



2018/19 Consolidated Budget

Approved by the Board of Governors
June 7, 2018

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1 QUICK FACTS

History

Founded in **1887** in Toronto.

Relocated from Toronto to Hamilton in **1930**.

Institutional Leadership

Chancellor: **Suzanne Labarge**

President, Vice-Chancellor and Chair of the Senate: **Dr. Patrick Deane**

Provost and Vice-President Academic: **David Farrar**

McMaster Model

Student-centred, research-intensive, problem-based, interdisciplinary approach to learning

Degrees Granted (in 2016-17)

7,034

Student Enrolment Headcount (as of fall 2017)

Undergraduate: **27,881**

Graduate: **4,661**

Domestic: **28,746**

International: **3,796**

Average Entering Grade (in fall 2017)

87.8%

Faculties

6

Full-Time Faculty (excluding Clinicians, 2017)

946

Staff (2017)

11,072

Alumni (2017)

184,734

Research Funding

\$326 million awarded in research funding in 2015-16 (McMaster and affiliated hospitals)

World Ranking (2017)

Shanghai Ranking: **66th**

Times Higher Education: **78th**

QS World Ranking: **140th**

Campus

152.4 hectares of property

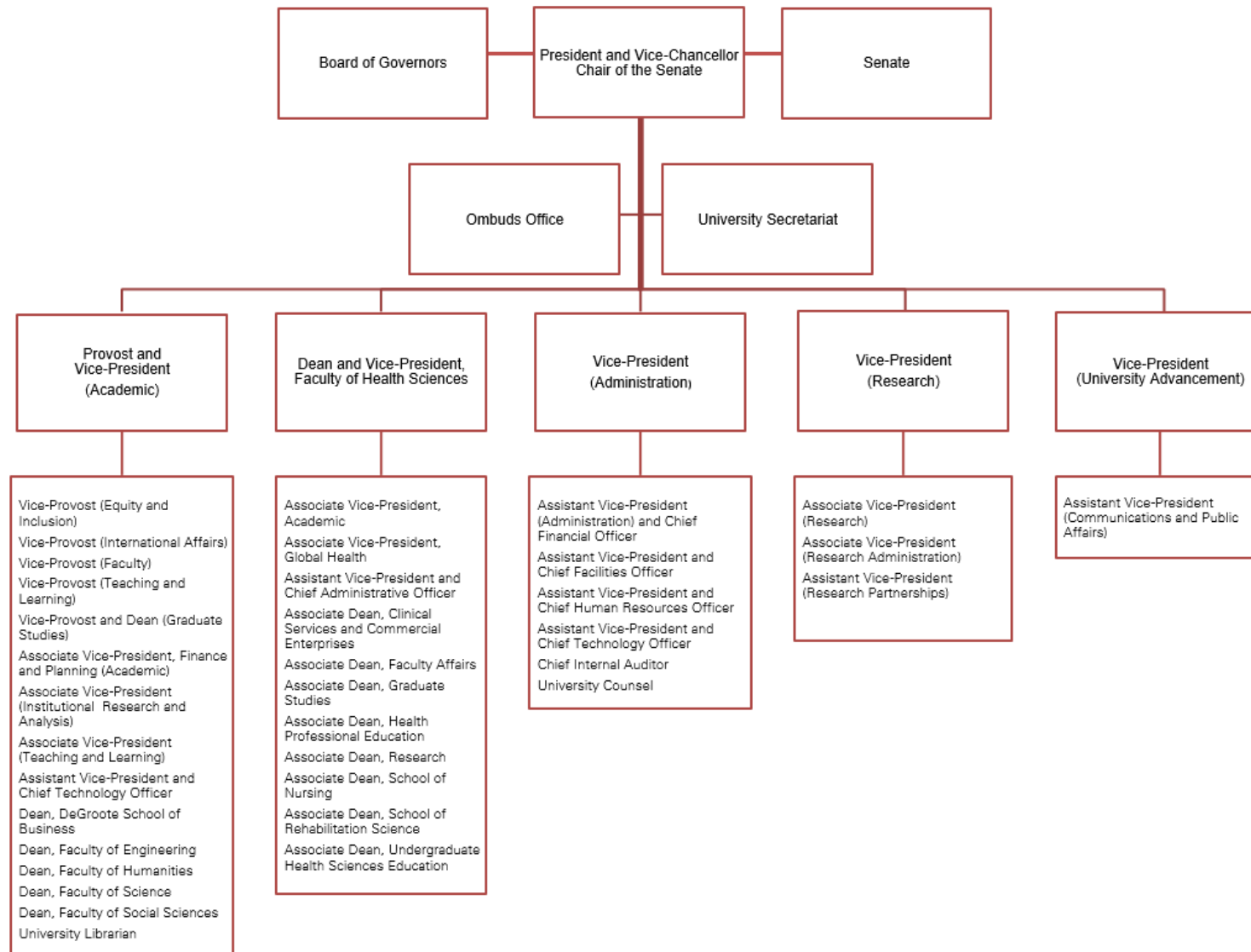
4 libraries, **12** residence buildings, **1** athletic complex

Nuclear Reactor, WJ McCallion Planetarium, McMaster Museum of Art

4 campuses in Burlington, Waterloo, Niagara, and downtown Hamilton



2 ORGANIZATIONAL CHART



3 MESSAGE FROM THE PRESIDENT

McMaster's consolidated budget for 2018/19 supports and underpins the University's mission and strategic priorities. The budget process provides an important opportunity for all areas of the University to consider the institutional priorities laid out in the University's guiding strategy, *Forward with Integrity*, and reflected in the Strategic Mandate Agreement entered into with the provincial government, and align their work, planning, and resources in support of those priorities.

The key priorities established by *Forward with Integrity* and the Strategic Mandate Agreement are:

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

Each faculty, department, and administrative area within the University has prepared a budget which takes account of their engagement in and support of this strategic direction, and outlines the initiatives that are planned or already underway to advance these goals. Thank you to everyone who participated in this important process and for the work that each and every department and unit does every day to advance and support the mission of the University.

McMaster is currently engaged in a major multi-year focus on research excellence and on enhancing the funding, infrastructure, and overall support for research. *Research for a Brighter World — Strategic Plan for Research 2018-2023* lays out a vision and strategy to further develop the University's research mission and take our institution's research success to an even higher level. In addition to ensuring that our researchers are properly supported and that the positive impact of their work is recognized and celebrated, the University is dedicated to securing additional funding from a variety of sources to strengthen and intensify the research enterprise.

In the budget and planning years ahead, the campus community will welcome a greater number of international students. We very much look forward to their participation and engagement, and welcome the diverse and enriching global perspectives they will bring to our community. As an institution, it is our responsibility to ensure that all our students receive the supports and services they need to enable their success. As such, in 2018/19 additional funding is being made available to key areas, including Student Affairs and the University Library.

I am grateful to the members of the Budget Committee and the financial staff from across the institution who lead and support the development of the consolidated budget. Thank you all for your time, energy, and commitment.

Sincerely,

Patrick Deane
President and Vice-Chancellor

4 MESSAGE FROM THE PROVOST

McMaster University's budget supports our mission of the discovery, communication and preservation of knowledge. The budget plan enables the implementation of the University's strategic plans and initiatives by:

- Strengthening the excellence of our research and our graduate education and training through opportunities to integrate research more purposefully into our academic mission. This means supporting research that reflects current and emerging issues that has impact across a wide range of disciplines and issues. We intend to build on our track record in technology transfer and entrepreneurship to provide opportunities for commercialization for our faculty and students, and to bridge the gap between research and commercial application. We strive to integrate research and teaching creatively across our programming by engaging students at all levels in research activities. Our graduate training is central to sustaining our research intensity; we are committed to equipping graduate students in all programs with the practical skills and experiential knowledge that will enable them to translate their academic achievements into success after graduation.
- Developing a distinctive, personalized, engaging and sustainable student experience by building on the success of our most creative and innovative programs to provide an enriching and transformative learning experience for all students. This includes opportunities for experiential, work-integrated and self-directed learning and allowing for the consideration of multidisciplinary perspectives. McMaster is committed to integrating our world-class research enterprise into teaching and learning, and connecting the learning experience to our local, national and international communities.
- Enhancing the connections between McMaster and the communities we serve, locally, provincially, nationally and around the globe by fostering ongoing collaboration between the University and community partners. This enables us to better understand and consider the issues identified as priorities by local and global communities, and to integrate them fully and meaningfully into the work of the academy. In addition to societally focused research, teaching and service, McMaster also supports the broader community by fostering a diverse campus community and creating enhanced pathways and improved supports for underrepresented groups.

In the current budget plan, all Faculty budgets are balanced with no accumulated debt. The new enrolment corridor mandated by the Ministry of Advanced Education and Skills Development means McMaster has reached the upper limit for domestic undergraduate students. We have also reached the Ministry's cap for funding for PhD students, but still have room for growth in Masters student enrolment. Maintaining our research intensity means maintaining or even growing our PhD student numbers. To increase undergraduate enrolment and ensure our budget remains balanced, we need to shift our efforts to recruit additional international students, up from the current 10% of undergraduate enrolment. Further, our other opportunity for revenue growth is in the professional Masters programs.

Attaining the targets included in the current Strategic Mandate Agreement with the Ministry is critical, as future Strategic Mandate Agreements will attach policy levers to our existing "differentiation" funding allotment. Although demand for McMaster programs remains strong, there are other risks that could impact the current budget plan including: a change in government priorities; our ability to attract

international students; continued increases in obligations under the Student Access Guarantee (SAG); and other legislative changes.

Strategically aligned initiatives intended to broaden our revenue include: the retention and success of international students; new international partnership programs; increased summer use of campus; new professional graduate programs; and adult learning. We will continue to focus on cost containment through administrative support model reviews, as well as enhancing revenue sources.

As Provost, my other strategic priorities include: new investments in research; commercialization of our scholarly activity; indigenous programming and support; externally focused experiential learning; and faculty renewal.

I would like to thank the academic and administrative staff across the University for their contributions to sound financial management and their hard work in contributing to this budget plan. Their collective efforts ensure the ongoing well-being of our great institution.

Sincerely,

David Farrar
Provost and Vice-President (Academic)

5 EXECUTIVE SUMMARY

The 2018/19 budget reflects the strategic goals and priorities of McMaster as planned at the faculty and department levels. Budgets across all areas consider *Forward with Integrity (FWI)* as their foundation, with submissions reflecting focus across research initiatives, advancing meaningful student experiences, and strengthening our connections to the community locally and beyond. The Operating Fund budget is structurally balanced with a \$3.7 million surplus for 2018/19 and close to break-even operations for the following two planning years (Figure 1). The budget includes international student growth, budgeted with each faculty in consideration of both student mix and student experience, which can vary by program. Associated with these plans, the budget includes faculty renewal representing 8% growth in the faculty complement in 2018/19 to address student growth. Across the Operating Fund, faculty and department reserves (called appropriations throughout this budget) are accumulated residual funds and approximate 15% of the annual operating budget or close to \$115 million (Figure 2). These funds are internally restricted at the unit level for use toward strategic initiatives, including investments in academic, research, and capital initiatives. The Operating Fund includes a number of key strategic support investments, such as investments in branding and marketing, student accessibility, financial support, and implementing an automated scheduling system, increased library cost support, and support for the offices of Equity and Inclusion, and Community Engagement.

With the release of the *Research for a Brighter World* strategic plan, a focused multi-year fund-raising initiative will begin in 2018/19 hoping to leverage announcements contained in the federal and provincial budgets, and building upon our partnership with the City of Hamilton and other jurisdictions. On a consolidated basis, the Operating, Research, Trust¹, Capital and Ancillary Funds represent a consolidated \$87.6 million surplus, 7.6% of consolidated revenues. The consolidated position requires adjustments for generally accepted accounting principles, such as adding back funds spent on capital projects and reducing those funds over the useful life of the capital projects. The surplus also includes investment returns budgeted at 5.9% after inflation (a $\pm 1\%$ variance is a $\pm \$5.6$ million impact to the consolidated results). Pension costs have been budgeted based on valuations completed in 2016 (hourly plan) and 2017 (salaried plans). Recent legislation affecting pension valuations after January 2018 are being considered in relation to impact on future budget cycles. The post-retirement benefit budget approach remains the same as in past years and continues to be an effective long-term funding strategy for this future obligation.

Overall, the budget considers a number of inflationary pressures affecting the planning horizon. Although McMaster is implementing a purchasing system in 2018/19 to help connect buying closer to best available collaborative pricing agreements; our biggest pressure will be salary and wage related inflation stemming from Bill 148, *Fair Workplaces, Better Jobs Act, 2017*. As such, a number of administrative support reviews are underway to examine different support models across higher education globally and determine how best to support our academy and research growth without necessarily growing administrative staffing complement. Finally, the budget pressures that exist place significant reliance on enrolment strategies, which over the long term will be constrained by capacity, forcing both operating efficiency actions and new revenue strategies. Funding must remain available in order to realize *FWI* and meet agreed SMA2 milestones and metrics, while also progressing the *Research for a Brighter World* strategy plan.

¹ The Trust Fund is used to refer to both external endowments and internally restricted endowments and/or funds.

This consolidated budget document provides more information than in previous years, incorporating University facts, messages from the President and Provost, explanations of the budget model, approach, and timing, and more. The enhancements to this document promote greater transparency and adopt a number of new disclosures as suggested in the University Manager, Fall 2017 article *Excellence in Budgeting: 27-criteria guide helps align budgeting with strategic plan*².

Figure 1: Operating Fund Outlook

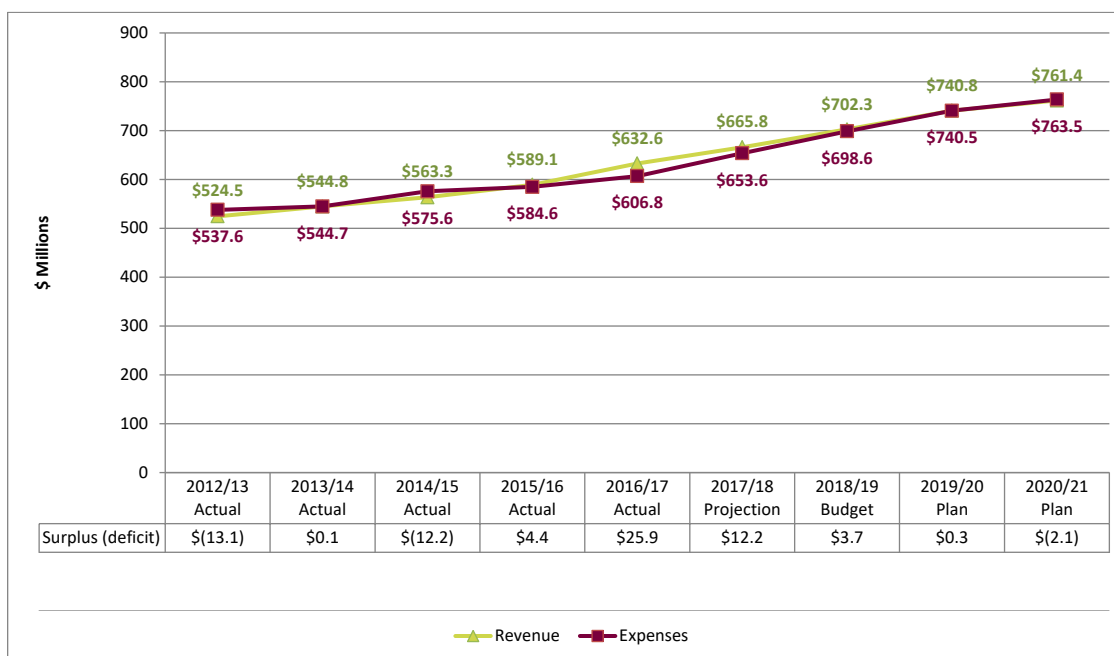
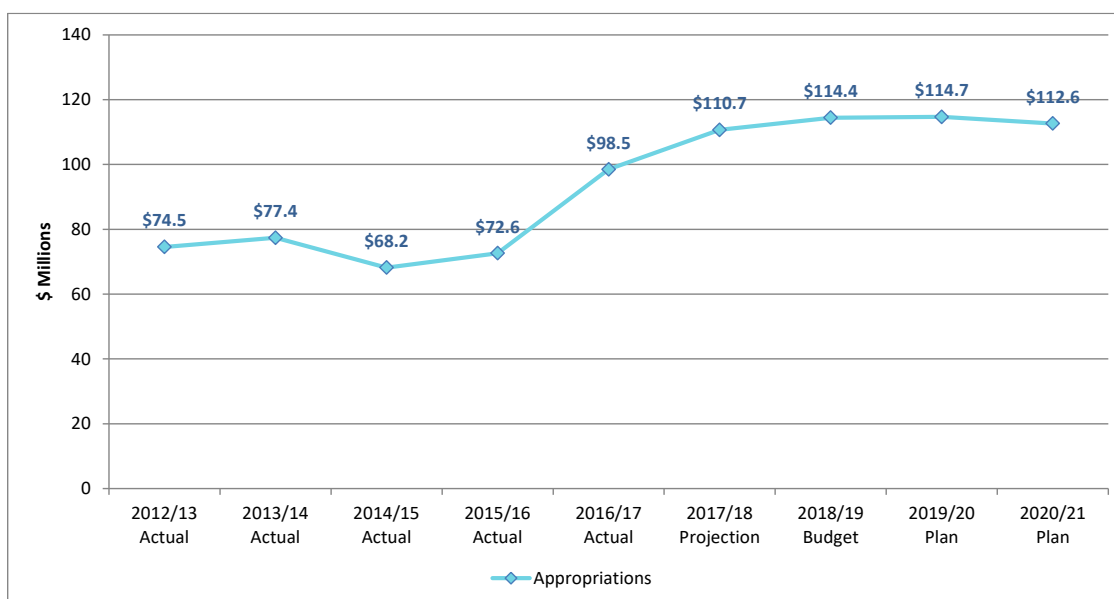


Figure 2: Operating Fund Appropriations



² Issue Number 2017-4, <https://www.caubo.ca/knowledge-centre/university-manager-magazine/>

6 CONTEXT

6.1 REVENUE GENERATION ENVIRONMENT

6.1.1 ENROLMENT TRENDS

Provincial grants for domestic enrolment and tuition paid by students make up approximately 80% of the Operating Fund's budgeted revenues. In recent years, the risk of domestic university-age demographic decline has affected Ontario universities in differing ways. Some northern and southern universities have realized lowering enrolments, whereas the Greater Toronto Area and McMaster have experienced continued growing demand. Enrolment based on applications suggest that further domestic growth is achievable. However, Strategic Mandate Agreement (SMA) enrolment targets agreed to with the Ministry of Advanced Education and Skills Development (MAESD) result in lowering domestic offers to year 1 entrants to manage close to the corridor funding mid-point. The reduction to year 1 domestic entrants has enabled McMaster to increase its international participation, previously reduced by the Ontario double cohort when grade 13 was eliminated while in parallel increased participation across the higher education sector was a key Ministry priority. Overall, domestic and international demand remains high resulting in approved capacity-enabling infrastructures such as, the Gerald Hatch Centre for Engineering Experiential Learning, the Peter George Centre for Living and Learning, and two additional public-private student residence projects.

6.1.2 PROVINCIAL GRANT FUNDING

The Ministry's corridor funding model limits enrolment-based funding to the 2016/17 grant, while allowing universities to be plus or minus 3% (corridor) of the funding mid-point. Further, provincial funding is aligned to three funding components:

1. Enrolment-based funding mentioned above, referred to as the Core Operating Grant (COG), which is based on weighted grant units (WGU) by program, funded for each eligible student enrolled. This aspect of the funding model is managed through the application of an enrolment corridor mechanism³.
2. Differentiation funding (outcomes-linked) is the portion of grant funding based on University performance and/or achievement of its priorities as set out in the SMA as either milestones or metrics that are agreed to by MAESD, focused on differentiation, student success, and strengthening existing areas of excellence.
3. Special Purpose Grants representing a continued funding program based on government and/or system priorities, such as improving access for Indigenous learners, francophone students, and students with disabilities.

Overall, the updated funding approach aligns University priorities with SMA strategic priorities, enrolment planning, financial health 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.

³ The corridor methodology means that the government grant is fixed by the corridor midpoint. Domestic enrolment fluctuation will not affect the grant unless enrolment (based on a moving five-year average calculation) were to fall below the corridor floor, defined as 3% beneath the midpoint. The corridor midpoint is set at the 2016/17 level.

6.1.3 TUITION

The 2018/19 tuition framework is based upon an approved continuation of the prior year's framework. The Ministry has not outlined a tuition framework (rate increase caps) for 2019/20 or beyond. For planning purposes a continuation of the 2018/19 framework has been assumed, if the updated tuition framework is lowered the budget will need to be updated. McMaster's policy is to apply tuition fee increases up to the allowable framework amounts in order to support the quality of education and supporting services our students receive. Since there is no grant funding for international students, annual increases to international student tuition fees will continue and be monitored relative to our key peers⁴.

6.2 INVESTMENT RETURNS

With an investment pool of over \$1 billion McMaster's consolidated income is highly susceptible to the annual performance of the markets. The 2018/19 budget and planning years assumes 5.9% returns after inflation on the investment pool to support endowment spending of 4% and fundraising efforts. The Operating Fund receives support ranging from \$9 to 12 million per year from endowed gifts and internally restricted assets. In order to protect against interest rate risks an investment reserve is held in the event of significant down markets and the need to continue certain funding initiatives, such as chair salaries, student scholarships and bursaries and an annual Operating Fund commitment.

In addition to the investment pool, McMaster also manages pension plan assets of over \$1.3 billion. In the case of pension-related University costs, a 1% swing in interest returns materially affects projected pension liabilities and therefore payment schedules to the plan by over \$100 million. In order to protect the University from adverse fluctuations associated with market volatility, McMaster uses a five-year smoothing approach to measuring the pension assets versus liabilities, and manages a benefit reserve that smooths the faculty and department employer pension costs over a ten-year horizon, meaning this reserve may be temporarily negative during the ten-year cycle. These approaches enable the budget process with pension cost stability at the unit level.

6.3 RESEARCH FUNDING

McMaster, as Canada's most research-intensive university (Research Infosource 2017), benefits from federal research funding programs. The federal *Budget 2018* provides the largest investment in science and university research in Canadian history, including \$925 million in new funding for fundamental research. McMaster is also a partner in the Advanced Manufacturing Supercluster, one of five initiatives in which the federal government will invest \$950 million to facilitate research and development partnerships among the private sector, academic institutions, and non-profit organizations. These investments will help to address the challenges facing Canada's research community as outlined in the 2017 Fundamental Science Review report.

The federal government's one-time 2017 Canada 150 Research Chairs Program succeeded in bringing internationally renowned researchers to Canadian institutions, including McMaster. In 2018/19 and in planning years beyond, additional opportunities to attract and retain world-leading researchers will continue based on the federal *Budget 2018*, including support for early career researchers through the Canada Research Chairs program.

⁴ Key peers include members of the G6, a group of leading research-intensive universities in Ontario. The G6 universities are McMaster University, University of Ottawa, Queen's University, University of Toronto, University of Waterloo, and the University of Western Ontario.

The federal *Budget 2018* provides \$275 million over five years to support research that is international, interdisciplinary, fast-breaking and higher-risk, and will provide additional support for the acquisition and operation of research infrastructure. The budget proposes renewed funding for the Federal Economic Development Agency for Southern Ontario, stable and ongoing funding for the Canada Foundation for Innovation (CFI), as well as additional opportunities for national research facilities through the CFI's Major Science Initiatives (MSI) Fund. McMaster sees significant funding from this program, having been awarded in 2017 more than \$9.6 million to support the operations of the Canadian Centre for Electron Microscopy and the Canadian Research Data Centre Network.

Provincial funding opportunities, in particular the programs of the Ministry of Research, Innovation and Science (MRIS) and the Ministry of Economic Development and Growth (MEDG), continue to support research excellence in Ontario. McMaster anticipates that opportunities for support of promising early-career researchers, research infrastructure, and research and development partnerships between the private sector and academic institutions will be available in 2018/19.

Finally, McMaster's partner support is critical to advancing the endeavours of the research community, in particular the many collaborations with Hamilton Health Sciences and St. Joseph's Healthcare Hamilton. Many federal and provincial programs continue to require the provision of matching funds from institutions and other partners. The indirect costs of research incurred in the Operating Fund are partially subsidized by federal and provincial grants, in addition to overhead income from research contracts and royalties (see Figure 11). In 2017/18, these grants to McMaster are projected to total \$12 million and \$3 million, respectively. Although actual indirect costs exceed 40%, the federal Research Support Fund (RSF) in 2017/18 paid indirect costs to McMaster at 20.1% of all eligible Tri-Agency receipts, down from 21.2% in 2016/17. As a highly research-intensive university, these financial requirements can be challenging. The federal *Budget 2018* inclusion of \$231 million in RSF funding over five years is welcome.

6.4 FACULTY RENEWAL

Taken together, Faculty budget plans show an 8% overall increase in faculty complement. The largest hiring increase occurs in the coming academic year to address the growth in student-to-faculty ratios. The plans for subsequent years forecast continued growth in complement at a lower rate; these plans are preliminary and will be adjusted as actual enrolments, revenue and strategies solidify. Hiring growth is forecast predominantly in the tenure-track and teaching-track appointments. There is continued interest in increasing teaching track appointments to address increased teaching demands and to allow for other research-focused appointments.

In addition to the overall complement growth (net new positions), there is significant renewal forecast in the existing complement. In 2017/18, renewal of 7% of existing faculty occurred through retirements. An additional 5% is forecast for 2018/19.

6.5 INFLATION

Inflation risk is connected to the demand for highly qualified faculty, staff and researchers, nationally and internationally, requiring McMaster to compete for globally sought-after talent. Bill 148, *Fair Workplaces, Better Jobs Act, 2017*, passed in November 2017, increased minimum wage inflation beyond historical averages by almost 23% in 2017/18 and by an additional 7% in 2018/19, along with many other broad cost implications.

Consumer price index inflation approximated 2% in 2017 and the Bank of Canada projects inflation to remain close to 2% in 2018/19. However, within Ontario costs are expected to rise beyond 2% with the impact of Bill 148 increasing labour costs broadly, much of which will be passed onto consumers, including the University, through price increases. This is already appearing in food, supplies, and shipping costs.

Competition amongst publishers has been decreasing as a smaller number control the majority of academic journals. As a result, average acquisition costs for books and journals rise by up to 7% annually, with some individual titles increasing even more. Further, some subscription fees are linked to the University's research intensity factor, whereby McMaster's greater research success has led to additional library costs.

Utility prices remain volatile. The biggest cost pressure is the increase in electricity rates, including the Global Adjustment for provincial infrastructure, and changes to the electricity market. McMaster's suspension of the Chasing the Peak initiative in 2017 will result in high electricity rates in 2018/19. As well, Ontario's Cap and Trade System started in 2017, which will impact McMaster in the future following the use of free allowances until 2020. In addition, the City of Hamilton is planning water rate increases.

Budget allocations are not generally based on inflationary needs. For the 2018/19 budget, an allocation has been made to support units for expected inflation in compensation. The decision to allocate inflationary funding is made on a year-by-year basis and, as a conservatism rule, budget managers are expected to find efficiencies in order to meet higher costs.

6.6 CURRENCY EXCHANGE RATES

The cost of certain expenditures sourced internationally are impacted by currency. Most of McMaster's imported goods and services are in US dollars (USD). The Canadian dollar has decreased in value over the past several years compared to its American counterpart, from trading at par in January 2013 to \$0.7635 USD in mid-March 2018, and trading at the end of March 2018 at approximately \$0.775 USD. If the US Federal Reserve raises its rates, the Canadian dollar is likely to weaken further impacting McMaster's cost of educational materials purchased in USD.

Among other economic factors, the direction of the Canadian dollar will be impacted by the level of interest rates in Canada relative to the US, and by NAFTA negotiations. If the US Federal Reserve raises interest rates at a faster pace than the Bank of Canada, the Canadian dollar is likely to weaken, further impacting McMaster's exchange risk. To the extent NAFTA negotiations are concluded to the detriment of the Canadian economy, the Canadian dollar will be under pressure to weaken further from current levels.

6.7 PENSION AND POST-RETIREMENT BENEFITS

6.7.1 PENSION PLANS

McMaster University maintains defined benefit (DB) and group RRSP pension plans for full-time employees. 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 DB plans have increased contributions over the past few years. Contribution increases help the plans' sustainability and are one of the key reasons that the plans have qualified for temporary solvency relief measures offered by the province.

In late 2017, the province issued Bill 177, *Stronger, Fairer Ontario Act*, which includes a new framework for pension funding. These regulations would apply to all single-employer pension plans and would be phased in over three years. Recent proposed changes to the Pension Act include:

- Strengthening going concern funding by applying a best estimate discount rate (no margin), creating a new funded provision for adverse deviation (PfAD)⁵, and applying a ten-year amortization of going concern special payments and re-amortization at each valuation point
- Reduced solvency funding requirements, whereby funding is only required to improve solvency status to 85% over five years
- New funding rules for benefit improvements and restriction on contribution holidays

The budget is based upon the new proposed rules applied to salaried plans and the current pension rules for the hourly plan. Funding requirements associated with pension plans remain challenging as employee contributions have not yet reached 50% of the current service costs. The table below shows both the salaried (Plan 2000) and hourly plans on a going-concern basis⁶ and a solvency basis⁷. The status of the plans based on the most recent full valuations have improved largely due to strong asset returns over the last several years and an improved interest rate environment.

