



2019/20 Consolidated Budget

Approved by the Board of Governors
June 6, 2019

BRIGHTER WORLD

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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 (August 2019)/ Santee Smith (from September 2019)**

President, Vice-Chancellor and Chair of the Senate: **Dr. Patrick Deane (June 2019) / Dr. David Farrar (Acting, July 2019)**

Provost and Vice-President Academic: **Dr. David Farrar (June 2019) / Susan Searls-Giroux (Acting, July 2019)**

McMaster Model

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

Degrees Granted (in 2017-18)

7,049

Student Enrolment Headcount (as of fall 2018)

Undergraduate: **28,920**

Graduate: **4,857**

Domestic: **28,747**

International: **4,400**

Average Entering Grade (in fall 2018)

Faculties

6

Full-Time Faculty (excluding Clinicians, 2018)

849

Staff (2018)

10,342

Alumni (2018)

196,547

Research Funding

\$391.6 million awarded in research funding in 2017-18 (McMaster and affiliated hospitals)

World Ranking (2018)

Shanghai Ranking: **86th**

Times Higher Education: **77th**

QS World Ranking: **146th**

Times Higher Education Global Impact Rankings: **2nd** in world for Societal and Community Impact

2018 – Recipient of the Global Teaching Excellence Award from Times Higher Education

2018 – Canada's most research-intensive university – Research Intelligence Rankings

Campus

152.4 hectares of property

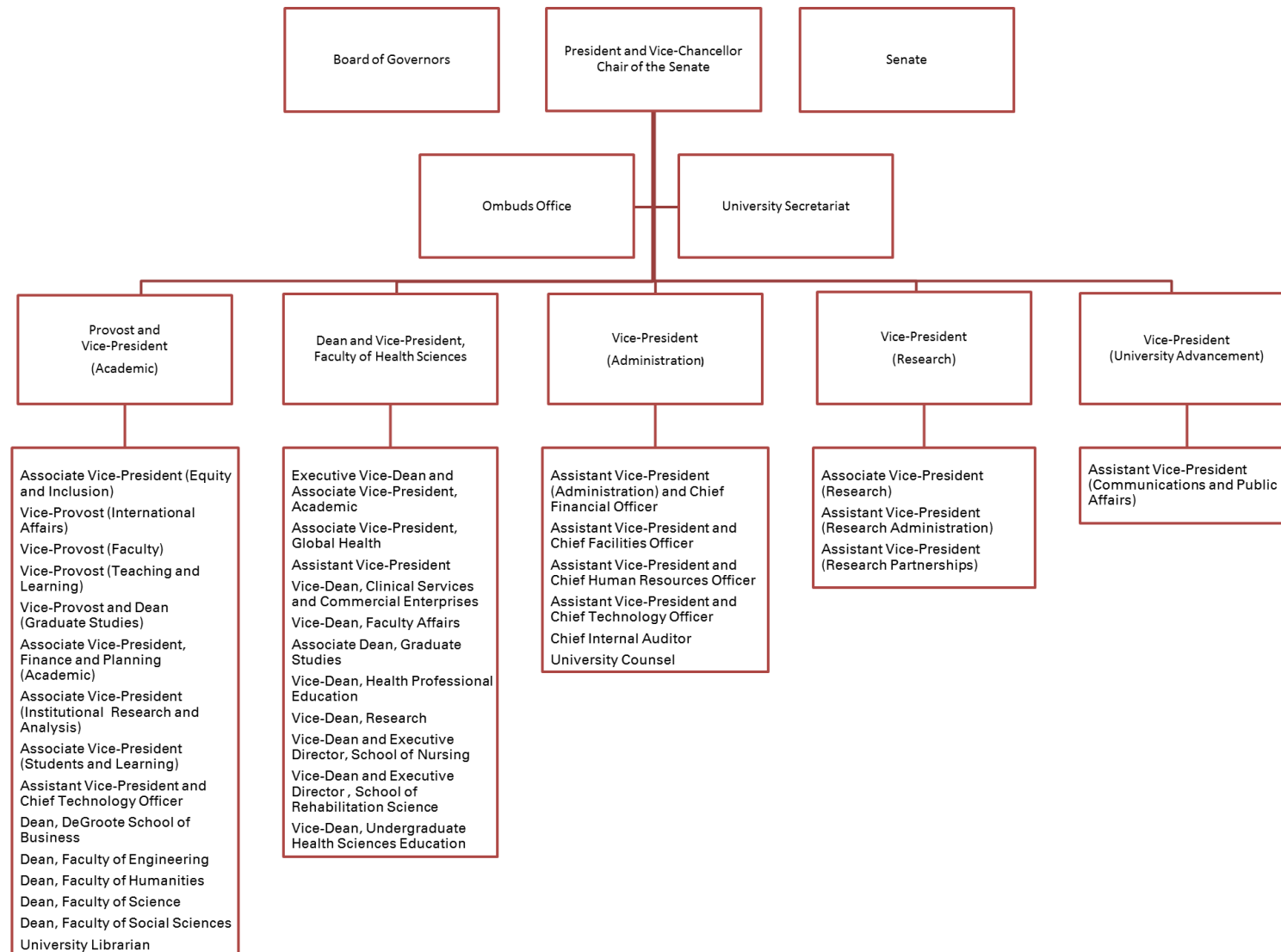
4 libraries, **12** residence buildings, **1** athletic complex

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



The University's mission and strategic priorities provide the framework for the 2019/20 consolidated budget. McMaster's budget process engages all areas across the University in thinking about and demonstrating their use of resources in furtherance of the University's guiding strategy, *Forward with Integrity (FWI)*. The Strategic Mandate Agreement entered into with the provincial government is based on the principles outlined in *Forward with Integrity* and the resulting consolidated budget is therefore reflective of, and aligned with, McMaster's strategic priorities and with the provincial

agreement.

The key priorities established by *Forward with Integrity* 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

In support of these goals, McMaster is engaged in a major multi-year focus on research excellence and on enhancing the funding, infrastructure, and overall support for research. The *Research for a Brighter World — Strategic Plan for Research 2018-2023* lays out a vision and strategy to further the University's research mission and take our institution's research success to an even higher level. Beyond ensuring 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 this budget and the planning years ahead, McMaster will continue to welcome a more diverse student population from all regions of the world and will continue to focus on enhancing the student experience and developing globally engaged citizens. Our engagement with the local and global communities that we serve will also continue and advance as the positive impact of our research, and the work of our faculty, students, and staff, is felt around the globe.

Each Faculty, department, and administrative area across the University has prepared a budget that reflects the resources available and outlines initiatives planned or already underway that support and advance these goals. The budget is structurally balanced and takes account of the revised tuition framework, drawing upon reserves to advance critical priorities.

This is the last consolidated budget I have the pleasure to support as President and Vice-Chancellor. I would like to highlight my sincere gratitude to the members of the Budget Committee and all staff across the institution who contributed to the development of this comprehensive document. Thank you also for the work that each and every department and unit does every day to advance and support the mission of the University, and for the time, energy, and dedication that you each contribute to McMaster's mission and strategic direction.

Sincerely,

Patrick Deane

President and Vice-Chancellor

4 MESSAGE FROM THE PROVOST

I am pleased to present McMaster University's 2019/20 budget to the University community. The budget supports our mission of the discovery, communication and preservation of knowledge. The budget plan enables the implementation of the University's strategic priorities 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 are focused on integrating 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, and 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 while 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. We do this by fostering ongoing collaboration between the University and its partners. This enables us to understand and consider more fully 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.

The current budget plan includes a ten percent cut in domestic tuition and a domestic tuition freeze for next year. Faculties will meet the reduction of revenues by spending some of their accumulated surpluses. Under the current enrolment corridor mandated by the Ministry of Training, Colleges and Universities, McMaster has reached the upper limit for enrolment of domestic undergraduate students. We have also reached the Ministry's cap for funding PhD students. Maintaining our research intensity will require growth in our PhD student enrolment. Therefore, increases in undergraduate and PhD enrolment will come from an intensified and diversified international recruitment, which is not limited by the Ministry's funding cap.

There remains room for growth in Masters student enrolment, particularly in professional Masters programs. These programs fulfill McMaster's commitment to providing lifelong learning and ongoing skill development for our graduates and our community.

Although demand for McMaster programs remains strong, there are other risks that could impact the current budget plan including: changes in government priorities and funding; our ability to attract and retain a diversified international student base; 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 a life-long learning focus including micro-credentials. We will continue to focus on effective budget strategies through ongoing review of our administrative support models, as well as by enhancing and diversifying our revenue sources.

As Provost, my other strategic priorities include: enhanced support of research and research platforms; commercialization of our research activities; opportunities for additional Indigenous programs and research; 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. Their collective efforts ensure the ongoing well-being of our great institution.

Sincerely,

David Farrar
Provost and Vice-President (Academic)

5 EXECUTIVE SUMMARY

The consolidated budget shows a surplus in 2019/20 and the outer planning years, and the Operating Fund representing 66% of the consolidated budget is structurally balanced. This is achieved despite funding changes by the Ministry of Training, Colleges and Universities (MTCU), such as the 2019/20 10% domestic tuition cut, and 2020/21 domestic tuition freeze in addition to the domestic enrolment cap at 2016/17 levels. The Operating Fund will be further affected by MTCU's recently announced cancellation of the Medical Doctorate (MD) and Graduate Expansion Grants, removing a total of \$52.9 million in capital funding, of which \$3.3 million is already committed, with the Operating Fund potentially being the new funding source for the committed funding. Other changes driven by MTCU include the 2019/20 implementation of student opt-out fees, predominantly affecting student associations and threatening the ongoing viability of programs that enhance student life. Finally, the provincial government will also consider legislative changes affecting individuals who are both working and collecting a pension; the impacts associated with any subsequent changes are not factored into this budget.

Delivering on McMaster's *Forward with Integrity (FWI)* vision remains a priority, utilizing prior years' savings in reserves (appropriations) as well as seed funding from the University Fund. This budget emphasizes *FWI* priorities related to delivering an optimal research-focused, student-centred experience, providing an integrated local-to-global community mindset, with consideration toward impact and sustainability of the environment we depend on. Plans include investments in research excellence, as well as technologically enabled pedagogical approaches, career pathways across programs, and broadening existing community initiatives and partnerships with the City of Hamilton and beyond.

McMaster's research focus involves the 2019/20 launch of the *Brighter World Research Initiative* aimed at raising funds to deliver on the research strategic plan. In addition, McMaster will progress its research commercialization initiative, building dedicated space to relocate research spin-off businesses to the McMaster Innovation Park. This space will be co-located with the new government-supported advanced manufacturing supercluster. In addition, the capacity of the nuclear reactor will increase to enhance research while balancing other commercial opportunities.

In an environment of reduced funding, these initiatives cause expense growth to exceed revenue growth in the Operating Fund (Figure 1). As a result, appropriations will be substantially reduced over the budget and planning years (Figure 2). In response to the MTCU funding changes, the University has increased its attention and targets on diversified international enrolment. Other revenue growth is in the planning stage and includes increasing professional Masters programs, expanding the use of campus in the summer, and introducing block chain and micro-credentials using online solutions that reduce the burden on physical infrastructure.

Actual and projected enrolment growth has increased the strain on campus capacity. In 2019/20 McMaster will open the Peter George Centre for Living and Learning (PGCLL) providing over 500 additional undergraduate beds and an additional 36% in classroom capacity. Additional capacity-enabling projects include building the McLean Center for Learning and Discovery on top of Innis Library, and two additional residences, including integrated learning and research spaces. One residence will be for undergraduate students on campus land and include an integrated intergenerational research space. The other residence will be on McMaster leased land downtown

and include integrated learning spaces. Both additional residence projects are public-private partnerships (P3), whereby McMaster owns or holds the lease on the lands. Further, McMaster operates, manages and maintains the residences and student life programming the same as any non-P3 residence. The P3 projects are strategically important capacity initiatives that the University could not finance on its own. These P3 projects could be at risk if changes are made to existing development charge exemptions offered to McMaster by the City of Hamilton. Further, other capacity enabling future projects, not yet committed to, may be cancelled due to MTCU's recent cancellation of the expansion grant commitment it made to McMaster for delivering specific increased MD and graduate enrolment.

Inflationary pressures in Ontario affect salary, wages, supplies, and deferred maintenance. MTCU has announced it will increase deferred maintenance support to those schools in the greatest need. Close to 70% of McMaster's buildings are over 40 years old. In 2019/20, the higher education sector will adopt a more accurate methodology for measuring deferred maintenance that considers functions within buildings. This is predicted to increase the true cost of deferred maintenance by as much as 30% over the five-year implementation.

McMaster will continue to focus on benchmarking data initiatives to target efficiency projects with the greatest savings potential to allow the academy to grow while holding support services constant. McMaster has adopted the UniForum annual benchmarking program, which has resulted in significant savings at other international institutions, and 2019/20 will mark the third year of data collection. In addition, administrative reviews target opportunities to minimize bureaucracy and streamline activities. Completed reviews have focused on IT services, research financial administration support, and in 2019/20 will further focus on human resources support services.

Given the above, the consolidated budget is structurally balanced, largely due to investment income and historic internal reserve strategies to set aside funding for future-oriented obligations. The consolidated surplus is ideally 10% of revenues per year. The projection for 2018/19 does not achieve this level due to a 4.5% projected investment return (future years assume a 5.9% return consistent with McMaster's historical real return). In 2019/20 and beyond, the consolidated surplus is impacted by the MTCU tuition framework and the cancellation of capital funding, tightening the spread between revenues and expenses (Figure 3). Future obligation settlement strategies already in place will be reviewed for ongoing funding adequacy.

Figure 1: Operating Fund Outlook

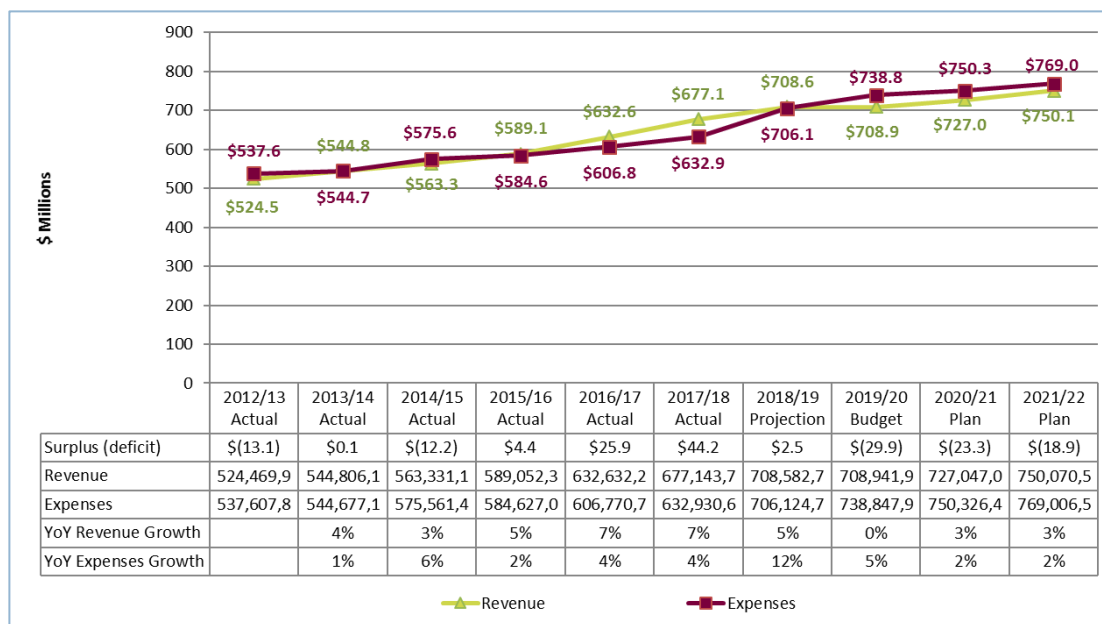


Figure 2: Operating Fund Appropriations

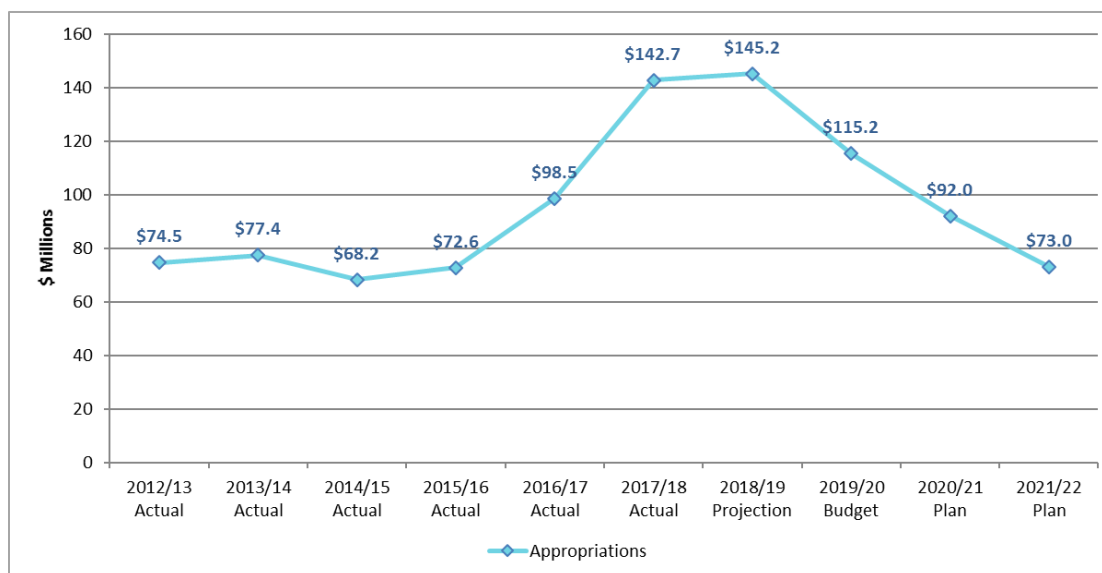
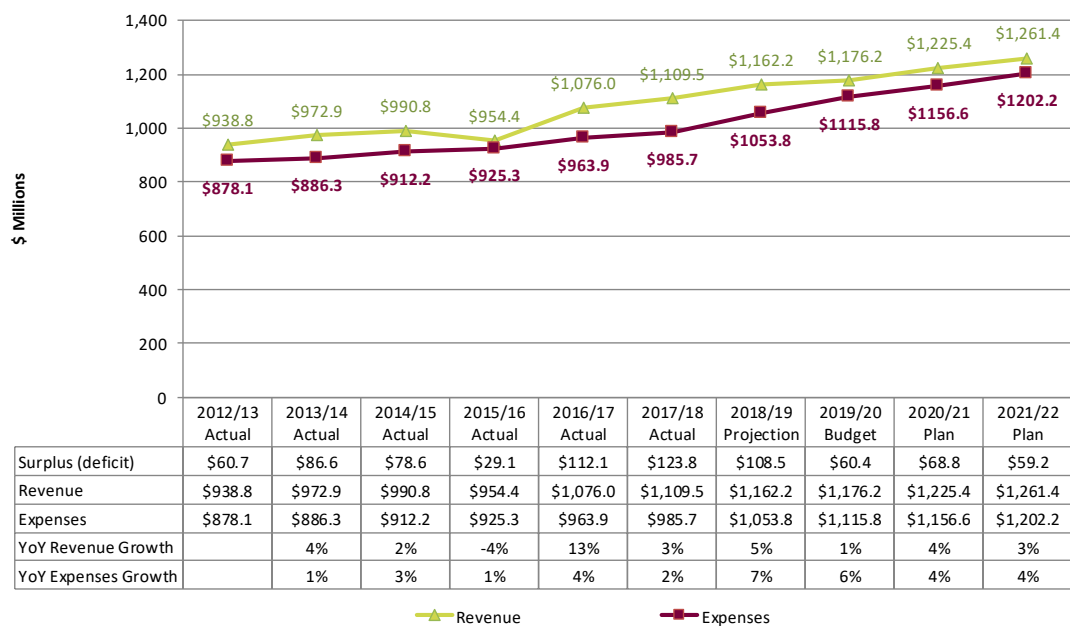


Figure 3: Consolidated Outlook



6 McMASTER'S KEY STRATEGIC PLANS

6.1 FORWARD WITH INTEGRITY AND STRATEGIC MANDATE AGREEMENT

The Ministry of Advanced Education and Skills Development¹ and McMaster University signed the Strategic Mandate Agreement (SMA) for the period May 1, 2017 to April 30, 2020. This second SMA follows an initial three-year SMA for the period of May 2014 to April 2017. The SMA captures McMaster's areas of strength, growth and direction as a University and aligns to the priorities embedded within *Forward with Integrity (FWI)*. These priorities set forth McMaster's differentiating characteristics 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, formally connecting McMaster's priorities into the provincial agreement. This agreement further includes additional metrics to demonstrate the achievement of the University's priorities and includes financial metrics that can indicate the degree of the University's financial strength and sustainability. During the budget year, McMaster will begin to consider the next SMA with the MTCU covering a 5 year horizon May 1, 2020 to April 30, 2025 (SMA3) that will include a substantial increase in performance- or outcomes-based funding (from currently around 8% to approximately 60%).

The budget is the result of a University wide process that engages Faculties and departments to outline their effective and efficient use of available resources to further McMaster's *FWI* priorities, embedded in the SMA. Budgeted operating grant revenues incorporate the corridor-funding model. The corridor mid-point is based on an enrolment average over five years, phased in beginning in 2016/17². Domestic tuition revenues are based on the tuition framework involving the 10% domestic tuition cut followed by a domestic tuition freeze for 2020/21. For planning purposes, the domestic tuition budget assumption for 2021/22 and beyond holds tuition flat. International tuition revenues include assumptions regarding a growing diversified international student participation.

¹ The Ministry has since been renamed to its former name Ministry of Training, Colleges and Universities (MTCU).

² 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.

6.2 RESEARCH

The *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.

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.

6.3 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 McMaster's *FWI*, integrating and incorporating input from all stakeholders across the University community. The Capital Plan is a dynamic document that is subject to change in order to align itself with the shifting priorities of the University.

According to the Board-approved capital planning process, this plan is updated annually with input from University stakeholders to ensure infrastructure supports academic enrolment plans and research priorities. It is supported by further detailed documents, including 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 and other key strategic priorities are integrated into the University's Debt Strategy, which involves multi-year financial projections. The Debt Strategy determines the University's financial capacity to fund initiatives and examines whether internal and/or additional external financing is required to move critical capital priorities forward.

7 CONTEXT

7.1 REVENUE GENERATION ENVIRONMENT

7.1.1 ENROLMENT TRENDS

Provincial grants for domestic enrolment make up 33% of the Operating Fund's budgeted revenues (or 20% of the University's Consolidated Budget). Domestic tuition accounts for another 28% of the Operating Fund's budgeted revenues. Both domestic grant and domestic tuition funding growth have been limited over recent years due in part to the corridor funding model introduced in 2017/18 freezing grant funding to 2016/17 levels and remaining unchanged in the 2019/20 budget and future planning years. Further affecting results are the changes to domestic tuition framework set by MTCU that caps the magnitude of annual tuition rate increases and reduces domestic tuition by 10% in 2019/20 approximating \$22.3 million in less tuition revenues for 2019/20 and holding domestic tuition frozen in 2020/21. The cut to domestic tuition revenues and ongoing loss of inflationary funding on both the operating grant and future domestic tuition revenues has called for an increased examination of McMaster's international participation across all disciplines and in connection with campus capacity. The opportunity to increase international enrolment across certain programs exists, whereas the historic University enrolment focus was toward domestic enrolment growth to assist the province in its accessibility priority. The provincial funding changes have also increased the University's focus on broadening its diversified revenue sources.

McMaster has achieved domestic enrolment caps for undergraduate and PhD enrolment. Therefore, in the budget and planning years McMaster is able to focus on a more diverse student population aimed at enhancing the student experience. International tuition represents 17% of the Operating Fund's budgeted revenues for 2019/20. McMaster is seeing unprecedented growth in applications both domestically at over 3% for 2019/20 (exceeding the demographic university-age population growth rate approximating less than 1%) and internationally at over 17% for 2019/20 compared to the previous year. This application demand suggests budgeted enrolment plans are achievable which align with approved capacity-enabling infrastructure initiatives such as, the Peter George Centre for Living and Learning, the McLean Centre for Collaborative Discovery at the DeGroote School of Business, and two additional public-private student residence projects.

7.1.2 PROVINCIAL GRANT FUNDING

The Ministry's corridor funding model caps the operating grant at 2016/17 levels. This MTCU model provides funding to the University by means of three funding components:

1. Domestic enrolment-based funding referred to as the Core Operating Grant (COG), whereby funding is for each eligible domestic student enrolled based on weighted grant units (WGU) by program. This aspect of the funding model is managed through the application of an enrolment corridor mechanism³.
2. Differentiation funding (also referred to as performance- or outcomes-based) is the portion of grant funding linked to the University's achievement of priorities and/or metrics within the

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.

SMA. This funding focuses on differentiation across the higher education sector, student success, and strengthening existing areas of excellence.

3. Special Purpose Grants represents funding programs based on government and/or system priorities, such as improving access for Indigenous learners, francophone students, and students with disabilities.

The University's performance based funding is currently less than 10% of overall grant revenue, however this will grow to approximately 60% over the next SMA period ending in 2025 with the offset primarily reducing enrolment-based funding by proportional reductions in the WGU values per student enrolled. This direction aligns with the Province's objective to focus funding on University, and SMA, priorities and outcomes rather than enrolment. The change will focus on ten performance metrics, nine sector-wide and one institution specific, that will form the basis of the differentiation envelope that will be distributed based on metric outcomes. Metrics will focus on skills/job outcomes and economic/community impact. As well, two additional metrics will focus on University productivity, accountability and transparency.

Another change to provincial funding includes an April 2019 announcement cancelling University MD and Graduate expansion grants. These grants are infrastructure expansion funds committed to the University for delivering additional enrolment targets. McMaster has met the enrolment targets required by the province for these grants; however, the province has cancelled its funding commitment for the capital funds. This cut eliminates \$52.9 million in expected funding scheduled between 2019/20 to 2032, of which, McMaster has existing contract commitments of over \$3 million that cannot be cancelled and will need to be absorbed in this budget.

Finally, the University has worked diligently on the changes the province has mandated to differentiate student fees between essential and non-essential fees. The Ministry requires the University and student organizations to allow for an opt-out process for all non-essential fees. The impact to student clubs and associations is not yet known and it is anticipated that opting out could affect the student life experience.

7.1.3 TUITION

The budget incorporates the MTCU's two year tuition framework affecting domestic enrolment, which stipulates in 2019/20 that a ten percent reduction over the prior year's tuition fees be implemented followed by a zero percent increase for 2020/21 for all funding eligible programs. For planning purposes of 2021/22 and beyond zero percent increases are assumed.

For international students, annual increases will continue and vary by program. International tuition fees do not have the benefit of provincial supplemental operating grant support; as such, these tuition fees are higher than domestic peers and are monitored relative to McMaster's key peers.⁴ Overall, international student enrolment funding is reduced by a \$750 per student head tax on international enrolment required by the province.

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.

7.2 INVESTMENT RETURNS

The University investment pool consists of endowments and internal reserves established to settle future obligations and totals just over \$1 billion. Annual revenues associated with endowment spending and reserves flow through McMaster's consolidated results. The size of this portfolio and the interest return budgeted versus achieved results in potential material effects to the annual results. Each year McMaster budgets investment income using the long-term rate of return expectation after inflation or 5.9%. For each plus or minus 1% difference achieved from budgeted returns the impact to McMaster's annual results is approximately \$5.9 million. McMaster budgeted 5.9% in 2018/19 and the current projection is a 4.5% return, which has a negative \$8 million impact on the consolidated results. The budget and planning years assume 5.9% returns along with continued annual spending of 4% and fundraising support of 1%.

The Operating Fund receives annual support of \$9 million per year from endowed gifts and internally restricted assets. The Operating Fund will also receive an additional \$3 million for 2019/20 based on past investment performance and completion of a five-year commitment from the Investment Reserve totaling \$15 million. The Investment Reserve holds interest earnings and losses and protects the Operating Fund from volatility or annual interest revenue swings. The investment reserve protects spending during prolonged down markets recognizing the need to continue many committed funding initiatives, such as chair salaries, student scholarships and bursaries and the annual Operating Fund commitment.

In addition to the investment pool, McMaster also manages pension plan assets of over \$2.0 billion. In the case of pension-related University costs, a plus or minus 1% swing in interest returns materially affects projected pension liabilities and pension payment schedules to the plan by over \$200 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 smoothens 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.

7.3 RESEARCH FUNDING

Federal research funding programs have helped McMaster retain, for the second year in a row, its status as Canada's most research-intensive university (Research Infosource 2018). The federal *Budget 2019* builds on last year's unprecedented investment in science and university research, which included \$925 million in new funding for fundamental research. The federal *Budget 2018* proposed a new investment of \$210 million over five years for the Canada Research Chairs (CRC) Program to better support early-career researchers and increase diversity among chairholders. As a result of this investment, McMaster has been awarded an additional 12 CRCs over the next three years and our early-career CRCs will receive an additional research stipend of \$20,000 per year to help them establish their research programs.

