McMASTER UNIVERSITY

2011/12

CONSOLIDATED BUDGET

Approved by the Board of Governors

June 2011

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Executive Summary

The operating budget of the University for 2011/12, prepared on a cash basis and exclusive of one-time expenditures, is balanced.

The budget of the University for 2011/12, prepared on an accrual basis and taking account of all funds, has a deficit of $6.3 million, or approximately 0.7% of total revenue of $877 million.

These outcomes reflect realistic, if not conservative, budgeting by envelope managers. Inflationary and additional costs, especially related to pensions, have been absorbed within allocations. Strategically, the core academic and research missions have been preserved. This will be the first year of operation of the Ron Joyce Centre in Burlington and the CANMET Laboratory at the McMaster Innovation Park (MIP). Our two Knowledge Infrastructure Program (KIP) projects, the Centre for Spinal Cord Research and the expansion of our nuclear research capabilities will be completed. Investments have been made in learning spaces and technologies, and student services enhanced. Important capital investments have been funded, e.g., McMaster Automotive Resource Centre (MARC), our Primary Care Centre and the second year of our $5-million annual investment in Vision 2020, our information technology strategy.

No additional external debt is planned. Improving financial markets have helped to restore financial health generally. In combination with successful labour negotiations, the provincial government's solvency exemption guidelines have eased the pressures of funding the pension plans.

The budget is not without risk, albeit considered manageable, and has potential upsides, notably from increased undergraduate enrolment following on the financial budget funding of an incremental 41,000 students.

Looking forward, it would be wrong to suggest the University's financial challenges are behind us. The financial position of both federal and provincial governments remains troubling, while the escalating cost of tuition points to the need for a better funding balance. Inflationary costs are not covered in operating grants, funding to support capital and quality investments in support of increased investment are not adequate, and deferred maintenance remains poorly funded. Our ability to retain academic quality remains worrisome. Support services are no longer able to provide service and the levels required to maintain excellence.

There can be little doubt that, absent a long-term sectoral funding strategy encompassing both operations and capital, McMaster will face increasingly difficult annual challenges to deliver balanced budgets.

The highlights of the 2011/12 consolidated budget follow:

- The operating budget for 2010/11 is projected to show a positive variance of $11.6 million due to increases in a number of revenue categories. Since opening appropriations were higher than budget, year-end appropriations are forecast to be better than budget by $27.2 million.
- Such positive variances have occurred annually for a number of years and reflect conservative budgeting, provincial announcements late in the fiscal year and, typically, underspending.
- Currently, a small deficit of $3.9 million is projected in the 2010/11 operating budget, after accounting for one-time expenses of $20.1 million.

- The operating budget for 2011/12 is in balance before accounting for one-time expenditures of $21.9 million. The expenditures are more than covered by the higher-than-budgeted opening appropriations. Revenue increases of 2% are offset by expenditure increases of almost 5% due entirely to increases in compensation and benefits, notably pension costs.
- Operating budget projections for 2012/13 and 2013/14 show deficits equivalent to the one-time expenditures in each year. It is important to note that plans for both years include increased tuition and operating grant revenue. Failing these increases, corrective actions may be required.
- On an accrual basis, the projected deficit for 2011/12 of $6.3 million (0.7% of consolidated revenue) reflects completion of the two KIP projects, commencement of MARC and Primary Care and a sizeable number of Canadian Foundation for Innovation (CFI) and smaller projects. Gradual increases in ancillary and research income are also included.

Introduction

McMaster University welcomed Patrick Deane as its seventh President and Vice-Chancellor in July 2010. President Deane arrived at a time when student demand to attend McMaster is increasing and the University's international status for research and education continues to expand.

Over the past several years, our University has met its commitment to providing excellent postsecondary education to the citizens of Ontario and beyond. In 2010 McMaster was once again named one of the Top 100 universities in the world – one of only four Canadian universities to make the list published by China's Shanghai Jiao Tong University. McMaster's research strength secured its position as Canada's second most research-intensive university in the annual Research Infosource rankings. McMaster continues to lead the country when it comes to satisfied students receiving high-quality teaching and education, according to the 2010 *Canadian University Report*, published by the *Globe and Mail* newspaper. McMaster ranks among the top schools in Canada for overall student satisfaction and quality of education.

In the fall, the Ron Joyce Centre in Burlington officially opened for MBA students and executive education programs. On the main university campus, the Nuclear Research Building renovation and construction of the Centre for Spinal Cord Education are nearing completion as part of the federal and provincial Knowledge Infrastructure Program.

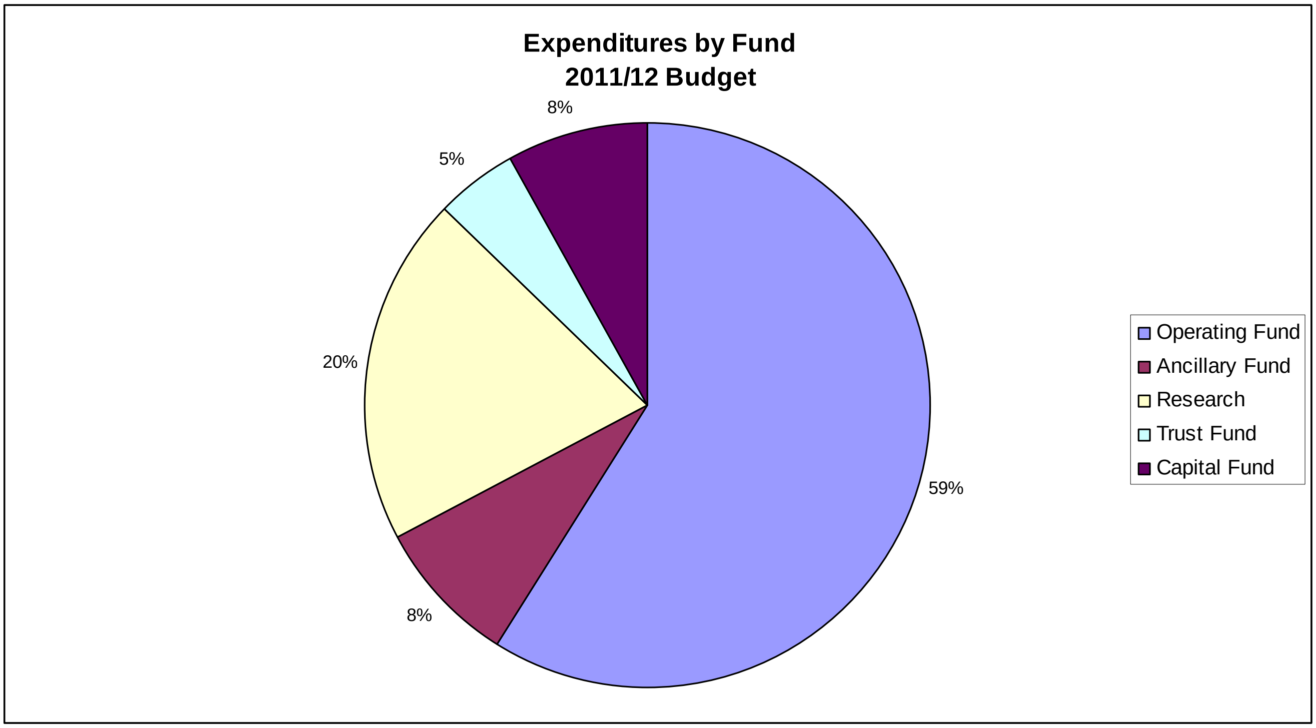
Government partnerships continue to enable McMaster to contribute to Hamilton's economic development. The Government of Canada opened the new, state-of-the-art CANMET Materials Laboratory (CANMET-MTL) at the McMaster Innovation Park (MIP) in February. The lab will provide key technology and innovation support to industries that manufacture mineral and metal products. It will be home to more than 100 federal employees and is already a catalyst for interest in MIP and McMaster research.

While universities in Ontario have grown, they continue to encounter significant challenges in ensuring a high-quality postsecondary education for all students. In 2007/08, McMaster University approved a three-year financial plan to eliminate in-year deficits, make strategic faculty and staff appointments, and focus the University on its strategic areas. As outlined in detail below, over the past three years, actions were taken to achieve balanced budgets. Additional revenues have been generated. Resources have been reallocated to support the academic mission of teaching and research, including freezing budgets or reducing envelope allocations. Specific challenges have been addressed through strategic investments and strategic labour negotiations. Also detailed below, additional actions have been taken as a result of the report from the President's Advisory Committee on the Impact of the Current Economic Situation (PACICES). Despite these actions, the university recognizes that significant fiscal challenges remain for McMaster University and other universities in Ontario.

The University budget presented in this document summarizes the financial plan for the University for 2011/12 on a consolidated basis. It includes projections for 2010/11 and budgets for 2011/12, with high-level projections included for the following two years, 2012/13 and 2013/14.

Accountability for the effective management of the budget is delegated through the Board of Governors to the President. The Budget Committee of the University has the responsibility for oversight of the operating and ancillary funds of the University, which account for over two thirds of annual expenditures, and recommends the annual budget to the President.

Figure 1: Expenditures by Fund – Year Ended April 30, 2012



The Budget Committee has been guided in its budget decisions by McMaster's strategic priorities, maintaining our core teaching services for students and supporting the University's well-established record as one of Canada's leading research universities.

While the focus of this document will be mainly on the operating fund, activities in the other funds impact choices available in the operating fund. Budgets for each of the other funds are included. In addition, a consolidated Statement of Operations on a full accrual basis[1], Balance Sheet and, for the first time, a consolidated Statement of Cash Flows has been included. The objective of the consolidated budget is to ensure greater transparency and promote improved understanding of University finances as recommended in the final PACICES report. By including this additional report, along with a projected balance sheet, it should be possible for readers to see the details of the operating fund and how it integrates with the consolidated budget, thereby getting a clearer picture of the University's overall financial health.

[1] Full accrual basis is the basis under which the audited financial statements are prepared.

Context

Globally, the fiscal year 2010/11 has continued to be a time of extraordinary financial challenges and uncertainty. Canada is emerging from the global recession, but conditions remain difficult. While there have been significant improvements in investment markets, government finances continue to be extremely strained. This state of affairs is expected to continue into 2011/12. There are a number of issues that contribute to the challenge of planning this budget. We highlight the most significant factors that affect the budgeting process.

Uncertainty and Timing of Provincial Funding Announcements

When the University budget process began in the fall of 2010, the next phase of the Ontario government's *Reaching Higher* plan, which expired in the 2009/10 fiscal year, had not yet been announced. The Province extended the current tuition framework for the two-year period 2010/11 to 2011/12. In addition, the 2009/10 accessibility funding was rolled into the 2010/11 base operating grant, and the well-received multi-year funding plan announced in the Ontario Budget (2011) provides assurance that this model will continue to be used. As a result, a large part of the University's revenue projections for 2011/12 are somewhat more certain than in prior years.

Despite these positive developments, it would be premature to assume that our fiscal challenges are over. As announced in this year's Ontario budget, the Province has committed to supporting 60,000 additional postsecondary students by 2015/16, 41,000 of these in the University sector. Increases to grant funding will essentially be based on growth over the next four years. While McMaster sees itself as part of the solution as additional students look for university spaces, the newly released McMaster capacity study shows that the University is currently over capacity on the main campus. Provincial funding that is targeted to specific outcomes reduces flexibility in spending and requires greatly increased accountability reporting. The Budget Committee is committed to providing stability to envelope managers by allocating any revenue increases or decreases on a slip-year basis and to investing funds, if available, in priority areas. Although this approach means that envelope managers must continue to find innovative ways to absorb inflationary pressures, McMaster's future success depends on maintaining our high academic standards, our creativity and an openness to new ways of meeting our goals.

Final funding announcements for 2010/11 were received at the end of March 2011, including Basic Income Unit (BIU) funding amounting to $2 million, graduate expansion funding of $8 million, plus quality funding related to Multi-Year Accountability Agreements of $9.2 million. This additional funding appears in the budget at a high level and will be allocated in 2011/12. For 2011/12, graduate expansion funding is expected to increase by $1.1 million and medical funding by $1.4 million as compared to the 2010/11 projection. The majority of this money goes directly to the Faculties for academic programs.

Tuition Framework Set by the Provincial Government

The University has limited fee-setting ability and may only increase regulated tuition within the provincial government framework. McMaster's policy is to maximize tuition fees within the regulations in order to support the quality of education our students receive. We will phase in increases in international student fees so that we are competitive with our key peers[2].

With the extension of the current tuition framework into 2011/12, budget assumptions include:

- Tuition rate increase will be maximized in 2011/12
- Modest growth in graduate enrolment of 58 students in 2011/12 and, for modeling purposes, flat undergraduate enrolment
- For planning purposes, tuition revenue in 2012/13 and 2013/14 is assumed to increase 6% each year due to a combination of increased rates and enrolment growth

Tuition growth revenue has been built into the budget allocation framework for 2011/12 at a high level and generally not distributed to individual envelopes at this time. Distribution will occur to the Faculties in the summer of 2011.

Unfunded Liabilities in Pension and Non-Pension Post-Retirement Benefit Programs

McMaster University maintains pension and post-retirement benefit programs for most groups of full-time employees. Both defined benefit and group RRSP plans exist, but most employees are members of the defined benefit plan. Funding the salaried pension plan continues to be challenging. In February 2011, the Province released a Solvency Funding Relief regulation paper for Ontario universities, and on March 23, 2011, the University filed its application for solvency relief for the hourly pension plan (assets approximately $34 million). The application for solvency relief on the salaried pension plan (assets approximately $1 billion), will be filed when the window is open, expected to be later in the year. The solvency relief significantly reduces the pressure to fund the salaried pension plan deficit in the short term. However, it does not relieve the University of funding going-concern deficits or of resolving its solvency deficiency. These will require increased payments to the plan for the foreseeable future. Over the past several years the shortfall between the assets and the liabilities in the defined benefit plan have increased significantly, mainly due to investment losses in the 2008 and 2009 economic downturn. As of July 2010, the pension deficit was estimated at approximately $301 million on a going-concern basis[3]. As of April 2010, the present value of the expected future cost of post-retirement obligations is estimated at approximately $204 million, resulting in an underfunding situation of approximately $505 million in total. To help address this underfunding, changes in plan design were made, and increases to both employee pension contributions and departmental charges for pension and post-retirement benefit charges were implemented and will continue in subsequent years. This meant that each budget envelope was required to absorb these cost increases which could only be accomplished through reductions in other budget lines.

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[2] Key peers include members of the G13, a group of leading research-intensive Canadian universities. The G13 universities are University of Alberta, University of British Columbia, University of Calgary, Dalhousie University, Université Laval, McGill University, McMaster University, Université de Montréal, University of Ottawa, Queen's University, University of Toronto, University of Waterloo, and the University of Western Ontario.

[3] The going-concern valuation assumes that the pension plan will be maintained indefinitely and has a long term time horizon.

Continuing Volatility in Financial Markets

Financial markets have a significant impact on McMaster's financial position through the investment returns on pension plans and internal and external endowments. The endowment fund investment policy uses a diversified asset allocation strategy that includes a mixture of equities (60%) and fixed income (40%); however annual net rates of return can still be quite volatile over short periods of time (i.e., -18.6% in 2008/09 and +17.5% in 2009/10). The overall weak investment returns over the past several years continues to affect the University's ability to maintain the annual allocations for spending from some endowments which support strategic areas of expenditures, such as scholarships, research and bursaries. In addition, currently low short-term rates of return (applicable to excess cash and short-term investments held by the University) are not expected to change significantly in 2011/12.

Cost Pressures

Expenses continue to grow at rates faster than revenues. Like other Ontario universities, McMaster faces significant cost pressures, which force us to make difficult choices in order to continue to invest in the quality of our core academic and research missions. Present and future challenges to its operating performance include:

- Inflationary pressures of over $15 million per year. Salary and benefit costs continue to rise. Increasing market demand for highly qualified faculty, staff and researchers nationally and internationally is expected to continue, requiring McMaster to compete for this talent, putting pressure on the University's financial position. Recent labour negotiations have resulted in significant advances for the University's financial position. As a result McMaster is a leader within the university sector in complying with the letter and spirit of the Compensation Restraint Act legislation. Other major inflationary pressures over which there is less control include utilities, operating costs for new buildings, and copyright fees.
- The costs of maintaining current space to appropriate standards and covering increasing occupancy costs for the expanding space on campus must be covered by operating budgets. We continue to fall behind on deferred maintenance, for example, which now totals approximately $117 million and is a source of increasing pressure.
- The costs of compliance with increasing regulatory and reporting requirements, such as the Access for Ontarians with Disabilities Act (AODA), for which no external funding has been allocated.
- An urgent need to overhaul the information technology infrastructure at McMaster. These costs are budgeted at approximately $25 million to be funded over five years.
- Reduced contributions from endowed trust funds to the operating budget. As a result of the impact of the financial markets crisis in 2008, allocations from trust funds were reduced due to the enactment of a special expenditure policy override in the fiscal years 2009/10 and 2010/11. For the fiscal year 2011/12, the special override has been removed; however, the calculation of the 4% allocation for spending will now be calculated using 60 months of history rather than 36 months of history, which means funds available will still be lower than previously expected. As a result, in many cases supplemental funding is required from elsewhere in the budget to meet commitments promised for Research and other Endowed Chairs.

Funding for Indirect Costs of Research

When government research grants are received they cover the direct costs of research, but only a portion of the indirect costs[4]. Indirect costs of research are approximately half of direct costs; however overall the University's overhead income is only about 15% of total research spending. Following the advocacy of the Vice-Presidents of Research of the major research-intensive institutions, the Ministry of Research and Innovation has shown leadership by moving to a 40% indirect cost rate for many programs, and province-wide adoption of this rate is being encouraged.

In addition to supporting the indirect costs of research, matching contributions to the direct costs are a part of many grant programs. For example, the Canada Foundation for Innovation will cover 40% of a research project, with the balance to be provided by the Province, other external partners and University sources.

Therefore, the more successful the University is in securing research grants, the more resources are required from elsewhere in the operating and capital budgets to pay for the full cost of research. As a highly research-intensive University, this financial disconnect is a significant issue for McMaster University.

Weakened Overall Financial Position over the Last Two Years

In April 2010, DBRS downgraded the University's credit rating to AA (low) from AA, primarily reflecting financial results over the 2008/09 and 2009/10 fiscal periods (in which we spent more than we earned to the extent of $67.5 million) and its resulting reduced financial flexibility. In December 2010, Standard & Poor's (S&P) also cited a decline in unrestricted financial resources, a tight operating environment, and potential post-employment deficit funding when it completed its rating. As a result, S&P reduced its credit rating from AA (stable) to AA- (stable). Reduced financial flexibility impacts the University's ability to fund core operations and extraordinary expenses, such as legislated payments for pension deficits. It also affects our ability to issue debt to take advantage of opportunities as they arise. In addition, a weakened financial position requires the continuation of conservative planning assumptions to manage the downside risk.

[4] Indirect costs include support for the libraries, the provision and maintenance of space, computing and networking support, accounting and other administrative services, Health Physics, Security, etc.

The Budget Process

The process of generating a budget for the University involves many steps and people. This document, as a consolidated budget, reflects the decisions made at every level and presents them in a consistent manner. This process results in a picture of the financial vitality of the institution and its relationship to the wellbeing of its constituent components.

Principles Used in Generating the Budget

- The academic and research mission of the University is foremost in the development of guidelines to budget managers
- Revenue must be strategically allocated in support of the University mission
- Ongoing and one-time costs need to be identified in order to develop a clear picture of our financial position
- Envelopes must be structurally balanced with ongoing expenditures less than or equal to ongoing revenues
- Priorities must be decided using a rigorous process in a way that is strategic, fair and equitable across the University and avoids a piecemeal approach

Uncertainty in Budgeting

All budgets are based on assumptions made about the future, so all budgets are uncertain to some extent. For McMaster University, there has been significant uncertainty about our annual operating budget for many years. We are able to predict operating expenses, partly because roughly two thirds of our operating expenses go to personnel costs and because expenses vary steadily from year to year. We are less able to project one-time costs, especially capital expenditures. The operating fund revenues come from three primary sources: tuition, base funding by the Province, and provincial accessibility funding. Tuition income and base funding are relatively predictable for the following year. However, accessibility funding from the Province can be more variable and has typically been determined quite late in the fiscal year. This introduces significant uncertainty into our budgeting process. These unforeseen incremental revenue sources, while welcome, create confusion and lead to disbelief in the budgetary process, especially as they are frequently targeted in application. We are optimistic that the establishment of a successor to the *Reaching Higher* plan will alleviate some of this uncertainty, but even once a new plan is set by the Province for postsecondary education, there will remain some uncertainty in budgeting.

As one means of coping with uncertainty, we introduced slip-year funding for academic envelopes in the 2010/11 budget year. This process means that academic budgets are predicated on the basis of realized expenses and revenues from a prior year. This provides greater certainty and allows improved planning by envelope managers. While this does not impact the consolidated budgets (which recognize this revenue), it has presented new challenges in the short term as Faculties with growing enrolment must allow for additional expenses in their budgets without building in the additional revenues. However, in the event revenues decrease, slip-year funding provides a year's delay to plan for the reduction. Allocations to non-academic envelopes are not affected by slip-year funding, and remain frozen except for funding provided to targeted priorities.

Conservative Budgeting

McMaster uses a conservative approach to producing its budgets. We choose this conservative approach because the risks associated with overestimating available revenue far outweigh the risks of underestimating it. Notwithstanding, we recognize that budgeting a full complement of personnel tends to overstate compensation expense, and a vacancy allowance totaling $5.3 million was introduced in the 2010/11 budget year. As a result, the variance in compensation expense in 2010/11 is projected to be $0.6 million, or 0.2% of original budget. Although the conservative approach has continued in 2011/12, a reduced vacancy allowance of $3 million has been included in the 2011/12 budget due to changes in budgeting methodology in the Faculty of Health Sciences. The conservative approach has been less rigorously applied to revenues than in the past, and revenue growth which is supported by reasonable plans as opposed to certainty has been included.

The Impact of the PACICES Report

The PACICES report was published in February 2010, with an update completed in June 2010. The recommendations that flowed from the report continue to influence the Budget Committee in the preparation of budget guidelines and processes, as they clearly outlined the size and type of actions required to balance the budget.

Additional resources have been committed to expand McMaster's government relations expertise and impact through more proactive interaction to support new partnerships, strengthen long-term relationships, and enhance government awareness about McMaster. The University's financial position has been clearly communicated to government. McMaster continues to play a significant role in advocacy through groups, such as the Council of Ontario Universities (COU), the Association of Universities and Colleges of Canada (AUCC), and the G-13 universities.

Debt management indicators are currently in place, and a further indicator of spending flexibility (Available Expendable Resources as a % of Revenue) has been developed for review of the Finance Committee and the Board. These indicators, as well as information on liquidity, have been incorporated into the budget. The budget also includes details on capital planning and allows for accrual accounting presentation of operating budgets at an overall university level to facilitate comparison with audited results. In addition, the multi-year financial projections for the Statement of Operations, the Statement of Financial Position, and the Statement of Cash Flows are regularly prepared and reviewed by the Finance Committee.

All capital projects are being reviewed to ensure that we are not overcommitted. Ongoing discussion will focus on how to ensure that the University continues to be able to take advantage of strategic investment opportunities as they arise.

Substantial progress has been made in reducing the cost of pension and post-retirement benefits for new hires through constructive labour negotiations.

The PACICES report is available at:
http://www.mcmaster.ca/opr/html/discover_mcmaster/presidents_message/documents/PACICES_Final_March_2010.pdf

Budget Development

At the beginning of the budget cycle, the Budget Committee makes assumptions about revenues and expenses for the coming year based on the best information available at the time. The Budget Committee sets allocation levels and issues budget guidelines to envelope managers to provide a uniform basis for development of the budget. For 2011/12, the Budget Committee set envelope allocations at an unchanged level over 2010/11.

Budgets are developed by envelope managers on the basis of the guidelines. Each of these envelopes is reviewed by the Budget Committee using a standard submission framework.

This year, envelope managers were asked to clearly identify:

- The actions taken to achieve a balanced budget, effects on the University community, and the related risks
- All one-time costs and the related funding sources
- Unfunded priorities
- Capital plans

While receiving all budget submissions, the Budget Committee identified unfunded priorities and potentially unacceptable cost-cutting actions. The Committee explicitly prioritized these items for review by the President. In consultation with the Vice-Presidents, the Budget Committee and the President undertook their best efforts to fund as many of these important items as possible.

Assumptions

As indicated above, what is known at the beginning and the end of the budgeting process often varies substantially. This is attributable to the level of information provided in the fall by the Province, the provincial budget being announced in the spring, and general fluctuations in the market. As the budget cycle progressed, more reliable and mostly positive information became available. **Table 1** below summarizes assumptions at the beginning and end of the 2011/12 budget process. Additional revenue received in 2010/11 will be allocated to Faculties during the 2011/12 fiscal year. For fiscal years subsequent to 2011/12, high-level projections were made by the Departments and Faculties. Given the funding and tuition revenue uncertainty associated with these outer years, the assumptions for revenues in the outer years are consistent with those adopted in the multi-year forecasts prepared over the past year. However, these assumptions will be firmed up in the fall when the guidelines are issued and detailed planning begins for 2012/13. Should these assumptions prove too optimistic, additional spending cuts will be required.

Table 1: 2011/12 Budget Assumptions

Key Assumptions	**2011/12 Budget Guidelines Fall 2010**	**2011/12 Final Budget April 2011**	**2012/13 and 2013/14 Plans April 2011**
Enrolment	Undergrad flat except medical expansion, grad increase to cap	Undergrad flat except medical expansion, Masters students to increase by 38 to cap, PhD students to increase by 20, unfunded/international graduate students to increase an additional 32	Small increase
Operating grants	Flat except medical expansion and grad increase to cap	Flat except medical and graduate expansion	2% increase
Tuition revenues	5% rate increase	5% rate increase plus graduate growth	6% increase incorporating 5% tuition rate and 1% from enrolment growth
Other revenues	Decreased research overhead income, increased contributions from ancillaries	Same	Slight increase to research overhead income, increased contributions from ancillaries
Rate of return on long-term investments	7.5%	Same	Same
Rate of return on short-term investments	1.0%	Same	Same
Compensation increases	No increases to salary ranges for the duration of the Public Sector Compensation Restraint Act	Effect of MUFA settlement included	According to existing collective agreements with effect of Public Sector Compensation Restraint Act included for new negotiations
Employee benefits	Pension solvency relief and WSIB NEER surcharge increase included	Updated pension solvency relief based on regulations	Updated pension solvency relief based on regulations

Actions Taken to Achieve Balanced Operating Budgets

Operating Fund

At the direction of the Board of Governors, the University is required to present a balanced budget.

The 2011/12 budget reflects action taken in four main areas:

1. Revenue Generation

   Specific strategies to generate new net income to the University were identified and implemented. Each budget envelope was encouraged to increase revenues. The Academic Revenue-Generating Policy was revised to provide Faculties with an improved incentive to generate revenues and to ensure that all incremental costs are considered in revenue-generating plans. University-wide strategies to increase the revenue base include:

   - Aggressively pursuing enrolment growth at the graduate student level, especially Ministry-funded students. Growth in 2011/12, the final year to reach the Ministry of Training, Colleges and Universities (MTCU) targets, is expected to result in 58 net new eligible graduate students (38 Masters and 20 PhD). In addition, significant growth is expected in the MD, post-graduate medical and physician assistant programs, as well as backfilling second- to fourth-level undergraduate programs with transferring students.
   - Increasing contributions of ancillary operations to the operating budget to 3% of sales from the previous 2%, while ensuring all facility costs are covered.
   - Increasing tuition to the extent allowed within government guidelines, generating $8 million new funding for 2011/12.
   - Developing and maintaining strong government relations advocacy programs to maximize funding, at the federal, provincial and municipal levels, as recommended in the PACICES report.
   - Developing new programs in collaboration with college partners.
   - Securing grants and external consulting revenue.

2. Reallocation of Resources to Support the Academic Mission of Teaching and Research

   Revenue-sharing arrangements in which enrolment-related incremental revenues are shared between Faculties and non-academic envelopes were suspended for non-academic envelopes in 2007/08. This suspension has continued through 2011/12, and the non-academic share has been reallocated. Revenue sharing with academic areas has continued and is in place in 2011/12 and beyond. The non-academic areas have been required to reduce services to accommodate these implied reductions, although pressure is rising in several of these envelopes.