Table 1: Pension Plan Status

\$ millions	Salary Plan Valuation date July 1, 2017	Hourly Plan Valuation date July 1, 2016
Going concern surplus (deficit)	\$ (30.8)	\$ 1.6
Solvency surplus (deficit)	\$ (342.1)	\$ (16.0)

6.7.2 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 liability⁸ 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 0.25% surcharge was added to the employer benefit charge to generate the funds necessary to cover current

⁵ The amount required to fund the provision for adverse deviation is a function of a pension's going-concern liabilities and its related assets and how those funds are invested across debt and equity holdings. Further, the amount required is higher for plans defined as closed, or not open to new entrants or original employee categories. The definition of a closed plan includes any plan closed (McMaster's hourly and original salaried plans) or an open plan that is not open to all original employee categories (McMaster's Plan 2000). For purposes of the new legislation all of McMaster's defined benefit plans are considered closed by definition, requiring a higher provision.

⁶ 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 will continue to collect employee contributions over future working periods until retirement.

⁷ 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 operating and must immediately settle pension obligations.

⁸ As of April 30, 2017, the liability for non-pension employee future benefits is estimated at \$220 million, with reserves of \$74 million.

service costs and a support unit budget allocation provides funding of past service costs. 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

6.8 FACILITIES

6.8.1 CAPACITY

Since 1960, McMaster has added a total of 37 buildings on campus to its existing infrastructure through new construction. Renovations and additions have often been completed in order to update technological, electrical, and utility infrastructure as well as add usable space. These construction projects have been supplemented with infrastructure growth off campus, particularly in the last decade, through the procurement and/or lease of buildings and property.

Physical capacity on McMaster's main campus has been largely determined by its geographic limitations and physical structure, which contains a well-established hierarchy of streets and natural features. As identified in the Campus Master Plan, the current capacity available for new development is estimated to be 3,000,000 gross square feet of floor area on the main campus.

Enrolment growth is an additional stress on the capacity of physical space. The amount of classroom space on campus is close to 85% of what is needed as defined by Council of Ontario Universities (COU) standards. Residence bed spaces fall short in accommodating all first-year students. In McMaster's most recent Campus Capacity Study further critical needs include graduate student offices, assembly facilities, administrative offices and related space, and service space. In addition, accessibility compliance needs are high with the *Accessibility for Ontarians with Disabilities Act*, including new installations of barrier-free ramps, washrooms, and fire alarm strobe lights.

Multiple projects are underway to address capacity issues, including the Peter George Centre for Living and Learning, the Arthur Bourns Building addition, as well as new residence buildings for undergraduate and graduate students. Further specific funding for accessibility retrofit projects has been included in the budget.

6.8.2 DEFERRED MAINTENANCE

A total of 58% of McMaster buildings are over 40 years old, of which 61% are in fair to poor condition. The current deferred maintenance backlog in academic buildings and infrastructure excluding residences is estimated at \$270 million. Maintenance needs are prioritized based critical and non-critical building systems. With deferred maintenance funding of approximately \$13 million annually from multiple sources including the Operating Fund and MAESD, the backlog of critical priorities is forecast to decrease from the 2017 position of \$136 million to approximately \$70 million in 2027 after inflation and further aging. These estimates exclude deferred maintenance on the McMaster University Medical Centre building, which is substantial.

6.8.3 CAP AND TRADE AND ENERGY PROJECTS

On January 1, 2017, the Province of Ontario implemented a cap and trade program to reduce the amount of greenhouse gas emissions by establishing a market-based pricing system for energy consumption associated with carbon dioxide emissions. As such, McMaster will be participating in this program and is eligible for a ten-year interest-free loan of \$9.3 million to implement energy projects. McMaster has also received free allowances until 2020, which will cover the first compliance period of 2017 to 2020. It is anticipated that McMaster may be required to purchase allowances for the second compliance period that begins in 2020. Management is reviewing strategies to minimize the cost of the program, which may include purchasing some advance allowances in the years prior to 2020. Due to the political uncertainty associated with the program, no financial commitments have been included in this budget.

7 MCMASTER'S STRATEGIC PLANS

7.1 STRATEGIC MANDATE AGREEMENT AND FORWARD WITH INTEGRITY

The Ministry of Advanced Education and Skills Development⁹ (MAESD) and McMaster University have signed a second Strategic Mandate Agreement (SMA2) for the period May 1, 2017 to April 30, 2020. The SMA2 follows McMaster's inaugural SMA (May 2014 to April 2017), which outlines McMaster's areas of strength, growth and direction as a University. McMaster's SMA2 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
- Enhancing connections between McMaster and the communities we serve, locally, provincially, nationally, and around the globe

The SMA process continues to evolve, connecting McMaster with MAESD on agreed University strategic directions and targets along with newly added financial health metrics. Future SMA developments are envisioned to more closely link outcome-based funding to performance targets.

The consolidated budget is the result of a budgetary process that facilitates faculty and department alignment to McMaster's *FWI* priorities and the SMA. Budgeted revenue is based upon the corridor funding model and includes assumptions regarding the provincial tuition framework. The corridor midpoint is based on an enrolment average over five years, phased in beginning in 2016/17. The corridor methodology means that McMaster's government grant is equal to the weighted grant units at the corridor midpoint, in other words at its 2016/17 funding level. Fluctuations within the corridor ($\pm 3\%$) will not affect the grant.

The budget applies the tuition framework in effect for 2018/19 and assumes a continuation of this tuition framework for 2019/20 (involving a 3% domestic undergraduate overall tuition increase cap). For conservatism, the budget assumption for 2020/21 and beyond holds tuition flat, although a continuation of the current framework is needed to help fund inflationary expenses

7.2 RESEARCH

Research for a Brighter World — Strategic Plan for Research 2018-2023 lays out a vision and plan to bolster McMaster's research mission and to take our institution's research success to an even higher level. Centered on our commitment to research excellence and informed by our core values, the plan is designed to nurture our culture of collaboration with our hospital, government, and industry partners; advance our dynamic research enterprise; and guide our development of key, strategic research initiatives of local, national, and global importance, to further advance human and societal health and well-being.

⁹ Formerly the Ministry of Training, Colleges and Universities (MTCU).

The plan builds on our individual strengths and interdisciplinary capacity, it outlines our commitment to a broad range of research approaches and methodologies, and our responsibility to place our knowledge in the hands of those who can put it to its best use, through knowledge mobilization and translation, technology transfer, and commercialization.

The plan was developed under the direction of the Vice-President (Research), and the Strategic Research Plan Committee – including representation from all Faculties, and the Associate Vice-Provosts of Faculty and International Affairs. Subsequently, and over the course of several months, University-wide feedback was solicited and consultations were held, ensuring input from all stakeholders.

7.3 CAPITAL MASTER PLAN

McMaster University's *Five Year Capital Plan (A Future Outlook) Version 3, 2017 – 2022* is a planning document to guide the University's priority setting and planning of capital projects for all buildings, both on and off the main campus. The plan supports *FWI* and the SMA, integrating and incorporating input from all stakeholders in the University community. The Capital Plan is a dynamic document that is subject to change in order to align itself with the shifting priorities and opportunities of the University.

According to the Board-approved capital planning process, this plan is updated annually with input from University stakeholders. It is supported by detailed documents, which elaborate on various concepts and initiatives related to infrastructure such as academic and enrolment plans, research priorities, the Campus Master Plan, the Campus Capacity Study, the Asset Management Plan, the Campus Accessibility Action Plan, and the Energy Management Plan.

The Capital Plan is integrated into the Multi-Year Financial Projections and Debt Strategy Report produced annually. The debt strategy identifies capacity for internal and/or additional external financing to move capital priorities forward.

8 BUDGET CREATION

8.1 ACCOUNTABILITY

The effective management of the budget is a responsibility of the President assigned by the Board of Governors. The University's budgets are prepared on a modified cash basis and pursuant to the concepts of fund accounting. Fund accounting enhances accountability and budgetary control by assuring that restricted grants and contributions are spent for the purposes intended.

The President delegates accountability to the Budget Committee, a sub-committee of the University Planning Committee, 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 funds not overseen by the Budget Committee have restricted uses and other governance and/or committee oversight.

8.2 BUDGETING PRINCIPLES

In his September 2011 letter *Forward with Integrity*, President Deane stressed that McMaster's future success will depend on the cultivation and celebration of integrity in all its forms. He outlined the following principles that will guide the University community as we strive to achieve our goals.

- We are an institution devoted to the cultivation of human potential, which we believe cannot be realized by individuals in isolation from one another, from their history or their imagined future, from the society which surrounds them, or from the physical universe which sustains them. Our programs and activities will reflect this comprehensive view.
- It follows that in defining our strengths and seeking to build on them, we will adopt a multidisciplinary perspective, recognizing that even the most specialized problem requires an appropriately broad-based approach.
- Our future shall be continuous and consistent with our past, expanding upon and fulfilling the historic character of McMaster as an institution. We will foster the distinct identity of this University, while at the same time continuing to recognize the importance of collaboration and dialogue with sister institutions in Ontario, Canada, and abroad.
- Notwithstanding that commitment to continuity with the past and to coordination with practices elsewhere, we will place the highest value on original thought and on innovation.
- To that end, we will not only reaffirm the importance of radical questioning at the heart of the academic enterprise, but we will ensure the integrity of our work by bringing a critical view to all of our practices – those which bear directly upon education and research as well as those less directly related to it.
- Wherever possible, we will reduce or eliminate obstacles to cooperation.
- We will acknowledge, and seek to integrate in all our work and in ways appropriate to our specific fields, an obligation to serve the greater good of our community – locally, nationally, and globally.

The 2018/19 budget and following two-year plans are developed using principles and priorities aligned to *Forward with Integrity* and embedded in the Strategic Mandate Agreement:

- 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 within each Vice-President's area of responsibility, with ongoing expenditures less than or equal to ongoing revenues.
- Allocations of funding to 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.

8.3 BUDGET DESIGN

Separate funds are set up for activities, with each fund comprised of its own revenue and expenses. To maintain control, the following funds are utilized:

1. Operating Fund: Unrestricted general revenues and expenses that are directly related to the mission of the University, education and activities supporting research (i.e. not restricted by an agreement or contract). The Board of Governors has approved a policy of permitting envelopes to carry forward unexpended budgets into the subsequent fiscal year.
2. Research Funds: Research-related funds externally restricted by an agreement or contract for specific research purposes. The use of these funds is restricted by the donor or granting agency.
3. Capital Fund: Funding and expenditures for capital projects.
4. External Endowments: Donations or bequests received by the University that have a non-expendable requirement as well as other legal requirements for use as agreed upon by the donor and the University.
5. Internal Endowments: Unrestricted donations and bequests, and other monies which have been endowed by action of the Board of Governors.
6. Ancillary Fund: Sales of goods and services by departments that are defined as being supplementary to the University's primary operating activities of education and research. Such sales may be made to the University community and/or to external clients. Ancillary operations are self-sustaining.
7. Specifically Funded: Funding provided by an external entity, restricted by an agreement outlining expenditure of the funds and a requirement to return unspent funds at the end of the term.

8.4 BUDGET MODEL

To allocate Operating Fund resources, McMaster uses a hybrid between an activity-based model and an incremental model. Fully implemented in 2014/15, the model aims to strike a balance between

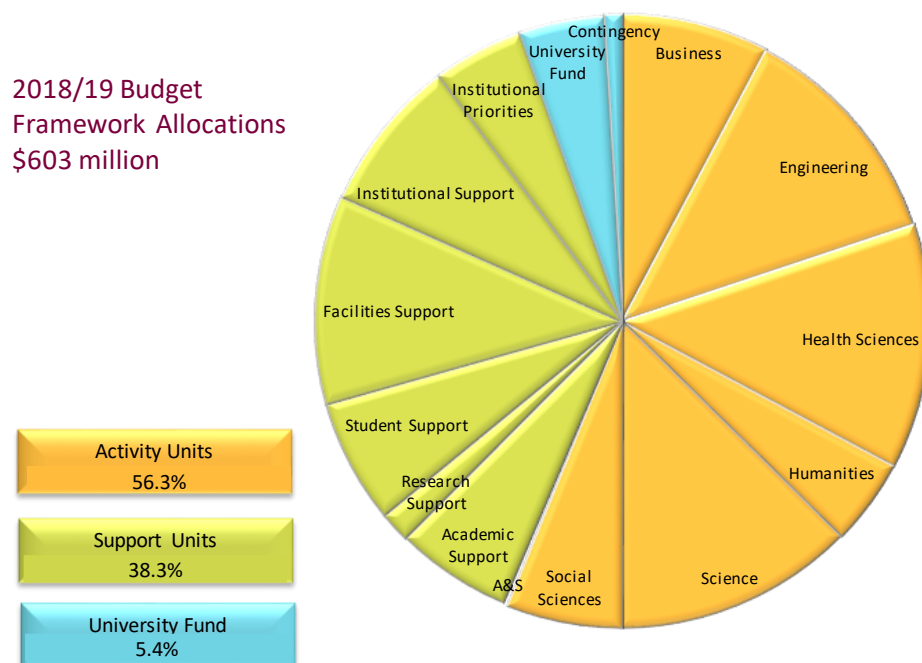
providing transparent activity-based funding to the Faculties while maintaining financial flexibility to address strategic goals.

Figure 3: Operating Fund Budget Model Revenue Streams



In the simplest terms, all central revenue streams are allocated to Faculties based on activities (such as student enrolment and teaching) as earned. Two strategic funding pools are created as a percentage of Operating Fund revenue: i) the Research Discretionary Fund to be used by the Vice-President (Research) for strategic research initiatives, and ii) 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. All activity unit allocations are adjusted for actual revenue and cost driver results after year-end.

Figure 4: Operating Fund 2018/19 Budget Framework Allocations by Area

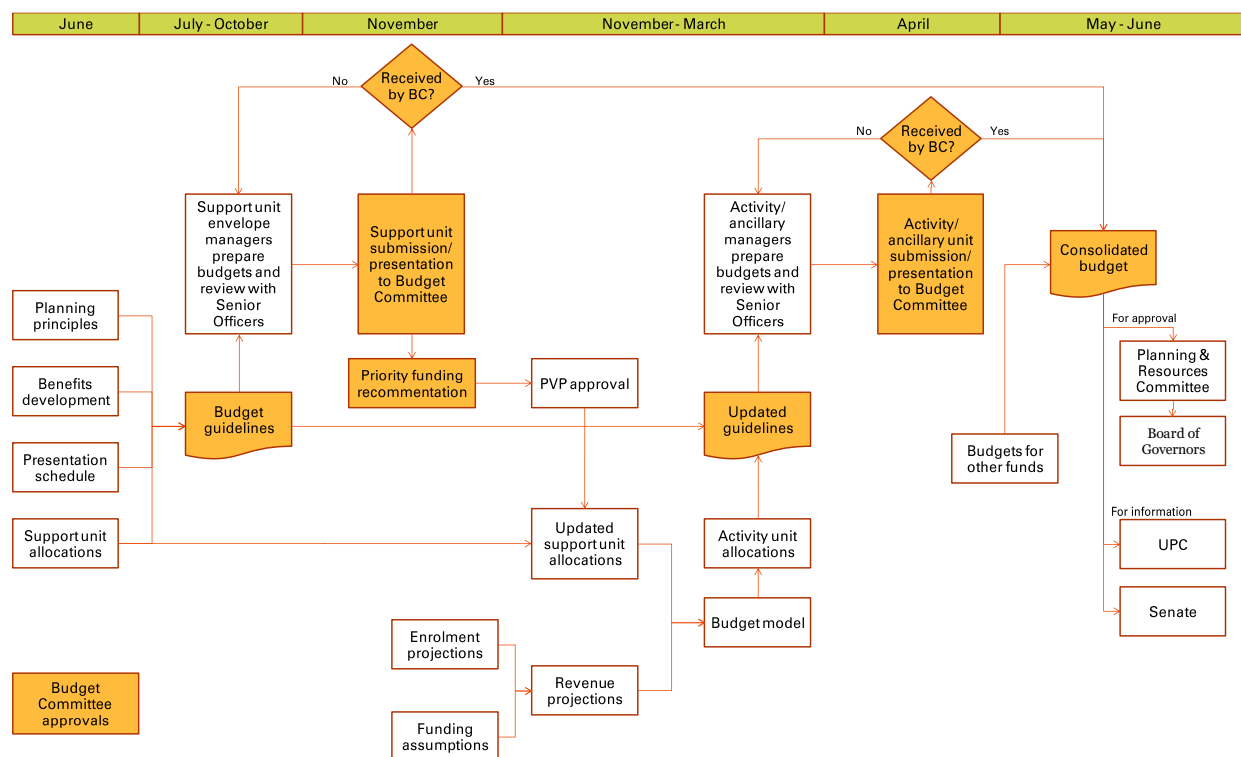


In order to provide stability to activity unit allocations, contingencies are included for future support unit unfunded priorities which have not yet been identified, and to ensure that revenue estimates are achievable. Any unused contingency balance is distributed to activity units when the final actual allocations are calculated. Budget model calculations are available in Appendix 2.

The budget approach has been continually assessed and evaluated 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. Review feedback and ongoing input and analysis has resulted in some changes to the budget to either address concerns or enhance incentives aligned to strategic priorities. The budget adjustments mostly alter values of the parameters and not the underlying principles. The most recent review of the budget model involving external and internal budget leaders was released in September 2017, and did not recommend any substantive changes be made. Additional information on the budget model is available at <http://budgetmodel.mcmaster.ca/>.

8.5 BUDGET CYCLE

Figure 5: Budget Cycle



June: The budget cycle for the Operating Fund and Specifically Funded begins as the Budget Committee reviews and approves the assumptions and guidelines that will apply to all units across the University. Submissions include a projection for the current year, budget for next year, and plans for the following two years. The Budget Committee requests the submissions on a standard template, identifying:

- Strategic objectives and their relationship to *Forward with Integrity* and the Strategic Mandate Agreement
- Key metrics and benchmarks, including enrolment trends, ratio of students to faculty, 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

Benefit rates are set to cover statutory deductions as well as pension, post-retirement benefits, and other benefit costs associated with employer plans offered to employee groups. Assumptions for salary and wage increases by employee group are reviewed, incorporating information from collective agreements. Support unit allocations include previously approved strategic investments. Incremental allocations to support units to defray compensation increases are discussed, and if feasible are allocated for the upcoming budget year only.

July to October: Budget allocations to activity units follow both the total level of funding and the allocations made to support units. The budget cycle is divided into two stages, with support units preparing their budgets first from July through October, so that any funding for any recommended priorities may be incorporated into the activity unit allocations.

November: Support units present their budgets during a three-day budget conference, attended by members of the Budget Committee, the Faculty Deans and their Directors of Administration. This allows the activity unit leaders to consider and comment on the budget priorities and expenditures of all support units before the Budget Committee votes to receive each budget.

While receiving budget submissions, the Budget Committee identifies unfunded priorities and potentially unacceptable cost-cutting actions. The Committee explicitly prioritizes these items for review by the President, recommending some for funding. In consultation with the Vice-Presidents, as many of these important items as possible are funded.

November to March: Activity units begin budget preparation. Reasonable estimates of future enrolment and revenues based on provincial regulations, strategic objectives, historical demand, and other commitments are prepared. The activity unit allocations are updated in the budget model using the revenue estimates and the final support unit allocations, and the Operating Fund Guidelines are released with the updated allocations.

Ancillaries are self-funded and not dependent on support unit allocations, but may use enrolment assumptions in their revenue estimates. Ancillary Fund Guidelines are issued using the same salary and benefit cost assumptions as the Operating Fund, and including rent charges and amounts to be contributed to the Operating Fund.

April: Activity units and ancillaries present their budgets during a two-day budget conference, attended by members of the Budget Committee, the Faculty Deans and their Directors of Administration. The Budget Committee votes to receive each budget, and reviews the final total.

Budgeted consolidated financial statements are prepared incorporating plans for the remaining funds. In order to finalize the budget, senior management reviews the financial position over the three-year planning horizon and makes adjustments, where necessary, to ensure reasonableness of the consolidated position and continued financial sustainability while promoting the academic mission.

May to June: The budget is presented to the University Planning Committee and the Senate for information and comment before presentation to the Planning and Resources Committee and Board of Governors for approval.

8.6 REVENUE ASSUMPTIONS

8.6.1 ENROLMENT

Overall enrolment is projected to increase in accordance with the Strategic Mandate Agreement and the enrolment management targets, enabled by the completion of Wilson Hall in 2016/17. 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 three-year average transition rate.

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 2017/18 level 1 intake (i.e. as of November 1, 2017) is applied as the anticipated level 1 intake from 2018/19 to 2020/21.
- 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 three-year average transition rate, 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 WGU counts by Faculty, level, registration status, immigration status, and fee category.

Table 2: Enrolment Assumptions

		2017/18 Budget	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Undergraduate FTEs	Domestic	23,840 +2.0%	23,275 -2.3%	23,419 +0.6%	23,599 +0.8%	23,662 +0.3%
	International	1,763 +3.3%	2,341 +32.8%	3,062 +30.8%	3,652 +19.3%	4,053 +11.0%
	Total	25,603 +2.1%	25,616 -0.8%	26,481 +3.4%	27,251 +2.9%	27,715 +1.7%
Graduate FTEs	Domestic	3,049 +1.8%	2,973 -2.5%	3,056 +2.8%	3,088 +1.0%	3,115 +0.9%
	International	975 +2.8%	1,063 +9.0%	1,140 +7.2%	1,152 +1.1%	1,173 +1.8%
	Total	4,024 +2.1%	4,036 +0.3%	4,196 +4.0%	4,240 +1.0%	4,288 +1.1%

8.6.2 TUITION RATES

The domestic tuition rate increase is expected to match that allowed by the MAESD tuition fee framework (see Table 3), which expires after 2018/19. In the absence of the Ministry tuition fee framework policy for 2019/20, the current 2018/19 tuition fee framework is assumed to extend into 2019/20 for domestic tuition. For conservatism, there is assumed to be no tuition rate increase for 2020/21 and onward for both domestic and international tuition. Recognizing cost pressures, this is unlikely to prove to be a viable assumption.

Some incremental international tuition revenues have been included in the budget and planning years as a result of McMaster's corridor-capped domestic intake, allowing greater international participation. For 2018/19 and 2019/20, international undergraduate and graduate rates are assumed to increase by 8% per year for level 1 and 4% for level 2 and above.

In March 2018, McMaster proposed to revise the international PhD tuition to mirror the domestic rate starting in 2018/19, subject to the approval of the Board of Governors in June. The projected tuition revenue for 2018/19 and onward included in this budget was estimated in December 2017 and assumed a differential fee for this group of international students.

Table 3: Tuition Rate Assumptions

			2017/18 Budget		2017/18 Projection		2018/19 Budget		2019/20 Plan		2020/21 Plan	
			Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +
Domestic	Undergraduate	Arts & Science or other	3%	3%	3%	2.25%	3%	2.25%	3%	3%	0%	0%
		Professional	5%	3.7%	5%	5%	5%	5%	5%	3.35%	0%	0%
	Graduate	Research (with thesis component)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Professional (course work only)	5%	2%	5%	5%	5%	5%	5%	2%	0%	0%
International	Undergraduate	Arts & Science or other	6%	6%	8%	4%	8%	4%	8%	4%	0%	0%
		Professional	6%	6%	8%	4%	8%	4%	8%	4%	0%	0%
	Graduate	Research (with thesis component)	6%	0%	2%	0%	0%	0%	0%	0%	0%	0%
		Professional (course work only)	6%	6%	8%	4%	8%	4%	8%	4%	0%	0%

8.6.3 OPERATING GRANTS

In accordance with the provincial funding formula, grants are held flat as domestic enrolment remains within the corridor. A decline in the operating grant has been planned to account for the incremental \$750 per international student tax charged by the province to universities.

Table 4: Operating Grant Assumptions

			2017/18 Budget	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Operating grants	Core Operating Grant (COG)		Enrolment corridor and funding held at 2016/17 levels	\$2,903/WGU based on WGU midpoint 2016/17	Flat	Flat	Flat
	Differentiation Grant			\$261.7/WGU based on WGU midpoint 2016/17	Flat	Flat	Flat
	Graduate Expansion Grant rate	COG		± \$2,903/WGU based on WGU 2016/17 as base	Flat	Flat	Flat
		Differentiation		± \$261.7/WGU based on WGU 2016/17 as base	Flat	Flat	Flat
	International student reduction			\$750 per international student	Flat	Flat	Flat

8.7 ACTIONS TAKEN TO ACHIEVE THE STRATEGIC PLAN

All areas across the University are involved in initiatives that support the strategic plan. Activity units and ancillaries fund activities from current revenue and appropriations¹⁰ carried forward. Under the budget model, allocations to support units are held flat, therefore new initiatives are either funded from appropriations or a request is made to the Budget Committee to fund priority items.

The budget process provides a transparent means of prioritizing incremental funding for strategic investments or unavoidable costs in support units. For the 2018/19 budget, additional allocations have been made for:

- Advancing McMaster's reputation and brand
- Journal costs in the libraries, which increase at greater than the rate of inflation and have had added cost pressure recently with price increases based on our increased success in the rankings
- Student Accessibility Services to cover the increase in service demands from a larger student population
- Entrance scholarships for the higher enrolment expected
- The Office of Community Engagement to work with stakeholders for an inclusive, sustainable Greater Hamilton

¹⁰ Appropriations are the accumulated surpluses or deficits from prior years, also known as reserves. In accordance with the Operating and Ancillary Budgets Policy, these balances are carried forward to future years. Surplus appropriations may be used to provide funds to offset one-time spending and investments in deficit-reducing strategies. Envelope managers must present plans to eliminate deficit appropriations with their budget submissions.

- Creating the position of Assistant Vice-President, Equity and Inclusion, which started in spring 2018, pursuant to the review and restructuring of the Equity and Inclusion Office
- Implementation of additional information systems, including Visual Schedule Builder that will help a student choose an optimal class timetable from thousands of options beginning in the fall 2018
- Technology resources to sustain the Mosaic system now that all modules implemented since 2013/14 have stabilized
- Enhanced life cycle replacement cost funding for technology renewal assets

In addition to the above, a number of smaller base or one-time investments have been made in the 2018/19 budget and/or planning years. Not yet included in the budget are the resourcing needs associated with a multi-year research initiative planned to begin in 2018/19; the funding required for this initiative will be determined during 2018/19 and incorporated into the next planning cycle. Further to the actions that directly support the strategic plan, a series of administrative support reviews have been conducted to ensure that non-academic services are operating at maximum efficiency while continuing to reflect McMaster's values.

Initiated in 2017/18, UniForum is an annual program that allows McMaster to collect information and data about the distribution of non-academic services and activities that support teaching and research. Participation in the UniForum program will enable McMaster to understand how non-academic support services are being delivered, where they are being delivered, and at what cost. This information will be used to help the University fully understand how it is supporting the academic and research mission and how it benchmarks against other institutions. There are 44 participating post-secondary institutions worldwide—23 universities in Australia and New Zealand, 18 in the United Kingdom and now 2 others in Canada.

The Research-Finance Review brought together a team of internal and external researchers and administrators to evaluate delivery of strategic research financial and reporting services, and to determine the most efficient and effective basis on which to deliver those services. The resulting recommendations, including review and coordination of roles and procedures, are in the process of implementation.

The IT Services Review completed in 2016, resulted in the launch of a new IT governance framework in 2017. An IT Executive Committee now oversees enterprise-wide systems needs supporting teaching and learning, research, administration, and infrastructure and security. A number of projects have been prioritized, developed, and approved in the budget or planning years applying the new framework. A new IT Strategic Plan will be developed in the 2018/19 budget year to help guide future investments.

Specific activities contributing to achieving the strategic plan are detailed below.

8.7.1 STUDENT EXPERIENCE

- Assess student services offerings to align with new and revised programming and expectations of students and employers.
- Collaborate with international institutions to offer opportunities for student research and exchange experiences.

- Support international students through programs to enhance English skills.
- Participate in the Ministry's net billing pilot project and implement a new centralized credit transfer database to ease students' transition to University.
- Implement the new University Aid and Awards Policy to maximize aid and award opportunities for students.
- Offer the RESET for Success program, a special stream of courses for level 1 students at risk of failing, designed to provide the skills and resources to succeed.
- Expand the Athletics and Recreation facility.
- Create an online Job Search Essentials workshop for final year students and recent alumni.
- Take a lead role in building awareness of advantage of open textbooks.
- Convene an IT Student Advisory Committee to address student experiences with technology across campus and to provide a student voice that can feed into the IT governance process.
- Open Residence Academic Centres four nights per week to provide students with a quiet place to work, seek help from peers, or meet directly with a Residence Academic Support Assistant.
- Bring together students and campus/community partners in Living Learning Communities for a focused experience that enhances and extends student learning outside of the classroom.

8.7.2 INNOVATION IN TEACHING AND LEARNING EXCELLENCE

- Introduce new interdisciplinary programs with partnerships between Faculties.
- Create new programs with blended delivery, for example combining online learning and residency modules.
- Invest in new facilities such as performance spaces in the L. R. Wilson Building, and space for engineering clubs, teams, societies and project groups in the Gerald Hatch Centre for Engineering Experiential Learning.
- Recognize course credit for substantive technical learning achieved during students' work with teams participating in format competitions, and expand to recognize significant learning associated with engaged participation in co-curricular and extracurricular activities.
- Design active learning classrooms to facilitate group study, ease of reconfiguration, and advanced technology for sharing ideas.
- Scale up the Student Partners Program to publish and present on teaching and learning research.
- Conduct training to support faculty in providing active learning and experiential opportunities.
- Partner with T. A. Marryshow Community College, the Government of Grenada, and the PETNA Foundation to foster faculty development, curriculum and quality assurance, student partnerships, and leadership restructuring.

