



McMASTER UNIVERSITY

2014/15

CONSOLIDATED BUDGET

Approved by the Board of Governors

June 5, 2014

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EXECUTIVE SUMMARY

The new budget model has allowed for the creation of a University Fund to support new strategic initiatives and fund key unfunded priorities. In the early years of this fund it will also be used to hold some faculties harmless at 2013/14 budget levels where budget reductions due to the change in allocation methodology would have otherwise occurred. In addition, a Research Infrastructure Fund has been created and fully allocated based on faculties' indirect cost funding, to provide additional support and incentive for conducting research. This budget model is being introduced at a time of significant change at the University including the introduction of the Province's Strategic Mandate Agreements (SMA) and the implementation of Mosaic (the University's new enterprise-wide system). While it is not fully clear what scope the SMA will have on future funding, it is anticipated to affect new program approvals. Further, McMaster is in the midst of its multi-year Mosaic implementation that aims to replace siloed transactional support systems. The largest implementation piece is the student module with a 2015 go-live date; after which the University will place its focus on business intelligence reporting tools made possible by Mosaic's integrated Finance, Research, Human Resource and Student modules.

Included in the operating fund budget are additional costs related to pension and non-pension post-retirement benefits associated with the trust and research funds. In 2014/15, operating department accounts and all research and trust project accounts will incur benefit costs averaging 30% of salary. The difference between this average rate and actual costs in these two funds will be borne by the operating fund out of a newly funded pension envelope, established through a budget adjustment to operating department accounts based on 2012/13 data. A review of the pension and non-pension allocation approach is planned for 2014/15 to determine a final approach for those funds, whereas the ancillary fund will continue to be charged the full costs associated with pension (current and past service costs) and non-pension expenses.

The operating fund budget deficit for 14/15 of \$32.8 million includes one-time spending of \$33.5 million, and is therefore balanced on a structural basis with a small ongoing surplus of \$.7 million. The consolidated budget for 2014/15 reflects a \$5.1 million surplus on an accrual basis. The consolidated budget includes the operating results of the ancillary units, the research fund, the capital fund, and the trust fund. Capital plans include new investments in a research facility Fraunhofer (IZI), the Downtown Centre relocation, and the initiation of a living-learning centre planned to provide 400 additional beds by September 2018. The capital plans involve additional financing affecting budget years 2015/16 and beyond, the costs of which have been factored into the budget for subsequent years.

The 2013/14 operating fund in-year deficit is projected to be \$10.2 million on a cash basis (compared to a budgeted deficit of \$26.2 million). The in-year deficit, similar to the prior year, includes one-time and non-recurring expenditures of \$24.6 million, and in the absence of these expenditures the operating fund is structurally balanced. The operating fund revenue incorporates the 3% undergraduate tuition framework cap, the provincial policy lever funding reductions, the international student recovery, and a reduction in the municipal tax grant. The operating fund expenditures include normal salary inflation and step increases tied to collective bargaining agreements, increased commitments to the pension and post-retirement plans and other strategic investments planned by faculties and departments. Strategic investments include both infrastructure upgrades and program developments aligned to McMaster's Strategic Mandate Agreement with the Province. Overall, the operating fund represents 58% of McMaster's consolidated budget (55% in 2013/14). On the accrual basis, the surplus is projected at \$42.8 million, vs. last year's actual of \$60.7 million. Once again the main reason for the surplus is higher than expected investment returns (14% vs 7.5%).

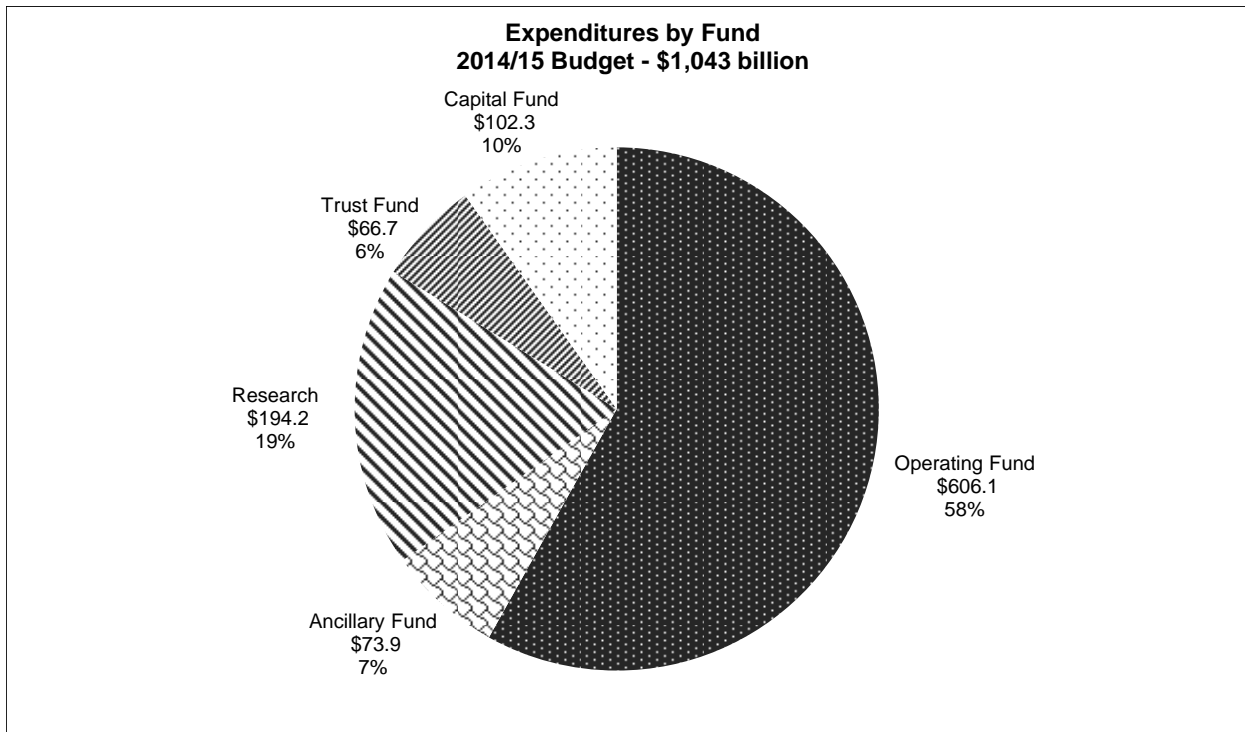
The operating fund includes over \$7 million in annual funding from ancillary operations. Ancillary units include core central support operations for the University, and cover their full cost of operations in addition to the operating fund contribution. The utilization of these ancillary units is essential to achieve economies of scale which produces savings which are then passed onto departments.

INTRODUCTION

This document includes projections for 2013/14, the budget for 2014/15, and high-level plans for 2015/16 and 2016/17. The budget represents concerted efforts across the University.

Accountability for the effective management of the budget is delegated by 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 two thirds of the annual expenditures, and recommends the annual budget to the President.

Figure 1: Expenditures by Fund – Year Ended April 30, 2015



The Budget Committee has been guided in its budget decisions by McMaster’s strategic priorities aligned with *Forward with Integrity* as a research-focused student-centred university invested in developing a distinct experiential undergraduate experience educating for capability; enhancing the way we see and build connections between McMaster and the community; and supporting continuing excellence in research that informs and integrates with a reconceived educational mission, while incorporating internationalization as an integrated part of these three priorities.

While the focus of this document will be on the operating fund, activities in the other funds impact choices available in the operating fund. The budgets for each of the other funds are consolidated in this document. In addition, the consolidated Statement of Operations on a full accrual basis¹, Balance Sheet

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

and Statement of Cash Flows have been included. The objective of the Consolidated Budget is to ensure greater transparency and promote improved understanding of University finances. From this report, it should be possible for readers to see the details of the operating fund and how it integrates within the Consolidated Budget, thereby getting a clearer picture of the University's overall financial health.

CONTEXT

Technology is driving transformation both in the way students learn and the way education is delivered, which requires increased investment to reconfigure existing learning spaces while also rethinking experiential-based pedagogy. Although it is recognized that new investments in space and learning is necessary, the Province will employ funding reduction strategies to address its fiscal constraints in the short term. Highlighted below are the most significant factors that affect the University budgeting process.

Strategic Mandate Agreements

During the budget planning process the Ministry of Training, Colleges and Universities (MTCU) launched its process to establish Strategic Mandate Agreements (SMA) in order to assist government in playing a more active role in system-level planning. The objective of the SMAs is first, to promote increasing differentiation across the Ontario postsecondary system requiring distinctive strengths and aspirations of universities to be identified. Secondly, to advance and inform discussion about how Ontario productivity can increase while continuing to grow quality education within the existing financial constraints of the public sector. Finally, to elicit thinking about innovations and reforms that support higher quality education and transform Ontario's public postsecondary system. McMaster has recently signed its SMA with MTCU outlining its areas of strengths and growth. The full implication of the SMA on future funding is not yet known. It remains unclear how far the SMA will go to affect funding decisions beyond new program approvals.

Provincial Financial Health

The provincial deficit and any further funding reductions affect the University's financial flexibility and ability to grow and maintain its infrastructure, which is over capacity and in need of investments toward existing deferred maintenance. Although the Province has recently announced a phased increase to its facilities renewal funding across the system beginning in 2015/16 and 2016/17 to \$40 million annually and growing the annual commitment to \$100 million by 2019/20 and Capacity Expansion Program funding; these investments are minor in comparison to the over \$1 billion in deferred maintenance across Ontario and existing capacity issues. Of course, the recently announced provincial election also risks the outcome of these two funding programs. Further, the province's debt rating will be updated in 2014, which could result in a credit rating downgrade that could affect all Ontario universities' rating and cost of borrowing since the province is the key funding agency for the sector.

Tuition Framework Set by the Provincial Government

The University has limited fee-setting autonomy and may only increase regulated tuition within the provincial government's framework. McMaster's policy is to apply the capped tuition fee increases within the regulations in order to support the quality of education our students receive. The increases in international student fees that began in 2012/13 will continue and be monitored relative to our key peers². No additional increases to offset the grant reduction for international students are included in

² Key peers include members of the G6, a group of leading research-intensive universities in Ontario. The G6 universities are McMaster University, University of Ottawa, Queen's University, University of Toronto, University of Waterloo, and the University of Western Ontario.

the 2014/15 budget.

Budget assumptions include:

- Domestic tuition rate increase will match that allowed by the framework (see **Table 1**). International rates are assumed to increase by 6% per year.
- Enrolment will change by less than 1% each year, with slight increases in domestic FTEs offset by slight declines in international FTEs.
- The undergraduate enrolment projection model uses the Enrolment Management Team's (EMT) level 1 intake targets to project each Faculty's level 1 intake year-by-year. Since EMT targets are set for 2 years in advance, IRA holds the EMT's second year target for three years and beyond.
- To project movement between levels 2 and above, within each faculty and between faculties, the projection applies a flow through methodology that incorporates each Faculty's mean retention rates over the past 3 years.
- For both undergraduate and graduate enrolment projection models actual enrolment data at the student level are used to simulate the projections. The projection data includes FFTEs, headcount and BIU counts by faculty, level, registration status, immigration status, and fee category.
- This budget and future plans incorporate specifically funded and modest targeted growth. Tuition growth revenue is in the budget allocation framework for 2014/15 and is distributed to individual envelopes according to the new budget model.

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

McMaster University maintains pension and non-pension post-retirement (extended health and dental) benefit programs for most groups of full-time employees. Both defined benefit (DB) pension and group RRSP plans exist. Most employees are members of the DB pension plan. Funding the DB pension plans continues to be challenging. The low interest rate environment and the actuarial accounting measurement methodology that requires a discount predominantly based upon 10-year Canadian bond rates (which does not match the long-term nature of the liability; nor does it match or reflect the long-term rate of return on the pension assets) has exaggerated the funding deficiency. Both the hourly and salaried pension DB plans have significant funding deficits resulting in required special payments to the plans. The University has applied for and received Stage II Solvency Relief for the Hourly Pension Plan, and will apply for Stage II Solvency Relief for the Salaried Plans in 2014/15. The temporary relief program significantly reduces the pressure to fund the pension plan deficits in the short term. It does not relieve the University of funding going-concern deficits or of resolving the solvency deficiency. As of July 1, 2011, the salaried pension plan funding shortfall was estimated at approximately \$182 million on a going-concern basis³. The solvency shortfall at that date was \$267 million. The next salaried pension plan valuation is required as of July 1, 2014 and it is expected that the solvency deficit will increase. The pension plan deficiencies will require the University to make substantial contributions into the plan over the next several years.

Non-pension post-retirement programs (such as extended health and dental benefits) also have an

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

unfunded deficit. As of April 2013, the present value of the expected future cost of non-pension post-retirement obligations was estimated at \$225 million (\$219.5 million in April 2012.)

To help address underfunding in both the pension and non-pension plans, changes in plan design and increases to both employee contributions and employer-related departmental charges were implemented and will continue in subsequent years. Each budget envelope is required to absorb these cost increases, which is often accomplished through reductions in other budget lines. In turn, given that 70% of the operating budget represents human resource costs, staff reductions have proved unavoidable in many areas. Further detail on Post-Retirement Benefit Programs is included in **Appendix D**.

Uncertainty in Financial Markets

Financial markets have a significant impact on McMaster’s financial position through the investment returns on pension plans and both 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%). Annual net returns have been volatile over short periods of time (reflected in the chart below):

Fiscal	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14*
Rate of Return	-18.9%	17.5%	11.5%	0%	10.1%	14.0%

**projected rate of return in the investment pool*

The University’s goal for its endowment funds’ annual rate of return is 7.5%; this reflects our long-term average return objective. Budgeted investment income for 2014/15, and each year thereafter, is based on a net 6.5% return. The fluctuating investment returns affect the University’s ability to make long-term outlook-based spending allocations for strategic priorities. The positive investment trend for 2012/13 and 2013/14 allow financial flexibility to deal with pension and non-pension funding needs. Short-term rates of return are expected to remain low in 2014/15.

Cost Pressures

McMaster faces significant cost pressures, which force difficult choices in order to continue to invest in the research-focused student-centered mission. Present and future challenges to operating performance include:

- Inflationary pressures of over \$15 million per year. Salary and particularly benefit contribution costs continue to rise. Demand for highly qualified faculty, staff and researchers, nationally and internationally, is expected to continue, requiring McMaster to compete for talent and resulting in pressure on the University’s financial position. Other major cost pressures where there is less control include: utilities, additive operating costs related to new buildings, legal costs and copyright fees.
- The costs of maintaining current space to appropriate standards. The University continues to fall behind on deferred maintenance, which now totals approximately \$295 million (as measured by a full 2012 building audit). A significant base funding increase was approved in 2013/14 with additional annual base increases of \$2 million per year until annual operating

based funding reaches \$10.2 million. The recent provincial facilities renewal funding will further improve upon this if an election does not change this funding commitment.

- The need for increased capacity with increasing enrolment. Space constraints are beginning to impact both admission targets and commitments to research.
- 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 is budgeted.
- A need to overhaul the McMaster's information technology infrastructure through the Mosaic project. The costs associated with systems renewal are significant and involve a 10-year funding plan.

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 costs⁴. Indirect costs of research are significantly higher than the overhead funding received. Overhead funding represents only about 11% of total research spending.

In addition to supporting the indirect costs of research, matching contributions to the direct costs are a requirement 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 funds to pay for the full cost of research. As a highly research-intensive University, this financial requirement is a significant pressure.

Long Term Balance Sheet Challenges and Credit Rating

The 2013 updated credit rating reports have resulted in unchanged credit ratings. S&P remains at AA- (stable), and DBRS remains at AA (low) - stable. Although the financial health of the University has improved over the past three years, the ratings have remained unchanged. This is due in part to our continuing pension and non-pension cost pressures, as well as to the credit downgrading of the Province, which provides 42% of the University's operating budget. The provincial credit rating in 2014 may impact universities across Ontario if it is further downgraded.

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 people. This document, as a consolidated budget, reflects decisions made at every level. This process results in a picture of the financial vitality of the institution and its relationship to the wellbeing of its constituent components.

New Budget Model Implementation

Since 2007/08, work on designing a new budget model to replace the incremental method of sharing revenue has been underway. Budget Model Task Force I established a set of principles that would serve as the framework for the examination of any new budget model. These principles state that a budget must:

- Promote transparency, trust and engagement
- Assure financial responsibility, accountability and fairness
- Advance the efficient use of physical and human resources
- Have predictability and stability
- Enable innovation, creativity and change
- Assign fiscal and academic responsibility to the appropriate levels
- Build the student learning experience both inside and outside the classroom
- Enable rapid response to opportunities
- Ensure the sustainability of areas of existing and emerging excellence in keeping with academic priorities

Additional guidelines adopted by Budget Model Task Force II and based upon additional feedback are:

- Support and enhance the academic mission (research and teaching)
- Avoid the creation of “silos” and promote inter-Faculty / departmental cooperation
- Keep things simple, not too many variables
- Utilize the concept of “materiality” – spend time on large items, set a limit under which the item will not form part of the components of a budget model
- Be simple to administer
- New buildings (built after 2012) will be metered and will pay actual utility costs in order to promote LEED compliance
- A research infrastructure fund (RIF) will be established to promote the support of research at McMaster University

President Deane approved the implementation of the new budget model for the 2014/15 fiscal year. The final shadow year of the old model in the 2013/14 budget represents the “hold harmless” level, or guaranteed minimum allocation, for Faculties during the transition period, as well as the baseline for allocations to support units. With this in mind, the Budget Committee made funding recommendations in 2013/14 to ensure that strategic priorities are incorporated into base allocations, or hold harmless levels for the 2014/15 new budget model implementation. Base levels are preserved through the use of the University Fund by allocating more than \$16.2 million to faculties in the 2014/2015 budget.

The University Fund (UF) is for strategic needs, which will include operating, research and capital items consistent with the University’s mission. The UF contribution is calculated as a percentage of

total attributed revenue from operating grant, tuition fee, investment income and other income. The current percentage applied to the UF is 8% resulting in \$42.1 million being allocated to the fund in 2014/2015, as shown in the chart below. The fund is governed by the Provost consulting with President, Vice-Presidents, and Deans (PVPD) to ensure that it supports academic priorities and needs.

(\$ thousands)	13/14 Projection	14/15 Budget	15/16 Plan	16/17 Plan
Contribution by Faculties	-	36,959	37,825	38,635
Other Income	-	5,103	5,209	5,209
Ancillaries Contribution	-	2,987	3,093	3,093
Divinity College Overhead	-	53	53	53
Reading Exam Papers	-	1	1	1
ATM Rental Income	-	48	48	48
Interest on Tuition/Residence accounts	-	2,000	2,000	2,000
Rental/Lease Income	-	14	14	14
Total funding for the University Fund	-	42,062	43,034	43,844

Principles Used in Generating the Budget

In “*Forward with Integrity: A Letter to the McMaster Community*,” dated September 21, 2011, President and Vice-Chancellor Patrick Deane identified principles to guide the realization of the University’s goals in the coming decade:

1. McMaster is an institution devoted to the cultivation of human potential, which cannot be realized by individuals in isolation from one another; its programs and activities will reflect this comprehensive view.
2. The University will adopt a multidisciplinary perspective, recognizing that even the most specialized problem requires an appropriately broad-based approach.
3. McMaster’s future shall be continuous and consistent with its past, expanding upon and fulfilling the historic character and distinct identity of the University as an institution while at the same time continuing to recognize the importance of collaboration and dialogue with sister institutions in Ontario, Canada, and abroad.
4. McMaster will place the highest value on original thought and innovation.
5. The University will not only reaffirm the importance of radical questioning at the heart of the academic enterprise, but will ensure the integrity of its work by bringing a critical view to all of its practices – those which bear directly upon education and research, as well as those less directly related to it.
6. Wherever possible, the University will reduce or eliminate obstacles to cooperation.
7. Members of the McMaster community will acknowledge, and seek to integrate in all their work and in ways appropriate to their specific fields, an obligation to serve the greater good of their community – locally, nationally and globally.

The President and Vice-Chancellor identified three strategic priorities for the next decade, identified as well in the University’s Strategic Mandate Agreement with the Ministry of Training, Colleges and Universities:

1. Strengthening the excellence of our research and our graduate education and training, while seeking opportunities to integrate research more purposefully into our academic mission;

2. Developing a distinctive, personalized, engaging and sustainable student experience; and
3. Enhancing the connections between McMaster and the communities we serve, locally, provincially, nationally and around the globe.

In the aggregate, these priorities comprise an urgent imperative which frames the University's future and the future of each of its constituent parts, and informs the 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, resulting in some uncertainty. As outlined above, there is significant uncertainty about our annual operating revenue. Operating fund revenues come from three primary sources: tuition, base funding by the Province, and provincial accessibility funding. Tuition rate increases are capped by the province covering the budget period however enrolment growth is targeted (or estimated) but not known precisely. Base funding in the budget has been reduced for the provincial policy levers, however further provincial funding changes may occur due to an election in 2014. Accessibility funding can be variable and has typically been confirmed quite late in the fiscal year. Overall, the above factors introduce significant uncertainty into the budgeting process. These unforeseen incremental revenue sources, while welcome when positive, create confusion and lead to disbelief in the budgetary process.

As one means of dealing with uncertainty, slip-year funding for academic envelopes was introduced in the 2010/11 budget year and is reflected up to the 13/14 budget. In a period of increasing revenues this has meant a delay in allocation of much-needed funding, to the detriment of the academic mission. The need for the funding outweighs the risk of variability, and is it decided make use of less conservative estimates with the introduction of the new budget model in 2014/15.

Conservative Budgeting

McMaster uses a conservative approach to producing its budgets. In this budget, the conservative approach has been less rigorously applied to revenues than in the past. Revenue growth that is supported by reasonable plans has been included. In addition to tuition rate increase assumptions, enrolment growth based on planned targets and expected admissions has been factored into tuition and grant revenue.

In recent years and in response to historical trends, vacancy allowances have been included at a consolidated level to offset the tendency of budgeting for a full complement of personnel to overstate compensation expense. For the 2014/15 budget, individual envelope managers have estimated vacancies in their own envelopes. Although no vacancy allowances have been factored into the budget at a consolidated level, an expenditure allowance has been budgeted.

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 2014/15, the Budget Committee set support envelope allocations unchanged over current 2013/14 levels, except for an increase to support envelope allocations to provide some funding to assist with annual salary and benefit increases.

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, identifying:

- Strategic objectives and their relationship to *Forward with Integrity* and the *Emerging Landscape*
- Cost pressures, 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, recommending some for funding. 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

What is known at the beginning and the end of the budgeting process often varies substantially. As the budget cycle progressed, more reliable information became available. **Table 1** summarizes assumptions at the beginning and end of the 2014/15 budget process. Additional revenue received in 2013/14 will be allocated to faculties during the 2014/15 fiscal year. For fiscal years subsequent to 2013/14, high-level projections were made by the departments and faculties. Should these projections prove too optimistic, additional spending cuts and/or reallocations will be required.

