



# 2017/18 CONSOLIDATED BUDGET

Approved by the Board of Governors

June 8, 2017

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## EXECUTIVE SUMMARY

The Operating Fund is structurally balanced, with a surplus of \$1.4 million after net one-time expenditures of \$15.1 million, despite reduced Ministry support in recent years and increased competition for limited research dollars. The budget includes focused support toward Strategic Mandate Agreement/*Forward with Integrity* strategic priorities while managing 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.

Implementation of the IT Services Review recommendations is planned for 2017/18 introducing a new governance model for IT, involving a broader scope to the IT oversight and the introduction of a multi-tiered governance framework with thematic research, academic, administrative, infrastructure and security support committees. Additional operational efficiency reviews are also underway or planned for research-finance and human resources.

Amidst ongoing pressures this budget includes seed funding for new academic initiatives and projects, including creating new research centres and appointing new research chairs. We also plan new collaborative space investments such as Engineering's Makerspace, the Gerald Hatch Centre, Wilson Hall and the Living Learning Centre, which add needed capacity for active learning and other technologically-enabled pedagogical approaches. Branding initiatives are also budgeted to ensure McMaster's differentiation strengths 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.

In 2018/19 there is a planned Operating Fund surplus of \$1.6 million followed by 2019/20 with a planned deficit of \$2.1 million; the deficit is associated with unknown tuition framework caps therefore tuition has been held flat while expense inflation is predominantly unavoidable. All years presented in this consolidated budget are structurally balanced before one-time expenditures.

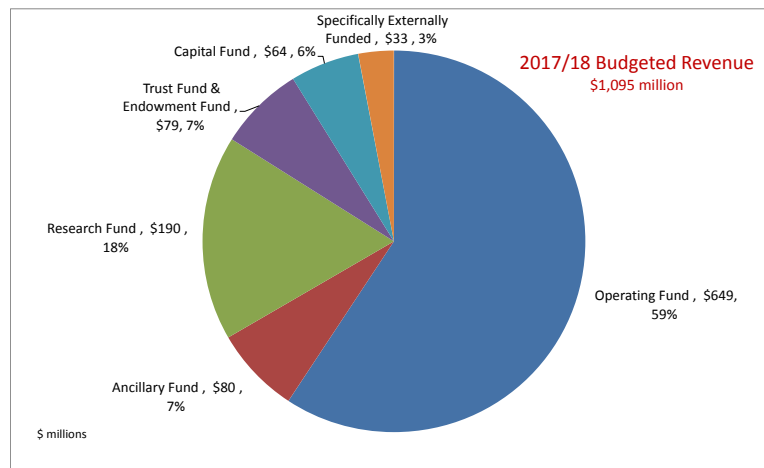
The Ancillary Fund is balanced with a small \$0.8 million surplus on \$80.1 million in revenues. The ancillaries cover rental costs for space, maintain assigned infrastructure, contribute to the Operating Fund 4.5% on specific sales, and contribute to the mission of the University.

Conservative budgeting principles have been used across all funds resulting in a consolidated budget that is in surplus after accrual basis adjustments. The Operating Fund is budgeted on a cash basis, however for accounting purposes accrual adjustments are necessary involving, for example, capital cash investments to be removed from cash based expenses and amortized over the life of the capital investment. The consolidated budget, including the Research Fund, Capital Fund, Trusts and Endowments Fund, and specifically funded activities is \$1,075 million with a budgeted surplus of \$57.3 million. The surplus is a result of capital cash based to accrual based adjustments. As well, some surplus or savings are planned for long-term debt and funding obligations associated with pensions, non-pension (medical and dental plans), and nuclear reactor decommissioning reserves.

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.

Accountability for the effective management of the budget is delegated by the Board of Governors to the President. The Budget Committee of the University has the responsibility for financial planning oversight of the Operating and Ancillary Funds, which account for the majority of the University's annual expenditures, and recommends the annual budget to the President. The funds not overseen by the Budget Committee process represent funds with restricted expenditure uses and other governance and/or committee oversight.

**Figure 1: 2017/18 Budgeted Revenue By Fund**



## CONTEXT

### STRATEGIC MANDATE AGREEMENTS AND *FORWARD WITH INTEGRITY*

The Ministry of Advanced Education and Skills Development<sup>1</sup> (MAESD) and McMaster University will set a new Strategic Mandate Agreement (SMA) for the period May 1, 2017 to April 30, 2020. This SMA follows McMaster's inaugural SMA (May 2014 to April 2017), which outlines McMaster's areas of strength, growth and direction as a University. In the SMA, McMaster's commitments align to the principles embedded within *Forward with Integrity (FWI)*. These principles aim to set forth McMaster's differentiating characteristics and focus on core priorities such as:

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

The SMA continues to be an evolving process that connects McMaster and MAESD through agreed-upon University strategic directions and milestones (or key performance indicators) along with newly added financial health metrics. The consolidated budget is the result of a budgetary process that facilitates faculty and department alignment to the SMA and McMaster's *FWI* priorities.

This consolidated budget includes assumptions regarding the impact of the new provincial funding formula which reintroduces a corridor funding model approach and new weighted grant units. The corridor will be based on an enrolment average over five years, phased in beginning in 2016/17. The University will negotiate a corridor midpoint as part of the SMA process with government over the coming months. The corridor methodology will mean that McMaster will receive a government grant equal to the weighted grant units at the corridor midpoint. Fluctuations within the corridor (+/-3%) will not affect the grant. An enrolment decline below the corridor floor could result in a reduction in funding, although the government has suggested that a reallocation of funding to the differentiation is possible. Enrolment increases above the corridor ceiling could trigger a renegotiation of the corridor midpoint, however this seems unlikely so long as enrolment is declining across the province. This means that essentially McMaster will receive a block grant each year dictated by the midpoint and the annual valuation of the weighted grant unit.

The budget also includes the updated 2017/18 and 2018/19 tuition framework increases (involving a 3% domestic undergraduate overall tuition increase cap). For conservatism the budget assumption for 2019/20 holds tuition flat, although a continuation of the current framework is needed to help fund inflationary expenses. The two-year (2017/18 and 2018/19) confirmed tuition framework is an enabler to the provincial planning process across higher education institutions for rolling out net billing in 2017/18 and net tuition and billing by 2018/19, which will affect revenue reporting, systems and administrative processes.

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<sup>1</sup> Formerly the Ministry of Training, Colleges and Universities (MTCU).

## REVENUE GENERATION ENVIRONMENT

Provincial grants for domestic undergraduate and graduate enrolment and tuition paid by students make up approximately 80% of the operating budget revenues. Risk of demographic decline of domestic university-age individuals is a key risk to Ontario universities. However McMaster is not experiencing application or acceptance decline - to the contrary, continued high demand and increased acceptances have resulted in higher enrolments for 2016/17. Enrolment projections based on applications and university preferences suggest further domestic growth is both achievable and highly desired by domestic students. However the new funding formula, with its corridor, along with SMA enrolment targets agreed to with MAESD suggest a tightening of domestic offers will be necessary to manage the risk of over-enrolment beyond the MAESD-set corridor midpoint. Revenue decline resulting from the new funding approach has been included in the consolidated budget and planning years.

McMaster has accepted MAESD's direction to limit domestic growth locally despite demand. The Ministry's previous mandate focused on domestic participation, a growth mandate, during the double cohort period and subsequent years. Prior to the double cohort McMaster had an over ten percent international student participation rate. However, in order to accommodate the Ministry's access and domestic growth direction the international participation rate dropped to less than five percent in the first year of the double cohort. MAESD's current domestic enrolment cap direction will allow McMaster to return to historic international participation rates. Some incremental offsetting international tuition revenues have been included in the budget and planning years as a result of McMaster's opportunity to shift focus from domestic higher education accessibility toward addressing an international participation gap. Finally, a further decline in the operating grant has been planned to account for the incremental \$750 per international student tax charged by the province to universities.

To date McMaster has not realized the demographic decline conceived for its location and expected to peak by 2021. Instead, as a University with its well-connected transportation network linking McMaster to Halton and the Greater Toronto Area (GTA), demand and participation rates have remained high and grown well beyond trending expectations. McMaster's focus will be on capacity-enabling infrastructure over the next few years with projects like the Gerald Hatch Centre, Wilson Hall, the Living Learning Centre underway, and two additional residences.

### Provincial Funding Formula Review

The Ministry's new funding model affecting 2017/18 and beyond is based on enrolment and activities aligned to three funding components:

1. Enrolment-based funding (or the Core Operating Grant (COG)) which is based on weighted grant units by program, funded for each eligible student enrolled. This aspect of the funding model is managed through the application of an enrolment corridor mechanism<sup>2</sup>.
2. Differentiation funding (outcomes-linked) is the portion of grant funding awarded based on University performance and/or achievement of SMA milestones or metrics that link to MAESD and University agreed priorities focused on differentiation, student success, and strengthening existing areas of excellence.

<sup>2</sup> The corridor methodology means that the government grant is fixed by the corridor midpoint. Domestic enrolment fluctuation will not affect the grant unless enrolment were to fall below the floor of the corridor, defined as 3% beneath the midpoint. The corridor will be based on an enrolment average over five years, phased in beginning in 2016/17.



3. Special Purpose Grants representing a continued funding program based on government and system priorities, such as improving access for Indigenous learners, francophone students, and students with disabilities.

The updated funding formula and SMA more closely connect funding to strategic priorities, enrolment planning, financial outcomes and outlook. The changes introduced by the province mean an open and agreed-upon approach to institutional enrolment planning along with financial stability support mechanisms for institutions experiencing enrolment decline.

### Tuition Framework Review

The updated two-year tuition framework for 2017/18 and 2018/19 is a continuation of the previous three-year framework. The two-year framework enables tuition planning for the roll-out of net billing in 2017/18 and net tuition offers and billing in 2018/19. In order to support net tuition for 2019/20, the tuition framework for that year will need to be known by the fall of 2017 when the 2019/20 tuition planning cycle will be initiated.

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, standard annual increases to international student tuition fees will continue and be monitored relative to our key peers<sup>3</sup>.

## UNFUNDED LIABILITIES IN PENSION AND NON-PENSION POST-RETIREMENT BENEFIT PROGRAMS

McMaster University maintains defined benefit (DB) and Group RRSP pension plans for full-time employees and non-pension post-retirement (extended health and dental) benefit programs for certain segments of full-time employees.

Funding requirements associated with the open salaried DB pension plans and closed hourly DB pension plan is challenging. Both the salaried and hourly DB plans have funding deficits on a solvency basis<sup>4</sup> whereas only the salaried plans have a going-concern basis<sup>5</sup> funding deficit. The funding deficits result in required additional 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 plans. The solvency relief program spreads pension plan deficit payments over a ten-year period with additional relief in the first three years. As of the last full valuation on July 1, 2014, the salaried pension (Plan 2000) funding shortfall approximated \$253 million on a going-concern basis and the solvency shortfall at that date was \$197 million. The hourly plan, as of the last full valuation on July 1, 2016 had a going-concern basis surplus of \$1.6 million and a solvency funding shortfall of \$16 million. The plan deficiencies require additional special payments into the plans over the next seven years, in addition to current service costs. The special payments planned in

<sup>3</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.

<sup>4</sup> Solvency basis refers to the pension plan asset and liability gap measurement methodology whereby the key assumption is that the University will cease to continue to operating and must immediately settle pension obligations.

<sup>5</sup> Going-concern basis refers to the pension plan asset and liability gap measured assuming the University will continue to operate over the long term, thereby using a long-term interest return rate for assets and discount rate for liabilities, and that the University continue to collect employee contributions over future working periods until retirement.

the budget have been reduced based on new solvency-basis legislation, allowing the University to pay the solvency deficiency interest only for three future years and make up an average shortfall over the remaining four years of the seven-year period. McMaster filed its application for this Stage 3 funding relief associated with the hourly plan in March 2017 and will file a similar application for the salaried plan in March 2018 (following the July 1, 2017 updated full pension valuation date). An assumption that both applications will be approved is included in the budgeted expenditures and cash outflows. For reference purposes, there continue to be significant solvency deficits - \$296 million under Plan 2000 and \$15 million under the Hourly Plan as estimated at December 31, 2016.

The benefit rates used for budgeting purposes collect smoothed funding into a benefit reserve to settle the variable cash outflow schedules produced by the plan actuaries. The payment schedules are updated routinely and compared to benefit rate collections. The current employer cost is 175% of employee DB contributions which results in a projected funding shortfall of over \$26 million during the remaining seven-year funding period. At this time, no increase in employer benefit costs have been proposed for this budget year or the two outer planning years because additional solvency legislation changes are anticipated resulting from the Marshall Report<sup>6</sup>. If the Marshall Report does not result in solvency funding changes and valuation assumptions do not change sufficiently, McMaster will consider increasing the employer benefit rates and/or further consider, with its employee groups, the implications of joining a university sector jointly sponsored pension plan<sup>7</sup>.

Non-pension post-retirement programs (PRB) (such as extended health and dental benefits) also have an unfunded deficit. As of April 2016, the present value of the expected future cost of non-pension post-retirement obligations was estimated at \$208 million. The PRB investment reserve (\$60 million as at April 30, 2016), established to settle the associated obligations, continues to be monitored tri-annually for its ability to alleviate and be an effective funding plan to settle these future costs, eliminating the burden from the Operating Fund over the long term.

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 over the last several years. Further detail on post-retirement benefit programs is included in Appendix D.

## UNCERTAINTY IN FINANCIAL MARKETS

Financial markets have a significant impact on McMaster's financial position through the investment returns on pension plan assets and discount rates associated with plan liabilities. They also affect the future sustainability and spending rates associated with 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 table below.

<sup>6</sup> The Marshall Report refers to the outcome document expected following the conclusion of the provincially initiated solvency legislation review initiated in 2016 and expected to conclude in 2017/18.

<sup>7</sup> A university sector jointly sponsored pension plan (JSPP) involves a 50:50 employer and employee cost, risk sharing, and governance plan, which may also provide plan members permanent solvency funding relief.

Table 1: Annual Rate of Return on Investments

Fiscal	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17*
Rate of Return	0%	10.1%	14.7%	10.1%	-2.8%	5.4%

*\*Projected return for the investment pool based on the long term historical real rate of return.*

The University's objective for its endowments is to earn an annual real rate of return<sup>8</sup> of over 5.0% after expenses over the long term. Budgeted investment income for 2016/17, and each year thereafter, is based on a real return of 5.4%. 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 three of the last five years has strengthened the University's financial position and allowed for some financial flexibility to deal with additional Operating Fund needs and strategic capital priorities. Returns on investments are expected to be challenged over the future years. Changes to the investment pool asset allocation strategies may be necessary to preserve returns and/or be necessary in response to the President's Advisory Committee on Fossil Fuels Divestment.

## COST PRESSURES

McMaster faces significant cost pressures, sometimes forcing difficult choices. Present and future challenges to operating performance include:

- Inflationary pressures of over \$15 million per year related to salary and benefit costs continue. 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 inflationary pressures include utilities, additive operating costs related to new buildings, and U.S. exchange rates.
- Maintaining the quality of education, the student experience and support needed in an environment of changing enrolment demographics. Teaching by tenured, tenure-track or teaching-track faculty will be maintained while ensuring an optimal student to faculty ratio. Additional faculty positions and faculty renewal will be required to accommodate new programs (assuming new programs will come with approved enrolment funding beyond the set 2016/17 corridor midpoint funding level). New mandated requirements by some accreditation bodies have the potential to add significant costs.
- Budget shortfalls in hospitals, which may affect the ability of clinical faculty to deliver on teaching and research. Educational infrastructure such as classroom audio-visual technology and online tools must be continually updated to maintain quality. Increased enrolment also puts pressure on support areas for student services like admissions, counselling, financial awards, and accommodations.
- Ensuring McMaster's reputation and distinct differentiated brand are known across an increasingly competitive marketplace. Communication and outreach strategies come at an

<sup>8</sup> Real rate of return refers to the interest rate earned adjusted less inflation. McMaster targets a real return of at least 5% to allow for inflation to be set aside into endowments for capital preservation and the 5% to be allocated, 4% for endowment related spending and 1% support toward the University Advancement budget. If real return falls below 5.4% for a prolonged period of time the University would need to adjust its allocation approach.

additive University cost. The University must be positioned to respond effectively on its institutional differentiation. As such, an investment toward a robust media strategy in 2017/18 has been planned to support McMaster's brand identity, which aims to improve awareness about McMaster's existing research reputation, with its deep foundations in health, and integrated evidence-based experiential student learning approach. A key area requiring immediate branding investment, which will also be addressed, is McMaster's website.

- Increasing capacity for both existing and projected enrolment. Space constraints are impacting both admission targets and commitments to research. Projects designed to eliminate capacity constraints include the Gerald Hatch Centre for Engineering Experiential Learning, the Living and Learning Centre, and new student housing initiatives, as well as refurbishing space vacated as a result of the completion of L. R. Wilson Hall.
- Optimizing information technology infrastructure and services across the University. The IT Services Review, completed in November 2016, identified five high-priority areas to begin this process. Next steps include implementing changes in governance, leadership and accountability, with the objective of determining the ongoing funding required to achieve sustainability through investment in strategic hires, critical infrastructure and services. Additional IT projects planned for 2017/18 include implementation of government-mandated net tuition billing, security upgrades, Business Intelligence, and eProcurement.
- Maintaining new and current space to appropriate standards. Operating allocations to address the backlog were increased over a number of years and have now reached a steady state of approximately \$12 million per year. In parallel to additional University funding commitments toward deferred maintenance, MAESD has announced four-fold increases to its deferred maintenance special purpose grant phased in over four years. In 2016/17, the first year of this program roll-out, the additional funding was assigned by MAESD as the provincial proportion of funding for new infrastructure associated with the Strategic Investment Fund program. Future allocations are expected to assist existing deferred maintenance. Although the maintenance backlog has improved, deferred maintenance remains a significant issue approximating \$314 million. Further, IT infrastructure deferred maintenance and asset renewal needs are not included in this deferred maintenance projection, and if included the amount would be greater. Work is underway to assess the scale of this issue.
- Funding the costs of Ontario's Cap and Trade Program. Implemented in 2017, this program is intended to reduce greenhouse gas emissions by establishing a market-based pricing system for energy consumption associated with carbon dioxide (CO<sub>2</sub>) emissions. The short-term annual impact is estimated to be \$0.4 million, which is expected to decrease to \$0.3 million with implementation of the combined heat and power system (CHP) in 2018/19. However, it is not known whether the free allowances will be renewed in round 2 and the new Global Adjustment Charge for electricity is expected to be over 15% higher than the original estimate. The University will need to create an integrated plan across Facility Services and Treasury Operations associated with future buying and selling in the energy market in order to keep energy cost escalation contained.
- Unfavourable exchange rates and inflationary pressures on library acquisitions. Higher enrolment and greater research intensity means increased prices for materials. On top of the price increases, a significant portion of purchases are denominated in U.S. dollars.

Both high demand for publications and exchange rates have affected the library purchasing power for 2017/18.

## FUNDING FOR RESEARCH

The research funding environment is mixed. There are several high-dollar, time-limited opportunities on the horizon. The federal budget announced plans to fund 22 new Canada Excellence Research Chairs (CERC), of which a call for 11 Chairs has been released. Each CERC provides \$10 million in support for each Chair that must be matched by support from the institution and its partners. Further, the Canada Foundation for Innovation recently announced a new allocation of the John R. Evans Leaders Fund to allow universities to compete for research infrastructure funding over a three-year period. Overall, Tri-Agencies continue to provide a wide variety of research opportunities, both for teams and individuals. However, serious challenges continue nationally, particularly in terms of changes to the Canadian Institutes of Health Research; these challenges are particularly important for the Faculty of Health Sciences.

Additional federal opportunities include the Networks of Centres of Excellence program which is expected to release a call for proposals in 2017, providing an opportunity for research funding in support of national networks.

Provincially, funding opportunities exist, particularly through the Ministry of Research, Innovation and Science. In 2017/18 it is anticipated that additional opportunities for support of research excellence, including programs that provide research overhead support funding, will be available. Opportunities for support of research infrastructure also remain strong provincially.

Many federal and provincial programs continue to require the provision of matching funds from institutions and other partners. These programs are those providing significant return on investment.

Federal and provincial government grants partially subsidize the indirect costs of research (ICR) incurred in the Operating Fund. In 2016/17 these grants are projected to total \$11 and \$3 million respectively. In 2016/17 the federal Research Support Fund (RSF) paid overhead at 21.2% of all eligible Tri-Agency receipts, up from 19.6% in 2015/16. However, actual indirect costs exceed 40%.

It is clear that the more successful the University is in securing research grants, the more supporting resources are required. As a highly research-intensive university, this financial requirement is a significant pressure.

## LONG-TERM BALANCE SHEET OUTLOOK AND CREDIT RATINGS

The long-term balance sheet outlook is monitored through a multi-year financial projection process that is used to inform the University's annual debt strategy. The financial projection and debt strategy are developed to understand the extent of strategic initiatives the University can undertake in parallel, while also managing its financial health. A number of financial health metrics are used to examine financial sustainability with varying strategic spending options along with planned revenues and run-rate expenditures. The University monitors debt management policy ratios, credit rating metrics, and new MAESD financial health metrics (which do not vary greatly from existing monitored ratios). The annual financial monitoring, projection and holistic debt strategy approach ensure that all University obligations have reasonable funding strategies. The integrated financial health planning approach has resulted in increasingly improved financial

sustainability of the University while still undertaking significant strategic initiatives. In 2016 the credit rating agency reviews resulted in an improved credit rating from Standard and Poors (S&P) to AA (stable) issued June 2016 from 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 moved up or remained unchanged even as the University took on additional debt. The debt is an enabler to key capacity projects such as the Living Learning Centre and two private-public off-campus undergraduate and graduate residence projects. Given the magnitude of additional projects under development between 2017/18 to 2020/21, the University will continue to consider annually the strategic priorities of the institution in relation to financial capacity and flexibility. This process may include additional debt within policy constraints.

## THE BUDGET PROCESS

### MCMASTER BUDGET MODEL OVERVIEW

The McMaster Budget Model (MBM) has been in effect for almost three 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 since its initial implementation to address concerns and enhance incentives aligned to strategic priorities. 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 Operating Fund 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. 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. Further research support exists in the way occupancy costs are charged out to a host Faculty at an overall campus average rate per square meter without distinction to the higher cost of research labs. Finally, allocations of central support unit costs are charged directly to Faculties based on a relevant proxy-based cost driver, for example Human Resources costs are charged out based on employee full-time equivalents. Additional information on the budget model is available at <http://budgetmodel.mcmaster.ca/>. Allocations by envelope are available in Appendix B.

One of the main purposes in developing the budget model was to bring greater transparency to McMaster's budget processes. Greater transparency brings greater trust and dialogue between Faculties and Administration, and allows members of the community to understand and discuss the allocation of funds and the way in which this links to the University's mission and key priorities. Since the ongoing costs of priorities are ultimately borne by the Faculties, they are concerned with the level of service and efficiency in each unit. For the 2017/18 budget, presentations were made in a conference format attended by Faculty Deans and their Directors of Administration. This allowed activity unit leaders to consider and comment on the budget priorities and expenditures of all support units, as well as the other Faculties, before the Budget Committee voted to receive each budget. The budget conference enabled greater insight into support operations and pressures, and it will be continued for the 2018/19 budget cycle.

The budget model has been continually assessed and evaluated since its inception. This has occurred both internally and externally, the latter involving the sharing of best practices with other Canadian and U.S. universities, as well as participating in research undertaken by the Education Advisory Board. Ongoing feedback and analysis has resulted in some changes to the model, however now that the model is now in a relatively steady state, a post-implementation review is underway involving internal and external budget leaders.

### BUDGETING PRINCIPLES AND PROCESS

The effective management of the budget is a responsibility of the President assigned by the Board of Governors. The President delegates this accountability to the Budget Committee of the University to oversee budgets for both the Operating and Ancillary Funds, which account for two



thirds of the University's annual expenditures, and to recommend 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 2017/18 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. This includes student experience and support.
- 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 Operating Fund income are subject to provincial regulation. With tuition subject to framework caps and grant funding subject to a funding corridor, 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 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 2017/18, support unit allocations included a modest funding increase to partially defray increased salaries, wages and benefits, as well as allocations 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 and/or renovation plans, including funding sources or internal financing capacity

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 MAESD tuition fee framework (see Table 2), which expires after 2018/19. In the absence of information about the tuition fee framework for 2019/20, 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 and the increased enrolment management targets, enabled by the completion of Wilson Hall in 2016/17. Although the domestic demographic pool of university-aged applicants is expected to decline across Canada, at McMaster demand remains 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 and managed through a combination of admitting eligible domestic applicants up to the corridor midpoint and allowing increased international participation rates due to MAESD limitations on domestic new entrants.
- The undergraduate enrolment projection model uses the Enrolment Management Team's level 1 targets to forecast each Faculty's annual intake. For movement between levels 2 and above, within each Faculty and between Faculties, the model 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 2016/17 level 1 intake (i.e. as of November 1, 2016) is applied as the anticipated level 1 intake from 2017/18 to 2019/20.
  - **The transition probabilities of students from levels 2 and above:** Similar to the undergraduate projection, for movement between levels 2 and above, within each Faculty and between Faculties, the graduate model applies a flow-through methodology that incorporates each Faculty's average transition rates over the past three years, adjusted for mid-year graduation rates.