- Develop support for student entrepreneurs through Forge@Mac using problem-based learning and inquiry methods, mentorship, and facilities for an incubation hub.
- Connect skills to career opportunities and building a professional network, powered by Evisors and LinkedIn; plan to connect with global mentors through Braizen and Orbis.

8.7.3 ACCESS AND EQUITY

- Host the Aboriginal Youth STEM Conference, bringing 170 Indigenous students to McMaster free of charge to learn about engineering, science, and university life.
- Train selection committees to ensure faculty and staff understand and exclude biases.
- Increase the proportion of new hires from equity-seeking groups.
- Affirm the importance of Indigenous knowledge to the University community through creation of dedicated spaces such as the Indigenous Study Centre in the L. R. Wilson Building and the Indigenous circle outdoor classroom.
- Continue implementation of the Campus Accessibility Action Plan to improve access to campus facilities.
- Create the new Diversity and Engagement Chair to ensure that any issues are appropriately addressed.
- Invite First Nations, Inuit and Metis undergraduate students from universities across Canada to the Indigenous Undergraduate Summer Research Scholar program, matching them with faculty supervisors for eight-week research internships, including extensive engagement with the local Indigenous community.
- Conduct the Indigenous Health Initiative to better integrate Indigenous knowledge and issues into education and research.
- Organize the President's Retreat on Indigenous Perspectives on Education in collaboration with the Distinguished Indigenous Scholar and the Indigenous Education Council.
- Collaborate with McMaster Children and Youth University on community engagement initiatives to increase access to first-generation students.
- Schedule 7,000 exam accommodations for students with special needs.
- Establish the Special Consideration – Student Accessibility Services bursary to help students with financial need.
- Develop McMaster's Public Accountability document and Equity, Diversity and Inclusion Action Plan to attract and retain Canada Research Chairs in underrepresented groups.
- Expand pathways and direct entry options from college programs and continuing education, including improved access for military veterans.
- Increase support for Indigenous students including a dedicated student counsellor, Elder-in-Residence program, writing skills workshops and support in applying for Indigenous-specific bursaries and scholarships.

- Promote the use of Echo360 lecture capture to not only support students with disabilities, but also help all students review and retain lecture material.
- Initiate a service for students with disabilities to provide an accessible copy of any book through the library catalogue.
- Increase cultural and dietary food options as a result of ongoing discussions with student cultural groups and the President's Advisory Committee on Building an Inclusive Community.
- Conduct a third party AODA audit of all Hospitality locations.
- Provide work opportunities and skills training for recent refugees and underprivileged members of the community.

8.7.4 RESEARCH EXCELLENCE AND IMPACT

- The Digital Transformation Research Centre brings together researchers in business, neuroscience, psychology and industry to examine themes related to management decision-making.
- The Michael G. DeGroote Centre for Medicinal Cannabis Research will build an evidence-based understanding of risks and benefits of medicinal cannabis
- The McMaster Indigenous Research Institute supports development of Indigenous research grants on topics such as Indigenous/settler relations and water security in First Nations communities.
- Develop the Canadian Guideline for Opioids for Chronic Non-Cancer Pain in response to concerns of widespread use.
- Increase capacity for the Michael G. DeGroote Institute for Infections Disease Research to study disease resistant infections.
- Expand and formalize research programs in Child and Adolescent Health, including creation of the Centre for Metabolism, Obesity and Diabetes Research.
- The Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM) aims to find way to commercialize applied science research, bringing together researchers from science, health sciences and engineering with industry partners to develop innovative medical technologies for biomarker discovery, point-of-care diagnostics, biomaterials and automating cell therapy production for cancer treatment.
- Pilot the VIVO project, an open-sourced platform showcasing McMaster researchers and their work.
- Promote access to the Bertrand Russell Archives.
- Increase focus on research commercialization with the objective of connecting our intellectual property to those who can take it and make society better.

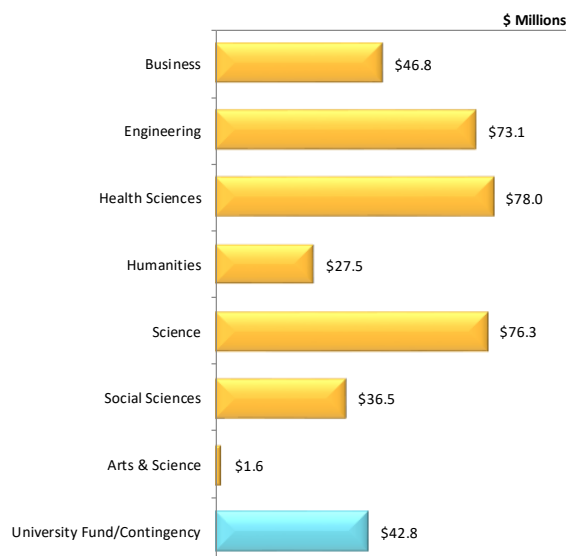
8.7.5 INNOVATION, ECONOMIC DEVELOPMENT AND COMMUNITY ENGAGEMENT

- Assemble interdisciplinary student teams in the MacChangers program to develop solutions for real-world community issues.
- Participate in the international Grand Challenges Scholars Program to educate students to confront the most pressing issues in the 21st century.
- Improve McMaster's environmental stewardship through reduction of greenhouse gases.
- Create an energy dashboard to engage the campus community in energy information.
- Prioritize new graduate program proposals that expressly target innovative and high-societal impact components.
- Advance work towards immunotherapies for cancer with Triumvira Immunologics.
- Develop novel medicines from small molecule natural products through Adapsyn Bioscience.
- Engage partners Bloom Burton to hold sessions regarding commercialization opportunities and process.
- Sponsor a series of "long table" events engaging citizens and artists in the community.
- Partner with the *Hamilton Spectator* on an investigative series on concussions and CFL players.
- Host the North American Indigenous Games.
- Operate the SURGE program in connection with Mohawk College to assist student entrepreneurs in starting up their own sustainable businesses.
- Develop and support food security initiatives in collaboration with student organizations.

9 ENVELOPE HIGHLIGHTS

9.1 ACTIVITY UNITS

Figure 6: Operating Fund 2018/19 Budget Activity Unit Allocations



9.1.1 FACULTY OF HUMANITIES

This past year, the Faculty was involved in the successful launch of three new undergraduate and graduate programs, including the Integrated Business and Humanities (IBH) program. Five new concurrent certificates were developed to promote the acquisition of particular competencies, as well as experiential learning and community engagement. The Faculty continues to invest in research that engages the community, scrutinizes the digital frontier, explores Canadian history and literature in a global context, and connects researchers to STEM. The Faculty Strategic Research Plan 2016-18 is being reviewed to ensure alignment with the *Research for a Brighter World* strategic plan.

The Faculty faces some revenue risk in the next few years due to student recruitment challenges. The Faculty is committed to meeting these challenges in a financially sustainable manner, by ensuring the faculty and staffing complement aligns with their objectives and revenue. The Faculty will generate revenue and support the University's internationalization goals through the McMaster English Language Development program. The Faculty will also earn revenue by teaching students from across the University. The Faculty is projecting operating surpluses for all years beginning in 2017/18, and is projected to have a surplus in appropriations beginning in fiscal 2020/21.

9.1.2 FACULTY OF BUSINESS

The DeGroote School of Business made progress made over the past year in enhancing the student experience in and outside of the classroom. In 2017, the School devoted significant resources to align student support services for all of its programs. Five new faculty members were hired to strengthen teaching and research. The School, jointly with the Faculty of Humanities, welcomed the first cohort of students into the BComm in Integrated Business and Humanities (IBH). The IBH is a unique program in undergraduate education and has received very positive feedback from students.

The School of Business has continued to grow its total enrolment across all programs. As it does so, the need for appropriate additional physical space to meet current and emerging programs requirements for Business students and faculty has become its primary challenge.

Despite this, DeGroote continues to enjoy strong levels of enrolment, high engagement with community partners who attend many outreach events, and a dedicated team of faculty and staff who are responsible for the implementation and success of new programs. This fall, a new blended learning part-time MBA will be launched. The School will also partner with the Faculty of Engineering to create a minor in Innovation, and will continue to reach out to other Faculties to explore new ways to integrate management education within their programs.

9.1.3 FACULTY OF HEALTH SCIENCES

The Faculty of Health Sciences (FHS) is advancing its strategic initiatives of stabilization of research capacity and increasing research and educational programs. A deficit is forecast in each year from 2017/18 to 2020/21. FHS relies on a variety of funding sources. Over the next four years FHS will be drawing down accumulated surpluses. With base allocation revenues budgeted to decline over this four-year budget cycle, the Faculty is more dependent than ever on other funding sources.

FHS will be looking at cost containment measures over the coming year. Different models of administrative support are being examined that will allow the Faculty to continue to meet the education and research priorities of the Faculty. At the same time, the Faculty will implement suggestions from the Research-Finance Review, participate in the Human Resources review, and plan resource requirements with UniForum data in hand.

9.1.4 FACULTY OF ENGINEERING

The Faculty of Engineering places a high value on experiential learning and, with the opening of the Gerald Hatch Centre for Engineering Experiential Learning in 2017/18, is able to significantly increase experiential learning activity. The Faculty has launched an experiential learning course where students receive course credit for substantive learning achieved during their work with teams participating in formal competitions. In partnership with the Faculty of Business, an Innovation minor will be launched. This will provide interested students from all Faculties an opportunity to develop innovation literacy, and will support existing innovators to develop skills to create their own enterprise.

Engineering's budget challenges are short-term, the result of a one-year under-enrolment in 2016/17 as well as an unexpected increase in the Student Access Guarantee levy. This is expected to resolve as enrolment targets are met over the next three years. Engineering is also able to continue long-term plans by utilizing accumulated surpluses from prior years. The expansion into the Hatch Centre will alleviate significant space constraints faced in recent years.

In addition to increasing undergraduate enrolment, the Faculty will be introducing a new MEng program in Systems and Technology. This program will provide additional opportunities for graduate studies and will assist graduate programs in the W. Booth School of Engineering Practice and Technology to become financially sustainable.

9.1.5 FACULTY OF SOCIAL SCIENCES

The strategic priorities of the Faculty of Social Sciences (FSS) are to improve the student experience, offer better access to programs in high demand, increase enrolment of international students, and enhance the ability of its faculty and trainees to conduct research in collaboration with government

and community partners to address pressing social challenges. The opening of Wilson Hall expanded the Faculty's capacity to offer technologically enabled courses founded on active learning principles. The new space will foster expanded, better-integrated experiential learning opportunities. Collaborations with the Centre for Continuing Education and Mohawk College have enhanced student mobility and create greater access to a full array of learners. Strategic investments in research infrastructure are supporting community-engaged research that will provide evidence needed to inform policy in diverse public-sector and community organizations. This will also help the Faculty attract the best junior faculty and trainees to McMaster.

The major budget challenges for the Faculty are increasing salary costs and the need to renew elements of the faculty complement in the context of corridor funding. The Faculty will need to develop non-WGU sources of funding.

FSS has an integrated recruitment and retention plan that includes improved marketing, outreach to secondary schools, curriculum reform, and support for at-risk students. The focus to date has been exclusively on domestic students. This has now been expanded to include the recruitment of international students. In addition, the Faculty is examining a range of non-WGU programmatic revenue, and is pilot testing one such opportunity this spring. The Faculty continues to identify cost containment options and new processes for allocating resources within the Faculty to align with strategic priorities. 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.

9.1.6 FACULTY OF SCIENCE

The Faculty of Science is making strategic investments in faculty, staff and infrastructure that will have a positive impact on the student experience, teaching and learning, and research excellence. Science is also investing in innovation, economic development and community engagement, as well as increasing equity and diversity in the staff and faculty complement.

The budget submission presents a conservative first step towards complement renewal and reinvigoration in the Faculty of Science, in the context of the provincial funding model. The Faculty is proposing both academic and administrative changes that will support academic, research and community engagement priorities, in many cases by centralizing supports.

9.1.7 ARTS & SCIENCE PROGRAM

The Arts & Science program (A&S) continues to focus on achieving a robust, stable, and sustainable faculty complement. A&S does this through collaboration with other units, which supports enhanced experiential learning and student research opportunities and initiatives such as the McMaster Discovery Program. A&S is targeting a goal of 25% out-of-province admissions (including a small number of international), with an aim to enhance its community, national, and international profile. A new Communications and Outreach Officer position is being created in order to enhance alumni engagement, the program's profile and out-of-province student recruitment.

9.1.8 UNIVERSITY FUND

The University Fund has the strategic goal of supporting excellence, innovation and renewal across 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

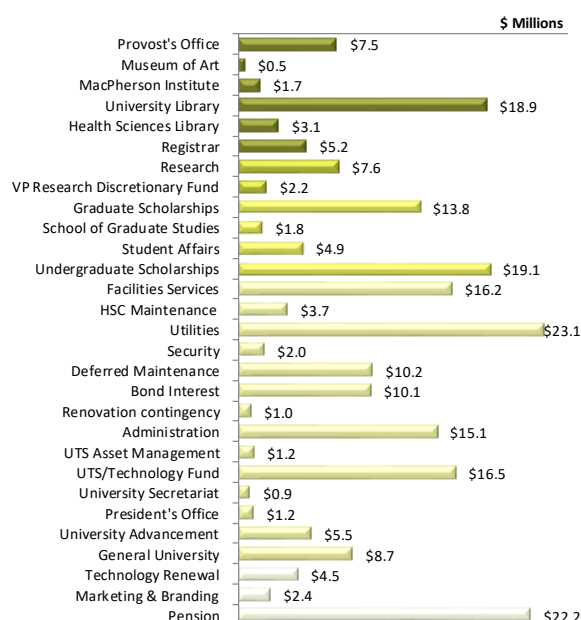
permanently by different means, thus freeing the University Fund for new initiatives of innovation and excellence. These funds enable greater flexibility in achieving the academic mission of the University and support discovery and learning opportunities.

The University Fund is used as a strategic tool for the University, and to support unforeseen or unfunded priorities and to seed new strategic initiatives. A significant portion of the Fund is now being used to support long-term or ongoing commitments, thus limiting the Fund's capacity for supporting worthwhile new initiatives.

In future, the focus of the Fund will shift to greater support for research and emerging initiatives.

9.2 SUPPORT UNITS

Figure 7: Operating Fund 2018/19 Budget Support Unit Allocations



9.2.1 STUDENT AFFAIRS

Access and equity targets articulated in the SMA provide an opportunity and a challenge for the University and Student Affairs to bolster support and reduce the barriers to success for international students, students with disabilities, indigenous students and other underrepresented groups. All aspects of our operations, including space, staffing, programming, and financial resources need to be strengthened in order to meet the current and growing needs of these populations.

Almost a half million square feet of fitness, classroom, student activity, and student services space is under construction and scheduled to open in 2019/20. This space expansion will alleviate current pressures, especially in Student Accessibility Services (SAS). Increased resources for SAS have been provided. In 2018/19 a review of this department will occur to ensure that service capabilities are optimized.

Outreach efforts to Indigenous communities and increased support through Elders and mentorship programming will provide greater support to Indigenous students. A plan is being finalized to support

international students, including English language skill support, transition programming, and career support.

9.2.2 LIBRARIES

The University Library has several initiatives under way, including showcasing faculty research (through the McMaster Experts and ORCID projects), digitization and digital preservation, research data management and Makerspace. The Health Science Library (HSL) will continue to reimagine services to ensure both local and distributed users have access to high-caliber library-related learning, information management, and publishing support. The libraries strive to foster research excellence in areas of institutional strength through the provision of quality library collections and services.

The libraries continue to face the ongoing problem of journal cost inflation. Researchers need access to elite journals. The vast majority of serial subscriptions are made consortially as part of binding, multi-year contracts in US dollars. Cost for journal subscriptions are linked to McMaster's research intensity and thus McMaster pays higher prices than some of our counterparts. The allocation only covers a portion of desired planned spending.

The libraries have implemented several cost-saving measures including complement review, trimming of low-impact, low-use journal subscriptions, and implementation of centrally mitigated exchange rate impacts.

9.2.3 OFFICE OF THE REGISTRAR

The Registrar's Office (RO) provides timely, relevant, efficient service to students and support to Faculties and other administrative functions at the University. In the coming year, the RO will support provincial government-driven priorities including: the New Ontario Student Grant, which will require a new framework to calculate net tuition; and the Pathways ONTransfer initiative, which will foster collaboration with colleges. The RO has a number of special projects including: the implementation of PASF/CASS recommendations; the Campus Solutions 9.2 upgrade; Visual Schedule Builder; calendar reimagining; website renewal; and supporting international student recruiting efforts.

The most significant budget pressure facing the RO continues to be sufficient resources to support, maintain, enhance and upgrade Mosaic, and increased demands to support expansion in the student population.

The RO continues to review how to provide the best service in the most effective way and to look for cost-saving measures. Managers also work collaboratively to support each other during peak activity periods. The RO is working toward building a talented, flexible and efficient work group that responds quickly and effectively in serving the University mission.

9.2.4 SCHOOL OF GRADUATE STUDIES

The School of Graduate Studies works in concert with the Faculties in the development of new graduate programs, ensuring that proposals address the latest Council and Ministry guidelines including key Ministry requirements.

The University priority for graduate enrolment growth and new program development will put significant demands on the graduate scholarship budget. Government support for graduate scholarships is fixed, requiring the University to find new revenue sources to support graduate scholarship.

The primary focus of the next academic year will be communication, documentation and training on all graduate-facing Mosaic sustainment activities, in addition to ensuring the optimal distribution of graduate scholarship funds.

9.2.5 PAUL R. MACPHERSON INSTITUTE FOR LEADERSHIP, INNOVATION AND EXCELLENCE IN TEACHING

The Institute's mandate supports the SMA goals of producing research with high societal impact, as well as supporting experiential and technology-enabled learning. The Institute is engaged in enhancing effective and innovative ways of teaching, learning and measuring the effectiveness of various approaches. This includes new approaches to redesigning courses in different formats including online and blended learning.

The Institute continues to support distinguished scholars, conduct world-class research, deliver prominent colloquia, help McMaster's leading teachers increase their profile, expand a granting program for teaching initiatives, build and test innovative physical learning environments, create a new model for integrating students into the MacPherson Institute's functions, and build a strong local and international outreach program.

9.2.6 RESEARCH ENVELOPE

The Vice-President (Research) (VPR) has established a team of researchers from across McMaster's six faculties to provide input into the new strategic research plan. This plan will assist in identifying strategic priorities for future research and will inspire us to do better. As research undertaken in centres and institutes is critical to success, those reporting to the VPR will be reviewed to ensure they are active, that resources are maximized and that interdisciplinary opportunities are created.

As "Canada's Nuclear University", McMaster's facilities and capabilities in nuclear research in the fields of medicine and energy are unparalleled in Canada and are world-class. Work continues more strongly than ever with daily delivery of medical isotopes for clinical use and ongoing research and development activities in novel radiopharmaceutical applications, including support for clinical trials. Demand on the nuclear reactor is expected to increase with the shutdown of the National Research Universal reactor at Chalk River in March 2018.

In partnership with University Advancement, a new funding research initiative focused on bringing more funds to the research enterprise will launch in 2018/19. This initiative will significantly increase McMaster's ability to undertake research and innovation with high societal impact and will enhance McMaster's reputation as a leading research powerhouse. In connection with this initiative, efforts will be guided by implementation of the *Research for a Brighter World* strategic plan to ensure that resources are used to maximize impact.

A new high level administrative position has been established to oversee both ROADS and McMaster Research Finance so that these offices may better provide seamless service to researchers across the pre- and post-award research administration continuum. Informed by the Research-Finance Review, changes will be put in place to ease administrative burden to the research community. Departmental budgets will be monitored during this process to determine whether further changes are required.

9.2.7 UNIVERSITY TECHNOLOGY SERVICES (UTS)

The new Assistant Vice-President and Chief Technology Officer will focus on the development of a new IT strategic plan over the next year or more, which will encompass an enterprise perspective related to IT services and delivery.

Numerous and ongoing budget challenges will continue over the next year. These include: project management and team resources; PeopleSoft competency; fluctuating US exchange rates; IT security implementations including identity management and intrusion prevention; IT security roadmap and personnel; funding for deferred maintenance on systems and infrastructure renewal.

Under the direction of the new AVP and CTO, UTS will continue to refine its role in a comprehensive, enterprise-wide IT strategy and service delivery model. This will require enhanced focus on people, processes and technology across all current services and in line with strategic future services. A focus on enhancing employee engagement and competency levels, reducing deferred maintenance risks, enhancing IT security capabilities, developing strong partnership and collaboration opportunities with partners across campus, evaluating and rationalizing IT services, and ongoing support of projects and priorities highlighted as part of the ongoing IT governance framework are all key areas of focus.

9.2.8 ADMINISTRATION AND FACILITY SERVICES

The Administration envelope continues to operate within its budget allocation at a staffing level close to that of a decade ago by virtue of a drawdown of appropriations to handle increased demand and an ongoing realignment of resourcing. Operating pressure is therefore strong.

While the division continues to focus on process efficiency and productivity, notably through Mosaic, recent survey data from UniForum is proving very helpful in determining service effectiveness. Furthermore, the first round of benchmarking data, considered preliminary at this stage, will also be very helpful in understanding administrative resourcing and efficiency across campus, irrespective of organizational structure. Preliminary data confirms the extent of decentralization and, therefore, the criticality of cross-campus collaboration in order to improve effectiveness of end-to-end processes. Requests for Year 2 data and the second round of the service effectiveness survey are pending.

9.2.9 UNIVERSITY ADVANCEMENT

University Advancement (UA) plays an important role in supporting SMA priorities by delivering creative and leading advancement programs. University Advancement's 2015-2020 business plan was built on the priorities outlined within McMaster's SMA based on *FWI*. 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 University Advancement team, each area within the portfolio delivers on these commitments so McMaster is well-positioned to maximize its strengths and priorities.

The focus continues to be 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 be a priority at both the provincial and federal levels in order to

influence policy and secure investment. UA has also begun to prepare for a multi-year research revenue-generating initiative by assessing readiness and evaluating current structures.

9.2.10 UNIVERSITY BRAND

The marketing initiative has taken great strides over the past year as McMaster has embraced a new purpose statement – advancing human and societal health and well-being – and has begun the rollout of its new Brighter World brand. Differentiating McMaster in an increasingly competitive national and international environment underpins the marketing strategy. New websites, advertising campaign, focus on strengthening McMaster’s international ranking results, and branded banners to create awareness and pride within our own community are just a few of the maneuvers that are being implemented to support the development of McMaster’s reputation as a world-class research and teaching university.

The marketing strategy is focused on establishing a relevant and inspiring brand within a national and international context. Evidence-based decision making relies on the tools and analysis capabilities that are now being developed. This requires ongoing investment from the marketing budget. While the current focus is on priority projects in the plan, it is clear that areas across the University will benefit from increased assistance in developing modern and comprehensive marketing approaches so they can compete for students, faculty and government and other funding.

10 BUDGET BY FUND

10.1 OPERATING FUND

Table 5: Operating Fund Summary

(\$ thousands)							
	2017/18 Budget	2017/18 Projection	2017/18 Variance		2018/19 Budget	2019/20 Plan	2020/21 Plan
Revenues							
Provincial grants	236,186	234,718	(1,468)	-0.6%	235,368	235,696	235,843
Tuition	287,847	294,092	6,245	2.2%	334,153	372,088	392,965
Research overhead income	25,396	26,989	1,593	6.3%	25,904	25,514	25,402
Investment income	13,168	13,168	(0)	0.0%	12,901	12,634	9,467
Other income	86,444	96,821	10,376	12.0%	93,990	94,875	97,771
Total revenues	649,041	665,788	16,746	2.6%	702,316	740,807	761,448
Expenses							
Salaries, wages and benefits	448,263	448,350	(86)	0.0%	476,032	496,591	516,393
Utilities and maintenance	39,680	38,610	1,070	2.7%	38,749	39,961	42,017
Equipment and renovations	39,694	42,398	(2,704)	-6.8%	50,392	56,726	58,238
Scholarships, bursaries and work study	29,770	35,891	(6,121)	-20.6%	37,252	37,719	37,815
Library acquisitions	12,760	12,581	179	1.4%	12,829	13,280	13,781
Debt and financing charges	18,039	18,079	(40)	-0.2%	18,423	18,423	21,607
All other expenses	59,403	57,685	1,718	2.9%	64,894	77,843	73,651
Total expenses	647,609	653,594	(5,985)	-0.9%	698,571	740,543	763,503
Excess of revenues over expenses	1,432	12,194	10,762	751.3%	3,745	265	(2,055)
Fund balance, beginning of year	77,241	98,485	21,244	27.5%	110,679	114,423	114,688
Fund balance, end of year	78,673	110,679	32,005	40.7%	114,423	114,688	112,633

The Operating Fund annual surplus is projected to continue until 2020/21, when enrolment growth is expected to level off. Details of the variances between the 2017/18 budget and projection are available in Appendix 1.

10.1.1 REVENUE

Figure 8: Operating Fund Revenue Trend

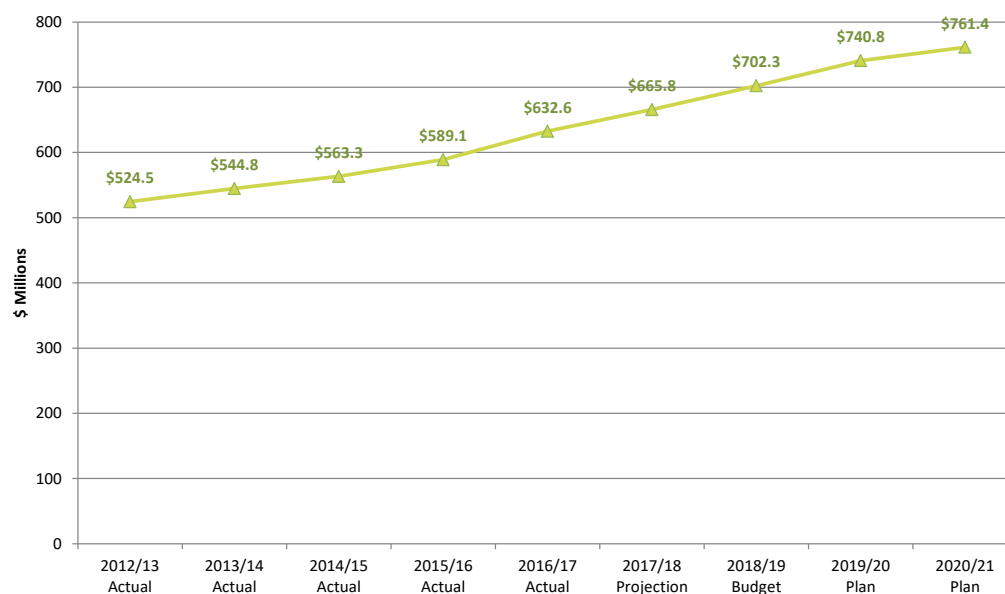


Figure 9: Operating Fund 2018/19 Budget Revenue by Type

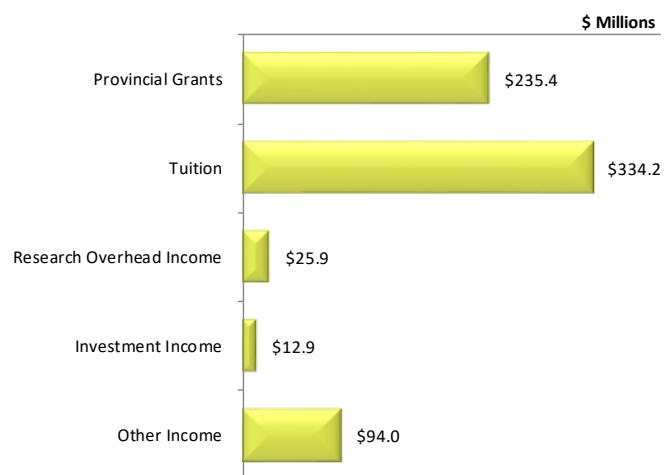
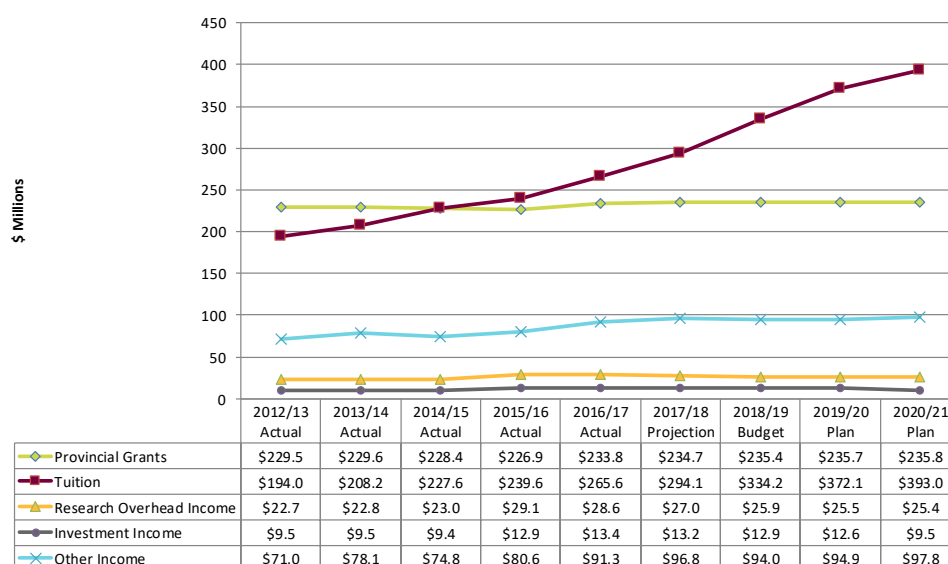


Figure 10: Operating Fund 2018/19 Budget Revenue Trend by Type



10.1.1.1 PROVINCIAL GRANTS

With enrolment of domestic students projected to stay within the provincial corridor, both the Core Operating Grant and Performance/Student Success Grant are expected to remain flat over the planning horizon. Graduate enrolment growth will result in an increase in the Graduate Expansion Grant, partially offset by the International Student Reduction as international enrolment increases. Although the next phase of the Strategic Mandate Agreement in 2020/21 is expected to move toward awarding differentiation funding based on outcomes, it is not expected that there will be an impact to the grant.