Table 1: 2014/15 Budget Assumptions

Key Assumptions	2014/15 Budget Guidelines Fall 2013	2014/15 Final Budget April 2014	2015/16 and 2016/17 Plans April 2014
Enrolment	- Undergraduate increase 1.2% in 2014/15, flat 2015/16, flat 2016/17 - Graduate to increase by 3% annually through 2016/17	- Undergraduate increase 1.2% in 2014/15, flat 2015/16, flat 2016/17 - Graduate to increase by 3% annually through 2016/17	- Undergraduate 0.6% decrease in 2015/16, 0.3% decrease in 2016/17 - Graduate 3.0% increase in 2015/16, 2.9% increase in 2016/17
Operating grants	- Undergraduate Accessibility grant BIU rate further reduced by 0.72% in 2014/15 to \$5,364.12. - Graduate Expansion grant further reduced by 0.96% per FTE in 2014/15 Graduate Expansion Grant (Funding Rates): Masters (Including Dip/Cert.) - \$13798.21 ;PhD - \$26,626.32 - Second Entry Nursing Grant (Grant per FFTE Enrolment) \$8,366.10 - Basic Operating grant further reduced by 0.94% for policy levers in 2014/15	- Undergraduate Accessibility grant BIU rate further reduced by 0.72% in 2014/15 to \$5,364.12. - Graduate Expansion grant further reduced by 0.96% per FTE in 2014/15 Graduate Expansion Grant (Funding Rates): Masters (Including Dip/Cert.) - \$13798.21 ;PhD - \$26,626.32 - Second Entry Nursing Grant (Grant per FFTE Enrolment) \$8,366.10 - Basic Operating grant further reduced by 0.94% for policy levers in 2014/15	- BIU - Rate of \$ 5,364.12 continues from 2015/16 to 2016/17 - Graduate Expansion Grant (Funding Rates): Masters (Including Dip/Cert.) - \$13798.21 ;PhD - \$26,626.32 - Second Entry Nursing Grant (Grant per FFTE Enrolment) - \$8,366.10 - Basic Operating grant on same level as for 2014/15
Tuition revenues	Domestic rate increases: - 3% Arts & Science undergraduate or other - 5% Professional undergraduate or any Graduate starting in or after 2013/14 - 4% Professional undergraduate or any Graduate enrolled in 2012/13 - 3% overall cap International rate increase 6%		
Other revenues	Transition ancillary contributions to a uniform 4.5% of sales	Transition ancillary contributions to a uniform 4.5% of sales	
Rate of return on long-term investments	6.5%	6.5%	
Rate of return on short-term investments	1.0%	1.0%	
Compensation increases	- 2% increase for all employee groups on expiration of current collective agreements - step and CPM increases included in budgets	- MUFA 1% + \$1,250 ATB in 2014/15, 1.5% + \$1,850 ATB in 2015/16, 1.5% + \$1,925 ATB in 2016/17 - 2% increase for all other employee groups on expiration of current collective agreements - step increases included in budgets	
Employee benefits	Pension solvency relief, post-retirement benefits provision and WSIB NEER surcharge increases included	Pension solvency relief, post-retirement benefits provision and WSIB NEER surcharge increase included PDA increased per MUFA agreement	
Reductions in staffing	None	Critical vacancies to be filled	FTE reductions planned to balance budgets

ACTIONS TAKEN TO ACHIEVE BALANCED OPERATING BUDGETS

At the direction of the Board of Governors, the University is required to present a structurally balanced budget. The 2014/15 budget reflects action taken in five main areas:

1. Revenue Generation

University-wide strategies to increase the revenue base include but are not limited to:

- Introducing and expanding programs, including but not restricted to Executive Education; Family Medicine Residency; Master of Health Sciences in Education; Bachelor in Justice, Political Philosophy and Law; Bachelor of Professional Communication; joint initiatives with Mohawk College; and co-op and interdisciplinary programs.
- Increasing tuition (rate) to the extent allowed within tuition framework along with targeted growth, generating \$13.3 million in additional funding for 2014/15.
- Increasing recruitment of international students through the development of an ESL-based bridging program and tapping into external sources of support of scholarships.
- Improving student retention through strategies to improve student success as well as early warning systems to identify students at risk.
- Enabling additional growth through off-campus expansion, self-directed learning, and extension of lab times.
- Developing and maintaining strong government relations and pursuing grants to offset special student initiatives.
- Optimizing ancillary price structure to drive sales and maximize revenue while remaining competitive.

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 support unit envelopes were suspended for non-academic envelopes in 2007/08. This suspension has continued in the new budget model. In the new budget model all revenues are distributed to the Faculties and the Faculties pay for support services based on their activity and cost allocation drivers. Support units receive some salary and benefit inflation, but are otherwise held flat.

All ancillary operations, such as graphic design services, printing, campus stores, housing, conferencing, continuing education, parking and hospitality, must cover all direct costs incurred while earning revenue, while also paying market rate rent and a funding contribution to the operating fund budget (approximating \$7 million per year) to the University Fund and Student Affairs. In addition, ancillary operations must offer goods and services at competitive rates offering value to faculty, students and staff.

3. Budget Freezing or Reducing Envelope Allocations

In 2007/08, all envelopes received a base budget allocation reduction of 1%. Since then, increases have been limited to special funding for strategic priorities, all budget envelopes have needed to absorb inflationary costs. This has required actions such as:

-
- Where possible, delaying, reducing or eliminating expenditures (e.g., vacancies, lab renewal, equipment replacement, research support, memberships)
 - Streamlining programs and optimizing class sizes to reduce teaching costs from sessional faculty and teaching assistants
 - Identification of critical positions and ideal staffing levels, utilizing attrition to achieve them
 - Reviewing and simplifying significant administrative processes and implementing best practices
 - Increasing electronic communications, allowing reduction of printing and mailing
 - Targeting expenditures to areas of greatest priority, such as the strategic investment in the University's system renewal project funded by the operating fund over 10 years.
 - Closing and rationalizing facilities
 - Implementing cost recovery, reducing services or introducing fees for new services

While some of these measures allow for balanced budgets in the short term, they do not always contribute significantly to long-term financial viability. In 2013/14, the provincial grant policy levers as well as the international student recovery totaling \$2.5 million were distributed as a reduction across all envelopes at the same time as the slip-year allocations. The municipal tax grant reduction has been applied to the general university envelope where the grant and expense have typically been recorded.

Under the new budget model Faculties will now receive funding according to activity, such as enrolment and cross-faculty teaching, and at minimum be held harmless at 2013/14 base budget levels. While this has improved the integrity and transparency of budget decisions, some Faculties remain under significant budgetary pressure.

4. Addressing Specific Challenges through Strategic Investments

The Budget Committee manages unallocated funds tightly and makes allocation recommendations based on strategic (e.g., "*Forward with Integrity*" initiatives) or unavoidable (e.g., deferred maintenance) priorities. Key investments in 2014/15, made possible by the University Fund include:

- Multi-year allocations to build a base level of funding to address the backlog of deferred maintenance
- *Forward with Integrity* initiatives
- Strategic space expansion for research and technology development
- Additional library information resources
- Funding to reduce the liability for post-retirement benefits

5. Strategic Labour Negotiations

Employee costs account for 70% 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 into the operating budget has taken effect. For some years, McMaster has been pursuing 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 partner employee groups have responded productively to bring significant change leading to better

financial outcomes. Key successes have included changes to pension benefits and post-retirement benefits, including employee contribution increases.

Envelope Highlights

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

The Faculty has made significant gains in growing revenue and enhancing its reputation consistent with the University's strategic direction. New programs, exploring program delivery changes that include greater experiential learning and enhancing the student experience are all priorities for the 2014/15 year. Relationships and reputation with the business community have also been strengthened through the appointment of Sherry Cooper as TMX Industry Professor and Gordon Pitt as DeGroot's writer in residence along with the @DeGroot seminar series held in downtown Toronto.

The Faculty has taken significant action to contain controllable costs in 2013/14 and the policy changes will continue to support the financial sustainability of the faculty. Equal emphasis on revenue generation and cost containment will continue to be the strategic approach of the Faculty. The Faculty's projected budget surplus in 2014/15 signals the financial turnaround of the Faculty. Increasing surpluses shown in 2015/16 and 2016/17 are seen as achievable.

Faculty of Engineering

Engineering's strategic directions to improve learning and the student experience, improve efficiencies and enhance morale, and improve the impact of discovery and learning, are all well aligned with the objectives of *Forward With Integrity*. Further, experiential learning continues to be a high priority within the Faculty.

The Faculty of Engineering will end the current fiscal year with a significant projected surplus, primarily due to a large increase in enrolment both in first year Engineering and our Bachelor of Technology program. However, 2014/2015 will involve one time strategic investments and the recruitment of both new and unfilled positions, thus resulting in a balanced budget. On a go forward basis the Faculty will move toward an operating deficit unless revenue increases above current projections linked to enrolment. In the absence of enrolment increases adjustments will be made to position plans to balance the budget. The Faculty is completing a growth phase in terms its faculty complement and is currently at or near capacity for both research and education space. Enrolment growth is expected in 2014/15, beyond that funding growth would need to be supported by an increase in tuition and grant revenue or through endowed chairs or other external funds.

Faculty of Health Sciences

In a time of fiscal challenges, the Faculty of Health Sciences continues to sustain success by absorbing planned enrolment increases, particularly with distributed learning opportunities; enhancing prospects for interprofessional education and research while stabilizing research capacity growth and developing flexibility. Rising competition for research funding and continued fiscal stress on hospital partners are hard realities that present financial risk in the long-term.

The Faculty's major capital initiatives in 2014/15 are the construction of the McMaster Health Campus in downtown Hamilton and the Halton McMaster Family Health Centre with Joseph Brant Memorial Hospital in Burlington. Both facilities will provide capacity for commitments to the Ministry of Health and Long Term Care for growth of post-graduate medical programs, particularly family medicine. As well, construction of the Boris Family Clinic, a partnership with Hamilton Health Sciences, and the creation of the Boris Family Centre in Stem Cell Therapies in MDCL will be exciting developments in 2014/15.

Faculty of Humanities

The Faculty of Humanities is engaged in a process of transformation. Specific initiatives include strategic investments in seven new research clusters that focus on the digital frontier, connections between science and the humanities, and community-engaged research. The Faculty is also changing the undergraduate curriculum, particularly in first year, to ensure that students are successful and engaged in exciting and rewarding classroom and online educational experiences. The Faculty will draw upon its expertise in linguistics and language acquisition to create an English language instruction and acculturation program, enabling international students to enter and excel in all Faculties. These and other transformational initiatives represent a response to broader concerns about the value of a liberal arts education, as well as immediate budgetary challenges.

The Faculty is seeking to overcome its structural deficit. Through a cost containment exercise that focused on more effective use of teaching and staffing resources, projected operating expenses for 2014-15 have been reduced by over \$1 million. Over the next three years, the Faculty will continue to review its operations and program portfolio, while recruiting and retaining Humanities students by capitalizing on the opportunities and excitement generated by the opening of the Dr. Robert and Andrée Rhéaume Fitzhenry Studios and L.R. Wilson Hall.

Faculty of Science

The Faculty of Science is currently engaged in an intensive Academic Planning designed to ensure it achieves the academic priorities aligned with Forward with Integrity. Faculty-level planning will identify strategies for achieving our priorities over a range of periods and, wherever possible, identify "next steps". Faculty-wide planning will involve the development of unit level plans; specific, unit and area level priorities will be articulated through the plans at that level.

Under the new budget model (NBM), the Faculty of Science is predicted to have a flat allocation until it moves out of the hold harmless threshold. This creates the necessity of absorbing annual salary increases without any further resources. This equates to approximately \$3M per year, compounded year over year. The NBM also includes Shared Service drivers from research that add significant levies to the operating envelope. Historically the Faculty had supported research (not inclusive of compensation) from the operating funds at an average level of \$2.2M. With the added levies, this will be at a minimum of \$5.6M to remain at the historical level. Although the Faculty ended the year better than budgeted, the magnitude of the deficits going forward will require significant effort to attain a balanced budget in the future.

Faculty of Social Sciences

Inspired by *Forward with Integrity*, the Faculty of Social Sciences is committed to:

- i. Developing distinct undergraduate experiences; the development of a new degree in Globalization and International Development; deepening educational partnerships with 6 Nations Polytechnic and Mohawk College; the experimentation with Active Learning strategies.
- ii. Enhancing connections with communities; continued work to bring under-privileged youth onto campus; working with local Indigenous organizations and communities to enhance their connections; through the appointment of a ‘knowledge broker’, improve community impact and uptake of knowledge generated at the University.
- iii. Enhancing research excellence through the development of three new innovative PhD programs; create the new big data lab, IQ2.

In response to budget challenges, the Faculty of Social Sciences has developed new undergraduate and graduate degrees; is experimenting with innovative teaching techniques; is proposing a reorganization of undergraduate education; and is building on the successes of partnerships with Mohawk College and community partners. Faculty retirements and strategic replacements will contribute to the sustainability of the Faculty while the Faculty continues to implement strategies for aggressive recruitment with a planned focus on state-of-the-art spaces in the new Wilson Hall that will promote active learning and will open up new possibilities for teaching and learning.

University Library

The University Library will support experiential, self-directed learning through the introduction of enriched online learning modules. The Library will enhance the creation, discovery and access to research through the development of its digitization program, enhancements to its web interfaces, through increased involvement in research data management and through the newly-launched Lewis & Ruth Sherman Centre for Digital Scholarship.

The University Library faces pressure on its acquisition budget. The cost of scholarly resources climbs far faster than inflation. The price McMaster pays for many of its resources are determined by “research intensity.” McMaster is ranked as a top tier university in terms of research intensity – and pays higher rates for its key information resources as a result of it. The budget adjustment made in 2012/13 has provided significant relief for the next few years.

The University Library will support modest but contained increases to its acquisitions budget to support current purchasing power. The University Library will fill a small number of mission-critical positions. Focus will be placed on new roles - online learning, digitization of unique collections, digital scholarship and research data management.

Student Affairs

Student Affairs is committed to providing student-centered programming focused on helping students reach their potential. Offering an expansive range of programs and services; serving the mental and

physical health needs of students, supporting career development, developing academic skills, providing accommodations to growing numbers of students with disabilities, and helping first year and international students transition to student life.

Key initiatives include the launching of the Student Wellness Education Lower Level Lounge (SWELL) and Mindfulness Centre. As well, Student Affairs is actively engaged with local community through orientation and MacServe excursions, the Hamilton Employment Crawl, and the Connect to Careers job fair. Students are active participants in their service delivery model as Student Success Leaders, mentors, ambassadors, volunteers and employees. The success of their varsity teams continues to raise their profile and reputation.

Student Affairs will continue to seek ways to be more efficient to meet its budgetary challenges. However, there is a significant risk that a reduction in service will be needed in future years in the absence of changes to funding.

Other Academic Support Units

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

Office of the Registrar

Through modest revenue increases and cautious spending the Office of the Registrar and Enrolment Services (RO/ES) are poised for a strong fiscal swing in 2014/2015. Continuous reviewing of the departments' business processes has already allowed the office to initiate many operational changes to create efficiencies and improve customer satisfaction.

There are three significant budget pressures the envelope faces. First, positions required to service an increasing student population are currently being funded through existing one-time funds; Second anticipation that the Mosaic implementation will require additional support resources. Finally, third, external cost increases are possible that are beyond the unit's control.

The RO/ES are responsible for significant aspects of student service delivery. It is the department's intent, where possible, to continue to provide necessary services and find budget relief through process efficiencies rather than a reduction in services or FTEs.

An increasing student population has had a significant impact to service areas, particularly in Student Financial Aid & Scholarships, Scheduling & Examinations and Admissions. The office recognizes a number of areas where additional FTEs are needed to meet increasing service demands. Currently 5 positions have been identified that are critical to sustain service levels, however there is no ongoing funding to sustain these positions.

In keeping with sustainability initiatives, efficiency goals and customer satisfaction, the department is continuously reviewing how they deliver information to the students. As such, the department will be discontinuing the paper mailing of Confirmation Packages (including HSR stickers) in 2015/16. There will be an estimated saving of \$50K per year. These mailings will instead be delivered electronically. By doing this, the department provides the same communication to students in a format they are comfortable with while reducing costs.

School of Graduate Studies

In *Forward with Integrity*, President Deane notes that graduate students are at the heart of McMaster's academic and research missions. The School of Graduate Studies (SGS) has set its priorities to uphold that assessment, while supporting the overarching goals of FWI: to support and facilitate the quality and diversity of the graduate education programs; to ensure that all members of the graduate community are valued for their contributions; to provide an innovative and stimulating learning environment and student life experience; to build strong intellectual communities within the University and linked to local and global partners; and to maintain the direct support of graduate students.

In the new budget model, there are no opportunities to generate on-going revenue within the SGS budget envelopes, and past sources of growth funds have been distributed to the Faculties. In the absence of additional income, increasingly critical student life and research training initiatives, as well as required support for postdoctoral fellows will not be sustainable in the long term. Similarly, without increases in the scholarship envelope, SGS will be less likely to provide competitive financial offers to incoming graduate students in support of McMaster's academic and research missions.

Over the next two years, the School of Graduate Studies will capitalize on the momentum already created to support our existing and newly developed graduate programs, while improving the student experience and opportunities for research training. SGS will enhance our support of undergraduate research training and postdoctoral fellows; develop strategies to improve recruitment, retention and diversity of our graduate programs; enhance opportunities and support for international students; and work toward building strong intellectual communities among the graduate students and the faculty and staff who support them.

Museum of Art

The Museum's goal with respect to the University is to directly engage with the academic mission of the institution through the production of exhibitions and research, courses and programs, collections development and dissemination. As a public and university-affiliated museum, the MMA develops and provides those functions to and with, both campus and community audiences/collaborators. In the production and delivery of the aforementioned, the student population is an important component in the Museum's FWI commitment as students participate not only as visitors but also as colleagues in various capacities across Museum tasks.

The Museum's goal is to provide the full complement of facilities and collections care and program initiatives (exhibitions, publications, research, education and public programs), within the limits of its budget. Challenges arise when the MMA needs to find revenues for unexpected and /or capital expenditures (i.e. such as the present need for exhibition lighting throughout the Museum and for an AODA compliant elevator).

The collections and programming components of the Museum's function will continue to be implemented and supported through existing revenues. External funders will be approached for lighting and elevator needs, as will the University.

McMaster Institute for Innovation and Excellence in Teaching and Learning (MIETL)

MIETL's mandate is a direct response to *Forward with Integrity*. MIETL's focus on expanding and enhancing signature McMaster learning approaches like inquiry and experiential learning, and on integrating students into research activities (to list just two examples) are at the heart of FWI. MIETL is pursuing four areas of focus, each of which contains numerous initiatives that directly support FWI. These areas are: pedagogy/educational development, technology integration, research in teaching and learning, and the meaningful integration of students into MIETL activities.

MIETL's central budget challenge is ensuring that resources rise proportionately with the growth in service and results the Institute is expected to deliver. Specific pressure points include dramatically increasing demand for digital teaching technologies, ambitious evaluation and quality assurance projects, and the creation of services for MIETL members.

MIETL is pursuing a "growth vision" which includes establishing a research chair in the scholarship of teaching and learning, building world-class research programs, delivering colloquia of international prominence, helping McMaster's leading teachers increase their profile, re-establishing and expanding a granting program for teaching initiatives, building and testing innovative physical learning environments, creating a new model for integrating students into MIETL's functions, establishing an international advisory board, and building a membership structure.

Other Budget Areas

Research Envelope

The Research Envelope includes executive offices, research institutes, regulatory bodies and the Reactor. These operations have different pressures and different objectives. Research is a dynamic environment. New opportunities often materialize with little warning. Many opportunities they actively seek to enhance their strategic mission. They are committed to supporting the Researcher, providing compliant services and maximizing the research enterprise at McMaster University.

The Canada Foundation for Innovation (CFI) which holds major competitions only every few years has released its next Call for Proposals for the Innovation Fund competition for 2014-15. McMaster has a maximum funding envelope of \$32.9M for this competition, significantly over its envelope of ~\$18M for the previous round; this significantly larger envelope will result in a greatly increased workload. CFI affords us the opportunity to apply for infrastructure funding from each of McMaster's Faculties through the additional funding which will be injected into the CFI John F. Evans Leaders Fund (JELF) program. Each Faculty will be provided with an application limit for which they will manage applications of strategic importance. This funding will begin in 2014/15; it is anticipated that McMaster will be allowed to apply for ~\$14M in funding from CFI and the Ministry of Research and Innovation (MRI).

The ORF-RE program, which has been on hold for the past 2 years, will accept new proposals in 2014/15. In addition MRI has advised that two additional Research Excellence competitions – one focused on research in the Social Sciences and Humanities and another on Research Translation – will soon be announced. Discussions with McMaster researchers to date have indicated that the lack of opportunity for this program for the past few years will result in a much higher number of applications

than usual.

The federal budget, as detailed above, provides further increased funding. The introduction of the Canada First Research Excellence Fund according to Dr. Deane is an “exceptional government investment”. They are confident that McMaster University will be well served by this investment.

University Technology Services (UTS)

A key principle *Forward with Integrity* states: “Wherever possible, we will reduce or eliminate obstacles to cooperation.” The Mosaic project is an opportunity to rethink how the University operates and to introduce efficiencies to overcome traditional silos of operations. The most significant cost pressure on UTS remains annual maintenance and support contracts for both hardware and software. In the long term, the incremental costs of supporting a leading class ERP implementation in terms of infrastructure, licensing and personnel will add to budget challenges.

The Mosaic project will be the top priority for UTS through 2016. During this period, UTS will be under increasing pressure to support the implementation of all phases of the Mosaic project while maintaining existing legacy systems until such time they can be decommissioned. In response to the Disaster Resource Planning and Information Technology Security audits of UTS in the previous year, UTS has been making steady progress on the approved action plans to address the findings. It should be recognized that a substantial amount of the effort will be done in conjunction with the Mosaic project. A pilot project to upgrade and expand the wireless coverage across campus has proceeded over the winter semester. Additional funding allows UTS to continue the improvements and expansion of our wireless infrastructure, upgrade the backup circuit to provide a more responsive and reliable internet service across campus, and upgrade six of the seven existing labs across campus by utilizing virtualization technology. Funds have also been made available from the University Fund on a continuing basis for the implementation of the faculty and staff email / calendaring system.

Administration and Facility Services

This operating budget envelope is not and has not been balanced at the consolidated ongoing level for many years. Reflecting years of frozen allocations and increasing demands, the division has been drawing on reserves to fund operations. Contrary to perceptions in PSE broadly, McMaster has, until very recently, been systematically reducing resources in administration. The division continues to operate at staffing levels around 5% below those of 6 years ago despite university growth of 14% in students and 28% in revenue. As reflected in benchmarks, preliminary service surveys and employee engagement results, the funding pressure is strong and has been relieved during this planning period from reserves. The division will undertake organizational reviews to determine the impact of Mosaic on both operations and application maintenance. An increased allocation to the Utilities envelope will be required to compensate for large increase in hydro costs due to the global adjustment charges.

University Advancement (UA)

University Advancement supports FWI initiatives by building McMaster’s reputation, relationships and resources through public and government relations activities, alumni programming and development initiatives. Highlights include \$2.2M in new funding for three projects from the Ontario government’s Productivity and Innovation Fund which exceeded our system share for this program; a \$3 million gift to enhance the student experience for McMaster arts students; ongoing strategic internal

communications support; a record-setting 243 diverse alumni events, and a successful MacServe day of service across the country.

University Advancement has exercised prudent financial management which has resulted in past savings that they continue to draw upon to sustain the operation. It is increasingly difficult to find such savings, most of which were the result of vacant positions which need to be filled in order to achieve UA goals. The projected savings generated in 2013-14 are a result of ongoing vacancies due to a highly competitive labour market, as well as unanticipated leaves and retirements and internal reorganization of one department. In 2014-15 UA anticipates filling their complement which will draw on existing reserves and eliminate the potential for additional savings.

UA has reduced its position count through layoff and retirement and is focused on retaining and strengthening key staff complement in order to deliver the expected \$21.5M to McMaster. UA will continue to work with the University to find a solution to the fiscal challenges that include an anticipated 2014/15 operating shortfall. If a funding solution is not found, UA's position count will need to be further reduced which would have a significant impact on the ability to deliver \$21.5M to McMaster and other external and internal UA goals.

RESULTS

Operating Fund

Outlook for 2013/14

As shown in **Table 2**, in 2013/14, the operating fund is projected to run an in-year deficit of \$10.2 million attributed to net one-time and non-recurring expenditures of \$24.6 million (refer to **Appendix A** for details of these expenditures). The deficit has been reduced by \$16.1 million compared to the original budget. This positive variance was caused by actual revenues greater than the approved budget by \$11.7 million, offset partially by less-than-expected spending of \$0.2 million. The framework under allocation increased with \$4.217 mainly due to across-the-board budget cuts in terms of the provincial grant policy levers, an increase in the projected tuition income offset by a decrease in projected grant income.

Total additional revenues of \$11.7 million relates to funding allocated directly to specific budget units. The additional revenues are the sum of:

- Increased medical and specific grants of \$8.9 million.
- An increase in FICR and other research revenue of \$1.9 million.
- An increase of \$0.9 million in other framework revenue is primarily due to an increase in student service fees, external student registration fees and additional Ontario Universities' Application Centre (OUAC) fee revenue.

The lower rate of expenditure is primarily a net decrease in salaries and benefits due to vacancies, with savings in other expenses. In 2013/14, the provincial grant policy levers and the international student recovery totaling \$2.5 million were distributed as a reduction across all envelopes.

