



2016/17  
CONSOLIDATED BUDGET

Approved by the Board of Governors

*June 9, 2016*

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## EXECUTIVE SUMMARY

The consolidated budget includes the operating, ancillary, research, capital, and trust funds on a cash basis along with accrual basis adjustments required for financial statement reporting purposes. The Operating Fund budget, on a cash basis, is in a deficit position (\$17.8 million), however the consolidated budget, on an accrual basis, is in surplus (\$26.9 million). The consolidated surplus is due primarily to required accrual adjustments associated with capital expenditures, where these expenditures on a cash outflow basis must be added back to McMaster's results and only one year's use is reflected in current year expenses. The Operating Fund deficit includes net one-time expenditures of \$24.4 million, without which the Fund is structurally balanced despite reduced Ministry support in recent years and increased competition for limited research dollars.

Significant funding pressures are noted throughout the budget including wage inflation costs and salary-related pressure associated with the elimination of mandatory retirement. Additional pressures relate to low interest rates potentially driving up benefit costs, technology/capital infrastructure and sustainability requirements, and increasing needs for student-related services and support. Funding pressures limit investments toward Strategic Mandate Agreement/*Forward with Integrity* strategic priorities. Many units, in an effort to realize the benefits of Mosaic (enterprise-wide resource planning system) and find budget savings are exploring the need for process redesign. Finally, with the completion of two years using the activity-based budget model some changes are being introduced to refine some revenue and cost allocations and increase transparency regarding the model's governance.

This budget, despite funding pressures, includes plans for seed funding new academic initiatives and projects from both the University Fund and research portfolio. As well, Faculty level investments in research excellence including creating new research centres and appointing new research chairs are planned. Further, investments toward developing new collaborative spaces, and the opening of both the Hatch Centre and Wilson Hall will all contribute greatly needed capacity for active learning and other technologically-enabled pedagogical approaches. In addition, an increased emphasis on career pathways associated with programs will be made to better connect students' educational choices with career objectives, including new Executive MBA program launches and bachelor/masters blended degree opportunities. Modest marketing initiatives will be undertaken during the budget and planning periods to ensure these and other offerings at McMaster are effectively communicated. As well, plans include broadening existing community initiatives and partnerships including a continued focus on healthy communities and living initiatives with the Cities of Hamilton, Burlington and beyond.

In the upcoming budget and planning years the Ministry of Colleges, Training and Universities will introduce a new funding formula, a new tuition framework, and net tuition billing. As well, the provincial government will explore pension measurement and funding alternatives used across other provinces and may introduce local changes affecting McMaster's solvency payment schedule. Although a jointly sponsored pension plan is being explored in parallel to the government review, in the absence of substantial change, benefit rates across the university will need to rise. The budget pressures and funding unknowns place McMaster's ability to achieve its strategic priorities in a precarious position.

The budget has been prepared using conservative estimates, however if new information emerges that negatively impacts this budget, further work will be undertaken to cut or defer one-time spending and source new revenues.

## CONTEXT

### STRATEGIC MANDATE AGREEMENTS AND FORWARD WITH INTEGRITY

The Ministry of Training, Colleges and Universities (MTCU) and McMaster University have signed a three-year Strategic Mandate Agreement (SMA), which outlines McMaster's areas of strength and growth and supports the vision, mission and mandate of the University. In the SMA, covering May 2014 to April 2017, McMaster makes a commitment to realize three key priorities, which align to the principles within *Forward with Integrity (FWI)*. These priorities are to:

- Strengthen research excellence and graduate education and training, while integrating research into our academic mission;
- Develop a distinctive, personalized, engaging student experience;
- Enhance connections between McMaster and the communities we serve, locally, provincially, nationally, and around the globe.

McMaster's alignment to the MTCU's differentiation policy framework is codified in the SMA along with institutional strategic targets (and/or metrics). The SMA is an evolving process whereby historical Multi-Year Accountability Agreement reporting is now replaced by annual reporting aligned to the SMA. The consolidated budget plan has been built to facilitate faculty and department alignment to the SMA and aligned *FWI* strategic priorities.

The SMA process is expected to continue beyond fiscal 2017. The Ministry is looking to renew its SMAs with Ontario universities at the same time that the funding formula affecting years 2018/19 and beyond will change, and the tuition framework affecting periods 2017/18 and beyond is soon to be announced. Further, the Province is targeting the implementation of net tuition billing for 2018/19, which will affect revenue reporting and administrative processes. It is expected that the next SMA, affecting the budget planning years, will cover another three-year outlook and need to take into consideration the impacts of the above changes on financial sustainability. Further, the next SMA will include additional financial sustainability metrics (preliminarily incorporated into this budget package under the financial metrics section).

### REVENUE GENERATION ENVIRONMENT

Provincial grants and tuition paid by students are the main operating budget revenues. Demographic decline of university-age individuals is a risk to Ontario universities, however McMaster has not experienced application or admission decline due to demographics to date. Revenue decline from MTCU grants and tuition will occur if domestic enrolment drops and is not offset with other (graduate and/or international) enrolment. An increase in the domestic participation rate, which has been the Province's goal for some time, may further offset the demographic decline.

Provincial demographic decline is projected to peak by 2021, affecting some Ontario regions more than others. Regions connected to the Greater Toronto Area (GTA), like Halton and Hamilton's main campus, due to its transportation infrastructure, are projected to be less affected than, for example, northern or rural universities.

In addition to the permanent policy lever funding reductions implemented in 2013/14 and 2014/15, the International Student Recovery reducing each university's operating grant funding by \$750 per international student (except for PhD students) continues. For McMaster, this funding reduction has not been translated to higher required student fees.

### Provincial Funding Formula Review

The Ministry announced a process to modernize the university funding model affecting 2017/18 and beyond. Since this announcement the Ministry has increased its scope to include colleges and delayed its funding changes to 2018/19. A key goal of the funding model review is to align funding supports with the differentiation policy framework, including SMA targets and metrics, and drive quality and financial sustainability. The funding formula review further considers risk of enrolment decline affecting universities differently by region. A transition period to promote financial stability during an adjustment phase to the new model is still anticipated.

### Tuition Framework Review

The current tuition framework expires at the end of fiscal 2016/17. A new tuition framework will be announced during 2016/17 affecting years beginning 2017/18. It is understood that the Ministry is considering the implications of a 0% cap and what additional supplemental funding might be necessary from the Ministry if implemented. For conservatism, a 0% tuition framework without additional supplemental support has been incorporated into this budget and the planning periods. Without tuition increases or a Ministry supplement, McMaster will have no source of funding for wage, benefit and other expense inflation, which over time will work to erode financial health and sustainability. The Council of Ontario Universities has struck a working group to support the Ministry in its roll-out of net tuition (announced in the most recent provincial budget). Any implications associated with net tuition on the framework revenues have not been included in this budget.

McMaster's policy is to apply the capped tuition fee increases within the framework in order to support the quality of education our students receive. Since there is no grant funding for international students, increases to international student tuition fees that began in 2012/13 will continue and be monitored relative to our key peers<sup>1</sup>.

## 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 plans.

Funding the DB pension plans continues to be challenging. 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 2 Solvency Relief for the Salaried (Plan 2000) and the Hourly Pension Plan. The solvency relief program spreads pension plan deficit payments over a ten-year period. As of the last full valuation on July 1, 2014, the salaried pension (Plan 2000)

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<sup>1</sup> 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.

funding shortfall was estimated at approximately \$253 million on a going-concern basis<sup>2</sup> and the solvency<sup>3</sup> shortfall at that date was \$197 million. The pension plan deficiencies will require the University to contribute special payments into the plan over the next eight years, in addition to current service costs. The special payments will vary based on actual interest returns, and future interest rate assumptions. A solvency rate decrease of 0.6% changes McMaster's special payments from \$122.9 million over 2018/19 to 2022/23 to \$279.6 million. Interest rate assumptions built into this year's budget plans are based on the July 1, 2014 valuation. As such, McMaster is managing a material interest rate risk due to recent interest rate drops associated with pension planning and budget. The benefit reserve may be fully depleted in 2017/18 if interest rates are lower than anticipated and solvency legislation remains unchanged, following which Budget Committee and PVP would receive updated recommendations from management to increase the benefit rate or consider joining a university sector jointly sponsored pension plan.

Non-pension post-retirement programs (such as extended health and dental benefits) also have an unfunded deficit. As of April 2015, the present value of the expected future cost of non-pension post-retirement obligations was estimated at \$217 million (\$207 million in April 2014). The post-retirement investment reserve continues to be monitored for its ability in the future to alleviate this cost burden from the Operating Fund, a key objective associated with this solution to the obligation.

To help address underfunding in both the pension and non-pension plans, changes in plan design and increases to both employee and employer contributions have been implemented. Further detail on post-retirement benefit programs is included in Appendix E. Additional sector-wide work is underway examining the value of merging defined benefit plans into a multi-employer jointly sponsored pension plan (more commonly known as the University Pension Plan or UPP). Among other considerations, the benefits of moving toward the UPP for employees would be pension plan sustainability and portability within the sector. For universities, the benefits of the UPP include sharing risks and rewards in a 50:50 sharing model with plan employees. McMaster is actively engaged in the UPP design, as well as a number of representatives from our unionized and non-unionized groups, including associations. At this stage it is uncertain how the process will unfold as both the employer and employee constituents examine plan affordability and risk.

In parallel to UPP design discussions, the government has announced its objective to review pension legislation relative to the practices and requirements across other provinces. This new development may impact the universities' desire to move into a UPP, particularly if new pension legislation amends solvency funding requirements and enables a going-concern funding approach with only going-concern deficiency payment requirements.

Finally, the provincial government will be introducing an Ontario Registered Pension Plan (ORPP) for all employees who are not enrolled in a DB plan. This legislated pension plan would be in addition to the current federal government's Canadian Pension Plan. The ORPP will increase employer costs by 1.9% (up to an annual salary or wage of \$90,000) for every non-DB staff member. In addition, the University will also be required to modify systems to enable a matching

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<sup>2</sup> The going-concern valuation assumes that the pension plan will be maintained indefinitely and has a long-term time horizon.

<sup>3</sup> The solvency valuation assumes that the institution ceases to exist. The solvency measurement is lower than the going-concern valuation because asset gains are taken into account immediately under this methodology, whereas the going-concern measurement using a smoothing approach to accounting for gains or losses over a five year period.



1.9% contribution to be taken from staff. The implementation date for the ORPP is expected to fall within next year's planning horizon.

## 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 widely variable as reflected in the chart below.

Fiscal	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16*
Rate of Return	11.5%	0%	10.1%	14.7%	10.1%	-1.0%

*\*projected rate of return in the investment pool*

The University's objective for its endowment funds' annual rate of return is to earn an annualized 5.0% real rate of return after expenses over the long term. Budgeted investment income for 2016/17, and each year thereafter, is based on a net 5.6% 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 the last three years has strengthened the University's financial position and allowed for some financial flexibility to deal with pension and non-pension funding needs and strategic capital priorities. Given this year's expected return of -1.0% the University will be now be drawing upon some of its investment reserves to ensure the budgeted investment income transfers and allocations will be met in 2015/16. Short-term rates of return are expected to remain low in 2016/17.

## COST PRESSURES

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

- Inflationary pressures of over \$15 million per year. Salary and benefit contribution costs continue to rise. Demand for highly qualified faculty, staff and researchers, nationally and internationally, is expected to continue to escalate, 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, and US exchange rates.
- Maintaining the quality of education by increasing teaching by tenured, tenure-track or teaching-track faculty while ensuring an optimal student to faculty ratio. This may be difficult to attain with increasing enrolment outpacing faculty growth.
- With the projected decline in the university-age demographic, there will be competition among universities to attract students. Currently McMaster does not extensively advertise. A marketing strategy is under consideration and would result in increased costs.
- McMaster's need for increased capacity for both existing and projected enrolment. Space constraints are impacting both admission targets and commitments to research. Projects

designed to enable growth include the McMaster Health Campus, the Wilson Building for Studies in Humanities and Social Sciences, the Living and Learning Centre, as well as completion of the fourth floor of the Ron Joyce Centre in Burlington.

- A need to review and potentially reallocate resources across the University to sustain and advance the enterprise-wide resource planning system (Mosaic). The costs associated with system sustainability are considerable and require balancing among other priorities and strategies. In addition, the learning curve associated with implementing multiple system modules continues to place staffing pressures on all operating envelopes. An IT Services Review, to be completed in September 2016, has the goal of ensuring that McMaster has the most effective and efficient IT services to meet the University's teaching, research and operational needs in the coming years. As the University's comfort with Mosaic increases, we are hopeful of cross-campus administrative efficiencies.
- The costs of maintaining new and current space to appropriate standards. The University continues to fall behind on deferred maintenance, which now totals approximately \$322 million. In addition, provincial funding for hospital capital infrastructure has created an expectation for McMaster to contribute its share to planned projects in the McMaster University Medical Centre. Increased operating allocations to address the backlog will reach steady state of over \$10 million in 2016/17. In addition, MTCU has announced increased deferred maintenance funding for the sector for future years. However, MTCU's increased funding in the short term, at MTCU request, will in part be directed to matching funds associated with the federal Strategic Investment Fund. The redirection of MTCU deferred maintenance funding will result in re-prioritization of some deferred maintenance plans.
- Ontario's Cap and Trade Program, intended to reduce greenhouse gas emissions by establishing a market-based pricing system for energy consumption associated with CO<sub>2</sub> emissions, is expected to be implemented in 2017. The annual impact based on 2014/15 consumption could be as high as \$1 million. In addition, the new Global Adjustment Charge for electricity accounts for more than half of the total bill and has been increasing at a rate of 22% annually. A co-generation project has been approved which promises to dampen ongoing price pressure.

## FUNDING FOR INDIRECT COSTS OF RESEARCH

The indirect cost of research (or overhead) is typically paid in relation to the direct research costs of a project. Many sponsors provide funding to cover the cost of research overhead.

The federal and provincial governments provide institutional grants in the amount of \$12 million and \$3 million respectively. The federal program pays overhead at 19.6% of all eligible Tri-Agency programs. The provincial government provides the institutional grant plus typically 40% on provincially-funded projects. According to University policy, private sector research contracts and grants are required to provide an amount to cover the cost of overhead of 40% and 25% respectively. Some programs, such as the Canada Foundation for Innovation, do not provide any overhead funding. Overall, McMaster receives 11% of direct research costs to compensate for the indirect costs of research. Depending on how indirect costs are defined, the true costs could be as high as 46%.

It is evident that the more successful the University is in securing research grants, the more resources are required from 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 2015 updated credit rating reports have resulted in unchanged credit ratings. S&P remains at AA- (stable), and DBRS remains at AA (low) - stable. In November 2015 the University borrowed \$120 million in the form of a 50-year (ultra-long) bond. Because the financial health of the University has improved over the past three years, the ratings remained unchanged even as the Province of Ontario's credit rating dropped below the University, and the University took on additional debt. The Province's credit rating impacts the University's rating given that the Province provides 39.7% of the University's operating budget.

## THE BUDGET PROCESS

### MCMASTER BUDGET MODEL OVERVIEW

The current McMaster Budget Model (MBM) has been effect for almost two full budget cycles. Fully implemented in 2014/15, the model aims to strike a balance between providing transparent activity-based funding and maintaining financial flexibility to address strategic goals. The model has been adjusted as behaviours, both helpful and counterproductive, and concerns have emerged. The adjustments mostly alter the values of the parameters used by the model and not the underlying principles.

In the simplest terms, all central revenue streams are allocated to Faculties as earned, for example with grants following students to where they are registered and tuition following students to where they are taught. Two strategic pools are created as a percentage of revenue - the Research Discretionary Fund to be used by the Vice-President (Research) for strategic research initiatives, and the University Fund to be allocated by the Provost for pan-university strategic purposes. Allocations to central support units are deducted from Faculty budgets using the most relevant proxy-based cost driver, for example student support services based on student FTEs. Recognizing that the indirect costs of research are not fully covered by overhead revenue, the Research Infrastructure Fund and Research Excellence Fund redistribute a portion of revenue to the most research-intensive Faculties. In addition, occupancy costs are charged at a uniform average rate per square meter without distinction to the higher cost of research labs. Additional information on the budget model is available at <http://budgetmodel.mcmaster.ca/>. Allocations by envelope are available in Appendix B.

Based on the feedback from the community and ongoing review, a number of key concerns have been raised, such as, a need for increased support unit transparency, lack of incentive to grow enrollment, equity across Faculties, a need to ensure emphasis on the research mission, and a need to meet scholarship obligations. Model adjustments for 2016/17 increase alignment with the University mission while maintaining as closely as possible the original MBM principles.

- “Hold Harmless”, which guaranteed Faculty allocations at a minimum of the 2013/14 level, has been replaced with a Faculty Supplement added to the calculated allocation at a fixed amount for the next three years. The supplement removes the hold harmless cap and ensures that revenue from growth will be allocated. The Supplement will be reviewed after three years based on revenue growth and operating efficiencies realized.
- A tiered taxation system has been introduced, whereby higher-revenue Faculties and the Arts & Science Program (which has none of the infrastructure costs of a Faculty) pay a higher contribution rate to the Research Infrastructure Fund.
- The percentage of revenue allocated to the Research Discretionary Fund will increase.
- The structure of the bursaries pool has been modified, and Student Access Guarantee payments will be charged directly to each Faculty based on the actual amounts required each year, improving the ability to meet scholarship obligations.
- Budget presentations will be broadened, inviting Deans to learn about and question support unit budget submissions prior to the Budget Committee voting to receive their budgets. In addition, an opportunity for input on budgeting priorities will be provided to the community early in the cycle. These measures will improve budget transparency.

The changes above will serve to address a number of issues raised; however, the impacts of these adjustments will be closely monitored. Any changes to the tuition framework, including future net tuition billing, or as a result of the government's analysis of the funding formula, may materially alter the nature of the University's income, which will in turn require examination of the impact on income distribution through the model.

## BUDGETING PRINCIPLES AND PROCESS

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 delegated responsibility for oversight of the operating and ancillary funds, which account for two thirds of the annual expenditures, and recommends the annual budget to the President. In addition, specifically externally funded programs, such as those funded by the Ministry of Health and Long-Term Care, are included in each envelope's submission to the Budget Committee.

The 2016/17 budget and following two-year plans are developed using principles and priorities aligned to the Strategic Mandate Agreement and *Forward with Integrity*:

- The academic and research mission of the University is foremost in the development of budget guidelines for envelope 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 McMaster's overall financial position.
- Envelopes must be structurally balanced with ongoing expenditures less than or equal to ongoing revenues.
- Unfunded 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.

The main sources of income are subject to provincial regulation. With tuition subject to framework caps and grant funding under review, both set to change in 2017 (tuition) and 2018 (funding formula), there is revenue uncertainty in future years income. In order to promote realistic three-year plans and a budget to support the academic mission, reasonable estimates of increased enrolment and revenues based on strategic objectives, historical demand, and other commitments have been included and allocated to Faculties. Other revenue is budgeted more conservatively, and although welcomed when received may create variances and doubt in the budgeting process.

## BUDGET DEVELOPMENT

The Budget Committee issues budget guidelines to envelope managers to provide a uniform basis for summarizing supporting strategic priorities and the development of the budget and following two-year plans. The budget guidelines set fixed funding allocations for support units. For 2016/17, support unit allocations were increased only for strategic priorities as recommended by the Budget Committee.

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 the Strategic Mandate Agreement and *Forward with Integrity*
- Key metrics and benchmarks, including enrolment trends, student:faculty ratio, staffing levels, and space requirements
- New initiatives and 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
- Capital plans

While receiving 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. In order to finalize the budget, senior management reviewed the financial position over the three-year planning horizon and made adjustments, where necessary, to ensure reasonableness of the consolidated position and continued financial sustainability while promoting the academic mission.

## KEY ASSUMPTIONS

Budget assumptions include:

- Domestic tuition rate increase will match that allowed by the MTCU tuition fee framework (see Table 1), which expires after 2016/17. In the absence of information about the tuition fee framework for 2017/18, domestic tuition rate increases have been held flat. International undergraduate and graduate rates are assumed to increase by 6% per year.
- Overall enrolment is projected to increase in accordance with the Strategic Mandate Agreement, enabled by the completion of the Wilson Building in 2016/17. Although the demographic pool of applicants is expected to decline, current demand is greater than the number of spaces available. Many applicants whose academic record suggests that they could be successful at McMaster must be turned away. Enrolment increases are expected to be maintained through a combination of admitting a greater percentage of eligible applicants, increased participation rates in the applicant pool, and international enrolment.
- The undergraduate enrolment projection model uses the Enrolment Management Team's level 1 targets to project each Faculty's annual intake. 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 three years.
- To project graduate enrolment, since no level 1 intake targets are set at the graduate level, the graduate enrolment projection model is a flow-through model based on the following two elements:
  - **Each Faculty's historical level 1 intake:** The 2015/16 level 1 intake (i.e. as of November 1, 2015) is applied as the anticipated level 1 intake from 2016/17 to

2018/19.

- The transition probabilities of students from levels 2 and above: Similar to the undergraduate projection, to project movement between levels 2 and above, within each Faculty and between Faculties, the graduate projection applies a flow-through methodology that incorporates each Faculty's average transition rates over the past three 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 FTEs, headcount and BIU counts by Faculty, level, registration status, immigration status, and fee category.

**Table 1: Key Budget Assumptions**

		2015/16 Budget	2015/16 Projection	2016/17 Budget	2017/18 Plan	2018/19 Plan	
Enrolment	Undergraduate FTE's	24,511 +0.5%	24,142 -1.01%	24,343 +0.83%	24,591 +1.02%	24,779 +0.76%	
	Graduate FTE's	3,760 Flat	3,742 -0.68%	3,757 +0.40%	3,778 +0.57%	3,757 -0.57%	
Operating grants	Basic Operating Grant	Flat	Flat	Flat	Flat	Flat	
	Undergraduate Accessibility Grant BIU rate	\$5,364.00	Flat	Flat	Flat	Flat	
	Graduate Expansion Grant rate	Master's	\$13,797.34	Flat	Flat	Flat	Flat
		PhD	\$26,624.63	Flat	Flat	Flat	Flat
Tuition rate	2016/17 - Final year of the Provincial tuition fee framework: <ul style="list-style-type: none"> <li>• Overall average domestic tuition fee increase: 3.0%                             <ul style="list-style-type: none"> <li>○ Arts &amp; Science Undergraduate or other: 3.0% for all students</li> <li>○ Professional Undergraduate: 5% for level 1; and 3.7% for all other levels</li> <li>○ Graduate Research (with a thesis component): 0% for all students</li> <li>○ Graduate Professional (course work only): 5% for level 1; and 2.0 % for all other levels</li> </ul> </li> <li>• International rate increase 6%</li> </ul> 2017/18 to 2018/19: <ul style="list-style-type: none"> <li>• Overall average domestic tuition fee increase: 0%</li> <li>• International rate increase 6%</li> </ul>						
Investment return	Long-term					6.0%	
	Short-term					1.0%	
Compensation	Salaries	Average 1.5% across the board increase					
	Benefits	• Implementation of pension funding measures to promote research: <ul style="list-style-type: none"> <li>○ Salaried pension 155% of employee contribution (158% in 2015/16)</li> <li>○ Balance funded from reductions to envelope allocations</li> </ul>					
	Staffing	Temporary increases for system renewal Retirement incentives offered	Faculty renewal planned Critical vacancies filled				

## ACTIONS TAKEN TO EASE OPERATING BUDGET PRESSURE

At the direction of the Board of Governors, the University is required to present a structurally balanced budget. The 2016/17 budget reflects action taken in five main areas:

### REVENUE GENERATION

Achieving the academic mission is the University's paramount objective. Many of the activities currently underway are designed to increase revenue while simultaneously achieving the University's academic mission. Strategies to increase the revenue base include, but are not limited to:

- Increasing enrolment, aligned with the SMA, through creating innovative and high-demand programs like B.Comm in Integrated Business and Humanities, Honours BA in Indigenous Studies, McMaster English Language Development, Bachelor of Health Science, Bachelor of Applied Science, Biomedical Discovery and Commercialization Bachelor/Master's Program, Master of Health Sciences in Child Life, Speech Language Pathology, Executive MBA in Digital Transformation, Interdisciplinary Biomedical Engineering and Health Sciences, Smart Systems Engineering, and Global Health PhD.
- Introducing new educational and career pathways for adult, college, and international learners, including certificates both from McMaster departments and in conjunction with Mohawk College.
- Accelerating development of blended learning and online content, including outreach activities to capitalize on McMaster's expertise in curriculum and program evaluation, design, development and enhancement.
- Attracting the best students through entrance scholarships, increasing minimum remuneration levels, matching offers from competing graduate programs, and providing incentives to faculty members to recruit graduate students.
- Improving student retention, graduation rates and time to graduation through leadership programs and mentorship opportunities with community partners, as well as developing new four-year honours programs and pathways from undergraduate to graduate programs.
- Targeting \$21.5 million in new gifts and pledges annually from diverse sources.
- Generating energy management incentives totaling \$8.5 million for capital initiatives contributing to long-term cost reductions.
- Reviewing compulsory ancillary fee protocols to ensure equity amongst students and sustainment of services provided.
- Expanding government advocacy on opportunities and issues of importance to McMaster.
- Responding to increased competition by building a differentiated brand and strategic marketing plan.



## SAVING OR REALLOCATING RESOURCES

Costs incurred should directly contribute to the academic mission. Strategies to manage cost escalation include:

- Initiation of the IT Services Review, looking for areas of duplication, service gaps, and opportunities for synergies in information technology services delivery.
- Implementing the five-year McMaster Energy Management Plan to reduce campus energy consumption, including the Chasing the Peak initiative which will save more than \$1 million by directly managing consumption on the five peak days that drive the Global Adjustment Charge. Energy projects are estimated to result in cost avoidance of \$11 million from 2014/15 through 2018/19.
- Conducting detailed departmental reviews, examining levels and workload of faculty and staff, and where appropriate reducing by attrition, shifting and sharing administrative functions, or offering retirement incentives.
- Reviewing program requirements and making course changes to match programs with faculty complement, reducing the need for sessional teaching.
- Developing online resources to enable self-service for students and staff, reducing the need for repetitive face-to-face support for non-complex matters.
- Cross-training staff to more effectively manage peak service needs.
- Pursuing external partnerships to meet demand (e.g. student health services) or share costs (e.g. library catalogue and storage).
- Entering forward contracts to mitigate negative exchange impacts.
- Drawing down appropriations to fund necessary inflationary increases and other projects.

Employee costs account for over 60% of operating expenses and are therefore a major focus of most cost-reduction strategies. Historically, these costs have been rising faster than revenues, as compensation increases and special pension payments are factored into the operating budget. For some years, McMaster has been pursuing strategies in labour negotiations, targeted at reducing the rate of compensation increases and establishing greater cost certainty while being mindful of the need to be competitive in the market to ensure effective retention and recruitment. Employee groups have responded productively to support significant plan changes leading to better financial outcomes. Key successes have included some employee groups taking two consecutive 0% annual salary or wage increases, cost reduction related changes to pension and post-retirement benefits, and increased employee contributions.

