

DRAFT

D15-50

McGill University Budget FY2017

Presentation to Senate

20 April 2016

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Provost and VP (Academic)



McGill

Forecast for FY2016

Summary of variances against original forecast

1. Annual financed operating deficit forecast for the FY2016 (FY2016 Budget Book: April 2015)	(\$4.7M)
Anticipated major operating budget variances for FY2016	
2. Sale of land (Redpath)	\$20.6M
3. Increased Sale of Goods and Services	\$8.5M
4. Higher than anticipated Qc grant	\$4.1M
5. Foreign Exchange Gain	\$1.5M
6. Increased deficits and reduction / spend-down of carry- forwards	(\$8.6M)
7. Additional net allocations / expenses since start of FY2016	(\$7.2M)
8. Pay Equity	(\$7.0M)
9. Increased Deferred Maintenance related costs	(\$6.4M)
10. Lower than anticipated tuition	(\$5.3M)
11. Updated annual financed operating deficit FY2016 projection	(\$4.5M)

Looking ahead FY2017 – FY2021: Revenues

1. End of MEES cuts

- Minor targeted education reinvestments signaled in Provincial Budget

2. Little progress on the MEES Funding Workgroups (stemming from Tremblay-Roy recommendations)

- Indexation in tuition fees for FY17 inline with cost of living
- Commitment by MEES to review non-Quebec tuition model in the coming year

3. Little growth forecast in enrolment targets

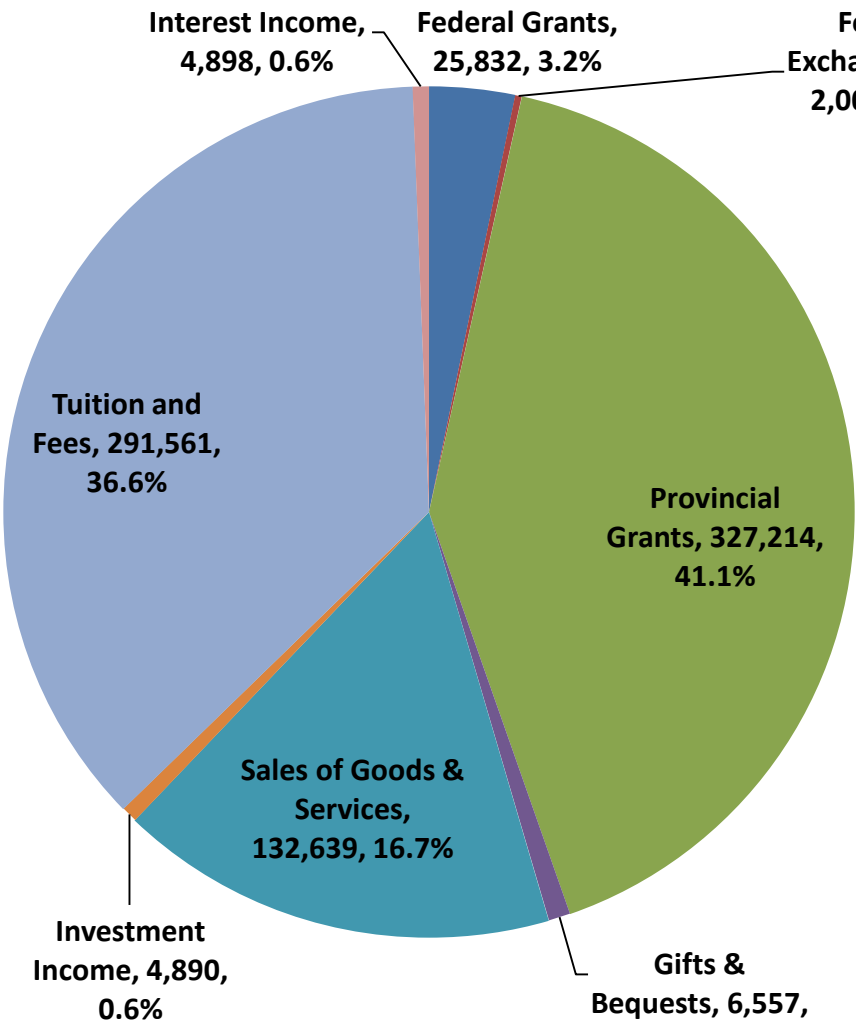
- Provincial gov't forecasts decrease in university Quebec student enrolment for the next 5 years

4. Significant investments planned for capital renovations by both provincial and federal governments

- Should see significant impact on capital budget (perhaps as much as \$150M for McGill)
- Will have cumulative impact over current gov't grant and deferred maintenance bond