There is no significant difference compared to the projection completed in November 2013. The framework surplus of \$5.7 million will be available for utilization by the University Fund in 2014/15.

Table 2: University Operating Revenues and Expenditures 2013/14

(\$ thousands)				Variances	
	2013/14	2013/14 Projection		8 Month vs.	8 Month vs.
	Budget	5 Month	8 Month	Budget	5 Month
				Fav (Unfav)	
Ongoing:					
Allocations	445,927	448,598	437,582	(8,345)	(11,016)
Other income	89,534	89,836	102,464	12,930	12,628
Total revenue	535,461	538,434	540,047	4,585	1,612
Expenditures	530,691	530,794	531,330	(639)	(536)
Surplus (deficit)	4,770	7,640	8,716	3,946	1,076
One-time:					
Allocations	7,584	10,589	13,854	6,270	3,265
Other income	3,485	3,813	4,292	808	479
Total revenue	11,069	14,402	18,146	7,077	3,744
Expenditures	43,571	44,015	42,746	825	1,269
Surplus (deficit)	(32,502)	(29,613)	(24,600)	7,903	5,013
Framework under (over) allocation	1,489	1,489	5,706	4,217	4,217
Total surplus (deficit)	(26,243)	(20,484)	(10,177)	16,066	10,307
Opening appropriations	76,193	(9,981)	80,283	4,090	90,264
Ending appropriations	49,949	(30,465)	70,105	20,156	100,570

2014/15 Budget

The Operating Fund Summaries in **Tables 3 and 4** provide the projected 2013/14 year-end results and the 2014/15 budget, along with plans for 2015/16 and 2016/17. Highlights compared to 2013/14 projection are:

- Total sources of funding will increase by \$9.4 million (1.7%) primarily due to tuition growth (\$15.9 million or 7.6%).
- Operating expense will increase by \$32.1 million (5.6%) due to:
 - Growth in compensation and benefits of \$9.3 million (2.3%), primarily an average 2% increase per annum effective mid-July for each year of the planning horizon.
 - Increased expenditure on equipment and renovations of \$1.9 million due to contributions to one time capital expenses as well as increased expenditure of \$16.7 million in the other expenses category mainly due to the funding of the new University Fund.
 - The in-year operating deficit will be \$32.8 million (5.7% of revenue)
- Of the total increase in operating expense, one-time net expenditures account for \$33.5 million, i.e., the operating fund is balanced before one-time expenses
- Appropriations decline 53.2% to \$37.3 million at April 2015.

Table 3: Operating Fund Summary – Year Ending April 30, 2015

(\$ thousands)	Operating Fund		2013/14 Variance		Operating Fund		
	2013/14 Budget	2013/14 Projection	Favourable/ (Unfavourable)		2014/15 Budget	2015/16 Plan	2016/17 Plan
Sources of Funding:							
Provincial Grants	229,572	227,949	(1,623)	-0.7%	228,341	229,125	229,791
Tuition	204,468	208,225	3,757	1.8%	224,126	234,242	243,621
Research Overhead Income	21,439	23,320	1,881	8.8%	20,775	20,877	20,390
Investment Income	9,467	9,467	-	0.0%	9,467	9,467	9,467
Other income	83,081	94,938	11,857	14.3%	90,631	90,606	91,407
Total sources of funding	548,027	563,899	15,872	2.9%	573,341	584,317	594,675
Expenditure:							
Salaries, wages and benefits	413,468	410,946	2,523	0.6%	420,249	420,556	428,122
Utilities and maintenance	31,908	32,472	(564)	-1.8%	35,036	37,400	39,172
Equipment and renovations	11,112	13,817	(2,705)	-24.3%	15,728	13,210	12,998
Scholarships, bursaries and work study	28,161	28,598	(437)	-1.6%	28,663	28,809	29,312
Library acquisitions	9,650	9,820	(171)	-1.8%	10,271	10,646	11,008
Debt and financing charges	10,505	11,319	(814)	-7.7%	12,349	13,170	13,153
All other expenses	69,466	67,104	2,362	3.4%	83,848	68,179	64,326
Total expenditures	574,270	574,076	194	0.0%	606,144	591,970	598,091
Total surplus (deficit)	(26,243)	(10,177)	16,066	61.2%	(32,803)	(7,652)	(3,415)
Fund balances, beginning of year	76,193	80,283	4,090	5.4%	70,105	37,302	29,650
Fund balances, end of year	49,949	70,105	20,156	40.4%	37,302	29,650	26,234

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

- **Tables 21 through 25** show a breakdown of the sources of funding and resource allocation for each operating budget envelope, together with variances between the 2013/14 projection and original budget and one-time items for 2013/14 and 2014/15.
- **Table 28** shows the annual net change in operating envelopes for 2013/14 through 2016/17.
- The financial position of budget envelopes in **Tables 29 and 30** 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, 2013, and projected/planned net expenditures for 2013/14 through 2016/17.

2014/15 One-time Costs

As shown in **Appendix A, Table 26**, one-time expenditures have been budgeted for 2014/15 including the following areas:

- \$28.1 million for system renewal and other technology costs throughout the University
- \$11.1 million for expansion, laboratory and equipment renewal
- \$5.0 million on specifically funded expenses
- \$2.0 million for initiatives related to the *Forward with Integrity* strategy
- \$1.3 million in special graduate scholarships
- \$2.6 million for Pension / Post Retirement Benefits

Table 4: Operating Fund Revenues and Expenditures Showing Ongoing and One-time Expenditures – Year Ending April 30, 2015

(\$ thousands)	2013/14	2013/14	2014/15	2015/16	2016/17
	Budget	Projection	Budget	Plan	Plan
Ongoing:					
Allocations	445,927	437,582	472,789	492,939	502,362
Other income	89,534	102,464	83,956	84,224	84,547
Total revenue	535,461	540,047	556,745	577,163	586,909
Expenditures	530,691	531,330	556,012	573,327	582,493
Surplus (deficit)	4,770	8,716	733	3,836	4,416
% of revenue	0.9%	1.6%	0.1%	0.7%	0.8%
One-time:					
Allocations	7,584	13,854	15,150	4,905	4,960
Other income	3,485	4,292	1,446	1,149	1,139
Total revenue	11,069	18,146	16,596	6,054	6,099
Expenditures	43,571	42,746	50,132	18,643	15,598
Surplus (deficit)	(32,502)	(24,600)	(33,536)	(12,589)	(9,499)
Framework under (over) allocation	1,489	5,706	(0)	1,101	1,667
Total surplus (deficit)	(26,243)	(10,177)	(32,803)	(7,652)	(3,415)
Opening appropriations	76,193	80,283	70,105	37,302	29,650
Ending appropriations	49,949	70,105	37,302	29,650	26,234

Revenue**Table 5: Growth and Diversification of the Operating Revenue Base**

(\$ thousands)	2013/14	2013/14	2014/15	2015/16	2016/17
	Budget	Projection	Budget	Plan	Plan
Provincial Grants	229,572	227,949	228,341	229,125	229,791
Tuition	204,468	208,225	224,126	234,242	243,621
Research Overhead Income	21,439	23,320	20,775	20,877	20,390
Investment Income	9,467	9,467	9,467	9,467	9,467
Other Income	83,081	94,938	90,631	90,606	91,407
Total Sources of Funding	548,027	563,899	573,341	584,317	594,675
Percentage change		2.9%	1.7%	1.9%	1.8%

Strengthening and diversifying the operating revenue base continues to be an important financial objective for McMaster University. Total 2013/14 operating revenue is currently projected to be \$563.9 million, up by 2.9% over the original 2013/14 budget. This is mainly due to greater-than-expected income from other sources. With domestic tuition capped at 3%, the rate of revenue growth decreases to 1.7% in 2014/15 and to 1.9% in 2016/17.

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, less grant funding, in real terms has been available to support base operations and associated inflationary increases. Such targeted specifically funded activities include the Accessibility Fund, the continued expansion of the MD program, and the expansion of our nursing program.

Provincial Government Grants
\$228.3 million

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. Operating grants are projected to decline slightly in 2014/15, with increases budgeted for undergraduate accessibility and graduate expansion offset by cuts for policy levers and international student reductions.

Table 6: Provincial Grants – 2013/14 to 2016/17

(\$ thousands)

	2013/14 Budget	2013/14 Projection	2014/15 Budget	2015/16 Plan	2016/17 Plan
Basic Grant	179,915	179,926	177,826	177,830	177,832
Accessibility Grant	7,733	8,470	10,327	9,695	8,912
Graduate Expansion	8,823	6,715	7,539	8,957	10,399
Performance Fund	1,969	1,923	1,434	1,434	1,434
General Quality Fund	9,139	9,178	9,144	9,144	9,144
MD and Post Graduate Expansion	18,631	18,631	18,631	18,631	18,631
MD Enhanced Funding	2,035	2,035	2,035	2,035	2,035
Grant for Expanded Nursing Program	1,003	747	1,081	1,075	1,080
Clinical Education Grant	324	324	324	324	324
Total Grant Income	229,572	227,949	228,341	229,125	229,791

Tuition Income
\$224.1 million

Based on the enrolment targets outlined previously, total 2014/15 tuition income is projected to increase by \$15.9 million (7.6%) from the 2013/14 projection. This increase is a combination of estimated enrolment growth and domestic and international rate increases which vary between 3% – 6% with an overall cap of 3% for domestic students. For 2014/15, undergraduate enrolments are expected to increase by 1.2% while graduate enrolments increase 3.0%. The University, through the Enrolment Management Team, is reviewing undergraduate enrolment targets and forecasting models to ensure McMaster sets reasonable targets and achieves them.

Table 7: Tuition Income – 2013/14 to 2016/17

(\$ thousands)

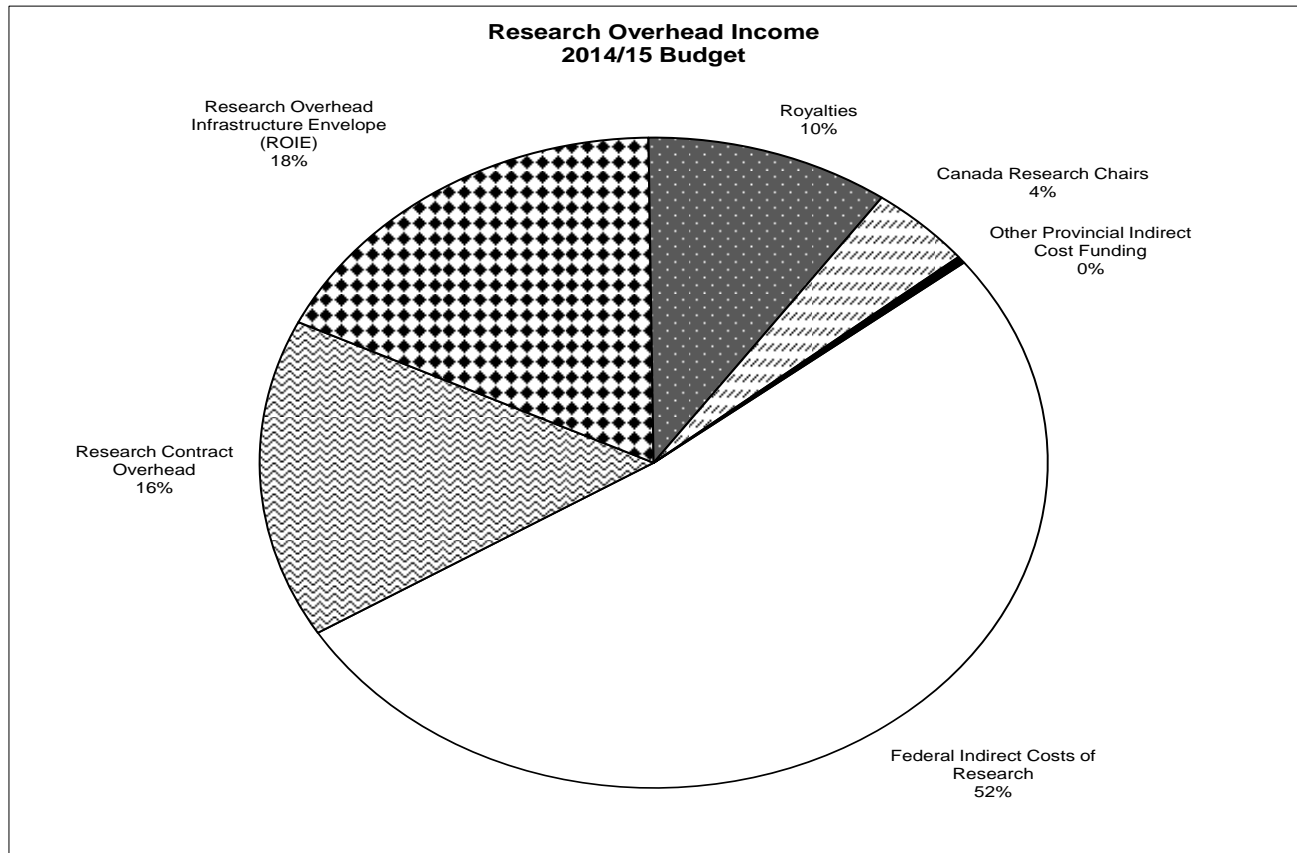
	2013/14 Budget	2013/14 Projection	2014/15 Budget	2015/16 Plan	2016/17 Plan
Undergraduate	170,327	174,084	184,935	192,663	199,570
Graduate	34,141	34,141	39,191	41,579	44,051
Total Tuition Income	204,468	208,225	224,126	234,242	243,621

Research Overhead Income

\$20.8 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**.

Figure 2: Research Overhead Income – Year Ending April 30, 2015



Investment and Other Income

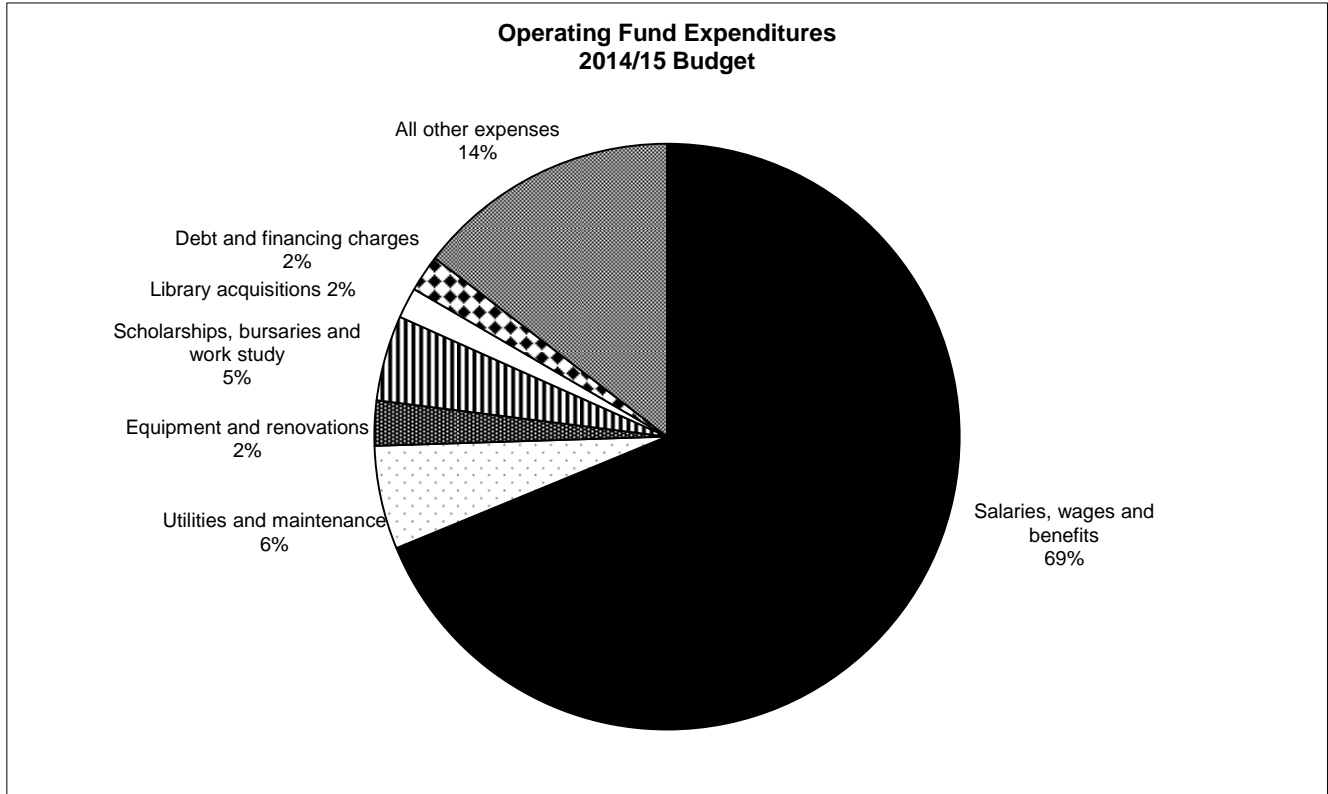
\$100.1 million

The University’s operating fund includes other income derived from sources such as interest earned on working capital balances, investment income, donations and grants. Other income is primarily received directly by budget envelopes, and includes cost-recovery programs, targeted grants, income from the nuclear reactor, and costs recovered for utilities and staffing from partners.

Expenditures

Expenditures budgeted for 2014/15 total \$606.1 million, of which 69.0% relates to compensation costs.

Figure 3: Operating Fund Expenditures – Year Ending April 30, 2015

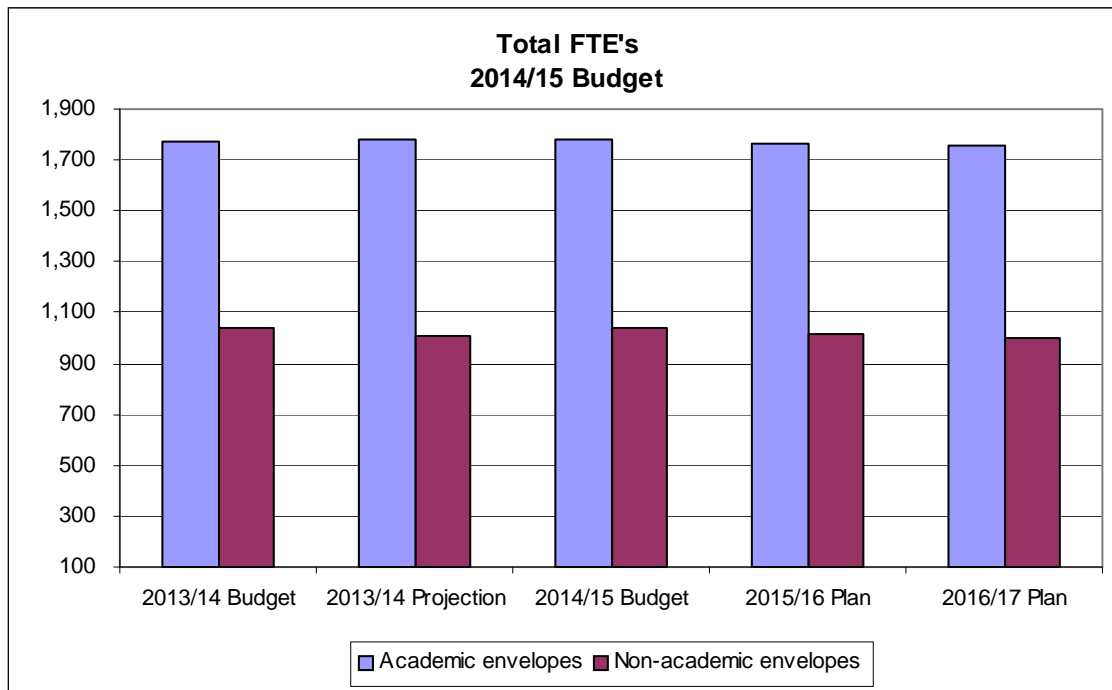


Salaries, Wages and Benefits

\$420.2 million

- Salaries, wages and benefits represent 69.3% of the University’s total operating budget expenditures and will increase by \$9.3 million (2.3%) in 2014/15 over the 2013/14 projection predominately due to salary increases.
- Attention continues to be focused through labour negotiations on controlling increasing non-pension post-retirement benefit and pension costs.
- As shown in **Figure 4**, projected FTE’s in 2013/14 were greater than originally budgeted in academic envelopes, primarily due to an increase in both faculty and staff in the Faculties of Business and Health Sciences. Projected FTE’s in 2013/14 in non-academic envelopes were less than originally budgeted due to vacancies, primarily in the University Library and Research envelopes.
- Decreases in FTE’s in non-academic envelopes 2014/15 reflect temporary resources associated with the Mosaic project. Declines in 2015/16 and 2016/17 represent a return to steady state staffing.

Figure 4: Total FTE's – Year Ending April 30, 2015



Utilities and Maintenance

\$35.0 million

- The cost of maintaining and operating the physical infrastructure represents 5.8% of the operating budget. This is expected to grow to 6.3% in 2015/16 as an additional \$2 million per year is allocated to deferred maintenance.
- A combination of energy management projects, falling prices and hedge strategies have served to eliminate the need for off-the-top funding in recent years. This period has unfortunately come to an end. A “global adjustment” is applied to hydro prices. This “adjustment” has been increasing at more than 20% per annum and now accounts for more than half of the hydro bill. Alone, it accounts for annual increases of \$1.5 million in each of the next 2 years. The utility budget of the university is calculated annually by forecasting demand (based on historic usage plus new space) and price (based on industry forecasts as adjusted by our hedging) and deducting projected savings driven by energy management plans.

Equipment and Renovations

\$15.7 million

- Infrastructure spending and transfers to the capital fund for equipment and renovations include:
 - \$3.1 million in Health Sciences for the McMaster Health Campus, Halton McMaster Family Health Centre
 - \$1.6 million in Engineering for renovations to JHE, undergraduate labs and equipment for the BTech program
 - \$3.2 million for technology renewal
 - \$0.3 million for the Student Wellness Centre

Scholarships, Bursaries and Work Study \$28.7 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. The program has reached steady state.

Library Acquisitions \$10.3million

- The purchase price of resources is linked to "research intensity" level. As a research-intensive University, our cost of acquisitions is higher than some of our counterparts.
- Despite inflation in the price of journals, acquisition costs have increased only modestly due to a strong Canadian dollar.
- Additional allocations to the Library over the next three years will allow the maintenance of acquisitions despite inflation.

Debt and Financing Costs \$12.3 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. As of 2013, the fund value (\$11.9) million is ahead of its expected value (\$11.2 million).
- Payments on internal loans for the capital projects are included (refer to **Tables 12 and 13**).

All Other Expenses \$83.8 million

- This line represents 13.8% of the operating budget, and includes a broad range of supplies and other expenses not categorized elsewhere.
- The 2014/15 budget increased \$16.7 million over 2013/14 projection related to technology renewal and spending on delayed projects carried over from 2013/14. Excluding these special one-time projects, the planned level of expenditure is flat to 2014/15 and returns to normalized levels in 2015/16 and 2016/17.

Operating Fund: Conclusions – 2014/15 Budget

The deficit in the operating fund reflects major one-time investments in initiatives that are critical to the University's future success. Technology renewal is long overdue and will create efficiencies to reduce costs and allow greater concentration on the academic and research mission. Expansion of capacity is essential to capitalize on increased demand and provincial funding opportunities. *Forward with Integrity* initiatives will achieve priority goals centered on the student experience, research, the community, and internationalization. This budget also contains ongoing measures to address two of the most significant challenges – deferred maintenance and post-retirement benefits.

These initiatives, along with provincial funding cuts, will significantly draw down appropriated surpluses. This is possible because of restraint in allocating revenue over the last few years, resulting

in a surplus in the budget framework available for allocation. Individual envelope managers have now exhausted their savings, and proposed cuts to balance the budget jeopardize delivery of essential services. It has become necessary to utilize some of the framework surplus to provide base funding in strategically important areas, which will become the starting point for implementation of the new budget model in the 2014/15 fiscal year. These base allocations do not address all funding requirements, and difficult choices amongst competing priorities will continue.