The federal *Budget 2019* recognizes the importance of non-profit research organizations to Canada's research community. McMaster is a partner of the Brain Canada Foundation and the Terry Fox Research Institute, an associate member of TRIUMF (Canada's particle accelerator centre), a host institution of Let's Talk Science, and a recipient of significant funding and support from the Stem Cell Network, Ovarian Cancer Canada, and Genome Canada. The proposed new investments in these

research organizations, together with the new Strategic Science Fund's principles-based approach to the allocation of federal funding, will help to strengthen and sustain the national organizations and facilities that enable Canadian research and innovation.

The federal *Budget 2019* includes new investments in research to address the unique health challenges of Canada's military members and veterans, including \$25 million over ten years in support of the Canadian Institute for Military and Veteran Health Research (CIMVHR) and \$20.1 million over five years for a proposed new Centre of Excellence on Chronic Pain Research. McMaster is a member of the CIMVHR and was recently awarded \$12.5 million by the Canadian Institutes of Health Research's Strategy for Patient-Oriented Research to establish the Chronic Pain Network. Working in partnership with patients, the Network supports and coordinates world-class, innovative and high-impact research to improve chronic pain management.

To support the recruitment and retention of diverse research teams, the federal *Budget 2019* proposes to expand parental leave coverage from six to 12 months for students and postdoctoral fellows who receive funding from the federal granting councils through an investment of \$37.4 million over five years and \$8.6 million per year ongoing. McMaster is committed to excellence in research and training for the benefit of Canadians. Achieving a more equitable, diverse and inclusive Canadian research enterprise is essential to creating the excellent, innovative and impactful research necessary to seize opportunities and to respond to global challenges.

Provincial funding opportunities, in particular the programs of the Ministry of Economic Development, Job Creation and Trade, continue to support research excellence in Ontario. As Canada's leading university in corporate research income (Research Infosource 2018), McMaster looks forward to working with the expert panel proposed in the *2019 Ontario Budget* to maximize the commercialization potential of academic research. The *2019 Ontario Budget* also identifies investment in automotive research and commercialization as key elements of the provincial automotive plan, *Driving Prosperity: The Future of Ontario's Automotive Sector*. McMaster is a partner in Ontario's Autonomous Vehicle Innovation Network (AVIN) – located at McMaster Innovation Park – designed to build on Ontario's position as a global leader in automotive manufacturing, and home to the McMaster Automotive Resource Centre (MARC), one of the world's leading academic research centres focused on transportation electrification.

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 2018/19, 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 2018/19 paid indirect costs to McMaster at 20.1% of all eligible Tri-Agency receipts, the same as in 2017/18. As a highly research-intensive university, these financial requirements can be challenging.

Finally, McMaster's partner support is critical to advancing the endeavours of our research community, in particular the many collaborations with Hamilton Health Sciences and St. Joseph's Healthcare Hamilton.

7.4 FACULTY RENEWAL

The Faculty budget plans, taken together, include a 6% 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 at a lower rate; these plans are preliminary and will be adjusted as actual enrolments, revenues and strategies solidify. Hiring is predominantly in tenure-track and teaching-track appointments. There is continued interest in increasing teaching track appointments to address increased teaching demands and to enable other research-focused appointments.

In addition to planned new positions, there is significant renewal forecasted within the existing complement. In 2018/19, renewal of 7% of existing faculty occurred through retirements and an additional 5% is planned for 2019/20.

7.5 INFLATION

Cost inflation is a significant issue for McMaster. With many existing revenue sources flat or deflationary, management has limited tools to address the full extent of expense inflation which is particularly high in Ontario relative to Canada. McMaster competes globally for talent so salaries must attract and secure the most qualified faculty, staff and researchers, nationally and internationally. Salary inflation adds broad expense pressure particularly as seen with the passing of Bill 148, *Fair Workplaces, Better Jobs Act, 2017*, which increased Ontario minimum wage inflation beyond historical averages by almost 23% in 2017/18. This Bill has had ripple effect across many other expense categories, including capital infrastructure, whereby third parties increase prices to address or pass on these added costs. The result of these increased wages across the Ontario system has been broad cost inflation affecting everything from food to other goods and services perhaps making the standard of living no more cost effective for the original targeted increased wage recipients than preceding the changes.

The consumer price index inflation for Ontario approximated 2.3% compared to Canada approximating 1.9% in 2018. The Bank of Canada projects inflation for Canada to fall closer to 1.8% in 2019, however Ontario is still expected to have inflation of over 2.1%. McMaster will launch a procurement project in 2019/20 aimed at delivering savings by increasing pre-negotiated contract buying. The project, MacBuy, should assist in defraying from of the inflationary pressures across the University.

Unprecedented cost inflation is also affecting books and academic journals as competition amongst publishers' declines and monopolies arise controlling the majority of the academic journals. The result is that average acquisition costs for books and journals rises by over 5%, with some individual titles increasing even more. This cost pressure further increases, as some prices are associated with the University's research intensity factor, whereby McMaster's increased research success has led to automatically increased library costs for the same products.

Utility prices also remain volatile. The biggest cost pressure is any increase in electricity rates, which is affected by the Global Adjustment for provincial infrastructure, and changes to the electricity market. McMaster's suspension of the Chasing the Peak initiative in 2017 did not result in the expected increase in costs due to changes in the energy market. As well, Ontario's Cap and Trade System started in 2017, which was to impact McMaster in the future following the use of free allowances until 2020, was cancelled in 2018. With the recent legislative changes to the Energy

Market, we are now receiving rebates that have reduced electricity pricing. However, in addition, the City of Hamilton is planning water rate increases and potentially additional development charges, which could result in the cancellation of once-viable projects.

The 2019/20 budget includes allocations to support units for compensation inflation. However, the budget model does not allocate resources on a basis of inflationary needs rather units have an opportunity to request funding for inflationary pressures. The decision to allocate compensation related inflationary funding or other inflationary requests 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.

7.6 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 \$0.75 USD in mid-March 2019. 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 uncertainty around the nature of US trade relations and the UK's Brexit. 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.

McMaster receives a portion of its revenues in USD and holds a USD account with funding levels set to settle annual USD expenditures. The University's approach to USD funding management acts as a partial natural hedge to US foreign exchange risk.

7.7 PENSION AND POST-RETIREMENT BENEFITS

7.7.1 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 pension obligations through the collective bargaining process for unionized employees. All employee groups remaining in the DB plans have increased contributions over the past few years. Employee cost sharing through contribution increases help plan sustainability and are one of the key reasons that the plans have previously qualified for temporary solvency relief measures offered by the province.

The Ontario Pension Benefits Act and regulations require McMaster University to submit an actuarial valuation for the Contributory Pension Plan for Salaried Employees of McMaster University Including Divinity College (Plan 2000) and the Contributory Pension Plan for Salaried Employees of McMaster University Including Divinity College (Original Plan) (together known as "the Salaried Pension Plans") no later than every three years. The legislative filing requirements were met by filing the Salaried Pension Plans actuarial valuations as at July 1, 2017 in March 2018. However, in April 2018 the Ontario Pension Benefits Act Regulation 250/18 was enacted for all plans filed on or after January 1, 2018. The Act formalized into law a number of anticipated changes to the defined pension plan funding framework, including:

- 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
- Elimination of solvency funding requirements where funded solvency status is 85% or greater.
- New funding rules for benefit improvements and restriction on contribution holidays

As a result, of the funding rule changes, the University elected early adoption for the Salaried Pension Plans, completing new valuations as at July 1, 2018 filed in March 2019, based on the following benefits:

- Improvement in the funded status of the Salaried Pension Plans since the last valuation, which is captured in pension contribution certainty to 2021.
- Reduction in fees payable to the Pension Benefits Guarantee Fund ("PBGF"), which is the provincial benefit plan insurance fund. Savings to McMaster approximate over \$4 million for 2019 and 2020.
- Elimination of solvency payments because the Salaried Pension Plans meet the new solvency funding threshold of 85%. These reductions are partially offset by new payments into the PfAD, however the overall cash flow is significantly improved.
- Filing under the new rules make explanations about the current status of the plan more transparent applying the current regulations rather than referring to a measurement until 2020 under the old regime.

The consolidated budget incorporates the updated salaried valuations and former regime rules for the smaller closed hourly plan (next scheduled valuation is July 1, 2019).

Funding requirements associated with pension plans remain challenging as employee contributions never fully reached 50% of the current service costs despite increased contributions levels given other changes such as improved mortality. 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.

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 3-5% higher for plans defined as closed, or not open to new entrants or original employee categories (McMaster's hourly and original salaried plans). Since McMaster's Plan 2000 is not open to all original employee categories the new legislation defines the plan as a closed plan.

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.

Table 1: Pension Plan Status

\$ millions	Plan 2000		Hourly Plan	
	Valuation date		Valuation date	
	July 1, 2018*		July 1, 2016	
Going concern surplus (deficit)	\$	(143.4)	\$	1.6
Solvency surplus (deficit)	\$	(197.2)	\$	(16.0)
Solvency ratio		91%		72%

*Including PfAD

The Plan 2000 going concern surplus before the PfAD is \$90.9 million (versus a \$30.8 million deficit at July 1, 2017), however the new PfAD to be funded is \$234.3 million. The solvency deficit of \$197.2 million reflects a significant improvement compared to the July 1, 2017 solvency deficit of \$342.1 million. The estimated minimum total annual funding requirements (current service cost and special payments) for Plan 2000 are \$6.8 million lower over 2018/19 and 2019/20 under the new filing in addition to a reduction in required payments to the pension benefit guarantee fund. Funding originally planned to be directed to solvency payments will be redirected to the PfAD.

In 2019/20 the province will undertake a review of its legislation affecting employees working and drawing a pension concurrently. The impacts to salary and pension costs related to this initiative are not known or factored into the budget.

7.7.1 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 and while the liability remains largely unfunded, the changes employee groups agreed to mitigate its growth significantly. In addition a post-retirement benefit (PRB) reserve has been established, which is unitized in the investment pool. This internally restricted reserve accumulates interest and is funded by a 0.25% surcharge included in employer benefit costs. The reserve initially had only 1% of the required cash to fund the present value of the obligation, but today the reserve holds just under 9% of the required cash obligation. The PRB reserve is reviewed every three years involving an updated actuarial valuation. Strategies to ensure this obligation is settled 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; and/or
- Contribution of any additional surpluses from the Operating Fund, University benefits reserve or Investment Reserve.

⁸ As of April 30, 2018, the liability for non-pension employee future benefits is estimated at \$248 million, with reserves of \$83 million.

7.8 FACILITIES

7.8.1 CAPACITY

Since 1960, McMaster has added a total of 37 buildings on campus (38 on completion of the Peter George Centre for Living and Learning in 2019) 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 ground area on the main campus.

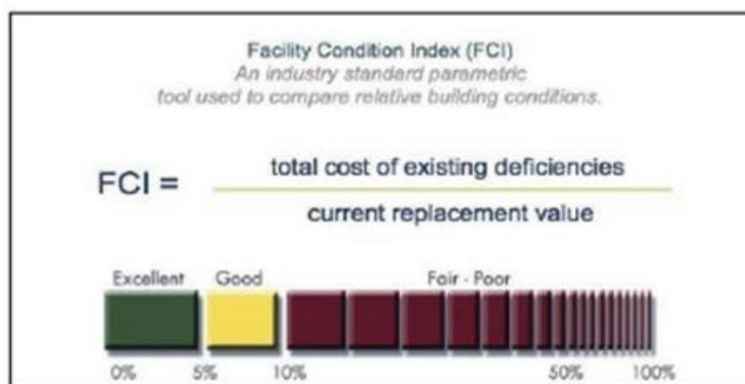
Enrolment growth is an additional stress on the capacity of physical space. The amount of classroom space on campus is close to 85% of what is needed as defined by Council of Ontario Universities (COU) standards. Residence bed spaces fall short in accommodating all first-year students. In McMaster's 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 due for completion August 2019, which will add a 36% increase in classroom space, as well as an expansion of the McLean Centre for Collaborative Discovery and new residence buildings for undergraduate and graduate students. Further specific funding for classroom renewal and accessibility retrofit projects has been included in the budget. Some projects underway are funded from the MTCU MD Expansion or Grad Expansion grants, which are annual capacity expansion grants based on delivered additional enrolments. The grant programs extend annual capital commitments to 2031 and some contractual capital commitments exist relying on these future annual funds. However, the MTCU recently announced cancellation of the expansion grant program, regardless that the additional expanded enrolments being delivered. The cancellation means a loss of \$52.9 million in expected capital funds. This recent announcement will require additional changes to capital plans in the annual 2019/20 update.

7.8.2 DEFERRED MAINTENANCE

A total of 69.8% (44 of 63) of McMaster buildings are over 40 years old, of which 63.5% have a fair to poor facilities condition, see figure below. The current deferred maintenance backlog in academic buildings and infrastructure excluding residences and McMaster University Medical Centre (MUMC) is estimated at \$259.6 million. Maintenance needs are prioritized based on critical and non-critical building systems. With deferred maintenance funding of approximately \$13 million annually from multiple sources including the Operating Fund and the MTCU, the backlog of critical priorities is forecasted to slightly decrease from the 2019 position of \$194 million to approximately \$180 million in 2029. However, additional requirements may be identified as a result of future rotational infrastructure audits.

Further in 2018/19 the higher education sector agreed to revise the former building condition assessment approach. The change will result in more accurate building replacement costs as well as deferred maintenance costs than under the former model. The former model included building assessments using a cost model applying a square footage approach, McMaster used this model for re-assessments of the University infrastructure each year. The new measurement approach will use a system model that considers the functions within the building to assess requirement costs. The requirement costs were also not reflective of the actual project costs and the new assessments add a factor of 1.3 to the requirement cost to offset this. This change will result in future higher reported deferred maintenance costs. Further McMaster will adopt the same measurement cycle as peers, measuring 20% of the University's infrastructure each year. Prior to 2019/20, McMaster had measured 25% of its deferred maintenance costs each year.



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 budget accountability to the Budget Committee, a sub-committee of the University Planning Committee, to oversee the development of 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 2019/20 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. The following funds are used:

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 a full activity-based model and an incremental model. 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. Funding to support units is fixed year-over-year where incremental allocations are annual decisions based on funding availability and unit-level requests considered a priority. Support unit funding does not increase with changes to enrolment or research.

Figure 4: Operating Fund Budget Model Revenue Streams



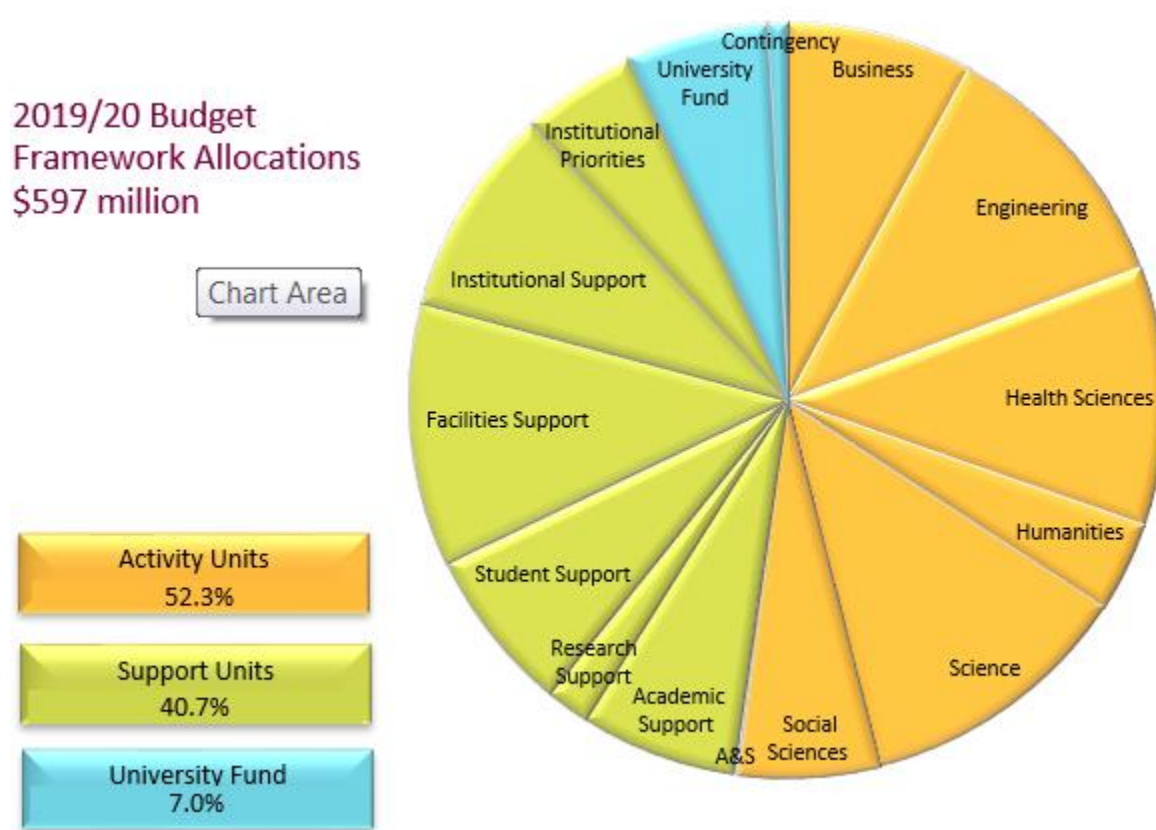
In the simplest terms, all central revenue streams are allocated to Faculties based on activities (such as student enrolment and teaching) as earned. The model mostly matched how the MTCU flowed funding to universities. However, the model allows for two strategic funding pools to be created as a percentage 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.

After all revenue allocations are made to the Faculties and strategic funds, allocations of central support unit costs are charged to Faculties based on a relevant proxy-based cost drivers, for example Human Resources costs are charged out based on employee full-time equivalents.

All Faculties or activity unit allocations are adjusted based on actual revenues and cost driver results after year-end.

Figure 5: Operating Fund 2019/20 Budget Framework Allocations by Area

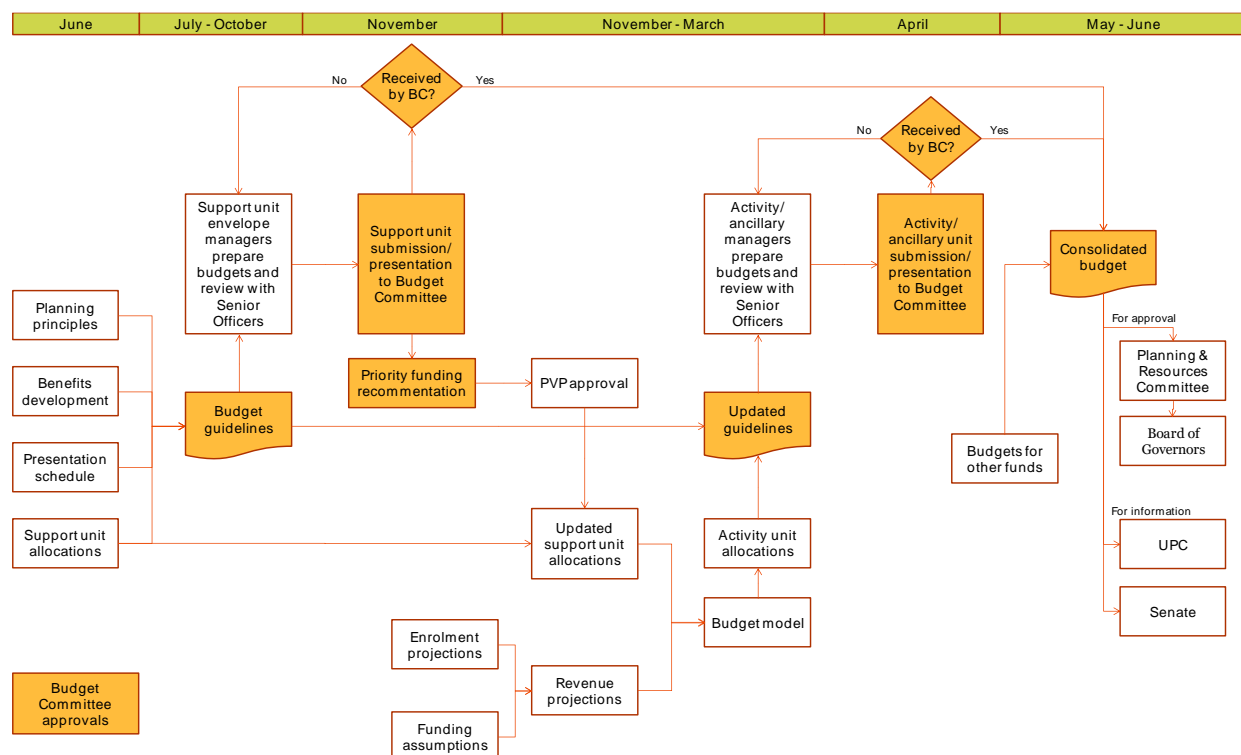


The budget approach has been continually assessed and evaluated both internally and externally, the latter involving the sharing of best practices with other Canadian and U.S. universities, as well as participating in research undertaken by the Education Advisory Board. Review feedback and ongoing input 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/>.

Changes to the MTCU funding allocation approach are expected in the next SMA shifting funding from primarily enrolment based toward roughly 60% performance- or outcomes-based by 2025. The shift in funding focus by the MTCU will be examined for its possible implications on the University's budget model approach.

8.5 BUDGET CYCLE

Figure 6: Budget Cycle



June: The budget cycle for the Operating Fund and Specifically Funded Programs 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 units have a fixed budget year-over-year unless otherwise unit-level approved allocations and/or approved strategic investments are made. 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 budgets during a three-day Budget Committee conference, attended by additional guests including the Vice-Presidents, Faculty Deans and Directors of Faculty Administration. This allows the Faculty or 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 Committee conference, attended by additional guests including the Vice-Presidents, Faculty Deans and Directors of Faculty 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, the Peter George Centre for Living and Learning opening in August 2019, and the McLean Centre for Collaborative Discovery. 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 MTCU 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 2018/19 level 1 intake (i.e. as of November 1, 2018) is applied as the anticipated level 1 intake from 2019/20 to 2023/24, unless a specific target was provided by a program.
- 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

		2018/19 Budget	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Undergraduate FTEs	Domestic	23,419 +0.6%	23,645 +1.6%	23,446 -0.8%	23,424 -0.09%	23,446 +0.09%
	International	3,062 +30.8%	2,800 +19.5%	3,138 +12.1%	3,438 +9.6%	3,669 +6.7%
	Total	26,481 +3.4%	26,445 +3.3%	26,584 +0.5%	26,862 +1.0%	27,115 +0.9%
Graduate FTEs	Domestic	3,056 +2.8%	3,081 +3.6%	3,125 +1.4%	3,163 +1.2%	3,171 +0.2%
	International	1,140 +7.2%	1,238 +16.5%	1,258 +1.6%	1,284 +2.1%	1,298 +1.1%
	Total	4,196 +4.0%	4,319 +7.0%	4,383 +1.5%	4,447 +1.5%	4,469 +0.4%

8.6.2 TUITION RATES

The domestic tuition rate increase is expected to match that allowed by the MTCU tuition fee framework (see Table 3), for 2019/20 and 2020/21. In the absence of the Ministry tuition fee framework policy for 2021/22 and beyond, tuition increases have been held to zero percent, in other words frozen.

Incremental international tuition revenues are included in the budget and planning years, due to McMaster's corridor-capped domestic intake, allowing greater international participation. For 2019/20 and 2020/21, international undergraduate and graduate rates are assumed to increase by 10% per year for level 1 and 6% for level 2 and above, with exceptions to specific programs. However, due to the 4% maximum increase guarantee granted to international students enrolled prior to 2019/20, the 6% increase will be applied only to new cohorts. Note that international PhD tuition will mirror that of the domestic PhD in accordance with McMaster's decision last year to harmonize the international and domestic PhD tuition.

Table 3: Tuition Rate Assumptions

				2018/19 Budget		2018/19 Projection		2019/20 Budget		2020/21 Plan		2021/22 Plan	
				Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +
Tuition rate	Domestic	Undergraduate	Arts & Science or other	3%	2.25%	3%	2.25%	-10%	-10%	0%	0%	0%	0%
			Professional	5%	5%	5%	5%	-10%	-10%	0%	0%	0%	0%
		Graduate	Research (with thesis component)	0%	0%	0%	0%	-10%	-10%	0%	0%	0%	0%
			Professional (course work only)	5%	5%	5%	5%	-10%	-10%	0%	0%	0%	0%
	International	Undergraduate	Arts & Science or other	8%	4%	8%	4%	10%	6%	10%	6%	10%	6%
			Professional	8%	4%	8%	4%	10%	6%	10%	6%	10%	6%
		Graduate	Research (with thesis component)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			Professional (course work only)	8%	4%	8%	4%	10%	6%	10%	6%	10%	6%

8.6.3 OPERATING GRANTS

In accordance with the provincial funding formula, grants are held flat at essentially the 2016/17 level as domestic enrolment remains within the corridor at the enrolment cap. However, a net decline in the operating grant is expected associated with the incremental \$750 per international student tax charged by the province to universities.

Table 4: Operating Grant Assumptions

			2018/19 Budget	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Operating grants	Core Operating Grant (COG)		\$2,903/WGU based on WGU midpoint 2016/17	Flat	Flat	Flat	Flat
	Differentiation Grant		\$261.7/WGU based on WGU midpoint 2016/17	Flat	Flat	Flat	Flat
	Graduate Expansion Grant rate	COG	± \$2,903/WGU based on WGU 2016/17 as base	Flat	Flat	Flat	Flat
		Differentiation	± \$261.7/WGU based on WGU 2016/17 as base	Flat	Flat	Flat	Flat
	International student reduction		\$750 per international student	Flat	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 appropriations⁹ 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 2019/20 budget, additional allocations have been made for:

- A full-time Indigenous Curator position in the McMaster Museum of Art

⁹ 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.

- Further investment in the libraries' operations to eliminate potential structural deficits and provide collection and learning support
- The Forge entrepreneurship program
- Entrance scholarships for the higher enrolment expected
- For deferred maintenance as part of Phase 2 of the Campus Accessibility Action Plan
- Maintenance, custodial and utilities costs of the Peter George Centre for Living and Learning due for completion in 2019
- Various IT initiatives resulting from the IT Review and some license fee increases
- Wireless network expansion
- Further 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 2019/20 budget and/or planning years. Not yet included in the budget are incremental resourcing needs in 2019/20 or beyond associated with a multi-year research initiative that began in 2018/19. Further to the actions that directly support the strategic plan, a series of administrative support reviews and benchmarking activities 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 benchmarking and feedback 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 enables McMaster to understand how non-academic support services are being delivered, where they are being delivered, and at what cost. This information is being used to help the University fully understand how it is supporting the academic and research mission and how it benchmarks against other participating institutions. There are 46 participating post-secondary institutions worldwide—23 universities in Australia and New Zealand, 18 in the United Kingdom and now 4 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 various stages of implementation. Projects such as MacBill (an accounts receivable module), MacBuy (a procurement tool), and the new research report are examples of initiatives prioritized from the review.

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. In 2018/19 a new IT Strategic Plan was developed which will help guide future IT investments. A number of IT projects have been prioritized, developed, and approved in the budget or planning years applying the new framework and plan.

An HR review was launched in the Fall of 2018, with a report expected in mid-2019.

Specific activities contributing to achieving the University's *FW* strategic plan are put forward in each Faculty and department budget submissions. A summary of these activities follows.

8.7.1 STUDENT EXPERIENCE

Key initiatives affecting the student experience that McMaster will either continue or launch in the budget year are:

- Collaborate with international institutions to offer increased opportunities for student research and exchange experiences. Further, create a global rotational program with local employers that have offices abroad (i.e.: ArcelorMittal Dofasco). This initiative will provide students an opportunity to experience a job in different parts of the world but working for the same organization.
- Initiate a Graduate Admissions project aimed at easing the application process for potential students and reducing the workload for program administrators.
- Increase support for international students through expanded programs to enhance English skills.
- Explore revision of the French program's language curriculum to align with the Common European Framework of Reference for Languages (CEFRL) in order to better prepare McMaster students for internationally-recognized diplomas awarded by the French Ministry of Education.
- Launch a new Global Experience Award for students on exchange. As well, launch a National Academy of Engineering (NAE) Grand Challenges Scholars Program (GCSP).
- Continue mentoring and experiential learning programs. As well, engage alumni, living abroad, to mentor students who are going abroad to decrease anxiety surrounding mobility.
- Enhance Student Support Services partnerships with Faculties of Social Sciences and Humanities to offer programming that addresses the needs of students at risk. Developing pre-university programming that will better prepare 1st year incoming students for the university's learning environment.
- Provide training in mental health & wellness, responsible drinking & sexual violence and harm reduction education (Opioids and Cannabis). As well, add an additional mental wellness week hosting a workshop series inviting speakers on the various dimensions of wellness.
- Conduct a review of existing and potential library services targeted to improving the 1st year student experience with a focus on mental health, academic success and retention.
- Continue to 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.
- Deliver enhanced student spaces by opening the new Peter George Centre for Living and Learning. Initiate the development of the McLean Centre for Collaborative Discovery, and

continue the expansion of the Athletics and Recreation facility to provide additional athletic and student wellness space.