   It has always been a principle that ancillary operations cover all costs incurred while earning revenue. A review of space-related charges across ancillary operations showed that a variety of complex and inconsistent methods of charging occupancy costs had evolved over time. A new model was developed based on market rates, including ground and facility rent, utilities, custodial services and insurance, and has been applied to all space occupied by ancillaries. The charges will be phased in over a three-year period beginning in 2011/12. Incremental recoveries will be directed to funding strategic and capital projects to help alleviate the strain on the operating budget that might result from additional borrowing.

3. Budget Freezing or Reducing Envelope Allocations

In 2007/08, all envelopes had their base-budget allocations reduced by 1%. Since then, no specific budget reductions have been implemented. However, with no general increases to allocations, all budget envelopes must absorb inflationary costs. This required actions such as:

- Where possible, delaying, reducing or eliminating expenditures (e.g., vacancies, lab renewal, research support)
- Targeting expenditures to areas of greatest priority
- Increasing efficiencies by consolidating services, eliminating redundancy, benchmarking best practices and technology improvements
- Increasing effectiveness through policy and process reviews that aim to simplify, standardize and streamline operations and reduce the number of approval levels where possible
- Freezing service levels unless accompanied by additional resources
- Expanding centralized purchasing programs, both alone and via group buying synergies
- Initiating sustainability and energy management plans to control utility costs
- Reducing staffing through restructuring or attrition
- Increasing class sizes and decreasing the number of courses or course sections

While some of these measures allow for balanced budgets in the short term, the amount they contribute to savings in the operating budget is limited, and they do not contribute significantly to long-term financial viability. Several of them require action over a number of years to be successful.

4. Addressing Specific Challenges through Strategic Investments

As previously mentioned, the Budget Committee controlled unallocated funds tightly and then allocated them to areas that were strategic (e.g., continued technology development), efficiency based (e.g., development of an eProcurement system) or unavoidable (e.g., implementation of initiatives to comply with the Access for Ontarians with Disabilities Act).

5. Strategic Labour Negotiations

Employee costs account for 67% of our operating costs and are therefore the major focus of our cost-reduction strategies. Historically, these costs have been rising faster than revenues as compensation increases and the costs of absorbing pension payments, including deficits, into the operating budget have taken effect. For some years, McMaster has pursued strategies in our labour negotiations targeted at reducing the rate of increase and establishing greater cost certainty while being mindful of the need to be competitive in the market to ensure effective retention and recruitment. Our partners have responded productively to bring about significant change that has led to a better financial outcome. Key successes have included changes to pension benefits and post-retirement benefits, including substantial employee contribution increases. The Public Sector Compensation Restraint to Protect Public Services Act, 2010, and related government directives call for no net increases to compensation for two years.

The Act does not apply to the McMaster University Faculty Association (MUFA), which is recognized as a bargaining unit although it is not a trade union. Negotiations with MUFA from December to March failed to produce a negotiated settlement, so the final offer process as outlined in the Terms of Reference for the Joint Administration/Faculty Association (approved by the Board of Governors) was activated. Working with a final offer selector, a two-year mediated settlement was achieved and ratified by MUFA. While this settlement does not achieve the specific goals of the Compensation Restraint Act (two years of zero across-the-board raises), it does increase individual pension contributions and changes the post-retirement benefit to a co-pay program more in line with other bargaining units on our campus.

Envelope Highlights

The Faculties and the supporting units have faced limited revenue growth and increasing costs. What follows is a brief description of the actions of the major envelopes to maintain quality, contain costs and strengthen their financial position.

Faculty of Business

In 2007/08, the Faculty of Business developed and implemented an approved financial plan for the next 11 years. The financial plan put forward the steps that would be taken and the anticipated yearly progress for the Faculty to eliminate their deficit. During 2010/11, a new Acting Dean was appointed to the Faculty of Business. The current accumulated debt at the end of 2010/11 is projected to be $3.1 million. Although expected revenues from graduate expansion and the Burlington project have not been as large as anticipated, expenses have not risen as much as projected as well. Continued progress in meeting the financial plan will depend on plans for graduate expansion and Executive Education on the Burlington campus. This next year will be dynamic for Business due to the anticipated restructuring for the Faculty. The five-month review will provide more accurate forecasts as the impact of the changes to the DeGroote School of Business are more fully understood.

Faculty of Engineering

When facing a potential structural deficit three years ago, the Faculty of Engineering looked at every means possible to control costs and increase revenues. Success was achieved through very careful fiscal management that included a virtual hiring freeze for two years. Although this eroded faculty-to-student ratios significantly, it gave the Faculty time to stabilize the bottom line and bring new revenue sources on stream.

Aggressive pursuit of graduate expansion increased domestic enrolment by over 100 students in two years, adding at least $1.6 million to our annual base allocation. A focus on our Mohawk partnership has continuously grown the BTech program. In addition, a wave of retirements/resignations has increased the number of junior positions, alleviating some inflationary pressures.

Therefore, the Faculty of Engineering will end the current fiscal year with a significant projected surplus. Future plans include hiring new faculty needed to pursue objectives in key areas such as sustainability, experiential learning, technical entrepreneurship, digital media, power engineering and energy systems.

Faculty of Health Sciences

The Faculty of Health Sciences continues to sustain success by absorbing planned enrolment increases (particularly by developing its distributed learning opportunities), enhancing prospects for interprofessional education and research while stabilizing research capacity growth, and developing flexibility in a time of fiscal challenges.

Faculty of Health Sciences program expansion has been undertaken to have minimal impact on other areas of the University, as most of the additional students are off campus. For example, the regional campuses are self-sustaining as they pay for all of their equipment requirements and occupancy costs from their operating budget. At the same time, fiscal stress on hospital partners and increased competition for research funding are sharp realities that present financial risk in the long term.

The Faculty's major capital initiatives in 2011/12 are continued construction of the Niagara Regional Campus of the Michael G. DeGroote School of Medicine on the campus of Brock University in St. Catharines, as well as siting the proposed Centre for Primary Care in Hamilton. The Centre will provide capacity for commitments to the Ministry of Health and Long-Term Care for growth of post-graduate medical programs, particularly family medicine.

Faculty of Humanities

The Faculty of Humanities has worked tirelessly to address its fiscal challenges. Operationally, the Faculty of Humanities is lean but steadfastly focused on its core academic mission. They have implemented a rigorous culture of course management planning and have maximized the full potential of their faculty complement and TA allocation.

Since 2007/08, the Faculty has steadily reduced the number of sessional units from 381 to 156. The reduction in sessional units generates an annual savings of $0.55 million. In addition, they have shifted more full-time teaching to the spring/summer session.

Since 2004/05, the Faculty of Humanities increased its graduate enrolments by 66%, remained steady state on its undergraduate enrolments while continuing to make a significant contribution of teaching units to other Faculties with ostensibly the same faculty complement as in 2005/06. It should be noted that four appointments were internal transfers from other Faculties. Although there are agreements in place to fund some of the costs, these transfers have increased our full-time teaching costs by about $0.6 million.

Therefore, their strategic move towards full-time faculty has led to a leaner but stronger complement, generating more revenues on the graduate enrolment and research fronts. The Faculty of Humanities has already doubled its research funding from national granting agencies since last year's budget review. This all attests to the fact that they are committed to excellence in their core mission and in delivering the very best educational experience for students while maximizing teaching and research opportunities for faculty members.

Faculty of Science

The Faculty of Science is projecting an in-year surplus of approximately $1 million in 2010/11, which contributes to reducing accumulated debt from over $8 million in 2005 to less than $3 million at present (including paying down Science's advance by $2 million).

This result has been achieved in large part through careful and strategic management of resources. The Faculty has met or exceeded most of their goals and key performance indicators in their educational programs and research activities. Demand for Science undergrad programs continues to increase and, as a result, the Faculty is able to attract higher-quality students. Many of their faculty members have won prestigious national and international awards recognizing their research excellence.

While remaining optimistic about the future, the financial uncertainty being faced over the next few years will put increasing pressure on the Faculty's abilities to maintain and foster our reputation for excellence and innovation in its overall mission.

Faculty of Social Sciences

The Faculty of Social Sciences is ranked 40th in the world according to the Shanghai Jiao Tong University Academic Ranking of World Universities – the highest of any Faculty at McMaster. It is a research-intensive, teaching innovative Faculty of over 4,000 undergraduate students and over 300 graduate students. Its priorities are research excellence, improving access to postsecondary education and building global citizens through community outreach.

As a result of successful recruitment and improved use of media to communicate the Faculty's image and mission, the Faculty saw significant increases in graduate enrolment and some increases in undergraduate enrolment. To contain costs the Faculty reviewed and revised all expenditures, and where possible secured soft funding to defray costs of innovations. As a result of these efforts, the Faculty budget registered a surplus in 2010/11.

The Faculty has the highest average class sizes in the University. To maintain quality, the Faculty is committed to faculty recruitment and enhancing the student experience. Over the next year, the Faculty of Social Sciences will begin offering degrees that integrate Mohawk certificates, as well as two new degrees, so that graduating students are better prepared for the labour market. The Faculty also expects to offer a new PhD in Health and Social Sciences.

University Library

At the end of this budget planning cycle, if left unattended, the library budget would reflect a $3.9 million deficit including library acquisitions increases and the increased costs associated with benefits and classroom technology support. Given the overall budget situation at the University this is clearly an unacceptable situation. In order to maintain a flat and balanced budget over the next three years the University Library plans the following:

1) Acquisitions will receive modest increases, which are not sufficient to cover inflation. This will result in cuts in acquisitions.
2) Personnel expenditures will be cut resulting in the loss of five to seven (5-7) positions.

Recognizing the importance of classroom technology replacement and repair, base funding of $300,000 has been secured through the budget process to address this high priority.

Student Affairs

As partners in learning, Student Affairs continues to provide students with opportunities to discover, learn and grow. In 2010/11, Student Affairs successfully implemented a number of strategies to eliminate a structural deficit while continuing to provide quality and enhanced services. The Student Success Centre (SSC) was created out of a reorganization/consolidation of services to support our students from the time they enter university to the time they graduate and find employment. A successful team nomination from our student body for the President's Award for outstanding service in 2010 (SSC) is a demonstration of our commitment to student life and continued successful partnership. Grant funding of over $1.1 million was also received from the Ministry of Health promotion in support of our sports medicine expansion. McMaster continues to be recognized as a leader in the development of high-performance athletes and related research by the Ministry as well as a leader of best practices in service delivery by our fellow institutions.

Other Academic Units

Every academic unit was forced to control costs and explore new sources of revenue generation. What follows illustrates issues faced by these units.

<u>Registrar's Office</u>

Through staffing reductions, modest revenue increases and cautious spending the Registrar's Office is poised for a strong fiscal showing in 2010/2011. However, continued inflationary pressures combined with stagnant operating allocations will place increasing strain on the resources and ability to deliver excellent customer service. It will be critical for each unit to continue to identify business process efficiencies while delivering required business services. The proposed systems renewal project will also provide the opportunity to look at service delivery optimization. The management team is committed to working together to find ways as a total group to provide the best service with the total resources given.

<u>School of Graduate Studies</u>

The School of Graduate Studies has focused on increasing the importance of graduate education with the goal of achieving 20% of the enrolment population, ensuring that all members of the community feel valued for their contributions, and providing an innovative and stimulating learning environment. Initiatives to achieve these priorities include creating a coherent strategic plan for graduate enrolment, participating in the Ontario-wide Institutional Quality Assurance Process (IQAP), building campaign and social media strategies to enhance recruiting, and expanding professional development for graduate students and post-doctoral fellows. Supporting the growth in graduate enrolment has been a significant challenge, however implementation of a change in strategy in 2011/12 to take full advantage of administrative funding is expected to stabilize staffing.

Museum of Art

The McMaster Museum of Art (MMA) is considered – due to the quality of its facility, collection and programs – one of the top 3 (of 40) university-affiliated institutions in the country. It is recognized for the excellence and innovation of its contributions to both the academic mission of McMaster University and, for its excellence and innovation in scholarly research and presentation projects within the Canadian arts community. Currently, the MMA is embarking on an inter-active web-based project which will, similarly, mark its innovation in the areas of digital asset management and presentation amongst world museums. In short, the Museum contributes to the reputation for excellence and innovation which is the hallmark of the McMaster experience.

The MMA is constrained due to lack of adequate funding. Moving forward, the goal is to stabilize the Museum budget through a variety of avenues: application for arts council operating grants; increased project grant applications; increased revenue generation from various sources; prudent fiscal management of trusts and endowments, as well as fundraising and increased development opportunities. Recognizing the important needs of the MMA, this budget provides an incremental base funding allocation of $156,000/year to maintain current staffing and programs.

Centre for Leadership in Learning

The Centre for Leadership in Learning (CLL) has developed and enhanced a number of teaching and learning partnerships at McMaster, particularly at the Faculty and the Department levels. Collaborations have also been developed between CLL and a number of campus partners. These partnerships, which have been facilitated, in part, through the introduction of the biannual CLL newsletter and the monthly CLL Bulletin, have helped to foster increased interest in and awareness of evidence-informed pedagogy at McMaster.

The new Learning Management System, Avenue To Learn, which has provided students, staff and faculty a stable, robust learning platform, was acquired and launched under CLL's leadership with assistance from campus partners during 2010/11.

Working with staff in Advancement, CLL has helped to secure a significant financial donor to fund the creation of Teaching Fellows at McMaster. In addition, CLL has secured two external research grants and one paid consultation project during the past year.

CLL has launched three books on teaching and learning at McMaster over the past year, including the Teaching at McMaster Handbook; the TA Guide; and the Research on Teaching and Learning Guidebook.

During 2010/11, as a result of structural reorganization within the unit, CLL hired two Instructional Designers. A permanent Director was hired in May 2010 and space to move CLL to the 5th floor of Mills library was secured.

Other Budget Areas

Research

In support of McMaster University's mission and vision, the Office of the Vice-President (Research and International Affairs) is committed to consistently being among the top three Canadian Universities in research excellence and intensity, the pursuit of new partnerships and economic development opportunities, adding value to the research enterprise by providing professional central research support services, the development of international links, and communicating and celebrating our research initiatives and successes to the public at large.

Objectives for 2011/12 include increasing Tri-Council funding, aggressive pursuit of interdisciplinary research initiatives, promoting the culture of knowledge and technology transfer, continuing advocacy efforts with the government and private sector, improving research communication, and pursuing international collaboration opportunities.

As with the rest of the University, this envelope struggles to fund the significant salary and pension cost increases. Success in research funding competitions provides the funds critical to the support of research personnel (particularly graduate students, post-doctoral fellows and technicians) as well as infrastructure required for the development of the cutting-edge research laboratories on which the recruitment and retention of high-level faculty and research personnel depends. Only through support for research personnel and research infrastructure resulting from successful grant applications and administration can McMaster continue its goal to be a research-intensive university.

Technology

Technology has been identified as one of the critical success factors in The President's Advisory Committee on the Impact of the Current Economic Situation (PACICES), the Task Force on Teaching and Learning (TOTAL), the Task Force on Evaluation, Accountability and Measurement (TEAM) and McMaster University's Strategic Plan – *Refining Directions*. Specifically, the focus for technology is to create a robust infrastructure, ensure continuous evaluation and renewal, and enable innovation. Ultimately, success will largely depend on a collaborative effort across academic, research, and administrative units to embrace and support the need for technology renewal. Vision 2020 lays the foundation for future investments in technology, and it publicly affirms the major focus of information technology at McMaster for the next decade.

The university has committed $5 million per annum over five years to the implementation of Vision 2020. 2011/12 is the second year of this commitment. Progress to date includes the completion of the business case and the change readiness assessment. A consultant has been selected to assist with the selection of the ERP software and expertise has been engaged to assist with change management. The program director has been hired and three Director-level positions staffed. In 2011/12 high-level business requirements will be established for the four key areas in preparation for the software selection. In the meantime, existing systems have been maintained and improved eg: e-reporting, on-line grades and the upgrade to the Gilmour Hall data centre. Moving forward the core operating budget will provide for continuation of existing heavy maintenance costs and increasingly to support Vision 2020.

Vision 2020's strategic direction (SD) for technology outlines five essential areas where attention should be directed to achieve the greatest results:

- SD1: Systems Renewal and Data Integration
- SD2: Renewed Focus on Service Delivery
- SD3: Modernization and Simplification of Infrastructure
- SD4: A Hybrid Model based on Cooperation
- SD5: Technology Risk Mitigation Practices

The five strategic directions stated above will transform technology at McMaster from its current state toward a state based on best practices, thus improving the delivery of key technology services, increasing user satisfaction, and supporting the University's key objectives.

<u>Administration and Facility Services</u>

Our mission is to provide the professional support services required for the core academic and research mission at the level that best balances cost, effectiveness and service. At the same time we provide to the University a range of stewardship, control, financial and human resource services that ensure enterprise effectiveness. In the financially constrained environment that is our current and future expectation, our approach is to:

- reduce cost through consolidation; labour relations negotiations; benchmarking best practices and technology improvements;
- increase effectiveness through policy and process reviews that simplify, standardize, and streamline operations and reduce the number of approval levels where possible;
- improve service through clearly articulating current service standards, levels and cost, and developing service-delivery models that improve the cost/service dynamic.

<u>University Advancement (UA)</u>

The Campaign for McMaster University concluded in 2010 surpassing its $400 million target and raising $474 million dollars for the University in just four years. This success included:

- An increase in the number of donors to McMaster and investment in a wide-range of areas across all Faculties
- Enhanced alumni involvement and commitment to the University including the largest international participation rate in McMaster's fundraising history
- A higher and consistent national and international profile for the University and its achievements that increased support and awareness of the opportunities McMaster presents to students, researchers and society
- A more strategic government relations program that resulted in new funding for priority projects
- A comprehensive stewardship program that will enhance future fundraising opportunities

McMaster's integrated approach to advancement activities continues to achieve significant results for the University. Its success at harnessing new support and resources for McMaster's priorities is a respected model that is now copied at many leading universities. Throughout the year members of the UA team are approached to help other institutions better understand how to implement our integrated model.

Action Items on Other Funds

Significant action has also been taken in other important areas, e.g., capital budgeting, cash management and trust fund expenditures, which are detailed in their respective sections of this budget document.

In order to address the shortage of funding for strategic purposes, standard space and facilities charges for ancillary operations at market rates will be phased in over a three-year period beginning in 2011/12. Prior to establishment of the standard charges, a variety of inconsistent and complex methods of charging occupancy costs had evolved over time. After deducting funds to offset lost recoveries under the previous method, approximately $4 million in incremental annual funding will be available in 2013/14 at the end of the three-year phase-in period. The entire amount will flow to a strategic reserve, and over the three-year period $40 million will be made available to the Central Bank to be approved for use through established governance vehicles and Presidents/Vice-Presidents group (PVP). The expectation is, for example, that the University contribution to CFI grants would be funded from this source. This new funding source is critically important since capital projects typically require a university contribution. In recent years these contributions have been funded from the debenture. This source is now exhausted and additional borrowing would increase the strain on the operating budget due to interest costs and debt servicing.

Results

Operating Fund

Outlook for 2010/11

As shown in **Table 2**, in 2010/11, the operating fund is projected to run an in-year deficit of $3.9 million, which is wholly related to net one-time, non-recurring expenditures of $20.1 million (refer to **Appendix A** for details of these expenditures). The deficit has been reduced by $11.6 million compared to the original budget. This positive variance was caused by revenues greater than the approved budget by $19.1 million (including transfers from other funds), offset by greater-than-expected spending of $14 million.

The additional framework revenues over the 2010/11 budget amount to $12.7 million and are the sum of:

- Accessibility funding of $2 million for undergraduate enrolment growth, which was assumed to be flat in the original budget.
- An increase of $0.4 million for graduate expansion due to increased growth.
- Greater-than-expected quality funding of $3 million.
- An increase of $3.8 million for tuition due to increased growth.
- An increase of $1.8 million in research overhead income due to additional royalties and contract overhead
- An increase of $1.6 million in other income primarily due to additional Ontario Universities' Application Centre (OUAC) fee revenue and interest on student accounts.

The higher rate of expenditure is primarily due to timing differences in spending on supplies and other expenses of $11.5 million, which were originally projected in 2009/10 and are offset by the favourable fund balance of $22.1 million at the start of 2010/11.

Compared to the five-month projection completed in November 2010, the in-year deficit has been reduced by $12.8 million. This significant reduction has the same core explanation as noted beforehand. $11.1 million of the variance is due to revenue greater than planned ($6.4 million ongoing plus $4.7 million one time), with the remaining $1.7 million due to lower-than-predicted expenditures ($5 million lower ongoing expenses, offset by $3.3 million greater one-time expenditures).

Table 2: University Operating Revenues and Expenditures 2010/11

($ thousands)	2010/11	2010/11 Projection		Variances	
	Budget	5-Month	9-Month	9-Month vs. Budget	9-Month vs. 5-Month
				Fav (Unfav)	
Ongoing:					
Allocations	390,334	388,280	392,383	2,049	4,103
Other income	90,078	99,162	102,155	12,077	2,992
Total revenue	480,412	487,442	494,538	14,126	7,095
Expenditures	479,960	483,238	478,278	1,682	4,960
Surplus (deficit)	451	4,204	16,259	15,808	12,056
One-time:					
Allocations	2,495	3,058	9,402	6,907	6,344
Other income	381	4,469	2,794	2,413	(1,675)
Total revenue	2,876	7,527	12,196	9,320	4,669
Expenditures	16,623	28,992	32,312	(15,689)	(3,319)
Surplus (deficit)	(13,747)	(21,465)	(20,116)	(6,369)	1,349
Framework under (over) allocation	(2,128)	643	0	2,128	(643)
Total surplus (deficit)	**(15,424)**	**(16,618)**	**(3,856)**	**11,567**	**12,762**
Transfers from (to) other funds	7,027	3,225	577	(6,450)	(2,648)
Change in fund balance	**(8,397)**	**(13,393)**	**(3,280)**	**5,117**	**10,114**
Opening appropriations	49,006	71,065	71,065	22,059	0
Ending appropriations	**40,609**	**57,671**	**67,785**	**27,176**	**10,114**

Note: Reclassification between lines. Certain 2010/11 budget figures have been reclassified to conform with the format now adopted in the Projection column.

2011/12 Budget

The Operating Fund Summary in **Table 3** provides the projected 2010/11 year-end results and the 2011/12 budget, along with plans for 2012/13 and 2013/14. Highlights compared to 2010/11 projection are:

- Total sources of funding will increase by $10 million (2.0%) due primarily to tuition growth ($8.8 million or 5.4%)
- Operating expense will increase by $25 million (4.9%) due to growth in compensation and benefits ($24.5 million or 7.3%), partially due to an average increase in benefits of 12.4% caused by pension costs and increased provision for post-retirement benefits
- The in-year operating deficit will be $18.9 million (3.6% of revenue)
- Of this amount, one-time net expenditures account for $21.9 million, i.e., the operating fund is balanced before one-time expenses
- Appropriations decline 26.3% to reach $50 million at April 2012.

Table 3: Operating Fund Summary – Year Ending April 30, 2012

($ thousands)	Operating Fund		2010/11 Variance		Operating Fund		
	2010/11 Budget	2010/11 Projection	Favourable/ (Unfavourable		2011/12 Budget	2012/13 Plan	2013/14 Plan
Sources of Funding:							
Provincial Grants	214,451	219,906	5,455	2.5%	221,132	225,555	230,067
Tuition	157,643	161,465	3,822	2.4%	170,236	180,450	191,277
Research Overhead Income	21,434	23,253	1,819	8.5%	22,057	22,196	22,461
Investment Income	9,467	9,467	0	0.0%	9,467	9,467	9,467
Other income	3,914	5,535	1,621	41.4%	5,120	5,200	5,288
Subtotal	**406,909**	**419,626**	**12,717**	**3.1%**	**428,012**	**442,868**	**458,560**
Recoveries and other income	74,251	87,107	12,857	17.3%	88,680	96,482	98,523
Total sources of funding	**481,160**	**506,734**	**25,574**	**5.3%**	**516,692**	**539,351**	**557,084**
Expenditure:							
Salaries, wages and benefits	335,895	336,540	(645)	-0.2%	360,992	374,918	381,898
Utilities and maintenance	32,852	34,227	(1,375)	-4.2%	33,335	33,504	33,872
Library acquisitions	9,137	8,947	190	2.1%	9,085	9,321	9,511
Supplies and other expenditures	72,149	82,999	(10,851)	-15.0%	86,696	83,715	93,446
Supplies and other expenditures - Research	5,826	6,487	(661)	-11.3%	5,820	5,735	5,737
Scholarships, bursaries and work study	29,987	30,137	(150)	-0.5%	28,992	29,528	30,004
Debt and financing charges	10,739	11,253	(514)	-4.8%	10,623	10,855	10,855
Total expenditures	**496,584**	**510,590**	**(14,007)**	**-2.8%**	**535,543**	**547,576**	**565,322**
Total surplus (deficit)	**(15,424)**	**(3,856)**	**11,567**	**75.0%**	**(18,851)**	**(8,225)**	**(8,239)**
Transfers from (to) other funds	7,027	577	(6,450)	-91.8%	1,057	3,816	6,063
Change in fund balance	**(8,397)**	**(3,280)**	**5,117**	**60.9%**	**(17,794)**	**(4,409)**	**(2,176)**
Fund balances, beginning of year	49,006	71,065	22,059	45.0%	67,785	49,991	45,582
Fund balances, end of year	**40,609**	**67,785**	**27,176**	**66.9%**	**49,991**	**45,582**	**43,407**

Note: Reclassification between lines. Certain 2010/11 budget figures have been reclassified to conform with the format now adopted in the Projection column.

Supporting details are available in **Appendix A** as follows:

- **Tables 20 through 24** show a breakdown of the sources of funding and resource allocation for each operating budget envelope, together with variances between the 2010/11 projection and original budget and one-time items for 2010/11 and 2011/12.
- **Table 25** shows the annual net change in operating envelopes for 2010/11 through 2013/14.
- The financial position of budget envelopes in **Tables 26 and 27** provides the budget and a two-year financial plan for the operating fund. For each envelope, the report highlights the opening appropriations balance at May 1, 2010, and projected/planned net expenditures for 2010/11 through 2013/14.

2011/12 One-time Costs

As shown in **Appendix A**, **Table 24**, one-time expenditures have been budgeted for 2011/12 including the following areas:

- $8.5 million – Health Sciences infrastructure costs, including the Primary Care Centre and new curriculum development
- $7.6 million – Expenditures on special projects and specifically funded accounts
- $3.8 million – System renewal and other one-time technology costs
- $1.3 million – Expansion of the Sports Medicine Clinic and athletic track renewal
- $1.1 million – Estimated retroactive royalty payments to Access Copyright
- $1.2 million – Engineering undergraduate laboratory renewal
- $0.9 million – Final payment of undergraduate scholarship retention awards.
- $0.8 million – Campus security upgrades

Table 4: Operating Fund Revenues and Expenditures Showing Ongoing and One-time Expenditures – Year Ending April 30, 2012

($ thousands)

	2010/11 Budget	2010/11 Projection	2011/12 Budget	2012/13 Plan	2013/14 Plan
Ongoing:					
Allocations	390,334	392,383	403,060	415,719	428,868
Other income	90,078	102,155	103,581	109,932	114,185
Total revenue	480,412	494,538	506,641	525,651	543,053
Expenditures	479,960	478,278	506,072	529,715	551,783
Surplus (deficit)	451	16,259	569	(4,065)	(8,730)
% of revenue	0.1%	3.3%	0.1%	-0.8%	-1.6%
One-time:					
Allocations	2,495	9,402	5,626	5,439	4,750
Other income	381	2,794	1,916	3,657	1,700
Total revenue	2,876	12,196	7,542	9,096	6,450
Expenditures	16,623	32,312	29,471	17,860	13,540
Surplus (deficit)	(13,747)	(20,116)	(21,929)	(8,764)	(7,090)
Framework under (over) allocation	(2,128)	0	2,509	4,604	7,581
Total surplus (deficit)	**(15,424)**	**(3,856)**	**(18,851)**	**(8,225)**	**(8,239)**
Transfers from (to) other funds	7,027	577	1,057	3,816	6,063
Change in fund balance	(8,397)	(3,280)	(17,794)	(4,409)	(2,176)
Opening appropriations	49,006	71,065	67,785	49,991	45,582
Ending appropriations	**40,609**	**67,785**	**49,991**	**45,582**	**43,407**

Note: Reclassification between lines. Certain 2010/11 budget figures have been reclassified to conform with the format now adopted in the Projection column.

