



# 2020-2021 Consolidated Budget

Approved by the Board of Governors  
June 4, 2020

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**BRIGHTER WORLD**

McMaster  
University 

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# 1 QUICK FACTS

## History

Founded in **1887** in Toronto.

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

## Institutional Leadership

Chancellor: **Santee Smith**

President, Vice-Chancellor and Chair of the Senate: **Dr. David Farrar**

Provost and Vice-President Academic: **Dr. Susan Searls-Giroux (Acting)**

## McMaster Model

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

## Degrees Granted (in 2018-19)

**7,223**

## Student Enrolment Headcount (as of fall 2019)

Undergraduate: **29,276**

Graduate: **4,991**

Domestic: **29,001**

International: **5,226**

## Average Entering Grade (in fall 2019)

**88.8%**

## Faculties

**6** (DeGroote School of Business, Faculty of Engineering, Faculty of Health Sciences, Faculty of Humanities, Faculty of Science, Faculty of Social Sciences)

## Full-Time Faculty (excluding Clinicians, 2019)

**888**

## Staff (2019)

**11,017**

## Alumni (2019)

**195,162**

## Research Funding

**\$371.6 million** awarded in research funding in 2018-19 (McMaster and affiliated hospitals)

## World Ranking (2019)

Shanghai Ranking: **90<sup>th</sup>**

Times Higher Education: **72<sup>nd</sup>**

QS World Ranking: **140<sup>th</sup>**

Times Higher Education Global Impact Rankings:

**2<sup>nd</sup>** in world for Decent Work and Economic Growth

**6<sup>th</sup>** in world for Good Health and Well-being

**2019** – Canada's most research-intensive university – Research

Infosource Rankings

## Campus

**152.4** hectares of property

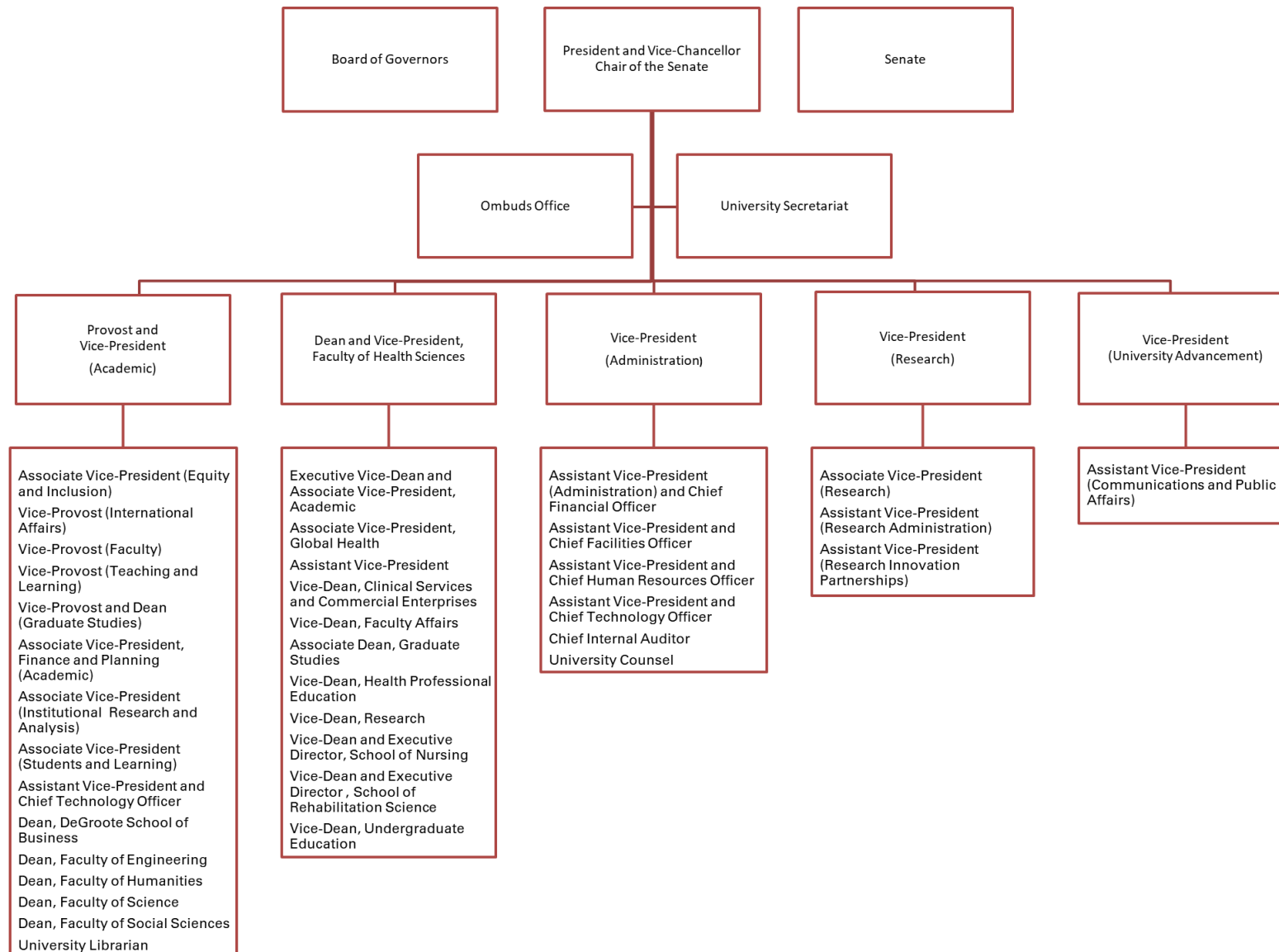
**4** libraries, **13** residence buildings, **1** athletic complex

Nuclear Reactor, WJ McCallion Planetarium, McMaster Museum of Art

**5** campuses (Main campus in West Hamilton, and 4 additional campuses in Burlington, Waterloo, Niagara, and downtown Hamilton)



## 2 ORGANIZATIONAL CHART





### 3 MESSAGE FROM THE PRESIDENT



In providing the University's consolidated budget for 2020/21, I am well aware, of course, of the many challenges and uncertainties that we are currently facing as an institution, and as a community, as a result of COVID-19, and the closing down of many aspects of the University's operations. This will inevitably have an impact on our plans for the next academic year, in terms of enrolment numbers, campus life, and adjustments to both our revenue and our expenses.

Over the coming months, we will focus on addressing a number of the key challenges associated with COVID-19. We have adjusted enrolment and participation rates for 2020/21 and are planning for potential increases in deferred enrolment. We have also made additional emergency funds available for students and are reviewing bursaries and supports for the coming year. As explained in detail within the budget document, we have also planned for a number of additional revenue and expense adjustments to reflect the current situation. We plan to review and refine these adjustments mid-year once we know more about the duration and operational impact of the pandemic. For future years we plan to continue our focus on diversifying our campus and increasing international student participation when safe to do so; seeking additional funding for research through a blend of University, government, and philanthropic investments, private sector partnerships, and traditional bank financing; and enhancing our physical and technological infrastructure.

McMaster's budget process allows all areas of the University to align their use of resources to support the University's guiding strategy, *Forward with Integrity*, and the priorities outlined in our Strategic Mandate Agreement entered into with the provincial government.

Our current key priorities 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 has also increased the 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 advance the University's research mission and success. The planned *Brighter World Research Initiative* will also provide a means to draw investments into the research enterprise, and is intended to engage researchers across the entire campus.

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 our goals. I would like to acknowledge and thank each department and unit for their work and contributions, and look forward to working with the University community on the challenges and opportunities that lie ahead.

Sincerely,

David Farrar

President and Vice-Chancellor

## 4 MESSAGE FROM THE PROVOST

I am pleased to present McMaster University's 2020/21 budget to the University community. The budget supports our mission to advance the discovery, communication and dissemination of knowledge. The budget plan enables the implementation of the University's strategic priorities by:

- Strengthening the excellence of our research, our graduate education and training through opportunities to integrate research more purposefully into our academic mission. This commitment requires supporting research that reflects current and emerging global issues that impact a wide range of disciplines and societal needs. We intend to build on our track record in technology transfer and entrepreneurship in order 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 sustain our research intensity; we are committed to equipping graduate students in all programs with the practical skills, experiential knowledge and ethically informed judgment 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, self-directed and active 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 and cosmopolitan campus community and creating enhanced pathways and improved supports for historically marginalized and underrepresented groups.

The current budget plan includes a domestic tuition freeze for next year. Under the current enrolment corridor mandated by the Ministry of 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.

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. The current COVID-19

pandemic, unfolding as I write this, stands to impact McMaster University and all Ontario universities in precisely these and other, as yet unforeseen ways.

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.

Other strategic priorities include: enhanced support of research and research platforms; commercialization of our research activities; opportunities for additional Indigenous programs and research; expanding our international research and teaching partnerships and so our reputation 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,

Susan Searls Giroux

Acting Provost and Vice-President (Academic)

## 5 EXECUTIVE SUMMARY

McMaster University's 2020/21 consolidated budget is structurally balanced before one-time spending initiatives and before extraordinary adjustments for COVID-19. The consolidated budget includes several funds used to organize an effective allocation or generation of resources to support the mission and vision of the University. The Operating Fund, representing over 60% of the university's annual financial revenues, supports the academy and central student support units, such as the registrar's office, libraries, and administration. Consolidated additional funds include the Research Fund, Capital Fund, Trust Fund, and Ancillary Fund.

A number of extraordinary adjustments have been included in this budget due to COVID-19. While the true financial impact of the current pandemic is unknown the adjustments reduce planned revenues and increase expenditure for the upcoming year. An updated in-year projection will be prepared during 2020/21 as fall enrolment numbers are finalized and phased re-opening plans are operationalized.

Due to COVID-19 the 2020/21 summer term is a blend of virtual and online activities. For the fall term international enrolment has been reduced by approximately 20% across all levels for both undergraduate and graduate education, or \$32 million in reduced tuition. Domestic tuition and the associated domestic operating grant revenues are held flat. The University is working to mitigate the risk of declined international enrolment revenue by increasing offers to domestic students, however incremental domestic students will not affect the capped operating grant. No additional domestic tuition revenues have been factored into the budget.

To reflect the transition investments required for virtual, online, and digital resources additional contingency expenditures of \$5 million are included in consolidated expenses. This includes additional information technology infrastructure investments and licensing costs to support a greater proportion of University stakeholders participating or working from home. In addition, all other non-personnel expenses have been increased in 2020/21 by 10% to reflect a potential high inflationary and limited supply environment for resources post-COVID.

Finally, the consolidated budget includes several initial steps the University has taken to support students during this period of heightened uncertainty. Some of the student support adjustments made for 2020/21 include increased student financial aid, waiver of late fees and student interest during the summer, an introduction of a fall student tuition and fees payment deferral program, and additional support through bursary programs.

The consolidated budget does not include any reduction to salaries, wages and benefits. Human resources is working closely with employee groups to address area specific needs with declared emergency leaves or other arrangements as a result of COVID-19.

Research activities unrelated to COVID-19 have been predominantly shut-down before the 2020/21 budget year. During 2020/21 a phased re-opening of research activities will occur. Research expenditures incurred to re-open and address staff implications will result in either matching research revenue recognition or a draw down in research related reserves, such that revenues and expenditures will equal using fund accounting and budgeting methodologies.

Capital expenditures prioritized for 2020/21 will be delayed as non-essential construction work. The Capital Fund budget is unadjusted in the consolidated budget. Additional debt financing approximating \$125 million to support strategic- and capital- priorities is budgeted in 2021/22 following a Presidential strategic planning update in 2020/21. The impact of delayed construction and additional financing will not materially affect the financial results of the University. The construction delay has a temporary positive improvement on University cash flows enabling McMaster to offer enhanced one-time student support offers such as a fall tuition payment deferral program.

The 2019/20 results are positive before temporary investment losses reflecting a projected investment pool loss of 18% (2008/09 -18.9%). The investment pool income for 2020/21 is budgeted at 4% (2009/10 17.1%). Continued trust expenditures for scholarships, bursaries, and chair salaries are budgeted for 2020/21 and planning years drawing where necessary on the specific purpose reserve established post-economic crisis for large economic events.

Ancillary operations include a number of University supporting businesses such as, housing, hospitality, campus stores, and parking. Sales revenues for ancillaries have been materially reduced reflecting campus closure May through August. Fall revenues, cost of sales and directly related personnel costs have been reduced to reflect less international enrolment and on-campus participation. An in-year projection will be prepared when fall enrolment is finalized and more is known in relation to phased re-opening.

Overall, the 2020/21 consolidated budget reflects what management considers to be a fair estimate of potential financial results during the COVID-19 pandemic. The adjustments may not have reduced tuition income sufficiently if international participation is lower than 80% of 2019/20. However, if enrolment is materially the same it is doubtful support costs associated with salary, wages, and benefits will remain at the same levels currently budgeted, thus offsetting any further revenue shortfall.

McMaster's planning years 2021/22 and 2022/23 reflect a slow return to normalized revenues and expenditures, despite a high likelihood of new operational changes to reduce the size of group activities and manage transmission risks associated with crowds. Consequently, the Operating Fund will have a budgeted deficit of \$53.9 million and planning deficits approximating \$16 million in both 2021/22 and 2022/23, which will be funded by faculty and department reserves (also called appropriations referenced in figure 2 below). The consolidated budget will close 2019/20 with an investment driven deficit in 2019/20 of \$49.3 million and a small budgeted deficit of \$13 million in 2020/21, followed by a return to projected planned surpluses (figure 3 below).

Figure 1: Operating Fund Outlook

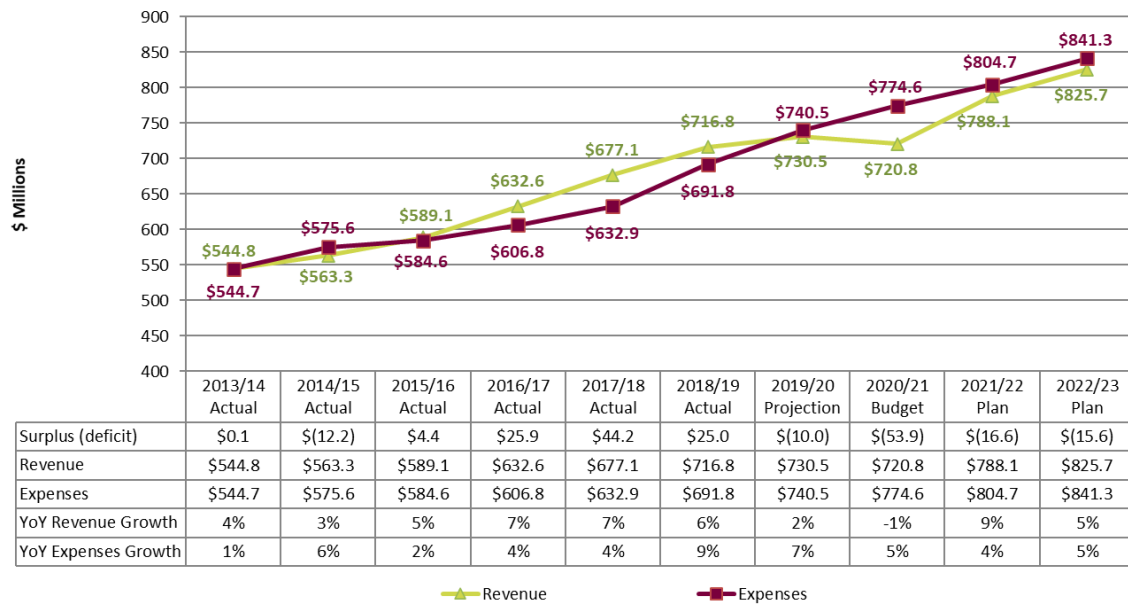


Figure 2: Operating Fund Appropriations

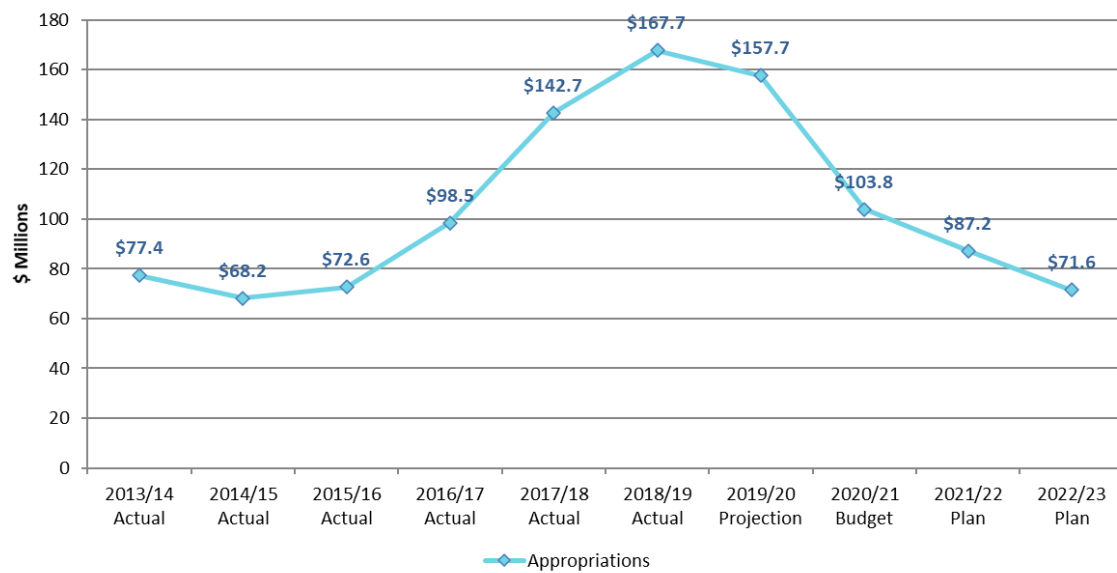
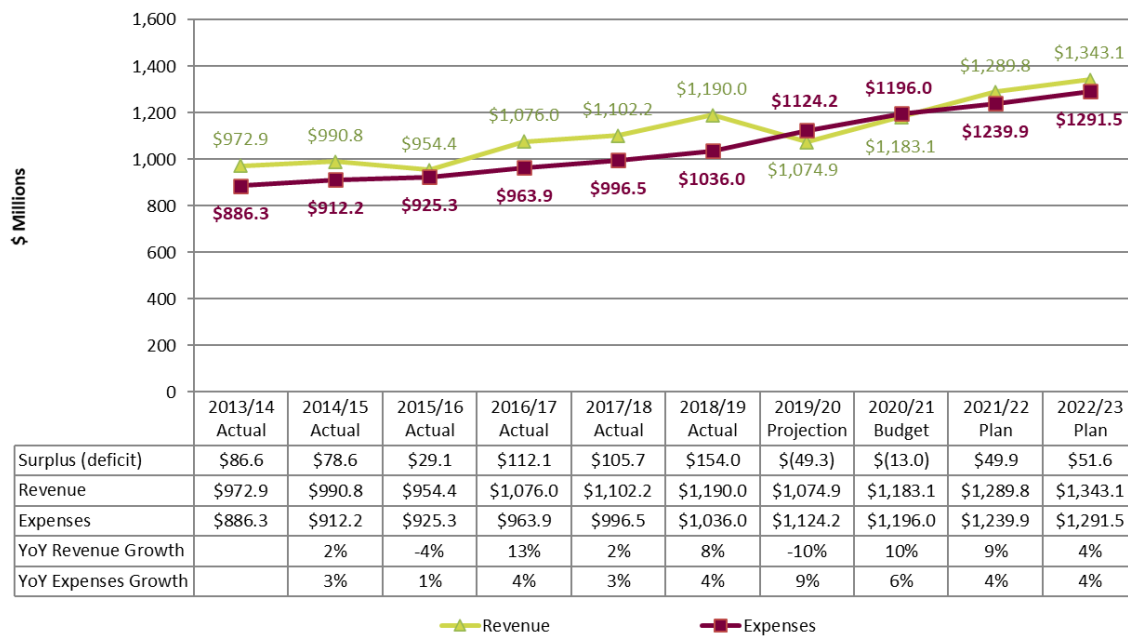


Figure 3: Consolidated Outlook





## 6 McMASTER'S KEY STRATEGIC PLANS

### 6.1 FORWARD WITH INTEGRITY AND STRATEGIC MANDATE AGREEMENT

The Ministry of Colleges and Universities and McMaster University have developed and agreed to key metrics for McMaster's third Strategic Mandate Agreement (SMA3) covering May 1, 2020 to April 30, 2025 that affect how funding will flow to the University linked to achieving metric targets within acceptable boundaries (or bands of tolerance). However, due to COVID-19 the Ministry has announced a one-year delay to the metric linked funding flow changes. This delay provides McMaster certainty on its operating grant budget in 2020/21. The SMA3 will affect funding allocations beginning in 2021/22 and outer years, the planning years have assumed McMaster will achieve its metric targets and therefore continue to receive normal operating grant levels, which is materially reflective of the 2016/17 grant.

The SMAs capture 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 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 priorities, embedded in the SMA. Domestic tuition revenues are based on the tuition framework involving the 10% domestic tuition cut for 2019/20, followed by a domestic tuition freeze for 2020/21. For planning purposes, the domestic tuition budget assumption for 2021/22 and beyond holds domestic tuition flat. International tuition revenues have been adjusted for a 20% decline in enrolment for 2020/21, however annual tuition rate increases of 6-10% remain in place along with growing diversified international student participation in 2021/22 and beyond up to approximately a 25% international participation.

## 6.2 RESEARCH

The *Research for a Brighter World — Strategic Plan for Research 2018-2023* lays out a vision to further advance human and societal health and well-being. To support this plan, McMaster is embarking on the *Brighter World Research Initiative (BWRI)* a fundraising effort partnered across the academy and advancement to bolster support for 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 strategic 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.

The strategic plan focuses BWRI to build upon 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.

## 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 capital plan supports McMaster's *FWI* and *BWRI*, integrating and incorporating input from all stakeholders across the University community. The capital plan priorities are reviewed and updated annually involving broad consultation across the University, along with consideration of both academic enrolment plans and research priorities. Additional infrastructure planning is detailed using supplementary plans, such as the Campus Master Plan, the Campus Capacity Study, the Asset Management Plan, the Campus Accessibility Action Plan, and the Energy Management Plan.

The annual Capital Plan priorities along with other core strategic priorities are integrated into the University's annual Debt Strategy Report, which involves multi-year financial projections. The Debt Strategy determines the University's financial capacity to fund priorities and examines whether internal and/or additional external financing is required to move critical capital priorities forward. In the planning years, additional financing plans are included. To support planned priorities additional debt financing approximating \$125 million is planned for 2021/22, subject to finalization through a strategic plan update in 2020/21.

6.4 ENTERPRISE RISK MANAGEMENT

The University’s Enterprise Risk Management Program focuses on collaboration and dialogue regarding opportunities and risks in support of the University’s mission and strategic priorities.

An annual opportunities and risks review and assessment session is held each year by the Enterprise Risk Steering Committee, which comprises of the President and Vice-Presidents (PVP). The annual activity ensures the University’s opportunity and risk register remains current and key risk mitigation strategies are updated and summarized by key risk leaders.

There are nineteen key risks based on residual (net) risk levels. "Pandemic Risk" is a new added University key risk. The current key risks are:

Government Policy	Information Security
Research Infrastructure	Undergraduate Student Enrolment
Geopolitical	Change Readiness
Research	Attract Graduate Students
Partnership	Technology
Mental Wellness	Physical Infrastructure
Financial	Student Experience, Satisfaction and Retention
Reputation and Brand	Information Availability and Quality
People (Previously: Human Capital)	Pandemic (or Epidemic)
Leadership	

Additionally, the University recognizes sixteen key opportunities, which are in various stages of strategic planning affecting the budget and planning years.