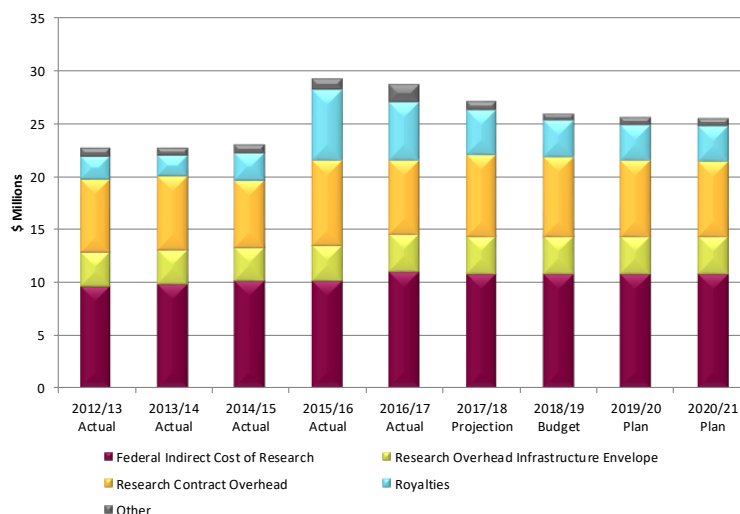
One-time funding of \$1.25 million has been included in 2017/18 for the Undergraduate Enrolment Transition Grant, which is intended to support transition of current students admitted during the recent growth period into upper years of study, as well as impacts resulting from changes to OSAP, such as increased applications and student retention.

10.1.1.2 TUITION

Based on the enrolment targets outlined previously and the current tuition framework, 2018/19 tuition income is projected to increase by \$40.1 million (13.6%) from the 2017/18 projection. This increase is a combination of estimated enrolment growth and allowable domestic and international rate increases which vary between 0% and 8% with an overall cap of 3% for domestic students. The tuition framework is in effect until 2018/19, and has been assumed to be extended for one more year to 2019/20. The impact of offering domestic tuition rates to international PhD students has not been included, but is not expected to cause a material variance.

10.1.1.3 RESEARCH OVERHEAD INCOME

Figure 11: Operating Fund Research Overhead Income Trend



Research overhead income has been conservatively budgeted. All research overhead income is intended to fund a portion of central and departmental administrative and infrastructure costs related to conducting research.

The Federal Indirect Cost of Research and provincial Research Overhead Infrastructure Envelope grants are calculated based on the amount of Tri-Council research funding the University receives. Although McMaster's research funding may increase as a result of the incremental investment in Tri-Council research in the federal *Budget 2018*, the overhead income has been projected to remain constant at historical levels. These grants are distributed to activity units through the budget model.

Overhead is levied on research grants and contracts from the private sector and other agencies where allowed. It is normally calculated as a percentage of direct research costs, with the objective of recovering the full amount of indirect costs. Revenue fluctuates with the funding received, and has been budgeted at the average historical amount. The income is credited directly to activity units, where it may be further distributed to departments or reinvested in research.

Royalty income is payment for commercial use of intellectual property owned by McMaster as a result of research discoveries. Similar to research contract overhead, it will fluctuate depending on usage and has been budgeted at the average amount normally received. This income is also credited directly to activity units, with a share going to inventors.

Other research overhead income may be earned on funding from Centres of Excellence, Canada Research Chairs, and Early Researcher Awards.

10.1.1.4 INVESTMENT INCOME

The Operating Fund receives a share of revenue derived from sources such as interest earned on working capital balances and investment income. Included in income is an allocation from the H. Lyman Hooker Endowment Fund, intended to "provide a steady annual flow of funds to support programs that will enrich the academic achievements of the University and to provide a suitable memorial to Dr. Hooker".

The transfer of income from the investment reserve to the Operating Fund is held at a fixed amount of \$9 million regardless of actual investment returns in order to provide a stable level of funds to support operating expenditures. For the period 2015/16 through 2019/20, an additional \$3 million will be transferred from the investment reserve, subject to annual review and availability, less interest costs related to construction of the Peter George Centre for Living and Learning.

10.1.1.5 OTHER INCOME

Other income is primarily earned directly by budget envelopes, including:

- Ministry of Health and Long-Term Care grants
- Post-graduate medical training
- Tuition from non-Ministry funded programs
- Nuclear Reactor sales
- Contributions to the Athletics and Recreation facility expansion
- Registration and service fees
- Recovery of utility costs from partners

10.1.2 EXPENSE

Figure 12: Operating Fund Expense Trend

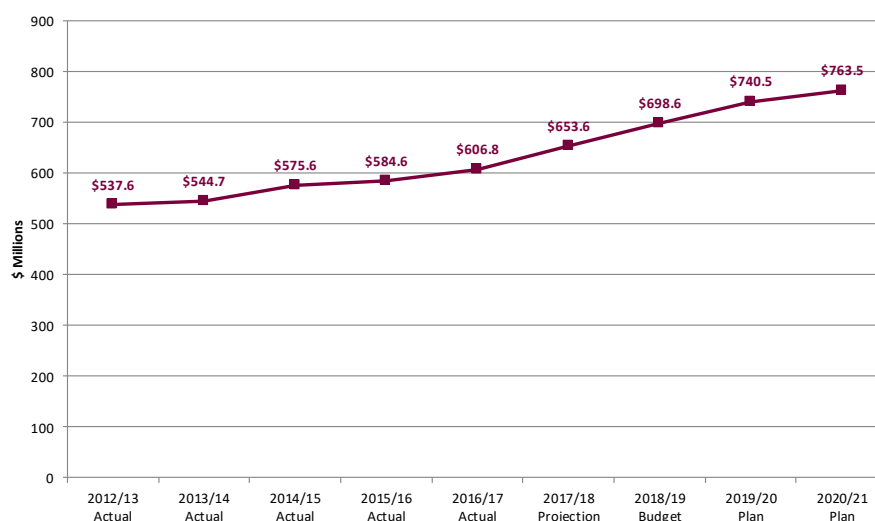


Figure 13: Operating Fund 2018/19 Budget Expense by Type

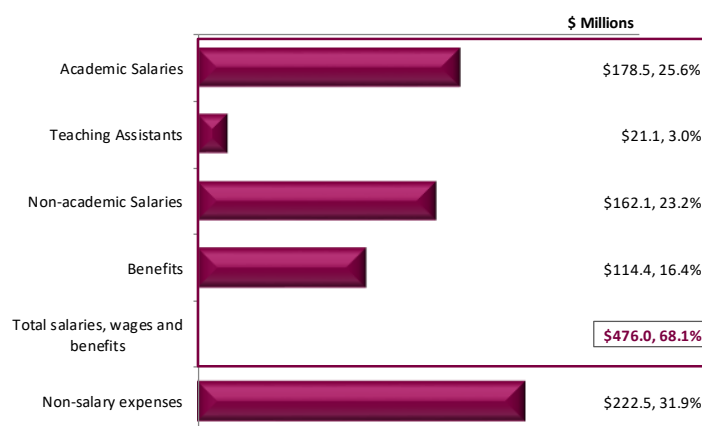
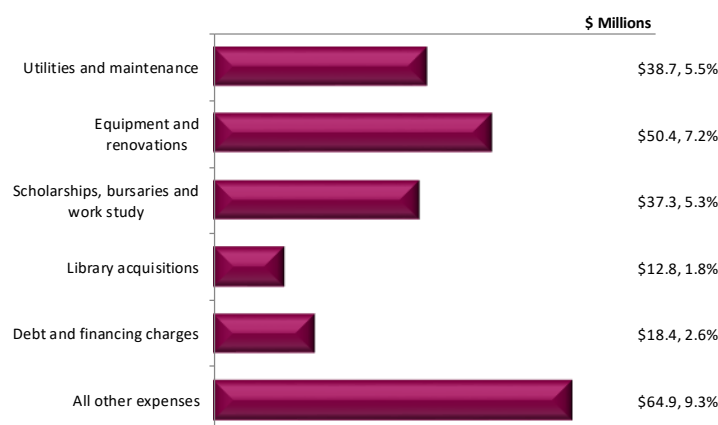


Figure 14: Operating Fund 2018/19 Budget Non-salary Expenses by Type



10.1.2.1 SALARIES, WAGES AND BENEFITS

At close to 70% of all expenditures, salaries, wages and benefits are the largest component of the operating budget. As a research-intensive, student-centered university, the quality of the faculty driving the education and research mission is a key success factor. Highly skilled administrative and support staff are required to facilitate academic work and sustain an exceptional student experience.

In order to maintain the quality of education, accommodate new programs and additional enrolment, and prepare for upcoming retirements, there will be an increasing emphasis on faculty renewal. Teaching by tenured, tenure-track or teaching-track faculty will be maintained while addressing the growth in student-to-faculty ratios. In addition, an increase in staff positions has been planned to support the larger and more diverse student population.

Through labour negotiations, McMaster has pursued strategies targeted at optimizing the rate of compensation increases to control costs while being mindful of the need to be competitive in the market to ensure effective retention and recruitment. On November 27, 2017, Bill 148, *Fair Workplaces, Better Jobs Act, 2017*, received Royal Assent, making significant amendments to employment legislation which will continue to come into force throughout 2018/19. The most substantial impact will be to temporary, casual, and student roles. The budget reflects increases to

minimum wage, as well as the requirement for equal pay for all employees doing substantially the same work regardless of difference in employment status, such as full-time, part-time or casual.

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 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 remain at 175% of employee contributions for all funds including ancillary
- 2019/20 and 2020/21 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 acceptance of the solvency application for the salaried (Plan 2000), the anticipated legislative changes, and interest rates, these rates may be adjusted.

Taking these factors into account, the increase in compensation costs has been held to a modest 5% over the planning horizon.

10.1.2.2 UTILITIES AND MAINTENANCE

Utilities and maintenance represent 5.5% of the operating budget, including annual contributions of \$10 million to deferred maintenance. Total costs are expected to increase in 2019/20 as the Peter George Centre for Living and Learning is completed.

Costs for utilities can be volatile, subject to market rates, weather fluctuation, unplanned maintenance failures, and uncontrollable campus behavior. The requirement for McMaster to act as backup for the hospital can potentially lead to increased costs due to utility requirements at high-cost time periods. In addition, critical components of the physical campus infrastructure, such as the central electrical station, are beyond end of life. Replacement costs are part of the deferred maintenance plan.

The largest component of utility costs is electricity. Rates have been conservatively budgeted at \$0.13 per kilowatt hour for all three years, but have the potential to be as low as \$0.09 per kilowatt hour depending on achievement of strategic utility plans. A large favourable variance experienced in 2016/17 was due to lower electricity pricing, lower consumption, and increased recoveries, however there is no guarantee that this occurrence will be repeated.

McMaster tracks the Ontario Association of Physical Plant Administrators (OAPPA) numbers for benchmarking purposes. The most recent OAPPA benchmark was \$3.52 per square foot, which was 4% higher than McMaster's cost of \$3.28 per square foot. Due to the energy-intensive nature of health research, the costs for the McMaster University Medical Centre and the Michael DeGroote Centre for Learning and Discovery have a significantly higher cost index. Excluding these two facilities, the energy cost index for the McMaster campus was \$2.62 per square foot.

10.1.2.3 EQUIPMENT AND RENOVATIONS

Providing outstanding physical and virtual resources is essential to achieving the all elements of the strategic plan. Space is increasingly becoming a challenge as enrolment increases and capacity for additional research projects is required. In addition, equipment and software renewal is necessary to provide leading-edge education and research, facilitate student registration, control administrative costs, and minimize risk of infrastructure failure or security issues.

The budget includes transfers to capital at approximately \$15 million per year for new and upgraded physical facilities, including new community spaces. Other major items include:

- Upgrades to classroom audio-visual equipment
- Systems to improve the student experience, including Visual Schedule Builder, document management, and customer relationship management
- eProcurement, a virtual shopping cart functionality to access existing McMaster contract pricing that integrates with existing systems and will potentially save operating and research costs of \$3.7 million per year when fully implemented
- Improved security through maintenance and enhancement of campus emergency assistance phones
- Provision for one-time equipment and facilities upgrades related to increased enrolment

10.1.2.4 SCHOLARSHIPS, BURSARIES AND WORK STUDY

Scholarships support the University's recruitment and admission goals, recognize student achievement, and aid in retention. Favourable positioning of McMaster's admission and scholarship offers is imperative in recruiting the best students. Depending on need, additional support may be provided to students in high-cost programs through the provincially mandated Student Access Guarantee (SAG).

Beginning with the 2018/19 admissions cycle, the Net Estimate Initiative will ensure that applicants to level 1 first entry programs who apply for OSAP are provided with an estimate of all aid and awards prior to the admission response deadline, including estimated out-of-pocket tuition costs. Although McMaster's entrance awards on their own are not competitive when compared to other Ontario universities, this initiative will allow the total aid and award package from multiple sources of funding to be managed and remain attractive students.

Increased enrolment increases the demand for need-based aid. The number of student requests for work program opportunities and bursary assistance continues to rise across the University. To ensure that sufficient funding is available to meet SAG obligations, the funding provided through the budget model varies with actual amounts required. The budget incorporates estimated expenses given the enrolment assumptions but may change depending on actual results.

10.1.2.5 LIBRARY ACQUISITIONS

As the number of publishers of academic journals decreases, their ability to raise prices increases. The cost of purchasing the collection of core titles climbs by approximately \$0.5 million annually.

In order to achieve the University's mission, access to the journals with the highest profile and impact must be maintained. Most serial subscriptions are purchased through the Canadian Research Knowledge Network (CRKN) consortium as part of a binding, multi-year contract for large publisher journal packages. While reducing flexibility, purchasing through a consortium helps to mitigate the impact of journal inflation. Controlling costs by purchasing subscriptions individually is not an option.

Several actions have been taken to try to contain costs. An analysis of cost per use data will be done to suggest packages for possible cancellation. A comparison of holdings against those of partners will determine if there is any overlap. Results from CRKN initiatives will be monitored to ensure alternatives are explored.

The budget reflects the combined impacts of inflation and expected exchange rates. In order to reduce pressure on the library envelopes, the US exchange rate has been internally fixed at the long-term rate, with any gain or loss covered centrally.

10.1.2.6 DEBT AND FINANCING CHARGES

In 2002 McMaster issued \$120 million in debentures. Expense of \$7.4 million represents the interest-only payment on the bond with a coupon rate of 6.15%. 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 short-term investments with an estimated yield of 1.6%, which will be available on a declining basis until the funding is fully utilized for capital projects. Payments on internal loans for additional capital projects are included in the budgeted expense (see Section 12 Overall Borrowing and Debt Position). The principal will be repaid using a sinking fund approach similar to above.

10.1.2.7 ALL OTHER EXPENSES

This line represents 9.3% of operating costs and includes a broad range of supplies and other expenses not categorized elsewhere. The expense is net of recoveries including transfers from trust funds, contributions of ancillaries to occupancy costs, and internal services. It includes a provision for expected strategic initiatives facilitated by the University Fund.

10.1.3 APPROPRIATIONS

With the budgeted surplus of \$3.7 million, Operating Fund appropriations are expected to grow to \$114.4 million, or 16.3% of operating revenue, by the end of 2018/19. According to the budget policy, envelope managers may carry forward unspent balances to future years (see Appendix 3 Operating Fund Unit Level Tables). These balances assume an increasing importance as costs increase faster than allocations. Although each envelope is required to present a balanced budget, an appropriation balance may be utilized to fund strategic initiatives including academic, research and capital; as well as initiatives that are one-time projects or cause temporary structural deficits until greater efficiencies are achieved. The appropriation balance is expected to remain in excess of 15% of operating revenues for the duration of the planning horizon.

10.1.4 ONE-TIME EXPENDITURES

Table 6: Operating Fund Ongoing and One-time Summary

(\$ thousands)							
	2017/18 Budget	2017/18 Projection	2017/18 Variance		2018/19 Budget	2019/20 Plan	2020/21 Plan
Ongoing:							
Allocated income	554,395	557,625	3,230	0.6%	599,516	637,914	658,975
Other income	90,583	101,808	11,224	12.4%	99,120	99,480	102,227
Total revenues	644,978	659,433	14,454	2.2%	698,636	737,394	761,202
Expenses	628,462	629,076	(614)	-0.1%	665,764	709,411	733,336
Excess of revenues over expenses	16,517	30,357	13,840	83.8%	32,872	27,983	27,867
% of revenue	2.6%	4.6%			4.7%	3.8%	3.7%
One-time:							
Allocated income	3,701	4,951	1,250	33.8%	3,434	3,167	-
Other income	362	1,404	1,042	287.8%	246	246	246
Total revenues	4,063	6,355	2,292	56.4%	3,680	3,413	246
Expenses	19,147	24,518	(5,371)	-28.0%	32,807	31,131	30,167
Excess of revenues over expenses	(15,084)	(18,163)	(3,079)	20.4%	(29,127)	(27,718)	(29,921)
Excess of revenues over expenses	1,432	12,194	10,762	751.3%	3,745	265	(2,055)
Fund balance, beginning of year	77,241	98,485	21,244	27.5%	110,679	114,423	114,688
Fund balance, end of year	78,673	110,679	32,005	40.7%	114,423	114,688	112,633

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:

- \$12.0 million renovation and expansion of facilities
- \$3.0 million software
- \$2.9 million investment in research
- \$2.7 million net bond interest during construction of the Peter George Centre for Living and Learning
- \$2.2 million technology projects
- \$2.0 million provision for one-time costs
- \$1.4 million marketing and branding initiative
- \$1.3 million pay equity disbursement
- \$1.1 million support unit project funding
- \$1.1 million consulting for procedural reviews

10.1.5 OPERATING FUND BUDGET CONCLUSIONS

The 2018/19 Operating Fund is structurally balanced, with a surplus of \$3.7 million after net one-time expenditures of \$29.1 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 *FWI/SMA* 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 City of Hamilton and beyond.

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 pension payment schedules. Although a university sector pension plan is being explored in parallel to a review of the new pension legislation, overall the cost of a sector plan exceeds McMaster's current outlook for its pension plans.

Finally, the budget pressures that exist place significant reliance on enrolment strategies and over the long-term place the operating budget in a precarious position as growth strategies become constrained by capacity and operating efficiency actions must realized along with new revenue strategies. Funding must remain available in order to realize *FWI* and meet agreed *SMA2* milestones and metrics, while also progressing the *Research for a Brighter World* strategy plan.

10.2 RESEARCH FUND

Table 7: Research Fund Summary

(\$ thousands)						
	2017/18 Budget	2017/18 Projection	2017/18 Variance	2018/19 Budget	2019/20 Plan	2020/21 Plan
Revenues						
Operating grants	-	-	-	-	-	-
Research grants and contracts	190,000	193,000	3,000	209,000	211,000	213,000
Tuition fees	-	-	-	-	-	-
Ancillary sales and services	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
Investment income (loss)	-	-	-	-	-	-
Investment income transfer	-	-	-	-	-	-
Total revenues	190,000	193,000	3,000	209,000	211,000	213,000
Expenses						
Salaries, wages and benefits	109,000	107,000	2,000	117,000	120,000	123,000
All other expenses*	73,000	76,000	(3,000)	83,000	85,000	87,000
Transfers to (from) other funds	(10,163)	(13,607)	3,444	(13,638)	(12,258)	(11,327)
Debt and financing charges	-	-	-	-	-	-
Total expenses	171,837	169,393	2,444	186,362	192,742	198,673
Excess of revenues over expenses	18,163	23,607	5,444	22,638	18,258	14,327
Fund balance, beginning of year	229,503	198,518	(30,985)	222,125	244,763	263,022
Fund balance, end of year	247,666	222,125	(25,541)	244,763	263,022	277,348

*Including transfers to capital

The 2017/18 Research Fund revenue projection is \$193 million, which is based on research revenue receipted, including revenue received for future periods, net of hospital research. The projection is \$3 million higher than the original budget as additional non-health science related research grants were received, which offset a reduction of health science-related research grants. The reduction of health science research grants related to timing of competitions for funding from the Canada Foundation for Innovation and an overall reduction of grants issued by the Canadian Institutes of Health Research.

The budget for 2018/19 of \$209 million reflects a return to pre-2017/18 levels of health research-related funding and modest growth in the balance of the research fund. The plan years of 2019/20 and 2020/21 include modest growth in research receipts.

10.3 CAPITAL FUND

Table 8: Capital Fund Summary

(\$ thousands)						
	2017/18 Budget	2017/18 Projection	2017/18 Variance	2018/19 Budget	2019/20 Plan	2020/21 Plan
Revenues						
Operating grants	2,732	2,732	-	3,750	3,520	3,520
Other revenues	60,921	83,726	22,805	35,100	115,508	219,498
Total revenues	63,653	86,458	22,805	38,850	119,028	223,018
Expenses						
All other expenses, including capital	185,311	153,970	31,341	155,016	223,186	239,380
Transfers to (from) other funds	(27,730)	(39,367)	11,636	(31,770)	(36,496)	(36,606)
Debt and financing charges	(10,047)	(10,849)	802	(12,298)	(12,191)	(10,916)
Total expenses	147,534	103,754	43,779	110,948	174,499	191,858
Excess of revenues over expenses	(83,881)	(17,296)	66,584	(72,098)	(55,471)	31,160
Fund balance, beginning of year	109,508	130,085	20,577	112,789	40,691	(14,780)
Fund balance, end of year	25,627	112,789	87,161	40,691	(14,780)	16,380

Spending in the Capital Fund includes major building and renovation projects, transfers from the Operating Fund, and repayments of internal capital loans. The information in the consolidated budget table above reflects capital projects included in the University's Capital Master Plan (see also Section 7.3 Capital Master Plan), as well as the prior year's budget updated with current spending.¹¹

Table 9 below summarizes the total expected capital funding and spending by project for fiscal 2017/18 to 2020/21. The updated capital projection (\$154.0 million) is lower than the original budget (\$185.3 million) due to slower than expected spending on some key projects. For 2018/19, spending on capital projects will increase modestly to \$155.0 million, reflecting investment in three residence projects, significant construction in connection with the Athletics and Recreation expansion, and several ongoing projects (such as the Energy Management Plan, Strategic Investment Fund and deferred maintenance).

¹¹ 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 equipment, renovations, faculty start-up costs, and deferred maintenance.

Table 9: Capital Spending by Project

(\$ thousands)

	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Approved projects				
ABB Deep Retrofit - SIF Program	46,220	6,729	-	-
Adjacent Graduate Residence Parking Structure	-	-	9,900	-
Athletic and Recreation - Pulse and Student Space Expansion	1,463	20,000	20,000	15,000
Biomedical Engineering and Advanced Manufacturing (BEAM)	12,401	900	-	-
Campus Accessibility Action Plan	334	605	605	605
CFI 2014 / 2015	1,281	-	-	-
CFI 2017	-	6,012	-	-
Classroom Reconfiguration Plan	2,480	2,000	2,000	2,000
David Braley Health Sciences Centre	2,500	757	-	-
Deferred Maintenance Projects & Infrastructure Renewal	14,200	15,250	15,020	15,020
Energy Management Projects and Sustainability	14,089	1,195	-	-
Home of the Bertrand Russell Archive	1,696	100	-	-
L.R. Wilson Hall and Parking Garage	2,500	2,884	-	-
McMaster Main Street Residence	6,916	2,500	-	(2,729)
Peter George Centre for Living and Learning	40,000	35,550	31,550	8,104
Research Capital Commercialization & Spin-Off Space	300	17,000	7,700	-
SANS for Nanostructured Materials	4,395	2,947	-	-
Temporary Lecture Hall	180	1,620	-	-
The Gerald Hatch Centre for Engineering Experiential Learning (Excel)	1,093	-	-	-
Other	1,158	3,151	400	400
Total approved projects	153,204	119,200	87,175	38,400
Estimate of planned projects - not yet approved	766	35,816	136,011	200,980
Total capital spending	153,970	155,016	223,186	239,380

The table above includes capital projects that are approved, as well as an estimate of projects currently in the planning phase. The unapproved projects are currently being reviewed by senior management. If these planned projects are pursued, a business case will be created and approval will be subject to the appropriate governance process.

While not all external funding for projects has been received at the time of construction, all funding sources for a project are identified prior to the project's approval. Interim and long-term financing is provided by a University central bank. Additional external borrowing needs are examined annually, as outlined in Section 12 Overall Borrowing and Debt Position.

10.4 EXTERNAL ENDOWMENT

Table 10: External Endowment Summary

(\$ thousands)				
	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Revenues				
Other revenues	11,885	3,025	2,431	2,431
Investment income (loss)	23,344	28,363	28,880	29,350
Total revenues	35,229	31,388	31,311	31,781
Expenses				
All other expenses	1,834	4,403	5,632	6,776
Transfers to (from) other funds	19,542	18,230	17,713	17,172
Total expenses	21,376	22,633	23,345	23,948
Excess of revenues over expenses	13,853	8,755	7,966	7,833
Fund balance, beginning of year	466,878	480,731	489,486	497,452
Fund balance, end of year	480,731	489,486	497,452	505,285

The external endowment consists of 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. Endowed donations are held in perpetuity and invested in the University's long-term investment pool.

The 2017/18 the rate of return on endowed trust funds is projected to be 5.0% net of investment management fees. For planning years 2018/19 through 2020/21, a rate of 5.9% has been assumed. In 2017/18, endowed trust fund donations are projected at \$11.9 million compared to \$3.0 million in the 2018/19 budget. This decline in endowed giving is expected to be offset by an increase in non-endowed giving.

In order to protect the capital value of external endowments and ensure that spending allocations can increase over time for inflation, an endowment capital protection policy limits the amount of investment income allocated for spending and administration. The current limit is 5%¹² (4% for spending and 1% administration). The policy requires the reinvestment of excess income earned (interest, dividends, realized and unrealized gains, net of expenses) to protect the capital value of the endowment from inflation.

At April 30, 2017, the University's external endowment was \$466.9 million, including a protection of capital amount of \$90.4 million. The following chart illustrates the anticipated growth in the protection of capital balance and the total endowment over the next four years based on the above assumptions for endowed donations, rate of return, and spending.

¹² Calculated based on the monthly average market value of the capital balance of the trust fund for the last five years.

Figure 15: External Endowment Fund Balance Trend



10.5 INTERNAL ENDOWMENT

Table 11: Internal Endowment Summary

(\$ thousands)				
	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Revenues				
Other revenues	100	100	100	100
Investment income (loss)	7,171	8,593	8,808	9,034
Investment income transfer	(4,521)	(4,521)	(4,521)	(4,521)
Total revenues	2,750	4,172	4,387	4,613
Expenses				
Transfers to (from) other funds	526	534	547	561
Total expenses	526	534	547	561
Excess of revenues over expenses	2,224	3,638	3,840	4,052
Fund balance, beginning of year	143,422	145,646	149,284	153,124
Fund balance, end of year	145,646	149,284	153,124	157,176

The internal endowment includes unrestricted donations, bequests and other contributions which have been restricted by the Board of Governors when received. The funds are invested in the University's long-term investment pool. The largest endowment is the Dr. H. L. Hooker Endowment (approximately \$70 million), which is restricted for use to advance the University's mission. An annual allocation of \$4.5 million from the internal endowment is made to the Operating Fund and distributed to Faculties through the budget model.

10.6 ANCILLARY FUND

Table 12: Ancillary Fund Summary

(\$ thousands)						
	2017/18 Budget	2017/18 Projection	2017/18 Variance	2018/19 Budget	2019/20 Plan	2020/21 Plan
Revenues						
Ancillary sales and services	80,099	81,075	975	82,678	89,681	95,214
Total revenues	80,099	81,075	975	82,678	89,681	95,214
Expenses						
Salaries, wages and benefits	27,185	27,180	5	29,603	31,076	32,382
All other expenses	31,293	32,371	(1,078)	32,656	33,695	34,662
Transfers to (from) other funds*	15,757	25,427	(9,671)	16,977	17,776	17,587
Debt and financing charges	5,058	4,180	878	4,613	7,382	7,828
Total expenses	79,293	89,158	(9,866)	83,849	89,930	92,458
Excess of revenues over expenses	807	(8,084)	(8,890)	(1,171)	(249)	2,756
Fund balance, beginning of year	12,320	16,281	3,962	8,679	7,509	7,260
Fund balance, end of year	13,126	8,198	(4,929)	7,509	7,260	10,015

*Including transfers to capital

Ancillary operations provide essential academic and student support services across the University. Ancillary units enhance the student experience and contribute funding to both direct student support and the operating budget to support the core University mission. Ancillaries must be self-sustaining, maintaining a surplus or break-even position after paying all direct costs including space, as well as contributing approximately 4.5% of sales to the Operating Fund. Projections by individual ancillary unit are available in Appendix 4.

10.6.1 CAMPUS STORE

Learning in the classroom continues to evolve as new tools for teaching and assessment are introduced to the educational marketplace. The materials selected to facilitate this learning come in a variety of formats and each format supports a different learning style. The Campus Store works closely with faculty, providing students with a variety of course material options that support their educational 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 that is published by faculty members or sourced from major publishers and open educational resource content providers.