Revenue

Table 5: Growth and Diversification of the Operating Revenue Base

($ thousands)

	2010/11 Budget	2010/11 Projection	2011/12 Budget	2012/13 Plan	2013/14 Plan
Provincial Grants	214,451	219,906	221,132	225,555	230,067
Tuition	157,643	161,465	170,236	180,450	191,277
Research Overhead Income	21,434	23,253	22,057	22,196	22,461
Investment Income	9,467	9,467	9,467	9,467	9,467
Other Income	3,914	5,535	5,120	5,200	5,288
Total Sources of Funding*	**406,909**	**419,626**	**428,012**	**442,868**	**458,560**
Percentage change		**3.1%**	**2.0%**	**3.5%**	**3.5%**

*Excludes recoveries and transfers

Strengthening and diversifying the operating revenue base continues to be an important financial objective for McMaster University. Total 2010/11 operating revenue is currently projected to be $419.6 million, up by 3.1% over the original 2010/11 budget. This is due mainly to increased funding for undergraduate, graduate and medical enrolment growth, as well as greater-than-expected research overhead income. This rate of revenue growth decreases in 2011/12 to 2.0%.

As indicated above, the two main sources of operating funding are grants from the provincial government and tuition fees paid by students. As more of the grant income has been targeted to specifically funded activities, such as the Accessibility Fund, the continued expansion of the MD program and the expansion of our nursing program, less grant funding, in real terms, has been available to support base operations.

<u>Provincial Government Grants $221.1 million</u>

Table 6 shows the budgeted year-over-year change in the various provincial grant income items in the operating budget. As the largest component of operating funding, changes in the components of the provincial grant can have a significant impact on McMaster's level of revenue. Growth in operating grants is conservatively estimated at 0.6% for 2011/12, with flat undergraduate enrolment and an increase of 58 graduate students. As a result of the provincial announcement of full funding for an additional 41,000 students province wide, increases to operating grants of 2% are forecast in 2012/13 and 2013/14.

Table 6: Provincial Grants – 2010/11 to 2013/14

($ thousands)

	2010/11 Budget	2010/11 Projection	2011/12 Budget	2012/13 Plan	2013/14 Plan
Basic Grant	180,058	180,061	180,061	180,061	180,061
Accessibility Grant	-	1,973	1,973	3,868	6,057
Graduate Expansion	7,552	7,969	9,047	9,047	9,047
Performance Fund	1,872	1,745	1,745	1,745	1,745
General Quality Fund	6,286	9,239	8,000	9,895	12,084
MD and Post Graduate Expansion	15,463	15,655	16,986	17,432	17,432
MD Enhanced Funding	1,658	1,658	1,714	1,901	2,035
Grant for Expanded Nursing Program	1,238	1,282	1,282	1,282	1,282
Clinical Education Grant	324	324	324	324	324
Total Grant Income	**214,451**	**219,906**	**221,132**	**225,555**	**230,067**
Percentage change		**2.5%**	**0.6%**	**2.0%**	**2.0%**

A full analysis of the various sources of the provincial grants is included as **Appendix B**.

Tuition Income $170.2 million

Based on the enrolment targets outlined previously, total 2011/12 tuition income is projected to increase by $8.8 million from the 2010/11 nine-month review.

For 2011/12, full-time undergraduate domestic enrolments are expected to hold relatively constant while graduate domestic enrolments are projected to be higher than 2010/11. The University, through the Enrolment Management Team (EMT), are reviewing undergraduate enrolment targets and forecasting models to ensure McMaster sets reasonable targets and achieves them. Graduate tuition reflects expected 2011/12 eligible enrolment growth of 38 Masters students to the maximum provincial cap, and 20 PhD students.

Table 7: Tuition Income – 2010/11 to 2013/14

($ thousands)	2010/11 Budget	2010/11 Projection	2011/12 Budget	2012/13 Plan	2013/14 Plan
Undergraduate	132,484	136,390	143,639	152,257	161,392
Graduate	25,159	25,075	26,597	28,193	29,885
Total Tuition Income	**157,643**	**161,465**	**170,236**	**180,450**	**191,277**
Percentage change		**2.4%**	**5.4%**	**6.0%**	**6.0%**

Domestic tuition fees through 2011/12 will increase in compliance with the government's tuition policy. The policy allows first-year fees for undergraduate general arts and science programs to increase by 4.5% and subsequent years' fees to increase by 4%. First-year fees for professional and graduate programs are permitted to increase by 8%.

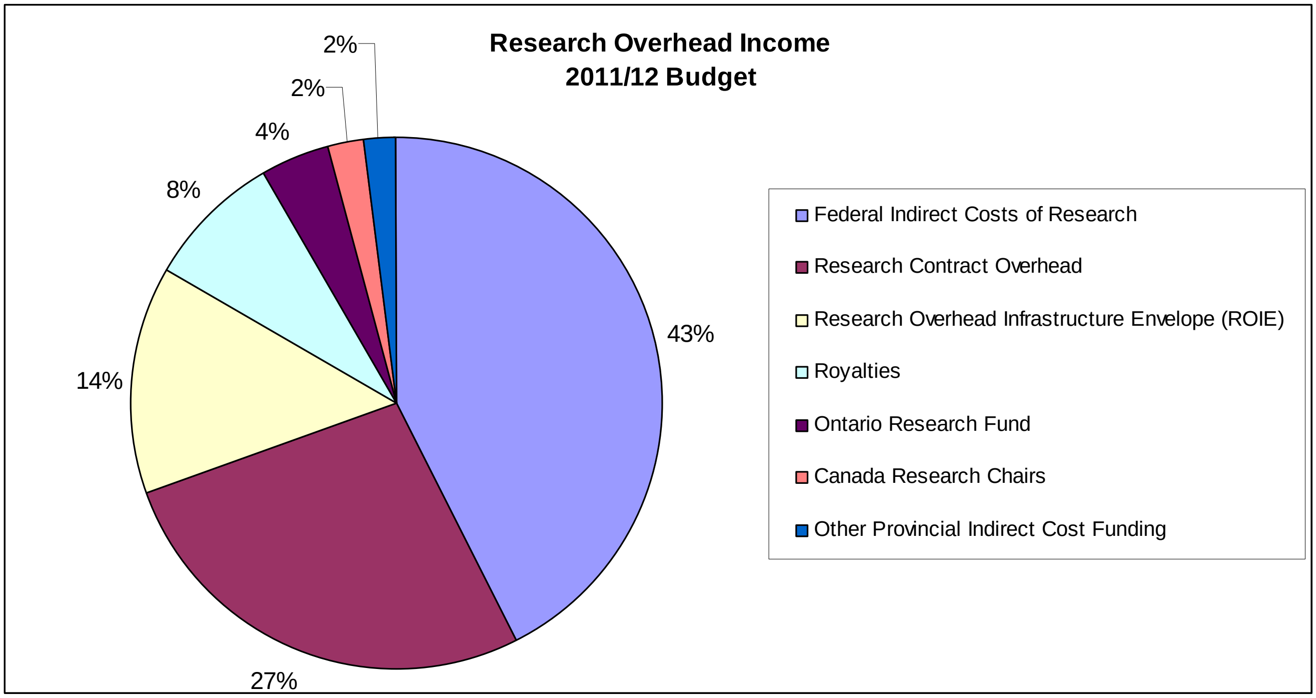
Government policy further stipulates that the total year-over-year increase, net of enrolment changes, must not exceed 5%. In taking the maximum allowable tuition fee increase for most undergraduate and graduate programs, McMaster's increase in total domestic tuition, adjusted for the change in enrolment, is just below the maximum allowable total increase in 2011/12. MTCU has announced a requirement to contribute 10% of additional revenue from tuition fee increases to bursaries and other student assistance programs that provide financial aid to students in need, as well as a requirement to deliver Student Access Guarantee funding automatically to all students in first-entry programs eligible for assistance without an application. A series of meetings with universities and colleges will be held to determine implementation strategies.

Tuition income increases of 6% in 2012/13 and 2013/14 are based on the assumption of a continuation of the 5% rate increase cap, plus growth in enrolment.

Research Overhead Income $22.1 million

Funding toward the indirect costs of research is received from both federal and provincial governments, as well as industry funding partners as shown in **Figure 2**. Additional details of each source of funding are shown in **Appendix C**.

Figure 2: Research Overhead Income – Year Ending April 30, 2012



<u>Other Sources $14.6 million</u>

The University's operating fund includes other income derived from sources such as interest earned on working capital balances, investment income, donations and grants.

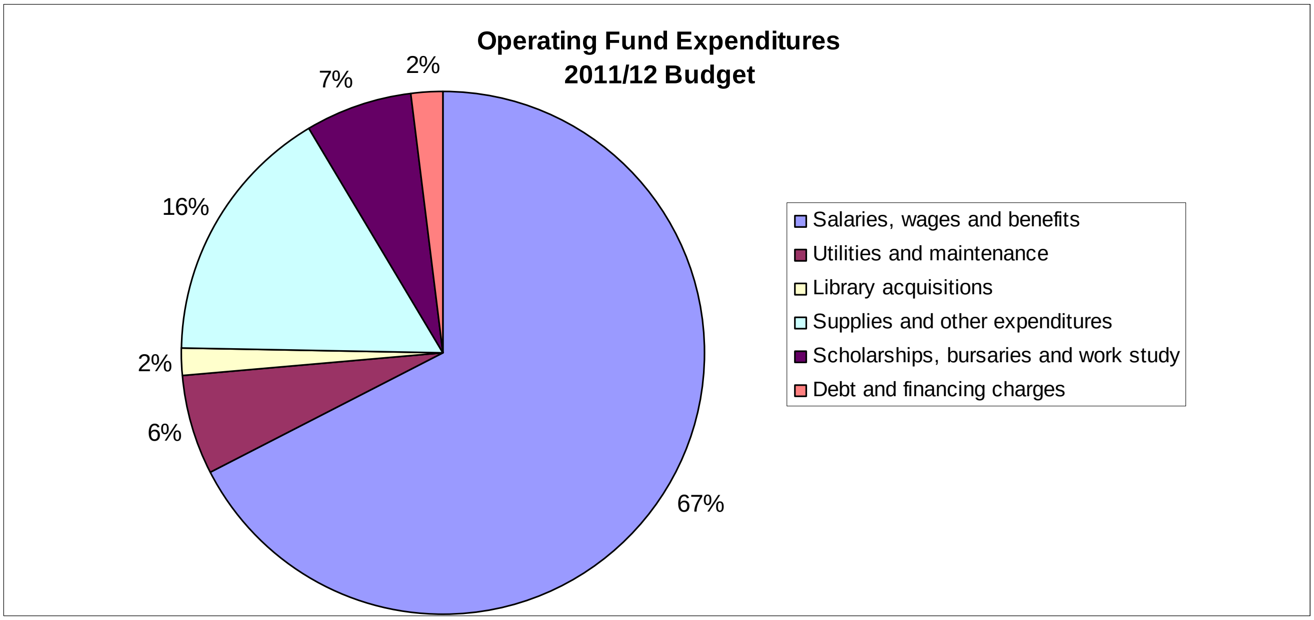
<u>Recoveries and Other Non-Framework Income $88.7 million</u>

Recoveries and other income include cost-recovery programs credited directly to budget envelopes, costs recovered for utilities, income from the nuclear reactor, and staffing from our partner hospitals.

Expenditures

Expenditures budgeted for 2011/12 total $535.5 million, of which 67% relates to compensation costs.

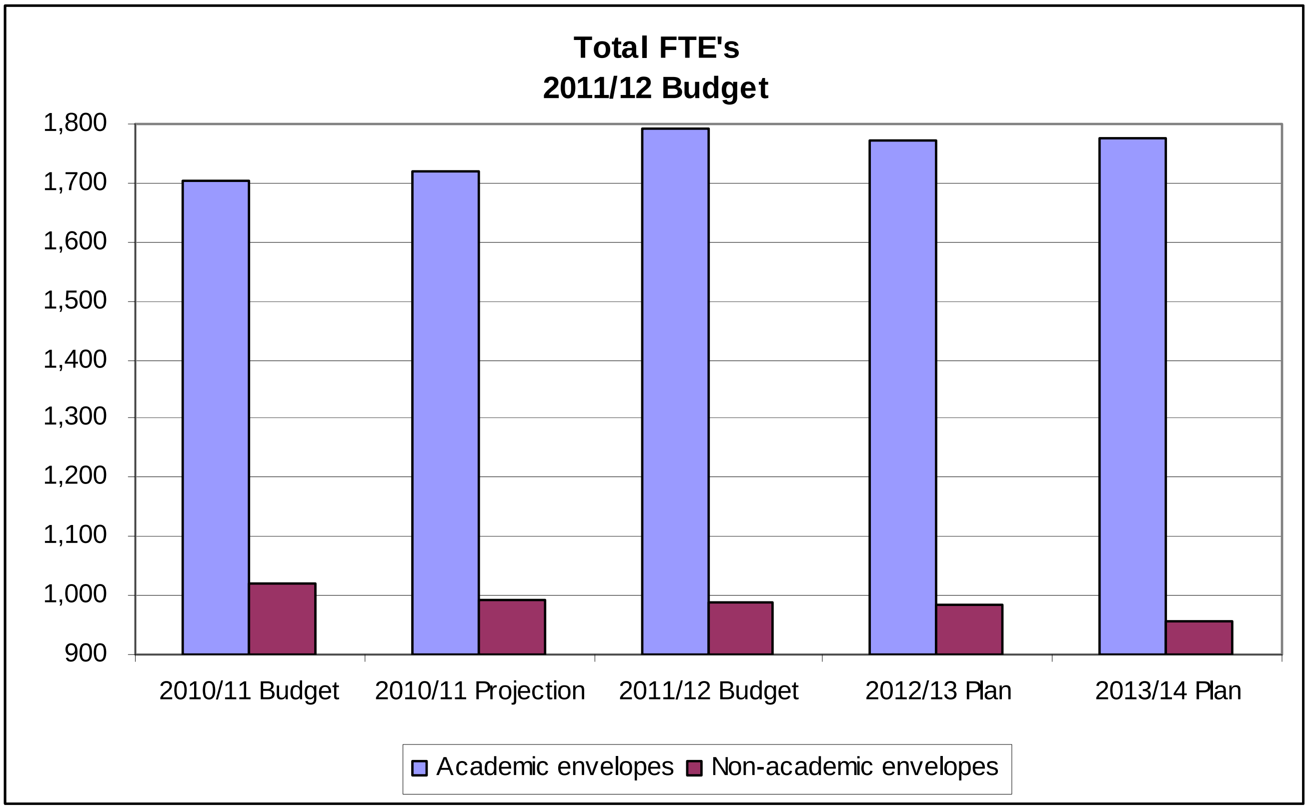
Figure 3: Operating Fund Expenditures – Year Ending April 30, 2012



<u>Salaries, Wages and Benefits $361 million</u>

- Salaries, wages and benefits represent 67.4% of the University's total operating budget expenditures and will increase by $24.5 million (7.3%) in 2011/12 over the 2010/11 projection.
- Attention continues to be focused through labour negotiations on controlling increasing post-retirement benefit and pension costs. The plan reflects the effect of the 2011 MUFA agreement and the final year of the Compensation Restraint Act.
- Benefit costs continue to rise at a greater rate than inflation as a result of additional employer contributions to pension plans, WSIB surcharge, and an increased provision for post-retirement benefits.
- The plan identifies reduction in positions in many areas, managed through attrition, early retirements and restructuring operations
- As shown in **Figure 4**, projected FTEs in 2010/11 were less than originally budgeted due to vacancies.
- Increases in FTEs in 2011/12 reflect ramping up the BTech program, undergraduate and post-graduate medical expansion, as well as a temporary increase due to termination of external funding in Health Sciences. Declines in 2012/13 and 2013/14 represent a return to steady state staffing as temporary positions come to an end.

Figure 4: Total FTE's – Year Ending April 30, 2012



Facility Services and Utilities $33.3 million

- The cost of maintaining and operating the physical infrastructure represents 6.2% of the operating budget.
- The University will be aggressively pursuing savings in utility costs through initiatives such as plug load analysis and raising campus awareness.
- Utilities costs have been minimized by achieving favourable rates for purchased utilities.
- Mandatory upgrades to water backflow prevention will add one-time costs of $3 million over four years.

Library Acquisitions $9.1 million

- Anticipated spending on acquisitions for 2011/12 increases slightly from 2010/11 levels, which were lower due to favourable US exchange rates. McMaster is unique among academic libraries with an increase in physical, on-site access to materials, which is declining at other universities. Our participation in provincial and national consortia accounts for approximately 80% of acquisitions, helping to contain costs but reducing flexibility with a commitment to multi-year deals.

Supplies and Other Expenditures $86.7 million

- Significant budget reduction measures have been implemented, focusing on reducing supply and other expenses. The bulk of the increase ($3.7 million) is due to one-time equipment and renovation costs

Supplies and Other Expenditures – Research $5.8 million

- A significant amount of expenditures are incurred by the Research envelope to support our research intensity. Costs are expected to decline in 2011/12 due to decreased royalty payments.

Scholarships, Bursaries and Work Study $29.0 million

- McMaster has been very successful in attracting and retaining top-quality students. McMaster University's entrance scholarships program provides "automatic" scholarship awards based on a student's high-school average. The program is very attractive to students, and we believe it has helped to raise entering averages for first-year students in almost all programs.
- Entrance scholarships are awarded for a one-year period. Students holding four-year awards are currently working toward degrees. As these students graduate, costs are expected to drop by $2.4 million to reach a steady state. McMaster is continually reviewing the scholarship programs in an effort to be competitive and cost effective.
- Provincial tuition set-aside requirements have been taken into account in budgeted scholarship payments.

Debt and Financing Costs $10.6 million

- In 2002 McMaster issued $120 million in debentures. $7.4 million represents the interest-only payment.
- The principal will be repaid in fifty years as a bullet payment.
- A sinking fund of $6.1 million was established in 2002. The sinking fund is invested in the investment pool and is expected to be sufficient to repay the principal in 2052.
- Payments on internal loans for the Engineering Technology Building, David Braley Athletic Centre and Centre for Advanced Management Studies are included.

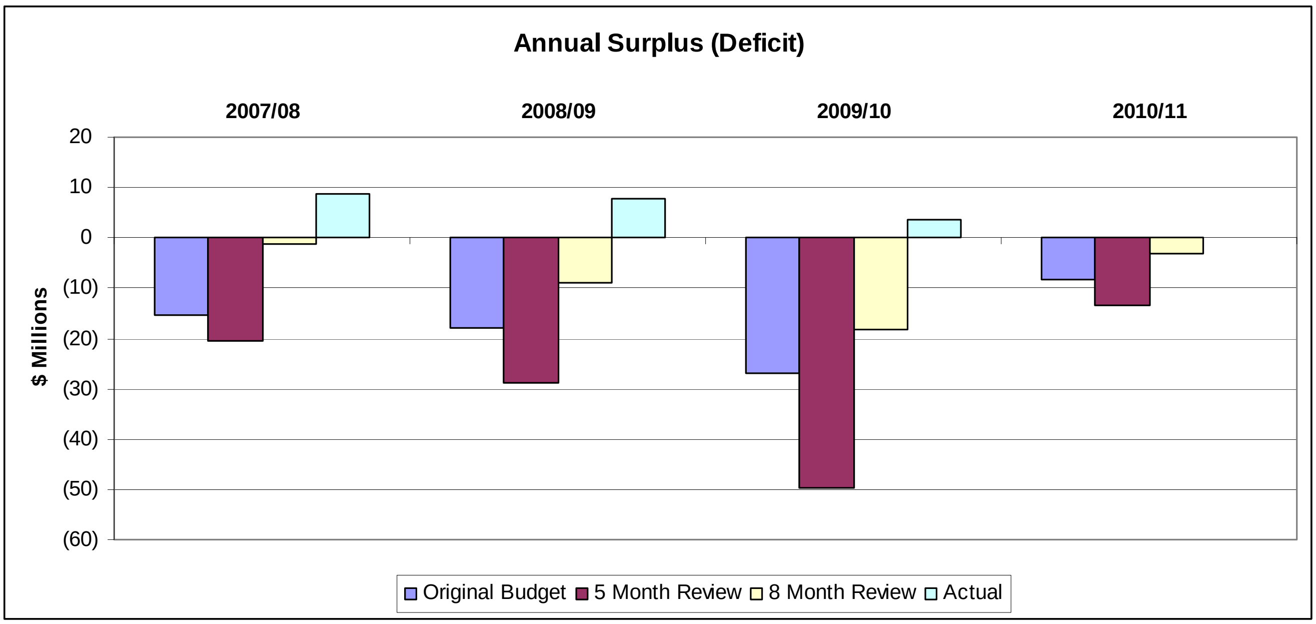
Operating Fund: Conclusions – 2011/12 Budget

Through major actions of envelope managers to contain costs and provincial commitments to provide an increase to revenues, the operating fund is budgeted to be structurally in balance in 2010/11. One-time investments will draw down appropriated surpluses; however the operating fund is budgeted to end 2011/12 in a better position than anticipated by the original 2010/11 budget at this same time last year.

Although the budgeted deficit is significant, there is good reason to expect that the operating fund will end 2011/12 in a better position than budgeted. The farther in advance a projection is prepared, the less certain is the outcome. Fixed costs like salaries and benefits can be reasonably estimated at the time of the original budget. Revenue is less certain and not budgeted unless there is a good chance that it will materialize. Discretionary expenses are often incurred only if expected revenue is received.

Due to our conservative budgeting approach, a pattern emerges in the projections. As **Figure 5** shows, since 2007/08 the original annual budget for the year is a deficit. The original budget normally includes assumptions about spending in the prior year, and therefore funding carried forward, as well as the expectation of full staffing levels. Usually the spending in the prior year is less than expected and balance carried forward greater, so projected expenses are increased at the time of the five-month review, increasing the annual deficit. By the time of the eight-month review, budget managers have had a chance to make adjustments to spending based on actual results to date, but are still conservative in their estimates. A combination of realized revenue and reduced spending produces a favourable year-end actual result. While this pattern does not provide grounds for complacency, neither should it signal the need for draconian actions to balance the original budget.

Figure 5: Actual Surplus/(Deficit) vs. Projections



Operating Fund Conclusions – 2012/13 and 2013/14

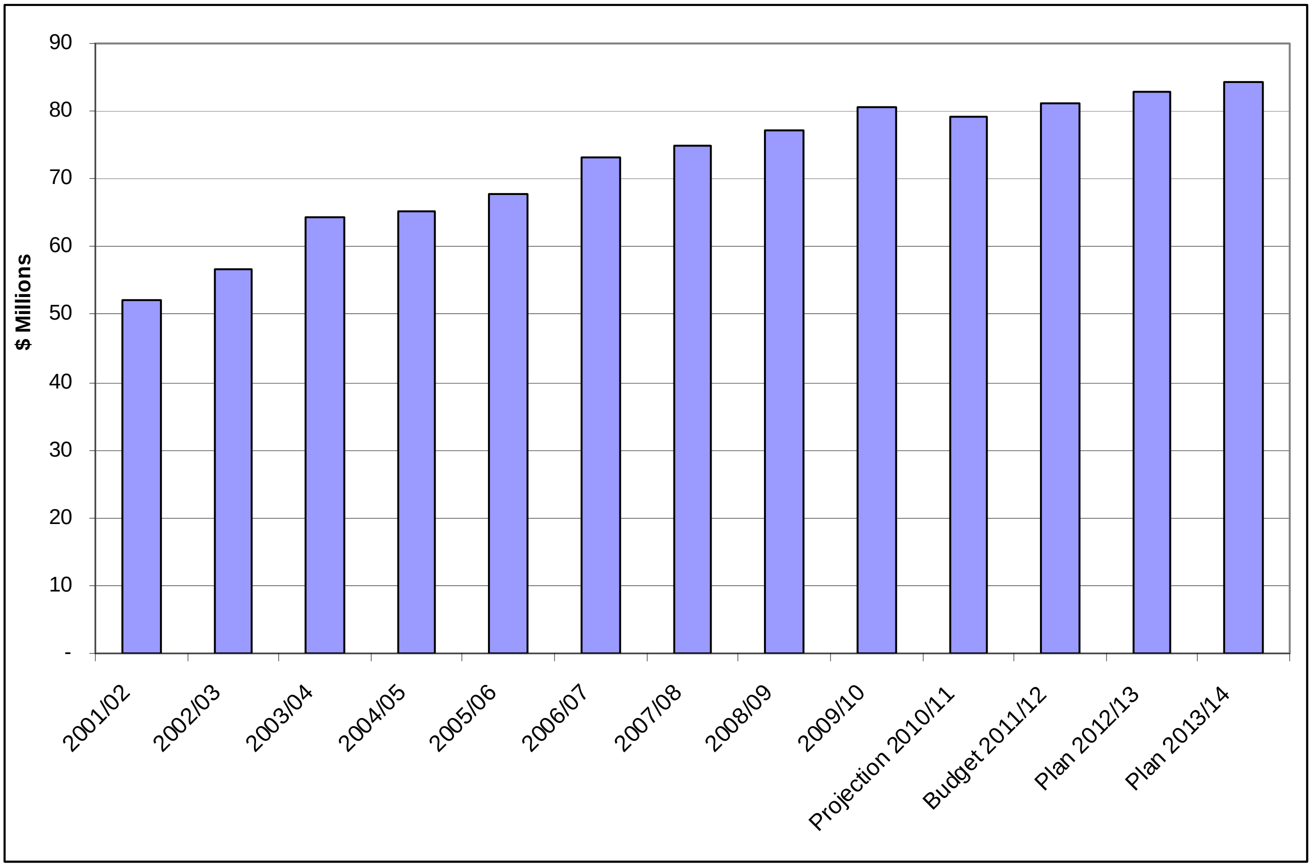
Despite the provincial announcement on support for growth past 2011/12, the following two years are uncertain. If the current tuition framework is extended it is possible that total tuition revenue will continue to increase between 5% and 6% per year given past history. Total grants have grown in the past at a five-year annual average of over 8%. In the outer years an increase of 2% has been assumed. With these assumptions and using the high-level expenditure budgets submitted by envelope managers, balanced budgets are projected. However, should these assumptions prove too optimistic, increasing costs will continue to erode appropriations, and further expenditure reductions will be required. Significantly higher pension and post-retirement benefit costs and the effects of inflation and continuing need for one-time investments will make it imperative to find new revenues, additional cost savings and greater efficiencies in future years.

In addition to the operating fund, the University's financial position must incorporate the budgets of other funds to be complete. These budgets are also prepared on a cash basis.

Ancillary Fund

The University Budget Committee reviews and approves the budgets of the University's ancillary departments. The 2011/12 review included an evaluation of each area's three-year plan. The chart below shows actual ancillary department income for fiscal 2001/02 through 2009/10 and the projected income for 2010/11 through 2013/14. Sales for 2011/12 are estimated to be $81.1 million, a 2.5% increase over the 2010/11 projection.

Figure 6: Sales by Ancillary Operations



Ancillary operations provide invaluable services and financial support to the University community. In addition to covering their increasing direct and indirect costs, ancillaries are projected to contribute 3% of sales to the operating fund in 2011/12 and future years. In addition, standard space and facilities charges for ancillary operations at market rates will be phased in over a three-year period beginning in 2011/12. The bulk of this funding will be transferred to a strategic reserve, providing a reliable internal source of funding for capital and other priorities. Operating highlights and individual budgets for each ancillary are shown in **Appendix D.**

Table 8: Ancillary Fund Summary – Year Ending April 30, 2012

($ thousands)

	Ancillary Fund 2010/11 Projection	Ancillary Fund 2011/12 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	-	-
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	65,824	67,389
Investment income (loss)	-	-
Investment income transfer	-	-
Other donations and grants	-	-
Other sources	13,311	13,724
Subtotal	**79,135**	**81,113**
Recoveries transfers and other income	-	-
Total sources of funding	**79,135**	**81,113**
Expenditure:		
Salaries, wages and benefits	26,933	27,777
Utilities and maintenance	3,053	2,922
Facility and capital projects	-	-
Library acquisitions	-	-
Supplies and other expenditures	16,456	16,384
Supplies and other expenditures - Research	-	-
Scholarships, bursaries and work study	-	-
Cost of sales - ancillaries	22,883	23,092
Debt and financing charges	6,127	5,628
Total expenditures	**75,452**	**75,802**
Surplus/(deficit)	**3,683**	**5,311**
Transfers from (to) other funds	(5,616)	(6,300)
Change in fund balance	**(1,933)**	**(990)**
Fund balances, beginning of year	6,257	4,324
Fund balances, end of year	**4,324**	**3,334**

Research Fund

The forecast for the 2010/11 research budget (research revenue receipted, including revenue received for future periods) is $186.6 million. The forecast for 2011/12 is $188.5 million. This forecast reflects the current research funding landscape as outlined in **Appendix E**.