8.7.2 INNOVATION IN TEACHING AND LEARNING EXCELLENCE

- Design and build “collision space” within the Health Sciences Library that, once completed, will provide programming in support of student & faculty innovation and entrepreneurship. Further, partner academic curriculum with the Health Sciences Library to deliver the design studio courses (iBiomed curriculum) to define and support emerging health innovation opportunities for students.
- Embark on a transformational shift in Engineering to encourage design thinking, creativity, reflection and integrated learning through what we are calling The Pivot. The Pivot will be the first program of its kind to intensely focus on our engineering students and their learning, not the specific projects they will tackle.
- Launch Digital Citizenship curricula to help learners develop the skills necessary to become ethical users and producers of health information. Participate in national ehealth initiative to improve health informatics training across all Canadian medical schools with a view to improving health-care outcomes and reducing costs. Develop and deliver undergraduate course on the “politics” of health information.
- Embed digital learning excellence in new Business programs.
- Pilot a new model of providing an integrated blend of pedagogical and technical support in McMaster’s active learning classrooms (ALCs). Continue to deliver the intensive 24-hour Instructional Skills Workshops (ISW) within and across Faculties at McMaster.
- Re-envisioning of thesis writing boot camps, and develop thesis-writing module based on boot camp presentations.
- Implementation of Databee Exams Manager, a new system to manage examinations, improving the overall exams process.
- Partner with the Faculties, libraries, and the Campus Store to proactively plan for greater evolution and transformation of course content and supply in an effort to optimize the availability of lower or no cost educational materials.
- Actively developing a micro-learning strategy in Continuing Education given the market trend for just in time knowledge and skills training.
- Continue to publicly recognize outstanding contributions to education through innovation, continued excellence in teaching, and enhanced student learning by funding the President’s Award for Outstanding Contributions to Teaching and Learning, and supporting the annual President’s Retreat for past and present award winners to share best practices, share educational innovations and reflect on the overall student experience.

8.7.3 ACCESS AND EQUITY

- Increase the Library's collecting of books by First Nations authors. Actively build collections of rare books and primary sources relating to indigenous peoples. Contribute to national efforts to revise and adopt appropriate subject descriptors.
- Improve Indigenous governance and policy development to maximize the student experience and success of Indigenous students through Indigenous Student Services (ISS). Further, continue with Longboat and Ontario Graduate Scholarship (OGS) Indigenous awards adjudicated and directed by McMaster Indigenous Research Institute (MIRI), Indigenous faculty and staff on campus.
- Development and launch of the McMaster Access Strategy to encourage under-represented groups to participate in post-secondary and provide a path for students who otherwise might not be able to attend McMaster. As well, develop a mentoring program for high school students by McMaster students who participated in the Career Access Program (CAPs) program to build efficacy, confidence, and motivation (breaking down barriers).
- Launch a new Exchange Bursary program to provide under-represented groups with access to exchange opportunities.
- Work with educational programs affiliated with the Association of Faculties of Medicine of Canada (AFMC) Network of Libraries to coordinate Health Sciences Library initiatives to support curriculum changes resulting from the *Truth and Reconciliation Commission of Canada's (TRC's) Recommendations for Training Health Care Providers*.
- Revamp fees structure for Graduate programs, especially Masters; a unified change motivated by considerations for growing student mobility and accommodations.
- Continue the implementation of the Campus Accessibility Action Plan to improve access to campus facilities. Further, continue to prioritize accessibility and health related maintenance requests as the most urgent projects.
- Progress action plans across Hospitality Services related to a volunteer Accessibility for Ontarians with Disabilities Act audit aimed at delivering greater accessibility across all food operations. As well, complete an action plan for the Campus Store's volunteer Accessibility for Ontarians with Disabilities Act (AODA) audit to address findings.
- Identify and implement employment equity principles and best practices (e.g., objectives related to data collection, training and support of search committees). As well, progress the hiring practices actions underway with the office of employment equity, diversity and inclusion that includes selection committee training with a focus on unconscious bias, and the provision of census information at a unit and local demographic level.

8.7.4 RESEARCH EXCELLENCE AND IMPACT

- Launch the Brighter World Research Initiative.
- Complete plans underway to increase the McMaster Nuclear Reactor's capacity in order to support research programs and requests to use our facility both internally and externally.
- Support research commercialization of McMaster researchers by developing spaces for research spin-off companies at the McMaster Innovation Park enabling the relocation of new

companies from campus to the innovation hub. In exchange, McMaster negotiates arrangements with newly formed companies that provide new companies access to space at an affordable start-up rate with access to shared services to reduce initial operating costs in exchange for equity, convertible debt, or equivalent consideration.

- Partner in the advanced manufacturing consortium, along with Western and Waterloo. The province has invested funding in this consortium to develop expertise in the area of advanced manufacturing.
- Expand graduate student seminar series with sessions focused on information management, open access publishing, predatory publishing, and strategies for improved publication success.
- Develop additional support programming to enhance McMaster's ability to recruit, retain and develop diverse high caliber faculty and staff.
- Expand research space available to the Institute on Ethics for Policy and Innovation (IEPI) through a major renovation investment.
- Implement the new web-based system called McMaster Research Ethics Manager, to streamline the submission process of projects to the McMaster Research Ethics Board and enhance review and monitoring of research ethics applications.

8.7.5 INNOVATION, ECONOMIC DEVELOPMENT AND COMMUNITY ENGAGEMENT

- In addition to the research commercialization strategy that is building a research business hub at the McMaster Innovation Park keeping research spin-off companies in Hamilton; McMaster will also invest in four large projects beginning in 2019/20. First, the McLean Centre for Collaborative Discovery a seven to nine storey expansion on top of Innis Library for multi-disciplinary problem-based learning; an undergraduate residence¹⁰ along Main Street West expanding McMaster's main campus; and finally, a graduate residence in downtown Hamilton adjacent to the David Braley Health Sciences Centre that will also house a parking garage.
- Launch initiative in Engineering to anchor proof of credentials by using the Bitcoin encrypted blockchain platform, which decouples verification from the issuer, and allows anyone to instantly validate the authenticity of a certificate forever after.
- Continue to provide leadership opportunities for graduate students to develop/deliver innovative and creative programs for graduate students, postdocs and the broader community through the Student Proposals for Intellectual Community and Engages Scholarship (SPICES) program.

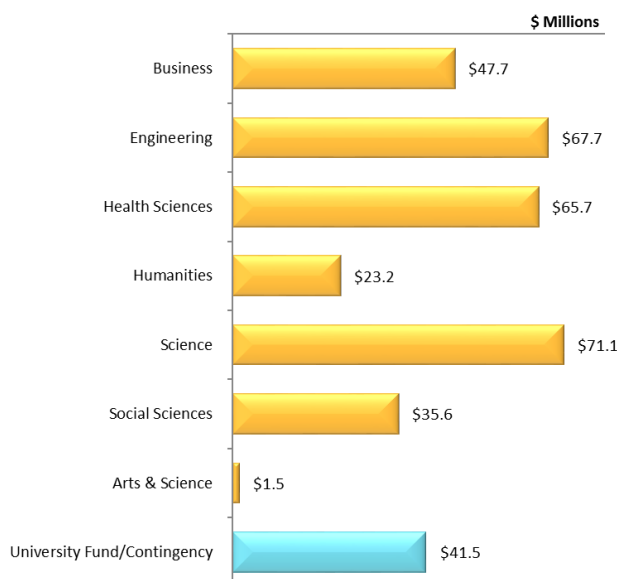
¹⁰ The undergraduate and graduate residence projects are public-private partnerships whereby a developer will build and finance the project and McMaster will manage, maintain, and operate the student life programming of the buildings just as it would any other residence. These projects are subject to affordability metrics and will be cancelled if the City amends its development charge exemption for McMaster projects as the projects would no longer be economically viable.

- Train student facilitators through the McMaster Children and Youth University in the City program and piloting academic credit for student participation, which is a platform for McMaster students from all disciplines of study to acquire valuable experiential learning while empowering youth and their families to engage in interactive education.
- Continue to work with the City and community on needs matching strategic importance to the university. As well, further develop and grow relationships with existing partners within the Hamilton community and continue collaborative efforts to grow and enhance existing programs.
- Establish and strengthen relationships with a diversity of racialized communities/groups in the City, to enhance support/service.
- Partner with Hamilton Public Library, City of Hamilton and Office of Community Engagement on a program to enhance digital skills across the city.
- Continue the Socrates Project, which acts as a point of convergence for artists, scholars, and diverse communities as they engage in crucial conversations regarding pressing issues.
- Utilize social marketing and media tools to engage students, faculty and the wider community in campus energy conservation. Infuse sustainability initiatives into everyday operations and in doing so provide students with responsible leadership and guidance to help enhance their own environmental stewardship.
- Launch a new Human Resources (HR) website with improved HR communications and outreach. Further, improve processes emerging from an HR Digitization project.
- Develop a cyber security roadmap which will provide a plan for year over year activities related to improved practices and policies to help mitigate IT security related challenges
- Launch of University short stay suites designed to make year-round executive style accommodation available to the campus and conferences hosted by McMaster.

9 ENVELOPE HIGHLIGHTS

9.1 ACTIVITY UNITS (FACULTIES)

Figure 7: Operating Fund 2019/20 Budget Activity Unit Allocations



9.1.1 FACULTY OF HUMANITIES

The Faculty of Humanities has been active in building six new concurrent certificates that highlight targeted competencies, along with recognizing experiential learning and community engagement. Although the research plan will be revised to ensure alignment with the Brighter World Research Initiative, a strong focus will continue to be on the ethics of innovation, the potential of digital technologies, the power of storytelling, and the integration of language, the arts and science.

The Faculty of Humanities faces budget pressures given the reduction in tuition. The Faculty is playing a critical role in supporting the international student recruitment efforts across the university by providing the highly successful McMaster English Language Development program and is benefitting from doing so. Diversifying the recruitment into the program remains a high priority.

The Faculty is committed to meeting objectives in a financially sustainable manner, which includes teaching courses of broad appeal for students from all disciplines as well as, carefully managing human and physical resources.

9.1.2 FACULTY OF BUSINESS

The DeGroote School of Business (DSB) has made significant progress over the current year in enhancing the student experience, within and outside of, the classroom. This year saw the launch of the new Blended Learning, Part-Time Master of Business Administration (MBA) which attracted over double the expected students, the continued growth of the joint Integrated Business & Humanities Commerce program and the exciting achievement of securing a lead donor for the recently approved McLean Centre for Collaborative Discovery. This space will facilitate exciting curriculum changes to the Commerce program, that include interdisciplinary, problem-based learning.

The domestic tuition cut for 2019 and the subsequent tuition freeze for 2020 has required deferral of several upgrades to space and new, long-term faculty additions pending better certainty around long-term revenue projections.

Despite revenue uncertainty, DSB remains confident in its ability to meet its financial commitments to the MacLean Centre and has increased its intake targets for specific graduate programs to mitigate some of the lost revenue. The coming twelve months will include focused fundraising efforts to attract maximum support for the McLean Centre and its programming. The Faculty will continue to monitor the business school landscape in search of new, cost recovery graduate program opportunities that align with its strategic position and goals.

9.1.3 FACULTY OF HEALTH SCIENCES

Although facing funding cutbacks, the Faculty of Health Sciences is looking to maintain and grow excellence in research, education and clinical service by exploring opportunities for expansion of its very popular BHSc program among potential U.S. students, sustaining its core research facilities and piloting a tighter administrative restructuring model. At the same time, the Faculty will work to strengthen the student experience, be innovative in teaching, increase access and equity, sustain and grow research excellence and continually drive economic development and community engagement.

Potential threats to financial stability of the Faculty of Health Sciences are of great concern. These include rising costs, Royal College mandated changes in postgraduate medical education, tightened university operating funds, tuition cuts, and cancellation of the MD expansion grants. There are also considerable financial pressures on academic hospital partners and uncertainty of funds from the Ministry of Health and Long-Term Care for program support and physician compensation. The threatened withdrawal of Gulf State resident revenues is particularly impactful on the Faculty's operations.

The Faculty of Health Sciences will be looking to offer its BHSc program to the U.S. market, diversifying international resident revenue, and piloting an administrative hub model to streamline its processes and reduce the number of employees involved in high volume routine transactions.

9.1.4 FACULTY OF ENGINEERING

Key strategic initiatives for the Faculty of Engineering include increasing the number of female and international students in Engineering, and embarking on a transformation of the undergraduate curriculum to ensure a higher quality learning experience for students. Engineering is continuing to increase the impact of research, including a planned expansion in the area of advanced manufacturing to contribute to this goal.

Engineering's budget challenges result mainly from the Province's mandated tuition reduction. Engineering is showing a structural deficit for 2019/20 and beyond. Appropriations will address the issue in the short term, and exploring potential cost reductions and revenue generating activities in the longer term.

Delaying some of the planned faculty recruitment, and infrastructure renewal investments may occur until financial stability is assured. The Faculty is strongly engaged in the overall University strategy to increase a diverse international student enrolment.

9.1.5 FACULTY OF SOCIAL SCIENCES

The Faculty of Social Science is heavily engaged in improving the student experience, with initiatives that support first year students in a successful transition from high school, and in teaching innovation with new interdisciplinary courses that encompass community engaged research, and minors in social innovation. Access and equity continues to be a priority and this year will see the launch of a new four institution collaboration offering an Indigenous Pathways transfer program. Research Excellence also remains at the forefront which improved grant application success and quality.

After a period of decline, the attractiveness of Social Science programs has stabilized and seems to be on the rise. However, challenges related to tuition cuts and uncertainty regarding future funding, somewhat inhibit the ability to make necessary investments in critical new areas of activity (e.g., communications, recruitment, IT support) at a time of limited fiscal resources.

The Faculty is taking action on both revenues and expenditures, by continuing to invest in expanding and diversifying international enrolment, while at the same time streamlining processes to better use available resources in advancing the core educational and research mission.

9.1.6 FACULTY OF SCIENCE

The Faculty of Science has continued with strategic investments in faculty, staff and infrastructure that will have a positive impact on the student experience, teaching and learning, research excellence, innovation, economic development and community engagement, with a lens to increase diversity in student, staff and faculty complements.

This budget submission is the next phase in renewal and reinvigoration in the Faculty of Science, which began in the prior year. It is a balance of conservatism, due to the constraints of, and uncertainty in, the provincial funding models, with the need to advance major personnel and infrastructure initiatives.

The Faculty is ensuring streamlined processes and using data analytics to address top priorities that directly link to the SMA, to develop a new Faculty of Science strategic plan for the academic, research and community engagement missions which will guide future strategic investment.

9.1.7 ARTS & SCIENCE PROGRAM

The Arts and Science program continues to focus on achieving a robust, stable, and sustainable faculty complement. The Program does this through collaboration with other units, which supports enhanced experiential learning and student research opportunities and initiatives such as the McMaster Discovery Program. The Program is targeting a goal of 25% out-of-province and international admissions, with an aim to enhance the Arts & Science Program's community, national, and international profile. The addition of a Communications and Outreach Coordinator is intended to enhance the Program's profile and visibility, alumni engagement, and out-of-province and international student recruitment.

9.1.8 UNIVERSITY FUND

The University Fund has the goal of supporting excellence, innovation and renewal in all areas of the university. By design, the projects supported in this way have been short-term and allocated for specific purposes with the intention that successful innovations will be funded permanently by

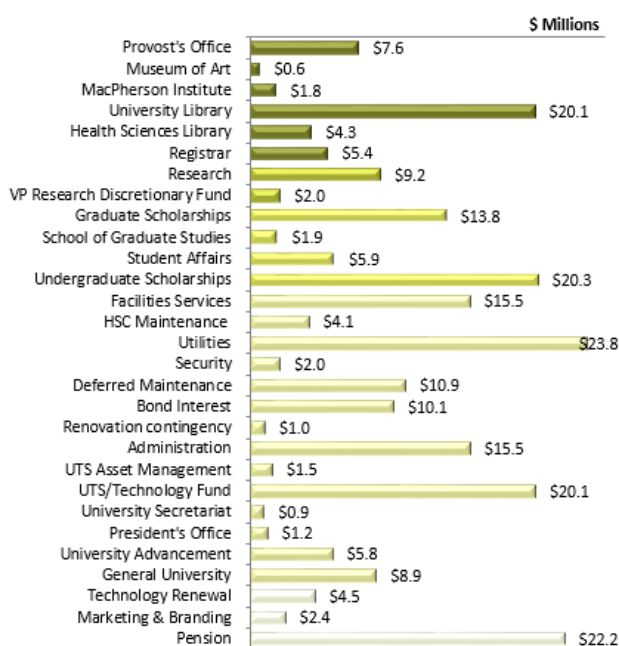
different means, thus freeing the University Fund for new initiatives of innovation and excellence. These funds enable greater flexibility in achieving the academic mission of the University and support discovery and learning opportunities.

The Office of the Provost is responsible for developing appropriate mechanisms to control and use the University Fund as a strategic tool for the University. This fund is used to support unforeseen or unfunded priorities and to seed new strategic initiatives. A significant portion of the Fund is now being used to support ongoing commitments and capital infrastructure, thus limiting the Fund's capacity for supporting worthwhile new initiatives.

The Provost is actively supportive of *Forward with Integrity (FWI)*, and the *Brighter World Research Initiatives (BWRI)* and is providing funding from the University Fund to enable innovative projects that support the University's mission. In future, the focus of the Fund will hopefully shift to greater support for research and emerging initiatives.

9.2 SUPPORT UNITS

Figure 8: Operating Fund 2019/20 Budget Support Unit Allocations



9.2.1 STUDENT AFFAIRS

Student Affairs has moved from shoring up its financial foundation, to focusing on initiatives that will drive internationalization, and toward innovations that will support inclusivity and well-being. These priorities are interrelated. Well-being is the foundation of student success and is even more critical for students who are here from abroad. Institutions that welcome and include students from diverse backgrounds, and that encourage domestic students to gain experience abroad, will enable innovation and nurture global citizens.

These priorities are funded on soft money and could be seen by some as peripheral to the core mandate of the institution. Rather than view these priorities through that lens, an alternative is to take

a holistic view that is core to student development and learning - one that values supporting well-being, creating global citizens, and nurturing an innovative mindset.

In the short term our entrepreneurship program, the Forge, requires funding to sustain operations. Government and donor strategies will continue to be pursued to develop a more sustainable model. An increase to student fees will be pursued to help mitigate some of the costs related to mental health support and career support (currently funded through MTCU Career Ready Fund (CRF)).

9.2.1 LIBRARIES

The University Library will move aggressively on a variety of fronts including enhancements to McMaster Experts (for showcasing faculty research), digitization of unique content, research data management, and classroom technology renewal. The organization will explore new models for better supporting student's first year experience, as well as, delivering on the University's community engagement mandate.

The University Libraries continue to face the ongoing problem of journal cost inflation. Our researchers need access to elite journals; the vast majority of our serial subscriptions are made consorcially 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 Health Science Library (HSL) allocation only covers a portion of planned spending.

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

9.2.2 OFFICE OF THE REGISTRAR (RO)

The Registrar's Office supports students and the teaching mission of the university. The office is committed to providing timely, relevant, and efficient service to students, and to support Faculties and other administrative functions at the university to ensure that it is aligned with, and contributing to the objectives of the Strategic Mandate Agreement. Projects of note in the coming year include the Campus Solutions 9.2 upgrade, and the service centre transformation, which includes implementing new online chat software and the Databee exam administration system. The office will continue supporting international student recruitment goals and will build on the Pathways ONTransfer initiative which will foster collaboration with colleges.

The most significant budget pressure facing the Office of the Registrar 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.

9.2.3 SCHOOL OF GRADUATE STUDIES

The School of Graduate Studies works in concert with the Faculties to achieve their strategic priorities through assisting in the development of new graduate programs, ensuring that such proposals are

prepared according to the latest Council and Ministry guidelines which address key Ministry requirements and also clearly articulate the alignment between the proposal and the University's priorities.

The University priority for graduate enrolment growth and new program development will put significant demands on the graduate scholarship budget. 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 system sustainment activities, in addition to ensuring the optimal distribution of graduate scholarship funds. In addition, the Graduate Student Life & Research Training area will be reviewed with an overall objective to enhance service levels to the stakeholders.

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

The initiatives undertaken by MacPherson Institute are directly tied to the directions of the Strategic Mandate Agreement. Specifically, recent initiatives like the piloting of an equity-stream in the Student Partners Program and the refinement of international teaching assistant supports, are tied to the Access and Equity priority. The commitment to the Institutional Quality Assurance Process, particularly in curriculum mapping, self-study preparation and articulation of program learning outcomes, aligns with directions in Student Experience and Innovation in Teaching and Learning as does the growing work in digital pedagogy. Finally, robust support of research in teaching and learning, and the publication of the International Journal for Students as Partners, contributes to the Research Excellence and Impact area of the SMA.

Current budget challenges reflect uncertainty with respect to the vendor costs (including license fees) for two centrally-supported educational technologies. Moreover, growing demand for some services, and the need to respond to recommendations from the recently conducted Teaching and Learning Review, will require prioritization of services, while also considering new funding sources, where applicable, to meet these needs.

As the external review of Teaching and Learning at McMaster concludes, opportunities to refine the mandate and clarify scope of services exist. The coming year will see a prioritization process for existing services and supports, as well as a comprehensive response to the needs of the campus community with respect to teaching and learning.

9.2.5 RESEARCH ENVELOPE

The Vice-President Research will continue to review the organization and needs of Research Institutes and Centres, the Nuclear Reactor, research operations, and support for research from the Office of the Vice-President Research (VPR) Discretionary Fund. Critical to each of these areas are the priorities outlined in McMaster's new Strategic Research Plan (SRP), which challenges us to continue to make a difference—in the competitiveness of our researchers, in the quality of our teaching, and in the impact we have on the world around us. The SRP outlines a number of enabling strategies, highlighting next steps to move our research excellence forward, particularly as they relate to the SMA priorities of "Research Excellence and Impact" and "Innovation, Economic Development and Community Engagement". Given the breadth of its impact, research excellence also enhances the Student Experience, supports Innovation in Teaching and Learning Excellence and both supports and

further the institutional priority of Access and Equity, particularly as they relate to opportunities to engage and lead in research. We look forward to participating in the opportunities provided to the research community through the Brighter World Research Initiative which will further the goals outlined in the SRP. In addition, key to success of the SRP is McMaster's Nuclear Reactor. As Canada's sole major neutron source, McMaster Nuclear Reactor makes McMaster the only university in Canada capable of hosting several types of research; its capabilities have been enhanced by the completion of new facilities enabled by the commitment of McMaster researchers and by provision of support to obtain and operationalize research funds.

The VPR recently led the development of "*Research for a Brighter World - Strategic Research Plan (SRP) 2018-2023*". Ongoing consultation involving the Faculty Deans, Associate Deans Research, other members of the research community and members of the Brighter World Research Initiative team will define how initiatives in the SRP can best be implemented. Expenses to support these new initiatives have not been included in the budget at this time.

In building new initiatives we must also turn our attention to existing support for research. Support provided through the university allocation is supplemented with income earned from royalties.

9.2.6 UNIVERSITY TECHNOLOGY SERVICES (UTS)

The Chief Technology Officer will be focusing on the implementation of the new McMaster IT Strategic Plan beginning in 2019 and the budget reflects on a number of the proposed and anticipated initiatives that will result from the Plan. Changes related to service, systems, and delivery are included. The focus is on creating a stable and secure environment while also implementing desired technologies and capabilities that can enhance the teaching, learning and research activities of the institution and improve the student experience.

There are always finite dollars balanced against infinite IT needs and enhancements. The lack of investment in IT over a number of years is now resulting in a large backlog of desired solutions and necessary spending related to infrastructure such as wireless networks.

University Technology Services will continue to enhance its focus on people, processes and technology across all current services and in line with strategic future services. 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 the ongoing support of projects and priorities highlighted as part of the McMaster IT Strategic Plan within the IT Governance framework are all key areas of focus.

9.2.7 ADMINISTRATION AND FACILITY SERVICES

The Administration Division budget itself has been constrained for the better part of a decade as resourcing is concentrated within the Academy. The Division is no longer able to fully self-fund investments and has made several requests of Budget Committee for the budget and planning years.

On a broader note, benchmarking data, "UniForum", suggests that when one considers end-to-end administrative processes that the university has significant efficiency and effectiveness opportunities. This data suggests that the University needs to urgently review how administrative work is undertaken across campus in order to help fund desired investments, and this review work has begun throughout the University.

9.2.8 UNIVERSITY ADVANCEMENT

University Advancement (UA) plays an important role in supporting the 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 Strategic Mandate Agreement and Forward with Integrity, and was updated in 2018 to reflect changes in the landscape and respond to opportunities. 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, funders, friends and alumni, and a robust university reputation. By working collaboratively, each area within the University Advancement team delivers on these commitments so McMaster is well-positioned to maximize its strengths and priorities.

University Advancement is using strategic savings to seed staff positions for the Brighter World Research Initiative, however will be partnering with the Vice-President Research Office for a funding ask in support of this important university priority with a goal of significantly growing revenue.

We continue to focus on our key success factors for building McMaster's relationships, reputation and resource. Our work in support of the University enables other areas to be successful in achieving their respective objectives that directly correlate with the tenets of the SMA. 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 achievements 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 as we work to influence policy and secure investment. UA is playing a lead role, in partnership with the Vice-President Research Office, in the planning and implementation of the Brighter World Research Initiative to bring more revenue into the University's research enterprise.

9.2.9 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.

The full scope of work that will be required over time to support the University's goals requires a base of budget support that is currently not secured beyond the scope of the current plan. 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 help influence government and attract other funding sources.

The marketing initiative will continue to support the priorities established by the Steering Committee to achieve both short and long-term objectives in delivering an efficient, effective and innovative marketing program for McMaster. Time will be spent with the Steering Committee over the next year to create alignment with the goals it wants to achieve on an ongoing basis and the funding required to deliver the strategy to the University.

10 BUDGET BY FUND

10.1 OPERATING FUND

Table 5: Operating Fund Summary

(\$ thousands)							
	2018/19 Budget	2018/19 Projection	2018/19 Variance		2019/20 Budget	2020/21 Plan	2021/22 Plan
Revenues							
Provincial grants	235,368	235,016	(352)	-0.1%	235,868	235,544	235,360
Tuition	334,153	327,272	(6,881)	-2.1%	326,962	351,173	376,611
Research overhead income	25,904	28,933	3,029	11.7%	27,470	27,182	27,181
Investment income	12,901	12,901	(0)	0.0%	12,634	9,467	9,467
Other income	93,990	104,461	10,471	11.1%	106,008	103,681	101,452
Total revenues	702,316	708,583	6,267	0.9%	708,942	727,047	750,071
Expenses							
Salaries, wages and benefits	476,153	473,605	2,547	0.5%	496,875	511,905	525,618
Utilities and maintenance	38,749	35,469	3,280	8.5%	38,638	41,770	42,524
Equipment and renovations	50,392	58,286	(7,893)	-15.7%	52,030	50,048	53,459
Scholarships, bursaries and work study	37,252	39,303	(2,051)	-5.5%	38,739	37,671	37,770
Library acquisitions	12,829	12,650	179	1.4%	13,249	13,714	14,240
Debt and financing charges	18,423	22,623	(4,200)	-22.8%	18,220	21,405	21,405
All other expenses	64,773	64,189	584	0.9%	81,096	73,813	73,991
Total expenses	698,571	706,125	(7,553)	-1.1%	738,848	750,326	769,007
Excess of revenues over expenses	3,745	2,458	(1,287)	-34.4%	(29,906)	(23,279)	(18,936)
Fund balance, beginning of year	110,679	142,698	32,019	28.9%	145,156	115,250	91,970
Fund balance, end of year	114,423	145,156	30,732	26.9%	115,250	91,970	73,034

The Operating Fund is projected to result in annual deficits beginning in 2019/20 on an aggregate one-time (non-structural) basis as a reflection of both the domestic tuition rate cut and freeze, cancellation of the expansion grants, and use of appropriations to support strategic initiatives. Details of the variances between the 2018/19 budget and projection are available in Appendix 1. The revenue trend table that follows in the next section is not inflation adjusted, meaning where revenues remain flat or fixed over time the actual purchasing power of those funds is decreasing by approximately 2% per year (average of Ontario consumer price index inflation).