Operating Fund Conclusions – 2015/16 and 2016/17

The expected provincial cost-saving measures along with the new tuition framework introduce considerable uncertainty into the plans for 2015/16 and 2016/17. Using conservative assumptions and incorporating plans for staffing reductions, the budget is structurally balanced. However, the significant one-time expenditures over the next six years will draw down appropriations. The need to continue these strategic 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 Budget Committee reviews and approves the budgets of the University’s ancillary departments. The 2014/15 review included an evaluation of each area’s three-year plan. Gross sales for 2014/15 are estimated to be \$67.5 million, a 1.6% increase over the 2013/14 projection.

Ancillary operations provide invaluable services and financial support to the University community. In addition to covering their increasing direct and indirect costs, ancillaries are required to contribute approximately 4.5% of sales, or approximately \$7.4 million in 2014/15, to the operating fund while covering the cost of space at market rates. Many ancillaries have made additional direct contributions to the operating fund over and above a percentage of sales, which has created an unequal burden of support. Plans are in place to transition all units to an equalized contribution rate of 4.5% of sales (replacing other direct contributions). Transfers made by Ancillary units are for both operating fund contribution and capital investments in ancillary infrastructure.

Table 8: Ancillary Fund Summary – Year Ending April 30, 2015

(\$ thousands)

	Ancillary Fund	
	2013/14	2014/15
	Projection	Budget
Revenue		
Operating grants	-	-
Research grants and contracts	-	-
Tuition fees	-	-
Ancillary sales and services	66,410	67,501
Other revenues	6,279	6,411
Investment income (loss)	-	-
Investment income transfer	-	-
Total revenues	72,689	73,912
Expenses		
Salaries, wages and benefits	25,691	26,871
All other expenses, including capital	30,531	31,789
Transfers to (from) other funds	13,035	12,218
Debt and financing charges	4,248	4,251
Total expenses	73,505	75,129
Excess of revenues over expenses	(815)	(1,216)
Fund balances, beginning of year	4,290	3,475

Transfers to (from) other funds include transfers to capital.

What follows is a brief description of the operating highlights and individual budgets for each ancillary.

Campus Store

As teaching practices and learning assumptions are reconsidered by the institution, the use of course materials in class and the format of those materials will continue to shift and evolve. The campus store is dedicated to assisting the learning process and will work closely with faculty and MIETL to develop, facilitate and support new interactive and engaging learning environments.

The bookstore industry is experiencing an unprecedented downward shift in sales of its core products. Over the past 5 years course material unit sales have decreased 31%. With the shift to electronic

resources, disintermediation of campus store by publishers and increasing competition from other retailers as well as the peer to peer marketplace this downward shift will continue to gain momentum over the next few years. As pressure for bottom line revenue to the University increases and the store continues to pay well beyond market rate for many retail positions within the store, our ability to adapt to a changing marketplace is hindered.

The Campus Store is attempting to streamline processes, consolidate space and fully utilize all available resources to maximize net revenue while simultaneously attempting to grow new revenue streams, maximize existing revenue streams and implement new service offerings to increase in-store and online traffic and revenue potential.

Media Production Services

MPS will be evaluating and implementing new revenue streams in order to improve profitability and its ability to contribute to the University. Projects that support FWI include: investigate a new digital storefront solution, work closely with the Campus Store and the Partnership Development Unit (PDU) to explore possible joint marketing initiatives and potential new print product offerings that benefit all operations involved, and explore partnership possibilities with MSU Underground that are mutually beneficial in order to provide services in a financially responsible manner.

The MPS reorganization has equipped the business unit with the adaptability it needs to effectively navigate an industry that is rapidly changing. However, the cost pressures placed on our division are far from over. This combined with a lower demand for printing and increased competition continues to put MPS in a tough position. That said, MPS is proud to deliver a surplus for the first time in years. This will allow us to begin to repay our accumulated debt and become a positive financial contributor to the University.

MPS has adopted an intelligent outsourcing philosophy to manage peaks, improved turnaround times, transitioned into an entirely digital operational environment, adjusted rates on products and service offerings, and implemented a cross-trained staffing structure. Systems and procedures are being streamlined and continuous improvement is the order of the day. New revenue streams are actively being sought and evaluated.

Centre for Continuing Education

CCE will be working with the Faculty of Humanities to launch MacNOW, a part-time degree pathway for adult learners. This initiative will include the development online courses through the department of History. CCE will also continue to expand our offerings of online courses, creating more flexible learning options for students. The move to a new facility in the downtown core, creates an opportunity for community outreach and the ability to enhance the presence of McMaster University in downtown Hamilton.

In 2014/15 CCE will need to deplete its reserve fund to cover the costs of moving to a new facility and to pay for the customization of PeopleSoft. We will also have to manage these two major infrastructure projects, which will take energy away from our core business.

A plan will be implemented to rebuild the reserve fund over the next few years. Resources will be devoted to continued marketing activities for current programs and research and development to identify new program concepts, to ensure that we continue our path of growth, during and beyond this year of great change.

Housing and Conference Services

H&CS is committed to the student experience and will continue to focus on enhancing the living learning environment through its innovative and inclusive community programming and by investing in its facilities and maintaining them to a high standard. Providing sufficient, attractive and competitively priced housing to all first year undergraduates while supplying some housing to upper year students is a key goal of H&CS. As well as, maintaining low residence fee increases while funding significant deferred maintenance projects and new infrastructure using long term central bank loans.

In 2014/15, H&CS is planning for new residence beds in a multi-use facility that focuses on the student experience and realizes the potential to create a unique living learning environment for students and staff.

Hospitality Services

McMaster Hospitality Services has a longstanding tradition of offering products and services that are environmentally responsible and focused upon the principles of inclusivity and diversity while enabling each community member to realize value in dining. Through community engagement, we will assess and refine the products and services offered at McMaster. Hospitality Services will also renew its focus to create a work environment supportive of service excellence. Through investment in the development of our team and the establishment of a mutually supportive work environment, our goal is to enrich the quality of the campus experience.

Hospitality Services is currently challenge by the fact our retail prices, on average, are in the lower third of prices when compared to a cohort of 25 peer institutions. Further, we offer the lowest average meal plan rate in Ontario when compared to 14 peer institutions. These forces have placed a considerable challenge on the department to maintain facilities and service levels while planning for future growth; especially in a unionized labour environment.

The strategic objectives for Hospitality Services is to commence the implementation of a carefully established, multi-year price and fee increase schedule which will address this challenge while ensuring value to the community is maintained. This action will also enable Hospitality Services to implement the planned revitalization and development plan that will keep Hospitality Services at the forefront of their sector within the Canadian universities marketplace and contribute positively to McMaster's academic mission.

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 and accessibility; as well, it is responsible for repairs and replacement of sidewalks, curbs and roadways and the promotion of alternative modes of transportation. The parking automation

project has had a positive impact on revenue with revenue being used to reduce the debt load, as well as providing the financial resources to construct and improve sidewalks, reconstruct campus roadways and to financially support various other university operations. We expect the current reserve deficit to be paid off in 4 years. The parking levy remains at \$14.00 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 2021.

Research Fund

The forecast for the 2013/14 research budget (research revenue received, including revenue received for future periods) is \$188.0 million. The budget for 2014/15 is \$189.0 million. This forecast reflects the current research funding landscape as outlined in **Appendix C**.

Figure 5: Research Revenue Received

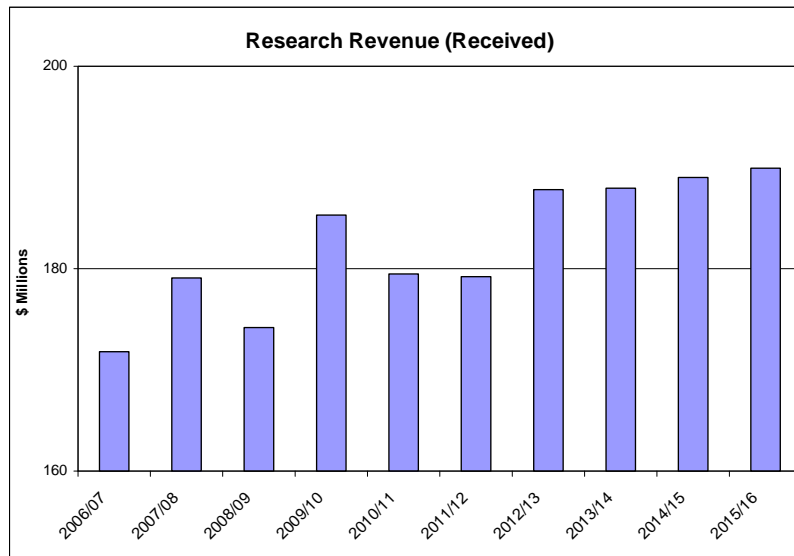


Table 9: Research Fund Summary – Year Ending April 30, 2015

(\$ thousands)

	Research Fund	
	2013/14 Projection	2014/15 Budget
Revenue		
Operating grants	-	-
Research grants and contracts	188,000	189,000
Tuition fees	-	-
Ancillary sales and services	-	-
Other revenues	-	-
Investment income (loss)	-	-
Investment income transfer	-	-
Total revenues	188,000	189,000
Expenses		
Salaries, wages and benefits	115,000	115,000
All other expenses, including capital	85,000	85,000
Transfers to (from) other funds	(6,073)	(5,833)
Debt and financing charges	-	-
Total expenses	193,927	194,167
Excess of revenues over expenses	(5,927)	(5,167)
Fund balances, beginning of year	169,781	163,854
Fund balances, end of year	163,854	158,687

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 \$53.7 million in donations and grants budgeted for fiscal 2014/15, almost 95% are expendable and will be spent in the year received. The remaining 5% are endowed and will remain in perpetuity.

Highlights of the 2014/15 trust funds budget include:

Investment income earned on endowed trust funds of 14% in 2013/14 and 6.5% thereafter (net of investment management fees). The projection includes endowed trust fund donations of approximately \$4.7 million. Budgeted 2014/15 endowed donations are lower than 2013/14 projected by approximately \$3 million as more donors choose to make expendable rather than endowed donations. Scholarship and bursaries provided from trust income and other specifically designated funds are budgeted at approximately \$21 million.

Table 10: Trust Fund Summary – Year Ended April 30, 2015

(\$ thousands)	Trust Fund	
	2013/14	2014/15
	Projection	Budget
Revenue		
Operating grants	-	-
Research grants and contracts	-	-
Tuition fees	-	-
Ancillary sales and services	-	-
Other revenues	53,197	53,713
Investment income (loss)	61,230	31,791
Investment income transfer	-	-
Total revenues	114,427	85,504
Expenses		
Salaries, wages and benefits	23,180	24,412
All other expenses, including capital	30,395	33,060
Transfers to (from) other funds	9,116	9,248
Debt and financing charges	-	-
Total expenses	62,691	66,720
Excess of revenues over expenses	51,736	18,784
Fund balances, beginning of year	437,356	489,092
Fund balances, end of year	489,092	507,876

Internally Restricted Endowment Funds

Table 11: Endowment Fund Summary – Year Ended April 30, 2015

(\$ thousands)	Endowment Fund	
	2013/14	2014/15
	Projection	Budget
Revenue		
Operating grants	-	-
Research grants and contracts	-	-
Tuition fees	-	-
Ancillary sales and services	-	-
Other revenues	100	200
Investment income (loss)	16,203	8,254
Investment income transfer	(4,521)	(4,521)
Total revenues	11,782	3,933
Expenses		
Salaries, wages and benefits	-	-
All other expenses, including capital	-	-
Transfers to (from) other funds	803	793
Debt and financing charges	-	-
Total expenses	803	793
Excess of revenues over expenses	10,979	3,140
Fund balances, beginning of year	115,733	126,712
Fund balances, end of year	126,712	129,852

Capital Projects and Financing

Capital Fund Projects⁵

⁵ 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.

Over the past fiscal year the University completed its Five Year Capital Plan which will be presented to the Board as a separate document. The Capital Plan represents the University’s approved priorities and a number of additional projects (funded, partially funded, or unfunded) for capital investment over a planning cycle. According to the Board approved capital planning process, this plan will be updated annually each fall with input from University stakeholders.

The information in the consolidated budget tables below include capital projects in the long term Capital Plan with planned cash outflows over the next year, as well as the prior year’s budget updated with current spending.

Tables 12 and 13 below summarize the total expected capital funding and spending by project for fiscal 2012/13 and 2013/14, as well as repayments of internal capital loans. The updated capital projection is lower than the original budget due to slower than expected spending on several projects. For 2014/15, spending on capital projects increases to \$123 million, reflecting the completion of two large projects, the L.R. Wilson Hall and the McMaster Health Campus.

Table 12: 2013/14 Updated Capital Projection

2013/14 Major Capital Projects -
(\$ thousands)

Project	In Year Source of Funds by type					
	Operating Grants	Other external sources	Transfers From/(to) Other Funds	Sources of Funds	In Year Expenditure	Net -In Year Impact
LR Wilson Hall		9,553		9,553	6,310	3,243
Childcare Centre					923	(923)
Excel Building		3,772		3,772	-	3,772
McMaster Health Campus		7,500	881	8,381	20,478	(12,097)
MUMC Infrastructure Projects (incl. CAF)			19	19	(132)	151
MARC (McMaster Automotive Resource Centre)		2,401		2,401	1,237	1,164
Btech at MIP					1,712	(1,712)
CFI 2009		65	5,600	5,665	8,352	(2,687)
Energy Management - No Cogeneration					-	-
Campus Backflow Preventers			200	200	515	(315)
Halton McMaster Family Health Centre			3,868	3,868	3,762	106
Boris Family Stem Cell Projects		540		540	62	478
Other					-	-
Centre for Simulation Based Learning					526	(526)
88 Forsythe Ave					769	(769)
Fitzhenry Studio		180		180	64	116
2013/14 Def. Maintenance and Facility Renewal Program	1,155		5,294	6,449	5,834	615
Estimates for other small projects (<\$1 million)			(2,547)	(2,547)	6,000	(8,547)
Capital Projects	1,155	24,011	13,315	38,481	56,412	(17,931)
						-
Annual Repayments of Internal Capital Loans						8,075
Contribution from University Fund						3,847
Net Change to Capital Funds						(6,008)

Table 13: Capital Budget 2014/15

2014/15 Major Capital Projects -
(\$ thousands)

Project	In Year Source of Funds by type			Total Sources of Funds	In Year Expenditure	Net -In Year Impact
	Operating Grants	Other external sources	Transfers From/(to) Other Funds			
LR Wilson Hall		\$ 24,650		\$ 24,650	\$ 33,690	\$ (9,040)
Excel Building		2,500		2,500	2,800	(300)
McMaster Health Campus		14,021	3,100	17,121	39,522	(22,401)
MUMC Infrastructure Projects (incl. CAF)				-	1,199	(1,199)
CFI 2012				-	500	(500)
CFI 2014				-	1,900	(1,900)
Energy Management - No Cogeneration				-	4,983	(4,983)
Campus Backflow Preventers				-	1,546	(1,546)
Halton McMaster Family Health Centre		2,375		2,375	1,577	798
Boris Family Stem Cell Projects		1,152		1,152	5,038	(3,886)
Other- includes Living & Learning Centre starting				-	4,000	(4,000)
Centre for Simulation Based Learning				-	2,200	(2,200)
88 Forsythe Ave				-	431	(431)
Fitzhenry Studio		2,820		2,820	3,000	(180)
Burlington 4th Floor				-	4,500	(4,500)
DTC Relocation				-	5,000	(5,000)
Fraunhofer IAO Applied Research		2,000		2,000	2,000	-
2013/14 Def. Maintenance and Facility Renewal Program	1,155		4,491	5,646	9,434	(3,788)
All other			3,922	3,922		3,922
Capital Projects	1,155	49,518	11,513	62,186	123,320	(61,134)
						-
Annual Repayments of Internal Capital Loans						6,373
Contribution from Strategic Reserve						3,919
Net Change to Capital Funds						(50,841)

Capital Financing

As noted above, not all projects are fully funded at the time of construction. Interim and long-term financing is offered through the University's central bank. At the same time that the University completed its long term Capital Plan, the multi-year financial projections (on an accrual basis) were updated along with the Debt Strategy Report. The outcome of the projections, which include the University's debt policy monitoring ratios, informs the recommendation and timing of additional external borrowing to replenish the central bank. This year's report includes a recommendation to undertake additional borrowing. As a result of the slower than expected spending on projects already underway, it is likely that additional external borrowing will not be required until fiscal 15/16, however work in begin in the fall of 2014 with respect to determining the financing type and amount.

Table 14: Capital Fund – Year Ending April 30, 2015

(\$ thousands)	Capital Fund	
	2013/14	2014/15
	Projection	Budget
Revenue		
Operating grants	1,155	1,155
Research grants and contracts		
Tuition fees	-	-
Ancillary sales and services		
Other revenues	24,011	49,518
Investment income (loss)	-	-
Investment income transfer	-	-
Total revenues	25,166	50,673
Expenses		
Salaries, wages and benefits	-	-
All other expenses, including capital	56,412	123,320
Transfers to (from) other funds	(17,162)	(15,432)
Debt and financing charges	(8,075)	(6,373)
Total expenses	31,175	101,515
Excess of revenues over expenses	(6,008)	(50,841)
Fund balances, beginning of year	4,576	(1,432)
Fund balances, end of year	(1,432)	(52,274)

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 are prepared on the accrual accounting basis. The comparisons that follow relate, as appropriate, to the audited financial statements.

To convert to the accrual accounting basis, the following five key changes must be made as shown in **Table 15** below:

- 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 to offset internal transactions between departments affecting revenues and expenditures are performed.

Table 15: Accrual Adjustments

Reconciliation - Operating Fund Budget to Accrual Based	FY2013	FY2014	FY2015	FY2016	FY2017
Statement of Operations					
Excess (deficiency) of revenue over expenses in Operating Fund	-13,562	-10,177	-32,803	-7,653	-3,415
Add back capital expenditures/deduct depreciation (net)	43,159	26,054	29,420	37,142	11,523
Investment income on internal endowments	5,927	11,248	3,017	3,021	3,057
Adjust for pension and non pension accruals	6,991	261	235	234	234
Adjust investment and other income/losses not recognized elsewhere	18,200	15,442	5,266	-14,790	4,429
Accrual Adjustment	74,277	53,005	37,938	25,607	19,243
Excess/(deficiency) of revenues over expenses	60,715	42,828	5,135	17,954	15,828

Included in the years up to and including 2015/16, the net capital expenditures reflect the spending on the Systems Renewal Project. These capital expenditures are expensed as paid in the operating fund contributing to the large deficits in the operating fund in 2013/14 and in 2014/15 but are amortized over multiple years on an accrual basis.

In fiscal 2012/13 and 2013/14, the investment income adjustment is positive reflecting investment returns of 10.1% and 14% respectively. In fiscal 2014/15 returns are expected to return to the more typical rate of 6.5%.

In summary, the accrual adjustments expected in the forecast periods are positive, which will result in projected surpluses in the consolidated accrual based Statements of Operations.

The summary accrual-based Statement of Operations is shown in **Table 16** below. The Statement of Financial Position (Balance Sheet) and Statement of Cash Flows follow in **Tables 17 and 18**.

Statement of Operations

Table 16: Accrual Basis Statement of Operations

Summary Statement of Operations- 000's	2013	2014	2015	2016	2017
TOTAL REVENUES	938,829	979,783	1,002,007	1,047,589	1,096,412
TOTAL EXPENSES	878,114	936,955	996,872	1,029,635	1,080,584
EXCESS OF REVENUES OVER EXPENSES	60,715	42,828	5,135	17,954	15,828

Table 17: Statement of Financial Position

Statement of Financial Position- 000s	2013	2014	2015	2016	2017
TOTAL ASSETS	2,133,905	2,231,523	2,268,146	2,431,395	2,465,403
TOTAL LIABILITIES	1,286,854	1,301,509	1,321,106	1,450,822	1,453,443
TOTAL NET ASSETS	847,051	930,014	947,040	980,572	1,011,960
TOTAL LIABILITIES AND NET ASSETS	2,133,905	2,231,523	2,268,146	2,431,395	2,465,403

Table 18: Statement of Cash Flows

	FY2013 Change	FY2014 Change	FY2015 Change	FY2016 Change	FY2017 Change
CHANGE IN CASH RECONCILIATION- 000's					
Excess of Revenues over expenses	60,715	42,828	5,135	17,954	15,828
Add/(Deduct) Non-Cash Items					
Change in Deferred Pension Asset	2,874	3,947	3,868	3,791	3,715
Amortization of Capital Assets	63,317	68,698	72,554	78,177	83,104
Amortization of Deferred Capital Contributions	-35,779	-38,010	-40,456	-46,715	-50,004
Amortization of Deferred Contributions for Future Expenses	-15,954	-24,492	-60,036	-39,191	490
Change in Decommissioning Obligation	435	906	996	1,095	1,203
Additional (Misc) Non-cash Changes in Assets and Liabilities	-4,334	2,847	2,603	2,332	2,031
Add/(Deduct) Cash From Operations					
Change in Deferred Capital Contributions	72,295	63,694	106,179	81,249	37,200
Contributions to Externally Restricted Endowments	29,177	40,135	11,892	15,578	15,559
Repayment of Long-Term Debt	-1,028	-580	-616	-655	-622
New Debt Issuance	0	0	0	120,000	0
Acquisition of Capital Assets	-127,759	-115,686	-168,680	-147,824	-119,840
Change in Long-Term Investments	-49,341	-34,977	13,489	-20,752	-20,752
Increase/(decrease in cash)	-5,382	9,310	-53,072	65,037	-32,087
Cash and Cash Equivalents, Beginning of Year	263,153	257,770	267,082	214,010	279,046
Cash and Cash Equivalents, End of Year	257,770	267,082	214,010	279,046	246,959

ANALYSIS

Table 19: Key Financial Metrics of the Consolidated Budget

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Projected	2014/15 Budget
Total Net Assets (\$ millions)	629.3	692	757	847	930	947
Available Expendable Resources (\$ millions)	170.0	218.3	225.0	249.8	270.5	244.4
Capital Spending (\$ millions)	93.9	90.2	62.3	127.8	115.7	168.7
Total Revenue (\$ millions)	828.4	859.5	880.5	938.8	979.8	1,002.0
Total Expenditures (\$ millions)	816.7	837.6	871.4	878.1	937.0	996.9
Excess (Deficiency) of Revenues over Expenses (\$ millions)- GAAP	11.7	22.0	9.1	60.7	42.8	5.1
Excess (Deficiency) of Revenues over Expenses Operating Fund only (\$ millions)	3.7	12.4	8.5	(13.6)	(10.2)	(32.8)
Long Term Investment Pool Return	17.1%	11.5%	0.0%	10.1%	14.0%	6.5%
Employee Future Benefit (EFB) Unfunded Obligation - Registered Pension (\$ millions)	(296.1)	(211.0)	(282)	(472.0)	See Note	See Note
Employee Future Benefit (EFB) Unfunded Obligation - Non Pension (\$ millions)	(203.7)	(192.4)	(220)	(225.2)	See Note	See Note
Enrolment (Full Time Equivalent (FTE)) - IRA (COU Methodology)	25,955	26,543	27,042	27,518	27,796	28,176
Note: these obligations (accounting basis) require actuarial calculations which cannot be reliably estimated before the completion of the actuarial work in September each year.						

The financial metrics above are a result of the assumptions used in the 2013/14 projections and the 2014/15 consolidated budget. These are in line with expectations.

Credit Management Ratios

In addition to these key metrics the University monitors additional financial health indicators as outlined in its Debt Management Policy. The chart below summarizes the resulting ratios based on the budgeted results above. All ratios are within the acceptable ranges, even with the assumption of additional borrowing in fiscal 15/16.

Table 20: Debt Management Policy Ratios

DEBT MANAGEMENT POLICY RATIOS	2013	2014	2015	2016	2017
Expendible Resources to Debt (>= 0.6x to > 1.0x)	1.0	1.7	1.6	1.3	1.1
Interest Coverage (> 2.75x to > 3.25x)	11.24	9.64	5.40	4.57	4.55
AER as % Revenues (> 15%)	26.6%	27.6%	24.4%	33.1%	28.4%
Liquidity Ratio (> 1%)	3.52%	3.42%	2.58%	3.25%	2.74%

Risks to the 2014/15 Budget

- The size of the provincial deficit and the possibility of a downgrade in the province's credit rating may impact the University's credit rating, which would increase the cost of borrowing.
- The province is in the midst of an election which may result in a change in government and a possible reduction in Operating Grants through additional 'policy levers' or other methods.
- In spite of additional contributions from the Operating Fund to undertake additional deferred maintenance projects, the balance is still very high at McMaster, which may impact operating costs due to infrastructure failures and/or breakdowns.

