinvestments				(7.2)	(11.3)	(15.6)	(16.4)
Total Revenue	710.0	716.4	721.4	775.0	798.6	819.8	832.5
Expenses	709.1	744.1	766.0	813.0	844.4	865.7	897.9
FY14 Salary Freeze			(14.9)	(18.7)	(21.0)	(23.5)	(26.1)
Proposed Targeted Cuts			(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
Proposed voluntary and other reductions			(21.1)	(24.2)	(24.2)	(24.2)	(24.2)
Implementation Payouts		2.0	9.2				
Total Expenses	709.1	746.1	731.7	762.6	791.7	810.5	840.1
Repayment of Accumulated Deficit				12.4	6.9	9.3	
Annual Surplus/(Deficit)	0.9	(29.8)	(10.4)	0.0	0.0	0.0	(7.7)
GAAP Accumulated Deficit	(274.5)	(304.3)	(314.6)	(302.2)	(295.3)	(286.0)	(293.7)
Financed Accumulated Deficit	(95.2)	(125.0)	(135.3)	(122.9)	(116.0)	(106.7)	(114.4)
a = actual; f = forecast; b = budget; p = plan							

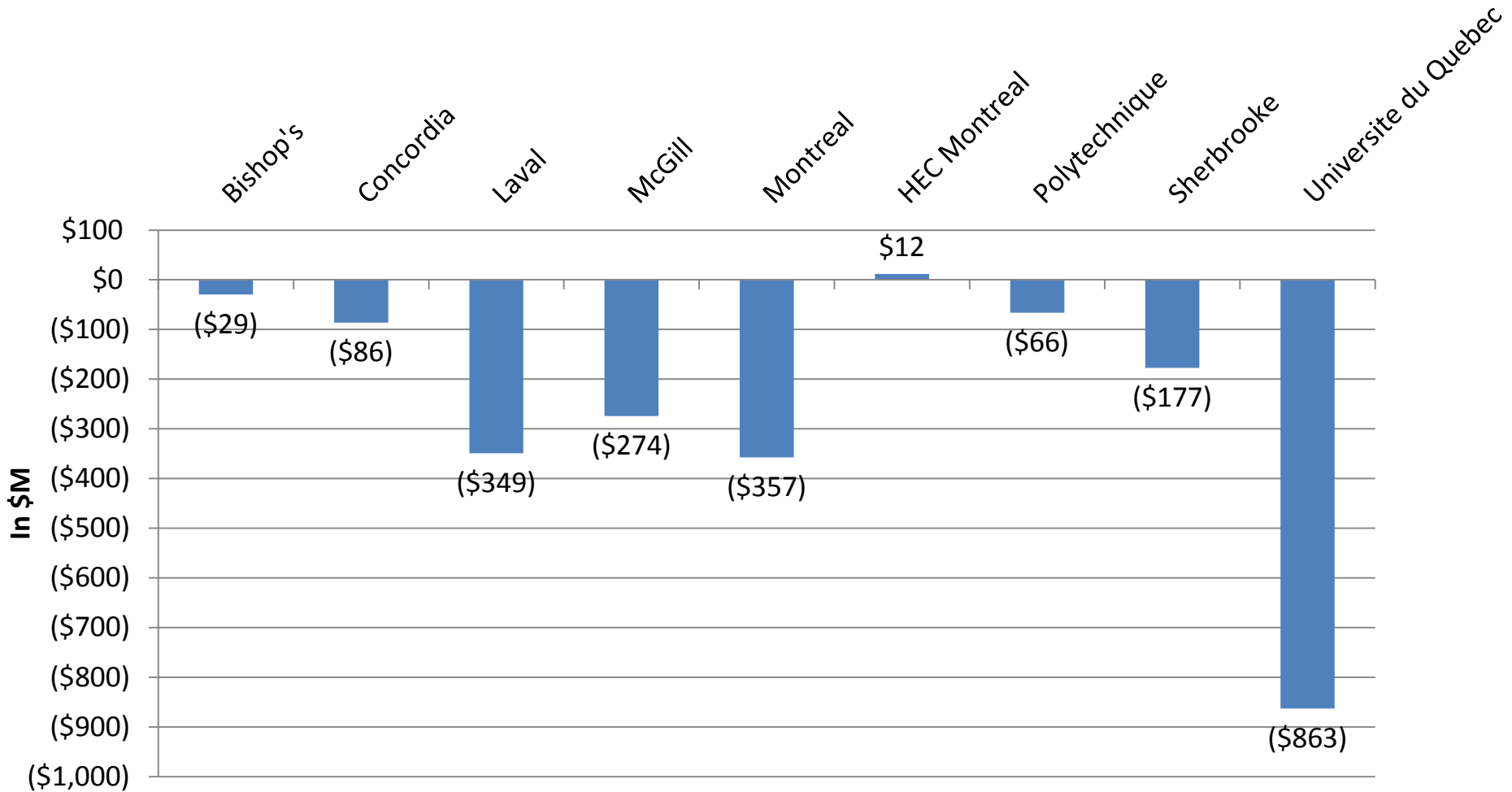
7a. Historical and Projected Operating Revenue