## CONTROL OF ENVELOPE ALLOCATIONS

From 2008/09 through 2012/13, support unit allocations were frozen with the exception of targeted funding for strategic priorities. Although allocations to support units were adjusted to partially offset inflationary costs of salaries and wages in 2013/14 and 2014/15, only strategic priorities have been funded for 2016/17 and future years. This approach will require support units to absorb employee-related inflation over the budget and planning periods.

The budget process includes prioritization of costs considered essential to the academic mission. Initial allocations are made from the University Fund for the most important strategic priorities, including new program initiatives, learning support enhancements, and new strategic research support, if not directly funded by research funding. Where approved, ongoing priorities are built into support units' base budgets and allocated to activity units after the first year.

## PENSION DEFICIT FUNDING RELIEF

Due to the approval of Stage 2 Solvency Relief for both the salaried (Plan 2000) and the Hourly plans, the pension envelope to cover special payments of Plan 2000 will be reduced by \$1.5 million in 2016/17; however, recent interest rate decreases have resulted in the need to maintain the pension envelope without reduction, meaning this money will not be released for Faculty distribution in 2017/18 and future years. For operating and research funds, pension costs are charged at 155% of employee contributions, a decrease from 158% in 2015/16. Charges to ancillary funds are unchanged at 175% of employee contributions. Management is monitoring the volatility associated with the pension special payment schedule, which is materially sensitive to interest rates used to measure solvency payments. There is an opportunity to reduce this envelope (increasing funding to Faculties) and reduce the benefit rates charged on employee costs to Faculties. The envelope reduction depends on interest rates rising, or government changing the measurement approach (e.g. applying a model similar to Quebec using only a going-concern measurement at an average rate of return), or McMaster's participation in a jointly sponsored pension plan that provides solvency relief.

## ONE-TIME INVESTMENT RESERVE TRANSFERS

To temporarily assist the operating budget balancing pressures, five \$3 million one-time transfers from the investment reserve interest income will be made into the operating budget (2015/16 to 2019/20). These transfers will be annually monitored against investment performance to ensure sufficient continuity of the fund. The investment reserve is used to ensure a continuation of funding in years when interest returns fall below the budgeted 6%. Due to three consecutive investment returns greater than the planned 6%, these one-time transfers are possible without depleting the reserve balance for its intended purpose.

## ENVELOPE HIGHLIGHTS

### ACTIVITY UNITS

#### Faculty of Humanities

The Faculty of Humanities embraces the priorities set by the Strategic Mandate Agreement. In 2015/16, it invested in research excellence, appointing new research chairs and creating new centres that focus on Humanities engagement with the digital frontier, with the worlds of science and medicine, and with the work of aboriginal, LGBTQ and diasporic communities. It has expanded access to programs and courses through technology-enabled learning and new learning pathways for college and adult learners, and sought to improve retention and student success by better highlighting the ways in which these programs meet the career aspirations of students. Investments have been made in growth areas such as culture and communications while supporting joint initiatives in business (Specialized Minor in Commerce for Humanities students; Integrated Business and Humanities program for DeGroot students) and medicine (speech language pathology).

Undergraduate enrolments in Humanities are soft, reflecting the general slowing decline in enrolments in Arts programs across the Province of Ontario. Enrolments have been affected by a smaller university-aged population, the sharp decline in the key teaching career path anticipated by some students, and media coverage that encourages students and parents to think Arts students are having trouble in the job market, even when faced with contrary evidence. Somewhat lower undergraduate enrolments undermined a previous strategy based on both graduate and undergraduate enrolment growth, which had been adopted by the Faculty.

The Faculty has been responsive to budgetary challenges. It has increased service teaching, introduced some revenue generating programs, trimmed expenses, not replaced contractually limited and permanent faculty, and reduced the faculty complement by 13% since 2012. Instead of a series of \$5 million deficits projected three years ago, over the past two years the deficit has been reduced and a small surplus is forecast. A sustainable financial platform is being built to support strategic investments in research and teaching.

#### Faculty of Business

Guided by its 2015-2020 Strategic Plan, The DeGroot School of Business (DSB) continues its forward momentum. The 2016/17 year will see the launch of the Executive MBA in Digital Transformation and the establishment of the Health Leadership Academy (joint with the Faculty of Health Sciences). The Faculty has renewed interest and engagement from corporate partners who have provided significant support, both moral and financial, to the advancement of the School. The DSB will welcome five new faculty members in July 2016 and is actively recruiting for a funded research chair. The School looks forward to expanding its reach and stature through the continuing implementation of its strategic plan.

The Faculty is projecting a budget surplus of \$3.4 million for 2015/16. In addition, the 2016/17 budget includes a \$0.7 million surplus excluding anticipated, positive in-year adjustments at the five and eighth-month reviews. With the completion of the fourth floor of the Ron Joyce Centre, budget surpluses are expected to increase and should provide for the retirement of the Faculty's accumulated deficit more quickly.

The DSB remains committed to ensuring that growth in faculty or staff complement is done in a fiscally responsible and sustainable fashion. The 2016/17 budget is conservative and should provide ample room to both advance the School's goals and contribute to its debt retirement.

## Faculty of Health Sciences

The Faculty of Health Sciences provides excellence in health education, research and health care service. Responding to a growing market demand for a workforce that has grounding in a mix of backgrounds including health, the Faculty is expanding its high-demand Bachelor of Health Science program and adding an Integrated Biomedical Engineering and Health Sciences program. The Faculty is working with other Faculties and schools to launch and grow the bachelor/master's biomedical discovery and commercialization program as well as several new graduate programs including public health, child life and speech language pathology. The Faculty is also leading initiatives, such as the opening of the Institute for Clinical Evaluative Sciences facility, which will bolster McMaster's research mission for which the University is renowned worldwide.

There are significant concerns about budget pressures. The underlying issues include wage inflation; the reduction of ministry and post-grad tuition and grants; and the loss of mandatory retirement. The Faculty's research program has significant difficulties both internally and externally, particularly for research infrastructure. Difficulties include uncertainty regarding the affiliation agreement negotiations with the Faculty's partner hospitals; flat funding for federal grant-giving research councils; the recent changes to the CIHR funding framework; increased competition for grants; reductions in overhead levels paid by government agencies; and declining clinical trials revenues. These changes ultimately impact available funds that are critical to sustain existing research, the ability to fund new research initiatives and researchers, and to invest in areas of strategic importance for the future success of McMaster's health research enterprise.

Specific actions taken include the elimination of 19 contractually-limited positions from the School of Nursing between 2014/15 and 2017/18 and an introduction of larger group class sizes in Nursing which reduces part-time faculty expenses and lowers support salaries. In addition, there is a push for retirement of senior full-time faculty in the Department of Pathology and Molecular Medicine. A memorandum of understanding will realize teaching revenue for the Department of Biochemistry and Biomedical Sciences from the Faculty of Science. Finally, the Faculty continues to review administrative departments for efficiencies.

## Faculty of Engineering

The Faculty of Engineering continues to focus on the pursuit of excellence in teaching, research and community engagement. The Faculty is implementing strategies and programs to increase engagement between faculty and students, as well as with alumni and with industry, which includes investing heavily in developing collaborative spaces in support of these initiatives. The Faculty is also implementing professional development programs for students, both graduate and undergraduate, and has increased opportunities for student participation in international experiences, as well as summer research experience opportunities for international students. Engineering undergraduate programs continue to grow, particularly in the upper levels where the retention rate is higher than ever. Level 1 enrolment cut-off averages have been increasing, indicating a very strong applicant pool.

The Faculty will end 2015/16 with a small deficit caused by significant one-time investment in construction and renovations. Similarly, in 2016/17 significant one-time funds will be spent on

construction and renovations, making use of the appropriation accumulated over several years. In the outer years of the budget the operating deficits are expected to be offset by increased enrolment, particularly as the new program in Interdisciplinary Biomedical Engineering and Health program commences. Space constraints continue to be a concern for Engineering, both additional undergraduate laboratory space as well as research space are needed.

The Faculty is working with Thode Library to develop experiential learning Makerspace which will benefit Engineering as well as other McMaster students. The Hatch Centre, expected to be completed in the spring of 2017, will be a hub for experiential learning for Engineering students. These spaces, along with other construction plans around the University will help accommodate the expected growth in the programs.

## Faculty of Social Sciences

The strategic priorities of the Faculty of Social Sciences (FSS) will improve the student experience, offer better access to programs in high demand, and enhance the ability of faculty and trainees to conduct research in collaboration with government and community partners to address the most pressing social challenges. Of particular importance for the student experience, the opening of Wilson Hall will expand the Faculty's capacity to offer courses founded on active learning principles and other technologically-enabled pedagogical approaches, and will enrich the experiential learning opportunities. The developing Institute for Quantitative and Qualitative Social Science Research will support state-of-the-art, community-engaged research designed to provide the evidence needed to support policy in diverse public sector and community organizations, and will help the Faculty attract the best junior faculty and trainees to McMaster.

The greatest budget challenge for FSS remains soft enrolments arising from both demographic factors (the shrinking pool of university-aged Ontarians) and an emphasis on STEM careers over the Arts and Social Sciences. Hence, enhanced recruitment and retention remain a high strategic priority for the Faculty.

The Faculty is undertaking a number of actions to advance its strategic priorities. FSS has developed an integrated recruitment plan that includes improved marketing, outreach to secondary schools, curriculum reform, and changes to academic regulations to make programs more attractive to students and to enhance revenue. Furthermore, FSS has incorporated first-year courses designed to increase retention and success between years 1 and 2. The Faculty is implementing new budgeting procedures to identify efficiencies and new processes for allocating resources within the Faculty to ensure that resource allocations align with strategic priorities and best address the needs of the Faculty. In addition, FSS is investing strategically to develop its physical research infrastructure, such as research laboratories; its programmatic research infrastructure, such as staffing and workshops on research methods and tools; and its research-related external relations, such as research collaborations with the City of Hamilton and Hamilton community organizations.

## Faculty of Science

The Faculty has created a new School of Interdisciplinary Sciences, started re-developing the Life Science program and has been assessing all program and course offerings, reviewing space requirements and revitalizing the Faculty.

The termination of mandatory retirement has resulted in limited faculty renewal, and has constrained the Faculty financially since the academic complement is largely at the top end of the

pay scale. This, coupled with annual wage inflation, is significantly contributing to the ongoing Faculty deficit. The magnitude of the deficits going forward will require significant effort to attain a balanced budget in the future.

The Faculty plans to focus efforts to attain a balanced budget by engaging in activities that allow it to grow in strategic areas, find new revenue streams and generate cost savings in other areas. Actions to increase revenue include a focus on advancement; minimizing three-level degree enrolment and increasing four-level; increasing domestic PhD enrolment; increasing research grants to drive further funds from the RIF; internal and external cost recovery reviews; development of memoranda of understanding for interdisciplinary programs; and reduction of levy drivers with a focus on space. Actions to decrease expenditures will focus efforts on reviewing expenditures including reviewing faculty teaching course loads, creating a team to review the support/administration model, reviewing the use of undergraduate teaching assistants, looking at teaching laboratory occupancy usage, reviewing research support to ensure that it is relevant and current, looking at departments to analyze whether there might be efficiencies in consolidation, closing underutilized research support facilities, engaging in program revitalization to further increase retention, and participating in any institutional initiative that encourages faculty revitalization.

### **Arts & Science Program**

The program has ended a reliance on retired faculty and established new agreements for teaching release in order to achieve a healthy and sustainable faculty complement. Core courses will be taught by regular faculty members. Creative development of collaborations with other units will continue to be an important objective (e.g. hosting of Interdisciplinary Minors; provision of experiential learning and student research opportunities), as will an expansion of the McMaster Discovery Program, a successful and significant initiative in community engagement. The Program is working to involve Arts & Science alumni in the promotion of learning opportunities for current students within a culture of scholarly challenge and social responsibility. The Program is steadily moving toward the goals of increasing out-of-province admissions and heightening the Arts & Science Program's national and international profile.

The cost of faculty secondments has increased relating to the 2015 guidelines for teaching release compensation and negotiation of agreements with the Faculties of Humanities, Science, and Social Sciences. Full salary costs of the Arts & Science Director, the two Program Administrators, and all teaching assistants are the responsibility of the Arts & Science Program.

Teaching release agreements have been and will continue to be negotiated with the Faculties of Humanities, Science, and Social Sciences to allow faculty members from a range of departments to offer three to six units of teaching in Arts & Science, on a regular rotation. Three-year secondments are gradually being introduced, and costs of a tenure-track position are shared with MIETL.

### **University Fund**

The University Fund has the goal of supporting excellence, innovation and renewal in the academic areas of the University by allocating funds to help seed new academic initiatives, as well as to address unforeseen expenses and emergency issues that arise during the course of the year. By design, the projects supported in this way are short-term and specific with the intention that successful innovations will be funded permanently by different means, keeping the fund free for new initiatives of innovation and excellence. All of these funds enable greater flexibility in

achieving the academic mission of the University and support discovery and learning opportunities.

The Office of the Provost is responsible for developing appropriate mechanisms to control and use the University Fund as a strategic tool for the University. This fund is used to assist Faculties in the transition to the new budget model, to support unforeseen or unfunded priorities, and to seed new strategic initiatives. Supporting initiatives crucial to the long-term strength of the institution in the face of short-term needs remains a challenge.

## SUPPORT UNITS

### Student Affairs

Student Affairs remains committed to providing student-centered services focused on helping students reach their potential. A range of programs and services directly align with the Strategic Mandate Agreement; providing opportunities for experiential learning and engagement within the community, serving the mental and physical health needs of students, supporting their career development, developing their academic skills, providing accommodations to growing numbers of students with disabilities, and helping first-year and international students transition to student life.

Student Affairs is not sustainable in its current configuration. Currently, appropriations are used to fund/sustain the operating deficit, and will be fully depleted after 2016/17. To mitigate the deficit, Student Affairs is pursuing new protocols governing non-tuition-related compulsory ancillary fees (CAF), which would 1) increase these fees to cover costs 2) move most of the fees set aside for special projects (Student Life Enhancement Fund) into core services 3) enable the approval of future normal cost increases in a more informed and efficient manner. In addition Student Affairs pursues operational efficiencies on an ongoing basis, and is targeting sources of external revenue (sponsorships and donations, mostly in Athletics and Recreation). If Student Affairs is not successful in negotiating new CAF agreements, programs and services will be reduced and, in some cases, eliminated. Even with favourable new CAF agreements, phase-in periods will mean that sustainability will not be achieved for several years, in the absence of other sources of additional funding.

### University Library

The University Library will move aggressively on a variety of fronts including digital preservation, research data management, Makerspace and crowd sourcing for research collections. It will continue to collaborate with partners across the province on the vision for a shared catalogue for Ontario universities.

The University Library continues to face the ongoing problem of journal inflation. The cost of information resources climbs well in excess of CPI. On average, individual journal prices increase 5% to 7% per year. By purchasing in large packages, the cost increases can often be kept down to 3% to 5%. Researchers need access to elite journals and the ability to add or drop titles is limited given that it is most cost effective to purchase binding multi-year contracts through a consortium. The dramatic reduction in the value of the Canadian dollar against the US dollar in 2015/16 is also having a large unfavourable impact on the Library's information resources budget.

In addition to the 2015/16 currency mitigation strategies employed, such as purchasing forward contracts for large invoices and participating in the CRKN Foreign Exchange Project, the Library will work with Treasury to monitor and participate in other strategies. Additional attention will

be paid to the staffing complement and on fundraising opportunities to both manage costs and maximize revenues.

### Office of the Registrar

In all instances the Registrar's Office has a commitment of service to students, and support to Faculties and other administrative functions at the University to ensure that it is aligned with and contributing to the objectives of the Strategic Mandate Agreement. Financial aid from the scholarships and bursaries budget is a key support for students in all programs. The admissions and recruitment area is specifically tasked with ensuring admission targets are met. The Registrar's Office is focused on two key strategic objectives in the upcoming years: 1) a student services review and 2) the continued integration of Mosaic, including continuing to build expertise in the system, identifying, investigating and providing solutions to issues, testing and support for fixes, enhancements and new functionality and supporting the Business Intelligence project.

The Registrar's Office is challenged in three ways: 1) supporting the Mosaic system which, in addition to creating an efficiency gap, requires additional business analyst staff to support the system, 2) increasing unfunded costs such as salary and benefit increases and 3) increasing demand for services.

The office is undergoing a service review and a peak period review to help understand if there are opportunities to provide additional support from existing staff through the most demanding service periods. The Registrar's Office has also used reserves to help close its revenue and expense gap.

### School of Graduate Studies

The School of Graduate Studies (SGS) works in concert with the Faculties to achieve its strategic priorities through assisting in the development of new graduate programs, ensuring that such proposals are prepared according to the latest Council and Ministry guidelines and requirements, and also clearly articulate the alignment between the proposal and the University's Strategic Mandate Agreement.

The SGS appropriations balance will be used toward resource support aimed to improve Mosaic. The Strategic Mandate Agreement priority for graduate enrolment growth places significant demands on the graduate scholarship budget if growth is attained as the envelope is currently a fixed amount.

The majority of the operating budget is allocated to staffing costs, minimizing the ability to reduce non-salary expenses. The primary focus of the next academic year will be communication, documentation, and training on all graduate-facing Mosaic sustainment activities, as well as an operational review of the office structure.

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

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



enhancement, enhanced learning, research in teaching and learning, and outreach, with all four areas engaging students fully as partners.

As MIETL has moved through a period of growth at the beginning of its mandate, it is now in a position to consolidate and refine its structure, plans and budget as the emphasis shifts from service delivery and capacity building to service delivery and research excellence. The key budget challenges at this point include solidifying ongoing funding or identifying new sources of short-term funding. As start-up resources become fully allocated, meeting the growing demand for service, particularly in technology, and maintaining strength in MIETL's ambitious evaluation and quality assurance plan represent significant budget challenges.

MIETL is pursuing a growth vision, which includes establishing a series of unique distinguished scholars, building world-class research programs, delivering colloquia of international prominence, helping McMaster's leading teachers increase their profiles, 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, and building a strong local and international outreach program.

## Research Envelope

The Research Envelope includes executive offices, some research institutes, regulatory units, and the nuclear reactor, all committed to supporting researchers, providing compliance services and maximizing the research enterprise at McMaster University. These operations have different pressures and objectives. Research is a dynamic environment. In addition to opportunities that are actively sought to enhance the strategic mission, new opportunities often materialize with little warning.

For 2016/17 two new institutes are planned: Institute on Indigenous Research and the Water Institute. Both are highly aligned with the Strategic Mandate Agreement. Considerable funding opportunities will be available for the next few years, beginning in 2016/17. Construction and commissioning of Canada's only small angle neutron scattering (SANS) facility is funded in conjunction with CFI funding, as well as an internal loan. This project involves building a new underground beam hall that will support material science research in a number of STEM fields. A change to the budget model in 2017/18 will provide additional discretionary investment funding for research.

## University Technology Services (UTS)

Strategic initiatives outlined in Vision 2020 include systems renewal and data integration, modernization and simplification of infrastructure, and technology risk mitigation. Mosaic will streamline many operational duties allowing more time for value added tasks. Business Intelligence capabilities will track, measure and report on issues relating to access, retention and success. The goal is to build capacity to handle enrolment growth and evolve to meet the changing needs of future generations.

Budget challenges include attracting staff with necessary skills, unfavourable US exchange rates, insufficient funding for life cycle asset replacement and deferred maintenance on systems, and shrinking telecommunications recoveries.

Actions taken to mitigate budget pressures include a full cost recovery program for third party services, deferred infrastructure spending, and a full review of all contracts for cancellation or non-renewal consideration. The planned functional review of IT services across campus will help

further identify opportunities toward technology collaboration across campus and identify potential cost savings.

### **Administration and Facility Services**

The Administration envelope continues to operate within its budget allocation at a staffing level still below that of a decade previously by virtue of drawdown of appropriations to handle increased demand and a realignment of resourcing.

Facility Services launched its Strategic Plan which aligns the services and direction of the department with the core mission of the University and now is working on building a new transformational Strategic Plan, as well as additional initiatives including management of energy, assets, and space.

Although Facility Services is continuing to look at new ways to improve efficiency of the day-to-day operation, additional growth due to increased enrollment, curriculum changes, or shifting research activities will continue to stretch resources. McMaster's costs per square foot for both custodial and maintenance services have already reached an efficiency frontier well below that of other universities surveyed by APPA (Association of Physical Plant Administrators).

### **University Advancement (UA)**

University Advancement's 2015-2020 business plan utilized *Forward with Integrity* and McMaster's Strategic Mandate Agreement to identify the University priorities. The UA business plan is designed to support these objectives in a variety of ways. The University priorities all require resources, strong relationships with key stakeholders, including government, donors and alumni, and a robust reputation. By working as an integrated UA team, each area delivers on these commitments so McMaster is well positioned to maximize its strengths and priorities. UA continues to strategically use savings and is in a position to balance the budget in 2018/19.

UA supports university priorities by delivering creative and leading advancement programs to achieve McMaster's objectives. UA will continue to focus on strengthening the wide-ranging relationships McMaster relies upon to build its reputation and support, including an annual return of \$21.5 million. UA will also continue to help lead McMaster through a branding initiative, as well as work to address the challenges in recruiting experienced professionals in the areas of fundraising and government relations. Government relations will continue to be a priority, with particular emphasis on policy and funding decisions at the provincial level and federal support for key research areas and projects. A recent restructuring within UA will better meet the evolving needs within both the advancement and post-secondary sectors.

## RESULTS BY FUND

### OPERATING FUND

Table 2: Operating Fund Summary

(\$ thousands)	Operating Fund		2015/16 Variance		Operating Fund		
	2015/16 Budget	2015/16 Projection	Favourable/ (Unfavourable)		2016/17 Budget	2017/18 Plan	2018/19 Plan
<b>Sources of Funding:</b>							
Provincial grants	228,905	226,839	(2,066)	-0.9%	227,772	229,988	231,253
Tuition	245,699	239,900	(5,799)	-2.4%	251,692	258,923	264,350
Research overhead income	20,081	27,184	7,103	35.4%	22,384	22,274	22,328
Investment income	12,467	12,921	454	3.6%	13,526	13,526	13,526
Other income	69,283	74,867	5,584	8.1%	75,746	74,924	75,962
<b>Total sources of funding</b>	<b>576,435</b>	<b>581,711</b>	<b>5,276</b>	<b>0.9%</b>	<b>591,119</b>	<b>599,635</b>	<b>607,419</b>
<b>Expenditure:</b>							
Salaries, wages and benefits	405,411	408,320	(2,909)	-0.7%	419,949	433,942	446,811
Utilities and maintenance	40,432	37,540	2,892	7.2%	40,557	38,423	37,219
Equipment and renovations	39,294	37,349	1,945	5.0%	31,755	22,766	23,373
Scholarships, bursaries and work study	30,739	25,356	5,383	17.5%	29,903	29,882	29,826
Library acquisitions	10,668	11,264	(596)	-5.6%	12,530	12,826	13,250
Debt and financing charges	13,086	15,430	(2,344)	-17.9%	17,169	18,598	20,035
All other expenses	49,465	52,586	(3,120)	-6.3%	57,102	49,801	48,100
<b>Total expenditures</b>	<b>589,097</b>	<b>587,845</b>	<b>1,251</b>	<b>0.2%</b>	<b>608,965</b>	<b>606,240</b>	<b>618,614</b>
<b>Total surplus (deficit)</b>	<b>(12,662)</b>	<b>(6,135)</b>	<b>6,527</b>	<b>51.5%</b>	<b>(17,846)</b>	<b>(6,605)</b>	<b>(11,195)</b>
Fund balances, beginning of year	51,705	68,198	16,493	31.9%	62,063	44,218	37,613
<b>Fund balances, end of year</b>	<b>39,043</b>	<b>62,063</b>	<b>23,020</b>	<b>59.0%</b>	<b>44,218</b>	<b>37,613</b>	<b>26,418</b>

Note: The 2015/16 original budget has been restated to conform with the classifications now adopted in the projection column.

### Outlook for 2015/16

As shown in Table 2, in 2015/16 the Operating Fund is projected to run an in-year deficit of \$6.1 million attributed to net one-time and non-recurring expenditures of \$27.1 million. The deficit has been reduced by \$6.5 million compared to the original budget. Overall, revenue and expense variances are insignificant.

- Grants and tuition are unfavourable by a total of \$7.9 million due to lower than expected enrolment.
- Research overhead income is favourable by \$7.1 million due to higher contract overhead and royalty income.
- Investment income is favourable by \$0.5 million due to investment of the \$120 million bond proceeds, offset by increased debt and financing charges.
- Other income is favourable by \$5.6 million due to greater than expected fees from applications, diploma and international programs, as well as sales of isotopes from the nuclear reactor and external recoveries for utilities.
- Salaries, wages and benefits are unfavourable by \$2.9 million due to additional part-time help.
- Utilities and maintenance is favourable by \$2.9 million due to a combination of lower than expected consumption and rate savings through energy management initiatives like Chasing the Peak.

- Equipment and renovations expense is favourable by \$1.9 million due to less expenditure on computer equipment and capital projects.
- Scholarships, bursaries and work study expense is favourable by \$5.4 million due to a timing difference on implementation of Mosaic, offsetting an unfavourable variance in 2014/15.
- Library acquisitions are unfavourable by \$0.6 million due to the higher US dollar exchange rate.
- Debt and financing expense are unfavourable by \$2.3 million due to interest on the \$120 million debenture issued this year, as well as payment on the loan for energy management projects.
- All other expenses are unfavourable by \$3.1 million primarily due to increased consulting costs, research support, and royalty expense, offset by increased royalty income.

## 2016/17 Budget

In 2016/17 the annual deficit in the Operating Fund is expected to increase by \$11.7 million, primarily due to increased expenses and some deferred spending planned in 2015/16. Highlights compared to 2015/16 projection are:

- Total sources of funding will increase by \$9.4 million (1.6%):
  - Combined grant and net tuition growth of \$12.7 million (2.7%) reflects both applied tuition rate caps and enrolment growth, including level 1 intake of an additional 260 students on completion of the Wilson Building.
  - Research overhead income has been conservatively estimated to decrease in 2016/17 following additional royalty revenue in 2015/16.
  - Additional investment income of \$0.6 million (4.7%) is due to a full year of investment of the \$120 million bond proceeds, offset by additional debt and financing charges.
- Operating expense will increase by \$21.1 million (3.6%):
  - Salaries, wages and benefits increase by \$11.6 million (2.8%) primarily from faculty renewal, but also reflecting an accounting change with maintenance staff charged to the Operating Fund and recovered through internal transfers.
  - Utilities and maintenance will increase by \$3.0 million (8.0%) due to expected higher hydro rates, in addition to an incremental allocation of \$2.0 million to deferred maintenance.
  - Equipment and renovations will decrease \$5.6 million (15.0%) with completion of capital projects begun in 2015/16.
  - Scholarships, bursaries and work study will increase by \$4.5 million (17.9%) following a decrease due to timing differences in 2015/16, and as a result of enhanced incentives to attract students.