Conclusions on the 2014/15 Budget

The Operating Budget does not have a structural deficit as evidenced by the fact that ongoing revenues and expenditures are essentially balanced.

The combination of conservative budgeting, especially with respect to revenues continued in fiscal 2013/14 which will result in a larger appropriation balance being carried forward into fiscal 2014/15. Stronger opening balances can support the one time spending planned for 2014/15. These factors suggest that the 2014/15 budgeted deficit is not a cause for concern.

The Operating Budget is absorbing substantially all costs for pensions and non-pension current and past service costs, with two exceptions, first, a portion of the past service costs which will be funded through investment reserves; and second, ancillary units will continue to fund all current and past pension costs and non-pension costs.

APPENDIX A – OPERATING FUND TABLES

Table 21: Sources of Funding and Resource Allocation – 2013/14 Projection

(\$ thousands)	2013/14 8 Mo Projection Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties (Academic Programmes)													
Business	26,005	84	3,449	29,537	18,976	6,411	25,387	674	-	5,429	6,103	31,490	(1,952)
Engineering	53,240	1,336	2,993	57,570	34,488	12,618	47,106	1,244	-	5,792	7,036	54,141	3,428
Health Sciences	74,631	5,847	46,223	126,701	81,003	25,694	106,697	636	-	18,645	19,281	125,979	723
Humanities	26,658	73	1,181	27,912	21,763	7,247	29,010	95	-	1,086	1,181	30,191	(2,279)
Science	56,238	884	1,649	58,772	42,212	15,919	58,131	154	-	2,633	2,787	60,917	(2,145)
Advance to Science	0	-	-	0	-	-	-	-	-	500	500	500	(600)
Medical Radiation - Mohawk share	4,657	-	-	4,657	-	-	-	-	-	4,657	4,657	4,657	-
Social Sciences	30,650	215	1,334	32,198	23,788	8,493	32,281	(211)	-	562	351	32,632	(433)
Interdisciplinary Programmes	1,087	-	5	1,092	782	141	923	-	-	1	1	924	168
Academic Allocation - QIF	0	-	-	0	-	-	-	-	-	-	-	-	0
Slip-year Allocation*	(2,353)	-	1,000	(1,353)	-	-	-	-	-	-	-	-	(1,353)
Sub-total	270,813	8,439	57,834	337,086	223,013	76,522	299,535	2,590	-	39,305	41,895	341,430	(4,344)
2. Academic Priorities													
Academic Contingency	1,994	-	-	1,994	185	120	305	-	-	964	964	1,270	724
Faculty Recruiting	389	-	-	389	-	-	-	-	-	228	228	228	161
Academic Priorities Allocation	10,048	-	141	10,189	1,821	542	2,362	0	-	2,294	2,294	4,656	5,532
Sub-total	12,431	-	141	12,572	2,006	662	2,668	0	-	3,486	3,486	6,154	6,417
TOTAL ACADEMIC	283,244	8,439	57,975	349,658	225,018	77,184	302,203	2,591	-	42,791	45,382	347,584	2,074
3. Academic Support													
Office of the Provost	2,856	2	66	2,924	2,080	605	2,685	-	-	(679)	(679)	2,006	918
School of Graduate Studies	1,125	-	364	1,489	867	358	1,225	-	-	683	683	1,908	(419)
Museum of Art	487	-	79	566	604	252	856	-	-	(290)	(290)	566	-
Centre for Leadership in Learning	1,565	-	25	1,590	1,121	443	1,565	-	-	(993)	(993)	572	1,019
Research	1,720	9,048	5,755	16,523	8,591	3,699	12,290	-	-	4,349	4,349	16,639	(116)
Nuclear Reactor Debt	0	-	-	0	-	-	-	-	-	(170)	(170)	(170)	170
University Library	15,540	734	410	16,684	5,511	2,231	7,742	-	7,725	1,098	8,823	16,565	119
Health Sciences Library	2,729	224	80	3,033	1,398	562	1,900	-	2,095	(1,362)	733	2,633	400
Registrar	4,265	-	1,740	6,005	4,261	1,716	5,977	-	-	66	66	6,043	(39)
Pension	7,000	-	-	7,000	-	7,000	7,000	-	-	-	-	7,000	-
Sub-total	37,290	10,008	8,519	55,817	24,373	16,870	41,243	-	9,820	2,702	12,523	53,766	2,051
4. Student Support													
Graduate Scholarships/Bursaries	14,026	-	-	14,026	455	201	656	12,492	-	1,673	14,165	14,821	(795)
Student Affairs	2,852	-	19,019	21,871	10,092	3,001	13,093	21	-	8,478	8,499	21,592	279
Undergraduate Scholarships	13,397	-	1,267	14,664	1,774	-	1,774	13,495	-	(45)	13,450	15,224	(559)
Student Support Allocation	(103)	-	0	(103)	-	-	-	-	-	-	-	-	(103)
Sub-total	30,172	-	20,286	50,458	12,321	3,202	15,523	26,007	-	10,106	36,113	51,637	(1,178)
5. Facilities Support													
Facilities Services	15,139	-	191	15,330	8,620	2,823	11,443	-	-	4,589	4,589	16,032	(702)
HSC Maintenance	3,265	-	40	3,305	-	-	-	-	-	3,327	3,327	3,327	(22)
Utilities	15,636	-	6	15,642	1,524	428	1,953	-	-	13,745	13,745	15,698	(56)
HSC Utilities	5,387	-	-	5,387	-	-	-	-	-	5,434	5,434	5,434	(47)
Deferred Maintenance	4,491	-	-	4,491	-	-	-	-	-	4,491	4,491	4,491	-
Bond Interest	7,380	-	-	7,380	-	-	-	-	-	7,380	7,380	7,380	0
MIP Occupancy	1,355	-	104	1,459	-	-	-	-	-	1,440	1,440	1,440	19
Renovation contingency	974	-	-	974	-	-	-	-	-	1,878	1,878	1,878	(904)
Sub-total	53,627	-	341	53,968	10,145	3,251	13,396	-	-	42,285	42,285	55,680	(1,713)
6. Institutional Support													
Administration/Institutional Support	14,135	-	1,349	15,484	11,334	3,948	15,282	-	-	2,060	2,060	17,342	(1,858)
UTS/Technology Fund	12,486	-	181	12,667	6,705	2,740	9,446	-	-	3,076	3,076	12,522	145
University Secretariat	698	-	-	698	446	175	620	-	-	93	93	713	(15)
Presidential Budget	1,112	-	10	1,122	399	128	526	-	-	556	556	1,082	40
University Advancement	5,146	-	1,215	6,361	5,447	2,026	7,472	-	-	130	130	7,602	(1,242)
General University	7,732	-	1,805	9,537	383	30	413	-	-	9,172	9,172	9,585	(48)
Sub-total	41,309	-	4,560	45,869	24,714	9,046	33,760	-	-	15,087	15,087	48,847	(2,978)
7. Institutional Priority allocations													
Technology Renewal	4,507	-	-	4,507	3,498	1,135	4,633	-	-	12,800	12,800	17,433	(12,926)
Strategic Priorities	1,287	-	-	1,287	152	37	188	-	-	2,312	2,312	2,500	(1,213)
Sub-total	5,794	-	-	5,794	3,650	1,171	4,821	-	-	15,112	15,112	19,933	(14,139)
Surplus/(Deficit)	451,436	18,447	91,680	561,563	300,220	110,725	410,946	28,598	9,820	128,083	166,501	577,447	(15,884)
<i>Under/(over)allocated</i>	5,706	-	(3,371)	2,335	-	-	-	-	-	(3,371)	(3,371)	(3,371)	5,706
Total Surplus/(Deficit)	457,142	18,447	88,310	563,899	300,220	110,725	410,946	28,598	9,820	124,712	163,130	574,076	(10,177)

*To be allocated to Faculties

Table 22: Sources of Funding and Resource Allocation – 2013/14 Variances – Projection vs. Budget

(\$ thousands)	Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties (Academic Programmes)													
Business	3,479	3	326	3,809	(856)	(4)	(860)	151	-	(51)	100	(760)	3,049
Engineering	6,134	293	(1,737)	4,690	887	598	1,485	(130)	-	1,810	1,480	2,965	7,654
Health Sciences	3,766	1,027	7,958	12,752	(2,056)	(3,926)	(5,982)	(411)	-	(1,402)	(1,813)	(7,795)	4,967
Humanities	2,027	1	46	2,074	692	(96)	596	(31)	-	112	82	677	2,751
Science	2,696	(0)	48	2,744	(24)	(696)	(720)	255	-	932	1,187	467	3,211
Advance to Science	0	-	-	0	-	-	-	-	-	-	-	-	0
Medical Radiation - Mohawk share	318	-	-	318	-	-	-	-	-	(318)	(318)	(318)	-
Social Sciences	2,189	39	527	2,755	(835)	(145)	(980)	344	-	255	599	(381)	2,374
Interdisciplinary Programmes	27	-	5	32	135	26	161	-	-	15	15	176	208
Academic Allocation - QIF	0	-	-	0	-	-	-	-	-	-	-	-	0
Slip-year Allocation*	(25,900)	-	3,630	(22,270)	1,700	5,050	6,750	-	-	150	150	6,900	(15,370)
Sub-total	(5,264)	1,364	10,804	6,903	(356)	807	451	178	-	1,303	1,481	1,931	8,835
2. Academic Priorities													
Academic Contingency	(7)	-	-	(7)	142	55	197	-	-	157	157	354	347
Faculty Recruiting	(9)	-	-	(9)	-	-	-	-	-	170	170	170	161
Academic Priorities Allocation	3,232	-	141	3,373	210	(77)	133	(0)	-	(2,943)	(2,943)	(2,810)	562
Sub-total	3,216	-	141	3,357	352	(22)	330	(0)	-	(2,616)	(2,616)	(2,286)	1,071
TOTAL ACADEMIC	(2,048)	1,364	10,944	10,260	(4)	784	781	177	-	(1,313)	(1,135)	(355)	9,905
3. Academic Support													
Office of the Provost	(19)	2	65	48	111	161	272	-	-	888	888	1,161	1,208
School of Graduate Studies	(8)	-	(18)	(26)	(16)	(87)	(102)	-	-	100	100	(3)	(28)
Museum of Art	(3)	-	(120)	(123)	(10)	1	(9)	-	-	112	112	103	(20)
Centre for Leadership in Learning	(11)	-	(5)	(16)	97	23	120	-	-	1,039	1,039	1,159	1,143
Research	375	501	265	1,142	(49)	(94)	(143)	-	-	(814)	(814)	(957)	184
Nuclear Reactor Debt	0	-	-	0	-	-	-	-	-	-	-	-	0
University Library	(112)	-	55	(57)	643	345	988	-	(225)	(140)	(365)	623	566
Health Sciences Library	(18)	14	(9)	(13)	132	(1)	131	-	54	397	451	582	569
Registrar	(29)	-	(36)	(65)	63	(3)	60	-	-	(26)	(26)	34	(31)
Pension	50	-	-	50	-	(50)	(50)	-	-	-	-	(50)	-
Sub-total	225	517	199	941	972	294	1,266	-	(171)	1,555	1,385	2,651	3,592
4. Student Support													
Graduate Scholarships/Bursaries	570	-	-	570	-	(13)	(13)	(235)	-	20	(215)	(228)	342
Student Affairs	(19)	-	316	297	(39)	(12)	(51)	(21)	-	515	494	443	741
Undergraduate Scholarships	0	-	(22)	(22)	(9)	-	(9)	(359)	-	13	(346)	(355)	(377)
Student Support Allocation	0	-	-	0	-	-	-	-	-	-	-	-	0
Sub-total	551	-	294	845	(47)	(25)	(72)	(615)	-	548	(67)	(139)	706
5. Facilities Support													
Facilities Services	(103)	-	(52)	(155)	57	(67)	(10)	-	-	(309)	(309)	(319)	(475)
HSC Maintenance	(22)	-	-	(22)	-	-	-	-	-	(0)	(0)	(0)	(22)
Utilities	(106)	-	6	(100)	56	17	73	-	-	(34)	(34)	40	(60)
HSC Utilities	(36)	-	-	(36)	-	-	-	-	-	(11)	(11)	(11)	(47)
Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Interest	0	-	-	0	-	-	-	-	-	-	-	-	0
MIP Occupancy	(319)	-	-	(319)	-	-	-	-	-	319	319	319	(0)
Renovation contingency	(7)	-	-	(7)	-	-	-	-	-	(1,138)	(1,138)	(1,138)	(1,145)
Sub-total	(593)	-	(46)	(639)	113	(49)	63	-	-	(1,174)	(1,174)	(1,111)	(1,750)
6. Institutional Support													
Administration/Institutional Support	(92)	-	157	65	154	(11)	142	-	-	(775)	(775)	(632)	(668)
UTS/Technology Fund	(80)	-	12	(68)	477	(13)	464	-	-	(342)	(342)	122	54
University Secretariat	(5)	-	-	(5)	(8)	17	9	-	-	(36)	(36)	(29)	(34)
Presidential Budget	-	-	-	-	36	5	41	-	-	-	-	41	41
University Advancement	(33)	-	277	244	208	(299)	(90)	-	-	(179)	(179)	(269)	(25)
General University	-	-	20	20	-	-	-	-	-	(39)	(39)	(39)	(19)
Sub-total	(210)	-	466	256	867	(301)	566	-	-	(1,373)	(1,373)	(807)	(551)
7. Institutional Priority allocations													
Technology Renewal	-	-	-	-	(121)	(192)	(313)	-	-	5,775	5,775	5,462	5,462
Strategic Priorities	-	-	-	-	157	75	231	-	-	(5,747)	(5,747)	(5,516)	(5,516)
Sub-total	-	-	-	-	36	(117)	(81)	-	-	28	28	(54)	(54)
Surplus/(Deficit)	(2,075)	1,881	11,857	11,663	1,937	586	2,523	(437)	(171)	(1,729)	(2,337)	186	11,849
<i>Under/overallocated</i>	4,217	-	-	4,217	-	-	-	-	-	-	-	-	4,217
Total Surplus/(Deficit)	2,142	1,881	11,857	15,880	1,937	586	2,523	(437)	(171)	(1,729)	(2,337)	186	16,066

Table 23: One-time Sources of Funding and Resource Allocation – 2013/14 Projection

(\$ thousands)	2013/14 8 Month One-time Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties (Academic Programmes)													
Business	-	-	-	-	463	77	540	-	-	308	308	848	(848)
Engineering	3,225	-	-	3,225	0	-	0	-	-	600	600	600	2,625
Health Sciences	(14)	-	1,793	1,779	2,690	256	2,946	-	-	4,364	4,364	7,310	(5,331)
Humanities	1,096	1	(5)	1,091	(127)	39	(88)	-	-	63	63	(25)	1,116
Science	1,528	103	768	2,399	1,648	146	1,794	(181)	-	558	378	2,172	227
Advance to Science	0	-	-	0	-	-	-	-	-	500	500	500	(500)
Medical Radiation - Mohawk share	159	-	-	159	-	-	-	-	-	159	159	159	-
Social Sciences	100	16	496	612	162	139	301	(56)	-	(183)	(239)	62	550
Interdisciplinary Programmes	0	-	5	5	44	2	47	-	-	(34)	(34)	13	(8)
Academic Allocation - QIF	0	-	-	0	-	-	-	-	-	-	-	-	0
Slip-year Allocation*	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	6,094	120	3,056	9,270	4,881	659	5,540	(236)	-	6,336	6,100	11,639	(2,370)
2. Academic Priorities													
Academic Contingency	0	-	-	0	-	-	-	-	-	-	-	-	0
Faculty Recruiting	-	-	-	-	-	-	-	-	-	-	-	-	-
Academic Priorities Allocation	0	-	-	0	-	-	-	-	-	2,756	2,756	2,756	(2,756)
Sub-total	0	-	-	0	-	-	-	-	-	2,756	2,756	2,756	(2,756)
TOTAL ACADEMIC	6,094	120	3,056	9,270	4,881	659	5,540	(236)	-	9,092	8,856	14,396	(5,126)
3. Academic Support													
Office of the Provost	0	2	65	67	91	12	103	-	-	(997)	(997)	(694)	961
School of Graduate Studies	0	-	-	0	48	21	69	-	-	343	343	412	(412)
Museum of Art	0	-	-	0	-	-	-	-	-	-	-	-	0
Centre for Leadership in Learning	0	-	-	0	-	-	-	-	-	(1,123)	(1,123)	(1,123)	1,123
Research	0	(10)	93	83	109	27	136	-	-	88	88	224	(141)
Nuclear Reactor Debt	0	-	-	0	-	-	-	-	-	(170)	(170)	(170)	170
University Library	(1,000)	-	58	(942)	142	22	165	-	-	(51)	(51)	113	(1,055)
Health Sciences Library	-	-	-	-	(58)	(14)	(73)	-	-	(324)	(324)	(397)	397
Registrar	0	-	20	20	219	50	269	-	-	192	192	461	(441)
Pension	41	-	-	41	-	41	41	-	-	-	-	41	-
Sub-total	(959)	(8)	236	(731)	550	160	710	-	-	(2,042)	(2,042)	(1,332)	601
4. Student Support													
Graduate Scholarships/Bursaries	235	-	-	235	-	-	-	1,374	-	2	1,376	1,376	(1,141)
Student Affairs	109	-	888	997	715	161	876	21	-	1,295	1,316	2,192	(1,195)
Undergraduate Scholarships	0	-	-	0	3	-	3	-	-	(10)	(10)	(7)	7
Student Support Allocation	(103)	-	0	(103)	-	-	-	-	-	-	-	-	(103)
Sub-total	241	-	888	1,129	718	161	879	1,395	-	1,288	2,682	3,561	(2,432)
5. Facilities Support													
Facilities Services	0	-	-	0	216	29	245	-	-	765	765	1,010	(1,010)
HSC Maintenance	-	-	-	-	-	-	-	-	-	0	0	0	(0)
Utilities	-	-	-	-	0	-	0	-	-	-	-	0	(0)
HSC Utilities	0	-	-	0	-	-	-	-	-	-	-	-	0
Deferred Maintenance	572	-	-	572	-	-	-	-	-	572	572	572	-
Bond Interest	0	-	-	0	-	-	-	-	-	-	-	-	0
MIP Occupancy	865	-	-	865	-	-	-	-	-	865	865	865	0
Renovation contingency	-	-	-	-	-	-	-	-	-	904	904	904	(904)
Sub-total	1,437	-	-	1,437	216	29	245	-	-	3,106	3,106	3,351	(1,914)
6. Institutional Support													
Administration/Institutional Support	100	-	0	100	26	18	44	-	-	1,579	1,579	1,623	(1,522)
UTS/Technology Fund	673	-	-	673	-	-	-	-	-	575	575	575	98
University Secretariat	-	-	-	-	-	-	-	-	-	(21)	(21)	(21)	21
Presidential Budget	0	-	-	0	-	-	-	-	-	61	61	61	(61)
University Advancement	250	-	-	250	-	-	-	-	-	250	250	250	0
General University	350	-	-	350	-	-	-	-	-	350	350	350	0
Sub-total	1,373	-	0	1,373	26	18	44	-	-	2,793	2,793	2,837	(1,464)
7. Institutional Priority allocations													
Technology Renewal	4,507	-	-	4,507	3,498	1,135	4,633	-	-	12,800	12,800	17,433	(12,926)
Strategic Priorities	1,161	-	-	1,161	152	37	188	-	-	2,312	2,312	2,500	(1,339)
Sub-total	5,668	-	-	5,668	3,650	1,171	4,821	-	-	15,112	15,112	19,933	(14,265)
Surplus/(Deficit)	13,854	112	4,181	18,146	10,041	2,198	12,239	1,158	-	29,349	30,507	42,746	(24,600)
<i>Under/overallocated</i>	(13,854)	-	-	(13,854)	-	-	-	-	-	-	-	-	(13,854)
Total Surplus/(Deficit)	0	112	4,181	4,292	10,041	2,198	12,239	1,158	-	29,349	30,507	42,746	(38,453)

Table 24: Ongoing Sources of Funding and Resource Allocation – 2013/14 Projection

(\$ thousands)	2013/14 8 Month Ongoing Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties (Academic Programmes)													
Business	26,005	84	3,449	29,537	18,513	6,334	24,847	674	-	5,121	5,795	30,641	(1,104)
Engineering	50,015	1,336	2,993	54,345	34,488	12,618	47,106	1,244	-	5,192	6,436	53,541	803
Health Sciences	74,645	5,847	44,430	124,922	78,314	25,439	103,752	636	-	14,281	14,917	118,669	6,254
Humanities	25,562	72	1,187	26,821	21,890	7,208	29,098	95	-	1,023	1,118	30,216	(3,395)
Science	54,710	782	882	56,373	40,563	15,773	56,337	334	-	2,074	2,409	58,745	(2,372)
Advance to Science	0	-	-	0	-	-	-	-	-	-	-	-	0
Medical Radiation - Mohawk share	4,498	-	-	4,498	-	-	-	-	-	4,498	4,498	4,498	-
Social Sciences	30,550	199	838	31,586	23,626	8,354	31,979	(155)	-	745	590	32,569	(983)
Interdisciplinary Programmes	1,087	-	-	1,087	738	138	876	-	-	35	35	911	176
Academic Allocation - QIF	0	-	-	0	-	-	-	-	-	-	-	-	0
Academic Allocation - Accessibility	-	-	-	-	0	-	0	-	-	-	-	0	(0)
Slip-year Allocation*	(2,353)	-	1,000	(1,353)	-	-	-	-	-	-	-	-	(1,353)
Sub-total	264,719	8,319	54,778	327,817	218,132	75,863	293,995	2,827	-	32,969	35,796	329,791	(1,974)
2. Academic Priorities													
Academic Contingency	1,994	-	-	1,994	185	120	305	-	-	964	964	1,270	724
Faculty Recruiting	389	-	-	389	-	-	-	-	-	228	228	228	161
Academic Priorities Allocation	10,048	-	141	10,189	1,821	542	2,362	0	-	(463)	(462)	1,900	8,268
Sub-total	12,431	-	141	12,572	2,006	662	2,668	0	-	730	730	3,398	9,174
TOTAL ACADEMIC	277,150	8,319	54,919	340,388	220,137	76,525	296,663	2,827	-	33,699	36,526	333,189	7,200
3. Academic Support													
Office of the Provost	2,856	-	1	2,857	1,989	593	2,582	-	-	318	318	2,900	(43)
School of Graduate Studies	1,125	-	364	1,489	819	337	1,156	-	-	340	340	1,496	(7)
Museum of Art	487	-	79	566	604	252	856	-	-	(290)	(290)	566	-
Centre for Leadership in Learning	1,565	-	25	1,590	1,121	443	1,565	-	-	130	130	1,695	(104)
Research	1,720	9,058	5,662	16,441	8,482	3,672	12,154	-	-	4,261	4,261	16,415	25
Nuclear Reactor Debt	0	-	-	0	-	-	-	-	-	-	-	-	0
University Library	16,540	734	351	17,626	5,369	2,209	7,578	-	7,725	1,149	8,874	16,452	1,174
Health Sciences Library	2,729	224	80	3,033	1,396	576	1,972	-	2,095	(1,038)	1,057	3,030	3
Registrar	4,265	-	1,720	5,985	4,042	1,666	5,708	-	-	(126)	(126)	5,583	402
Pension	6,962	-	-	6,962	-	6,962	6,962	-	-	-	-	6,962	-
Sub-total	38,249	10,016	8,283	56,548	23,823	16,711	40,533	-	9,820	4,745	14,565	55,098	1,450
4. Student Support													
Graduate Scholarships/Bursaries	13,791	-	-	13,791	455	201	656	11,118	-	1,671	12,789	13,444	347
Student Affairs	2,743	-	18,130	20,873	9,377	2,840	12,217	-	-	7,183	7,183	19,400	1,473
Undergraduate Scholarships	13,397	-	1,267	14,664	1,771	-	1,771	13,495	-	(35)	13,460	15,231	(566)
Student Support Allocation	0	-	0	0	-	-	-	-	-	-	-	-	0
Sub-total	29,931	-	19,398	49,329	11,603	3,041	14,644	24,613	-	8,818	33,431	48,075	1,253
5. Facilities Support													
Facilities Services	15,139	-	191	15,330	8,404	2,794	11,198	-	-	3,824	3,824	15,022	308
HSC Maintenance	3,265	-	40	3,305	-	-	-	-	-	3,327	3,327	3,327	(22)
Utilities	15,636	-	6	15,642	1,524	428	1,953	-	-	13,745	13,745	15,698	(56)
HSC Utilities	5,387	-	-	5,387	-	-	-	-	-	5,434	5,434	5,434	(47)
Deferred Maintenance	3,919	-	-	3,919	-	-	-	-	-	3,919	3,919	3,919	-
Bond Interest	7,380	-	-	7,380	-	-	-	-	-	7,380	7,380	7,380	-
MIP Occupancy	490	-	104	594	-	-	-	-	-	575	575	575	19
Renovation contingency	974	-	-	974	-	-	-	-	-	974	974	974	-
Sub-total	52,190	-	341	52,531	9,929	3,222	13,151	-	-	39,179	39,179	52,330	201
6. Institutional Support													
Administration/Institutional Support	14,035	-	1,349	15,384	11,308	3,990	15,298	-	-	482	482	15,720	(335)
UTS/Technology Fund	11,813	-	181	11,994	6,705	2,740	9,446	-	-	2,501	2,501	11,947	47
University Secretariat	698	-	-	698	446	175	620	-	-	114	114	734	(36)
Presidential Budget	1,112	-	10	1,122	399	128	526	-	-	495	495	1,021	101
University Advancement	4,896	-	1,215	6,111	5,447	2,026	7,472	-	-	(120)	(120)	7,352	(1,242)
General University	7,382	-	1,805	9,187	383	30	413	-	-	8,822	8,822	9,235	(48)
Sub-total	39,936	-	4,560	44,496	24,688	9,028	33,716	-	-	12,294	12,294	46,009	(1,514)
7. Institutional Priority allocations													
Technology Renewal	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	126	-	-	126	-	-	-	-	-	-	-	-	126
Sub-total	126	-	-	126	-	-	-	-	-	-	-	-	126
Surplus/(Deficit)	437,582	18,335	87,500	543,417	290,179	108,528	398,707	27,440	9,820	98,734	135,994	534,701	8,716
<i>Under/(over)allocated</i>	19,560	-	(3,371)	16,189	-	-	-	-	-	(3,371)	(3,371)	(3,371)	19,560
Total Surplus/(Deficit)	457,142	18,335	84,129	559,606	290,179	108,528	398,707	27,440	9,820	95,363	132,623	531,330	28,276