With the rise in online learning and the introduction of dynamic content and ebooks, the unit sales of print materials continue to decline. The sale of course materials still generates enough revenue to offset expenses but the general book department within the Campus Store currently operates at a loss. The store continues to sell general reference materials, alumni and faculty publications as well as general reading materials by offsetting this loss through the sale of crested merchandise.

The Campus Store will be focused on outreach and community engagement, working with community partners to move current objectives forward while exploring new business opportunities.

10.6.2 CENTER FOR CONTINUING EDUCATION (CCE)

CCE's strategic initiatives derive from its Strategic Plan (2016/17 to 2020/21), which is grounded in McMaster values and aligned with the present SMA. Above all, CCE aims to maintain its position as a leader in professional and online learning for adult learners. To do this, CCE will continue to develop

market-driven and innovative programs and teaching and learning supports in collaboration with experts and McMaster colleagues. It will further explore new markets, and cultivate productive relationships within McMaster, in the Hamilton community, and with professional associations.

The most significant challenge for CCE is an increasingly crowded online marketplace. This situation generates pressure to differentiate online learning at McMaster. Increasingly, online learners expect support and the best value for money. As an ancillary working with online and distance students, CCE will invest in student-focused supports and ensure that students are offered an “edge”, in part through adopting the Riipen experiential learning platform. While CCE did adjust instructor compensation this past year, it may be necessary to make further amendments to recruit appropriately qualified individuals. Several of CCE’s programs are affected when there are changes in professional standards, accreditation requirements, and economic trends. Enrolments in face-to-face courses continue to drop, however online enrolments compensate for this trend.

In order to ensure that CCE remains strong, a comprehensive strategic plan for marketing will be developed, a new customer relationship management system will be implemented, new programs will be developed and low enrolment programs closed, a rigorous approach will be continued to the development of new programs and closure of those not hitting targets, and market trends and research into skills gaps in Canada will be carefully monitored.

10.6.3 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. Technology and internationalization will help to provide a better food service experience for stakeholders. This direction involves deeper department integration with the community, including volunteer and charitable partnerships. Hospitality is also committed to the further enrichment of program elements in the areas of community, diversity and sustainability as a means of promoting 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 meal plan pricing to maintain a balanced budget with the current level of quality, including impacts of Bill 148 legislation on labour and supplier costs. 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 internationalization 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, improved contracts of employment and operational scheduling.

10.6.4 HOUSING AND CONFERENCE SERVICES (H&CS)

Housing and Conference Service (H&CS) directly supports the University’s goal of advancing human and societal wellbeing and the overriding vision of educating for capability. Specifically, H&CS provides a distinctive living and learning experience for 3,600 students focused on key educational priorities

including community development, personal growth and wellness, academic excellence, and inclusion. The residence experience we offer students is critical factor to assisting with our SMA metric of retaining students between first and second year.

H&CS drives a positive McMaster experience for guests, alumni, staff, faculty and students by providing accommodation and event coordination which meet the highest standards of service excellence. H&CS is proud to be a leading ancillary contributor to the financial health of the University and the core academic and research mission of McMaster.

The key financial pressures facing H&CS are capital renewal and capacity expansion, debt servicing, and minimizing non-revenue generating activities in Conference and Event Services. H&CS is advancing a “one-stop shop” ancillary service delivery model, improving access to campus space to increase the summer utilization of campus assets, and diversifying revenue streams by introducing year-round executive-style accommodations to serve the local and campus community.

10.6.5 MEDIA PRODUCTION SERVICES (MPS)

MPS’s strategic initiatives are focused on revenue generation with a view to retiring historical debt while providing better services and products than the external market. McMaster’s MPS is an award-winning team seen as a leader across North American peers for its operational efficiency and its innovations in digital, print and mixed media. Print and digital formats are proving to be complementary and mutually supportive. MPS sees its future as a central hub where the print and digital services interact. The department has historically played a major role in protecting the brand and is helping to develop new guidelines and continue support of the brand. MPS is pursuing its web strategy, developing scalable, fully hosted, brand-consistent but flexible design websites that are compliant with accessibility legislation and incorporate responsive, user-friendly content management systems.

Lower demand for printing and increased competition continues to be challenging. Despite these challenges, MPS is expected to deliver a surplus for the fifth consecutive year. MPS will increase the custom courseware impression rate from \$0.06 to \$0.07, effective May 1, 2018. Annual reviews will be initiated to monitor custom courseware sales. In addition, MPS will review the photocopier fleet’s cost per copy rates and introduce a scanning charge with the new contract. Systems and procedures are being streamlined and with a focus on continuous improvement. New revenue streams as identified in our strategic plan are actively being sought and evaluated.

10.6.6 PARKING AND TRANSIT SERVICES

The overall mission of the department is to provide safe, convenient parking space, while also promoting sustainable alternate modes of transportation, such as public transit and cycling. Parking Services has faced some challenges with parking space inventory over the past year, which will continue into the next few years. Construction projects have removed some lots from service, and growth of student numbers has meant an increase in demand from faculty, staff, and students. The current shortage of spaces is expected to be somewhat addressed in the coming years by completion of the new construction projects: a parking structure is included in the plans for the Peter George Centre for Living and Learning, and for the proposed Graduate Student Residence.

To provide more parking availability in the short term, the department has started reviews of existing programs, including discontinuation of the flex pass, and adjustments to the parking memoranda of understanding with various departments. In addition, the department will partner with the Energy Management and Sustainability Office to design and promote programs aimed at increasing

sustainable modes of transportation; this will ensure sufficient parking capacity to meet demand, and provide an improved commuting experience for staff, faculty, students and community members.

Parking Services is also contributing to the wayfinding initiative, which will provide consistent and clear vehicular and pedestrian directional signage to the university community, and will create a welcoming environment for visitors to McMaster.

10.7 SPECIFICALLY EXTERNALLY FUNDED

Table 13: Specifically Externally Funded Summary

(\$ thousands)						
	2017/18 Budget	2017/18 Projection	2017/18 Variance	2018/19 Budget	2019/20 Plan	2020/21 Plan
Revenues						
Other revenues	32,866	32,798	(68)	32,694	32,137	32,053
Total revenues	32,866	32,798	(68)	32,694	32,137	32,053
Expenses						
Salaries, wages and benefits	23,876	25,570	(1,694)	23,884	23,625	23,001
All other expenses	9,255	11,123	(1,868)	10,342	9,433	9,566
Transfers to (from) other funds	(147)	(1,668)	1,521	(216)	(40)	(40)
Total expenses	32,984	35,026	(2,042)	34,009	33,019	32,528
Excess of revenues over expenses	(118)	(2,228)	(2,110)	(1,315)	(882)	(475)
Fund balance, beginning of year	6,643	8,472	1,828	6,244	4,929	4,048
Fund balance, end of year	6,525	6,244	(282)	4,929	4,048	3,573

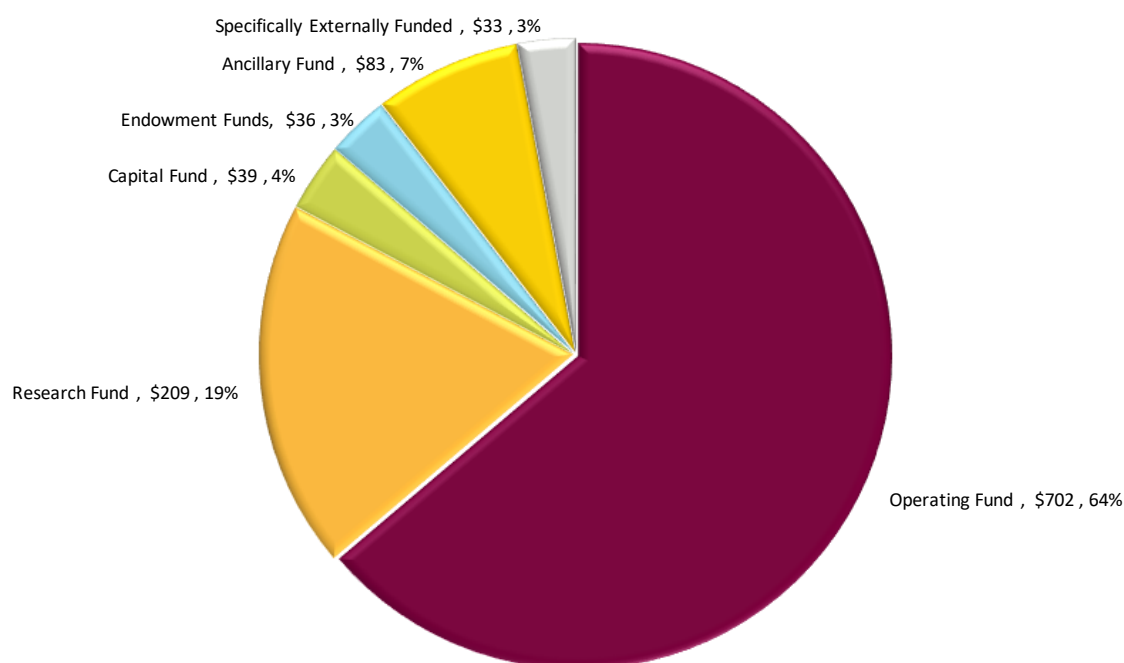
Externally restricted funds other than research, trust or capital are tracked in a separate fund. Programs managed in this fund are funded by external sponsors such as the Ministry of Health and Long-Term Care and the Ontario Online Initiative, and meet the following criteria:

- 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
- 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.

11 CONSOLIDATED RESULTS

Figure 16: Consolidated 2018/19 Budget Revenue by Fund



As outlined in Section 8.3 Budget Design, the budget process results in a revenue and expense budget for each fund. The Annual Financial Report and the audited financial statements are prepared on a full accrual basis using the deferral method of accounting for revenue (see Appendix 6 Significant Accounting Policies for more details). Under this method, all funds are consolidated in single columns for the Statement of Operations, Statement of Financial Position and the Statement of Cash Flows. In order to complete the Consolidated Budget document on the same basis as the figures in the Annual Financial Report several accounting adjustments must be made to the revenue and expense budgets for each fund.

The following summary adjustments are required to reconcile the Operating Fund's net income from the fund accounting basis to the full accrual basis for all funds (see Table 14 below):

- Capital expenditures are added back, and net depreciation expense is deducted
- Investment income earned/(lost) on internal endowments, net of funds not already transferred to the Operating Fund, are added back/(subtracted)
- Actuarial adjustments (excluding re-measurements) for pension and non-pension costs are recorded.
- Reclassifications to offset internal transactions between departments affecting revenues and expenditures are recorded

Table 14: Reconciliation of Operating Fund Budget to Accrual-Based Budget

(\$ thousands)				
	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Excess/(deficiency) of Operating Fund revenues over expenses	12,194	3,745	265	(2,055)
+ Capital expenditures net of amortization	70,097	92,016	41,723	(9,823)
+ Investment income on internal endowments	2,224	3,638	3,839	4,052
+ Pension & non-pension adjustments	12,175	3,287	13,637	13,532
± Change in other (non-internal endowment) investment returns, changes in other reserves net of Operating Fund income	(24,019)	(15,128)	14,606	70,055
Total accrual adjustment	60,477	83,813	73,806	77,816
Excess of revenues over expenses	72,671	87,558	74,071	75,761

In all fiscal years, with the exception of 2020/21, the net capital expenditures reflect capital spending in excess of amortization expense and internal loans. In fiscal 2020/21 new internal loans will be established to cover capital expenditures coming on line.

11.1 STATEMENT OF OPERATIONS

Table 15: Consolidated Statement of Operations (Accrual Basis)

(\$ thousands)				
	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Revenues				
Operating grants	270,541	270,368	270,572	270,703
Research grants and contracts	171,010	173,575	176,179	178,822
Tuition fees	303,672	346,343	382,273	407,766
Ancillary sales and services	75,573	76,895	78,241	79,610
Other revenues	160,139	161,740	163,357	164,991
Investment income (net)	56,438	61,826	63,326	65,436
Amortization of deferred capital contributions	44,227	48,063	47,226	53,753
Additional revenue from internal loan repayment	8,741	16,198	11,282	18,111
Total revenues	1,090,340	1,155,009	1,192,456	1,239,193
Expenses				
Salaries and wages	492,897	522,470	542,063	562,390
Employee benefits	133,189	141,180	146,474	151,967
Supplies and services	282,446	286,683	290,983	298,258
Interest on long-term debt	13,278	13,430	14,607	15,592
Amortization of capital assets	74,045	80,222	86,637	95,491
Expenses from new capital projects	1,815	3,466	17,621	19,734
Contingent expenses	20,000	20,000	20,000	20,000
Total expenses	1,017,669	1,067,451	1,118,386	1,163,431
Excess of revenues over expenses	72,671	87,558	74,071	75,761

11.2 STATEMENT OF FINANCIAL POSITION

Table 16: Consolidated Statement of Financial Position

(\$ thousands)				
	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Assets				
Cash	28,269	29,651	31,066	32,318
Short-term investments	141,343	148,257	155,331	161,588
Medium-term investments	238,523	173,878	133,134	150,384
Long-term investments	1,035,409	1,072,011	1,114,464	1,153,787
Capital assets	1,121,215	1,233,443	1,412,424	1,586,314
Other assets	154,024	157,105	160,247	163,452
Total assets	2,718,783	2,814,346	3,006,667	3,247,842
Liabilities and deferred contributions				
Current portion of long-term debt	608	630	654	678
Deferred contributions for future expenses	336,323	327,258	318,011	308,580
Deferred capital contributions	528,695	519,482	591,284	760,549
Long-term debt	253,826	262,496	311,842	311,164
Decommissioning obligation	13,577	14,622	15,748	16,961
Employee future benefits and pension	237,905	242,663	247,516	252,466
Other liabilities	158,553	161,724	164,958	168,258
Total liabilities and deferred contributions	1,529,485	1,528,874	1,650,013	1,818,655
Net assets				
Unrestricted	7,846	7,846	7,846	7,846
Internally restricted reserves	216,987	188,020	189,587	244,956
Internally restricted endowments	145,646	149,284	153,124	157,176
Externally restricted endowments	480,731	489,486	497,452	505,285
Net investment in plant, adjusted	338,086	450,836	508,645	513,923
Total net assets	1,189,297	1,285,472	1,356,653	1,429,186
Total liabilities and net assets	2,718,783	2,814,346	3,006,667	3,247,842

11.3 STATEMENT OF CASH FLOWS

Table 17: Consolidated Statement of Cash Flows

(\$ thousands)				
	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Excess of revenues over expenses	72,671	87,558	74,071	75,761
Add/(deduct) non-cash items				
Change in deferred pension asset	-	-	-	-
Amortization of capital assets	74,045	80,222	86,637	95,491
Amortization of deferred capital contributions	(44,227)	(48,063)	(47,226)	(53,753)
Amortization of deferred contributions for future expenses	(8,887)	(9,065)	(9,246)	(9,431)
Change in decommissioning obligation	971	1,045	1,126	1,213
Miscellaneous non-cash changes in assets and liabilities	20,476	4,849	4,946	5,045
Add/(deduct) cash from operations, finance and investing				
Change in deferred capital contributions	86,426	38,850	119,028	223,018
Contributions to externally restricted endowments	13,853	8,754	7,966	7,834
Repayment of long-term debt (existing and proforma debt)	(586)	(608)	(630)	(654)
Other	(9,473)	(138)	(10,855)	(11,062)
New debt issuance	-	9,300	50,000	-
Acquisition of capital assets	(185,304)	(192,450)	(265,618)	(269,380)
Change in cash	(84)	(1,383)	(1,415)	(1,251)
Change in short-term investments	(7,705)	(6,914)	(7,074)	(6,256)
Change in long-term investments	16,347	(36,602)	(42,453)	(39,323)
Increase/(decrease) in medium-term investments	28,522	(64,645)	(40,744)	17,251
Medium-term investments, beginning of year	210,000	238,523	173,878	133,134
Medium-term investments	238,522	173,878	133,134	150,384

11.4 METRICS

11.4.1 HIGHLIGHTS

Table 18: Budget Financial Highlights

(\$ millions)				
	2017/18 Projection	2018/19 Budget	2019/20 Plan	2020/21 Plan
Total net assets	1,189.3	1,285.5	1,356.7	1,429.2
Available expendable resources	532.6	504.1	506.7	563.7
Capital spending	185.3	192.4	265.6	269.4
Total revenues	1,090.3	1,155.0	1,192.5	1,239.2
Total expenses	1,017.7	1,067.5	1,118.4	1,163.4
Excess of revenues over expenses - consolidated	72.7	87.6	74.1	75.8
Excess/(deficiency) of revenues over expenses - Operating Fund	12.2	3.7	0.3	(2.1)

11.4.2 STRATEGIC MANDATE AGREEMENT FINANCIAL METRICS

Table 19: Strategic Mandate Agreement Financial Metrics

		2017/18	2018/19	2019/20	2020/21
Metric	Ratio	Projection	Budget	Plan	Plan
Performance	Net income/loss ratio	11.8%	6.7%	7.6%	6.2%
Performance	Net operating revenues ratio ¹	14.3%	10.6%	10.1%	9.3%
Liquidity	Primary reserve ratio (days) ²	204	190	172	164
Leverage	Interest burden ratio	1.5%	1.4%	1.4%	1.4%
Leverage	Viability ratio ³	2.0	2.0	1.8	1.5

¹Measures cash flow from operating activities as a proportion of revenues

²Measures the number of days University reserves can cover operating expenses

³Measures the proportion of long-term debt that could be settled using unrestricted assets

The ratios above are required to be reported each year by MAESD, and in the annual Strategic Mandate Agreement report. No targets have been set by MAESD, however McMaster is satisfied that the resulting ratios are consistent with the University's own credit management ratios. These ratios are shown in the section below and include acceptable ranges as defined in the University's Debt Management Policy. These ratios are consistent with those monitored by the University's credit rating agencies.

11.4.3 CREDIT MANAGEMENT RATIOS

Table 20: Credit Management Ratios

	2017/18	2018/19	2019/20	2020/21
	Projection	Budget	Plan	Plan
Available expendable resources to debt (≥ 0.6 to > 1.0)	1.9	1.8	1.5	1.7
Interest coverage (> 2.75 to > 3.25)	8.7	9.9	8.8	8.5
Available expendable resources as a percentage of revenues ($> 15\%$)	48.8%	43.6%	42.5%	45.5%
Liquidity ratio ($> 1\%$)	2.0%	2.0%	2.0%	2.0%

11.5 RISKS TO THE 2018/19 BUDGET

The key risks to the budget relate to achieving enrolment targets, particularly international participation beyond the domestic enrolment caps. Enrolment growth will eventually be limited by capacity, forcing a greater focus on the delivery of new revenues and operational efficiencies. The University will launch a multi-year research fund-raising initiative in 2018/19; costs to support this initiative are not factored into the budget. Further, continued funding for deferred maintenance both capital and technical will be an ongoing pressure against the backdrop of a changing energy cost environment that will require investments in energy savings projects beyond the planning horizon.

With both municipal and provincial elections in 2018, impacts related to leadership outcomes are unknown. McMaster anticipates a continued strong partnership with the City of Hamilton and its shared priorities of a prosperous city. A change in municipal leaders and established relationships may pose a risk to existing and ongoing priorities. Further, a change in provincial leadership may impact the current funding model and tuition framework, including introducing policy levers or budget reductions not incorporated into this budget.

12 OVERALL BORROWING AND DEBT POSITION

Strategic initiatives and capital projects (both infrastructure and technology related) require a combination of financing sources, including internal loans from the central bank, future revenue streams, and gifts. External financing or debt, used to fund the central bank, is considered a perpetual component of the University's capital structure. The University examines optimal debt positions for strategic and capital needs against established debt management guidelines and financial health metrics annually, results of which are outlined in a debt strategy report along with multi-year financial projections. McMaster uses debt retirement investment funds (or sinking funds) for the bonds outstanding that are monitored and disclosed annually in the University's financial statements.

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 Peter George Centre for Living and Learning. This bond, along with the 2003 \$120 million bond comprises almost 94% of the University's current external debt. Future 30-year borrowing (between \$50 and \$75 million, including an allowance for a sinking fund) is being considered to supplement the central bank in 2020, dependent on future strategic priorities being approved between 2018/19 and 2019/20. As such, a borrowing of \$50 million is included in plan year 2019/20 in these projections.

13 CONCLUSIONS ON THE 2018/19 BUDGET

The 2018/19 Operating Fund is structurally balanced with a \$3.7 million surplus for 2018/19 and close to break-even operations for the following two planning years. Over the budget horizon faculty and department reserves, also referred to as appropriations, are budgeted to remain stable, approximating 15% of annual budget allocations. These residual funds are used at the unit level to align initiatives to *FWI* and SMA milestones and metrics, such as investments in academic, research, community and infrastructure support. On a consolidated basis a surplus of \$87.6 million is budgeted after required generally accepted accounting principle adjustments, such as adding back capital expenditures during the year and only recognizing one year of the capital projects' useful life. The consolidated results are sensitive to market volatility associated with investment returns. A $\pm 1\%$ variance is a \pm \$5.6 million impact to the consolidated budget results. Returns are budgeted at 5.9% for 2018/19 and beyond.

Budgets across all areas consider *Forward with Integrity* as their foundation, with submissions reflecting a core focus toward research initiatives, advancing meaningful student experiences, and strengthening our connections to the community locally and beyond. The budget includes maximum funded domestic enrolment (up to a corridor funding midpoint) along with international student enrolment that combined translate into modest overall targeted growth. Included in the budget to support enrolment is faculty renewal representing 8% growth in 2018/19 and further modest growth in the planning years.

The Operating Fund includes a number of key strategic support investments, such as investments in branding and marketing, student accessibility, student financial support, implementing an automated scheduling system, increased library cost support, and support for the offices of Equity and Inclusion, and Community Engagement.

In 2018/19, McMaster will launch a multi-year fund-raising initiative to support the *Research for a Brighter World* strategic plan, ideally leveraging our research strengths in concert with announcements contained in the federal and provincial budgets. These initiatives will aim to build upon our partnerships with the City of Hamilton and other jurisdictions.

Finally, budget pressures and some uncertainty in connection with changing legislation affecting salary and wages and future pension costs, along with related inflationary pressures and continued potential market volatility suggests our balanced budget position and close to break-even planning years is a result of concerted pan-university efforts. The budget is balanced based on planned and considered achievable enrolment strategies. Over the longer term, enrolment strategies will become constrained by capacity. As such, new revenue strategies are being considered along with operational efficiency projects.

APPENDIX 1– OPERATING FUND PROJECTION VS. BUDGET

Table 21: Operating Fund 2017/18 Projection vs. Budget

(\$ thousands)				
	2017/18 Budget	2017/18 Projection	2017/18 Variance	
Revenues				
Provincial grants	236,186	234,718	(1,468)	-0.6%
Tuition	287,847	294,092	6,245	2.2%
Research overhead income	25,396	26,989	1,593	6.3%
Investment income	13,168	13,168	(0)	0.0%
Other income	86,444	96,821	10,376	12.0%
Total revenues	649,041	665,788	16,746	2.6%
Expenses				
Salaries, wages and benefits	448,263	448,350	(86)	0.0%
Utilities and maintenance	39,680	38,610	1,070	2.7%
Equipment and renovations	39,694	42,398	(2,704)	-6.8%
Scholarships, bursaries and work study	29,770	35,891	(6,121)	-20.6%
Library acquisitions	12,760	12,581	179	1.4%
Debt and financing charges	18,039	18,079	(40)	-0.2%
All other expenses	59,403	57,685	1,718	2.9%
Total expenses	647,609	653,594	(5,985)	-0.9%
Excess of revenues over expenses	1,432	12,194	10,762	751.3%
Fund balance, beginning of year	77,241	98,485	21,244	27.5%
Fund balance, end of year	78,673	110,679	32,005	40.7%

The Operating Fund is projected to end 2017/18 in a more favourable position than the original budget due to growth in revenue at a greater rate than the related additional expenses.

Provincial grants are unfavourable by \$1.5 million (-0.6%) due to implementation of the new funding model at 2016/17 enrolment levels rather than 2017/18 as expected. The projection includes one-time transitional funding the province has made available which is intended to support transition of current students admitted during the recent growth period into upper years of study, as well as impacts resulting from changes to OSAP, such as increased applications and student retention. Projected graduate expansion funding does not include conversion of international PhD students to domestic, which will mitigate the unfavourable variance.

Tuition is favourable by \$6.2 million (2.2%) primarily due to higher enrolment of international students. Reduction of tuition for conversion of international PhD students to domestic is reflected in the estimate.

Research overhead income is favourable by \$1.6 million (6.3%) due to greater royalties and research contract income.

Other income is favourable by \$10.4 million due to revenue sources not anticipated at the time of the original budget, particularly the student contribution to the Athletics and Recreation facility expansion, approved by referendum to begin in 2017/18.

Salaries, wages and benefits are tracking close to the original budget, with an immaterial unfavourable variance of \$0.1 million.

Utilities and maintenance are favourable by \$1.1 million (2.7%) due to a projected decrease in consumption of higher-cost electricity and increase in lower-cost natural gas with the co-generation plant operational for part of the year.

Equipment and renovations are unfavourable by \$2.7 million (-6.8%) as projects and purchases that were deferred from 2016/17 are completed.

Scholarships, bursaries and work study are unfavourable by \$6.1 million (-20.6%) due to higher student enrolment.

Library acquisitions are favourable by \$0.2 million (1.4%) due to conservative assumptions on journal inflation and exchange rates made in the original budget.

All other expenses are favourable by \$1.7 million (2.9%) primarily due to lower than expected contingency spending on priorities.

As a result of the \$10.8 million favourable in-year surplus plus \$21.2 million favourable appropriations carried forward from 2016/17, the closing balance in the Operating Fund is projected to be \$32.0 million (40.7%) greater than the original budget. These appropriations will be carried forward for expenditure in 2018/19 and future years.