10.1.1 REVENUE

Figure 9: Operating Fund Revenue Trend

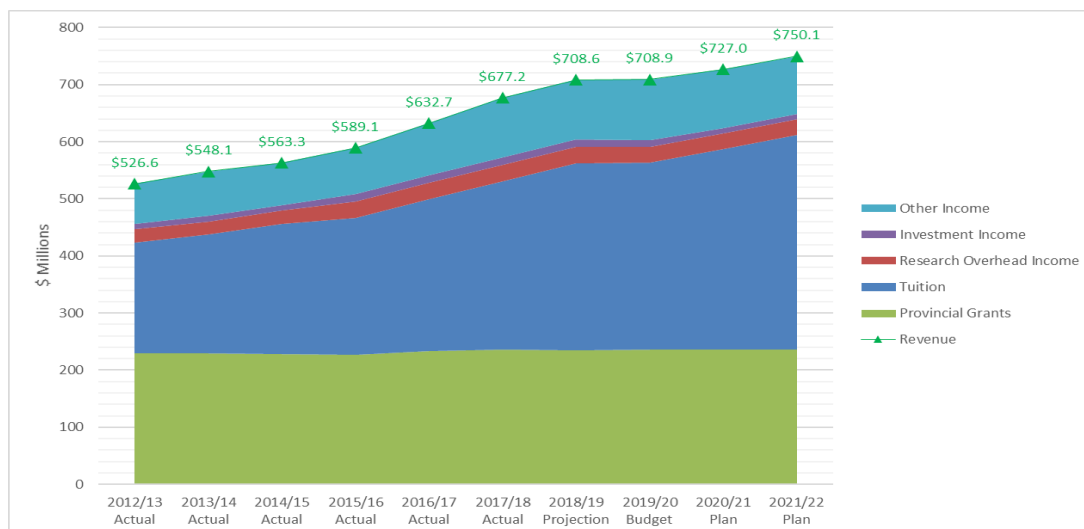


Figure 10: Operating Fund 2019/20 Budget Revenue by Type

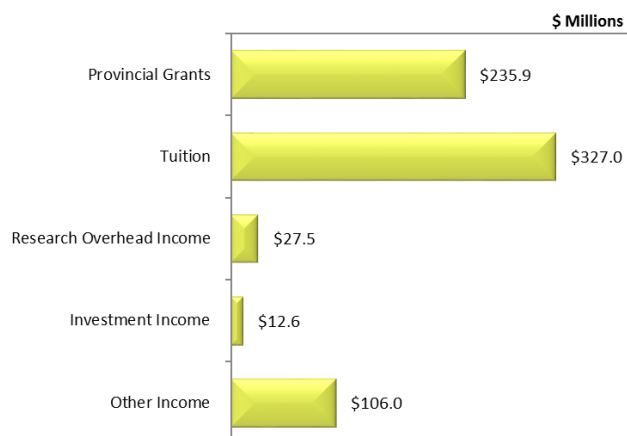
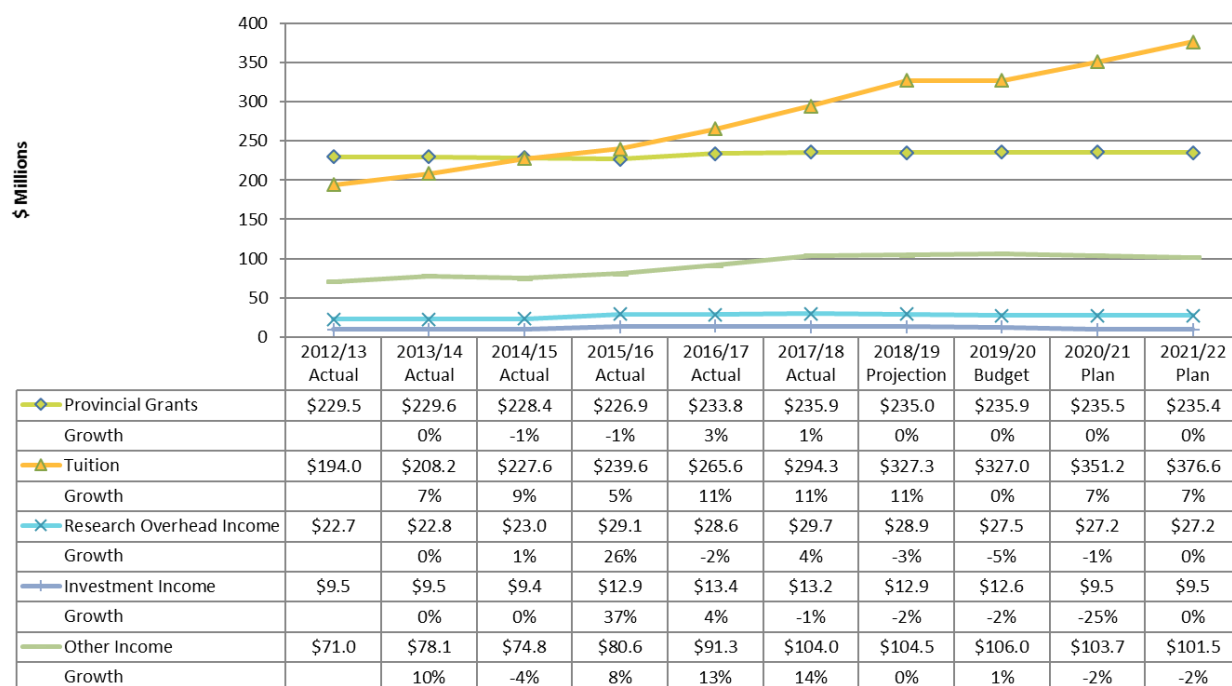


Figure 11: Operating Fund Budget Revenue Trend by Type

10.1.1.1 PROVINCIAL GRANTS

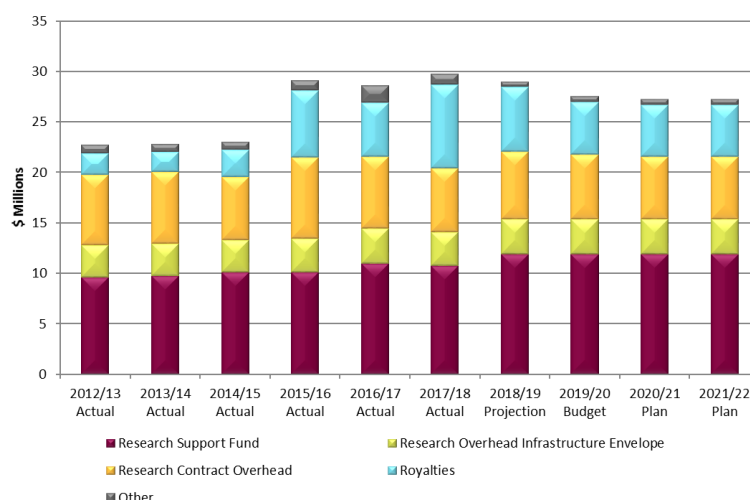
With enrolment of domestic students projected to stay within the provincial corridor, both the Core Operating Grant and Performance/Student Success Grant are expected to remain flat over the planning horizon. Graduate enrolment growth will result in an increase in the Graduate Expansion Grant, partially offset by the International Student Reduction (\$750 tax per international student enrolled) as international enrolment increases. The next phase of the Strategic Mandate Agreement is in 2020/21 is expected to increase outcomes-based funding from under 10% up to 60% by 2024/25. The increase to at-risk funding will result in a corresponding decline in the Core Operating Grant by adjusting weighted grant units downward.

10.1.1.2 TUITION

Based on the enrolment targets outlined previously and the revised tuition framework, 2019/20 tuition income is projected to decrease by \$3.3 million (-1%) from the 2018/19 projection. This decrease is a combination of the domestic tuition rate cut of 10% partially offset by the estimated international enrolment growth and associated international tuition fees. The Ministry has stipulated a zero percent increase for 2020/21 but has not outlined a tuition framework (rate increase caps) for 2021/22 or beyond. For planning purposes a continuation of the zero percent framework has been assumed.

10.1.1.3 RESEARCH OVERHEAD INCOME

Figure 12: 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 Research Support Fund and provincial Research Overhead Infrastructure Envelope grants are calculated based on the amount of Tri-Council research funding the University receives. As a result of the incremental investment in Tri-Council research in the federal *Budget 2018*, additional funding to McMaster known as the Incremental Projects Grant (IPG) within the Research Support Fund has been built into projections based on the 2018/19 amount received. 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 the investment pool interest revenue derived from two primary sources. First, the H. Lyman Hooker Endowment Fund, which is a gift directed 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”. Second, the employer portion of the

pension payout in 2003. Annual interest from these two funds at the smoothed expected long-term return rate approximates \$9 million per year.

The annual Operating Fund investment income allocation is fixed at \$9 million regardless of actual positive or negative annual investment returns. This approach ensures a stable level of funds to support ongoing operating expenditures. During the period 2015/16 to 2019/20, the investment reserve provides an additional \$3 million per year. The additional income has helped defray the additional cost of external debt taken out in 2015 for the Peter George Centre for Living and Learning project. The additional interest income allocation to the Operating Fund ends in 2019/20 when the building project becomes available for use.

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
- Ancillary sales contributions to the Operating Fund (reflecting 4.5% on sales)
- Contributions to the Athletics and Recreation facility expansion
- Registration and service fees
- Recovery of utility costs from partners

10.1.2 EXPENSE

Figure 13: Operating Fund Expense Trend

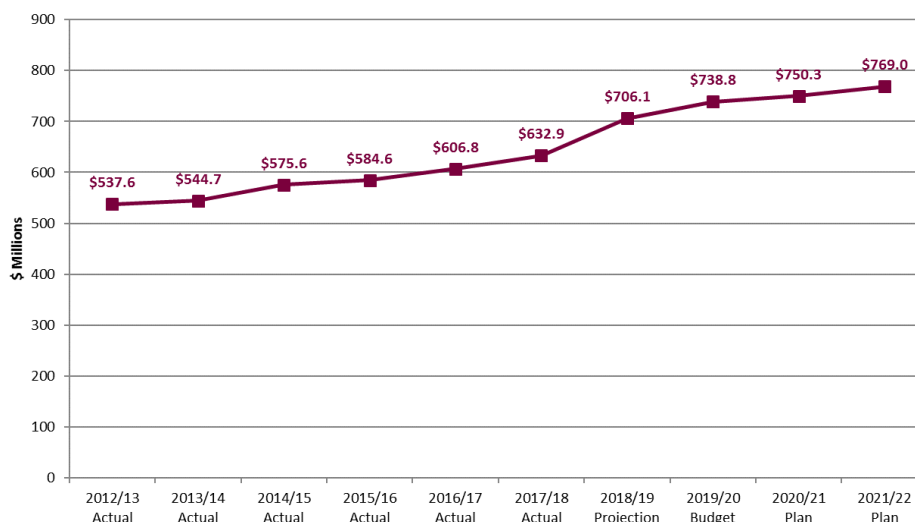
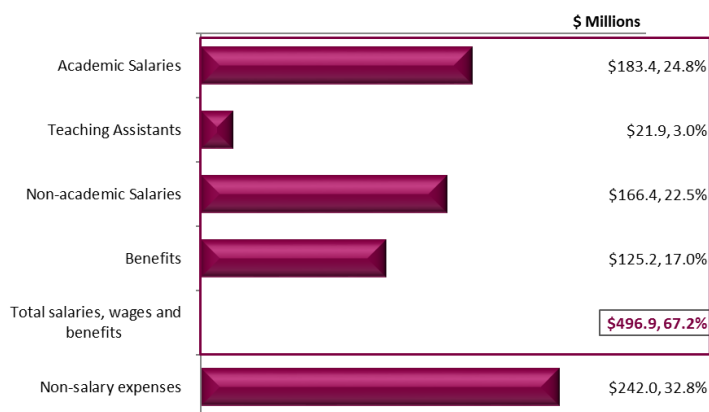
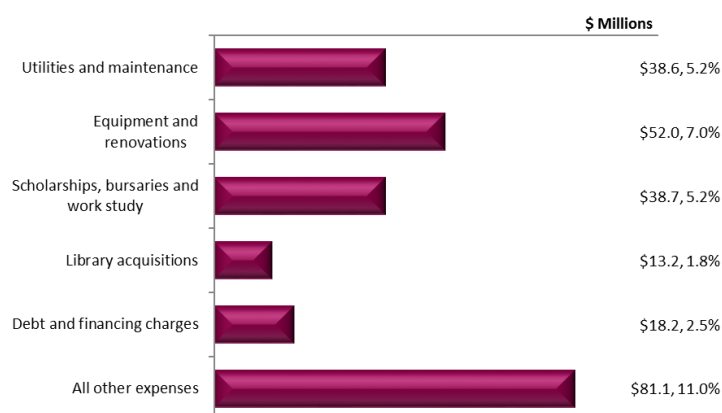


Figure 14: Operating Fund 2019/20 Budget Expense by Type**Figure 15: Operating Fund 2019/20 Budget Non-salary Expenses by Type**

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 is 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, there is a focus on staff processes underway, drawing on benchmarking information, examining further opportunities to streamline business processes in order to maintain a reasonable complement of support staff.

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. The *Fair Workplaces, Better Jobs Act, 2017* has had a significant impact on wage inflation. 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 differences in employment status.

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. McMaster recently completed an early filing election for the Salaried Plans adopting the new *Pension Act* provisions put in place in 2018. The updated filing provides payment certainty under the rules until 2021 and eliminates the funding requirement for solvency while introducing a new funding requirement for the provision for adverse deviation. Due to these changes the budget has been adjusted to reflect a new lower smoothed benefit rate for employer contributions.

The salary pension plan charge-out rate approved by the Budget Committee at the beginning of the budget process were 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
- 2020/21 and 2021/22 high-level planning assumes 175% for the departmental rate, and 175% for the ancillary rate.

However, due to the new valuation results the revised rate approved by Budget Committee is:

- The employer contribution rate built into the benefit charges for salaried faculty and staff is 150% of employee contributions for all funds including ancillary for 2019/20, 2020/21, and 2021/22.

Taking these factors into account, the increase in total compensation costs approximates just under 5% over the planning horizon.

10.1.2.2 UTILITIES AND MAINTENANCE

Utilities and maintenance represent 5.2% of the operating budget, including annual contributions of \$10.9 million to deferred maintenance. Total costs will increase slightly in 2020/21 as the Peter George Centre for Living and Learning opens in the fall.

Costs for utilities can be volatile, subject to market rates, weather fluctuation, unplanned maintenance failures, and 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 about \$0.10 per kilowatt hour for all three years, but have the potential to be lower depending on achievement of strategic utility plans. A large favourable variance experienced in 2017/18 was due to lower electricity pricing, lower consumption, and rebates received, 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 \$3.85 per square foot, which was

9.6% higher than McMaster's cost of \$3.21 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

Physical and technical infrastructure resources are essential to achieving the strategic plan and delivering an optimal student experience. Space is increasingly a challenge as enrolment increases and additional capacity for research is required. In addition, equipment and software renewal is essential for leading-edge education and research. Infrastructure physical and technical is a key priority to facilitate student registration, control administrative costs, and minimize risk of infrastructure failure or security issues.

The budget includes transfers to capital at approximately \$27 million per year for new and upgraded physical facilities, including new community spaces. A key focus includes classroom renewal whereby investments are directed based on areas of greatest need as identified by the University community. Other major items include:

- Upgrades to lab equipment and classroom audio-visual equipment
- Systems to improve the student experience, including Visual Schedule Builder, document management, and customer relationship management
- Expansion of the wireless network
- Annual investment towards the deferred maintenance
- Improved security through maintenance and enhancement of campus emergency assistance phones

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).

In support of the provincial government, McMaster issues a net bill to students, which details the costs of education less Ontario Student Access Program (OSAP) and other student aid reductions. The net bill builds off the net estimate initiative, which provided new students a net cost estimate before accepting an offer of admission. Together these initiatives aim to increase transparency and help students make decisions that are more informed. 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.

Enrolment growth has increased the demand for need-based aid over recent years. 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 and has provided additional incremental funding for 2019/20.

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.

McMaster's high research intensity works to increase journal costs since the CRKN subscription fees are linked to a University's research intensity factor. McMaster has higher pricing than some peers, unrelated to student numbers or usage, but because the University pulls in more research dollars.

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. An internal reserve or sinking fund of \$6.1 million was established in 2002. The sinking fund is invested in the investment pool and monitored annually is expected to be sufficient to repay the principal in 2052. The annual balance in this internally restricted reserve is disclosed in the notes to the audited financial statements.

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) is 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 separate internal reserve or sinking fund approach similar to the one described above.

10.1.2.7 ALL OTHER EXPENSES

This line represents 11% 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 OPERATING FUND APPROPRIATIONS

With the budgeted deficit of \$29.9 million, Operating Fund appropriations are expected to reduce to \$115.3 million, or 16.3% of operating revenue, by the end of 2019/20. 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 fall to of 9.7% of operating revenues during the planning horizon.

10.1.4 ONE-TIME EXPENDITURES

Table 6: Operating Fund Ongoing and One-time Summary

(\$ thousands)							
	2018/19 Budget	2018/19 Projection	2018/19 Variance		2019/20 Budget	2020/21 Plan	2021/22 Plan
Ongoing:							
Allocated income	599,516	593,385	(6,131)	-1.0%	594,050	617,984	643,593
Other income	99,120	109,997	10,877	11.0%	110,707	108,641	106,055
Total revenues	698,636	703,382	4,746	0.7%	704,757	726,625	749,648
Expenses	665,764	663,012	2,753	0.4%	694,264	708,853	723,769
Excess of revenues over expenses	32,872	40,370	7,498	22.8%	10,493	17,772	25,879
% of revenue	4.7%	5.7%			1.5%	2.4%	3.5%
One-time:							
Allocated income	3,434	3,434	(0)	0.0%	3,167	-	-
Other income	246	1,767	1,521	618.3%	1,018	422	422
Total revenues	3,680	5,201	1,521	41.3%	4,185	422	422
Expenses	32,807	43,113	(10,306)	-31.4%	44,584	41,473	45,237
Excess of revenues over expenses	(29,127)	(37,912)	(8,785)	30.2%	(40,399)	(41,051)	(44,815)
Excess of revenues over expenses	3,745	2,458	(1,287)	-34.4%	(29,906)	(23,279)	(18,936)
Fund balance, beginning of year	110,679	142,698	32,019	28.9%	145,156	115,250	91,970
Fund balance, end of year	114,423	145,156	30,732	26.9%	115,250	91,970	73,034

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:

- \$18.4 million renovation and expansion of facilities
- \$15.5 million for undetermined strategic investments from the University Fund likely to include:
 - Implementation of Internationalization strategy

- IT Commitments
- Investment in rejuvenating core Research Platforms and commercialization
- Incentives and impact minimization of internal and external policy changes
- New opportunities for capital renewal and expansion
- \$2.2 million investment in research
- \$2.2 million wireless network expansion and \$1.1 million software
- \$1 million for entrance awards

10.1.5 OPERATING FUND BUDGET CONCLUSIONS

The 2019/20 Operating Fund is structurally balanced, with a deficit of \$29.9 million after net one-time expenditures of \$40.4 million, driven by the revised tuition framework of a 10% cut to domestic tuition fees, reduced Ministry support in recent years, increased international enrolment and increased competition for limited research dollars. The Operating Fund may need to support some of the shortfall related to existing contractual commitments for capital projects underway, which were meant to be funded by the MD or Graduate Expansion Grant recently cancelled by MTCU.

Despite \$22.3 million less domestic tuition revenue and cancellation of \$52.9 million in capital funds, the Operating Fund remains structurally balanced due mainly to increased international participation and slow but targeted faculty renewal. Significant funding pressures continue associated with wage inflation, elimination of mandatory retirement, technology/capital infrastructure and sustainability, and increasing needs for student services and support all limit the level of investments toward priorities. Faculties and support units will draw upon departmental appropriations or reserves to ensure key priorities can occur in the budget and planning years ahead. Further, many areas across the University are undertaking reviews or drawing on benchmarking information to focus on further process changes supporting transactional or non-strategic work attempting to maximize funds available to progress strategic initiatives.

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 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 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.

Budget pressures continue into the planning years. Investments toward operational and efficiency reviews and retirement incentives to enable some faculty renewal are planned. Finally, budget plans continue to include broadening existing community initiatives and partnerships including a continued focus on healthy communities and living initiatives with the City of Hamilton and beyond.

10.2 RESEARCH FUND

Table 7: Research Fund Summary

(\$ thousands)						
	2018/19 Budget	2018/19 Projection	2018/19 Variance	2019/20 Budget	2020/21 Plan	2021/22 Plan
Revenues						
Research grants and contracts	209,000	195,000	(14,000)	197,000	199,000	201,000
Total revenues	209,000	195,000	(14,000)	197,000	199,000	201,000
Expenses						
Salaries, wages and benefits	117,000	110,000	7,000	111,000	112,000	113,000
All other expenses*	83,000	75,000	8,000	75,000	75,000	75,000
Transfers to (from) other funds	(13,638)	(16,434)	2,796	(14,346)	(14,026)	(12,907)
Total expenses	186,362	168,566	17,796	171,654	172,974	175,093
Excess of revenues over expenses	22,638	26,434	3,796	25,346	26,026	25,907
Fund balance, beginning of year	222,125	198,518	(23,607)	224,952	250,298	276,324
Fund balance, end of year	244,763	224,952	(19,811)	250,298	276,324	302,232

*Including transfers to capital

The 2018/19 Research Fund revenue projection is \$195 million, which is based on research revenue received, including revenue received for future periods, net of hospital research. The projection is \$14 million lower than the original budget due to variances in recoveries from funding organizations.

The budget for 2019/20 of \$197 million reflects modest growth in the research fund. The plan years of 2020/21 and 2021/22 also include modest growth in research receipts.

10.3 CAPITAL FUND

Table 8: Capital Fund Summary

(\$ thousands)						
	2018/19 Budget	2018/19 Projection	2018/19 Variance	2019/20 Budget	2020/21 Plan	2021/22 Plan
Revenues						
Operating grants	3,750	3,562	(188)	3,520	3,520	3,520
Other revenues	35,100	21,372	(13,728)	9,650	14,150	54,750
Total revenues	38,850	24,934	(13,916)	13,170	17,670	58,270
Expenses						
All other expenses, including capital	155,016	137,538	17,478	192,126	137,635	107,601
Transfers to (from) other funds	(31,770)	(34,907)	3,136	(35,012)	(31,684)	(30,718)
Debt and financing charges	(12,298)	(9,819)	(2,479)	(12,096)	(15,006)	(16,456)
Total expenses	110,948	92,812	18,135	145,018	90,945	60,427
Excess of revenues over expenses	(72,098)	(67,878)	4,219	(131,848)	(73,275)	(2,157)
Fund balance, beginning of year	112,789	88,446	(24,343)	20,568	(111,280)	(184,555)
Fund balance, end of year	40,691	20,568	(20,123)	(111,280)	(184,555)	(186,712)

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 6.3), 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 2018/19 to 2021/22. The updated capital projection (\$137.5 million) is lower than the original budget (\$155.0 million) due to slower than expected spending on some key projects. For 2019/20, spending on capital projects will increase to \$192.1 million, reflecting investment in three residence projects, significant construction in connection with the Athletics and Recreation expansion, and several ongoing projects (such as the DSB Expansion, Research Commercialization Space and deferred maintenance).

Table 9: Capital Spending by Project

(\$ thousands)

	2018/19 Projection	2019/20 Plan	2020/21 Plan	2021/22 Plan
Approved projects				
ABB Deep Retrofit - SIF Program	22,419	-	-	-
Adjacent Graduate Residence Parking Structure	-	9,900	-	-
Advanced Manufacturing Centre	2,500	6,560	-	-
Athletic and Recreation - Pulse and Student Space Expansion	2,800	29,500	30,110	-
Biomedical Engineering and Advanced Manufacturing (BEAM)	2,986	-	-	-
Campus Accessibility Action Plan	605	605	605	605
CFI 2014 / 2015	1,094	-	-	-
CFI 2017	6,012	-	-	-
Classroom Reconfiguration Plan	3,000	3,000	2,480	2,000
Deferred Maintenance Projects & Infrastructure Renewal	13,250	13,020	13,020	13,020
DSB Expansion	-	14,086	30,970	31,398
Energy Management Projects and Sustainability	8,653	-	-	-
Forge Expansion at MIP	1,800	-	-	-
Innovation Hub - The Clinic	-	2,250	-	-
McMaster Main Street Residence	1,645	-	(2,729)	-
Peter George Centre for Living and Learning	41,864	36,550	8,104	-
Research Capital Commercialization & Spin-Off Space	10,000	30,000	9,980	-
Residence Renewal Program	3,025	2,000	2,000	2,000
SANS for Nanostructured Materials	4,793	-	-	-
Temporary Lecture Hall	1,657	-	-	-
Other	6,736	400	400	400
Total approved projects	134,838	147,871	94,940	49,423
Estimate of planned projects - not yet approved	2,700	44,255	42,696	58,179
Total capital spending	137,538	192,126	137,635	107,601

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. Internally led projects that require financing borrow from McMaster's central bank approach at the weighted average cost of capital plus a stabilization factor, which is currently 5.75%.

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. The provincial government's withdrawal of graduate and MD expansion capital funding of over \$5 million annually may impact the timing of planned projects as alternative sources of funding are identified. If these planned projects are pursued, a business case will be created including stress testing for varying income adjustments beyond the tuition and capital funding cuts. 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)				
	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Revenues				
Other revenues	6,214	2,721	2,669	2,495
Investment income (loss)	21,750	28,838	29,322	29,795
Total revenues	27,964	31,559	31,991	32,290
Expenses				
All other expenses	2,640	3,745	5,717	6,511
Transfers to (from) other funds	19,876	19,619	18,245	18,386
Total expenses	22,516	23,364	23,962	24,897
Excess of revenues over expenses	5,448	8,195	8,029	7,393
Fund balance, beginning of year	483,335	488,783	496,978	505,007
Fund balance, end of year	488,783	496,978	505,007	512,400

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 2018/19 rate of return on endowed trust funds is projected to be 4.5% net of investment management fees. For planning years 2019/20 through 2021/22, a rate of 5.9% has been assumed. In 2018/19, endowed trust fund donations are projected at \$6.2 million compared to \$2.7 million in the 2019/20 budget.

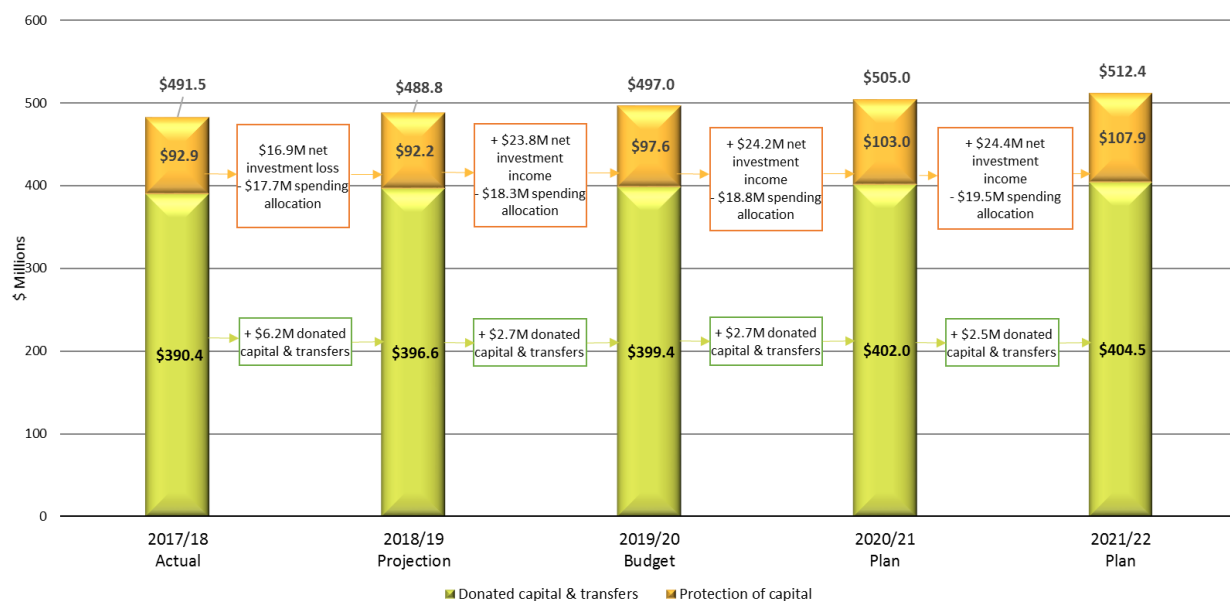
In order to protect the capital value of external endowments and ensure that spending allocations can increase over time for inflation, an endowment capital protection policy limits the amount of investment income allocated for spending and administration. The current limit is 5%¹² (4% for spending and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

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

(interest, dividends, realized and unrealized gains, net of expenses) to protect the capital value of the endowment from inflation. In years where investment returns are less than 5.0% the policy allows temporary encroachment of this reinvested income. This situation is expected to occur for 2018/19.

At April 30, 2018, the University's external endowment was \$483.3 million, including a protection of capital amount of \$92.9 million. The following chart illustrates the anticipated change 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.