*To be allocated to Faculties

Table 25: Sources of Funding and Resource Allocation – 2014/15 Budget

(\$ thousands)	2014/15 Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties (Academic Programmes)													
Business	27,581	80	5,414	33,075	20,052	4,905	24,957	1,188	-	6,114	7,302	32,259	817
Engineering	53,015	811	907	54,733	37,918	10,041	47,958	1,028	-	6,944	7,971	55,929	(1,197)
Health Sciences	69,946	5,348	43,055	118,350	80,934	20,516	101,450	370	-	16,759	17,129	118,579	(230)
Humanities	23,756	-	2,483	26,239	21,680	5,795	27,475	97	-	1,070	1,167	28,642	(2,402)
Science	52,073	206	1,656	53,935	43,660	10,748	54,408	159	-	3,689	3,847	58,256	(4,321)
Advance to Science	0	-	-	0	-	-	-	-	-	500	500	500	(500)
Medical Radiation - Mohawk share	4,651	-	-	4,651	-	-	-	-	-	4,651	4,651	4,651	-
Social Sciences	30,413	27	1,058	31,497	24,109	6,602	30,711	122	-	598	719	31,430	67
Interdisciplinary Programmes	1,674	-	-	1,674	721	125	846	-	-	144	144	990	684
Slip-year Allocation*	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	263,109	6,472	54,573	324,154	229,074	58,732	287,806	2,962	-	40,468	43,430	331,236	(7,082)
2. Academic Priorities													
Academic Contingency	2,010	-	-	2,010	111	110	221	-	-	1,467	1,467	1,688	322
Faculty Recruiting	389	-	-	389	-	-	-	-	-	311	311	311	79
Academic Priorities Allocation	17,341	(2,500)	-	14,841	2,044	535	2,579	-	-	13,724	13,724	16,303	(1,462)
Sub-total	19,740	(2,500)	-	17,240	2,155	645	2,800	-	-	15,502	15,502	18,301	(1,061)
TOTAL ACADEMIC	282,849	3,972	54,573	341,394	231,229	59,376	290,606	2,962	-	55,970	58,932	349,538	(8,143)
3. Academic Support													
Office of the Provost	3,082	-	1	3,083	2,298	667	2,965	-	-	467	467	3,433	(350)
School of Graduate Studies	1,617	-	15	1,632	946	331	1,277	-	-	709	709	1,986	(354)
Museum of Art	453	-	119	572	622	186	808	-	-	(246)	(246)	562	10
Centre for Leadership in Learning	1,504	-	18	1,522	2,487	558	3,045	-	-	373	373	3,418	(1,896)
Research	7,652	1,724	5,960	15,336	8,511	2,689	11,200	-	-	4,458	4,458	15,658	(323)
Nuclear Reactor Debt	0	-	-	0	-	-	-	-	-	(85)	(85)	(85)	85
University Library	17,138	-	318	17,456	6,442	1,935	8,377	-	7,964	1,201	9,165	17,542	(86)
Health Sciences Library	2,862	35	79	2,976	1,448	498	1,946	-	2,307	(928)	1,379	3,325	(349)
Registrar	4,473	-	1,321	5,794	4,732	1,444	6,176	-	-	(51)	(51)	6,125	(331)
Pension	27,046	-	-	27,046	-	27,046	27,046	-	-	-	-	27,046	-
Sub-total	65,827	1,759	7,831	75,416	27,487	35,353	62,841	-	10,271	5,899	16,169	79,010	(3,594)
4. Student Support													
Graduate Scholarships/Bursaries	13,762	-	-	13,762	451	172	623	12,757	-	1,686	14,443	15,065	(1,303)
Student Affairs	3,518	-	19,249	22,767	10,535	2,689	13,224	-	-	9,831	9,831	23,055	(289)
Undergraduate Scholarships	13,448	-	796	14,244	1,582	-	1,582	12,944	-	(45)	12,899	14,481	(237)
Student Support Allocation	(103)	-	-	(103)	-	-	-	-	-	-	-	-	(103)
Sub-total	30,625	-	20,045	50,669	12,568	2,861	15,429	25,701	-	11,472	37,173	52,601	(1,932)
5. Facilities Support													
Facilities Services	15,405	-	156	15,561	9,201	2,556	11,757	-	-	3,833	3,833	15,590	(30)
HSC Maintenance	3,265	-	40	3,305	-	-	-	-	-	3,570	3,570	3,570	(265)
Utilities	16,690	-	-	16,690	1,711	453	2,164	-	-	14,573	14,573	16,737	(47)
HSC Utilities	5,387	-	-	5,387	-	-	-	-	-	5,919	5,919	5,919	(532)
Deferred Maintenance	6,227	-	-	6,227	-	-	-	-	-	6,227	6,227	6,227	-
Bond Interest	7,380	-	-	7,380	-	-	-	-	-	7,380	7,380	7,380	-
MIP Occupancy	2,683	-	104	2,787	-	-	-	-	-	2,787	2,787	2,787	-
Renovation contingency	974	-	-	974	-	-	-	-	-	1,061	1,061	1,061	(87)
Sub-total	58,011	-	299	58,310	10,912	3,010	13,921	-	-	45,350	45,350	59,272	(961)
6. Institutional Support													
Administration/Institutional Support	16,601	-	1,390	17,991	11,704	3,338	15,041	-	-	3,118	3,118	18,159	(168)
UTS/Technology Fund	12,868	-	181	13,049	7,011	2,016	9,027	-	-	5,278	5,278	14,305	(1,256)
University Secretariat	731	-	-	731	457	144	601	-	-	190	190	791	(60)
Presidential Budget	1,118	-	6	1,124	421	134	555	-	-	577	577	1,132	(8)
University Advancement	5,047	-	1,155	6,202	5,879	1,736	7,615	-	-	(220)	(220)	7,396	(1,193)
General University	7,745	-	1,785	9,530	395	31	425	-	-	9,045	9,045	9,470	59
Sub-total	44,110	-	4,517	48,628	25,866	7,399	33,265	-	-	17,988	17,988	51,253	(2,626)
7. Institutional Priority allocations													
Technology Renewal	4,517	-	-	4,517	3,151	904	4,055	-	-	20,980	20,980	25,035	(20,518)
Strategic Priorities	2,000	-	-	2,000	108	24	132	-	-	(3,103)	(3,103)	(2,971)	4,971
Sub-total	6,517	-	-	6,517	3,259	928	4,187	-	-	17,877	17,877	22,064	(15,547)
Surplus/(Deficit)	487,939	5,731	87,265	580,935	311,322	108,927	420,249	28,663	10,271	154,555	193,489	613,738	(32,803)
<i>Under/overallocated</i>	(0)	-	(7,594)	(7,594)	-	-	-	-	-	(7,594)	(7,594)	(7,594)	(0)
Total Surplus/(Deficit)	487,938	5,731	79,671	573,341	311,322	108,927	420,249	28,663	10,271	146,961	185,895	606,144	(32,803)

Table 26: One-time Sources of Funding and Resource Allocation – 2014/15 Budget

One-time Funding Sources & Resource Allocation													Total Expenses	Annual Surplus (Deficit)
(\$ thousands)	2014/15 One-time Sources of Funding				Total Salaries & Benefits			Non-salary Expenses						
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses	Total			
1. Faculties (Academic Programmes)														
Business	-	-	-	-	296	60	357	-	-	490	490	847	(847)	
Engineering	0	-	-	0	-	-	-	-	-	1,700	1,700	1,700	(1,700)	
Health Sciences	-	-	(144)	(144)	634	95	728	-	-	3,507	3,507	4,236	(4,379)	
Humanities	-	-	-	-	25	11	36	-	-	-	-	36	(36)	
Science	0	100	67	167	1,133	13	1,146	(122)	-	424	302	1,448	(1,261)	
Advance to Science	0	-	-	0	-	-	-	-	-	500	500	500	(500)	
Medical Radiation - Mohawk share	0	-	-	0	-	-	-	-	-	-	-	-	0	
Social Sciences	100	7	281	388	34	65	99	18	-	3	20	120	268	
Interdisciplinary Programmes	0	-	-	0	-	-	-	-	-	-	-	-	0	
Slip-year Allocation*	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	100	106	205	411	2,123	244	2,367	(105)	-	6,625	6,520	8,887	(8,475)	
2. Academic Priorities														
Academic Contingency	0	-	-	0	-	-	-	-	-	-	-	-	0	
Faculty Recruiting	-	-	-	-	-	-	-	-	-	-	-	-	-	
Academic Priorities Allocation	0	-	-	0	-	-	-	-	-	5,000	5,000	5,000	(5,000)	
Sub-total	0	-	-	0	-	-	-	-	-	5,000	5,000	5,000	(5,000)	
TOTAL ACADEMIC	100	106	205	411	2,123	244	2,367	(105)	-	11,625	11,520	13,887	(13,475)	
3. Academic Support														
Office of the Provost	0	-	-	0	78	20	98	-	-	137	137	235	(235)	
School of Graduate Studies	0	-	-	0	87	25	112	-	-	242	242	355	(355)	
Museum of Art	0	-	-	0	-	-	-	-	-	-	-	-	0	
Centre for Leadership in Learning	0	-	-	0	-	-	-	-	-	10	10	10	(9)	
Research	170	422	7	599	-	-	-	-	-	247	247	247	352	
Nuclear Reactor Debt	0	-	-	0	-	-	-	-	-	(85)	(85)	(85)	85	
University Library	0	-	-	0	141	9	150	-	-	(179)	(179)	(28)	28	
Health Sciences Library	-	-	-	-	(22)	-	(22)	-	-	-	-	(22)	22	
Registrar	0	-	-	0	198	24	222	-	-	110	110	332	(332)	
Pension	2,647	-	-	2,647	-	2,647	2,647	-	-	-	-	2,647	-	
Sub-total	2,817	422	7	3,246	482	2,724	3,206	-	-	483	483	3,689	(443)	
4. Student Support														
Graduate Scholarships/Bursaries	0	-	-	0	-	-	-	1,303	-	-	1,303	1,303	(1,303)	
Student Affairs	0	-	706	706	651	175	827	-	-	1,330	1,330	2,156	(1,451)	
Undergraduate Scholarships	0	-	-	0	10	-	10	-	-	(10)	(10)	(0)	0	
Student Support Allocation	0	-	-	0	-	-	-	-	-	-	-	-	0	
Sub-total	0	-	706	706	661	175	837	1,303	-	1,320	2,623	3,459	(2,754)	
5. Facilities Support														
Facilities Services	0	-	-	0	-	-	-	-	-	-	-	-	0	
HSC Maintenance	0	-	-	0	-	-	-	-	-	-	-	-	0	
Utilities	0	-	-	0	-	-	-	-	-	-	-	-	0	
HSC Utilities	0	-	-	0	-	-	-	-	-	-	-	-	0	
Deferred Maintenance	334	-	-	334	-	-	-	-	-	334	334	334	-	
Bond Interest	0	-	-	0	-	-	-	-	-	-	-	-	0	
MIP Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	
Renovation contingency	0	-	-	0	-	-	-	-	-	87	87	87	(87)	
Sub-total	334	-	-	334	-	-	-	-	-	421	421	421	(87)	
6. Institutional Support														
Administration/Institutional Support	590	-	-	590	59	56	116	-	-	738	738	854	(264)	
UTS/Technology Fund	950	-	-	950	-	-	-	-	-	2,331	2,331	2,331	(1,381)	
University Secretariat	25	-	-	25	-	-	-	-	-	78	78	78	(53)	
Presidential Budget	0	-	-	0	-	-	-	-	-	-	-	-	0	
University Advancement	0	-	-	0	-	-	-	-	-	-	-	-	0	
General University	350	-	-	350	-	-	-	-	-	350	350	350	-	
Sub-total	1,915	-	-	1,915	59	56	116	-	-	3,497	3,497	3,612	(1,697)	
7. Institutional Priority allocations														
Technology Renewal	4,517	-	-	4,517	3,151	904	4,055	-	-	20,980	20,980	25,035	(20,518)	
Strategic Priorities	2,000	-	-	2,000	108	24	132	-	-	(103)	(103)	29	1,971	
Sub-total	6,517	-	-	6,517	3,259	928	4,187	-	-	20,877	20,877	25,064	(18,547)	
Surplus/(Deficit)	11,683	528	917	13,129	6,585	4,127	10,712	1,198	-	38,222	39,420	50,132	(37,003)	
<i>Under/overallocated</i>	(15,150)	-	-	(15,150)	-	-	-	-	-	-	-	-	(15,150)	
Total Surplus/(Deficit)	(3,467)	528	917	(2,021)	6,585	4,127	10,712	1,198	-	38,222	39,420	50,132	(52,153)	

Table 27: Ongoing Sources of Funding and Resource Allocation – 2014/15 Budget

(\$ thousands)	2014/15 Ongoing Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties (Academic Programmes)													
Business	27,581	80	5,414	33,075	19,756	4,845	24,601	1,188	-	5,624	6,812	31,412	1,663
Engineering	53,015	811	907	54,733	37,918	10,041	47,959	1,028	-	5,244	6,271	54,229	503
Health Sciences	69,946	5,348	43,199	118,493	80,300	20,421	100,722	370	-	13,251	13,622	114,343	4,150
Humanities	23,756	-	2,483	26,239	21,655	5,784	27,439	97	-	1,070	1,167	28,606	(2,366)
Science	52,073	106	1,589	53,768	42,527	10,736	53,263	281	-	3,264	3,545	56,808	(3,039)
Advance to Science	0	-	-	0	-	-	-	-	-	-	-	-	0
Medical Radiation - Mohawk share	4,651	-	-	4,651	-	-	-	-	-	4,651	4,651	4,651	-
Social Sciences	30,313	20	777	31,110	24,075	6,537	30,612	104	-	595	699	31,311	(201)
Interdisciplinary Programmes	1,674	-	-	1,674	721	125	846	-	-	144	144	990	684
Academic Allocation - QIF	0	-	-	0	-	-	-	-	-	-	-	-	0
Academic Allocation - Accessibility	-	-	-	-	-	-	-	-	-	-	-	-	-
Slip-year Allocation*	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	263,009	6,366	54,368	323,743	226,951	58,488	285,439	3,067	-	33,843	36,910	322,350	1,394
2. Academic Priorities													
Academic Contingency	2,010	-	-	2,010	111	110	221	-	-	1,467	1,467	1,688	322
Faculty Recruiting	389	-	-	389	-	-	-	-	-	311	311	311	79
Academic Priorities Allocation	17,341	(2,500)	-	14,841	2,044	535	2,579	-	-	8,724	8,724	11,303	3,538
Sub-total	19,740	(2,500)	-	17,240	2,155	645	2,800	-	-	10,502	10,502	13,301	3,939
TOTAL ACADEMIC	282,749	3,866	54,368	340,983	229,106	59,133	288,239	3,067	-	44,345	47,412	335,651	5,332
3. Academic Support													
Office of the Provost	3,082	-	1	3,083	2,220	647	2,868	-	-	330	330	3,198	(115)
School of Graduate Studies	1,617	-	15	1,632	859	306	1,165	-	-	467	467	1,632	0
Museum of Art	453	-	119	572	622	186	808	-	-	(246)	(246)	562	10
Centre for Leadership in Learning	1,504	-	18	1,522	2,487	558	3,045	-	-	363	363	3,408	(1,887)
Research	7,482	1,302	5,953	14,736	8,511	2,689	11,200	-	-	4,211	4,211	15,411	(675)
Nuclear Reactor Debt	0	-	-	0	-	-	-	-	-	-	-	-	0
University Library	17,138	-	318	17,456	6,301	1,926	8,227	-	7,964	1,379	9,343	17,570	(114)
Health Sciences Library	2,862	35	79	2,976	1,470	498	1,968	-	2,307	(928)	1,379	3,348	(371)
Registrar	4,473	-	1,321	5,794	4,634	1,421	5,955	-	-	(161)	(161)	5,793	1
Pension	24,399	-	-	24,399	-	24,399	24,399	-	-	-	-	24,399	-
Sub-total	63,010	1,337	7,824	72,170	27,005	32,630	59,635	-	10,271	5,416	15,687	75,321	(3,151)
4. Student Support													
Graduate Scholarships/Bursaries	13,762	-	-	13,762	451	172	623	11,454	-	1,686	13,139	13,762	-
Student Affairs	3,518	-	18,543	22,061	9,884	2,514	12,398	-	-	8,501	8,501	20,899	1,162
Undergraduate Scholarships	13,448	-	796	14,244	1,572	-	1,572	12,944	-	(35)	12,909	14,481	(237)
Student Support Allocation	(103)	-	-	(103)	-	-	-	-	-	-	-	-	(103)
Sub-total	30,625	-	19,339	49,964	11,907	2,686	14,592	24,398	-	10,152	34,550	49,142	822
5. Facilities Support													
Facilities Services	15,405	-	156	15,561	9,201	2,556	11,757	-	-	3,833	3,833	15,590	(30)
HSC Maintenance	3,265	-	40	3,305	-	-	-	-	-	3,570	3,570	3,570	(265)
Utilities	16,680	-	-	16,680	1,711	453	2,164	-	-	14,573	14,573	16,737	(47)
HSC Utilities	5,387	-	-	5,387	-	-	-	-	-	5,919	5,919	5,919	(532)
Deferred Maintenance	5,893	-	-	5,893	-	-	-	-	-	5,893	5,893	5,893	-
Bond Interest	7,380	-	-	7,380	-	-	-	-	-	7,380	7,380	7,380	-
MIP Occupancy	2,683	-	104	2,787	-	-	-	-	-	2,787	2,787	2,787	-
Renovation contingency	974	-	-	974	-	-	-	-	-	974	974	974	-
Sub-total	57,677	-	299	57,976	10,912	3,010	13,921	-	-	44,929	44,929	58,850	(874)
6. Institutional Support													
Administration/Institutional Support	16,011	-	1,390	17,401	11,644	3,282	14,926	-	-	2,380	2,380	17,305	96
UTS/Technology Fund	11,918	-	181	12,099	7,011	2,016	9,027	-	-	2,946	2,946	11,973	125
University Secretariat	706	-	-	706	457	144	601	-	-	113	113	714	(8)
Presidential Budget	1,118	-	6	1,124	421	134	555	-	-	577	577	1,132	(8)
University Advancement	5,047	-	1,155	6,202	5,879	1,736	7,615	-	-	(220)	(220)	7,396	(1,193)
General University	7,395	-	1,785	9,180	395	31	425	-	-	8,695	8,695	9,120	59
Sub-total	42,195	-	4,517	46,713	25,807	7,343	33,150	-	-	14,491	14,491	47,641	(928)
7. Institutional Priority allocations													
Technology Renewal	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)	(3,000)	3,000
Sub-total	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)	(3,000)	3,000
Surplus/(Deficit)	476,256	5,203	86,348	567,806	304,736	#####	409,537	27,465	10,271	116,333	154,069	563,606	4,200
<i>Under/overallocated</i>	15,150	-	(7,594)	7,556	-	-	-	-	-	(7,594)	(7,594)	(7,594)	15,150
Total Surplus/(Deficit)	491,405	5,203	78,754	575,362	304,736	#####	409,537	27,465	10,271	108,739	146,475	556,012	19,350

Table 28: Annual Net Change in Operating Envelope Balance – 2013/14 to 2016/17

(\$ thousands)	2013/14		2014/15	2015/16	2016/17
	Budget	Projection	Budget	Plan	Plan
1. Faculties (Academic Programmes)					
Business	(5,001)	(1,952)	817	1,627	2,680
Engineering	(4,226)	3,428	(1,197)	(2,203)	(3,971)
Health Sciences	(4,234)	723	(230)	2,743	1,651
Humanities	(5,030)	(2,279)	(2,402)	(1,804)	(1,648)
Science	(5,356)	(2,145)	(4,321)	(4,378)	(5,739)
Advance to Science	(500)	(500)	(500)	(500)	(500)
Medical Radiation - Mohawk share	0	0	0	0	0
Social Sciences	(2,807)	(433)	67	(1,181)	(2,342)
Interdisciplinary Programmes	(40)	168	684	566	502
Academic Allocation - QIF	-	0	0	0	0
Slip-year Allocation*	14,016	(1,353)	-	-	-
Sub-total	(13,178)	(4,344)	(7,082)	(5,131)	(9,366)
2. Academic Priorities					
Academic Contingency	377	724	322	97	192
Faculty Recruiting	-	161	79	79	79
Academic Priorities Allocation	4,970	5,532	(1,462)	2,417	5,519
Sub-total	5,347	6,417	(1,061)	2,593	5,790
TOTAL ACADEMIC	(7,832)	2,074	(8,143)	(2,538)	(3,577)
3. Academic Support					
Office of the Provost	(291)	918	(350)	(807)	(783)
School of Graduate Studies	(391)	(419)	(354)	(321)	(302)
Museum of Art	20	0	10	5	6
Centre for Leadership in Learning	(124)	1,019	(1,896)	(1,968)	(1,952)
Research	(300)	(116)	(323)	(362)	410
Nuclear Reactor Debt	170	170	85	85	85
University Library	(448)	119	(86)	54	(62)
Health Sciences Library	(170)	400	(349)	(330)	(415)
Registrar	(8)	(39)	(331)	(9)	(1,132)
Pension	-	-	-	-	-
Sub-total	(1,541)	2,051	(3,594)	(3,652)	(4,147)
4. Student Support					
Graduate Scholarships/Bursaries	(1,137)	(795)	(1,303)	(1,809)	(2,296)
Student Affairs	(462)	279	(289)	67	(253)
Undergraduate Scholarships	(183)	(559)	(237)	(56)	(0)
Student Support Allocation	(103)	(103)	(103)	0	0
Sub-total	(1,885)	(1,178)	(1,932)	(1,798)	(2,549)
5. Facilities Support					
Facilities Services	(227)	(702)	(30)	(276)	(405)
HSC Maintenance	-	(22)	(265)	(291)	(316)
Utilities	4	(56)	(47)	29	493
HSC Utilities	-	(47)	(532)	(532)	(532)
Deferred Maint/Facilities Renew	-	-	-	-	-
Bond Interest	-	0	0	-	-
MIP Occupancy	19	19	-	-	-
Renovation contingency	241	(904)	(87)	-	-
Sub-total	37	(1,713)	(961)	(1,070)	(760)
Institutional Support					
Administration/Institutional Support	(1,290)	(1,858)	(168)	(121)	483
UTS/Technology Fund	91	145	(1,256)	71	47
University Secretariat	19	(15)	(60)	(12)	5
Presidential Budget	(1)	40	(8)	2	(1)
University Advancement	(1,217)	(1,242)	(1,193)	42	864
General/Contingency	(29)	(48)	59	(12)	(73)
Sub-total	(2,427)	(2,978)	(2,626)	(31)	1,324
7. Institutional Priority allocations					
Technology Renewal	(18,388)	(12,926)	(20,518)	336	4,626
Strategic Priorities	4,303	(1,213)	4,971	-	-
Sub-total	(14,085)	(14,139)	(15,547)	336	4,626
Surplus/(Deficit)	(27,732)	(15,884)	(32,803)	(8,753)	(5,083)
<i>Under/(over)allocated</i>	1,489	5,706	(0)	1,101	1,667
Total Surplus/(Deficit)	(26,243)	(10,177)	(32,803)	(7,652)	(3,415)
*To be allocated to Faculties	-	-	-	-	-