- Library acquisitions will increase by \$1.3 million (11.2%) due to inflationary pressures and expected continued exchange losses.
- Debt and financing expense are unfavourable by \$1.7 million (11.3%) due to the full year's interest on the \$120 million debenture issued in 2015/16, as well as payment on the loan for energy management projects.
- Other expenses will increase by \$4.5 million (8.6%), primarily due to anticipated strategic initiatives.
- The in-year operating deficit will be \$17.8 million (3.0% of revenue)
- Appropriations decline by 28.8% to \$44.2 million at April 2017.

Supporting details by envelope are available in Appendix A.

### 2016/17 ONGOING VS. ONE-TIME RESULTS

**Table 3: Operating Fund Ongoing and One-time Results**

(\$ thousands)		2015/16 Budget	2015/16 Projection	2016/17 Budget	2017/18 Plan	2018/19 Plan
<b>Ongoing:</b>						
Allocated income		502,531	494,360	504,005	513,599	520,357
Other income		68,601	80,887	77,863	77,205	78,231
Total revenue		571,132	575,247	581,868	590,804	598,588
Expenditures		564,609	554,284	575,334	584,013	597,622
Surplus (deficit)		6,524	20,964	6,534	6,790	966
	% of revenue	1.1%	3.6%	1.1%	1.1%	0.2%
<b>One-time:</b>						
Allocated income		4,302	4,756	8,576	8,576	8,576
Other income		1,001	1,707	675	255	255
Total revenue		5,303	6,463	9,251	8,831	8,831
Expenditures		24,488	33,562	33,631	22,226	20,992
Surplus (deficit)		(19,185)	(27,099)	(24,380)	(13,395)	(12,161)
<b>Total surplus (deficit)</b>		<b>(12,662)</b>	<b>(6,135)</b>	<b>(17,846)</b>	<b>(6,605)</b>	<b>(11,195)</b>
Opening appropriations		51,705	68,198	62,063	44,218	37,613
<b>Ending appropriations</b>		<b>39,043</b>	<b>62,063</b>	<b>44,218</b>	<b>37,613</b>	<b>26,418</b>

Note: The 2015/16 original budget has been restated to conform with the classifications now adopted in the projection column.

Although there is an overall deficit 2016/17, the budget shows a structural surplus. Increases in ongoing expenses are mainly either strategic investments or unavoidable costs. One-time costs include:

- \$14 million from the University Fund for new initiatives, including support of students, research, and endowed Chairs; Indigenous Studies engagement and public service leadership initiatives; graduate growth incentive programs; retirement incentives; and support for Mosaic sustainment and priority issues.
- \$6.1 million campus-wide for systems transition and enhancement, including implementation of eProcurement.

- \$3.4 million for capital projects including the Hatch Centre, JHE renovations, and Makerspace in the Library.
- \$1.3 million for research support.
- \$1.1 million for equipment renewal.
- \$1.0 million for *Forward with Integrity* initiatives.
- \$0.5 million for enhancement of academic programs and pedagogy.
- \$0.4 million for provincially-funded student mental health initiatives.

One-time expenses are projected to decline in 2017/18 as the transition to systems sustainment and current capital projects are completed.

REVENUE

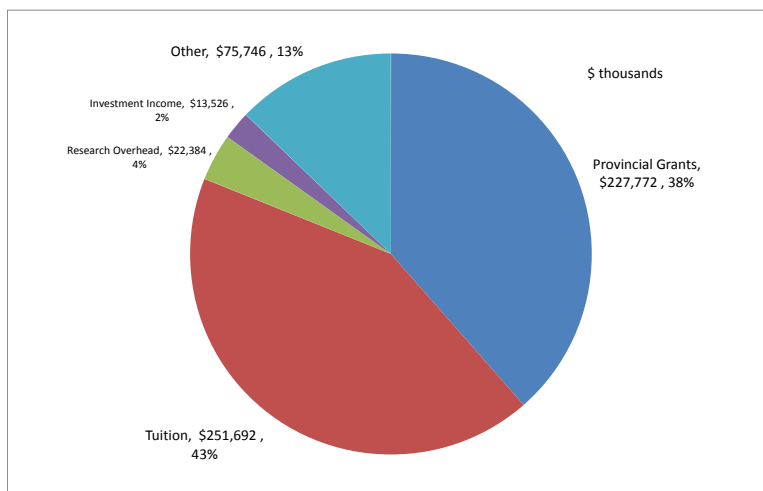
Table 4: Growth and Diversification of the Operating Revenue Base

(\$ thousands)

	2015/16 Budget	2015/16 Projection	2016/17 Budget	2017/18 Plan	2018/19 Plan
Provincial Grants	228,905	226,839	227,772	229,988	231,253
Tuition	245,699	239,900	251,692	258,923	264,350
Research Overhead Income	20,081	27,184	22,384	22,274	22,328
Investment Income	12,467	12,921	13,526	13,526	13,526
Other Income	69,283	74,867	75,746	74,924	75,962
<b>Total Sources of Funding</b>	<b>576,435</b>	<b>581,711</b>	<b>591,119</b>	<b>599,635</b>	<b>607,419</b>
<b>Percentage change</b>		<b>0.9%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.3%</b>

Strengthening and diversifying the operating revenue base continues to be an important financial objective for McMaster University. Total 2016/17 operating revenue is currently projected to be \$591.1 million, up by 1.6% over the 2015/16 projection. This is mainly due to increased tuition revenue associated with increased enrolment.

Figure 1: 2016/17 Operating Fund Revenue



## Provincial Government Grants

\$227.8 million

Table 5: Provincial Grants

(\$ thousands)	2015/16	2015/16	2016/17	2017/18	2018/19
	Budget	Projection	Budget	Plan	Plan
Basic Operating Grant	177,547	177,565	177,360	177,351	177,346
Accessibility Grant	10,477	8,712	9,486	11,468	12,760
Graduate Expansion	6,436	6,249	6,665	6,942	6,968
Performance Fund	2,058	2,038	1,970	1,970	1,970
General Quality Fund	9,113	9,190	9,190	9,190	9,190
MD and Post Graduate Expansion	19,783	19,330	19,330	19,330	19,330
MD Enhanced Funding	2,152	2,152	2,152	2,152	2,152
Grant for Expanded Nursing Program	1,015	1,279	1,295	1,261	1,213
Clinical Education Grant	324	324	324	324	324
<b>Total Grant Income</b>	<b>228,905</b>	<b>226,839</b>	<b>227,772</b>	<b>229,988</b>	<b>231,253</b>
<b>Percentage change</b>		<b>-0.9%</b>	<b>0.4%</b>	<b>1.0%</b>	<b>0.6%</b>

Table 5 shows the budgeted year-over-year change in the various provincial grant income items in the operating budget. As a major component of operating funding, changes in the components of the provincial grant can have a significant impact on McMaster's level of revenue. The final policy lever reductions were incorporated into the Basic Operating Grant in 2014/15. With the exception of international student reductions, Basic Operating Grant income is projected to remain steady, applying the same funding formula, in 2016/17. However, it is unclear what changes will be introduced affecting fiscal years 2017/18 and beyond. The funding formula is currently being reviewed, originally across the Ontario university sector for 2016/17, but now across both universities and colleges for implementation planned in 2017/18. The Ministry will likely use a transition period to promote financial sustainability during an adjustment phase. Additional revenue has been projected associated with enrolment-based grants and targeted enrolment increases aligned with the SMA.

## Tuition Income

\$251.7 million

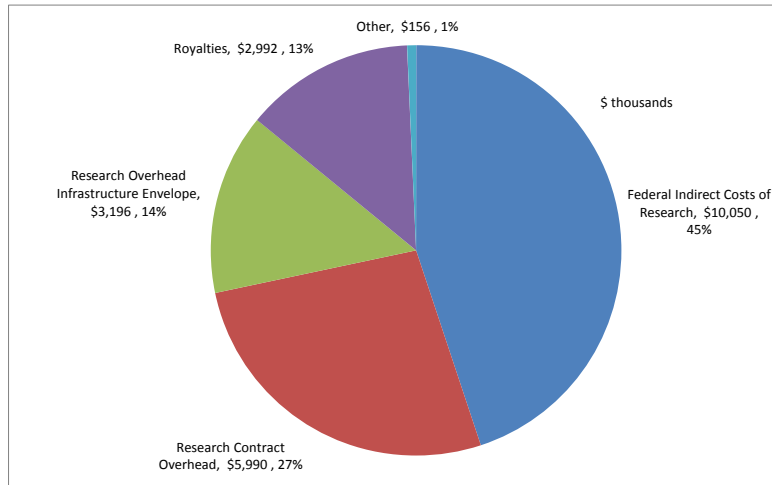
Based on the enrolment targets outlined previously and the current tuition framework, total 2016/17 tuition income is projected to increase by \$11.8 million (4.9%) from the 2015/16 projection. This increase is a combination of estimated enrolment growth and allowable domestic and international rate increases which vary between 0% and 6% with an overall cap of 3% for domestic students. The tuition framework expires for years 2017/18 and beyond. Work is underway within the Ministry to establish and announce the next tuition framework within 2016/17 for budgetary planning purposes. Further, the Council of Ontario Universities has established a working group to support the Ministry in the roll-out of net tuition (announced in the provincial budget). Impacts of the tuition framework changes have been conservatively planned, however any revenue and administrative cost implications associated with net tuition have not been included.

McMaster has committed to increasing enrolment as part of the Strategic Mandate Agreement. For 2016/17, undergraduate enrolment is expected to increase by 0.83%, with graduate enrolment expected to increase by 0.40%. The University, through the Enrolment Management Team, is reviewing undergraduate enrolment targets and forecasting models to ensure McMaster sets reasonable targets and achieves them.

Research Overhead Income

\$22.4 million

Figure 2: 2016/17 Research Overhead Income



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.

Investment and Other Income

\$89.3 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. For the period 2015/16 through 2019/20, an additional \$3 million will be transferred from the investment reserve to support the academic mission subject to annual review and availability. Other income is primarily received directly by budget envelopes, and includes cost-recovery programs, targeted grants, income from the nuclear reactor, and costs recovered from partners.

EXPENDITURES

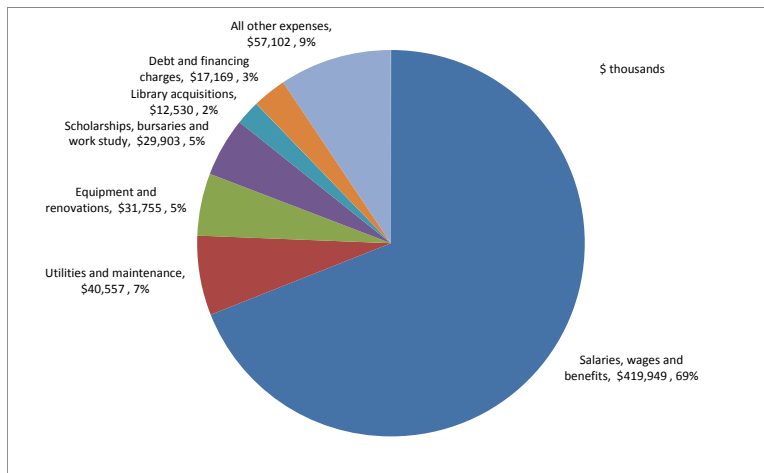
Table 6: Expenditure Growth

(\$ thousands)	2015/16	2015/16	2016/17	2017/18	2018/19
	Budget	Projection	Budget	Plan	Plan
Salaries, wages and benefits	405,411	408,320	419,949	433,942	446,811
Utilities and maintenance	40,432	37,540	40,557	38,423	37,219
Equipment and renovations	39,294	37,349	31,755	22,766	23,373
Scholarships, bursaries and work study	30,739	25,356	29,903	29,882	29,826
Library acquisitions	10,668	11,264	12,530	12,826	13,250
Debt and financing charges	13,086	15,430	17,169	18,598	20,035
All other expenses	49,465	52,586	57,102	49,801	48,100
<b>Total Expenditures</b>	<b>589,097</b>	<b>587,845</b>	<b>608,965</b>	<b>606,240</b>	<b>618,614</b>
<b>Percentage change</b>		<b>-0.2%</b>	<b>3.6%</b>	<b>-0.4%</b>	<b>2.0%</b>

Expenditures budgeted for 2016/17 total \$609.0 million, of which 69.0% relates to compensation costs.



Figure 3: 2016/17 Operating Fund Expenditures



**Salaries, Wages and Benefits** **\$419.9 million**

- Salaries, wages and benefits will increase by \$11.6 million (2.8%) in 2016/17 over the 2015/16 projection.
- Attention continues to be focused on controlling pension and other post-retirement benefit costs through labour negotiations.
- Projected FTEs in 2016/17 include strategic faculty renewal. Most Faculties are anticipating retirements in future years, in some cases as a result of incentives. Future faculty growth is limited by the slow rate of retirements and the impact of increasing retirement age on average faculty salaries.

**Utilities and Maintenance** **\$40.6 million**

- The cost of maintaining and operating the physical infrastructure represents 6.7% of operating costs, including incremental funding of \$2 million per year allocated to deferred maintenance annually from 2013/14 through 2016/17 to a total allocation of \$10.2 million.
- 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 hedging) and deducting projected savings driven by Energy Management Plans.
- The escalating global adjustment charge in the hydro bill has been increasing by 22% per year for the last two years and now accounts for more than half of the costs. Required capital expenditures and debt repayments have exacerbated costs. Despite Energy Management Plan savings and management of consumption on peak days, additional allocations have been required to cover costs.
- The Ontario Cap and Trade System, expected to start in 2017, could significantly affect costs, however the impact has not been built into the budget.
- Funding has successfully been obtained from Independent Electricity System Operator (IESO) to hire a dedicated energy manager, with incentives dependent on realized electricity savings within a range of \$50,000 to \$200,000 per year.

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**Equipment and Renovations** **\$31.8 million**

- Infrastructure spending and transfers to the capital fund for equipment and renovations have declined compared to 2015/16 as additional investments are completed.

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**Scholarships, Bursaries and Work Study** **\$29.9 million**

- Scholarships reflect the increased obligations for provincial Tuition Set Aside and Student Access Guarantee requirements, as well as incentives offered to graduate students and utilization of funds carried forward.

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**Library Acquisitions** **\$12.5 million**

- Costs are estimated to increase by 11.2% in 2016/17, reflecting the twin impacts of the above-average increases for information resources and the declining Canadian dollar. Mitigation strategies include locking in preferred rates for materials, forward currency purchases, and analysis of cost per use to enable informed decisions on purchases.

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**Debt and Financing Costs** **\$17.2 million**

- In 2002 McMaster issued \$120 million in debentures. Expense of \$7.4 million represents the interest-only payment. The principal will be repaid in 50 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.
- In 2015 McMaster issued an additional \$120 million in 50-year private placement (public style) debentures. The coupon rate of 4.105% (\$4.9 million) will be offset by investments with an estimated yield of 1.6%, which will be available until the funding is utilized for capital projects.
- Payments on internal loans for additional capital projects are included (refer to Tables 12 and 13).

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**All Other Expenses** **\$57.1 million**

- This line represents 9.4% of operating budget costs, and includes a broad range of supplies and other expenses not categorized elsewhere.
- The 2016/17 budget increases by \$4.5 million (8.6%) compared to 2015/16 due to expected strategic initiatives including implementation of Business Intelligence and eProcurement, and declines in 2017/18 as they are completed.

## 2016/17 OPERATING FUND BUDGET CONCLUSIONS

The Operating Fund deficit of \$17.8 million includes net one-time expenditures of \$24.4 million, without which the Fund is structurally balanced, despite reduced Ministry support in recent years and increased competition for limited research dollars. Significant funding pressures associated with wage inflation, elimination of mandatory retirement, low interest rates driving up benefit costs, technology/capital infrastructure and sustainability, and increasing needs for student services and support all limit the level of investments possible toward SMA/FWI strategic priorities. Further, many units post-Mosaic are exploring the need for process redesign and/or undertaking operational efficiency reviews. Some units have had to rely on reserves to sustain

operational services for several years; in this budget period some reserves will be depleted forcing those units to examine new revenue alternatives including philanthropic opportunities and/or reduced services to balance.

Amidst ongoing pressures this budget does include plans for seed funding new academic initiatives and projects from the University Fund and research portfolio, and other Faculty investments in research excellence including creating new research centres and appointing new research chairs. Further, investments toward developing new collaborative spaces, Engineering's Makerspace, and the opening of both the Hatch Centre and Wilson Hall will all contribute greatly needed capacity toward active learning principles and other technologically-enabled pedagogical approaches to further enrich McMaster's experiential learning opportunities. In addition, an increased emphasis on career pathways associated with programs will be made to better connect students' educational choices with career objectives, including new Executive MBA program launches and bachelor/master's blended degree opportunities. Modest marketing initiatives will be undertaken during the budget and planning periods to ensure these and other offerings at McMaster are effectively communicated.

Finally, budget plans include broadening existing community initiatives and partnerships including a continued focus on healthy communities and living initiatives with the Cities of Hamilton, Burlington and beyond.

#### 2017/18 AND 2018/19 OPERATING FUND BUDGET CONCLUSIONS

Budget pressures continue into the planning years. Investments toward operational and efficiency reviews and retirement incentives to enable some faculty renewal are planned. With the funding formula changes, a new tuition framework and net tuition billing planned to be unveiled within this planning period there are many unknowns with respect to the financial outlook for McMaster and other Ontario universities. Finally, the long-term outlook for Canadian interest rates indicate continued low bond yields, which will dramatically affect McMaster's solvency payment schedule determined upon the July 2017 salaried plan valuation. Although a UPP is being explored along with government review of other measurement alternatives, in the absence of change benefit rates will need to substantially rise. The budget pressures and funding unknowns place McMaster's ability to achieve its strategic priorities in a precarious position.

## ANCILLARY FUND

Table 7: Ancillary Fund Summary

(\$ thousands)	Ancillary Fund	
	2015/16	2016/17
	Projection	Budget
<b>Revenue</b>		
Ancillary sales and services	74,366	75,313
<b>Total revenues</b>	<b>74,366</b>	<b>75,313</b>
<b>Expenses</b>		
Salaries, wages and benefits	25,164	26,672
All other expenses	30,978	24,229
Transfers to (from) other funds*	13,130	19,751
Debt and financing charges	4,492	4,521
<b>Total expenses</b>	<b>73,763</b>	<b>75,172</b>
<b>Excess of revenues over expenses</b>	<b>603</b>	<b>141</b>
Fund balances, beginning of year	6,652	7,255
<b>Fund balances, end of year</b>	<b>7,255</b>	<b>7,396</b>

\*Including transfers to capital

The Budget Committee reviews and approves the budgets of the University's ancillary departments. The 2016/17 review included an evaluation of each area's three-year plan. Gross sales for 2016/17 are estimated to be \$75.3 million, a 1.3% increase over the 2015/16 projection. Operating statements for individual ancillaries are available in Appendix C.

Ancillary operations provide invaluable services and financial support to the University community. In addition to covering increasing direct and indirect costs, ancillaries are required to contribute 4.5% of most sales (\$2.9 million in 2016/17) to the Operating Fund while covering the University average cost of space per net assignable square meter (NASM). Many ancillaries make additional direct contributions to the Operating Fund over and above a percentage of sales. Finally, ancillary units may incur additional premium costs if there are unique requirements not covered by standard or base services provided for under the average NASM cost.

### Campus Store

With strong competition among post-secondary institutions, McMaster will differentiate itself through brand positioning to increase enrolment. The sale of crested merchandise grows brand awareness and assists with the University's brand positioning at sometimes the broadest geographical level. Once students are enrolled the focus changes to retention. The Store engages faculty about course materials adoption, guiding them to resources that complement in-class teaching, including traditional books and courseware development to online tools, e-books, and e-coursepacks, to improve the overall breadth of offerings to fully assist in optimal learning outcomes.

The book industry is experiencing unprecedented downward sales of core products. Over the past five years, book sales at the Store (text, custom courseware and trade) are down 32%. The strategy is to aggressively compete for market share by remaining at the forefront of digital content delivery, actively pursuing adoptions and offering course materials in a variety of formats to complement different learning styles. These activities have slowed the sales decline in

2015/16. To offset the loss from this decline, there has been increased focused on growing sales of crested merchandise, achieving a 49% sales increase during this same five-year period.

The level of community engagement will increase with more outreach to faculty, cold calling departments about promotional needs and partnering with departments to grow revenue streams while also delivering a service and savings to Faculties and departments. To grow the Store's connection to the customers it serves, a second language in-store service model is being launched, making international students feel more at home when shopping in store.

### Center for Continuing Education (CCE)

CCE's strategic initiatives are focused on securing a position as a leader in online learning for working adults through refinement and development of sustainable processes, development of new programs, and establishment of an exceptional experience for all students and instructors. A further strategic initiative is the enhancement of CCE's role in the University's commitment to community engagement values and practices, including contribution of courses to the e-Campus Ontario portal, identification of new pathways for adult learners, and offering health-focused programs.

The most significant challenge for CCE is an increasingly crowded online marketplace for professional and adult education. It will be essential to differentiate online learning through McMaster CCE from the online learning experiences offered by other universities and colleges, as well as providers within industry and professional associations.

In order to ensure continued fiscal and programmatic strength, a facilitator has been engaged to assist in a five-year strategic planning exercise. CCE's first comprehensive marketing plan will use diverse strategies including social media to promote programs and maximize the market opportunities of online learning. A rigorous approach to the development of new programs will be continued along with careful monitoring of market trends and the research into skills gaps.

Other planned actions include exploration of increased partnerships with McMaster Faculties to increase the enrolment of undergraduate students in CCE certificates and diplomas while they build their degrees; monitoring of new face-to-face and blended learning programs to determine if additional markets are possible by adapting these programs for online delivery; and focused exploration of the learning needs of foreign-trained professionals and CCE's capacity to respond to identified gaps.

### Hospitality Services

Hospitality Services has developed a strong direction for achieving financial stability, operational growth and improving the student experience to ensure long-term relevance in supporting McMaster's overall strategy and vision. This direction will also see the department integrate itself deeper into the community and provide a more in-depth educational food service experience for students, staff and faculty. Hospitality is also committed to the further enrichment of program elements in the areas of community, diversity and sustainability as a means of furthering alignment with *Forward with Integrity*.

Maintaining a reputation built on quality and value while providing some of the lowest meal plan and catering pricing amongst peer universities is a testament to the resourcefulness and the innovation of the department. However, it will be necessary to move to a more sustainable level of pricing and fees to retain the current level of quality and reputation in the coming years. In

addition to pricing challenges, increased operating costs and volatile food inflationary costs will pose financial challenges.

While the pressures of cost and price create budget challenges, the commitment to diligently work to assess and validate strategies and take corrective actions will keep Hospitality Services at the forefront of the sector within the Canadian university marketplace and contribute positively to McMaster's overall mission. Actions for new value-driven revenue streams will include a re-engineering of the meal plan structure; the finalization of debit/credit payment options; continued implementation of new, trending and innovative concepts; social media marketing; and a gift card program.

### **Housing and Conference Services (H&CS)**

H&CS is committed to the student experience and will continue to focus on enhancing the living and learning environment through innovative and inclusive community programming, and by investing in facilities and maintaining them to a high standard.

Budget challenges include providing sufficient, attractive and competitively priced housing to all first-year undergraduates while supplying some housing to upper-year students, as well as maintaining low residence fee increases while funding significant deferred maintenance projects and new infrastructure using long-term central bank loans.

Future activities include 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 and learning environment for students and staff.

### **Media Production Services (MPS)**

MPS's strategic initiatives are focused on revenue generation with a view to retiring historical MPS debt. As a result, a key strategy for MPS is to continue to seek support in adopting a policy for a centralized print management strategy. In addition, MPS will continue to expand its marketing initiatives, promote new service offerings, participate in partnership development initiatives, continue the development of the McMaster Website Template Toolkit, and begin an investigation for a new optical mark reader solution.

The MPS reorganization has equipped the department with the adaptability it needs to effectively navigate an industry that is rapidly changing. The lower demand for printing and increased competition continues to be a challenge; however MPS is expected to deliver a surplus for the third consecutive year, continuing the repayment of the accumulated debt.

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 the focus is on continuous improvement and generating new revenue streams.

### **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, including providing support in matters of sustainability, accessibility and alternative modes of transportation. Support and improvement of

the campus will continue through providing repairs and replacement of sidewalks, curbs and roadways.

One of the department's main issues is the anticipated loss of Lots E and G for the new Living Learning Centre, scheduled for construction in 2016/17. The expected displacement of over 200 parking spots will prove to be challenging in an area where parking is in high demand and already very scarce. A plan will be developed to minimize the impact to permit holders and visitors.

A superior level of communication of issues and general information will be maintained with the McMaster community directly affected by pending changes. Courteous and helpful service will continue to be provided to customers through information resources, polite and knowledgeable staff, and convenient parking service locations.

## RESEARCH FUND

Table 8: Research Fund Summary

(\$ thousands)	Research Fund	
	2015/16	2016/17
	Projection	Budget
<b>Revenue</b>		
Research grants and contracts	179,000	181,000
<b>Total revenues</b>	<b>179,000</b>	<b>181,000</b>
<b>Expenses</b>		
Salaries, wages and benefits	96,000	97,000
All other expenses, including capital	99,000	100,000
Transfers to (from) other funds	(11,444)	(8,611)
<b>Total expenses</b>	<b>183,556</b>	<b>188,389</b>
<b>Excess of revenues over expenses</b>	<b>(4,556)</b>	<b>(7,389)</b>
Fund balances, beginning of year	177,320	172,764
<b>Fund balances, end of year</b>	<b>172,764</b>	<b>165,375</b>

The forecast for the 2015/16 research fund budget (research revenue receipted, including revenue received for future periods, net of hospital research) is \$179 million, which is slightly lower than originally budgeted (\$195 million) primarily due to lower than expected grants for non-health science research in the fiscal year. The budget for 2016/17 is \$181 million. This budget reflects the current research funding landscape as outlined in Appendix D.

## 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 \$46 million in donations and grants budgeted for fiscal 2016/17, almost 95% are expendable and will be spent in the year received. The remaining 5% are endowed and will remain in perpetuity.

Investment income earned on endowed trust funds is projected based on a -1% rate of return in 2015/16 and 5.6% thereafter (net of investment management fees). The projection includes endowed trust fund donations of approximately \$5.9 million in 2015/16. Budgeted 2016/17

endowed donations are lower than 2015/16 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 9: Trust Funds Summary**

(\$ thousands)	Trust Fund	
	2015/16	2016/17
	Projection	Budget
<b>Revenue</b>		
Other revenues	58,717	45,833
Investment income (loss)	(4,057)	24,552
<b>Total revenues</b>	<b>54,660</b>	<b>70,385</b>
<b>Expenses</b>		
Salaries, wages and benefits	25,970	26,512
All other expenses, including capital	18,174	15,256
Transfers to (from) other funds	15,026	15,051
<b>Total expenses</b>	<b>59,170</b>	<b>56,820</b>
<b>Excess of revenues over expenses</b>	<b>(4,510)</b>	<b>13,565</b>
Fund balances, beginning of year	481,225	476,715
<b>Fund balances, end of year</b>	<b>476,715</b>	<b>490,280</b>

Internally Restricted Endowments (Endowment Funds) include unrestricted donations, bequests and other contributions which have been restricted by action of the Board. The funds are invested in the University's long-term investment pool. The Dr. H. L. Hooker Endowment (approximately \$64 million) is included here. An annual allocation of approximately 4% (\$4.5 million in 2015/16) is made to the Operating Fund each year to fund operating expenditures.