Figure 16: External Endowment Fund Balance Trend



10.5 INTERNAL ENDOWMENT

Table 11: Internal Endowment Summary

(\$ thousands)				
	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Revenues				
Other revenues	99	100	100	100
Investment income (loss)	6,560	8,696	8,852	9,010
Investment income transfer	(4,521)	(5,556)	(5,608)	(5,750)
Total revenues	2,138	3,240	3,344	3,360
Expenses				
All other expenses	-	53	108	165
Transfers to (from) other funds	534	540	550	560
Total expenses	534	593	658	725
Excess of revenues over expenses	1,604	2,647	2,686	2,635
Fund balance, beginning of year	145,777	147,381	150,028	152,714
Fund balance, end of year	147,381	150,028	152,714	155,349

The internal endowment includes unrestricted donations, bequests and other allocations that are set aside for future obligations and restricted by the Board of Governors. 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 a bequest restricted for use to advance the University's mission. An annual allocation from the internal endowment is made to the Operating Fund and distributed to Faculties through the budget model. In 2019/20 the allocation amounts to \$5.6 million.

10.6 INTERNAL RESERVES

There are other critical internal reserves created to settle future obligations associated with current faculty, staff or other activities. Internal reserves include two categories of funding first Operating Fund reserves from Faculties and departments projected to be \$145.2 million in 2018/19 falling to \$115.2 million in 2019/20 and to \$73 million by 2021/22 as Faculties and departments draw on reserves to fund strategic initiatives despite the domestic tuition revenue losses. Faculties and departments are required to develop structurally balance budgets each year and additionally are expected to save reserves for new capital investments or renovations or other large strategic initiatives.

The second component of internal reserves relates to future obligation settlement needs projected as \$88.4 million in 2018/19 and planned to be \$150.7 million by 2021/22. The settlement related internal reserves appear as internal reserves on the University's statement of financial position and could be misinterpreted as funding available for other uses, however to do so would be detrimental to future University generations passing on unfunded obligations related to current operations. Some examples of these internal reserves include two debt retirement sinking funds, the Canadian Nuclear Safety Commission's required Nuclear Reactor decommissioning fund, and the special post-retirement benefit fund. Each of the aforementioned internal reserves are monitored annually for sufficiency of the reserve compared to the future liability or third party projected obligation. Balances of these settlement reserves compared to targeted funding are presented separately throughout the year to the Planning and Resources Committee of the Board of Governors. For example, the special post-retirement fund has less than 10% of the funding required to settle future payments related to existing faculty and staff in the plan.

Overall, internal reserves are a critical component of the University's financial health strategy to ensure funding is appropriately set aside today for future obligations arising from current faculty, staff and activities.

10.7 ANCILLARY FUND

Table 12: Ancillary Fund Summary

(\$ thousands)						
	2018/19 Budget	2018/19 Projection	2018/19 Variance	2019/20 Budget	2020/21 Plan	2021/22 Plan
Revenues						
Ancillary sales and services	82,678	81,565	(1,114)	89,378	91,039	91,039
Total revenues	82,678	81,565	(1,114)	89,378	91,039	91,039
Expenses						
Salaries, wages and benefits	29,603	29,981	(379)	32,442	32,243	32,243
All other expenses	32,656	31,778	878	32,815	33,029	33,029
Transfers to (from) other funds*	16,977	16,339	638	17,218	17,377	17,377
Debt and financing charges	4,613	5,079	(466)	7,661	8,003	8,003
Total expenses	83,849	83,178	671	90,135	90,652	90,652
Excess of revenues over expenses	(1,171)	(1,613)	(443)	(757)	387	387
Fund balance, beginning of year	8,679	10,971	2,291	9,358	8,601	8,601
Fund balance, end of year	7,509	9,358	1,849	8,601	8,987	8,987

*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. Each ancillary operation must save funding or finance (through the form of an internal loan) for its own capital additions and infrastructure renewals, thus a reserve or appropriations balance for the fund of up to 15% of revenues is possible in advance of key capital project decisions. Funding for capital projects, once approved or committed to, is transferred into the project reserve and approved once sufficient funding for the project is collected or reasonably assured.

10.7.1 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 resources 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 operates at a loss. The store continues to sell general reference materials, alumni and faculty publications, and general reading materials by offsetting the operating loss through the sale of crested merchandise and other

operations. The importance of having traditional book sections in a University store is high and the store has found a way to offset the cost of doing so through other sales activities.

In the budget and planning years ahead the Campus Store will be focused on the transformation of educational materials, outreach and community engagement, working with community partners to move current objectives forward, and exploring expansion of online sales strategies and other new business opportunities.

10.7.2 CENTER FOR CONTINUING EDUCATION (CCE)

Key strategic initiatives tied to the SMA include CCE's ongoing practice of innovative models of teaching and learning supported by the use of technology and its many programs that prepare graduates for a fast-paced changing work setting. CCE advances educational access through its many open enrolment programs and a second MyOWN Mac pathway that enables adult learners to progress from study within CCE to degree studies in sociology. It is also dedicated to enhancing the adult learner's experience through a Student Advisory Group and, as possible, implementing supports tied to student learning and career advancement. CCE is active in the research and scholarship sector as it involves adult, continuing, and online education. It has also made contributions in the community engagement sector. Engagement is likewise reflected in its present work with the Faculty of Social Sciences on the MyOWN Mac pathway in Sociology and the Peter Boris Centre for Addictions Research and Peter G. DeGroote Centre for Medicinal Cannabis Research on The Science of Cannabis program.

Salaries and benefits continue to be the most significant cost pressure for CCE, particularly given the number of highly skilled staff required to support online development and delivery. Also, CCE has increased the fees it pays its instructors which is an annual increased cost. This adjustment was necessary to attract and retain instructors and to be competitive with other continuing education units. When CCE partners with Faculties and institutes and uses faculty members as content developers and/or instructors, it pays these persons higher fees. Further, the changing nature of the marketplace, increased competition from diverse providers, and unknown variables such as CCE experienced this past year are all challenges.

CCE will roll out additional revenue strategies in the upcoming year. The first is a micro-learning strategy given the market trend for just in time knowledge and skills training. The strategy will enable the Centre to explore uptake before investing significant resources into the development that an academic certificate requires. Short courses and talks will encourage participants to learn more by enrolling in an existing certificate and generate new topics for exploration. Second, in addition to its reputation for the quality of its certificate and diploma programs, Continuing Education has a reputation for excellence in professional development. Taking this expertise and its experience in online education to adult learners across the country and to new English-speaking markets across the globe will enhance enrolments and revenues. Further, the management team is exploring how to bring international learners to Continuing Education for professional development in areas such as project management, data analytics, and other high demand areas.

10.7.3 HOSPITALITY SERVICES

Each Hospitality Services location plays a critical support role in McMaster's on-going pursuit of excellence and enhancing the student experience. Ensuring a focus on efficiency, flexibility and adaptability allows Hospitality Services to contribute to McMaster's Strategic Mandate and the core Operating Budget. The Hospitality Services five-year strategic plan was developed within the framework of the key business objectives of the department that align with *FWI* and the administration division supporting strategic plan. Hospitality Services has developed a strong direction for achieving financial stability, operational growth and improving on the student experience to ensure long-term relevance in supporting McMaster's overall strategy and vision. Technology, nutrition and internationalization of our menus will guide the department as we provide a more in depth food service aligned to the principles found in the Okanagan Charter.

McMaster University continues to operate a highly respected Hospitality Services department – a reputation built on quality and value. Providing quality and value while having low meal plan pricing relative to peers is a testament to the resourcefulness and the innovation of the department over time. However, it will be necessary for the department to continually assess both meal plan and retail pricing to maintain a balanced budget. Planned increases, considering student value first and foremost, will be critical to absorb the financial impacts in the areas of unionized labour contracts and market inflation, while continuing the current level of quality and reputation.

While the pressures of cost and pricing create budget challenges, Hospitality will diligently work to assess and validate its approaches to keep Hospitality Services at the forefront of their sector within the Canadian university marketplace and contribute positively to McMaster's overall mission and reputation. Actions for new value driven revenue streams to overcome financial challenges will include review of meal plan and retail pricing; increased Internationalized menu offerings that support our diverse student cultural needs; continued review/implementation of trending and innovative concepts; social media marketing; and, collaboration with internal partners to develop an integrated technology strategy. Operational efficiencies will be driven through a streamlined, compliant purchasing approach and a cost mitigation strategy that includes the review of Hospitality units that operate at a loss.

10.7.4 HOUSING AND CONFERENCE SERVICES (H&CS)

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 4,100 students focused on key educational priorities including community development, personal growth and wellness, academic excellence, and inclusion. The residence experience we offer students is a critical factor to assisting with our SMA metric of retaining students between Year 1 and Year 2.

H&CS concurrently drives a positive McMaster experience for guests, alumni, staff, faculty and student 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/capacity expansion and debt servicing. H&CS is advancing a 'One Stop Shop' ancillary service delivery model, improved access to campus

space to intensify the summer utilization of campus assets, and diversifying revenue streams by introducing year-round executive-style accommodations to serve the local and campus community.

10.7.5 MEDIA PRODUCTION SERVICES (MPS)

MPS's strategic initiatives are focused on revenue generation with a view to retiring historical MPS debt. As a result, MPS will continue to seek support to adopt a centralized print management strategy. A firm policy for centralized management will maximize savings and quality benefits to Faculty and departments. Print and digital formats are proving to be complementary and mutually supportive. MPS sees its future as a central hub where print and digital services interact. MPS will continue pursuing its web strategy: developing scalable, fully hosted, brand consistent but design flexible websites that are AODA compliant and incorporate responsive, user-friendly content management systems.

The MPS reorganization has equipped the business unit with the adaptability it needs to effectively navigate an industry that is rapidly changing. However, the lower demand for printing and increased competition continues to challenge MPS. The current optical mark recognition equipment is over 15 years old, at the end of its useful life and in need of replacement. Despite these challenges, MPS is on track to deliver a surplus for the sixth consecutive year.

The Digital Imaging Manager will play a key leadership role within MPS, acting as a catalyst for achieving critical initiatives for our department. This position will proactively seek out new revenue sources, support planning and review of new technologies, and continue to innovate and market new products and services. This will happen in the context of fostering alignment with the University's priorities and continuing to ensure operational and service excellence. Systems and procedures are being streamlined and new revenue streams as identified in our strategic plan are actively being sought and evaluated.

10.7.6 PARKING AND TRANSIT SERVICES

The department continues to work towards increasing capacity for monthly student parking hence improving the student experience. The wayfinding initiative along with improved parking technology will enhance the experience for the University community.

The increasing accumulated debt for underground parking facilities and the accompanying loss of space in prime parking lots as a result of construction projects continues to negatively impact the parking budget. New offsite development has increased the request for service presenting operational challenges due to limited staffing levels. New initiatives added to the managing portfolio for the department such as campus wayfinding also present added cost pressures to the budget.

Parking Services will continue to explore revenue generating and cost cutting opportunities in order to maintain a balanced budget. Opportunities to expand parking capacity where possible will also be explored. The department may reduce service for non-priority activities and defer investment in parking infrastructure should sufficient funding not be available.

10.8 SPECIFICALLY EXTERNALLY FUNDED

Table 13: Specifically Externally Funded Summary

(\$ thousands)						
	2018/19 Budget	2018/19 Projection	2018/19 Variance	2019/20 Budget	2020/21 Plan	2021/22 Plan
Revenues						
Other revenues	32,694	34,595	1,901	32,987	32,477	32,477
Total revenues	32,694	34,595	1,901	32,987	32,477	32,477
Expenses						
Salaries, wages and benefits	23,884	24,489	(605)	23,715	23,135	23,135
All other expenses	10,342	12,256	- 1,914	10,352	9,599	9,599
Transfers to (from) other funds	(216)	(99)	(117)	(176)	-	-
Total expenses	34,009	36,646	(2,637)	33,891	32,734	32,734
Excess of revenues over expenses	(1,315)	(2,051)	(736)	(904)	(257)	(257)
Fund balance, beginning of year	6,244	8,762	2,518	6,711	5,807	5,807
Fund balance, end of year	4,929	6,711	1,782	5,807	5,550	5,550

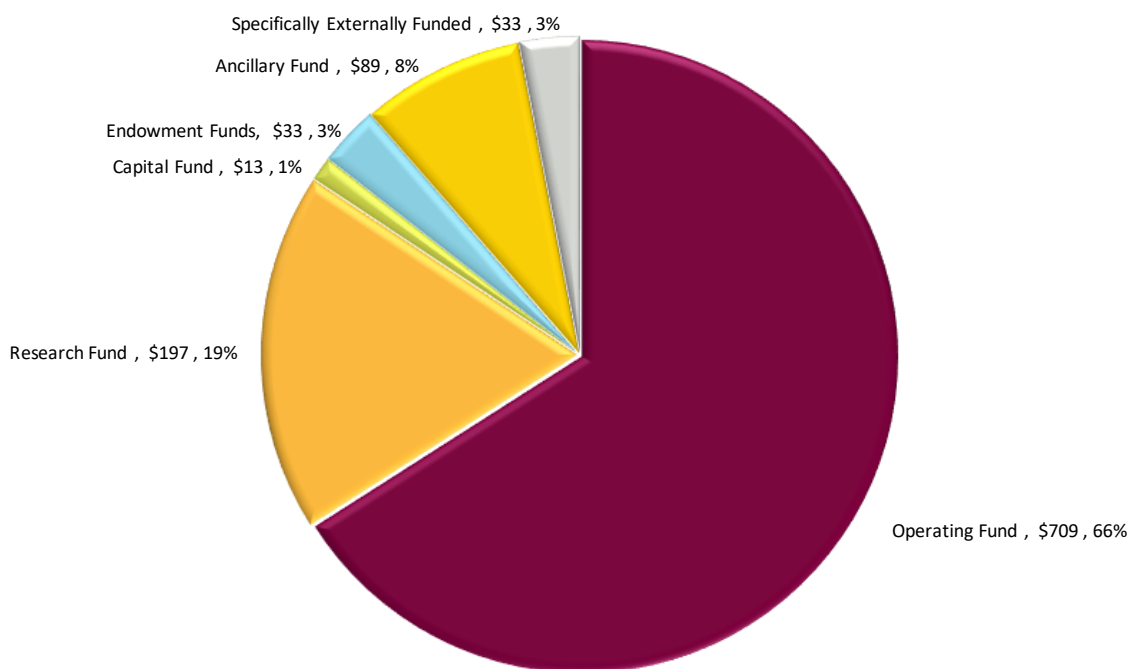
Externally restricted funds other than research, trust or capital are tracked in a separate fund. Programs managed in this fund involve external sponsors such as the Ministry of Health and Long-Term Care and the Ontario Online Initiative, and meet the following criteria:

- 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 17: Consolidated 2019/20 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 includes the audited financial statements that 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 into a single column 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 Annual Financial Report accounting adjustments are made to each fund.

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

(\$ thousands)

	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Excess/(deficiency) of Operating Fund revenues over expenses	2,458	(29,906)	(23,279)	(18,936)
+ Capital expenditures net of amortization	73,398	91,155	47,152	23,061
+ Investment income on internal endowments	1,604	2,647	2,686	2,636
+ Pension & non-pension adjustments	(7,600)	(8,106)	(8,617)	(9,138)
+ Change in other (non-internal endowment) investment returns, changes in other reserves net of Operating Fund income	45,382	2,226	48,994	59,838
+ Prior period adjustment/pension special payment	(6,777)	2,433	1,898	1,784
Total accrual adjustment	106,007	90,356	92,112	78,180
Excess of revenues over expenses	108,465	60,450	68,833	59,244

Table 14 shows the summary adjustments required to reconcile the Operating Fund's net income from the fund and cash accounting basis to the full accrual basis for all funds, the adjustments include:

- Capital expenditures treated as immediate cash basis expenses are added back and only the net amortization expense is deducted reflecting the useful life of the capital asset over time.
- Investment income earned or (lost) on internal endowments, net of funds not already transferred to the Operating Fund, are added back or (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.

11.1 STATEMENT OF OPERATIONS

Table 15: Consolidated Statement of Operations (Accrual Basis)

(\$ thousands)				
	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Revenues				
Operating grants	272,482	273,528	273,199	273,008
Research grants and contracts	173,459	176,061	178,702	181,382
Tuition fees	341,272	338,962	363,173	388,611
Ancillary sales and services	78,654	80,227	82,032	83,878
Other revenues	186,029	189,749	201,134	205,157
Investment income (net)	55,420	62,452	64,479	66,435
Amortization of deferred capital contributions	45,812	45,743	44,594	43,737
Revenues from new capital projects	-	-	-	300
Additional revenue from internal loan repayment	9,092	9,525	18,111	18,913
Total revenues	1,162,220	1,176,247	1,225,424	1,261,422
Expenses				
Salaries and wages	530,731	562,575	585,078	608,481
Employee benefits	121,414	123,842	126,319	128,845
Supplies and services	287,537	294,007	299,887	305,885
Interest on long-term debt	13,239	14,739	16,237	16,194
Amortization of capital assets	82,349	88,181	96,000	101,588
Expenses from new capital projects	3,485	17,454	18,071	21,186
Contingent expenses	15,000	15,000	15,000	20,000
Total expenses	1,053,755	1,115,798	1,156,591	1,202,178
Excess of revenues over expenses	108,465	60,450	68,833	59,244

The consolidated statement of operations targets a 10% excess of revenues over expenses in order to fund the internal reserves for future obligations sufficiently. The excess is currently less than 10% of consolidated revenues in all years. In 2018/19 the lower results are a function of weakened interest rate returns. In 2019/20 and beyond the results are lower due to the tuition fee cut and the Faculties continuing to invest in strategic priorities drawing upon unit level reserves. In the budget and planning years, if the return on investment is 5.9% or greater then the internal reserves will be reasonably funded despite unit level spending in the Operating Fund.

11.2 STATEMENT OF FINANCIAL POSITION

Table 16: Consolidated Statement of Financial Position

(\$ thousands)				
	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Assets				
Cash	29,271	30,994	32,128	33,394
Short-term investments	146,355	154,972	160,638	166,969
Medium-term investments	364,423	295,458	255,469	272,639
Long-term investments	997,981	1,045,736	1,079,958	1,114,886
Capital assets	1,186,948	1,333,324	1,404,960	1,450,674
Other assets	155,568	158,680	161,853	165,090
Total assets	2,880,547	3,019,165	3,095,005	3,203,652
Liabilities and deferred contributions				
Current portion of long-term debt	630	654	678	703
Deferred contributions for future expenses	360,370	361,573	362,800	364,051
Deferred capital contributions	503,176	490,535	481,111	514,344
Long-term debt	253,133	327,479	326,801	326,099
Decommissioning obligation	14,132	15,221	16,393	17,655
Employee future benefits and pension	242,979	247,839	252,796	257,852
Other liabilities	176,371	179,898	183,496	187,166
Total liabilities and deferred contributions	1,550,792	1,623,198	1,624,074	1,667,868
Net assets				
Unrestricted	9,781	9,781	9,781	9,781
Internally restricted reserves	253,801	224,523	207,059	248,725
Internally restricted endowments	147,381	150,028	152,714	155,349
Externally restricted endowments	488,783	496,978	505,007	512,400
Net investment in plant, adjusted	430,008	514,657	596,370	609,529
Total net assets	1,329,755	1,395,966	1,470,931	1,535,784
Total liabilities and net assets	2,880,547	3,019,165	3,095,005	3,203,652

The statement of financial position is the University's consolidated balance sheet. The cash and short term investments reflect funds needed for current spending. Medium term investments are funds invested in longer durations approximating 36 to 48 months. The long term investments reflect funds placed in the unitized Investment Pool, which targets an annual 5.9% return. Long term investments hold both external and internal endowment funds, as well as a component of funds not needed in the short or medium term. Capital assets reflect infrastructure additions that meet the capitalization accounting policy (described further in Appendix 6). Other assets include grants and other accounts receivable, prepaid expenses, inventories and investments in McMaster Innovation Park, Adiga Life Sciences and the Halton McMaster Family Health Centre.

Deferred contributions for future expenses and capital reflect funding received for specific purposes that has not yet been expended or met the test to expense. This funding is reduced when the related expense occurs resulting in offsetting revenue or net neutral impact to the statement of operations. The long term debt obligation relates primarily to bonds raised in 2002 and 2015 for capital investments, both obligations have an internally restricted sinking fund reserve to settle the future

\$240 million in balloon payments, \$120 million due in 2052 and the other \$120 million due in 2065. The decommissioning liability is a figure determined by the Canadian Nuclear Safety Commission and an offsetting internally restricted reserve has been created to fund this obligation when it becomes due. The employee future benefits and pension liability is determined by the University's third party actuary for each future benefit and pension plan the University has with its faculty and staff. For costs associated with the variable pension expences and future special post retirement benefit internally restricted reserves are used. Finally, other liabilities generally include accounts payable and accrued liabilities, as well as deferred revenue that will be recognized in a future period.

Finally, net assets comprise of almost \$10 million in unrestricted reserves and \$253.8 million in internally restricted reserves explained previously in section 10.6. The external and internal reserves are also explained in greater detail in sections 10.4 and 10.5 respectively. Finally, net investments in plant reflects accrual basis adjustments for investments made by the University in capital that is added to as new investments are made and reduced by each University invested assets annual useful life amortization expense.

11.3 STATEMENT OF CASH FLOWS

Table 17: Consolidated Statement of Cash Flows

(\$ thousands)	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Excess of revenues over expenses	108,465	60,450	68,833	59,244
Add/(deduct) non-cash items				
Change in deferred pension asset	-	-	-	-
Amortization of capital assets	82,349	88,181	96,000	101,588
Amortization of deferred capital contributions	(45,812)	(45,743)	(44,594)	(43,737)
Amortization of deferred contributions for future expenses	1,179	1,203	1,227	1,251
Change in decommissioning obligation	1,010	1,088	1,172	1,262
Miscellaneous non-cash changes in assets and liabilities	21,803	5,276	5,381	5,489
Add/(deduct) cash from operations, finance and investing				
Change in deferred capital contributions	45,056	33,102	35,170	76,970
Contributions to externally restricted endowments	5,448	8,195	8,029	7,392
Repayment of long-term debt (existing and proforma debt)	(608)	(630)	(654)	(678)
Other	5,836	(2,433)	(1,898)	(1,784)
New debt issuance	-	75,000	-	-
Acquisition of capital assets	(174,972)	(234,558)	(167,635)	(147,301)
Change in cash	(10,635)	(1,723)	(1,133)	(1,266)
Change in short-term investments	43,251	(8,617)	(5,666)	(6,332)
Change in long-term investments	80,827	(47,755)	(34,222)	(34,928)
Increase/(decrease) in medium-term investments	163,196	(68,965)	(39,990)	17,170
Medium-term investments, beginning of year	201,227	364,423	295,458	255,469
Medium-term investments	364,423	295,458	255,469	272,639

11.4 METRICS

11.4.1 HIGHLIGHTS

Table 18: Budget Financial Highlights

(\$ millions)				
	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Total net assets	1,329.8	1,396.0	1,470.9	1,535.8
Available expendable resources	587.3	568.7	562.6	616.0
Capital spending	169.0	229.4	158.9	137.4
Total revenues	1,162.2	1,176.2	1,225.4	1,261.4
Total expenses	1,053.8	1,115.8	1,156.6	1,202.2
Excess of revenues over expenses - consolidated	108.5	60.4	68.8	59.2
Excess/(deficiency) of revenues over expenses - Operating Fund	2.5	(29.9)	(23.3)	(18.9)

11.4.2 FINANCIAL HEALTH METRICS

Table 19: Financial Health Metrics

		2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Metric	Ratio				
Performance	Net income/loss ratio	9.3%	5.1%	5.6%	4.7%
Performance	Net operating revenues ratio ¹	14.5%	9.4%	10.4%	9.9%
Liquidity	Primary reserve ratio (days) ²	204	186	179	186
Leverage	Interest burden ratio	1.4%	1.4%	1.5%	1.5%
Leverage	Viability ratio ³	2.2	1.7	1.6	1.8

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 by MTCU to be reported each year, and in the annual SMA report. No targets have been set by MTCU, 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 DEBT MANAGEMENT RATIOS

Table 20: Debt Management Ratios

	2018/19 Projection	2019/20 Budget	2020/21 Plan	2021/22 Plan
Available expendable resources to debt (≥ 0.6 to > 1.0)	2.1	1.6	1.6	1.8
Interest coverage (> 2.75 to > 3.25)	12.0	8.0	8.4	8.2
Available expendable resources as a percentage of revenues ($> 15\%$)	50.5%	48.4%	45.9%	48.8%
Liquidity ratio ($> 1\%$)	2.0%	2.0%	2.0%	2.0%

11.5 RISKS TO THE 2019/20 BUDGET

The key risks to the budget relate to achieving diversified international enrolment targets. Diversity of international enrolment will be important to minimize geopolitical risk related to potential adverse foreign government policies. Enrolment growth will eventually be limited by capacity, forcing a greater focus on the delivery of new revenues and operational process efficiencies.

Implementation of provincial performance- or outcomes-based funding introduces the risk associated with up to 60% of McMaster's funding linked to the achievement of 10 SMA targets, 9 set by MTCU and 1 University selected. The budget has absorbed the 10% domestic tuition cut in 2019/20 and the rate freeze in 2020/21, however there is no indication of changes to the tuition framework in 2021/22 and beyond and if held frozen the University will not have any source of inflationary funding related to domestic higher education delivery.

Risk of market volatility and capital losses could impact annual commitments to operations, including funding for Chairs, scholarships and bursaries. This risk is managed by diversification and experienced oversight, as well as maintenance of an internally restricted investment reserve established more formally following the financial crisis to cover annual spending commitments that might otherwise be hindered in a prolonged market loss situation. In addition to potential market losses, a decline in interest rates would affect pension plan liabilities and increase the amount of required payments. Projections and scenario modeling are used to monitor this risk and develop funding strategies using internally restricted benefit reserves to potentially supplement payment schedules resulting in a process of smoothed benefit rate budgeting for Faculties and departments enabling greater stability.

Additional systemic or uncontrollable risks include ensuring sufficiency of funding for investments in infrastructure and strategic priorities such as the research commercialization project involving the relocation of research spin-off entities to the McMaster Innovation Park by building a research hub in the City of Hamilton. Further still, the University has partnered with the private sector in an effort to minimize debt directly held by the University while still delivering on key capital projects of strategic importance to the University's mission. Risk of bankruptcy of public-private partners involves mitigation strategies including extensive due diligence initiatives, strategic negotiations allowing remedy within a defined period and the University's right to buy out the partnership or replace the partner failing reasonable remedy.

12 OVERALL BORROWING AND DEBT POSITION

Strategic initiatives and capital projects (both infrastructure and technology related) require a combination of financing solutions, including internal loans from the central bank, commitments against future revenue streams, gifts, and/or external or off-book financing.

External financing is used to fund the central bank and 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 funds (or sinking funds) for the bonds outstanding.

Additional borrowing is identified in the 2019 Debt Strategy report suggesting \$75 million over 30-years, this debt projection is included in budget for conservatism. However, the University has taken a strategic approach to delay the recommendation for approval to proceed with this new debt until early 2020 when more may be known regarding the extent of MTCU funding cuts and other changes. The new debt is tied to providing additional central bank resources over the period whereby the Peter George Centre for Living and Learning and other projects are complete and new projects such as the McLean Centre for Learning and Discovery will be initiated. Internal loans associated with completed projects average a 30-year repayment schedule. A 30-year debt maturity creates staggering maturities for external debt and allows current strategic initiatives to proceed despite reduced provincial capital funding, while maintaining strong financial health metrics and our AA credit rating with DBRS and S&P.

13 CONCLUSIONS ON THE 2019/20 BUDGET

The 2019/20 Operating Fund is structurally balanced in all planning years, with department reserves, also referred to as appropriations, being drawn down to advance one-time strategic initiatives aligning to *FWI* and SMA milestones and metrics, such as investments in academic, research, community and infrastructure support. On a consolidated basis, a surplus of \$60.5 million is budgeted after required generally accepted accounting principle (GAAP) accrual adjustments. These include adding back capital expenditures during the year and only recognizing one year of the capital projects' useful life as amortization expense. The consolidated results are sensitive to market volatility associated with investment returns. A plus or minus 1% variance results in a plus or minus \$5.9 million impact to the consolidated results. Returns are budgeted using the long term rate of return average of 5.9% for 2019/20 and beyond.

Budget submissions across all areas reflect a core focus toward research initiatives, advancing meaningful student experiences, and strengthening our connections to the community locally and beyond. McMaster is taking steps to continue these initiatives as planned despite the provincially mandated 10% cut to domestic tuition rates in 2019/20 and tuition freeze for 2020/21. 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, the Faculties' budget plans, taken together, include a 6% overall increase in faculty complement. This is expected to allow the University to build on our research strength and maintain our position at the very top of international rankings of high-impact universities.

The overall budget is positive primarily based on planned international enrolment strategies considered achievable. Over the longer term, enrolment strategies will become constrained by campus capacity. As such, new revenue strategies are being considered along with other operational efficiency projects. New revenue strategies include a review of professional programs, an examination of the use of campus in the summer, exploration and implementation of a block-chain certification platform and micro-credentialing or just in time certifications promoting life-long learning through online mechanisms that do not tax the University's physical infrastructure.