Table 30: Financial Position of Operating Envelopes – 2014/15 to 2016/17

(\$ thousands)	2014/15 Budget				Appropriations April 30, 2015	2015/16 Plan			Appropriations April 30, 2015	2016/17 Plan			Appropriations April 30, 2016
	Appropriations April 30, 2014	On-going	One-time	Total		On-going	One-time	Total		On-going	One-time	Total	
1. Faculties (Academic Programmes)													
Business	(9,963)	1,663	(847)	817	(9,146)	1,719	(92)	1,627	(7,519)	2,680	-	2,680	(4,839)
Engineering	15,505	503	(1,700)	(1,197)	14,309	(2,203)	0	(2,203)	12,106	(3,971)	0	(3,971)	8,135
Health Sciences	23,125	683	(912)	(230)	22,895	5,266	(2,524)	2,743	25,638	3,995	(2,344)	1,651	27,289
Humanities	(4,450)	(2,366)	(36)	(2,402)	(6,852)	(1,804)	-	(1,804)	(8,656)	(1,648)	-	(1,648)	(10,305)
Science	(2,109)	(3,039)	(1,281)	(4,321)	(6,430)	(3,470)	(907)	(4,378)	(10,807)	(4,853)	(886)	(5,739)	(16,546)
Advance to Science	2,500	0	(500)	(500)	2,000	0	(500)	(500)	1,500	0	(500)	(500)	1,000
Medical Radiation - Mohawk share	(1,161)	-	0	0	(1,161)	-	0	0	(1,161)	-	0	0	(1,161)
Social Sciences	(5,298)	(201)	268	67	(5,231)	(1,181)	0	(1,181)	(6,412)	(2,342)	0	(2,342)	(8,754)
Interdisciplinary Programmes	1,442	684	0	684	2,127	566	0	566	2,692	502	0	502	3,194
Academic Allocation - QIF	0	0	0	0	0	0	0	0	0	0	0	0	0
Slip-year Allocation*	11,945	-	-	-	11,945	-	-	-	11,945	-	-	-	11,945
Sub-total	31,537	(2,073)	(5,008)	(7,082)	24,455	(1,108)	(4,022)	(5,131)	19,325	(5,636)	(3,730)	(9,366)	9,958
2. Academic Priorities													
Academic Contingency	2,278	322	0	322	2,600	97	0	97	2,697	192	0	192	2,889
Faculty Recruiting	479	79	-	79	557	79	-	79	636	79	-	79	714
Academic Priorities Allocation	20,179	3,538	(5,000)	(1,462)	18,717	7,417	(5,000)	2,417	21,135	10,519	(5,000)	5,519	26,654
Sub-total	22,936	3,939	(5,000)	(1,061)	21,875	7,593	(5,000)	2,593	24,468	10,790	(5,000)	5,790	30,257
TOTAL ACADEMIC	54,473	1,865	(10,008)	(8,143)	46,330	6,484	(9,022)	(2,538)	43,792	5,153	(8,730)	(3,577)	40,216
3. Academic Support													
Office of the Provost	2,546	(115)	(235)	(350)	2,197	(77)	(729)	(807)	1,390	(51)	(731)	(783)	607
School of Graduate Studies	1,783	0	(355)	(354)	1,429	0	(321)	(321)	1,108	1	(303)	(302)	806
Museum of Art	(21)	10	0	10	(11)	5	0	5	(6)	6	0	6	0
Centre for Leadership in Learning	1,428	(1,887)	(9)	(1,896)	(468)	(1,958)	(9)	(1,968)	(2,435)	(1,943)	(9)	(1,952)	(4,388)
Research	(1,277)	(675)	352	(329)	(1,600)	(441)	79	(362)	(1,962)	201	209	410	(1,552)
Nuclear Reactor Debt	(1,106)	0	85	85	(1,021)	0	85	85	(936)	0	85	85	(851)
University Library	643	(114)	28	(86)	557	23	32	54	612	(62)	0	(62)	549
Health Sciences Library	666	(371)	22	(349)	317	(365)	35	(330)	(13)	(450)	35	(415)	(428)
Registrar	1,746	1	(332)	(331)	1,415	14	(23)	(9)	1,406	108	(1,240)	(1,132)	273
Pension	0	-	-	-	0	-	-	-	0	-	-	-	0
Sub-total	6,410	(3,151)	(443)	(3,594)	2,816	(2,800)	(852)	(3,652)	(836)	(2,192)	(1,955)	(4,147)	(4,983)
4. Student Support													
Graduate Scholarships/Bursaries	5,616	-	(1,303)	(1,303)	4,313	-	(1,809)	(1,809)	2,504	-	(2,296)	(2,296)	208
Student Affairs	3,070	525	(814)	67	2,781	447	(379)	67	2,848	245	(498)	(253)	2,595
Undergraduate Scholarships	511	(237)	0	(237)	274	(56)	0	(56)	217	(0)	0	(0)	217
Student Support Allocation	0	(103)	0	(103)	(103)	0	0	0	(103)	0	0	0	(103)
Sub-total	9,196	185	(2,117)	(1,932)	7,264	390	(2,189)	(1,798)	5,466	244	(2,793)	(2,549)	2,917
5. Facilities Support													
Facilities Services	161	(30)	0	(30)	132	(276)	0	(276)	(145)	(405)	0	(405)	(549)
HSC Maintenance	162	(265)	0	(265)	(103)	(291)	-	(291)	(394)	(316)	-	(316)	(710)
Utilities	(34)	(47)	0	(47)	(81)	29	-	29	(52)	493	-	493	441
HSC Utilities	(47)	(532)	0	(532)	(580)	(532)	0	(532)	(1,112)	(532)	0	(532)	(1,644)
Deferred Maint/Facilities Renew	0	-	-	-	0	-	-	-	0	-	-	-	0
Bond Interest	0	-	0	0	0	-	-	-	0	-	-	-	0
MIP Occupancy	19	-	-	-	19	-	-	-	19	-	-	-	19
Renovation contingency	87	-	(87)	(87)	0	-	-	-	0	-	-	-	0
Sub-total	348	(874)	(87)	(961)	(613)	(1,070)	0	(1,070)	(1,684)	(760)	0	(760)	(2,444)
Institutional Support													
Administrations/Institutional Support	2,873	96	(264)	(168)	2,705	92	(213)	(121)	2,584	483	0	483	3,067
UTS/Technology Fund	1,362	125	(1,381)	(1,256)	106	71	0	71	177	47	-	47	225
University Secretariat	80	(8)	(53)	(60)	20	(0)	(12)	(12)	8	14	(9)	5	13
Presidential Budget	1,019	(8)	0	(8)	1,011	2	0	2	1,012	(1)	0	(1)	1,011
University Advancement	1,038	(1,193)	0	(1,193)	(155)	42	0	42	(114)	864	0	864	750
General University	(48)	59	-	59	11	(12)	0	(12)	(1)	(73)	0	(73)	(74)
Sub-total	6,324	(928)	(1,697)	(2,626)	3,698	194	(225)	(31)	3,667	1,333	(9)	1,324	4,991
7. Institutional Priority allocations													
Technology Renewal	(14,716)	-	(20,518)	(20,518)	(35,234)	0	336	336	(34,898)	0	4,626	4,626	(30,272)
Strategic Priorities	2,364	3,000	1,971	4,971	7,335	-	-	-	7,335	-	-	-	7,335
Sub-total	(12,352)	3,000	(18,547)	(15,547)	(27,899)	0	336	336	(27,563)	0	4,626	4,626	(22,937)
Surplus/(Deficit)	64,399	96	(32,899)	(32,803)	31,596	3,199	(11,952)	(8,753)	22,843	3,779	(8,862)	(5,083)	17,761
<i>Under(over)allocated</i>	<i>5,706</i>	<i>15,150</i>	<i>(15,150)</i>	<i>(0)</i>	<i>5,706</i>	<i>6,006</i>	<i>(4,905)</i>	<i>1,101</i>	<i>6,806</i>	<i>6,627</i>	<i>(4,960)</i>	<i>1,667</i>	<i>8,474</i>
Total Surplus/(Deficit)	70,105	15,246	(48,049)	(32,803)	37,302	9,205	(16,857)	(7,652)	29,650	10,406	(13,822)	(3,415)	26,234

*To be allocated to Faculties

Table 31: Budget Allocation Framework: Faculties – 2014/15

McMaster University - New Budget Model - Faculties		University Fund										8.00%		
Projected Budget Allocation		Research Infrastructure Fund										1.00%		
2014-15														
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Rad - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)
Revenue														
Undergraduate Tuition			24,747	49,131	28,982	16,257	36,183	2,233	29,189	1,664	-	-	-	188,385
Graduate Tuition			10,323	9,657	8,865	2,036	5,878	-	2,432	-	-	-	-	39,191
Operating Grant			17,014	41,162	75,949	17,815	48,081	2,418	24,016	1,885	-	-	-	228,340
Other Income			(190)	1,971	7,302	28	1,220	-	289	97	-	-	-	15,820
Gross Revenue			51,894	101,921	121,098	36,135	91,362	4,651	55,925	3,646	-	5,103	-	471,736
Undergraduate Cross Faculty Teaching Adjustment			(4,919)	(7,425)	(1,512)	2,656	9,887	-	1,941	(628)	-	-	-	(0)
Revenue for Contributions			46,975	94,495	119,587	38,791	101,248	4,651	57,866	3,019	-	5,103	-	471,736
University Fund Contribution			(3,758)	(7,560)	(9,567)	(3,103)	(8,100)	-	(4,629)	(241)	-	36,959	-	-
Research Infrastructure Fund Contribution			(470)	(945)	(1,196)	(388)	(1,012)	-	(579)	(30)	-	-	4,620	-
Indirect Cost of Research (excluding Royalties)			178	3,825	8,938	144	4,126	-	645	-	-	-	-	17,856
VP Research Discretionary (Equivalent to 7% of ICR)			-	(375)	(7,901)	-	(206)	-	(4)	-	1,297,721	-	-	1,298
Adjustments for Current Practices			-	-	-	-	-	-	-	-	-	-	-	(8,486)
Research Infrastructure Fund Distribution			46	990	2,313	37	1,067	-	167	-	-	-	(4,620)	-
Revenue Prior to Shared Support Unit Allocations			42,971	90,431	112,174	35,481	97,123	4,651	53,466	2,747	1,298	42,062	-	482,404
Shared Support Unit Allocations - via double stepdown														
Occupancy Cost	39,160	(12,815)	(873)	(6,399)	(8,140)	(1,827)	(7,857)	-	(1,204)	(44)	-	-	-	(26,345)
Deferred Maintenance	5,893	(2,242)	(121)	(887)	(1,128)	(253)	(1,089)	-	(167)	(6)	-	-	-	(3,651)
MIP Occupancy 1	2,676	(195)	-	(1,694)	(591)	(11)	-	-	(186)	-	-	-	-	(2,481)
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)
HR	5,690	(439)	(265)	(715)	(2,659)	(341)	(871)	-	(390)	(10)	-	-	-	(5,251)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,453	(2,140)	(486)	(836)	(1,896)	(516)	(1,028)	-	(537)	(14)	-	-	-	(5,314)
Supplementary Pension	4,738	(739)	(284)	(550)	(1,737)	(342)	(711)	-	(373)	(1)	-	-	-	(3,999)
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)
Presidential/Univ Sec	1,824	(406)	(130)	(223)	(506)	(138)	(274)	-	(143)	(4)	-	-	-	(1,418)
General University Expense	6,295	(2,480)	(349)	(600)	(1,361)	(371)	(738)	-	(385)	(10)	-	-	-	(3,815)
Bond Interest	7,380	(2,641)	(157)	(1,151)	(1,464)	(329)	(1,413)	-	(217)	(8)	-	-	-	(4,739)
UTS/ Technology Fund	12,023	2,902	(1,434)	(2,568)	(3,163)	(1,564)	(3,638)	-	(2,414)	(143)	-	-	-	(14,925)
UTS- ERP	4,517	(154)	(419)	(751)	(925)	(457)	(1,064)	-	(706)	(42)	-	-	-	(4,363)
UA	5,337	1,288	(651)	(1,358)	(1,775)	(538)	(1,455)	-	(808)	(42)	-	-	-	(6,625)
Office of the Provost	2,952	(956)	(183)	(314)	(712)	(194)	(386)	-	(202)	(5)	-	-	-	(1,996)
Research Support	9,328	4,672	(71)	(2,822)	(8,030)	(72)	(2,355)	-	(651)	-	-	-	-	(14,001)
Student Affairs	3,706	3,490	(753)	(1,303)	(1,086)	(816)	(1,879)	-	(1,280)	(78)	-	-	-	(7,196)
CLL	1,504	380	(193)	(335)	(315)	(210)	(483)	-	(329)	(20)	-	-	-	(1,884)
Libraries	17,138	7,547	(2,427)	(4,222)	(4,948)	(2,669)	(6,053)	-	(4,118)	(246)	-	-	-	(24,684)
HS Library	2,862	1,563	(435)	(757)	(887)	(478)	(1,085)	-	(738)	(44)	-	-	-	(4,425)
Registrar	4,637	6,325	(1,057)	(1,871)	(1,634)	(1,271)	(2,938)	-	(2,054)	(136)	-	-	-	(10,961)
SGS	1,617	349	(318)	(422)	(580)	(143)	(325)	-	(178)	-	-	-	-	(1,966)
Museum of Art	453	433	(82)	(148)	(209)	(90)	(209)	-	(139)	(8)	-	-	-	(886)
UG Scholarship	5,448	709	(634)	(1,233)	(452)	(762)	(1,762)	-	(1,232)	(82)	-	-	-	(6,157)
UG Bursaries	8,000	0	(801)	(1,557)	(796)	(963)	(2,225)	-	(1,555)	(103)	-	-	-	(8,000)
Grad Scholarship	13,762	561	(2,014)	(3,146)	(3,962)	(1,185)	(2,638)	-	(1,378)	-	-	-	-	(14,323)
Academic Contingency/Faculty Recruit	2,399	55	(241)	(503)	(657)	(199)	(539)	-	(299)	(15)	-	-	-	(2,454)
Adjustments for Current Practices - Support Units			-	-	4,196	-	-	-	-	-	2,635	-	-	6,831
Total Shared Support Unit Allocations	196,440	(0)	(15,390)	(38,737)	(50,388)	(17,292)	(46,210)	-	(23,154)	(1,072)	2,635	-	-	(189,608)
Net Revenue			27,581	51,694	61,785	18,189	50,913	4,651	30,313	1,674	3,933	42,062	-	292,796
2013-14 Projected Hold Harmless Level (Adjusted)														
Variance			2,524	53,015	69,946	23,756	52,073	4,536	28,032	1,090	-	-	-	-
UF Hold Harmless (if necessary)			-	1,321	8,161	5,568	1,160	-	-	-	-	(16,209)	-	-
Discretionary University Fund Allocation			-	-	-	-	-	-	-	-	-	-	-	-
Net Projected Budget 2014-15			27,581	53,015	69,946	23,756	52,073	4,651	30,313	1,674	3,933	25,853	-	292,796
Research (Faculties' legacy share of Research Contract OH)		(13/14 Submission)	-	375	2,197	-	206	-	4	-	-	-	-	2,782
Total Budget 2014-15			27,581	53,390	72,144	23,756	52,279	4,651	30,317	1,674	3,933	25,853	-	295,578

Table 32: Budget Allocation Framework: Support Services – 2014/15

McMaster University - New Budget Model - Support Units
Projected Budget Allocation

2014-15																		
	2013/14 Base			2014/15 Base						Adjusted Support Unit budgets for double stepdown allocation								
	2013/14 Original Base Budget	12/13 slip year allocation and policy levers adjustment	2013/14 Base Cfw'd	Base adjustment for Salaries	Benefit rate reduction and new envelopes	Other Base changes	Make whole base adjustment	MIP Occupancy Aggregation	Total Base Adjustment	2014/15 Adjusted Base Allocation	Occupancy: Insurance	Occupancy: Security	Occupancy: Ancillaries Rent Credit	MIP Occupancy: MILO paid by VPR	Supp. Pension: Clinical	FHS Deployed Services	Total adj's prior to allocation to Faculties	Budgets prior to double stepdown allocation
Provost - Academic																		
Academic Contingency	2,010	(16)	1,994	16	-	-	-	-	16	2,010	-	-	-	-	-	-	-	2,010
Faculty Recruiting	389	-	389	-	-	-	-	-	-	389	-	-	-	-	-	-	-	389
Sub-total	2,399	(16)	2,383	16	-	-	-	-	16	2,399	-	-	-	-	-	-	-	2,399
Academic Support																		
Office of the Provost	2,875	(19)	2,856	88	(92)	-	-	-	(4)	2,852	-	-	-	-	100	100	-	2,952
School of Graduate Studies	1,133	(8)	1,125	44	(106)	-	554	-	492	1,617	-	-	-	-	-	-	-	1,617
Museum of Art	490	(3)	487	29	(63)	-	-	-	(34)	453	-	-	-	-	-	-	-	453
MIITEL	1,576	(11)	1,565	51	(112)	-	-	-	(61)	1,504	-	-	-	-	-	-	-	1,504
Research	1,345	(9)	1,336	433	(1,043)	-	6,944	6,334	7,670	17,138	-	-	(151)	-	1,809	1,658	-	9,328
University Library	16,652	(112)	16,540	260	(597)	200	734	-	598	17,138	-	-	-	-	-	-	-	17,138
Health Sciences Library	2,747	(18)	2,729	68	(144)	-	209	-	133	2,862	-	-	-	-	-	-	-	2,862
Registrar	4,294	(29)	4,265	200	(416)	-	424	-	208	4,473	-	-	-	-	164	164	-	4,637
Supplemental Pension	6,953	9	6,962	-	-	-	-	-	-	6,962	-	-	-	(2,224)	-	-	(2,224)	4,738
Pension special payments	-	-	-	-	9,554	-	-	-	9,554	9,554	-	-	-	-	-	-	-	9,554
PRB past service	-	-	-	-	7,883	-	-	-	7,883	7,883	-	-	-	-	-	-	-	7,883
Sub-total	38,065	(200)	37,865	1,173	14,865	200	8,865	-	25,103	62,968	-	-	(151)	(2,224)	2,073	(302)	-	62,666
Student Support																		
Graduate Scholarships/Bursaries	13,456	335	13,791	21	(50)	-	-	-	(29)	13,762	-	-	-	-	-	-	-	13,762
Student Affairs	2,762	(19)	2,743	437	(653)	1,179	-	-	963	3,706	-	-	-	-	-	-	-	3,706
Undergraduate Scholarships	13,397	-	13,397	51	-	-	-	-	51	13,448	-	-	-	-	-	-	-	13,448
Sub-total	29,615	316	29,931	508	(703)	1,179	-	-	984	30,915	-	-	-	-	-	-	-	30,915
Facilities Support																		
Facilities Services	15,561	(105)	15,456	471	(226)	-	-	(296)	(51)	15,405	1,100	-	(4,607)	-	183	(3,324)	-	12,081
HSC Maintenance	3,287	(22)	3,265	-	-	-	-	-	-	3,265	-	-	-	-	-	-	-	3,265
Utilities	15,742	(106)	15,636	66	(12)	-	-	-	54	15,690	-	-	-	-	-	-	-	15,690
HSC Utilities	5,423	(36)	5,387	-	-	-	-	-	-	5,387	-	-	-	-	-	-	-	5,387
Deferred Maint/Facilities Renew	3,919	(26)	3,893	-	-	2,000	-	-	2,000	5,893	-	-	-	-	-	-	-	5,893
Bond Interest	7,380	-	7,380	-	-	-	-	-	-	7,380	-	-	-	-	-	-	-	7,380
MIP Occupancy	490	(3)	487	-	-	-	-	2,196	2,196	2,683	-	-	151	-	-	-	151	2,834
Renovation contingency	981	(7)	974	-	-	-	-	-	-	974	-	-	-	-	-	-	-	974
Security (for occupancy cost allocation)	-	-	-	-	-	-	-	-	-	-	-	1,763	-	-	-	-	1,763	1,763
Sub-total	52,783	(305)	52,478	536	(238)	2,000	-	1,900	4,198	56,676	1,100	1,763	(4,607)	151	-	183	(1,410)	55,266
Institutional Support																		
VP Administration /Other Administration	3,809	(92)	3,717	94	-	-	-	-	94	3,811	-	-	-	-	-	-	-	3,811
Financial Affairs	3,345	-	3,345	165	(360)	-	-	-	(195)	3,150	-	-	-	-	115	115	-	3,265
Institutional Support Allocation	380	(3)	377	-	-	-	-	-	-	377	-	-	-	-	-	-	-	377
Human Resources ¹⁾	4,852	-	4,852	184	1,874	-	-	-	2,058	6,910	-	-	-	-	835	835	-	7,745
Security (original)	1,741	-	1,741	65	(43)	-	-	-	22	1,763	-	(1,763)	-	-	-	-	(1,763)	-
UTS/Technology Fund	11,893	(80)	11,813	327	(566)	-	-	-	(239)	11,574	-	-	-	-	449	449	-	12,023
University Secretariat	703	(5)	698	23	(15)	-	-	-	8	706	-	-	-	-	-	-	-	706
Presidential Budget	1,120	(8)	1,112	17	(11)	-	-	-	6	1,118	-	-	-	-	-	-	-	1,118
University Advancement	4,929	(33)	4,896	236	(335)	-	-	-	(99)	4,797	-	-	-	-	540	540	-	5,337
General University	7,382	-	7,382	20	(8)	-	-	-	13	7,395	(1,100)	-	-	-	-	-	(1,100)	6,295
Sub-total	40,154	(221)	39,933	1,131	536	-	-	-	1,667	41,600	(1,100)	(1,763)	-	-	1,939	(924)	-	40,676
Institutional Priority allocations																		
Systems Renewal	4,500	-	4,500	53	(36)	-	-	-	17	4,517	-	-	-	-	-	-	-	4,517
Sub-total	4,500	-	4,500	53	(36)	-	-	-	17	4,517	-	-	-	-	-	-	-	4,517
Total Support Units	167,516	(426)	167,090	3,417	14,424	3,379	8,865	1,900	31,985	199,075	-	-	(4,607)	-	(2,224)	4,196	(2,635)	196,440

Note: 1) Including new HR envelope for employee programs previously included in the benefit surcharge (\$2.055m).