**Table 10: Endowment Funds Summary**

(\$ thousands)	Endowment Fund	
	2015/16	2016/17
	Projection	Budget
<b>Revenue</b>		
Other revenues	125	150
Investment income (loss)	(1,366)	7,282
Investment income transfer	(4,521)	(4,521)
<b>Total revenues</b>	<b>(5,762)</b>	<b>2,911</b>
<b>Expenses</b>		
Transfers to (from) other funds	466	481
<b>Total expenses</b>	<b>466</b>	<b>481</b>
<b>Excess of revenues over expenses</b>	<b>(6,228)</b>	<b>2,430</b>
Fund balances, beginning of year	136,609	130,381
<b>Fund balances, end of year</b>	<b>130,381</b>	<b>132,811</b>



## CAPITAL PROJECTS AND FINANCING

Table 11: Capital Fund Summary

(\$ thousands)	Capital Fund	
	2015/16	2016/17
	Projection	Budget
<b>Revenue</b>		
Operating grants	1,819	3,831
Other revenues	45,537	14,867
<b>Total revenues</b>	<b>47,356</b>	<b>18,698</b>
<b>Expenses</b>		
All other expenses, including capital	59,864	101,625
Transfers to (from) other funds	(30,484)	(26,252)
Debt and financing charges	(9,896)	(9,679)
<b>Total expenses</b>	<b>19,484</b>	<b>65,694</b>
<b>Excess of revenues over expenses</b>	<b>27,873</b>	<b>(46,996)</b>
Fund balances, beginning of year	(1,181)	26,692
<b>Fund balances, end of year</b>	<b>26,692</b>	<b>(20,305)</b>

### Capital Fund Projects<sup>4</sup>

Spending in the Capital Fund includes major building and renovation projects as they are undertaken. 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. This plan is updated annually each fall with input from University stakeholders.

The information in the consolidated budget tables below includes 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 2015/16 and 2016/17, as well as repayments of internal capital loans. The updated capital projection (\$59.9 million) is lower than the original budget (\$106.0 million) due to slower than expected spending on several projects. For 2016/17, spending on capital projects increases to \$101.6 million, reflecting the final expenditures for the L.R. Wilson Hall and the several ongoing smaller projects. (Energy Management and Deferred Maintenance.)

<sup>4</sup> 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.

Table 12: 2015/16 Capital Projection

2015/16 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			
Bates Retrofit			2,460	\$ 2,460	-	\$ 2,460
Boris Family Stem Cell Projects		4,890		\$ 4,890	4,890	\$ 0
Burlington Business School 4th Floor		1,000	920	\$ 1,920	3,810	\$ (1,890)
Classroom Reconfiguration Plan				\$ -	1,420	\$ (1,420)
Def. Maintenance and Facility Renewal Program	1,819		13,075	\$ 14,894	9,300	\$ 5,594
DTC Relocation				\$ -	400	\$ (400)
Energy Management Program		2,213		\$ 2,213	4,771	\$ (2,558)
Excel Building		1,503		\$ 1,503	1,503	\$ -
Fraunhofer Center IZI at MIP		150	875	\$ 1,025	150	\$ 875
Living and Learning Centre			115	\$ 115	1,000	\$ (885)
LR Wilson Hall		\$ 25,614		\$ 25,614	\$ 20,000	\$ 5,614
McMaster Health Campus		9,144		\$ 9,144	8,000	\$ 1,144
SANS for Nano constructed Materials		162		\$ 162	432	\$ (270)
Other Future Projects <\$1m		861	9,139	\$ 10,000	4,188	\$ 5,812
<b>Capital Projects</b>	<b>1,819</b>	<b>45,537</b>	<b>26,584</b>	<b>73,941</b>	<b>59,864</b>	<b>14,077</b>

Annual Repayments of Internal Capital Loans  
Contribution from University Fund  
Net Change to Capital Funds

9,896  
3,900  
27,873

Table 13: 2016/17 Capital Budget

2016/17 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			
Bates Retrofit			1,780	\$ 1,780	2,500	\$ (720)
Burlington Business School 4th Floor				\$ -	687	\$ (687)
CFI Projects				\$ -	4,500	\$ (4,500)
CFREF Projects				\$ -	1,200	\$ (1,200)
Classroom Reconfiguration Plan				\$ -	1,000	\$ (1,000)
Def. Maintenance and Facility Renewal Program	3,831		14,316	\$ 18,147	11,300	\$ 6,847
DTC Relocation				\$ -	1,690	\$ (1,690)
Energy Management Program		3,813		\$ 3,813	13,832	\$ (10,019)
Excel Building		8,500	1,000	\$ 9,500	8,500	\$ 1,000
Fraunhofer Center IZI at MIP		2,000	1,526	\$ 3,526	8,000	\$ (4,474)
Graduate Residence				\$ -	2,000	\$ (2,000)
Land Acquisition at MIP				\$ -	3,500	\$ (3,500)
Living and Learning Centre			575	\$ 575	10,000	\$ (9,425)
LR Wilson Hall			\$ 50	\$ 50	\$ 21,021	\$ (20,971)
McMaster Health Campus				\$ -	5,271	\$ (5,271)
SANS for Nano constructed Materials		162		\$ 162	4,055	\$ (3,893)
Other Future Projects <\$1m		392	3,105	\$ 3,497	2,569	\$ 928
<b>Capital Projects</b>	<b>3,831</b>	<b>14,867</b>	<b>22,352</b>	<b>41,050</b>	<b>101,625</b>	<b>(60,575)</b>

Annual Repayments of Internal Capital Loans  
Contribution from University Fund  
Net Change to Capital Funds

9,679  
3,900  
(46,996)

## 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 updated 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. Additional external borrowing was recommended in the fall of 2015, and the University issued a 50-year bond on November 26, 2015. This borrowing has replenished the central bank and no further borrowings are expected for several years. The total borrowing of \$120 million allowed for a \$15 million sinking fund which has now been created.

## SPECIFICALLY EXTERNALLY FUNDED

Table 14: Specifically Externally Funded Summary

(\$ thousands)	Specifically Externally Funded	
	2015/16	2016/17
	Projection	Budget
<b>Revenue</b>		
Other revenues	38,119	35,918
<b>Total revenues</b>	<b>38,119</b>	<b>35,918</b>
<b>Expenses</b>		
Salaries, wages and benefits	27,626	25,010
All other expenses	12,505	10,527
Transfers to (from) other funds	(98)	(39)
<b>Total expenses</b>	<b>40,032</b>	<b>35,499</b>
<b>Excess of revenues over expenses</b>	<b>(1,913)</b>	<b>419</b>
Fund balances, beginning of year	7,738	5,825
<b>Fund balances, end of year</b>	<b>5,825</b>	<b>6,244</b>

Externally-restricted funds other than research, trust or capital are tracked in a separate fund. Programs managed in this fund meet the following criteria:

- The funding is provided by an external entity
- There is an agreement with the sponsor to spend the funding for a specified purpose on specified items
- Unspent funding must be returned to the sponsor

Departments are responsible for administering this funding, ensuring that it is used for the intended purpose and not overdrawn. Specifically externally funded programs are included within budget submissions to Budget Committee.

## CONSOLIDATED RESULTS - FULL ACCRUAL BASIS

Budgets are prepared on a cash basis. This section outlines accrual basis adjustments to conform to generally accepted accounting principles used to prepare the annual audited financial statements. All figures below are stated in thousands of dollars.

The following adjustments are made to convert the cash basis budget to full accrual accounting (see also Table 15 below):

- Capital expenditures are added back, and net depreciation expense is deducted.
- Investment income earned/(lost) on internal endowments, which has not already been transferred to the Operating Fund is added back/(subtracted).
- Accruals for pension and non-pension costs are recorded.
- Reclassifications to offset internal transactions between departments affecting revenues and expenditures are recorded.
- Any prior period adjustments for changes in accounting rules are recorded.

Table 15: Accrual Adjustments

Reconciliation of Operating Fund Budget to Accrual Based Budget	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Statement of Operations (operating fund)</b>					
<i>Excess/(Deficit) of Operating Fund Revenues over Expenses</i>	<i>(12,230)</i>	<i>(6,335)</i>	<i>(17,766)</i>	<i>(7,410)</i>	<i>(12,219)</i>
+ CapEx net of depreciation	29,110	(6,531)	49,292	52,752	40,707
+ Investment income (loss) on internal endowments	8,863	(6,570)	2,111	2,219	2,332
+ Pension and non pension adjustments	111,046	17,376	8,649	7,472	6,470
+ Change in other - (non-internal endowment) investment returns, changes in other reserves	39,552	574	(22,223)	(17,916)	(45,150)
+ Prior period adjustment/net pension special payment	(97,752)	6,782	6,829	(23,333)	11,533
<b>Accrual Adjustment</b>	<b>90,819</b>	<b>11,630</b>	<b>44,658</b>	<b>21,193</b>	<b>15,892</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>78,589</b>	<b>5,295</b>	<b>26,892</b>	<b>13,783</b>	<b>3,673</b>

In all fiscal years with the exception of 2015/16 the net capital expenditures reflect capital spending in excess of depreciation expense. In fiscal 2015/16 capital spending in both building projects (Capital Fund) and in equipment and software spending (Operating Fund) is expected to be lower due to some delays in the building projects and reduced capital expenditures in this year for the Mosaic system which is now substantially complete. Also in fiscal 2015/16 an expected rate of return on the long-term investment pool assets of -1% (versus a budgeted return of 6%) will create a small loss in the internal endowment that will flow through the accrual Statement of Operations.

## STATEMENT OF OPERATIONS (ACCRUAL BASIS - ALL FUNDS)

The summarized accrual-based Statement of Operations is shown in Table 16 below.

Table 16: Consolidated Statement of Operations

	2015	2016	2017	2018	2019
<b>TOTAL REVENUES</b>	<b>990,831</b>	<b>963,218</b>	<b>1,015,913</b>	<b>1,036,441</b>	<b>1,053,658</b>
<b>TOTAL EXPENSES</b>	<b>912,242</b>	<b>957,923</b>	<b>989,021</b>	<b>1,022,658</b>	<b>1,049,984</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>78,589</b>	<b>5,295</b>	<b>26,892</b>	<b>13,783</b>	<b>3,673</b>

## STATEMENT OF FINANCIAL POSITION

The summarized accrual-based Statement of Financial Positions is shown in Table 17 below.

Table 17: Consolidated Statement of Financial Position

	2015	2016	2017	2018	2019
<b>TOTAL ASSETS</b>	<b>2,242,079</b>	<b>2,399,342</b>	<b>2,460,556</b>	<b>2,537,638</b>	<b>2,570,265</b>
<b>TOTAL LIABILITIES</b>	<b>1,349,410</b>	<b>1,525,420</b>	<b>1,560,272</b>	<b>1,594,533</b>	<b>1,628,021</b>
<b>TOTAL NET ASSETS</b>	<b>892,669</b>	<b>873,922</b>	<b>900,285</b>	<b>943,104</b>	<b>942,243</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,242,079</b>	<b>2,399,342</b>	<b>2,460,556</b>	<b>2,537,638</b>	<b>2,570,265</b>

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows is shown in Table 18 below.

Table 18: Consolidated Statement of Cash Flows

	FY2015	FY2016	FY2017	FY2018	FY2019
Excess of Revenues over expenses	78,589	5,295	26,892	13,783	3,673
<b>Add/(Deduct) Non-Cash Items</b>					
Change in Deferred Pension Asset	0	0	0	0	0
Amortization of Capital Assets	68,844	75,367	78,846	83,566	88,768
Amortization of Deferred Capital Contributions	(37,897)	(41,434)	(44,653)	(44,381)	(44,118)
Amortization of Deferred Contributions for Future Expenses	(5,392)	(6,128)	27,965	26,943	(7,709)
Change in Decommissioning Obligation	1,595	1,109	1,219	1,340	1,472
Additional (Misc) Non-cash Changes in Assets and Liabilities	35,922	24,721	812	490	141
<b>Add/(Deduct) Cash From Operations</b>					
Change in Deferred Capital Contributions	73,382	76,838	41,667	41,485	74,800
Contributions to Externally Restricted Endowments	32,758	(17,260)	6,300	5,703	6,999
Repayment of Long-Term Debt (Existing and Proforma Debt)	(616)	(655)	(622)	(586)	(607)
Net special pension payments		(6,782)	(6,829)	23,333	(11,533)
Other		(1,206)	0	0	0
New Debt Issuance		120,000	0	0	0
Acquisition of Capital Assets	(135,876)	(104,365)	(141,625)	(156,053)	(170,800)
Change in Long-Term Investments	(80,978)	14,171	(33,358)	(32,244)	(6,138)
Increase/(decrease in cash)	30,331	139,670	(43,387)	(36,620)	(65,053)
Cash and Cash Equivalents, Beginning of Year	272,294	302,624	442,295	398,908	362,288
Calculated Cash and Cash Equivalents, End of Year	302,625	442,294	398,908	362,288	297,235

## ANALYSIS

### FINANCIAL METRICS

Table 19: Financial Metrics

	2013 Actual	2014 Actual	2015 Actual	2016 Projected	2017 Budget
Total Net Assets (\$ millions)	532.5	683.6	892.7	873.9	900.3
Available Expendable Resources (\$ millions)	246.6	291.8	326.0	432.9	378.0
Capital Spending (\$ millions)	127.8	100.6	136.7	106.0	117.2
Total Revenue (\$ millions)	938.8	972.9	990.8	963.2	1,015.9
Total Expenditures (\$ millions)	878.1	886.3	912.2	957.9	989.0
Excess (Deficiency) of Revenues over Expenses (\$ millions)- GAAP	60.7	86.6	78.6	5.3	26.9
Excess (Deficiency) of Revenues over Expenses Operating Fund only (\$ millions)	(13.6)	3.3	(12.2)	(6.1)	(17.8)
Net Income/Loss Ratio (> 1%)*	6.5%	8.9%	7.9%	0.5%	2.6%
Primary Reserve Ratio (>= 40%)*	28.0%	33.0%	36.0%	45.0%	38.0%
Viability Ratio (> 1)*	1.1	1.5	2.2	1.6	1.4
Interest Burden Ratio (< 5%)*	3.5%	3.5%	3.4%	4.5%	4.6%
Net Operating Revenues Ratio (>15%)*	18.4%	22.8%	25.0%	12.3%	13.7%

\* Estimates of new Financial Sustainability Metrics as proposed by the MTCU in 2016. No targets from MTCU, however general targets that McMaster already tracks are noted.

The financial metrics above are a result of the assumptions used for the 2015/16 projections and the 2016/17 budget. These are in line with expectations, with the exception of the 2015/16 Net Income/Loss ratio, which is low as a result of very low investment returns (estimated at -1%) for the fiscal year.

### CREDIT MANAGEMENT RATIOS

In addition to the key metrics above, the University monitors these financial health indicators as outlined in the Debt Management Policy. All ratios in the table below are within acceptable ranges.

Table 20: Credit Management Ratios

CREDIT MANAGEMENT POLICY RATIOS	2015	2016	2017	2018	2019
<b>AER to Debt - NEW (&gt;= 0.6x to &gt; 1.0x)</b>	<b>2.1</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>
<b>Interest Coverage (&gt; 2.75x to &gt; 3.25x)</b>	<b>13.83</b>	<b>4.60</b>	<b>5.59</b>	<b>4.99</b>	<b>4.65</b>
<b>AER as % Revenues (&gt; 15%)</b>	<b>32.9%</b>	<b>44.9%</b>	<b>37.2%</b>	<b>32.0%</b>	<b>25.2%</b>
<b>Liquidity Ratio (&gt; 1%)</b>	<b>3.98%</b>	<b>5.54%</b>	<b>4.84%</b>	<b>4.25%</b>	<b>3.40%</b>

## RISKS TO THE 2016/17 BUDGET

The Province has committed to balance its budget and at the same time it is looking at funding formula changes, a new tuition framework, net tuition billing, and exploring pension measurement alternatives. Interest rates remain low affecting benefit costs and returns on investments used to support scholarships, bursaries, chairs, and other specific purposes. The budget has been prepared using conservative estimates, however if new information regarding the above negatively impacts this budget, further work will be undertaken to cut or defer one-time spending, deliver on efficiency reviews, and source new revenues.

## CONCLUSIONS ON THE 2016/17 BUDGET

Conservative budgeting principles have been used across all funds resulting in a consolidated budget that is in surplus after required accrual basis adjustments. The primary cause for this surplus is capital expenditures which are eliminated upon consolidation and replaced by a small depreciation amount representing one year of useful life expense. Despite a number of budgetary pressures noted throughout the budget, conservative budgeting principles continue to serve McMaster well, allowing for improvements to financial health while achieving strategic priorities.

# APPENDIX A - OPERATING FUND TABLES

Table 21: 2015/16 Projection Sources of Funding and Resource Allocation

(\$ thousands)	2015/16 8 Mo Projection Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
<b>1. Faculties (Academic Programmes)</b>													
Business	35,082	-	2,979	38,062	21,772	4,914	26,686	1,023	-	6,932	7,954	34,641	3,421
Engineering	55,125	999	646	56,770	38,615	9,604	48,219	1,000	-	8,379	9,379	57,598	(828)
Health Sciences	72,763	4,449	27,217	104,429	71,597	18,218	89,816	325	8	17,351	17,684	107,500	(3,070)
Humanities	28,223	270	2,297	30,789	22,471	5,610	28,081	82	-	624	706	28,787	2,002
Science	56,564	839	1,764	59,167	42,340	10,617	52,957	779	-	5,390	6,169	59,126	41
Medical Radiation - Mohawk share	4,609	-	-	4,609	-	-	-	-	-	3,145	3,145	3,145	1,464
Social Sciences	32,267	81	862	33,210	25,119	6,499	31,618	275	-	1,197	1,472	33,090	120
Arts & Science	1,501	-	7	1,508	1,036	92	1,128	0	-	46	46	1,174	334
Sub-total	<b>286,134</b>	<b>6,638</b>	<b>35,772</b>	<b>328,544</b>	<b>222,951</b>	<b>55,554</b>	<b>278,505</b>	<b>3,484</b>	<b>8</b>	<b>43,063</b>	<b>46,555</b>	<b>325,060</b>	<b>3,484</b>
<b>2. Academic Priorities</b>													
University Fund	(1,392)	-	115	(1,277)	30	-	30	-	-	5,838	5,838	5,868	(7,145)
Academic Funding Allocation	894	2,000	-	2,894	1,586	(920)	666	-	-	(3,522)	(3,522)	(2,856)	5,750
Sub-total	<b>(498)</b>	<b>2,000</b>	<b>115</b>	<b>1,617</b>	<b>1,616</b>	<b>(920)</b>	<b>696</b>	<b>-</b>	<b>-</b>	<b>2,316</b>	<b>2,316</b>	<b>3,012</b>	<b>(1,395)</b>
<b>TOTAL ACADEMIC</b>	<b>285,636</b>	<b>8,638</b>	<b>35,887</b>	<b>330,161</b>	<b>224,567</b>	<b>54,634</b>	<b>279,201</b>	<b>3,484</b>	<b>8</b>	<b>45,380</b>	<b>48,872</b>	<b>328,072</b>	<b>2,089</b>
<b>3. Academic Support</b>													
Office of the Provost	6,557	-	831	7,388	3,530	939	4,469	-	-	3,129	3,129	7,597	(209)
Museum of Art	469	-	490	959	621	183	803	-	-	139	139	943	16
MIETL	3,708	-	-	3,708	2,386	566	2,952	-	-	287	287	3,238	470
University Library	17,692	-	459	18,151	6,008	1,835	7,844	-	8,636	1,338	9,974	17,817	333
Health Sciences Library	2,899	50	101	3,050	1,405	446	1,851	-	2,619	(1,141)	1,478	3,329	(279)
Registrar	4,589	-	1,999	6,588	5,193	1,454	6,647	-	-	800	800	7,447	(859)
Sub-total	<b>35,914</b>	<b>50</b>	<b>3,879</b>	<b>39,843</b>	<b>19,143</b>	<b>5,422</b>	<b>24,565</b>	<b>-</b>	<b>11,254</b>	<b>4,552</b>	<b>15,806</b>	<b>40,372</b>	<b>(528)</b>
<b>4. Research Support</b>													
Research	7,120	5,254	7,036	19,410	8,883	2,692	11,575	-	2	8,571	8,573	20,148	(738)
VP Research Discretionary Fund	1,424	-	-	1,424	0	(0)	(0)	-	-	1,603	1,603	1,603	(179)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(88)	(88)	(88)	88
Sub-total	<b>8,544</b>	<b>5,254</b>	<b>7,036</b>	<b>20,834</b>	<b>8,883</b>	<b>2,692</b>	<b>11,575</b>	<b>-</b>	<b>2</b>	<b>10,086</b>	<b>10,088</b>	<b>21,662</b>	<b>(829)</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	13,774	-	(0)	13,774	1,396	138	1,533	9,141	-	670	9,811	11,345	2,429
School of Graduate Studies	1,641	-	15	1,657	1,420	385	1,805	(0)	-	507	507	2,312	(655)
Student Affairs	3,655	-	18,227	21,882	10,906	2,534	13,440	15	-	10,747	10,762	24,202	(2,320)
Undergraduate Scholarships	13,477	-	289	13,766	2,083	-	2,083	12,716	-	(57)	12,659	14,743	(977)
Sub-total	<b>32,547</b>	<b>-</b>	<b>18,532</b>	<b>51,079</b>	<b>15,805</b>	<b>3,056</b>	<b>18,862</b>	<b>21,872</b>	<b>-</b>	<b>11,867</b>	<b>33,740</b>	<b>52,601</b>	<b>(1,523)</b>
<b>6. Facilities Support</b>													
Facilities Services	15,613	-	557	16,170	9,643	2,754	12,397	-	-	4,834	4,834	17,231	(1,061)
HSC Maintenance	3,664	-	40	3,704	-	-	-	-	-	3,836	3,836	3,836	(132)
Utilities	18,041	-	1,853	19,894	1,549	417	1,967	-	-	16,710	16,710	18,676	1,218
HSC Utilities	6,387	-	-	6,387	-	-	-	-	-	5,591	5,591	5,591	796
Deferred Maintenance	8,227	-	-	8,227	-	-	-	-	-	8,363	8,363	8,363	(136)
Bond Interest	8,542	-	-	8,542	-	-	-	-	-	8,542	8,542	8,542	-
Renovation contingency	974	-	-	974	-	-	-	-	-	1,597	1,597	1,597	(623)
Sub-total	<b>61,448</b>	<b>-</b>	<b>2,450</b>	<b>63,898</b>	<b>11,192</b>	<b>3,171</b>	<b>14,363</b>	<b>-</b>	<b>-</b>	<b>49,472</b>	<b>49,472</b>	<b>63,836</b>	<b>63</b>
<b>7. Institutional Support</b>													
Administration	16,312	-	1,187	17,499	11,921	3,492	15,413	-	-	3,286	3,286	18,699	(1,200)
UTS Asset Management	250	-	-	250	-	-	-	-	-	250	250	250	(0)
UTS/Technology Fund	15,110	-	211	15,321	8,049	2,398	10,447	-	-	6,532	6,532	16,979	(1,658)
University Secretariat	718	-	2	720	494	128	622	-	-	117	117	739	(19)
Presidential Budget	1,128	-	-	1,128	424	131	555	-	-	573	573	1,128	(0)
University Advancement	5,193	-	167	5,360	5,557	1,607	7,164	-	-	(2,007)	(2,007)	5,157	204
General University	7,400	-	1,835	9,235	575	74	649	-	-	9,964	9,964	10,613	(1,378)
Sub-total	<b>46,111</b>	<b>-</b>	<b>3,402</b>	<b>49,513</b>	<b>27,020</b>	<b>7,830</b>	<b>34,849</b>	<b>-</b>	<b>-</b>	<b>18,715</b>	<b>18,715</b>	<b>53,564</b>	<b>(4,051)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	4,517	-	-	4,517	363	119	482	-	-	4,700	4,700	5,182	(665)
Pension	24,399	-	-	24,399	-	24,399	24,399	-	-	-	-	24,399	-
Strategic Priorities	-	-	-	-	17	7	24	-	-	666	666	690	(690)
Sub-total	<b>28,916</b>	<b>-</b>	<b>-</b>	<b>28,916</b>	<b>380</b>	<b>24,525</b>	<b>24,905</b>	<b>-</b>	<b>-</b>	<b>5,366</b>	<b>5,366</b>	<b>30,271</b>	<b>(1,355)</b>
<b>Surplus/(Deficit)</b>	<b>499,116</b>	<b>13,942</b>	<b>71,186</b>	<b>584,244</b>	<b>306,990</b>	<b>101,330</b>	<b>408,320</b>	<b>25,356</b>	<b>11,264</b>	<b>145,438</b>	<b>182,058</b>	<b>590,378</b>	<b>(6,135)</b>
<i>Under(over)allocated</i>	0	-	(2,533)	(2,533)	-	-	-	-	-	(2,533)	(2,533)	(2,533)	0
<b>Total Surplus/(Deficit)</b>	<b>499,116</b>	<b>13,942</b>	<b>68,653</b>	<b>581,711</b>	<b>306,990</b>	<b>101,330</b>	<b>408,320</b>	<b>25,356</b>	<b>11,264</b>	<b>142,904</b>	<b>179,525</b>	<b>587,845</b>	<b>(6,135)</b>