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 2: Key Budget Assumptions**

		2016/17 Budget	2016/17 Projection	2017/18 Budget	2018/19 Plan	2019/20 Plan
Enrolment*	Undergraduate FTEs	Domestic	22,650 0.5%	23,369 3.7%	23,840 2.0%	24,502 2.8%
		International	1,548 0.5%	1,707 10.8%	1,763 3.3%	1,821 3.3%
		Total	24,198 0.5%	25,076 4.2%	25,603 2.1%	26,323 2.8%
						26,811 1.9%
	Graduate FTEs	Domestic	2,929 0.9%	2,995 3.1%	3,049 1.8%	3,108 1.9%
		International	829 -1.1%	948 13.1%	975 2.8%	998 2.4%
		Total	3,758 0.4%	3,943 5.4%	4,024 2.1%	4,106 2.0%
						4,100 -0.1%
	Operating grants				Provincial funding formula implemented: • Outcomes-based funding approach o Core operating grant (enrolment-based) o Differentiation envelope o Special purpose grants • Enrolment corridor held at 2016/17 levels	
	Basic Operating Grant		Flat	Flat		
	Undergraduate Accessibility Grant BIU rate		\$5,364.00	Flat		
	Graduate Expansion Grant rate					
		Master's	\$13,797.34	Flat		
		PhD	\$26,624.63	Flat		
Tuition rate		Status quo for the Provincial tuition fee framework: • Overall average domestic tuition fee increase: 3.0% o Arts & Science Undergraduate or other: 3.0% for all students o Professional Undergraduate: 5% for level 1; and 3.7% for all other levels o Graduate Research (with a thesis component): 0% for all students o Graduate Professional (course work only): 5% for level 1; and 2.0 % for all other levels • International rate increase 6%				• Domestic rate flat • International rate increase 6%
Investment return	Long-term		5.4%			
	Short-term		1.0%			
Compensation	Salaries		Moderate increases in accordance with collective agreements			
	Benefits		• Pension funding from a combination of operating allocation and per employee charges to promote research o Salaried pension 175% of employee contribution (155% in 2016/17) o Balance funded from reductions to envelope allocations			
	Staffing		Faculty renewal planned Critical vacancies filled			

\*Excluding Divinity College. Mix of domestic and international students may be adjusted based on provincial corridor requirements.

## 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 2017/18 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:

- Ensuring McMaster's differentiated brand is known across an increasingly competitive marketplace. As such, an investment in 2017/18 is planned to promote McMaster's brand identity; to improve awareness about McMaster's existing research reputation, with its deep foundations in health and integrated evidence-based experiential student learning approach; and introduce media and social media campaigns to attract new applicants with the promise of an excellent first-year experience.
- Implementing new innovative programs like the Bachelor of Applied Science program in partnership with Mohawk College, Integrated Business and Humanities, Integrated Biomedical Engineering and Health Sciences, Biomedical Discovery and Commercialization, Executive MBA in Digital Transformation, and Master of Speech Language Pathology, as well as redesigning curricula to enhance high-demand programs and tailor programs in order to more directly link students' learning interests to career opportunities.
- Developing alternative sources of revenue such as online courses and programs targeted at non-university audiences, as well as public-private partnership projects whereby McMaster will be a partial investor in a joint venture that provides McMaster operational control over needed student support services while also receiving a long-term stream of cost recoveries and profit to support the University's mission.
- Enhancing entrance scholarships as an incentive to new students.
- Managing domestic enrolment growth, including continuing work with Six Nations partners to attract Indigenous students and enhance their experience, and raising international undergraduate enrolment to participation levels McMaster recorded prior to the double cohort year.
- Improving the student experience to boost retention and graduation rates.

### SAVING OR REALLOCATING RESOURCES

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

- Conducting operational reviews to identify efficiencies. Recommendations of the IT Services Review will be implemented in 2017/18, including determination of the best delivery model for core and enhanced services. A Research-Finance Review is underway to explore support office operational efficiencies, and a review of Human Resources

operations is planned. An opportunity to conduct a benchmarking activity in conjunction with other U15 universities is expected to facilitate these initiatives further in 2018/19.

- Increasing collaboration between the libraries. Ongoing communication is aimed at identifying areas of synergy to rationalize expenditures and to improve the quality of collections and services available across campus.
- Implementing the five-year Energy Management Plan with a goal to reduce campus energy consumption, as well as reviewing utility service agreements with partners to ensure all cost recoveries are identified.
- Funding cost increases from appropriations. This is a recurring theme in support unit budgets. While this strategy may be effective in the short term, additional revenue sources and cost-saving measures are necessary to achieve long-term sustainability.
- Reviewing service agreements with external partners to ensuring recovery of all relevant costs.

## CONTROL OF ENVELOPE ALLOCATIONS

The budget process includes prioritization of costs considered essential to the academic mission. Where approved, funding for ongoing priorities is built into support units' base budgets with the cost allocated to activity units. Allocations from the University Fund are made to support one-time strategic priorities, including new program initiatives, learning support enhancements, and new strategic research support, if not directly funded by research funding.

From 2008/09 through 2012/13, support unit allocations were frozen with the exception of targeted funding for strategic priorities. In recent years allocations to support units have occasionally been adjusted to partially offset inflationary costs of salaries and wages. However many support units have been relying on savings to sustain current operations. Individual support units have structural deficits totaling \$7 million of which \$3.2 million is covered by appropriations, leaving an exposure of \$3.8 million assuming that they are unable to find additional savings.

## PENSION DEFICIT FUNDING RELIEF

Due to risks associated with the low interest rate environment and provincial solvency legislation the pension envelope has not been reduced. For operating and research funds, pension costs will be charged at 175% of employee contributions, an increase from 155% in 2016/17. Charges to ancillary funds are unchanged at 175% of employee contributions. An application for additional funding relief is planned for both the hourly and salaried (Plan 2000) plans to manage risk of raising rates further.

## ONE-TIME INVESTMENT RESERVE TRANSFERS

To temporarily assist the operating budget balancing pressures, the third of 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 5.4%. Due to three consecutive investment returns greater than the planned 5.4%, these one-time transfers are possible without depleting the reserve balance for its intended purpose. In addition to the

Operating Fund additional support, the investment reserve has also provided \$7 million and \$10 million into the McMaster capital reserve in 2015/16 and 2016/17 respectively to support academic and research capital initiatives.

## ENVELOPE HIGHLIGHTS

### ACTIVITY UNITS

#### Faculty of Humanities

The Faculty of Humanities continues to support research with high impact, by appointing new research Chairs in the fields of communications policy, governance in a digital age, and in psycholinguistics. Also, research centres that focus on applied ethics in global health interventions, and on using nuclear facilities to explore the economies of classical civilizations have been created. To support and inspire the aspirations of students, investments have been made in the strategic growth area of culture and communications, while offering students a range of opportunities to combine business and science with a Humanities education. Access to programs and courses has been expanded through technology-enabled learning and new learning pathways for college and adult learners. Improvements to retention and student success have been made by better highlighting the ways in which programs meet students' career aspirations.

The Faculty faced a serious budget challenge four years ago when it became clear that a strategy predicated on continued enrolment growth could not be sustained. Graduate enrolments did increase but then stabilized, and undergraduate enrolments declined slightly, as they have in other Arts and Humanities programs. Enrolments have been affected by lower demand for a career previously important to students – teaching – and media coverage that encourages students and parents to believe Arts students are having trouble in the job market, even when faced with contrary evidence.

The Faculty responded by making it a priority to build a sustainable financial platform to support strategic investments in research and teaching in the future. Departments and programs have responded creatively to the opportunities offered by the activity-based budget model, increasing service teaching, introducing some revenue generating programs, and trimming unnecessary expenses. The faculty complement has been adjusted to better match enrolments, while at the same time maintaining a competitive and viable range of programming. The Faculty is for the first time projecting surpluses in each of the next three years and expects to have positive closing appropriations by the end of the period.

#### Faculty of Business

The DeGroote School of Business has seen the realization of a number of key strategic initiatives including the launch of the EMBA in Digital Transformation, the completion and approval of the B.Comm in Integrated Business and Humanities and the opening of the Health Leadership Academy. The establishment of the Digital Transformation Research Centre is close-at-hand and the new full-time MBA program is now contemporary and competitive. These new programs and initiatives align with the McMaster's Strategic Mandate Agreement and bring the Faculty closer to the stated goal to "transform business and society."

In the coming fiscal year the Faculty will have eliminated its accumulated historical debt and will generate a surplus for the first time in many years. The challenge in the near term is to normalize the new programs and initiatives and monitor the related revenues and expenses to ensure long-term viability and success. Further investments in space, as well as expansion of full-time faculty ranks over time are needed to ensure the quality of the student experience.

The strategy has centered around revenue generation through new programs, enrolment growth and cost containment while, at the same time, ensuring that the increased expenses from new faculty, staff or services are sustainable and carry no risk to the financial viability of the Faculty. This strategy has proved successful on a financial basis. More importantly, the Faculty has, and is, actively responding to the competitive business education sector with new programs, revised curricula, enhanced service, and support structures, that create an outstanding student experience at the DeGroote School of Business.

## Faculty of Health Sciences

The Faculty of Health Sciences recognizes its role in the University's Strategic Mandate Agreement with the Ontario government, and is advancing its strategic initiatives of stabilization of research capacity, and increasing inter-professional research and educational programs. In particular, the Faculty is growing its high-demand Bachelor of Health Science program, and developing several inter-professional educational programs with other Faculties, which are designed specifically to develop the health professionals for Ontario's future.

The Faculty is feeling financial pressures associated with managing its salary and fringe benefit cost inflation, which places pressure on non-MAESD practice plan funds, research overhead and alternative funding plans. These funding sources have other negative external pressures as provincial health funds are tightened for hospitals and physicians. Further, the end of mandatory retirement has resulted in a more senior faculty complement, cutting the ability for salary savings associated with new faculty entrants. Additional cost pressure exists for the Central Animal Facility, which needs extensive repairs and has limited infrastructure funding access.

New programs that will generate increased revenue as enrolments grow are reflected in the base operating allocation. The Faculty expects to increase external recoveries and anticipates some savings from a staff review and managing open vacancies. There will also be increased use of clinical earnings and a closure of the academic Northern Stream.

## Faculty of Engineering

Engineering is committed to solving the grand challenges facing our world and improving society through a student-centered, research-focused approach to education. Key strategic initiatives of the Faculty center around improving the student experience, improving the learning environment for graduate students, strengthening faculty-student interactions, increasing the number of women in Engineering, enhancing community engagement and building the Faculty's reputation. Increasing research funding over the coming years remains a priority along with growing enrolment in both undergraduate and graduate programs.

Engineering is in a position to grow while maintaining the quality of incoming students. Investments are being made to improve physical spaces, recruit high quality faculty in priority areas, and increase experiential learning opportunities and student professional development. In addition, research programs are being bolstered and collaborations both within and outside of the Faculty are being encouraged.

The Faculty will open the Gerald Hatch Centre for Engineering Experiential Learning in 2017, which will build upon the experiential learning opportunities already available to students. Engineering has collaborated with the Faculty of Health Sciences to offer a joint Integrated Biomedical Engineering and Health Sciences program. This will grow the student population and attract more women to Engineering. Continuing to improve the student experience overall in both

undergraduate and graduate programs will further improve retention rates, and placement in the world rankings. Engineering is seeking ways to grow entrepreneurship within the Faculty. Currently being explored is the possibility of a minor in entrepreneurship, along with partnering with other groups (Innovation Factory, The Forge, Thode Library Makerspace) to leverage opportunities in this area.

## Faculty of Social Sciences

The strategic priorities of the Faculty of Social Sciences are set to improve the student experience, offer better access to programs in high demand, and enhance the ability of its faculty and trainees to conduct research in collaboration with government and community partners to address the most pressing social challenges. The opening of L. R. Wilson Hall has expanded the Faculty's capacity to offer technologically-enabled courses founded on active learning principles and will foster expanded, better-integrated experiential learning opportunities. Collaborations with the Centre for Continuing Education and Mohawk College enhance student mobility and create greater access to a full array of learners. Strategic investments in research infrastructure support state-of-the-art, community-engaged research designed to provide the evidence needed to inform policy in diverse public sector and community organizations, and will help the Faculty attract the best junior faculty and trainees to McMaster.

The major budget challenges are rising staff and faculty costs in the context of an emphasis on STEM careers over the Arts and Social Sciences.

The Faculty has developed an integrated recruitment and retention plan that includes improved marketing, outreach to secondary schools, curriculum reform, and support for targeted at-risk students. The Faculty is actively exploring alternative revenue sources. The Faculty continues to implement new budgeting procedures to identify efficiencies and new processes for allocating resources within the Faculty to ensure that the resource allocations align with strategic priorities and best address the most pressing needs. The Faculty 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

Development of the School of Interdisciplinary Science (SIS) is in its early stages, and the appointment of a new Director who will shape the school will be critical. Restructuring of the Life Sciences Program includes investment in a new laboratory that will provide students with research and experiential learning opportunities formerly not available for this program. Three new undergraduate programs are poised for growth; Applied Sciences in Human Behaviour, Neuroscience, and Medical and Biological Physics. All three programs fit our SMA institutional program strength in Science and Discovery, while the latter two also fit our strength in Medical Education and Research. The Faculty aims to address teaching demands associated with enrolment increases first (with additional teaching stream faculty), followed by significant renewal in tenure stream faculty to address the research mission.

The Faculty has historically faced significant challenges in balancing its budget, largely due to salary inflation, minimal faculty retirements, and the scale of expense associated with research infrastructure. The University-wide increase in enrolment has produced a substantial increase in revenue, resulting in a significant positive change in the Faculty's outlook.



The Faculty of Science has successfully implemented the majority of revenue-generating and cost-cutting strategies from the past two budget submissions, which has led to a balanced budget. This includes reducing the number of students in three-year programs, increasing efficiency in use of space, increasing efficiencies in staff structures, and increasing enrolment. However, enrolment increases carry a responsibility to put in place top-quality instruction for large numbers of students. The first priority will be to address this need with the addition of teaching stream faculty members. In turn, with teaching needs met, the focus will turn to much-needed tenure stream faculty renewal to address the research mission.

## Arts & Science Program

The Arts & Science program is working to enhance its national and international profile. Development of interdisciplinary collaborations with other units is an important objective, as is the provision of enhanced experiential learning and student research opportunities along with the ongoing development and sustainability of the McMaster Discovery Program. A key initiative is to involve Arts & Science alumni in the promotion of the program and to engage them in offering learning opportunities for current students within a culture of scholarly challenge and social responsibility.

The program is working carefully to establish teaching release agreements in order to achieve a robust, stable, and sustainable faculty complement, resulting in the bulk of core courses being taught by faculty members from the Faculties of Humanities, Science, and Social Sciences. The program will be absorbing the cost of modifying and moving to a new more visible location on campus. New costs around the enhanced experiential learning opportunities will also put pressure on the budget.

Investment has begun in improving alumni relations and engagement and a new interdisciplinary graduate program is under development. Finally, a move to a more desirable and spacious location on campus, as recommended in the most recent IQAP review, will take place this coming year.

## University Fund

The University Fund has the goal of supporting excellence, innovation and renewal in all areas of the University. By design, the projects supported in this way have been short-term and allocated for specific purposes with the intention that successful innovations will be funded permanently by different means, thus freeing the University Fund for new initiatives of innovation and excellence. These funds enable greater flexibility in achieving the academic mission of the University and support discovery and learning opportunities.

This fund is used to support Faculties in the transition to the new budget model and potential provincial funding corridor implications, to support unforeseen or unfunded priorities, and to seed new strategic initiatives. There is a continuing challenge to support initiatives crucial to the long-term strength of the institution in the face of short-term needs.

The Provost is actively supportive of *Forward with Integrity* initiatives. The University Fund provides funding to enable innovative projects that support university mission.

## SUPPORT UNITS

### Student Affairs

Student Affairs supports experiential learning through several initiatives, including the Forge@Mac, which focuses on student entrepreneurship, and MacAthletes Care which places hundreds of varsity athletes in the Hamilton community who educate and inspire children in grades K-12. Efforts to increase access and retention are highlighted by strengthened leadership in the Indigenous Student Services area, which aims to attract and retain more Indigenous students on campus. Improving the focus on English as a Second Language (ESL) support will increase retention of international students. The MacMoney Centre aims to improve the financial literacy of students, helping them to avoid some of the financial difficulties which contribute to attrition.

The demand for many student services, especially in areas of wellness and accommodations, continues to escalate. Even if demand was static, the costs of these services has increased beyond inflation while fees have historically only risen by inflation. The need to allocate more resources to both the Student Wellness Centre and Student Accessibility Services in order to meet demand puts the other departments at risk. The size, scope and resource needs to sustain Athletics & Recreation (A&R) and the increase approved in the March 2017 referendum may harm future efforts to increase fees for other departments if students feel that overall ancillary fees have reached a maximum threshold. The fee referendum will bring in more than \$1 million of incremental fee revenue to A&R.

A reorganization of the Student Success Centre will seek to remove approximately \$0.5 million of costs and the reallocation of the Student Life Enhancement Fund to core services will bring in approximately \$0.3 million. In addition, a new compulsory fee agreement with the McMaster Students Union will enable an increase in fees by up to 4% without going to a referendum.

### Libraries

The University Library (UL) will continue to serve as a catalyst for intellectual activity on campus and beyond. During the coming years, the UL will move aggressively on digital preservation, research data management, Makerspace and new modes of digital scholarship. The Health Sciences Library (HSL) will reimagine library services, improve student experience and foster research excellence in support of areas of institutional strength and key focus areas (infectious disease, aging). In all cases, the needs of both the local and the distributed McMaster community will inform library initiatives and help define desired outcomes.

Both libraries continue to face the ongoing problem of journal inflation, which climbs well in excess of CPI. By purchasing in large packages, the libraries can mitigate this in some areas. However, McMaster researchers need access to elite journals, which are purchased consortially, as part of binding multi-year contracts, thereby limiting the UL's ability to add or drop titles. The largest consortium, Canadian Research Knowledge Network (CRKN), link their prices to McMaster's research intensity which results in McMaster paying more than some of their much larger counterparts.

The large reduction in the value of the Canadian dollar against the U.S. dollar over the last two years has had a substantial impact on the libraries' information resources budgets. Despite several strategic actions, significant purchasing power has been lost. Going forward, the libraries will continue to work with Treasury to monitor and participate in currency mitigation strategies, with the intent of the currency impact being absorbed centrally by the University to avoid cancelling any core collections. Both libraries will pay close attention to staffing complement and

seek to achieve maximum salary gaps, and will also place increased focus on fundraising to close the revenue gap.

### **Office of the Registrar**

The Registrar's Office (RO) supports students and the teaching mission of the university. Financial aid is a key support for students in all programs and particularly in targeted groups. In all instances, the RO has a commitment of service to students, and support to Faculties and other administrative functions. Key focuses in 2017/18 are the continued integration and improvement of Mosaic and resulting processes; supporting provincial government-driven priorities including the New Ontario Student Grant, which will require developing a new framework to calculate net tuition; and the Pathways ONTransfer initiative, which will foster collaboration with colleges.

The most significant pressure facing the RO continues to be working with existing staffing resources to continue to deliver to expectations in the face of rising salary and benefit costs, increased resource pressures to support, maintain, enhance and upgrade Mosaic, and increased resource demands to support an increasing student population.

The RO continues to look for other cost-saving measures to meet budget constraints without affecting service. This includes changing the method of delivery of some services (e.g. electronic vs. paper confirmations of enrolment) which allows the department to maintain service levels without additional costs. Managers also work collaboratively across all units to support each other during peak activity periods.

### **School of Graduate Studies**

The School of Graduate Studies works in concert with the Faculties to achieve their 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 also clearly articulate the alignment between the proposal and the University's SMA.

The accumulated appropriations for this unit will be used for additional resource support toward continued improvement of Mosaic and its related processes to improve the graduate application, onboarding and support processes. The SMA priority for graduate enrolment growth will put significant demands on the graduate scholarship budget if growth is attained. The Graduate Scholarship envelope is a fixed amount, and therefore the amount of funding available per student will have to decrease.

The primary focus of the next academic year will be communication, documentation and training on all graduate-facing Mosaic sustainment activities.

### **Paul R. MacPherson Institute for Leadership, Innovation and Excellence in Teaching**

The MacPherson Institute's mandate is particularly strong in supporting the SMA goals of producing research with high societal impact, where the MacPherson Institute is changing the delivery and measurement of teaching and learning, and in experiential and technology-enabled learning which is the MacPherson Institute's most in-demand on-campus service. The MacPherson Institute is implementing programs this year that will increase significantly the Institute's impact on SMA goals related to underrepresented groups and student mobility, while its core services continue to serve McMaster's growth areas and enable enrolment growth.

Following a period of organizational change, the MacPherson Institute is now consolidating and refining its operations, plans and budget as the emphasis shifts to service delivery and research excellence. Budget challenges include solidifying ongoing funding or identifying new funding sources. Meeting growing demand for service, particularly in technology, and maintaining strength in the MacPherson Institute's ambitious quality assurance plan represent significant challenges.

The MacPherson Institute continues to pursue a vision which includes supporting distinguished scholars, conducting world-class research, delivering prominent colloquia, helping McMaster's leading teachers increase their profiles, expanding a granting program for teaching initiatives, building and testing innovative physical learning environments, creating a new model for integrating students into the MacPherson Institute's functions, and building a strong local and international outreach program.

## Research Envelope

A new VP Research (VPR) was appointed effective July 1, 2016. Dr. Baker is committed to developing a new strategic research plan. The new plan will be in consultation with the Faculties, and will assist in identifying strategic priorities for future research. Centres and institutes supported by the VPR office will be reviewed to ensure that they are active, that resources are being maximized, and that they are creating interdisciplinary opportunities across the board.

Providing support to research initiatives created significant cost pressure in the VPR Discretionary Fund Envelope. In order to address this issue and continue to support research, the budget model allocation has now been increased to 10% of funding for Indirect Costs of Research (ICR) in 2017/18. Spending for research support from the VP Research Discretionary Fund and the VPR Discretionary Costs Program (Research Envelope) has been budgeted to achieve a balanced position.

## University Technology Services (UTS)

Strategic initiatives currently underway include systems renewal and data integration; a renewed focus on service delivery; modernization and simplification of infrastructure; and technology risk mitigation. Mosaic PeopleSoft automated many operational activities and continued system, and process improvements will be the focus for 2017/18 and beyond. The Business Intelligence project aims to measure and report data relating to research awards, student access, retention and success, and more.

Current budget challenges include attracting staff with the necessary PeopleSoft skills; unfavourable U.S. 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 working with HR to attract and retain key personnel, prioritizing deferred infrastructure maintenance, reviewing all contracts for cost-saving opportunities, enacting and enhancing cost recovery programs, and assessing and implementing recommendations from IT Services Review.

## IT SERVICES REVIEW

The IT services review completed in 2016/17 will result in new governance and scope changes being implemented in 2017/18. A multi-tiered governance model will be introduced, thematically organized around research, academic, administrative, infrastructure and security needs. The scope of the new governance model is campus-wide systems with broader planning, more

consolidated funding strategies and project prioritization. The top or Tier 1 governance committee is an executive committee involving Vice Presidents, some of the thematic committee chairs and a new position of Chief Technology Officer, who will lead the IT unit following the Chief Information Officer's retirement.

## Administration and Facility Services

The Administration envelope continues to operate within its budget allocation at a staffing level equal to that of a decade previously by virtue of drawdown of appropriations to handle increased demand and a realignment of resourcing. As reflected in benchmarks, preliminary service surveys and employee engagement results, the operating pressure is strong. Administration continues to look at new ways to leverage Mosaic and improve efficiency.

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 an update of the 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 was built on the priorities outlined within *Forward with Integrity* and McMaster's Strategic Mandate Agreement (SMA). The UA business plan is designed to support these objectives with a strong emphasis on internationalization, Indigenous programs and research, supporting a distinctive student experience and the needs of the research enterprise. The university priorities all require resources, strong relationships with key stakeholders, including government, donors and alumni, and a robust university reputation. By working as an integrated UA team, each area within the portfolio 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 2019/20.

UA supports McMaster and the SMA priorities by delivering our creative and leading advancement programs. UA will continue to focus on the key success factors of building McMaster's reputation, relationships and resources. UA will continue to play a lead role in the University's marketing and branding exercise as McMaster recognizes that the strength of its brand is integral to the achievement of its institutional objectives in the increasingly competitive post-secondary environment. Public Affairs (formerly Government Relations) continues to work with both the provincial and federal governments to influence policy and secure investment. In addition, UA will begin to prepare for a research revenue generating initiative by assessing readiness and evaluating current structures.

## University Brand

The goal of the brand marketing strategic plan is to communicate more broadly McMaster's reputation in support of the University's priorities. Program goals are:

- To differentiate and promote McMaster as a highly recognized research-intensive university within the competitive national and international rankings environment;

- To build McMaster's reputation to support the University's ability to increase the resources from a variety of sources including government, industry and donors; and
- To tell the McMaster story and promote the impact of the University as a research-focused student-centered university in order to attract the best faculty, students and staff.

A strong brand told through the stories of the University allows people across McMaster to consistently share McMaster's common purpose – who we are, what we stand for and what is unique and truly differentiates McMaster from other universities. When strategically developed, the University's brand is a valuable asset that can be utilized by all areas of the University and that supports McMaster's ability to achieve its goals and priorities as outlined within *Forward with Integrity* and McMaster's Strategic Mandate Agreement.

Priorities associated with branding are supported by a Steering Committee along with extensive University stakeholder consultations. The following strategic initiatives have been identified as being among the top priorities:

- Develop and implement a website strategy to strengthen McMaster's digital presence;
- Develop the stories and materials that differentiate McMaster and highlight the impact of University research;
- Expand McMaster's share of voice through a balanced approach of earned media coverage and paid media including a coordinated social media strategy;
- Create the tools, frameworks and brand advisory services to help all areas of the University incorporate and strengthen McMaster's brand utilizing a new creative platform;
- Work with the Rankings Steering Committee to create a comprehensive rankings strategy to strengthen reputational rankings results; and
- Generate on-campus understanding and pride in the McMaster brand.