Figure 7: Research Revenue Received

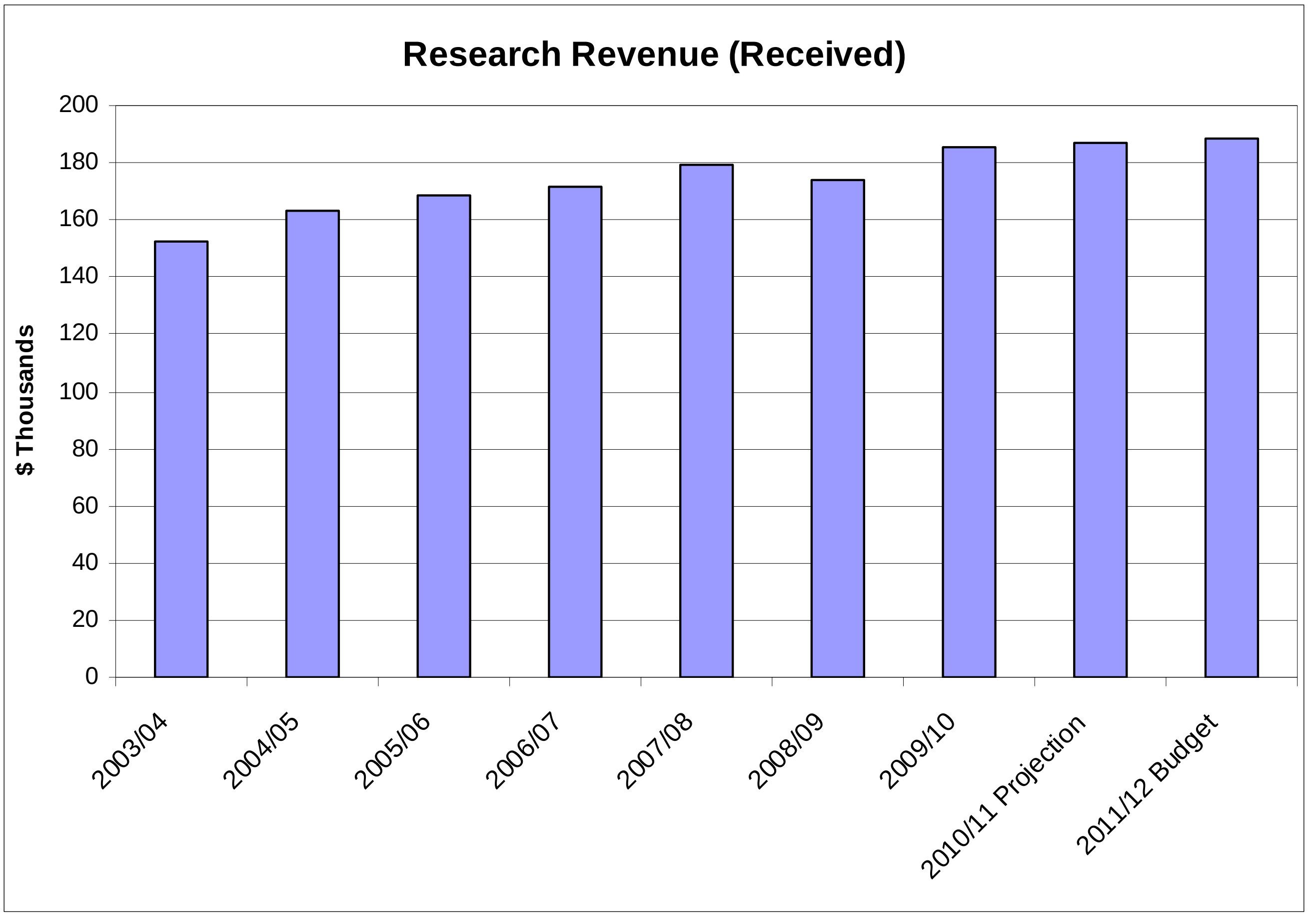


Table 9: Research Fund Summary – Year Ending April 30, 2012

($ thousands)

	Research Fund	
	2010/11 Projection	2011/12 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	186,612	188,478
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	-	-
Investment income (loss)	-	-
Investment income transfer	-	-
Other donations and grants	-	-
Other sources	-	-
Subtotal	**186,612**	**188,478**
Recoveries transfers and other income	-	-
Total sources of funding	**186,612**	**188,478**
Expenditure:		
Salaries, wages and benefits	107,431	108,446
Utilities and maintenance	-	-
Facility and capital projects	-	-
Library acquisitions	-	-
Supplies and other expenditures	-	-
Supplies and other expenditures - Research	71,971	72,691
Scholarships, bursaries and work study	-	-
Cost of sales - ancillaries	-	-
Debt and financing charges	-	-
Total expenditures	**179,402**	**181,137**
Surplus/(deficit)	**7,210**	**7,341**
Transfers from (to) other funds	5,171	5,163
Change in fund balance	**12,381**	**12,504**
Fund balances, beginning of year	177,114	189,495
Fund balances, end of year	**189,495**	**201,999**

Trust Funds and Internally Restricted Endowment Funds

Trust funds include accounts that hold donations or bequests received by the University that have conditions or legal requirements for use agreed upon by the donor and the University. Of the almost $47 million in donations and grants budgeted for fiscal 2011/12, approximately 80% are expendable and will be spent in the year received. The remaining 20% are endowed and will remain in perpetuity.

Highlights

Highlights of trust funds include:

- Investment income earned on endowed trust funds of 9 % in 2010/11 and 7.5% thereafter (net of investment management fees)
- The budget includes endowed trust fund donations of approximately $9 million, expendable donations of $13 million and $25 million from the Regional Medical Associates (RMA), totaling $47 million in donations.
- Scholarship and bursaries provided from trust income and other specifically designated funds are budgeted at approximately $12 million.

The policy override for 2009/10 and 2010/11, requiring PVP approval for spending on trust funds where the total market value was less than the original donation was removed for fiscal 2011/12 and a revised expenditure policy has been issued which is expected to slightly reduce spending over the next few years. .

Table 10: Trust Fund Summary – Year Ended April 30, 2012

($ thousands)

	Trust Fund 2010/11 Projection	Trust Fund 2011/12 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	-	-
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	-	-
Investment income (loss)	25,907	23,821
Investment income transfer	-	-
Other donations and grants	54,618	46,796
Other sources	-	-
Subtotal	**80,525**	**70,617**
Recoveries transfers and other income	-	-
Total sources of funding	**80,525**	**70,617**
Expenditure:		
Salaries, wages and benefits	14,820	14,756
Utilities and maintenance	-	-
Facility and capital projects	-	-
Library acquisitions	-	-
Supplies and other expenditures	14,140	16,418
Supplies and other expenditures - Research	-	-
Scholarships, bursaries and work study	9,853	12,353
Cost of sales - ancillaries	-	-
Debt and financing charges	-	-
Total expenditures	**38,813**	**43,527**
Surplus/(deficit)	**41,712**	**27,090**
Transfers from (to) other funds	(7,707)	(8,740)
Change in fund balance	**34,005**	**18,350**
Fund balances, beginning of year	352,917	386,922
Fund balances, end of year	**386,922**	**405,272**

Internally Restricted Endowment Funds

Table 11: Endowment Fund Summary – Year Ended April 30, 2012

($ thousands)

	Endowment Fund 2010/11 Projection	Endowment Fund 2011/12 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	-	-
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	-	-
Investment income (loss)	9,704	8,429
Investment income transfer	(4,521)	(4,521)
Other donations and grants	200	200
Other sources	-	-
Subtotal	**5,383**	**4,108**
Recoveries transfers and other income	-	-
Total sources of funding	**5,383**	**4,108**
Expenditure:		
Salaries, wages and benefits	-	-
Utilities and maintenance	-	-
Facility and capital projects	-	-
Library acquisitions	-	-
Supplies and other expenditures	-	-
Supplies and other expenditures - Research	-	-
Scholarships, bursaries and work study	-	-
Cost of sales - ancillaries	-	-
Debt and financing charges	-	-
Total expenditures	**-**	**-**
Surplus/(deficit)	**5,383**	**4,108**
Transfers from (to) other funds	(808)	(823)
Change in fund balance	**4,575**	**3,285**
Fund balances, beginning of year	107,817	112,392
Fund balances, end of year	**112,392**	**115,677**

Capital Fund

The following discussion of the capital fund is presented on a basis consistent with the operating fund, i.e., cash based. This is not the basis of accounting used in our audited financial statements. In those statements, consistent with Canadian Institute of Chartered Accountants (CICA) requirements, expenditures are capitalized for annual financial statement purposes, and amortization is recorded as a charge against the statement of operations on the audited financial statements. Any funding specifically designated for capital expenditures is deferred and taken into income to offset the amortization expense over the life of the asset. The following analysis does not include these adjustments, as the planning, monitoring and reporting of capital expenditures occur through various funds of the University.

Operating and Ancillary Capital Expenditures

Capital expenditures used in operations and to support ancillary departments are budgeted through the operating and ancillary funds within the same envelope system and using the same priority setting, monitoring and control process as operating expenses. Capital expenditures budgeted within the operating and ancillary funds include technology, library, renovations, and classroom equipment, faculty start-up costs, and deferred maintenance. Departments build up reserves through appropriations to fund large or unusual capital expenditures. From time to time ancillary funds will undertake large capital projects, such as new residences, which cannot be financed through their own reserve funds, and for which internal or external debt financing may be utilized. These large construction projects are included in the capital fund. This year’s capital fund activity includes repayment of internal loans which were used to fund a portion of these projects. The repayments expected will total approximately $10 million.

Research-Related Capital Projects

Through the CFI program, direct research grants provide funding to purchase technologically sophisticated capital equipment and build state-of-the-art facilities to support leading-edge research. In 2011/12, the University expects to receive $16.1 million from CFI toward the construction costs associated with various research projects, most of which were awarded during the 2008 round of the CFI competition. These contributions and the related spending are shown as in the capital fund. In addition, McMaster was successful in obtaining several awards from the 2008 round of the CFI competition to date.

Facilities Maintenance, New Facilities and Major Renovations

Capital Planning

In November 2008 the Senate approved a Project Prioritization Policy to prioritize projects against the available funds and borrowing capacity of the University. At its meeting on December 2, 2010, the Finance Committee reviewed the updated multi-year financial projections, which included assumptions about the timing and funding of both approved and pending capital projects. The minutes noted there were a number of high-priority capital needs which may require financing, and the University is investigating possible funding sources, including the use of surplus cash flow generated by ancillary operations. As a result approximately $1.9 million will flow into the Capital Fund in 2011/13 to provide a stream of cash into the Capital Fund.

Capital Priorities/Deferred Maintenance

An ongoing challenge for the University is to ensure that scarce capital resources are invested in the projects that are priorities for the University, taking into consideration a long-term planning horizon. Consistent with the emphasis on long-term planning, the University is focused on identifying and categorizing the amount of deferred capital renewal that exists on our campus. The estimate of deferred maintenance, based on up-to-date audits and current costing information is in excess of $117 million, including the University's share of the McMaster University Medical Centre.

Regular Facilities Renewal funding from the Ministry, at approximately $1.2 million per year for 2011/12, is down from $1.8 million in 2008/09. These amounts are not sufficient to cover deferred maintenance costs, and an additional $1 million has been contributed in the 2011/12 operating budgets. Even at this level, deferred maintenance spending is inadequate.

Capital Renewal and Expansion

Priorities for 2011/12 include the McMaster Automotive Resource Centre (MARC) ($21.6 million) and the Centre for Primary Care ($39.9 million, currently approved). In addition, the Centre for Spinal Cord Injury and Cancer Education and Research ($20 million), along with the Nuclear Reactor Building Renovation ($22 million) projects, were both fully funded under the federal government's Knowledge Infrastructure Program and will be completed in 2011/12. Further details on these projects are included in **Appendix I.**

The two charts below summarize the total expected capital funding and spending by project for fiscal 2009/10 and 2010/11.

Table 12: 2010/11 Updated Capital Budget

2010/11 Major Capital Projects -
($ thousands)

Project	*NEW	In Year Source of Funds by type excluding external debt: Provincial & Federal Grants	Other Donations and Grants	Other Income	Transfers From/(to) Other Funds	Total Sources of Funds	In Year Expenditure	Net -In Year Impact
2nd Floor MDCL						-	140	(140)
Centre for Advanced Management Studies (Burlington)			2,155			2,155	9,328	(7,173)
Level 3 Biocontainment Lab					332	332	109	223
Farncombe Institute, FHS			500			500	1,700	(1,200)
KIP Project - Spinal Cord Research Centre		7,250	3,500			10,750	10,750	-
KIP Project - Nuclear Research Building & Equipment		10,000				10,000	13,936	(3,936)
Communications Research Lab			1,400			1,400	1,400	-
Centre for Primary Care at MIP						-	153	(153)
MD3 Regional Expansion Programs		2,500				2,500	4,500	(2,000)
MEDS Project in Mills Library			900			900	250	650
Institute for Applied Health Sciences					300	300	1,586	(1,286)
Central Animal Facility (HHS /MUMC)					1,139	1,139	974	165
Commons Marketplace					1,900	1,900	2,400	(500)
February 2008 Campus Renewal Grant ($9.1 M)						-	2,000	(2,000)
June 2008 Campus Renewal Grant ($13.5M)						-	1,500	(1,500)
2010/11 Def. Maintenance and Facility Renewal Program		1,200			1,519	2,719	2,200	519
2008 CFI Projects	*					-	3,500	(3,500)
Estimates for other small projects (<$1 million)					(100)	(100)	4,000	(4,100)
Capital Projects		**20,950**	**8,455**	**-**	**5,090**	**34,495**	**60,426**	**(25,931)**
						-		-
Net Capital Fund Investment Income (Expense)					**(1,500)**			**(1,500)**
Annual Repayments of Internal Capital Loans					**9,223**			**9,223**
Net Change to Capital Funds								**(18,208)**

Table 13: Capital Budget 2011/12

2011/12 Major Capital Projects -
($ thousands)

Project	*NEW	In Year Source of Funds by type excluding external debt: Provincial & Federal Grants	Other Donations and Grants	Other Income	Transfers From/(to) Other Funds	Total Sources of Funds	In Year Expenditure	Net -In Year Impact
Level 3 Biocontainment Lab					600	600	600	-
KIP Project - Spinal Cord Research Centre		7,000				7,000	7,000	-
KIP Project - Nuclear Research Building & Equipment		11,000				11,000	7,000	4,000
Centre for Primary Care at MIP		17,800				17,800	17,900	(100)
MD3 Regional Expansion Programs		2,000				2,000	2,000	-
Central Animal Facility						-	2,149	(2,149)
2011/12 Def. Maintenance and Facility Renewal Program		1,200			1,000	2,200	2,700	(500)
2008 CFI Projects	*	16,123				16,123	17,485	(1,362)
Estimates for other small projects (<$1 million)					105	105	5,000	(4,895)
Ancillary Transfer to Capital					347	347		347
MARC (McMaster Automotive Resource Centre	*	12,551				12,551	16,051	(3,500)
GSA Relocation of Phoenix & Renovation	*			1,000	500	1,500	3,200	(1,700)
Outdoor Track Replacement	*		1,600		600	2,200	2,200	-
						-		-
Capital Projects		**67,674**	**1,600**	**1,000**	**3,152**	**73,426**	**83,285**	**(9,859)**
						-		-
Net Capital Fund Investment Income (Expense)					**(3,000)**			**(3,000)**
Annual Repayments of Internal Capital Loans					**10,000**			**10,000**
Contribution from Strategic Reserve					**1,900**			**1,900**
Net Change to Capital Funds								**(959)**

Table 14: Capital Fund – Year Ending April 30, 2012

($ thousands)

	Capital Fund 2010/11 Projection	Capital Fund 2011/12 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	20,950	67,674
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	-	-
Investment income (loss)	(1,500)	(3,000)
Investment income transfer	-	-
Other donations and grants	8,455	1,600
Other sources	-	1,000
Subtotal	**27,905**	**67,274**
Recoveries transfers and other income	-	-
Total sources of funding	**27,905**	**67,274**
Expenditure:		
Salaries, wages and benefits	-	-
Utilities and maintenance	-	-
Facility and capital projects	60,426	83,285
Library acquisitions	-	-
Supplies and other expenditures	-	-
Supplies and other expenditures - Research	-	-
Scholarships, bursaries and work study	-	-
Cost of sales - ancillaries	-	-
Debt and financing charges	(9,223)	(10,000)
Total expenditures	**51,203**	**73,285**
Surplus/(deficit)	**(23,298)**	**(6,011)**
Transfers from (to) other funds	5,090	5,052
Change in fund balance	**(18,208)**	**(959)**
Fund balances, beginning of year	(17,955)	(36,163)
Fund balances, end of year	**(36,163)**	**(37,122)**

Five-Year Capital Estimates

Table 15: Five-Year Capital Plan

Five Year Estimate - Major Capital Projects
($ thousands)

	Estimated Spending by year					Total
	2010/11	2011/12	20012/13	2013/14	2014/15	
Approved & Underway						
- prior year's capital projects still underway	$ 60,426					$ 60,426
-next year's capital plan as detailed above		$ 83,285				$ 83,285
-completion of Primary Care Centre			$ 13,000	$ 15,000		$ 28,000
-completion of MARC			$ 5,000			$ 5,000
Approved (estimated costs to be incurred after April 2011)						
-CFI Projects (2008 Round)			$ 1,217			$ 1,217
- CFI Projects likely won in 2010 Round					$ 25,000	$ 25,000
						$ -
Pending/Under Review/Priorize/Estimates only						$ -
- Pan Am Bid - Pool Retrofit				$ 4,000		$ 4,000
-Small Projects and Regular Def. Maintenance			$ 3,700	$ 3,700	$ 3,700	$ 11,100
- Wilson Building for Studies in Humanities			$ 35,000	$ 60,000	$ -	$ 95,000
and Social Sciences						$ -
- Allowance for projects not yet considered					$ 22,000	$ 22,000
Total	$ 60,426	$ 83,285	$ 57,917	$ 82,700	$ 50,700	$ 335,028

Consolidated Results – Full Accrual Basis

In this section of the budget document, we take the cash-based fund-by-fund results which we have discussed to this point and convert them at a high level to be consistent with the accrual accounting basis. The audited financial statements and the PACICES report were prepared on the accrual accounting basis. The comparisons that follow relate, as appropriate, to the PACICES report or the audited financial statements.

To convert to the accrual accounting basis, the following five key changes must be made:

- Capital expenditures are added back and depreciation expense is deducted
- All investment income earned/lost on internal endowments is added
- The portion of investment income earned on trust funds is excluded to the extent that it is not spent and added directly to the net assets of the trust funds, along with endowed donations
- Accruals for pension and non-pension employee future benefit costs are added
- Reclassifications between revenues and expenditures are performed

The total fund consolidation (on a cash basis) with the required adjustments is shown in **Table 16** below.

Table 16: Accrual Basis Statement of Operations

	2010	2011	2012	2013	2014
INCOME STATEMENT	ACTUAL				
REVENUE					
Operating Grants	222,865	233,285	231,998	236,638	241,371
Research Grants & Contracts	150,719	153,733	159,883	166,278	172,929
Tuition Fees	154,696	166,238	176,212	186,785	197,992
Ancillary Sales & Services	68,756	70,819	72,943	75,132	77,385
Other Revenues	182,589	185,186	199,500	213,278	224,647
Investment Income (Net)	48,748	34,174	36,424	34,329	34,818
TOTAL REVENUES	828,373	843,435	876,960	912,439	949,143
EXPENSES					
Salaries & Wages	381,926	395,293	407,152	419,367	431,948
Employee Benefits	125,761	130,243	141,347	148,113	155,298
Supplies & Services	236,593	246,801	252,931	270,115	276,998
Interest on Long-Term Debt	9,969	10,972	9,773	9,696	9,668
Amortization of Capital Assets	62,474	68,840	72,008	76,183	79,330
TOTAL EXPENSES	816,723	852,149	883,212	923,474	953,242
EXCESS OF REVENUES OVER EXPENSES	**$11,650**	**($8,714)**	**($6,252)**	**($11,035)**	**($4,099)**
Add (subtract) Accrual Adjustments	($7,966)	$5,433	($11,543)	$6,626	$1,923
Operating Fund Surplus/(Deficit)	3,684	**($3,280)**	**($17,795)**	**($4,409)**	**($2,176)**

Statement of Financial Position (Balance Sheet)

Table 17: Balance Sheet – As At April 30, 2012

(In $000's)

	2010	2011	2012	2013	2014
ALANCE SHEET	ACTUAL				
ASSETS					
Cash Equivalents & ST Investments	214,920	229,483	213,745	204,042	192,338
Other Current Assets	145,953	155,677	166,177	177,520	189,780
Investment in McMaster Innovation Park	13,318	13,318	13,318	13,318	13,318
Deferred Pension Asset	212,108	200,895	198,311	202,941	209,686
Capital Assets	715,161	741,368	794,590	812,825	849,188
Investments	529,365	552,847	563,415	583,052	603,369
TOTAL ASSETS	1,830,825	1,893,589	1,949,556	1,993,698	2,057,679
LIABILITIES & DEFERRED CONTRIBUTIONS					
Other Liabilities and Deferred Contributions	950,021	979,162	1,009,144	1,030,180	1,062,084
Accrued Employee Future Benefits	245,250	257,513	272,963	289,341	306,702
Decommissioning Obligation	6,300	6,615	6,946	7,293	7,658
TOTAL LIABILITIES	1,201,571	1,243,290	1,289,053	1,326,814	1,376,443
NET ASSETS					
Pension & EFB Reserve (Deficiency)	(61,692)	(85,168)	(103,202)	(114,950)	(125,566)
Available Expendable Resources	169,943	174,041	164,228	165,902	167,652
Externally Restricted Endowments	287,854	317,613	334,069	351,484	369,935
Net Investment in Plant, Adjusted	233,149	243,813	265,409	264,448	269,215
TOTAL NET ASSETS	629,254	650,299	660,503	666,884	681,236
TOTAL LIABILITIES AND NET ASSETS	1,830,825	1,893,589	1,949,556	1,993,698	2,057,679

Statement of Cash Flows

Table 18: Statement of Cash Flows – As At April 30, 2012

(in $000's)	2011 Statement of Cash Flows	2012 Statement of Cash Flows	2013 Statement of Cash Flows	2014 Statement of Cash Flows
STATEMENT OF CASH FLOWS				
Excess of revenue over expenses (expenses over revenues)	($8,714)	($6,252)	($11,035)	($4,099)
Add (deduct) non-cash items:	$0	$0	$0	$0
(Increase) decrease in deferred pension asset	$11,213	$2,584	($4,630)	($6,744)
Increase in accrued employee future benefits	$12,263	$15,451	$16,378	$17,360
Amortization of capital assets	$68,840	$72,008	$76,183	$79,330
Earned capital contributions	($41,584)	($43,605)	($49,151)	($51,679)
Change in deferred contributions	($756)	($11,410)	($8,516)	($10,677)
Increase in provision for decommissioning nuclear reactor	$315	$331	$347	$365
Net change in non-cash working capital (reduction)	$5,123	($745)	($1,004)	($1,299)
Increase in deferred contributions restricted for capital assets	$57,755	$87,975	$69,375	$83,855
Contributions/(reductions) to externally restricted endowments	$29,759	$16,456	$17,415	$18,451
Repayment of long-term debt	($1,128)	($12,744)	($1,028)	($580)
Acquisition of capital assets	($95,048)	($125,230)	($94,417)	($115,693)
Net decrease (add) to long-term investments	($23,482)	($10,568)	($19,637)	($20,318)
Cash and cash equivalents, beginning of year	$214,920	$229,483	$213,745	$204,042
Cash and cash equivalents, end of year	$229,483	$213,745	$204,042	$192,338
CHANGE IN CASH BALANCE	**14,563**	**(15,738)**	**(9,703)**	**(11,704)**

Analysis

Key Financial Metrics of the Consolidated Budget

The University has four key financial goals:

- Achieve strong demand for programs
- Increase and diversify revenues
- Strategically deploy financial resources
- Maintain a strong financial position and manage business risks.

In order to measure progress against these goals, several key financial metrics are reported in the Annual Financial Report each year. Included in the table below are the projected and budgeted results of these key metrics.

Table 19: Key Financial Metrics at a Glance

Key Financial Metrics at a Glance	2008/09 Actual	2009/10 Actual	2010/11 Projected	2011/12 Budget
Total Net Assets ($ millions)	574.1	629.3	650	661
Available Expendable Resources ($ millions)	145	170	174	164
Capital Spending ($ millions)	101.7	93.9	95.0	125.2
Endowment per FTE student ($)	17,300	18,400	19,492	20,196
Total Revenue per FTE student ($)	30,400	33,100	33,207	34,404
Total Revenue ($ millions)	731.8	828.4	843.4	877.0
Total Expenditures ($ millions)	785.8	816.7	852.1	883.2
Excess (Deficiency) of Revenues over Expenses ($ millions)	(53.9)	11.7	-8.7	-6.3
Excess (Deficiency) of Revenues over Expenses Operating Fund only ($ millions)	8	3.7	-3.3	-17.8
Long Term Investment Pool Return	-18.9%	17.1%	9.0%	7.5%
Employee Future Benefit (EFB) Unfunded Obligation - Registered Pension ($ millions)	(297.5)	(296.1)	see Note	see Note
Employee Future Benefit (EFB) Unfunded Obligation - Non Pension ($ millions)	(194.9)	203.7	see Note	see Note
Enrolment (Full Time Equivalent (FTE))	24,104	25,007	25,399	25,490

Note: These obligations require actuarial calculations that cannot be reliably estimated before completion of actuarial work.

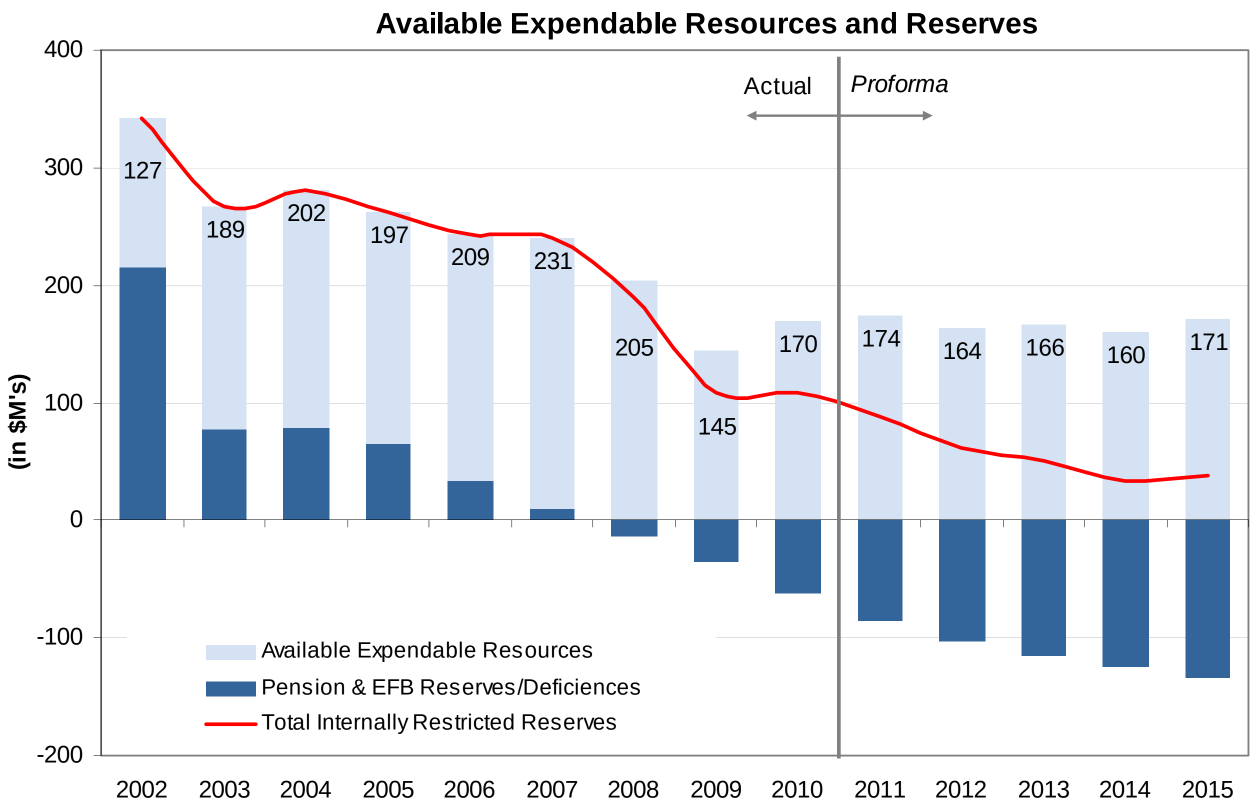
Based on the planning and assumptions used in the 2010/11 Projection and the 2011/12 Budget, the financial metrics are fairly steady for each of the next two years. While financial flexibility (as evidenced by the Available Expendable Resources figure) declines slightly, if we are able to manage to the budget in 2011/12, our financial position will have stabilized.