f = forecast; b = budget; p = plan

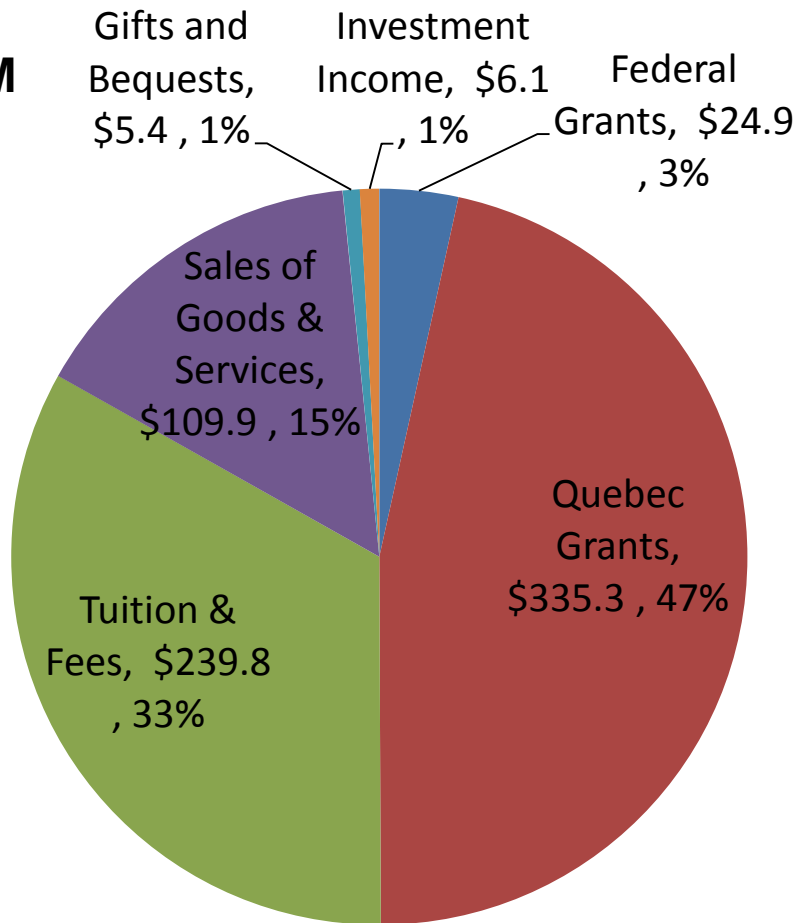
* FY2011 annualized for 12 months

7b. Quebec Universities Accumulated Deficit Comparison (GAAP): April 30, 2012



7c. FY2014 budget operating revenue: \$721.4M

in \$M



	Forecast FY2013	Budget FY2014	% change
Federal Grants	\$ 24.9	\$ 24.9	0.0%
Quebec Grants	\$ 336.6	\$ 335.3	-0.4%
Tuition & Fees	\$ 229.5	\$ 239.8	4.5%
Sales of Goods & Services	\$ 113.9	\$ 109.9	-3.5%
Gifts and Bequests	\$ 5.9	\$ 5.4	-8.8%
Investment Income	\$ 5.6	\$ 6.1	9.1%
Total Revenue	\$ 716.4	\$ 721.4	0.7%

7d. FY2014 key revenue assumptions: MESRST operating grant

Positives

- Modest growth in undergraduate enrolment (0.7%) and in funded graduate enrolment (1% Masters and 0.5% PhD)
- Tuition loss compensation of \$8.8M
 - 2nd year of tuition loss compensation