APPENDIX 2 – BUDGET MODEL CALCULATIONS

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			40,074	76,454	32,746	14,826	51,133	2,135,459	30,509	1,768	-			249,645		
UG Tuition Adjustment for tuition fee framework			(143)	(311)	61	67	207		109	10				-		
Total UG SAG Obligation			(1,797)	(6,494)	(99)	(13)	(52)	-	(11)	(1)	8,467			-		
Graduate Tuition			15,822	11,246	11,125	2,854	5,114	-	2,095	-	-			48,256		
Operating Grant			19,266	41,955	80,893	14,979	51,506	2,234,121	21,742	1,679		(7)	-	234,248		
Other Income			717	2,364	5,005	403	1,936	-	725	116	-	7,555	-	18,822		
Gross Revenue			73,940	125,214	129,731	33,116	109,844	4,369,580	55,170	3,572	8,467	7,548	-	550,972		
Undergraduate Cross Faculty Teaching Adjustment			(6,250)	(12,565)	(181)	7,301	7,666	-	4,681	(652)	-			0		
Revenue for Contributions			67,690	112,649	129,550	40,417	117,510	4,369,580	59,851	2,920	8,467	7,548	-	550,972		
University Fund Contribution			(5,415)	(9,012)	(10,364)	(3,233)	(9,401)	-	(4,788)	(234)		42,447	-	-		
Research Infrastructure Fund Contribution			(2,031)	(3,379)	(1,296)	(404)	(1,175)	-	(599)	(88)		-	8,971	-		
Indirect Cost of Research (excluding Royalties & CRC)			204	4,956	11,111	417	4,279	-	728	-	25	-		21,720		
VP Research Discretionary (Equivalent to 10% of ICR)			(20)	(496)	(1,111)	(42)	(428)	-	(73)	-	2,170			-		
Adjustments for ICR received by Journal (Contract & ERA)			(17)	(1,583)	(4,853)	(202)	(651)	-	(13)	-				(7,318)		
Adjustments for Current Practices			-	-	(5,519)	(218)	204	(203,983)	218	-	-	(449)		(5,968)		
Research Infrastructure Fund Distribution			84	2,049	4,595	172	1,769	-	301	-	-		(8,971)	-		
Research Excellence Fund (from UF)			40	484	1,085	81	418	-	142	-		(2,250)		-		
Revenue Prior to Shared Support Unit Allocations			60,535	105,668	123,199	36,988	112,526	4,165,598	55,768	2,599	10,661	47,296	-	559,406		
Shared Support Unit Allocations - via double stepdown																
Occupancy Cost	41,781	(12,872)	(721)	(6,602)	(8,777)	(2,355)	(8,689)	-	(1,718)	(46)	-	-	-	(28,909)		
Deferred Maintenance	9,893	(3,495)	(160)	(1,461)	(1,943)	(521)	(1,923)	-	(380)	(10)	-	-	-	(6,398)		
Insurance	1,159	(470)	(18)	(161)	(199)	(57)	(212)	-	(42)	(1)	-	-	-	(689)		
MIP Occupancy 1	2,677	(244)	-	(1,623)	(587)	(35)	-	-	(188)	-	-	-	-	(2,433)		
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)		
HR	6,534	(960)	(303)	(835)	(3,038)	(329)	(705)	-	(358)	(6)	-	-	-	(5,575)		
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)		
Financial Affairs/Admin/ Inst Support	7,095	(2,431)	(510)	(831)	(1,590)	(429)	(817)	-	(470)	(16)	-	-	-	(4,663)		
Supplementary Pension	4,738	(278)	(387)	(720)	(1,725)	(391)	(788)	-	(447)	(3)	-	-	-	(4,460)		
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	(748)	(129)	(210)	(402)	(108)	(207)	-	(119)	(4)	-	-	-	(1,179)		
General University Expense	6,705	(2,836)	(423)	(689)	(1,319)	(356)	(678)	-	(390)	(13)	-	-	-	(3,869)		
Bond Interest	7,380	(2,541)	(121)	(1,105)	(1,469)	(394)	(1,454)	-	(288)	(8)	-	-	-	(4,839)		
UTS/ Technology Fund	14,744	2,447	(2,102)	(3,238)	(3,768)	(1,395)	(4,170)	-	(2,366)	(151)	-	-	-	(17,191)		
UTS- ERP	4,517	(181)	(530)	(817)	(950)	(352)	(1,052)	-	(597)	(38)	-	-	-	(4,336)		
UA	5,853	1,471	(858)	(1,597)	(1,892)	(560)	(1,562)	-	(815)	(40)	-	-	-	(7,324)		
Office of the Provost	6,497	(2,421)	(446)	(726)	(1,390)	(375)	(715)	-	(410)	(14)	-	-	-	(4,076)		
Research Support	8,984	4,780	(196)	(2,241)	(8,600)	(175)	(2,006)	-	(547)	-	-	-	-	(13,764)		
Student Affairs	4,241	5,684	(1,333)	(1,965)	(1,558)	(854)	(2,619)	-	(1,496)	(99)	-	-	-	(9,925)		
MIITL	1,580	662	(294)	(434)	(396)	(188)	(578)	-	(330)	(22)	-	-	-	(2,242)		
Libraries	18,008	8,044	(3,251)	(4,852)	(5,483)	(2,154)	(6,395)	-	(3,680)	(237)	-	-	-	(26,052)		
HS Library	2,927	1,759	(585)	(873)	(986)	(387)	(1,150)	-	(662)	(43)	-	-	-	(4,686)		
Registrar	5,160	7,535	(1,582)	(2,380)	(1,980)	(1,096)	(3,499)	-	(2,011)	(145)	-	-	-	(12,695)		
SGS	1,669	404	(351)	(473)	(620)	(146)	(314)	-	(168)	-	-	-	-	(2,073)		
Museum of Art	482	485	(114)	(176)	(237)	(76)	(227)	-	(129)	(8)	-	-	-	(967)		
UG Scholarship	5,512	604	(806)	(1,314)	(488)	(558)	(1,851)	-	(1,025)	(74)	-	-	-	(6,116)		
UG Bursaries	3,500	(0)	(449)	(732)	(365)	(311)	(1,031)	-	(571)	(41)	-	-	-	(3,500)		
Grad Scholarship	13,782	658	(2,450)	(3,288)	(4,322)	(1,021)	(2,192)	-	(1,168)	-	-	-	-	(14,440)		
Branding and Marketing	1,500	12	(177)	(330)	(391)	(116)	(322)	-	(168)	(8)	-	-	-	(1,512)		
Adjustments for Current Practices - Support Units			-	-	4,264	-	-	-	-	-	(2,493)	-	-	1,771		
Total Shared Support Unit Allocations	208,494	0	(19,309)	(42,046)	(55,183)	(16,294)	(48,347)	-	(22,013)	(1,037)	(2,493)	-	-	(206,723)		
Net Revenue			41,225	63,622	68,016	20,694	64,178	4,165,598	33,755	1,562	8,168	47,296	-	352,683		
2013-14 Projected Hold Harmless Level (Adjusted)																
Variance			14,352	12,989	(1,314)	(3,219)	12,745	(437)	5,826	471						
UF Supplement			-	-	5,849	5,281	937	-	-	-	-	(12,067,000)	-	-		
UF Supplement 2 - Grants top up					221		911					(1,132,475)	-	-		
Base Net Projected Budget 2017-18			41,225	63,622	74,086	25,975	66,027	4,166	33,755	1,562	8,168	34,097	-	352,683		

McMaster University - New Budget Model - Faculties			University Fund		Prof. Faculties		Other Faculties		VP Research Discretionary Fund			10.00%					
Projected Budget Allocation			Research Infrastructure Fund		8.00%		8.00%										
2018-19					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			49,438	91,402	34,367	15,980	58,888	2,272	33,667	1,832	-			287,846			
UG Tuition Adjustment for tuition fee framework			(143)	(311)	61	67	207		109	10				-			
Total UG SAG Obligation			(1,920)	(7,129)	(105)	(13)	(54)	-	(11)	(1)	9,233			-			
Graduate Tuition			16,113	12,593	11,720	2,843	5,206	-	2,097	-				50,573			
Operating Grant			19,220	43,500	81,420	14,661	51,421	2,264	21,198	1,679		5	-	235,368			
Other Income			717	2,364	5,005	403	1,936		725	116		7,485	-	18,752			
Gross Revenue			83,426	142,420	132,468	33,940	117,604	4,536	57,785	3,636	9,233	7,490	-	592,539			
Undergraduate Cross Faculty Teaching Adjustment			(7,030)	(15,202)	(43)	7,994	9,242	-	5,678	(639)	-			0			
Revenue for Contributions			76,395	127,218	132,425	41,934	126,846	4,536	63,463	2,997	9,233	7,490	-	592,539			
University Fund Contribution			(6,112)	(10,177)	(10,594)	(3,355)	(10,148)	-	(5,077)	(240)		45,702	-	-			
Research Infrastructure Fund Contribution			(2,292)	(3,817)	(1,324)	(419)	(1,268)	-	(635)	(90)			9,845	-			
Indirect Cost of Research (excluding Royalties & CRC)			204	4,956	11,111	417	4,279	-	728	-	25	-		21,720			
VP Research Discretionary (Equivalent to 10% of ICR)			(20)	(496)	(1,111)	(42)	(428)	-	(73)	-	2,170			-			
Adjustments for ICR received by Journal (Contract & ERA)			(17)	(1,583)	(4,853)	(202)	(651)	-	(13)	-				(7,318)			
Adjustments for Current Practices			(1,274)	(1,943)	(4,294)	(396)	(764)	(213)	(382)	-	5,000	-		(4,266)			
Research Infrastructure Fund Distribution			93	2,249	5,042	189	1,942	-	330	-			(9,845)	-			
Research Excellence Fund (from UF)			40	484	1,085	81	418	-	142			(2,250)		-			
Revenue Prior to Shared Support Unit Allocations			67,017	116,892	127,488	38,207	120,226	4,324	58,484	2,667	16,427	50,943	-	602,675			
Shared Support Unit Allocations - via double stepdown																	
Occupancy Cost	42,072	(13,107)	(832)	(6,662)	(8,857)	(2,273)	(8,561)	-	(1,733)	(47)		-	-	(28,965)			
Deferred Maintenance	9,893	(3,529)	(183)	(1,464)	(1,946)	(499)	(1,881)	-	(381)	(10)		-	-	(6,364)			
Insurance	1,159	(475)	(20)	(161)	(199)	(55)	(207)	-	(42)	(1)		-	-	(684)			
MIP Occupancy 1	2,677	(244)	-	(1,623)	(587)	(35)	-	-	(188)	-		-	-	(2,433)			
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-		-	-	(157)			
HR	6,728	(995)	(311)	(858)	(3,125)	(338)	(726)	-	(368)	(7)		-	-	(5,734)			
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)		-	-	(1,521)			
Financial Affairs/Admin/ Inst Support	7,301	(2,514)	(524)	(853)	(1,631)	(440)	(839)	-	(482)	(16)		-	-	(4,787)			
Supplementary Pension	4,738	(239)	(391)	(727)	(1,740)	(394)	(795)	-	(450)	(3)		-	-	(4,499)			
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)		-	-	(12,904)			
Presidential/Univ Sec	1,962	(762)	(131)	(214)	(409)	(110)	(210)	-	(121)	(4)		-	-	(1,200)			
General University Expense	6,705	(2,825)	(425)	(692)	(1,322)	(357)	(680)	-	(391)	(13)		-	-	(3,880)			
Bond Interest	7,380	(2,565)	(138)	(1,108)	(1,472)	(378)	(1,423)	-	(288)	(8)		-	-	(4,815)			
UTS/ Technology Fund	15,072	2,519	(2,212)	(3,426)	(3,793)	(1,366)	(4,293)	-	(2,349)	(151)		-	-	(17,591)			
UTS- ERP	4,517	(176)	(546)	(845)	(936)	(337)	(1,059)	-	(580)	(37)		-	-	(4,341)			
UA	6,072	1,498	(941)	(1,704)	(1,878)	(552)	(1,636)	-	(820)	(40)		-	-	(7,570)			
Office of the Provost	7,410	(2,833)	(501)	(816)	(1,560)	(421)	(803)	-	(461)	(15)		-	-	(4,577)			
Research Support	9,377	5,137	(207)	(2,363)	(9,069)	(184)	(2,115)	-	(576)	-		-	-	(14,514)			
Student Affairs	4,888	5,763	(1,468)	(2,183)	(1,657)	(872)	(2,819)	-	(1,549)	(104)		-	-	(10,651)			
MIETL	1,663	672	(315)	(468)	(407)	(187)	(604)	-	(332)	(22)		-	-	(2,335)			
Libraries	18,861	8,130	(3,466)	(5,212)	(5,580)	(2,132)	(6,667)	-	(3,694)	(240)		-	-	(26,991)			
HS Library	3,083	1,779	(624)	(939)	(1,005)	(384)	(1,201)	-	(665)	(43)		-	-	(4,862)			
Registrar	5,341	7,600	(1,673)	(2,494)	(1,991)	(1,066)	(3,590)	-	(1,983)	(144)		-	-	(12,941)			
SGS	1,828	410	(374)	(550)	(658)	(149)	(334)	-	(173)	-		-	-	(2,238)			
Museum of Art	505	491	(121)	(188)	(240)	(75)	(235)	-	(129)	(8)		-	-	(996)			
UG Scholarship	5,512	633	(838)	(1,347)	(497)	(533)	(1,864)	-	(993)	(72)		-	-	(6,145)			
UG Bursaries	3,500	(0)	(465)	(748)	(366)	(296)	(1,035)	-	(551)	(40)		-	-	(3,500)			
Grad Scholarship	13,796	687	(2,418)	(3,557)	(4,261)	(961)	(2,163)	-	(1,122)	-		-	-	(14,483)			
Branding and Marketing	1,000	13	(126)	(228)	(251)	(74)	(219)	-	(110)	(5)		-	-	(1,013)			
Adjustments for Current Practices - Support Units			-	-	4,387	-	-	-	-	-	(4,387)		-	0			
Total Shared Support Unit Allocations	212,690	0	(20,262)	(43,803)	(56,021)	(16,021)	(49,152)	-	(22,004)	(1,040)	(4,387)	-	-	(212,690)			
Net Revenue			46,755	73,089	71,467	22,186	71,075	4,324	36,480	1,627	12,041	50,943	-	389,985			
2013-14 Projected Hold Harmless Level (Adjusted)																	
Variance			19,882	22,456	2,137	(1,727)	19,642	(279)	8,550	536							
UF Supplement			-	-	5,849	5,281	937	-	-	-	-	(12,067)	-	-			
UF Supplement 2 - Grants top up					667							(667)		-			
Base Net Projected Budget 2018-19			46,755	73,089	77,982	27,467	72,012	4,324	36,480	1,627	12,041	38,209	-	389,985			

McMaster University - New Budget Model - Faculties			Prof. Faculties		Other Faculties		University Fund		VP Research		Discretionary Fund		10.00%			
Projected Budget Allocation			8.00%		8.00%		Research Infrastructure Fund		3.00%		1.00%					
2019-20																
	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			57,827	104,337	35,902	17,427	67,248	2,443	37,369	1,920	-			324,475		
UG Tuition Adjustment for tuition fee framework			(143)	(311)	61	67	207		109	10	-			-		
Total UG SAG Obligation			(1,997)	(7,640)	(110)	(13)	(57)	-	(11)	(1)	9,829			-		
Graduate Tuition			16,395	13,203	11,932	2,918	5,336	-	2,116	-	-			51,899		
Operating Grant			19,072	44,110	81,370	14,571	51,532	2,320	21,030	1,679	-	12	-	235,697		
Other Income			717	2,364	5,005	403	1,936	-	725	116	-	7,619	-	18,886		
Gross Revenue			91,872	156,063	134,161	35,372	126,203	4,763	61,339	3,724	9,829	7,631	-	630,956		
Undergraduate Cross Faculty Teaching Adjustment			(7,536)	(16,577)	81	8,673	9,796	-	6,205	(642)	-			0		
Revenue for Contributions			84,336	139,486	134,241	44,046	135,999	4,763	67,544	3,082	9,829	7,631	-	630,956		
University Fund Contribution			(6,747)	(11,159)	(10,739)	(3,524)	(10,880)	-	(5,404)	(247)		48,699	-	-		
Research Infrastructure Fund Contribution			(2,530)	(4,185)	(1,342)	(440)	(1,360)	-	(675)	(92)			10,625	-		
Indirect Cost of Research (excluding Royalties & CRC)			204	4,956	11,111	417	4,279	-	728	-	25	-		21,720		
VP Research Discretionary (Equivalent to 10 % of ICR)			(20)	(496)	(1,111)	(42)	(428)	-	(73)	-	2,170	-		-		
Adjustments for ICR received by Journal (Contract & ERA)			(17)	(1,583)	(4,853)	(202)	(651)	-	(13)	-	-	-		(7,318)		
Adjustments for Current Practices			(1,822)	(3,033)	(5,879)	(823)	(2,080)	(224)	(947)	(27)	5,000	-		(9,836)		
Research Infrastructure Fund Distribution			100	2,427	5,442	204	2,096	-	357	-	-		(10,625)	-		
Research Excellence Fund (from UF)			40	484	1,085	81	418	-	142	-		(2,250)	-	-		
Revenue Prior to Shared Support Unit Allocations			73,544	126,898	127,954	39,717	127,392	4,539	61,659	2,716	17,023	54,079	-	635,522		
Shared Support Unit Allocations - via double stepdown																
Occupancy Cost	42,072	(13,070)	(833)	(6,671)	(8,868)	(2,276)	(8,572)	-	(1,736)	(47)	-	-	-	(29,002)		
Deferred Maintenance	9,893	(3,529)	(183)	(1,464)	(1,946)	(499)	(1,881)	-	(381)	(10)	-	-	-	(6,364)		
Insurance	1,159	(475)	(20)	(161)	(199)	(55)	(207)	-	(42)	(1)	-	-	-	(684)		
MIP Occupancy 1	2,677	(244)	-	(1,623)	(587)	(35)	-	-	(188)	-	-	-	-	(2,433)		
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)		
HR	6,728	(984)	(312)	(860)	(3,131)	(339)	(727)	-	(369)	(7)	-	-	-	(5,744)		
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)		
Financial Affairs/Admin/ Inst Support	7,301	(2,502)	(525)	(855)	(1,635)	(441)	(842)	-	(483)	(16)	-	-	-	(4,799)		
Supplementary Pension	4,738	(238)	(391)	(727)	(1,740)	(395)	(795)	-	(451)	(3)	-	-	-	(4,500)		
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)		
Presidential/Univ Sec	1,962	(759)	(132)	(215)	(410)	(111)	(211)	-	(121)	(4)	-	-	-	(1,203)		
General University Expense	6,705	(2,824)	(425)	(692)	(1,322)	(357)	(681)	-	(391)	(13)	-	-	-	(3,881)		
Bond Interest	9,922	(3,529)	(184)	(1,470)	(1,955)	(502)	(1,889)	-	(383)	(10)	-	-	-	(6,393)		
UTS/ Technology Fund	16,522	2,526	(2,416)	(3,782)	(4,021)	(1,446)	(4,711)	-	(2,509)	(162)	-	-	-	(19,048)		
UTS- ERP	4,517	(172)	(551)	(863)	(917)	(330)	(1,075)	-	(572)	(37)	-	-	-	(4,345)		
UA	6,072	1,518	(989)	(1,752)	(1,809)	(536)	(1,656)	-	(811)	(38)	-	-	-	(7,591)		
Office of the Provost	7,410	(2,821)	(502)	(818)	(1,564)	(422)	(805)	-	(462)	(15)	-	-	-	(4,590)		
Research Support	9,377	5,239	(208)	(2,380)	(9,133)	(185)	(2,130)	-	(581)	-	-	-	-	(14,616)		
Student Affairs	4,888	5,906	(1,496)	(2,255)	(1,648)	(860)	(2,889)	-	(1,543)	(104)	-	-	-	(10,794)		
MIETL	1,663	685	(319)	(480)	(400)	(183)	(615)	-	(329)	(22)	-	-	-	(2,348)		
Libraries	19,261	8,387	(3,580)	(5,451)	(5,584)	(2,134)	(6,924)	-	(3,731)	(243)	-	-	-	(27,648)		
HS Library	3,183	1,833	(650)	(989)	(1,013)	(387)	(1,256)	-	(677)	(44)	-	-	-	(5,016)		
Registrar	5,341	7,863	(1,736)	(2,596)	(1,980)	(1,053)	(3,705)	-	(1,988)	(145)	-	-	-	(13,204)		
SGS	1,828	416	(362)	(566)	(655)	(151)	(338)	-	(171)	-	-	-	-	(2,244)		
Museum of Art	505	506	(124)	(195)	(238)	(74)	(242)	-	(129)	(8)	-	-	-	(1,011)		
UG Scholarship	5,512	634	(848)	(1,367)	(495)	(515)	(1,878)	-	(972)	(71)	-	-	-	(6,146)		
UG Bursaries	3,500	-	(471)	(759)	(362)	(286)	(1,043)	-	(540)	(39)	-	-	-	(3,500)		
Grad Scholarship	13,796	688	(2,338)	(3,650)	(4,229)	(978)	(2,185)	-	(1,104)	-	-	-	-	(14,484)		
Branding and Marketing	1,000	12	(132)	(234)	(241)	(72)	(221)	-	(108)	(5)	-	-	-	(1,012)		
Adjustments for Current Practices - Support Units					4,387			-			1,163	-	-	5,550		
Total Shared Support Unit Allocations	217,182	0	(20,739)	(45,247)	(56,667)	(16,175)	(50,671)	-	(22,242)	(1,053)	1,163	-	-	(211,632)		
Net Revenue			52,805	81,651	71,287	23,542	76,721	4,539	39,417	1,663	18,187	54,079	-	423,890		
2013-14 Projected Hold Harmless Level (Adjusted)			26,873	50,633	69,330	23,913	51,433	4,603	27,929	1,091						
Variance			25,932	31,018	1,957	(371)	25,288	(64)	11,488	572						
UF Supplement			-	-	-	3,500	-	-	-	-	-	(3,500)	-	-		
UF Supplement 2 - Grants top up					1,017							(1,017)	-	-		
Base Net Projected Budget 2019-20			52,805	81,651	72,304	27,042	76,721	4,539	39,417	1,663	18,187	49,563	-	423,890		

McMaster University - New Budget Model - Faculties			Prof. Faculties		Other Faculties		University Fund		VP Research		Discretionary Fund		10.00%			
Projected Budget Allocation			8.00%		8.00%		Research Infrastructure Fund		3.00%		1.00%					
2020-21																
	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			61,980	111,802	36,766	18,296	71,867	2,508	39,431	1,926	-			344,577		
UG Tuition Adjustment for tuition fee framework			(143)	(311)	61	67	207		109	10	-			-		
Total UG SAG Obligation			(1,965)	(7,892)	(111)	(13)	(58)	-	(11)	(1)	10,051			-		
Graduate Tuition			16,651	13,515	12,035	2,994	5,435	-	2,101	-	-			52,731		
Operating Grant			18,837	44,458	81,408	14,616	51,655	2,338	20,837	1,679	-	14	-	235,843		
Other Income			717	2,364	5,005	403	1,936	-	725	116	-	4,658	-	15,925		
Gross Revenue			96,078	163,937	135,165	36,362	131,041	4,846	63,193	3,730	10,051	4,672	-	649,075		
Undergraduate Cross Faculty Teaching Adjustment			(7,547)	(17,106)	144	8,921	9,888	-	6,345	(644)	-			(0)		
Revenue for Contributions			88,531	146,831	135,309	45,283	140,929	4,846	69,537	3,086	10,051	4,672	-	649,075		
University Fund Contribution			(7,083)	(11,746)	(10,825)	(3,623)	(11,274)	-	(5,563)	(247)		50,360	-	-		
Research Infrastructure Fund Contribution			(2,656)	(4,405)	(1,353)	(453)	(1,409)	-	(695)	(93)			11,064	-		
Indirect Cost of Research (excluding Royalties & CRC)			204	4,956	11,111	417	4,279	-	728	-	25	-		21,720		
VP Research Discretionary (Equivalent to 10 % of ICR)			(20)	(496)	(1,111)	(42)	(428)	-	(73)	-	2,170	-		-		
Adjustments for ICR received by Journal (Contract & ERA)			(17)	(1,583)	(4,853)	(202)	(651)	-	(13)	-	-	-		(7,318)		
Adjustments for Current Practices			(2,446)	(4,364)	(7,753)	(1,315)	(3,619)	(228)	(1,609)	(58)	5,000	-		(16,392)		
Research Infrastructure Fund Distribution			104	2,528	5,666	212	2,182	-	371	-	-		(11,064)	-		
Research Excellence Fund (from UF)			40	484	1,085	81	418	-	142	-		(2,250)	-	-		
Revenue Prior to Shared Support Unit Allocations			76,657	132,204	127,277	40,359	130,427	4,618	62,825	2,688	17,245	52,782	-	647,085		
Shared Support Unit Allocations - via double stepdown																
Occupancy Cost	42,072	(13,067)	(833)	(6,672)	(8,869)	(2,276)	(8,573)	-	(1,736)	(47)	-	-	-	(29,005)		
Deferred Maintenance	9,893	(3,529)	(183)	(1,464)	(1,946)	(499)	(1,881)	-	(381)	(10)	-	-	-	(6,364)		
Insurance	1,159	(475)	(20)	(161)	(199)	(55)	(207)	-	(42)	(1)	-	-	-	(684)		
MIP Occupancy 1	2,677	(244)	-	(1,623)	(587)	(35)	-	-	(188)	-	-	-	-	(2,433)		
MIP Occupancy 2	157	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)		
HR	6,728	(984)	(312)	(860)	(3,131)	(339)	(727)	-	(369)	(7)	-	-	-	(5,745)		
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)		
Financial Affairs/Admin/ Inst Support	7,301	(2,501)	(525)	(856)	(1,636)	(442)	(842)	-	(484)	(16)	-	-	-	(4,800)		
Supplementary Pension	4,738	(237)	(391)	(727)	(1,740)	(395)	(795)	-	(451)	(3)	-	-	-	(4,501)		
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)		
Presidential/Univ Sec	1,962	(758)	(132)	(215)	(410)	(111)	(211)	-	(121)	(4)	-	-	-	(1,204)		
General University Expense	6,705	(2,824)	(425)	(692)	(1,322)	(357)	(681)	-	(391)	(13)	-	-	-	(3,881)		
Bond Interest	10,089	(3,593)	(187)	(1,494)	(1,986)	(510)	(1,920)	-	(389)	(10)	-	-	-	(6,496)		
UTS/ Technology Fund	17,022	2,522	(2,473)	(3,948)	(4,068)	(1,471)	(4,857)	-	(2,562)	(163)	-	-	-	(19,543)		
UTS- ERP	4,517	(169)	(550)	(878)	(905)	(327)	(1,081)	-	(570)	(36)	-	-	-	(4,348)		
UA	6,072	1,520	(1,022)	(1,803)	(1,737)	(528)	(1,660)	-	(807)	(36)	-	-	-	(7,592)		
Office of the Provost	7,410	(2,820)	(503)	(818)	(1,564)	(422)	(805)	-	(462)	(15)	-	-	-	(4,591)		
Research Support	9,377	5,246	(208)	(2,381)	(9,137)	(185)	(2,131)	-	(581)	-	-	-	-	(14,623)		
Student Affairs	4,888	5,916	(1,491)	(2,297)	(1,627)	(852)	(2,902)	-	(1,534)	(102)	-	-	-	(10,804)		
MIETL	1,663	686	(318)	(489)	(394)	(181)	(618)	-	(327)	(22)	-	-	-	(2,349)		
Libraries	19,661	8,404	(3,625)	(5,636)	(5,584)	(2,147)	(7,064)	-	(3,767)	(243)	-	-	-	(28,065)		
HS Library	3,283	1,837	(661)	(1,028)	(1,019)	(392)	(1,289)	-	(687)	(44)	-	-	-	(5,120)		
Registrar	5,341	7,880	(1,732)	(2,654)	(1,951)	(1,041)	(3,725)	-	(1,978)	(142)	-	-	-	(13,221)		
SGS	1,828	417	(361)	(571)	(649)	(154)	(339)	-	(170)	-	-	-	-	(2,245)		
Museum of Art	505	508	(124)	(198)	(235)	(74)	(244)	-	(129)	(8)	-	-	-	(1,013)		
UG Scholarship	5,512	634	(844)	(1,390)	(492)	(507)	(1,881)	-	(963)	(69)	-	-	-	(6,146)		
UG Bursaries	3,500	(0)	(469)	(772)	(359)	(282)	(1,045)	-	(535)	(38)	-	-	-	(3,500)		
Grad Scholarship	13,796	688	(2,334)	(3,679)	(4,192)	(991)	(2,191)	-	(1,097)	-	-	-	-	(14,484)		
Branding and Marketing	1,000	12	(136)	(240)	(232)	(70)	(221)	-	(108)	(5)	-	-	-	(1,012)		
Adjustments for Current Practices - Support Units					4,387			-			7,663	-	-	12,050		
Total Shared Support Unit Allocations	218,349	0	(20,869)	(45,920)	(56,557)	(16,193)	(51,080)	-	(22,297)	(1,045)	7,663	-	-	(206,299)		
Net Revenue			55,788	86,285	70,720	24,166	79,347	4,618	40,528	1,643	24,909	52,782	-	440,786		
2013-14 Projected Hold Harmless Level (Adjusted)			26,873	50,633	69,330	23,913	51,433	4,603	27,929	1,091						
Variance			28,915	35,652	1,390	253	27,914	15	12,598	552						
UF Supplement			-	-	-	3,500	-	-	-	-	-	(3,500)	-	-		
UF Supplement 2 - Grants top up					1,070							(1,070)				
Base Net Projected Budget 2020-21			55,788	86,285	71,790	27,666	79,347	4,618	40,528	1,643	24,909	48,212	-	440,786		

APPENDIX 3 – OPERATING FUND UNIT LEVEL TABLES

Table 22: Operating Fund 2017/18 Projection by Unit

(\$ thousands)	Sources of Funding					Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	University Fund Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties														
Business	40,420	615	6	5,063	46,104	26,364	5,964	32,329	694	-	10,487	11,181	43,509	2,594
Engineering	63,321	795	1,831	3,352	69,299	43,887	10,734	54,621	2,115	(0)	14,419	16,533	71,154	(1,855)
Health Sciences	73,539	873	6,269	35,721	116,402	79,651	20,145	99,796	2,240	22	18,921	21,183	120,979	(4,577)
Humanities	26,520	2,865	261	5,462	35,108	24,156	6,019	30,175	100	-	899	999	31,173	3,935
Science	65,942	1,103	960	2,722	70,727	44,070	11,245	55,315	434	(0)	5,381	5,815	61,130	9,596
Medical Radiation - Mohawk share	4,166	-	-	-	4,166	-	-	-	-	-	4,166	4,166	4,166	-
Social Sciences	34,060	2,166	30	480	36,736	25,249	6,542	31,791	47	-	2,319	2,366	34,157	2,579
Arts & Science	1,572	57	-	4	1,633	1,291	63	1,354	1	-	119	120	1,474	159
Sub-total	309,540	8,475	9,357	52,804	380,176	244,668	60,713	305,381	5,630	22	56,711	62,363	367,744	12,432
2. Academic Priorities														
University Fund	37,884	(10,213)	-	(13,518)	14,153	-	-	-	-	-	10,918	10,918	10,918	3,236
Revenue Projection Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ongoing Priorities Contingency	2,371	-	-	-	2,371	1,777	-	1,777	-	-	(1,712)	(1,712)	65	2,306
One-time Priorities Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	40,255	(10,213)	-	(13,518)	16,524	1,777	-	1,777	-	-	9,206	9,206	10,983	5,542
TOTAL ACADEMIC	349,795	(1,738)	9,357	39,286	396,700	246,444	60,713	307,157	5,630	22	65,917	71,569	378,726	17,974
3. Academic Support														
Provost's Office	6,395	-	-	570	6,965	4,382	1,202	5,584	-	-	3,880	3,880	9,464	(2,499)
Museum of Art	482	-	-	231	713	636	202	838	-	-	(155)	(155)	683	29
MacPherson Institute	1,639	1,738	-	1	3,378	2,958	652	3,610	-	-	1,051	1,051	4,661	(1,283)
University Library	18,483	-	-	425	18,908	6,336	1,949	8,284	-	9,896	406	10,302	18,586	322
Health Sciences Library	3,027	-	20	97	3,144	1,437	434	1,871	-	2,663	(1,255)	1,408	3,279	(134)
Registrar	4,993	-	-	2,256	7,249	5,328	1,479	6,807	0	-	1,070	1,070	7,877	(628)
Sub-total	35,019	1,738	20	3,580	40,357	21,077	5,917	26,994	0	12,560	4,997	17,556	44,550	(4,193)
4. Research Support														
Research	7,319	-	3,370	8,272	18,962	11,435	3,230	14,665	75	-	4,308	4,383	19,048	(87)
VP Research Discretionary Fund	2,179	-	-	-	2,179	111	2	114	-	-	2,107	2,107	2,221	(42)
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	9,498	-	3,370	8,272	21,141	11,546	3,233	14,779	75	-	6,327	6,402	21,181	(40)
5. Student Support														
Graduate Scholarships	13,782	-	-	0	13,782	1,018	127	1,146	13,397	-	80	13,477	14,623	(841)
School of Graduate Studies	1,669	-	-	0	1,669	1,270	360	1,630	4	-	519	524	2,154	(484)
Student Affairs	4,241	-	-	22,194	26,435	12,840	2,980	15,820	375	-	10,809	11,184	27,004	(569)
Undergraduate Scholarships	17,578	-	-	292	17,870	1,618	-	1,618	16,409	-	384	16,793	18,411	(541)
Sub-total	37,270	-	-	22,486	59,756	16,746	3,467	20,214	30,185	-	11,792	41,978	62,191	(2,435)
6. Facilities Support														
Facilities Services	16,237	-	-	587	16,824	12,429	3,359	15,788	-	-	1,067	1,067	16,855	(31)
HSC Maintenance	3,727	-	-	40	3,767	-	-	-	-	-	3,755	3,755	3,755	12
Utilities	18,801	-	-	1,855	20,656	1,464	504	1,968	-	-	24,320	24,320	26,288	(5,632)
Security	1,838	-	-	103	1,941	1,956	490	2,447	-	-	(332)	(332)	2,115	(174)
Deferred Maintenance	10,227	-	-	-	10,227	-	-	-	-	-	10,293	10,293	10,293	(66)
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	1,368	1,368	1,368	(394)
Sub-total	61,893	-	-	2,585	64,478	15,850	4,353	20,203	-	-	50,560	50,560	70,763	(6,285)
7. Institutional Support														
Administration	14,719	-	-	1,446	16,165	10,187	3,002	13,189	-	-	2,507	2,507	15,696	469
UTS Asset Management	250	-	-	-	250	-	-	-	-	-	241	241	241	9
UTS/Technology Fund	18,026	-	-	142	18,168	8,488	2,529	11,017	-	-	5,554	5,554	16,572	1,596
University Secretariat	788	-	-	0	788	535	159	695	-	-	122	122	817	(29)
President's Office	1,139	-	-	-	1,139	417	124	541	-	-	608	608	1,149	(10)
University Advancement	5,306	-	-	96	5,402	5,836	1,701	7,538	-	0	(1,858)	(1,858)	5,680	(278)
General University	10,524	-	-	2,037	12,561	2,006	151	2,157	-	-	9,779	9,779	11,937	624
Sub-total	50,752	-	-	3,721	54,473	27,469	7,667	35,137	-	0	16,954	16,954	52,091	2,382
8. Institutional Priority allocations														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	3,903	-	-	-	3,903	270	99	369	-	-	3,237	3,237	3,606	297
Pension	23,497	-	-	-	23,497	-	23,497	23,497	-	-	-	-	23,497	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	22	22	22	(22)
Sub-total	31,917	-	-	-	31,917	270	23,596	23,866	-	-	3,259	3,259	27,126	4,791
Surplus/(Deficit)	576,144	(0)	12,747	79,931	668,821	339,403	108,947	448,350	35,891	12,581	159,806	208,278	656,628	12,194
<i>Under/(over)allocated</i>	-	-	-	(3,034)	(3,034)	-	-	-	-	-	(3,034)	(3,034)	(3,034)	-
Total Surplus/(Deficit)	576,144	(0)	12,747	76,897	665,788	339,403	108,947	448,350	35,891	12,581	156,772	205,244	653,594	12,194