## RESULTS BY FUND

### OPERATING FUND

Table 3: Operating Fund Summary

(\$ thousands)	Operating Fund		2016/17 Variance		Operating Fund		
	2016/17 Budget	2016/17 Projection	Favourable/ (Unfavourable)		2017/18 Budget	2018/19 Plan	2019/20 Plan
<b>Sources of Funding:</b>							
Provincial grants	227,772	233,648	5,876	2.6%	236,186	237,083	237,361
Tuition	251,692	266,033	14,341	5.7%	287,847	308,740	327,029
Research overhead income	22,384	25,485	3,101	13.9%	25,396	25,177	24,674
Investment income	13,526	13,366	(160)	-1.2%	13,168	12,901	12,634
Other income	75,746	86,192	10,446	13.8%	86,444	86,235	87,120
<b>Total sources of funding</b>	<b>591,119</b>	<b>624,724</b>	<b>33,605</b>	<b>5.7%</b>	<b>649,041</b>	<b>670,136</b>	<b>688,818</b>
<b>Expenditure:</b>							
Salaries, wages and benefits	419,949	429,164	(9,215)	-2.2%	448,263	467,681	482,262
Utilities and maintenance	40,557	40,679	(122)	-0.3%	39,680	37,918	39,377
Equipment and renovations	31,755	36,761	(5,006)	-15.8%	39,694	33,706	35,207
Scholarships, bursaries and work study	29,903	29,670	233	0.8%	29,770	30,335	30,482
Library acquisitions	12,530	12,310	220	1.8%	12,760	13,250	13,764
Debt and financing charges	17,169	18,160	(991)	-5.8%	18,039	19,618	19,453
All other expenses	57,102	53,363	3,739	6.5%	59,403	65,952	70,367
<b>Total expenditures</b>	<b>608,965</b>	<b>620,107</b>	<b>(11,142)</b>	<b>-1.8%</b>	<b>647,609</b>	<b>668,460</b>	<b>690,912</b>
<b>Total surplus (deficit)</b>	<b>(17,846)</b>	<b>4,618</b>	<b>22,463</b>	<b>125.9%</b>	<b>1,432</b>	<b>1,676</b>	<b>(2,094)</b>
Fund balances, beginning of year	62,063	72,623	10,560	17.0%	77,241	78,673	80,349
<b>Fund balances, end of year</b>	<b>44,218</b>	<b>77,241</b>	<b>33,023</b>	<b>74.7%</b>	<b>78,673</b>	<b>80,349</b>	<b>78,255</b>

### Outlook for 2016/17

As shown in Table 3, in 2016/17 the Operating Fund is projected to have an in-year surplus of \$4.6 million attributed to a structural surplus of \$19.6 million, offset by net one-time and non-recurring expenditures of \$15.0 million. The surplus represents an improvement of \$22.5 million compared to the original budget, primarily due to greater than expected enrolment.

- Grants and tuition are favourable by a total of \$20.2 million due to greater than expected enrolment.
- Research overhead income is favourable by \$3.1 million due to higher contract overhead and royalty income.
- Other income is favourable by \$10.4 million primarily due to higher non-degree grants and tuition (\$4.3 million) and reclassification of income from programs previously included in Specifically Externally Funded (\$4.8 million).
- Salaries, wages and benefits are unfavourable by \$9.2 million, due to additional resources required to accommodate higher enrolment, as well as reclassification of Specifically Externally Funded programs.
- Equipment and renovations expense is unfavourable by \$5.0 million due to additional transfers for capital projects such as the addition to ABB, parking expansion at the Ron Joyce Centre, the Gerald Hatch Centre, as well as lab and research facility renovations, .
- Debt and financing expense are unfavourable by \$1.0 million due to additional payment on the MARC loan.



- All other expenses are favourable by \$3.7 million due to lower contingency spending.

## 2017/18 Budget

In 2017/18 the Operating Fund surplus of \$1.4 million (or 0.2% of revenue) is budgeted, down from 2016/17 as increased revenue is offset by greater increased expenses. Highlights compared to 2016/17 projection are:

- Total sources of funding will increase by \$24.3 million (3.9%):
  - Grant revenue is expected to increase slightly with the new provincial funding formula.
  - Tuition growth of \$21.8 million (8.2%) reflects both applied tuition rate caps and enrolment growth, including level 1 intake of additional students on completion of Wilson Hall.
  - Research overhead income and other income are expected to remain flat.
  - Investment income will decline slightly as the balance of proceeds of the \$120 million bond issue are utilized for capital projects.
- Operating expense will increase by \$27.5 million (4.4%):
  - Salaries, wages and benefits increase by \$19.1 million (4.5%) primarily from faculty renewal, but also reflecting decrease in recoveries.
  - Utilities and maintenance will decrease by \$1.0 million (2.5%) due to expected savings from hydro consumption reduction initiatives and implementation of a co-generation plant.
  - Equipment and renovations will increase \$2.9 million (8.0%) for computing acquisitions for intrusion prevention and detection, identity and access management, and the eProcurement project.
  - Scholarships, bursaries and work study will slightly increase by \$0.1 million (0.3%).
  - Library acquisitions will increase by \$0.5 million (3.7%), due to inflationary increases and unfavourable U.S. dollar exchange rates.
  - Debt and financing expense will slightly decrease by \$0.1 million (0.6%).
  - Other expenses will increase by \$6.0 million (11.3%), primarily due to anticipated strategic initiatives.
- Appropriations increase by 1.9% to \$78.7 million at April 2018.

Supporting details by envelope are available in Appendix A.



## 2017/18 ONGOING VS. ONE-TIME RESULTS

Table 4: Operating Fund Ongoing and One-time Results

(\$ thousands)		2016/17 Budget	2016/17 Projection	2017/18 Budget	2018/19 Plan	2019/20 Plan
<u>Ongoing:</u>						
Allocated income		508,522	529,672	554,395	576,474	595,102
Other income		77,863	89,236	90,583	89,948	90,344
Total revenue		586,385	618,908	644,978	666,422	685,446
Expenditures		575,334	599,274	628,462	659,237	680,475
Surplus (deficit)		11,051	19,634	16,517	7,185	4,971
% of revenue		1.9%	3.2%	2.6%	1.1%	0.7%
<u>One-time:</u>						
Allocated income		4,059	3,899	3,701	3,434	3,167
Other income		675	1,917	362	280	(1,211)
Total revenue		4,734	5,816	4,063	3,714	1,956
Expenditures		33,631	20,832	19,147	9,223	9,021
Surplus (deficit)		(28,897)	(15,016)	(15,084)	(5,509)	(7,065)
<b>Total surplus (deficit)</b>		<b>(17,846)</b>	<b>4,618</b>	<b>1,432</b>	<b>1,676</b>	<b>(2,094)</b>
Opening appropriations		62,063	72,623	77,241	78,673	80,349
<b>Ending appropriations</b>		<b>44,218</b>	<b>77,241</b>	<b>78,673</b>	<b>80,349</b>	<b>78,255</b>

The budget shows a structural surplus across the planning horizon. Increases in ongoing expenses are mainly either strategic investments like faculty renewal or unavoidable costs. One-time costs include:

- \$7.1 million campus-wide for systems enhancement and equipment, including implementation of Business Intelligence and eProcurement.
- \$8.8 million for capital projects including the Hatch Centre, RJC renovations, space refurbishment for new and existing DSB space, ABB addition, and accessibility upgrades.
- \$0.5 million for research support.

One-time expenses are projected to decline in 2018/19 as current capital projects are completed.

## REVENUE

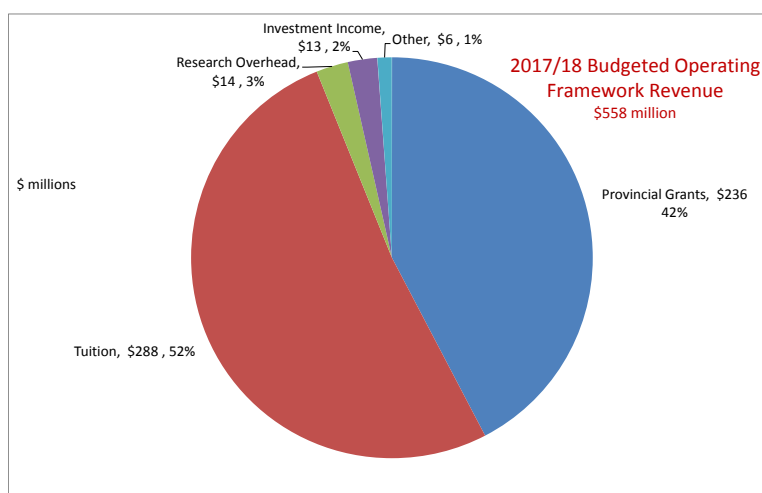
Table 5: Growth and Diversification of the Operating Revenue Base

(\$ thousands)

	2016/17 Budget	2016/17 Projection	2017/18 Budget	2018/19 Plan	2019/20 Plan
Provincial Grants	227,772	233,648	236,186	237,083	237,361
Tuition	251,692	266,033	287,847	308,740	327,029
Research Overhead Income	22,384	25,485	25,396	25,177	24,674
Investment Income	13,526	13,366	13,168	12,901	12,634
Other Income	75,746	86,192	86,444	86,235	87,120
<b>Total Sources of Funding</b>	<b>591,119</b>	<b>624,724</b>	<b>649,041</b>	<b>670,136</b>	<b>688,818</b>
<b>Percentage change</b>		<b>5.7%</b>	<b>3.9%</b>	<b>3.3%</b>	<b>2.8%</b>

Strengthening and diversifying the operating revenue base continues to be an important financial objective for McMaster University. Total 2017/18 operating revenue is currently projected to be \$649.0 million, up by 3.9% over the 2016/17 projection. This is primarily due to increased tuition revenue associated with increased enrolment.

Figure 2: 2017/18 Operating Fund Revenue



## Provincial Government Grants

\$236.2 million

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 new provincial formula aligns existing funding levels with three components - the Core Operating Grant based on enrolment, differentiation funding based on outcomes, and special purpose grants. Under the corridor model, domestic enrolment above the midpoint will not be funded, and recoveries are made for international students.

## Tuition Income

\$287.8 million

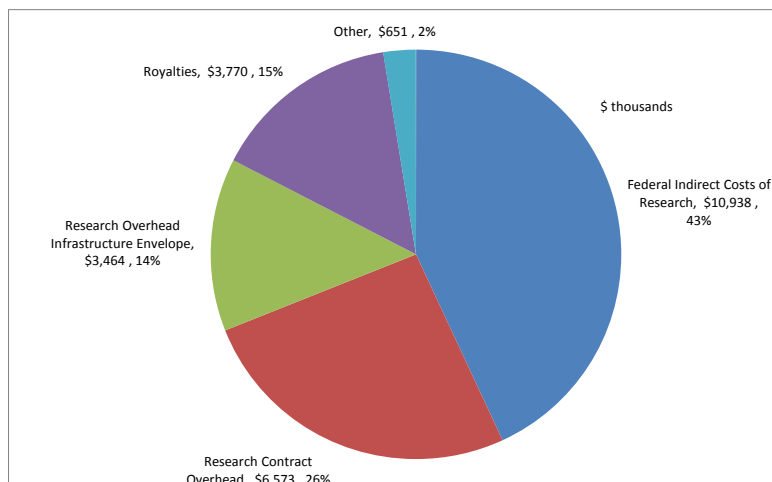
Based on the enrolment targets outlined previously and the current tuition framework, total 2017/18 tuition income is projected to increase by \$21.8 million (8.2%) from the 2016/17 projection. This increase is a combination of estimated enrolment growth and allowable domestic and international rate increases which vary between 0% and 6% with an overall cap of 3% for domestic students. The tuition framework is in effect until 2018/19. 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.

### Research Overhead Income

\$25.4 million

Figure 3: 2017/18 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 3.

### Investment and Other Income

\$99.6 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.

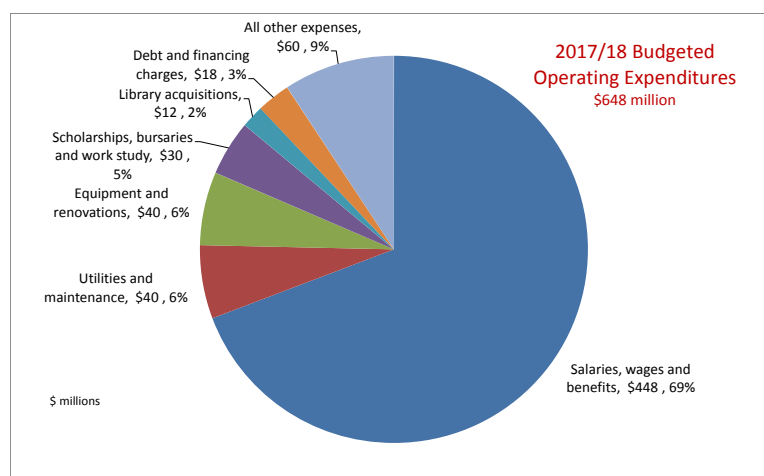
## EXPENDITURES

Table 6: Expenditure Growth

(\$ thousands)					
	2016/17 Budget	2016/17 Projection	2017/18 Budget	2018/19 Plan	2019/20 Plan
Salaries, wages and benefits	419,949	429,164	448,263	467,681	482,262
Utilities and maintenance	40,557	40,679	39,680	37,918	39,377
Equipment and renovations	31,755	36,761	39,694	33,706	35,207
Scholarships, bursaries and work study	29,903	29,670	29,770	30,335	30,482
Library acquisitions	12,530	12,310	12,176	12,642	13,133
Debt and financing charges	17,169	18,160	18,039	19,618	19,453
All other expenses	57,102	53,363	59,987	66,559	70,998
<b>Total Expenditures</b>	<b>608,965</b>	<b>620,107</b>	<b>647,609</b>	<b>668,460</b>	<b>690,912</b>
<b>Percentage change</b>		<b>1.8%</b>	<b>4.4%</b>	<b>3.2%</b>	<b>3.4%</b>

Expenditures budgeted for 2017/18 total \$647.6 million, of which 69.2% relates to compensation costs.

Figure 4: 2017/18 Operating Fund Expenditures



**Salaries, Wages and Benefits** **\$448.3 million**

- Salaries, wages and benefits will increase by \$19.1 million (4.5%) in 2017/18 over the 2016/17 projection.
- Attention continues to be focused on controlling pension and other post-retirement benefit costs through labour negotiations.
- Faculty renewal is planned as a result of increasing enrolment and some expected retirements.

**Utilities and Maintenance** **\$39.7 million**

- The cost of maintaining and operating the physical infrastructure represents 6.0% of operating costs. Funding increments of \$2 million per year allocated to deferred maintenance reached steady state in 2016/17 at 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 largest cost pressure is the increase in electricity rates.
  - The Global Adjustment charge to account for provincial capital expenditures was \$5.1 million in 2016/17, almost 15% higher than originally estimated.
  - The Ontario Cap and Trade System, intended to reduce Ontario greenhouse gas emissions by establishing a market-based pricing system for energy consumption-associated CO<sub>2</sub> emissions, was introduced in 2017. The estimated impact of \$0.4 million in 2017/18 should decline to \$0.3 million in 2018/19 with the completion of the combined heat and power system project.

#### Equipment and Renovations \$39.7 million

- Major equipment purchases are planned for Business Intelligence, eProcurement, and computing infrastructural renewal.
- Additional renovations include the DeGroote School of Business, and the addition to the Arthur Bourns Building.

#### Scholarships, Bursaries and Work Study \$29.8 million

- A variable allocation has been established to ensure that the obligations for provincial Tuition Set Aside and Student Access Guarantee are met.
- The scholarships budget supports entrance and in-course, scholarships, bursaries, and work programs. The level of support provided to students through each aid program is adjusted to ensure that disbursed funds remain within the allocated budget.

#### Library Acquisitions \$12.8 million

- Prices for information resources increase at a rate above inflation, exacerbated by exchange costs on the declining Canadian dollar. Mitigation strategies include locking in preferred rates for materials and analysis of cost per use to enable informed decisions on purchases. In addition, an internal hedge at the long-term U.S. exchange rate will be established in 2017/18.

#### Debt and Financing Costs \$18.0 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).

**All Other Expenses****\$59.4 million**

- This line represents 9.2% of operating budget costs, and includes a broad range of supplies and other expenses not categorized elsewhere.
- The 2017/18 budget increases by \$6.0 million (11.3%) compared to 2016/17 due to expected strategic initiatives facilitated by the University Fund.

**2017/18 OPERATING FUND BUDGET CONCLUSIONS**

The Operating Fund is structurally balanced, with a surplus of \$1.4 million after net one-time expenditures of \$15.1 million, 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 program launches and redesigned curricula. Marketing initiatives will be implemented 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.

**2018/19 AND 2019/20 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 university sector pension plan

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	
	2016/17 Projection	2017/18 Budget
<b>Revenue</b>		
Ancillary sales and services	76,576	80,099
<b>Total revenues</b>	<b>76,576</b>	<b>80,099</b>
<b>Expenses</b>		
Salaries, wages and benefits	25,885	27,185
All other expenses	32,011	31,293
Transfers to (from) other funds*	14,738	15,757
Debt and financing charges	4,500	5,058
<b>Total expenses</b>	<b>77,135</b>	<b>79,293</b>
<b>Excess of revenues over expenses</b>	<b>(559)</b>	<b>807</b>
Fund balances, beginning of year	12,633	12,320
<b>Fund balances, end of year</b>	<b>12,074</b>	<b>13,126</b>

\*Including transfers to capital

## Campus Store

Learning in the classroom continues to evolve as new tools for teaching and assessment are introduced to the educational marketplace. Materials used to facilitate this learning come in a variety of formats that support different learning styles. The Campus Store works closely with faculty, providing students with a variety of course material options to support the learning experience. The Campus Store has the ability to deliver dynamic digital content as well as traditional physical textbooks. Materials include both paid and free content published by faculty members or sourced from major publishers.

With the rise in online learning and the introduction of dynamic content and ebooks, the unit sales of print materials are on an ongoing decline. The sale of course materials still generates enough funding to offset expenses associated with supporting the University course list and staff sourcing. The store also offers general reference materials, alumni and faculty publications, and trade/general reading materials, the costs of which are offset by other sales.

For 2017/18, the Campus Store will be focused on broader outreach and community engagement; working with community partners to move strategic objectives forward while exploring new business opportunities for the University.

## Center for Continuing Education (CCE)

CCE must secure its position as a leader in online learning for working adults in the province and elsewhere. It must judiciously develop new programs, including ones that are market-driven and innovative in nature, while ensuring a superior experience for all CCE students and instructors. It must support adult learners including new Canadians and identify new pathways to increase mobility to bring learners to McMaster through the CCE door. There is a strong focus on offering

health-related programs (e.g. health informatics, addictions education) and community-facing programs (e.g. Leadership in Community Engagement) as ways of targeting and improving the community health of Hamilton.

The most significant challenge for CCE is an increasingly crowded online marketplace. This situation generates pressure to differentiate online learning at McMaster CCE, and to invest in support for this type of learning. Changes in professional standards and accreditation requirements impact programing as well.

In order to ensure CCE's fiscal and programmatic strength, a comprehensive marketing plan using diverse strategies, including social and digital media, has been launched. The use of a rigorous approach to the development/closure of programs is being continued, along with careful monitoring of market trends and research into skills gaps in Canada. Other planned actions include exploration of increased partnerships with McMaster Faculties and Institutes, investigation of new pathways for students, monitoring of new face-to-face and blended learning programs to determine if additional markets are possible by adapting such programs, and design and implementation of supports for existing students to retain them.

## 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 involves deeper department integration with the community it serves and provides 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 pricing amongst peer universities is a testament to the resourcefulness and the innovation of the department over time. However, it will be necessary for the department to move to a more sustainable level of pricing to attain 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 ongoing financial challenges to be managed.

While the pressures of cost and price create budget challenges, the commitment to diligently work to assess and validate our approach and take corrective actions will keep Hospitality Services at the forefront of its peer sector across the Canadian universities marketplace. Actions for new value-driven revenue streams include a review of meal plan pricing, continued review and implementation of trending and innovative concepts, initiatives to address loss units, social media marketing, gift card programs, and collaboration with internal partners to develop an integrated marketing strategy. Operational efficiencies will be driven through a streamlined purchasing approach.

## 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 to maintain a high standard of upkeep.

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 deferred maintenance projects and new infrastructure needs using long-term central bank loans.

Future activities include planning for new residence beds in an on-campus 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, as well as planning for two off-campus residences.

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

MPS's strategic initiatives are focused on earned revenue generation through competitive pricing and high-quality products and service, with an overall view to retiring historical debt accumulated prior to a major right-sizing restructuring of equipment and supporting personnel. A key strategy for MPS is to continue to seek University-side support for a centralized print management policy, which relies on MPS as the internal/external-source lead for all media and print needs.

Overall, the lower demand for printing and increased marketplace competition challenge MPS operations. Revenue from custom courseware declined 25% largely due to adopting the Fair Dealing Policy, which enables more content to be made available without copyright, encouraging greater use of free electronic dissemination methods, such as Avenue 2 Learn. Fleet photocopier revenues have also begun to decline with the increased adoption of scanning to file versus traditional print to file activities. Finally, approximately \$0.4 million in revenue from a long-standing Mohawk partnership will cease in 2017/18 due to Mohawk establishing its own MPS-like department services. Despite these challenges, MPS plans to deliver a surplus for the fourth consecutive year.

In 2017/18, MPS will increase its media design rate (still below market value) and its photocopier cost per copy. Systems and procedures are being streamlined with a focus on continuous improvement while maintaining and generating new revenue streams.

### **Parking and Transit Services**

Parking and Transit Services (PTS) strives to provide the University community and visitors with a safe and well maintained parking and transit infrastructure. The department supports McMaster in matters of sustainability, accessibility and alternative modes of transportation with initiatives like bioswales and riparian barriers, the PEASY mobile application, electric vehicle charging stations, Braille sidewalks, and new underground parking in Wilson Hall and the Living and Learning Centre to handle growing demands. PTS will continue to financially support and improve areas around campus including repairs and replacement of sidewalks, curbs and roadways.

Budget challenges include debt repayments on loans for new lots, loss of income as existing ground-level parking spaces are closed during new building construction, and continuing commitment to capital expenditures for improving roadway and sidewalk infrastructure.

## RESEARCH FUND

Table 8: Research Fund Summary

(\$ thousands)		
	Research Fund	
	2016/17 Projection	2017/18 Budget
<b>Revenue</b>		
Research grants and contracts	188,000	190,000
<b>Total revenues</b>	<b>188,000</b>	<b>190,000</b>
<b>Expenses</b>		
Salaries, wages and benefits	101,000	109,000
All other expenses, including capital	67,000	73,000
Transfers to (from) other funds	(10,985)	(10,163)
<b>Total expenses</b>	<b>157,015</b>	<b>171,837</b>
<b>Excess of revenues over expenses</b>	<b>30,985</b>	<b>18,163</b>
<b>Fund balances, beginning of year</b>	<b>198,518</b>	<b>229,503</b>
<b>Fund balances, end of year</b>	<b>229,503</b>	<b>247,666</b>

The 2016/17 Research Fund projection is \$188 million, which is based on research revenue receipted, including revenue received for future periods, net of hospital research. The projection is \$7 million higher than the original budget in relation to additional health science research grants received in the fiscal year. The budget for 2017/18 is conservatively estimated at \$190 million.

## TRUST FUNDS AND INTERNALLY RESTRICTED ENDOWMENT FUNDS

Table 9: Trust Funds Summary

(\$ thousands)		
	Trust Fund	
	2016/17 Projection	2017/18 Budget
<b>Revenue</b>		
Other revenues	65,586	53,660
Investment income (loss)	22,312	22,843
<b>Total revenues</b>	<b>87,898</b>	<b>76,503</b>
<b>Expenses</b>		
Salaries, wages and benefits	26,800	27,586
All other expenses, including capital	17,913	18,376
Transfers to (from) other funds	16,439	16,874
<b>Total expenses</b>	<b>61,152</b>	<b>62,836</b>
<b>Excess of revenues over expenses</b>	<b>26,746</b>	<b>13,667</b>
<b>Fund balances, beginning of year</b>	<b>503,787</b>	<b>530,533</b>
<b>Fund balances, end of year</b>	<b>530,533</b>	<b>544,200</b>

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 \$54 million in donations and grants budgeted for fiscal 2017/18, almost 95% are expendable and will

be spent in the year received. The remaining 5% are endowed and will remain held in perpetuity with capital preservation rules increasing the endowed balance for cost inflation annually.

The 2016/17 investment income on endowed trust funds is projected to be 5.4% after inflation and fees (together approximating just over 2%). For planning years 2018/19 and 2019/20 a rate of 5.4% after inflation and investment management fees has been used. In 2016/17 endowed trust fund donations are projected to be approximately \$7.1 million, for the 2017/18 budget \$4.6 million has been used, reflecting a decline in endowed giving offset by an increase in expendable giving.

Scholarship and bursaries provided from trust income are budgeted at approximately \$17 million.

**Table 10: Endowment Funds Summary**

(\$ thousands)		
	Endowment Fund	
	2016/17 Projection	2017/18 Budget
<b>Revenue</b>		
Other revenues	100	100
Investment income (loss)	6,905	7,028
Investment income transfer	(4,521)	(4,521)
<b>Total revenues</b>	<b>2,484</b>	<b>2,607</b>
<b>Expenses</b>		
Transfers to (from) other funds	200	500
<b>Total expenses</b>	<b>200</b>	<b>500</b>
<b>Excess of revenues over expenses</b>	<b>2,284</b>	<b>2,107</b>
Fund balances, beginning of year	127,872	130,156
<b>Fund balances, end of year</b>	<b>130,156</b>	<b>132,263</b>

Internally Restricted Endowments (Endowment Funds) include unrestricted donations, bequests and other contributions which have been restricted by the Board of Governors. The funds are invested in the University's long-term investment pool. The Dr. H. L. Hooker Endowment (approximately \$60 million) is included as internally restricted for use to advance the University's mission. An annual allocation of \$4.5 million from the Hooker Endowment is made to the Operating Fund each year and distributed to Faculties. Additional Operating Fund support comes from other funds typically totaling another \$4.5 million annually. In 2015/16, a further commitment of five one-time transfers of \$3 million to the Operating Fund has been made, subject to funding availability, related to investment reserves generated from the long-term investment pool.