Table 22: 2015/16 Projection Variance to 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 & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
<b>1. Faculties (Academic Programmes)</b>													
Business	4,632	-	(599)	4,033	(113)	363	250	242	-	(632)	(390)	(139)	3,894
Engineering	(1,423)	(716)	(771)	(2,910)	1,558	68	1,626	678	0	898	1,576	3,202	292
Health Sciences	3,433	2,113	6,434	11,980	(1,334)	(765)	(2,099)	138	(7)	(6,548)	(6,417)	(8,516)	3,464
Humanities	4,310	249	650	5,208	(1,328)	(161)	(1,489)	45	-	259	304	(1,185)	4,023
Science	5,131	(170)	(353)	4,609	48	(35)	13	(157)	-	(2,493)	(2,650)	(2,637)	1,971
Medical Radiation - Mohawk share	(103)	-	-	(103)	-	-	-	-	-	1,835	1,835	1,835	1,732
Social Sciences	2,393	(4)	28	2,417	(711)	(9)	(720)	(146)	-	(1,222)	(1,368)	(2,088)	329
Arts & Science	115	-	7	122	146	1	147	(0)	-	(56)	(57)	90	212
Sub-total	<b>18,488</b>	<b>1,472</b>	<b>5,397</b>	<b>25,357</b>	<b>(1,733)</b>	<b>(539)</b>	<b>(2,272)</b>	<b>800</b>	<b>(7)</b>	<b>(7,960)</b>	<b>(7,167)</b>	<b>(9,439)</b>	<b>15,917</b>
<b>2. Academic Priorities</b>													
University Fund	(17,222)	-	(0)	(17,222)	1,514	199	1,713	-	-	13,982	13,982	15,695	(1,527)
Academic Funding Allocation	(9,570)	2,000	-	(7,570)	(4,849)	2,608	(2,241)	-	-	2,102	2,102	(139)	(7,709)
Sub-total	<b>(26,792)</b>	<b>2,000</b>	<b>(0)</b>	<b>(24,792)</b>	<b>(3,335)</b>	<b>2,807</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>16,084</b>	<b>16,084</b>	<b>15,556</b>	<b>(9,236)</b>
<b>TOTAL ACADEMIC</b>	<b>(8,304)</b>	<b>3,472</b>	<b>5,397</b>	<b>564</b>	<b>(5,069)</b>	<b>2,268</b>	<b>(2,800)</b>	<b>800</b>	<b>(7)</b>	<b>8,124</b>	<b>8,917</b>	<b>6,117</b>	<b>6,681</b>
<b>3. Academic Support</b>													
Office of the Provost	(0)	-	460	460	227	46	273	-	-	(36)	(36)	238	697
Museum of Art	-	-	262	262	15	(0)	15	-	-	(281)	(281)	(266)	(4)
MIETL	1,738	-	-	1,738	256	46	302	-	-	(1,060)	(1,060)	(758)	980
University Library	-	-	142	142	332	5	336	-	(274)	(216)	(489)	(153)	(11)
Health Sciences Library	-	15	0	15	104	(37)	67	-	(313)	178	(136)	(69)	(54)
Registrar	-	-	(100)	(100)	(178)	(35)	(213)	-	-	491	491	278	178
Sub-total	<b>1,738</b>	<b>15</b>	<b>763</b>	<b>2,516</b>	<b>756</b>	<b>25</b>	<b>781</b>	<b>-</b>	<b>(587)</b>	<b>(923)</b>	<b>(1,510)</b>	<b>(729)</b>	<b>1,787</b>
<b>4. Research Support</b>													
Research	8	3,327	460	3,795	(344)	(92)	(437)	-	(2)	(3,772)	(3,774)	(4,211)	(416)
VP Research Discretionary Fund	56	-	-	56	(0)	0	0	-	-	(351)	(351)	(351)	(295)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(1)	(1)	(1)	(1)
Sub-total	<b>64</b>	<b>3,327</b>	<b>460</b>	<b>3,851</b>	<b>(344)</b>	<b>(92)</b>	<b>(437)</b>	<b>-</b>	<b>(2)</b>	<b>(4,124)</b>	<b>(4,126)</b>	<b>(4,562)</b>	<b>(711)</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	0	-	(0)	0	(1,037)	(31)	(1,068)	4,984	-	985	5,969	4,900	4,900
School of Graduate Studies	0	-	(0)	0	(280)	(68)	(348)	0	-	129	129	(219)	(219)
Student Affairs	-	-	(419)	(419)	(55)	553	497	(15)	-	(1,606)	(1,621)	(1,124)	(1,542)
Undergraduate Scholarships	-	-	(68)	(68)	(514)	-	(514)	(386)	-	42	(344)	(858)	(927)
Sub-total	<b>0</b>	<b>-</b>	<b>(487)</b>	<b>(487)</b>	<b>(1,886)</b>	<b>453</b>	<b>(1,433)</b>	<b>4,583</b>	<b>-</b>	<b>(451)</b>	<b>4,132</b>	<b>2,699</b>	<b>2,212</b>
<b>6. Facilities Support</b>													
Facilities Services	502	-	147	649	(143)	8	(135)	-	-	(2,088)	(2,088)	(2,223)	(1,574)
HSC Maintenance	(131)	-	0	(131)	-	-	-	-	-	(266)	(266)	(266)	(397)
Utilities	(3,748)	-	(89)	(3,837)	157	56	213	-	-	1,929	1,929	2,142	(1,695)
HSC Utilities	1,000	-	-	1,000	-	-	-	-	-	1,059	1,059	1,059	2,059
Deferred Maintenance	-	-	-	-	-	-	-	-	-	(136)	(136)	(136)	(136)
Bond Interest	1,162	-	-	1,162	-	-	-	-	-	(1,162)	(1,162)	(1,162)	-
Renovation contingency	-	-	-	-	-	-	-	-	-	(623)	(623)	(623)	(623)
Sub-total	<b>(1,215)</b>	<b>-</b>	<b>58</b>	<b>(1,157)</b>	<b>14</b>	<b>64</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>(1,287)</b>	<b>(1,287)</b>	<b>(1,209)</b>	<b>(2,366)</b>
<b>7. Institutional Support</b>													
Administration	-	-	(241)	(241)	(443)	(71)	(514)	-	-	(566)	(566)	(1,081)	(1,322)
UTS/Technology Fund	(0)	-	(256)	(256)	1,141	289	1,430	-	-	(2,208)	(2,208)	(777)	(1,033)
University Secretariat	-	-	2	2	(16)	16	0	-	-	(9)	(9)	(8)	(6)
Presidential Budget	-	-	-	-	(46)	(14)	(60)	-	-	57	57	(4)	(4)
University Advancement	(0)	-	79	79	202	23	224	-	-	(99)	(99)	125	205
General University	-	-	21	21	6	(48)	(42)	-	-	(925)	(925)	(967)	(947)
Sub-total	<b>(0)</b>	<b>-</b>	<b>(395)</b>	<b>(395)</b>	<b>844</b>	<b>194</b>	<b>1,038</b>	<b>-</b>	<b>-</b>	<b>(3,750)</b>	<b>(3,750)</b>	<b>(2,712)</b>	<b>(3,107)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	0	-	-	0	(84)	(27)	(111)	-	-	1,014	1,014	903	903
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	-	-	-	-	(17)	(7)	(24)	-	-	1,152	1,152	1,128	1,128
Sub-total	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>(101)</b>	<b>(34)</b>	<b>(136)</b>	<b>-</b>	<b>-</b>	<b>2,166</b>	<b>2,166</b>	<b>2,031</b>	<b>2,031</b>
<b>Surplus/(Deficit)</b>	<b>(7,717)</b>	<b>6,814</b>	<b>5,796</b>	<b>4,893</b>	<b>(5,786)</b>	<b>2,877</b>	<b>(2,909)</b>	<b>5,383</b>	<b>(596)</b>	<b>(244)</b>	<b>4,543</b>	<b>1,634</b>	<b>6,527</b>
<i>Under/(over)allocated</i>	0	-	383	383	-	-	-	-	-	(383)	(383)	(383)	0
<b>Total Surplus/(Deficit)</b>	<b>(7,717)</b>	<b>6,814</b>	<b>6,179</b>	<b>5,276</b>	<b>(5,786)</b>	<b>2,877</b>	<b>(2,909)</b>	<b>5,383</b>	<b>(596)</b>	<b>(627)</b>	<b>4,160</b>	<b>1,251</b>	<b>6,527</b>

Table 23: 2015/16 Projection One-Time Sources of Funding and Resource Allocation

(\$ thousands)	2015/16 8 Month One-time Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
<b>1. Faculties (Academic Programmes)</b>													
Business	3,006	-	-	3,006	2	-	2	-	-	782	782	784	2,222
Engineering	(199)	-	-	(199)	-	-	-	-	-	3,117	3,117	3,117	(3,316)
Health Sciences	3,433	(140)	39	3,332	212	57	269	-	-	5,956	5,956	6,225	(2,893)
Humanities	4,310	-	-	4,310	1,137	50	1,186	-	-	(36)	(36)	1,151	3,159
Science	5,131	27	141	5,299	1,192	-	1,192	-	-	1,891	1,891	3,083	2,216
Medical Radiation - Mohawk share	23	-	-	23	-	-	-	-	-	(1,441)	(1,441)	(1,441)	1,464
Social Sciences	1,798	-	523	2,321	258	53	310	-	-	207	207	517	1,804
Arts & Science	74	-	-	74	-	-	-	-	-	-	-	-	74
Sub-total	<b>17,576</b>	<b>(113)</b>	<b>702</b>	<b>18,165</b>	<b>2,801</b>	<b>159</b>	<b>2,960</b>	<b>-</b>	<b>-</b>	<b>10,475</b>	<b>10,475</b>	<b>13,435</b>	<b>4,730</b>
<b>2. Academic Priorities</b>													
University Fund	(24,454)	-	-	(24,454)	-	-	-	-	-	722	722	722	(25,176)
Academic Funding Allocation	(63)	-	-	(63)	-	-	-	-	-	-	-	-	(63)
Sub-total	<b>(24,517)</b>	<b>-</b>	<b>-</b>	<b>(24,517)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>722</b>	<b>722</b>	<b>722</b>	<b>(25,239)</b>
<b>TOTAL ACADEMIC</b>	<b>(6,941)</b>	<b>(113)</b>	<b>702</b>	<b>(6,352)</b>	<b>2,801</b>	<b>159</b>	<b>2,960</b>	<b>-</b>	<b>-</b>	<b>11,197</b>	<b>11,197</b>	<b>14,157</b>	<b>(20,509)</b>
<b>3. Academic Support</b>													
Office of the Provost	500	-	-	500	(19)	10	(9)	-	-	540	540	531	(31)
Museum of Art	-	-	166	166	-	-	-	-	-	166	166	166	-
MIETL	437	-	-	437	273	32	305	-	-	(359)	(359)	(53)	490
University Library	-	-	216	216	90	-	90	-	396	156	552	642	(425)
Health Sciences Library	-	-	-	-	-	-	-	-	-	-	-	-	-
Registrar	-	-	-	-	186	34	220	-	-	216	216	436	(436)
Sub-total	<b>937</b>	<b>-</b>	<b>382</b>	<b>1,319</b>	<b>531</b>	<b>76</b>	<b>606</b>	<b>-</b>	<b>396</b>	<b>719</b>	<b>1,115</b>	<b>1,722</b>	<b>(402)</b>
<b>4. Research Support</b>													
Research	8	-	42	50	9	-	9	-	-	1,655	1,655	1,664	(1,614)
VP Research Discretionary Fund	28	-	-	28	-	-	-	-	-	260	260	260	(232)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	1	1	1	(1)
Sub-total	<b>36</b>	<b>-</b>	<b>42</b>	<b>78</b>	<b>9</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>1,916</b>	<b>1,916</b>	<b>1,925</b>	<b>(1,847)</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	-	-	-	-	-	-	-	-	-	35	35	35	(35)
School of Graduate Studies	-	-	-	-	422	59	482	-	-	95	95	577	(577)
Student Affairs	-	-	690	690	345	67	412	-	-	1,934	1,934	2,346	(1,656)
Undergraduate Scholarships	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>-</b>	<b>-</b>	<b>690</b>	<b>690</b>	<b>767</b>	<b>126</b>	<b>893</b>	<b>-</b>	<b>-</b>	<b>2,065</b>	<b>2,065</b>	<b>2,958</b>	<b>(2,268)</b>
<b>6. Facilities Support</b>													
Facilities Services	1,089	-	-	1,089	90	27	117	-	-	1,219	1,219	1,336	(247)
HSC Maintenance	265	-	-	265	-	-	-	-	-	402	402	402	(137)
Utilities	1,357	-	-	1,357	-	-	-	-	-	-	-	-	1,357
HSC Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Maintenance	334	-	-	334	-	-	-	-	-	470	470	470	(136)
Bond Interest	1,162	-	-	1,162	-	-	-	-	-	-	-	-	1,162
Renovation contingency	-	-	-	-	-	-	-	-	-	623	623	623	(623)
Sub-total	<b>4,207</b>	<b>-</b>	<b>-</b>	<b>4,207</b>	<b>90</b>	<b>27</b>	<b>117</b>	<b>-</b>	<b>-</b>	<b>2,714</b>	<b>2,714</b>	<b>2,830</b>	<b>1,377</b>
<b>7. Institutional Support</b>													
Administration	-	-	3	3	82	-	82	-	-	1,044	1,044	1,125	(1,122)
UTS Asset Management	-	-	-	-	-	-	-	-	-	-	-	-	-
UTS/Technology Fund	2,000	-	-	2,000	-	-	-	-	-	2,218	2,218	2,218	(218)
University Secretariat	-	-	-	-	-	-	-	-	-	-	-	-	-
Presidential Budget	-	-	-	-	-	-	-	-	-	-	-	-	-
University Advancement	-	-	-	-	-	-	-	-	-	-	-	-	-
General University	-	-	-	-	17	7	24	-	-	730	730	754	(754)
Sub-total	<b>2,000</b>	<b>-</b>	<b>3</b>	<b>2,003</b>	<b>98</b>	<b>7</b>	<b>105</b>	<b>-</b>	<b>-</b>	<b>3,992</b>	<b>3,992</b>	<b>4,097</b>	<b>(2,094)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	4,517	-	-	4,517	363	119	482	-	-	4,700	4,700	5,182	(665)
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	-	-	-	-	17	7	24	-	-	666	666	690	(690)
Sub-total	<b>4,517</b>	<b>-</b>	<b>-</b>	<b>4,517</b>	<b>380</b>	<b>126</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>5,366</b>	<b>5,366</b>	<b>5,872</b>	<b>(1,355)</b>
<b>Surplus/(Deficit)</b>	<b>4,756</b>	<b>(113)</b>	<b>1,820</b>	<b>6,463</b>	<b>4,676</b>	<b>522</b>	<b>5,198</b>	<b>-</b>	<b>396</b>	<b>27,968</b>	<b>28,364</b>	<b>33,562</b>	<b>(27,099)</b>
<i>Under(over)allocated</i>													
<b>Total Surplus/(Deficit)</b>	<b>4,756</b>	<b>(113)</b>	<b>1,820</b>	<b>6,463</b>	<b>4,676</b>	<b>522</b>	<b>5,198</b>	<b>-</b>	<b>396</b>	<b>27,968</b>	<b>28,364</b>	<b>33,562</b>	<b>(27,099)</b>

**Table 24: 2016/17 Budget Sources of Funding and Resource Allocation**

(\$ thousands)	2016/17 Budget Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
<b>1. Faculties (Academic Programmes)</b>													
Business	33,444	-	3,635	37,079	22,900	5,434	28,334	1,030	-	7,010	8,040	36,374	706
Engineering	56,467	989	1,748	59,204	42,351	10,805	53,155	1,742	-	11,308	13,049	66,205	(7,001)
Health Sciences	70,944	4,254	26,434	101,632	75,129	18,645	93,773	479	5	9,723	10,207	103,981	(2,348)
Humanities	24,791	282	3,025	28,097	21,487	5,584	27,071	89	-	742	831	27,902	195
Science	53,148	839	1,825	55,812	43,674	10,621	54,295	745	-	3,609	4,355	58,649	(2,837)
Medical Radiation - Mohawk share	4,732	-	-	4,732	-	-	-	-	-	4,732	4,732	4,732	-
Social Sciences	32,473	115	211	32,799	24,500	6,640	31,140	-	-	956	956	32,096	703
Arts & Science	1,503	-	-	1,503	1,030	96	1,126	0	-	48	48	1,174	329
Sub-total	<b>277,501</b>	<b>6,479</b>	<b>36,878</b>	<b>320,859</b>	<b>231,070</b>	<b>57,825</b>	<b>288,894</b>	<b>4,085</b>	<b>5</b>	<b>38,128</b>	<b>42,218</b>	<b>331,112</b>	<b>(10,254)</b>
<b>2. Academic Priorities</b>													
University Fund	19,900	-	-	19,900	-	-	-	-	-	19,968	19,968	19,968	(68)
Academic Funding Allocation	(759)	-	-	(759)	377	(797)	(420)	-	-	(2,730)	(2,730)	(3,150)	2,391
Sub-total	<b>19,141</b>	<b>-</b>	<b>-</b>	<b>19,141</b>	<b>377</b>	<b>(797)</b>	<b>(420)</b>	<b>-</b>	<b>-</b>	<b>17,237</b>	<b>17,237</b>	<b>16,817</b>	<b>2,324</b>
<b>TOTAL ACADEMIC</b>	<b>296,642</b>	<b>6,479</b>	<b>36,878</b>	<b>340,000</b>	<b>231,447</b>	<b>57,028</b>	<b>288,474</b>	<b>4,085</b>	<b>5</b>	<b>55,365</b>	<b>59,455</b>	<b>347,930</b>	<b>(7,930)</b>
<b>3. Academic Support</b>													
Office of the Provost	6,057	-	395	6,452	3,901	1,062	4,963	-	-	2,713	2,713	7,675	(1,223)
Museum of Art	469	-	183	652	605	185	791	-	-	(139)	(139)	652	0
MIETL	3,356	-	-	3,356	2,470	619	3,089	-	-	938	938	4,026	(670)
University Library	17,692	-	323	18,015	6,316	1,863	8,179	-	9,804	1,049	10,853	19,032	(1,017)
Health Sciences Library	2,899	20	99	3,018	1,663	522	2,185	-	2,718	(985)	1,732	3,917	(899)
Registrar	4,859	-	2,189	7,048	5,207	1,413	6,620	-	-	737	737	7,357	(309)
Sub-total	<b>35,332</b>	<b>20</b>	<b>3,189</b>	<b>38,541</b>	<b>20,163</b>	<b>5,663</b>	<b>25,826</b>	<b>-</b>	<b>12,522</b>	<b>4,312</b>	<b>16,834</b>	<b>42,660</b>	<b>(4,119)</b>
<b>4. Research Support</b>													
Research	7,112	2,639	7,443	17,194	9,102	2,836	11,938	-	3	5,646	5,649	17,587	(393)
VP Research Discretionary Fund	1,396	-	-	1,396	0	-	0	-	-	1,317	1,317	1,317	79
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	<b>8,508</b>	<b>2,639</b>	<b>7,443</b>	<b>18,590</b>	<b>9,102</b>	<b>2,836</b>	<b>11,938</b>	<b>-</b>	<b>3</b>	<b>6,874</b>	<b>6,877</b>	<b>18,815</b>	<b>(225)</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	13,774	-	-	13,774	1,418	142	1,560	12,215	-	635	12,850	14,410	(636)
School of Graduate Studies	1,641	-	16	1,657	1,214	349	1,563	-	-	513	513	2,076	(419)
Student Affairs	4,196	-	17,965	22,161	10,984	2,803	13,787	-	-	9,769	9,769	23,556	(1,395)
Undergraduate Scholarships	14,831	-	331	15,162	1,574	-	1,574	13,602	-	(15)	13,588	15,162	(0)
Sub-total	<b>34,442</b>	<b>-</b>	<b>18,312</b>	<b>52,754</b>	<b>15,190</b>	<b>3,294</b>	<b>18,484</b>	<b>25,817</b>	<b>-</b>	<b>10,903</b>	<b>36,720</b>	<b>55,204</b>	<b>(2,451)</b>
<b>6. Facilities Support</b>													
Facilities Services	14,832	-	553	15,385	11,042	3,837	14,879	-	-	1,076	1,076	15,955	(570)
HSC Maintenance	3,727	-	40	3,767	-	-	-	-	-	3,767	3,767	3,767	0
Utilities	16,684	-	1,934	18,618	1,546	425	1,971	-	-	18,225	18,225	20,196	(1,578)
HSC Utilities	6,387	-	-	6,387	-	-	-	-	-	5,848	5,848	5,848	539
Deferred Maintenance	10,227	-	-	10,227	-	-	-	-	-	10,227	10,227	10,227	(0)
Bond Interest	10,089	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	974	-	-	-	-	-	974	974	974	-
Sub-total	<b>62,920</b>	<b>-</b>	<b>2,526</b>	<b>65,446</b>	<b>12,588</b>	<b>4,262</b>	<b>16,850</b>	<b>-</b>	<b>-</b>	<b>50,205</b>	<b>50,205</b>	<b>67,056</b>	<b>(1,609)</b>
<b>7. Institutional Support</b>													
Administration	16,312	-	1,441	17,753	12,108	3,547	15,654	-	-	5,525	5,525	21,179	(3,426)
UTS Asset Management	250	-	-	250	-	-	-	-	-	250	250	250	-
UTS/Technology Fund	15,110	-	211	15,321	7,649	2,318	9,967	-	-	5,354	5,354	15,321	0
University Secretariat	778	-	-	778	508	153	661	-	-	123	123	784	(6)
Presidential Budget	1,128	-	-	1,128	429	132	561	-	-	562	562	1,123	5
University Advancement	5,193	-	94	5,287	6,075	1,675	7,750	-	-	(2,280)	(2,280)	5,471	(184)
General University	8,550	-	1,970	10,520	732	126	858	-	-	8,860	8,860	9,718	802
Sub-total	<b>47,321</b>	<b>-</b>	<b>3,715</b>	<b>51,036</b>	<b>27,501</b>	<b>7,951</b>	<b>35,452</b>	<b>-</b>	<b>-</b>	<b>18,394</b>	<b>18,394</b>	<b>53,846</b>	<b>(2,810)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	4,517	-	-	4,517	-	-	-	-	-	2,248	2,248	2,248	2,269
Pension	22,899	-	-	22,899	-	22,899	22,899	-	-	-	-	22,899	-
Strategic Priorities	-	-	-	-	17	7	25	-	-	946	946	971	(971)
Sub-total	<b>27,416</b>	<b>-</b>	<b>-</b>	<b>27,416</b>	<b>17</b>	<b>22,906</b>	<b>22,924</b>	<b>-</b>	<b>-</b>	<b>3,194</b>	<b>3,194</b>	<b>26,118</b>	<b>1,298</b>
<b>Surplus/(Deficit)</b>	<b>512,581</b>	<b>9,138</b>	<b>72,064</b>	<b>593,783</b>	<b>316,008</b>	<b>103,941</b>	<b>419,949</b>	<b>29,903</b>	<b>12,530</b>	<b>149,247</b>	<b>191,680</b>	<b>611,629</b>	<b>(17,846)</b>
<i>Under/(over)allocated</i>	0	-	(2,664)	(2,664)	-	-	-	-	-	(2,664)	(2,664)	(2,664)	0
<b>Total Surplus/(Deficit)</b>	<b>512,581</b>	<b>9,138</b>	<b>69,400</b>	<b>591,119</b>	<b>316,008</b>	<b>103,941</b>	<b>419,949</b>	<b>29,903</b>	<b>12,530</b>	<b>146,583</b>	<b>189,016</b>	<b>608,965</b>	<b>(17,846)</b>

Table 25: 2016/17 Budget One-Time Sources of Funding and Resource Allocation

(\$ thousands)	2016/17 One-time Sources of Funding				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
<b>1. Faculties (Academic Programmes)</b>													
Business	46	-	(0)	46	-	-	-	-	-	600	600	600	(554)
Engineering	1,122	-	0	1,122	-	-	-	-	-	5,453	5,453	5,453	(4,331)
Health Sciences	2,089	-	-	2,089	-	-	-	-	-	1,511	1,511	1,511	577
Humanities	712	-	-	712	85	20	105	-	-	-	-	-	105
Science	139	-	-	139	48	-	48	-	-	450	450	498	(359)
Medical Radiation - Mohawk share	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Sciences	750	-	-	750	-	-	-	-	-	-	-	-	750
Arts & Science	57	-	-	57	-	-	-	-	-	-	-	-	57
Sub-total	<b>4,914</b>	<b>-</b>	<b>0</b>	<b>4,914</b>	<b>133</b>	<b>20</b>	<b>153</b>	<b>-</b>	<b>-</b>	<b>8,014</b>	<b>8,014</b>	<b>8,167</b>	<b>(3,253)</b>
<b>2. Academic Priorities</b>													
University Fund	(6,556)	-	-	(6,556)	-	-	-	-	-	14,565	14,565	14,565	(21,121)
Academic Funding Allocation	(459)	-	-	(459)	-	-	-	-	-	-	-	-	(459)
Sub-total	<b>(7,015)</b>	<b>-</b>	<b>-</b>	<b>(7,015)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,565</b>	<b>14,565</b>	<b>14,565</b>	<b>(21,580)</b>
<b>TOTAL ACADEMIC</b>	<b>(2,101)</b>	<b>-</b>	<b>0</b>	<b>(2,101)</b>	<b>133</b>	<b>20</b>	<b>153</b>	<b>-</b>	<b>-</b>	<b>22,579</b>	<b>22,579</b>	<b>22,732</b>	<b>(24,833)</b>
<b>3. Academic Support</b>													
Office of the Provost	-	-	-	-	(7)	30	23	-	-	40	40	63	(63)
Museum of Art	-	-	20	20	-	-	-	-	-	20	20	20	-
MIETL	85	-	-	85	327	47	374	-	-	104	104	478	(393)
University Library	-	-	100	100	-	-	-	-	396	(200)	196	196	(96)
Health Sciences Library	-	-	-	-	-	-	-	-	-	-	-	-	-
Registrar	270	-	79	349	85	22	107	-	-	200	200	307	42
Sub-total	<b>355</b>	<b>-</b>	<b>199</b>	<b>554</b>	<b>405</b>	<b>99</b>	<b>504</b>	<b>-</b>	<b>396</b>	<b>164</b>	<b>560</b>	<b>1,064</b>	<b>(510)</b>
<b>4. Research Support</b>													
Research	-	-	-	-	-	-	-	-	-	661	661	661	(661)
VP Research Discretionary Fund	-	-	-	-	-	-	-	-	-	18	18	18	(18)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>679</b>	<b>679</b>	<b>679</b>	<b>(679)</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	-	-	-	-	3	-	3	640	-	-	640	643	(643)
School of Graduate Studies	-	-	-	-	200	48	247	-	-	99	99	346	(346)
Student Affairs	-	-	477	477	349	70	419	-	-	278	278	697	(220)
Undergraduate Scholarships	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>-</b>	<b>-</b>	<b>477</b>	<b>477</b>	<b>552</b>	<b>118</b>	<b>669</b>	<b>640</b>	<b>-</b>	<b>377</b>	<b>1,017</b>	<b>1,686</b>	<b>(1,210)</b>
<b>6. Facilities Support</b>													
Facilities Services	62	-	-	62	-	-	-	-	-	-	-	-	62
HSC Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
HSC Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Maintenance	334	-	-	334	-	-	-	-	-	334	334	334	-
Bond Interest	2,709	-	-	2,709	-	-	-	-	-	-	-	-	2,709
Renovation contingency	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>3,105</b>	<b>-</b>	<b>-</b>	<b>3,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>334</b>	<b>334</b>	<b>334</b>	<b>2,771</b>
<b>7. Institutional Support</b>													
Administration	-	-	-	-	350	75	425	-	-	2,668	2,668	3,093	(3,093)
UTS Asset Management	-	-	-	-	-	-	-	-	-	-	-	-	-
UTS/Technology Fund	2,000	-	-	2,000	(71)	-	(71)	-	-	852	852	781	1,219
University Secretariat	-	-	-	-	-	-	-	-	-	-	-	-	-
Presidential Budget	-	-	-	-	-	-	-	-	-	-	-	-	-
University Advancement	-	-	-	-	-	-	-	-	-	-	-	-	-
General University	700	-	-	700	31	11	43	-	-	-	-	43	657
Sub-total	<b>2,700</b>	<b>-</b>	<b>-</b>	<b>2,700</b>	<b>310</b>	<b>86</b>	<b>397</b>	<b>-</b>	<b>-</b>	<b>3,520</b>	<b>3,520</b>	<b>3,917</b>	<b>(1,217)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	4,517	-	-	4,517	-	-	-	-	-	2,248	2,248	2,248	2,269
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	-	-	-	-	17	7	25	-	-	946	946	971	(971)
Sub-total	<b>4,517</b>	<b>-</b>	<b>-</b>	<b>4,517</b>	<b>17</b>	<b>7</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>3,194</b>	<b>3,194</b>	<b>3,219</b>	<b>1,298</b>
<b>Surplus/(Deficit)</b>	<b>8,576</b>	<b>-</b>	<b>675</b>	<b>9,251</b>	<b>1,417</b>	<b>330</b>	<b>1,748</b>	<b>640</b>	<b>396</b>	<b>30,848</b>	<b>31,883</b>	<b>33,631</b>	<b>(24,380)</b>
<i>Under(over)allocated</i>													
<b>Total Surplus/(Deficit)</b>	<b>8,576</b>	<b>-</b>	<b>675</b>	<b>9,251</b>	<b>1,417</b>	<b>330</b>	<b>1,748</b>	<b>640</b>	<b>396</b>	<b>30,848</b>	<b>31,883</b>	<b>33,631</b>	<b>(24,380)</b>