Looking out two additional years 2013 to 2015 based on the assumptions and projections incorporated in this document, the level of certainty decreases. However, the recommendations of the PACICES report included the requirement to continue to prepare multi-year projections for the purpose of monitoring our debt policy indicators and financial flexibility over a longer term. By undertaking these projections the University is able to anticipate the impact of longer-term items such as the cost of pension and non-pension post-retirement benefits. This is especially important now given the changes in the plans that have been negotiated with our employee groups and the required special payments and legislative relief for pension plans. The graphs below estimate the most recent and best information available; however the full actuarial impact of all of the labour agreement changes (MUFA) will not be incorporated until the next set of projections. These are anticipated in November 2011 after the actual results of the fiscal year ending April 30, 2011 are known and incorporated.

Available Expendable Resources

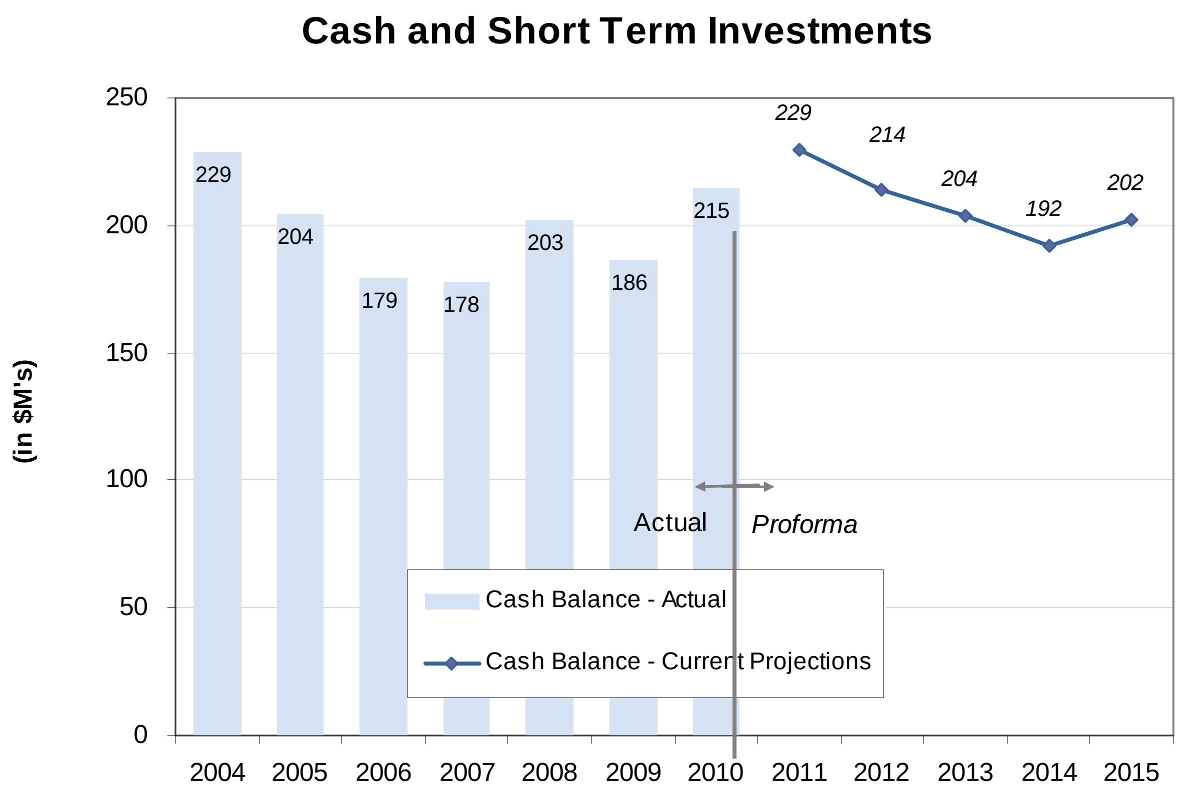
While there are several key indicators of balance sheet strength, one of the key indicators which the PACICES committee encouraged the University to focus on was that of the Available Expendable Resources (AER). AER represent funds the University holds that do not have an externally committed purpose, such as unrestricted net assets, specific purpose reserves and appropriations and internally restricted net assets. These funds provide operating flexibility, support debt management and provide the ability to take advantage of opportunities as they arise. McMaster's AER were seriously depleted in 2008/09 as a result of the economic crisis and had only partially recovered in 2009/10 ($170 million). The reduced budget deficits projected for 2010/11, along with improved investment returns (9%) have mitigated the decline of AER so that the balance projected at the end of 2011 is now projected at $174 million as shown in the chart below. For fiscal 2012 the projection is $164 million. Based on the projections of essentially balanced budgets in each of the next two subsequent years, AER has been stabilized.

Figure 8: Available Expendable Resources and Reserves



Similarly, cash resources while declining will remain comfortably above the minimum of one month's expenditures through 2013 based on the planning assumptions included in this document.

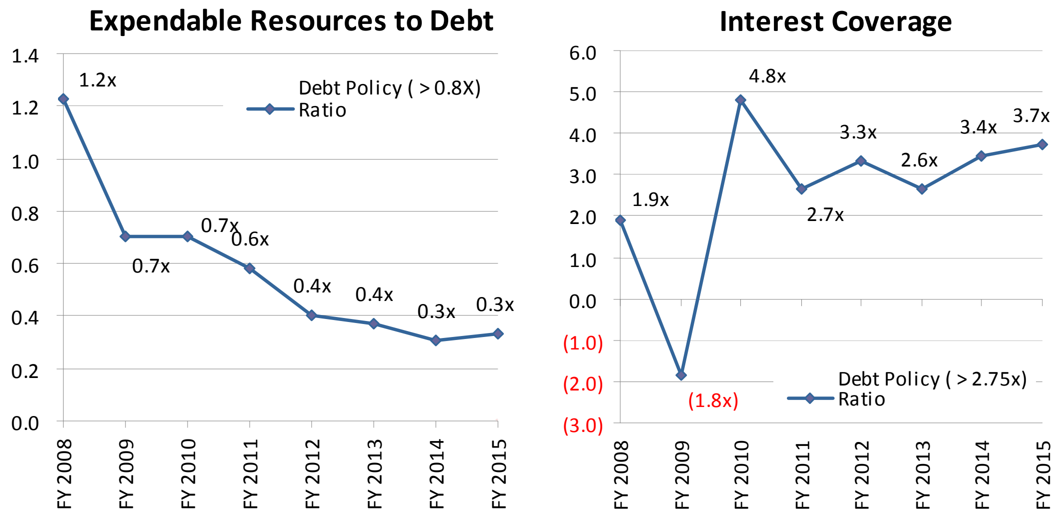
Figure 9: Cash and Short-Term Investments



Credit Management Ratios

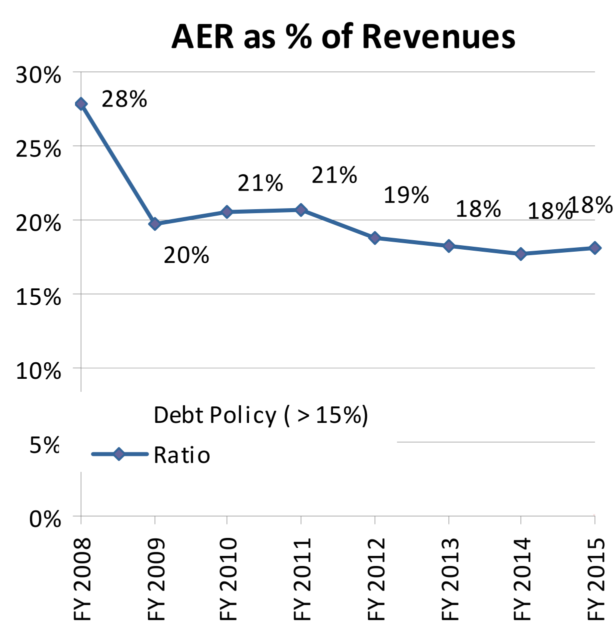
There are now three ratios that the University tracks to guide its credit capacity. These include Expendable Resources to Debt, Interest Coverage, and AER as a % of Revenue. The charts below illustrate the outlook for these ratios.

Figure 10: Credit Management Ratios



The above two ratios measure debt capacity and debt affordability respectively. The final ratio, Available Expendable Resources as a % of Revenue, measures spending flexibility.

Figure 11: Available Expendable Resources as a % of Revenue



Ratios are improving; however, the expendable resources-to-debt ratio is still below the policy guideline

Risks to the 2011/12 Budget

- Federally, there is a new Conservative majority government which must juggle its proposed investments in research and postsecondary education with its promise to balance the budget over the longer term. There is also a provincial election this fall which may result in a change in government and adjustments to funding assumptions for the 2012/13 year.
- Staffing cuts have resulted in high key-person dependency. In many areas a single person is responsible for key deliverables with no back-up. Senior staff and many TMG (The Management Group) staff are committing work schedules that are not sustainable.
- Deferred maintenance costs of $117 million and some significant technology improvements are currently unfunded.

Potential Upsides

The 2011 provincial budget fully funded an incremental 41,000 undergraduate placements. We are awaiting a capital plan promised for May 2011. This could be an opportunity if the growth can be accommodated.

The Higher Education Quality Council of Ontario (HEQCO) presented a position paper on differentiation in the university sector to the Ontario government. COU has proposed that the multi-year accountability agreements between individual institutions and the government be transformed into more strategic agreements that reflect university missions and priorities, regional needs, and respond to provincial priorities. This approach would build on the already differentiated nature of universities across many dimensions, including the composition of student bodies, approaches to teaching, program mixes, research breadth and focus, and external partnerships. This may provide an opportunity for McMaster to evolve its mission and areas of emphasis in the best interest of students, faculty, and the community.

Conclusions on the 2011/12 Budget

Excluding one-time expenditures (funded through appropriations), the operating budget, now absorbing all operating costs (with the exception of future post-retirement benefit costs), will be flat. On an accrual basis, the negative effect of post-retirement benefit accrual leads to a deficit of $6.3 million, or approximately 0.7% of revenue. The combination of conservative budgeting, consistent failure to spend to budgeted levels and unplanned revenues would suggest that a deficit of this level should not be a cause for concern.

Appendix A – Operating Fund Tables

Table 20: Sources of Funding and Resource Allocation – 2010/11 Projection

($ thousands)	2010/11 8 Mo Projection Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	Other Expenditures	Total				
1. Faculties (Academic Programmes)															
Business	18,932	84	4,417	23,433	15,891	3,716	19,608	362	-	3,407	3,769	23,377	56	(142)	(87)
Engineering	39,618	1,464	7,756	48,838	29,497	7,942	37,439	1,432	-	5,016	6,448	43,887	4,951	(1,206)	3,744
Health Sciences	64,391	4,304	34,628	103,323	63,751	16,650	80,401	382	-	27,923	28,305	108,705	(5,382)	(586)	(5,969)
Humanities	23,222	85	3,861	27,168	20,902	5,452	26,355	86	-	1,840	1,926	28,280	(1,113)	712	(401)
Science	48,849	885	7,084	56,819	39,023	10,550	49,573	725	-	5,240	5,966	55,538	1,280	(227)	1,054
Advance to Science	-	-	-	-	-	-	-	-	-	-	-	-	-	(500)	(500)
Medical Radiation - Mohawk share	4,063	-	495	4,558	-	-	-	-	-	4,277	4,277	4,277	281	-	281
Social Sciences	22,710	180	4,977	27,867	20,327	5,298	25,625	128	-	1,255	1,384	27,009	858	(108)	750
Interdisciplinary Programmes	1,480	20	465	1,965	1,304	210	1,515	32	-	338	370	1,885	81	-	81
Academic Allocation - QIF	2,510	-	(2,604)	(94)	-	-	-	-	-	-	-	-	(94)	-	(94)
Academic Allocation - Accessibility	55	-	(3,562)	(3,507)	-	-	-	-	-	-	-	-	(3,507)	-	(3,507)
Slip-year Allocation*	13,472	-	(9,682)	3,790	-	-	-	-	-	-	-	-	3,790	-	3,790
Sub-total	**239,302**	**7,022**	**47,834**	**294,158**	**190,696**	**49,819**	**240,514**	**3,148**	**-**	**49,297**	**52,445**	**292,959**	**1,199**	**(2,058)**	**(859)**
2. Academic Priorities															
Academic Contingency	2,006	-	(1,101)	905	318	90	408	-	-	551	551	959	(54)	(460)	(514)
Faculty Recruiting	398	-	-	398	-	-	-	-	-	398	398	398	-	-	-
Academic Priorities Allocation	5,157	-	(2,958)	2,199	784	270	1,054	-	-	31	31	1,085	1,115	(1,084)	31
Sub-total	**7,561**	**-**	**(4,059)**	**3,502**	**1,102**	**360**	**1,462**	**-**	**-**	**980**	**980**	**2,442**	**1,060**	**(1,544)**	**(483)**
TOTAL ACADEMIC	**246,863**	**7,022**	**43,775**	**297,661**	**191,797**	**50,179**	**241,976**	**3,148**	**-**	**50,277**	**53,425**	**295,401**	**2,259**	**(3,602)**	**(1,342)**
3. Academic Support															
Office of the Provost	2,713	-	118	2,831	1,858	524	2,382	-	-	256	256	2,637	194	-	194
School of Graduate Studies	1,129	-	1,266	2,395	1,172	414	1,586	-	-	608	608	2,194	201	(15)	186
Museum of Art	290	-	200	490	542	130	672	-	-	219	219	891	(401)	421	20
Centre for Leadership in Learning	1,574	-	93	1,667	1,288	410	1,698	-	-	472	472	2,171	(504)	13	(491)
Research	1,833	9,840	6,589	18,262	9,053	2,952	12,006	-	-	6,487	6,487	18,492	(230)	412	182
Nuclear Reactor Debt	-	-	100	100	-	-	-	-	-	-	-	-	100	-	100
University Library	15,443	743	73	16,259	6,140	2,185	8,325	-	7,200	976	8,176	16,502	(243)	725	482
Health Sciences Library	2,476	237	659	3,371	1,078	387	1,465	-	1,747	148	1,896	3,361	10	-	10
Registrar	3,466	-	2,254	5,720	3,193	956	4,149	-	-	1,517	1,517	5,665	54	-	54
Pension	6,540	-	210	6,750	-	6,750	6,750	-	-	-	-	6,750	-	-	-
Sub-total	**35,464**	**10,819**	**11,562**	**57,845**	**24,324**	**14,709**	**39,033**	**-**	**8,947**	**10,683**	**19,630**	**58,663**	**(818)**	**1,555**	**737**
4. Student Support															
Graduate Scholarships/Bursaries	11,636	-	(110)	11,526	-	-	-	9,774	-	3	9,777	9,777	1,749	(1,014)	735
Student Affajrs	3,447	-	13,877	17,324	8,562	2,334	10,896	-	-	9,880	9,880	20,776	(3,452)	1,519	(1,933)
Undergraduate Scholarships	15,198	-	3,886	19,084	1,492	-	1,492	17,215	-	-	17,215	18,706	378	(2)	376
Sub-total	**30,281**	**-**	**17,653**	**47,934**	**10,054**	**2,334**	**12,388**	**26,989**	**-**	**9,883**	**36,872**	**49,259**	**(1,325)**	**503**	**(823)**
5. Facilities Support															
Facilities Services	15,694	-	40	15,734	8,643	2,397	11,040	-	-	5,535	5,535	16,575	(841)	-	(841)
HSC Majntenance	3,287	-	-	3,287	-	-	-	-	-	3,568	3,568	3,568	(281)	-	(281)
Utilities	15,214	-	5,909	21,123	1,439	405	1,844	-	-	19,433	19,433	21,278	(155)	-	(155)
HSC Utilities	5,688	-	-	5,688	-	-	-	-	-	5,691	5,691	5,691	(3)	-	(3)
Deferred Majnt/Facilities Renew	1,519	-	-	1,519	-	-	-	-	-	919	919	919	600	(600)	-
Bond Interest	7,380	-	-	7,380	-	-	-	-	-	7,380	7,380	7,380	-	-	-
MIP Occupancy	-	-	646	646	-	-	-	-	-	646	646	646	-	-	-
Renovation contingency	1,581	-	-	1,581	-	-	-	-	-	689	689	689	892	-	892
Sub-total	**50,363**	**-**	**6,594**	**56,957**	**10,082**	**2,802**	**12,884**	**-**	**-**	**43,860**	**43,860**	**56,744**	**213**	**(600)**	**(387)**
# Institutional Support															
Administration/Institutional Support	12,984	-	4,088	17,072	11,705	3,152	14,857	-	-	3,510	3,510	18,367	(1,295)	342	(953)
UTS/Technology Fund	13,396	-	1,520	14,916	6,237	1,995	8,232	-	-	7,351	7,351	15,584	(668)	379	(289)
University Secretariat	693	-	-	693	455	155	610	-	-	79	79	689	4	-	4
Presidential Budget	1,113	-	(8)	1,105	483	147	631	-	-	507	507	1,137	(32)	-	(32)
University Advancement	4,987	-	854	5,841	3,983	1,231	5,215	-	-	2,966	2,966	8,181	(2,340)	2,568	228
General/Contingency	5,563	-	1,069	6,632	647	68	715	-	-	5,849	5,849	6,564	68	(569)	(500)
Sub-total	**38,736**	**-**	**7,523**	**46,259**	**23,510**	**6,749**	**30,259**	**-**	**-**	**20,263**	**20,263**	**50,522**	**(4,263)**	**2,720**	**(1,543)**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	78	-	-	78	-	-	-	-	-	-	-	-	78	-	78
Sub-total	**78**	**-**	**-**	**78**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78**	**-**	**78**
Surplus/(Deficit)	**401,785**	**17,841**	**87,107**	**506,734**	**259,767**	**76,773**	**336,540**	**30,137**	**8,947**	**134,966**	**174,050**	**510,590**	**(3,856)**	**577**	**(3,280)**
Under/(over)allocated	0			0							-	-	0		0
Total Surplus/(Deficit)	**401,785**	**17,841**	**87,107**	**506,734**	**259,767**	**76,773**	**336,540**	**30,137**	**8,947**	**134,966**	**174,050**	**510,590**	**(3,856)**	**577**	**(3,280)**

*To be allocated to Faculties

Table 21: Sources of Funding and Resource Allocation – 2010/11 Variances – Projection vs. Budget

($ thousands)	Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	Other Expenditures	Total				
1. Faculties (Academic Programmes)															
Business	1,226	4	419	1,649	607	222	829	3	-	518	521	1,350	2,998	(500)	2,499
Engineering	79	137	6,596	6,812	1,059	1,037	2,096	(4)	-	(321)	(326)	1,770	8,582	(1,412)	7,170
Health Sciences	1,261	320	6,716	8,298	2,546	(951)	1,595	39	-	(6,398)	(6,359)	(4,764)	3,534	(3,614)	(80)
Humanities	1,047	(1)	2,902	3,948	(95)	70	(25)	40	-	58	98	73	4,021	49	4,070
Science	882	7	3,820	4,710	140	708	848	(224)	-	(1,067)	(1,291)	(442)	4,267	(369)	3,899
Advance to Science	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical Radiation - Mohawk share	521	-	495	1,016	-	-	-	-	-	(735)	(735)	(735)	281	-	281
Social Sciences	2,291	(1)	3,532	5,823	(1,389)	310	(1,079)	(18)	-	(334)	(352)	(1,432)	4,391	(680)	3,712
Interdisciplinary Programmes	(8)	-	110	102	52	39	90	33	-	7	40	130	232	-	232
Academic Allocation - QIF	-	-	(94)	(94)	-	-	-	-	-	-	-	-	(94)	-	(94)
Academic Allocation - Accessibility	(3,531)	-	(3,562)	(7,093)	-	-	-	-	-	-	-	-	(7,093)	-	(7,093)
Slip-year Allocation	(548)	-	(8,955)	(9,503)	-	-	-	-	-	-	-	-	(9,503)	-	(9,503)
Sub-total	**3,220**	**467**	**11,978**	**15,665**	**2,920**	**1,435**	**4,355**	**(132)**	**-**	**(8,272)**	**(8,404)**	**(4,049)**	**11,616**	**(6,524)**	**5,091**
2. Academic Priorities															
Academic Contingency	-	-	1,034	1,034	(294)	(87)	(381)	-	-	(360)	(360)	(742)	292	(460)	(167)
Faculty Recruiting	-	-	-	-	-	-	-	-	-	(146)	(146)	(146)	(146)	-	(146)
Academic Priorities Allocation	1,017	-	(658)	359	(784)	(270)	(1,054)	-	-	(31)	(31)	(1,085)	(725)	(1,084)	(1,809)
Sub-total	**1,017**	**-**	**376**	**1,393**	**(1,078)**	**(357)**	**(1,435)**	**-**	**-**	**(538)**	**(538)**	**(1,972)**	**(579)**	**(1,544)**	**(2,123)**
TOTAL ACADEMIC	**4,237**	**467**	**12,354**	**17,058**	**1,842**	**1,078**	**2,920**	**(132)**	**-**	**(8,810)**	**(8,942)**	**(6,022)**	**11,037**	**(8,068)**	**2,969**
3. Academic Support															
Office of the Provost	0	-	116	116	(65)	68	3	-	-	18	18	20	137	-	137
School of Graduate Studies	0	-	21	21	75	(58)	17	-	-	163	163	180	201	(15)	186
Museum of Art	-	-	(95)	(95)	43	39	82	-	-	12	12	94	(1)	21	20
Centre for Leadership in Learning	-	-	(205)	(205)	(68)	(34)	(102)	-	-	40	40	(61)	(266)	13	(254)
Research	150	1,100	(475)	775	(55)	176	121	-	-	(661)	(661)	(540)	235	(58)	177
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University Library	-	13	(590)	(578)	355	49	403	-	50	(208)	(158)	245	(332)	650	318
Health Sciences Library	-	54	(299)	(245)	93	10	103	-	140	36	176	279	35	-	35
Registrar	-	-	56	56	130	197	327	-	-	(19)	(19)	307	363	-	363
Pension	156	-	129	285	-	(285)	(285)	-	-	-	-	(285)	-	-	-
Sub-total	**306**	**1,166**	**(1,342)**	**131**	**507**	**162**	**669**	**-**	**190**	**(619)**	**(430)**	**239**	**370**	**611**	**981**
4. Student Support															
Graduate Scholarships/Bursaries	856	-	436	1,292	-	-	-	74	-	(3)	71	71	1,363	91	1,454
Student Affajrs	0	-	(351)	(351)	(82)	2	(80)	-	-	(722)	(722)	(802)	(1,153)	371	(782)
Undergraduate Scholarships	0	-	253	253	208	-	208	(92)	-	-	(92)	116	370	(2)	368
Sub-total	**856**	**-**	**338**	**1,194**	**126**	**2**	**129**	**(18)**	**-**	**(725)**	**(743)**	**(614)**	**580**	**460**	**1,040**
5. Facilities Support															
Facilities Services	-	-	262	262	(952)	(139)	(1,091)	-	-	(734)	(734)	(1,825)	(1,563)	-	(1,563)
HSC Majntenance	-	-	-	-	-	-	-	-	-	(281)	(281)	(281)	(281)	-	(281)
Utilities	-	-	55	55	(7)	(110)	(117)	-	-	(93)	(93)	(210)	(155)	-	(155)
HSC Utilities	265	-	-	265	-	-	-	-	-	(268)	(268)	(268)	(3)	-	(3)
Deferred Majnt/Facilities Renew	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Occupancy	-	-	122	122	-	-	-	-	-	(122)	(122)	(122)	-	-	-
Renovation contingency	-	-	-	-	-	-	-	-	-	(87)	(87)	(87)	(87)	-	(87)
Sub-total	**265**	**-**	**439**	**704**	**(960)**	**(249)**	**(1,209)**	**-**	**-**	**(1,584)**	**(1,584)**	**(2,793)**	**(2,088)**	**-**	**(2,088)**
# Institutional Support															
Administration/Institutional Support	(150)	-	457	307	(143)	192	49	-	-	612	612	660	967	142	1,109
UTS/Technology Fund	-	-	605	605	(386)	98	(288)	-	-	1,082	1,082	794	1,399	379	1,778
University Secretariat	-	-	-	-	7	10	17	-	-	(13)	(13)	4	4	-	4
Presidential Budget	-	-	(8)	(8)	196	24	220	-	-	(101)	(101)	119	111	-	111
University Advancement	-	-	29	29	1,026	(36)	990	-	-	156	156	1,146	1,175	27	1,203
General/Contingency	3,324	-	(17)	3,307	(167)	3	(163)	-	-	(3,398)	(3,398)	(3,562)	(254)	-	(254)
Sub-total	**3,174**	**-**	**1,066**	**4,240**	**534**	**291**	**825**	**-**	**-**	**(1,662)**	**(1,662)**	**(838)**	**3,403**	**548**	**3,950**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	118	-	-	118	(3,045)	(935)	(3,980)	-	-	-	-	(3,980)	(3,862)	-	(3,862)
Sub-total	**118**	**-**	**-**	**118**	**(3,045)**	**(935)**	**(3,980)**	**-**	**-**	**-**	**-**	**(3,980)**	**(3,862)**	**-**	**(3,862)**
Surplus/(Deficit)	**8,956**	**1,633**	**12,857**	**23,446**	**(994)**	**349**	**(645)**	**(150)**	**190**	**(13,401)**	**(13,361)**	**(14,007)**	**9,439**	**(6,450)**	**2,989**
Under/(over)allocated	2,128			2,128			-				-	-	2,128		2,128
Total Surplus/(Deficit)	**11,084**	**1,633**	**12,857**	**25,574**	**(994)**	**349**	**(645)**	**(150)**	**190**	**(13,401)**	**(13,361)**	**(14,007)**	**11,567**	**(6,450)**	**5,117**

Table 22: One-time Sources of Funding and Resource Allocation – 2010/11 Projection