Budget pressures and some uncertainty in connection with provincial funding, future pension costs along with related inflationary pressures, and continued potential market volatility suggest our continued financial health depends on concerted pan-university efforts. These pan-university efforts include an increased focus on efficiency projects involving process reviews and automation efforts associated with high volume routine transactional work. The University will place a greater and growing emphasis on benchmarking data to target areas in need of the greatest review and process change.

Upcoming changes to MTCU's funding approach, whereby up to 60% of the University's funding will become at-risk connected to the achievement of ten SMA metrics, nine selected by MTCU and one University-selected, will not change the University's approach to budget allocations within the Operating Fund. McMaster's budget model is predominantly based on where students register and where students are taught flowing funds on these bases and allocating costs based on "use" drivers. The budget approach remains core to ensuring Faculties' understanding their revenues and cost drivers and it increases accountability and transparency around how funds are allocated and expended across the University to support the mission. The budget process also enables full alignment of budgets and planning with priorities and the SMA, and as such no changes to the budget model will be undertaken during MTCU's funding approach transition.

APPENDIX 1– OPERATING FUND PROJECTION VS. BUDGET

Table 21: Operating Fund 2018/19 Projection vs. Budget

(\$ thousands)	Operating Fund		2018/19 Variance	
	2018/19 Budget	2018/19 Projection	Favourable/ (Unfavourable)	
Sources of Funding:				
Provincial Grants	235,368	235,016	(352)	-0.1%
Tuition	334,153	327,272	(6,881)	-2.1%
Research Overhead Income	25,904	28,933	3,029	11.7%
Investment Income	12,901	12,901	(0)	0.0%
Other income	93,990	104,461	10,471	11.1%
Total sources of funding	702,316	708,583	6,267	0.9%
Expenditure:				
Salaries, wages and benefits	476,153	473,605	2,547	0.5%
Utilities and maintenance	38,749	35,469	3,280	8.5%
Equipment and renovations	50,392	58,286	(7,893)	-15.7%
Scholarships, bursaries and work study	37,252	39,303	(2,051)	-5.5%
Library acquisitions	12,829	12,650	179	1.4%
Debt and financing charges	18,423	22,623	(4,200)	-22.8%
All other expenses	64,773	64,189	584	0.9%
Total expenditures	698,571	706,125	(7,553)	-1.1%
Total surplus (deficit)	3,745	2,458	(1,287)	-34.4%
Fund balances, beginning of year	110,679	142,698	32,019	28.9%
Fund balances, end of year	114,423	145,156	30,732	26.9%

The Operating Fund is projected to end 2018/19 in a more favourable position than the original budget due to more favourable fund balances at the end of 2017/18 carrying over.

Provincial grants are unfavourable by \$0.4 million (-0.1%) due to removal of Midwifery grant funding from central provincial grant funding, for the Budget it was expected that Midwifery funding would come through the central provincial grants. This is partially offset by conversion of international PhD students to domestic, resulting in higher than budget Graduate Expansion grant.

Tuition is unfavourable by \$6.9 million (-2.1%) primarily due to lower international enrolment compared to planned target whereby the enrolment difference accounts for student redirected to McMaster's english language program for one year and whereby those students will be redirected into regular first year enrolment next year.

Research overhead income is favourable by \$3.0 million (11.7%) due to greater royalties and the new Incremental Projects Grant (IPG) component of the Research Support Fund, partially offset by lower research contract overhead.

Other income is favourable by \$10.4 million due to revenue sources not anticipated at the time of the original budget. In particular, additional revenues in Humanities' supplementary English language program mentioned above, as a result of the targeted increase in international enrolment. As well, other income is favourable due to the inclusion of the Midwifery funding mentioned above, as a direct Faculty revenue, as well as increased revenue from other supplementary programs and fees.

Salaries, wages and benefits are favourable by \$2.5 million (0.5%) due to unfilled positions and delayed hiring as temporary expense saving strategies.

Utilities and maintenance are favourable by \$3.3 million (8.5%) due to a \$2.89 million Ontario rebate for electricity consumers and because the University is now classified as a Residential Energy Consumer. Further still, utility rates were more favourable than budgeted.

Equipment and renovations are unfavourable by \$7.9 million (-15.9%) whereby savings from Utilities were reinvested in energy management plan projects and deferred maintenance priorities. Further driving the unfavourable variance are capital transfers for the McLean Centre project, Science core research platforms, the Nuclear Magnetic Resonance Facility and Microscopy.

Scholarships, bursaries and work-study expenditures are unfavourable by \$2.1 million (-5.5%) due to higher student enrolment.

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

All other expenses are favourable by \$0.6 million (0.9%) primarily due to lower than expected contingency spending on priorities.

The resulting \$1.3 million unfavourable in-year deficit variance plus the \$32 million favourable opening appropriations variance result in a projected closing balance in the Operating Fund of \$30.7 million (26.9%) greater than the original budget. These appropriations will be carried forward for expenditure in 2019/20 and future years and will help to mitigate the impact of the 2019/20 tuition cut and investments in capital.

APPENDIX 2 – BUDGET MODEL CALCULATIONS

McMaster University - New Budget Model - Faculties			University Fund		Prof Faculties	Other Faculties	VP Research Discretionary Fund		10.00%					
Projected Budget Allocation			Research Infrastructure Fund		3.00%	1.00%								
2018-19														
	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 (10% of ICR above)			(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			26,873	50,633	69,330	23,913	51,433	4,603	27,929	1,091				
UF Supplement			-	-	5,849	5,281	937	-	-	-	-	(12,067)	-	-
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		VP Research Discretionary Fund		10.00%					
Projected Budget Allocation			University Fund		8.00%		8.00%							
2019-20			Research Infrastructure Fund		3.00%		1.00%							
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Rad - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)
Revenue														
Undergraduate Tuition			49,235	88,004	30,733	15,287	58,460	1,955	33,587	1,699	-			278,961
UG Tuition Adjustment for tuition fee framework			(257)	(954)	237	185	497		275	17				-
Total UG SAG Obligation			(2,017)	(7,844)	(151)	(31)	(183)	-	(65)	(2)	10,293			-
Graduate Tuition			17,769	10,783	11,334	2,590	4,505		2,006	-	-			48,987
Operating Grant			18,576	44,416	81,808	14,120	51,331	2,137	21,618	1,679	-	182	-	235,867
Other Income			888	2,223	5,036	515	1,934	-	766	105	-	7,407	-	18,874
Gross Revenue			84,195	136,627	128,997	32,666	116,544	4,092	58,188	3,498	10,293	7,589	-	582,689
Undergraduate Cross Faculty Teaching Adjustment			(6,490)	(13,292)	209	7,147	7,797	-	5,150	(520)	-			(0)
Revenue for Contributions			77,705	123,335	129,206	39,813	124,342	4,092	63,338	2,978	10,293	7,589	-	582,689
Internal International Tax			(201)	(279)	(3)	(31)	(167)	-	(98)	-		780	-	-
University Fund Contribution			(6,216)	(9,867)	(10,336)	(3,185)	(9,947)	-	(5,067)	(238)		44,857	-	-
Research Infrastructure Fund Contribution			(2,331)	(3,700)	(1,292)	(398)	(1,243)	-	(633)	(89)		-	9,687	-
Indirect Cost of Research (excluding Royalties & CRC)			223	4,654	10,174	419	4,262	-	763	-	29	-		20,524
VP Research Discretionary (10 % of ICR above)			(22)	(465)	(1,017)	(42)	(426)	-	(76)	-	2,048	-		-
Adjustments for ICR received by Journal (Contract & ERA)			(18)	(1,131)	(4,381)	(195)	(664)	-	(92)	-	-			(6,481)
Adjustments for Current Practices			-	-	(3,985)	(218)	184	(184)	218	-	-	-		(3,985)
Research Infrastructure Fund Distribution			105	2,200	4,809	198	2,015	-	361	-	-		(9,687)	-
Research Excellence Fund (from UF)			46	478	1,045	86	438	-	157	-		(2,250)	-	-
Revenue Prior to Shared Support Unit Allocations			69,289	115,225	124,218	36,446	118,793	3,908	58,869	2,650	12,372	50,976	-	592,746
Shared Support Unit Allocations - via double stepdown														
Occupancy Cost	43,703	(13,699)	(940)	(7,423)	(8,957)	(2,261)	(8,720)	-	(1,655)	(48)	-	-	-	(30,004)
Deferred Maintenance	10,593	(3,802)	(213)	(1,680)	(2,027)	(512)	(1,974)	-	(375)	(11)	-	-	-	(6,791)
Insurance	1,230	(508)	(23)	(182)	(205)	(56)	(214)	-	(41)	(1)	-	-	-	(722)
MIP Occupancy 1	2,673	(310)	-	(1,311)	(769)	(44)	-	-	(239)	-	-	-	-	(2,363)
MIP Occupancy 2	161	-	-	(161)	-	-	-	-	-	-	-	-	-	(161)
HR	6,926	(1,024)	(338)	(902)	(3,183)	(361)	(737)	-	(374)	(6)	-	-	-	(5,902)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,557	(2,525)	(565)	(926)	(1,735)	(454)	(852)	-	(483)	(18)	-	-	-	(5,032)
Supplementary Pension	4,738	(279)	(408)	(734)	(1,710)	(387)	(789)	-	(430)	(3)	-	-	-	(4,459)
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)
Presidential/Univ Sec	2,081	(800)	(144)	(236)	(442)	(116)	(217)	-	(123)	(4)	-	-	-	(1,281)
General University Expense	7,634	(3,144)	(504)	(826)	(1,548)	(405)	(761)	-	(431)	(16)	-	-	-	(4,490)
Bond Interest	9,922	(3,534)	(200)	(1,580)	(1,907)	(481)	(1,857)	-	(352)	(10)	-	-	-	(6,388)
UTS/ Technology Fund	17,741	2,273	(2,499)	(3,953)	(4,323)	(1,530)	(4,843)	-	(2,692)	(174)	-	-	-	(20,014)
UTS- ERP	4,517	(179)	(542)	(857)	(937)	(331)	(1,050)	-	(583)	(38)	-	-	-	(4,338)
UA	6,336	1,542	(1,027)	(1,790)	(1,899)	(553)	(1,713)	-	(855)	(40)	-	-	-	(7,878)
Office of the Provost	7,725	(2,867)	(545)	(894)	(1,675)	(438)	(823)	-	(466)	(17)	-	-	-	(4,858)
Research Support	9,992	5,834	(230)	(2,739)	(9,731)	(347)	(2,139)	-	(640)	-	-	-	-	(15,826)
Student Affairs	5,361	6,197	(1,577)	(2,400)	(1,811)	(925)	(3,035)	-	(1,696)	(114)	-	-	-	(11,558)
MIETL	1,779	714	(333)	(507)	(435)	(195)	(641)	-	(358)	(24)	-	-	-	(2,493)
Libraries	19,917	8,718	(3,646)	(5,603)	(5,925)	(2,222)	(7,027)	-	(3,955)	(257)	-	-	-	(28,635)
HS Library	3,921	1,878	(738)	(1,135)	(1,200)	(450)	(1,423)	-	(801)	(52)	-	-	-	(5,799)
Registrar	5,607	8,206	(1,770)	(2,694)	(2,084)	(1,119)	(3,835)	-	(2,154)	(157)	-	-	-	(13,813)
SGS	1,885	418	(378)	(575)	(711)	(146)	(323)	-	(170)	-	-	-	-	(2,303)
Museum of Art	623	518	(138)	(218)	(275)	(84)	(267)	-	(149)	(10)	-	-	-	(1,141)
UG Scholarship	5,512	702	(859)	(1,382)	(487)	(530)	(1,881)	-	(1,021)	(74)	-	-	-	(6,214)
UG Bursaries	3,500	(0)	(460)	(758)	(357)	(291)	(1,032)	-	(560)	(41)	-	-	-	(3,500)
Grad Scholarship	13,818	686	(2,393)	(3,627)	(4,439)	(925)	(2,048)	-	(1,075)	-	-	-	-	(14,504)
Branding and Marketing	1,006	55	(138)	(241)	(256)	(75)	(231)	-	(115)	(5)	-	-	-	(1,061)
Adjustments for Current Practices - Support Units			-	-	4,559	-	-	-	-	-	(4,559)	-	-	0
Total Shared Support Unit Allocations	225,949	(0)	(21,598)	(47,551)	(59,439)	(16,789)	(51,620)	-	(23,264)	(1,129)	(4,559)	-	-	(225,949)
Net Revenue			47,691	67,673	64,779	19,657	67,174	3,908	35,605	1,521	7,813	50,976	-	366,797
UF Supplement			-	-	-	3,500	-	-	-	-	-	(3,500)	-	-
UF Supplement 2 - Grants top up					892							(892)	-	-
Base Net Projected Budget 2019-20			47,691	67,673	65,671	23,157	67,174	3,908	35,605	1,521	7,813	46,584	-	366,797

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%								
2020-21					3.00%	1.00%								
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Rad - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)
Revenue														
Undergraduate Tuition			54,505	93,935	30,757	16,292	63,658	1,934	36,674	1,702	-			299,457
UG Tuition Adjustment for tuition fee framework			(257)	(954)	237	185	497		275	17				-
Total UG SAG Obligation			(2,000)	(7,895)	(153)	(31)	(181)	-	(64)	(2)	10,326			-
Graduate Tuition			18,553	11,098	11,051	2,523	4,400		2,017	-	-			49,643
Operating Grant			18,431	44,474	81,909	14,047	51,213	2,119	21,490	1,679	-	182	-	235,544
Other Income			888	2,223	5,036	515	1,934		766	105	-	4,454	-	15,921
Gross Revenue			90,121	142,880	128,837	33,531	121,521	4,053	61,159	3,501	10,326	4,636	-	600,565
Undergraduate Cross Faculty Teaching Adjustment			(6,564)	(13,781)	384	7,216	8,061		5,203	(519)	-			0
Revenue for Contributions			83,557	129,099	129,220	40,747	129,582	4,053	66,362	2,982	10,326	4,636	-	600,565
Internal International Tax			(751)	(993)	(7)	(121)	(646)	-	(381)	-		2,900		-
University Fund Contribution			(6,685)	(10,328)	(10,338)	(3,260)	(10,367)	-	(5,309)	(239)		46,524	-	-
Research Infrastructure Fund Contribution			(2,507)	(3,873)	(1,292)	(407)	(1,296)	-	(664)	(89)		-	10,128	-
Indirect Cost of Research (excluding Royalties & CRC)			223	4,654	10,174	419	4,262	-	763	-	29	-		20,524
VP Research Discretionary (10 % of ICR above)			(22)	(465)	(1,017)	(42)	(426)	-	(76)	-	2,049	-		-
Adjustments for ICR received by Journal (Contract & ERA)			(18)	(1,131)	(4,381)	(195)	(664)	-	(92)	-	-	-		(6,481)
Adjustments for Current Practices			-	-	(3,927)	(218)	179	(179)	218	-	-	-		(3,927)
Research Infrastructure Fund Distribution			110	2,300	5,028	207	2,106	-	377	-	-		(10,128)	-
Research Excellence Fund (from UF)			46	478	1,045	86	438	-	157	-		(2,250)		-
Revenue Prior to Shared Support Unit Allocations			73,954	119,741	124,504	37,215	123,169	3,873	61,355	2,654	12,405	51,810	-	610,681
Shared Support Unit Allocations - via double stepdown														
Occupancy Cost	43,991	(13,802)	(945)	(7,469)	(9,012)	(2,275)	(8,774)	-	(1,665)	(48)	-	-	-	(30,188)
Deferred Maintenance	10,593	(3,802)	(213)	(1,680)	(2,027)	(512)	(1,974)	-	(375)	(11)	-	-	-	(6,791)
Insurance	1,230	(508)	(23)	(182)	(205)	(56)	(214)	-	(41)	(1)	-	-	-	(722)
MIP Occupancy 1	2,673	(310)	-	(1,311)	(769)	(44)	-	-	(239)	-	-	-	-	(2,363)
MIP Occupancy 2	161	-	-	(161)	-	-	-	-	-	-	-	-	-	(161)
HR	6,926	(1,022)	(338)	(902)	(3,184)	(361)	(737)	-	(374)	(6)	-	-	-	(5,904)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,557	(2,522)	(565)	(927)	(1,736)	(454)	(853)	-	(483)	(18)	-	-	-	(5,035)
Supplementary Pension	4,738	(278)	(408)	(734)	(1,710)	(387)	(789)	-	(430)	(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	2,081	(799)	(144)	(236)	(442)	(116)	(217)	-	(123)	(4)	-	-	-	(1,282)
General University Expense	7,634	(3,144)	(504)	(826)	(1,548)	(405)	(761)	-	(431)	(16)	-	-	-	(4,490)
Bond Interest	10,089	(3,598)	(203)	(1,606)	(1,938)	(489)	(1,887)	-	(358)	(10)	-	-	-	(6,491)
UTS/ Technology Fund	18,241	2,270	(2,589)	(4,088)	(4,387)	(1,558)	(4,944)	-	(2,768)	(176)	-	-	-	(20,511)
UTS- ERP	4,517	(178)	(548)	(865)	(928)	(330)	(1,046)	-	(586)	(37)	-	-	-	(4,339)
UA	6,336	1,546	(1,069)	(1,820)	(1,847)	(538)	(1,714)	-	(855)	(39)	-	-	-	(7,881)
Office of the Provost	7,725	(2,864)	(546)	(895)	(1,676)	(438)	(823)	-	(466)	(17)	-	-	-	(4,860)
Research Support	9,992	5,854	(231)	(2,743)	(9,743)	(347)	(2,141)	-	(641)	-	-	-	-	(15,846)
Student Affairs	5,361	6,224	(1,597)	(2,428)	(1,795)	(921)	(3,026)	-	(1,704)	(113)	-	-	-	(11,585)
MIL/ETL	1,779	717	(337)	(512)	(431)	(194)	(638)	-	(359)	(24)	-	-	-	(2,496)
Libraries	20,317	8,764	(3,745)	(5,745)	(5,956)	(2,242)	(7,106)	-	(4,029)	(259)	-	-	-	(29,081)
HS Library	4,021	1,887	(761)	(1,167)	(1,210)	(456)	(1,444)	-	(819)	(53)	-	-	-	(5,908)
Registrar	5,607	8,254	(1,798)	(2,721)	(2,069)	(1,117)	(3,837)	-	(2,164)	(156)	-	-	-	(13,861)
SGS	1,885	419	(380)	(588)	(702)	(144)	(315)	-	(175)	-	-	-	-	(2,304)
Museum of Art	623	521	(140)	(221)	(273)	(84)	(267)	-	(150)	(10)	-	-	-	(1,144)
UG Scholarship	5,512	702	(849)	(1,388)	(481)	(527)	(1,874)	-	(1,021)	(73)	-	-	-	(6,214)
UG Bursaries	3,500	0	(466)	(762)	(353)	(289)	(1,029)	-	(561)	(40)	-	-	-	(3,500)
Grad Scholarship	13,818	686	(2,403)	(3,707)	(4,384)	(908)	(1,995)	-	(1,106)	-	-	-	-	(14,504)
Branding and Marketing	1,006	51	(143)	(244)	(248)	(72)	(230)	-	(115)	(5)	-	-	-	(1,057)
Adjustments for Current Practices - Support Units			-	-	4,559	-	-	-	-	-	(4,559)	-	-	0
Total Shared Support Unit Allocations	227,404	(0)	(21,955)	(48,144)	(59,465)	(16,815)	(51,829)	-	(23,508)	(1,129)	(4,559)	-	-	(227,404)
Net Revenue			51,999	71,597	65,039	20,400	71,340	3,873	37,847	1,525	7,846	51,810	-	383,276
UF Supplement			-	-	-	3,500	-	-	-	-	-	(3,500)	-	-
UF Supplement 2 - Grants top up					998							(998)		-
Base Net Projected Budget 2020-21			51,999	71,597	66,037	23,900	71,340	3,873	37,847	1,525	7,846	47,312	-	383,276

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%								
2021-22					3.00%		1.00%								
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Rad - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)	
Revenue															
Undergraduate Tuition			59,344	100,877	31,122	17,311	69,169	1,963	39,879	1,764	-			321,430	
UG Tuition Adjustment for tuition fee framework			(114)	(643)	176	118	290		166	7				-	
Total UG SAG Obligation			(1,977)	(7,952)	(156)	(31)	(181)	-	(64)	(2)	10,363			-	
Graduate Tuition			18,761	11,383	11,057	2,518	4,360		2,065	-	-			50,144	
Operating Grant			18,214	44,587	82,012	13,995	51,211	2,116	21,364	1,679	-	181	-	235,360	
Other Income			888	2,223	5,036	515	1,934		766	105	-	4,808	-	16,275	
Gross Revenue			95,117	150,474	129,247	34,426	126,783	4,080	64,177	3,552	10,363	4,989	-	623,208	
Undergraduate Cross Faculty Teaching Adjustment			(6,595)	(13,922)	385	7,307	8,122	-	5,250	(546)	-			0	
Revenue for Contributions			88,522	136,552	129,632	41,733	134,905	4,080	69,426	3,006	10,363	4,989	-	623,208	
Internal International Tax			(741)	(977)	(7)	(124)	(661)	-	(390)	-		2,900	-	-	
University Fund Contribution			(7,082)	(10,924)	(10,371)	(3,339)	(10,792)	-	(5,554)	(240)		48,302	-	-	
Research Infrastructure Fund Contribution			(2,656)	(4,097)	(1,296)	(417)	(1,349)	-	(694)	(90)		-	10,599	-	
Indirect Cost of Research (excluding Royalties & CRC)			223	4,654	10,174	419	4,262	-	763	-	29	-	-	20,524	
VP Research Discretionary (10 % of ICR above)			(22)	(465)	(1,017)	(42)	(426)	-	(76)	-	2,049	-	-	-	
Adjustments for ICR received by Journal (Contract & ERA)			(18)	(1,131)	(4,381)	(195)	(664)	-	(92)	-	-	-	-	(6,481)	
Adjustments for Current Practices			-	-	(3,962)	(218)	180	(180)	218	-	-	-	-	(3,962)	
Research Infrastructure Fund Distribution			115	2,407	5,262	216	2,204	-	395	-	-	-	(10,599)	-	
Research Excellence Fund (from UF)			46	478	1,045	86	438	-	157	-		(2,250)	-	-	
Revenue Prior to Shared Support Unit Allocations			78,387	126,498	125,077	38,119	128,097	3,900	64,152	2,675	12,442	53,941	-	633,288	
Shared Support Unit Allocations - via double stepdown															
Occupancy Cost	43,991	(13,800)	(946)	(7,469)	(9,013)	(2,275)	(8,775)	-	(1,665)	(48)	-	-	-	(30,191)	
Deferred Maintenance	10,593	(3,802)	(213)	(1,680)	(2,027)	(512)	(1,974)	-	(375)	(11)	-	-	-	(6,791)	
Insurance	1,230	(508)	(23)	(182)	(205)	(56)	(214)	-	(41)	(1)	-	-	-	(722)	
MIP Occupancy 1	2,673	(310)	-	(1,311)	(769)	(44)	-	-	(239)	-	-	-	-	(2,363)	
MIP Occupancy 2	161	-	-	(161)	-	-	-	-	-	-	-	-	-	(161)	
HR	6,926	(1,021)	(338)	(902)	(3,185)	(361)	(737)	-	(375)	(6)	-	-	-	(5,905)	
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(337)	(164)	-	(155)	(1)	-	-	-	(1,521)	
Financial Affairs/Admin/ Inst Support	7,557	(2,521)	(565)	(927)	(1,796)	(454)	(853)	-	(483)	(18)	-	-	-	(5,036)	
Supplementary Pension	4,738	(278)	(408)	(734)	(1,710)	(387)	(789)	-	(430)	(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	2,081	(799)	(144)	(236)	(442)	(116)	(217)	-	(123)	(4)	-	-	-	(1,282)	
General University Expense	7,634	(3,144)	(504)	(826)	(1,548)	(405)	(761)	-	(431)	(16)	-	-	-	(4,490)	
Bond Interest	10,089	(3,598)	(203)	(1,606)	(1,938)	(489)	(1,887)	-	(358)	(10)	-	-	-	(6,491)	
UTS/ Technology Fund	18,941	2,251	(2,675)	(4,252)	(4,518)	(1,601)	(5,100)	-	(2,859)	(187)	-	-	-	(21,192)	
UTS- ERP	4,517	(176)	(548)	(871)	(925)	(328)	(1,045)	-	(586)	(38)	-	-	-	(4,341)	
UA	6,336	1,547	(1,102)	(1,840)	(1,794)	(528)	(1,719)	-	(861)	(38)	-	-	-	(7,883)	
Office of the Provost	7,725	(2,864)	(546)	(895)	(1,676)	(438)	(823)	-	(466)	(17)	-	-	-	(4,861)	
Research Support	9,992	5,857	(231)	(2,743)	(9,745)	(347)	(2,142)	-	(641)	-	-	-	-	(15,849)	
Student Affairs	5,361	6,227	(1,596)	(2,445)	(1,793)	(915)	(3,020)	-	(1,703)	(116)	-	-	-	(11,588)	
M/IELT	1,779	717	(337)	(516)	(430)	(193)	(637)	-	(359)	(24)	-	-	-	(2,496)	
Libraries	20,317	8,766	(3,743)	(5,786)	(5,937)	(2,229)	(7,095)	-	(4,027)	(265)	-	-	-	(29,083)	
HS Library	4,021	1,888	(761)	(1,176)	(1,206)	(453)	(1,442)	-	(818)	(54)	-	-	-	(5,909)	
Registrar	5,607	8,256	(1,799)	(2,733)	(2,069)	(1,111)	(3,833)	-	(2,157)	(159)	-	-	-	(13,862)	
SGS	1,885	419	(378)	(600)	(697)	(142)	(309)	-	(178)	-	-	-	-	(2,304)	
Museum of Art	623	522	(140)	(223)	(272)	(84)	(267)	-	(150)	(10)	-	-	-	(1,145)	
UG Scholarship	5,512	702	(849)	(1,392)	(486)	(524)	(1,870)	-	(1,018)	(75)	-	-	-	(6,214)	
UG Bursaries	3,500	-	(466)	(764)	(355)	(288)	(1,027)	-	(559)	(41)	-	-	-	(3,500)	
Grad Scholarship	13,818	686	(2,389)	(3,783)	(4,352)	(899)	(1,956)	-	(1,125)	-	-	-	-	(14,504)	
Branding and Marketing	1,006	51	(148)	(247)	(241)	(71)	(231)	-	(116)	(5)	-	-	-	(1,057)	
Adjustments for Current Practices - Support Units			-	-	4,559	-	-	-	-	-	(4,559)	-	-	0	
Total Shared Support Unit Allocations	228,104	0	(22,061)	(48,517)	(59,481)	(16,800)	(51,916)	-	(23,612)	(1,157)	(4,559)	-	-	(228,104)	
Net Revenue			56,326	77,980	65,596	21,319	76,181	3,900	40,540	1,518	7,883	53,941	-	405,184	
UF Supplement			-	-	-	3,500	-	-	-	-	-	(3,500)	-	-	
UF Supplement 2 - Grants top up					1,105	-	-	-	-	-	-	(1,105)	-	-	
Base Net Projected Budget 2021-22			56,326	77,980	66,701	24,819	76,181	3,900	40,540	1,518	7,883	49,337	-	405,184	