FY2017: operating revenue = \$795.6M

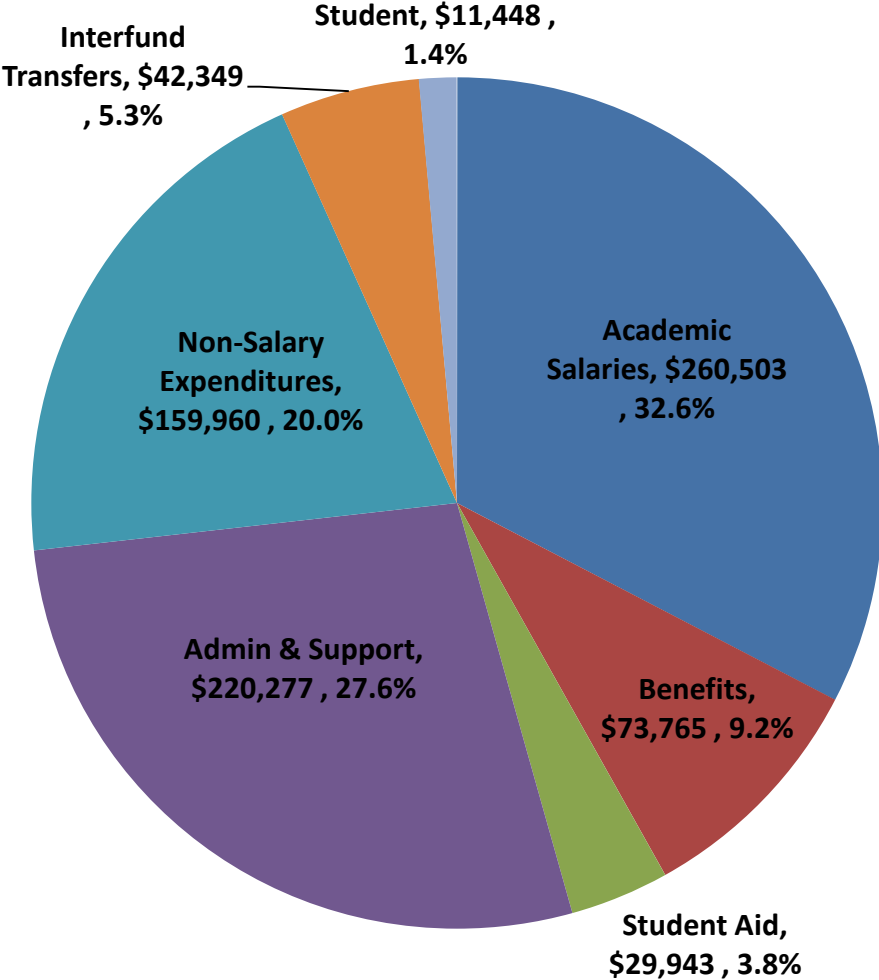
in \$000s



	Forecast FY2016	Budget FY2017	% change
Grants - Canada	25,832	25,832	0.0%
Grants - Quebec	327,348	327,214	0.0%
Tuition and Fees	275,302	291,561	5.9%
Sales of Goods & Services	130,044	132,639	2.0%
Gifts & Bequests	6,466	6,557	1.4%
Foreign Exchange Gain	1,500	2,000	33.3%
Investment Income	4,746	4,890	3.0%
Interest Income	2,595	4,898	88.7%
Gain on Sale of Land (extraordinary item)	20,638	0	-100.0%
Revenues Total	794,471	795,590	0.1%

FY2017: operating expenses = \$798.2M

in \$'000



Expenses (\$'000)	Forecast FY2016	Budget FY2017	% change
Academic Salaries	\$247,544	\$260,503	5.2%
Admin & Support	\$218,946	\$220,277	0.6%
Student	\$11,236	\$11,448	1.9%
Student Aid	\$29,618	\$29,943	1.1%
Benefits	\$74,575	\$73,765	-1.1%
Total Salary Expenditures	\$581,919	\$595,936	2.4%
Non-Salary Expenditures	\$164,866	\$159,960	-3.0%
Interfund Transfers	\$52,200	\$42,349	-18.9%
Total	\$798,985	\$798,245	-0.1%

FY2017 and beyond: significant expense pressures

salary commitments

- a) maintain agreements and contracts – next several years yet to be finalized
- b) for TT staff: catch-up to reach median of U15 compensation levels
- c) FY2017 cost: \$21.4M, including benefits
- d) \$2M budgeted for pay equity in FY2017 but no further significant expenses in FY2018 and beyond

McGill University Pension Plan (MUPP) deficit repayment plan

- a) **\$15.0M per year** over entire period FY2017 to FY2021
- b) required cash contributions to cover: past service, current service, and solvency contributions
- c) results of valuation due at the end of 2016 calendar year

deferred maintenance

- a) bond issue for \$160M in FY2016
- b) additional borrowing (up to \$400 million total) to be repaid over 40 years
- c) expected annual capital and interest costs: **\$27M starting in FY2021**
- d) developing an implementation plan for aligning DM projects and academic space needs; amount to be distributed between building renovations and IT projects