In 2020/21 the University will broaden several activities used to address climate-related risks. This includes expanding the multi-year financial projections for climate driven risks affecting core operations. In addition, the investment portfolios will measure and report on greenhouse gas emissions translated into carbon emissions, with the aim of phased adoption of the Task Force Recommendations on Climate Related Financial Disclosures by 2024, in advance of the Government of Canada’s voluntary phased implementation timeline.

## 7 CONTEXT

### 7.1 REVENUE GENERATION ENVIRONMENT

#### 7.1.1 ENROLMENT TRENDS

Provincial grants for domestic enrolment make up 32% of the Operating Fund's budgeted revenues (or 20% of the University's Consolidated Budget). Domestic tuition accounts for another 26% 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, except for allowances for graduate expansion up to 2019/20 and unchanged thereafter for 2020/21 and future planning years. Further affecting results are the changes to domestic tuition framework set by the Ministry of Colleges and Universities (MCU), formerly Ministry of Training Colleges and Universities (MTCU), that reduced domestic tuition by 10% in 2019/20 by approximating \$22.3 million and holding domestic tuition rates frozen at 2019/20 levels for 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. As a consequence of domestic funding restraints, the University has focused on increasing international enrolment across certain programs. A diversification linked international growth strategy to grow revenues continues to be a priority to meet both strategic investment and inflationary operating expense needs. For 2020/21, international enrolment has been reduced by 20% across all levels of participation due to COVID-19 impacts. No changes have been factored into domestic intakes. The enrolment adjustment translates to a \$32 million declined tuition revenue expectation for the budget year. Planning years assume a return to traditional enrolments, noting that a new normal post-pandemic will take further time to assess. There is a growing risk of increased enrolment in 2021/22 due an increased request for deferred, or one-year, delayed level one enrolments, which could translate to a reduced double-cohort effect.

McMaster has achieved domestic enrolment caps for undergraduate and PhD enrolment. Overall, McMaster is seeing growth in applications both domestically at 2% for 2020/21 (exceeding the demographic university-age population growth rate approximating less than 1%) and internationally at 1% for 2020/21 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 recently opened Peter George Centre for Living and Learning, the upcoming 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 with adjustments for graduate expansion enrolment. The roll in of 2019/20 graduate expansion resets the corridor midpoint for 2020/21. This 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 mechanism<sup>1</sup>.

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 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 25% of overall grant revenue, however this will grow to approximately 60% during the SMA3 period ending in 2025 with the offset primarily reducing enrolment-based funding by proportional reductions in the WGU values per student enrolled. Due to COVID-19, MCU will delay flowing operating grant funding linked to SMA3 metric performance by one-year, instead 2020/21 funding will reflect 2019/20 flows. The SMA3 delay provides funding certainty for 2020/21, however future planning years will require the University to achieve metric targets within reasonable boundaries (also referred to as bands of tolerance) in order to receive continued funding flows. It should be noted, failure of a university to meet target ranges will result in funding reductions to that university that will be redistributed to other universities meeting the targets. McMaster has not factored in any operating grant funding increases to its planning years, nor any reductions.

Finally, the University has worked diligently on the changes the province has mandated to differentiate student fees between essential and non-essential fees under the Student Choice Initiative. The Ministry requires the University and student organizations to allow for an opt-out process for all non-essential fees. This initiative has been put on hold pending a court ruling.

### 7.1.3 TUITION

The budget incorporates the MCU'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 conservative 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.<sup>2</sup> Overall, international student enrolment funding is reduced by a \$750 per student head tax on international enrolment required by the province.

<sup>1</sup> The corridor methodology means that the government grant is fixed by the corridor midpoint. Domestic enrolment fluctuation will not affect the grant unless enrolment (based on a moving five-year average calculation) were to fall below the corridor floor, defined as 3% beneath the midpoint. The corridor midpoint for SMA3 is set at the 2016/17 level plus the addition of Funded Graduate Expansion Spaces over the 2016/17 base.

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

## 7.2 COVID-19

Due to COVID-19 an extraordinary event unfolding March 2020 and materially affecting operations budgeted in 2020/21, several adjustments have been made to the consolidated budget along with additional student support changes. International enrolment is reduced by 20% across all levels for both undergraduate and graduate enrolment. Ancillary revenues, cost of sales, and related personnel costs have been reduced for campus closure May to August 2020 followed by a phased re-opening impact. Operating salary, wages and benefits are unadjusted as Human Resources works with employee groups to address unique needs. Non-personnel expenditures have been inflated by 10% to address cost pressures post-COVID-19 due to increased demand and limited supply. Further, additional one-time expenditures of \$5 million have been built into contingent expenditures for transformation costs moving to more virtual and online resources. Finally, a number of additional student supports have been factored into the budget for increased student financial aid, a waiver of late fees and temporary interest relief, and an introduction to a tuition and fees payment deferral program. Further student support needs may be necessary as the University plans to re-open and will be assessed as the budget year progresses.

## 7.3 INVESTMENT RETURNS

The University's long-term investment pool holds the funds associated with its endowments and internal reserves established to settle future obligations and totals approximately \$1.3 billion. Annual income and losses flow through McMaster's consolidated results in accordance with the accounting policies in Appendix 6. The size of this portfolio and the investment returns budgeted versus achieved may have material effects on financial results. For each plus or minus 1% difference in investment returns the impact is approximately \$13 million, affecting both the Statement of Operations (by approximately \$5.3 million) and the endowment reserve in the Statement of Financial Position (by approximately \$7.7 million).

Over the long term, McMaster budgets investment income using a return expectation after inflation of 5.9%. Due to the pandemic related economic impact an 18% loss is projected for 2019/20, which impacts the annual results by \$122.1 million compared to budget and is the primary cause of the projected \$49.3 million consolidated University deficit. The budget assumes a slow increase back to average returns, with projections of 4.0% in 2020/21, 5.4% in 2021/22, and 5.6% in 2022/23.

McMaster uses several strategies to protect operations from volatility and prolonged down markets, recognizing the need to continue funding commitments for many initiatives such as student scholarships, bursaries, and chair salaries. Strategies include:

- Annual investment income and losses, other than those earned by the endowments and other restricted funds, are allocated to specific purpose reserve, which can be drawn upon to maintain spending levels during extraordinary times.
- The Operating Fund receives fixed annual support of \$9.5 million per year from the specific purpose reserve and the internal endowment regardless of short-term returns or losses.
- The trust related spending approximates \$18 million annually. Trust spending of 4% per year is assessed against the five-year average market returns, which smooths the impact of gains and losses. Further, the specific purpose reserve can be utilized to maintain the spending allocation needs for trust funds that do not allow for encroachment on the original.

In addition to the investment pool, McMaster also manages pension plan assets of over \$2.0 billion, which are offset against the pension obligation and reported on a net basis. A 1% decrease in the market value of the assets by itself would reduce the assets by over \$20 million. The valuation of the obligation and related funding requirements also take into account interest rates, funding rules, and valuation timing. The impact of the reduced interest rate environment translates to materially larger estimated liability compared to plan assets, the difference requires sufficient funding plans. However, the pension plan funding requirements are based on each plan's filing cycle. The large salaried pension plan was last filed in 2018 and is due to be measured for July 1, 2021, which ideally will provide time for greater market stability and interest rate change. The smaller hourly pension plan will be measured early on January 1, 2020, whereby its next filing date is estimated to be July 1, 2022. As such, no changes to budgeted benefit rates plans have been factored into this budget.

## 7.4 RESEARCH FUNDING

Federal research funding programs have helped McMaster retain, for the third year in a row, its status as Canada's most research-intensive university (Research Infosource 2019). The Government of Canada has recently made significant investments in science and university research, including an unprecedented \$925M in new funding for fundamental research as part of the federal *Budget 2018*. These investments are intended, in part, to make Canadian science more collaborative, support evidence-based decision making, foster the next generation of scientists, and promote equity and diversity in research.

The federal *Budget 2018* proposed investments of \$275 million over five years and \$65 million per year thereafter for the New Frontiers in Research Fund (NFRF), a new funding program designed to support collaborative high-risk, high-reward, interdisciplinary and international research. Three McMaster-led teams were awarded a total of \$750,000 in the inaugural 2019 competition of the Exploration stream, one of three streams that comprise the NFRF. The Exploration stream supports new research led by early career researchers which transcends common disciplinary or interdisciplinary approaches and has the potential for significant social, economic, scientific, artistic, cultural or other impact. The recently launched Transformation and International streams will provide large-scale support for Canada to build strength and leadership in interdisciplinary and transformative research, and enhance opportunities for Canadian researchers to participate in world-leading research with international partners.

In response to the COVID-19 pandemic, the Government of Canada recently announced an investment of \$275 million for Canadian research on antivirals, vaccine development and clinical trials that will lead to the rapid detection, management and reduction of transmission of the virus. The \$52.6 million awarded to date includes two awards to McMaster-led teams with a total value of \$1.77 million. The research results will inform clinical and public health responses to the outbreak, and enable evidence-based decision-making and planning at national and international levels.

The Canada Foundation for Innovation (CFI) Major Science Initiatives (MSI) program aims to strengthen national research facilities and thereby ensure that Canadian researchers and their collaborators have access to the state-of-the-art infrastructure they require to engage in world-class research and training of highly qualified personnel. McMaster is home to two of the 17 research facilities across Canada that receive support from the CFI MSI program in recognition of their importance to the Canadian research community. The Canadian Centre for Electron Microscopy (CCEM) was awarded over \$6M in funding through the 2014 and 2017 competitions for operation and maintenance of the more than \$50M in state-of-the-art infrastructure that it houses. CFI MSI funding



to the CCEM was recently increased by \$2M following a successful mid-term review of the current award. The Canadian Research Data Centre Network (CRDCN) – a partnership with a consortium of Canadian universities and Statistics Canada providing researchers with access to confidential social, economic and health microdata – was also recognized by the CFI as a national facility with an award of almost \$6M in 2017. More than \$2M in additional CFI MSI funding was also secured following favorable review of its mid-term review report.

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. McMaster recently became one of the first postsecondary institutions in the country to endorse *Dimensions: Equity, Diversity and Inclusion Canada*, a pilot program from the Government of Canada designed to transform research culture by strengthening equity, diversity, and inclusion (EDI). Dimensions seeks to foster EDI within the research communities of Canadian universities and colleges by promoting and recognizing institutional efforts to identify and eliminate obstacles and inequities, support equitable access to funding opportunities, increase equitable and inclusive participation, and embed EDI-related considerations in research design and practices. In alignment with this initiative, the Canada Research Chairs (CRC) program recently introduced EDI requirements which must be satisfied if participating institutions are to continue submitting new CRC nominations. As a result of McMaster's efforts to promote EDI principles and practices, we have satisfied the CRC requirements and continue to submit new nominations, including nominations for the additional 12 CRCs recently awarded to the University as part of the \$210 million investment proposed in the federal *Budget 2018*.

Provincial funding opportunities continue to support research excellence in Ontario. The *2019 Ontario Budget* proposed establishment of an expert panel to maximize the commercialization potential of academic research. As Canada's leading university in corporate research income (Research Infosource 2019), McMaster looks forward to working with the Province to implement the recently released recommendations of the Expert Panel on Intellectual Property (IP), including the development of a standardized, online IP education program for researchers and students; a centralized provincial resource for legal and IP expertise, education and services; and clearly defined mandates and policies for technology transfer offices within research organizations. These recommendations will expand upon the academic and extracurricular IP education and awareness programs initiated by McMaster within the last 2-3 years, and will facilitate the McMaster Industry Liaison Office's ongoing collaborative efforts with the Province and other technology transfer offices across Canada to incorporate best practices and policies.

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. In 2019/20, these grants to McMaster are projected to total \$15 million and \$2.3 million, respectively. Although actual indirect costs exceed 40 percent, in 2019/20 the federal Research Support Fund (RSF), including the new Incremental Project Grant (IPG) program, paid indirect costs to McMaster and its affiliated hospital partners at 22.2 percent of all eligible Tri-Agency receipts, a slight increase from 2018/19. 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.

## 7.5 FACULTY RENEWAL

The Faculty budget plans, taken together, include a 9% 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 2019/20, renewal of 8% of existing faculty occurred through retirements and an additional 4% is planned for 2020/21.

## 7.6 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. 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 2.0%, broadly in line with Canada in 2019. The Bank of Canada had projected inflation for Canada to fall closer to 1.9% in 2020, prior to the impacts of COVID-19 on the Canadian economy. Since March, interest rates have dropped by 0.75% and the Canadian exchange rate has shifted to \$1.4 for \$1USD. These changes have made the costs of international goods more expensive.

In 2019/20, McMaster launched an e-procurement shopping cart project aimed at delivering savings by increasing pre-negotiated contract buying. The project, MacBuy, is being tracked for savings on an annual basis and more will become available in future year's budget documents. The project should assist in defraying some of the inflationary pressures across the University.

Continued 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 largest 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 receiving the Ontario Rebate for Electricity Consumers (OREC). This rebate was to be in effect until 2021 however unexpectedly this rebate has now ended effective October 2019; McMaster became eligible for the Ontario Electricity Rebate (OER) until October 2020 as a relief program. Facility Services is investigating other options to help mitigate the increase in electricity costs that will occur subsequent to October 2020. In addition, the Federal Government Output Based Pricing System (OBPS) will add a \$.04 tax to a cubic meter of gas each year from 2019 to 2022, adding additional utility cost pressure. The City of Hamilton is also planning water rate increases and potentially additional development charges, which will result in the cancellation of once-viable projects. At this time, the effect of any provincial rate relief or cost reductions due to COVID-19 are unknown and no reduction in cost has been factored into the budget.

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.

## 7.7 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 \$0.71 USD at end of March 2020. To mitigate some of these financial impacts, management will hold a higher USD balance from USD related deposits in order to settle USD expenditures mitigating exchange related risk, where possible. For some areas of the University, such as the library expenditures, the exchange rate budgeted is fixed at \$1.25 CDN for \$1 USD, the difference to market rates is managed by University treasury operations.

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, further uncertainties due to COVID-19, the nature of US trade relations, and the UK's Brexit outcomes. As the economy stabilizes and improves, if the US Federal Reserve raises interest rates at a faster pace than the Bank of Canada, the Canadian dollar is likely to further weaken.

## 7.8 PENSION AND POST-RETIREMENT BENEFITS

In order to protect the University from adverse fluctuations associated with market volatility, McMaster uses a five-year smoothing approach to measure the pension and post-retirement benefit assets versus liabilities, measured using actuarial interest and discount rates. To fund the gap between assets and liabilities of the benefit plans, the University manages a benefit reserve that stabilizes the Faculty and department employer related benefit rate or benefit costs over a ten-year smoothed planning horizon. As a result of this approach, the benefit reserve may be temporarily negative during the ten-year cycle. These approaches promote stability in budgeting for compensation costs at the unit level.

### 7.8.1 PENSION PLANS

McMaster University maintains defined benefit (DB) and group Registered Retirement Savings Plan (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 actuarial valuations 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 Plans”), as well as the Contributory Pension Plan for Hourly-Rated Employees of McMaster University Including McMaster Divinity College (“the Hourly Plan”) no later than every three years.

The Pension Benefits Act rules require plans with solvency ratios below 85% to file annual actuarial valuations and any solvency deficiency under 85% must be funded over five years. The Salaried Plans were filed for July 1, 2018 with solvency ratios over 85% and are not due to be filed again until July 1, 2021. The Hourly Plan solvency ratio at last filing date July 1, 2019 was under 85%, however the University subsequently made a one-time payment from the benefit reserve to increase the ratio to 85% or higher. As such, the University has elected to file a new valuation on January 1, 2020, which will move its next filing date from July 1, 2020 to July 1, 2022 allowing time for market improvements post-pandemic.

The DB plans include a new funding requirement for a Provision for Adverse Deviation (PfAD), which is based on the plan’s open or closed status and its asset mix. The initial regulations identified the Plan 2000 as closed. Since filing in 2018, the definition of a closed plan has changed and Plan 2000 is now under the open plan definition for the PfAD calculation methodology, which will reduce the University’s PfAD liability during the next valuation in July 2021. The budget includes the anticipated reduction in the funding requirement by lowering the departmental charge-out rate beginning in 2021/22.

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 the funded position of both Plan 2000 and the Hourly Plan on a going-concern basis<sup>3</sup> and a solvency basis<sup>4</sup> as of the last valuation date.

**Table 1: Pension Plan Status**

\$ millions	Plan 2000		Hourly Plan	
	Valuation date		Valuation date	
	July 1, 2018		July 1, 2019	
Going concern surplus (deficit)	\$	(143.4)	\$	(3.0)
Solvency surplus (deficit)	\$	(197.2)	\$	(16.6)
Solvency ratio		91%		79%

<sup>3</sup> Going-concern basis refers to the pension plan asset and liability gap measured assuming the University will continue to operate over the long term, thereby using a long-term interest return rate for assets and discount rate for liabilities, and that the University will continue to collect employee contributions over future working periods until retirement.

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

## 7.8.2 NON-PENSION EMPLOYEE FUTURE BENEFITS

McMaster offers non-pension retirement benefits (PRB) including extended health, dental and life insurance for many of its full-time employees. In 2011/12, the University worked with its actuaries to quantify the impact of plan changes on the unfunded liability<sup>5</sup>. Since that time, employee groups have agreed to changes that have significantly mitigated the growth of the liability.

In addition, a PRB reserve has been established to fund the liability. This internally restricted reserve is funded by a 0.25% surcharge included in employer benefit costs, an annual Operating Fund allocation of \$7.9 million, and investment returns on the balance as part of the long-term investment pool. The reserve initially held only 1% of the net present value of the cash payments, however due to funding initiatives put in place the University now has a reserve sufficient to cover 36% of the projected costs and projections suggest the plan will be fully funded by 2037. The PRB reserve continues to be reviewed regularly based on updated actuarial valuations and future expected investment returns. 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 Specific Purpose Reserve.

## 7.9 FACILITIES

### 7.9.1 CAPACITY

Since 1960, McMaster has added a total of 38 buildings on campus (including the 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 Peter George Centre for Living and Learning opened in September 2019 as the first new residence on campus in 15 years, narrowing the shortage of campus residence space and provided 36% increase in classroom space. Despite the new residence, bed spaces still 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,

<sup>5</sup> As of April 30, 2019, the liability for non-pension employee future benefits is estimated at \$275 million, with reserves of \$94 million.

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 continue to address capacity issues, including 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 MCU 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 MCU announced in Spring 2019 the cancellation of the expansion grant program, regardless of the additional expanded enrolments being delivered. The cancellation meant a loss of \$52.9 million in expected capital funds.

### 7.9.2 DEFERRED MAINTENANCE

A total of 70% (46 of 66) of McMaster buildings are over 40 years old. The current deferred maintenance backlog in academic buildings and infrastructure excluding residences and McMaster University Medical Centre (MUMC) is estimated at \$419.77 million. Maintenance needs are prioritized based on critical building systems and to date 96% of the funding allocation was allocated to foundations, roofing, windows, doors, mechanical and electrical systems. The deferred maintenance backlog of critical building systems is estimated at \$308.65 million. With deferred maintenance funding of approximately \$14 million annually from multiple sources including the Operating Fund and the MCU, the backlog of critical priorities is forecasted to increase by about 12% from the current position of \$308.65 million to approximately \$346.7 million over the next ten years.

The deferred maintenance backlog increased substantially from last year as the Ontario Universities have undertaken an exercise in 2019/20 to harmonize the backlog data with other sectors in the province, most notably colleges and hospitals. Further in 2018/19 the higher education sector agreed to revise the former building condition assessment approach. The change ensured 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. The new audit approach that the University adopted in 2018 uses a system model that considers the building systems within each building to assess requirement costs as well as the replacement value. The requirement costs were also not reflective of the actual project costs and a 30% soft cost multiplier was added to all requirement costs. Higher future deferred maintenance costs can be expected as McMaster continues with the new audit approach. McMaster has adopted the same measurement cycle as peers, measuring 20% of the University's infrastructure 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*, former 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 2020/21 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



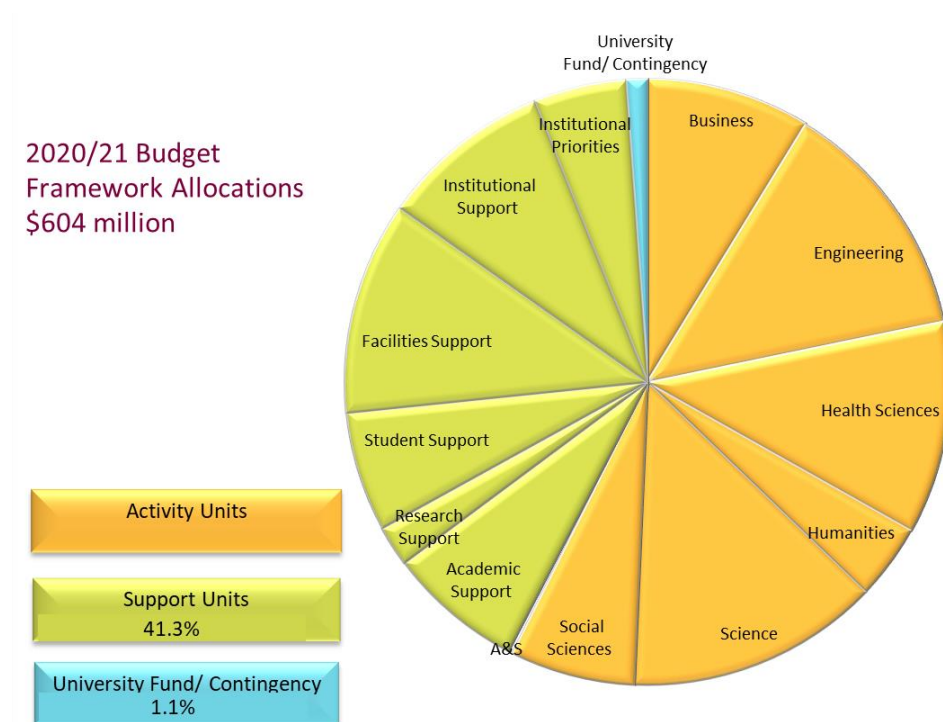
In the simplest terms, all central revenue streams are allocated to Faculties based on activities (such as student enrolment and teaching) as earned. The model mostly matched how the MCU flowed funding to universities. However, the model allows for two strategic funding pools to be created as a percentage 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 2020/21 Budget Framework Allocations by Area



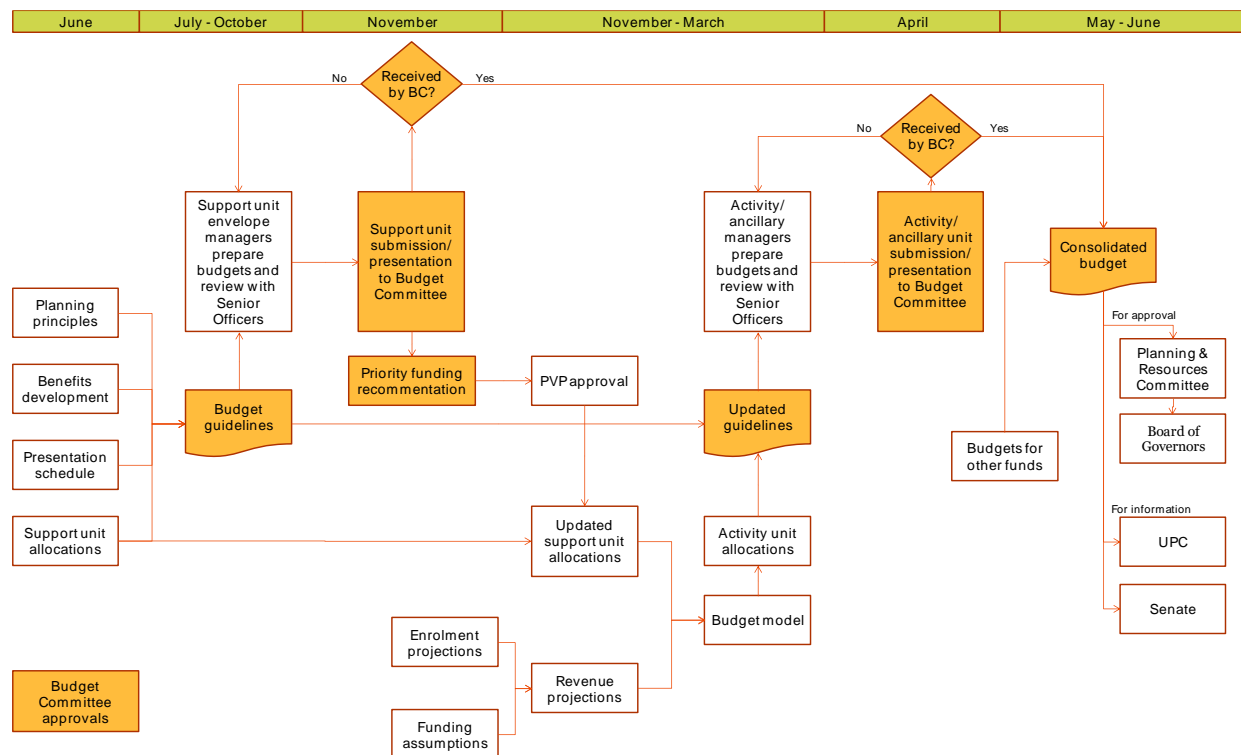
The budget approach has been continually assessed and evaluated both internally and externally, the latter involving the sharing of best practices with other Canadian and U.S. universities, as well as participating in research undertaken by the Education Advisory Board. Review feedback and ongoing input 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 MCU funding allocation approach are in the SMA3 shifting funding from primarily enrolment based toward roughly 60% performance- or outcomes-based by 2025. The shift in funding

focus by the MCU 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.