Negatives

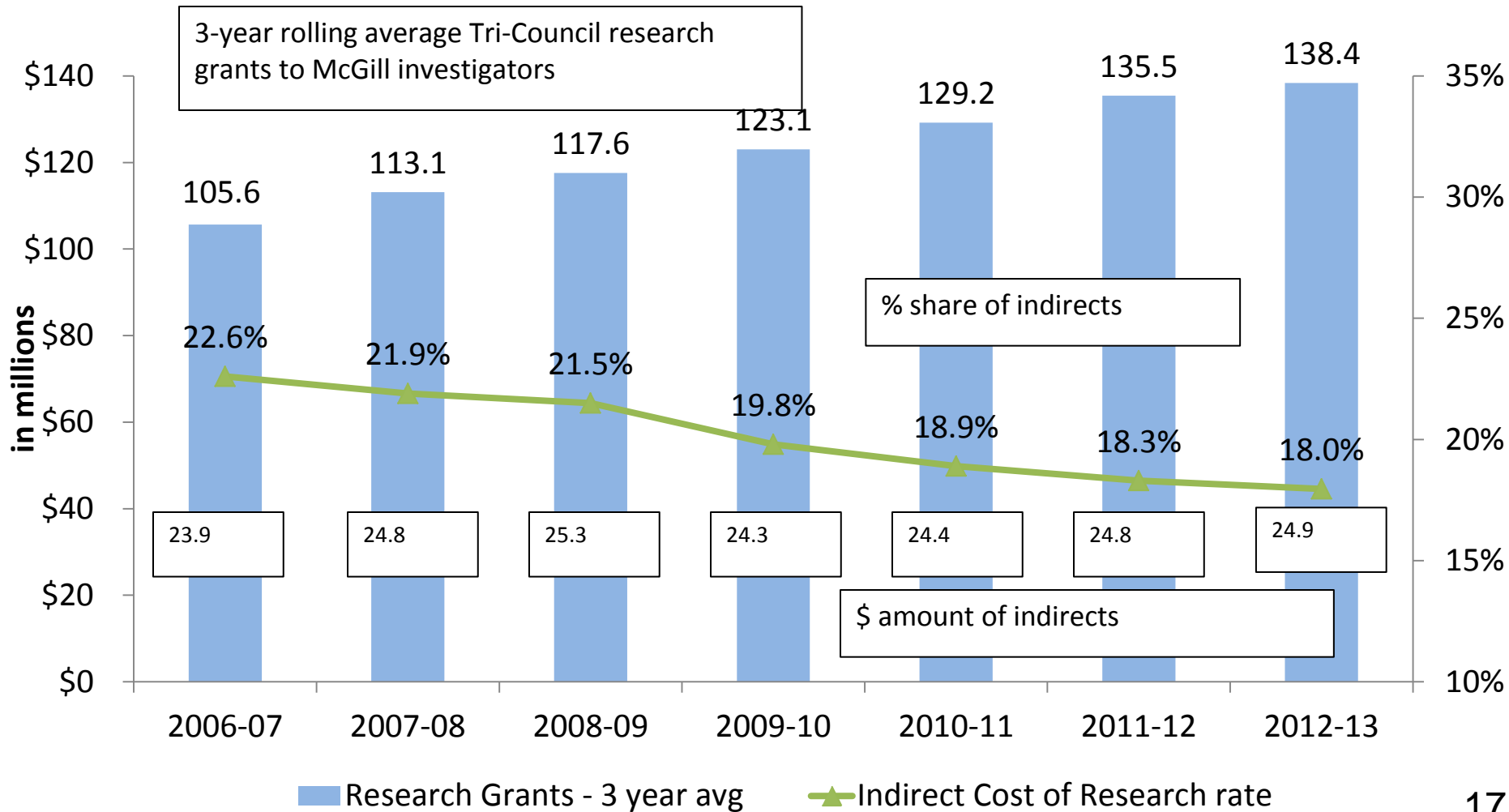
- Cut of \$19.2M
 - 2nd year of temporary cut in base funding grant as announced by Quebec
- No indexation of the operating grant until FY2015