Deferred Maintenance Plan (\$'M)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
TOTAL OUTFLOW	(\$9.10)	(\$4.20)	(\$13.74)	(\$14.92)	(\$20.34)	(\$26.95)
Payment in capital	0	0	0	0	(\$6.07)	(\$12.17)
Interest payment	0	(\$6.36)	(\$6.36)	(\$11.33)	(\$14.86)	(\$14.86)
Rate lock	(\$8.00)	0	(\$7.30)	(\$3.70)	0	0
Interest earned	0	\$2.16	\$0.59	\$0.68	\$0.59	\$0.08
Expenses	(\$1.10)	0	(\$0.67)	(\$0.57)	0	0
Assumptions:						
Issuance #2	Jan 2018	130 M for 20Y		at: 3.82%		
Issuance #3	Jan 2019	110 M for 10Y		at: 3.21%		
Interest rate on Amortization fund	:1.5%					

Uncertainties

1. labour-related costs that could exceed forecasts
2. changes to provincial funding formula (unclear of effect on McGill)
3. possible increases in interest rates to be paid on debt
4. fluctuations in currency exchange rates
5. faster than expected spend down of current operating carry-forwards

FY2017 and beyond: continuation of FY2016 budget measures plan

1. reductions in selected **non-salary expenses**; across all units: FY2017 = \$4.0M
2. reductions in **administrative staff expenses**
 - salary savings in FY2017: \$4.7M
 - managed within each unit
 - small central provision included for staffing priorities
 - review of work processes, benchmarking
3. increased **overhead charges** on self-funded operating revenues
 - Up to 4% from 3%: \$1.1M in savings
4. use of **carry-forward balances** on all operating funds requires provostial approval; review of current carry-forward policies
5. relaxation of original measures starting in FY18 (conditional on positive forecasts)

Operating Budget: past, present and future outlook (\$'M)

a = actual, b = budget, f = forecast, p = projection

Draft

5-year outlook (April 2015)		FY14a	FY15f	FY16b	FY17p	FY18p	FY19p	FY20p	
Total Revenues		759.9	773.7	764.2	782.1	805.6	824.3	849.1	
Total expenses (1)		755.6	769.4	768.9	788.0	805.5	836.9	854.7	
Annual financed surplus (deficit)		4.3	4.3	(4.7)	(5.9)	0.1	(12.6)	(5.6)	
Financed accumulated deficit		(95.8)	(91.5)	(96.3)	(102.2)	(102.0)	(114.6)	(120.3)	
5-year outlook (March 2016)		FY14a	FY15a	FY16f	FY17b	FY18p	FY19p	FY20p	FY21p
Total revenues			771.4	794.5	795.6	810.4	828.9	845.3	859.5
Total expenses (1)			773.7	799.0	798.2	814.7	827.7	843.9	860.5
Annual financed surplus (deficit)			(2.3)	(4.5)	(2.7)	(4.3)	1.2	1.5	(1.0)
Financed accumulated deficit		(98.5)	(100.8)	(105.3)	(108.0)	(112.2)	(111.0)	(109.6)	(110.6)
Fin accum. deficit / revenues %		12.96%	13.07%	13.26%	13.57%	13.85%	13.40%	12.96%	12.86%

(1) excluding "GAAP" adjustments

Academic Priorities

- The University Budget is intended to align with and ensure support for McGill's strategic priorities;
- At the major unit level this is facilitated by the annual Agreements process;
- At the University level, budgeting decisions are made to ensure points of connection between Faculty initiatives and core institutional commitments;
- Over the course of FY2017 we will assess the progress of **ASAP 2012** (Achieving Strategic Academic Priorities), which has determined the focus and direction of our academic development for the last four years;
- A new strategic plan will be developed over the course of the next year and a half, with implementation by September 2017; process will include community consultation;
- Going forward, the annual allocation for “priority initiatives” will be redirected to maximize impact.

FY2017 initiatives

- **Academic renewal:** pace of net growth of TT complement slowed to ease budgetary pressures, but growth remains the goal and a new “provostial complement” will facilitate strategic hiring; \$1.6M savings for Faculties
- **Indigenous Studies and Aboriginal Education:** multi-year commitment to review the University’s capacity for teaching and research on Indigenous interests and improving recruitment and retention of Aboriginal faculty and students
- **School of Public Policy:** \$10M commitment from the Max Bell Foundation; development of Masters in Public Policy and Executive Masters program
- **Sustainability Science:** \$2M annually for 5 years
- **CFREF in Neurosciences:** results of competition expected June 2016
- **Internationalization initiatives:** expanded and accelerated approach to establishing McGill’s international presence and increasing opportunities for faculty and student mobility



**McGill University Budget
FY 2017**

Discussion

Questions

Comments

Concerns

Suggestions