APPENDIX 3 – OPERATING FUND UNIT LEVEL TABLES

Table 22: Operating Fund 2018/19 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	46,231	772	4	5,024	52,031	27,440	6,499	33,939	410	-	17,518	17,928	51,867	165
Engineering	70,176	999	1,653	3,215	76,043	47,109	11,448	58,557	1,627	-	14,516	16,142	74,700	1,343
Health Sciences	75,780	1,044	6,364	38,564	121,752	85,213	21,302	106,516	2,599	5	10,393	12,997	119,513	2,239
Humanities	27,010	2,333	194	8,818	38,355	26,752	6,765	33,517	114	-	1,973	2,086	35,604	2,751
Science	71,637	4,310	754	1,936	78,637	45,953	12,454	58,407	248	-	14,535	14,783	73,190	5,447
Medical Radiation - Mohawk share	4,112	-	-	-	4,112	-	-	-	-	-	4,113	4,113	4,113	(1)
Social Sciences	38,013	1,682	30	587	40,312	26,399	7,045	33,444	125	-	3,317	3,441	36,885	3,427
Arts & Science	1,681	(943)	-	8	746	1,511	102	1,612	1	-	118	119	1,731	(986)
Sub-total	334,640	10,198	8,999	58,151	411,988	260,377	65,615	325,992	5,123	5	66,482	71,610	397,602	14,385
2. Academic Priorities														
University Fund	27,929	(11,936)	-	50	16,043	-	-	-	-	-	16,778	16,778	16,778	(735)
Revenue Projection Contingency	4,563	-	-	-	4,563	-	-	-	-	-	-	-	-	4,563
Ongoing Priorities Contingency	(3,096)	-	-	-	(3,096)	2,339	-	2,339	-	-	(2,148)	(2,148)	191	(3,287)
One-time Priorities Contingency	(1,712)	-	-	-	(1,712)	-	-	-	-	-	-	-	-	(1,712)
Sub-total	27,684	(11,936)	-	50	15,798	2,339	-	2,339	-	-	14,630	14,630	16,970	(1,172)
TOTAL ACADEMIC	362,324	(1,738)	8,999	58,201	427,785	262,717	65,615	328,332	5,123	5	81,112	86,240	414,572	13,213
3. Academic Support														
Provost's Office	7,490	-	-	621	8,111	5,231	1,389	6,619	33	-	3,144	3,177	9,796	(1,685)
Museum of Art	505	-	-	182	687	647	217	864	-	-	(205)	(205)	659	28
MacPherson Institute	1,663	1,738	-	24	3,425	2,780	769	3,549	-	-	504	504	4,053	(628)
University Library	18,861	-	-	213	19,074	6,476	1,889	8,365	3	9,952	942	10,897	19,262	(187)
Health Sciences Library	3,083	-	15	97	3,195	1,567	466	2,032	-	2,694	(1,138)	1,555	3,588	(393)
Registrar	5,170	-	-	2,500	7,670	5,627	1,620	7,248	-	-	784	784	8,032	(362)
Sub-total	36,772	1,738	15	3,637	42,162	22,327	6,350	28,677	36	12,645	4,031	16,712	45,389	(3,228)
4. Research Support														
Research	7,659	-	4,571	8,570	20,801	11,432	3,377	14,809	94	0	7,134	7,228	22,036	(1,236)
VP Research Discretionary Fund	1,928	-	-	-	1,928	-	-	-	-	(0)	1,858	1,858	1,858	70
Research Loans	-	-	-	0	0	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	9,587	-	4,571	8,570	22,729	11,432	3,377	14,809	94	0	8,903	8,996	23,805	(1,077)
5. Student Support														
Graduate Scholarships	13,796	-	-	-	13,796	1,030	136	1,166	13,706	-	(0)	13,706	14,872	(1,076)
School of Graduate Studies	1,828	-	-	0	1,828	1,249	356	1,606	134	-	433	567	2,173	(345)
Student Affairs	4,888	-	-	23,770	28,658	14,294	3,350	17,644	384	-	11,514	11,898	29,542	(884)
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	291	291	291	(291)
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(160)	(160)	(160)	160
Undergraduate Scholarships	21,596	-	-	285	21,881	1,725	-	1,725	19,826	-	180	20,006	21,731	150
Sub-total	42,108	-	-	24,055	66,163	18,299	3,842	22,141	34,051	-	12,257	46,308	68,449	(2,286)
6. Facilities Support														
Facilities Services	15,485	-	-	587	16,072	12,215	3,657	15,872	-	-	770	770	16,642	(571)
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,042	4,042	4,042	(0)
Utilities	23,150	-	-	2,011	25,161	1,450	522	1,972	-	-	26,195	26,195	28,168	(3,007)
Security	1,976	-	-	103	2,079	1,866	504	2,370	-	-	20	20	2,390	(311)
Deferred Maintenance	10,227	-	-	-	10,227	-	-	-	-	-	10,227	10,227	10,227	(0)
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0
Sub-total	65,903	-	-	2,741	68,644	15,532	4,683	20,214	-	-	52,318	52,318	72,532	(3,888)
7. Institutional Support														
Administration	15,090	-	-	1,639	16,729	11,434	3,285	14,719	-	-	4,860	4,860	19,579	(2,849)
UTS Asset Management	1,200	-	-	-	1,200	57	20	77	-	-	1,639	1,639	1,716	(516)
UTS/Technology Fund	17,730	-	-	128	17,858	8,950	2,728	11,677	-	-	6,731	6,731	18,408	(550)
University Secretariat	902	-	-	-	902	583	177	760	-	-	176	176	936	(34)
President's Office	1,155	-	-	-	1,155	367	109	477	-	-	596	596	1,073	82
University Advancement	5,512	-	-	128	5,640	6,072	1,855	7,927	-	-	(2,208)	(2,208)	5,719	(79)
General University	9,401	-	-	2,044	11,445	871	150	1,021	-	-	10,511	10,511	11,532	(86)
Sub-total	50,990	-	-	3,940	54,930	28,334	8,323	36,657	-	-	22,306	22,306	58,962	(4,032)
8. Institutional Priority allocations														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	2,443	-	-	-	2,443	463	137	600	-	-	2,611	2,611	3,211	(768)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	(7)	(7)	(7)	7
Sub-total	29,135	-	-	-	29,135	463	22,312	22,775	-	-	2,604	2,604	25,379	3,756
Surplus/(Deficit)	596,819	-	13,585	101,143	711,547	359,104	114,502	473,605	39,303	12,650	183,530	235,484	709,089	2,458
Under/(over)allocated	-	-	-	(2,964)	(2,964)	-	-	-	-	-	(2,964)	(2,964)	(2,964)	-
Total Surplus/(Deficit)	596,819	-	13,585	98,179	708,583	359,104	114,502	473,605	39,303	12,650	180,566	232,519	706,125	2,458

Table 23: Operating Fund 2019/20 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	47,691	470	-	5,129	53,290	29,469	7,900	37,369	855	-	14,641	15,496	52,865	424
Engineering	67,673	1,028	1,260	3,709	73,670	50,415	13,384	63,799	1,922	-	14,716	16,638	80,437	(6,767)
Health Sciences	65,671	1,467	5,937	36,930	110,005	86,917	22,739	109,656	2,534	1	6,404	8,940	118,596	(8,591)
Humanities	23,157	2,707	115	10,556	36,534	26,815	7,097	33,912	436	-	1,693	2,130	36,042	493
Science	67,174	1,570	725	1,918	71,386	51,123	14,572	65,694	318	-	12,484	12,802	78,496	(7,110)
Medical Radiation - Mohawk share	3,908	-	-	-	3,908	-	-	-	-	-	3,908	3,908	3,908	-
Social Sciences	35,605	1,624	90	624	37,943	27,709	8,253	35,962	40	-	2,385	2,425	38,387	(443)
Arts & Science	1,521	57	-	-	1,578	1,469	96	1,565	1	-	57	57	1,622	(44)
Sub-total	312,400	8,923	8,126	58,865	388,315	273,917	74,040	347,957	6,106	1	56,288	62,395	410,352	(22,038)
2. Academic Priorities														
University Fund	36,584	(10,661)	-	-	25,923	-	-	-	-	-	43,317	43,317	43,317	(17,394)
Revenue Projection Contingency	4,305	-	-	-	4,305	-	-	-	-	-	-	-	-	4,305
Ongoing Priorities Contingency	29	-	-	(0)	29	(3,407)	-	(3,407)	-	-	(1,594)	(1,594)	(5,001)	5,030
One-time Priorities Contingency	618	-	-	-	618	-	-	-	-	-	-	-	-	618
Sub-total	41,536	(10,661)	-	(0)	30,875	(3,407)	-	(3,407)	-	-	41,724	41,724	38,317	(7,442)
TOTAL ACADEMIC	353,936	(1,738)	8,126	58,865	419,189	270,510	74,040	344,550	6,106	1	98,012	104,119	448,669	(29,479)
3. Academic Support														
Provost's Office	7,616	-	-	770	8,386	5,630	1,260	6,890	33	-	3,027	3,060	9,950	(1,564)
Museum of Art	623	-	-	169	792	648	235	883	-	-	(171)	(171)	712	80
MacPherson Institute	1,779	1,738	-	24	3,541	2,788	787	3,575	-	-	578	578	4,153	(612)
University Library	20,082	-	-	207	20,289	6,995	2,178	9,173	3	10,452	988	11,444	20,616	(327)
Health Sciences Library	4,277	-	15	97	4,389	1,675	482	2,157	-	2,796	(915)	1,881	4,039	350
Registrar	5,429	-	-	2,540	7,969	5,874	1,795	7,670	-	-	832	832	8,502	(532)
Sub-total	39,806	1,738	15	3,807	45,366	23,611	6,738	30,348	36	13,248	4,339	17,623	47,971	(2,605)
4. Research Support														
Research	9,156	-	3,981	9,478	22,614	11,997	3,645	15,643	94	0	6,885	6,978	22,621	(7)
VP Research Discretionary Fund	2,049	-	-	-	2,049	-	-	-	-	-	1,908	1,908	1,908	141
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	11,205	-	3,981	9,478	24,663	11,997	3,645	15,643	94	0	8,704	8,798	24,441	222
5. Student Support														
Graduate Scholarships	13,818	-	-	-	13,818	1,041	146	1,187	13,500	-	-	13,500	14,687	(869)
School of Graduate Studies	1,885	-	-	-	1,885	1,243	378	1,622	135	-	525	659	2,281	(396)
Student Affairs	5,911	-	-	23,612	29,523	15,223	3,807	19,030	384	-	9,969	10,353	29,384	139
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(160)	(160)	(160)	160
Undergraduate Scholarships	20,305	-	-	285	20,590	1,725	-	1,725	18,485	-	380	18,865	20,590	-
Sub-total	41,919	-	-	23,896	65,815	19,233	4,331	23,564	32,503	-	10,714	20,348	66,781	(966)
6. Facilities Support														
Facilities Services	15,486	-	-	587	16,073	11,959	3,785	15,743	-	-	289	289	16,032	41
HSC Maintenance	4,087	-	-	40	4,127	-	-	-	-	-	4,042	4,042	4,042	85
Utilities	23,781	-	-	1,886	25,667	1,500	565	2,065	-	-	22,670	22,670	24,736	932
Security	2,049	-	-	103	2,152	2,081	526	2,607	-	-	(195)	(195)	2,413	(261)
Deferred Maintenance	10,930	-	-	-	10,930	-	-	-	-	-	10,930	10,930	10,930	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0
Sub-total	67,396	-	-	2,616	70,012	15,540	4,876	20,416	-	-	48,799	48,799	69,215	797
7. Institutional Support														
Administration	15,509	-	-	1,708	17,217	12,017	3,728	15,745	-	-	2,201	2,201	17,946	(729)
UTS Asset Management	1,500	-	-	-	1,500	67	23	90	-	-	1,498	1,498	1,588	(88)
UTS/Technology Fund	20,127	-	-	128	20,255	8,932	2,856	11,788	-	-	9,194	9,194	20,982	(727)
University Secretariat	912	-	-	-	912	587	188	776	-	-	122	122	898	14
President's Office	1,169	-	-	-	1,169	380	119	498	-	-	657	657	1,155	14
University Advancement	5,760	-	-	128	5,888	7,185	2,156	9,341	-	-	(3,093)	(3,093)	6,249	(360)
General University	8,864	-	-	2,065	10,929	908	166	1,074	-	-	9,769	9,769	10,843	86
Sub-total	53,841	-	-	4,029	57,870	30,077	9,236	39,313	-	-	20,348	20,348	59,661	(1,791)
8. Institutional Priority allocations														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	2,422	-	-	-	2,422	663	204	867	-	-	2,156	2,156	3,022	(600)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	29,114	-	-	-	29,114	663	22,379	23,042	-	-	2,156	2,156	25,197	3,917
Surplus/(Deficit)	597,217	-	12,122	102,691	712,030	371,631	125,244	496,875	38,739	13,249	193,072	245,061	741,936	(29,906)
<i>Under/(over)allocated</i>	0	0	-	(3,088)	(3,088)	-	-	-	-	-	(3,088)	(3,088)	(3,088)	0
Total Surplus/(Deficit)	597,217	0	12,122	99,603	708,942	371,631	125,244	496,875	38,739	13,249	189,984	241,973	738,848	(29,906)

Table 24: 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	51,999	-	-	5,129	57,128	30,747	8,304	39,051	855	-	16,355	17,210	56,260	867	
Engineering	71,597	870	1,260	3,313	77,040	53,376	14,511	67,887	1,958	-	14,215	16,173	84,060	(7,020)	
Health Sciences	66,037	713	5,771	31,282	103,803	88,792	23,077	111,868	2,324	1	4,765	7,090	118,958	(15,156)	
Humanities	23,900	2,239	20	11,580	37,739	27,785	7,384	35,170	482	-	2,061	2,543	37,713	25	
Science	71,340	307	707	1,955	74,309	52,861	14,987	67,848	305	-	7,448	7,753	75,601	(1,292)	
Medical Radiation - Mohawk share	3,873	-	-	-	3,873	-	-	-	-	-	3,873	3,873	3,873	-	
Social Sciences	37,847	814	90	606	39,356	28,623	8,469	37,092	40	-	2,624	2,664	39,756	(400)	
Arts & Science	1,525	57	-	-	1,582	1,527	91	1,619	1	-	54	54	1,673	(91)	
Sub-total	328,118	5,000	7,848	53,863	394,829	283,711	76,823	360,535	5,965	1	51,395	57,361	417,895	(23,066)	
2. Academic Priorities															
University Fund	37,312	(6,738)	-	-	30,574	-	-	-	-	-	35,574	35,574	35,574	(5,000)	
Revenue Projection Contingency	7,305	-	-	-	7,305	-	-	-	-	-	-	-	-	7,305	
Ongoing Priorities Contingency	29	-	-	-	29	(3,406)	-	(3,406)	-	-	(1,594)	(1,594)	(5,000)	5,029	
One-time Priorities Contingency	5,881	-	-	-	5,881	-	-	-	-	-	4,787	4,787	4,787	1,094	
Sub-total	50,527	(6,738)	-	-	43,789	(3,406)	-	(3,406)	-	-	38,767	38,767	35,361	8,428	
TOTAL ACADEMIC	378,645	(1,738)	7,848	53,863	438,618	280,305	76,823	357,128	5,965	1	90,162	96,128	453,256	(14,638)	
3. Academic Support															
Provost's Office	7,616	-	-	720	8,336	5,628	1,269	6,897	33	-	3,055	3,088	9,985	(1,649)	
Museum of Art	623	-	-	190	813	750	243	994	-	-	(188)	(188)	806	7	
MacPherson Institute	1,779	1,738	-	24	3,541	2,732	770	3,502	-	-	628	628	4,130	(589)	
University Library	20,317	-	-	209	20,526	7,195	2,250	9,446	3	10,801	992	11,796	21,242	(716)	
Health Sciences Library	4,021	-	5	97	4,123	1,721	487	2,208	-	2,912	(819)	2,093	4,301	(179)	
Registrar	5,429	-	-	2,595	8,024	5,912	1,817	7,729	-	-	729	729	8,459	(435)	
Sub-total	39,785	1,738	5	3,834	45,362	23,939	6,836	30,776	36	13,713	4,397	18,146	48,922	(3,560)	
4. Research Support															
Research	8,156	-	3,981	9,853	21,990	12,392	3,800	16,192	94	0	7,035	7,129	23,321	(1,331)	
VP Research Discretionary Fund	2,049	-	-	-	2,049	-	-	-	-	-	1,611	1,611	1,611	438	
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89	
Sub-total	10,205	-	3,981	9,853	24,039	12,392	3,800	16,192	94	0	8,557	8,651	24,843	(804)	
5. Student Support															
Graduate Scholarships	13,818	-	-	-	13,818	1,056	151	1,208	13,500	-	-	13,500	14,708	(890)	
School of Graduate Studies	1,885	-	-	-	1,885	1,246	388	1,635	135	-	528	662	2,297	(412)	
Student Affairs	5,911	-	-	25,744	31,655	15,906	3,969	19,875	384	-	12,407	12,791	32,666	(1,010)	
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	1,658	1,658	1,658	(1,658)	
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(300)	(300)	(300)	300	
Undergraduate Scholarships	19,338	-	-	285	19,623	1,725	-	1,725	17,558	-	340	17,898	19,623	-	
Sub-total	40,952	-	-	26,029	66,981	19,934	4,508	24,442	31,576	-	14,633	46,209	70,651	(3,670)	
6. Facilities Support															
Facilities Services	15,644	-	-	587	16,231	12,125	3,873	15,998	-	-	512	512	16,510	(279)	
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,042	4,042	4,042	(0)	
Utilities	23,911	-	-	1,945	25,856	1,505	568	2,073	-	-	24,521	24,521	26,593	(737)	
Security	2,049	-	-	103	2,152	2,088	519	2,606	-	-	(305)	(305)	2,301	(149)	
Deferred Maintenance	10,930	-	-	-	10,930	-	-	-	-	-	10,930	10,930	10,930	-	
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-	
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0	
Sub-total	67,599	-	-	2,675	70,274	15,717	4,960	20,677	-	-	50,763	50,763	71,440	(1,166)	
7. Institutional Support															
Administration	15,509	-	-	1,768	17,277	12,084	3,835	15,918	-	-	1,995	1,995	17,914	(637)	
UTS Asset Management	1,500	-	-	-	1,500	11	5	16	-	-	1,824	1,824	1,840	(340)	
UTS/Technology Fund	19,386	-	-	128	19,514	9,050	2,941	11,991	-	-	9,284	9,284	21,275	(1,761)	
University Secretariat	912	-	-	-	912	595	190	785	-	-	123	123	908	4	
President's Office	1,169	-	-	-	1,169	390	122	512	-	-	643	643	1,155	14	
University Advancement	5,760	-	-	128	5,888	7,308	2,209	9,517	-	-	(3,125)	(3,125)	6,392	(503)	
General University	8,864	-	-	2,085	10,949	932	171	1,103	-	-	10,077	10,077	11,180	(231)	
Sub-total	53,100	-	-	4,109	57,209	30,369	9,474	39,843	-	-	20,821	20,821	60,664	(3,455)	
8. Institutional Priority allocations															
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517	
Marketing & Branding	1,006	-	-	-	1,006	513	159	672	-	-	837	837	1,509	(503)	
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-	
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	27,698	-	-	-	27,698	513	22,334	22,847	-	-	837	837	23,684	4,014	
Surplus/(Deficit)	617,984	-	11,834	100,364	730,182	383,170	128,735	511,905	37,671	13,714	190,170	241,556	753,461	(23,279)	
Under/(over)allocated	-	-	-	(3,135)	(3,135)	-	-	-	-	-	(3,135)	(3,135)	(3,135)	-	-
Total Surplus/(Deficit)	617,984	-	11,834	97,229	727,047	383,170	128,735	511,905	37,671	13,714	187,036	238,421	750,326	(23,279)	-

Table 25: Operating Fund 2021/22 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	56,326	-	-	5,129	61,455	31,857	8,705	40,563	855	-	16,382	17,237	57,800	3,654	
Engineering	77,980	898	1,260	3,269	83,407	55,257	15,153	70,410	1,958	-	14,486	16,443	86,854	(3,447)	
Health Sciences	66,701	65	5,775	27,108	99,649	90,838	23,769	114,607	2,325	1	3,963	6,289	120,895	(21,247)	
Humanities	24,819	1,673	20	12,706	39,218	28,314	7,546	35,860	503	-	2,039	2,542	38,402	816	
Science	76,181	110	707	1,957	78,955	54,615	15,516	70,130	305	-	6,641	6,946	77,077	1,878	
Medical Radiation - Mohawk share	3,900	-	-	-	3,900	-	-	-	-	-	3,900	3,900	3,900	-	
Social Sciences	40,540	648	90	531	41,808	29,825	8,884	38,709	40	-	2,554	2,594	41,303	505	
Arts & Science	1,518	57	-	-	1,575	1,552	96	1,648	1	-	54	54	1,702	(127)	
Sub-total	347,965	3,450	7,852	50,698	409,966	292,257	79,669	371,927	5,987	1	50,018	56,006	427,933	(17,967)	
2. Academic Priorities															
University Fund	39,337	(5,188)	-	-	34,149	-	-	-	-	-	39,149	39,149	39,149	(5,000)	
Revenue Projection Contingency	10,305	-	-	-	10,305	-	-	-	-	-	-	-	-	10,305	
Ongoing Priorities Contingency	29	-	-	-	29	(3,406)	-	(3,406)	-	-	(1,594)	(1,594)	(5,000)	5,029	
One-time Priorities Contingency	8,756	-	-	-	8,756	-	-	-	-	-	8,756	8,756	8,756	-	
Sub-total	58,427	(5,188)	-	-	53,239	(3,406)	-	(3,406)	-	-	46,311	46,311	42,905	10,334	
TOTAL ACADEMIC	406,392	(1,738)	7,852	50,698	463,204	288,851	79,669	368,520	5,987	1	96,329	102,317	470,837	(7,633)	
3. Academic Support															
Provost's Office	7,616	-	-	670	8,286	5,643	1,278	6,921	33	-	3,046	3,079	10,000	(1,714)	
Museum of Art	623	-	-	190	813	773	254	1,028	-	-	(202)	(202)	825	(12)	
MacPherson Institute	1,779	1,738	-	24	3,541	2,711	771	3,482	-	-	619	619	4,100	(559)	
University Library	20,317	-	-	210	20,527	7,428	2,350	9,778	3	11,201	987	12,191	21,969	(1,441)	
Health Sciences Library	4,021	-	-	97	4,118	1,745	495	2,240	-	3,038	(771)	2,267	4,507	(390)	
Registrar	5,429	-	-	2,650	8,079	6,002	1,864	7,866	-	-	727	727	8,593	(515)	
Sub-total	39,785	1,738	-	3,841	45,364	24,304	7,011	31,315	36	14,239	4,405	18,680	49,995	(4,631)	
4. Research Support															
Research	8,156	-	3,981	10,194	22,331	12,479	3,888	16,367	94	0	7,468	7,562	23,929	(1,598)	
VP Research Discretionary Fund	2,049	-	-	-	2,049	-	-	-	-	-	1,060	1,060	1,060	989	
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89	
Sub-total	10,205	-	3,981	10,194	24,380	12,479	3,888	16,367	94	0	8,439	8,533	24,899	(520)	
5. Student Support															
Graduate Scholarships	13,818	-	-	-	13,818	1,073	159	1,232	13,500	-	-	13,500	14,732	(914)	
School of Graduate Studies	1,885	-	-	-	1,885	1,250	391	1,642	135	-	528	662	2,304	(419)	
Student Affairs	5,361	-	-	26,268	31,629	16,431	4,167	20,598	384	-	12,547	12,931	33,529	(1,901)	
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	2,144	2,144	2,144	(2,144)	
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(420)	(420)	(420)	420	
Undergraduate Scholarships	19,375	-	-	285	19,660	1,725	-	1,725	17,635	-	300	17,935	19,660	-	
Sub-total	40,439	-	-	26,552	66,991	20,479	4,718	25,197	31,653	-	15,098	46,751	71,948	(4,957)	
6. Facilities Support															
Facilities Services	15,644	-	-	587	16,231	12,242	3,983	16,225	-	-	536	536	16,761	(530)	
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,042	4,042	4,042	(0)	
Utilities	23,911	-	-	1,945	25,856	1,509	580	2,090	-	-	24,771	24,771	26,861	(1,004)	
Security	1,949	-	-	103	2,052	2,078	543	2,622	-	-	(313)	(313)	2,308	(256)	
Deferred Maintenance	10,930	-	-	-	10,930	-	-	-	-	-	10,930	10,930	10,930	-	
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-	
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0	
Sub-total	67,499	-	-	2,675	70,174	15,829	5,107	20,936	-	-	51,029	51,029	71,965	(1,791)	
7. Institutional Support															
Administration	15,509	-	-	1,811	17,320	12,159	3,902	16,062	-	-	1,912	1,912	17,973	(654)	
UTS Asset Management	1,500	-	-	-	1,500	-	-	-	-	-	1,753	1,753	1,753	(253)	
UTS/Technology Fund	17,861	-	-	128	17,989	9,335	3,068	12,403	-	-	7,831	7,831	20,234	(2,245)	
University Secretariat	912	-	-	-	912	613	198	811	-	-	117	117	928	(16)	
President's Office	1,169	-	-	-	1,169	402	127	528	-	-	627	627	1,155	14	
University Advancement	5,760	-	-	128	5,888	7,245	2,227	9,472	-	-	(3,188)	(3,188)	6,284	(395)	
General University	8,864	-	-	2,106	10,970	958	179	1,136	-	-	10,206	10,206	11,342	(372)	
Sub-total	51,575	-	-	4,173	55,748	30,712	9,700	40,412	-	-	19,257	19,257	59,669	(3,921)	
8. Institutional Priority allocations															
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517	
Marketing & Branding	1,006	-	-	-	1,006	530	166	696	-	-	310	310	1,006	0	
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-	
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	27,698	-	-	-	27,698	530	22,341	22,871	-	-	310	310	23,181	4,517	
Surplus/(Deficit)	643,593	-	11,833	98,133	753,559	393,183	132,435	525,618	37,770	14,240	194,867	246,877	772,495	(18,936)	
Under/(over)allocated	-	-	-	(3,488)	(3,488)	-	-	-	-	-	(3,488)	(3,488)	(3,488)	-	-
Total Surplus/(Deficit)	643,593	-	11,833	94,645	750,071	393,183	132,435	525,618	37,770	14,240	191,379	243,388	769,007	(18,936)	(18,936)

Table 26: Operating Fund Annual Net Change by Unit

(\$ thousands)	2018/19		2019/20	2020/21	2021/22
	Budget	Projection	Budget	Plan	Plan
1. Faculties					
Business	3,878	165	424	867	3,654
Engineering	(1,966)	1,343	(6,767)	(7,020)	(3,447)
Health Sciences	(858)	2,239	(8,591)	(15,156)	(21,247)
Humanities	1,542	2,751	493	25	816
Science	1,750	5,447	(7,110)	(1,292)	1,878
Medical Radiation - Mohawk share	-	(1)	-	-	-
Social Sciences	1,959	3,427	(443)	(400)	505
Arts & Science	144	(986)	(44)	(91)	(127)
Sub-total	6,449	14,385	(22,038)	(23,066)	(17,967)
2. Academic Priorities					
University Fund	(2,357)	(735)	(17,394)	(5,000)	(5,000)
Revenue Projection Contingency	4,840	4,563	4,305	7,305	10,305
Ongoing Priorities Contingency	(252)	(3,287)	5,030	5,029	5,029
One-time Priorities Contingency	-	(1,712)	618	1,094	-
Sub-total	2,231	(1,172)	(7,442)	8,428	10,334
TOTAL ACADEMIC	8,680	13,213	(29,479)	(14,638)	(7,633)
3. Academic Support					
Office of the Provost	(1,202)	(1,685)	(1,564)	(1,649)	(1,714)
Museum of Art	2	28	80	7	(12)
MacPherson Institute	(666)	(628)	(612)	(589)	(559)
University Library	(546)	(187)	(327)	(716)	(1,441)
Health Sciences Library	(340)	(393)	350	(179)	(390)
Registrar	(396)	(362)	(532)	(435)	(515)
Sub-total	(3,147)	(3,228)	(2,605)	(3,560)	(4,631)
4. Research Support					
Research	(259)	(1,236)	(7)	(1,331)	(1,598)
VP Research Discretionary Fund	122	70	141	438	989
Research Loans	89	89	89	89	89
Sub-total	(48)	(1,077)	222	(804)	(520)
5. Student Support					
Graduate Scholarships	(1,147)	(1,076)	(869)	(890)	(914)
School of Graduate Studies	(129)	(345)	(396)	(412)	(419)
Student Affairs	(354)	(884)	139	(1,010)	(1,901)
DBAC Building Financing	758	(291)	-	(1,658)	(2,144)
DBAC Deferred Maintenance	160	160	160	300	420
Undergraduate Scholarships	1	150	0	-	-
Sub-total	(712)	(2,286)	(966)	(3,670)	(4,957)
6. Facilities Support					
Facilities Services	153	(571)	41	(279)	(530)
HSC Maintenance	(0)	(0)	85	(0)	(0)
Utilities	(364)	(3,007)	932	(737)	(1,004)
Security	(224)	(311)	(261)	(149)	(256)
Deferred Maintenance	0	(0)	-	-	-
Bond Interest	-	(0)	0	-	-
Renovation contingency	0	0	0	0	0
Sub-total	(436)	(3,888)	797	(1,166)	(1,791)
7. Institutional Support					
Administration	(3,972)	(2,849)	(729)	(637)	(654)
UTS/Technology Fund	(387)	(550)	(727)	(1,761)	(2,245)
UTS Asset Management	5	(516)	(88)	(340)	(253)
University Secretariat	(0)	(34)	14	4	(16)
Presidential Budget	(0)	82	14	14	14
University Advancement	(358)	(79)	(360)	(503)	(395)
General University	17	(86)	86	(231)	(372)
Sub-total	(4,696)	(4,032)	(1,791)	(3,455)	(3,921)
8. Institutional Priority allocations					
Technology Renewal	4,517	4,517	4,517	4,517	4,517
Marketing & Branding	(413)	(768)	(600)	(503)	0
Pension	-	-	-	-	-
Strategic Priorities	-	7	-	-	-
Sub-total	4,104	3,756	3,917	4,014	4,517
Surplus/(Deficit)	3,745	2,458	(29,906)	(23,279)	(18,936)
Under/(over)allocated	0	(0)	0	-	-
Total Surplus/(Deficit)	3,745	2,458	(29,906)	(23,279)	(18,936)