**Extraordinary circumstances:** The above timeline reflects McMaster's standard timeline approach, however due to uncertainty affecting fall enrolment intake and the degree of re-opening operations

the budget will be reviewed mid-year. A mid-year, or five-month, updated 2020/21 budget projection will be prepared once fall enrolment is finalized and re-opening plans are defined.

## 8.6 REVENUE ASSUMPTIONS

### 8.6.1 ENROLMENT

A 20% international enrolment reduction overlay, translating to \$32 million in reduced international tuition, has been factored into the budget baseline. Overall the enrolment baseline 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 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 MCU 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 historical three-year 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 2019/20 level 1 intake (i.e. as of November 1, 2019) is applied as the anticipated level 1 intake from 2020/21 to 2024/25, 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 historical three-year 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

		2019/20 Budget	2019/20 Projection	2020/21 Budget	2021/22 Plan	2022/23 Plan
Undergraduate FTEs	Domestic	23,446 -0.8%	23,968 +0.9%	23,759 -0.9%	24,141 +1.6%	24,307 +0.7%
	International	3,138 +12.1%	3,514 +24.8%	3,296 -6.2%	4,476 +35.8%	4,843 +8.2%
	Total	26,584 +0.5%	27,483 +3.4%	27,055 -1.6%	28,617 +5.8%	29,150 +1.9%
Graduate FTEs	Domestic	3,105 +1.4%	3,126 +2.1%	3,061 -2.1%	3,127 +2.1%	3,132 +0.2%
	International	1,255 +1.5%	1,316 +6.5%	1,087 -17.4%	1,323 +21.7%	1,325 +0.2%
	Total	4,360 +1.5%	4,442 +3.4%	4,148 -6.6%	4,450 -7.3%	4,457 +0.2%

## 8.6.2 TUITION RATES

The domestic tuition rate increase is expected to match that allowed by the MCU tuition fee framework (see Table 3), for 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 2020/21 and 2021/22, 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 to harmonize the international and domestic PhD tuition starting 2018/19.

**Table 3: Tuition Rate Assumptions**

			2019/20 Budget		2019/20 Projection		2020/21 Budget		2021/22 Plan		2022/23 Plan	
			Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +
Domestic	Undergraduate	Arts & Science or other	-10%	-10%	-10%	-10%	0%	0%	0%	0%	0%	0%
		Professional	-10%	-10%	-10%	-10%	0%	0%	0%	0%	0%	0%
	Graduate	Research (with thesis component)	-10%	-10%	-10%	-10%	0%	0%	0%	0%	0%	0%
		Professional (course work only)	-10%	-10%	-10%	-10%	0%	0%	0%	0%	0%	0%
International	Undergraduate	Arts & Science or other	10%	6%	10%	6%	10%	6%	10%	6%	10%	6%
		Professional	10%	6%	10%	6%	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)	10%	6%	10%	6%	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 with adjustments for graduate expansion achieved in 2019/20, thus resetting the corridor midpoint for 2020/21 and the remaining SMA period between 2020/21 and 2025/26. 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**

		2019/20 Budget	2019/20 Projection	2020/21 Budget	2021/22 Plan	2022/23 Plan
Core Operating Grant (COG)		\$2,903/WGU based on WGU midpoint 2016/17	Flat	\$2,355/WGU based on WGU midpoint 2019/20	\$2,017/WGU based on WGU midpoint 2019/20	\$1,679/WGU based on WGU midpoint 2019/20
Differentiation Grant/Performance Based Funding		\$261.7/WGU based on WGU midpoint 2016/17	Flat	Up to 26% of Total Operating Grants	Up to 36% of Total Operating Grants	Up to 46% of Total Operating Grants
Graduate Expansion Grant rate	COG	± \$2,903/WGU based on WGU 2016/17 as base	Flat	N/A	N/A	N/A
	Differentiation	± \$261.7/WGU based on WGU 2016/17 as base	Flat	N/A	N/A	N/A
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 appropriations<sup>6</sup> carried forward. Under the budget model, allocations to support units are held flat, therefore new initiatives are either funded

<sup>6</sup> 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.



from appropriations or a request is made to the Budget Committee to fund priority items. COVID related revenue and expense adjustments will be funded from appropriations in 2020/21, unless a specific request for funding is made to Budget Committee in the 2021/22 cycle.

The budget process provides a transparent means of prioritizing incremental funding for strategic investments or unavoidable costs in support units. For the 2020/21 budget, additional allocations have been made for:

- An indigenous support librarian
- Further investment in the Library operations to eliminate potential structural deficits and provide collection and learning support
- The McMaster Okanagan Committee
- For increased annual investment in deferred maintenance at the University
- Classroom digital audio-visual (AV) upgrades
- Sexual Violence and Prevention Director position in the Equity and Inclusion Office
- Phases 2 and 3 of a project to improve Graduate Admissions' systems and process
- Research operations, support, and administration
- Further branding and marketing to support international recruitment

In addition to the above, a number of smaller base or one-time investments have been made in the 2020/21 budget and/or planning years. 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. A total of 54 universities have participated over the past ten years. There are currently 38 participating post-secondary institutions worldwide—16 universities in Australia and New Zealand, 17 in the United Kingdom and now 6 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, concluding in the Fall of 2019. This was an aspirational and functional review of all HR activities across the University. The review reached several recommendations which are beginning to be addressed around 4 core themes. The theme areas are payroll process improvements, standardize and simplify processes, Integrated service model, structure & accountability, and recruitment improvements.

Specific activities contributing to achieving the University's *FWI* 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:

- Expansion or introduction of new programs including -
  - A separate B.Comm stream where students that successfully secure a placement are enrolled in this plan that has the internship placement as a degree requirement.
  - Expansion of the Computer Sciences program at McMaster.
  - An interdisciplinary MA in Public Policy in Digital Society, the Faculty of Social Sciences' first professional program (outside social work).
  - School of Rehabilitation Science is rolling out a new undergraduate course which will be an opportunity for interdisciplinary education learning about the different approaches undertaken by rehabilitation professionals when it comes to addressing physical, cognitive, and mental health considering consider local and global perspectives.
  - The Arts & Science Program will administer the McMaster Spring Intersession, a 3-year pilot project (2019-22).
  - Following extensive consultation with external experts and internal stakeholders, the Faculty of Humanities has completed and submitted an Institutional Quality Assurance Process (IQAP) proposal to introduce a new Integrated Arts (iArts) program. This undergraduate program, which will replace three existing programs, will offer students the chance to learn and create across disciplinary boundaries, undertaking the sorts of projects and collaborations that exist for those working in the creative arts industries.
- Knowledge mobilization of online resources for graduate student retention and completion: thesis writing, supervisory relationships, accessibility and accommodation, resources for underrepresented groups, professional development.

- Creation of an international student advisory group to promote a university-shared approach to supporting international students.
- Embedded Student Advocate Team in four academic programs as a pilot for Undergraduate Student Well-Being by assisting students in navigating through the stresses of the undergraduate experience and to develop and refine wellness programming.
- Launched new consolidated student services centre which pulls together student services delivered from the Registrar's office, Financial Aid & Scholarships frontline and Student Accounts and Cashiers frontline.
- 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.
- Graduate Admissions project aimed at easing the application process for potential students and reducing the workload for program administrators.
- Continue mentoring and experiential learning programs. As well, engage alumni, living abroad, to mentor students who are going abroad to decrease anxiety surrounding mobility.
- Career Readiness in Humanities to include:
  - The development of three additional new specializations or concurrent certificates that will provide Humanities majors with job-ready competencies.
  - A pilot project supported by a private gift to match Humanities' graduates with Hamilton-area employers.
- In partnership with the McMaster Alumni Association the Faculty is broadening its network of alumni support for current students and among recent grads to assist with career growth.
- Further enhancement of 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.
- Building of the McLean Centre, 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**

- Continue the transformational shift in Engineering to encourage design thinking, creativity, reflection and integrated learning called The Pivot. The Pivot is the first program of its kind to intensely focus on our engineering students and their learning, not the specific projects they will tackle.
- The McLean Centre for Collaborative Discovery is designed to facilitate curriculum changes in a way that ensures students will learn from, and with, other students and faculty across the University, as well as partners in the community. Through discovery-based learning

projects, they'll actively engage in real-world business challenges in the McLean Centre's interconnected, learning "hubs" or "labs".

- In the spring of 2019, more than 940 undergraduate Engineering, Bachelor of Technology and Computer Science students received the institution's first ever digital diplomas following Engineering's Spring Convocation. The Faculty is now a leading partner in the recently founded Digital Credentials Consortium, initiated by MIT, and which includes 12 partner institutions.
- Student proposals for intellectual Community Engaged Scholarships (SPICES) program will continue to provide leadership opportunities for graduate students to develop/deliver innovative and creative programs for their peers and the broader community.
- Collaboration between MacPherson Institute for Teaching and Learning, Humanities Media and Computing, and the University Library, and with support from University Technology Services, for the development of a Course Outline Portal with goals of creating consistent course outlines in line with university policies, creating efficiencies in communications and support among campus support units and instructors, and offering opportunities for integrated data management and records keeping processes.
- The MacPherson Institute for Teaching and Learning will also lead an Ontario based consortium of educational developers supporting program review processes and provide expertise and guidance to this group.
- Careers of the future summit to address the new labour market and skills needed. Topics will include digital skills, data analysis, artificial intelligence (atomization), freelancing and growing entrepreneurial start-up economy, and the global marketplace.
- Partnership between University Library, Health Sciences Library, Research & High Performance Computing Support, Institutional Research & Analysis and Communications & Public Affairs to explore a new program to support the effective and ethical use of bibliometric data across all disciplines.
- Implementation beyond current testing phase of Databee Exams Manager, a new system to manage examinations, improving the overall exams process. This software improves the scheduling of accommodated exams.
- 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.
- Implementation of Faculty of Health Sciences (FHS) Indigenous Health Education Strategic Plan will be led by the FHS Indigenous Health Learning Lodge of an Indigenous academic community of staff, faculty, students and Elders with linkages to internal and external collaborators.
- Indigenous Student Services (ISS) continues to increase the profile of McMaster University as the University of choice for Indigenous learners, while improving Indigenous governance and policy development to maximize the student experience and success of Indigenous students.
- 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.
- Improved partnerships and communication to encourage reporting to Security. Focus on Mental Health and Wellness, Substance use and abuse and Sexual Assault and violence. To improve the security and safety throughout the university community.
- Create an "Inclusive Dining Hall" concept in 2020/21 which will be unique to the university world, supporting and promoting inclusivity by providing dedicated dining stations for: allergen-free, local, halal, cultural foods, and vegan & vegetarian. Food security initiatives will also be implemented from the location to support students with financial restrictions.
- Continue employment equity principles and best practices (e.g., objectives related to data collection, training and support of search committees). As well, continue to 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

- Continuation of the Brighter World Research Initiative.
- The Faculty of Health Sciences is acquiring and implementing highly multiplexed immunohistochemistry using multiplex ion beam imaging (MIBI) and establishing it as a core facility. Renovations will be undertaken to accommodate a new MIBI in the Health Sciences Centre and it will support a variety of researchers obtain high quality imaging to support their research. This is the only MIBI in Canada and McMaster researchers will be leaders in this field.
- The new David Braley Centre for Antibiotic Discovery operates from within the Michael G. DeGroote Institute for Infectious Disease Research and is home to McMaster's leading researchers in the field of antimicrobial resistance (AMR).

- Michael G. DeGroote Initiative for Innovation in Healthcare (MGDII) is establishing bold initiatives that foster cutting-edge innovative research and teaching in health leadership, medicinal cannabis, biomedical engineering and lung health, and that develop a culture of innovation, commercialization and entrepreneurship.
- Re-envisioning the role of the Brockhouse Institute for Materials Research (BIMR) as the research home of over 120 McMaster faculty members; developing a new focus for the institute as the hub for all materials research related activities on campus.
- Undertake new research initiatives in medical isotope development for clinical use and supply Ho-166 medical isotope to up-coming global clinical trials.
- Launching the “Global Science” initiative which will act as a platform to enable and promote international activity from undergraduate and graduate educational programs, to collaborative research projects with international partners.
- Building a digital data platform to support research into the use of artificial intelligence and machine learning to solve industry scale problems and realize opportunities.
- Establishing the Centre for Research in Empirical Social Sciences (CRESS) for education, research support and service, along with the Community Research Platform.
- Integrate teaching and service data into faculty Experts profiles. Pilot a new module of McMaster Experts to support faculty annual reporting (no more manual entry of citations!). Raise awareness of the value of maintaining an online research profile. Introduce and promote ORCID IDs (unique identifiers).
- Continued 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

### 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. First, the McLean Centre for Collaborative Discovery a nine storey expansion on top of Innis Library for multi-disciplinary problem-based learning; an undergraduate residence<sup>7</sup> along Main Street West expanding McMaster’s

<sup>7</sup> 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.

main campus; and finally, a graduate residence in downtown Hamilton adjacent to the David Braley Health Sciences Centre.

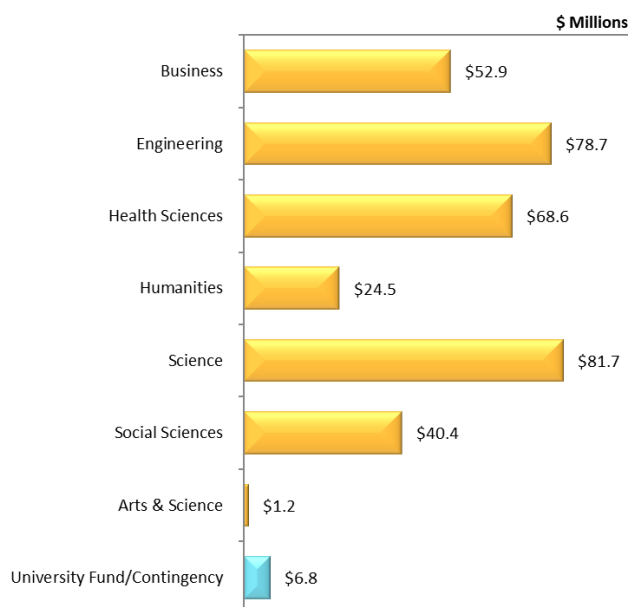
- The McMaster Museum of Art is partnering with Nia Centre for the Arts (Toronto Centre for the appreciation of arts from the African Diaspora) and the Aboriginal Curatorial Collective on the Black, Indigenous and People of Colour (BIPOC) Cultural Administrators Mentorship Program, the first of its kind in Canada.
- Expand the transition and retention programming carried out with community partners and other institutions such as Mohawk College, Six Nations Polytechnic.
- Continue McMaster Employer Engagement Campaign “Hire McMaster” which is an inter faculty career and co-op initiative to develop an integrated, seamless proactive employer outreach strategy complemented by a robust administrative process.
- Partner with the Canadian Warplane Heritage Museum to digitize its ‘flat’ map collection, returning to them digitized copies and displaying the collection on the University Library’s Digital Archive.
- 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.
- Launch of the Entrepreneur Partnership Program by the Campus Store, inviting Students to promote and sell their products through the store. An Entrepreneur area will be set up within the store featuring products created by McMaster. The store will use its social media and website platforms to highlight both the products and the stories behind them.
- 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.
- Strengthen relationships with a diversity of racialized communities/groups in the City, to enhance support/service.
- 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.
- Expansion of the University short stay suites “Hotel McMaster” 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 2020/21 Budget Activity Unit Allocations



#### 9.1.1 FACULTY OF HUMANITIES

The Faculty of Humanities provides students with communication, collaboration, and critical thinking skills that many employers in the region seek in their employees. With the priority of focusing on several new careers-minded concurrent certificate options, experiential education opportunities and post-graduate employment matching projects, the Faculty will be further able to serve students and the wider community.

Humanities has substantially improved the fiscal status of the Faculty but will continue to face considerable revenue risk, given the reduction in tuition, the fixed domestic grant and the international enrolment uncertainty of the recent environment. The highly successful McMaster English Language Development programs play a major role in not only the positive financial situation in the Faculty but in the continued success of the entire University's international strategy.

The Faculty of Humanities is engaged in the Brighter World Research Initiative, with researchers taking a leadership role in the West Campus redesign (Designing Paradise), and is ready to engage in the priorities that will emerge around the Civic University theme. Through new programs such as Integrated Arts and through research in areas like the ethics of innovation, relationships are being forged and/or strengthened across the Faculties and with partners off campus.

#### 9.1.2 FACULTY OF BUSINESS

The DeGroote School of Business (DSB) is scheduled to begin construction on the MacLean Centre for Collaborative Discovery very early in 2021. This new student-focused facility will enable an exciting

new Commerce curriculum, designed to allow students to be better problem solvers, better team members and better able to compete in a rapidly changing labour market.

The risk presented by the coronavirus has the potential to require quick actions on proposed spending plans. However, DSB has the option of reducing the transfers made to the McLean Centre project to accommodate any revenue pressures. The School will fulfill its commitment to the project in FY20, and future transfers will be adjusted downward should enrolment be severely impacted by the coronavirus.

The School of Business has begun implementing its planned changes to the Commerce program. The new GR0 courses and the Internship stream will come online in September 2020 and, between now and the completion of the space expansion, will move iteratively to implement the remaining changes. The plan anticipates having all enhancements in place to coincide with the 2023 occupancy date. These changes are significant and align with SMA3 and the requirements of our employers.

### 9.1.3 FACULTY OF HEALTH SCIENCES

In the face of cutbacks, the Faculty of Health Sciences is looking to maintain and grow excellence in research, education and clinical service. The Faculty will work to strengthen the student experience, be innovative in teaching, increase access and equity, sustain and grow research excellence and continually enhance economic development and community engagement including the implementation of the FHS Indigenous Health Strategic Plan

Potential threats to financial stability of the Faculty of Health Sciences are of great concern at a time when costs are rising, university operating funds are tightening, tuition is reduced, and support unit costs are rising. There are also considerable financial pressures on the academic hospital partners. The eventual end of Gulf State resident revenues is particularly concerning. The Faculty is dealing with an aging animal facility that needs capital investment, a loss of funding for other capital needs, and accreditation pressures in the professional schools.

The Faculty of Health Sciences is marketing its BHSc program to the U.S. market, and implementing an administrative hub model to streamline its processes and reduce the number of employees involved in high volume transactions. The new FHS Budget Model will enhance transparency and accountability and facilitate the strategic planning. Work continues on the implementation of Finance Review results, while at the same time exploring opportunities identified in the HR Review and the FHS IT needs assessment.

### 9.1.4 FACULTY OF ENGINEERING

Engineering is in the midst of an exciting transformation of the undergraduate Engineering curriculum - The Pivot. This initiative will amplify experiential learning and develop skills and competencies to prepare students for a rapidly changing world. Also planned is the expansion of the Computer Science program in response to an ever-increasing demand. These initiatives will require additional space. Engineering continues to employ strategic actions to increase the number of women in the student and faculty complement and these efforts are showing results. Investments in facilitating impactful and interdisciplinary research continues.

Engineering's international enrolment is experiencing growth which has helped to offset the provincially mandated tuition reduction. There is a significant risk of losing some of this momentum

with current health concerns. There is also recognition that the new curriculum and related activities around the Pivot are more resource intensive.

In addition to continued activity to increase the diversity in the international population, Engineering will be looking to expand space to address the new curriculum and the student population growth in the coming years.

### **9.1.5 FACULTY OF SOCIAL SCIENCES**

The Faculty of Social Science is engaged in improving skills and job outcomes for students and is investing in key initiatives that enhance experiential education support and develop career readiness programming. The Faculty is focusing growth in priority areas and developing interdisciplinary programming which includes a new professional MA and social innovation programming. The Faculty is working to enhance retention rates by investing in a student success coach along with a first-year academic coordinator. Community and Economic Impact continues to be a priority, and initiatives such as the community research platform will assist in moving this priority forward.

Enrolments in Social Sciences have stabilized and are expected to grow over the coming years, however recent pandemic concerns may delay or somewhat derail plans. Uncertainty regarding future funding, dependence on international enrolment coupled with compensation increases for faculty and staff create challenges for making necessary investments in strategic research, educational and support areas.

The Faculty is taking action on both revenues and expenditures, by continuing to invest in international recruitment activities to expand and diversify international enrolment, while reviewing opportunities to streamline processes and build capacity to better support and advance the core educational and research mission.

### **9.1.6 FACULTY OF SCIENCE**

The Faculty of Science continues to make strategic investments in faculty, staff and infrastructure. The goal is to enable positive results related to the student experience, graduate success metrics, excellence in teaching and learning, research excellence and impact, innovation, economic development and community engagement. This includes an increase in diversity in staff and faculty complement and support for high impact practices in learning, discovery and engagement.

The common challenges faced relate to the uncertainty in future revenue projections in all categories of domestic tuition, government grants, international student tuition, research revenue and fundraising capacity. As a result, there is an effort to balance the desire for innovation and investment, with a conservative approach to renewal and reinvigoration of resources.

The procurement and use of data is ongoing in order to address top priorities that directly link to the SMA3, while also aligning with the Faculty's strategic plan 2020 for academic, research and community engagement missions. There is continued investment in expanding the capacity for advancement and development functions and in enhancing international strategy.