APPENDIX B – ANCILLARY FUND TABLES

Table 33: Ancillary Fund Detail – Year Ending April 30, 2015

(\$ thousands)	Campus Store		Media Production		Parking		CCE		Hospitality		Housing & Conference		Off-Campus Housing		Total	
	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget
Source of funding																
Sales	18,867	18,174	215	249	4,762	4,751	0	0	19,550	20,905	23,016	23,423	0	0	66,410	67,501
Other income	113	105	121	132	0	0	5,429	5,562	187	200	287	271	141	141	6,279	6,411
Total sources of funding	18,981	18,279	337	381	4,762	4,751	5,429	5,562	19,737	21,105	23,303	23,694	141	141	72,689	73,912
Expenditure																
Salaries, wages and benefits	2,922	2,814	1,527	1,462	1,091	1,068	3,880	3,932	9,135	9,668	7,041	7,825	95	102	25,691	26,871
Utilities and maintenance	0	0	0	0	2	2	0	0	0	0	2,659	2,537	0	0	2,861	2,599
Cost of sales	13,406	12,943	666	649	0	0	0	0	7,204	7,784	0	0	0	0	21,278	21,277
Rent and financing charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administrative charges	1,684	1,565	2,427	2,213	1,535	1,630	791	1,435	1,830	1,933	3,154	3,053	17	10	6,390	7,221
Other expenditures	0	0	0	0	3,585	3,644	4,671	5,367	18,157	19,550	16,107	17,684	112	121	60,470	62,811
Total expenditures	18,068	17,242	-230	-98	3,585	3,644	4,671	5,367	18,157	19,550	16,107	17,684	112	121	60,470	62,811
Surplus (deficit) in-year	913	1,037	567	479	1,176	1,106	759	195	1,580	1,555	7,196	6,610	29	20	12,219	11,001
Transfers from (to) other funds	-2,387	-1,529	-302	-361	-948	-800	-426	-677	-2,072	-2,343	-6,891	-6,501	-8	-8	-13,035	-12,218
Change in fund balance	-1,474	-492	265	118	228	306	332	-482	-492	-788	305	109	21	12	-815	-1,216
Reserve																
Beginning Balance	959	516	4,018	3,753	-1,098	861	3,425	3,757	1,680	1,398	3,013	3,318	109	130	4,280	3,475
Change	-1,474	-492	265	118	-820	505	332	-482	-492	-788	305	109	21	12	-815	-1,216
Closing Balance	-516	-1,006	-375	-363	-861	554	3,757	3,275	1,398	610	3,318	3,427	130	142	3,475	2,259

APPENDIX C – RESEARCH HIGHLIGHTS

The research enterprise at McMaster represents approximately 20% of the University's total income. For 2014/15, our direct research funding/research project funding is expected to be \$189.0 million compared to the total University income of approximately \$976.4 million. Additionally, indirect overhead income accounts for a further \$19.2 million.

McMaster is recognized nationally and internationally for its research excellence and is acknowledged as a world-class institution. Research Infosource Inc. released its 2013 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 is sixth in Canada. McMaster's total sponsored research income reached \$325.2 million. In total, the University averaged \$239,400 per faculty member, far above the average of \$174,500 obtained by the top 50 research Universities. In addition, the Shanghai Jiao Tong University's ranking of universities worldwide has for the eleventh consecutive year named McMaster in the top 100 for 2013 – one of only four Canadian universities among this group. Research is a key performance indicator considered for the Times Higher Education World University Rankings which also ranks teaching, international outcomes, citations and income from industry. McMaster ranked 92 in the latest Times rankings, making it one of only two Ontario universities to make the top 100.

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

McMaster's *Forward with Integrity* speaks to the importance of research at McMaster, stating that “In no aspect of our work has McMaster's commitment to service and the public good been more extensive and obvious than in research.” It recognizes that the contribution of our researchers to the physical, cultural and economic wellbeing of the human community has been out of proportion to the size of our institution.

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

The plan recognizes however that it is impossible to predict specific levels of research activity and

funding. The plan is therefore directional, looking at changes in the research funding environment and specific targets and strategies established at McMaster to maximize opportunities.

Research Funding Landscape

Over the last 10 to 15 years, 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 R&D 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:

4. promoting world-class excellence
5. focusing on priorities
6. encouraging partnerships
7. enhancing accountability

The federal agencies have been in transition in response to international reviews, fiscal realities, accountability and impact expectations. Evidence of economic, social and innovation impact of, and accountability for, public investments remain key expectations. The development of increased collaboration with private sector and community partners is seen as critical to the commercialization, knowledge translation and knowledge mobilization activities needed to facilitate increased productivity in Canada.

These are competitive times for all research universities in Canada. While success in Tri-Agency core programs continues to be challenge across the country, McMaster continues to see significant success, with 2012/13 Tri-Agency total funding increased to approximately \$88 million. The newly released 2014 Federal Budget will provide the Tri-Agencies with an additional \$37M in support of research and additional funds for indirect costs. Tri-Agency funding will also continue to support and strengthen partnerships with industry. Given McMaster's history of success in both tri-agency competitions and in development of industry partnerships, we are well placed to benefit from these opportunities as shown below.

The mission of the Canadian Institute of Health Research (CIHR) as identified on their website is to create new scientific knowledge and to enable its translation into improved health, more effective health services and products, and a strengthened Canadian health care system. The Social Sciences and Humanities Research Council (SSHRC) website states that the intended outcome of this research is primarily to add to our understanding and knowledge of individuals, groups and societies – what we think, how we live, and how we interact with each other and the world around us. The Natural Sciences and Engineering Research council (NSERC) has identified priority areas of Environmental Science & Technologies, Information & Communications Technologies, Manufacturing, and Natural Resources & Energy. The mandates and priorities of these agencies are well aligned with McMaster's strengths

and priorities and provide significant opportunities for McMaster researchers. We have created, and will continue to create, an internationally recognized critical mass of research capacity in a diverse range of research focus areas including cell therapies and biomedical engineering, energy systems and green technologies, medical isotopes, neurotechnology, water research, automotive and manufacturing research, arts and technology, food sciences and health, aging and health, transportation and logistics, public policy and societal initiatives.

The evolving research funding environment requires that we remain vigilant and poised to engage in new opportunities. Greater emphasis on partnerships with the private sector and with community partners continues to be seen in each of the Tri-Agencies. Institutionally our focus is in alignment with these priorities and McMaster's *Forward with Integrity* document in particular speaks to the importance of a heightened level of community engagement. McMaster has fared well in partnership programs and will continue to participate heavily in these opportunities. Increasingly complex initiatives and those which enjoy participation from a number of disciplines require increased coordination and support. We continue to see a greater call on the expertise of McMaster's research administration offices to help researchers manage the complexity of these initiatives.

The coming year will provide significant opportunity for McMaster to seek federal funding for both individual and partnered programs. The following selected examples provide evidence of recent success in partnered programs, which have provided Federal funding to support both individual researchers and larger multi-disciplinary groups.

- The Automotive Partnership Canada (APC) program has once again acknowledged the expertise of McMaster researchers by awarding \$13.3 million to four McMaster-led projects. Three of these projects will focus on creating the next generation of electrified powertrains and powertrain components, the development of condition monitoring systems for batteries, electric motors and transmissions of electrified vehicles and the evaluation and development of lightweight aluminum and magnesium alloys for vehicle production. The fourth project will study the social costs and benefits of electric mobility in Canada, enabling manufacturers to better design and market electric vehicles that respond to the needs and wants of Canadian consumers.
- NSERC has recently awarded more than \$1.0 million to McMaster projects through its Strategic Projects Program. Funding will support research into the response of Canadian forests to climate change, the development of smart biomaterials for stem cell therapy and the development and fabrication of advanced flame retardant materials. The McMaster research teams leading these initiatives have strong partnerships with industry and will conduct these projects in collaboration with both private and public sector partners.
- McMaster researchers have also seen success leveraging the strength of community partnerships in the Social Sciences and Humanities Research Council (SSHRC) partnered programs. Over \$3.2 million in funding was awarded to four McMaster-led projects to enhance the quality and quantity of community participation among Canadians living with physical disabilities, to improve employment outcomes for youth with intellectual and developmental disabilities who have experienced homelessness, to understand the impact of digital technology on political participation and governance in First Nation communities in Ontario and to develop, assess and implement a participatory urban planning system for the City of Hamilton utilizing an online 3D virtual world with integrated social media.

The Tri-Agencies have made significant changes to their program architecture and review processes. These changes create opportunity but can also be a cause for concern, particularly during the transitional phase. Each of the Tri-Agencies has begun maintaining stricter boundaries around the types of research they will fund; for example, SSHRC and NSERC will no longer fund research whose anticipated impact is on health; this has proven challenging for researchers who are engaged in research with health outcomes yet who are outside of traditional health-related departments. Many McMaster researchers have been successful however in making this transition and, though traditionally funded by NSERC or SSHRC, have now been awarded funding from CIHR. Such success stories include, for example, a social sciences project that will contribute to capacity strengthening of the Zambia National Research Organization to enable them to set priorities that are consistent with the most pressing population health problems, and a science project which studies the effects of aging on the perception of visual motion.

The next few years will see a significant change in the way applications are reviewed within CIHR. It is CIHR's hope that the new process will simplify and streamline the grant application process while increasing support for early-career researchers and for new and emerging areas, however challenges remain. A vital 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. 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 critical. CIHR has advised that for some of their future funding opportunities, increased levels of institutional support will be required. This is expected to cause challenges for all participating institutions.

Tri-Agency funding remains critical not only to the success of researchers and their teams, but also forms the basis upon which allocations are made to other federal programs, including Canada Research Chairs (CRC) and Federal Indirect Costs. The CRC program requires periodic reallocation of Chairs supported through the Canada Research Chairs program, and allocation to the University and to faculties within the University can change. Factors including increased competition from new universities may result in established institutions or Faculties losing Chairs, a loss which is difficult to accommodate within departmental budgets. CRC reallocation exercises since 2011 however have provided McMaster with a net gain of Canada Research Chairs.

The coming year will provide McMaster with significant opportunity to obtain funding for infrastructure critical to our research endeavours. McMaster has been highly successful in receiving funding from the Canada Foundation for Innovation, which provides increased opportunities this year. In the past year alone, McMaster researchers have received new CFI John R. Evans Leaders Fund (JELF; previously the Leaders Opportunity Fund) awards to support projects valued at over \$9.7 million (~ \$3.7 million from CFI, ~\$3.7 million from the Ontario Ministry of Research and Innovation (MRI) and ~\$2.3 million in partner funding). Funding from these awards will be used to support multiple research projects including those which will enable immunohistochemical profiling of protein responses in chronic respiratory disease, the creation and analysis of big data, study and testing of cellulose nanomaterials and core scanning for geoarchaeological and paleoenvironmental studies. McMaster, along with other Canadian institutions will soon have depleted JELF funds currently available from CFI's last allocation; funding from the federal government will however facilitate continuation of that program. McMaster research administration is in communication with CFI and will imminently be advised of the amount of additional allocation.

Every few years CFI offers large-scale funding through the Innovation Fund (previously the Leading Edge Fund [LEF]/New Initiatives Fund [NIF] competition). The 2015 Innovation Fund competition has significantly more funding available than in the previous competition. McMaster will submit applications requesting a total of ~\$65K in cash from CFI and the Province of Ontario for projects valued at ~\$80M. McMaster researchers who have been selected for participation in this program are currently developing applications for submission in the 2014/15 fiscal year.

McMaster researchers continue to be recognized with prestigious prizes and awards. In the past year, a McMaster researcher received the Steacie Prize, widely recognized as Canada's most prestigious award for scientists and engineers under the age of 40. Another McMaster researcher was named the recipient of the Canada Gairdner Wightman Award, which is presented annually to a Canadian who has demonstrated outstanding leadership in medicine and medical science throughout his or her career.

On the provincial front, four McMaster-led projects were recently awarded \$13.1 million from the Ontario Ministry of Health and Long-Term Care's (MOHLTC) Health System Research Fund. Funding will be used to analyze the effectiveness and efficiency of current and proposed health policies, support a research program that will promote optimal aging at home for older adults with multiple chronic conditions, provide urgently needed up-to-date information on the levels of child mental health need and to conduct and synthesize research on built environments to guide policy in the province. In addition, a McMaster researcher is a co-lead with a University of Waterloo researcher on a \$5.7 million research program on the effectiveness of provincial pharmacist-led medication programs.

Ontario's Ministry of Research and Innovation's (MRI) 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. The Ontario Research Fund Research Excellence (ORF-RE) program, put on hold by the Ministry in the fall of 2011, has returned for the 2014-2015 fiscal year. McMaster has had considerable success through this program in the past and it is anticipated that we will submit significantly higher numbers of applications in the upcoming competition. McMaster has also had great success through MRI's Ontario Research Fund Research Infrastructure (ORF-RI) program, a matching partner to CFI. All McMaster CFI awards which have requested funding from the ORF-RI program to date have received the full funding request. In the past year, over \$3.7 million in ORF-RI funds have been awarded to McMaster. Recognizing the complexity of managing projects awarded through the ORF-RE and ORF-RI programs, MRI continues to review the processes involved in ongoing management; McMaster's ROADS and Research Finance Offices continue to participate in an MRI-established working group to assist in next steps.

Supporting young researchers and developing the next generation of highly trained personnel continues to be a priority for both provincial and federal agencies. McMaster anticipates significant ongoing participation in the MRI Early Researcher Awards (ERA) program which allows young researchers to build their research teams. Recently, 11 ERA awards totaling over \$1.5 million were granted to McMaster researchers. The ERA awardees, representing five of McMaster's six Faculties, will study areas as diverse as sustainable energy conversion, the causes of bacterial pneumonia in the elderly, the cognitive causes of inadequate reading comprehension and ways to incorporate this research into adult literacy programs, ways to help families and service providers deliver coordinated services for adolescents with mental illness and the respiratory systems of animals who are able to thrive in

conditions of oxygen deprivation, and the environmental and clinical implications, for example. McMaster's research administration will continue to provide education and training to facilitate our research community's ability to respond to these and other funding opportunities.

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 a percentage of Gross Domestic Product (GERD/GDP) has declined from 2.04% in 2002 to 1.69% in 2012, its lowest level of the past decade, providing challenges for all Canadian institutions. Other countries, however, have increased funding to research, enhancing opportunities for collaboration and for research funding to support Canadian research. McMaster will continue to pursue opportunities for international funding, with particular emphasis on increased international collaboration with EU countries (and specifically, Germany, Italy, Austria and France), Japan, Brazil, Russia, India, and China.

These international partnerships are key to future success in research funding. McMaster's international collaboration rates -- along with our international publication rates -- have increased considerably and consistently for the last five years. The federal government's support to Canada's International Education Strategy includes significant funding to support the Mitacs Globalink Program which will facilitate the attraction of high level students to Canada while allowing Canadian students to participate in international training opportunities. In addition, several countries around the Globe have identified internationalization of higher education as a priority. This includes Brazil and its massive *Science without Borders* program that over the course of the next few years will enable thousands of Brazilian students at all levels to study in North America and Europe. McMaster is an active partner in this initiative and we expect significant student intake in the coming years. Partnerships with Brazil are further supported by a bilateral agreement between McMaster and FAPESP, the NSERC equivalent of the state of Sao Paulo. Another example of renewed emphasis on internationalization is Germany where the Deutsche Forschungsgemeinschaft (DFG), Germany's tri-council equivalent, identified North America, and Canada in particular, as key areas for international collaboration. McMaster is well positioned to partner with German top universities and research institutes, including those of the Fraunhofer Gesellschaft who are world-leading in the commercialization of research results. McMaster will partner with the Fraunhofer Institute for Cell Therapy and Immunology to develop the centre for Biomedical Engineering and Advanced Manufacturing (BEAM). It is anticipated that BEAM, which will be located at the McMaster Innovation Park (MIP) and which will develop innovative technologies to automate production for cell therapies, will create up to 100 jobs and attract top scientists and industry researchers from around the world. McMaster has also signed an MOU with the Fraunhofer Institute for Industrial Engineering to establish a collaboration for research, education and industrial services. This partnership, expected to lead to world-class applied research and spinoffs, will be of particular benefit to local manufacturing companies. MIP, whose vision is to facilitate the transformation of ideas into commercial opportunities, already houses laboratory, office, and training facilities in support of research and development in a number of wide-ranging key areas including hybrid powertrain design and production arising from MARC, the McMaster Automotive Resource Centre. MIP houses the McMaster Industrial Liaison Office (MILO), which continues to promote a culture of knowledge transfer/commercialization and will provide incentives for start-up companies to locate at the Park.

Research funding is essential to a research-intensive university and facilitates 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 has resulted in the development of the Canada First Research Excellence Fund which will provide institutions with \$1.5B over ten years beginning in 2015-16; funding will help institutions excel globally in research areas that create long-term economic advantages for Canada. This funding is in addition to indirect cost support of an additional \$9M as outlined in the 2014 Federal Budget.

Provincially, the MRI has shown leadership by moving to a 40% IDC rate for many of its research programs, while the Ministry of Health and Long-term Care has lowered its 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.

APPENDIX D – 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 historically low interest rates and the actuarial measurement methodology affecting annual payment requirements into the plans.

Salaried Pension Plan 2000

July 2011 Funding Valuation and Temporary Solvency Relief Provisions

The University filed the Salary Pension Plan 2000 valuation as at **July 1, 2011**. The results of the tri-annual valuation at **July 1, 2011** were as follows:

- Going-concern shortfall of \$182 million using a discount rate of 6% (\$76 million at last filing of July 2008)
- Required annual University special payments as a result of this going-concern deficit of \$10.8 million per annum (\$8.425 million per annum at last filing)
- Solvency shortfall of \$267 million using a discount rate of 6% (\$32 million shortfall at last filing)
- Expected required annual special payments as a result of the Solvency Deficit have been waived for three years as a result of qualifying for Temporary Solvency Relief⁶
- Annual special payments for solvency will be required after the July 1, 2014 valuation
- University current service cost contributions is expected to fluctuate between 127% and 125% of employer's contributions over the next three years

It should be noted that the discount rate used to measure the liabilities are guided by actuarial measurement methodology. Low discount rates increase the liability and associated pension plan deficiency as measured as pension plan assets less pension plan liabilities. The discount rates used for some measurements do not consider the long-term nature of the plan, which has a duration of over 15 years. The historical rate of return on plan assets approximates over 8%.

Since the July 1, 2011 valuation the University has been working with the actuaries to estimate the results of the upcoming July 1, 2014 valuation to update the estimated current service costs, going concern payments, and solvency payments. Updated information informs the setting the benefit rates. In addition, in October 2013, the Presidents' and Vice Presidents group received a report from an internal task force that recommended changing the way pension benefits are charged throughout the University. As a result the salary pension plan charge out rate recommendations approved by the Budget Committee are as follows:

⁶ Ontario Pension Funding Relief Funding relief provisions (updated in December 2013 include:

- Extension of the amortization period for new solvency deficits from five years to ten years, with a further 3 year extension of the solvency special payments until July 1, 2017
- Deferral of going concern 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.

To be eligible for such additional temporary relief, universities had to take measures to make plans more sustainable over time. The University has qualified for Stage 1 and has made changes which should result in Stage 2 qualification in 2014.

- That a provision for the special payments (solvency and going concern) be created as an additional Support Unit Budget Allocation so that the charge out rate to departments can be reduced. The new allocation should be equivalent to the difference between the current service rate (158%) and the Mercer projected full rate (227%).
- That the employer contribution rate built into the benefit charges for salaried faculty and staff be reduced to 158% of employee contributions effective May 1, 2014, for all ledgers except Ledger 3 (ancillary); which will be 260%;
- 2015/2016 and 2016/17 high level planning should assume 158% for the departmental rate, and 260% for the Mercer projected full rate.

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. All employee groups remaining in the plan have increased their contributions to 8.75% up to the yearly maximum pensionable earnings (YMPE) and 10 % over the YMPE. These contribution increases will continue to help put the plan on a more sustainable basis and are one of the key reasons that the plan has been able to qualify for the Temporary Solvency Relief provisions offered by the Province.

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 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. The University has recently qualified for Stage II Solvency Relief. The use of some solvency relief measures will form part of the funding strategy for the Hourly Pension Plan in future years. 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.

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. In 2011/12, the University worked with its actuaries to quantify the impact of the above changes on the unfunded liability. While this liability will continue to grow, the changes referred to above will mitigate its growth significantly. In addition, a surcharge was added to benefit charge out rates to generate funds to address the liability. Funds from other Health and Dental Reserves were transferred to this liability. For the 2014/15 budget the rate will be reduced to .25% due to recommendation by Employee Benefits Task Force (approved by PVP) that portion of the past service costs that this surcharge is covering (2.15%) be funded directly through the creation of a new Support Unit Budget Allocation in the Operating Fund. For 2015/16 and 2016/17 departments were advised to use the .25% rate; however it may be amended subject to a tri-annual review by the Board of Governors' Finance Committee, which is scheduled for November 2014. The table below summarizes the history of the rate and the transfers:

Year	Surcharge	Support Unit Budget Allocation	Transfer to the Investment from Health and Dental
2009/10 - completed	0.25%	0	0
2010/11 - completed	0.50%	0	0
2011/12 - completed	0.75%	0	\$3 million
2012/13 – completed	1.5%	0	\$1 million +\$2.8 million from priority funding at year end
2013/14 - in progress	2.00%	0	\$ 1 million
2014/15 - approved	0.25%	\$ 7.9 million	\$ 1.647 million
2015/16 - planned	0.25%	\$ 8.1 million	TBD
2016/17 - planned	0.25%	\$ 8.4 million	TBD

In addition, future strategies may include any combination of the items noted below:

- Further plan design changes and co-payment strategies
- Continuation of a charge to operating and research units /and or addition to the support unit budget allocation to increase the funding reserve
- Contributing any additional surpluses from the University benefits reserve to a special long-term investment reserve to mitigate further surcharge increases in the longer term

APPENDIX E – FUND-BY-FUND CONSOLIDATION

(\$ thousands)															
	Operating Fund		Ancillary Fund		Research Fund		Trust Fund		Endowment Fund		Capital Fund		Grand Total		
	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	2013/14 Projection	2014/15 Budget	
Revenue															
Operating grants	227,949	228,341	-	-	-	-	-	-	-	-	1,155	1,155	229,104	229,496	
Research grants and contracts	-	-	-	-	188,000	189,000	-	-	-	-	-	-	188,000	189,000	
Tuition fees	208,225	224,126	-	-	-	-	-	-	-	-	-	-	208,225	224,126	
Ancillary sales and services	-	-	66,410	67,501	-	-	-	-	-	-	-	-	66,410	67,501	
Other revenues	118,258	111,406	6,279	6,411	-	-	53,197	53,713	100	200	24,011	49,518	201,845	221,248	
Investment income (loss)	4,946	4,946	-	-	-	-	61,230	31,791	16,203	8,254	-	-	82,379	44,991	
Investment income transfer	4,521	4,521	-	-	-	-	-	-	(4,521)	(4,521)	-	-	-	-	
Total revenues	563,899	573,341	72,689	73,912	188,000	189,000	114,427	85,504	11,782	3,933	25,166	50,673	975,963	976,363	
Expenses															
Salaries, wages and benefits	410,946	420,249	25,691	26,871	115,000	115,000	23,180	24,412	-	-	-	-	574,817	586,532	
All other expenses, including capital	151,293	173,295	30,531	31,789	85,000	85,000	30,395	33,060	-	-	56,412	123,320	353,631	446,464	
Transfers to (from) other funds	519	251	12,797	10,975	(6,073)	(5,833)	9,116	9,248	803	793	(17,162)	(15,432)	0	1	
Debt and financing charges	11,319	12,349	4,248	4,251	-	-	-	-	-	-	(8,075)	(6,373)	7,491	10,227	
Total expenses	574,076	606,144	73,267	73,886	193,927	194,167	62,691	66,720	803	793	31,175	101,515	935,939	1,043,224	
Excess of revenues over expenses	(10,177)	(32,803)	(577)	27	(5,927)	(5,167)	51,736	18,784	10,979	3,140	(6,009)	(50,841)	40,024	(66,861)	
Fund balances, beginning of year	80,283	70,105	4,290	3,475	169,781	163,854	437,356	489,092	115,733	126,712	4,576	(1,432)	812,019	851,805	
Fund balances, end of year	70,105	37,302	3,713	3,502	163,854	158,687	489,092	507,876	126,712	129,852	(1,433)	(52,274)	852,043	784,944	