($ thousands)	2010/11 8 Mo One-time Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	Other Expenditures	Total				
1. Faculties (Academic Programmes)															
Business	-	-	1,569	1,569	105	12	118	-	-	244	244	361	1,208	-	1,208
Engineering	0	-	3,140	3,140	0	-	0	-	-	488	488	488	2,652	(940)	1,712
Health Sciences	800	241	(1,346)	(305)	182	44	226	-	-	8,695	8,695	8,921	(9,225)	(1,164)	(10,389)
Humanities	0	-	2,898	2,898	-	-	-	-	-	65	65	65	2,833	-	2,833
Science	0	123	4,966	5,090	1,456	336	1,792	-	-	2,566	2,566	4,358	732	98	830
Advance to Science	-	-	-	-	-	-	-	-	-	-	-	-	-	(500)	(500)
Medical Radiation - Mohawk share	-	-	495	495	-	-	-	-	-	116	116	116	379	-	379
Social Sciences	(40)	10	4,161	4,131	844	32	876	1	-	208	209	1,085	3,046	(2)	3,045
Interdisciplinary Programmes	-	-	404	404	148	20	168	-	-	236	236	404	(0)	-	(0)
Academic Allocation - QIF	-	-	(744)	(744)	-	-	-	-	-	-	-	-	(744)	-	(744)
Academic Allocation - Accessibility	55	-	(3,562)	(3,507)	-	-	-	-	-	-	-	-	(3,507)	-	(3,507)
Slip-year Allocation*	(135)	-	(8,089)	(8,224)	-	-	-	-	-	-	-	-	(8,224)	-	(8,224)
Sub-total	**680**	**375**	**3,892**	**4,946**	**2,736**	**444**	**3,180**	**1**	**-**	**12,617**	**12,618**	**15,797**	**(10,851)**	**(2,508)**	**(13,359)**
2. Academic Priorities															
Academic Contingency	-	-	(1,101)	(1,101)	318	90	408	-	-	551	551	959	(2,060)	(460)	(2,520)
Faculty Recruiting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Academic Priorities Allocation	0	-	(3,562)	(3,562)	-	-	-	-	-	31	31	31	(3,594)	(1,084)	(4,678)
Sub-total	**0**	**-**	**(4,663)**	**(4,663)**	**318**	**90**	**408**	**-**	**-**	**582**	**582**	**990**	**(5,654)**	**(1,544)**	**(7,198)**
TOTAL ACADEMIC	**680**	**375**	**(772)**	**283**	**3,054**	**534**	**3,588**	**1**	**-**	**13,199**	**13,200**	**16,788**	**(16,505)**	**(4,052)**	**(20,556)**
3. Academic Support															
Office of the Provost	0	-	118	118	143	9	152	-	-	95	95	246	(128)	-	(128)
School of Graduate Studies	0	-	785	785	223	97	320	-	-	264	264	584	201	(15)	186
Museum of Art	-	-	25	25	11	-	11	-	-	-	-	11	14	-	14
Centre for Leadership in Learning	-	-	48	48	185	31	215	-	-	355	355	570	(522)	13	(510)
Research	550	-	35	585	363	(87)	276	-	-	703	703	980	(394)	-	(394)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University Library	300	-	(223)	77	170	22	192	-	-	180	180	372	(295)	725	430
Health Sciences Library	-	-	50	50	(62)	-	(62)	-	101	-	101	39	11	-	11
Registrar	-	-	-	-	-	-	-	-	-	345	345	345	(345)	-	(345)
Pension	-	-	210	210	-	210	210	-	-	-	-	210	-	-	-
Sub-total	**850**	**-**	**1,048**	**1,898**	**1,033**	**281**	**1,314**	**-**	**101**	**1,942**	**2,043**	**3,357**	**(1,459)**	**723**	**(737)**
4. Student Support															
Graduate Scholarships/Bursaries	-	-	471	471	-	-	-	-	-	-	-	-	471	(344)	127
Student Affajrs	-	-	866	866	394	63	457	-	-	2,911	2,911	3,368	(2,502)	125	(2,377)
Undergraduate Scholarships	1,801	-	0	1,801	-	-	-	1,801	-	-	1,801	1,801	0	-	0
Sub-total	**1,801**	**-**	**1,337**	**3,138**	**394**	**63**	**457**	**1,801**	**-**	**2,911**	**4,712**	**5,169**	**(2,031)**	**(219)**	**(2,250)**
5. Facilities Support															
Facilities Services	-	-	(587)	(587)	539	96	635	-	-	238	238	873	(1,461)	-	(1,461)
HSC Majntenance	-	-	-	-	-	-	-	-	-	8	8	8	(8)	-	(8)
Utilities	0	-	-	0	-	-	-	-	-	310	310	310	(310)	-	(310)
HSC Utilities	265	-	-	265	-	-	-	-	-	-	-	-	265	-	265
Deferred Majnt/Facilities Renew	(400)	-	-	(400)	-	-	-	-	-	-	-	-	(400)	400	-
Bond Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renovation contingency	600	-	-	600	-	-	-	-	-	-	-	-	600	-	600
Sub-total	**465**	**-**	**(587)**	**(122)**	**539**	**96**	**635**	**-**	**-**	**556**	**556**	**1,191**	**(1,314)**	**400**	**(914)**
# Institutional Support															
Administration/Institutional Support	-	-	901	901	1,124	30	1,155	-	-	1,073	1,073	2,228	(1,327)	(68)	(1,395)
UTS/Technology Fund	2,000	-	863	2,863	142	13	155	-	-	2,665	2,665	2,820	43	-	43
University Secretariat	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Presidential Budget	-	-	-	-	108	35	144	-	-	118	118	262	(262)	-	(262)
University Advancement	250	-	-	250	-	-	-	-	-	-	-	-	250	(250)	0
General/Contingency	3,324	-	(371)	2,953	-	-	-	-	-	497	497	497	2,456	-	2,456
Sub-total	**5,574**	**-**	**1,393**	**6,967**	**1,375**	**79**	**1,453**	**-**	**-**	**4,353**	**4,353**	**5,806**	**1,161**	**(318)**	**843**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	32	-	-	32	-	-	-	-	-	-	-	-	32	-	32
Sub-total	**32**	**-**	**-**	**32**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32**	**-**	**32**
Surplus/(Deficit)	**9,402**	**375**	**2,419**	**12,196**	**6,395**	**1,053**	**7,448**	**1,802**	**101**	**22,961**	**24,864**	**32,312**	**(20,116)**	**(3,466)**	**(23,582)**
Under/(over)allocated	(8,163)			(8,163)			-				-	-	(8,163)		(8,163)
Total Surplus/(Deficit)	**1,239**	**375**	**2,419**	**4,033**	**6,395**	**1,053**	**7,448**	**1,802**	**101**	**22,961**	**24,864**	**32,312**	**(28,279)**	**(3,466)**	**(31,745)**

*To be allocated to Faculties

Table 23: Sources of Funding and Resource Allocation – 2011/12 Budget

($ thousands)	2011/12 Sources of Funding: Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Total Salaries & Benefits: Salaries & Wages	Benefits	Total	Non-salary expenditures: Scholarships	Library Acquisitions	Other Expenditures	Total	Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	Annual Surplus (Deficit)
1. Faculties (Academic Programmes)															
Business	19,022	83	4,543	23,649	16,590	3,981	20,571	457	-	4,900	5,357	25,928	(2,279)	173	(2,106)
Engineering	39,869	1,449	6,051	47,369	32,072	9,741	41,813	1,523	-	5,475	6,998	48,811	(1,441)	10	(1,431)
Health Sciences	66,447	4,371	34,979	105,797	68,738	17,831	86,569	329	-	26,439	26,768	113,337	(7,540)	(157)	(7,697)
Humanities	23,522	85	2,824	26,431	22,097	6,201	28,298	130	-	1,585	1,714	30,012	(3,581)	623	(2,958)
Science	49,389	864	5,059	55,312	41,236	11,439	52,675	722	-	4,851	5,573	58,248	(2,936)	(717)	(3,652)
Advance to Science	-	-	-	-	-	-	-	-	-	-	-	-	-	(500)	(500)
Medical Radiation - Mohawk share	4,063	-	-	4,063	-	-	-	-	-	4,255	4,255	4,255	(192)	-	(192)
Social Sciences	23,200	168	1,132	24,501	20,256	6,034	26,290	110	-	924	1,034	27,324	(2,823)	153	(2,670)
Interdisciplinary Programmes	1,480	20	405	1,905	1,517	272	1,789	25	-	146	171	1,960	(55)	-	(55)
Academic Allocation - QIF	650	-	-	650	-	-	-	-	-	1,845	1,845	1,845	(1,195)	-	(1,195)
Academic Allocation - Accessibility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Slip-year Allocation*	20,291	-	(4,071)	16,220	3,208	872	4,080	-	-	-	-	4,080	12,140	-	12,140
Sub-total	**247,933**	**7,040**	**50,923**	**305,896**	**205,714**	**56,370**	**262,084**	**3,296**	**-**	**50,419**	**53,715**	**315,799**	**(9,902)**	**(414)**	**(10,316)**
2. Academic Priorities															
Academic Contingency	2,006	-	(625)	1,381	156	113	269	-	-	879	879	1,148	233	(135)	98
Faculty Recruiting	398	-	-	398	-	-	-	-	-	398	398	398	-	-	-
Academic Priorities Allocation	5,157	-	(5,067)	90	810	315	1,125	-	-	30	30	1,156	(1,066)	(1,084)	(2,150)
Sub-total	**7,561**	**-**	**(5,692)**	**1,869**	**966**	**428**	**1,394**	**-**	**-**	**1,307**	**1,307**	**2,701**	**(833)**	**(1,219)**	**(2,052)**
TOTAL ACADEMIC	**255,494**	**7,040**	**45,231**	**307,765**	**206,680**	**56,798**	**263,477**	**3,296**	**-**	**51,726**	**55,022**	**318,500**	**(10,735)**	**(1,633)**	**(12,368)**
3. Academic Support															
Office of the Provost	2,813	-	27	2,840	1,996	693	2,689	-	-	189	189	2,877	(37)	-	(37)
School of Graduate Studies	1,129	-	741	1,870	923	308	1,231	-	-	823	823	2,054	(185)	-	(185)
Museum of Art	446	-	103	549	632	187	818	-	-	194	194	1,012	(463)	463	-
Centre for Leadership in Learning	1,574	-	53	1,627	1,164	443	1,607	-	-	127	127	1,733	(107)	29	(77)
Research	1,683	8,819	7,118	17,620	9,500	3,486	12,985	-	-	5,820	5,820	18,805	(1,185)	646	(539)
Nuclear Reactor Debt	-	-	100	100	-	-	-	-	-	-	-	-	100	-	100
University Library	15,443	726	828	16,997	6,448	2,209	8,657	-	7,250	1,342	8,592	17,249	(252)	275	23
Health Sciences Library	2,476	232	826	3,534	1,160	415	1,576	-	1,835	181	2,016	3,592	(58)	-	(58)
Registrar	4,188	-	2,851	7,039	4,240	1,534	5,774	-	-	1,522	1,522	7,296	(257)	-	(257)
Pension	6,760	-	88	6,848	-	6,848	6,848	-	-	-	-	6,848	-	-	-
Sub-total	**36,512**	**9,777**	**12,735**	**59,024**	**26,063**	**16,123**	**42,186**	**-**	**9,085**	**10,197**	**19,282**	**61,468**	**(2,444)**	**1,414**	**(1,030)**
4. Student Support															
Graduate Scholarships/Bursaries	11,636	-	(576)	11,061	424	158	582	10,935	-	-	10,935	11,517	(456)	(700)	(1,156)
Student Affajrs	2,725	-	14,332	17,057	8,271	2,267	10,538	-	-	9,351	9,351	19,889	(2,831)	1,254	(1,577)
Undergraduate Scholarships	14,340	-	3,691	18,031	1,850	-	1,850	14,761	-	-	14,761	16,611	1,420	-	1,420
Sub-total	**28,701**	**-**	**17,448**	**46,149**	**10,544**	**2,425**	**12,970**	**25,696**	**-**	**9,351**	**35,047**	**48,017**	**(1,868)**	**554**	**(1,313)**
5. Facilities Support															
Facilities Services	15,065	-	371	15,436	7,610	2,199	9,809	-	-	5,627	5,627	15,436	-	-	-
HSC Majntenance	3,287	-	35	3,322	-	-	-	-	-	3,322	3,322	3,322	-	-	-
Utilities	15,630	-	5,340	20,970	1,533	420	1,953	-	-	18,963	18,963	20,916	54	(800)	(746)
HSC Utilities	5,423	-	-	5,423	-	-	-	-	-	5,423	5,423	5,423	-	-	-
Deferred Majnt/Facilities Renew	1,919	-	-	1,919	-	-	-	-	-	919	919	919	1,000	(1,000)	-
Bond Interest	7,380	-	-	7,380	-	-	-	-	-	7,380	7,380	7,380	-	-	-
MIP Occupancy	-	-	682	682	-	-	-	-	-	682	682	682	-	-	-
Renovation contingency	981	-	-	981	-	-	-	-	-	629	629	629	352	(352)	-
Sub-total	**49,685**	**-**	**6,428**	**56,113**	**9,143**	**2,619**	**11,762**	**-**	**-**	**42,945**	**42,945**	**54,707**	**1,406**	**(2,152)**	**(746)**
# Institutional Support															
Administration/Institutional Support	14,639	-	4,258	18,897	11,119	3,854	14,972	-	-	4,966	4,966	19,938	(1,041)	480	(561)
UTS/Technology Fund	15,896	-	410	16,306	6,733	2,533	9,265	-	-	7,673	7,673	16,938	(632)	315	(317)
University Secretariat	693	-	-	693	478	178	656	-	-	80	80	736	(43)	-	(43)
Presidential Budget	1,113	-	(8)	1,105	344	129	472	-	-	612	612	1,085	20	(20)	0
University Advancement	5,137	-	974	6,111	5,553	1,650	7,204	-	-	2,584	2,584	9,788	(3,676)	2,642	(1,034)
General/Contingency	3,482	-	1,204	4,686	675	73	748	-	-	6,339	6,339	7,087	(2,401)	(543)	(2,944)
Sub-total	**40,960**	**-**	**6,838**	**47,798**	**24,901**	**8,417**	**33,318**	**-**	**-**	**22,254**	**22,254**	**55,572**	**(7,774)**	**2,874**	**(4,899)**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	(2,666)	-	-	(2,666)	(2,020)	(700)	(2,720)	-	-	-	-	(2,720)	54	-	54
Sub-total	**(2,666)**	**-**	**-**	**(2,666)**	**(2,020)**	**(700)**	**(2,720)**	**-**	**-**	**-**	**-**	**(2,720)**	**54**	**-**	**54**
Surplus/(Deficit)	**408,686**	**16,817**	**88,680**	**514,183**	**275,311**	**85,681**	**360,992**	**28,992**	**9,085**	**136,473**	**174,551**	**535,543**	**(21,360)**	**1,057**	**(20,303)**
Under/(over)allocated	2,509			2,509			-				-	-	2,509		2,509
Total Surplus/(Deficit)	**411,195**	**16,817**	**88,680**	**516,692**	**275,311**	**85,681**	**360,992**	**28,992**	**9,085**	**136,473**	**174,551**	**535,543**	**(18,851)**	**1,057**	**(17,794)**

*To be allocated to Faculties

Table 24: One-time Sources of Funding and Resource Allocation – 2011/12 Budget

($ thousands)	One-time 2011/12 Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	Other Expenditures	Total				
1. Faculties (Academic Programmes)															
Business	-	-	200	200	200	-	200	-	-	-	-	200	-	-	-
Engineering	-	-	625	625	-	-	-	-	-	1,155	1,155	1,155	(530)	(534)	(1,064)
Health Sciences	800	23	(1,587)	(764)	1,020	90	1,110	199	-	8,477	8,675	9,785	(10,550)	(1,027)	(11,577)
Humanities	0	-	2,000	2,000	-	-	-	-	-	91	91	91	1,909	-	1,909
Science	0	45	3,770	3,815	1,618	413	2,031	-	-	2,214	2,214	4,245	(430)	(414)	(844)
Advance to Science	-	-	-	-	-	-	-	-	-	-	-	-	-	(500)	(500)
Medical Radiation - Mohawk share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Sciences	-	2	805	806	164	61	226	-	-	128	128	354	453	0	453
Interdisciplinary Programmes	-	-	350	350	215	72	287	11	-	41	52	339	12	-	12
Academic Allocation - QIF	-	-	-	-	-	-	-	-	-	1,845	1,845	1,845	(1,845)	-	(1,845)
Academic Allocation - Accessibility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Slip-year Allocation*	-	-	(788)	(788)	-	-	-	-	-	-	-	-	(788)	-	(788)
Sub-total	**800**	**69**	**5,376**	**6,244**	**3,217**	**636**	**3,853**	**210**	**-**	**13,951**	**14,161**	**18,014**	**(11,770)**	**(2,475)**	**(14,245)**
2. Academic Priorities															
Academic Contingency	-	-	(345)	(345)	75	30	105	-	-	245	245	350	(695)	-	(695)
Faculty Recruiting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Academic Priorities Allocation	-	-	(5,242)	(5,242)	-	-	-	-	-	30	30	30	(5,273)	(1,084)	(6,357)
Sub-total	**-**	**-**	**(5,587)**	**(5,587)**	**75**	**30**	**105**	**-**	**-**	**275**	**275**	**380**	**(5,968)**	**(1,084)**	**(7,052)**
TOTAL ACADEMIC	**800**	**69**	**(212)**	**657**	**3,292**	**666**	**3,958**	**210**	**-**	**14,226**	**14,436**	**18,394**	**(17,738)**	**(3,559)**	**(21,296)**
3. Academic Support															
Office of the Provost	-	-	25	25	68	23	91	-	-	43	43	134	(109)	-	(109)
School of Graduate Studies	0	-	278	278	242	89	331	-	-	282	282	613	(336)	-	(336)
Museum of Art	-	-	-	-	23	-	23	-	-	-	-	23	(23)	-	(23)
Centre for Leadership in Learning	-	-	-	-	72	35	108	-	-	20	20	128	(128)	29	(98)
Research	400	-	52	453	313	63	376	-	-	786	786	1,163	(710)	111	(599)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University Library	-	-	507	507	822	78	900	-	71	165	236	1,136	(629)	275	(354)
Health Sciences Library	-	-	199	199	(32)	-	(32)	-	289	-	289	257	(58)	-	(58)
Registrar	-	-	30	30	-	-	-	-	-	329	329	329	(299)	-	(299)
Pension	0	-	88	88	-	88	88	-	-	-	-	88	-	-	-
Sub-total	**400**	**-**	**1,179**	**1,579**	**1,509**	**376**	**1,885**	**-**	**360**	**1,625**	**1,985**	**3,871**	**(2,292)**	**416**	**(1,876)**
4. Student Support															
Graduate Scholarships/Bursaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Student Affajrs	-	-	844	844	270	41	311	-	-	2,278	2,278	2,590	(1,746)	129	(1,617)
Undergraduate Scholarships	943	-	-	943	-	-	-	943	-	-	943	943	-	-	-
Sub-total	**943**	**-**	**844**	**1,787**	**270**	**41**	**311**	**943**	**-**	**2,278**	**3,221**	**3,533**	**(1,746)**	**129**	**(1,617)**
5. Facilities Support															
Facilities Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HSC Majntenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	(800)	(800)
HSC Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Majnt/Facilities Renew	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renovation contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(800)**	**(800)**
# Institutional Support															
Administration/Institutional Support	625	-	76	701	4	2	6	-	-	1,693	1,693	1,699	(998)	-	(998)
UTS/Technology Fund	4,500	-	(40)	4,460	444	161	606	-	-	3,200	3,200	3,806	654	-	654
University Secretariat	-	-	-	-	-	-	-	-	-	10	10	10	(10)	-	(10)
Presidential Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University Advancement	250	-	1	251	-	-	-	-	-	1	1	1	250	(250)	-
General/Contingency	1,100	-	-	1,100	-	-	-	-	-	1,159	1,159	1,159	(59)	-	(59)
Sub-total	**6,475**	**-**	**37**	**6,512**	**449**	**163**	**612**	**-**	**-**	**6,061**	**6,061**	**6,673**	**(162)**	**(250)**	**(412)**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	(2,992)	-	-	(2,992)	(2,300)	(700)	(3,000)	-	-	-	-	(3,000)	8	-	8
Sub-total	**(2,992)**	**-**	**-**	**(2,992)**	**(2,300)**	**(700)**	**(3,000)**	**-**	**-**	**-**	**-**	**(3,000)**	**8**	**-**	**8**
Surplus/(Deficit)	**5,626**	**69**	**1,847**	**7,542**	**3,220**	**546**	**3,767**	**1,153**	**360**	**24,191**	**25,704**	**29,471**	**(21,929)**	**(4,064)**	**(25,993)**
Under/(over)allocated	(5,609)			(5,609)			-				-	-	(5,609)		(5,609)
Total Surplus/(Deficit)	**17**	**69**	**1,847**	**1,933**	**3,220**	**546**	**3,767**	**1,153**	**360**	**24,191**	**25,704**	**29,471**	**(27,538)**	**(4,064)**	**(31,602)**

*To be allocated to Faculties

Table 25: Annual Net Change in Operating Envelope Balance – 2010/11 to 2013/14

($ thousands)	2010/11 Budget	2010/11 Projection	2011/12 Budget	2012/13 Plan	2013/14 Plan
1. Faculties (Academic Programmes)					
Business	(2,585)	(87)	(2,106)	(59)	1,810
Engineering	(3,426)	3,744	(1,431)	(2,405)	(3,737)
Health Sciences	(5,889)	(5,969)	(7,697)	(2,121)	(1,439)
Humanities	(4,471)	(401)	(2,958)	(5,579)	(6,755)
Science	(2,845)	1,054	(3,652)	(4,888)	(6,118)
Advance to Science	(500)	(500)	(500)	(500)	(500)
Medical Radiation - Mohawk share	-	281	(192)	(192)	(192)
Social Sciences	(2,962)	750	(2,670)	(3,447)	(4,111)
Interdisciplinary Programmes	(151)	81	(55)	(6)	5
Academic Allocation - QIF	-	(94)	(1,195)	(650)	-
Academic Allocation - Accessibility	3,586	(3,507)	-	-	-
Slip-year Allocation*	13,293	3,790	12,140	14,398	14,136
Sub-total	**(5,950)**	**(859)**	**(10,316)**	**(5,449)**	**(6,901)**
2. Academic Priorities					
Academic Contingency	(347)	(514)	98	277	310
Faculty Recruiting	146	-	-	-	-
Academic Priorities Allocation	1,840	31	(2,150)	2,271	3,007
Sub-total	**1,640**	**(483)**	**(2,052)**	**2,548**	**3,317**
TOTAL ACADEMIC	**(4,311)**	**(1,342)**	**(12,368)**	**(2,901)**	**(3,584)**
3. Academic Support					
Office of the Provost	57	194	(37)	(128)	(39)
School of Graduate Studies	0	186	(185)	(58)	(76)
Museum of Art	-	20	-	-	-
Centre for Leadership in Learning	(237)	(491)	(77)	64	128
Research	5	182	(539)	15	(15)
Nuclear Reactor Debt	100	100	100	100	100
University Library	165	482	23	125	(119)
Health Sciences Library	(24)	10	(58)	(0)	(0)
Registrar	(309)	54	(257)	(145)	(189)
Pension	-	-	0	(0)	(0)
Academic Support Allocation	-	0	-	-	-
Sub-total	**(244)**	**737**	**(1,030)**	**(27)**	**(210)**
4. Student Support					
Graduate Scholarships/Bursaries	(719)	735	(1,156)	(1,838)	(2,239)
Student Affairs	(1,151)	(1,933)	(1,577)	250	414
Student Affairs	8	376	1,420	498	463
Student Support Allocation	-	0	-	-	-
Sub-total	**(1,863)**	**(823)**	**(1,313)**	**(1,091)**	**(1,363)**
5. Facilities Support					
Facilities Services	722	(841)	-	-	-
HSC Maintenance	-	(281)	-	-	-
Utilities	0	(155)	(746)	(926)	(1,154)
HSC Utilities	-	(3)	-	-	-
Deferred Maint/Facilities Renew	-	-	-	-	-
Bond Interest	-	-	-	-	-
MIP Occupancy	-	-	-	-	-
Renovation contingency	979	892	-	-	-
Sub-total	**1,701**	**(387)**	**(746)**	**(926)**	**(1,154)**
# Institutional Support					
Administration/Institutional Support	(2,062)	(953)	(561)	140	(74)
UTS/Technology Fund	(2,067)	(289)	(317)	(173)	(390)
University Secretariat	0	4	(43)	(56)	(13)
Presidential Budget	(143)	(32)	-	-	(61)
University Advancement	(975)	228	(1,034)	(1,129)	(30)
General/Contingency	(246)	(500)	(2,944)	(2,896)	(2,923)
Sub-total	**(5,493)**	**(1,543)**	**(4,899)**	**(4,114)**	**(3,492)**
7. Institutional Priority allocations					
Strategic Priorities/Refining Directions	3,940	78	54	46	46
Sub-total	**3,940**	**78**	**54**	**46**	**46**
Surplus/(Deficit)	**(6,269)**	**(3,280)**	**(20,303)**	**(9,013)**	**(9,757)**
Under/(over)allocated	(2,128)	0	2,509	4,604	7,581
Total Surplus/(Deficit)	**(8,397)**	**(3,280)**	**(17,794)**	**(4,409)**	**(2,176)**
Note: Includes transfers to other funds					
*To be allocated to Faculties	-	-	-	-	-

Table 26: Financial Position of Operating Envelopes – 2010/11 Budget and Projection

($ thousands)	2010/11 Budget					2010/11 Projection					Favourable (Unfavourable) Variance				
	Appropriations April 30, 2010	On-going	One-time	Total	Appropriations April 30, 2011	Appropriations April 30, 2010	On-going	One-time	Total	Appropriations April 30, 2011	Appropriations April 30, 2010	On-going	One-time	Total	Appropriations April 30, 2011
1. Faculties (Academic Programmes)															
Business	(2,930)	(2,585)	-	(2,585)	(5,515)	(3,007)	(1,294)	1,208	(87)	(3,093)	(77)	1,291	1,208	2,499	2,422
Engineering	(56)	(2,291)	(1,135)	(3,426)	(3,482)	251	2,032	1,712	3,744	3,995	307	4,323	2,847	7,170	7,477
Health Sciences	19,279	490	(6,379)	(5,889)	13,390	25,504	4,421	(10,389)	(5,969)	19,535	6,225	3,930	(4,010)	(80)	6,145
Humanities	(585)	(4,471)	0	(4,471)	(5,056)	6	(3,234)	2,833	(401)	(395)	591	1,237	2,833	4,070	4,661
Science	(2,709)	(2,375)	(470)	(2,845)	(5,554)	(2,309)	224	830	1,054	(1,255)	401	2,599	1,300	3,899	4,300
Advance to Science	4,500	-	(500)	(500)	4,000	4,500	-	(500)	(500)	4,000	0	-	-	-	0
Medical Radiation - Mohawk share	-	-	-	-	-	(354)	(98)	379	281	(73)	(354)	(98)	379	281	(73)
Social Sciences	(4,642)	(3,429)	467	(2,962)	(7,604)	(4,572)	(2,295)	3,045	750	(3,822)	70	1,134	2,578	3,712	3,781
Teaching Assistants - Incremental	-	-	-	-	-	0	-	-	-	0	0	-	-	-	0
Interdisciplinary Programmes	642	(56)	(95)	(151)	490	729	81	(0)	81	810	87	137	95	232	320
Academic Allocation - QIF	-	650	(650)	-	-	1,940	650	(744)	(94)	1,845	1,940	-	(94)	(94)	1,845
Academic Allocation - Accessibility	3,586	3,586	-	3,586	7,172	3,507	-	(3,507)	(3,507)	0	(79)	(3,586)	(3,507)	(7,093)	(7,172)
Slip-year Allocation*	5,071	13,293	-	13,293	18,364	8,224	12,014	(8,224)	3,790	12,014	3,153	(1,279)	(8,224)	(9,503)	(6,350)
Sub-total	**22,156**	**2,812**	**(8,763)**	**(5,950)**	**16,206**	**34,420**	**12,500**	**(13,359)**	**(859)**	**33,561**	**12,264**	**9,688**	**(4,596)**	**5,091**	**17,355**
2. Academic Priorities															
Academic Contingency	379	2,006	(2,353)	(347)	33	338	2,006	(2,520)	(514)	(176)	(41)	-	(167)	(167)	(209)
Faculty Recruiting	230	398	(252)	146	376	116	-	-	-	116	(114)	(398)	252	(146)	(260)
Academic Priorities Allocation	12,135	4,140	(2,300)	1,840	13,975	12,834	4,708	(4,678)	31	12,864	698	568	(2,378)	(1,809)	(1,111)
Sub-total	**12,745**	**6,544**	**(4,905)**	**1,640**	**14,384**	**13,288**	**6,714**	**(7,198)**	**(483)**	**12,804**	**543**	**170**	**(2,293)**	**(2,123)**	**(1,580)**
TOTAL ACADEMIC	**34,901**	**9,356**	**(13,667)**	**(4,311)**	**30,590**	**47,707**	**19,214**	**(20,556)**	**(1,342)**	**46,365**	**12,806**	**9,858**	**(6,889)**	**2,969**	**15,775**
3. Academic Support															
Office of the Provost	226	85	(28)	57	283	631	322	(128)	194	825	405	237	(100)	137	542
School of Graduate Studies	902	-	0	0	902	1,221	0	186	186	1,407	319	0	186	186	505
Museum of Art	-	-	-	-	-	(20)	7	14	20	0	(20)	7	14	20	0
Centre for Leadership in Learning	554	(295)	57	(237)	317	388	18	(510)	(491)	(103)	(166)	313	(567)	(254)	(420)
Research	5	35	(30)	5	10	210	576	(394)	182	392	205	541	(364)	177	381
Nuclear Reactor Debt	(600)	100	-	100	(500)	(700)	100	-	100	(600)	(100)	-	-	-	(100)
University Library	(94)	(89)	253	165	70	(504)	52	430	482	(22)	(410)	141	177	318	(92)
Health Sciences Library	40	3	(27)	(24)	16	48	(0)	11	10	58	7	(3)	38	35	42
Registrar	697	59	(368)	(309)	388	833	399	(345)	54	887	136	340	23	363	499
Pension	-	-	-	-	-	0	-	-	-	0	0	-	-	-	0
Academic Support Allocation	-	-	-	-	-	-	0	0	0	0	-	0	0	0	0
Sub-total	**1,731**	**(102)**	**(142)**	**(244)**	**1,487**	**2,107**	**1,473**	**(737)**	**737**	**2,844**	**376**	**1,575**	**(595)**	**981**	**1,357**
4. Student Support															
Graduate Scholarships/Bursaries	3,265	501	(1,220)	(719)	2,546	5,311	608	127	735	6,046	2,046	107	1,347	1,454	3,501
Student Affairs	2,575	83	(1,234)	(1,151)	1,424	3,842	444	(2,377)	(1,933)	1,908	1,267	361	(1,143)	(782)	485
Undergraduate Scholarships	(1,138)	8	0	8	(1,130)	(1,081)	376	0	376	(705)	57	368	0	368	425
Student Support Allocation	103	-	-	-	103	103	0	0	0	103	0	0	0	0	0
Sub-total	**4,805**	**591**	**(2,454)**	**(1,863)**	**2,942**	**8,175**	**1,428**	**(2,250)**	**(823)**	**7,352**	**3,370**	**836**	**204**	**1,040**	**4,411**
5. Facilities Support															
Facilities Services	0	722	-	722	722	841	619	(1,461)	(841)	0	841	(102)	(1,461)	(1,563)	(722)
HSC Maintenance	-	-	-	-	-	281	(272)	(8)	(281)	0	281	(272)	(8)	(281)	0
Utilities	0	-	0	0	0	1,006	155	(310)	(155)	851	1,006	155	(310)	(155)	851
HSC Utilities	-	-	-	-	-	3	(268)	265	(3)	(0)	3	(268)	265	(3)	(0)
Deferred Maint/Facilities Renew	-	-	-	-	-	4	-	-	-	4	4	-	-	-	4
Bond Interest	-	-	-	-	-	0	-	-	-	0	0	-	-	-	0
MIP Occupancy	-	-	-	-	-	0	-	-	-	0	0	-	-	-	0
Renovation contingency	(979)	379	600	979	-	(892)	292	600	892	0	87	(87)	-	(87)	0
Sub-total	**(979)**	**1,101**	**600**	**1,701**	**722**	**1,243**	**527**	**(914)**	**(387)**	**855**	**2,222**	**(574)**	**(1,514)**	**(2,088)**	**133**
# Institutional Support															
Administration/Institutional Support	2,257	(438)	(1,624)	(2,062)	195	2,774	442	(1,395)	(953)	1,821	517	880	229	1,109	1,626
UTS/Technology Fund	2,096	(1,899)	(168)	(2,067)	28	3,166	(333)	43	(289)	2,877	1,070	1,566	212	1,778	2,848
University Secretariat	64	0	-	0	64	108	4	-	4	112	43	4	-	4	47
Presidential Budget	357	-	(143)	(143)	214	429	229	(262)	(32)	397	72	229	(118)	111	183
University Advancement	1,789	(896)	(79)	(975)	814	2,031	228	0	228	2,258	242	1,124	79	1,203	1,444
General/Contingency	81	42	(288)	(246)	(165)	268	(2,956)	2,456	(500)	(232)	187	(2,998)	2,744	(254)	(67)
Sub-total	**6,644**	**(3,191)**	**(2,302)**	**(5,493)**	**1,151**	**8,775**	**(2,386)**	**843**	**(1,543)**	**7,232**	**2,131**	**805**	**3,145**	**3,950**	**6,081**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	1,905	46	3,894	3,940	5,845	3,059	46	32	78	3,137	1,154	-	(3,862)	(3,862)	(2,708)
Sub-total	**1,905**	**46**	**3,894**	**3,940**	**5,845**	**3,059**	**46**	**32**	**78**	**3,137**	**1,154**	**-**	**(3,862)**	**(3,862)**	**(2,708)**
Surplus/(Deficit)	**49,006**	**7,802**	**(14,071)**	**(6,269)**	**42,737**	**71,065**	**20,302**	**(23,582)**	**(3,280)**	**67,785**	**22,059**	**12,500**	**(9,511)**	**2,989**	**25,048**
Under/(over)allocated	-	*367*	*(2,495)*	*(2,128)*	*(2,128)*	*0*	*8,163*	*(8,163)*	*0*	*0*	*0*	*7,796*	*(5,668)*	*2,128*	*2,128*
Total Surplus/(Deficit)	**49,006**	**8,169**	**(16,566)**	**(8,397)**	**40,609**	**71,065**	**28,465**	**(31,745)**	**(3,280)**	**67,785**	**22,059**	**20,296**	**(15,179)**	**5,117**	**27,176**