### **9.1.7 ARTS & SCIENCE PROGRAM**

An ongoing priority for the interdisciplinary Arts & Science Program is the creative development of experiential learning and student research. A key initiative involves plans to increase the involvement

of Arts & Science alumni in the promotion of the program and to engage them in offering learning opportunities for students within a culture of scholarly challenge and social responsibility.

Essential to the success of the Arts & Science Program is a strong, well-planned, and sustainable faculty complement, which entails ongoing agreements with the Faculties of Humanities, Science, and Social Sciences.

Teaching secondments continue to be negotiated successfully. In collaboration with Communications and Public Affairs, a new Communications Manager position aims to take the Arts & Science Program's profile, recruitment initiatives, and strategic planning to a new level.

### 9.1.8 UNIVERSITY FUND

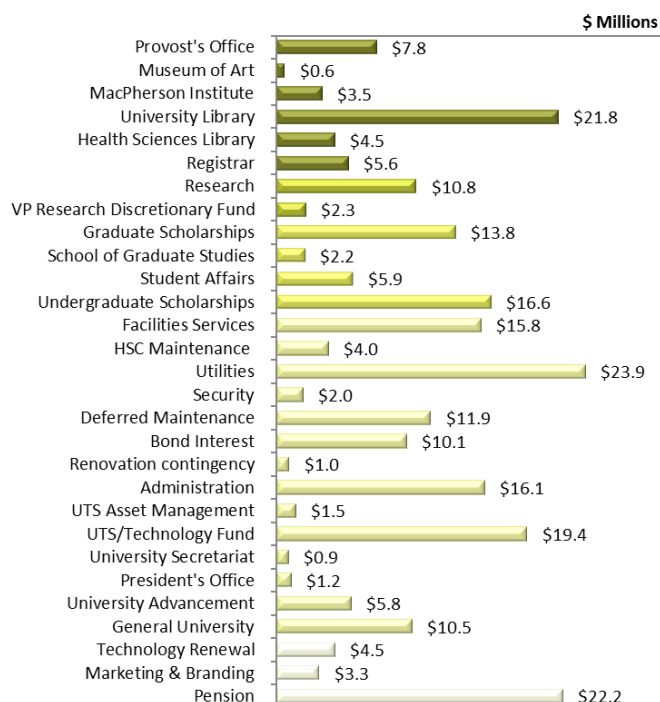
The University Fund has the goal of supporting excellence, innovation and renewal in all areas of the university. By design, the projects supported in this way have been short-term and allocated for specific purposes with the intention that successful innovations will be funded permanently by different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

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 strategic initiatives 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 transformative initiatives.

## 9.2 SUPPORT UNITS

Figure 8: Operating Fund 2020/21 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 innovation and 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, student accessibility services require 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.

### 9.2.2 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

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 consortially as part of binding, multi-year contracts in US dollars. Cost for journal subscriptions are linked to McMaster's research intensity and thus McMaster pays higher prices than some of our counterparts.

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

### 9.2.3 OFFICE OF THE REGISTRAR

The Registrar's Office drives recruitment and admissions activities and is committed to providing timely, relevant, efficient service to students and support to Faculties and other administrative functions at the university. In the upcoming year, the Registrar's Office will be focused on achieving increased international recruitment goals. New initiatives include the Service Centre transformation, and the implementation of new service support systems - an enterprise-wide Admissions system, the Databee exam administration system, AwardSpring scholarship management and convocation e-ticketing.

The most significant budget pressure facing the Office of the Registrar continues to be working with existing staffing resources to continue to deliver on expectations in the face of uncertain times and increasing student population, and expanding resource pressures to support, maintain, enhance and upgrade increasingly complex systems.

The Office of the Registrar continues to review best and emerging practices to most efficiently and effectively service the needs of the University. Changing the method of delivery of some services (e.g. online chat versus responding to phone and email inquiries) provides for more impactful timely responses, with less resources.

### 9.2.4 SCHOOL OF GRADUATE STUDIES

The School of Graduate Studies (SGS) works in concert with the Faculties to achieve their strategic priorities by assisting in the development of new graduate programs, ensuring such proposals are prepared according to the latest Ministry and Council guidelines and aligned with the University's priorities. The office facilitates the recruitment and admissions of graduate students and the scholarship administration.

SGS's biggest challenge is the fixed status of the Graduate Scholarship envelope, therefore limiting the amount of funding available per student as student numbers increase. Optimizing current staff complement structure is also an ongoing concern

Roles, responsibilities and functions performed are being review to assess the value added to graduate students and the University, with a goal of modifying and re-engineering roles to ensure service levels are optimized.

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

The initiatives undertaken by MacPherson Institute are directly tied to directions of the Strategic Mandate Agreement. The introduction of a liaison model for providing support to instructors will enhance goals in Innovations in Teaching and Learning, as will the new collaborative Course Outline Portal offering efficiency and consistency in course planning and administration. The internationally recognized efforts in the Student Partners Program enhance both Student Experience and Access and Equity. Robust support of research in teaching and learning and the publication of the International Journal of Student Partners contributes to Research Excellence and Impact.

Current budget challenges reflect uncertainty with respect to the implementation of the liaison model of support. As implementation of this model rolls out changes in workload and human resources are beginning to be understood.

A process of program review has begun to evaluate services and supports offered and to determine what, if any, changes need to be made to these programs in order to deliver on the strategic plan.

### 9.2.6 RESEARCH ENVELOPE (INCLUDES NUCLEAR OPERATIONS AND FACILITIES)

Support provided by the Research envelope is critical to meeting the metrics in SMAs 2 and 3. These services ensure that McMaster remains in good standing and is eligible to apply for and hold funds. MILO, in their support of private sector partnerships, protection of IP, licensing, patents and start-ups, is critical to McMaster's efforts to meet the SMA3 metric of increased research funding from the private sector. New initiatives such as increased support for core research facilities will enhance our institutional responsibility of effective operation and maintenance of research infrastructure; ensure infrastructure is available for use by researchers and industry partners and encourage researchers to apply for additional infrastructure funding. Research Centres and Institutes reporting to the VPR support inter-disciplinary research, the focus of significant research funding opportunities that acknowledge the importance multiple perspectives for solving complex societal problems.

Nuclear Operations and Facilities' (NO&F) main initiative is to continue to enable nuclear research in support of McMaster University and the Canadian research community. As Canada's sole major neutron source, McMaster Nuclear Reactor (MNR) makes McMaster the only university in Canada capable of hosting several types of research, including the Small Angle Neutron Scattering (SANS) facility (which relies on the neutrons present in the MNR) and the McMaster Intense Positron Beam Facility (MIPBF) (which utilizes the high gamma ray fields in the reactor core). The Centre for Advanced Nuclear Systems (CANS) hot cell facility is also sited at McMaster so that it can be in proximity to the MNR to enable researchers to measure the impact on materials to exposure at an operating reactor core. Without the staff recruitment, training, fuel procurement, reactor physics analysis, safety analysis, quality management, licensing support, technical expertise, radioisotope research, and commercial operations to enable cost-neutral operation provided by NO&F, none of these three facilities would be sited at McMaster.

Given the importance of research funding to SMA3, it is critical that secure support be provided to the Research envelope. Roll-up of the Research Operations and Support budget with that of the McMaster Nuclear Reactor and Research Centres and Institutes have masked the deficit of these departments critical to support of research. Research royalties provide additional income to the VPR



envelope, however given that this funding arises from a very small number of inventions or licenses, royalties are not a secure sustainable source of support.

Nuclear Operations and Facilities initiated its 3rd technology transfer for the production of Iodine-125 to an international research reactor in 2018. The transfer activities were completed in 2019. Re-establishing a dual supply of Iodine-125, following the closure of Canada's National Research Universal Reactor, is essential to maintaining the confidence of our medical isotope customers and growing market share of this cancer therapeutic. McMaster initiated a Market Assessment for the nuclear facilities here at the University. This external assessment was completed in Q3 of 2019, following which a strategic plan will be developed to address any findings from the assessment. Discussions regarding using a portion of MNR accumulated surplus to assist with the Research Operations and Support accumulated debt will continue following completion of the study.

### 9.2.7 UNIVERSITY TECHNOLOGY SERVICES (UTS)

The Chief Technology Officer will be focusing on the implementation of the new McMaster IT Strategic Plan. Changes related to service, systems, service delivery and ongoing funding of IT initiatives across the full campus are all part of the plan. The focus of the strategic plan 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 several years has resulted in a large backlog of desired solutions and necessary spending related to infrastructure such as wireless networks. Finding the necessary funds to address necessary infrastructure needs and new systems to improve automation and capabilities across campus is a challenge however delaying investments will only set McMaster farther behind.

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 partnerships 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. UTS is starting to focus on "enabling" technologies so that we can give our partners easier access to institutional data without being a bottleneck or imposing too many hurdles.

### 9.2.8 ADMINISTRATION AND FACILITY SERVICES

There is broad acceptance that continued improvement in service effectiveness is dependent on integrated planning and execution of cross-campus initiatives. While the University may have the most cost-effective administration among the 5 Canadian universities in UniForum, it is equally clear that there is substantial opportunity to improve in comparison to other top-tier universities in AUS/NZ & UK. Since initiating UniForum and a number of area specific service reviews a number of improvement-oriented task forces and committees have been struck. Improvements achieved cover all areas of operational support affecting the academy, research, and other support areas. Key improvements have been driven in simplifying system flows for research transactions and financial transactions. New systems' implementations focused on process efficiency have been launched such as MacBuy for eprocurement and MacBill for billing and accounts receiving. In addition, the HR service

review has translated into a new project structure to support a number of key improvement opportunities planned to launch in 2020/21.

The next UniForum update will be impacted by COVID-19 related operational impacts and may not demonstrate the extent of operational improvement expected from the changes already implemented. Additional efforts will be made in 2020/21 to continuously and further improve processes identified by both UniForum and reviews with anticipation that the stakeholder community is finding net positive benefit from the increased service efficiency focus.

### 9.2.9 UNIVERSITY ADVANCEMENT

University Advancement (UA) is a support unit for McMaster and plays an important role in supporting the Strategic Mandate Agreement (SMA) priorities by delivering creative and leading advancement programs. UA's Strategic Business Plan 2015-2020 was built on the priorities outlined within McMaster's SMA and was updated in 2018 to reflect changes in the landscape and respond to opportunities. The UA strategic 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 UA 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 (BWRI), however will be partnering with the Vice-President, Research's office for a funding ask in support of this important university priority with a goal of significantly growing revenue.

UA continues to focus on Key Success Factors for building McMaster's relationships, reputation and resources. The 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's office, in the planning and implementation of the Brighter World Research Initiative (BWRI) to bring more revenue into the University's research enterprise.

### 9.2.10 UNIVERSITY BRAND

The marketing initiative has delivered on numerous projects this year that have increased the University's reputation, developed new digital resources, shared brand guidance and training with the full McMaster community and generated discussion, pride and support for McMaster's differentiation as an internationally leading research and teaching university that is focused on advancing human and societal health and well-being.

The University has made a strong commitment to the marketing program which is allowing McMaster to reposition itself. While the current focus is on priority goals in the plan, it is clear that areas across the University will benefit from increased resources in developing modern and comprehensive

marketing approaches in order to compete for students and faculty and to help influence government and to attract other funding sources.

The marketing program will continue to support the priorities established by the Steering Committee to achieve both short and long-term objectives through delivering efficient, effective and innovative marketing while at the same time assessing the long-term related resource requirements.

## 10 BUDGET BY FUND

### 10.1 OPERATING FUND

Table 5: Operating Fund Summary

(\$ thousands)							
	2019/20 Budget	2019/20 Projection	2019/20 Variance		2020/21 Budget	2021/22 Plan	2022/23 Plan
Revenues							
Provincial grants	235,868	235,684	(184)	-0.1%	235,540	235,021	234,736
Tuition	326,962	342,732	15,770	4.8%	337,244	402,641	437,368
Research overhead income	27,470	30,111	2,641	9.6%	28,993	28,841	28,841
Investment income	12,634	12,634	(0)	0.0%	9,467	9,467	9,467
Other income	106,008	109,368	3,360	3.2%	109,508	112,140	115,246
<b>Total revenues</b>	<b>708,942</b>	<b>730,529</b>	<b>21,587</b>	<b>3.0%</b>	<b>720,753</b>	<b>788,110</b>	<b>825,658</b>
Expenses							
Salaries, wages and benefits	496,875	498,272	(1,397)	-0.3%	522,608	529,879	541,224
Utilities and maintenance	38,638	40,900	(2,263)	-5.9%	43,051	47,397	49,386
Equipment and renovations	52,030	68,955	(16,925)	-32.5%	62,021	73,985	90,455
Scholarships, bursaries and work study	38,739	34,178	4,562	11.8%	34,737	35,084	34,873
Library acquisitions	13,249	14,053	(804)	-6.1%	14,253	14,576	15,047
Debt and financing charges	18,220	18,836	(616)	-3.4%	18,448	21,937	21,092
All other expenses	81,096	65,319	15,777	19.5%	79,495	81,885	89,187
<b>Total expenses</b>	<b>738,848</b>	<b>740,513</b>	<b>(1,665)</b>	<b>-0.2%</b>	<b>774,612</b>	<b>804,744</b>	<b>841,265</b>
<b>Excess of revenues over expenses</b>	<b>(29,906)</b>	<b>(9,984)</b>	<b>19,922</b>	<b>66.6%</b>	<b>(53,859)</b>	<b>(16,634)</b>	<b>(15,606)</b>
Fund balance, beginning of year	145,168	167,657	22,489	15.5%	157,672	103,811	87,176
<b>Fund balance, end of year</b>	<b>115,262</b>	<b>157,673</b>	<b>42,411</b>	<b>36.8%</b>	<b>103,812</b>	<b>87,177</b>	<b>71,570</b>

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. There is currently a larger deficit in Budget 2020/21 as a result of reducing the international enrolment expectation and tuition by an estimated \$32 million due to COVID-19 impacts. Details of the variances between the 2019/20 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

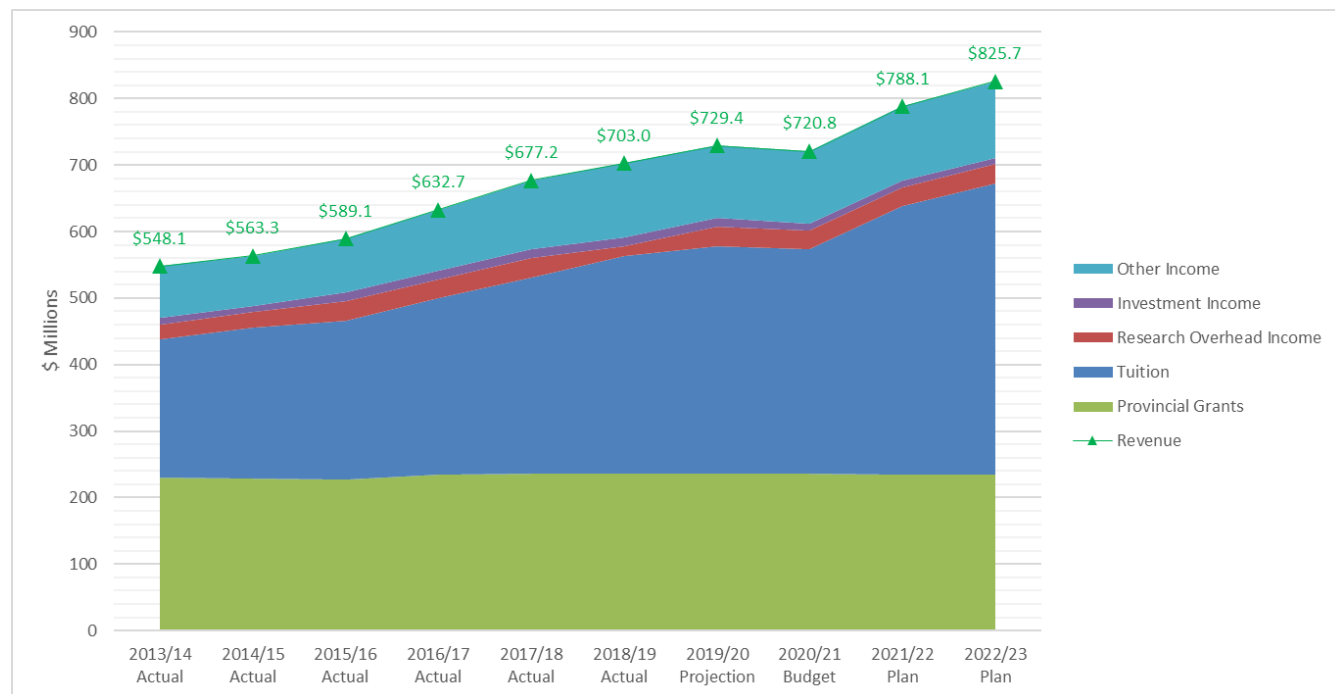


Figure 10: Operating Fund 2020/21 Budget Revenue by Type

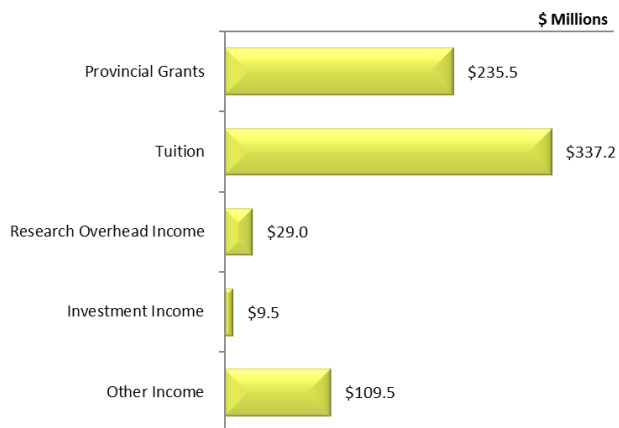
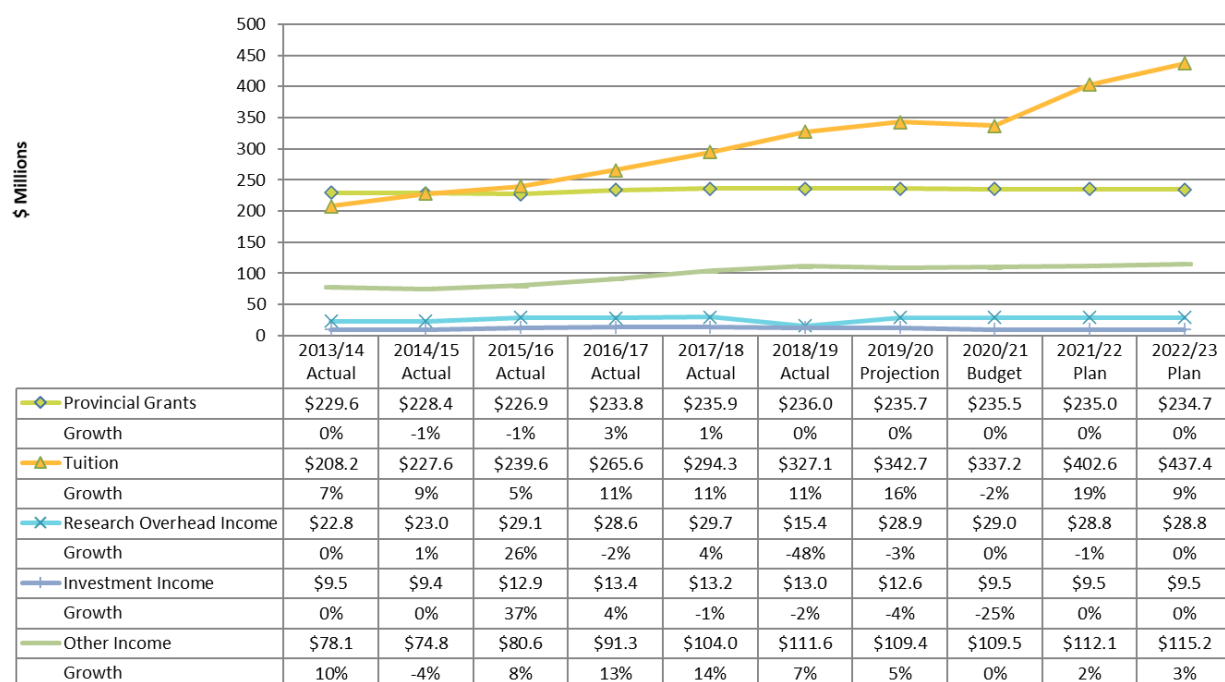


Figure 11: Operating Fund Budget Revenue Trend by Type



#### 10.1.1.1 PROVINCIAL GRANTS

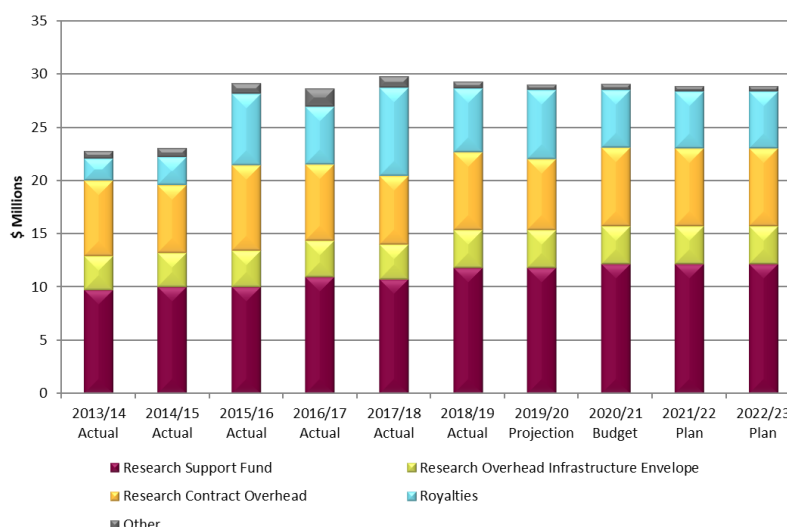
With enrolment of domestic students projected to stay within the provincial corridor, both the Core Operating Grant and Performance/Student Success Grant are expected to remain flat over the planning horizon. Graduate enrolment growth will result in an increase in the Graduate Expansion Grant, partially offset by the International Student Reduction (\$750 tax per international student enrolled) as international enrolment increases. The next phase of the Strategic Mandate Agreement that was due in 2020/21 (now delayed by a year) 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, the revised tuition framework, and the budgeted hit to international enrolment from the COVID-19 fall out, 2020/21 net overall tuition income is projected to decrease by \$5.5 million (-1%) from the 2019/20 projection. This decrease is a combination of the domestic tuition rate framework freeze and the COVID-19 related estimate for international enrolment reduction from initial targets. The Ministry has stipulated a zero percent domestic rate 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 2019/20 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, therefore 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 provided 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 ended in 2019/20 when the building project became 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

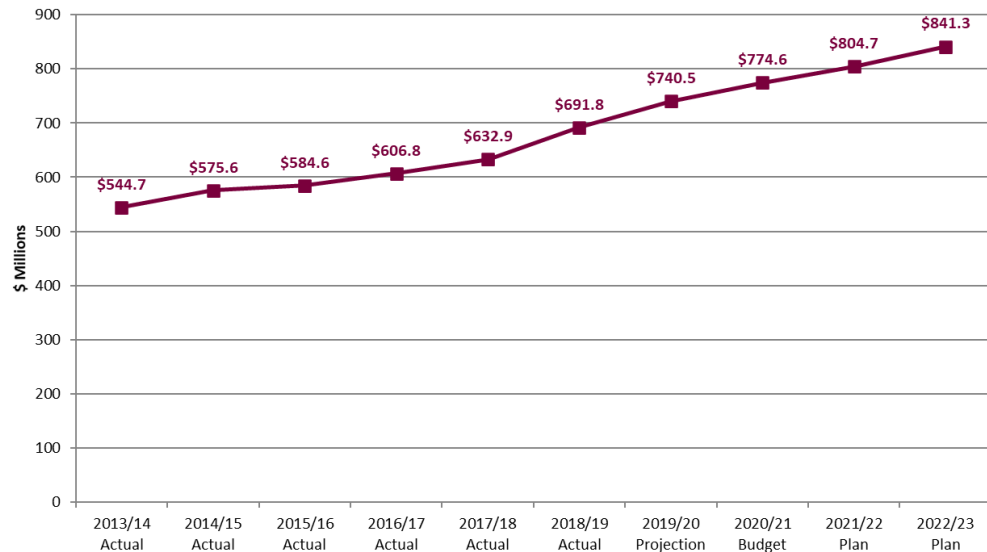


Figure 14: Operating Fund 2020/21 Budget Expense by Type

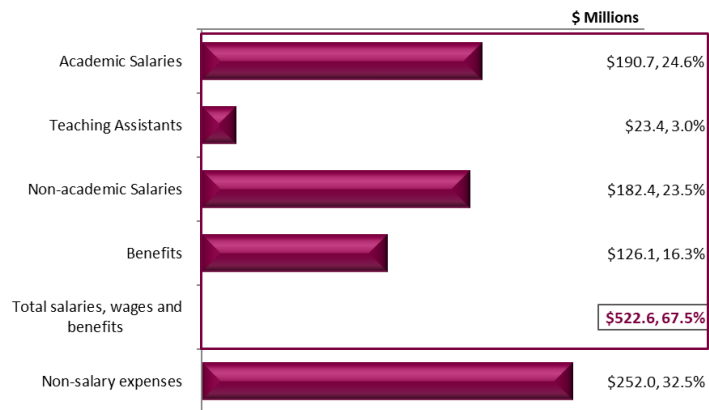
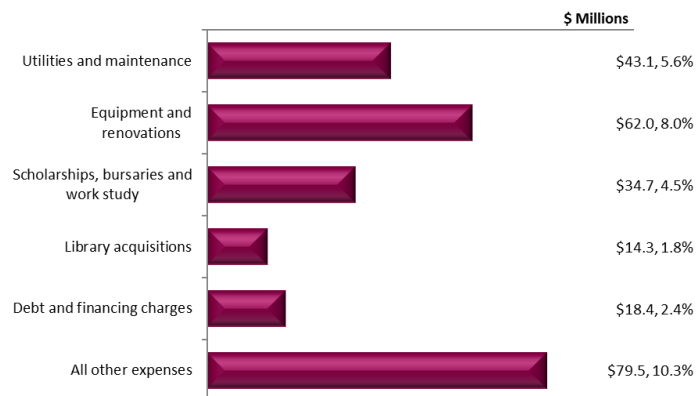


Figure 15: Operating Fund 2020/21 Budget Non-salary Expenses by Type



### 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 continued focus on staff processes, 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 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 rates 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 150% of employee contributions for all funds including ancillary
- 2021/22 and 2022/23 high-level planning assumes 150% for the departmental rate, and 150% for the ancillary rate.