7e. FY2014 Key revenue assumptions: Tuition

- Proposed **increase of 3% in basic tuition fees**
 - gross increase = less than \$70 per FTE student
 - approximately \$1.3M increment
 - Late breaking news and further uncertainty: indexation for FY2014 will be 2.6% and on calendar year 2011
- Undergraduate international deregulated disciplines (Engineering, Management, Law, and Pure Science)
 - continue to offer 4-year guaranteed rate of tuition
 - approximately \$3M incremental net tuition expected in this budget year

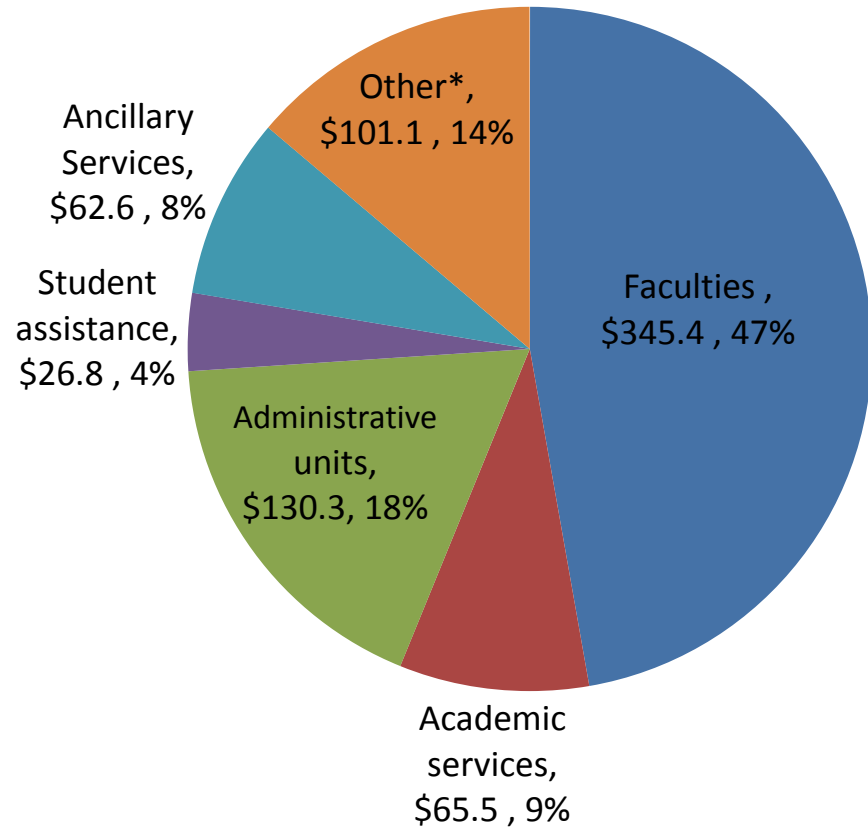
7f. FY2014 key revenue assumptions: Tri-council grants, federal ICRs, rate