Table 26: Annual Net Change in Operating Envelope Balance 2015/16 to 2018/19

(\$ thousands)	2015/16		2016/17	2016/17	2018/19
	Budget	Projection	Budget	Plan	Plan
<b>1. Faculties (Academic Programmes)</b>					
Business	(473)	3,421	706	795	1,463
Engineering	(1,120)	(828)	(7,001)	(4,310)	(4,061)
Health Sciences	(6,534)	(3,070)	(2,348)	(1,674)	(1,953)
Humanities	(2,021)	2,002	195	160	625
Science	(1,930)	41	(2,837)	(3,038)	(4,614)
Medical Radiation - Mohawk share	(268)	1,464	-	-	-
Social Sciences	(209)	120	703	2,352	3,572
Arts & Science	122	334	329	297	408
Sub-total	<b>(12,434)</b>	<b>3,484</b>	<b>(10,254)</b>	<b>(5,417)</b>	<b>(4,559)</b>
<b>2. Academic Priorities</b>					
University Fund	(5,618)	(7,145)	(68)	1,984	5,089
Academic Funding Allocation	13,459	5,750	2,391	46	(7,921)
Sub-total	<b>7,841</b>	<b>(1,395)</b>	<b>2,324</b>	<b>2,030</b>	<b>(2,833)</b>
<b>TOTAL ACADEMIC</b>	<b>(4,593)</b>	<b>2,089</b>	<b>(7,930)</b>	<b>(3,386)</b>	<b>(7,391)</b>
<b>3. Academic Support</b>					
Office of the Provost	(907)	(209)	(1,223)	(758)	(794)
Museum of Art	20	16	0	(0)	0
MIITL	(510)	470	(670)	(897)	(711)
University Library	344	333	(1,017)	(1,409)	(2,007)
Health Sciences Library	(225)	(279)	(899)	(1,100)	(1,068)
Registrar	(1,037)	(859)	(309)	(419)	(226)
Sub-total	<b>(2,315)</b>	<b>(528)</b>	<b>(4,119)</b>	<b>(4,582)</b>	<b>(4,806)</b>
<b>4. Research Support</b>					
Research	(322)	(738)	(393)	(81)	156
VP Research Discretionary Fund	116	(179)	79	740	938
Nuclear Reactor Debt	89	88	89	89	89
Sub-total	<b>(117)</b>	<b>(829)</b>	<b>(225)</b>	<b>748</b>	<b>1,183</b>
<b>5. Student Support</b>					
Graduate Scholarships/Bursaries	(2,471)	2,429	(636)	(648)	(663)
School of Graduate Studies	(436)	(655)	(419)	(354)	(274)
Student Affairs	(778)	(2,320)	(1,395)	(416)	(415)
Undergraduate Scholarships	(50)	(977)	(0)	(0)	(0)
Sub-total	<b>(3,735)</b>	<b>(1,523)</b>	<b>(2,451)</b>	<b>(1,417)</b>	<b>(1,353)</b>
<b>6. Facilities Support</b>					
Facilities Services	513	(1,061)	(570)	8	8
HSC Maintenance	265	(132)	0	0	0
Utilities	2,913	1,218	(1,578)	(1,216)	(1,330)
HSC Utilities	(1,263)	796	539	397	162
Deferred Maintenance	-	(136)	(0)	-	-
Bond Interest	-	-	-	-	-
Renovation contingency	-	(623)	-	-	-
Sub-total	<b>2,429</b>	<b>63</b>	<b>(1,609)</b>	<b>(811)</b>	<b>(1,160)</b>
<b>7. Institutional Support</b>					
Administration	122	(1,200)	(3,426)	64	225
UTS/Technology Fund	(625)	(1,658)	0	(1,550)	(1,905)
University Secretariat	(12)	(19)	(6)	(24)	(47)
Presidential Budget	4	(0)	5	(50)	(15)
University Advancement	(1)	204	(184)	(198)	(424)
General University	(431)	(1,378)	802	84	(17)
Sub-total	<b>(944)</b>	<b>(4,051)</b>	<b>(2,810)</b>	<b>(1,673)</b>	<b>(2,184)</b>
<b>8. Institutional Priority allocations</b>					
Technology Renewal	(1,568)	(665)	2,269	4,517	4,517
Pension	-	-	-	-	-
Strategic Priorities	(1,818)	(690)	(971)	-	-
Sub-total	<b>(3,386)</b>	<b>(1,355)</b>	<b>1,298</b>	<b>4,517</b>	<b>4,517</b>
<b>Surplus/(Deficit)</b>	<b>(12,662)</b>	<b>(6,135)</b>	<b>(17,846)</b>	<b>(6,605)</b>	<b>(11,195)</b>
<i>Under/(over)allocated</i>	-	-	-	-	-
<b>Total Surplus/(Deficit)</b>	<b>(12,662)</b>	<b>(6,135)</b>	<b>(17,846)</b>	<b>(6,605)</b>	<b>(11,195)</b>



Table 28: Financial Position of Operating Envelopes 2016/17 to 2018/19

(\$ thousands)	2016/17 Budget				2017/18 Plan				2018/19 Plan				
	Appropriations April 30, 2016	On-going	One-time	Total	Appropriations April 30, 2017	On-going	One-time	Total	Appropriations April 30, 2018	On-going	One-time	Total	Appropriations April 30, 2019
<b>1. Faculties (Academic Programs)</b>													
Business	(5,305)	1,260	(554)	706	(4,600)	795	-	795	(3,804)	1,463	-	1,463	(2,342)
Engineering	21,964	(2,670)	(4,331)	(7,001)	14,963	(2,338)	(1,973)	(4,310)	10,653	(2,408)	(1,653)	(4,061)	6,592
Health Sciences	28,319	(2,926)	577	(2,348)	25,971	(1,964)	291	(1,674)	24,297	(1,765)	(187)	(1,953)	22,344
Humanities	(5,825)	(411)	606	195	(5,630)	(222)	383	160	(5,469)	395	230	625	(4,844)
Science	(3,380)	(2,478)	(359)	(2,837)	(6,217)	(2,402)	(636)	(3,038)	(9,255)	(3,904)	(710)	(4,614)	(13,869)
Medical Radiation - Mohawk share	1	-	-	-	1	-	-	-	1	-	-	-	1
Social Sciences	(5,207)	(47)	750	703	(4,505)	1,922	430	2,352	(2,153)	3,142	430	3,572	1,420
Arts & Science	2,608	272	57	329	2,937	240	57	297	3,234	351	57	408	3,642
Sub-total	<b>33,175</b>	<b>(7,001)</b>	<b>(3,253)</b>	<b>(10,254)</b>	<b>22,921</b>	<b>(3,969)</b>	<b>(1,448)</b>	<b>(5,417)</b>	<b>17,504</b>	<b>(2,726)</b>	<b>(1,833)</b>	<b>(4,559)</b>	<b>12,945</b>
<b>2. Academic Priorities</b>													
University Fund	31,063	21,053	(21,121)	(68)	30,995	18,897	(16,913)	1,984	32,980	19,481	(14,392)	5,089	38,068
Academic Funding Allocation	6,041	2,850	(459)	2,391	8,432	46	-	46	8,479	(6,271)	(1,650)	(7,921)	557
Sub-total	<b>37,104</b>	<b>23,904</b>	<b>(21,580)</b>	<b>2,324</b>	<b>39,428</b>	<b>18,943</b>	<b>(16,913)</b>	<b>2,030</b>	<b>41,458</b>	<b>13,209</b>	<b>(16,042)</b>	<b>(2,833)</b>	<b>38,625</b>
<b>TOTAL ACADEMIC</b>	<b>70,278</b>	<b>16,903</b>	<b>(24,833)</b>	<b>(7,930)</b>	<b>62,348</b>	<b>14,974</b>	<b>(18,360)</b>	<b>(3,386)</b>	<b>58,962</b>	<b>10,483</b>	<b>(17,875)</b>	<b>(7,391)</b>	<b>51,571</b>
<b>3. Academic Support</b>													
Office of the Provost	7,460	(1,160)	(63)	(1,223)	6,237	(758)	-	(758)	5,479	(794)	-	(794)	4,685
Museum of Art	(0)	0	-	0	(0)	(0)	-	(0)	(0)	0	-	0	0
MIIEIL	2,699	(278)	(393)	(670)	2,028	(609)	(288)	(897)	1,131	(638)	(73)	(711)	420
University Library	1,207	(921)	(96)	(1,017)	190	(1,326)	(83)	(1,409)	(1,219)	(1,811)	(196)	(2,007)	(3,225)
Health Sciences Library	409	(899)	-	(490)	(490)	(1,100)	-	(1,100)	(1,590)	(1,068)	-	(1,068)	(2,658)
Registrar	615	(351)	42	(309)	306	(419)	-	(419)	(113)	(226)	-	(226)	(339)
Sub-total	<b>12,391</b>	<b>(3,609)</b>	<b>(510)</b>	<b>(4,119)</b>	<b>8,272</b>	<b>(4,211)</b>	<b>(371)</b>	<b>(4,582)</b>	<b>3,689</b>	<b>(4,537)</b>	<b>(269)</b>	<b>(4,806)</b>	<b>(1,117)</b>
<b>4. Research Support</b>													
Research	(2,163)	268	(661)	(393)	(2,555)	421	(501)	(81)	(2,636)	585	(429)	156	(2,480)
VP Research Discretionary Fund	38	97	(18)	79	117	696	44	740	857	706	232	938	1,795
Nuclear Reactor Debt	(921)	89	-	89	(832)	89	-	89	(743)	89	-	89	(654)
Sub-total	<b>(3,046)</b>	<b>454</b>	<b>(679)</b>	<b>(225)</b>	<b>(3,271)</b>	<b>1,206</b>	<b>(458)</b>	<b>748</b>	<b>(2,523)</b>	<b>1,379</b>	<b>(196)</b>	<b>1,183</b>	<b>(1,340)</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	4,625	7	(643)	(636)	3,989	(63)	(585)	(648)	3,341	(74)	(589)	(663)	2,678
School of Graduate Studies	1,273	(73)	(346)	(419)	853	(93)	(261)	(354)	500	(109)	(165)	(274)	225
Student Affairs	774	(1,174)	(220)	(1,395)	(620)	(399)	(17)	(416)	(1,036)	(415)	(0)	(415)	(1,452)
Undergraduate Scholarships	(40)	(0)	-	(40)	(40)	(0)	-	(0)	(40)	(0)	-	(0)	(40)
Sub-total	<b>6,632</b>	<b>(1,241)</b>	<b>(1,210)</b>	<b>(2,451)</b>	<b>4,181</b>	<b>(554)</b>	<b>(863)</b>	<b>(1,417)</b>	<b>2,764</b>	<b>(599)</b>	<b>(754)</b>	<b>(1,353)</b>	<b>1,411</b>
<b>6. Facilities Support</b>													
Facilities Services	807	(632)	62	(570)	237	8	-	8	245	8	-	8	252
HSC Maintenance	(0)	0	-	0	0	0	-	0	0	0	-	0	1
Utilities	1,106	(1,578)	-	(1,578)	(472)	(1,216)	-	(1,216)	(1,687)	(1,330)	-	(1,330)	(3,018)
HSC Utilities	238	539	-	539	777	397	-	397	1,174	162	-	162	1,336
Deferred Maintenance	0	(0)	-	(0)	0	-	-	-	0	-	-	-	0
Bond Interest	-	(2,709)	2,709	-	(0)	(2,709)	2,709	-	-	(2,709)	2,709	-	-
Renovation contingency	(0)	-	-	(0)	(0)	-	-	-	(0)	-	-	-	(0)
Sub-total	<b>2,152</b>	<b>(4,380)</b>	<b>2,771</b>	<b>(1,609)</b>	<b>543</b>	<b>(3,520)</b>	<b>2,709</b>	<b>(811)</b>	<b>(268)</b>	<b>(3,869)</b>	<b>2,709</b>	<b>(1,160)</b>	<b>(1,428)</b>
<b>7. Institutional Support</b>													
Administration	5,021	(333)	(3,093)	(3,426)	1,595	583	(519)	64	1,658	271	(46)	225	1,883
UTS/Technology Fund	(1,132)	(1,219)	1,219	0	(1,132)	(1,550)	-	(1,550)	(2,682)	(1,905)	-	(1,905)	(4,587)
UTS Asset Management	(0)	-	-	(0)	(0)	-	-	-	(0)	-	-	-	(0)
University Secretariat	143	(6)	-	(6)	136	(24)	-	(24)	113	(47)	-	(47)	65
Presidential Budget	1,211	5	-	5	1,215	0	(50)	(50)	1,165	(15)	-	(15)	1,150
University Advancement	805	(184)	-	(184)	622	(198)	-	(198)	424	(178)	(247)	(424)	(0)
General University	(693)	144	657	802	108	84	-	84	192	(17)	-	(17)	175
Sub-total	<b>5,354</b>	<b>(1,593)</b>	<b>(1,217)</b>	<b>(2,810)</b>	<b>2,545</b>	<b>(1,104)</b>	<b>(569)</b>	<b>(1,673)</b>	<b>871</b>	<b>(1,892)</b>	<b>(293)</b>	<b>(2,184)</b>	<b>(1,313)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	(32,669)	-	2,269	2,269	(30,400)	-	4,517	4,517	(25,883)	-	4,517	4,517	(21,366)
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	971	-	(971)	(971)	0	-	-	-	0	-	-	-	0
Sub-total	<b>(31,698)</b>	<b>-</b>	<b>1,298</b>	<b>1,298</b>	<b>(30,400)</b>	<b>-</b>	<b>4,517</b>	<b>4,517</b>	<b>(25,883)</b>	<b>-</b>	<b>4,517</b>	<b>4,517</b>	<b>(21,366)</b>
Surplus/(Deficit)	<b>62,063</b>	<b>6,534</b>	<b>(24,380)</b>	<b>(17,846)</b>	<b>44,218</b>	<b>6,790</b>	<b>(13,395)</b>	<b>(6,605)</b>	<b>37,613</b>	<b>966</b>	<b>(12,161)</b>	<b>(11,195)</b>	<b>26,418</b>
<i>Under/over/allocated</i>													
<b>Total Surplus/(Deficit)</b>	<b>62,063</b>	<b>6,534</b>	<b>(24,380)</b>	<b>(17,846)</b>	<b>44,218</b>	<b>6,790</b>	<b>(13,395)</b>	<b>(6,605)</b>	<b>37,613</b>	<b>966</b>	<b>(12,161)</b>	<b>(11,195)</b>	<b>26,418</b>

# APPENDIX B - BUDGET MODEL CALCULATIONS

Table 29: 2015/16 Activity Unit Allocations

Projected Budget Allocation			University Fund						VP Research Discretionary Fund						
2015-16			Research Infrastructure Fund												
			8.00%						7.00%						
			1.00%												
	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)	
<b>Revenue</b>															
Undergraduate Tuition			27,790	58,531	31,060	14,728	38,125	2,204	26,444	1,614	-	-	-	200,495	
Graduate Tuition			13,382	9,223	9,141	2,592	5,445	-	2,435	-	-	-	-	42,219	
Operating Grant			18,007	42,188	77,317	16,356	46,909	2,613	23,195	1,641	-	-	-	228,227	
Other Income			471	2,281	5,561	415	1,775	-	662	103	-	7,490	-	18,757	
Gross Revenue			59,650	112,223	123,079	34,091	92,254	4,817	52,736	3,358	-	7,490	-	489,699	
Undergraduate Cross Faculty Teaching Adjustment			(5,031)	(10,849)	(216)	4,281	8,413	-	4,026	(624)	-	-	-	0	
Revenue for Contributions			54,619	101,375	122,863	38,371	100,666	4,817	56,762	2,735	-	7,490	-	489,699	
University Fund Contribution			(4,369)	(8,110)	(9,829)	(3,070)	(8,053)	-	(4,541)	(219)	-	38,191	-	-	
Research Infrastructure Fund Contribution			(546)	(1,014)	(1,229)	(384)	(1,007)	-	(568)	(27)	-	-	4,774	-	
Indirect Cost of Research (excluding Royalties & CRC) VP			171	3,776	10,639	185	4,350	-	826	-	8	-	-	19,955	
Research Discretionary (Equivalent to 7% of ICR)			(12)	(264)	(745)	(13)	(304)	-	(58)	-	1,396	-	-	-	
Adjustments for ICR received by Journal (Contract & ERA)			(26)	(886)	(4,748)	(29)	(839)	-	(180)	-	-	-	-	(6,709)	
Adjustments for Current Practices			(46)	(413)	(6,308)	(307)	-	-	307	-	460	-	-	(6,308)	
Research Infrastructure Fund Distribution			41	904	2,546	44	1,041	-	198	-	-	-	(4,774)	-	
Research Excellence Fund (from UF)			37	496	1,040	29	484	-	164	-	-	(2,250)	-	-	
<b>Revenue Prior to Shared Support Unit Allocations</b>			<b>49,867</b>	<b>95,864</b>	<b>114,230</b>	<b>34,827</b>	<b>96,337</b>	<b>4,817</b>	<b>52,911</b>	<b>2,488</b>	<b>1,864</b>	<b>43,432</b>	<b>-</b>	<b>496,637</b>	
<b>Shared Support Unit Allocations - via double stepdown</b>															
Occupancy Cost	39,554	(12,797)	(670)	(6,252)	(8,243)	(1,794)	(8,487)	-	(1,261)	(49)	-	-	-	(26,757)	
Deferred Maintenance	7,893	(3,051)	(321)	(1,131)	(1,491)	(325)	(1,536)	-	(228)	(9)	-	-	-	(4,842)	
Insurance	1,080	(452)	(16)	(151)	(182)	(43)	(204)	-	(30)	(1)	-	-	-	(628)	
MIP Occupancy 1	2,677	(192)	-	(1,688)	(603)	(11)	-	-	(183)	-	-	-	-	(2,485)	
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)	
HR	5,802	(620)	(251)	(688)	(2,807)	(294)	(750)	-	(285)	(8)	-	-	-	(5,182)	
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)	
Financial Affairs/Admin/ Inst Support	7,600	(2,527)	(514)	(846)	(1,673)	(495)	(994)	-	(536)	(14)	-	-	-	(5,073)	
Supplementary Pension	4,738	(531)	(327)	(632)	(1,721)	(356)	(760)	-	(407)	(4)	-	-	-	(4,207)	
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)	
Presidential/Univ Sec	1,846	(542)	(132)	(218)	(430)	(127)	(256)	-	(138)	(4)	-	-	-	(1,304)	
General University Expense	6,320	(2,563)	(381)	(626)	(1,239)	(367)	(736)	-	(397)	(11)	-	-	-	(3,757)	
Bond Interest	7,380	(2,653)	(118)	(1,105)	(1,456)	(317)	(1,499)	-	(223)	(9)	-	-	-	(4,727)	
UTS/ Technology Fund	12,559	2,968	(1,728)	(2,877)	(3,473)	(1,429)	(3,596)	-	(2,285)	(139)	-	-	-	(15,527)	
UTS- ERP	4,517	(170)	(484)	(806)	(972)	(400)	(1,007)	-	(640)	(39)	-	-	-	(4,347)	
UA	5,733	1,411	(787)	(1,510)	(1,918)	(554)	(1,508)	-	(827)	(39)	-	-	-	(7,144)	
Office of the Provost	6,157	(2,325)	(388)	(639)	(1,264)	(374)	(751)	-	(405)	(11)	-	-	-	(3,832)	
Research Support	8,770	4,527	(109)	(2,419)	(8,033)	(82)	(2,077)	-	(576)	-	-	-	-	(13,297)	
Student Affairs	3,655	5,421	(1,116)	(1,790)	(1,447)	(901)	(2,265)	-	(1,462)	(93)	-	-	-	(9,076)	
MIIETL	1,533	662	(264)	(423)	(393)	(213)	(535)	-	(345)	(22)	-	-	-	(2,195)	
Libraries	17,692	7,762	(2,911)	(4,719)	(5,373)	(2,411)	(5,946)	-	(3,857)	(238)	-	-	-	(25,454)	
HS Library	2,899	1,643	(520)	(842)	(959)	(430)	(1,061)	-	(688)	(42)	-	-	-	(4,542)	
Registrar	4,753	6,952	(1,298)	(2,236)	(1,888)	(1,179)	(2,994)	-	(1,974)	(137)	-	-	-	(11,706)	
SGS	1,641	376	(353)	(409)	(575)	(151)	(347)	-	(181)	-	-	-	-	(2,017)	
Museum of Art	469	460	(100)	(167)	(230)	(83)	(209)	-	(132)	(8)	-	-	-	(929)	
UG Scholarship	5,477	663	(724)	(1,342)	(485)	(658)	(1,752)	-	(1,101)	(76)	-	-	-	(6,140)	
UG Bursaries	8,000	-	(917)	(1,699)	(844)	(833)	(2,218)	-	(1,394)	(96)	-	-	-	(8,000)	
Grad Scholarship	13,774	647	(2,533)	(2,914)	(4,110)	(1,080)	(2,489)	-	(1,295)	-	-	-	-	(14,421)	
Adjustments for Current Practices - Support Units			-	-	4,196	-	-	-	-	-	(1,972)	-	-	2,224	
<b>Total Shared Support Unit Allocations</b>	<b>202,169</b>	<b>0</b>	<b>(17,775)</b>	<b>(40,502)</b>	<b>(52,585)</b>	<b>(16,460)</b>	<b>(47,172)</b>	<b>-</b>	<b>(22,420)</b>	<b>(1,060)</b>	<b>(1,972)</b>	<b>-</b>	<b>-</b>	<b>(199,945)</b>	
<b>Net Revenue</b>			<b>32,092</b>	<b>55,361</b>	<b>61,645</b>	<b>18,367</b>	<b>49,165</b>	<b>4,817</b>	<b>30,491</b>	<b>1,429</b>	<b>(108)</b>	<b>43,432</b>	<b>-</b>	<b>296,692</b>	
<b>2013-14 Projected Hold Harmless Level (Adjusted)</b>															
Variance			5,219	4,728	(7,685)	(5,546)	(2,267)	214	2,562	338	-	-	-	-	
UF Hold Harmless (if necessary)			-	-	7,685	5,546	2,267	-	-	-	-	(15,498)	-	-	
<b>Base Net Projected Budget 2015-16</b>			<b>32,092</b>	<b>55,361</b>	<b>69,330</b>	<b>23,913</b>	<b>51,433</b>	<b>4,817</b>	<b>30,491</b>	<b>1,429</b>	<b>(108)</b>	<b>27,934</b>	<b>-</b>	<b>296,692</b>	
<b>University Fund One-time 2015-16</b>			<b>70</b>	<b>345</b>	<b>3,491</b>	<b>2,270</b>	<b>3,050</b>		<b>1,024</b>	<b>57</b>	<b>(10,307)</b>			<b>-</b>	
<b>One Time FY15 True up</b>			<b>1,936</b>	<b>(745)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>(266)</b>	<b>17</b>	<b>(1,167)</b>			<b>-</b>	