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

The University will elect to file early the Hourly Valuation for January 1, 2020, which will allow the University to count an additional \$4.7 million one-time employer payment to the plan in March 2020 as an in-transition asset to the plan. The early valuation follows the July 1, 2019 full valuation and will allow the plan to be return to three year valuation cycles.

The pension plan valuations are not immediately impacted by COVID-19 economic impacts. Both market volatility and reduced interest rates negatively affect the plan. No changes are recommended

at this time to benefit rate plans for the budget and planning years as a result of COVID-19 and post-pandemic economic impacts. Pension payment certainty is in place for the salaried plan until 2022 and for the Hourly plan until 2023.

#### 10.1.2.2 UTILITIES AND MAINTENANCE

Utilities and maintenance represent 5.6% of the operating budget, including annual contributions of \$11.9 million to deferred maintenance. These costs increase in 2020/21 as the Peter George Centre for Living and Learning opened in the fall of 2019.

Costs for utilities can be volatile, subject to market rates, weather fluctuation, unplanned maintenance failures, and campus behavior. McMaster is the backup for the hospital's energy, which can also lead to increased costs due to unforeseen utility requirements during high-cost 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 \$0.11 per kilowatt hour in 2020/21 with an increase to \$0.15 for 2021/22 following the end of the OREC and OER rebate. Facility services continuously looks for potential strategies to lower these rates and mitigate the increase that is expected.

McMaster tracks the Ontario Association of Physical Plant Administrators (OAPPA) numbers for benchmarking purposes. Although there is a defined reporting method it is questionable if all members are following the methodology, and due to this McMaster continues to report and track this data but does not rely on it to make decisions. The most recent OAPPA G6 benchmark average for energy was \$2.72 per square foot (/SF). McMaster University Medical Centre and Michael DeGroote Centre for Learning and Discovery have a significantly higher energy cost index at \$ 4.87/SF due to the energy intensive nature of health research and the heating/cooling requirements of the hospital with in-patient beds and emergency rooms/operating rooms. Excluding these two facilities, the energy cost index for the McMaster campus was \$1.61/SF.

#### 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 an average of \$48 million per year for new and upgraded physical facilities, including new community spaces. Projects planned in the 2020/21 budget may be deferred into 2021/22 due to COVID-19, however the consolidated budget currently assumes all work originally budgeted will be achieved in-year. 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.

#### 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 10% 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 and at the consolidated budget level an overlay of an additional 10% in costs for COVID-19 and post-COVID inflationary impacts.

### 10.1.3 OPERATING FUND APPROPRIATIONS

With the budgeted deficit of \$53.9 million, Operating Fund appropriations are expected to reduce to \$103.8 million, or 14.4% of operating revenue, by the end of 2020/21. 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 8.6% of operating revenues during the planning horizon.

### 10.1.4 ONE-TIME EXPENDITURES

Table 6: Operating Fund Ongoing and One-time Summary

(\$ thousands)							
	2019/20 Budget	2019/20 Projection	2019/20 Variance		2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Ongoing:</b>							
Allocated income	594,050	609,839	15,789	2.7%	604,266	669,536	704,067
Other income	110,707	116,195	5,488	5.0%	115,957	118,224	121,242
Total revenues	704,757	726,034	21,277	3.0%	720,223	787,760	825,309
Expenses	694,264	706,017	(11,753)	-1.7%	742,884	750,644	772,828
Excess of revenues over expenses	10,493	20,017	9,523	90.8%	(22,661)	37,116	52,481
% of revenue	1.5%	2.8%			-3.1%	4.7%	6.4%
<b>One-time:</b>							
Allocated income	3,167	3,166	(1)	0.0%	-	-	-
Other income	1,018	1,329	311	30.6%	530	350	350
Total revenues	4,185	4,495	310	7.4%	530	350	350
Expenses	44,584	34,496	10,088	22.6%	31,728	54,100	68,437
Excess of revenues over expenses	(40,399)	(30,001)	10,398	-25.7%	(31,198)	(53,750)	(68,087)
<b>Excess of revenues over expenses</b>	<b>(29,906)</b>	<b>(9,984)</b>	<b>19,922</b>	<b>-66.6%</b>	<b>(53,859)</b>	<b>(16,634)</b>	<b>(15,606)</b>
Fund balance, beginning of year	145,168	167,657	22,489	15.5%	157,672	103,811	87,176
<b>Fund balance, end of year</b>	<b>115,262</b>	<b>157,673</b>	<b>42,411</b>	<b>36.8%</b>	<b>103,812</b>	<b>87,177</b>	<b>71,570</b>

The budget shows a structural surplus across the planning horizon, apart from 2020/21 Budget where the impacts of a lower budgeted International tuition revenue due to the potential impacts of COVID-19 are reflected. Increases in ongoing expenses are mainly either strategic investments like faculty renewal or unavoidable costs. One-time costs include:

- \$19.5 million renovation and expansion of facilities
- \$10.0 million for undetermined strategic investments from the University Fund likely to include:
  - COVID-19 related expenses
  - 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
- \$2.7 million investment in research
- \$2.2 million towards Branding and Marketing activities
- \$2.1 million wireless network expansion

### 10.1.5 OPERATING FUND BUDGET CONCLUSIONS

The 2020/21 Operating Fund is in temporary structural deficit of \$22.7 million, with a deficit of \$53.9 million after net one-time expenditures of \$31.2 million. The deficit is predominantly driven by the extraordinary budget impact of a 20% reduction in international enrolment and associated reduced



tuition. Excluding the budgeted revenue reduction from COVID-19 would result in a structural surplus of \$9.1 million. The Operating Fund is also supporting 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 cancelled by MCU in 2019.

Significant funding pressures continue associated with COVID-19 and post-pandemic modified operations, 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 continue to undertake reviews and are drawing on benchmarking information to focus task forces and committees on implementing process changes attempting to maximize funds available to progress strategic initiatives.

Amidst ongoing pressures this budget does continue to 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)						
	2019/20 Budget	2019/20 Projection	2019/20 Variance	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Revenues</b>						
Research grants and contracts	197,000	196,000	(1,000)	153,000	202,000	204,000
<b>Total revenues</b>	<b>197,000</b>	<b>196,000</b>	<b>(1,000)</b>	<b>153,000</b>	<b>202,000</b>	<b>204,000</b>
<b>Expenses</b>						
Salaries, wages and benefits	111,000	111,000	-	86,000	113,000	114,000
All other expenses*	75,000	83,000	(8,000)	65,000	86,000	86,000
Transfers to (from) other funds	(14,346)	(14,624)	278	(15,566)	(15,107)	(14,459)
<b>Total expenses</b>	<b>171,654</b>	<b>179,376</b>	<b>(7,722)</b>	<b>135,434</b>	<b>183,893</b>	<b>185,541</b>
<b>Excess of revenues over expenses</b>	<b>25,346</b>	<b>16,624</b>	<b>(8,722)</b>	<b>17,566</b>	<b>18,107</b>	<b>18,459</b>
Fund balance, beginning of year	224,952	226,036	1,084	242,660	260,226	278,333
<b>Fund balance, end of year</b>	<b>250,298</b>	<b>242,660</b>	<b>(7,638)</b>	<b>260,226</b>	<b>278,333</b>	<b>296,792</b>

\*Including transfers to capital

The 2019/20 Research Fund revenue projection is \$196 million, which is based on research revenue receipted, including revenue received for future periods, net of hospital research. The projection is \$1 million lower than the original budget due to variances in recoveries from funding organizations.

Although additional funding has been awarded toward research into COVID-19, the budget for 2020/21 of \$153 million reflects a significant decline in research revenue due to the economic impact of the pandemic on sponsors. Tri-Agency funding will be extended, however there is the possibility that less funding will be available from government sources and particularly from industry and not-for profit sponsors. Expenses are also assumed to decline as non-essential research projects are paused due to restrictions. The plan years of 2021/22 and 2022/23 show a return to historical funding levels and also include modest growth in research receipts in 2022/23.

## 10.3 CAPITAL FUND

Table 8: Capital Fund Summary

(\$ thousands)						
	2019/20 Budget	2019/20 Projection	2019/20 Variance	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Revenues</b>						
Operating grants	3,520	3,390	(130)	3,290	5,970	5,330
Other revenues	9,650	12,287	2,637	11,620	46,351	110,800
<b>Total revenues</b>	<b>13,170</b>	<b>15,677</b>	<b>2,507</b>	<b>14,910</b>	<b>52,321</b>	<b>116,130</b>
<b>Expenses</b>						
All other expenses, including capital	192,126	134,135	57,991	170,149	167,478	154,436
Transfers to (from) other funds	(35,012)	(60,819)	25,806	(37,715)	(41,263)	(55,052)
Debt and financing charges	(12,096)	(10,920)	(1,176)	(12,645)	(14,095)	(17,746)
<b>Total expenses</b>	<b>145,018</b>	<b>62,396</b>	<b>82,621</b>	<b>119,789</b>	<b>112,120</b>	<b>81,638</b>
<b>Excess of revenues over expenses</b>	<b>(131,848)</b>	<b>(46,719)</b>	<b>85,128</b>	<b>(104,879)</b>	<b>(59,799)</b>	<b>34,492</b>
Fund balance, beginning of year	20,568	70,120	49,552	23,401	(81,478)	(141,277)
<b>Fund balance, end of year</b>	<b>(111,280)</b>	<b>23,401</b>	<b>134,680</b>	<b>(81,478)</b>	<b>(141,277)</b>	<b>(106,785)</b>

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 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.<sup>8</sup>

Table 9 below summarizes the total expected capital funding and spending by project for fiscal 2019/20 to 2022/23. The updated capital projection (\$134.1 million) is significantly lower than the original budget (\$192.1 million) due to slower than expected spending on some key projects such as the DeGroote School of Business expansion, the Athletics and Recreation expansion, and the graduate student residence, as well as the mandated halt of all non-essential construction projects due to COVID-19. For 2020/21, spending on capital projects is expected to resume, however timing of both approved and unapproved projects may be affected.

<sup>8</sup> Capital expenditures used in operations and to support ancillary departments are budgeted through the Operating and Ancillary Funds within the same envelope system, and using the same priority-setting, monitoring and control process as operating expenses. Capital expenditures budgeted within the Operating and Ancillary Funds include 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%.

Table 9: Capital Spending by Project

(\$ thousands)

	2019/20 Projection	2020/21 Plan	2021/22 Plan	2022/23 Plan
<b>Approved projects</b>				
ABB Deep Retrofit - SIF Program	2,056	-	-	-
Advanced Manufacturing Centre	8,991	-	-	-
Athletic and Recreation - Pulse and Student Space Expansion	20,828	30,110	10,000	-
CCEM CALM Lab Renovation	-	3,400	-	-
CFI 2017	4,665	-	-	-
Classroom Reconfiguration Plan	2,000	2,000	1,888	-
Deferred Maintenance Projects	5,020	5,020	5,020	5,020
DSB Expansion	2,000	29,726	35,153	22,851
Energy Management Projects and Sustainability	6,690	-	-	-
Existing Building Infrastructure Asset Management and Renewal	8,000	8,000	8,000	8,000
Graduate Student Residence Partnership	500	13,642	16,180	-
Greenhouse and LSB Phase one	2,000	10,000	9,935	-
Innovation Hub - The Clinic	1,500	1,492	-	-
Lot K Parking Structure	-	7,000	10,000	-
McMaster Main Street Residence	-	(2,950)	-	-
One-Stop Shop	500	6,000	2,500	-
Parking and Security Relocation	-	2,300	-	-
Peter George Center for Living and Learning	24,124	8,104	-	-
Research Commercialization & Spin-Off Space	35,730	9,980	-	-
Residence Renewal Program	491	2,000	2,000	2,000
Strategic Property Acquisitions	5,600	11,100	-	-
Other	3,440	3,052	737	737
<b>Total approved projects</b>	<b>134,135</b>	<b>149,975</b>	<b>101,414</b>	<b>38,608</b>
<b>Estimate of planned projects - not yet approved</b>	-	20,174	66,064	115,828
<b>Total capital spending</b>	<b>134,135</b>	<b>170,149</b>	<b>167,478</b>	<b>154,436</b>

The table above includes capital projects that are approved, as well as an estimate of projects 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. 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)						
	2019/20 Budget	2019/20 Projection	2019/20 Variance	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Revenues</b>						
Other revenues	2,721	6,875	4,154	2,787	2,637	2,559
Investment income (loss)	28,838	(90,147)	(118,985)	15,781	21,087	21,944
<b>Total revenues</b>	<b>31,559</b>	<b>(83,272)</b>	<b>(114,831)</b>	<b>18,568</b>	<b>23,724</b>	<b>24,503</b>
<b>Expenses</b>						
All other expenses	3,745	277	3,468	1,869	2,811	2,545
Transfers to (from) other funds	19,619	22,750	(3,131)	20,718	19,549	19,065
<b>Total expenses</b>	<b>23,364</b>	<b>23,027</b>	<b>337</b>	<b>22,587</b>	<b>22,360</b>	<b>21,610</b>
<b>Excess of revenues over expenses</b>	<b>8,195</b>	<b>(106,299)</b>	<b>(114,494)</b>	<b>(4,019)</b>	<b>1,364</b>	<b>2,893</b>
Fund balance, beginning of year	488,783	500,819	12,036	394,520	390,501	391,864
<b>Fund balance, end of year</b>	<b>496,978</b>	<b>394,520</b>	<b>(102,458)</b>	<b>390,501</b>	<b>391,864</b>	<b>394,757</b>

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 2019/20 rate of return on endowed trust funds is projected to be -18% net of investment management fees. For planning years 2020/21 through 2022/23, rates of return are assumed to be 4.0%, 5.4% and 5.6% respectively. In 2020/21, endowed trust fund donations are projected at \$2.8 million compared to \$6.9 million in the 2019/20 projection.

In order to protect the capital value of external endowments and ensure that spending allocations can increase over time with inflation, an endowment capital protection policy limits the amount of investment income allocated for spending and administration<sup>9</sup>. The policy requires the reinvestment of excess income earned (interest, dividends, realized and unrealized gains, net of expenses) to protect the capital value of the endowment from inflation.

Following the market downturn in 2008, several policies were implemented to smooth the spending allocation spend despite volatility.

- The spending allocation is calculated based on the monthly market value of the capital balance of each trust fund over the last five years. The impact of temporary losses is moderated by the longer-term market values.
- In years where investment returns are less than the spending allocation, the policy allows temporary encroachment of reinvested income. Temporary encroachment is projected to occur in 2019/20 and the remaining years in the planning horizon.

<sup>9</sup> The current spending limit is 5% (4% for spending and 1% for administration).

In the event of a more severe downturn, the specific purpose reserve may be used as a backstop to allow spending to continue.

Figure 16: External Endowment Fund Balance Trend

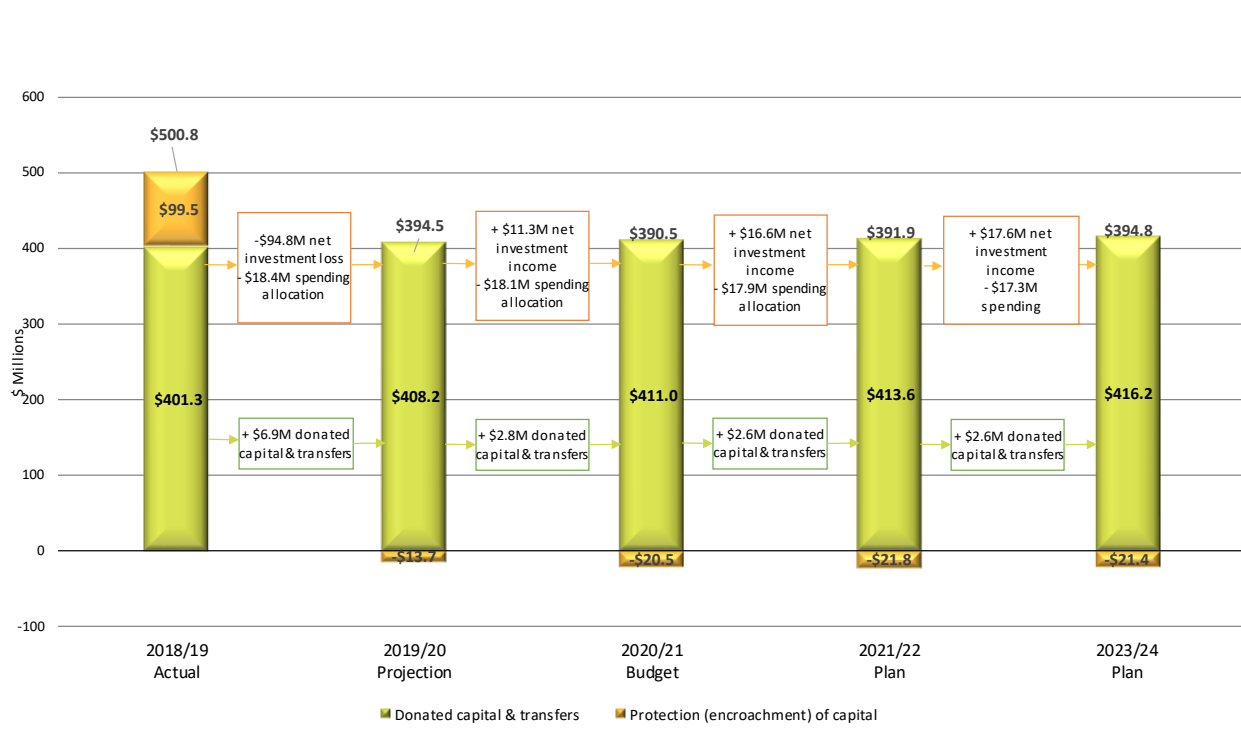


Figure 16 illustrates the impact of the market losses due to the COVID-19 pandemic. At April 30, 2019, the University's external endowment was \$500.8 million, including a protection of capital amount of \$99.5 million. Given the projected -18% rate of return for 2019/20, the external endowment declines to \$395.4 million at April 30, 2020 and the protection of capital is drawn into a negative position. Using the projected rates of return, the preservation of capital will begin to be rebuilt in 2021/22 when rates are assumed to return to a level above the spending rate. Underwater trusts, where the market value is below the original capital, will continue to be regularly monitored and appropriation action taken.

## 10.5 INTERNAL ENDOWMENT

Table 11: Internal Endowment Summary

(\$ thousands)						
	2019/20 Budget	2019/20 Projection	2019/20 Variance	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Revenues</b>						
Other revenues	100	228	128	100	100	101
Investment income (loss)	8,696	(27,074)	(35,770)	4,673	6,237	6,505
Investment income transfer	(5,556)	(5,861)	(305)	(5,507)	(5,103)	(4,647)
<b>Total revenues</b>	<b>3,240</b>	<b>(32,707)</b>	<b>(35,947)</b>	<b>(734)</b>	<b>1,234</b>	<b>1,959</b>
<b>Expenses</b>						
All other expenses	53	128	(75)	-	-	-
Transfers to (from) other funds	540	752	(212)	584	578	581
<b>Total expenses</b>	<b>593</b>	<b>880</b>	<b>(287)</b>	<b>584</b>	<b>578</b>	<b>581</b>
<b>Excess of revenues over expenses</b>	<b>2,647</b>	<b>(33,587)</b>	<b>(36,234)</b>	<b>(1,318)</b>	<b>656</b>	<b>1,378</b>
Fund balance, beginning of year	147,381	150,410	3,029	116,823	115,505	116,161
<b>Fund balance, end of year</b>	<b>150,028</b>	<b>116,823</b>	<b>(33,205)</b>	<b>115,505</b>	<b>116,161</b>	<b>117,539</b>

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, 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 2020/21 the allocation amounts to \$5.6 million.

The negative projected variance from budget of \$33.2 million is associated with the market downturn and COVID-19, the updated projection assumes -18% returns compared to 5.6% budgeted.

## 10.6 INTERNAL RESERVES

There are other critical internal reserves created to settle future obligations associated with current faculty, staff or other activities. The balance in 2019/20 is projected to be \$41.4 million, with a temporary deficit of \$91.9 million in 2020/21 and \$8.2 million in 2021/22 before returning to a surplus in 2022/23 and future years.