## CAPITAL PROJECTS AND FINANCING

Table 11: Capital Fund Summary

(\$ thousands)		
	Capital Fund	
	2016/17 Projection	2016/17 Budget
<b>Revenue</b>		
Operating grants	3,831	2,732
Other revenues	18,232	60,921
<b>Total revenues</b>	<b>22,063</b>	<b>63,653</b>
<b>Expenses</b>		
All other expenses, including capital	85,093	185,311
Transfers to (from) other funds	(31,492)	(27,730)
Debt and financing charges	(10,961)	(10,047)
<b>Total expenses</b>	<b>42,639</b>	<b>147,534</b>
<b>Excess of revenues over expenses</b>	<b>(20,577)</b>	<b>(83,880)</b>
<b>Fund balances, beginning of year</b>	<b>130,085</b>	<b>109,508</b>
<b>Fund balances, end of year</b>	<b>109,508</b>	<b>25,628</b>

### Capital Fund Projects<sup>9</sup>

Spending in the Capital Fund includes major building and renovation projects as costs are incurred. 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/spring 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 2016/17 and 2017/18, as well as repayments of internal capital loans. The updated capital projection (\$85.1 million) is lower than the original budget (\$101.6 million) due to slower than expected spending on some key projects. For 2017/18, spending on capital projects will increase to \$185.3 million, reflecting investment in three residence projects, significant construction in connection with the Strategic Investment Fund, and several ongoing projects (such as, the Energy Management Plan, Fraunhofer Center and deferred maintenance).

<sup>9</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: 2016/17 Capital Projection

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			
ABB - SIF		\$6,000	\$1,500	\$7,500	\$6,000	\$1,500
Energy Management Projects and Sustainability				-	\$7,580	(\$7,580)
Def. Maintenance and Facility Renewal Program	\$3,831		\$11,201	\$15,032	\$13,300	\$1,732
Fraunhofer Center IZI at MIP		\$2,000		\$2,000	\$6,572	(\$4,572)
L.R. Wilson Hall				-	\$13,785	(\$13,785)
Living and Learning Centre				-	\$9,380	(\$9,380)
McMaster Health Campus				-	\$4,320	(\$4,320)
Ron Joyce Centre 4th Floor Completion				-	\$1,020	(\$1,020)
SANS for Nanostructured Materials		\$162		\$162	\$3,500	(\$3,338)
Stadium Renovation - Turf		\$500		\$500	\$1,011	(\$511)
The Gerald Hatch Centre		\$9,386	\$1,344	\$10,730	\$9,386	\$1,344
Thode Library Renovations				-	\$1,141	(\$1,141)
CFI Projects				-	\$4,000	(\$4,000)
Other Future Projects		\$183	\$13,547	\$13,730	\$4,099	\$9,631
<b>Capital Projects</b>	<b>\$3,831</b>	<b>\$18,232</b>	<b>\$27,592</b>	<b>\$49,655</b>	<b>\$85,093</b>	<b>(\$35,438)</b>

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

\$10,961  
\$3,900  
(\$20,577)

Table 13: 2017/18 Capital Budget

2017/18 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			
ABB - SIF		\$32,932	\$1,750	\$34,682	\$46,220	(\$11,538)
Classroom Reconfiguration Plan				-	\$2,480	(\$2,480)
Def. Maintenance and Facility Renewal Program	\$2,732		\$11,216	\$13,948	\$12,200	\$1,748
Energy Management Projects and Sustainability		\$7,737		\$7,737	\$11,215	(\$3,478)
Fraunhofer Center IZI at MIP		\$10,311		\$10,311	\$10,311	-
L.R. Wilson Hall				-	\$5,000	(\$5,000)
Living and Learning Centre				-	\$40,000	(\$40,000)
McMaster Health Campus				-	\$2,000	(\$2,000)
SANS for Nanostructured Materials		\$1,676		\$1,676	\$5,102	(\$3,426)
Bates Retrofit				-	\$2,500	(\$2,500)
CPDC at MIP		\$5,000		\$5,000	\$5,000	-
CFI Projects				-	\$4,000	(\$4,000)
Graduate Student Residence Partnership				-	\$12,884	(\$12,884)
Home of the Bertrand Russell Archive				-	\$1,000	(\$1,000)
Mills Library Renovations		\$2,000		\$2,000	\$2,000	-
Research Capital Commercialization Project				-	\$5,000	(\$5,000)
Traymore Residence Partnership				-	\$3,500	(\$3,500)
Other Future Projects		\$1,266	\$10,864	\$12,130	\$14,900	(\$2,770)
<b>Capital Projects</b>	<b>\$2,732</b>	<b>\$60,921</b>	<b>\$23,830</b>	<b>\$87,484</b>	<b>\$185,311</b>	<b>(\$97,827)</b>

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

\$10,047  
\$3,900  
(\$83,880)

## Capital Financing

As noted above, not all projects are fully funded at the time of construction. Interim and long-term financing is provided by a University central bank process. The University long-term Capital Plan informs the multi-year financial projections (on an accrual basis) annually, along with other information, to produce the Debt Strategy Report (DSR), which balances the University's financial

health outlook based on strategic priorities and associated funding needs. The outcome of the DSR, which includes debt policy, credit rating, and Ministry financial monitoring ratios and metrics, informs the recommendation and timing of any additional external borrowing to replenish the central bank process. Additional external borrowing was recommended in the fall of 2015, resulting in the University issuing a 50-year bond on November 26, 2015. This borrowing has replenished the central bank for key projects, such as the Living Learning Centre. Additional borrowing needs are examined annually. Future 30-year borrowing is being considered to supplement the central bank by 2020, dependent on future strategic priorities being approved between 2017/18 and 2019/20. McMaster has debt retirement investment funds (sinking funds) for bonds it has issued in 2002 and 2015 which are monitored annually and disclosed in the University's financial statements.

## SPECIFICALLY EXTERNALLY FUNDED

Table 14: Specifically Externally Funded Summary

(\$ thousands)		
	Specifically Externally Funded	
	2016/17 Projection	2017/18 Budget
<b>Revenue</b>		
Other revenues	32,947	32,866
<b>Total revenues</b>	<b>32,947</b>	<b>32,866</b>
<b>Expenses</b>		
Salaries, wages and benefits	25,356	23,876
All other expenses	10,451	9,255
Transfers to (from) other funds	(318)	(147)
<b>Total expenses</b>	<b>35,490</b>	<b>32,984</b>
<b>Excess of revenues over expenses</b>	<b>(2,542)</b>	<b>(118)</b>
Fund balances, beginning of year	9,186	6,643
<b>Fund balances, end of year</b>	<b>6,643</b>	<b>6,525</b>

Externally-restricted funds other than research, trust or capital are tracked in a separate fund. Programs managed in this fund are funded by external sponsors such as the Ministry of Health and Long-Term Care and the Ontario Online Initiative, and 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; and
- 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 required 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 reserve income earned/(lost) on internal endowments, which are funds not already transferred to the Operating Fund, are 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	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Statement of Operations</b>					
<i>Excess/(Deficit) of Operating Fund Revenues over Expenses</i>	4,424	4,618	1,432	1,676	(2,094)
+ CapEx net of depreciation	7,665	22,931	70,037	41,078	(22,047)
+ Investment income on internal endowments	(8,737)	2,284	2,108	1,960	1,817
+ Pension and non-pension adjustments	21,396	27,522	23,500	20,082	17,175
+ Change in other (non-internal endowment) investment returns, changes in other reserves	4,348	(8,943)	(37,470)	(17,619)	55,009
+ Prior period adjustment/net pension special payment		11,312	(2,258)	(2,339)	(2,264)
<b>Accrual Adjustment</b>	<b>24,672</b>	<b>55,105</b>	<b>55,917</b>	<b>43,162</b>	<b>49,691</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>29,096</b>	<b>59,723</b>	<b>57,349</b>	<b>44,838</b>	<b>47,597</b>

In all fiscal years with the exception of 2019/20 the net capital expenditures reflect capital spending in excess of depreciation expense and internal loans. In fiscal 2019/20 new internal loans will be established to cover capital projects coming online.

## 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

	2016	2017	2018	2019	2020
<b>TOTAL REVENUES</b>	<b>954,409</b>	<b>1,039,237</b>	<b>1,074,948</b>	<b>1,111,277</b>	<b>1,148,366</b>
<b>TOTAL EXPENSES</b>	<b>925,313</b>	<b>979,514</b>	<b>1,017,599</b>	<b>1,066,440</b>	<b>1,100,769</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>29,096</b>	<b>59,723</b>	<b>57,349</b>	<b>44,838</b>	<b>47,597</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

	2016	2017	2018	2019	2020
<b>TOTAL ASSETS</b>	<b>2,376,957</b>	<b>2,512,139</b>	<b>2,662,559</b>	<b>2,762,954</b>	<b>2,980,359</b>
<b>TOTAL LIABILITIES</b>	<b>1,592,507</b>	<b>1,669,438</b>	<b>1,755,374</b>	<b>1,804,229</b>	<b>1,964,071</b>
<b>TOTAL NET ASSETS</b>	<b>784,450</b>	<b>842,702</b>	<b>907,185</b>	<b>958,726</b>	<b>1,016,289</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,376,957</b>	<b>2,512,139</b>	<b>2,662,559</b>	<b>2,762,954</b>	<b>2,980,359</b>

## STATEMENT OF CASH FLOWS

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

Table 18: Consolidated Statement of Cash Flows

	FY2016	FY2017	FY2018	FY2019	FY2020
Excess of Revenues over Expenses	29,096	59,723	57,349	44,838	47,597
<b>Add/(Deduct) Non-Cash Items</b>					
Change in Deferred Pension Asset	0	0	0	0	0
Amortization of Capital Assets	86,004	89,151	93,320	100,608	105,700
Amortization of Deferred Capital Contributions	(39,340)	(42,013)	(42,469)	(45,886)	(46,233)
Amortization of Deferred Contributions for Future Expenses	44,965	40,508	37,141	33,560	29,756
Change in Decommissioning Obligation	824	926	998	1,074	1,157
Additional (Misc) Non-cash Changes in Assets and Liabilities	(48,642)	29,068	1,835	1,513	1,163
<b>Add/(Deduct) Cash From Operations</b>					
Change in Deferred Capital Contributions	45,706	47,032	80,055	49,700	164,558
Contributions to Externally Restricted Endowments	(25,243)	9,841	4,876	4,365	7,702
Repayment of Long-Term Debt (Existing and Proforma Debt)	(655)	(622)	(586)	(607)	(630)
Other	1	(12,210)	2,258	2,339	2,264
New Debt Issuance	120,000	0	0	0	0
Acquisition of Capital Assets	(94,397)	(125,093)	(218,645)	(152,760)	(280,617)
Change in Long-Term Investments	(102,770)	(115,277)	15,800	(2,531)	(73,411)
Increase/(decrease in cash)	15,548	(18,966)	31,932	36,212	(40,994)
Cash and Cash Equivalents, Beginning of Year (from Proforma)	302,624	318,172	299,206	331,138	367,350
Calculated Cash and Cash Equivalents, End of Year	318,172	299,206	331,138	367,350	326,357

## ANALYSIS

### FINANCIAL METRICS

Table 19: Financial Metrics

	2014 Actual	2015 Actual	2016 Actual	2017 Projected	2018 Budget
Total Net Assets (\$ millions)	683.6	892.7	784.5	842.7	907.2
Available Expendable Resources (\$ millions)	291.8	322.1	447.4	436.8	384.5
Capital Spending (\$ millions)	100.6	136.7	88.8	118.0	212.6
Total Revenue (\$ millions)	972.9	990.8	954.4	1,039.2	1,074.9
Total Expenditures (\$ millions)	886.3	912.2	925.3	979.5	1,017.6
Excess (Deficiency) of Revenues over Expenses (\$ millions) - GAAP	86.6	78.6	29.1	59.7	57.3
Excess (Deficiency) of Revenues over Expenses Operating Fund only (\$ millions)	3.3	-12.2	4.4	4.6	1.4
Net Income/Loss Ratio (> 1%)*	8.9%	7.9%	3.0%	5.7%	5.3%
Primary Reserve Ratio (>= 40%)*	33.0%	35.0%	48.0%	45.0%	38.0%
Viability Ratio (> 1)*	2.1	2.3	1.7	1.7	1.5
Interest Burden Ratio (< 5%)*	3.5%	1.0%	1.2%	1.5%	1.4%
Net Operating Revenues Ratio (>15%)*	18.6%	14.3%	7.6%	16.0%	14.0%

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

The financial metrics above are a result of the assumptions used for the 2016/17 projections and the 2017/18 budget. These are in line with expectations.

### 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

McMASTER DEBT MANAGEMENT POLICY RATIOS	2016	2017	2018	2019	2020
AER to Debt - NEW ( $\geq 0.6x$ to $> 1.0x$ )	1.7	1.7	1.5	1.4	1.3
Interest Coverage ( $> 2.75x$ to $> 3.25x$ )	8.69	9.03	9.15	8.52	9.11
AER as % Revenues ( $> 15\%$ )	46.9%	42.0%	35.8%	32.6%	29.4%
Liquidity Ratio ( $> 1\%$ )	4.13%	3.67%	3.90%	4.13%	3.56%

### RISKS TO THE 2017/18 BUDGET

The Province has committed to balance its budget and at the same time it is introducing funding formula changes, a renewed tuition framework, and a net tuition billing approach, as well as exploring pension measurement and funding alternatives. Interest rates remain low affecting benefit costs and returns on investments used to support scholarships, bursaries, chairs, the

Operating Fund 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 and source new revenues.

## CONCLUSIONS ON THE 2017/18 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 surplus is a result of capital cash based to accrual based adjustments. As well, some surplus or savings are planned for long-term debt and funding obligations associated with pensions, non-pension (medical and dental plans), and nuclear reactor decommissioning reserves. . 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.

The Operating Fund is structurally balanced, with a surplus of \$1.4 million after net one-time expenditures of \$15.1 million, despite reduced Ministry support in recent years and increased competition for limited research dollars. The budget includes focused support toward SMA/FWI strategic priorities while managing 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.

Implementation of the IT Services Review recommendations is planned for 2017/18 introducing a new governance model for IT, involving a broader scope to the IT oversight and the introduction of a multi-tiered governance framework with thematic research, academic, administrative, infrastructure and security support committees. Additional operational efficiency reviews are also underway or planned for research-finance and human resources.

Amidst ongoing pressures this budget includes seed funding for new academic initiatives and projects, including creating new research centres and appointing new research chairs, as well as new collaborative space investments such as Engineering's Makerspace, the Gerald Hatch Centre, Wilson Hall and the Living Learning Centre, which add needed capacity for active learning and other technologically-enabled pedagogical approaches. Branding initiatives are also budgeted to ensure McMaster's differentiation strengths 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.

For 2018/19 there is a planned surplus of \$1.6 million followed by 2019/20 with a planned deficit of \$2.1 million; the deficit is associated with unknown tuition framework caps therefore tuition has been held flat while expense inflation is predominantly unavoidable. All years presented in this consolidated budget are structurally balanced before one-time expenditures.

The Ancillary Fund is balanced with a small \$0.8 million surplus on \$80.1 million in revenues. The Ancillary Fund covers rental costs for space, maintains assigned infrastructure, contributes to the Operating Fund 4.5% on specific sales, and contributes to the mission of the University.

The consolidated budget, including the Research Fund, Capital Fund, Trusts and Endowments Fund, and specifically funded activities is \$1,039 million with a budgeted surplus of \$59.7 million related primarily to the capital accrual adjustments, as well as set asides for long-term funding obligations associated with pension, non-pension, nuclear reactor decommissioning and other reserves.

# APPENDIX A - OPERATING FUND TABLES

## Table 21: 2016/17 Projection Sources of Funding and Resource Allocation

(\$ thousands)	2016/17 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	38,550	3	4,326	42,879	24,021	5,329	29,350	821	19	7,546	8,387	37,737	5,142
Engineering	64,228	1,350	1,547	67,125	41,499	10,226	51,725	1,331	-	14,963	16,293	68,019	(894)
Health Sciences	72,899	5,241	33,220	111,360	78,276	19,585	97,861	1,455	4	15,634	17,093	114,953	(3,593)
Humanities	27,739	302	4,401	32,442	23,460	5,771	29,230	77	(0)	629	707	29,937	2,505
Science	61,890	1,208	2,057	65,155	42,534	10,080	52,615	366	-	4,747	5,113	57,728	7,427
Medical Radiation - Mohawk share	4,550	-	-	4,550	-	-	-	-	-	4,550	4,550	4,550	-
Social Sciences	34,384	115	522	35,021	25,692	6,409	32,101	478	-	1,311	1,789	33,890	1,131
Arts & Science	1,665	-	3	1,668	1,070	65	1,135	1	-	1,059	1,060	2,195	(527)
Sub-total	<b>305,904</b>	<b>8,218</b>	<b>46,076</b>	<b>360,199</b>	<b>236,553</b>	<b>57,464</b>	<b>294,017</b>	<b>4,528</b>	<b>23</b>	<b>50,440</b>	<b>54,991</b>	<b>349,008</b>	<b>11,191</b>
<b>2. Academic Priorities</b>													
University Fund	14,421	-	50	14,471	-	-	-	-	-	11,405	11,405	11,405	3,065
Academic Funding Allocation	(2,342)	-	-	(2,342)	1,821	-	1,821	-	-	(1,914)	(1,914)	(93)	(2,249)
Sub-total	<b>12,079</b>	<b>-</b>	<b>50</b>	<b>12,129</b>	<b>1,821</b>	<b>-</b>	<b>1,821</b>	<b>-</b>	<b>-</b>	<b>9,491</b>	<b>9,491</b>	<b>11,312</b>	<b>816</b>
<b>TOTAL ACADEMIC</b>	<b>317,983</b>	<b>8,218</b>	<b>46,126</b>	<b>372,328</b>	<b>238,373</b>	<b>57,464</b>	<b>295,837</b>	<b>4,528</b>	<b>23</b>	<b>59,931</b>	<b>64,483</b>	<b>360,320</b>	<b>12,007</b>
<b>3. Academic Support</b>													
Office of the Provost	6,057	-	494	6,551	4,199	1,141	5,340	-	-	1,834	1,834	7,173	(622)
Museum of Art	469	-	143	612	675	183	858	-	-	(270)	(270)	587	24
MIITL	3,356	-	(36)	3,320	2,751	628	3,379	-	-	20	20	3,399	(80)
University Library	17,692	-	301	17,993	6,461	1,904	8,365	-	9,607	1,135	10,741	19,107	(1,113)
Health Sciences Library	2,899	20	98	3,017	1,486	430	1,916	-	2,680	(1,182)	1,497	3,414	(397)
Registrar	4,859	-	2,074	6,933	5,106	1,412	6,517	-	-	890	890	7,407	(475)
Sub-total	<b>35,332</b>	<b>20</b>	<b>3,074</b>	<b>38,426</b>	<b>20,679</b>	<b>5,697</b>	<b>26,376</b>	<b>-</b>	<b>12,286</b>	<b>2,426</b>	<b>14,712</b>	<b>41,088</b>	<b>(2,662)</b>
<b>4. Research Support</b>													
Research	7,125	2,845	7,847	17,817	10,078	2,852	12,930	-	-	5,438	5,438	18,368	(550)
VP Research Discretionary Fund	1,624	-	-	1,624	154	6	160	-	-	1,464	1,464	1,624	(0)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	<b>8,749</b>	<b>2,845</b>	<b>7,847</b>	<b>19,441</b>	<b>10,233</b>	<b>2,857</b>	<b>13,090</b>	<b>-</b>	<b>-</b>	<b>6,813</b>	<b>6,813</b>	<b>19,903</b>	<b>(462)</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	13,774	-	-	13,774	378	717	1,095	12,447	-	635	13,082	14,177	(403)
School of Graduate Studies	1,641	-	20	1,661	1,306	366	1,672	(0)	-	510	510	2,182	(521)
Student Affairs	4,196	-	19,015	23,211	11,298	2,818	14,116	-	-	10,538	10,538	24,654	(1,443)
Undergraduate Scholarships	14,235	-	245	14,480	1,998	-	1,998	12,694	-	(27)	12,667	14,665	(185)
Sub-total	<b>33,846</b>	<b>-</b>	<b>19,280</b>	<b>53,126</b>	<b>14,981</b>	<b>3,900</b>	<b>18,881</b>	<b>25,142</b>	<b>-</b>	<b>11,656</b>	<b>36,798</b>	<b>55,679</b>	<b>(2,553)</b>
<b>6. Facilities Support</b>													
Facilities Services	14,832	-	370	15,202	10,930	3,651	14,581	-	-	2,236	2,236	16,817	(1,615)
HSC Maintenance	3,727	-	40	3,767	75	-	75	-	-	3,756	3,756	3,831	(64)
Utilities	16,684	-	1,860	18,544	1,579	508	2,087	-	-	18,002	18,002	20,089	(1,545)
HSC Utilities	6,387	-	-	6,387	-	-	-	-	-	5,559	5,559	5,559	828
Deferred Maintenance	10,227	-	-	10,227	-	-	-	-	-	10,227	10,227	10,227	(0)
Bond Interest	10,093	-	-	10,093	-	-	-	-	-	10,089	10,089	10,089	4
Renovation contingency	974	-	-	974	-	-	-	-	-	974	974	974	(0)
Sub-total	<b>62,924</b>	<b>-</b>	<b>2,270</b>	<b>65,194</b>	<b>12,584</b>	<b>4,159</b>	<b>16,743</b>	<b>-</b>	<b>-</b>	<b>50,844</b>	<b>50,844</b>	<b>67,586</b>	<b>(2,392)</b>
<b>7. Institutional Support</b>													
Administration	16,312	-	1,834	18,146	12,013	3,476	15,489	-	-	3,922	3,922	19,410	(1,265)
UTS Asset Management	250	-	-	250	-	-	-	-	-	250	250	250	0
UTS/Technology Fund	15,110	-	125	15,235	7,642	2,303	9,944	-	-	5,083	5,083	15,027	208
University Secretariat	778	-	-	778	511	152	662	-	-	123	123	786	(8)
Presidential Budget	1,128	-	-	1,128	269	134	403	-	-	562	562	966	162
University Advancement	5,193	-	151	5,344	5,995	1,828	7,823	-	-	(2,095)	(2,095)	5,728	(384)
General University	8,550	-	2,027	10,577	859	131	990	-	-	8,651	8,651	9,640	937
Sub-total	<b>47,321</b>	<b>-</b>	<b>4,137</b>	<b>51,458</b>	<b>27,287</b>	<b>8,024</b>	<b>35,311</b>	<b>-</b>	<b>-</b>	<b>16,496</b>	<b>16,496</b>	<b>51,807</b>	<b>(349)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	4,517	-	-	4,517	-	0	0	-	-	2,679	2,679	2,679	1,838
Marketing & Branding	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	22,899	-	-	22,899	-	22,899	22,899	-	-	-	-	22,899	-
Strategic Priorities	-	-	-	-	22	6	27	-	-	783	783	810	(810)
Sub-total	<b>27,416</b>	<b>-</b>	<b>-</b>	<b>27,416</b>	<b>22</b>	<b>22,905</b>	<b>22,926</b>	<b>-</b>	<b>-</b>	<b>3,462</b>	<b>3,462</b>	<b>26,388</b>	<b>1,028</b>
<b>Surplus/(Deficit)</b>	<b>533,571</b>	<b>11,083</b>	<b>82,734</b>	<b>627,388</b>	<b>324,159</b>	<b>105,005</b>	<b>429,164</b>	<b>29,670</b>	<b>12,310</b>	<b>151,627</b>	<b>193,607</b>	<b>622,771</b>	<b>4,618</b>
<i>Under/(over)allocated</i>	0	-	(2,664)	(2,664)	-	-	-	-	-	(2,664)	(2,664)	(2,664)	0
<b>Total Surplus/(Deficit)</b>	<b>533,571</b>	<b>11,083</b>	<b>80,070</b>	<b>624,724</b>	<b>324,159</b>	<b>105,005</b>	<b>429,164</b>	<b>29,670</b>	<b>12,310</b>	<b>148,963</b>	<b>190,943</b>	<b>620,107</b>	<b>4,618</b>