Table 23: Operating Fund 2018/19 Budget by Unit

(\$ thousands)	Sources of Funding					Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	University Fund Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties														
Business	46,755	310	-	5,408	52,473	28,220	6,880	35,100	890	-	12,605	13,495	48,595	3,878
Engineering	73,089	1,200	1,662	2,288	78,240	48,534	12,216	60,750	2,337	-	17,119	19,456	80,206	(1,966)
Health Sciences	77,982	849	6,081	33,762	118,674	83,618	21,447	105,064	2,271	7	12,190	14,468	119,533	(858)
Humanities	27,467	692	280	5,966	34,405	25,360	6,271	31,631	125	-	1,107	1,232	32,863	1,542
Science	72,012	470	996	1,980	75,458	48,545	12,504	61,048	304	-	12,356	12,660	73,708	1,750
Medical Radiation - Mohawk share	4,324	-	-	-	4,324	-	-	-	-	-	4,324	4,324	4,324	-
Social Sciences	36,480	1,382	30	350	38,242	26,684	7,236	33,920	20	-	2,343	2,363	36,283	1,959
Arts & Science	1,627	57	-	-	1,684	1,395	91	1,487	1	-	52	53	1,540	144
Sub-total	339,736	4,960	9,049	49,754	403,500	262,356	66,644	329,000	5,948	7	62,096	68,050	397,051	6,449
2. Academic Priorities														
University Fund	38,209	(6,698)	-	(11,226)	20,285	-	-	-	-	-	22,642	22,642	22,642	(2,357)
Revenue Projection Contingency	4,840	-	-	-	4,840	-	-	-	-	-	-	-	-	4,840
Ongoing Priorities Contingency	(245)	-	-	(0)	(245)	1,867	-	1,867	-	-	(1,860)	(1,860)	7	(252)
One-time Priorities Contingency	-	-	-	963	963	-	-	-	-	-	963	963	963	-
Sub-total	42,804	(6,698)	-	(10,263)	25,843	1,867	-	1,867	-	-	21,745	21,745	23,612	2,231
TOTAL ACADEMIC	382,540	(1,738)	9,049	39,491	429,342	264,223	66,644	330,867	5,948	7	83,841	89,796	420,663	8,680
3. Academic Support														
Provost's Office	7,490	-	-	620	8,110	4,858	1,275	6,133	-	-	3,179	3,179	9,312	(1,202)
Museum of Art	505	-	-	143	648	599	201	801	-	-	(154)	(154)	646	2
MacPherson Institute	1,663	1,738	-	-	3,401	2,735	686	3,421	-	-	646	646	4,067	(666)
University Library	18,861	-	-	226	19,087	6,709	1,951	8,660	-	10,093	880	10,973	19,633	(546)
Health Sciences Library	3,083	-	20	95	3,198	1,576	467	2,042	-	2,730	(1,234)	1,495	3,538	(340)
Registrar	5,170	-	-	2,318	7,488	5,498	1,518	7,016	-	-	868	868	7,884	(396)
Sub-total	36,772	1,738	20	3,403	41,933	21,974	6,098	28,072	-	12,822	4,185	17,007	45,080	(3,147)
4. Research Support														
Research	7,630	-	2,593	8,376	18,599	11,653	3,278	14,932	75	-	3,851	3,926	18,858	(259)
VP Research Discretionary Fund	2,170	-	-	-	2,170	102	8	110	-	-	1,938	1,938	2,048	122
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	9,800	-	2,593	8,376	20,769	11,755	3,287	15,042	75	-	5,700	5,775	20,817	(48)
5. Student Support														
Graduate Scholarships	13,796	-	-	-	13,796	1,027	130	1,157	13,706	-	80	13,786	14,943	(1,147)
School of Graduate Studies	1,828	-	-	0	1,828	1,231	358	1,589	5	-	364	368	1,958	(129)
Student Affairs	4,888	-	-	22,250	27,138	13,694	3,127	16,822	375	-	9,377	9,752	26,573	564
Undergraduate Scholarships	19,095	-	-	292	19,387	1,822	-	1,822	17,144	-	420	17,564	19,386	1
Sub-total	39,607	-	-	22,542	62,149	17,775	3,615	21,390	31,230	-	10,240	41,470	62,861	(712)
6. Facilities Support														
Facilities Services	16,235	-	-	662	16,897	13,287	3,334	16,621	-	-	123	123	16,744	153
HSC Maintenance	3,727	-	-	40	3,767	-	-	-	-	-	3,767	3,767	3,767	(0)
Utilities	23,150	-	-	1,999	25,149	1,459	526	1,986	-	-	23,528	23,528	25,513	(364)
Security	1,976	-	-	103	2,079	1,976	494	2,470	-	-	(167)	(167)	2,303	(224)
Deferred Maintenance	10,227	-	-	-	10,227	-	-	-	-	-	10,227	10,227	10,227	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0
Sub-total	66,378	-	-	2,804	69,182	16,722	4,354	21,077	-	-	48,541	48,541	69,617	(436)
7. Institutional Support														
Administration	15,090	-	-	1,460	16,550	11,405	3,263	14,668	-	-	5,854	5,854	20,522	(3,972)
UTS Asset Management	1,200	-	-	-	1,200	-	-	-	-	-	1,195	1,195	1,195	5
UTS/Technology Fund	16,508	-	-	142	16,650	8,783	2,598	11,381	-	-	5,656	5,656	17,037	(387)
University Secretariat	902	-	-	-	902	596	172	768	-	-	134	134	902	(0)
President's Office	1,155	-	-	-	1,155	433	126	559	-	-	596	596	1,155	0
University Advancement	5,512	-	-	101	5,613	6,592	1,793	8,384	-	-	(2,413)	(2,413)	5,972	(358)
General University	8,664	-	-	2,037	10,701	943	159	1,102	-	-	9,582	9,582	10,684	17
Sub-total	49,031	-	-	3,740	52,771	28,752	8,111	36,862	-	-	20,604	20,604	57,467	(4,696)
8. Institutional Priority allocations														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	2,443	-	-	-	2,443	422	123	546	-	-	2,310	2,310	2,856	(413)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	29,135	-	-	-	29,135	422	22,298	22,721	-	-	2,310	2,310	25,031	4,104
Surplus/(Deficit)	613,263	-	11,662	80,355	705,280	361,624	114,408	476,032	37,252	12,829	175,422	225,504	701,536	3,745
<i>Under/(over)allocated</i>	0	0	-	(2,964)	(2,964)	-	-	-	-	-	(2,964)	(2,964)	(2,964)	0
Total Surplus/(Deficit)	613,263	0	11,662	77,391	702,316	361,624	114,408	476,032	37,252	12,829	172,458	222,539	698,571	3,745

Table 24: Operating Fund 2019/20 Plan by Unit

(\$ thousands)	Sources of Funding					Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	University Fund Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties														
Business	52,805	10	-	5,308	58,123	29,708	7,311	37,019	890	-	16,666	17,556	54,575	3,548
Engineering	81,651	100	1,668	2,254	85,673	51,700	13,072	64,773	2,333	-	18,466	20,799	85,572	101
Health Sciences	72,304	325	5,992	33,401	112,022	85,523	21,831	107,354	2,110	7	9,325	11,442	118,795	(6,774)
Humanities	27,042	381	84	6,431	33,938	25,774	6,428	32,202	125	-	1,299	1,424	33,626	311
Science	76,721	370	913	2,011	80,014	52,780	13,003	65,783	300	-	12,843	13,143	78,926	1,088
Medical Radiation - Mohawk share	4,539	-	-	-	4,539	-	-	-	-	-	4,539	4,539	4,539	-
Social Sciences	39,417	773	30	476	40,696	27,792	7,483	35,275	20	-	2,468	2,488	37,763	2,932
Arts & Science	1,663	57	-	-	1,720	1,479	90	1,569	1	-	45	46	1,615	105
Sub-total	356,142	2,015	8,687	49,881	416,724	274,757	69,217	343,974	5,778	7	65,653	71,438	415,412	1,312
2. Academic Priorities														
University Fund	49,563	(3,753)	-	(10,000)	35,810	-	-	-	-	-	37,855	37,855	37,855	(2,045)
Revenue Projection Contingency	4,840	-	-	-	4,840	-	-	-	-	-	-	-	-	4,840
Ongoing Priorities Contingency	5,305	-	-	-	5,305	5,667	1,200	6,867	-	-	(1,860)	(1,860)	5,007	298
One-time Priorities Contingency	-	-	-	6,894	6,894	-	-	-	-	-	6,894	6,894	6,894	-
Sub-total	59,708	(3,753)	-	(3,106)	52,849	5,667	1,200	6,867	-	-	42,888	42,888	49,755	3,094
TOTAL ACADEMIC	415,850	(1,738)	8,687	46,775	469,573	280,424	70,417	350,841	5,778	7	108,541	114,326	465,168	4,406
3. Academic Support														
Provost's Office	7,490	-	-	620	8,110	4,882	1,293	6,175	-	-	3,138	3,138	9,313	(1,203)
Museum of Art	505	-	-	130	635	615	210	826	-	-	(146)	(146)	680	(45)
MacPherson Institute	1,663	1,738	-	-	3,401	2,655	685	3,340	-	-	682	682	4,022	(621)
University Library	19,261	-	-	228	19,489	6,896	2,026	8,922	-	10,453	972	11,425	20,347	(858)
Health Sciences Library	3,183	-	20	95	3,298	1,615	477	2,092	-	2,819	(1,162)	1,658	3,750	(452)
Registrar	5,170	-	-	2,368	7,538	5,597	1,567	7,163	-	-	515	515	7,679	(140)
Sub-total	37,272	1,738	20	3,441	42,471	22,260	6,258	28,518	-	13,273	4,000	17,272	45,791	(3,319)
4. Research Support														
Research	7,630	-	2,566	8,387	18,583	12,014	3,413	15,427	75	-	3,934	4,009	19,436	(854)
VP Research Discretionary Fund	2,170	-	-	-	2,170	102	9	112	-	-	1,908	1,908	2,020	150
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	9,800	-	2,566	8,387	20,753	12,117	3,422	15,539	75	-	5,753	5,828	21,367	(615)
5. Student Support														
Graduate Scholarships	13,796	-	-	-	13,796	1,039	136	1,175	13,706	-	80	13,786	14,961	(1,165)
School of Graduate Studies	1,828	-	-	-	1,828	1,225	360	1,586	5	-	363	368	1,953	(125)
Student Affairs	4,888	-	-	22,950	27,838	14,110	3,258	17,368	375	-	9,454	9,829	27,197	641
Undergraduate Scholarships	18,841	-	-	292	19,133	1,822	-	1,822	17,780	-	380	18,160	19,982	(849)
Sub-total	39,353	-	-	23,241	62,594	18,196	3,754	21,950	31,866	-	10,277	42,143	64,093	(1,499)
6. Facilities Support														
Facilities Services	14,839	-	-	662	15,501	12,357	3,343	15,700	-	-	(44)	(44)	15,656	(155)
HSC Maintenance	3,727	-	-	40	3,767	-	-	-	-	-	3,767	3,767	3,767	-
Utilities	23,150	-	-	2,035	25,185	1,501	564	2,065	-	-	24,317	24,317	26,382	(1,197)
Security	1,976	-	-	103	2,079	2,012	513	2,525	-	-	(252)	(252)	2,273	(194)
Deferred Maintenance	9,893	-	-	-	9,893	-	-	-	-	-	9,893	9,893	9,893	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0
Sub-total	64,648	-	-	2,840	67,488	15,870	4,420	20,290	-	-	48,744	48,744	69,034	(1,547)
7. Institutional Support														
Administration	15,090	-	-	1,475	16,565	11,125	3,215	14,341	-	-	3,242	3,242	17,582	(1,017)
UTS Asset Management	1,200	-	-	-	1,200	-	-	-	-	-	1,217	1,217	1,217	(17)
UTS/Technology Fund	16,443	-	-	142	16,585	8,755	2,576	11,331	-	-	5,011	5,011	16,342	243
University Secretariat	892	-	-	-	892	615	177	792	-	-	124	124	916	(24)
President's Office	1,155	-	-	-	1,155	447	131	578	-	-	577	577	1,155	0
University Advancement	5,512	-	-	108	5,620	6,699	1,835	8,534	-	-	(2,722)	(2,722)	5,813	(193)
General University	7,864	-	-	2,037	9,901	971	165	1,135	-	-	9,438	9,438	10,573	(672)
Sub-total	48,156	-	-	3,761	51,917	28,613	8,099	36,712	-	-	16,886	16,886	53,597	(1,680)
8. Institutional Priority allocations														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	2,416	-	-	-	2,416	436	130	566	-	-	1,849	1,849	2,415	1
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	29,108	-	-	-	29,108	436	22,305	22,741	-	-	1,849	1,849	24,590	4,518
Surplus/(Deficit)	644,187	-	11,272	88,445	743,905	377,916	118,675	496,591	37,719	13,280	196,051	247,049	743,640	265
<i>Under/(over)allocated</i>	-	-	-	(3,098)	(3,098)	-	-	-	-	-	(3,098)	(3,098)	(3,098)	-
Total Surplus/(Deficit)	644,187	-	11,272	85,348	740,807	377,916	118,675	496,591	37,719	13,280	192,953	243,951	740,543	265

Table 25: Operating Fund 2020/21 Plan by Unit

(\$ thousands)	Sources of Funding					Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	University Fund Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties														
Business	55,788	10	-	5,311	61,109	30,634	7,569	38,203	890	-	19,490	20,380	58,583	2,526
Engineering	86,285	25	1,668	2,269	90,247	54,269	13,794	68,064	2,284	-	17,536	19,820	87,883	2,364
Health Sciences	71,790	75	5,917	32,752	110,534	86,973	22,249	109,221	1,993	7	7,759	9,759	118,980	(8,446)
Humanities	27,666	381	20	6,897	34,963	26,143	6,905	33,049	125	-	1,633	1,758	34,807	156
Science	79,347	307	913	2,051	82,617	57,426	13,638	71,064	300	-	10,113	10,412	81,476	1,141
Medical Radiation - Mohawk share	4,618	-	-	-	4,618	-	-	-	-	-	4,618	4,618	4,618	-
Social Sciences	40,528	620	30	476	41,654	28,638	7,687	36,325	20	-	2,470	2,490	38,814	2,839
Arts & Science	1,643	57	-	-	1,700	1,533	93	1,626	1	-	45	46	1,672	28
Sub-total	367,665	1,475	8,547	49,756	427,443	285,617	71,935	357,551	5,613	7	63,664	69,283	426,835	608
2. Academic Priorities														
University Fund	48,212	(3,213)	-	(10,000)	34,999	-	-	-	-	-	35,830	35,830	35,830	(830)
Revenue Projection Contingency	4,840	-	-	-	4,840	-	-	-	-	-	-	-	-	4,840
Ongoing Priorities Contingency	11,805	-	-	-	11,805	9,467	2,400	11,867	-	-	(1,860)	(1,860)	10,007	1,798
One-time Priorities Contingency	-	-	-	8,900	8,900	-	-	-	-	-	8,900	8,900	8,900	-
Sub-total	64,857	(3,213)	-	(1,100)	60,544	9,467	2,400	11,867	-	-	42,869	42,869	54,736	5,808
TOTAL ACADEMIC	432,522	(1,738)	8,547	48,656	487,987	295,084	74,335	369,418	5,613	7	106,533	112,153	481,571	6,416
3. Academic Support														
Provost's Office	7,490	-	-	620	8,110	4,960	1,329	6,289	-	-	3,140	3,140	9,429	(1,319)
Museum of Art	505	-	-	162	667	649	195	845	-	-	(162)	(162)	683	(16)
MacPherson Institute	1,663	1,738	-	-	3,401	2,567	672	3,239	-	-	735	735	3,974	(573)
University Library	19,661	-	-	230	19,891	7,038	2,096	9,133	-	10,835	999	11,835	20,968	(1,077)
Health Sciences Library	3,283	-	20	95	3,398	1,632	482	2,114	-	2,938	(1,152)	1,787	3,900	(502)
Registrar	5,170	-	-	2,419	7,589	5,668	1,606	7,274	-	-	613	613	7,887	(298)
Sub-total	37,772	1,738	20	3,526	43,056	22,514	6,379	28,894	-	13,774	4,174	17,948	46,841	(3,785)
4. Research Support														
Research	7,630	-	2,593	8,581	18,804	11,977	3,459	15,436	75	-	3,953	4,028	19,465	(661)
VP Research Discretionary Fund	2,170	-	-	-	2,170	102	10	112	-	-	1,708	1,708	1,820	350
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	9,800	-	2,593	8,581	20,974	12,079	3,469	15,548	75	-	5,573	5,648	21,196	(222)
5. Student Support														
Graduate Scholarships	13,796	-	-	-	13,796	1,048	140	1,187	13,706	-	80	13,786	14,973	(1,177)
School of Graduate Studies	1,828	-	-	-	1,828	1,251	373	1,624	5	-	363	368	1,992	(164)
Student Affairs	4,888	-	-	25,563	30,451	14,468	3,378	17,846	375	-	14,134	14,509	32,356	(1,905)
Undergraduate Scholarships	19,063	-	-	292	19,355	1,822	-	1,822	18,042	-	340	18,382	20,204	(849)
Sub-total	39,575	-	-	25,854	65,429	18,589	3,891	22,479	32,128	-	14,918	47,045	69,525	(4,095)
6. Facilities Support														
Facilities Services	14,839	-	-	662	15,501	12,562	3,448	16,010	-	-	(79)	(79)	15,931	(430)
HSC Maintenance	3,727	-	-	40	3,767	-	-	-	-	-	3,767	3,767	3,767	-
Utilities	23,150	-	-	2,088	25,238	1,503	576	2,079	-	-	25,081	25,081	27,160	(1,922)
Security	1,976	-	-	103	2,079	2,039	528	2,567	-	-	(207)	(207)	2,360	(281)
Deferred Maintenance	9,893	-	-	-	9,893	-	-	-	-	-	9,893	9,893	9,893	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	(0)
Sub-total	64,648	-	-	2,892	67,540	16,104	4,552	20,656	-	-	49,517	49,517	70,173	(2,633)
7. Institutional Support														
Administration	15,090	-	-	1,555	16,645	11,176	3,271	14,447	-	-	3,045	3,045	17,492	(847)
UTS Asset Management	1,200	-	-	-	1,200	-	-	-	-	-	1,200	1,200	1,200	-
UTS/Technology Fund	16,353	-	-	142	16,495	8,820	2,620	11,440	-	-	5,578	5,578	17,019	(524)
University Secretariat	892	-	-	-	892	631	181	812	-	-	124	124	936	(44)
President's Office	1,155	-	-	-	1,155	459	135	594	-	-	561	561	1,155	0
University Advancement	5,512	-	-	108	5,620	6,958	1,935	8,893	-	-	(3,273)	(3,273)	5,620	(0)
General University	7,864	-	-	2,037	9,901	893	143	1,036	-	-	9,699	9,699	10,735	(834)
Sub-total	48,066	-	-	3,841	51,907	28,938	8,285	37,223	-	-	16,934	16,934	54,157	(2,249)
8. Institutional Priority allocations														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	1,000	-	-	-	1,000	-	-	-	-	-	1,003	1,003	1,003	(3)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	27,692	-	-	-	27,692	-	22,175	22,175	-	-	1,003	1,003	23,178	4,514
Surplus/(Deficit)	660,075	-	11,160	93,350	764,585	393,307	123,086	516,393	37,815	13,781	198,651	250,247	766,640	(2,055)
<i>Under/(over)allocated</i>	-	-	-	(3,137)	(3,137)	-	-	-	-	-	(3,137)	(3,137)	(3,137)	-
Total Surplus/(Deficit)	660,075	-	11,160	90,213	761,448	393,307	123,086	516,393	37,815	13,781	195,514	247,110	763,503	(2,055)

Table 26: Operating Fund Annual Net Change by Unit

(\$ thousands)	2017/18		2018/19	2019/20	2020/21
	Budget	Projection	Budget	Plan	Plan
1. Faculties					
Business	2,130	2,594	3,878	3,548	2,526
Engineering	(1,514)	(1,855)	(1,966)	101	2,364
Health Sciences	(7,501)	(4,577)	(858)	(6,774)	(8,446)
Humanities	2,213	3,935	1,542	311	156
Science	4,576	9,596	1,750	1,088	1,141
Medical Radiation - Mohawk share	-	-	-	-	-
Social Sciences	(131)	2,579	1,959	2,932	2,839
Arts & Science	36	159	144	105	28
Sub-total	(191)	12,432	6,449	1,312	608
2. Academic Priorities					
University Fund	245	3,236	(2,357)	(2,045)	(830)
Revenue Projection Contingency	-	-	4,840	4,840	4,840
Ongoing Priorities Contingency	7,298	2,306	(252)	298	1,798
One-time Priorities Contingency	-	-	-	-	-
Sub-total	7,543	5,542	2,231	3,094	5,808
TOTAL ACADEMIC	7,352	17,974	8,680	4,406	6,416
3. Academic Support					
Office of the Provost	(3,584)	(2,499)	(1,202)	(1,203)	(1,319)
Museum of Art	(0)	29	2	(45)	(16)
MacPherson Institute	(1,302)	(1,283)	(666)	(621)	(573)
University Library	(958)	322	(546)	(858)	(1,077)
Health Sciences Library	(489)	(134)	(340)	(452)	(502)
Registrar	(156)	(628)	(396)	(140)	(298)
Sub-total	(6,490)	(4,193)	(3,147)	(3,319)	(3,785)
4. Research Support					
Research	486	(87)	(259)	(854)	(661)
VP Research Discretionary Fund	(0)	(42)	122	150	350
Research Loans	89	89	89	89	89
Sub-total	575	(40)	(48)	(615)	(222)
5. Student Support					
Graduate Scholarships	(378)	(841)	(1,147)	(1,165)	(1,177)
School of Graduate Studies	(355)	(484)	(129)	(125)	(164)
Student Affairs	(278)	(569)	564	641	(1,905)
Undergraduate Scholarships	0	(541)	1	(849)	(849)
Sub-total	(1,011)	(2,435)	(712)	(1,499)	(4,095)
6. Facilities Support					
Facilities Services	(27)	(31)	153	(155)	(430)
HSC Maintenance	(0)	12	(0)	-	-
Utilities	(872)	(5,632)	(364)	(1,197)	(1,922)
Security	(137)	(174)	(224)	(194)	(281)
Deferred Maintenance	8	(66)	-	-	-
Bond Interest	-	0	-	-	-
Renovation contingency	(23)	(394)	0	0	(0)
Sub-total	(1,051)	(6,285)	(436)	(1,547)	(2,633)
7. Institutional Support					
Administration	(3,197)	469	(3,972)	(1,017)	(847)
UTS/Technology Fund	655	1,596	(387)	243	(524)
UTS Asset Management	(13)	9	5	(17)	-
University Secretariat	(10)	(29)	(0)	(24)	(44)
Presidential Budget	(36)	(10)	0	0	0
University Advancement	(207)	(278)	(358)	(193)	(0)
General University	372	624	17	(672)	(834)
Sub-total	(2,437)	2,382	(4,696)	(1,680)	(2,249)
8. Institutional Priority allocations					
Technology Renewal	4,517	4,517	4,517	4,517	4,517
Marketing & Branding	-	297	(413)	1	(3)
Pension	-	-	-	-	-
Strategic Priorities	(23)	(22)	-	-	-
Sub-total	4,494	4,791	4,104	4,518	4,514
Surplus/(Deficit)	1,432	12,194	3,745	265	(2,055)
<i>Under/(over)allocated</i>	0	0	0	-	-
Total Surplus/(Deficit)	1,432	12,194	3,745	265	(2,055)