Note: Includes transfers to other funds
*To be allocated to Faculties

Table 27: Financial Position of Operating Envelopes – 2011/12 to 2013/14

($ thousands)	Appropriations April 30, 2011	2011/12 Budget On-going	2011/12 Budget One-time	2011/12 Budget Total	Appropriations April 30, 2012	2012/13 Plan On-going	2012/13 Plan One-time	2012/13 Plan Total	Appropriations April 30, 2013	2013/14 Plan On-going	2013/14 Plan One-time	2013/14 Plan Total	Appropriations April 30, 2014
1. Faculties (Academic Programmes)													
Business	(3,093)	(2,106)	-	(2,106)	(5,200)	(44)	(15)	(59)	(5,258)	1,810	(0)	1,810	(3,448)
Engineering	3,995	(367)	(1,064)	(1,431)	2,563	(2,405)	-	(2,405)	159	(3,737)	-	(3,737)	(3,578)
Health Sciences	19,535	3,880	(11,577)	(7,697)	11,839	4,387	(6,508)	(2,121)	9,718	4,312	(5,750)	(1,439)	8,279
Humanities	(395)	(4,867)	1,909	(2,958)	(3,352)	(5,579)	0	(5,579)	(8,931)	(6,755)	0	(6,755)	(15,687)
Science	(1,255)	(2,808)	(844)	(3,652)	(4,907)	(4,681)	(207)	(4,888)	(9,796)	(6,255)	137	(6,118)	(15,914)
Advance to Science	4,000	-	(500)	(500)	3,500	-	(500)	(500)	3,000	-	(500)	(500)	2,500
Medical Radiation - Mohawk share	(73)	(192)	-	(192)	(265)	(192)	-	(192)	(457)	(192)	-	(192)	(649)
Social Sciences	(3,822)	(3,123)	453	(2,670)	(6,493)	(3,333)	(114)	(3,447)	(9,939)	(4,075)	(35)	(4,111)	(14,050)
Teaching Assistants - Incremental	0	-	-	-	0	-	-	-	0	-	-	-	0
Interdisciplinary Programmes	810	(67)	12	(55)	755	(80)	73	(6)	749	(9)	14	5	754
Academic Allocation - QIF	1,845	650	(1,845)	(1,195)	650	650	(1,300)	(650)	0	-	-	-	0
Academic Allocation - Accessibility	0	-	-	-	0	-	-	-	0	-	-	-	0
Slip-year Allocation*	12,014	12,928	(788)	12,140	24,154	14,860	(462)	14,398	38,552	14,420	(284)	14,136	52,688
Sub-total	**33,561**	**3,928**	**(14,245)**	**(10,316)**	**23,245**	**3,584**	**(9,033)**	**(5,449)**	**17,796**	**(482)**	**(6,419)**	**(6,901)**	**10,895**
2. Academic Priorities													
Academic Contingency	(176)	793	(695)	98	(78)	798	(521)	277	200	798	(488)	310	510
Faculty Recruiting	116	-	-	-	116	-	-	-	116	-	-	-	116
Academic Priorities Allocation	12,864	4,207	(6,357)	(2,150)	10,714	4,198	(1,928)	2,271	12,985	4,162	(1,155)	3,007	15,992
Sub-total	**12,804**	**5,000**	**(7,052)**	**(2,052)**	**10,753**	**4,997**	**(2,449)**	**2,548**	**13,301**	**4,960**	**(1,643)**	**3,317**	**16,618**
TOTAL ACADEMIC	**46,365**	**8,929**	**(21,296)**	**(12,368)**	**33,997**	**8,581**	**(11,482)**	**(2,901)**	**31,097**	**4,478**	**(8,062)**	**(3,584)**	**27,513**
3. Academic Support													
Office of the Provost	825	72	(109)	(37)	788	7	(135)	(128)	660	8	(48)	(39)	620
School of Graduate Studies	1,407	151	(336)	(185)	1,222	162	(220)	(58)	1,165	150	(226)	(76)	1,088
Museum of Art	0	23	(23)	-	0	-	-	-	0	-	-	-	0
Centre for Leadership in Learning	(103)	21	(98)	(77)	(181)	35	29	64	(117)	116	13	128	12
Research	392	60	(599)	(539)	(147)	189	(174)	15	(132)	366	(381)	(15)	(147)
Nuclear Reactor Debt	(600)	100	-	100	(500)	100	-	100	(400)	100	-	100	(300)
University Library	(22)	377	(354)	23	1	36	89	125	125	(18)	(101)	(119)	6
Health Sciences Library	58	-	(58)	(58)	-	-	(0)	(0)	(0)	-	(0)	(0)	(0)
Registrar	887	42	(299)	(257)	630	8	(153)	(145)	485	2	(191)	(189)	297
Pension	0	-	0	0	0	-	(0)	(0)	0	-	(0)	(0)	0
Academic Support Allocation	0	-	-	-	0	-	-	-	0	-	-	-	0
Sub-total	**2,844**	**846**	**(1,876)**	**(1,030)**	**1,813**	**537**	**(564)**	**(27)**	**1,786**	**724**	**(934)**	**(210)**	**1,576**
4. Student Support													
Graduate Scholarships/Bursaries	6,046	(1,156)	-	(1,156)	4,890	(1,838)	-	(1,838)	3,052	(2,239)	-	(2,239)	812
Student Affairs	1,908	39	(1,617)	(1,577)	331	(232)	482	250	581	(341)	755	414	995
Undergraduate Scholarships	(705)	1,420	-	1,420	715	468	30	498	1,212	433	30	463	1,675
Student Support Allocation	103	-	-	-	103	-	-	-	103	-	-	-	103
Sub-total	**7,352**	**303**	**(1,617)**	**(1,313)**	**6,039**	**(1,603)**	**512**	**(1,091)**	**4,948**	**(2,148)**	**785**	**(1,363)**	**3,585**
5. Facilities Support													
Facilities Services	0	-	-	-	0	-	-	-	0	-	-	-	0
HSC Maintenance	0	-	-	-	0	-	-	-	0	-	-	-	0
Utilities	851	54	(800)	(746)	105	(126)	(800)	(926)	(821)	(354)	(800)	(1,154)	(1,975)
HSC Utilities	(0)	-	-	-	(0)	-	-	-	(0)	-	-	-	(0)
Deferred Maint/Facilities Renew	4	-	-	-	4	-	-	-	4	-	-	-	4
Bond Interest	0	-	-	-	0	-	-	-	0	-	-	-	0
MIP Occupancy	0	-	-	-	0	-	-	-	0	-	-	-	0
Renovation contingency	0	-	-	-	0	-	-	-	0	-	-	-	0
Sub-total	**855**	**54**	**(800)**	**(746)**	**109**	**(126)**	**(800)**	**(926)**	**(817)**	**(354)**	**(800)**	**(1,154)**	**(1,971)**
# Institutional Support													
Administration/Institutional Support	1,821	437	(998)	(561)	1,260	74	66	140	1,400	(140)	66	(74)	1,325
UTS/Technology Fund	2,877	(972)	654	(317)	2,560	(1,056)	883	(173)	2,387	(1,274)	883	(390)	1,996
University Secretariat	112	(34)	(10)	(43)	69	(56)	-	(56)	13	(74)	61	(13)	(1)
Presidential Budget	397	-	-	-	397	-	-	-	397	-	(61)	(61)	336
University Advancement	2,258	(1,034)	-	(1,034)	1,224	(1,129)	0	(1,129)	96	(30)	0	(30)	66
General/Contingency	(232)	(2,885)	(59)	(2,944)	(3,177)	(2,896)	-	(2,896)	(6,073)	(2,923)	-	(2,923)	(8,996)
Sub-total	**7,232**	**(4,487)**	**(412)**	**(4,899)**	**2,333**	**(5,063)**	**949**	**(4,114)**	**(1,781)**	**(4,441)**	**949**	**(3,492)**	**(5,273)**
7. Institutional Priority allocations													
Strategic Priorities/Refining Directions	3,137	46	8	54	3,191	46	-	46	3,237	46	-	46	3,283
Sub-total	**3,137**	**46**	**8**	**54**	**3,191**	**46**	**-**	**46**	**3,237**	**46**	**-**	**46**	**3,283**
Surplus/(Deficit)	**67,785**	**5,690**	**(25,993)**	**(20,303)**	**47,482**	**2,372**	**(11,385)**	**(9,013)**	**38,469**	**(1,694)**	**(8,063)**	**(9,757)**	**28,713**
Under/(over)allocated	*0*	*8,118*	*(5,609)*	*2,509*	*2,509*	*10,043*	*(5,439)*	*4,604*	*7,113*	*12,331*	*(4,750)*	*7,581*	*14,694*
Total Surplus/(Deficit)	**67,785**	**13,808**	**(31,602)**	**(17,794)**	**49,991**	**12,415**	**(16,824)**	**(4,409)**	**45,582**	**10,637**	**(12,813)**	**(2,176)**	**43,407**
					-				-				-

Note: Includes transfers to other funds

*To be allocated to Faculties

Appendix B – Operating Fund: Provincial Grants

Basic Operating Grant $180.1 million

The basic operating grant, which represents most provincial funding, funds the historical "corridor" enrolment of the University. For many years, the value of this funding component was $94.5 million. In recent years, funding including the government's grant in lieu of tuition, from growth related to the Access to Opportunities Programme (ATOP), the MTCU Adjustment Fund, phase one of the graduation expansion program, and most recently the addition of 2009/10 Accessibility Fund have added an additional $85.6 million to the basic grant. This change to the basic grant does not represent new funding.

The lack of inflationary increase in the basic grant has, over the past fifteen years, placed McMaster in an extremely difficult financial position. As a result, Ontario university funding has become one of the lowest per capita in Canada. The need for additional funding is acute; Ontario universities cannot make investments that maintain and enhance quality.

"Targeted" Operating Grants

Over the past five years, the MTCU has tied increases in operating funding to specific outcomes based on either performance measures or activity levels in specific government priority programs. The government treats these "targeted operating grants" as separate funding envelopes and not as part of the basic grant.

- The Accessibility Fund $2 million

  The Accessibility Fund was designed to provide additional funding to universities as they increased enrolments due to both the "double cohort" and increased participation rates. This envelope is targeted at undergraduate enrolment. The amount each university receives is based on its growth since 2009/10, when the previous accessibility funding was moved to the basic operating grant.

  The undergraduate accessibility for 2010/11 is $2 million. This amount is an increase over the budgeted amount, which assumed no enrolment growth over 2009/10. At this time, growth in undergraduate FTEs has not been built into the 2011/12 budget, and the grant is assumed to hold steady at the 2010/11 level in terms of both enrolment and BIU funding level.

- Graduate Expansion $9 million

  The government has committed to a funding plan for graduate education. The plan will invest a total of $222 million by 2011/12 across Ontario. The investment is designed to substantially increase graduate enrolment across the province by upwards of 15,000 students over 2002/03 enrolment levels. Only Canadian citizens or landed immigrants qualify to be counted in the graduate expansion framework.

In April 2008, McMaster submitted an aggressive graduate student growth plan to the Ontario government. Based on year-over-year increases in applications, graduate expansion funding is estimated to increase $1.1 million in 2011/12, representing estimated growth of 38 Masters to reach the provincial cap, and 20 PhD students. Most of these additional funds are expected to be offset by increased costs in graduate student support in the academic areas where these students are registered.

- <u>The Performance Fund $1.7 million</u>

The Performance Fund allocation is based on achieving or exceeding certain key performance indicators (KPI) established by the government, specifically, student graduation rates and student employment rates at six months and two years after graduation. The Performance Fund grant is a fixed envelope of funding distributed to all universities, and allocations do not change significantly from year to year.

- <u>The General Quality Fund $8 million</u>

The fund was previously known as Access to Higher Quality Education Fund and includes $6.3 million identified as Quality Access and Quality Access Contingency Fund in the multi-year allocations announced in August 2006. The Province provides this funding based on institutions' compliance with the Multi-Year Accountability Agreements.

- <u>Expanded MD/Post-Graduate Program Grant $17 million</u>

Expansion plans for the MD/Post-Graduate programs at five Ontario universities are designed to increase the number of physicians in the province. Student enrolment in the three-year program at McMaster will continue to increase as this expansion program is implemented. The projection for 2010/11 and beyond reflects this growth as well as enhanced funding that recognizes the significant cost of training Ontario's next generation of physicians. A total of $7.5 million in funding has been rolled into the basic grant.

- <u>Enhanced MD Grant $1.7 million</u>

This funding represents investment of an additional $20 million in medical schools. The new funding is intended to address the blended funding rate, raising the average base funding per FTE to $38,788 (taking into account pre-expansion and expansion spaces) and equalizing funding per FTE across all five southern medical schools, while compensating for compressed delivery at McMaster. The formula used to calculate each medical school's allocation of the $20 million funding increases undergraduate medical base funding and equalizes funding per FTE in the medical education system. McMaster's allocation of the $20 million funding takes into account both pre-expansion and expansion funded spaces and raises McMaster's average funding per FTE in years one and two to $58,182, and $38,788 per FTE in year three. The total funding amount is expected to change from year to year until all expansion spaces in the system are in place in 2014/15.

- <u>Expanded Nursing Programs $1.3 million</u>

  The graduate Nursing program offers students a Masters degree in Clinical Health Sciences that will develop nursing researchers and care providers at the post-graduate level. The Second Entry Nursing Program is a specifically funded initiative to provide more nurses for Ontario. It will graduate a cohort of students in three years rather than four as in the traditional undergraduate Nursing program. Funding for these expanded Nursing programs is based on actual enrolment each year.

- <u>Clinical Education Grant $0.3 million</u>

  This MTCU funding is allocated in recognition of the additional clinical education costs associated with running the program in Rehabilitation Science.

Appendix C – Operating Fund: Research Overhead Income

- Research Overhead Infrastructure Envelope (ROIE) $3.1 million

  McMaster expects to receive $3.1 million from the Province's Research Overhead Infrastructure Envelope to help offset the indirect costs of research. This overhead amount reflects our faculty members' success in obtaining research grants from the Natural Science and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC) and from the Canadian Institute for Health Research (CIHR).

- Ontario Research Fund $0.9 million

  $0.9 million is anticipated from the Province's Ontario Research Fund. This fund is allocated through the Ministry of Research and Innovation, as well as the Ministry of Health and Long-Term Care, and further offsets the indirect costs of provincially funded university research.

- Other Provincial Indirect Cost Funding $0.4 million

  Overhead and administrative reimbursement is received on Centres of Excellence and Early Researcher Awards.

- Federal Indirect Costs of Research/Canada Research Chairs $9.9 million

  Additional funding for the indirect costs of research is allocated from the federal government to fund the indirect costs associated with federally sponsored research.

- Research Contract Overhead $5.9 million

  Research support received from the private sector is a significant part of total research funding. The University recognizes and supports the expansion of this activity. An indirect cost recovery formula is applied to all private-sector contracts and grants, including research foundations. This income is disbursed to faculties, departments, institutes, and the research envelope, as well as supporting the research activities of the investigator.

- Royalties $1.8 million

  Discoveries are an objective of research, and every day McMaster investigators perform ground-breaking research. Some of these discoveries have commercial value which can be exploited to the mutual advantage of all concerned through partnerships and licensing.

Appendix D – Ancillary Budgets

Bookstore

Titles Bookstore continues to successfully fulfill its primary mandate of assisting and supporting students in the learning process by providing an "Academic Bookstore" while making a substantial financial contribution. In 2011, Titles will contribute $1.225 million in support of soft student services and for academic priorities. This contribution will increase to $1.6 million which includes the annualized impact of additional rent charges now levied to all ancillaries.

Titles is in the process of examining all business strategies/options required to meet financial obligations and operate in a competitive and changing climate. These include (not limited to) store/location closures, service reduction/elimination, change in service delivery (online web store), new revenue-generating opportunities (Health Sciences), off-campus printing, further restructuring and staff retirement incentives. The Bookstore continues to provide top customer service and satisfaction. Once again they have been ranked second in the *Globe and Mail* student satisfaction survey and outrank our competitor universities.

Campus Health Centre

The mission of the Campus Health Centre (CHC) is "Enhancing health through education and education through health" and is provided in a high-quality and professional clinic operating in an efficient and business-like manner. Campus Health continues to sustain a break-even financial position in current and future years. The capacity to grow in the current state is not possible due to the inequity in Ministry funding in comparison to the Family Health Team (FHT) billing structure.

Campus Health and the Centre for Student Development are currently undergoing a reorganization/ consolidation to form our new Student Wellness Centre. This initiative will be a further extension of our current collaborative mental health initiative using a multidisciplinary shared-care approach. This will provide for opportunities of streamlined administration, shared systems/technology support and a shared booking and medical system (OSCAR) to help better serve our students. The timeline for this new organization structure is June 2011.

Telecommunications

Telecommunications provides an essential service – voice communication and support for all faculty, students, and staff within the University community. The department continues to provide competitive and consistent rates which have not changed in 15 years, while maintaining its annual contribution to University operations. The automation of switchboard services with the Nuance Speech Attendant technology will reduce costs starting with the 2011/12 budget. No fee or rate changes are proposed until a new cost model has been derived as part of the reassessment of telecommunications services.

System upgrades to enhance resiliency to component failure, efficiency to reduce cost and improved customer service entail one-time capital investment and ongoing maintenance, while reducing operational costs with self-service automation. IP telephony enables deployment of new services (unified communications) with potential to enhance modes of communication and improve efficiency for customers. New buildings and major renovation projects entail one-time capital costs not included in the project budget to extend telephony cabling to the building, and to acquire and deploy phones for occupants.

Media Production Services

Media Production Services' (MPS) mission is to provide high-quality products and services to clients and customers of McMaster University and its affiliated partner institutions. The products and services support the institution in its academic and research mission and help to advance the reputation of McMaster University as one of Canada's leading postsecondary institutions. Initiatives for 2011/12 include an enhancement of the Printsmart initiative through an online management system for the campus copier solution. MPS will be undergoing a comprehensive review of its service model over the summer, the final report will provide a forecast of communication technologies and services to assist in planning over the next five years. The 2011/12 budget is forecasting a surplus which will be used to pay down the deficit in the reserve, projected to be eliminated over the next three to five years.

Centre for Continuing Education

The Centre for Continuing Education (CCE) is completing the last year of its five-year strategic plan. The Centre has achieved its growth targets and has returned funding to the university during that time. In a recent external review, CCE was deemed to be among the top 5% best performing CE units internationally.

CCE provides value to residents and corporations in Hamilton and beyond. CCE has provided significant value to the university community, as a support to Faculties and a provider of training programs to the University to enhance the performance of its workforce.

The Centre is currently developing a plan for the next five years. In 2011/12 there will be a significant investment in growth. Four new programs will be in development, with at least two of them launching in the fall of 2011.

Housing and Conference Services

Housing and Conferences Services (H&CS) supports the goal of the University to "inspire personal growth" by giving students a positive residential experience in a community which contributes to their pursuit of learning and provides for emotional growth, well-being and the development of positive skills and social attitudes.

The demand for occupancy remains strong at 99.4% and is a pattern consistent with the last few years. In 2011, Housing will contribute $775,000 in support of soft student services and a contribution for academic priorities. This contribution will increase to $3.225 million which includes the annualized impact of land lease charges. Housing is also responsible for the annual payment of $4.36 million on debt portfolio of $50.5 million and $2.5 million in deferred maintenance – a substantial investment in the assets of the University. Quality living conditions for our students remains a priority. In 2011 we will be committing an additional $1 million for window replacement. In 2011 we are recommending an increase of 5.5% in accommodation rates in order to manage our financial commitments and additional land lease charges.

Conference Business

It is our goal to continue growth and promotion of our conference business. A collaborative approach taken by our key stakeholders and the planned hiring of a dedicated conference marketing coordinator is currently underway.

Hospitality Services

McMaster Hospitality Services is committed to providing customers with the “Best Dining Experience” by setting the highest standards of excellence within the industry. Through continuous improvement and development, we strive to offer service and value beyond customer expectations. Hospitality continues to provide a menu that caters to diverse needs. 75% of the menu is now vegan at Bridges Cafe. Hospitality has been recognized for the second year in a row (and three of the last four) as the most vegan-friendly university/college establishment – PETA’s annual contest. Hospitality also supports the Farmer’s Market, a student initiative, in the selling of local fresh fruit and vegetables. Hospitality also ranked second in the *Globe and Mail* student satisfaction survey.

In 2010, Hospitality completed a major renovation/overhaul to the Commons servery and seating area. It was re-branded under the new name Centro. Future renovations will take place in the Wokery/ Celebration Hall and the centralized bakery production kitchen.

In 2011, Hospitality will contribute $970,000 in support of soft student services and for academic priorities. This contribution will increase to $1.2 million which includes the annualized impact of additional rent charges now levied to all ancillaries. There will be an increase of the overhead charge of $10 (from $40 to $50) and increase in the basic portion of the residence meal plans of $100 for the academic year.

Parking and Transit Services

Parking and Transit Services strives to provide the University community and visitors with a safe and well-maintained parking and transit infrastructure. The Department supports McMaster in matters of sustainability; as well, it is responsible for repairs and replacement of sidewalks, curbs and roadways and the promotion of alternate modes of transportation.

The parking automation project was completed in 2008/09 and has had a positive impact on revenues with the introduction of evening and weekend rates and better enforcement. Parking revenues are used to reduce the debt load, as well as providing the financial resources to construct and improve sidewalks and reconstruct campus roadways. We expect the current reserve deficit to be paid off in three years

The Parking Levy remains at $14 per month as per the approved parking garage capital funding payback plan and will remain at this level until the stadium debt is repaid in 2031.

Table 28 (page 1 of 2) Ancillary Fund Detail – Year Ending April 30, 2012

($ thousands)	Campus Health		Bookstore		Telecommunications		Media Production		Parking	
	2010/11 Projection	2011/12 Budget	2010/11 Projection	2011/12 Budget	2010/11 Projection	2011/12 Budget	2010/11 Projection	2011/12 Budget	2010/11 Projection	2011/12 Budget
Revenue										
Sales	527	531	22,084	22,190	0	0	270	295	5,017	5,286
Other Income	1,448	1,452	101	116	1,183	1,305	3,452	3,621	35	35
Total Revenue	**1,975**	**1,983**	**22,184**	**22,306**	**1,183**	**1,305**	**3,722**	**3,916**	**5,052**	**5,321**
Expenses										
Salaries, Wages and Benefits										
Full-time	1,431	1,511	2,771	3,086	687	472	1,864	1,921	370	475
Part-time	46	41	310	291	58	0	215	197	76	51
Wages	0	0	0	0	0	0	0	0	295	414
Benefits	5	6	27	27	10	0	52	52	7	5
Utilities	0	0	0	0	0	0	0	0	2	2
Debt Payment/Finance Charges	0	0	96	95	0	0	4	4	986	986
Other Expenses	375	361	2,449	2,512	131	239	879	792	2,172	1,775
Cost of Goods Sold	0	0	15,636	15,795	0	0	582	578	0	0
Total Expenses	**1,857**	**1,920**	**21,288**	**21,806**	**885**	**711**	**3,595**	**3,544**	**3,907**	**3,707**
Surplus (deficit) in-year	**119**	**64**	**896**	**499**	**297**	**594**	**127**	**372**	**1,145**	**1,613**
Transfers from (to) other funds	**(15)**	**(15)**	**(1,000)**	**(1,450)**	**(456)**	**(217)**	**(76)**	**(264)**	**(680)**	**(738)**
Reserve										
Beginning Balance	603	707	2,569	2,465	316	157	(1,585)	(1,534)	(2,618)	(2,153)
Net change	104	49	(104)	(951)	(159)	377	51	108	465	875
Closing Balance	**707**	**755**	**2,465**	**1,514**	**157**	**535**	**(1,534)**	**(1,426)**	**(2,153)**	**(1,278)**

Table 28 (page 2 of 2) Ancillary Fund Detail – Year Ending April 30, 2012

($ thousands)	CCE		Hospitality		Housing & Conference		Off-Campus Housing		Campus Centre Board/ Elimination	
	2010/11 Projection	2011/12 Budget	2010/11 Projection	2011/12 Budget	2010/11 Projection	2011/12 Budget	2010/11 Projection	2011/12 Budget	2010/11 Projection	2011/12 Budget
Revenue										
Sales	0	0	17,570	17,860	20,764	21,678	0	0	(407)	(451)
Other Income	4,963	4,876	1,750	1,900	229	279	151	141	0	0
Total Revenue	**4,963**	**4,876**	**19,320**	**19,760**	**20,992**	**21,957**	**151**	**141**	**(407)**	**(451)**
Expenses										
Salaries, Wages and Benefits										
Full-time	2,925	3,042	2,279	2,445	2,483	2,854	85	89	0	0
Part-time	157	105	1,005	1,028	1,238	1,159	4	6	0	0
Wages	0	0	5,331	5,185	2,871	2,983	0	0	0	0
Benefits	107	110	91	96	136	127	0	1	0	0
Utilities	0	0	283	0	2,768	2,920	0	0	0	0
Debt Payment/Finance Charges	0	0	180	180	4,861	4,363	0	0	0	0
Other Expenses	1,548	1,466	2,673	2,803	6,190	6,418	39	17	0	0
Cost of Goods Sold	0	0	6,665	6,718	425	451	0	0	(425)	(451)
Total Expenses	**4,737**	**4,723**	**18,507**	**18,456**	**20,971**	**21,274**	**128**	**112**	**(425)**	**(451)**
Surplus (deficit) in-year	**225**	**152**	**812**	**1,304**	**21**	**683**	**23**	**29**	**18**	**0**
Transfers from (to) other funds	**(210)**	**(358)**	**(2,583)**	**(1,527)**	**(535)**	**(1,542)**	**0**	**0**	**(60)**	**(190)**
Reserve										
Beginning Balance	2,260	2,275	2,138	368	2,382	1,868	62	85	130	88
Net change	15	(206)	(1,771)	(223)	(514)	(859)	23	29	(42)	(190)
Closing Balance	**2,275**	**2,069**	**368**	**145**	**1,868**	**1,010**	**85**	**113**	**88**	**(103)**

Appendix E – Research Highlights

The research enterprise at McMaster represents more than 22% of the University's total income. For 2010/11, our direct research funding/research project funding is expected to be $186.6 million compared to the total University income of approximately $843 million. Additionally, indirect overhead income accounts for a further $23.3 million.