Table 22: 2016/17 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	5,106	3	691	5,800	(1,121)	105	(1,016)	209	(19)	(537)	(347)	(1,363)	4,437
Engineering	7,761	361	(201)	7,921	851	579	1,430	411	-	(3,655)	(3,244)	(1,814)	6,107
Health Sciences	1,955	987	6,786	9,727	(3,019)	(1,068)	(4,087)	(976)	1	(5,911)	(6,885)	(10,973)	(1,245)
Humanities	2,948	20	1,376	4,345	(1,973)	(186)	(2,159)	12	0	112	124	(2,035)	2,310
Science	8,742	368	232	9,343	1,325	355	1,680	379	-	(1,137)	(758)	921	10,264
Medical Radiation - Mohawk share	(182)	-	-	(182)	-	-	-	-	-	182	182	182	-
Social Sciences	1,911	-	311	2,222	(946)	(15)	(961)	(478)	-	(355)	(833)	(1,794)	428
Arts & Science	162	-	3	165	(40)	31	(9)	(0)	-	(1,011)	(1,012)	(1,021)	(856)
Sub-total	<b>28,403</b>	<b>1,739</b>	<b>9,198</b>	<b>39,340</b>	<b>(4,922)</b>	<b>(200)</b>	<b>(5,122)</b>	<b>(443)</b>	<b>(18)</b>	<b>(12,312)</b>	<b>(12,773)</b>	<b>(17,895)</b>	<b>21,445</b>
<b>2. Academic Priorities</b>													
University Fund	(5,479)	-	50	(5,429)	-	-	-	-	-	8,562	8,562	8,562	3,133
Academic Funding Allocation	(1,583)	-	-	(1,583)	(1,444)	(797)	(2,241)	-	-	(816)	(816)	(3,057)	(4,640)
Sub-total	<b>(7,062)</b>	<b>-</b>	<b>50</b>	<b>(7,012)</b>	<b>(1,444)</b>	<b>(797)</b>	<b>(2,241)</b>	<b>-</b>	<b>-</b>	<b>7,746</b>	<b>7,746</b>	<b>5,505</b>	<b>(1,507)</b>
<b>TOTAL ACADEMIC</b>	<b>21,341</b>	<b>1,739</b>	<b>9,248</b>	<b>32,328</b>	<b>(6,366)</b>	<b>(997)</b>	<b>(7,363)</b>	<b>(443)</b>	<b>(18)</b>	<b>(4,566)</b>	<b>(5,027)</b>	<b>(12,390)</b>	<b>19,938</b>
<b>3. Academic Support</b>													
Office of the Provost	-	-	99	99	(298)	(79)	(377)	-	-	879	879	502	601
Museum of Art	-	-	(40)	(40)	(70)	3	(67)	-	-	131	131	64	24
MIITL	-	-	(36)	(36)	(281)	(9)	(290)	-	-	917	917	627	591
University Library	-	-	(22)	(22)	(145)	(42)	(186)	-	198	(86)	112	(74)	(96)
Health Sciences Library	-	-	(1)	(1)	177	92	269	-	38	197	235	504	502
Registrar	-	-	(115)	(115)	101	1	102	-	-	(153)	(153)	(50)	(166)
Sub-total	<b>-</b>	<b>-</b>	<b>(116)</b>	<b>(116)</b>	<b>(516)</b>	<b>(33)</b>	<b>(550)</b>	<b>-</b>	<b>236</b>	<b>1,886</b>	<b>2,122</b>	<b>1,572</b>	<b>1,457</b>
<b>4. Research Support</b>													
Research	13	206	404	623	(976)	(16)	(992)	-	3	208	211	(781)	(158)
VP Research Discretionary Fund	228	-	-	228	(154)	(6)	(160)	-	-	(147)	(147)	(307)	(79)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(0)	(0)	(0)	(0)
Sub-total	<b>241</b>	<b>206</b>	<b>404</b>	<b>851</b>	<b>(1,131)</b>	<b>(21)</b>	<b>(1,152)</b>	<b>-</b>	<b>3</b>	<b>61</b>	<b>64</b>	<b>(1,088)</b>	<b>(237)</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	-	-	-	-	90	376	465	(232)	-	-	(232)	233	233
School of Graduate Studies	-	-	5	5	(92)	(17)	(109)	0	-	3	3	(106)	(102)
Student Affairs	-	-	1,049	1,049	(314)	(15)	(329)	-	-	(769)	(769)	(1,097)	(48)
Undergraduate Scholarships	(596)	-	(86)	(682)	(424)	-	(424)	908	-	12	921	496	(185)
Sub-total	<b>(596)</b>	<b>-</b>	<b>968</b>	<b>372</b>	<b>(741)</b>	<b>344</b>	<b>(397)</b>	<b>676</b>	<b>-</b>	<b>(753)</b>	<b>(78)</b>	<b>(474)</b>	<b>(102)</b>
<b>6. Facilities Support</b>													
Facilities Services	-	-	(183)	(183)	112	187	298	-	-	(1,161)	(1,161)	(862)	(1,045)
HSC Maintenance	-	-	0	0	(75)	-	(75)	-	-	11	11	(64)	(64)
Utilities	-	-	(74)	(74)	(33)	(83)	(116)	-	-	222	222	107	33
HSC Utilities	-	-	-	-	-	-	-	-	-	289	289	289	289
Deferred Maintenance	-	-	-	-	-	-	-	-	-	(0)	(0)	(0)	(0)
Bond Interest	4	-	-	4	-	-	-	-	-	-	-	-	4
Renovation contingency	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>4</b>	<b>-</b>	<b>(257)</b>	<b>(253)</b>	<b>4</b>	<b>104</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>(638)</b>	<b>(638)</b>	<b>(531)</b>	<b>(783)</b>
<b>7. Institutional Support</b>													
Administration	-	-	393	393	95	71	166	-	-	1,603	1,603	1,769	2,161
UTS/Technology Fund	-	-	(86)	(86)	7	15	23	-	-	271	271	294	208
University Secretariat	-	-	-	-	(3)	1	(1)	-	-	(0)	(0)	(1)	(1)
Presidential Budget	-	-	-	-	160	(2)	158	-	-	(0)	(0)	158	158
University Advancement	-	-	57	57	81	(153)	(73)	-	-	(185)	(185)	(258)	(200)
General University	-	-	58	58	(127)	(5)	(131)	-	-	209	209	78	135
Sub-total	<b>-</b>	<b>-</b>	<b>421</b>	<b>421</b>	<b>214</b>	<b>(73)</b>	<b>141</b>	<b>-</b>	<b>-</b>	<b>1,898</b>	<b>1,898</b>	<b>2,039</b>	<b>2,461</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	-	-	-	-	-	(0)	(0)	-	-	(431)	(431)	(431)	(431)
Marketing & Branding	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	-	-	-	-	(4)	2	(2)	-	-	164	164	161	161
Sub-total	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>2</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(267)</b>	<b>(267)</b>	<b>(270)</b>	<b>(270)</b>
<b>Surplus/(Deficit)</b>	<b>20,990</b>	<b>1,945</b>	<b>10,669</b>	<b>33,605</b>	<b>(8,540)</b>	<b>(675)</b>	<b>(9,215)</b>	<b>233</b>	<b>220</b>	<b>(2,380)</b>	<b>(1,927)</b>	<b>(11,142)</b>	<b>22,463</b>
<i>Under(over)allocated</i>	<i>(0)</i>	<i>-</i>	<i>(0)</i>	<i>(0)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(0)</i>
<b>Total Surplus/(Deficit)</b>	<b>20,990</b>	<b>1,945</b>	<b>10,669</b>	<b>33,605</b>	<b>(8,540)</b>	<b>(675)</b>	<b>(9,215)</b>	<b>233</b>	<b>220</b>	<b>(2,380)</b>	<b>(1,927)</b>	<b>(11,142)</b>	<b>22,463</b>

Table 23: 2016/17 Projection One-Time Sources of Funding and Resource Allocation

(\$ thousands)	2016/17 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	1,476	-	-	1,476	-	-	-	-	-	1,080	1,080	1,080	396
Engineering	1,610	-	-	1,610	-	-	-	-	-	4,479	4,479	4,479	(2,869)
Health Sciences	2,294	-	978	3,271	174	2	177	-	-	4,296	4,296	4,473	(1,201)
Humanities	2,015	-	-	2,015	271	74	344	-	-	(120)	(120)	224	1,790
Science	2,767	-	-	2,767	42	-	42	11	-	1,583	1,594	1,636	1,131
Medical Radiation - Mohawk share	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Sciences	1,282	-	-	1,282	-	-	-	-	-	(400)	(400)	(400)	1,682
Arts & Science	41	-	-	41	-	-	-	-	-	1,000	1,000	1,000	(959)
Sub-total	<b>11,484</b>	<b>-</b>	<b>978</b>	<b>12,462</b>	<b>487</b>	<b>76</b>	<b>563</b>	<b>11</b>	<b>-</b>	<b>11,918</b>	<b>11,930</b>	<b>12,493</b>	<b>(31)</b>
<b>2. Academic Priorities</b>													
University Fund	(13,640)	-	-	(13,640)	-	-	-	-	-	2,871	2,871	2,871	(16,512)
Academic Funding Allocation	(1,074)	-	-	(1,074)	-	-	-	-	-	(100)	(100)	(100)	(974)
Sub-total	<b>(14,714)</b>	<b>-</b>	<b>-</b>	<b>(14,714)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,771</b>	<b>2,771</b>	<b>2,771</b>	<b>(17,486)</b>
<b>TOTAL ACADEMIC</b>	<b>(3,230)</b>	<b>-</b>	<b>978</b>	<b>(2,252)</b>	<b>487</b>	<b>76</b>	<b>563</b>	<b>11</b>	<b>-</b>	<b>14,690</b>	<b>14,701</b>	<b>15,264</b>	<b>(17,517)</b>
<b>3. Academic Support</b>													
Office of the Provost	-	-	-	-	(55)	6	(49)	-	-	(1,149)	(1,149)	(1,199)	1,199
Museum of Art	-	-	-	-	-	-	-	-	-	(50)	(50)	(50)	50
MIETL	85	-	-	85	260	53	313	-	-	(808)	(808)	(495)	580
University Library	-	-	106	106	132	13	145	-	23	(100)	(77)	68	38
Health Sciences Library	-	-	-	-	-	-	-	-	-	(75)	(75)	(75)	75
Registrar	270	-	79	349	167	34	201	-	-	305	305	506	(158)
Sub-total	<b>355</b>	<b>-</b>	<b>184</b>	<b>539</b>	<b>504</b>	<b>106</b>	<b>610</b>	<b>-</b>	<b>23</b>	<b>(1,877)</b>	<b>(1,854)</b>	<b>(1,244)</b>	<b>1,784</b>
<b>4. Research Support</b>													
Research	13	-	94	107	18	1	19	-	-	177	177	196	(89)
VP Research Discretionary Fund	114	-	0	114	-	-	-	-	-	(763)	(763)	(763)	877
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>127</b>	<b>-</b>	<b>94</b>	<b>221</b>	<b>18</b>	<b>1</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>(586)</b>	<b>(586)</b>	<b>(567)</b>	<b>788</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	-	-	-	-	-	-	-	-	-	-	-	-	-
School of Graduate Studies	-	-	-	-	-	-	-	-	-	46	46	46	(46)
Student Affairs	-	-	662	662	310	54	363	-	-	968	968	1,332	(670)
Undergraduate Scholarships	838	-	-	838	-	-	-	188	-	-	188	188	650
Sub-total	<b>838</b>	<b>-</b>	<b>662</b>	<b>1,500</b>	<b>310</b>	<b>54</b>	<b>363</b>	<b>188</b>	<b>-</b>	<b>1,015</b>	<b>1,203</b>	<b>1,566</b>	<b>(66)</b>
<b>6. Facilities Support</b>													
Facilities Services	62	-	-	62	-	-	-	-	-	351	351	351	(289)
HSC Maintenance	-	-	-	-	75	-	75	-	-	-	-	75	(75)
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Maintenance	334	-	-	334	-	-	-	-	-	334	334	334	0
Bond Interest	2,713	-	-	2,713	-	-	-	-	-	-	-	-	2,713
Renovation contingency	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>3,109</b>	<b>-</b>	<b>-</b>	<b>3,109</b>	<b>75</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>685</b>	<b>685</b>	<b>760</b>	<b>2,349</b>
<b>7. Institutional Support</b>													
Administration	-	-	-	-	-	-	-	-	-	811	811	811	(811)
UTS Asset Management	-	-	-	-	-	-	-	-	-	-	-	-	-
UTS/Technology Fund	2,000	-	-	2,000	(71)	-	(71)	-	-	1,017	1,017	946	1,054
University Secretariat	-	-	-	-	-	-	-	-	-	-	-	-	-
Presidential Budget	-	-	-	-	(200)	(4)	(204)	-	-	-	-	(204)	204
University Advancement	-	-	-	-	-	-	-	-	-	11	11	11	(11)
General University	700	-	-	700	-	-	-	-	-	-	-	-	700
Sub-total	<b>2,700</b>	<b>-</b>	<b>-</b>	<b>2,700</b>	<b>(271)</b>	<b>(4)</b>	<b>(275)</b>	<b>-</b>	<b>-</b>	<b>1,839</b>	<b>1,839</b>	<b>1,564</b>	<b>1,136</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	4,517	-	-	4,517	-	-	-	-	-	2,679	2,679	2,679	1,838
Marketing & Branding	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	-	-	-	-	22	6	27	-	-	783	783	810	(810)
Sub-total	<b>4,517</b>	<b>-</b>	<b>-</b>	<b>4,517</b>	<b>22</b>	<b>6</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>3,462</b>	<b>3,462</b>	<b>3,489</b>	<b>1,028</b>
<b>Surplus/(Deficit)</b>	<b>8,416</b>	<b>-</b>	<b>1,917</b>	<b>10,333</b>	<b>1,145</b>	<b>239</b>	<b>1,383</b>	<b>199</b>	<b>23</b>	<b>19,227</b>	<b>19,449</b>	<b>20,832</b>	<b>(10,499)</b>
<i>Under(over)allocated</i>	(4,517)	-	-	(4,517)	-	-	-	-	-	-	-	-	(4,517)
<b>Total Surplus/(Deficit)</b>	<b>3,899</b>	<b>-</b>	<b>1,917</b>	<b>5,816</b>	<b>1,145</b>	<b>239</b>	<b>1,383</b>	<b>199</b>	<b>23</b>	<b>19,227</b>	<b>19,449</b>	<b>20,832</b>	<b>(15,016)</b>

Table 24: 2017/18 Budget Sources of Funding and Resource Allocation

(\$ thousands)	2017/18 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	41,663	-	4,697	46,360	26,609	6,535	33,144	814	20	10,252	11,086	44,230	2,130
Engineering	69,638	1,420	1,911	72,969	45,418	11,778	57,195	2,028	-	15,260	17,288	74,483	(1,514)
Health Sciences	73,598	5,236	31,908	110,742	82,847	21,326	104,174	1,590	6	12,475	14,070	118,244	(7,501)
Humanities	27,872	322	5,083	33,277	24,187	5,831	30,018	95	-	951	1,046	31,064	2,213
Science	61,386	1,228	2,062	64,676	45,169	10,992	56,161	443	-	3,495	3,938	60,099	4,576
Medical Radiation - Mohawk share	4,877	-	-	4,877	-	-	-	-	-	4,877	4,877	4,877	-
Social Sciences	33,312	180	390	33,882	25,468	6,950	32,418	25	-	1,571	1,596	34,013	(131)
Arts & Science	1,709	-	-	1,709	1,305	71	1,375	1	-	297	298	1,673	36
Sub-total	<b>314,055</b>	<b>8,386</b>	<b>46,051</b>	<b>368,492</b>	<b>251,004</b>	<b>63,482</b>	<b>314,485</b>	<b>4,995</b>	<b>26</b>	<b>49,176</b>	<b>54,198</b>	<b>368,683</b>	<b>(191)</b>
<b>2. Academic Priorities</b>													
University Fund	22,951	-	50	23,001	-	-	-	-	-	22,756	22,756	22,756	245
Academic Funding Allocation	(2,696)	-	-	(2,696)	(1,837)	(1,000)	(2,837)	-	-	(7,157)	(7,157)	(9,994)	7,298
Sub-total	<b>20,255</b>	<b>-</b>	<b>50</b>	<b>20,305</b>	<b>(1,837)</b>	<b>(1,000)</b>	<b>(2,837)</b>	<b>-</b>	<b>-</b>	<b>15,599</b>	<b>15,599</b>	<b>12,762</b>	<b>7,543</b>
<b>TOTAL ACADEMIC</b>	<b>334,310</b>	<b>8,386</b>	<b>46,101</b>	<b>388,797</b>	<b>249,167</b>	<b>62,482</b>	<b>311,649</b>	<b>4,995</b>	<b>26</b>	<b>64,775</b>	<b>69,797</b>	<b>381,445</b>	<b>7,352</b>
<b>3. Academic Support</b>													
Office of the Provost	6,395	-	520	6,915	4,483	1,199	5,682	-	-	4,818	4,818	10,499	(3,584)
Museum of Art	482	-	176	658	631	190	821	-	-	(163)	(163)	658	(0)
MIITL	3,377	-	-	3,377	3,011	683	3,695	-	-	985	985	4,679	(1,302)
University Library	18,008	-	311	18,319	6,570	1,961	8,532	-	9,983	763	10,746	19,278	(958)
Health Sciences Library	2,927	15	98	3,040	1,568	437	2,005	-	2,751	(1,227)	1,524	3,529	(489)
Registrar	4,993	-	2,035	7,028	5,151	1,458	6,609	-	-	575	575	7,184	(156)
Sub-total	<b>36,182</b>	<b>15</b>	<b>3,141</b>	<b>39,338</b>	<b>21,415</b>	<b>5,929</b>	<b>27,343</b>	<b>-</b>	<b>12,734</b>	<b>5,749</b>	<b>18,484</b>	<b>45,827</b>	<b>(6,490)</b>
<b>4. Research Support</b>													
Research	7,294	2,593	8,723	18,610	10,407	3,010	13,416	-	-	4,708	4,708	18,124	486
VP Research Discretionary Fund	2,158	-	-	2,158	110	-	110	-	-	2,048	2,048	2,158	(0)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	<b>9,452</b>	<b>2,593</b>	<b>8,723</b>	<b>20,768</b>	<b>10,516</b>	<b>3,010</b>	<b>13,526</b>	<b>-</b>	<b>-</b>	<b>6,667</b>	<b>6,667</b>	<b>20,193</b>	<b>575</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	13,782	-	-	13,782	366	712	1,077	12,447	-	635	13,082	14,160	(378)
School of Graduate Studies	1,669	-	20	1,689	1,198	360	1,558	-	-	486	486	2,044	(355)
Student Affairs	4,241	-	18,441	22,682	11,452	2,820	14,272	-	-	8,688	8,688	22,960	(278)
Undergraduate Scholarships	13,921	-	278	14,199	1,899	-	1,899	12,327	-	(27)	12,300	14,199	-
Sub-total	<b>33,613</b>	<b>-</b>	<b>18,739</b>	<b>52,352</b>	<b>14,914</b>	<b>3,893</b>	<b>18,807</b>	<b>24,775</b>	<b>-</b>	<b>9,781</b>	<b>34,556</b>	<b>53,363</b>	<b>(1,011)</b>
<b>6. Facilities Support</b>													
Facilities Services	15,088	-	318	15,406	11,287	3,646	14,933	-	-	500	500	15,433	(27)
HSC Maintenance	3,727	-	40	3,767	-	-	-	-	-	3,767	3,767	3,767	-
Utilities	23,101	-	1,938	25,039	1,596	523	2,119	-	-	23,792	23,792	25,911	(872)
Deferred Maintenance	10,227	-	-	10,227	-	-	-	-	-	10,219	10,219	10,219	8
Bond Interest	10,089	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	974	-	-	-	-	-	997	997	997	(23)
Sub-total	<b>63,206</b>	<b>-</b>	<b>2,296</b>	<b>65,502</b>	<b>12,883</b>	<b>4,169</b>	<b>17,052</b>	<b>-</b>	<b>-</b>	<b>49,364</b>	<b>49,364</b>	<b>66,416</b>	<b>(914)</b>
<b>7. Institutional Support</b>													
Administration	16,557	-	1,778	18,335	12,137	3,494	15,631	-	-	6,038	6,038	21,669	(3,334)
UTS Asset Management	250	-	-	250	-	-	-	-	-	263	263	263	(13)
UTS/Technology Fund	17,512	-	125	17,637	7,886	2,398	10,284	-	-	6,698	6,698	16,982	655
University Secretariat	788	-	-	788	524	156	680	-	-	118	118	798	(10)
Presidential Budget	1,139	-	-	1,139	448	136	584	-	-	591	591	1,175	(36)
University Advancement	5,306	-	94	5,400	6,122	1,850	7,972	-	-	(2,364)	(2,364)	5,607	(207)
General University	7,864	-	1,989	9,853	970	147	1,117	-	-	8,363	8,363	9,481	372
Sub-total	<b>49,416</b>	<b>-</b>	<b>3,986</b>	<b>53,402</b>	<b>28,088</b>	<b>8,181</b>	<b>36,268</b>	<b>-</b>	<b>-</b>	<b>19,707</b>	<b>19,707</b>	<b>55,976</b>	<b>(2,574)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	4,517	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	3,903	-	-	3,903	69	29	98	-	-	3,805	3,805	3,903	-
Pension	23,497	-	-	23,497	-	23,497	23,497	-	-	-	-	23,497	-
Strategic Priorities	-	-	-	-	18	5	23	-	-	-	-	23	(23)
Sub-total	<b>31,917</b>	<b>-</b>	<b>-</b>	<b>31,917</b>	<b>87</b>	<b>23,531</b>	<b>23,618</b>	<b>-</b>	<b>-</b>	<b>3,805</b>	<b>3,805</b>	<b>27,423</b>	<b>4,494</b>
<b>Surplus/(Deficit)</b>	<b>558,096</b>	<b>10,994</b>	<b>82,985</b>	<b>652,075</b>	<b>337,070</b>	<b>111,193</b>	<b>448,263</b>	<b>29,770</b>	<b>12,760</b>	<b>159,850</b>	<b>202,380</b>	<b>650,643</b>	<b>1,432</b>
<i>Under/(over)allocated</i>	0	-	(3,034)	(3,034)	-	-	-	-	-	(3,034)	(3,034)	(3,034)	0
<b>Total Surplus/(Deficit)</b>	<b>558,096</b>	<b>10,994</b>	<b>79,951</b>	<b>649,041</b>	<b>337,070</b>	<b>111,193</b>	<b>448,263</b>	<b>29,770</b>	<b>12,760</b>	<b>156,816</b>	<b>199,346</b>	<b>647,609</b>	<b>1,432</b>

Table 25: 2017/18 Budget One-Time Sources of Funding and Resource Allocation

(\$ thousands)	2017/18 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	-	-	-	-	-	-	-	-	-	2,413	2,413	2,413	(2,413)
Engineering	-	-	-	-	-	-	-	-	-	4,545	4,545	4,545	(4,545)
Health Sciences	400	-	52	452	-	-	-	-	-	1,353	1,353	1,353	(901)
Humanities	1,472	-	-	1,472	-	-	-	-	-	-	-	-	1,472
Science	-	-	-	-	-	-	-	-	-	(0)	(0)	(0)	0
Medical Radiation - Mohawk share	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Sciences	695	-	-	695	-	-	-	-	-	25	25	25	670
Arts & Science	57	-	-	57	-	-	-	-	-	250	250	250	(193)
Sub-total	<b>2,624</b>	<b>-</b>	<b>52</b>	<b>2,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,586</b>	<b>8,586</b>	<b>8,586</b>	<b>(5,910)</b>
<b>2. Academic Priorities</b>													
University Fund	(7,659)	-	-	(7,659)	-	-	-	-	-	225	225	225	(7,884)
Academic Funding Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>(7,659)</b>	<b>-</b>	<b>-</b>	<b>(7,659)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>225</b>	<b>225</b>	<b>(7,884)</b>
<b>TOTAL ACADEMIC</b>	<b>(5,035)</b>	<b>-</b>	<b>52</b>	<b>(4,983)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,811</b>	<b>8,811</b>	<b>8,811</b>	<b>(13,794)</b>
<b>3. Academic Support</b>													
Office of the Provost	-	-	-	-	22	6	28	-	-	2,031	2,031	2,058	(2,058)
Museum of Art	-	-	-	-	-	-	-	-	-	-	-	-	-
MIETL	59	-	-	59	688	102	789	-	-	161	161	950	(891)
University Library	-	-	100	100	54	5	59	-	-	(127)	(127)	(67)	167
Health Sciences Library	-	-	-	-	-	-	-	-	-	-	-	-	-
Registrar	-	-	-	-	98	20	117	-	-	-	-	117	(117)
Sub-total	<b>59</b>	<b>-</b>	<b>100</b>	<b>159</b>	<b>862</b>	<b>132</b>	<b>994</b>	<b>-</b>	<b>-</b>	<b>2,065</b>	<b>2,065</b>	<b>3,059</b>	<b>(2,900)</b>
<b>4. Research Support</b>													
Research	-	-	85	85	5	0	6	-	-	(103)	(103)	(97)	182
VP Research Discretionary Fund	-	-	-	-	-	-	-	-	-	103	103	103	(103)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>-</b>	<b>-</b>	<b>85</b>	<b>85</b>	<b>5</b>	<b>0</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>79</b>
<b>5. Student Support</b>													
Graduate Scholarships/Bursaries	-	-	-	-	-	-	-	-	-	-	-	-	-
School of Graduate Studies	-	-	-	-	-	-	-	-	-	23	23	23	(23)
Student Affairs	-	-	125	125	41	4	45	-	-	20	20	65	60
Undergraduate Scholarships	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>-</b>	<b>-</b>	<b>125</b>	<b>125</b>	<b>41</b>	<b>4</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>42</b>	<b>87</b>	<b>38</b>
<b>6. Facilities Support</b>													
Facilities Services	-	-	-	-	-	-	-	-	-	141	141	141	(141)
HSC Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Maintenance	334	-	-	334	-	-	-	-	-	326	326	326	8
Bond Interest	2,709	-	-	2,709	-	-	-	-	-	-	-	-	2,709
Renovation contingency	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>3,043</b>	<b>-</b>	<b>-</b>	<b>3,043</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>468</b>	<b>468</b>	<b>468</b>	<b>2,575</b>
<b>7. Institutional Support</b>													
Administration	-	-	-	-	-	-	-	-	-	2,816	2,816	2,816	(2,816)
UTS Asset Management	-	-	-	-	-	-	-	-	-	-	-	-	-
UTS/Technology Fund	3,475	-	-	3,475	-	-	-	-	-	1,475	1,475	1,475	2,000
University Secretariat	-	-	-	-	-	-	-	-	-	-	-	-	-
Presidential Budget	-	-	-	-	-	-	-	-	-	-	-	-	-
University Advancement	-	-	-	-	-	-	-	-	-	(0)	(0)	(0)	0
General University	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>3,475</b>	<b>-</b>	<b>-</b>	<b>3,475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,291</b>	<b>4,291</b>	<b>4,291</b>	<b>(816)</b>
<b>8. Institutional Priority allocations</b>													
Technology Renewal	4,517	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	2,403	-	-	2,403	-	-	-	-	-	2,403	2,403	2,403	-
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	-	-	-	-	18	5	23	-	-	-	-	23	(23)
Sub-total	<b>6,920</b>	<b>-</b>	<b>-</b>	<b>6,920</b>	<b>18</b>	<b>5</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>2,403</b>	<b>2,403</b>	<b>2,426</b>	<b>4,494</b>
<b>Surplus/(Deficit)</b>	<b>8,462</b>	<b>-</b>	<b>362</b>	<b>8,824</b>	<b>926</b>	<b>141</b>	<b>1,068</b>	<b>-</b>	<b>-</b>	<b>18,080</b>	<b>18,080</b>	<b>19,147</b>	<b>(10,323)</b>
<i>Under/(over)allocated</i>	<i>(4,761)</i>	<i>-</i>	<i>-</i>	<i>(4,761)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(4,761)</i>
<b>Total Surplus/(Deficit)</b>	<b>3,701</b>	<b>-</b>	<b>362</b>	<b>4,063</b>	<b>926</b>	<b>141</b>	<b>1,068</b>	<b>-</b>	<b>-</b>	<b>18,080</b>	<b>18,080</b>	<b>19,147</b>	<b>(15,084)</b>