3 Year Average Federal Research Grants vs Indirect Costs Received and Share



8a. FY2014 budget operating expenses: \$731.7M

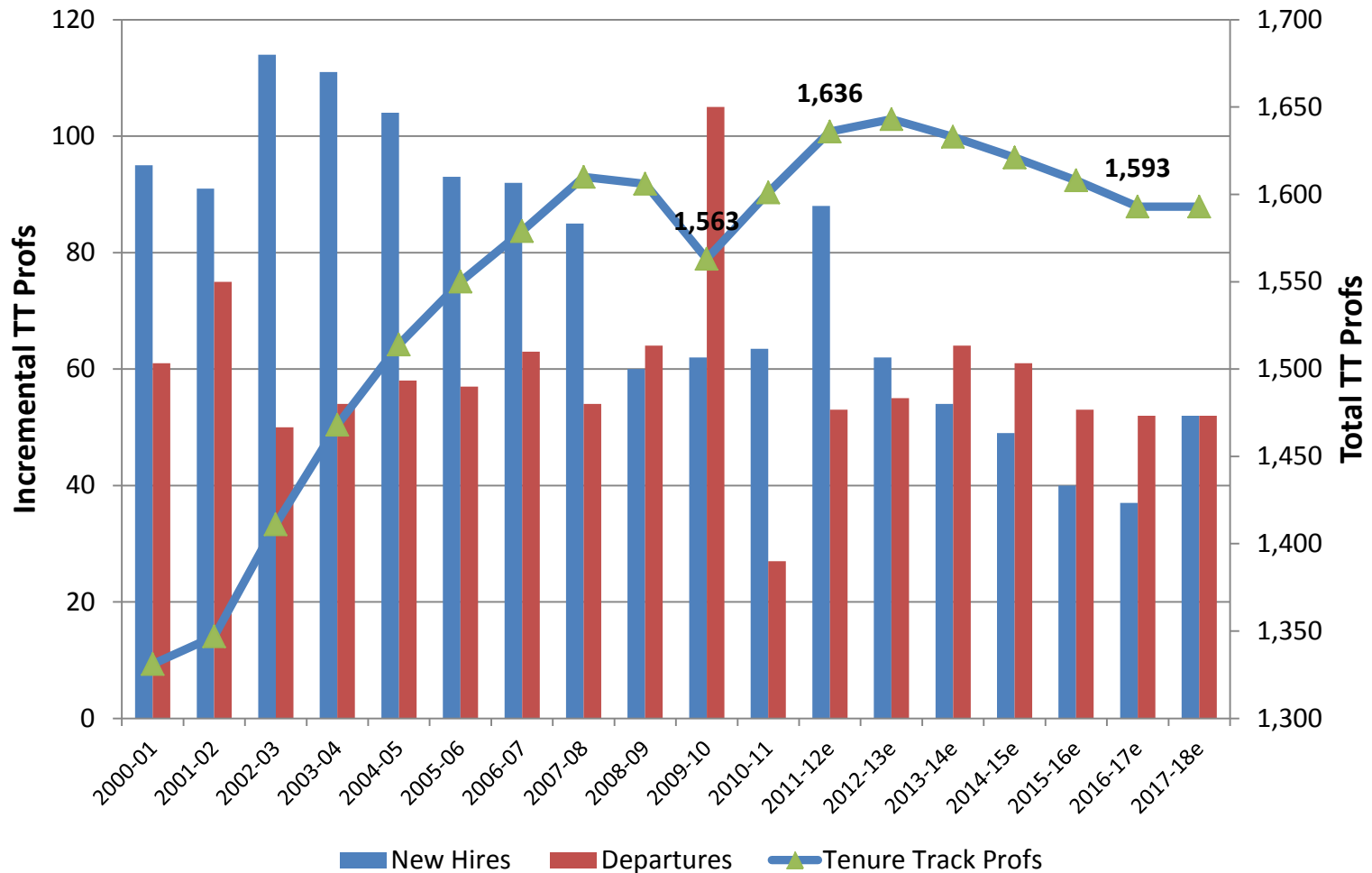
In \$ M



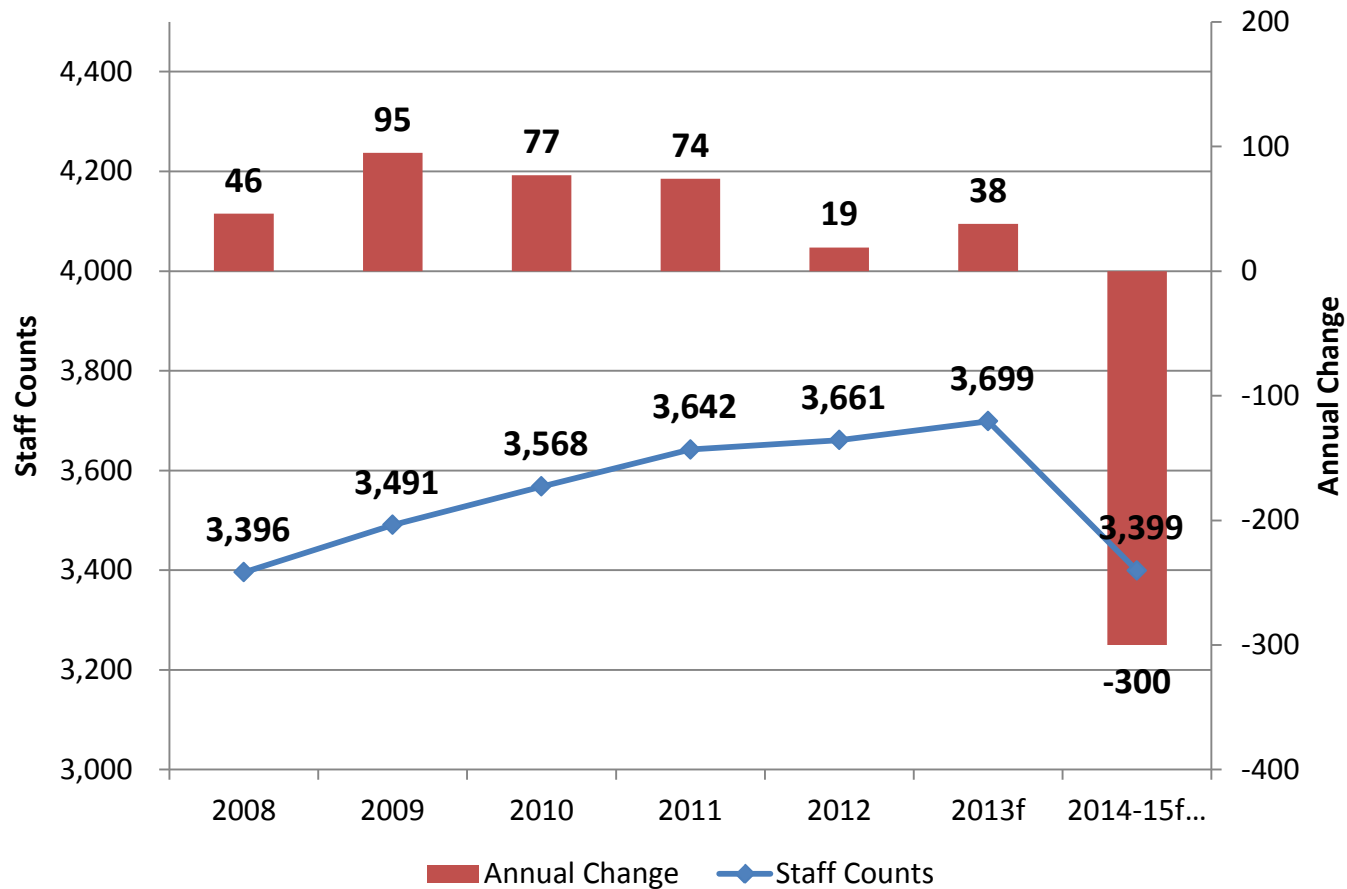
	Forecast		Budget	% change
	FY2013	FY2014	FY2014	
Faculties	\$ 349.4	\$ 345.4	\$ 345.4	-1.1%
Academic services	\$ 69.4	\$ 65.5	\$ 65.5	-5.5%
Administrative units	\$ 147.5	\$ 130.3	\$ 130.3	-11.7%
Student assistance	\$ 25.6	\$ 26.8	\$ 26.8	4.7%
Ancillary Services	\$ 62.9	\$ 62.6	\$ 62.6	-0.5%
Other*	\$ 91.3	\$ 101.1	\$ 101.1	10.7%
Total Expenses	\$ 746.1	\$ 731.7	\$ 731.7	-1.9%

*Other includes: Institutional expenses, Interest expense, Contingency, self-financing activities, pension plan liability accrual & net of cost reductions