Table 30: 2015/16 Support Unit Allocations

2015-16															
	2014/15 Adjusted	2015-16 Base				Adjusted Support Unit budgets for double stepdown allocation									
		2014/15 Base Cfwd	Base adjustment for Salaries	Other Base changes	Total Base Adjustment	2015/16 Adjusted Base Allocation	Include Mosaic	Remove base allocations paid by UF	Items allocated individually	Occupancy: Security	MIP Occupancy: Separate and MILO paid by VPR	Remove: Clinical Pension/ VPR Funds	FHS Deployed Services	Total adj's prior to allocation to Faculties	Budgets prior to double stepdown allocation
<b>Academic Support</b>															
Office of the Provost	5,481	67	509	576	6,057	-	-	-	-	-	-	100	100	6,157	
Museum of Art	453	16	-	16	469	-	-	-	-	-	-	-	-	469	
MIETL	1,504	29	-	29	1,533	-	-	-	-	-	-	-	-	1,533	
University Library	17,138	154	400	554	17,692	-	-	-	-	-	-	-	-	17,692	
Health Sciences Library	2,862	37	-	37	2,899	-	-	-	-	-	-	-	-	2,899	
Registrar	4,473	116	-	116	4,589	-	-	-	-	-	-	164	164	4,753	
<b>Sub-total</b>	<b>31,911</b>	<b>419</b>	<b>909</b>	<b>1,328</b>	<b>33,239</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>264</b>	<b>264</b>	<b>33,503</b>	
<b>Research Support</b>															
Research	7,482	139	(509)	(370)	7,112	-	-	-	-	(151)	-	1,809	1,658	8,770	
VP Research Discretionary Fund	1,368	-	28	28	1,396	-	-	-	-	-	(1,396)	-	(1,396)	-	
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Sub-total</b>	<b>8,850</b>	<b>139</b>	<b>(481)</b>	<b>(342)</b>	<b>8,508</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(151)</b>	<b>(1,396)</b>	<b>1,809</b>	<b>262</b>	<b>8,770</b>	
<b>Student Support</b>															
Graduate Scholarships/Bursaries	13,762	12	-	12	13,774	-	-	-	-	-	-	-	-	13,774	
School of Graduate Studies	1,617	24	-	24	1,641	-	-	-	-	-	-	-	-	1,641	
Student Affairs	3,573	82	-	82	3,655	-	-	-	-	-	-	-	-	3,655	
Undergraduate Scholarships	13,448	29	-	29	13,477	-	-	(8,000)	-	-	-	-	(8,000)	5,477	
Undergraduate Bursaries	-	-	-	-	-	-	-	8,000	-	-	-	-	8,000	8,000	
<b>Sub-total</b>	<b>32,400</b>	<b>147</b>	<b>-</b>	<b>147</b>	<b>32,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,547</b>	
<b>Facilities Support</b>															
Facilities Services	13,507	239	1,024	1,263	14,770	-	-	-	-	(2,683)	-	183	(2,500)	12,270	
HSC Maintenance	3,265	-	134	134	3,399	-	(265)	-	-	-	-	-	(265)	3,134	
Utilities	16,690	42	952	994	17,684	-	(1,700)	-	-	-	-	-	(1,700)	15,984	
HSC Utilities	5,387	-	-	-	5,387	-	-	-	-	-	-	-	-	5,387	
Deferred Maint/Facilities Renew	5,893	-	2,000	2,000	7,893	-	-	-	-	-	-	-	-	7,893	
Bond Interest	7,380	-	-	-	7,380	-	-	-	-	-	-	-	-	7,380	
MIP Occupancy	-	-	-	-	-	-	-	-	-	2,834	-	-	2,834	2,834	
Renovation contingency	974	-	-	-	974	-	-	-	-	-	-	-	-	974	
Security (for occupancy cost allocation)	-	-	-	-	-	-	-	-	1,805	-	-	-	1,805	1,805	
<b>Sub-total</b>	<b>53,096</b>	<b>281</b>	<b>4,110</b>	<b>4,391</b>	<b>57,487</b>	<b>-</b>	<b>(1,965)</b>	<b>-</b>	<b>1,805</b>	<b>151</b>	<b>-</b>	<b>183</b>	<b>174</b>	<b>57,661</b>	
<b>Institutional Support</b>															
VP Administration /Other Administration	16,011	301	-	301	16,312	-	-	(7,022)	(1,805)	-	-	115	(8,712)	7,600	
Human Resources	-	-	-	-	-	-	-	7,022	-	-	-	835	7,857	7,857	
UTS/Technology Fund	11,918	192	1,000	1,192	13,110	-	(1,000)	-	-	-	-	449	(551)	12,559	
UTS Asset Management	-	-	250	250	250	-	(250)	-	-	-	-	-	(250)	-	
University Secretariat	706	12	-	12	718	-	-	-	-	-	-	-	-	718	
Presidential Budget	1,118	10	-	10	1,128	-	-	-	-	-	-	-	-	1,128	
University Advancement	5,047	146	-	146	5,193	-	-	-	-	-	-	540	540	5,733	
General University	7,394	6	-	6	7,400	-	-	(1,080)	-	-	-	-	(1,080)	6,320	
Insurance	-	-	-	-	-	-	-	1,080	-	-	-	-	1,080	1,080	
<b>Sub-total</b>	<b>42,194</b>	<b>667</b>	<b>1,250</b>	<b>1,917</b>	<b>44,111</b>	<b>-</b>	<b>(1,250)</b>	<b>-</b>	<b>(1,805)</b>	<b>-</b>	<b>-</b>	<b>1,939</b>	<b>(1,116)</b>	<b>42,995</b>	
<b>Institutional Priority allocations</b>															
Systems Renewal	-	-	-	-	-	4,517	-	-	-	-	-	-	4,517	4,517	
Supplemental Pension	6,962	-	-	-	6,962	-	-	-	-	-	(2,224)	-	(2,224)	4,738	
Pension special payments	9,554	-	-	-	9,554	-	-	-	-	-	-	-	-	9,554	
PRB past service	7,883	-	-	-	7,883	-	-	-	-	-	-	-	-	7,883	
<b>Sub-total</b>	<b>24,399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,399</b>	<b>4,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,224)</b>	<b>-</b>	<b>2,293</b>	<b>26,692</b>	
<b>Total Support Units</b>	<b>192,850</b>	<b>1,653</b>	<b>5,788</b>	<b>7,441</b>	<b>200,291</b>	<b>4,517</b>	<b>(3,215)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,620)</b>	<b>4,196</b>	<b>1,878</b>	<b>202,169</b>	

Table 31: 2016/17 Activity Unit Allocations

McMaster University - New Budget Model - Faculties			Prof. Faculties		Other Faculties		VP Research Discretionary Fund								
Projected Budget Allocation			University Fund		8.00%	8.00%	7.00%								
2016-17			Research Infrastructure Fund		3.00%	1.00%									
	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)	
<b>Revenue</b>															
Undergraduate Tuition			30,544	63,664	31,947	14,775	40,109	2,296	27,111	1,655	-	-	-	212,101	
Total UG SAG Obligation			(610)	(3,287)	(1,887)	(14)	(37)	-	(18)	-	5,854	-	-	-	
Graduate Tuition			13,850	9,208	9,632	2,660	5,494	-	2,524	-	-	-	-	43,367	
Operating Grant			18,243	42,226	78,363	15,859	47,151	2,613	22,527	1,653	-	-	-	228,636	
Other Income			471	2,281	5,561	415	1,775	-	662	103	-	7,625	-	18,892	
Gross Revenue			62,497	114,092	123,616	33,695	94,490	4,909	52,806	3,411	5,854	7,625	-	502,997	
Undergraduate Cross Faculty Teaching Adjustment			(5,452)	(11,638)	(257)	4,635	8,908	-	4,441	(637)	-	-	-	0	
Revenue for Contributions			57,046	102,454	123,359	38,330	103,399	4,909	57,248	2,774	5,854	7,625	-	502,997	
University Fund Contribution			(4,564)	(8,196)	(9,869)	(3,066)	(8,272)	-	(4,580)	(222)	-	38,769	-	-	
Research Infrastructure Fund Contribution			(1,711)	(3,074)	(1,234)	(383)	(1,034)	-	(572)	(83)	-	-	8,092	-	
Indirect Cost of Research (excluding Royalties & CRC) VP			171	3,776	10,639	185	4,350	-	826	-	8	-	-	19,955	
Research Discretionary (Equivalent to 7% of ICR)			(12)	(264)	(745)	(13)	(304)	-	(58)	-	1,396	-	-	-	
Adjustments for ICR received by Journal (Contract & ERA)			(26)	(886)	(4,748)	(29)	(839)	-	(180)	-	-	-	-	(6,709)	
Adjustments for Current Practices			-	-	(6,649)	(313)	(130)	-	307	-	-	455	-	(6,330)	
Research Infrastructure Fund Distribution			69	1,532	4,316	75	1,764	-	335	-	-	-	(8,092)	-	
Research Excellence Fund (from UF)			36	402	1,133	39	463	-	176	-	-	(2,250)	-	-	
<b>Revenue Prior to Shared Support Unit Allocations</b>			<b>51,009</b>	<b>95,745</b>	<b>116,202</b>	<b>34,825</b>	<b>99,396</b>	<b>4,909</b>	<b>53,501</b>	<b>2,469</b>	<b>7,258</b>	<b>44,599</b>	<b>-</b>	<b>509,913</b>	
<b>Shared Support Unit Allocations - via double stepdown</b>															
Occupancy Cost	41,648	(13,562)	(704)	(6,563)	(8,652)	(1,883)	(8,909)	-	(1,324)	(52)	-	-	-	(28,086)	
Deferred Maintenance	9,893	(3,826)	(152)	(1,418)	(1,869)	(407)	(1,924)	-	(286)	(11)	-	-	-	(6,067)	
Insurance	1,080	(452)	(16)	(151)	(182)	(43)	(204)	-	(30)	(1)	-	-	-	(628)	
MIP Occupancy 1	2,677	(192)	-	(1,688)	(603)	(11)	-	-	(183)	-	-	-	-	(2,485)	
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)	
HR	5,802	(622)	(251)	(688)	(2,806)	(294)	(750)	-	(384)	(8)	-	-	-	(5,180)	
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)	
Financial Affairs/Admin/ Inst Support	7,600	(2,525)	(514)	(846)	(1,674)	(496)	(995)	-	(536)	(14)	-	-	-	(5,075)	
Supplementary Pension	3,238	(200)	(236)	(456)	(1,242)	(257)	(549)	-	(294)	(3)	-	-	-	(3,038)	
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)	
Presidential/Univ Sec	1,846	(531)	(133)	(219)	(434)	(128)	(258)	-	(139)	(4)	-	-	-	(1,315)	
General University Expense	6,320	(2,563)	(381)	(626)	(1,239)	(367)	(736)	-	(397)	(11)	-	-	-	(3,757)	
Bond Interest	7,380	(2,653)	(118)	(1,105)	(1,456)	(317)	(1,499)	-	(223)	(9)	-	-	-	(4,727)	
UTS/ Technology Fund	13,809	2,951	(1,895)	(3,106)	(3,757)	(1,500)	(3,922)	-	(2,432)	(149)	-	-	-	(16,761)	
UTS- ERP	4,517	(170)	(492)	(806)	(974)	(389)	(1,017)	-	(631)	(39)	-	-	-	(4,347)	
IA	5,733	1,415	(810)	(1,534)	(1,903)	(540)	(1,509)	-	(814)	(39)	-	-	-	(7,148)	
Office of the Provost	6,157	(2,324)	(388)	(639)	(1,264)	(374)	(751)	-	(405)	(11)	-	-	-	(3,833)	
Research Support	8,770	4,633	(110)	(2,439)	(8,097)	(83)	(2,094)	-	(581)	-	-	-	-	(13,403)	
Student Affairs	3,696	5,609	(1,162)	(1,834)	(1,499)	(895)	(2,346)	-	(1,475)	(94)	-	-	-	(9,305)	
MIETL	1,533	681	(270)	(427)	(308)	(208)	(546)	-	(343)	(22)	-	-	-	(2,214)	
Libraries	17,692	8,158	(3,009)	(4,788)	(5,489)	(2,375)	(6,098)	-	(3,857)	(239)	-	-	-	(25,850)	
HS Library	2,899	1,721	(537)	(856)	(981)	(425)	(1,090)	-	(689)	(49)	-	-	-	(4,620)	
Registrar	4,753	7,348	(1,389)	(2,318)	(1,943)	(1,176)	(3,133)	-	(2,008)	(140)	-	-	-	(12,101)	
SGS	1,641	381	(342)	(403)	(597)	(152)	(348)	-	(180)	-	-	-	-	(2,022)	
Museum of Art	469	481	(104)	(171)	(236)	(82)	(215)	-	(134)	(8)	-	-	-	(950)	
UG Scholarship	5,477	664	(744)	(1,344)	(495)	(632)	(1,769)	-	(1,080)	(75)	-	-	-	(6,141)	
UG Bursaries	3,500	-	(412)	(745)	(373)	(350)	(980)	-	(598)	(42)	-	-	-	(3,500)	
Grad Scholarship	13,774	645	(2,442)	(2,859)	(4,256)	(1,090)	(2,488)	-	(1,285)	-	-	-	-	(14,419)	
TSA Extra	-	(0)	-	-	-	-	-	0	-	-	-	-	-	0	
Academic Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustments for Current Practices - Support Units	-	-	-	-	4,196	-	-	-	-	-	(1,972)	-	-	2,224	
<b>Total Shared Support Unit Allocations</b>	<b>201,554</b>	<b>(0)</b>	<b>(17,610)</b>	<b>(40,400)</b>	<b>(53,196)</b>	<b>(16,027)</b>	<b>(47,324)</b>	<b>0</b>	<b>(21,778)</b>	<b>(1,023)</b>	<b>(1,972)</b>	<b>2,224</b>	<b>-</b>	<b>(199,330)</b>	
<b>Net Revenue</b>			<b>33,398</b>	<b>55,345</b>	<b>63,006</b>	<b>18,798</b>	<b>52,072</b>	<b>4,909</b>	<b>31,723</b>	<b>1,446</b>	<b>5,286</b>	<b>44,599</b>	<b>-</b>	<b>310,583</b>	
<b>2013-14 Projected Hold Harmless Level (Adjusted)</b>															
Variance			6,525	4,712	(6,324)	(5,115)	639	306	3,794	355	-	-	-	-	
UF Hold Harmless (if necessary)			-	-	5,849	5,281	937	-	-	-	-	(12,067)	-	-	
<b>Base Net Projected Budget 2016-17</b>			<b>33,398</b>	<b>55,345</b>	<b>68,855</b>	<b>24,079</b>	<b>53,009</b>	<b>4,909</b>	<b>31,723</b>	<b>1,446</b>	<b>5,286</b>	<b>32,532</b>	<b>-</b>	<b>310,583</b>	
<b>University Fund One-time 2016-17</b>			<b>-</b>	<b>160</b>	<b>1,809</b>	<b>712</b>	<b>1,094</b>	<b>-</b>	<b>623</b>	<b>57</b>	<b>(4,455)</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Table 32: 2016/17 - 2018/19 Support Unit Allocations

2016-17														
	2015/16 Adjusted	2016-17 Base			Adjusted Support Unit budgets for double stepdown allocation									
	2015/16 Base Cfwrd	Base adjustment for Salaries	Other Base changes	Total Base Adjustment	2016/17 Adjusted Base Allocation	Include Mosaic	Remove base allocations paid by UF	Items allocated individually	Occupancy: Security	MIP Occupancy: Separate envelope in model	Remove: Clinical Pension/ VPR Funds	FHS Deployed Services	Total adj's prior to allocation to Faculties	Budgets prior to double stepdown allocation
<b>Academic Support</b>														
Office of the Provost	6,057	-	-	-	6,057		-					100	100	6,157
Museum of Art	469	-	-	-	469		-					-	-	469
MIETL	1,533	-	-	-	1,533		-					-	-	1,533
University Library	17,692	-	-	-	17,692		-					-	-	17,692
Health Sciences Library	2,899	-	-	-	2,899		-					-	-	2,899
Registrar	4,589	-	-	-	4,589		-					164	164	4,753
<b>Sub-total</b>	<b>33,239</b>	-	-	-	<b>33,239</b>	-	-	-	-	-	-	<b>264</b>	<b>264</b>	<b>33,503</b>
<b>Research Support</b>														
Research	7,112	-	-	-	7,112		-			(151)	-	1,809	1,658	8,770
VP Research Discretionary Fund	1,396	-	-	-	1,396		-				(1,396)	-	(1,396)	-
Nuclear Reactor Debt	-	-	-	-	-		-					-	-	-
<b>Sub-total</b>	<b>8,508</b>	-	-	-	<b>8,508</b>	-	-	-	-	<b>(151)</b>	<b>(1,396)</b>	<b>1,809</b>	<b>262</b>	<b>8,770</b>
<b>Student Support</b>														
Graduate Scholarships/Bursaries	13,774	-	-	-	13,774		-					-	-	13,774
School of Graduate Studies	1,641	-	-	-	1,641		-					-	-	1,641
Student Affairs	3,655	-	41	41	3,696		-					-	-	3,696
Undergraduate Scholarships	13,477	-	-	-	13,477		-	(3,500)				-	(3,500)	9,977
Undergraduate Bursaries	-	-	-	-	-		-	3,500				-	3,500	3,500
<b>Sub-total</b>	<b>32,547</b>	-	<b>41</b>	<b>41</b>	<b>32,588</b>	-	-	-	-	-	-	-	-	<b>32,588</b>
<b>Facilities Support</b>														
Facilities Services	14,770	-	129	129	14,899		-			(2,683)		183	(2,500)	12,399
HSC Maintenance	3,399	-	-	-	3,399		-					-	-	3,399
Utilities	17,684	-	-	-	17,684		-					-	-	17,684
HSC Utilities	5,387	-	-	-	5,387		-					-	-	5,387
Deferred Maint/Facilities Renew	7,893	-	2,000	2,000	9,893		-					-	-	9,893
Bond Interest	7,380	-	-	-	7,380		-					-	-	7,380
MIP Occupancy	-	-	-	-	-		-			2,834		-	2,834	2,834
Renovation contingency	974	-	-	-	974		-					-	-	974
Security (for occupancy cost allocation)	-	-	-	-	-		-		1,805			-	1,805	1,805
<b>Sub-total</b>	<b>57,487</b>	-	<b>2,129</b>	<b>2,129</b>	<b>59,616</b>	-	-	-	<b>1,805</b>	<b>151</b>	-	<b>183</b>	<b>2,139</b>	<b>61,755</b>
<b>Institutional Support</b>														
VP Administration /Other Administration	16,312	-	-	-	16,312		-	(7,022)	(1,805)			115	(8,712)	7,600
Human Resources	-	-	-	-	-		-	7,022				835	7,857	7,857
UTS/Technology Fund	13,110	-	-	-	13,110		-					449	449	13,559
UTS Asset Management	250	-	-	-	250		-					-	-	250
University Secretariat	718	-	-	-	718		-					-	-	718
Presidential Budget	1,128	-	-	-	1,128		-					-	-	1,128
University Advancement	5,193	-	-	-	5,193		-					540	540	5,733
General University	7,400	-	-	-	7,400		-	(1,080)				-	(1,080)	6,320
Insurance	-	-	-	-	-		-	1,080				-	1,080	1,080
<b>Sub-total</b>	<b>44,111</b>	-	-	-	<b>44,111</b>	-	-	-	<b>(1,805)</b>	-	-	<b>1,939</b>	<b>134</b>	<b>44,245</b>
<b>Institutional Priority allocations</b>														
Systems Renewal	-	-	-	-	-	4,517	-					-	4,517	4,517
Supplemental Pension	6,962	-	(1,500)	(1,500)	5,462		-				(2,224)	-	(2,224)	3,238
Pension special payments	9,554	-	-	-	9,554		-					-	-	9,554
PRB past service	7,883	-	-	-	7,883		-					-	-	7,883
<b>Sub-total</b>	<b>24,399</b>	-	<b>(1,500)</b>	<b>(1,500)</b>	<b>22,899</b>	<b>4,517</b>	-	-	-	-	<b>(2,224)</b>	-	<b>2,293</b>	<b>25,192</b>
<b>Total Support Units</b>	<b>200,291</b>	-	<b>670</b>	<b>670</b>	<b>200,961</b>	<b>4,517</b>	-	-	-	-	<b>(3,620)</b>	<b>4,196</b>	<b>5,093</b>	<b>206,054</b>

Table 33: 2017/18 Activity Unit Allocations

McMaster University - New Budget Model - Faculties			Prof. Faculties Other Faculties										VP Research Discretionary Fund		10.00%
Projected Budget Allocation			University Fund		8.00%		8.00%								
2017-18			Research Infrastructure Fund		3.00%		1.00%								
	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			31,662	66,243	32,194	14,819	41,041	2,352	27,754	1,629	-	-	-	217,694	
Total UG SAG Obligation			(610)	(3,287)	(1,887)	(14)	(37)	-	(18)	-	5,854	-	-		
Graduate Tuition			14,737	9,124	9,821	2,710	5,377	-	2,556	-	-	-	-	44,326	
Operating Grant			18,610	42,040	78,995	15,790	48,091	2,613	22,850	1,620	-	-	-	230,608	
Other Income			471	2,281	5,561	415	1,775	-	662	103	-	7,773	-	19,040	
Gross Revenue			64,870	116,402	124,684	33,719	96,247	4,965	53,803	3,352	5,854	7,773	-	511,668	
Undergraduate Cross Faculty Teaching Adjustment			(5,489)	(11,906)	(168)	4,807	8,895	-	4,483	(623)	-	-	-	(0)	
Revenue for Contributions			59,381	104,496	124,516	38,526	105,142	4,965	58,286	2,729	5,854	7,773	-	511,668	
University Fund Contribution			(4,750)	(8,360)	(9,961)	(3,082)	(8,411)	-	(4,663)	(218)	-	39,446	-	-	
Research Infrastructure Fund Contribution			(1,781)	(3,135)	(1,245)	(385)	(1,051)	-	(583)	(82)	-	-	8,263	-	
Indirect Cost of Research (excluding Royalties & CRC) VP			171	3,776	10,639	185	4,350	-	826	-	8	-	-	19,955	
Research Discretionary (Equivalent to 7% of ICR)			(17)	(378)	(1,064)	(19)	(435)	-	(83)	-	1,995	-	-	-	
Adjustments for ICR received by Journal (Contract & ERA)			(26)	(886)	(4,748)	(29)	(839)	-	(180)	-	-	-	-	(6,709)	
Adjustments for Current Practices			-	-	(5,390)	(307)	-	-	307	-	-	-	-	(5,390)	
Research Infrastructure Fund Distribution			71	1,564	4,407	77	1,802	-	342	-	-	-	(8,263)	-	
Research Excellence Fund (from UF)			36	402	1,133	39	463	-	176	-	-	(2,250)	-	-	
<b>Revenue Prior to Shared Support Unit Allocations</b>			<b>53,083</b>	<b>97,481</b>	<b>118,287</b>	<b>35,006</b>	<b>101,020</b>	<b>4,965</b>	<b>54,429</b>	<b>2,429</b>	<b>7,856</b>	<b>44,969</b>	<b>-</b>	<b>519,524</b>	
<b>Shared Support Unit Allocations - via double stepdown</b>															
Occupancy Cost	41,648	(13,563)	(704)	(6,563)	(8,652)	(1,883)	(8,909)	-	(1,324)	(52)	-	-	-	(28,086)	
Deferred Maintenance	9,893	(3,826)	(152)	(1,418)	(1,869)	(407)	(1,924)	-	(286)	(11)	-	-	-	(6,067)	
Insurance	1,080	(452)	(16)	(151)	(182)	(43)	(204)	-	(30)	(1)	-	-	-	(628)	
MIP Occupancy 1	2,677	(192)	-	(1,688)	(603)	(11)	-	-	(183)	-	-	-	-	(2,485)	
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)	
HR	5,802	(622)	(251)	(687)	(2,806)	(294)	(750)	-	(384)	(8)	-	-	-	(5,180)	
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)	
Financial Affairs/Admin/Inst Support	7,600	(2,525)	(514)	(846)	(1,674)	(496)	(995)	-	(536)	(14)	-	-	-	(5,075)	
Supplementary Pension	3,238	(200)	(236)	(456)	(1,242)	(257)	(549)	-	(294)	(3)	-	-	-	(3,038)	
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)	
Presidential/Univ Sec	1,846	(531)	(133)	(219)	(434)	(128)	(258)	-	(139)	(4)	-	-	-	(1,315)	
General University Expense	6,320	(2,563)	(381)	(626)	(1,239)	(367)	(736)	-	(397)	(11)	-	-	-	(3,757)	
Bond Interest	7,380	(2,653)	(118)	(1,105)	(1,456)	(317)	(1,499)	-	(223)	(9)	-	-	-	(4,727)	
UTS/ Technology Fund	13,809	2,954	(1,916)	(3,075)	(3,744)	(1,490)	(3,946)	-	(2,446)	(146)	-	-	-	(16,763)	
UTS- ERP	4,517	(169)	(497)	(798)	(971)	(387)	(1,024)	-	(635)	(38)	-	-	-	(4,348)	
UA	5,733	1,414	(829)	(1,537)	(1,888)	(533)	(1,509)	-	(815)	(38)	-	-	-	(7,147)	
Office of the Provost	6,157	(2,325)	(388)	(639)	(1,264)	(374)	(751)	-	(405)	(11)	-	-	-	(3,832)	
Research Support	8,770	4,632	(110)	(2,439)	(8,097)	(83)	(2,093)	-	(581)	-	-	-	-	(13,403)	
Student Affairs	3,696	5,608	(1,174)	(1,811)	(1,499)	(888)	(2,358)	-	(1,482)	(92)	-	-	-	(9,304)	
MIETL	1,533	681	(273)	(422)	(397)	(207)	(549)	-	(345)	(21)	-	-	-	(2,214)	
Libraries	17,692	8,158	(3,034)	(4,734)	(5,480)	(2,358)	(6,133)	-	(3,877)	(234)	-	-	-	(25,850)	
HS Library	2,899	1,721	(542)	(846)	(979)	(422)	(1,096)	-	(693)	(42)	-	-	-	(4,620)	
Registrar	4,753	7,348	(1,388)	(2,298)	(1,929)	(1,165)	(3,164)	-	(2,022)	(137)	-	-	-	(12,101)	
SGS	1,641	381	(356)	(392)	(603)	(154)	(338)	-	(179)	-	-	-	-	(2,022)	
Museum of Art	469	481	(105)	(169)	(236)	(82)	(217)	-	(134)	(8)	-	-	-	(950)	
UG Scholarship	5,477	663	(745)	(1,334)	(497)	(625)	(1,782)	-	(1,085)	(73)	-	-	-	(6,140)	
UG Bursaries	3,500	0	(413)	(739)	(374)	(346)	(987)	-	(601)	(41)	-	-	-	(3,500)	
Grad Scholarship	13,774	645	(2,543)	(2,783)	(4,297)	(1,098)	(2,418)	-	(1,281)	-	-	-	-	(14,419)	
Adjustments for Current Practices - Support Units			-	4,196	-	-	-	-	-	(2,874)	-	-	-	1,322	
<b>Total Shared Support Unit Allocations</b>	<b>201,554</b>	<b>(0)</b>	<b>(17,829)</b>	<b>(40,147)</b>	<b>(53,185)</b>	<b>(15,966)</b>	<b>(47,382)</b>	<b>0</b>	<b>(21,847)</b>	<b>(1,002)</b>	<b>(2,874)</b>	<b>-</b>	<b>-</b>	<b>(200,232)</b>	
<b>Net Revenue</b>			<b>35,254</b>	<b>57,334</b>	<b>65,102</b>	<b>19,040</b>	<b>53,638</b>	<b>4,965</b>	<b>32,582</b>	<b>1,427</b>	<b>4,983</b>	<b>44,969</b>	<b>-</b>	<b>319,292</b>	
<i>2013-14 Projected Hold Harmless Level (Adjusted)</i>															
Variance			8,381	6,701	(4,228)	(4,873)	2,205	362	4,652	336	-	-	-	-	
UF Hold Harmless (if necessary)			-	-	5,849	5,281	937	-	-	-	-	(12,067)	-	-	
<b>Base Net Projected Budget 2017-18</b>			<b>35,254</b>	<b>57,334</b>	<b>70,951</b>	<b>24,321</b>	<b>54,575</b>	<b>4,965</b>	<b>32,582</b>	<b>1,427</b>	<b>4,983</b>	<b>32,902</b>	<b>-</b>	<b>319,292</b>	
University Fund One-time 2017-18			-	-	1,190	412	484	-	280	57	(2,423)	-	-	-	