Table 27: Operating Fund 2018/19 Financial Position and Variance by Unit

(\$ thousands)	2018/19 Budget				2018/19 Projection				Favourable (Unfavourable) Variance						
	Appropriations April 30, 2018	On-going	One-time	Total	Appropriations April 30, 2019	Appropriations April 30, 2018	On-going	One-time	Total	Appropriations April 30, 2019	Appropriations April 30, 2018	On-going	One-time	Total	Appropriations April 30, 2019
1. Faculties															
Business	2,481	7,268	(3,390)	3,878	6,359	3,534	7,541	(7,376)	165	3,699	1,053	273	(3,986)	(3,713)	(2,660)
Engineering	21,239	3,424	(5,390)	(1,966)	19,272	21,318	4,670	(3,327)	1,343	22,661	79	1,246	2,064	3,309	3,388
Health Sciences	31,111	(1,458)	599	(858)	30,253	40,418	2,701	(462)	2,239	42,657	9,306	4,159	(1,061)	3,098	12,404
Humanities	(253)	855	687	1,542	1,288	(1,104)	403	2,348	2,751	1,647	(851)	(452)	1,661	1,209	358
Science	12,495	6,790	(5,040)	1,750	14,245	13,295	8,604	(3,157)	5,447	18,742	800	1,814	1,883	3,697	4,497
Medical Radiation - Mohawk share	1	-	-	-	1	1	(1)	-	(1)	0	0	(1)	-	(1)	(1)
Social Sciences	267	577	1,382	1,959	2,227	1,164	997	2,430	3,427	4,590	896	419	1,048	1,467	2,364
Arts & Science	2,397	87	57	144	2,541	2,502	31	(1,017)	(986)	1,516	105	(56)	(1,074)	(1,130)	(1,025)
Sub-total	69,737	17,544	(11,095)	6,449	76,186	81,127	24,945	(10,560)	14,385	95,512	11,390	7,401	535	7,936	19,326
2. Academic Priorities															
University Fund	41,290	3,026	(5,383)	(2,357)	38,933	41,408	12,020	(12,756)	(735)	40,673	118	8,995	(7,373)	1,622	1,740
Revenue Projection Contingency	-	4,840	-	4,840	4,840	-	4,563	-	4,563	4,563	-	(277)	-	(277)	(277)
Ongoing Priorities Contingency	732	(252)	-	(252)	480	3,328	(162)	(3,125)	(3,287)	40	2,596	90	(3,125)	(3,035)	(439)
One-time Priorities Contingency	-	10,000	(10,000)	-	-	-	10,000	(11,712)	(1,712)	(1,712)	-	-	(1,712)	(1,712)	(1,712)
Sub-total	42,022	17,614	(15,383)	2,231	44,252	44,736	26,421	(27,593)	(1,172)	43,564	2,714	8,807	(12,210)	(3,402)	(688)
TOTAL ACADEMIC	111,759	35,157	(26,478)	8,680	120,438	125,862	51,366	(38,153)	13,213	139,076	14,104	16,208	(11,675)	4,534	18,637
3. Academic Support															
Office of the Provost	7,253	(487)	(715)	(1,202)	6,051	9,360	(1,415)	(270)	(1,685)	7,675	2,107	(928)	445	(483)	1,624
Museum of Art	(0)	2	-	2	1	(29)	58	(30)	28	(1)	(29)	56	(30)	26	(3)
MacPherson Institute	2,069	(551)	(115)	(666)	1,403	2,926	(591)	(37)	(628)	2,298	857	(40)	78	38	896
University Library	473	(496)	(50)	(546)	(73)	379	(231)	44	(187)	192	(93)	265	93	358	265
Health Sciences Library	106	(340)	-	(340)	(233)	37	(393)	-	(393)	(356)	(69)	(53)	-	(53)	(123)
Registrar	704	(55)	(340)	(396)	309	1,366	(313)	(49)	(362)	1,004	662	(258)	291	33	695
Sub-total	10,605	(1,927)	(1,220)	(3,147)	7,458	14,040	(2,885)	(342)	(3,228)	10,812	3,435	(958)	878	(81)	3,354
4. Research Support															
Research	797	(259)	-	(259)	538	2,112	(1,252)	17	(1,236)	877	1,316	(994)	17	(977)	338
VP Research Discretionary Fund	(39)	122	-	122	82	2	191	(121)	70	73	42	70	(121)	(51)	(9)
Research Loans	(743)	89	-	89	(654)	(743)	89	-	89	(654)	0	0	-	0	0
Sub-total	14	(48)	-	(48)	(34)	1,372	(972)	(104)	(1,077)	295	1,358	(924)	(104)	(1,028)	329
5. Student Support															
Graduate Scholarships	1,164	(1,147)	-	(1,147)	17	1,479	(1,076)	-	(1,076)	403	315	71	-	71	386
School of Graduate Studies	164	1	(130)	(129)	35	301	(345)	-	(345)	(43)	137	(346)	130	(216)	(79)
Student Affairs	(1,467)	(339)	(15)	(354)	(1,820)	2,835	(1,199)	315	(884)	1,951	4,302	(861)	330	(531)	3,771
DBAC Building Financing	234	758	-	758	992	291	(291)	-	(291)	(0)	57	(1,049)	-	(1,049)	(992)
DBAC Deferred Maintenance	2,281	160	-	160	2,441	2,381	160	-	160	2,541	100	(0)	-	(0)	100
Undergraduate Scholarships	(12)	(849)	850	1	(12)	103	(1,412)	1,562	150	253	116	(563)	712	149	265
Sub-total	2,365	(1,417)	705	(712)	1,653	7,391	(4,163)	1,877	(2,286)	5,105	5,026	(2,747)	1,172	(1,575)	3,452
6. Facilities Support															
Facilities Services	366	236	(83)	153	519	985	(534)	(36)	(571)	414	618	(770)	46	(724)	(105)
HSC Maintenance	(0)	(0)	-	(0)	(0)	(85)	(275)	275	(0)	(85)	(85)	(275)	275	(0)	(85)
Utilities	(147)	(364)	-	(364)	(511)	4,364	(577)	(2,430)	(3,007)	1,357	4,510	(212)	(2,430)	(2,642)	1,868
Security	781	(184)	(40)	(224)	557	863	(361)	50	(311)	552	82	(177)	90	(87)	(5)
Deferred Maintenance	(0)	0	0	0	(0)	(0)	(0)	-	(0)	(0)	0	(0)	(0)	(0)	0
Bond Interest	(0)	-	-	-	(0)	(1)	(0)	0	(0)	(1)	(0)	(0)	0	(0)	(0)
Renovation contingency	0	0	-	0	0	952	0	-	0	952	952	0	-	0	952
Sub-total	1,001	(313)	(123)	(436)	565	7,078	(1,747)	(2,141)	(3,888)	3,189	6,077	(1,434)	(2,019)	(3,453)	2,624
7. Institutional Support															
Administration	6,272	(268)	(3,705)	(3,972)	2,300	5,811	(314)	(2,535)	(2,849)	2,962	(461)	(46)	1,169	1,123	662
UTS/Technology Fund	1,428	(1,280)	893	(387)	1,041	1,274	(2,077)	1,526	(550)	724	(154)	(796)	633	(163)	(317)
UTS Asset Management	12	5	0	5	17	(10)	(1,016)	500	(516)	(526)	(21)	(1,021)	500	(521)	(542)
University Secretariat	219	(0)	-	(0)	218	248	43	(77)	(34)	213	29	43	(77)	(34)	(5)
Presidential Budget	1,840	(0)	-	(0)	1,840	2,144	82	-	82	2,226	303	82	-	82	385
University Advancement	551	(358)	-	(358)	193	1,338	(79)	-	(79)	1,259	787	280	-	280	1,066
General University	0	(783)	800	17	17	87	(1,623)	1,537	(86)	0	86	(840)	737	(103)	(17)
Sub-total	10,322	(2,685)	(2,011)	(4,696)	5,626	10,891	(4,984)	952	(4,032)	6,859	569	(2,299)	2,963	664	1,233
8. Institutional Priority allocations															
Technology Renewal	(25,800)	-	4,517	4,517	(21,283)	(25,800)	-	4,517	4,517	(21,283)	-	-	-	-	-
Marketing & Branding	414	(413)	-	(413)	1	1,872	(768)	(0)	(768)	1,103	1,458	(356)	(0)	(356)	1,102
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Priorities	(0)	-	-	-	(0)	(7)	7	-	7	0	(7)	7	-	7	0
Sub-total	(25,386)	(413)	4,517	4,104	(21,282)	(23,936)	(761)	4,517	3,756	(20,180)	1,450	(348)	(0)	(348)	1,102
Surplus/(Deficit)	110,679	28,355	(24,610)	3,745	114,423	142,698	35,853	(33,395)	2,458	145,155.809	32,019	7,498	(8,785)	(1,287)	30,732
Under/(over)allocated	0	4,517	(4,517)	0	0	(0)	4,517	(4,517)	(0)	(0)	(0)	(0)	-	(0)	(0)
Total Surplus/(Deficit)	110,679	32,872	(29,127)	3,745	114,423	142,698	40,370	(37,912)	2,458	145,156	32,019	7,498	(8,785)	(1,287)	30,732

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

(\$ thousands)	2019/20 Budget					2020/21 Plan					2021/22 Plan				
	Appropriations	On-going	One-time	Total	Appropriations	On-going	One-time	Total	Appropriations	On-going	One-time	Total	Appropriations		
	April 30, 2019				April 30, 2020				April 30, 2021				April 30, 2022		
1. Faculties															
Business	3,699	4,954	(4,530)	424	4,123	7,867	(7,000)	867	4,990	10,654	(7,000)	3,654	8,645		
Engineering	22,661	(2,939)	(3,828)	(6,767)	15,894	(4,378)	(2,643)	(7,020)	8,873	(1,072)	(2,375)	(3,447)	5,426		
Health Sciences	42,657	(9,370)	779	(8,591)	34,066	(15,595)	440	(15,156)	18,910	(21,312)	65	(21,247)	(2,336)		
Humanities	1,647	(2,214)	2,707	493	2,140	(2,213)	2,239	25	2,165	(857)	1,673	816	2,981		
Science	18,742	(3,023)	(4,087)	(7,110)	11,632	(677)	(615)	(1,292)	10,340	1,803	75	1,878	12,218		
Medical Radiation - Mohawk share	0	-	-	-	0	-	-	-	0	-	-	-	0		
Social Sciences	4,590	(2,068)	1,624	(443)	4,147	(1,214)	814	(400)	3,747	(142)	648	505	4,253		
Arts & Science	1,516	(101)	57	(44)	1,472	(148)	57	(91)	1,381	(184)	57	(127)	1,254		
Sub-total	95,512	(14,760)	(7,277)	(22,038)	73,474	(16,358)	(6,708)	(23,066)	50,408	(11,110)	(6,857)	(17,967)	32,441		
2. Academic Priorities															
University Fund	40,673	10,406	(27,800)	(17,394)	23,278	21,000	(26,000)	(5,000)	18,278	23,000	(28,000)	(5,000)	13,278		
Revenue Projection Contingency	4,563	4,305	-	4,305	8,868	7,305	-	7,305	16,173	10,305	-	10,305	26,478		
Ongoing Priorities Contingency	40	5,030	-	5,030	5,070	5,029	-	5,029	10,099	5,029	-	5,029	15,128		
One-time Priorities Contingency	(1,712)	10,000	(9,382)	618	(1,094)	10,000	(8,906)	1,094	-	10,000	(10,000)	-	-		
Sub-total	43,564	29,740	(37,182)	(7,442)	36,122	43,334	(34,906)	8,428	44,550	48,334	(38,000)	10,334	54,884		
TOTAL ACADEMIC	139,076	14,980	(44,459)	(29,479)	109,596	26,976	(41,614)	(14,638)	94,958	37,224	(44,857)	(7,633)	87,326		
3. Academic Support															
Office of the Provost	7,675	(1,365)	(198)	(1,564)	6,111	(1,507)	(141)	(1,649)	4,462	(1,704)	(10)	(1,714)	2,748		
Museum of Art	(1)	80	-	80	79	7	-	7	86	(12)	-	(12)	74		
MacPherson Institute	2,298	(520)	(92)	(612)	1,686	(491)	(98)	(589)	1,098	(462)	(97)	(559)	538		
University Library	192	(505)	178	(327)	(135)	(716)	-	(716)	(851)	(1,441)	-	(1,441)	(2,293)		
Health Sciences Library	(356)	(6)	356	350	(6)	(179)	-	(179)	(184)	(390)	-	(390)	(574)		
Registrar	1,004	(334)	(198)	(532)	472	(333)	(103)	(435)	36	(515)	-	(515)	(478)		
Sub-total	10,812	(2,651)	46	(2,605)	8,207	(3,218)	(342)	(3,560)	4,647	(4,524)	(108)	(4,631)	15		
4. Research Support															
Research	877	(972)	965	(7)	870	(1,291)	(40)	(1,331)	(462)	(1,598)	-	(1,598)	(2,060)		
VP Research Discretionary Fund	73	141	-	141	213	438	-	438	652	989	-	989	1,641		
Research Loans	(654)	89	-	89	(566)	89	-	89	(477)	89	-	89	(388)		
Sub-total	295	(743)	965	222	517	(764)	(40)	(804)	(287)	(520)	-	(520)	(807)		
5. Student Support															
Graduate Scholarships	403	(869)	-	(869)	(466)	(890)	-	(890)	(1,356)	(914)	-	(914)	(2,270)		
School of Graduate Studies	(43)	(396)	-	(396)	(439)	(412)	-	(412)	(851)	(419)	-	(419)	(1,270)		
Student Affairs	1,951	(1,622)	1,761	139	2,090	(1,810)	800	(1,010)	1,079	(2,051)	150	(1,901)	(821)		
DBAC Building Financing	(0)	-	-	-	(0)	(1,658)	-	(1,658)	(1,658)	(2,144)	-	(2,144)	(3,802)		
DBAC Deferred Maintenance	2,541	160	-	160	2,701	300	-	300	3,001	420	-	420	3,421		
Undergraduate Scholarships	253	(1,000)	1,000	0	253	-	-	-	253	-	-	-	253		
Sub-total	5,105	(3,727)	2,761	(966)	4,139	(4,470)	800	(3,670)	469	(5,107)	150	(4,957)	(4,489)		
6. Facilities Support															
Facilities Services	414	41	-	41	455	(279)	-	(279)	176	(530)	-	(530)	(354)		
HSC Maintenance	(85)	(0)	85	85	(0)	(0)	-	(0)	(0)	(0)	-	(0)	(1)		
Utilities	1,357	932	-	932	2,289	(737)	-	(737)	1,552	(1,004)	-	(1,004)	548		
Security	552	(256)	(5)	(261)	291	(249)	100	(149)	142	(256)	-	(256)	(115)		
Deferred Maintenance	(0)	-	-	-	(0)	-	-	-	(0)	-	-	-	(0)		
Bond Interest	(1)	0	0	0	(1)	-	-	-	(1)	-	-	-	(1)		
Renovation contingency	952	0	-	0	952	0	-	0	952	0	-	0	952		
Sub-total	3,189	717	80	797	3,986	(1,266)	100	(1,166)	2,820	(1,791)	-	(1,791)	1,030		
7. Institutional Support															
Administration	2,962	85	(814)	(729)	2,233	253	(891)	(637)	1,596	(154)	(500)	(654)	942		
UTS/Technology Fund	724	(1,760)	1,034	(727)	(3)	(2,697)	936	(1,761)	(1,765)	(2,745)	500	(2,245)	(4,010)		
UTS Asset Management	(526)	(88)	-	(88)	(614)	(340)	-	(340)	(954)	(253)	-	(253)	(1,207)		
University Secretariat	213	25	(11)	14	227	4	-	4	231	(16)	-	(16)	215		
Presidential Budget	2,226	14	-	14	2,240	14	-	14	2,254	14	-	14	2,268		
University Advancement	1,259	(360)	-	(360)	899	(503)	-	(503)	395	(395)	-	(395)	(0)		
General University	0	86	-	86	86	(231)	-	(231)	(145)	(372)	-	(372)	(517)		
Sub-total	6,859	(1,999)	208	(1,791)	5,067	(3,500)	45	(3,455)	1,612	(3,921)	0	(3,921)	(2,309)		
8. Institutional Priority allocations															
Technology Renewal	(21,283)	-	4,517	4,517	(16,766)	-	4,517	4,517	(12,249)	-	4,517	4,517	(7,732)		
Marketing & Branding	1,103	(600)	-	(600)	503	(503)	-	(503)	0	0	-	0	0		
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-		
Strategic Priorities	0	-	-	-	0	-	-	-	0	-	-	-	0		
Sub-total	(20,180)	(600)	4,517	3,917	(16,263)	(503)	4,517	4,014	(12,249)	0	4,517	4,517	(7,732)		
Surplus/(Deficit)	145,156	5,976	(35,882)	(29,906)	115,250	13,255	(36,534)	(23,279)	91,970	21,362	(40,298)	(18,936)	73,034		
Under/(over)allocated	(0)	4,517	(4,517)	0	(0)	4,517	(4,517)	-	(0)	4,517	(4,517)	-	(0)		
Total Surplus/(Deficit)	145,156	10,493	(40,399)	(29,906)	115,250	17,772	(41,051)	(23,279)	91,970	25,879	(44,815)	(18,936)	73,034		

APPENDIX 4 – ANCILLARY FUND UNIT LEVEL TABLES

(\$ thousands)	Campus Store		Media Production		Parking		CCE		Hospitality		Housing & Conference		Total	
	2018/19 Projection	2019/20 Budget	2018/19 Projection	2019/20 Budget	2018/19 Projection	2019/20 Budget	2018/19 Projection	2019/20 Budget	2018/19 Projection	2019/20 Budget	2018/19 Projection	2019/20 Budget	2018/19 Projection	2019/20 Budget
Sources of funding														
Sales	15,121	14,753	388	380	5,856	5,955	6,685	7,070	25,684	28,456	27,830	32,765	81,565	89,378
Internal revenue	(70)	(72)	3,900	4,100	16	15	720	720	1,632	1,665	(65)	(66)	6,134	6,361
Total sources of funding	15,051	14,681	4,288	4,480	5,872	5,969	7,405	7,790	27,316	30,121	27,765	32,698	87,698	95,740
Expenditure														
Salaries, wages and benefits	2,524	2,743	1,528	1,749	1,110	1,212	5,183	5,311	12,212	12,853	7,425	8,574	29,981	32,442
Cost of sales	10,878	10,345	1,353	1,447	-	-	-	-	9,202	10,251	0	-	21,432	22,043
Internal rent	497	465	142	138	30	30	479	479	1,085	1,086	3,421	3,438	5,654	5,636
Utilities and maintenance	15	15	34	34	322	184	11	11	703	721	3,188	3,696	4,273	4,661
Debt and financing charges	-	28	-	14	1,891	1,657	-	-	135	135	3,053	5,827	5,079	7,661
Equipment and renovations	220	230	700	725	1,485	810	244	253	1,327	2,157	6,187	6,442	10,163	10,617
All other expenses	345	345	135	167	1,571	1,513	1,953	1,850	2,510	2,712	3,010	3,408	9,525	9,995
Total expenditures	14,478	14,172	3,892	4,274	6,410	5,406	7,870	7,903	27,174	29,914	26,284	31,385	86,108	93,055
Surplus (deficit) from operations	573	509	396	206	(537)	563	(465)	(113)	142	207	1,482	1,313	1,591	2,684
Contribution to Operating Fund	(207)	(216)	(132)	(171)	(236)	(262)	(315)	(323)	(1,139)	(1,244)	(1,175)	(1,225)	(3,204)	(3,441)
Surplus (deficit)	367	294	264	35	(774)	301	(781)	(437)	(997)	(1,037)	307	88	(1,613)	(757)
Reserve														
Beginning Balance	(926)	(560)	(1,010)	(746)	1,828	1,054	3,201	2,420	5,232	4,235	2,647	2,954	10,971	9,358
Reserve Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus (deficit)	367	294	264	35	(774)	301	(781)	(437)	(997)	(1,037)	307	88	(1,613)	(757)
Closing Balance	(560)	(266)	(746)	(711)	1,054	1,355	2,420	1,984	4,235	3,198	2,954	3,041	9,358	8,601

APPENDIX 5 – SUMMARY BY FUND

Table 29: Consolidated 2018/19 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	235,016	-	3,562	-	-	-	-	238,578	33,904	272,482
Research grants and contracts	-	195,000	-	-	-	-	-	195,000	(21,541)	173,459
Tuition fees	327,272	-	-	-	-	-	-	327,272	14,000	341,272
Ancillary sales and services	-	-	-	-	-	81,565	-	81,565	(2,911)	78,654
Other revenues	133,394	-	21,372	6,214	99	-	34,595	195,674	(553)	195,121
Amortization of deferred capital contributions									45,812	45,812
Investment income (loss)	8,380	-	-	21,750	6,560	-	-	36,690	18,730	55,420
Investment income transfer	4,521	-	-	-	(4,521)	-	-	-	-	-
Total revenues	708,583	195,000	24,934	27,964	2,138	81,565	34,595	1,074,779	87,441	1,162,220
Expenses										
Salaries, wages and benefits	473,605	110,000	-	-	-	29,981	24,489	638,075	14,070	652,145
All other expenses	195,206	75,000	137,538	2,640	-	31,778	12,256	454,419	(148,397)	306,022
Amortization expense									82,349	82,349
Transfers to (from) other funds	14,690	(16,434)	(34,907)	19,876	534	16,339	(99)	(0)	0	
Debt and financing charges	22,623	-	(9,819)	-	-	5,079	-	17,883	(4,644)	13,239
Total expenses	706,125	168,566	92,812	22,516	534	83,178	36,646	1,110,377	(56,622)	1,053,755
Excess of revenues over expenses	2,458	26,434	(67,878)	5,448	1,604	(1,613)	(2,051)	(35,599)	144,064	108,465

Table 30: Consolidated 2019/20 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	235,868	-	3,520	-	-	-	-	239,388	34,140	273,528
Research grants and contracts	-	197,000	-	-	-	-	-	197,000	(20,939)	176,061
Tuition fees	326,962	-	-	-	-	-	-	326,962	12,000	338,962
Ancillary sales and services	-	-	-	-	-	89,378	-	89,378	(9,151)	80,227
Other revenues	133,478	-	9,650	2,721	100	-	32,987	178,936	20,338	199,274
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	45,743	45,743
Investment income (loss)	7,078	-	-	28,838	8,696	-	-	44,612	17,840	62,452
Investment income transfer	5,556	-	-	-	(5,556)	-	-	-	-	-
Total revenues	708,942	197,000	13,170	31,559	3,240	89,378	32,987	1,076,276	99,971	1,176,247
Expenses										
Salaries, wages and benefits	496,875	111,000	-	-	-	32,442	23,715	664,032	22,385	686,417
All other expenses	211,595	75,000	192,126	3,745	53	32,815	10,352	525,686	(199,225)	326,461
Amortization expense	-	-	-	-	-	-	-	-	88,181	88,181
Transfers to (from) other funds	12,158	(14,346)	(35,012)	19,619	540	17,218	(176)	-	-	-
Debt and financing charges	18,220	-	(12,096)	-	-	7,661	-	13,785	954	14,739
Total expenses	738,848	171,654	145,018	23,364	593	90,135	33,891	1,203,503	(87,705)	1,115,798
Excess of revenues over expenses	(29,906)	25,346	(131,848)	8,195	2,647	(757)	(904)	(127,227)	187,676	60,449

Table 31: 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	235,544	-	3,520	-	-	-	-	239,064	34,135	273,199
Research grants and contracts	-	199,000	-	-	-	-	-	199,000	(20,298)	178,702
Tuition fees	351,173	-	-	-	-	-	-	351,173	12,000	363,173
Ancillary sales and services	-	-	-	-	-	91,039	-	91,039	(9,007)	82,032
Other revenues	130,863	-	14,150	2,669	100	-	32,477	180,259	38,986	219,245
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	44,594	44,594
Investment income (loss)	3,859	-	-	29,322	8,852	-	-	42,033	22,446	64,479
Investment income transfer	5,608	-	-	-	(5,608)	-	-	-	-	-
Total revenues	727,047	199,000	17,670	31,991	3,344	91,039	32,477	1,102,568	122,856	1,225,424
Expenses										
Salaries, wages and benefits	511,905	112,000	-	-	-	32,243	23,135	679,283	32,114	711,397
All other expenses	207,477	75,000	137,635	5,717	108	33,029	9,599	468,565	(135,607)	332,958
Amortization expense	-	-	-	-	-	-	-	-	96,000	96,000
Transfers to (from) other funds	9,539	(14,026)	(31,684)	18,245	550	17,377	-	-	-	-
Debt and financing charges	21,405	-	(15,006)	-	-	8,003	-	14,402	1,835	16,237
Total expenses	750,326	172,974	90,945	23,962	658	90,652	32,734	1,162,251	(5,659)	1,156,592
Excess of revenues over expenses	(23,279)	26,026	(73,275)	8,029	2,686	387	(257)	(59,683)	128,515	68,832

Table 32: Consolidated 2021/22 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	235,360	-	3,520	-	-	-	-	238,880	34,128	273,008
Research grants and contracts	-	201,000	-	-	-	-	-	201,000	(19,618)	181,382
Tuition fees	376,611	-	-	-	-	-	-	376,611	12,000	388,611
Ancillary sales and services	-	-	-	-	-	93,632	-	93,632	(9,754)	83,878
Other revenues	128,633	-	54,750	2,495	100	-	32,401	218,379	5,991	224,370
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	43,737	43,737
Investment income (loss)	3,717	-	-	29,795	9,010	-	-	42,522	23,913	66,435
Investment income transfer	5,750	-	-	-	(5,750)	-	-	-	-	-
Total revenues	750,071	201,000	58,270	32,290	3,360	93,632	32,401	1,171,024	90,397	1,261,421
Expenses										
Salaries, wages and benefits	525,618	113,000	-	-	-	32,970	23,227	694,815	42,511	737,326
All other expenses	214,008	75,000	107,601	6,511	165	33,298	9,547	446,130	(140,245)	305,885
Amortization expense	-	-	-	-	-	-	-	-	142,774	142,774
Transfers to (from) other funds	7,975	(12,907)	(30,718)	18,386	560	16,704	-	-	-	-
Debt and financing charges	21,405	-	(16,456)	-	-	8,304	-	13,253	2,941	16,194
Total expenses	769,007	175,093	60,427	24,897	725	91,275	32,774	1,154,198	47,981	1,202,179
Excess of revenues over expenses	(18,936)	25,907	(2,157)	7,393	2,635	2,357	(373)	16,826	42,416	59,242

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 Chartered Professional Accountant (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

Major areas and depts included in envelopes:

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

APPENDIX 8 – ACRONYMS

AFMC	Association of Faculties of Medicine Canada
AODA	Accessibility for Ontarians with Disabilities Act
AVIN	Autonomous Vehicle Innovation Network
CAP	Career Access Program
CCE	Center for Continuing Education
CEFRL	Common European Framework of Reference for Languages
CIMVHR	Canadian Institute for Military and Veteran Health Research
COG	Core Operating Grant
COU	Council for Ontario Universities
CPA	Chartered Professional Accountant
CRC	Canada Research Chair
CRKN	Canadian Research Knowledge Network
DB	Defined Benefit
DBRS	Dominion Bond Rating Service
DSB	Degroote School of Business
FWI	Forward with Integrity
GAAP	Generally accepted accounting principle
GCSP	Grand Challenge Scholars Program
H&CS	Housing and Conference Services
HR	Human Resources
HSL	Health Sciences Library
IEPI	Institute on Ethics for Policy and Innovation
IPG	Incremental Projects Grant
ISS	Indigenous Student Services
ISW	Instructional Skills Workshops
IT	Information Technology
MARC	McMaster Automotive Resource Centre
MBA	Master of Business Administration
MD	Medical Doctorate
MIRI	McMaster Indigenous Research Institute
MPS	Media Production Services
MTCU	Ministry of Training, Colleges and Universities
MUMC	McMaster University Medical Centre
NAE	National Academy of Engineering
OAPPA	Ontario Association of Physical Plant Administrators
OGS	Ontario Graduate Scholarship
OSAP	Ontario Student Access Program
PBGF	Pension Benefits Guarantee Fund
PfAD	Provision for adverse deviation
PGCLL	Peter George Centre for Living and Learning
PRB	Post-retirement benefit
QS	Quacquarelli Symonds
RO	Office of the Registrar
RRSP	Registered Retirement Savings Plan
RSF	Research Support Fund
S&P	Standard & Poors
SAG	Student Access Guarantee
SMA	Strategic Mandate Agreement
SPICES	Student Proposals for Intellectual Community and Engages Scholarship
SRP	Strategic Research Plan
TRC	Truth and Reconciliation Commission of Canada
UA	University Advancement
UTS	University Technology Services
VPR	Vice-President Research
WGU	Weighted Grant Units