8b. FY2014 key expense assumptions: Academic renewal FY2001 – FY2018e



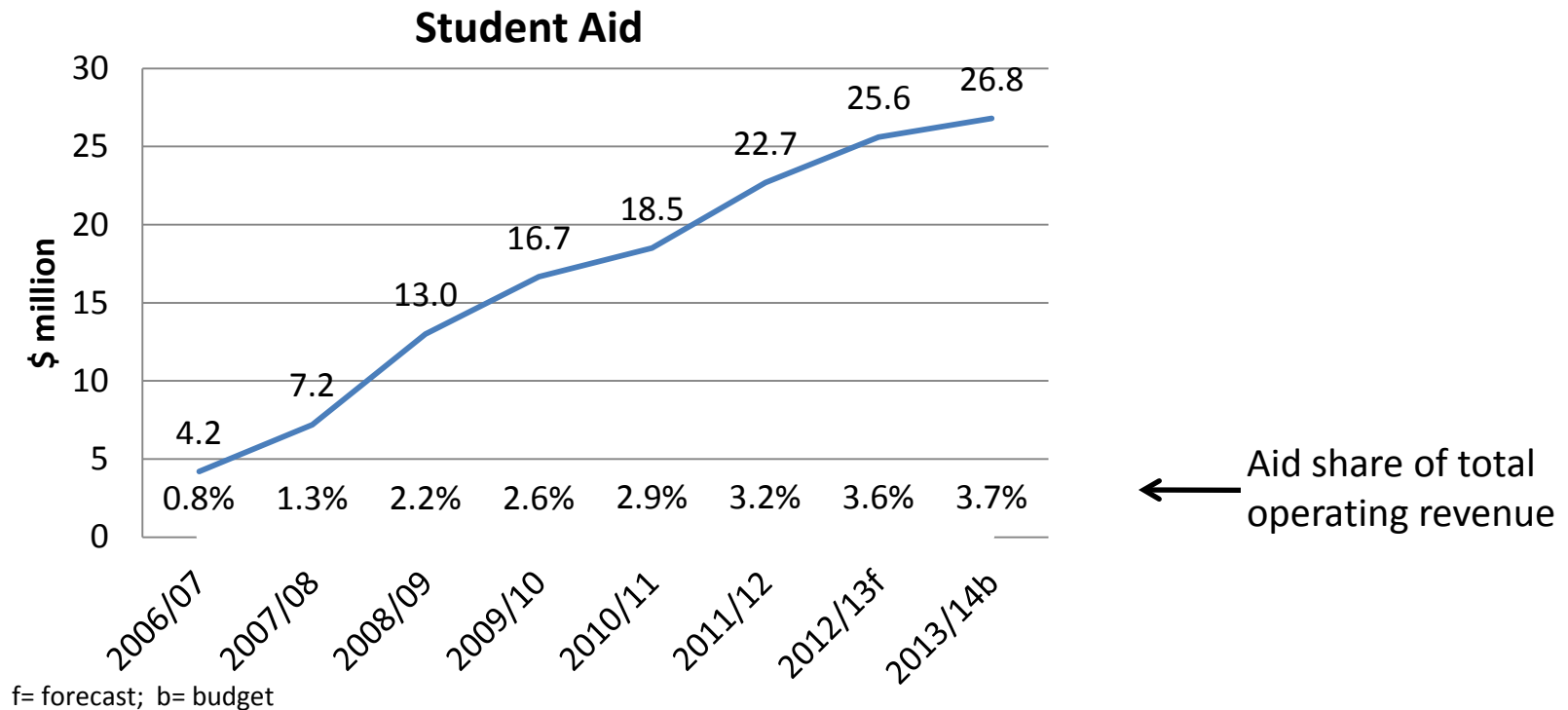
8c. FY2014 key expense assumptions: Full-time admin. & support staff as of 31 May



Bars represent change in staff counts; line represents actual staff counts
f = forecast for 2013 and 2014-2015

8d. FY 2014 key expense assumptions: Student aid

- Student assistance (bursaries and graduate student funding) to increase as tuition fees rise – slower growth than in years' past
- \$1.2 M incremental contribution (30% of net new tuition): primarily driven by international deregulated tuition increases



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

9. FY2014 Other Funds: Plant, Restricted and Endowment

- Plant Fund:
 - expected revenues: \$48.6M from MESRST (\$27.1M deferred maintenance; \$21.5M capital grant)
- Restricted Fund:
 - revenue budgeted at \$380M, primarily composed of research grants and other constrained revenues
- Endowment Fund:
 - market value increased approx. 10.3% to \$1.07B as of 28 February 2013

10. Financial & Budget Integration at McGill: an SRI project

- Launched to achieve an integrated end-to-end financial systems budget process alignment driven by strategic priorities
- First phase of implementation complete
 - new multi-year, multi-fund total resource planning and budgeting
 - extended to all Faculties and large administrative units
 - places greater autonomy for planning and managing resources in the hands of deans and vice-principals
- Accountability framework
 - negotiated targets: quantitative, but also qualitative
 - performance indicators (baselines and benchmarks) to measure progress

11. Summary of primary objectives for McGill's FY2014 budget implementation

- \$43M in cuts (6.0%) from operating budget allocations
 - \$32M (4.5%) after implementation costs
- Sustain quality of investments made over the last 5 years
 - retain academic talent , but recruit at a slower pace (replacement ratio for new hiring licenses to be set at 0.7)
 - research quality and quantity
 - recruitment and enrolment of undergraduate and graduate students to be driven by the strategic enrolment plan
- Trajectory: (\$10.4M) deficit in FY2014, breakeven in FY2015
 - lots of unknowns



**McGill University Budget
FY 2014**

Discussion

Comments?

Questions?

Concerns?