Table 27: Operating Fund 2017/18 Financial Position and Variance by Unit

(\$ thousands)	2017/18 Budget					2017/18 Projection					Favourable (Unfavourable) Variance				
	Appropriations April 30, 2017	On-going	One-time	Total	Appropriations April 30, 2018	Appropriations April 30, 2017	On-going	One-time	Total	Appropriations April 30, 2018	Appropriations April 30, 2017	On-going	One-time	Total	Appropriations April 30, 2018
1. Faculties															
Business	(614)	4,543	(2,413)	2,130	1,516	(113)	4,397	(1,803)	2,594	2,481	501	(146)	610	464	965
Engineering	21,478	3,031	(4,545)	(1,514)	19,964	23,093	1,747	(3,601)	(1,855)	21,239	1,615	(1,284)	944	(341)	1,275
Health Sciences	33,994	(6,601)	(901)	(7,501)	26,493	35,688	(3,264)	(1,313)	(4,577)	31,111	1,694	3,336	(412)	2,924	4,619
Humanities	(3,635)	741	1,472	2,213	(1,421)	(4,188)	628	3,307	3,935	(253)	(554)	(113)	1,835	1,722	1,168
Science	4,354	4,576	(0)	4,576	8,931	2,899	8,275	1,321	9,596	12,495	(1,455)	3,699	1,321	5,020	3,564
Medical Radiation - Mohawk share	0	-	-	-	0	1	-	-	-	1	0	-	-	-	0
Social Sciences	(3,904)	(801)	670	(131)	(4,036)	(2,312)	(206)	2,785	2,579	267	1,593	595	2,115	2,710	4,303
Arts & Science	2,171	229	(193)	36	2,207	2,237	166	(7)	159	2,397	67	(63)	187	123	190
Sub-total	53,844	5,719	(5,910)	(191)	53,653	57,305	11,743	689	12,432	69,737	3,461	6,024	6,599	12,623	16,084
2. Academic Priorities															
University Fund	34,180	8,129	(7,884)	245	34,425	38,054	20,969	(17,734)	3,236	41,290	3,875	12,840	(9,850)	2,990	6,865
Revenue Projection Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ongoing Priorities Contingency	(1,162)	7,298	-	7,298	6,135	(1,574)	(593)	2,899	2,306	732	(412)	(7,890)	2,899	(4,991)	(5,403)
One-time Priorities Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	33,017	15,427	(7,884)	7,543	40,560	36,480	20,377	(14,835)	5,542	42,022	3,463	4,950	(6,951)	(2,001)	1,462
TOTAL ACADEMIC	86,861	21,146	(13,794)	7,352	94,213	93,785	32,119	(14,146)	17,974	111,759	6,924	10,974	(352)	10,622	17,546
3. Academic Support															
Office of the Provost	7,884	(1,526)	(2,058)	(3,584)	4,299	9,752	(1,543)	(956)	(2,499)	7,253	1,868	(17)	1,102	1,085	2,953
Museum of Art	4	(0)	-	(0)	4	(30)	18	11	29	(0)	(33)	18	11	29	(4)
MacPherson Institute	2,811	(411)	(891)	(1,302)	1,509	3,352	(622)	(660)	(1,283)	2,069	541	(211)	231	19	560
University Library	27	(1,125)	167	(958)	(931)	151	(567)	889	322	473	124	558	722	1,280	1,404
Health Sciences Library	82	(489)	-	(489)	(406)	241	(234)	100	(134)	106	159	254	100	354	513
Registrar	575	(38)	(117)	(156)	419	1,333	(82)	(546)	(628)	704	758	(44)	(429)	(473)	285
Sub-total	11,383	(3,590)	(2,900)	(6,490)	4,893	14,798	(3,030)	(1,163)	(4,193)	10,605	3,415	560	1,736	2,296	5,712
4. Research Support															
Research	(1,750)	304	182	486	(1,264)	884	(217)	130	(87)	797	2,634	(521)	(52)	(573)	2,061
VP Research Discretionary Fund	(0)	103	(103)	(0)	(0)	2	52	(94)	(42)	(39)	2	(51)	9	(42)	(39)
Research Loans	(832)	89	-	89	(743)	(832)	89	-	89	(743)	0	(0)	-	(0)	0
Sub-total	(2,582)	495	79	575	(2,007)	54	(76)	36	(40)	14	2,636	(572)	(43)	(615)	2,021
5. Student Support															
Graduate Scholarships	2,459	(378)	-	(378)	2,081	2,005	(841)	-	(841)	1,164	(454)	(463)	-	(463)	(917)
School of Graduate Studies	678	(332)	(23)	(355)	323	649	(396)	(89)	(484)	164	(29)	(63)	(66)	(130)	(159)
Student Affairs	(129)	(339)	60	(278)	(408)	1,617	380	(948)	(569)	1,048	1,746	718	(1,009)	(290)	1,456
Undergraduate Scholarships	(0)	0	-	0	(0)	529	(756)	215	(541)	(12)	529	(756)	215	(541)	(12)
Sub-total	3,008	(1,049)	38	(1,011)	1,997	4,799	(1,613)	(822)	(2,435)	2,365	1,792	(564)	(860)	(1,424)	368
6. Facilities Support															
Facilities Services	192	114	(141)	(27)	165	397	110	(141)	(31)	366	206	(4)	0	(4)	202
HSC Maintenance	(0)	(0)	-	(0)	(0)	(12)	12	-	12	(0)	(12)	12	-	12	0
Utilities	1,947	(872)	-	(872)	1,076	5,485	(332)	(5,300)	(5,632)	(147)	3,538	540	(5,300)	(4,760)	(1,222)
Security	822	(137)	-	(137)	686	955	(144)	(30)	(174)	781	133	(7)	(30)	(37)	95
Deferred Maintenance	(8)	(0)	8	8	0	66	(74)	8	(66)	(0)	74	(74)	(0)	(74)	(0)
Bond Interest	-	(2,709)	2,709	-	-	(0)	0	-	0	(0)	(0)	2,709	(2,709)	0	(0)
Renovation contingency	23	(23)	-	(23)	(0)	394	(394)	-	(394)	0	372	(372)	-	(372)	0
Sub-total	2,977	(3,626)	2,575	(1,051)	1,926	7,286	(822)	(5,463)	(6,285)	1,001	4,309	2,804	(8,039)	(5,235)	(925)
7. Institutional Support															
Administration	3,642	(381)	(2,816)	(3,197)	444	5,803	1,074	(606)	469	6,272	2,161	1,455	2,211	3,666	5,828
UTS/Technology Fund	67	(1,345)	2,000	655	722	(168)	(1,285)	2,881	1,596	1,428	(236)	60	881	941	706
UTS Asset Management	13	(13)	-	(13)	(0)	3	9	-	9	12	(10)	22	-	22	12
University Secretariat	152	(10)	-	(10)	142	247	(29)	-	(29)	219	95	(18)	-	(18)	77
Presidential Budget	1,536	(36)	-	(36)	1,500	1,851	7	(18)	(10)	1,840	315	43	(18)	26	341
University Advancement	480	(207)	-	(207)	273	829	(278)	-	(278)	551	349	(70)	-	(70)	278
General University	(10)	372	-	372	362	(624)	(779)	1,403	624	0	(614)	(1,151)	1,403	253	(361)
Sub-total	5,880	(1,621)	(816)	(2,437)	3,443	7,940	(1,279)	3,661	2,382	10,322	2,060	342	4,477	4,819	6,879
8. Institutional Priority allocations															
Technology Renewal	(30,352)	-	4,517	4,517	(25,835)	(30,317)	-	4,517	4,517	(25,800)	35	-	-	-	35
Marketing & Branding	-	0	(0)	-	-	118	297	(0)	297	414	118	297	(0)	297	414
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	67	-	(23)	(23)	44	22	-	(22)	(22)	-	(45)	-	1	1	(44)
Sub-total	(30,285)	0	4,494	4,494	(25,791)	(30,178)	297	4,495	4,791	(25,386)	107	297	1	298	405
Surplus/(Deficit)	77,241	11,756	(10,323)	1,432	78,673	98,485	25,596	(13,402)	12,194	110,679	21,244	13,840	(3,079)	10,762	32,005
Under/(over)allocated	0	4,761	(4,761)	0	0	0	4,761	(4,761)	0	0	(0)	(0)	-	(0)	(0)
Total Surplus/(Deficit)	77,241	16,517	(15,084)	1,432	78,673	98,485	30,357	(18,163)	12,194	110,679	21,244	13,840	(3,079)	10,762	32,005

Table 28: Operating Fund Budget and Plan Financial Position by Unit

(\$ thousands)	2018/19 Budget				2019/20 Plan				2020/21 Plan				
	Appropriations April 30, 2018	On-going	One-time	Total	Appropriations April 30, 2019	On-going	One-time	Total	Appropriations April 30, 2020	On-going	One-time	Total	Appropriations April 30, 2021
1. Faculties													
Business	2,481	7,268	(3,390)	3,878	6,359	11,538	(7,990)	3,548	9,908	13,516	(10,990)	2,526	12,433
Engineering	21,239	3,424	(5,390)	(1,966)	19,272	6,141	(6,040)	101	19,374	7,404	(5,040)	2,364	21,738
Health Sciences	31,111	(1,458)	599	(856)	30,253	(7,099)	325	(6,774)	23,479	(8,521)	75	(8,446)	15,033
Humanities	(253)	855	687	1,542	1,288	146	165	311	1,600	(9)	165	156	1,756
Science	12,495	6,790	(5,040)	1,750	14,245	5,874	(4,785)	1,088	15,333	3,279	(2,138)	1,141	16,474
Medical Radiation - Mohawk share	1	-	-	-	1	-	-	-	1	-	-	-	1
Social Sciences	267	577	1,382	1,959	2,227	2,159	773	2,932	5,159	2,219	620	2,839	7,998
Arts & Science	2,397	87	57	144	2,541	48	57	105	2,646	(29)	57	28	2,673
Sub-total	69,737	17,544	(11,095)	6,449	76,186	18,807	(17,495)	1,312	77,498	17,859	(17,251)	608	78,106
2. Academic Priorities													
University Fund	41,290	3,026	(5,383)	(2,357)	38,933	(2,282)	238	(2,045)	36,888	707	(1,537)	(830)	36,058
Revenue Projection Contingency	-	4,840	-	4,840	4,840	4,840	-	4,840	9,680	4,840	-	4,840	14,520
Ongoing Priorities Contingency	732	(252)	-	(252)	480	298	-	298	778	1,798	-	1,798	2,576
One-time Priorities Contingency	-	10,000	(10,000)	-	-	10,000	(10,000)	-	-	10,000	(10,000)	-	-
Sub-total	42,022	17,614	(15,383)	2,231	44,252	12,856	(9,762)	3,094	47,346	17,345	(11,537)	5,808	53,154
TOTAL ACADEMIC	111,759	35,157	(26,478)	8,680	120,438	31,663	(27,258)	4,406	124,844	35,204	(28,788)	6,416	131,260
3. Academic Support													
Office of the Provost	7,253	(487)	(715)	(1,202)	6,051	(503)	(700)	(1,203)	4,848	(619)	(700)	(1,319)	3,530
Museum of Art	(0)	2	-	2	1	(45)	-	(45)	(43)	(16)	-	(16)	(59)
MacPherson Institute	2,069	(551)	(115)	(666)	1,403	(560)	(62)	(621)	781	(573)	-	(573)	208
University Library	473	(496)	(50)	(546)	(73)	(858)	-	(858)	(931)	(1,077)	-	(1,077)	(2,008)
Health Sciences Library	106	(340)	-	(340)	(233)	(452)	-	(452)	(685)	(502)	-	(502)	(1,187)
Registrar	704	(55)	(340)	(396)	309	(209)	68	(140)	168	(298)	-	(298)	(129)
Sub-total	10,605	(1,927)	(1,220)	(3,147)	7,458	(2,626)	(693)	(3,319)	4,139	(3,085)	(700)	(3,785)	353
4. Research Support													
Research	797	(259)	-	(259)	538	(854)	(0)	(854)	(316)	(661)	-	(661)	(977)
VP Research Discretionary Fund	(39)	122	-	122	82	150	-	150	232	350	-	350	582
Research Loans	(743)	89	-	89	(654)	89	-	89	(566)	89	-	89	(477)
Sub-total	14	(48)	-	(48)	(34)	(615)	(0)	(615)	(649)	(222)	-	(222)	(871)
5. Student Support													
Graduate Scholarships	1,164	(1,147)	-	(1,147)	17	(1,165)	-	(1,165)	(1,148)	(1,177)	-	(1,177)	(2,325)
School of Graduate Studies	164	1	(130)	(129)	35	(36)	(90)	(125)	(90)	(71)	(93)	(164)	(254)
Student Affairs	1,048	579	(15)	564	1,613	641	-	641	2,254	(1,905)	-	(1,905)	349
Undergraduate Scholarships	(12)	(849)	850	1	(12)	(849)	-	(849)	(861)	(849)	-	(849)	(1,711)
Sub-total	2,365	(1,417)	705	(712)	1,653	(1,409)	(90)	(1,499)	154	(4,002)	(93)	(4,095)	(3,941)
6. Facilities Support													
Facilities Services	366	236	(83)	153	519	47	(202)	(155)	364	(227)	(202)	(430)	(66)
HSC Maintenance	(0)	(0)	-	(0)	(0)	-	-	-	(0)	-	-	-	(0)
Utilities	(147)	(364)	-	(364)	(511)	(1,197)	-	(1,197)	(1,708)	(1,922)	-	(1,922)	(3,630)
Security	781	(184)	(40)	(224)	557	(194)	-	(194)	362	(281)	-	(281)	81
Deferred Maintenance	(0)	-	-	-	(0)	-	-	-	(0)	-	-	-	(0)
Bond Interest	(0)	-	-	-	(0)	-	-	-	(0)	-	-	-	(0)
Renovation contingency	0	0	-	0	0	0	-	0	0	(0)	-	(0)	(0)
Sub-total	1,001	(313)	(123)	(436)	565	(1,344)	(202)	(1,547)	(982)	(2,430)	(202)	(2,633)	(3,614)
7. Institutional Support													
Administration	6,272	(268)	(3,705)	(3,972)	2,300	(127)	(890)	(1,017)	1,283	(309)	(538)	(847)	435
UTS/Technology Fund	1,428	(1,280)	893	(387)	1,041	(1,172)	1,415	243	1,283	(925)	400	(524)	759
UTS Asset Management	12	5	0	5	17	(17)	-	(17)	0	-	-	-	0
University Secretariat	219	(0)	-	(0)	218	(24)	-	(24)	194	(44)	-	(44)	150
Presidential Budget	1,840	0	-	0	1,840	0	-	0	1,840	0	-	0	1,840
University Advancement	551	(358)	-	(358)	193	(193)	-	(193)	(0)	(0)	-	(0)	(0)
General University	0	(783)	800	17	17	(672)	-	(672)	(654)	(834)	-	(834)	(1,488)
Sub-total	10,322	(2,685)	(2,011)	(4,696)	5,626	(2,205)	525	(1,680)	3,946	(2,112)	(138)	(2,249)	1,696
8. Institutional Priority allocations													
Technology Renewal	(25,800)	-	4,517	4,517	(21,283)	-	4,517	4,517	(16,766)	-	4,517	4,517	(12,249)
Marketing & Branding	414	(413)	-	(413)	1	1	-	1	3	(3)	-	(3)	(0)
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	(0)	-	-	-	(0)	-	-	-	(0)	-	-	-	(0)
Sub-total	(25,386)	(413)	4,517	4,104	(21,282)	1	4,517	4,518	(16,764)	(3)	4,517	4,514	(12,249)
Surplus/(Deficit)	110,679	28,355	(24,610)	3,745	114,423	23,466	(23,201)	265	114,688	23,350	(25,404)	(2,055)	112,633
Under/(over)allocated	0	4,517	(4,517)	0	0	4,517	(4,517)	-	0	4,517	(4,517)	-	0
Total Surplus/(Deficit)	110,679	32,872	(29,127)	3,745	114,423	27,983	(27,718)	265	114,688	27,867	(29,921)	(2,055)	112,633

APPENDIX 4 – ANCILLARY FUND UNIT LEVEL TABLES

(\$ thousands)	Campus Store		Media Production		Parking		CCE		Hospitality		Housing & Conference		Total	
	2017/18 Projection	2018/19 Budget	2017/18 Projection	2018/19 Budget	2017/18 Projection	2018/19 Budget	2017/18 Projection	2018/19 Budget	2017/18 Projection	2018/19 Budget	2017/18 Projection	2018/19 Budget	2017/18 Projection	2018/19 Budget
Sources of funding														
Sales	16,257	16,117	415	560	5,655	5,759	6,338	7,280	25,179	25,414	27,231	27,548	81,075	82,678
Internal revenue	(69)	(70)	3,315	3,430	17	17	648	720	1,602	1,632	(64)	(65)	5,450	5,664
Total sources of funding	16,188	16,047	3,730	3,990	5,672	5,776	6,986	8,000	26,781	27,046	27,168	27,483	86,525	88,342
Expenditure														
Salaries, wages and benefits	2,555	2,569	1,429	1,582	1,083	1,141	4,655	5,188	10,575	11,961	6,883	7,162	27,180	29,603
Cost of sales	11,960	11,733	996	1,050	-	-	-	-	9,025	9,202	0	-	21,980	21,985
Internal rent	486	497	144	142	30	30	479	479	1,084	1,085	2,827	3,421	5,050	5,654
Utilities and maintenance	15	15	29	29	199	179	19	28	713	732	2,988	3,192	3,963	4,175
Debt and financing charges	71	32	2	2	919	1,391	-	-	135	135	3,053	3,053	4,180	4,613
Equipment and renovations	234	235	683	755	702	955	214	165	1,276	2,204	15,563	6,211	18,673	10,525
All other expenses	350	356	116	177	1,587	1,637	1,875	2,054	2,321	2,486	3,291	3,044	9,540	9,754
Total expenditures	15,671	15,437	3,398	3,737	4,521	5,333	7,242	7,914	25,130	27,806	34,604	26,083	90,566	86,309
Surplus (deficit) from operations	517	610	332	253	1,151	443	(256)	86	1,652	(760)	(7,436)	1,400	(4,041)	2,033
Contribution to Operating Fund	(188)	(207)	(137)	(132)	(226)	(236)	(1,303)	(315)	(1,069)	(1,139)	(1,118)	(1,175)	(4,042)	(3,204)
Surplus (deficit)	328	404	194	121	925	207	(1,559)	(229)	582	(1,898)	(8,555)	225	(8,084)	(1,171)
Reserve														
Beginning Balance	(1,421)	(764)	(2,469)	(2,080)	748	1,673	4,288	2,729	3,844	4,426	10,768	2,213	15,758	8,198
Reserve Adjustment	328	361	194	121	-	-	-	-	-	-	-	-	523	482
Surplus (deficit)	328	404	194	121	925	207	(1,559)	(229)	582	(1,898)	(8,555)	225	(8,084)	(1,171)
Closing Balance	(764)	0	(2,080)	(1,837)	1,673	1,880	2,729	2,500	4,426	2,527	2,213	2,438	8,198	7,509

APPENDIX 5 – SUMMARY BY FUND

Table 29: Consolidated 2017/18 Projection by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
Revenues										
Operating grants	234,718	-	2,732	-	-	-	-	237,450	33,091	270,541
Research grants and contracts	-	193,000	-	-	-	-	-	193,000	(21,990)	171,010
Tuition fees	294,092	-	-	-	-	-	-	294,092	9,580	303,672
Ancillary sales and services	-	-	-	-	-	81,075	-	81,075	(5,502)	75,573
Other revenues	123,810	-	83,726	11,885	100	-	32,798	252,318	(83,438)	168,880
Amortization of deferred capital contributions									44,227	44,227
Investment income (loss)	8,647	-	-	23,344	7,171	-	-	39,162	17,275	56,437
Investment income transfer	4,521	-	-	-	(4,521)	-	-	-	-	-
Total revenues	665,788	193,000	86,458	35,229	2,750	81,075	32,798	1,097,097	(6,757)	1,090,340
Expenses										
Salaries, wages and benefits	448,350	107,000	-	-	-	27,180	25,570	608,100	17,986	626,086
All other expenses	178,019	76,000	153,970	1,834	-	32,371	11,123	453,317	(149,056)	304,261
Amortization expense									74,045	74,045
Transfers to (from) other funds	9,146	(13,607)	(39,367)	19,542	526	25,427	(1,668)	-	-	-
Debt and financing charges	18,079	-	(10,849)	-	-	4,180	-	11,410	1,867	13,277
Total expenses	653,594	169,393	103,754	21,376	526	89,158	35,026	1,072,827	(55,158)	1,017,669
Excess of revenues over expenses	12,194	23,607	(17,296)	13,853	2,224	(8,084)	(2,228)	24,270	48,401	72,671

Table 30: Consolidated 2018/19 Budget by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
Revenues										
Operating grants	235,368	-	3,750	-	-	-	-	239,118	31,250	270,368
Research grants and contracts	-	209,000	-	-	-	-	-	209,000	(35,425)	173,575
Tuition fees	334,153	-	-	-	-	-	-	334,153	12,190	346,343
Ancillary sales and services	-	-	-	-	-	82,678	-	82,678	(5,783)	76,895
Other revenues	119,894	-	35,100	3,025	100	-	32,694	190,814	(12,875)	177,938
Amortization of deferred capital contributions									48,063	48,063
Investment income (loss)	8,380	-	-	28,363	8,593	-	-	45,336	16,490	61,826
Investment income transfer	4,521	-	-	-	(4,521)	-	-	-	-	-
Total revenues	702,316	209,000	38,850	31,388	4,172	82,678	32,694	1,101,099	53,910	1,155,009
Expenses										
Salaries, wages and benefits	476,032	117,000	-	-	-	29,603	23,884	646,518	17,132	663,650
All other expenses	194,233	83,000	155,016	4,403	-	32,656	10,342	479,650	(169,502)	310,148
Amortization expense									80,222	80,222
Transfers to (from) other funds	9,884	(13,638)	(31,770)	18,230	534	16,977	(216)	-	-	-
Debt and financing charges	18,423	-	(12,298)	-	-	4,613	-	10,738	2,692	13,430
Total expenses	698,571	186,362	110,948	22,633	534	83,849	34,009	1,136,906	(69,455)	1,067,450
Excess of revenues over expenses	3,745	22,638	(72,098)	8,755	3,638	(1,171)	(1,315)	(35,807)	123,365	87,558

Table 31: Consolidated 2019/20 Plan by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
Revenues										
Operating grants	235,696	-	3,520	-	-	-	-	239,216	31,356	270,572
Research grants and contracts	-	211,000	-	-	-	-	-	211,000	(34,821)	176,179
Tuition fees	372,088	-	-	-	-	-	-	372,088	10,185	382,273
Ancillary sales and services	-	-	-	-	-	89,681	-	89,681	(11,440)	78,241
Other revenues	120,389	-	115,508	2,431	100	-	32,137	270,565	(95,927)	174,638
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	47,226	47,226
Investment income (loss)	8,113	-	-	28,880	8,808	-	-	45,801	17,525	63,326
Investment income transfer	4,521	-	-	-	(4,521)	-	-	-	-	-
Total revenues	740,807	211,000	119,028	31,311	4,387	89,681	32,137	1,228,351	(35,895)	1,192,456
Expenses										
Salaries, wages and benefits	496,591	120,000	-	-	-	31,076	23,625	671,293	17,244	688,537
All other expenses	212,771	85,000	223,186	5,632	-	33,695	9,433	569,717	(241,113)	328,604
Amortization expense	-	-	-	-	-	-	-	-	86,637	86,637
Transfers to (from) other funds	12,758	(12,258)	(36,496)	17,713	547	17,776	(40)	-	-	-
Debt and financing charges	18,423	-	(12,191)	-	-	7,382	-	13,614	993	14,607
Total expenses	740,543	192,742	174,499	23,345	547	89,930	33,019	1,254,624	(136,239)	1,118,385
Excess of revenues over expenses	265	18,258	(55,471)	7,966	3,840	(249)	(882)	(26,273)	100,344	74,071

Table 32: Consolidated 2020/21 Plan by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
Revenues										
Operating grants	235,843	-	3,520	-	-	-	-	239,363	31,340	270,703
Research grants and contracts	-	213,000	-	-	-	-	-	213,000	(34,178)	178,822
Tuition fees	392,965	-	-	-	-	-	-	392,965	14,801	407,766
Ancillary sales and services	-	-	-	-	-	95,214	-	95,214	(15,603)	79,610
Other revenues	123,173	-	219,498	2,431	100	-	32,053	377,255	(194,152)	183,103
Amortization of deferred capital contributions									53,753	53,753
Investment income (loss)	4,946	-	-	29,350	9,034	-	-	43,330	22,106	65,436
Investment income transfer	4,521	-	-	-	(4,521)	-	-	-	-	-
Total revenues	761,448	213,000	223,018	31,781	4,613	95,214	32,053	1,361,127	(121,933)	1,239,193
Expenses										
Salaries, wages and benefits	516,393	123,000	-	-	-	32,382	23,001	694,776	19,581	714,357
All other expenses	212,850	87,000	239,380	6,776	-	34,662	9,566	590,234	(252,242)	337,992
Amortization expense									95,491	95,491
Transfers to (from) other funds	12,652	(11,327)	(36,606)	17,172	561	17,587	(40)	-	-	-
Debt and financing charges	21,607	-	(10,916)	-	-	7,828	-	18,519	(2,927)	15,592
Total expenses	763,503	198,673	191,858	23,948	561	92,458	32,528	1,303,529	(140,097)	1,163,432
Excess of revenues over expenses	(2,055)	14,327	31,160	7,833	4,052	2,756	(475)	57,597	18,164	75,761

APPENDIX 6 – SIGNIFICANT ACCOUNTING POLICIES

The University's audited financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. A summary of the significant accounting policies follows:

1) Revenue recognition: The University follows the deferral method of accounting for contributions which include donations and government grants. The principles under this method are summarized as follows:

- Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Contributions externally restricted for purposes, such as research grants and non-endowed donations, are deferred and recognized as revenue in the year in which the related expenses are recognized.
- Contributions externally restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related capital asset.
- External endowment contributions and investment income preserved under the endowment capital protection policy are recognized as a direct increase in endowment net assets.

2) Capital assets and amortization: Capital assets are recorded at cost, or if donated, at fair value on the date of receipt. Amortization is recorded on the straight-line basis over the expected life of the asset.

Collections and works of art: The McMaster Museum of Art has significant collections of works of art and coins. Donations of works of art are recorded in operations in the year of acquisition.

3) Pensions and other employee future benefits: The University maintains defined benefit registered and non-registered pension plans, a retirement incentive program and group registered retirement savings plans. Non-pension post-retirement and post-employment benefits plans are also provided. Accruals for these costs are recorded over the periods of service. An actuarial accounting valuation is performed annually at the University's year-end to update the liabilities related to the pension and non-pension obligations. The valuation uses management's estimates of investment yields, salary escalation, health care trend rates and other factors. The assumptions are consistent with those used for the tri-annual registered pension plan valuations.

- Re-measurement and other items are recognized as a direct increase (decrease) to net assets and are not reclassified to the statement of operations in subsequent periods. Re-measurement and other items comprise the aggregate of: the difference between the actual return on plan assets and the return calculated using the discount rate used to determine the defined benefit obligation; the actuarial gains and losses; the effect of any valuation allowance in the case of a net defined benefit asset; past service costs; and any gains and losses arising from settlements and curtailments.
- The employer's share of group RRSP contributions is charged to operations in the year made.

4) Investments: Short-term investments are recorded at cost plus accrued income which together approximates fair value. Long-term investments are carried at fair values. Changes in fair value are included in investment income.

APPENDIX 7 – OPERATING FUND ENVELOPE GROUPINGS

Activity Units

DeGroote School of Business

Accounting and Financial Management
 Executive Education
 Finance and Business Economics
 Health Policy and Management
 Human Resources and Management
 Information Systems
 Marketing
 Operations Management
 Strategic Management
 Research Centres
 Digital Research Centre
 Gould Trading Floor
 Health Leadership Academy
 Investment Decision Centre
 Management of Innovation and Technology

Faculty of Engineering

Chemical Engineering
 Civil Engineering
 Computing and Software
 Electrical and Computer Engineering
 Engineering Physics
 Materials Science and Engineering
 Mechanical Engineering
 School of Biomedical Engineering
 W. Booth School of Engineering Practice and Technology
 Research Centres
 ArcelorMittal Dofasco Centre for Engineering and Public Policy
 Centre for Effective Design of Structures
 Centre for Emerging Device Technologies
 Centre for Engineering Design
 Centre for Research in Micro- and Nano-systems
 Computing Infrastructure Research Centre
 McMaster Centre for Software Certification
 McMaster Institute for Energy Studies
 McMaster Manufacturing Research Institute
 McMaster Steel Research Centre
 Xerox Centre for Engineering Entrepreneurship and Innovation

Faculty of Health Sciences

Anaesthesia
 Biochemistry & Biomedical Sciences
 Health Research Methods, Evidence, and Impact
 Health Policy
 Family Medicine
 Michael G. DeGroote School of Medicine
 Midwifery
 Obstetrics and Gynecology
 Oncology
 Pathology and Molecular Medicine
 Pediatrics
 Psychiatry and Behavioural Neurosciences
 Radiology
 Surgery
 School of Nursing
 School of Rehabilitation Science

Faculty of Humanities

Classics
 Communication Studies and Multimedia
 English and Cultural Studies
 French
 Gender Studies and Feminist Research
 History
 Linguistics and Languages
 Peace Studies
 Philosophy
 School of the Arts
 Research Centres
 Bertrand Russell Research Centre
 Centre for Advanced Research in Experimental and Applied Linguistics

Faculty of Science

Biology
 Chemistry and Chemical Biology
 Geography and Earth Sciences
 Kinesiology
 Mathematics and Statistics
 Physics and Astronomy
 Psychology, Neuroscience and Behaviour
 Research Centres
 Biointerfaces Institute
 McMaster Centre for Climate Change
 McMaster Institute for Music and the Mind
 Origins Institute

Faculty of Social Sciences

Anthropology
 Economics
 Health, Aging and Society
 Indigenous Studies
 Labour Studies
 Political Science
 Religious Studies
 Social Work
 Sociology
 Research Centres
 Gilbreath Centre for Studies in Aging
 Institute on Globalization and the Human Condition
 Public Economics Data Analysis Laboratory

Arts & Science Program

Support Units

Academic Support

Provost and Vice-President (Academic) Office
 Equity and Inclusion Office
 Health Policy and Management
 Health Sciences Library
 Institutional Research and Analysis
 International Affairs
 Museum of Art
 Paul R. MacPherson Institute for Leadership, Innovation and
 Excellence in Teaching
 Registrar's Office
 University Library

Research Support

Research
 Vice-President (Research) Office
 Biosafety Committee
 Health Physics
 McMaster Industry Liaison Office
 Nuclear Reactor
 Research Ethics
 Research Finance
 Research High Performance Computing
 Research Office for Administration, Development and Support
 Research Centres
 Accelerator Lab
 Brockhouse Institute for Material Research
 Interface: McMaster Institute for Multi-Hazard Systemic Risk Studies
 McMaster Indigenous Research Institute
 McMaster Institute for Healthier Environments
 McMaster Institute for Research on Aging
 McMaster Institute for Transportation and Logistics
 Statistics Canada Research Data Centre at McMaster
 Vice-President (Research) Discretionary Fund

Student Support

School of Graduate Studies
 Student Affairs
 Athletics and Recreation
 Career Planning and Employment
 Indigenous Student Services
 International Student Services
 Ombuds
 Student Accessibility Services
 Student Development
 Student Success Centre
 Student Wellness Centre
 Graduate Scholarships
 Undergraduate Scholarships

Facilities Support

Facility Services
 Security
 Utilities

Institutional Support

Administration
 Vice-President (Administration) Office
 Financial Affairs
 Human Resources
 Internal Audit
 Advancement
 Advancement Services
 Alumni Advancement
 Communications and Public Affairs
 Development
 Stewardship and Donor Relations
 Vice-President (Advancement) Office
 General University
 Office of the President
 University Secretariat
 University Technology Services

Institutional Priorities

Marketing and Branding
 Pension
 Strategic Priorities
 Technology Renewal