Internal reserves include two categories of funding. First, Operating and Ancillary Fund reserves are balances carried forward into future years. Faculties and departments are required to develop structurally balanced budgets each year and additionally are expected to save reserves for new capital investments or renovations or other large strategic initiatives. These reserves provide a resource for the challenges associated with COVID-19 and are projected to be significantly drawn down by the resulting lower revenues and additional costs. Combined Operating and Ancillary Fund reserves are projected to be \$155.3 million in 2019/20, falling to \$82.1 million in 2020/21 due to the impact of lower international enrolment, and further to \$65.5 million in 2021/22 and \$51.7 million in 2022/23 as Faculties and departments continue to fund strategic initiatives.



The second component of internal reserves relates to future obligation settlement needs. 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 by 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 grown to 36% of the funding required to settle future payments related to existing faculty and staff in the plan. Due to the combined impact of negative investment returns, unfavourable pension revaluation, and COVID-19 losses, the internal reserves are projected to be drawn down into a deficit position until replenished by a return to surpluses on the Statement of Operations and additional planned debt in 2021/22.

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. The reserve strategies have proved to be a prudent set aside of University resources following the 2008/09 economic crisis and have served the University well to temper COVID-19 impacts.

## 10.7 ANCILLARY FUND

Table 12: Ancillary Fund Summary

(\$ thousands)						
	2019/20 Budget	2019/20 Projection	2019/20 Variance	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Revenues</b>						
Ancillary sales and services	89,378	64,908	(24,470)	55,172	94,157	97,335
<b>Total revenues</b>	<b>89,378</b>	<b>64,908</b>	<b>(24,470)</b>	<b>55,172</b>	<b>94,157</b>	<b>97,335</b>
<b>Expenses</b>						
Salaries, wages and benefits	32,442	25,460	6,982	23,009	34,177	34,452
All other expenses	32,815	28,215	4,600	27,237	33,864	34,107
Transfers to (from) other funds*	17,218	16,226	992	16,199	16,024	17,207
Debt and financing charges	7,661	7,006	655	8,093	10,191	9,577
<b>Total expenses</b>	<b>90,135</b>	<b>76,907</b>	<b>13,229</b>	<b>74,538</b>	<b>94,256</b>	<b>95,344</b>
<b>Excess of revenues over expenses</b>	<b>(757)</b>	<b>(11,999)</b>	<b>(11,242)</b>	<b>(19,367)</b>	<b>(98)</b>	<b>1,991</b>
Fund balance, beginning of year	9,358	9,642	284	(2,357)	(21,723)	(21,822)
<b>Fund balance, end of year</b>	<b>8,601</b>	<b>(2,357)</b>	<b>(10,957)</b>	<b>(21,723)</b>	<b>(21,822)</b>	<b>(19,830)</b>

\*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. 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. Between March and September 2020 a reduction in revenues, and related salaries, benefits, and cost of sales has been factored into the projection and budget to account for the potential impact of COVID-19 on the operations of lower student numbers and events on campus. No adjustments have been factored into the budget for indirect salary, wages or benefits savings. The budget plan is a worst-case results scenario and will be updated during a mid-year projection update process. If sales revenues do not return sufficiently to achieve break-even operations, then employee costs will be reduced to offset the decline. The employee related expenses are in the budget and planning years in full for optimal conservatism. The analysis to return each unit to break-even or profitability will occur when fall enrolment is finalized and campus re-opening plans are further defined.

### 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, provide students with a variety of course material options that support their educational experience. The Campus Store has the ability to delivery 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 content providers.

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

In the budget and planning years ahead Campus Store will be focused on outreach and community engagement; working with community partners to move current objectives forward while exploring new business opportunities.

### 10.7.2 CENTER FOR CONTINUING EDUCATION (CCE)

Key strategic initiatives tied to the SMA include CCE's Implementation of tutoring services, online exam proctoring services, a new Client Resource Management system, and a new web site that will enhance the student experience. Technology-supported experiential learning, short courses, microlearning, badging, and new educational technologies will contribute to innovation in learning. Ensuring access and a culture of equity and inclusion for all adult learners is a priority. Scholarship work includes staff presentations at provincial and national conferences and publications in peer reviewed venues. Hosting the 2019 Canadian Association for University Continuing Education (CAUCE) conference distinguished the unit as a leader in educational scholarship.

Challenges include the heightened competition in the online market with some newer providers pricing their programs below market price. The colleges also price their programs at a lower price point. Tuition changes in higher education likewise affect continuing education. Salaries and benefits and changes in professional development budgets within organizations are risks.

CCE are planning a number of actions for the coming year. New academic and non-academic programs; an enhanced marketing strategy; an improved student experience; increased collaborations with McMaster Faculties and institutes; diverse educational innovations; regional, national and international partnerships. All actions will build on work done to date and skills gaps identified by government and research centres.

### 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 the unit to contribute to McMaster's mission and the core Operating Budget. The Hospitality Services three-year strategic plan was developed within the framework of the key business objectives of the department that align with the Strategic Mandate and the Administration Division strategy. 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 the Internationalization of menus will guide the department as to provide a more in-depth food service experience for students and integrate deeper into the community through business and volunteer partnerships. Hospitality is also committed to the further enrichment of program elements in the areas of community, wellness and sustainability as a means of furthering our alignment with the Okanagan Charter.

McMaster University continues to operate a highly respected Hospitality Services department – a reputation built on quality and value. Providing this based on some of the lowest Meal Plan pricing amongst our peers is a testament to the resourcefulness and the innovation of the department. 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; remaining competitive in our market; and, continuing the current level of quality and reputation. In addition to these pricing challenges, increased university operating costs and volatile food inflationary costs will pose financial challenges to the department.

While the pressures of cost and pricing create budget challenges, we are committed to diligently work to assess and validate our approach and take corrective actions that will 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 reviews of meal plan and retail pricing; increased Internationalized menu offerings that support our diverse cultural student 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 (HCS)

HCS directly supports the University's goal of advancing human and societal wellbeing and the overriding vision of educating for capability. Specifically, HCS 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 proven factor to assisting with our SMA metric of retaining students between Year 1 and Year 2.

The key financial pressures facing HCS are capital renewal/capacity expansion and debt servicing.

HCS 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 will serve the University by adopting a cost-recovery business model, to provide optimal pricing of products and services, without impairment to quality. To help the University achieve its web compliance requirements, MPS will provide internal areas with a free, self-serve option of MacSites. Both objectives will be met with the goal of maintaining and/or improving levels of customer satisfaction (currently 93%). In 2020/21, MPS will temporarily relocate to building T34 in support of the DSB expansion strategy, making every effort to minimize disruption to customers. Finally, MPS will implement an end to end management information system (MIS) in 2020/21 that will offer additional efficiencies and an improved customer experience.

MPS has faced large revenue fluctuations annually and the new cost-recovery business model will be more sensitive to those changes. The objective for MPS is to implement a cost-recovery pricing structure to better support internal customers in a way that maintains minimal but sufficient surplus to provide capital/equipment renewal and structural consistency. In parallel, the relocations will be handled with the intent to minimize disruptions to customers which may involve some additional costs. Finally, the new MIS will, like all new technology, take extra resources for implementation, change management, and training.

MPS is adapting its business model to better serve the University's needs in the future with the implementation over 3 years of a new cost-recovery model and the introduction of the free, self-serve option of MacSites to help meet the University's AODA compliance goals January 1, 2021.

### 10.7.6 PARKING AND TRANSIT SERVICES

The department will continue to invest in physical space on campus by financing underground structures for new buildings on campus and improving road and sidewalk infrastructure meeting slips, trips and falls mandates.

Campus parking capacity is constrained and the upcoming end of lease contract for the Ward Ave parking lot will further reduce inventory. A new structure at Lot K is proposed to mitigate loss of space and accommodate growing demand. Three new loans will be added to the parking budget over next three years. Department must pursue revenue generating opportunities to ensure a balanced financial position.

A multi-year parking strategy is being developed. Strategy is focused on managing demand, ensuring financial accountability, improving service and sustainable transportation. Actions have been taken to update parking technology and increase visitor parking on main campus for community members.

## 10.8 SPECIFICALLY EXTERNALLY FUNDED

Table 13: Specifically Externally Funded Summary

(\$ thousands)						
	2019/20 Budget	2019/20 Projection	2019/20 Variance	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Revenues</b>						
Other revenues	32,987	35,151	2,164	33,481	31,588	31,657
<b>Total revenues</b>	<b>32,987</b>	<b>35,151</b>	<b>2,164</b>	<b>33,481</b>	<b>31,588</b>	<b>31,657</b>
<b>Expenses</b>						
Salaries, wages and benefits	23,715	24,022	(306)	23,534	23,202	23,073
All other expenses	10,352	11,501	1,149	10,463	8,659	8,582
Transfers to (from) other funds	(176)	(161)	(16)	(165)	(166)	(169)
<b>Total expenses</b>	<b>33,891</b>	<b>35,362</b>	<b>(1,471)</b>	<b>33,833</b>	<b>31,695</b>	<b>31,486</b>
<b>Excess of revenues over expenses</b>	<b>(904)</b>	<b>(210)</b>	<b>693</b>	<b>(352)</b>	<b>(107)</b>	<b>171</b>
Fund balance, beginning of year	6,711	7,056	345	6,846	6,494	6,387
<b>Fund balance, end of year</b>	<b>5,807</b>	<b>6,846</b>	<b>1,039</b>	<b>6,494</b>	<b>6,387</b>	<b>6,558</b>

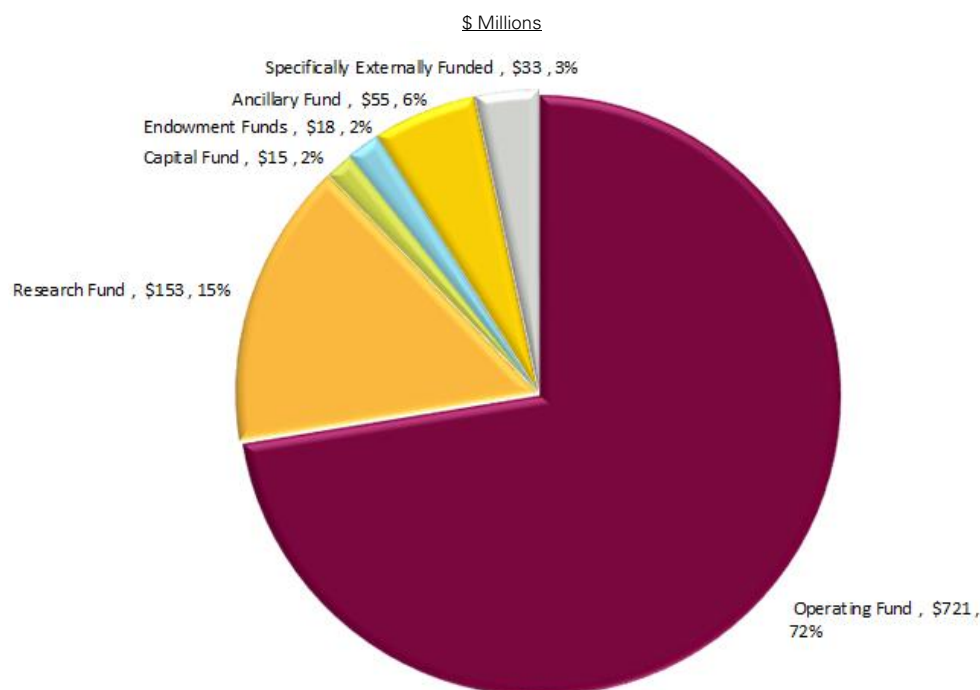
Externally restricted funds other than research, trust or capital are tracked in a separate fund. Programs managed in this fund involve external sponsors such as the Ministry of Health and Long-Term Care and the Ontario Online Initiative, and meet the following criteria:

- 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 2020/21 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)

	2019/20 Projection	2020/21 Budget	2021/22 Plan	2022/23 Plan
Excess/(deficiency) of Operating Fund revenues over expenses	(9,984)	(53,859)	(16,634)	(15,606)
+ Capital expenditures net of amortization	43,943	96,215	49,560	(29,810)
+ Investment income on internal endowments	(33,587)	(1,318)	657	1,378
+ Pension & non-pension adjustments	14,355	13,638	12,956	12,308
+ Change in other (non-internal endowment) investment returns, changes in other reserves net of Operating Fund income	(66,417)	(69,562)	(3,101)	91,011
+ Prior period adjustment/pension special payment	2,433	1,898	6,475	(7,689)
Total accrual adjustment	(39,272)	40,871	66,547	67,198
Excess of revenues over expenses	(49,256)	(12,988)	49,913	51,592

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.

The large negative adjustment to other reserves reflects investment losses in 2019/20, and the impact of lower international enrolment on non-operating funds in 2020/21. The additional debt planned for 2021/22 and future surpluses will increase reserves.

## 11.1 STATEMENT OF OPERATIONS

Table 15: Consolidated Statement of Operations (Accrual Basis)

(\$ thousands)	2019/20 Projection	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Revenues</b>				
Operating grants	273,961	273,794	273,194	272,866
Research grants and contracts	180,692	183,403	186,154	190,808
Tuition fees	352,477	349,130	421,271	460,585
Ancillary sales and services	64,908	55,172	79,999	81,799
Other revenues	206,879	211,017	215,237	219,542
Investment income (net)	(59,877)	48,131	51,590	54,916
Amortization of deferred capital contributions	45,963	45,033	43,907	45,267
Revenues from new capital projects	-	-	300	300
Additional revenue from internal loan repayment	9,937	17,382	18,183	17,014
<b>Total revenues</b>	<b>1,074,940</b>	<b>1,183,061</b>	<b>1,289,835</b>	<b>1,343,097</b>
<b>Expenses</b>				
Salaries and wages	539,566	558,181	577,550	598,457
Employee benefits	126,654	129,187	131,771	134,406
Supplies and services	320,431	365,292	379,903	395,099
Interest on long-term debt	13,196	13,155	15,677	18,198
Amortization of capital assets	87,556	93,441	100,113	106,731
Expenses from new capital projects	16,793	16,793	19,908	23,613
Contingent expenses	20,000	20,000	15,000	15,000
<b>Total expenses</b>	<b>1,124,196</b>	<b>1,196,049</b>	<b>1,239,922</b>	<b>1,291,505</b>
<b>Excess of revenues over expenses</b>	<b>(49,256)</b>	<b>(12,988)</b>	<b>49,913</b>	<b>51,592</b>

The consolidated Statement of Operations aim to achieve 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 2019/20 and 2020/21 the losses are a function of the impact of COVID-19 on investment returns and reduced international enrolment. In 2021/22 and beyond the enrolment is expected to return to normal levels. Investment returns are expected to be positive in the budget and planning years but below the long-term rate of 5.9%. Faculties will continue to invest in strategic priorities drawing upon unit-level reserves.

## 11.2 STATEMENT OF FINANCIAL POSITION

Table 16: Consolidated Statement of Financial Position

(\$ thousands)				
	2019/20 Projection	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Assets</b>				
Cash	31,228	33,224	34,442	35,875
Short-term investments	156,138	166,118	172,211	179,376
Medium-term investments	335,086	164,149	223,351	271,790
Long-term investments	818,720	826,699	858,864	882,983
Capital assets	1,247,805	1,354,513	1,452,928	1,530,634
Other assets	161,460	164,689	167,983	171,343
<b>Total assets</b>	<b>2,750,437</b>	<b>2,709,391</b>	<b>2,909,780</b>	<b>3,072,000</b>
<b>Liabilities and deferred contributions</b>				
Current portion of long-term debt	654	678	703	728
Deferred contributions for future expenses	367,225	371,362	375,583	379,887
Deferred capital contributions	495,367	482,974	497,938	581,991
Long-term debt	252,420	251,742	376,040	375,311
Decommissioning obligation	14,774	15,912	17,137	18,457
Employee future benefits and pension	364,436	346,214	353,138	360,201
Other liabilities	192,676	196,530	200,460	204,470
<b>Total liabilities and deferred contributions</b>	<b>1,687,552</b>	<b>1,665,412</b>	<b>1,820,999</b>	<b>1,921,045</b>
<b>Net assets</b>				
Unrestricted	10,755	10,755	10,755	10,755
Internally restricted reserves	41,423	(91,900)	(8,247)	55,300
Internally restricted endowments	116,823	115,505	116,161	117,539
Externally restricted endowments	394,520	390,501	391,864	394,757
Net investment in plant, adjusted	499,364	619,119	578,247	572,604
<b>Total net assets</b>	<b>1,062,885</b>	<b>1,043,979</b>	<b>1,088,781</b>	<b>1,150,954</b>
<b>Total liabilities and net assets</b>	<b>2,750,437</b>	<b>2,709,391</b>	<b>2,909,780</b>	<b>3,072,000</b>

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 neutral impact to the Statement of Operations. The long-term debt obligation relates primarily to bonds raised in 2002 and 2015 for capital investments, with additional debt of up to \$125 million planned for fiscal 2022 as outlined in section 12. All bond obligations will have an internally restricted sinking fund reserve to settle the future \$365 million in balloon payments, \$120 million due in 2052, \$120 million due in 2065, and the new \$125 million bond planned for a 40-year term to be due in 2061. 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 expenses and future post-retirement benefits, internally restricted reserves are used. 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 contain almost \$11 million in unrestricted reserves and \$41.4 million in internally restricted reserves as explained previously in section 10.6. The external and internal endowments are also explained in greater detail in sections 10.4 and 10.5 respectively. Finally, net investment in plant reflects accrual-basis adjustments that increase with new University-funded capital investments, and decrease with amortization over the assets' useful life.

## 11.3 STATEMENT OF CASH FLOWS

Table 17: Consolidated Statement of Cash Flows

(\$ thousands)				
	2019/20 Projection	2020/21 Budget	2021/22 Plan	2022/23 Plan
Excess of revenues over expenses	(49,156)	(12,888)	50,013	51,692
<b>Add/(deduct) non-cash items</b>				
Change in deferred pension asset	-	-	-	-
Amortization of capital assets	87,556	93,441	100,113	106,731
Amortization of deferred capital contributions	(45,963)	(45,033)	(43,907)	(45,267)
Amortization of deferred contributions for future expenses	4,057	4,138	4,220	4,305
Change in decommissioning obligation	1,056	1,138	1,225	1,320
Miscellaneous non-cash changes in assets and liabilities	15,399	(17,597)	7,561	7,712
<b>Add/(deduct) cash from operations, finance and investing</b>				
Change in deferred capital contributions	35,739	32,640	58,871	129,320
Contributions to externally restricted endowments	(106,299)	(4,020)	1,364	2,893
Repayment of long-term debt (existing and proforma debt)	(665)	(654)	(678)	(703)
Other	(3,482)	(1,998)	(6,575)	7,589
New debt issuance	-	-	125,000	-
Acquisition of capital assets	(176,567)	(200,149)	(198,528)	(184,436)
Change in cash	(9,284)	(1,996)	(1,219)	(1,433)
Change in short-term investments	47,764	(9,980)	(6,094)	(7,164)
Change in long-term investments	193,190	(7,980)	(32,165)	(24,118)
<b>Increase/(decrease) in medium-term investments</b>	<b>(6,656)</b>	<b>(170,938)</b>	<b>59,202</b>	<b>48,439</b>
Medium-term investments, beginning of year	341,742	335,086	164,149	223,351
<b>Medium-term investments</b>	<b>335,086</b>	<b>164,149</b>	<b>223,351</b>	<b>271,790</b>

## 11.4 METRICS

### 11.4.1 HIGHLIGHTS

Table 18: Budget Financial Highlights

(\$ millions)				
	2019/20 Projection	2020/21 Budget	2021/22 Plan	2022/23 Plan
Total net assets	1,062.9	1,044.0	1,088.8	1,151.0
Available expendable resources	441.8	293.5	364.8	417.4
Capital spending	171.0	191.6	188.8	175.4
Total revenues	1,074.9	1,183.1	1,289.8	1,343.1
Total expenses	1,124.2	1,196.0	1,239.9	1,291.5
Excess of revenues over expenses - consolidated	(49.3)	(13.0)	49.9	51.6
Excess/(deficiency) of revenues over expenses - Operating Fund	(10.0)	(53.9)	(16.6)	(15.6)

### 11.4.2 DEBT MANAGEMENT RATIOS

MCU requires the above ratios to be reported each year, and in the annual SMA report. No targets have been set by MCU, however McMaster is satisfied that the resulting ratios are consistent with the University's own credit management ratios. These ratios are shown in the table 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.

Table 19: Debt Management Ratios

	2019/20 Projection	2020/21 Budget	2021/22 Plan	2022/23 Plan
<b>Debt Management Policy Ratios</b>				
Expendable Net Assets to Debt (Target > 1.0x)	1.6	1.1	0.9	1.1
Interest Burden (Target < 4.0%)	1.3%	1.2%	1.4%	1.5%
Debt per FTE (Target < \$12,000)	8,628	8,731	11,999	11,764
<b>Debt Management Monitoring Ratios</b>				
Net Income/(Loss) Ratio (McMaster Target > 1.0%)	-4.6%	-1.1%	3.9%	3.8%
Net Operating Revenues (McMaster Target > 2.0%)	1.0%	2.0%	9.0%	9.0%
Primary Reserves Ratio (McMaster Target > 91 days)	142	91	106	117
Viability Ratio (McMaster Target > 1.0)	1.6	1.1	0.9	1.1

## 11.5 RISKS TO THE 2020/21 BUDGET

The risk posed by the COVID-19 pandemic creates the greatest uncertainty around the 2020/21 budget. Although governments have moved quickly to mitigate the economic impacts and there are plans to continue instruction remotely, financial results are heavily dependent on maintaining enrolment levels, which will be more challenging the longer the restrictions continue. In addition to the impacts to tuition, much of the ancillary and other alternative revenue depends on the physical presence of students. The shut-down of non-essential research creates additional costs and jeopardizes progress in many fields. Completion of new and existing capital projects will be delayed, which could result in capacity issues.

Once the threat of COVID-19 is past, the risks that existed prior to the pandemic generally remain. Achieving diversified international enrolment targets remains an important goal. Diversity of international enrolment will be important to minimize geopolitical risk. 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 has been delayed, but when implemented in 2021/22 introduces the risk that up to 60% of McMaster's funding will be linked to the achievement of ten SMA targets, nine set by MCU and one selected by McMaster. 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 continue to 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 2008 financial crisis to cover annual spending commitments that might otherwise be hindered in a prolonged market loss situation. In addition to 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 and enabling greater stability.

Additional systemic or uncontrollable risks include ensuring sufficiency of funding for investments in infrastructure and strategic priorities. Further still, the University has partnered with the private sector in an effort to minimize the debt held directly 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 for both infrastructure and technology require a combination of financing solutions, including internal loans from the central bank, commitments against future revenue streams, gifts, external and 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 2020 Debt Strategy Report suggesting approximately \$125 million over 40 years for 2021/22 is necessary to support high-priority strategic- and capital- projects. Despite past Ministry funding cuts and upcoming funding model changes in the next Strategic Mandate Agreement, McMaster will require continued infrastructure investments in research, student support, and technology infrastructure.

The University has taken a strategic approach to delay the recommendation for approval to proceed with this new debt until mid-2021 to support Dr. David Farrar's appointment as President and his objective to update the University's strategic plan. Thus, new 2021 debt can be anchored on new strategic planning priorities rather than a generic central bank top-up. The timing of the new debt is also tied to delays in some approved projects, such as the residence projects that are undergoing an appeals process with the City.

Internal loans associated with completed projects average a 30-year repayment schedule. A 40-year debt maturity creates staggering maturities for external debt and allows current strategic initiatives to proceed, while maintaining strong financial health metrics and our AA credit rating with DBRS and S&P, and minimizing the University's weighted average cost of capital (WACC). The Debt Management Policy identifies that financing should preferably go toward projects with internal loan repayment streams as a principle, and business cases should show an ability to repay the capital investment with interest at WACC over a reasonable repayment period.