Table 34: 2018/19 Activity Unit Allocations

McMaster University - New Budget Model - Faculties			Prof. Faculties Other Faculties										VP Research Discretionary Fund		10.00%
Projected Budget Allocation			University Fund		8.00%		8.00%								
2018-19			Research Infrastructure Fund		3.00%		1.00%								
	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			32,916	68,400	32,402	15,024	41,797	2,365	28,507	1,615	-			223,025	
Total UG SAG Obligation			(610)	(3,287)	(1,887)	(14)	(37)	-	(18)	-	5,854				
Graduate Tuition			15,039	9,118	9,815	2,755	5,245	-	2,586	-	-			44,558	
Operating Grant			18,668	41,816	79,381	16,042	48,030	2,613	23,385	1,603	-			231,539	
Other Income			471	2,281	5,561	415	1,775	-	662	103	-	7,839		19,106	
Gross Revenue			66,483	118,329	125,271	34,223	96,809	4,978	55,122	3,321	5,854	7,839		518,228	
Undergraduate Cross Faculty Teaching Adjustment			(5,543)	(12,077)	(175)	4,886	8,991	-	4,529	(610)	-			(0)	
Revenue for Contributions			60,940	106,252	125,096	39,108	105,800	4,978	59,651	2,710	5,854	7,839		518,228	
University Fund Contribution			(4,875)	(8,500)	(10,008)	(3,129)	(8,464)	-	(4,772)	(217)		39,965		-	
Research Infrastructure Fund Contribution			(1,828)	(3,188)	(1,251)	(391)	(1,058)	-	(597)	(81)			8,394	-	
Indirect Cost of Research (excluding Royalties & CRC) VP			171	3,776	10,639	185	4,350	-	826	-	8			19,955	
Research Discretionary (Equivalent to 7% of ICR)			(17)	(378)	(1,064)	(19)	(435)	-	(83)	-	1,995			-	
Adjustments for ICR received by Journal (Contract & ERA)			(26)	(886)	(4,748)	(29)	(839)	-	(180)	-	-			(6,709)	
Adjustments for Current Practices			-	-	(4,089)	(307)	-	-	307	-	-			(4,089)	
Research Infrastructure Fund Distribution			72	1,589	4,477	78	1,830	-	348	-	-		(8,394)	-	
Research Excellence Fund (from UF)			36	402	1,133	39	463	-	176	-	-	(2,250)		-	
<b>Revenue Prior to Shared Support Unit Allocations</b>			<b>54,473</b>	<b>99,068</b>	<b>120,185</b>	<b>35,537</b>	<b>101,647</b>	<b>4,978</b>	<b>55,676</b>	<b>2,412</b>	<b>7,856</b>	<b>45,553</b>		<b>527,385</b>	
<b>Shared Support Unit Allocations - via double stepdown</b>															
Occupancy Cost	41,648	(13,563)	(703)	(6,563)	(8,652)	(1,883)	(8,909)	-	(1,324)	(52)	-	-	-	(28,085)	
Deferred Maintenance	9,893	(3,826)	(152)	(1,418)	(1,869)	(407)	(1,924)	-	(286)	(11)	-	-	-	(6,067)	
Insurance	1,080	(452)	(16)	(151)	(182)	(43)	(204)	-	(30)	(1)	-	-	-	(628)	
MIP Occupancy 1	2,677	(192)	-	(1,688)	(603)	(11)	-	-	(183)	-	-	-	-	(2,485)	
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)	
HR	5,802	(622)	(251)	(687)	(2,806)	(294)	(750)	-	(384)	(8)	-	-	-	(5,180)	
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)	
Financial Affairs/Admin/Inst Support	7,600	(2,525)	(514)	(846)	(1,674)	(496)	(995)	-	(536)	(14)	-	-	-	(5,075)	
Supplementary Pension	3,238	(200)	(236)	(456)	(1,242)	(257)	(549)	-	(294)	(3)	-	-	-	(3,038)	
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)	
Presidential/Univ Sec	1,846	(531)	(133)	(219)	(434)	(128)	(258)	-	(139)	(4)	-	-	-	(1,315)	
General University Expense	6,320	(2,563)	(381)	(626)	(1,239)	(367)	(736)	-	(397)	(11)	-	-	-	(3,757)	
Bond Interest	7,380	(2,653)	(118)	(1,105)	(1,456)	(317)	(1,499)	-	(223)	(9)	-	-	-	(4,727)	
UTS/ Technology Fund	13,809	2,957	(1,921)	(3,047)	(3,738)	(1,492)	(3,955)	-	(2,470)	(144)	-	-	-	(16,766)	
UTS- ERP	4,517	(168)	(498)	(790)	(970)	(387)	(1,026)	-	(641)	(37)	-	-	-	(4,349)	
UA	5,733	1,414	(840)	(1,542)	(1,872)	(535)	(1,499)	-	(823)	(37)	-	-	-	(7,147)	
Office of the Provost	6,157	(2,325)	(388)	(639)	(1,264)	(374)	(751)	-	(405)	(11)	-	-	-	(3,832)	
Research Support	8,770	4,632	(110)	(2,439)	(8,096)	(83)	(2,093)	-	(581)	-	-	-	-	(13,402)	
Student Affairs	3,696	5,607	(1,176)	(1,791)	(1,499)	(888)	(2,361)	-	(1,496)	(91)	-	-	-	(9,303)	
MIETL	1,533	681	(274)	(417)	(396)	(207)	(550)	-	(348)	(21)	-	-	-	(2,214)	
Libraries	17,692	8,157	(3,041)	(4,686)	(5,478)	(2,360)	(6,142)	-	(3,912)	(230)	-	-	-	(25,849)	
HS Library	2,899	1,721	(543)	(838)	(979)	(422)	(1,098)	-	(699)	(41)	-	-	-	(4,620)	
Registrar	4,753	7,347	(1,396)	(2,274)	(1,922)	(1,166)	(3,170)	-	(2,039)	(134)	-	-	-	(12,100)	
SGS	1,641	381	(353)	(388)	(610)	(154)	(336)	-	(182)	-	-	-	-	(2,022)	
Museum of Art	469	482	(105)	(167)	(236)	(82)	(217)	-	(136)	(8)	-	-	-	(951)	
UG Scholarship	5,477	663	(748)	(1,319)	(499)	(625)	(1,783)	-	(1,093)	(72)	-	-	-	(6,140)	
UG Bursaries	3,500	0	(415)	(731)	(374)	(346)	(988)	-	(606)	(40)	-	-	-	(3,500)	
Grad Scholarship	13,774	645	(2,524)	(2,751)	(4,347)	(1,099)	(2,400)	-	(1,299)	-	-	-	-	(14,419)	
Adjustments for Current Practices - Support Units			-	4,196	-	-	-	-	-	(4,196)	-	-	-	-	
<b>Total Shared Support Unit Allocations</b>	<b>201,554</b>	<b>(0)</b>	<b>(17,850)</b>	<b>(39,951)</b>	<b>(53,213)</b>	<b>(15,976)</b>	<b>(47,386)</b>	<b>0</b>	<b>(21,994)</b>	<b>(989)</b>	<b>(4,196)</b>			<b>(201,554)</b>	
<b>Net Revenue</b>			<b>36,623</b>	<b>59,117</b>	<b>66,972</b>	<b>19,561</b>	<b>54,261</b>	<b>4,978</b>	<b>33,682</b>	<b>1,424</b>	<b>3,661</b>	<b>45,553</b>		<b>325,831</b>	
<i>2013-14 Projected Hold Harmless Level (Adjusted)</i>			<i>26,873</i>	<i>50,633</i>	<i>69,330</i>	<i>23,913</i>	<i>51,433</i>	<i>4,603</i>	<i>27,929</i>	<i>1,091</i>					
Variance			9,750	8,484	(2,358)	(4,352)	2,828	375	5,752	333					
UF Hold Harmless (if necessary)			-	-	5,849	5,281	937	-	-	-	-	(12,067)		-	
<b>Base Net Projected Budget 2018-19</b>			<b>36,623</b>	<b>59,117</b>	<b>72,821</b>	<b>24,842</b>	<b>55,198</b>	<b>4,978</b>	<b>33,682</b>	<b>1,424</b>	<b>3,661</b>	<b>33,486</b>		<b>325,831</b>	
University Fund One-time 2018-19			-	-	1,065	259	484		280	57	(2,145)			-	

## APPENDIX C - ANCILLARY FUND TABLES

(\$ thousands)	Campus Store		Media Production		Parking		CCE	
	2015/16 Projection	2016/17 Budget	2015/16 Projection	2016/17 Budget	2015/16 Projection	2016/17 Budget	2015/16 Projection	2016/17 Budget
<b>Sources of funding</b>								
Sales	15,653	14,990	720	760	5,344	5,848	5,845	6,239
Internal revenue	(66)	(66)	3,085	3,120	16	1	587	750
<b>Total sources of funding</b>	<b>15,587</b>	<b>14,924</b>	<b>3,805</b>	<b>3,880</b>	<b>5,360</b>	<b>5,848</b>	<b>6,432</b>	<b>6,989</b>
<b>Expenditure</b>								
Salaries, wages and benefits	2,463	2,589	1,466	1,590	1,145	1,154	3,923	4,153
Cost of sales	11,409	10,647	867	827	-	-	-	-
Internal rent	432	481	126	139	25	30	436	474
Utilities and maintenance	1	12	71	65	182	182	9	1
Debt and financing charges	101	90	4	4	1,154	1,217	-	-
Equipment and renovations	170	243	736	727	1,407	1,487	179	126
All other expenses	340	339	169	173	1,369	1,558	1,577	1,644
<b>Total expenditures</b>	<b>14,916</b>	<b>14,401</b>	<b>3,437</b>	<b>3,523</b>	<b>5,282</b>	<b>5,627</b>	<b>6,124</b>	<b>6,398</b>
<b>Surplus (deficit) in-year</b>	<b>671</b>	<b>524</b>	<b>368</b>	<b>357</b>	<b>78</b>	<b>221</b>	<b>309</b>	<b>591</b>
<b>Transfers from (to) other funds</b>	<b>(171)</b>	<b>(178)</b>	<b>(129)</b>	<b>(133)</b>	<b>(219)</b>	<b>(239)</b>	<b>(289)</b>	<b>(302)</b>
<b>Change in fund balance</b>	<b>501</b>	<b>346</b>	<b>239</b>	<b>224</b>	<b>(141)</b>	<b>(18)</b>	<b>20</b>	<b>289</b>
<b>Reserve</b>								
Beginning Balance	(2,227)	(1,727)	(3,647)	(3,408)	235	94	3,716	3,736
Net change	501	346	239	224	(141)	(18)	20	289
<b>Closing Balance</b>	<b>(1,727)</b>	<b>(1,381)</b>	<b>(3,408)</b>	<b>(3,184)</b>	<b>94</b>	<b>77</b>	<b>3,736</b>	<b>4,025</b>

(\$ thousands)	Hospitality		Housing & Conference		Total	
	2015/16 Projection	2016/17 Budget	2015/16 Projection	2016/17 Budget	2013/14 Projection	2015/16 Budget
<b>Sources of funding</b>						
Sales	22,159	23,087	24,645	24,389	74,366	75,313
Internal revenue	1,459	1,550	(60)	(60)	5,021	5,294
<b>Total sources of funding</b>	<b>23,618</b>	<b>24,637</b>	<b>24,585</b>	<b>24,329</b>	<b>79,388</b>	<b>80,607</b>
<b>Expenditure</b>						
Salaries, wages and benefits	9,638	10,357	6,530	6,830	25,164	26,672
Cost of sales	8,208	8,632	(0)	-	20,483	20,106
Internal rent	765	1,072	2,364	2,508	4,147	4,704
Utilities and maintenance	623	629	2,850	2,964	3,736	3,852
Debt and financing charges	180	158	3,053	3,053	4,492	4,521
Equipment and renovations	980	1,435	5,962	5,224	9,434	9,241
All other expenses	2,319	2,089	2,777	2,656	8,551	8,458
<b>Total expenditures</b>	<b>22,712</b>	<b>24,371</b>	<b>23,535</b>	<b>23,234</b>	<b>76,006</b>	<b>77,554</b>
<b>Surplus (deficit) in-year</b>	<b>906</b>	<b>266</b>	<b>1,050</b>	<b>1,095</b>	<b>3,382</b>	<b>3,054</b>
<b>Transfers from (to) other funds</b>	<b>(924)</b>	<b>(979)</b>	<b>(1,048)</b>	<b>(1,082)</b>	<b>(2,779)</b>	<b>(2,913)</b>
<b>Change in fund balance</b>	<b>(18)</b>	<b>(713)</b>	<b>2</b>	<b>13</b>	<b>603</b>	<b>141</b>
<b>Reserve</b>						
Beginning Balance	2,280	2,262	6,296	6,298	6,652	7,255
Net change	(18)	(713)	2	13	603	141
<b>Closing Balance</b>	<b>2,262</b>	<b>1,549</b>	<b>6,298</b>	<b>6,310</b>	<b>7,255</b>	<b>7,396</b>

## APPENDIX D - RESEARCH FUNDING LANDSCAPE

The research enterprise at McMaster represents approximately 19% of the University's total income. For 2015/16, direct research funding/research project funding is expected to be \$179 million compared to the total University income of approximately \$969 million. Additionally, indirect overhead income accounts for a further \$27 million.

*Forward with Integrity* speaks to the importance of research in serving the public good and the need for a heightened level of community engagement. These priorities are aligned with those of the federal and provincial funding agencies where the overarching trend is the involvement of partners in research and the need to address complex problems from a multi-disciplinary perspective. Both are areas where McMaster excels.

The federal government continues to provide significant levels of funding to support research. Early 2016 saw the second competition of the Canada First Research Excellence Fund where universities were invited to compete for a share of up to \$900 million. The federal Budget 2016 states that the Canada Excellence Research Chairs Program, which facilitates the attraction of world-leading researchers to Canadian universities, will receive \$20 million over eight years, starting in 2018/19, to create two additional Canada Excellence Research Chairs in fields related to clean and sustainable technology. These Chairs will be part of an upcoming competition to be launched in the spring of 2016 which is expected to result in a total of 22 Chairs. In addition, Budget 2016 announced the provision of up to \$2 billion over three years beginning 2016/17 for a new Post-Secondary Institutions Strategic Investment Fund for support of infrastructure projects.

Budget 2016 provides an additional \$95 million per year, starting in 2016/17, on an ongoing basis to the granting councils – the highest amount of new annual funding for discovery research in more than a decade. The allocation will be \$30 million for CIHR, \$30 million for NSERC, \$16 million for SSHRC and \$19 million for the Research Support Fund. As stated in the Budget 2016 document, together with the funding provided to the granting councils in Budget 2015 of \$46 million in 2016/17 and ongoing, a total of \$141 million in new annual resources will be available to the granting councils going forward. The last few years have seen a significant change in the review and awards processes of some of the granting councils. CIHR has made very significant changes to their program architecture. While the CIHR Foundation Scheme saw some McMaster researchers awarded very significant levels of funding, concern about the new Foundation/Project scheme, and whether it best serves the needs of a diverse research community, is ongoing. While the past few years have seen changes in the NSERC Discovery program, March 2016 results show that McMaster's NSERC Discovery success rate remains stable and above the national rate. Also, and in addition to discovery research, what is evident through NSERC's 2020 Strategic Plan and the SSHRC National Forum (November 2014) is the value of partnerships, both with industry and other sectors. McMaster researchers have continued to vigorously seek such partnership opportunities resulting, in the most recent competition, in a SSHRC Partnership Development Grant success rate of 50%, above the national success rate of 36%. The most recent CAUBO report shows that the University has experienced a steady increase in federal funding over the last few years, with 2014 showing an increase of 25% over 2013. Federal funding as a share of total research funds continues to increase and in 2014 represented 64% of McMaster's total research income, an increase over the previous year. Given the investment in federal funding outlined above, our increasing success bodes well for future research support.

Success in Tri-Agency programs remains critical as it forms the basis upon which support or allocations from other federal programs are made. These programs include Canada Foundation for



Innovation (CFI), Canada Research Chairs (CRC) and the Research Support Fund (RSF). The RSF in 2014/15 provided McMaster and affiliated hospital partners with over \$12 million in support for the indirect costs of research. These federal funds, along with indirect support from non-federal sources including the private sector are used in large part to support facilities and other research resources, management and administration, regulatory requirements and accreditation, and protection of intellectual property. McMaster will apply this year to the CFI Innovation Fund competition, the largest Innovation Fund competition in many years, where available funding will exceed the previous competition by more than 65%. This competition is part of the \$1.33 billion funding announced in federal Budget 2015, the largest one-time investment in the history of CFI. Although in the past year McMaster was awarded over \$3 million in CFI John R. Evans Leaders Opportunity Fund (JELF) funding for projects valued at \$7.5 million with partner funding, the current McMaster allocation is nearing its end. New institutional allocations - and new opportunity for McMaster - will soon be available however from this \$1.33 billion investment.

The current federal and provincial funding environment provides the opportunity for leverage of institutional and partner funds, resulting in excellent return on investment. For example, since 2008, McMaster's cash commitment of \$6 million was critical to leveraging over \$100 million in federal, provincial and partner funds for McMaster infrastructure through the large-scale CFI competitions. Ontario's Ministry of Research and Innovation (MRI) remains committed to supporting awarded CFI projects. McMaster will continue to seek funds from MRI, which has to date provided McMaster with the full matching funds required. Significant return on investment is also evident in funding received from large-scale operating grants where McMaster contributions - in large part in-kind contributions of faculty salaries and other indirect support - are matched 2:1 by the government and partners. One such program, on hold since 2011, returned in 2014 and resulted in awards to McMaster of over \$5.4 million for direct costs, including salary support for research personnel, plus over \$2.1 million in overhead. These projects will receive a further \$16 million in support from partners. This opportunity continues to see increased interest from the McMaster community, which in January of this year submitted an unprecedented number of applications, results of which are pending. McMaster researchers seeking partnerships, developing intellectual property and commercializing the results of research are supported by McMaster's Industrial Liaison Office, forging relationships with industry and other partners and developing partner-friendly practices, allowing us to capitalize on federal and provincial partnership programs.

International partnerships continue to provide opportunities for success in research, training, and education. McMaster's partnership with the Fraunhofer Institute for Cell Therapy and Immunology (IZI) is key to the development of the Centre for Biomedical Engineering and Advanced Manufacturing (BEAM) at the McMaster Innovation Park (MIP). This partnership has attracted significant research funding from the City of Hamilton, the Province of Ontario and the Government of Canada and will provide additional opportunities for increased research funding and commercialization of research results. Many countries around the world have identified internationalization of higher education as a priority, including Brazil, China, Germany, India, and Israel, which provides opportunities for McMaster to train international students, as does Canada's Mitacs Globalink Program. In recognition of the importance of the international character of cutting-edge research, McMaster has established two internal funds - the International Initiatives Micro Fund (IIMF) and the International Research Investment Fund (IRIF) - that aim to support new international collaborations and partnerships by reducing financial barriers. Since February 2015, the IIMF supported close to 30 initiatives, in many cases with matching funds from the respective Faculties, for a total investment of more than \$130,000.

## APPENDIX E - 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, increasing longevity, and the actuarial measurement methodology affecting annual payment requirements into the plans.

### SALARIED PENSION PLAN 2000

#### July 2014 Funding Valuation and Temporary Solvency Relief Provisions

The University filed the Salary Pension Plan 2000 valuation as at July 1, 2014. The results of the tri-annual valuation based on successful qualification for solvency relief were as follows:

- Going-concern shortfall of \$253 million using a discount rate of 6% (\$182 million at July 2011)
- Required annual University special payments as a result of this going-concern deficit of \$20.8 million for the first year, and \$30.4 million for each of the next two years (as compared to \$10.8 million per annum at July 2011)
- Solvency shortfall of \$197 million using a discount rate of 6% (versus \$267 million shortfall at July 2011)
- 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 relief<sup>5</sup>
- Annual special payments for solvency will be required after the July 1, 2017 valuation
- University current service cost contributions are expected at approximately 117% of employee's contributions over the next three years based on July 2014 information

It should be noted that the discount rate used to measure the liabilities is guided by actuarial measurement methodology. Discount rates have decreased since July 2014, which will increase the liability, the associated pension plan deficiency, and special pension payments materially if rates do not improve to July 2014 levels by the July 2017 next measurement date. The discount rates used for some measurements, like solvency, 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%. A potential funding gap ranges from \$27 million to \$53 million if interest rates do not improve.

<sup>5</sup> Ontario Pension 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 three-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 both Stage 1 and Stage 2.

Plan 2000 Outflows '17-'24	July 2014 In Plans	April 2015 Not in plans*	December 2015 Not in Plans*	February 29, 2016 Not in Plans*^
Going Concern: Current Service Cost (Employer/Employee cost share split)	\$473M (55%/45%)	\$476M (55%/45%)	\$485M (56%/44%)	\$486M (56%/44%)
Going Concern Deficiency Special Payments	\$32.5M	\$32.5M	\$57.8M	\$69.9M
Solvency Payments Interest rates = "I" first 10yrs/after Solvency Rate = Annuity Proxy	\$123.2M <i>i</i> = 2.8%/4.2% 3.15%	\$279.6M <i>i</i> = 2.2%/3.6% 2.52%	\$312.7M <i>i</i> = 1.9%/3.5% 2.88%	\$388.9M <i>i</i> = 1.9%/3.3% 2.83%
Pension Guarantee Fund	\$4.6M	\$4.6M	\$4.6M	\$4.6M
Total Cash Outflows	\$633.2M	\$792.8M	\$860.1M	\$949.2M

The salary pension plan charge-out rate recommendations approved by the Budget Committee are as follows:

- The employer contribution rate built into the benefit charges for salaried faculty and staff be reduced slightly to 155% of employee contributions effective May 1, 2016 for all funds except ancillary, which will be 175%;
- 2017/18 and 2018/19 high-level planning assumes 155% for the departmental rate, and 175% for the ancillary rate.

The benefit rates are reviewed annually and, depending on the July 2017 salaried plan valuation, these costs will increase if interest rates do not improve to July 2014 levels.

## 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 contributions to 7.0% 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 230 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 charge-out rate to departments will remain at 340% and the difference will be supplemented by the benefit reserve, with the possibility that a request for additional funding may be necessary beginning in 2017/18. The University has qualified for Stage 2 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.

## ONTARIO RETIREMENT PENSION PLAN

The 2015 Provincial Budget includes information about the introduction of an Ontario Registered Pension Plan (ORPP) for all employees who are not enrolled in a defined benefit (DB) plan. This legislated pension plan would be in addition to the federal government's Canadian Pension Plan. The ORPP will increase employer costs by 1.9% (up to a salary or wage of \$90,000) for every non-DB staff member. In addition, the University will also be required to modify systems to enable a matching 1.9% contribution to be taken from staff. The implementation date for the ORPP is expected within the budget planning horizon. Exemption provisions for the ORPP, beyond being a DB member, require further clarification from the Ministry. The University will examine any exemption provisions provided, which may enable modifications to existing non-DB plans. The key objective of the ORPP affecting all Ontario businesses and non-DB workers is to close any potential retirement funding gap that may exist for these Ontarians; this goal may be achieved by the ORPP or by existing plan modifications.

## NON-PENSION EMPLOYEE FUTURE BENEFITS

McMaster offers defined benefit plans that provide non-pension retirement benefits including extended health, dental and life insurance for many 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 plan changes on the unfunded liability. While this liability will continue to grow, the changes agreed to with employee groups will mitigate its growth significantly. In addition, a surcharge was added to benefit charge-out rates to generate funds to address this liability. Funds from other health and dental reserves were transferred to this liability. For the 2016/17 budget, the rate will be maintained at 0.25%, which will cover the estimated current service costs. The past service costs will continue to be funded directly through the support unit budget allocation in the Operating Fund. For 2015/16 and 2016/17 departments were advised to use the 0.25% rate, which has now been confirmed based on a tri-annual review recently completed by the Board of Governors' Finance Committee.

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
- Contribution of 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 G - FUND-BY-FUND CONSOLIDATION

(\$ thousands)

	Operating Fund		Ancillary Fund		Research Fund		Trust Fund		Endowment Fund		Capital Fund		Specifically Externally Funded		Grand Total	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget
<b>Revenue</b>																
Operating grants	226,839	227,772	-	-	-	-	-	-	-	-	1,819	3,831	-	-	228,658	231,603
Research grants and contracts	-	-	-	-	179,000	181,000	-	-	-	-	-	-	-	-	179,000	181,000
Tuition fees	239,900	251,692	-	-	-	-	-	-	-	-	-	-	-	-	239,900	251,692
Ancillary sales and services	-	-	74,366	75,313	-	-	-	-	-	-	-	-	-	-	74,366	75,313
Other revenues	102,051	98,130	-	-	-	-	58,717	45,833	125	150	45,537	14,867	38,119	35,918	244,549	194,897
Investment income (loss)	8,400	9,005	-	-	-	-	(4,057)	24,552	(1,366)	7,282	-	-	-	-	2,977	40,838
Investment income transfer	4,521	4,521	-	-	-	-	-	-	(4,521)	(4,521)	-	-	-	-	-	-
<b>Total revenues</b>	<b>581,711</b>	<b>591,119</b>	<b>74,366</b>	<b>75,313</b>	<b>179,000</b>	<b>181,000</b>	<b>54,660</b>	<b>70,385</b>	<b>(5,762)</b>	<b>2,911</b>	<b>47,356</b>	<b>18,698</b>	<b>38,119</b>	<b>35,918</b>	<b>969,451</b>	<b>975,344</b>
<b>Expenses</b>																
Salaries, wages and benefits	408,320	419,949	25,164	26,672	96,000	97,000	25,970	26,512	-	-	-	-	27,626	25,010	583,080	595,143
All other expenses	150,690	166,024	30,978	30,434	99,000	100,000	18,174	15,256	-	-	59,864	101,625	12,505	10,527	371,211	423,867
Transfers to (from) other funds*	13,404	5,822	13,130	13,546	(11,444)	(8,611)	15,026	15,051	466	481	(30,484)	(26,252)	(98)	(39)	(0)	-
Debt and financing charges	15,430	17,169	4,492	4,521	-	-	-	-	-	-	(9,896)	(9,679)	-	-	10,026	12,011
<b>Total expenses</b>	<b>587,845</b>	<b>608,965</b>	<b>73,763</b>	<b>75,172</b>	<b>183,556</b>	<b>188,389</b>	<b>59,170</b>	<b>56,820</b>	<b>466</b>	<b>481</b>	<b>19,484</b>	<b>65,694</b>	<b>40,032</b>	<b>35,499</b>	<b>964,317</b>	<b>1,031,021</b>
<b>Excess of revenues over expenses</b>	<b>(6,135)</b>	<b>(17,846)</b>	<b>603</b>	<b>141</b>	<b>(4,556)</b>	<b>(7,389)</b>	<b>(4,510)</b>	<b>13,565</b>	<b>(6,228)</b>	<b>2,430</b>	<b>27,873</b>	<b>(46,996)</b>	<b>(1,913)</b>	<b>419</b>	<b>5,135</b>	<b>(55,676)</b>
Fund balances, beginning of year	68,198	62,063	6,652	7,255	177,320	172,764	481,225	476,715	136,609	130,381	(1,181)	26,692	7,738	5,825	876,561	881,696
<b>Fund balances, end of year</b>	<b>62,063</b>	<b>44,218</b>	<b>7,255</b>	<b>7,396</b>	<b>172,764</b>	<b>165,375</b>	<b>476,715</b>	<b>490,280</b>	<b>130,381</b>	<b>132,811</b>	<b>26,692</b>	<b>(20,305)</b>	<b>5,825</b>	<b>6,244</b>	<b>881,696</b>	<b>826,019</b>

\*Including transfers to capital