Table 26: Annual Net Change in Operating Envelope Balance 2016/17 to 2019/20

(\$ thousands)	2016/17		2017/18	2018/19	2019/20
	Budget	Projection	Budget	Plan	Plan
<b>1. Faculties (Academic Programmes)</b>					
Business	706	5,142	2,130	3,456	4,646
Engineering	(7,001)	(894)	(1,514)	(1,352)	(2,802)
Health Sciences	(2,348)	(3,593)	(7,501)	(7,393)	(16,521)
Humanities	195	2,505	2,213	2,658	379
Science	(2,837)	7,427	4,576	2,890	396
Medical Radiation - Mohawk share	-	-	-	-	-
Social Sciences	703	1,131	(131)	(176)	(929)
Arts & Science	329	(527)	36	301	289
Sub-total	<b>(10,254)</b>	<b>11,191</b>	<b>(191)</b>	<b>384</b>	<b>(14,541)</b>
<b>2. Academic Priorities</b>					
University Fund	(68)	3,065	245	335	5,999
Academic Funding Allocation	2,391	(2,249)	7,298	4,405	11,966
Sub-total	<b>2,324</b>	<b>816</b>	<b>7,543</b>	<b>4,739</b>	<b>17,964</b>
<b>TOTAL ACADEMIC</b>	<b>(7,930)</b>	<b>12,007</b>	<b>7,352</b>	<b>5,123</b>	<b>3,423</b>
<b>3. Academic Support</b>					
Office of the Provost	(1,223)	(622)	(3,584)	(2,239)	(1,440)
Museum of Art	0	24	(0)	0	0
MIITL	(670)	(80)	(1,302)	(573)	(687)
University Library	(1,017)	(1,113)	(958)	(1,403)	(2,044)
Health Sciences Library	(899)	(397)	(489)	(657)	(839)
Registrar	(309)	(475)	(156)	(146)	(292)
Sub-total	<b>(4,119)</b>	<b>(2,662)</b>	<b>(6,490)</b>	<b>(5,017)</b>	<b>(5,303)</b>
<b>4. Research Support</b>					
Research	(393)	(550)	486	338	588
VP Research Discretionary Fund	79	(0)	(0)	(0)	0
Nuclear Reactor Debt	89	89	89	89	89
Sub-total	<b>(225)</b>	<b>(462)</b>	<b>575</b>	<b>427</b>	<b>677</b>
<b>5. Student Support</b>					
Graduate Scholarships/Bursaries	(636)	(403)	(378)	(389)	(404)
School of Graduate Studies	(419)	(521)	(355)	(319)	(369)
Student Affairs	(1,395)	(1,443)	(278)	19	(60)
Undergraduate Scholarships	(0)	(185)	0	(0)	(0)
Sub-total	<b>(2,451)</b>	<b>(2,553)</b>	<b>(1,011)</b>	<b>(688)</b>	<b>(834)</b>
<b>6. Facilities Support</b>					
Facilities Services	(570)	(1,615)	(27)	(16)	(452)
HSC Maintenance	0	(64)	(0)	-	-
Utilities	(1,039)	(717)	(872)	(827)	(1,519)
Deferred Maintenance	(0)	(0)	8	-	-
Bond Interest	-	4	-	-	-
Renovation contingency	(0)	(0)	(23)	-	-
Sub-total	<b>(1,609)</b>	<b>(2,392)</b>	<b>(914)</b>	<b>(843)</b>	<b>(1,971)</b>
<b>7. Institutional Support</b>					
Administration	(3,426)	(1,265)	(3,334)	(252)	(432)
UTS/Technology Fund	0	208	655	(1,579)	(1,895)
UTS Asset Management	0	0	(13)	0	0
University Secretariat	(6)	(8)	(10)	(30)	(54)
Presidential Budget	5	162	(36)	11	11
University Advancement	(184)	(384)	(207)	(131)	(142)
General University	802	937	372	162	(67)
Sub-total	<b>(2,810)</b>	<b>(349)</b>	<b>(2,574)</b>	<b>(1,818)</b>	<b>(2,579)</b>
<b>8. Institutional Priority allocations</b>					
Technology Renewal	2,269	1,838	4,517	4,517	4,517
Marketing & Branding	-	-	-	-	(0)
Pension	-	-	-	-	-
Strategic Priorities	(971)	(810)	(23)	(24)	(25)
Sub-total	<b>1,298</b>	<b>1,028</b>	<b>4,494</b>	<b>4,493</b>	<b>4,492</b>
<b>Surplus/(Deficit)</b>	<b>(17,846)</b>	<b>4,618</b>	<b>1,432</b>	<b>1,676</b>	<b>(2,094)</b>
<i>Under/(over)allocated</i>	0	0	0	-	-
<b>Total Surplus/(Deficit)</b>	<b>(17,846)</b>	<b>4,618</b>	<b>1,432</b>	<b>1,676</b>	<b>(2,094)</b>

Table 27: Financial Position of Operating Envelopes 2016/17 Budget and Projection

(\$ thousands)	2016/17 Budget				Appropriations April 30, 2017	2016/17 8 Month Projection				Appropriations April 30, 2017	Favourable (Unfavourable) Variance				Appropriations April 30, 2017
	Appropriations April 30, 2016	On-going	One-time	Total		Appropriations April 30, 2016	On-going	One-time	Total		Appropriations April 30, 2016	On-going	One-time	Total	
<b>1. Faculties (Academic Programs)</b>															
Business	(5,305)	1,260	(554)	706	(4,600)	(5,756)	4,747	396	5,142	(614)	(451)	3,487	950	4,437	3,986
Engineering	21,964	(2,670)	(4,331)	(7,001)	14,963	22,372	1,975	(2,869)	(894)	21,478	407	4,646	1,462	6,107	6,515
Health Sciences	28,319	(2,926)	577	(2,348)	25,971	37,587	(2,392)	(1,201)	(3,593)	33,994	9,268	533	(1,779)	(1,245)	8,023
Humanities	(5,825)	(411)	606	195	(5,630)	(6,140)	715	1,790	2,505	(3,635)	(315)	1,126	1,184	2,310	1,995
Science	(3,380)	(2,478)	(359)	(2,837)	(6,217)	(3,073)	6,297	1,131	7,427	4,354	307	8,775	1,489	10,264	10,571
Medical Radiation - Mohawk share	1	-	-	-	1	0	-	-	-	0	(0)	-	-	-	(0)
Social Sciences	(5,207)	(47)	750	703	(4,505)	(5,035)	(551)	1,682	1,131	(3,904)	172	(504)	932	428	600
Arts & Science	2,608	272	57	329	2,937	2,698	432	(959)	(527)	2,171	89	160	(1,016)	(856)	(766)
Sub-total	<b>33,175</b>	<b>(7,001)</b>	<b>(3,253)</b>	<b>(10,254)</b>	<b>22,921</b>	<b>42,653</b>	<b>11,222</b>	<b>(31)</b>	<b>11,191</b>	<b>53,844</b>	<b>9,479</b>	<b>18,223</b>	<b>3,222</b>	<b>21,445</b>	<b>30,924</b>
<b>2. Academic Priorities</b>															
University Fund	31,063	21,053	(21,121)	(68)	30,995	31,114	19,577	(16,512)	3,065	34,180	51	(1,476)	4,609	3,133	3,184
Academic Funding Allocation	6,041	2,850	(459)	2,391	8,432	1,086	(1,275)	(974)	(2,249)	(1,162)	(4,954)	(4,125)	(515)	(4,640)	(9,595)
Sub-total	<b>37,104</b>	<b>23,904</b>	<b>(21,580)</b>	<b>2,324</b>	<b>39,428</b>	<b>32,201</b>	<b>18,302</b>	<b>(17,486)</b>	<b>816</b>	<b>33,017</b>	<b>(4,903)</b>	<b>(5,602)</b>	<b>4,094</b>	<b>(1,507)</b>	<b>(6,411)</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>74,854</b>	<b>29,524</b>	<b>(17,517)</b>	<b>12,007</b>	<b>86,861</b>	<b>4,575</b>	<b>12,621</b>	<b>7,316</b>	<b>19,938</b>	<b>24,513</b>
<b>3. Academic Support</b>															
Office of the Provost	7,460	(1,160)	(63)	(1,223)	6,237	8,506	(1,821)	1,199	(622)	7,884	1,045	(660)	1,262	601	1,646
Museum of Art	(0)	0	-	0	0	(21)	(26)	50	24	4	(21)	(26)	50	24	4
MIITEL	2,699	(278)	(393)	(670)	2,028	2,891	(659)	580	(80)	2,811	192	(382)	973	591	783
University Library	1,207	(921)	(96)	(1,017)	190	1,140	(1,151)	38	(1,113)	27	(67)	(230)	134	(96)	(163)
Health Sciences Library	409	(899)	-	(490)	409	479	(472)	75	(397)	82	70	427	75	502	572
Registrar	615	(351)	42	(309)	306	1,050	(317)	(158)	(475)	575	435	34	(199)	(166)	269
Sub-total	<b>12,391</b>	<b>(3,609)</b>	<b>(510)</b>	<b>(4,119)</b>	<b>8,272</b>	<b>14,045</b>	<b>(4,446)</b>	<b>1,784</b>	<b>(2,662)</b>	<b>11,383</b>	<b>1,654</b>	<b>(837)</b>	<b>2,294</b>	<b>1,457</b>	<b>3,111</b>
<b>4. Research Support</b>															
Research	(2,163)	268	(661)	(393)	(2,555)	(1,200)	(461)	(89)	(550)	(1,750)	963	(729)	572	(158)	805
VP Research Discretionary Fund	38	97	(18)	79	117	-	(877)	877	(0)	(0)	(38)	(974)	895	(79)	(117)
Nuclear Reactor Debt	(921)	89	-	89	(832)	(921)	89	-	89	(832)	-	(0)	-	(0)	(0)
Sub-total	<b>(3,046)</b>	<b>454</b>	<b>(679)</b>	<b>(225)</b>	<b>(3,271)</b>	<b>(2,121)</b>	<b>(1,249)</b>	<b>788</b>	<b>(462)</b>	<b>(2,582)</b>	<b>925</b>	<b>(1,703)</b>	<b>1,467</b>	<b>(237)</b>	<b>688</b>
<b>5. Student Support</b>															
Graduate Scholarships/Bursaries	4,625	7	(643)	(636)	3,989	2,862	(403)	-	(403)	2,459	(1,763)	(410)	643	233	(1,530)
School of Graduate Studies	1,273	(73)	(346)	(419)	853	1,199	(475)	(46)	(521)	678	(74)	(402)	300	(102)	(175)
Student Affairs	774	(1,174)	(220)	(1,395)	(620)	1,314	(773)	(670)	(1,443)	(129)	539	402	(450)	(48)	491
Undergraduate Scholarships	(40)	(0)	-	(0)	(40)	185	(835)	650	(185)	(0)	226	(835)	650	(185)	40
Sub-total	<b>6,632</b>	<b>(1,241)</b>	<b>(1,210)</b>	<b>(2,451)</b>	<b>4,181</b>	<b>5,560</b>	<b>(2,486)</b>	<b>(66)</b>	<b>(2,553)</b>	<b>3,008</b>	<b>(1,071)</b>	<b>(1,245)</b>	<b>1,143</b>	<b>(102)</b>	<b>(1,173)</b>
<b>6. Facilities Support</b>															
Facilities Services	807	(632)	62	(570)	237	1,807	(1,326)	(289)	(1,615)	192	1,000	(694)	(351)	(1,045)	(45)
HSC Maintenance	(0)	0	-	0	0	64	11	(75)	(64)	(0)	64	11	(75)	(64)	(0)
Utilities	1,345	(1,039)	-	(1,039)	305	2,664	(717)	-	(717)	1,947	1,320	322	-	322	1,642
Deferred Maintenance	0	(0)	0	(0)	0	(8)	(0)	0	(0)	(8)	(8)	(0)	0	(0)	(8)
Bond Interest	-	(2,709)	2,709	-	-	(4)	(2,709)	2,713	4	-	(4)	-	4	4	-
Renovation contingency	(0)	(0)	-	(0)	(0)	23	(0)	-	(0)	23	23	0	-	0	23
Sub-total	<b>2,152</b>	<b>(4,380)</b>	<b>2,771</b>	<b>(1,609)</b>	<b>543</b>	<b>4,547</b>	<b>(4,741)</b>	<b>2,349</b>	<b>(2,392)</b>	<b>2,154</b>	<b>2,395</b>	<b>(361)</b>	<b>(422)</b>	<b>(783)</b>	<b>1,611</b>
<b>7. Institutional Support</b>															
Administration	5,021	(333)	(3,093)	(3,426)	1,595	5,729	(454)	(811)	(1,265)	4,464	708	(121)	2,282	2,161	2,869
UTS/Technology Fund	(1,132)	(1,219)	1,219	0	(1,132)	(141)	(846)	1,054	208	67	991	373	(165)	208	1,199
UTS Asset Management	(0)	0	-	0	0	13	0	-	0	13	13	(0)	-	(0)	13
University Secretariat	143	(6)	-	(6)	136	160	(8)	-	(8)	152	17	(1)	-	(1)	16
Presidential Budget	1,211	5	-	5	1,215	1,373	(41)	204	162	1,536	163	(46)	204	158	320
University Advancement	805	(184)	-	(184)	622	864	(373)	(11)	(384)	480	58	(189)	(11)	(200)	(142)
General University	(693)	144	657	802	108	(947)	237	700	937	(10)	(254)	93	43	135	(119)
Sub-total	<b>5,354</b>	<b>(1,593)</b>	<b>(1,217)</b>	<b>(2,810)</b>	<b>2,545</b>	<b>7,051</b>	<b>(1,485)</b>	<b>1,136</b>	<b>(349)</b>	<b>6,702</b>	<b>1,697</b>	<b>108</b>	<b>2,353</b>	<b>2,461</b>	<b>4,158</b>
<b>8. Institutional Priority allocations</b>															
Technology Renewal	(32,669)	-	2,269	2,269	(30,400)	(32,190)	0	1,838	1,838	(30,352)	479	0	(431)	(431)	48
Marketing & Branding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	971	-	(971)	(971)	0	877	0	(810)	(810)	67	(94)	0	161	161	67
Sub-total	<b>(31,698)</b>	<b>-</b>	<b>1,298</b>	<b>1,298</b>	<b>(30,400)</b>	<b>(31,313)</b>	<b>0</b>	<b>1,028</b>	<b>1,028</b>	<b>(30,285)</b>	<b>385</b>	<b>0</b>	<b>(270)</b>	<b>(270)</b>	<b>115</b>
<b>Surplus/(Deficit)</b>	<b>62,063</b>	<b>6,534</b>	<b>(24,380)</b>	<b>(17,846)</b>	<b>44,218</b>	<b>72,623</b>	<b>15,117</b>	<b>(10,499)</b>	<b>4,618</b>	<b>77,241</b>	<b>10,560</b>	<b>8,582</b>	<b>13,881</b>	<b>22,463</b>	<b>33,023</b>
<i>Under/(over)allocated</i>	(0)	4,517	(4,517)	0	(0)	0	4,517	(4,517)	0	0	0	(0)	-	(0)	0
<b>Total Surplus/(Deficit)</b>	<b>62,063</b>	<b>11,051</b>	<b>(28,897)</b>	<b>(17,846)</b>	<b>44,218</b>	<b>72,623</b>	<b>19,634</b>	<b>(15,016)</b>	<b>4,618</b>	<b>77,241</b>	<b>10,560</b>	<b>8,582</b>	<b>13,881</b>	<b>22,463</b>	<b>33,023</b>

Table 28: Financial Position of Operating Envelopes 2017/18 to 2019/20

(\$ thousands)	2017/18 Budget					2018/19 Plan				2019/20 Plan			
	Appropriations April 30, 2017	On-going	One-time	Total	Appropriations April 30, 2018	On-going	One-time	Total	Appropriations April 30, 2019	On-going	One-time	Total	Appropriations April 30, 2020
1. Faculties (Academic Programs)													
Business	(614)	4,543	(2,413)	2,130	1,516	6,056	(2,600)	3,456	4,972	6,646	(2,000)	4,646	9,618
Engineering	21,478	3,031	(4,545)	(1,514)	19,964	998	(2,350)	(1,352)	18,612	2,548	(5,350)	(2,802)	15,811
Health Sciences	33,994	(6,601)	(901)	(7,501)	26,493	(7,029)	(364)	(7,393)	19,099	(16,237)	(284)	(16,521)	2,578
Humanities	(3,635)	741	1,472	2,213	(1,421)	1,654	1,004	2,658	1,237	149	230	379	1,616
Science	4,354	4,576	0	4,576	8,931	2,890	-	2,890	11,821	426	(30)	396	12,217
Medical Radiation - Mohawk share	0	-	-	-	0	-	-	-	0	-	-	-	0
Social Sciences	(3,904)	(801)	670	(131)	(4,036)	(871)	695	(176)	(4,212)	(1,499)	570	(929)	(5,140)
Arts & Science	2,171	229	(193)	36	2,207	244	57	301	2,507	232	57	289	2,796
Sub-total	53,844	5,719	(5,910)	(191)	53,653	3,942	(3,558)	384	54,037	(7,733)	(6,807)	(14,541)	39,497
2. Academic Priorities													
University Fund	34,180	8,129	(7,884)	245	34,425	2,597	(2,262)	335	34,759	5,060	939	5,999	40,758
Academic Funding Allocation	(1,162)	7,298	-	7,298	6,135	4,405	-	4,405	10,540	11,966	-	11,966	22,505
Sub-total	33,017	15,427	(7,884)	7,543	40,560	7,001	(2,262)	4,739	45,299	17,025	939	17,964	63,263
TOTAL ACADEMIC	86,861	21,146	(13,794)	7,352	94,213	10,943	(5,820)	5,123	99,337	9,292	(5,868)	3,423	102,760
3. Academic Support													
Office of the Provost	7,884	(1,526)	(2,058)	(3,584)	4,299	(648)	(1,591)	(2,239)	2,060	(837)	(604)	(1,440)	620
Museum of Art	4	(0)	-	(0)	4	0	-	0	4	0	-	0	4
MIITL	2,811	(411)	(891)	(1,302)	1,509	(436)	(137)	(573)	936	(591)	(96)	(687)	249
University Library	27	(1,125)	167	(958)	(931)	(1,531)	128	(1,403)	(2,334)	(2,144)	100	(2,044)	(4,378)
Health Sciences Library	82	(489)	-	(489)	(406)	(657)	-	(657)	(1,063)	(839)	-	(839)	(1,902)
Registrar	575	(38)	(117)	(156)	419	(146)	-	(146)	273	(292)	-	(292)	(19)
Sub-total	11,383	(3,590)	(2,900)	(6,490)	4,893	(3,418)	(1,600)	(5,017)	(124)	(4,703)	(600)	(5,303)	(5,427)
4. Research Support													
Research	(1,750)	304	182	486	(1,264)	220	118	338	(926)	508	80	588	(338)
VP Research Discretionary Fund	(0)	103	(103)	(0)	(0)	63	(63)	(0)	(0)	0	-	0	0
Nuclear Reactor Debt	(832)	89	-	89	(743)	89	-	89	(654)	89	-	89	(566)
Sub-total	(2,582)	495	79	575	(2,007)	372	55	427	(1,581)	597	80	677	(904)
5. Student Support													
Graduate Scholarships/Bursaries	2,459	(378)	-	(378)	2,081	(389)	-	(389)	1,692	(404)	-	(404)	1,288
School of Graduate Studies	678	(332)	(23)	(355)	323	(296)	(23)	(319)	5	(347)	(23)	(369)	(364)
Student Affairs	(129)	(339)	60	(278)	(408)	40	(20)	19	(388)	(40)	(21)	(60)	(449)
Undergraduate Scholarships	(0)	0	-	0	(0)	(0)	-	(0)	(0)	(0)	-	(0)	(0)
Sub-total	3,008	(1,049)	38	(1,011)	1,997	(646)	(43)	(688)	1,309	(790)	(43)	(834)	475
6. Facilities Support													
Facilities Services	192	114	(141)	(27)	165	(16)	-	(16)	149	(452)	-	(452)	(304)
HSC Maintenance	(0)	(0)	-	(0)	(0)	-	-	-	(0)	-	-	-	(0)
Utilities	1,947	(872)	-	(872)	1,076	(827)	-	(827)	248	(1,519)	-	(1,519)	(1,271)
Deferred Maintenance	(8)	(0)	8	0	0	-	-	-	0	-	-	-	0
Bond Interest	-	(2,709)	2,709	-	-	(2,709)	2,709	-	-	(167)	167	-	-
Renovation contingency	23	(23)	-	(23)	(0)	-	-	-	(0)	-	-	-	(0)
Sub-total	2,154	(3,489)	2,575	(914)	1,240	(3,552)	2,709	(843)	397	(2,138)	167	(1,971)	(1,574)
7. Institutional Support													
Administration	4,464	(518)	(2,816)	(3,334)	1,130	48	(300)	(252)	878	(132)	(300)	(432)	446
UTS/Technology Fund	67	(1,345)	2,000	655	722	(1,579)	-	(1,579)	(856)	(1,895)	-	(1,895)	(2,751)
UTS Asset Management	13	(13)	-	(13)	(0)	0	-	0	(0)	0	-	0	(0)
University Secretariat	152	(10)	-	(10)	142	(30)	-	(30)	112	(54)	-	(54)	58
Presidential Budget	1,536	(36)	-	(36)	1,500	11	-	11	1,511	11	-	11	1,522
University Advancement	480	(207)	0	(207)	273	(131)	-	(131)	142	(153)	11	(142)	(0)
General University	(10)	372	-	372	362	162	-	162	523	(67)	-	(67)	457
Sub-total	6,702	(1,757)	(816)	(2,574)	4,128	(1,518)	(300)	(1,818)	2,310	(2,290)	(289)	(2,579)	(269)
8. Institutional Priority allocations													
Technology Renewal	(30,352)	-	4,517	4,517	(25,835)	-	4,517	4,517	(21,318)	-	4,517	4,517	(16,801)
Marketing & Branding	-	0	(0)	-	-	-	-	-	-	(0)	-	(0)	(0)
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	67	-	(23)	(23)	44	-	(24)	(24)	20	-	(25)	(25)	(4)
Sub-total	(30,285)	0	4,494	4,494	(25,791)	-	4,493	4,493	(21,298)	(0)	4,492	4,492	(16,806)
Surplus/(Deficit)	77,241	11,756	(10,323)	1,432	78,673	2,181	(505)	1,676	80,349	(33)	(2,061)	(2,094)	78,255
Under/over/allocated	0	4,761	(4,761)	0	0	5,004	(5,004)	-	0	5,004	(5,004)	-	0
Total Surplus/(Deficit)	77,241	16,517	(15,084)	1,432	78,673	7,185	(5,509)	1,676	80,349	4,971	(7,065)	(2,094)	78,255