## 13 CONCLUSIONS ON THE 2020/21 BUDGET

McMaster University's 2020/21 consolidated budget is structurally balanced before one-time spending initiatives and before extraordinary adjustments for COVID-19. The true financial impact of the current pandemic is unknown, therefore an updated in-year budget projection will be prepared during 2020/21 as fall enrolment numbers are finalized and phased re-opening plans are operationalized.

COVID-19 has forced the summer term to be a blend of virtual and online activities, which may carry into the fall term. International enrolment has been reduced by 20%, or \$32 million in reduced tuition. Domestic tuition and the operating grant revenues are held flat although the University is working to mitigate declined international enrolment by increasing domestic student offers.

Additional COVID-19 expenditures include transition investments required for virtual, online, and digital resources of \$5 million. Increased non-personnel related expenses by a further 10% to reflect a potential high inflationary and limited supply environment post-COVID. Salaries, wages and benefits are unadjusted as Human Resources is working closely with employee groups to address area specific needs.

The consolidated budget also includes a number of initial steps the University has taken to support students such as, increased student financial aid, waiver of late fees and student interest during the summer, an introduction of a fall student tuition and fees payment deferral program, and additional support through bursary programs.

Research activities unrelated to COVID-19 are predominantly shutdown. During 2020/21 a phased re-opening of research activities will occur. Research expenditures incurred to re-open and address staff implications will be reviewed during the mid-year budget projection update.

Capital expenditures prioritized for 2020/21 are delayed as non-essential construction work. The Capital Fund budget has not been adjusted for COVID-19. To support strategic- and capital- priorities additional debt financing approximating \$125 million is budgeted in 2021/22 following the President's strategic planning update in 2020/21.

Ancillary revenues, cost of sales and directly related personnel costs are materially reduced reflecting campus closure May through August. Indirect personnel costs are unadjusted for the declined sales and result in significant deficit if left unaddressed.

Overall, the 2020/21 consolidated budget reflects what management considers to be a fair estimate of potential financial results during the COVID-19 pandemic. The Operating Fund will have a budgeted deficit of \$53.9 million and planning deficits approximating \$16 million in both 2021/22 and 2022/23, which can be funded by faculty and department reserves. The consolidated budget will close 2019/20 with an investment driven deficit in 2019/20 of \$49.3 million and a small budgeted deficit of \$13 million in 2020/21, followed by a return to projected planned surpluses. An in-year projection will be prepared when fall enrolment is finalized and more is known in relation to phased re-opening.



## APPENDIX 1– OPERATING FUND PROJECTION VS. BUDGET

Table 20: Operating Fund 2019/20 Projection vs. Budget

(\$ thousands)	Operating Fund		2019/20 Variance	
	2019/20 Budget	2019/20 Projection	Favourable/ (Unfavourable)	
<b>Sources of Funding:</b>				
Provincial Grants	235,868	235,684	(184)	-0.1%
Tuition	326,962	342,732	15,770	4.8%
Research Overhead Income	27,470	30,111	2,641	9.6%
Investment Income	12,634	12,634	(0)	0.0%
Other income	106,008	109,368	3,360	3.2%
<b>Total sources of funding</b>	<b>708,942</b>	<b>730,529</b>	<b>21,587</b>	<b>3.0%</b>
<b>Expenditure:</b>				
Salaries, wages and benefits	496,875	498,272	(1,397)	-0.3%
Utilities and maintenance	38,638	40,900	(2,263)	-5.9%
Equipment and renovations	52,030	68,955	(16,925)	-32.5%
Scholarships, bursaries and work study	38,739	34,178	4,562	11.8%
Library acquisitions	13,249	14,053	(804)	-6.1%
Debt and financing charges	18,220	18,836	(616)	-3.4%
All other expenses	81,096	65,319	15,777	19.5%
<b>Total expenditures</b>	<b>738,848</b>	<b>740,513</b>	<b>(1,665)</b>	<b>-0.2%</b>
<b>Total surplus (deficit)</b>	<b>(29,906)</b>	<b>(9,984)</b>	<b>19,922</b>	<b>66.6%</b>
Fund balances, beginning of year	145,168	167,657	22,489	15.5%
<b>Fund balances, end of year</b>	<b>115,262</b>	<b>157,673</b>	<b>42,411</b>	<b>36.8%</b>

The Operating Fund is projected to end 2019/20 in a more favourable position than the original budget due to favourable fund balances at the end of 2018/19 carrying over, as well as reduced deficit projected in year.

Provincial grants are unfavourable by \$0.2 million (-0.1%) due to increased international student recovery driven by the higher than budget international enrolment.

Tuition is favourable by \$15.8 million (4.8%) primarily due to higher international enrolment compared to planned target in the budget.

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

Other income is favourable by \$3.4 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 increased revenue from other supplementary programs and fees.

Salaries, wages and benefits are unfavourable by \$1.4 million (-0.3%) due to slightly higher support staff salaries than budgeted.

Utilities and maintenance are unfavourable by \$2.3 million (-5.9%) due to the impact of slightly higher utility rates and consumption than budget.

Equipment and renovations are unfavourable by \$16.9 million (-32.5%) driving the unfavourable variance are increased capital transfers for the McLean Centre project and Business renovations, Faculty of Science buildings, as well as un-budgeted investments in the Multiple Ion Beam Imaging equipment, Health Sciences Library renovations, Science equipment, computer equipment and software.

Scholarships, bursaries and work-study expenditures are favourable by \$4.6 million (11.8%) due to lower Student Access Guarantee (SAG) obligations.

Library acquisitions are unfavourable by \$0.8 million (-6.1%) due to e-book acquisitions in the Faculty of Health Sciences related to Michael G. DeGroote Initiative for Innovation in Healthcare (MGDII).

All other expenses are favourable by \$15.8 million (19.5%) primarily due to lower than expected contingency spending on priorities in other expenses, especially University Fund spending crystalizing in other spending categories.

The resulting \$19.9 million favourable in-year deficit variance plus the \$22.5 million favourable opening appropriations variance result in a projected closing balance in the Operating Fund of \$42.4 million (26.8%) greater than the original budget. These appropriations will be carried forward for expenditure in 2020/21 and future years and will help to mitigate the challenges associated with COVID-19 and planned investments in capital.

## APPENDIX 2 – BUDGET MODEL CALCULATIONS

McMaster University - New Budget Model - Faculties														
Projected Budget Allocation			University Fund		Prof. Faculties		Other Faculties		VP Research Discretionary Fund		10.00%			
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)
<b>Revenue</b>														
Undergraduate Tuition			51,889	91,940	31,023	15,576	65,044	2,055,511	34,737	1,540	-			293,805
UG Tuition Adjustment for tuition fee framework			(257)	(954)	237	185	497		275	17				-
Total UG SAG Obligation			(1,742)	(5,752)	(14)	(3)	(4)	-	(14)	-	7,529			-
Graduate Tuition			17,301	12,311	12,424	2,546	4,524		2,163	-	-			51,269
Operating Grant			18,174	43,744	82,697	14,154	50,800	2,119	22,277	1,580	-	140	-	235,684
Other Income			1,085	2,088	4,599	655	2,000	-	953	86	-	7,251	-	18,718
Gross Revenue			86,451	143,376	130,965	33,113	122,861	4,174,565	60,392	3,223	7,529	7,391	-	599,476
Undergraduate Cross Faculty Teaching Adjustment			(6,286)	(12,399)	317	7,371	6,959	-	4,640	(603)	-			(0)
Revenue for Contributions			80,165	130,977	131,283	40,484	129,820	4,174,565	65,032	2,620	7,529	7,391	-	599,476
Internal International Tax			(146)	(206)	(2)	(22)	(136)	-	(69)	-		580		-
University Fund Contribution			(6,413)	(10,478)	(10,503)	(3,239)	(10,386)	-	(5,203)	(210)		46,431	-	-
Research Infrastructure Fund Contribution			(2,405)	(3,929)	(1,313)	(405)	(1,298)	-	(650)	(79)		-	10,079	-
Indirect Cost of Research (excluding Royalties)			298	5,353	11,685	231	4,358	-	687	-	33	-		22,645
VP Research Discretionary (10 % of ICR above)			(30)	(535)	(1,168)	(23)	(436)	-	(69)	-	2,261	-		-
Adjustments for ICR received by Journal (Contract & ERA)			(4)	(1,444)	(5,327)	-	(476)	-	(2)	-	-	-		(7,255)
Adjustments for Current Practices			-	-	(4,106)	(218)	186	(186,098)	218	-	-	-	(10,079)	(4,106)
Research Infrastructure Fund Distribution			133	2,386	5,208	103	1,943	-	306	-	-			-
Research Excellence Fund (from UF)			56	506	1,103	44	412	-	130	-		(2,250)		-
<b>Revenue Prior to Shared Support Unit Allocations</b>			<b>71,654</b>	<b>122,629</b>	<b>126,860</b>	<b>36,955</b>	<b>123,987</b>	<b>3,988,466</b>	<b>60,381</b>	<b>2,332</b>	<b>9,823</b>	<b>52,152</b>	<b>-</b>	<b>610,760</b>
<b>Shared Support Unit Allocations - via double stepdown</b>														
Occupancy Cost	43,703	(14,208)	(827)	(7,357)	(8,864)	(2,256)	(8,510)	-	(1,633)	(47)	-	-	-	(29,495)
Deferred Maintenance	10,593	(4,010)	(185)	(1,642)	(1,978)	(504)	(1,899)	-	(365)	(10)	-	-	-	(6,583)
Insurance	1,197	(506)	(20)	(176)	(197)	(54)	(204)	-	(39)	(1)	-	-	-	(691)
MIP Occupancy 1	2,667	(310)	-	(1,279)	(771)	(44)	(24)	-	(239)	-	-	-	-	(2,357)
MIP Occupancy 2	167	-	-	(167)	-	-	-	-	-	-	-	-	-	(167)
HR	6,926	(989)	(328)	(943)	(3,167)	(385)	(728)	-	(377)	(9)	-	-	-	(5,937)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,557	(2,469)	(619)	(937)	(1,726)	(453)	(866)	-	(467)	(20)	-	-	-	(5,088)
Supplementary Pension	4,738	(344)	(406)	(728)	(1,659)	(388)	(788)	-	(422)	(3)	-	-	-	(4,394)
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	(790)	(157)	(238)	(438)	(115)	(220)	-	(119)	(5)	-	-	-	(1,291)
General University Expense	7,667	(3,154)	(549)	(831)	(1,531)	(401)	(768)	-	(414)	(17)	-	-	-	(4,513)
Bond Interest	9,922	(3,732)	(174)	(1,544)	(1,860)	(473)	(1,786)	-	(343)	(10)	-	-	-	(6,190)
UTS/ Technology Fund	17,741	2,196	(2,474)	(3,876)	(4,269)	(1,519)	(4,953)	-	(2,692)	(153)	-	-	-	(19,937)
UTS- ERP	4,517	(177)	(538)	(844)	(929)	(331)	(1,078)	-	(586)	(33)	-	-	-	(4,340)
UA	6,336	1,515	(1,023)	(1,793)	(1,894)	(546)	(1,708)	-	(850)	(38)	-	-	-	(7,850)
Office of the Provost	7,725	(2,803)	(599)	(906)	(1,670)	(438)	(838)	-	(452)	(19)	-	-	-	(4,922)
Research Support	9,992	5,843	(176)	(3,125)	(9,481)	(281)	(2,058)	-	(713)	-	-	-	-	(15,835)
Student Affairs	5,361	6,095	(1,557)	(2,331)	(1,770)	(909)	(3,100)	-	(1,689)	(99)	-	-	-	(11,456)
MIETL	1,779	694	(329)	(492)	(427)	(192)	(655)	-	(357)	(21)	-	-	-	(2,473)
Libraries	19,917	8,555	(3,600)	(5,450)	(5,888)	(2,196)	(7,175)	-	(3,937)	(226)	-	-	-	(28,472)
HS Library	3,921	1,840	(728)	(1,103)	(1,191)	(444)	(1,452)	-	(796)	(46)	-	-	-	(5,761)
Registrar	5,607	9,390	(1,923)	(2,874)	(2,228)	(1,193)	(4,294)	-	(2,335)	(150)	-	-	-	(14,997)
SGS	1,885	401	(367)	(553)	(713)	(152)	(321)	-	(179)	-	-	-	-	(2,286)
Museum of Art	623	497	(134)	(211)	(269)	(83)	(269)	-	(146)	(8)	-	-	-	(1,120)
UG Scholarship	5,178	738	(799)	(1,293)	(454)	(496)	(1,843)	-	(970)	(62)	-	-	-	(5,916)
UG Bursaries	3,834	(0)	(505)	(817)	(380)	(313)	(1,165)	-	(613)	(39)	-	-	-	(3,834)
Grad Scholarship	13,818	692	(2,338)	(3,511)	(4,498)	(972)	(2,049)	-	(1,143)	-	-	-	-	(14,510)
Branding and Marketing	1,006	106	(145)	(254)	(269)	(77)	(242)	-	(120)	(5)	-	-	-	(1,112)
Adjustments for Current Practices - Support Units			-	-	4,559	-	-	-	-	-	(4,559)	-	-	0
<b>Total Shared Support Unit Allocations</b>	<b>225,949</b>	<b>0</b>	<b>(21,512)</b>	<b>(47,491)</b>	<b>(58,934)</b>	<b>(16,768)</b>	<b>(52,185)</b>	<b>-</b>	<b>(23,469)</b>	<b>(1,032)</b>	<b>(4,559)</b>	<b>-</b>	<b>-</b>	<b>(225,949)</b>
<b>Net Revenue</b>			<b>50,142</b>	<b>75,138</b>	<b>67,926</b>	<b>20,187</b>	<b>71,802</b>	<b>3,988</b>	<b>36,912</b>	<b>1,300</b>	<b>5,264</b>	<b>52,152</b>	<b>-</b>	<b>384,811</b>
UF Supplement			-	-	-	3,500	-	-	-	-	-	(3,500)	-	-
UF Supplement 2 - Grants top up					2,280	-	-	-	-	-	-	(2,280)	-	-
<b>Base Net Projected Budget 2019-20</b>			<b>50,142</b>	<b>75,138</b>	<b>70,206</b>	<b>23,687</b>	<b>71,802</b>	<b>3,988</b>	<b>36,912</b>	<b>1,300</b>	<b>5,264</b>	<b>46,371</b>	<b>-</b>	<b>384,811</b>

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			55,805	99,362	31,283	17,442	73,583	2,070	39,910	1,532	-			320,986
UG Tuition Adjustment for tuition fee framework			(257)	(954)	237	185	497		275	17				-
Total UG SAG Obligation			(1,700)	(5,813)	(14)	(3)	(4)	-	(14)	-	7,548			-
Graduate Tuition			17,968	12,941	12,013	2,531	4,457		2,186	-	-			52,097
Operating Grant			18,053	43,993	82,494	14,258	50,755	2,122	22,190	1,533	-	141	-	235,539
Other Income			1,090	2,088	4,586	659	2,001		956	86	-	4,310	-	15,777
Gross Revenue			90,959	151,618	130,599	35,073	131,289	4,192	65,504	3,167	7,548	4,451	-	624,400
Undergraduate Cross Faculty Teaching Adjustment			(6,598)	(13,360)	428	7,485	7,719	-	4,910	(584)	-			0
Revenue for Contributions			84,362	138,257	131,026	42,558	139,008	4,192	70,414	2,584	7,548	4,451	-	624,400
Internal International Tax			(818)	(1,170)	(17)	(150)	(874)	-	(471)	-		3,500	-	-
University Fund Contribution			(6,749)	(11,061)	(10,482)	(3,405)	(11,121)	-	(5,633)	(207)		48,657	-	-
Research Infrastructure Fund Contribution			(2,531)	(4,148)	(1,310)	(426)	(1,390)	-	(704)	(78)			10,586	-
Indirect Cost of Research (excluding Royalties & CRC)			298	5,353	11,685	231	4,358	-	687	-	33	-		22,645
VP Research Discretionary (10 % of ICR above)			(30)	(535)	(1,168)	(23)	(436)	-	(69)	-	2,261	-		-
Adjustments for ICR received by Journal (Contract & ERA)			(4)	(1,444)	(5,327)	-	(476)	-	(2)	-	-	-		(7,255)
Adjustments for Current Practices			-	-	(4,031)	(218)	182	(182)	218	-	-	-		(4,031)
Research Infrastructure Fund Distribution			139	2,506	5,470	108	2,040	-	322	-	-		(10,586)	-
Research Excellence Fund (from UF)			56	506	1,103	44	412	-	130			(2,250)		-
Revenue Prior to Shared Support Unit Allocations			74,723	128,264	126,949	38,718	131,703	4,010	64,891	2,299	9,842	54,358	-	635,759
Shared Support Unit Allocations - via double stepdown														
Occupancy Cost	44,176	(14,779)	(825)	(7,333)	(8,834)	(2,249)	(8,482)	-	(1,628)	(47)	-	-	-	(29,397)
Deferred Maintenance	11,593	(4,412)	(201)	(1,791)	(2,158)	(549)	(2,072)	-	(398)	(11)	-	-	-	(7,181)
Insurance	1,197	(516)	(20)	(174)	(194)	(53)	(201)	-	(39)	(1)	-	-	-	(681)
MIP Occupancy 1	2,667	(310)	-	(1,279)	(771)	(44)	(24)	-	(239)	-	-	-	-	(2,357)
MIP Occupancy 2	167	-	-	(167)	-	-	-	-	-	-	-	-	-	(167)
HR	6,926	(985)	(329)	(944)	(3,169)	(385)	(728)	-	(378)	(9)	-	-	-	(5,941)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,454	(2,418)	(613)	(928)	(1,709)	(448)	(857)	-	(463)	(19)	-	-	-	(5,036)
Supplementary Pension	4,738	(342)	(406)	(728)	(1,660)	(388)	(788)	-	(422)	(3)	-	-	-	(4,396)
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	(789)	(157)	(238)	(438)	(115)	(220)	-	(119)	(5)	-	-	-	(1,292)
General University Expense	7,667	(3,153)	(549)	(831)	(1,531)	(402)	(768)	-	(415)	(17)	-	-	-	(4,514)
Bond Interest	10,089	(3,799)	(176)	(1,569)	(1,890)	(481)	(1,815)	-	(348)	(10)	-	-	-	(6,290)
UTS/ Technology Fund	18,241	2,206	(2,483)	(4,042)	(4,317)	(1,564)	(5,108)	-	(2,778)	(155)	-	-	-	(20,446)
UTS- ERP	4,517	(175)	(527)	(858)	(917)	(332)	(1,085)	-	(590)	(33)	-	-	-	(4,342)
UA	6,336	1,522	(1,052)	(1,831)	(1,830)	(530)	(1,725)	-	(855)	(35)	-	-	-	(7,858)
Office of the Provost	7,880	(2,868)	(610)	(923)	(1,700)	(446)	(853)	-	(460)	(19)	-	-	-	(5,012)
Research Support	11,668	5,886	(195)	(3,465)	(10,511)	(311)	(2,282)	-	(790)	-	-	-	-	(17,553)
Student Affairs	5,361	6,149	(1,527)	(2,382)	(1,753)	(917)	(3,127)	-	(1,706)	(98)	-	-	-	(11,510)
MI/ETL	3,517	699	(548)	(854)	(717)	(329)	(1,122)	-	(612)	(35)	-	-	-	(4,216)
Libraries	21,208	8,651	(3,691)	(5,815)	(6,096)	(2,311)	(7,561)	-	(4,152)	(233)	-	-	-	(29,859)
HS Library	4,492	1,859	(785)	(1,237)	(1,297)	(492)	(1,608)	-	(883)	(50)	-	-	-	(6,351)
Registrar	5,750	10,196	(2,008)	(3,087)	(2,325)	(1,280)	(4,599)	-	(2,490)	(156)	-	-	-	(15,945)
SGS	1,885	403	(350)	(585)	(713)	(147)	(309)	-	(184)	-	-	-	-	(2,288)
Museum of Art	623	503	(132)	(215)	(267)	(83)	(272)	-	(148)	(8)	-	-	-	(1,126)
UG Scholarship	5,178	740	(783)	(1,305)	(446)	(499)	(1,852)	-	(971)	(61)	-	-	-	(5,918)
UG Bursaries	3,834	0	(495)	(825)	(374)	(316)	(1,171)	-	(614)	(38)	-	-	-	(3,834)
Grad Scholarship	13,818	693	(2,231)	(3,710)	(4,491)	(938)	(1,968)	-	(1,173)	-	-	-	-	(14,511)
Branding and Marketing	1,006	106	(149)	(259)	(260)	(75)	(244)	-	(121)	(5)	-	-	-	(1,112)
Adjustments for Current Practices - Support Units			-	-	4,559	-	-	-	-	-	(4,559)	-	-	0
Total Shared Support Unit Allocations	233,560	0	(21,853)	(49,591)	(60,781)	(17,237)	(54,034)	-	(24,446)	(1,059)	(4,559)	-	-	(233,560)
Net Revenue			52,870	78,673	66,169	21,481	77,669	4,010	40,445	1,240	5,283	54,358	-	402,199
UF Supplement			-	-	-	3,000	-	-	-	-	-	(3,000)	-	-
UF Supplement 2 - Grants top up					2,445							(2,445)		-
Base Net Projected Budget 2020-21			52,870	78,673	68,614	24,481	77,669	4,010	40,445	1,240	5,283	48,913	-	402,199