McMaster is recognized nationally and internationally for its research excellence and is acknowledged as a world-class institution. Re$earch Infosource Inc. released its 2010 list of Canada's top research universities, and McMaster has again been named one of the country's best. In terms of research intensity – a measure of research income per full-time faculty member – McMaster placed second in Canada. In total, the University averaged $309,400 per faculty member, far above the national average of $167,200. In 2010, Re$earch Infosource Inc. presented a special feature, "Decade in Review – 1999 to 2009," providing an analysis of key metrics over the past decade. McMaster placed first in **Research Income Growth** (339.7% increase compared to the average tier increase of 180.2%) and second in **Research Intensity Growth** (210.1% increase compared to average tier increase of 140.4%) over this ten-year period. In addition, the Shanghai Jiao Tong University's ranking of universities worldwide again names McMaster as one of only four Canadian universities in the Top 100 for 2010.

These are exciting yet competitive times for all research universities in Canada. As of this writing the 2011 federal budget is not yet firm. Our past success in federal funding across a broad range of research foci gives us confidence however that we will be well placed to take advantage of upcoming funding opportunities. McMaster's 2009/10 Federal Tri-Council total funding has surpassed $90 million, reflecting a remarkable growth of approximately 90% over 2002/03. Funding from the major research programs of the federal and provincial governments, combined with additional resources for specific research programs, will result in increased research activity and will create new opportunities for some of our most promising researchers. Tri-Council funding also forms the basis upon which allocations are made to other federal programs, including Canada Research Chairs and Federal Indirect Costs.

McMaster's research enterprise is an integral part of the University and critical to its mission. By investing in strategic and interdisciplinary research priorities, integrating our research with our teaching, and focusing on the betterment of society through knowledge transfer and the commercialization of research, McMaster has the capacity to become one of the world's premier research institutions.

A sound financial budget for this activity is therefore imperative. Developing an estimate of research financial activity enables the University to:

- Improve the forecast of indirect cost of research funding, an important source of funding to the operating budget and the primary source of funding for building and sustaining the University's research infrastructure
- Ensure that plans for investments in research infrastructure are consistent with the University's aspiration to promote and facilitate research excellence and maintain and advance its position as a leading research-intensive institution
- Respond to the need to address increased accountability and tighter regulatory requirements
- Improve integrated cash management

- Highlight areas of potential opportunity or risk to the overall financial plan
- Provide important financial targets and planning parameters against which actual University performance can be compared

At the same time, the plan recognizes that it is impossible to predict specific levels of research activity. The plan is therefore directional, looking at changes in the research funding environment and specific targets and strategies established at McMaster.

Research Funding Landscape

Over the last decade, both the federal and provincial governments have developed innovation platforms and strategies which have resulted in unprecedented investment in university research and development (R&D). McMaster's research and development activities support both governments' priorities with respect to driving economic development through the commercialization and knowledge transfer of university research and expertise.

The federal government's Science and Technology (S&T) strategy, "Mobilizing Science and Technology to Canada's Advantage," fosters three distinct Canadian S&T advantages:

1. an entrepreneurial advantage
2. a knowledge advantage
3. a people advantage

These advantages are supported and guided by four core principles:

1. promoting world-class excellence
2. focusing on priorities
3. encouraging partnerships
4. enhancing accountability

McMaster's historical strength in research has allowed us to take advantage of opportunities afforded through the federal S&T strategy. We have created and are continuing to create an internationally recognized critical mass of research capacity in the areas of biomedical research, energy systems and green technologies, medical isotopes, water research, automotive research, arts and technology, cell biology research, food sciences and health, aging and health, transportation and logistics, public policy and societal initiatives. The following selected examples provide evidence of significant federal funding which will provide infrastructure and/or operating funds to these target areas over the next five to six years:

- McMaster's acknowledged strength in automotive research and information technology saw us uniquely poised to lead an initiative supported by the new federally funded Automotive Partnership Canada (APC) program. APC, of which NSERC is the lead agency, is providing $10.5 million in funding to the Network on Engineering Complex Software Intensive Systems for Automotive Systems.
- McMaster's partnerships with the social planning councils of the Cities of Hamilton, Peel and Toronto as well as the United Way, has resulted in a $1 million award from the SSHRC Community-University Research Alliance (CURA) to investigate Poverty and Employment Precarity in Southern Ontario.

- McMaster's commitment to collaborative research has resulted in an award of $2.5 million in CIHR funding for an Emerging Team Grant to investigate Respiratory Tract Microbiome Dynamics. In addition, CIHR has provided $1.4 million for a Team Grant to support collaborative research with investigators from Finland to investigate neuropsychiatric and mental health outcomes of extremely low birth-weight infants from childhood to adulthood.

There continue to be significant changes within each of the federal funding councils, among the provincial funding agencies, and in our relationships with public and private sector partners. Examples of selected new opportunities for McMaster researchers follow.

At the federal level, SSHRC has recently revised its program architecture to create a more flexible and effective system of application and assessment. The new structure is guided by five core principles, namely, *excellence, simplicity, flexibility, integration*, and *quality of service*. The new architecture will see changes throughout the fall 2011 competition period. We are working with representatives from SSHRC to provide education and training to facilitate our researchers' ability to respond to this opportunity.

NSERC has recently approved target areas where they plan to invest $200 million for the 2011–2015 competitions. These newly identified target areas of Environmental Science & Technologies, Information & Communications Technologies, Manufacturing, and Natural Resources & Energy are well aligned with McMaster's strengths and priorities and provide significant opportunity for McMaster researchers. NSERC continues to value partnerships and provides opportunities for networked research through its Strategic Network program. McMaster works aggressively to optimize these funding opportunities. In addition to the McMaster-led 20:20 Network for the Development of Advanced Ophthalmic Materials and the Photovoltaic Innovation Network, McMaster supported the renewal of SENTINEL – the Bioactive Paper Network – which has received new funding of $7.5 million to support its research mandate through 2015.

NSERC also plans to expand its Collaborative Health Research Projects (CHRP) program, a joint initiative of NSERC and CIHR which continues to benefit the McMaster research community. Cross-disciplinary research which meets the mandate of two funding councils has high potential for significant benefits to society. One example of this is the Canadian Research Data Centre Network, which has been supported by both SSHRC and CIHR who have in partnership awarded $11.5 million in funding to this initiative. McMaster's historic strength in interdisciplinary research sees us uniquely placed to take advantage of similar expanded opportunities.

McMaster has positioned itself to be a prime location where research and teaching excellence intersect to create social and economic value. Recent programs such as NSERC's Collaborative Research and Training Experience (CREATE) program provide new opportunities to train the next generation of research personnel in areas of strategic priority. CREATE funding to McMaster has already facilitated the establishment of training programs in Photovoltaics and Molecular Imaging Probes. Recent awards will now facilitate the development of two additional CREATE initiatives, providing ~$1.6 million to each of two programs – the Biointerfaces Training Program and the Integrated Design of Extracellular Matrices Program.

On the provincial front, the Ministry of Research and Innovation has identified Ontario as well positioned to become a global leader in the water and wastewater sector as it begins to sell its services and technologies around the world. McMaster, also recognizing the importance of water and wastewater, has brought together researchers from the Faculties of Engineering, Science, Health Sciences and Social Sciences to continue to develop research in these areas which are priorities for McMaster. Plans are underway to consolidate water-related research projects into a multidisciplinary research initiative, in partnership with relevant industries and governments.

McMaster continues to develop strong relationships with partners in industry and the public sector. We are developing exciting initiatives which build on our established strengths as well as those which will provide the cornerstone for further investigations in areas of strategic priority. Critical to these plans is the development of McMaster Innovation Park (MIP). MIP will house laboratory, office, teaching and training facilities in support of research and development in a number of wide-ranging key areas. Recent awards from the Canada Foundation for Innovation and the Ministry of Research and Innovation will facilitate research programs located at MIP; these include the Canadian Longitudinal Study on Aging, infrastructure to support Sustainable Archeology and G-ScaleE, a project aimed at determining the impact of scale in gaming on the user experience. In addition, the fall of 2010 saw the official opening of the federal CANMET Materials Technology Laboratory (CANMET-MTL). CANMET-MTL will support McMaster researchers with expertise in nuclear energy and will in fact have facilities dedicated to Generation IV research, a new $6 million grant program designed to develop the next generation of nuclear energy systems. CANMET-MTL will also complement other research initiatives under development at MIP including the McMaster Automotive Resource Centre (MARC). MARC will build upon McMaster's critical mass of automotive research, which has recently been enhanced through the recruitment of Dr. Ali Emadi as the Canada Excellence Research Chair (CERC) in Hybrid Powertrain, the only CERC with a focus on automotive research in Canada. The next decade will bring dramatic changes in hybrid powertrain design and production, triggering unprecedented technology investment by the automotive industry. MIP's vision is to facilitate the transformation of ideas into commercial opportunities. McMaster will continue to promote a culture of knowledge transfer/commercialization and will provide incentives for start-up companies to locate at MIP.

This is a time of significant change within the research funding environment, and while there are opportunities to be realized, there are also challenges. Within Canada, the Gross Expenditures on Research & Development as percentage of Gross Domestic Product (GERD/GDP) has declined from 2.09% in 2001 to 1.95% in 2009, providing challenges for all Canadian institutions. Other countries have however increased funding to research, providing enhanced opportunities for collaboration. While continuing to work with our institutional partners to present the needs of research to the Canadian government, McMaster will pursue increased international collaboration opportunities with EU countries, Brazil, Russia, India, China and Italy.

The Federal Agencies are in transition in response to international reviews, fiscal realities, accountability and impact expectations. Recent initiatives clearly indicate that the Federal Government is moving to emphasizing applied, targeted research. This approach has its benefits but it also has its risks. Evidence of economic, social and innovation impact of, and accountability for, public investments remain key expectations.

NSERC has made significant changes to their review criteria and process; SSHRC has made changes not only to their program architecture but also to their policies regarding eligibility of research. Particularly challenging for research within McMaster is the determination that social science or humanities research that is primarily intended to improve and/or increase knowledge of health or healthcare is no longer eligible for support from SSHRC. These researchers must now find funding through CIHR, which is in its own period of transition as it looks to accommodate these expanded areas of research. Furthermore, CIHR is anticipating further changes to its review process as it considers the establishment of a College of Reviewers. The Research Office for Administration, Development & Support (ROADS) will develop workshops to assist researchers in understanding and navigating this changing funding environment.

Overall, national funding rates tend to be low, and universities are experiencing increased competition from new universities, colleges and other non-university entities. Increased competition from new universities requires ongoing reallocation of Chairs supported through the Canada Research Chairs program. This reallocation of Chairs across the country can result in established institutions losing Chairs over time, a loss which is difficult to accommodate within Departmental budgets. Coupled with these challenges are those experienced through reduced budgets in some private foundations which are suffering due to the economic climate. The Heart and Stroke Foundation and the Mental Health Foundation for example have at this point cancelled some of their funding programs until further notice.

Provincial funding is also in a period of transition as Ministries struggle to deal with budget reductions, some of which have resulted in the cancellation of selected funding programs. The Ministry of Health and Long-term Care has cancelled its new investigator salary award program, resulting in mid-term interruption of career awards. The Ministry of Research and Innovation has discontinued some initiatives while continuing to support important research and commercialization initiatives. Their focus on programs whose outcomes are intended to drive economic growth and job creation requires significant commitment from the private sector. Recognizing the fiscal challenges faced by our private-sector partners, we will continue to forge relationships with industry and to develop industry-friendly practices, allowing us to capitalize on both provincial and federal partnership programs.

Research funding is essential to a research-intensive university and will facilitate the generation of indirect cost (IDC) revenue to help support the research enterprise. Collective efforts by the Vice-Presidents Research of the major research-intensive institutions to increase the federal investment in IDC of research continue in the context of the current fiscal environment. Provincially, the Ministry of Research and Innovation has shown leadership by moving to a 40% indirect cost rate for many of its research programs, while the Ministry of Health and Long-term Care has lowered their IDC rate to 20%. A provincial-wide adoption of the IDC rate continues to be encouraged. Increases in IDC income from research is tied directly to the success of our researchers. Increased IDC revenue will position the University to invest in the research enterprise infrastructure and provide the opportunity to reallocate and reinvest any resulting liberated funds.

A critical component of McMaster's success in research is support from the institution, which enables our researchers to compete successfully for both basic and targeted funding. Institutional investment into infrastructure projects was instrumental in McMaster ranking fifth in the country during the CFI 2009 New Initiatives/Leading Edge Fund competition. This is one example of the impact of institutional support; however such needs are highly varied. In addition to direct support for research, indirect support through the provision of systems, tools and personnel, which allows researchers to optimize their funding and be compliant with funding agency regulations, is also a vital component to success. One example of efficiency is the adoption of a new web-based human research ethics system shared by our hospital partners; this system will result in ease of application by researchers, elimination of duplication, and enhanced monitoring of ethics certification as required by Tri-Council policy.

Appendix F – Major Capital Projects Currently Underway

Knowledge Infrastructure Program

McMaster University is receiving $38.5 million in infrastructure funds from the federal and provincial governments. The investments, part of the government's Knowledge Infrastructure Program, fund upgrades to McMaster's Nuclear Reactor and the Nuclear Research Building along with two new centres in spinal cord research and cancer education and rehabilitation.

The investment in the Nuclear Reactor will fund upgrades to the reactor's infrastructure and provide the training and research facilities for the world's leading nuclear scientists. As Canada's only nuclear reactor outside of Chalk River capable of producing medical isotopes, the funding will be used to upgrade McMaster's physical infrastructure to expand Canada's isotope research and production capacity, to enhance research activities and train personnel for the nuclear industry and healthcare sectors. The funding will also provide for the renovation and upgrades to the Nuclear Research building, to accommodate and support new laboratories, research space and education for new faculty members, researchers and graduate students.

The funding also supports the Centre for Spinal Cord Injury Education, Research and Rehabilitation and the Centre for Cancer Education, Research and Rehabilitation. At these centres students will work alongside world-class scientists tackling neuro-restorative and cancer issues, and will acquire a unique set of skills in patient care and rehabilitation. The multidisciplinary training approach will lead to new prevention strategies and therapies, allowing patients to maximize their health, regain their independence and re-enter the workforce.

Both projects will be complete before fall 2011.

McMaster Automotive Resource Centre (MARC)

Ali Emadi, a leading U.S. developer of electric powertrain technology, has been appointed Canada Excellence Research Chair in Hybrid Powertrain and will relocate to McMaster University. The appointment will see the construction of a new 15,000 square-foot hybrid vehicle research facility at McMaster Innovation Park. Emadi's hybrid vehicle research facility will be part of a new 50,000 square-foot automotive resource centre being planned for McMaster Innovation Park. The Centre is to be located within the current Careport building and bring together private and public sector organizations to develop new technologies such as hybrid engines, batteries and lightweight materials.

Appendix G – Analysis of Investment Income

Investment Income (University Wide)

The financial markets have a significant impact on the ability of the University to earn investment income in these funds. The investment income earned from trust and internally restricted endowment funds provides an important source of funding for key University expenditures, namely scholarships and bursaries and endowed chair sponsorship of faculty positions. Growth in endowed funds serves to further expand and diversify the University revenue base. Most of the investment income earned in the University is generated by these funds; however for further clarity all investment income earned in the University is discussed in this section. As outlined at the front of this document, the assumptions for the investment rates of return are as follows:

Table 29: Investment Rates of Return

	Investment Rates of Return*			
	2008/09 Actual	2009/10 Actual	2010/11 Projected	2011/12 Budget
Long Term Investment Pool	-18.90%	17.10%	9.00%	7.50%
Cash and Short Term Investments	5.00%	3.50%	1.00%	1.00%
* net of investment expenses				

These rates of return translate into the following dollar figures:

Table 30: Total Investment Income/Loss

	Investment Income/Loss ($000s)			
By source	2008/09 Actual	2009/10 Actual	2010/11 Projected	2011/12 Budget
Long Term Pool	-$103,564	$75,934	$47,643	$41,464
Short Term Pool	$8,972	$6,415	$2,149	$2,295
Total	-$94,592	$82,349	$49,792	$43,758

Investment Income (By Fund and as Recognized in the Statement of Operations)

Most of the income earned from investments is allocated to the internal and external endowment as outlined in the chart below.

Table 31: Investment Income Allocated by Fund

	Investment Income/Loss ($000s)			
Allocated to fund	2008/09 Actual	2009/10 Actual	2010/11 Projected	2011/12 Budget
Internal Endowment	-$33,420	$12,175	$5,183	$3,908
Operating Fund	$13,243	$11,467	$9,467	$9,315
All Other- (reserves etc.)	-$9,838	$15,323	$9,236	$6,714
Sub - all except Ext. Endow	-$30,015	$38,965	$23,885	$19,937
External Endowment	-$64,577	$43,384	$25,907	$23,821
Total	-$94,592	$82,349	$49,792	$43,758

And when the investment income is adjusted to reflect the requirements for deferrals and the University's preservation of capital policy, in accordance with generally accepted accounting principles, the net results are as follows:

Table 32: Investment Income Recognized

	Investment Income/Loss ($000s)			
In the GAAP statements	2008/09 Actual	2009/10 Actual	2010/11 Budget	2011/12 Budget
All except ext endowment	-$30,015	$38,965	$23,885	$19,937
Recognized for spending from Ext. Endowment	$15,276	$9,781	$10,289	$16,487
Total	-$14,739	$48,746	$34,174	$36,424

Appendix H –Post-Retirement Benefit Programs

McMaster University maintains post-retirement pension and non-pension benefit programs for most groups of full-time employees. These plans are both defined benefit and defined contribution in nature. Over the past several years the shortfall between the assets and the liabilities in the defined benefit plans have increased significantly, mainly due to investment losses in the 2008 and 2009 economic downturn and low interest rates.

Pension Program Overview

The University offers the following pension plans to its employees:

- Defined Benefit Registered Pension Plans for salaried employees (Salary Plan 2000 and the Original Plan)
  - Salary Pension Plan 2000 is the largest of the University's pension plans and accounts for over 97% of the pension liability
  - Closed to new membership for management (TMG), senior academic and administrative officers (SAAO) and employees of Affiliates
  - Currently still open to new membership for CAW, Unit 1 (Support Staff) on a reduced benefit basis
  - Open to all members of MUFA
- Defined Benefit Registered Pension Plan for hourly employees (Hourly Plan)
  - Closed to new membership for all groups
- A Group RRSP introduced in 2006 for some new employees
  - New Hourly, TMG, MUALA, and SAAO and employees of Affiliates participate in the Group RRSP

Salaried Pension Plan 2000

July 2008 Funding Valuation

The University filed the Salary Pension Plan 2000 valuation as at **July 1, 2008**. This ensures that the next valuation is not required by regulation to be filed until July 1, 2011 and the University has certainty of funding requirements until that date.

The results of the valuation at **July 1, 2008** are:

- Going-concern deficit of $76 million
- Required University special payments of $8.4 million per annum for 2008/09, 2009/10 and 2010/11 to pay off the going-concern deficit (amortized deficit over 15 years)
- No additional solvency deficit funding was required
- University current service cost contributions of 11.28% of pensionable earnings in 2008/09 (207% of employee contributions), increasing to 11.5% in 2009/10 (211% of employee contributions)

2010/11 Funding Plan

The salary pension funding plan approved by the Budget Committee for 2010/11 was:

- The employer contribution that is built into the operating, ancillary and research unit benefit charges for salaried faculty and staff was increased from 240% of the employee contribution to 270% of the employee contribution effective May 1, 2010
- The portion of the deficit payment that is not covered above (estimated at $4.3 million) will be funded from the Excess Health and Dental Reserve. (It should be noted that none of this reserve was required in the year, due to the fact that the amounts collected from Departments were sufficient.)

Investment Management

The normal calculations for the salary pension plan valuation include the assumption that the assets of the plan will earn an average of 6.5% per year after investment management fees. This is a long-term assumption. The short-term results have been very different. Actual investment returns are as follows:

- For the one-year period of July 1, 2007 to June 30, 2008: -3.7%
- For the one-year period of July 1, 2008 to June 30, 2009: -11.5%
- For the one-year period of July 1, 2009 to June 30, 2010: +6.9%
- For the nine-month period of July 1, 2010 to March 31, 2011: +14.2%

The negative investment returns in 2008 and 2009 had a significant negative impact on the funded position of the Salary Pension Plan, which were considered when developing the funding plan for 2011/12 and subsequent years.

The Pension Trust Committee regularly monitors the investment performance of the Salary Pension Fund and posts an investment performance report on the McMaster website for the information of its members on a semi-annual basis. The five-year annualized return at December 31, 2010 of 3.4%, before fees, exceeds the benchmark by 0.5%, but is far short of the 6.5% (after fees) rate required to fund the plan.[5]

The Pension Trust Committee is working with the Finance Committee to complete an asset/liability study designed to identify the asset mix that provides the best balance of risks and return relative to the plan’s objectives and liabilities. The results of the study will be reviewed at a future meeting and will inform changes, if any, to the asset mix of the salaried pension plan. The Pension Trust Committee continues to monitor the performance of the investment managers.

[5] Note that the time-weighted performance numbers used by the Pension Trust Committee to compare the fund performance to the policy benchmark differs substantially from the smoothing methodology used to calculate the going-concern asset value in the actuarial valuation report.

Plan Design Changes and Employee Contribution Increases

The University has made significant progress to reduce the long-term financial impact of the pension obligation through the collective bargaining process for unionized employees. In the recently completed Joint Committee Agreement between MUFA and the University, employee pension contributions will increase effective July 2, 2011 and July 1, 2012. The goal is to reduce the cost, volatility and uncertainty of the pension plan obligations.

Projected July 1, 2010 Funded Ratio

Mercer has once again estimated the financial position of the plan projected to July 1, 2010 using the same methodology and assumptions as contained in the July 1, 2008 valuation report.

While the University is not required to file a funding valuation report for the 2009/10 plan year, the sizable going-concern and solvency deficits are not expected to be significantly smaller at July 1, 2011, and the recommendation below takes that into consideration along with the impact of the expected University Solvency Relief Plan.

Ontario Pension Funding Relief

The 2009 Ontario Budget confirmed the December 2008 government announcement of temporary solvency funding relief to pension plans affected by the financial-market turmoil. Amendments to the Pension Benefits Act (PBA) will be introduced to provide for regulations to effect the relief retroactive to scheduled filing dates after September 30, 2008. Proposed funding relief provisions include:

- Extension of the amortization period for new solvency deficits from five years to ten years provided sufficient member consent (defined as greater than two thirds agreement) is obtained
- Deferral of deficit payments for one year from the valuation date
- Allow up to ten years of going-concern deficit payments to be taken into account in determining net solvency deficiency
- Allow early adoption of new Canadian Institute of Actuaries (CIA) Commuted Value Standard
- Allow institutional investors in the public sector, such as universities, to use the Ontario Teachers' Pension Plan to invest their funds and administer pensions for a fee

Subsequently, in the 2010 provincial budget, the government announced additional temporary solvency funding relief measures for universities. To be eligible for such additional temporary relief, universities are expected to take measures to make plans more sustainable over time. Application for solvency relief is a two-stage process, the first stage being calculation of a savings target based on an up-to-date valuation and the submission of a plan to achieve those savings. During the three years of Stage One, only minimum deficit payments are required to be made. Upon successful implementation of the plan, a further ten-year period of relief is made available, and solvency payments are spread over this period.

We will submit our application for the salaried plan once the application window for plans with 2011 valuation dates is opened.

Hourly Pension Plan

The University sponsors a defined benefit pension plan that provides benefits to approximately 340 retirees and deferred members and covers approximately 300 active hourly rated employees. While not as large as the salaried pension plan, this plan has experienced the same negative consequence of volatile equity markets and low interest rates. Employer contributions to cover the current service cost and deficit payments are currently at 390% of employee contributions and are expected to increase significantly. The use of some solvency relief measures will form part of the funding strategy for the Hourly Pension Plan. On March 23, 2011 the University applied for Stage 1 Solvency relief for this plan. The University expects to qualify for Solvency Relief. Human Resources has negotiated the closure of this plan to new hires. New hires in the union groups that were covered by the plan are now eligible for a group RRSP plan whereby the University matches employee contributions to their account.

Funding of Salaried Pension Plan

- Operating, ancillary and research unit benefit charges for salaried faculty and staff are set at:
  - 280% of the employee contribution in 2011/12
  - 290% of the employee contribution in 2012/13
  - 300% of the employee contribution in 2013/14
- Based on the July 1, 2011, valuation and our application for solvency exemption, budget envelope charges will be reviewed.

Non-Pension Employee Future Benefits

McMaster offers defined benefit plans that provide non-pension retirement benefits including extended health, dental and life insurance for substantially all of its full-time employees. Plan design changes intended to reduce the size of the liability have been made over the past few years:

- New TMG and SAAO employees with a start date after June 16, 2006 are excluded from non-pension post-retirement benefit plans
- New CAW (Unit 1) staff hired after October 1, 2009 will participate in non-pension post-retirement benefits subject to a co-pay program
- New positions created in SEIU (Hospitality) and SEIU (Operations and Maintenance) are excluded from non-pension post-retirement benefits

- New SEIU (Hospitality, Operations and Maintenance, and Machinists) require a minimum of ten years of employment to be eligible
- New IUOE and CAW, Unit 3 (Parking) hired after March 1, 2010 and March 16, 2010 respectively will participate in non-pension post-retirement benefits subject to a co-pay program
- MUFA members retiring on or after July 1, 2012 will contribute towards their post-retirement benefits through a new co-pay program.

The University continues to fund these future non-pension benefits from its operating and research budgets on a cash basis and has budgeted $6.7 million for 2011/12.

Before building in the additional co pay contributions, the present value of the benefits earned in the year by active employees is $10 million plus the associated interest of approximately $10 million, for a total exceeding approximately $20 million. The shortfall between the unfunded accrued value of the benefits earned ($20 million) and the cash cost of the benefits paid to retirees ($6.7 million) has built an unfunded accrued benefit obligation for the University. The University's actuaries measured this unfunded accrued benefit obligation at $215 million as of April 30, 2010, making it the third highest obligation of its kind amongst Ontario Universities and the second largest when measured as a percentage of expenditures.

The University will continue its multi-pronged strategy to manage this liability:

- Plan design changes and co-payment strategies as noted above.
- Continuation of a charge to operating and research units equivalent to 0.75% of pay to begin create a funding reserve (was 0.5% last year)
- Incorporating the accrued cost of non-pension post-retirement benefits into the consolidated budget prepared on an accrued basis