## APPENDIX B - BUDGET MODEL CALCULATIONS

Table 29: 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			34,147	69,926	32,183	14,770	43,555	2,275,592	27,997	1,754	-			226,608
Total UG SAG Obligation			(800)	(3,399)	(178)	(12)	(17)	-	(14)	-	4,420			
Graduate Tuition			15,032	10,127	10,059	2,542	5,657	-	2,371	-	-			45,788
Operating Grant			20,146	43,633	78,404	15,348	49,282	2,492,964	22,900	1,699	-			233,964
Other Income			519	2,451	5,389	375	1,769	-	644	119	-	7,323	-	18,590
Gross Revenue			69,044	122,738	125,858	33,023	100,245	4,768,556	53,959	3,572	4,420	7,323	-	524,950
Undergraduate Cross Faculty Teaching Adjustment			(6,662)	(12,299)	(327)	6,404	9,017	-	4,451	(583)	-			0
Revenue for Contributions			62,382	110,438	125,531	39,427	109,262	4,768,556	58,410	2,989	4,420	7,323	-	524,950
University Fund Contribution			(4,991)	(8,835)	(10,042)	(3,154)	(8,741)	-	(4,673)	(239)		40,675	-	-
Research Infrastructure Fund Contribution			(1,871)	(3,313)	(1,255)	(394)	(1,093)	-	(584)	(90)			8,601	-
Indirect Cost of Research (excluding Royalties & CRC) VP			163	4,087	11,688	454	4,379	-	804	-	13	-		21,589
Research Discretionary (Equivalent to 7 % of ICR)			(11)	(286)	(818)	(32)	(307)	-	(56)	-	1,510	-		-
Adjustments for ICR received by Journal (Contract & ERA)			(28)	(1,122)	(5,667)	(262)	(959)	-	(128)	-	-	-		(8,164)
Adjustments for Current Practices			-	-	(6,964)	(224)	88	(218,768)	218	-	-	455		(6,645)
Research Infrastructure Fund Distribution			65	1,629	4,659	181	1,746	-	320	-	-		(8,601)	-
Research Excellence Fund (from UF)			36	402	1,133	39	463	-	176	-	-	(2,250)		-
<b>Revenue Prior to Shared Support Unit Allocations</b>			<b>55,745</b>	<b>103,000</b>	<b>118,265</b>	<b>36,036</b>	<b>104,839</b>	<b>4,549,787</b>	<b>54,487</b>	<b>2,660</b>	<b>5,944</b>	<b>46,204</b>	<b>-</b>	<b>531,730</b>
<b>Shared Support Unit Allocations - via double stepdown</b>														
Occupancy Cost	41,519	(13,839)	(699)	(6,465)	(8,592)	(1,900)	(8,668)	-	(1,310)	(46)	-	-	-	(27,681)
Deferred Maintenance	9,893	(3,878)	(152)	(1,405)	(1,867)	(413)	(1,884)	-	(285)	(10)	-	-	-	(6,015)
Insurance	1,080	(457)	(16)	(149)	(182)	(44)	(200)	-	(30)	(1)	-	-	-	(623)
MIP Occupancy 1	2,677	(237)	-	(1,615)	(626)	(11)	(17)	-	(171)	-	-	-	-	(2,440)
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)
HR	6,432	(758)	(286)	(773)	(3,117)	(328)	(773)	-	(389)	(8)	-	-	-	(5,674)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	6,970	(2,295)	(482)	(795)	(1,556)	(451)	(882)	-	(493)	(14)	-	-	-	(4,675)
Supplementary Pension	4,738	(406)	(354)	(675)	(1,661)	(402)	(797)	-	(439)	(4)	-	-	-	(4,332)
Pension Special	15,937	(4,143)	(827)	(1,812)	(4,065)	(1,269)	(2,610)	-	(1,203)	(8)	-	-	-	(11,794)
Presidential/Univ Sec	1,846	(519)	(137)	(226)	(442)	(128)	(251)	-	(140)	(4)	-	-	-	(1,327)
General University Expense	6,320	(2,615)	(382)	(630)	(1,234)	(358)	(699)	-	(391)	(11)	-	-	-	(3,705)
Bond Interest	7,380	(2,686)	(119)	(1,096)	(1,457)	(322)	(1,470)	-	(222)	(8)	-	-	-	(4,694)
UTS/ Technology Fund	13,809	2,861	(2,024)	(3,141)	(3,711)	(1,413)	(3,874)	-	(2,356)	(151)	-	-	-	(16,670)
UTS- ERP	4,517	(163)	(529)	(820)	(969)	(369)	(1,012)	-	(615)	(39)	-	-	-	(4,354)
UA	5,733	1,430	(798)	(1,533)	(1,909)	(557)	(1,509)	-	(820)	(40)	-	-	-	(7,163)
Office of the Provost	6,157	(2,368)	(391)	(644)	(1,262)	(366)	(715)	-	(400)	(12)	-	-	-	(3,789)
Research Support	8,770	4,779	(189)	(2,170)	(8,376)	(130)	(2,122)	-	(563)	-	-	-	-	(13,549)
Student Affairs	3,696	5,569	(1,241)	(1,853)	(1,482)	(838)	(2,325)	-	(1,432)	(95)	-	-	-	(9,265)
MIETL	1,533	607	(280)	(418)	(384)	(189)	(524)	-	(323)	(22)	-	-	-	(2,140)
Libraries	17,692	8,073	(3,221)	(4,861)	(5,374)	(2,243)	(6,066)	-	(3,756)	(243)	-	-	-	(25,765)
HS Library	2,899	1,709	(576)	(869)	(961)	(401)	(1,085)	-	(672)	(43)	-	-	-	(4,608)
Registrar	4,753	7,737	(1,526)	(2,423)	(2,001)	(1,141)	(3,236)	-	(2,017)	(147)	-	-	-	(12,491)
SGS	1,641	389	(369)	(412)	(600)	(143)	(327)	-	(178)	-	-	-	-	(2,030)
Museum of Art	469	480	(112)	(174)	(232)	(78)	(214)	-	(130)	(8)	-	-	-	(949)
UG Scholarship	5,477	631	(791)	(1,356)	(492)	(591)	(1,755)	-	(1,046)	(76)	-	-	-	(6,108)
UG Bursaries	3,500	-	(441)	(756)	(369)	(330)	(978)	-	(583)	(42)	-	-	-	(3,500)
Grad Scholarship	13,774	633	(2,621)	(2,921)	(4,261)	(1,014)	(2,325)	-	(1,265)	-	-	-	-	(14,407)
Branding and Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments for Current Practices - Support Units	-	-	-	-	4,196	-	-	-	-	-	(1,972)	-	-	2,224
<b>Total Shared Support Unit Allocations</b>	<b>201,425</b>	<b>0</b>	<b>(18,671)</b>	<b>(40,383)</b>	<b>(53,508)</b>	<b>(15,593)</b>	<b>(46,653)</b>	<b>-</b>	<b>(21,385)</b>	<b>(1,036)</b>	<b>(1,972)</b>	<b>-</b>	<b>-</b>	<b>(199,201)</b>
<b>Net Revenue</b>			<b>37,074</b>	<b>62,618</b>	<b>64,756</b>	<b>20,443</b>	<b>58,186</b>	<b>4,549,787</b>	<b>33,102</b>	<b>1,624</b>	<b>3,972</b>	<b>46,204</b>	<b>-</b>	<b>332,529</b>
<b>2013-14 Projected Hold Harmless Level (Adjusted)</b>														
Variance			10,201	11,985	(4,574)	(3,470)	6,753	(53)	5,173	533				
UF Supplement			-	-	5,849	5,281	937	-	-	-	-	(12,067)	-	-
<b>Base Net Projected Budget 2016-17</b>			<b>37,074</b>	<b>62,618</b>	<b>70,605</b>	<b>25,724</b>	<b>59,123</b>	<b>4,550</b>	<b>33,102</b>	<b>1,624</b>	<b>3,972</b>	<b>34,137</b>	<b>-</b>	<b>332,529</b>
<b>One Time FY16 True up</b>			<b>(409)</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60)</b>	<b>(16)</b>	<b>467</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 30: 2016/17 Support Unit Allocations

2016-17														
	2015/16 Adjusted	2016-17 Base				Adjusted Support Unit budgets for double stepdown allocation								
		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
	2015/16 Base Cwd													
<b>Academic Support</b>														
Office of the Provost	6,057	-	270	270	6,327		-					102	102	6,429
Museum of Art	469	-	-	-	469		-					-	-	469
MIITL	1,533	-	-	-	1,533		-					-	-	1,533
University Library	17,692	-	192	192	17,884		-					-	-	17,884
Health Sciences Library	2,899	-	-	-	2,899		-					-	-	2,899
Registrar	4,589	-	300	300	4,889		-					167	167	5,056
<b>Sub-total</b>	<b>33,239</b>	<b>-</b>	<b>762</b>	<b>762</b>	<b>34,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>268</b>	<b>268</b>	<b>34,269</b>
<b>Research Support</b>														
Research	7,112	-	-	-	7,112		-			(151)	-	1,841	1,690	8,802
VP Research Discretionary Fund	1,510	-	648	648	2,158		-				(2,158)	-	(2,158)	-
Nuclear Reactor Debt	-	-	-	-	-		-					-	-	-
<b>Sub-total</b>	<b>8,622</b>	<b>-</b>	<b>648</b>	<b>648</b>	<b>9,270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(151)</b>	<b>(2,158)</b>	<b>1,841</b>	<b>(468)</b>	<b>8,802</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	4,196	-	-	-	4,196		-					-	-	4,196
Undergraduate Scholarships	13,397	-	489	489	13,886		-	(3,500)				-	(3,500)	10,386
Undergraduate Bursaries							-	3,500					3,500	3,500
<b>Sub-total</b>	<b>33,008</b>	<b>-</b>	<b>489</b>	<b>489</b>	<b>33,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,497</b>
<b>Facilities Support</b>														
Facilities Services	14,770	-	129	129	14,899		-			(2,683)		185	(2,498)	12,401
HSC Maintenance	3,727	-	-	-	3,727		-					-	-	3,727
Utilities	17,684	-	-	-	17,684		-					-	-	17,684
HSC Utilities	5,387	-	-	-	5,387		-					-	-	5,387
Deferred Maint/Facilities Renew	9,893	-	-	-	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>59,815</b>	<b>-</b>	<b>129</b>	<b>129</b>	<b>59,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,805</b>	<b>151</b>	<b>-</b>	<b>185</b>	<b>2,141</b>	<b>62,085</b>
<b>Institutional Support</b>														
VP Administration /Other Administration	16,312	-	-	-	16,312		-	(7,022)	(1,805)			117	(8,710)	7,602
Human Resources								7,022				848	7,870	7,870
UTS/Technology Fund	13,110	-	760	760	13,870		-					457	457	14,327
UTS Asset Management	250	-	-	-	250		-					-	-	250
University Secretariat	778	-	-	-	778		-					-	-	778
Presidential Budget	1,128	-	-	-	1,128		-					-	-	1,128
University Advancement	5,193	-	-	-	5,193		-					547	547	5,740
General University	7,850	-	-	-	7,850		-	(1,080)				-	(1,080)	6,770
Insurance								1,080					1,080	1,080
<b>Sub-total</b>	<b>44,621</b>	<b>-</b>	<b>760</b>	<b>760</b>	<b>45,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,805)</b>	<b>-</b>	<b>-</b>	<b>1,969</b>	<b>164</b>	<b>45,545</b>
<b>Institutional Priority allocations</b>														
Systems Renewal	-	-	-	-	-	4,517	-					-	4,517	4,517
Supplemental Pension	6,962	-	(902)	(902)	6,060		-				(1,322)	-	(1,322)	4,738
Pension special payments	8,054	-	1,500	1,500	9,554		-					-	-	9,554
PRB past service	7,883	-	-	-	7,883		-					-	-	7,883
<b>Sub-total</b>	<b>22,899</b>	<b>-</b>	<b>598</b>	<b>598</b>	<b>23,497</b>	<b>4,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,322)</b>	<b>-</b>	<b>3,195</b>	<b>26,692</b>
<b>Total Support Units</b>	<b>202,204</b>	<b>-</b>	<b>3,386</b>	<b>3,386</b>	<b>205,590</b>	<b>4,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,480)</b>	<b>4,264</b>	<b>5,301</b>	<b>210,891</b>

Table 31: 2017/18 Activity Unit Allocations

McMaster University - New Budget Model - Faculties					Prof. Faculties		Other Faculties							
Projected Budget Allocation			University Fund		8.00%		8.00%		VP Research Discretionary Fund		10.00%			
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			37,569	78,604	33,168	15,042	47,102	2,469	28,706	1,761	-			244,421
Total UG SAG Obligation			(881)	(3,800)	(184)	(12)	(18)	-	(14)	-	4,909			-
Graduate Tuition			16,678	10,860	10,922	2,601	5,543	-	2,358	-	-			48,961
Operating Grant			20,963	45,428	79,598	15,064	50,852	2,645	22,436	1,700	-	-	-	238,686
Other Income			519	2,451	5,389	375	1,769	-	644	119	-	7,693	-	18,960
Gross Revenue			74,848	133,544	128,892	33,070	105,247	5,114	54,130	3,580	4,909	7,693	-	551,028
Undergraduate Cross Faculty Teaching Adjustment			(6,202)	(13,006)	(148)	7,355	8,444	-	4,118	(561)	-			0
Revenue for Contributions			68,646	120,537	128,745	40,425	113,691	5,114	58,248	3,020	4,909	7,693	-	551,028
University Fund Contribution			(5,492)	(9,643)	(10,300)	(3,234)	(9,095)	-	(4,660)	(242)		42,665	-	-
Research Infrastructure Fund Contribution			(2,059)	(3,616)	(1,287)	(404)	(1,137)	-	(582)	(91)		-	9,177	-
Indirect Cost of Research (excluding Royalties & CRC) VP			163	4,087	11,688	454	4,379	-	804	-	13	-		21,589
Research Discretionary (Equivalent to 10 % of ICR)			(16)	(409)	(1,169)	(45)	(438)	-	(80)	-	2,158			-
Adjustments for ICR received by Journal (Contract & ERA)			(28)	(1,122)	(5,667)	(262)	(959)	-	(128)	-	-			(8,164)
Adjustments for Current Practices			-	-	(5,671)	(218)	237	(237)	218	-	-	(449)		(6,120)
Research Infrastructure Fund Distribution			69	1,738	4,972	193	1,863	-	342	-	-		(9,177)	-
Research Excellence Fund (from UF)			32	400	1,144	89	428	-	157	-	-	(2,250)		-
Revenue Prior to Shared Support Unit Allocations			61,315	111,973	122,455	36,998	108,970	4,877	54,318	2,688	7,080	47,659	-	558,333
Shared Support Unit Allocations - via double stepdown														
Occupancy Cost	41,748	(13,815)	(706)	(6,524)	(8,670)	(1,918)	(8,747)	-	(1,322)	(46)	-	-	-	(27,933)
Deferred Maintenance	9,893	(3,878)	(152)	(1,405)	(1,867)	(413)	(1,884)	-	(285)	(10)	-	-	-	(6,015)
Insurance	1,080	(457)	(16)	(149)	(182)	(44)	(200)	-	(30)	(1)	-	-	-	(623)
MIP Occupancy 1	2,677	(237)	-	(1,615)	(626)	(11)	(17)	-	(171)	-	-	-	-	(2,440)
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)
HR	5,815	(581)	(264)	(713)	(2,875)	(303)	(713)	-	(359)	(7)	-	-	-	(5,234)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,847	(2,661)	(535)	(882)	(1,726)	(501)	(979)	-	(547)	(16)	-	-	-	(5,185)
Supplementary Pension	4,738	(356)	(358)	(683)	(1,680)	(407)	(806)	-	(444)	(4)	-	-	-	(4,382)
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)
Presidential/Univ Sec	1,927	(550)	(142)	(234)	(458)	(133)	(260)	-	(145)	(4)	-	-	-	(1,377)
General University Expense	6,784	(2,807)	(411)	(676)	(1,323)	(384)	(751)	-	(419)	(12)	-	-	-	(3,977)
Bond Interest	7,380	(2,670)	(119)	(1,100)	(1,462)	(323)	(1,475)	-	(223)	(8)	-	-	-	(4,710)
UTS/ Technology Fund	14,744	2,980	(2,191)	(3,423)	(3,890)	(1,453)	(4,186)	-	(2,427)	(154)	-	-	-	(17,724)
UTS- ERP	4,517	(161)	(539)	(841)	(956)	(357)	(1,029)	-	(597)	(38)	-	-	-	(4,356)
UA	5,853	1,484	(863)	(1,619)	(1,899)	(559)	(1,547)	-	(810)	(40)	-	-	-	(7,337)
Office of the Provost	6,497	(2,508)	(412)	(678)	(1,327)	(385)	(753)	-	(421)	(12)	-	-	-	(3,989)
Research Support	8,984	4,928	(194)	(2,228)	(8,600)	(133)	(2,179)	-	(578)	-	-	-	-	(13,912)
Student Affairs	4,241	5,698	(1,351)	(2,036)	(1,579)	(864)	(2,530)	-	(1,480)	(98)	-	-	-	(9,939)
MIETL	1,580	623	(293)	(442)	(390)	(187)	(549)	-	(321)	(21)	-	-	-	(2,203)
Libraries	18,008	8,211	(3,336)	(5,076)	(5,395)	(2,205)	(6,274)	-	(3,697)	(236)	-	-	-	(26,219)
HS Library	2,927	1,741	(594)	(904)	(961)	(393)	(1,117)	-	(658)	(42)	-	-	-	(4,668)
Registrar	5,160	7,832	(1,626)	(2,584)	(2,024)	(1,142)	(3,443)	-	(2,027)	(146)	-	-	-	(12,991)
SGS	1,669	403	(373)	(435)	(628)	(141)	(319)	-	(175)	-	-	-	-	(2,072)
Museum of Art	482	490	(117)	(182)	(235)	(77)	(223)	-	(129)	(8)	-	-	-	(972)
UG Scholarship	5,512	680	(817)	(1,399)	(501)	(574)	(1,809)	-	(1,019)	(73)	-	-	-	(6,192)
UG Bursaries	3,500	0	(450)	(770)	(368)	(316)	(996)	-	(561)	(40)	-	-	-	(3,500)
Grad Scholarship	13,782	680	(2,605)	(3,033)	(4,389)	(988)	(2,227)	-	(1,220)	-	-	-	-	(14,462)
Branding and Marketing	1,500	(0)	(176)	(331)	(388)	(114)	(316)	-	(166)	(8)	-	-	-	(1,500)
Adjustments for Current Practices - Support Units					4,264	-	-	-	-	-	(2,493)	-	-	1,771
Total Shared Support Unit Allocations	208,494	0	(19,652)	(42,335)	(55,106)	(15,879)	(48,520)	-	(21,702)	(1,036)	(2,493)	-	-	(206,723)
Net Revenue			41,663	69,638	67,349	21,119	60,449	4,877	32,616	1,652	4,587	47,659	-	351,610
2013-14 Projected Hold Harmless Level (Adjusted)														
Variance			14,790	19,005	(1,981)	(2,794)	9,016	274	4,687	561				
UF Supplement			-	-	5,849	5,281	937	-	-	-	-	(12,067)	-	-
Base Net Projected Budget 2017-18			41,663	69,638	73,198	26,400	61,386	4,877	32,616	1,652	4,587	35,592	-	351,610

### Table 32: 2017/18 Support Unit Allocations

[illegible]

Table 33: 2018/19 Activity Unit Allocations

McMaster University - New Budget Model - Faculties					Prof. Faculties		Other Faculties									
Projected Budget Allocation					University Fund		8.00%		8.00%		VP Research Discretionary Fund		10.00%			
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			41,179	87,411	34,313	15,699	50,585	2,656	30,112	1,786	-			263,741		
Total UG SAG Obligation			(967)	(4,219)	(193)	(13)	(20)	-	(15)	-	5,427			-		
Graduate Tuition			17,928	11,182	11,334	2,664	5,591	-	2,339	-	-			51,037		
Operating Grant			20,463	44,035	77,594	14,572	49,468	2,644	21,668	1,638	7,500	-	-	239,583		
Other Income			519	2,451	5,389	375	1,769	-	644	119	-	7,983	-	19,250		
Gross Revenue			79,122	140,859	128,437	33,297	107,393	5,301	54,748	3,543	12,927	7,983	-	573,610		
Undergraduate Cross Faculty Teaching Adjustment			(6,594)	(14,149)	(25)	7,898	8,834	-	4,597	(561)	-			0		
Revenue for Contributions			72,528	126,710	128,412	41,194	116,228	5,301	59,345	2,982	12,927	7,983	-	573,610		
University Fund Contribution			(5,802)	(10,137)	(10,273)	(3,296)	(9,298)	-	(4,748)	(239)		43,792	-	-		
Research Infrastructure Fund Contribution			(2,176)	(3,801)	(1,284)	(412)	(1,162)	-	(593)	(89)			9,518	-		
Indirect Cost of Research (excluding Royalties & CRC) VP			163	4,087	11,688	454	4,379	-	804	-	13	-	-	21,589		
Research Discretionary (Equivalent to 10 % of ICR)			(16)	(409)	(1,169)	(45)	(438)	-	(80)	-	2,158			-		
Adjustments for ICR received by Journal (Contract & ERA)			(28)	(1,122)	(5,667)	(262)	(959)	-	(128)	-	-			(8,164)		
Adjustments for Current Practices			-	-	(4,459)	(218)	255	(255)	218	-	-	(449)		(4,908)		
Research Infrastructure Fund Distribution			72	1,803	5,157	200	1,932	-	355	-	-		(9,518)	-		
Research Excellence Fund (from UF)			32	400	1,144	89	428	-	157			(2,250)		-		
Revenue Prior to Shared Support Unit Allocations			64,773	117,531	123,549	37,705	111,365	5,046	55,330	2,654	15,098	49,076	-	582,127		
Shared Support Unit Allocations - via double stepdown																
Occupancy Cost	41,748	(13,770)	(707)	(6,534)	(8,684)	(1,921)	(8,761)	-	(1,324)	(46)	-	-	-	(27,978)		
Deferred Maintenance	9,893	(3,878)	(152)	(1,405)	(1,867)	(413)	(1,884)	-	(285)	(10)	-	-	-	(6,015)		
Insurance	1,080	(457)	(16)	(149)	(182)	(44)	(200)	-	(30)	(1)	-	-	-	(623)		
MIP Occupancy 1	2,677	(237)	-	(1,615)	(626)	(11)	(17)	-	(171)	-	-	-	-	(2,440)		
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)		
HR	5,815	(573)	(264)	(714)	(2,880)	(303)	(714)	-	(359)	(7)	-	-	-	(5,243)		
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)		
Financial Affairs/Admin/ Inst Support	7,847	(2,654)	(536)	(883)	(1,728)	(501)	(981)	-	(548)	(16)	-	-	-	(5,193)		
Supplementary Pension	4,738	(334)	(360)	(686)	(1,688)	(409)	(810)	-	(446)	(4)	-	-	-	(4,404)		
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)		
Presidential/Univ Sec	1,927	(549)	(142)	(234)	(459)	(133)	(260)	-	(145)	(4)	-	-	-	(1,378)		
General University Expense	6,784	(2,798)	(411)	(678)	(1,326)	(385)	(753)	-	(420)	(12)	-	-	-	(3,986)		
Bond Interest	7,380	(2,663)	(119)	(1,102)	(1,464)	(324)	(1,477)	-	(223)	(8)	-	-	-	(4,717)		
UTS/ Technology Fund	14,744	3,039	(2,242)	(3,482)	(3,833)	(1,434)	(4,248)	-	(2,397)	(148)	-	-	-	(17,783)		
UTS- ERP	4,517	(157)	(550)	(854)	(940)	(352)	(1,041)	-	(588)	(36)	-	-	-	(4,360)		
UA	5,853	1,498	(911)	(1,680)	(1,843)	(539)	(1,552)	-	(786)	(40)	-	-	-	(7,351)		
Office of the Provost	7,287	(2,860)	(457)	(753)	(1,473)	(427)	(836)	-	(467)	(14)	-	-	-	(4,427)		
Research Support	8,984	4,958	(195)	(2,233)	(8,619)	(133)	(2,184)	-	(579)	-	-	-	-	(13,942)		
Student Affairs	4,241	5,733	(1,380)	(2,070)	(1,559)	(850)	(2,564)	-	(1,457)	(94)	-	-	-	(9,974)		
MIETL	1,580	627	(299)	(449)	(383)	(184)	(555)	-	(316)	(20)	-	-	-	(2,207)		
Libraries	18,008	8,244	(3,404)	(5,155)	(5,306)	(2,168)	(6,353)	-	(3,639)	(227)	-	-	-	(26,252)		
HS Library	2,927	1,749	(606)	(918)	(945)	(386)	(1,132)	-	(648)	(40)	-	-	-	(4,676)		
Registrar	5,160	7,851	(1,657)	(2,625)	(1,986)	(1,121)	(3,486)	-	(1,995)	(139)	-	-	-	(13,010)		
SGS	1,669	405	(383)	(440)	(623)	(139)	(320)	-	(168)	-	-	-	-	(2,074)		
Museum of Art	482	493	(119)	(186)	(231)	(76)	(226)	-	(128)	(8)	-	-	-	(975)		
UG Scholarship	5,512	701	(833)	(1,417)	(499)	(563)	(1,829)	-	(1,003)	(70)	-	-	-	(6,213)		
UG Bursaries	3,500	-	(457)	(778)	(363)	(309)	(1,004)	-	(550)	(38)	-	-	-	(3,500)		
Grad Scholarship	13,782	699	(2,674)	(3,069)	(4,352)	(974)	(2,235)	-	(1,176)	-	-	-	-	(14,481)		
Branding and Marketing	1,000	(0)	(124)	(229)	(251)	(73)	(211)	-	(107)	(5)	-	-	-	(1,000)		
Adjustments for Current Practices - Support Units			-	-	4,264	-	-	-	-	-	(3,815)	-	-	449		
Total Shared Support Unit Allocations	208,784	0	(20,010)	(42,711)	(54,818)	(15,728)	(48,826)	-	(21,428)	(1,000)	(3,815)	-	-	(208,335)		
Net Revenue			44,762	74,821	68,731	21,977	62,539	5,046	33,902	1,655	11,283	49,076	-	373,792		
2013-14 Projected Hold Harmless Level (Adjusted)																
Variance			26,873	50,633	69,330	23,913	51,433	4,603	27,929	1,091						
UF Supplement			-	-	5,849	5,281	937	-	-	-	-	(12,067)	-	-		
Base Net Projected Budget 2018-19			44,762	74,821	74,580	27,258	63,476	5,046	33,902	1,655	11,283	37,009	-	373,792		



Table 34: 2018/19 Support Unit Allocations

2018-19														
	2017-18 Adjusted	2018-19 Base				Adjusted Support Unit budgets for double stepdown allocation								
	2017/18 Base Cfwid	Base adjustment for Salaries	Other Base changes	Total Base Adjustment	2018/19 Adjusted Base Allocation	Include Mosaic	SAG removal: applied in tuition allocation	Items allocated individually	Occupancy: Security	MIP Occupancy: Separate envelope in model	Remove: Clinical Pension/ VPR Funds/ future rent change	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	6,395	-	790	790	7,185							102	102	7,287
Museum of Art	482	-	-	-	482							-	-	482
MIETL	1,580	-	-	-	1,580							-	-	1,580
University Library	18,008	-	-	-	18,008							-	-	18,008
Health Sciences Library	2,927	-	-	-	2,927							-	-	2,927
Registrar	4,993	-	-	-	4,993							167	167	5,160
<b>Sub-total</b>	<b>34,385</b>	<b>-</b>	<b>790</b>	<b>790</b>	<b>35,175</b>	<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>268</b>	<b>268</b>	<b>35,443</b>
<b>Research Support</b>														
Research	7,294	-	-	-	7,294					(151)	-	1,841	1,690	8,984
VP Research Discretionary Fund	2,158	-	-	-	2,158						(2,158)	-	(2,158)	-
Nuclear Reactor Debt	-	-	-	-	-							-	-	-
<b>Sub-total</b>	<b>9,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,452</b>	<b>-</b>			<b>-</b>	<b>(151)</b>	<b>(2,158)</b>	<b>1,841</b>	<b>(468)</b>	<b>8,984</b>
<b>Student Support</b>														
Graduate Scholarships/Bursaries	13,782	-	-	-	13,782							-	-	13,782
School of Graduate Studies	1,669	-	-	-	1,669							-	-	1,669
Student Affairs	4,241	-	-	-	4,241							-	-	4,241
Undergraduate Scholarships	13,921	-	518	518	14,439		(5,427)	(3,500)				-	(8,927)	5,512
Undergraduate Bursaries								3,500					3,500	3,500
<b>Sub-total</b>	<b>33,613</b>	<b>-</b>	<b>518</b>	<b>518</b>	<b>34,131</b>	<b>-</b>	<b>(5,427)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,427)</b>	<b>28,704</b>
<b>Facilities Support</b>														
Facilities Services	15,088	-	-	-	15,088					(2,683)	(449)	185	(2,947)	12,141
HSC Maintenance	3,727	-	-	-	3,727							-	-	3,727
Utilities	17,714	-	-	-	17,714							-	-	17,714
HSC Utilities	5,387	-	-	-	5,387							-	-	5,387
Deferred Maint/Facilities Renew	9,893	-	-	-	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>60,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,805</b>	<b>151</b>	<b>(449)</b>	<b>185</b>	<b>1,692</b>	<b>61,855</b>
<b>Institutional Support</b>														
VP Administration /Other Administration	16,557	-	-	-	16,557			(7,022)	(1,805)			117	(8,710)	7,847
Human Resources	-	-	-	-	-			7,022				848	7,870	7,870
UTS/Technology Fund	14,037	-	-	-	14,037							457	457	14,494
UTS Asset Management	250	-	-	-	250							-	-	250
University Secretariat	788	-	-	-	788							-	-	788
Presidential Budget	1,139	-	-	-	1,139							-	-	1,139
University Advancement	5,306	-	-	-	5,306							547	547	5,853
General University	7,864	-	-	-	7,864			(1,080)				-	(1,080)	6,784
Insurance	-	-	-	-	-			1,080					1,080	1,080
<b>Sub-total</b>	<b>45,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,805)</b>	<b>-</b>	<b>-</b>	<b>1,969</b>	<b>164</b>	<b>46,105</b>
<b>Institutional Priority allocations</b>														
Systems Renewal	-	-	-	-	-	4,517						-	4,517	4,517
Supplemental Pension	6,060	-	(1,322)	(1,322)	4,738						-	-	-	4,738
Pension special payments	9,554	-	-	-	9,554							-	-	9,554
PRB past service	7,883	-	-	-	7,883							-	-	7,883
Branding and Marketing	1,500	-	(500)	(500)	1,000							-	-	1,000
<b>Sub-total</b>	<b>24,997</b>	<b>-</b>	<b>(1,822)</b>	<b>(1,822)</b>	<b>23,175</b>	<b>4,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,517</b>	<b>27,692</b>
<b>Total Support Units</b>	<b>208,551</b>	<b>-</b>	<b>(514)</b>	<b>(514)</b>	<b>208,037</b>	<b>4,517</b>	<b>(5,427)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,507)</b>	<b>4,264</b>	<b>747</b>	<b>208,784</b>

Table 35: 2019/20 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%		10.00%					
2019-20			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			44,260	95,230	35,324	16,431	53,508	2,806	31,620	1,790	-			280,968
Total UG SAG Obligation			(1,038)	(4,589)	(200)	(13)	(21)	-	(16)	-	5,877			-
Graduate Tuition			18,532	11,272	11,531	2,692	5,721	-	2,338	-	-			52,086
Operating Grant			19,640	42,489	75,670	14,101	47,964	2,644	20,776	1,577	15,000	-	-	239,861
Other Income			519	2,451	5,389	375	1,769	-	644	119	-	8,042	-	19,309
Gross Revenue			81,913	146,853	127,714	33,586	108,941	5,450	55,362	3,486	20,877	8,042	-	592,225
Undergraduate Cross Faculty Teaching Adjustment			(6,874)	(15,052)	59	8,325	9,148	-	4,934	(540)	-	-	-	(0)
Revenue for Contributions			75,039	131,800	127,774	41,911	118,090	5,450	60,296	2,947	20,877	8,042	-	592,225
University Fund Contribution			(6,003)	(10,544)	(10,222)	(3,353)	(9,447)	-	(4,824)	(236)		44,628	-	-
Research Infrastructure Fund Contribution			(2,251)	(3,954)	(1,278)	(419)	(1,181)	-	(603)	(88)		-	9,774	-
Indirect Cost of Research (excluding Royalties & CRC) VP			163	4,087	11,688	454	4,379	-	804	-	13	-	-	21,589
Research Discretionary (Equivalent to 10 % of ICR)			(16)	(409)	(1,169)	(45)	(438)	-	(80)	-	2,158	-	-	-
Adjustments for ICR received by Journal (Contract & ERA)			(28)	(1,122)	(5,667)	(262)	(959)	-	(128)	-	-	-	-	(8,164)
Adjustments for Current Practices			-	-	(4,508)	(218)	269	(269)	218	-	-	(449)	-	(4,957)
Research Infrastructure Fund Distribution			74	1,851	5,295	206	1,984	-	364	-	-	-	(9,774)	-
Research Excellence Fund (from UF)			32	400	1,144	89	428	-	157	-	-	(2,250)	-	-
Revenue Prior to Shared Support Unit Allocations			67,009	122,110	123,058	38,363	113,125	5,181	56,205	2,622	23,048	49,972	-	600,693
Shared Support Unit Allocations - via double stepdown														
Occupancy Cost	41,748	(13,741)	(707)	(6,541)	(8,693)	(1,923)	(8,771)	-	(1,325)	(46)	-	-	-	(28,007)
Deferred Maintenance	9,893	(3,878)	(152)	(1,405)	(1,867)	(413)	(1,884)	-	(285)	(10)	-	-	-	(6,015)
Insurance	1,080	(457)	(16)	(149)	(182)	(44)	(200)	-	(30)	(1)	-	-	-	(623)
MIP Occupancy 1	2,677	(237)	-	(1,615)	(626)	(11)	(17)	-	(171)	-	-	-	-	(2,440)
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)
HR	5,815	(563)	(265)	(715)	(2,885)	(304)	(715)	-	(360)	(7)	-	-	-	(5,252)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/Inst Support	7,847	(2,641)	(537)	(885)	(1,732)	(503)	(983)	-	(549)	(16)	-	-	-	(5,205)
Supplementary Pension	4,738	(333)	(360)	(686)	(1,688)	(409)	(810)	-	(446)	(4)	-	-	-	(4,405)
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)
Presidential/Univ Sec	1,927	(538)	(143)	(236)	(462)	(134)	(262)	-	(147)	(4)	-	-	-	(1,389)
General University Expense	6,784	(2,798)	(412)	(678)	(1,327)	(385)	(753)	-	(420)	(12)	-	-	-	(3,986)
Bond Interest	9,922	(3,658)	(158)	(1,463)	(1,944)	(430)	(1,962)	-	(296)	(10)	-	-	-	(6,264)
UTS/ Technology Fund	14,744	3,097	(2,246)	(3,537)	(3,791)	(1,434)	(4,291)	-	(2,398)	(143)	-	-	-	(17,840)
UTS- ERP	4,517	(155)	(549)	(865)	(927)	(351)	(1,049)	-	(586)	(35)	-	-	-	(4,362)
UA	5,853	1,515	(941)	(1,731)	(1,802)	(535)	(1,548)	-	(773)	(38)	-	-	-	(7,369)
Office of the Provost	7,287	(2,854)	(458)	(754)	(1,475)	(428)	(837)	-	(467)	(14)	-	-	-	(4,432)
Research Support	8,984	5,052	(196)	(2,248)	(8,676)	(134)	(2,199)	-	(583)	-	-	-	-	(14,036)
Student Affairs	4,241	5,868	(1,394)	(2,124)	(1,559)	(858)	(2,613)	-	(1,470)	(91)	-	-	-	(10,109)
MIITL	1,580	637	(300)	(457)	(379)	(184)	(562)	-	(316)	(20)	-	-	-	(2,217)
Libraries	18,008	8,506	(3,431)	(5,274)	(5,282)	(2,182)	(6,461)	-	(3,663)	(220)	-	-	-	(26,514)
HS Library	2,927	1,802	(612)	(941)	(942)	(389)	(1,152)	-	(653)	(39)	-	-	-	(4,729)
Registrar	5,160	8,123	(1,694)	(2,725)	(1,991)	(1,137)	(3,575)	-	(2,026)	(136)	-	-	-	(13,283)
SGS	1,669	411	(379)	(439)	(625)	(142)	(326)	-	(169)	-	-	-	-	(2,080)
Museum of Art	482	508	(121)	(191)	(232)	(77)	(232)	-	(129)	(8)	-	-	-	(990)
UG Scholarship	5,512	703	(832)	(1,434)	(497)	(559)	(1,831)	-	(995)	(67)	-	-	-	(6,215)
UG Bursaries	3,500	(0)	(457)	(787)	(361)	(307)	(1,006)	-	(546)	(37)	-	-	-	(3,500)
Grad Scholarship	13,782	700	(2,640)	(3,049)	(4,356)	(987)	(2,271)	-	(1,180)	-	-	-	-	(14,482)
Branding and Marketing	1,000	(0)	(128)	(235)	(245)	(73)	(210)	-	(105)	(5)	-	-	-	(1,000)
Adjustments for Current Practices - Support Units			-	-	4,264	-	-	-	-	-	(3,815)	-	-	449
Total Shared Support Unit Allocations	211,326	0	(20,139)	(43,536)	(55,255)	(15,885)	(49,712)	-	(21,562)	(973)	(3,815)	-	-	(210,877)
Net Revenue			46,870	78,574	67,803	22,478	63,414	5,181	34,643	1,649	19,233	49,972	-	389,816
2013-14 Projected Hold Harmless Level (Adjusted)														
Variance			26,873	50,633	69,330	23,913	51,433	4,603	27,929	1,091				
UF Supplement			19,997	27,941	(1,527)	(1,435)	11,981	578	6,713	558				
UF Supplement			-	-	-	3,500	-	-	-	-	-	(3,500)	-	-
Base Net Projected Budget 2019-20			46,870	78,574	67,803	25,978	63,414	5,181	34,643	1,649	19,233	46,472	-	389,816

### Table 36: 2019/20 Support Unit Allocations

2019-20														
	2018-19 Adjusted	2019-20 Base				Adjusted Support Unit budgets for double stepdown allocation								
		Base adjustment for Salaries	Other Base changes	Total Base Adjustment	2019/20 Adjusted Base Allocation	Include Mosaic	SAG removal: applied in tuition allocation	Items allocated individually	Occupancy: Security	MIP Occupancy: Separate envelope in model	Remove: Clinical Pension/ VPR Funds/ future rent change	FHS Deployed Services	Total adj's prior to allocation to Faculties	Budgets prior to double stepdown allocation
	2018/19 Base Cfwd													
Academic Support														
Office of the Provost	7,185	-	-	-	7,185							102	102	7,287
Museum of Art	482	-	-	-	482							-	-	482
MIITL	1,580	-	-	-	1,580							-	-	1,580
University Library	18,008	-	-	-	18,008							-	-	18,008
Health Sciences Library	2,927	-	-	-	2,927							-	-	2,927
Registrar	4,993	-	-	-	4,993							167	167	5,160
Sub-total	35,175	-	-	-	35,175	-			-	-	-	268	268	35,443
Research Support														
Research	7,294	-	-	-	7,294					(151)	-	1,841	1,690	8,984
VP Research Discretionary Fund	2,158	-	-	-	2,158						(2,158)	-	(2,158)	-
Nuclear Reactor Debt	-	-	-	-	-									-
Sub-total	9,452	-	-	-	9,452	-			-	(151)	(2,158)	1,841	(468)	8,984
Student Support														
Graduate Scholarships/Bursaries	13,782	-	-	-	13,782							-	-	13,782
School of Graduate Studies	1,669	-	-	-	1,669							-	-	1,669
Student Affairs	4,241	-	-	-	4,241							-	-	4,241
Undergraduate Scholarships	14,439	-	450	450	14,889	(5,877)	(3,500)					-	(9,377)	5,512
Undergraduate Bursaries							3,500						3,500	3,500
Sub-total	34,131	-	450	450	34,581	-	(5,877)	-	-	-	-	-	(5,877)	28,704
Facilities Support														
Facilities Services	15,088	-	-	-	15,088					(2,683)	(449)	185	(2,947)	12,141
HSC Maintenance	3,727	-	-	-	3,727							-	-	3,727
Utilities	17,714	-	-	-	17,714							-	-	17,714
HSC Utilities	5,387	-	-	-	5,387							-	-	5,387
Deferred Maint/Facilities Renew	9,893	-	-	-	9,893							-	-	9,893
Bond Interest	7,380	2,542		2,542	9,922							-	-	9,922
MIP Occupancy		-	-	-	-					2,834			2,834	2,834
Renovation contingency	974	-	-	-	974								-	974
Security (for occupancy cost allocation)		-	-	-	-		1,805						1,805	1,805
Sub-total	60,163	-	2,542	2,542	62,705	-	-	-	1,805	151	(449)	185	1,692	64,397
Institutional Support														
VP Administration /Other Administration	16,557	-	-	-	16,557			(7,022)	(1,805)			117	(8,710)	7,847
Human Resources					-			7,022				848	7,870	7,870
UTS/Technology Fund	14,037	-	-	-	14,037							457	457	14,494
UTS Asset Management	250	-	-	-	250							-	-	250
University Secretariat	788	-	-	-	788							-	-	788
Presidential Budget	1,139	-	-	-	1,139							-	-	1,139
University Advancement	5,306	-	-	-	5,306							547	547	5,853
General University	7,864	-	-	-	7,864			(1,080)				-	(1,080)	6,784
Insurance								1,080					1,080	1,080
Sub-total	45,941	-	-	-	45,941	-	-	-	(1,805)	-	-	1,969	164	46,105
Institutional Priority allocations														
Systems Renewal	-	-	-	-	-	4,517						-	4,517	4,517
Supplemental Pension	4,738	-	-	-	4,738						-	-	-	4,738
Pension special payments	9,554	-	-	-	9,554							-	-	9,554
PRB past service	7,883	-	-	-	7,883							-	-	7,883
Branding and Marketing	1,000	-	-	-	1,000							-	-	1,000
Sub-total	23,175	-	-	-	23,175	4,517	-	-	-	-	-	-	4,517	27,692
Total Support Units	208,037	-	2,992	2,992	211,029	4,517	(5,877)	-	-	-	(2,607)	4,264	297	211,326

## APPENDIX C - ANCILLARY FUND TABLES

(\$ thousands)	Campus Store		Media Production		Parking		CCE	
	2016/17 Projection	2017/18 Budget	2016/17 Projection	2017/18 Budget	2016/17 Projection	2017/18 Budget	2016/17 Projection	2017/18 Budget
<b>Sources of funding</b>								
Sales	15,537	15,907	755	415	5,266	5,634	5,944	6,322
Internal revenue	(66)	(66)	2,990	3,200	51	51	714	725
<b>Total sources of funding</b>	<b>15,471</b>	<b>15,841</b>	<b>3,745</b>	<b>3,615</b>	<b>5,317</b>	<b>5,685</b>	<b>6,658</b>	<b>7,047</b>
<b>Expenditure</b>								
Salaries, wages and benefits	2,472	2,557	1,560	1,415	1,104	1,146	4,264	4,679
Cost of sales	11,243	11,522	986	901	-	-	-	-
Internal rent	481	486	139	144	30	30	474	479
Utilities and maintenance	12	12	56	29	169	169	11	19
Debt and financing charges	76	76	2	2	1,212	1,792	-	-
Equipment and renovations	235	234	707	736	1,380	652	164	141
All other expenses	350	354	118	172	1,633	1,670	1,635	1,736
<b>Total expenditures</b>	<b>14,869</b>	<b>15,240</b>	<b>3,568</b>	<b>3,398</b>	<b>5,527</b>	<b>5,459</b>	<b>6,549</b>	<b>7,054</b>
<b>Surplus (deficit) from operations</b>	<b>602</b>	<b>600</b>	<b>177</b>	<b>217</b>	<b>(211)</b>	<b>226</b>	<b>108</b>	<b>(7)</b>
<b>Contribution to Operating Fund</b>	<b>(177)</b>	<b>(188)</b>	<b>(133)</b>	<b>(138)</b>	<b>(239)</b>	<b>(226)</b>	<b>(302)</b>	<b>(303)</b>
<b>Surplus (deficit)</b>	<b>425</b>	<b>412</b>	<b>45</b>	<b>79</b>	<b>(450)</b>	<b>(0)</b>	<b>(193)</b>	<b>(311)</b>
<b>Reserve</b>								
Beginning Balance	(1,943)	(1,306)	(3,123)	(3,056)	450	0	4,194	4,000
Reserve Adjustment	212	206	22	40	-	-	-	-
Surplus (deficit)	425	412	45	79	(450)	(0)	(193)	(311)
<b>Closing Balance</b>	<b>(1,306)</b>	<b>(688)</b>	<b>(3,056)</b>	<b>(2,937)</b>	<b>0</b>	<b>(0)</b>	<b>4,000</b>	<b>3,690</b>

(\$ thousands)	Hospitality		Housing & Conference		Total	
	2016/17 Projection	2017/18 Budget	2016/17 Projection	2017/18 Budget	2016/17 Projection	2017/18 Budget
<b>Sources of funding</b>						
Sales	23,237	25,048	25,836	26,773	76,576	80,099
Internal revenue	1,549	1,602	(62)	(64)	5,176	5,448
<b>Total sources of funding</b>	<b>24,787</b>	<b>26,650</b>	<b>25,774</b>	<b>26,709</b>	<b>81,751</b>	<b>85,547</b>
<b>Expenditure</b>						
Salaries, wages and benefits	10,237	10,532	6,247	6,856	25,885	27,185
Cost of sales	8,615	9,071	4	-	20,848	21,493
Internal rent	1,072	1,084	2,508	2,827	4,704	5,050
Utilities and maintenance	646	669	2,754	2,989	3,648	3,888
Debt and financing charges	158	135	3,053	3,053	4,500	5,058
Equipment and renovations	1,211	1,900	6,888	6,092	10,585	9,755
All other expenses	2,395	2,280	3,098	3,058	9,229	9,268
<b>Total expenditures</b>	<b>24,332</b>	<b>25,672</b>	<b>24,552</b>	<b>24,875</b>	<b>79,398</b>	<b>81,698</b>
<b>Surplus (deficit) from operations</b>	<b>454</b>	<b>979</b>	<b>1,222</b>	<b>1,835</b>	<b>2,354</b>	<b>3,849</b>
<b>Contribution to Operating Fund</b>	<b>(979)</b>	<b>(1,069)</b>	<b>(1,082)</b>	<b>(1,118)</b>	<b>(2,912)</b>	<b>(3,042)</b>
<b>Surplus (deficit)</b>	<b>(525)</b>	<b>(91)</b>	<b>139</b>	<b>717</b>	<b>(559)</b>	<b>807</b>
<b>Reserve</b>						
Beginning Balance	2,567	2,042	10,254	10,393	12,398	12,074
Reserve Adjustment	-	-	-	-	235	246
Surplus (deficit)	(525)	(91)	139	717	(559)	807
<b>Closing Balance</b>	<b>2,042</b>	<b>1,951</b>	<b>10,393</b>	<b>11,110</b>	<b>12,074</b>	<b>13,126</b>

## APPENDIX D - POST-RETIREMENT BENEFIT PROGRAMS

McMaster University maintains post-retirement pension and non-pension benefit programs for most groups of full-time employees. These plans are both defined benefit and defined contribution in nature. Over the past several years the shortfall between the assets and the liabilities in the defined benefit plans have increased significantly, mainly due to historically low interest rates, increasing longevity, and the legislated actuarial measurement methodology affecting annual payment requirements into the plans.

### PENSION PLANS

#### 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>10</sup>
- Annual special payments for solvency will be required after the July 1, 2017 valuation
- University current service cost contributions were approximately 117% of employee's contributions for 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 and the associated pension plan deficiency. A larger deficiency will increase the special pension payments required over the next seven years following the July 2017 updated valuation. 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%. During 2016/17 the pension legislation was modified allowing, through a form of Stage 3 solvency relief application, defined benefit solvency special

<sup>10</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.

payments to be interest only payments for the next three years with the remaining solvency special payments occurring over the following four years. The University intends to file application to use this refined approach for both the salaried (Plan 2000) and hourly plans.

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 increased slightly to 175% of employee contributions effective May 1, 2017 for all funds except ancillary, which will remain at 175%;
- 2018/19 and 2019/20 high-level planning assumes 175% for the departmental rate, and 175% for the ancillary rate.

The benefit rates are reviewed annually and, depending on the outcome of the July 2017 salaried plan valuations, acceptance of the solvency applications for the salaried (Plan 2000) and hourly plans, and on interest rates, these costs may need to increase.

### **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 over the past few years. 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.

## **NON-PENSION EMPLOYEE FUTURE BENEFITS**

McMaster offers 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 2017/18 and subsequent years a benefit cost rate of 0.25% on related employee costs will continue to be used, 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. 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 E – FUND-BY-FUND CONSOLIDATION

(\$ thousands)

	Operating Fund		Ancillary Fund		Research Fund		Trust Fund		Endowment Fund		Capital Fund		Specifically Externally Funded		Grand Total	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget
<b>Revenue</b>																
Operating grants	233,648	236,186	-	-	-	-	-	-	-	-	3,831	2,732	-	-	237,479	238,918
Research grants and contracts	-	-	-	-	188,000	190,000	-	-	-	-	-	-	-	-	188,000	190,000
Tuition fees	266,033	287,847	-	-	-	-	-	-	-	-	-	-	-	-	266,033	287,847
Ancillary sales and services	-	-	76,576	80,099	-	-	-	-	-	-	-	-	-	-	76,576	80,099
Other revenues	111,677	111,840	-	-	-	-	65,586	53,660	100	100	18,232	60,921	32,947	32,866	228,542	259,388
Investment income (loss)	8,845	8,647	-	-	-	-	22,312	22,843	6,905	7,028	-	-	-	-	38,062	38,518
Investment income transfer	4,521	4,521	-	-	-	-	-	-	(4,521)	(4,521)	-	-	-	-	-	-
<b>Total revenues</b>	<b>624,724</b>	<b>649,041</b>	<b>76,576</b>	<b>80,099</b>	<b>188,000</b>	<b>190,000</b>	<b>87,898</b>	<b>76,503</b>	<b>2,484</b>	<b>2,607</b>	<b>22,063</b>	<b>63,653</b>	<b>32,947</b>	<b>32,866</b>	<b>1,034,692</b>	<b>1,094,770</b>
<b>Expenses</b>																
Salaries, wages and benefits	429,164	448,263	25,885	27,185	101,000	109,000	26,800	27,586	-	-	-	-	25,356	23,876	608,205	635,911
All other expenses	161,365	176,396	32,011	31,293	67,000	73,000	17,913	18,376	-	-	85,093	185,311	10,451	9,255	373,833	493,631
Transfers to (from) other funds*	11,418	4,910	14,738	15,757	(10,985)	(10,163)	16,439	16,874	200	500	(31,492)	(27,730)	(318)	(147)	0	0
Debt and financing charges	18,160	18,039	4,500	5,058	-	-	-	-	-	-	(10,961)	(10,047)	-	-	11,699	13,051
<b>Total expenses</b>	<b>620,107</b>	<b>647,609</b>	<b>77,135</b>	<b>79,293</b>	<b>157,015</b>	<b>171,837</b>	<b>61,152</b>	<b>62,836</b>	<b>200</b>	<b>500</b>	<b>42,639</b>	<b>147,534</b>	<b>35,490</b>	<b>32,984</b>	<b>993,737</b>	<b>1,142,592</b>
<b>Excess of revenues over expenses</b>	<b>4,618</b>	<b>1,432</b>	<b>(559)</b>	<b>807</b>	<b>30,985</b>	<b>18,163</b>	<b>26,746</b>	<b>13,667</b>	<b>2,284</b>	<b>2,107</b>	<b>(20,577)</b>	<b>(83,880)</b>	<b>(2,542)</b>	<b>(118)</b>	<b>40,954</b>	<b>(47,823)</b>
Fund balances, beginning of year	72,623	77,241	12,633	12,320	198,518	229,503	503,787	530,533	127,872	130,156	130,085	109,508	9,186	6,643	1,054,704	1,095,904
<b>Fund balances, end of year</b>	<b>77,241</b>	<b>78,673</b>	<b>12,074</b>	<b>13,126</b>	<b>229,503</b>	<b>247,666</b>	<b>530,533</b>	<b>544,200</b>	<b>130,156</b>	<b>132,263</b>	<b>109,508</b>	<b>25,628</b>	<b>6,643</b>	<b>6,525</b>	<b>1,095,658</b>	<b>1,048,081</b>

\*Including transfers to capital