McMaster University - New Budget Model - Faculties														
Projected Budget Allocation			University Fund		Prof. Faculties		Other Faculties		VP Research Discretionary Fund					
2021-22			Research Infrastructure Fund		8.00%	8.00%	3.00%	1.00%				10.00%		
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Res - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)
Revenue														
Undergraduate Tuition			61,715	108,108	31,995	19,620	83,616	2,140	45,940	1,615	-			354,749
UG Tuition Adjustment for tuition fee framework			(114)	(643)	176	118	290		166	7				-
Total UG SAG Obligation			(1,691)	(5,911)	(14)	(3)	(4)	-	(14)	-	7,637			-
Graduate Tuition			17,563	13,277	11,994	2,496	4,403		2,204	-	-			51,937
Operating Grant			17,892	44,022	82,417	14,226	50,612	2,135	21,948	1,630	-	137	-	235,020
Other Income			1,104	2,090	4,549	671	2,005		963	85	-	4,702	-	16,169
Gross Revenue			96,468	160,943	131,117	37,129	140,922	4,275	71,207	3,338	7,637	4,839	-	657,875
Undergraduate Cross Faculty Teaching Adjustment			(6,767)	(13,794)	463	7,673	7,982	-	5,054	(612)	-			0
Revenue for Contributions			89,702	147,149	131,581	44,802	148,904	4,275	76,260	2,726	7,637	4,839	-	657,875
Internal International Tax			(786)	(1,110)	(19)	(166)	(910)	-	(508)	-		3,500		-
University Fund Contribution			(7,176)	(11,772)	(10,526)	(3,584)	(11,912)	-	(6,101)	(218)		51,290	-	-
Research Infrastructure Fund Contribution			(2,691)	(4,414)	(1,316)	(448)	(1,489)	-	(763)	(82)		-	11,203	-
Indirect Cost of Research (excluding Royalties & CRC)			298	5,353	11,685	231	4,358	-	687	-	33	-		22,645
VP Research Discretionary (10 % of ICR above)			(30)	(535)	(1,168)	(23)	(436)	-	(69)	-	2,261	-		-
Adjustments for ICR received by Journal (Contract & ERA)			(4)	(1,444)	(5,327)	-	(476)	-	(2)	-	-	-		(7,255)
Adjustments for Current Practices			(632)	(1,450)	(5,941)	(718)	(1,395)	(183)	(495)	(32)	-	-		(10,845)
Research Infrastructure Fund Distribution			147	2,652	5,789	114	2,159	-	340	-	-	-	(11,203)	-
Research Excellence Fund (from UF)			56	506	1,103	44	412	-	130			(2,250)		-
<b>Revenue Prior to Shared Support Unit Allocations</b>			<b>78,884</b>	<b>134,934</b>	<b>125,859</b>	<b>40,251</b>	<b>139,215</b>	<b>4,092</b>	<b>69,480</b>	<b>2,395</b>	<b>9,931</b>	<b>57,379</b>	<b>-</b>	<b>662,420</b>
<b>Shared Support Unit Allocations - via double stepdown</b>														
Occupancy Cost	44,176	(14,777)	(825)	(7,333)	(8,835)	(2,249)	(8,483)	-	(1,628)	(47)	-	-	-	(29,399)
Deferred Maintenance	11,593	(4,412)	(201)	(1,791)	(2,158)	(549)	(2,072)	-	(398)	(11)	-	-	-	(7,181)
Insurance	1,197	(516)	(20)	(174)	(194)	(53)	(201)	-	(39)	(1)	-	-	-	(681)
MIP Occupancy 1	2,667	(310)	-	(1,279)	(771)	(44)	(24)	-	(239)	-	-	-	-	(2,357)
MIP Occupancy 2	167	-	-	(167)	-	-	-	-	-	-	-	-	-	(167)
HR	6,926	(985)	(329)	(944)	(3,169)	(385)	(728)	-	(378)	(9)	-	-	-	(5,941)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,454	(2,418)	(613)	(928)	(1,709)	(448)	(857)	-	(463)	(19)	-	-	-	(5,037)
Supplementary Pension	4,738	(342)	(406)	(728)	(1,660)	(388)	(788)	-	(422)	(3)	-	-	-	(4,396)
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	(789)	(157)	(238)	(438)	(115)	(220)	-	(119)	(5)	-	-	-	(1,292)
General University Expense	7,667	(3,153)	(549)	(831)	(1,531)	(402)	(768)	-	(415)	(17)	-	-	-	(4,514)
Bond Interest	10,089	(3,799)	(176)	(1,569)	(1,890)	(481)	(1,815)	-	(348)	(10)	-	-	-	(6,290)
UTS/ Technology Fund	18,941	2,193	(2,547)	(4,198)	(4,431)	(1,611)	(5,307)	-	(2,874)	(165)	-	-	-	(21,134)
UTS- ERP	4,517	(172)	(524)	(863)	(911)	(331)	(1,091)	-	(591)	(34)	-	-	-	(4,345)
UA	6,336	1,523	(1,068)	(1,852)	(1,753)	(524)	(1,758)	-	(872)	(32)	-	-	-	(7,859)
Office of the Provost	7,880	(2,868)	(610)	(923)	(1,700)	(446)	(853)	-	(460)	(19)	-	-	-	(5,012)
Research Support	11,668	5,887	(195)	(3,465)	(10,511)	(311)	(2,282)	-	(790)	-	-	-	-	(17,555)
Student Affairs	5,361	6,150	(1,512)	(2,393)	(1,748)	(912)	(3,140)	-	(1,705)	(101)	-	-	-	(11,511)
MIITL	3,517	699	(542)	(859)	(713)	(327)	(1,127)	-	(612)	(36)	-	-	-	(4,216)
Libraries	21,208	8,652	(3,660)	(5,847)	(6,055)	(2,302)	(7,601)	-	(4,154)	(240)	-	-	-	(29,860)
HS Library	4,492	1,860	(779)	(1,244)	(1,288)	(490)	(1,617)	-	(884)	(51)	-	-	-	(6,352)
Registrar	5,750	10,197	(2,001)	(3,092)	(2,315)	(1,278)	(4,614)	-	(2,486)	(160)	-	-	-	(15,946)
SGS	1,885	403	(338)	(600)	(716)	(144)	(307)	-	(183)	-	-	-	-	(2,288)
Museum of Art	623	504	(131)	(217)	(265)	(83)	(274)	-	(148)	(9)	-	-	-	(1,127)
UG Scholarship	5,178	740	(780)	(1,303)	(452)	(498)	(1,854)	-	(969)	(62)	-	-	-	(5,918)
UG Bursaries	3,834	(0)	(493)	(824)	(376)	(315)	(1,173)	-	(613)	(40)	-	-	-	(3,834)
Grad Scholarship	13,818	693	(2,151)	(3,806)	(4,514)	(916)	(1,957)	-	(1,168)	-	-	-	-	(14,511)
Branding and Marketing	1,006	106	(151)	(262)	(249)	(74)	(248)	-	(123)	(5)	-	-	-	(1,112)
Adjustments for Current Practices - Support Units			-	-	4,559	-	-	-	-	-	2,241	-	-	6,800
<b>Total Shared Support Unit Allocations</b>	<b>234,260</b>	<b>0</b>	<b>(21,769)</b>	<b>(49,945)</b>	<b>(60,767)</b>	<b>(17,229)</b>	<b>(54,353)</b>	<b>-</b>	<b>(24,549)</b>	<b>(1,088)</b>	<b>2,241</b>	<b>-</b>	<b>-</b>	<b>(227,460)</b>
<b>Net Revenue</b>			<b>57,114</b>	<b>84,989</b>	<b>65,093</b>	<b>23,022</b>	<b>84,861</b>	<b>4,092</b>	<b>44,931</b>	<b>1,307</b>	<b>12,172</b>	<b>57,379</b>	<b>-</b>	<b>434,960</b>
UF Supplement			-	-	-	1,500	-	-	-	-	-	(1,500)	-	-
UF Supplement 2 - Grants top up					2,935							(2,935)		-
<b>Base Net Projected Budget 2021-22</b>			<b>57,114</b>	<b>84,989</b>	<b>68,028</b>	<b>24,522</b>	<b>84,861</b>	<b>4,092</b>	<b>44,931</b>	<b>1,307</b>	<b>12,172</b>	<b>52,944</b>	<b>-</b>	<b>434,960</b>

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%							
2022-23			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			68,017	117,821	32,557	21,711	93,582	2,214	51,911	1,680	-			389,493
UG Tuition Adjustment for tuition fee framework			(114)	(643)	176	118	290		166	7				-
Total UG SAG Obligation			(1,699)	(6,023)	(14)	(3)	(4)	-	(14)	-	7,757			-
Graduate Tuition			17,392	13,417	12,123	2,420	4,392		2,182	-	-			51,927
Operating Grant			17,833	44,027	82,531	14,183	50,450	2,148	21,750	1,679	-	134	-	234,736
Other Income			1,104	2,090	4,549	671	2,005		963	85	-	4,788	-	16,255
Gross Revenue			102,533	170,689	131,923	39,100	150,715	4,362	76,959	3,451	7,757	4,922	-	692,412
Undergraduate Cross Faculty Teaching Adjustment			(6,859)	(14,027)	533	7,844	8,015	-	5,138	(644)	-			0
Revenue for Contributions			95,674	156,662	132,456	46,944	158,730	4,362	82,097	2,807	7,757	4,922	-	692,412
Internal International Tax			(765)	(1,079)	(21)	(175)	(930)	-	(530)	-		3,500	-	-
University Fund Contribution			(7,654)	(12,533)	(10,596)	(3,756)	(12,698)	-	(6,568)	(225)		54,030	-	-
Research Infrastructure Fund Contribution			(2,870)	(4,700)	(1,325)	(469)	(1,587)	-	(821)	(84)		-	11,857	-
Indirect Cost of Research (excluding Royalties & CRC)			298	5,353	11,685	231	4,358	-	687	-	33	-	-	22,645
VP Research Discretionary (10 % of ICR above)			(30)	(535)	(1,168)	(23)	(436)	-	(69)	-	2,261	-	-	-
Adjustments for ICR received by Journal (Contract & ERA)			(4)	(1,444)	(5,327)	-	(476)	-	(2)	-	-	-	-	(7,255)
Adjustments for Current Practices			(1,289)	(2,949)	(7,886)	(1,227)	(3,023)	(184)	(1,228)	(65)	-	-	-	(17,852)
Research Infrastructure Fund Distribution			156	2,807	6,127	121	2,285	-	360	-	-	-	(11,857)	-
Research Excellence Fund (from UF)			56	506	1,103	44	412	-	130	-	-	(2,250)	-	-
<b>Revenue Prior to Shared Support Unit Allocations</b>			<b>83,572</b>	<b>142,088</b>	<b>125,047</b>	<b>41,689</b>	<b>146,634</b>	<b>4,178</b>	<b>74,056</b>	<b>2,433</b>	<b>10,051</b>	<b>60,202</b>	<b>-</b>	<b>689,950</b>
<b>Shared Support Unit Allocations - via double stepdown</b>														
Occupancy Cost	44,176	(14,777)	(825)	(7,334)	(8,835)	(2,249)	(8,483)	-	(1,628)	(47)	-	-	-	(29,399)
Deferred Maintenance	11,593	(4,412)	(201)	(1,791)	(2,158)	(549)	(2,072)	-	(398)	(11)	-	-	-	(7,181)
Insurance	1,197	(516)	(20)	(174)	(194)	(53)	(201)	-	(39)	(1)	-	-	-	(681)
MIP Occupancy 1	2,667	(310)	-	(1,279)	(771)	(44)	(24)	-	(239)	-	-	-	-	(2,357)
MIP Occupancy 2	167	-	-	(167)	-	-	-	-	-	-	-	-	-	(167)
HR	6,926	(985)	(329)	(944)	(3,169)	(385)	(728)	-	(378)	(9)	-	-	-	(5,941)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,454	(2,417)	(613)	(928)	(1,709)	(448)	(857)	-	(463)	(19)	-	-	-	(5,037)
Supplementary Pension	4,738	(342)	(406)	(728)	(1,660)	(388)	(788)	-	(422)	(3)	-	-	-	(4,396)
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	(789)	(157)	(238)	(438)	(115)	(220)	-	(119)	(5)	-	-	-	(1,292)
General University Expense	7,667	(3,153)	(549)	(831)	(1,531)	(402)	(768)	-	(415)	(17)	-	-	-	(4,514)
Bond Interest	10,089	(3,799)	(176)	(1,569)	(1,890)	(481)	(1,815)	-	(348)	(10)	-	-	-	(6,290)
UTS/ Technology Fund	19,441	2,187	(2,619)	(4,314)	(4,500)	(1,636)	(5,448)	-	(2,937)	(173)	-	-	-	(21,628)
UTS- ERP	4,517	(169)	(527)	(867)	(905)	(329)	(1,095)	-	(590)	(35)	-	-	-	(4,348)
UA	6,336	1,523	(1,077)	(1,864)	(1,675)	(525)	(1,788)	-	(898)	(32)	-	-	-	(7,859)
Office of the Provost	7,880	(2,868)	(610)	(923)	(1,700)	(446)	(853)	-	(460)	(19)	-	-	-	(5,012)
Research Support	11,668	5,888	(195)	(3,465)	(10,512)	(311)	(2,282)	-	(790)	-	-	-	-	(17,555)
Student Affairs	5,361	6,151	(1,518)	(2,402)	(1,738)	(905)	(3,146)	-	(1,700)	(103)	-	-	-	(11,512)
MIETL	3,517	700	(545)	(862)	(709)	(325)	(1,129)	-	(610)	(37)	-	-	-	(4,217)
Libraries	21,208	8,652	(3,678)	(5,874)	(6,008)	(2,284)	(7,623)	-	(4,147)	(246)	-	-	-	(29,860)
HS Library	4,492	1,860	(782)	(1,249)	(1,278)	(486)	(1,622)	-	(882)	(52)	-	-	-	(6,352)
Registrar	5,750	10,197	(2,008)	(3,106)	(2,299)	(1,271)	(4,622)	-	(2,477)	(163)	-	-	-	(15,947)
SGS	1,885	403	(341)	(603)	(718)	(138)	(305)	-	(183)	-	-	-	-	(2,288)
Museum of Art	623	505	(132)	(218)	(263)	(83)	(275)	-	(148)	(9)	-	-	-	(1,128)
UG Scholarship	5,178	740	(782)	(1,305)	(454)	(495)	(1,854)	-	(964)	(64)	-	-	-	(5,918)
UG Bursaries	3,834	(0)	(495)	(826)	(375)	(313)	(1,174)	-	(610)	(40)	-	-	-	(3,834)
Grad Scholarship	13,818	693	(2,173)	(3,826)	(4,526)	(879)	(1,943)	-	(1,163)	-	-	-	-	(14,511)
Branding and Marketing	1,006	106	(152)	(263)	(238)	(74)	(253)	-	(127)	(4)	-	-	-	(1,112)
Adjustments for Current Practices - Support Units			-	-	4,559	-	-	-	-	-	9,241	-	-	13,800
<b>Total Shared Support Unit Allocations</b>	<b>234,760</b>	<b>0</b>	<b>(21,922)</b>	<b>(50,167)</b>	<b>(60,667)</b>	<b>(17,168)</b>	<b>(54,561)</b>	<b>-</b>	<b>(24,606)</b>	<b>(1,111)</b>	<b>9,241</b>	<b>-</b>	<b>-</b>	<b>(220,960)</b>
<b>Net Revenue</b>			<b>61,650</b>	<b>91,921</b>	<b>64,380</b>	<b>24,522</b>	<b>92,073</b>	<b>4,178</b>	<b>49,451</b>	<b>1,322</b>	<b>19,292</b>	<b>60,202</b>	<b>-</b>	<b>468,990</b>
UF Supplement			-	-	-	-	-	-	-	-	-	-	-	-
UF Supplement 2 - Grants top up					3,306							(3,306)		-
<b>Base Net Projected Budget 2022-23</b>			<b>61,650</b>	<b>91,921</b>	<b>67,686</b>	<b>24,522</b>	<b>92,073</b>	<b>4,178</b>	<b>49,451</b>	<b>1,322</b>	<b>19,292</b>	<b>56,896</b>	<b>-</b>	<b>468,990</b>

# APPENDIX 3 – OPERATING FUND UNIT LEVEL TABLES

Table 21: Operating Fund 2019/20 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		
<b>1. Faculties</b>														
Business	51,286	581	4	5,515	57,386	29,021	6,780	35,801	1,018	-	24,022	25,040	60,841	(3,455)
Engineering	77,406	2,027	1,518	2,962	83,913	48,592	12,076	60,667	1,739	-	13,499	15,238	75,905	8,009
Health Sciences	72,936	2,764	7,260	37,300	120,260	88,851	22,281	111,132	2,679	602	8,130	11,411	122,543	(2,282)
Humanities	23,835	2,393	109	12,740	39,077	27,485	7,130	34,615	372	-	2,370	2,742	37,357	1,720
Science	72,223	1,117	536	2,301	76,177	50,574	13,401	63,975	384	-	21,930	22,314	86,289	(10,112)
Medical Radiation - Mohawk share	3,988	-	-	-	3,988	-	-	-	-	-	3,989	3,989	3,989	(1)
Social Sciences	37,439	1,788	51	663	39,942	27,690	7,332	35,022	257	-	2,801	3,059	38,081	1,861
Arts & Science	1,313	57	-	3	1,373	1,655	113	1,768	1	-	(241)	(240)	1,528	(155)
Sub-total	<b>340,426</b>	<b>10,728</b>	<b>9,479</b>	<b>61,484</b>	<b>422,117</b>	<b>273,869</b>	<b>69,112</b>	<b>342,981</b>	<b>6,451</b>	<b>602</b>	<b>76,500</b>	<b>83,552</b>	<b>426,533</b>	<b>(4,416)</b>
<b>2. Academic Priorities</b>														
University Fund	36,590	(12,716)	-	50	23,924	245	-	245	-	-	26,536	26,536	26,781	(2,857)
Revenue Projection Contingency	(2,483)	-	-	-	(2,483)	-	-	-	-	-	-	-	-	(2,483)
Ongoing Priorities Contingency	(1,065)	-	-	-	(1,065)	1,630	-	1,630	-	-	(11,626)	(11,626)	(9,996)	8,931
One-time Priorities Contingency	(1,073)	-	-	-	(1,073)	-	-	-	-	-	-	-	-	(1,073)
Sub-total	<b>31,969</b>	<b>(12,716)</b>	<b>-</b>	<b>50</b>	<b>19,303</b>	<b>1,875</b>	<b>-</b>	<b>1,875</b>	<b>-</b>	<b>-</b>	<b>14,910</b>	<b>14,910</b>	<b>16,785</b>	<b>2,518</b>
<b>TOTAL ACADEMIC</b>	<b>372,395</b>	<b>(1,988)</b>	<b>9,479</b>	<b>61,534</b>	<b>441,420</b>	<b>275,744</b>	<b>69,112</b>	<b>344,856</b>	<b>6,451</b>	<b>602</b>	<b>91,410</b>	<b>98,462</b>	<b>443,318</b>	<b>(1,898)</b>
<b>3. Academic Support</b>														
Provost's Office	7,616	-	-	775	8,391	5,952	1,220	7,172	33	-	3,039	3,072	10,244	(1,854)
Museum of Art	623	-	-	206	829	571	209	780	-	-	50	50	830	(1)
MacPherson Institute	1,779	1,738	-	75	3,592	2,922	796	3,719	-	-	461	461	4,180	(588)
University Library	20,123	-	-	106	20,229	6,864	2,058	8,922	3	10,607	698	11,308	20,230	(1)
Health Sciences Library	4,277	-	15	94	4,386	1,693	501	2,194	-	2,844	(969)	1,875	4,070	317
Registrar	5,429	-	-	2,776	8,205	6,615	1,836	8,451	-	-	250	250	8,700	(495)
Sub-total	<b>39,847</b>	<b>1,738</b>	<b>15</b>	<b>4,032</b>	<b>45,632</b>	<b>24,617</b>	<b>6,620</b>	<b>31,237</b>	<b>36</b>	<b>13,451</b>	<b>3,529</b>	<b>17,016</b>	<b>48,253</b>	<b>(2,621)</b>
<b>4. Research Support</b>														
Research	9,274	250	4,911	9,096	23,531	12,320	3,452	15,772	127	1	8,977	9,105	24,878	(1,346)
VP Research Discretionary Fund	2,473	-	-	-	2,473	36	9	45	-	-	2,432	2,432	2,477	(4)
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	<b>11,747</b>	<b>250</b>	<b>4,911</b>	<b>9,096</b>	<b>26,004</b>	<b>12,356</b>	<b>3,462</b>	<b>15,817</b>	<b>127</b>	<b>1</b>	<b>11,320</b>	<b>11,448</b>	<b>27,266</b>	<b>(1,262)</b>
<b>5. Student Support</b>														
Graduate Scholarships	13,818	-	-	-	13,818	1,053	146	1,199	12,619	-	(0)	12,619	13,818	0
School of Graduate Studies	2,335	-	-	(0)	2,335	1,330	360	1,690	59	-	895	955	2,645	(310)
Student Affairs	5,911	-	-	24,082	29,993	14,532	3,301	17,833	520	-	12,526	13,046	30,879	(887)
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(160)	(160)	(160)	160
Undergraduate Scholarships	15,945	-	-	291	16,236	2,275	-	2,275	14,365	-	1,805	16,170	18,445	(2,209)
Sub-total	<b>38,009</b>	<b>-</b>	<b>-</b>	<b>24,372</b>	<b>62,381</b>	<b>19,190</b>	<b>3,807</b>	<b>22,997</b>	<b>27,563</b>	<b>-</b>	<b>15,066</b>	<b>42,629</b>	<b>65,627</b>	<b>(3,245)</b>
<b>6. Facilities Support</b>														
Facilities Services	15,486	-	-	1,131	16,617	12,139	3,823	15,962	-	-	663	663	16,626	(9)
HSC Maintenance	4,087	-	-	40	4,127	-	-	-	-	-	4,118	4,118	4,118	9
Utilities	23,781	-	-	1,849	25,630	1,659	541	2,200	-	-	23,185	23,185	25,385	245
Security	2,049	-	-	103	2,152	2,129	514	2,643	-	-	(107)	(107)	2,536	(384)
Deferred Maintenance	10,930	-	-	-	10,930	-	-	-	-	-	10,930	10,930	10,930	(0)
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	978	978	978	(4)
Sub-total	<b>67,396</b>	<b>-</b>	<b>-</b>	<b>3,122</b>	<b>70,518</b>	<b>15,927</b>	<b>4,879</b>	<b>20,806</b>	<b>-</b>	<b>-</b>	<b>49,856</b>	<b>49,856</b>	<b>70,661</b>	<b>(143)</b>
<b>7. Institutional Support</b>														
Administration	15,598	-	-	1,698	17,296	12,388	3,616	16,004	-	-	3,241	3,241	19,246	(1,949)
UTS Asset Management	1,500	-	-	-	1,500	67	23	90	-	-	1,805	1,805	1,895	(395)
UTS/Technology Fund	20,127	-	-	128	20,255	9,267	2,765	12,033	-	-	8,749	8,749	20,781	(526)
University Secretariat	912	-	-	0	912	557	170	727	-	-	136	136	863	49
President's Office	1,169	-	-	-	1,169	411	124	535	-	-	777	777	1,312	(143)
University Advancement	5,760	-	-	123	5,883	6,728	1,883	8,611	-	-	(2,479)	(2,479)	6,132	(249)
General University	9,431	-	-	2,100	11,531	1,332	175	1,507	-	-	10,636	10,636	12,144	(612)
Sub-total	<b>54,497</b>	<b>-</b>	<b>-</b>	<b>4,049</b>	<b>58,546</b>	<b>30,751</b>	<b>8,756</b>	<b>39,507</b>	<b>-</b>	<b>-</b>	<b>22,865</b>	<b>22,865</b>	<b>62,373</b>	<b>(3,827)</b>
<b>8. Institutional Priority allocations</b>														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	2,422	-	-	-	2,422	708	167	876	-	-	3,052	3,052	3,927	(1,505)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>29,114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,114</b>	<b>708</b>	<b>22,342</b>	<b>23,051</b>	<b>-</b>	<b>-</b>	<b>3,052</b>	<b>3,052</b>	<b>26,102</b>	<b>3,012</b>
<b>Surplus/(Deficit)</b>	<b>613,005</b>	<b>0</b>	<b>14,405</b>	<b>106,206</b>	<b>733,616</b>	<b>379,293</b>	<b>118,979</b>	<b>498,272</b>	<b>34,178</b>	<b>14,053</b>	<b>197,098</b>	<b>245,329</b>	<b>743,600</b>	<b>(9,984)</b>
<i>Under/(over)allocated</i>	-	-	-	(3,087)	(3,087)	-	-	-	-	-	(3,087)	(3,087)	(3,087)	-
<b>Total Surplus/(Deficit)</b>	<b>613,005</b>	<b>0</b>	<b>14,405</b>	<b>103,119</b>	<b>730,529</b>	<b>379,293</b>	<b>118,979</b>	<b>498,272</b>	<b>34,178</b>	<b>14,053</b>	<b>194,011</b>	<b>242,242</b>	<b>740,513</b>	<b>(9,984)</b>

Table 22: Operating Fund 2020/21 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		
<b>1. Faculties</b>														
Business	52,870	-	-	4,754	57,624	31,423	7,979	39,403	1,328	-	16,894	18,221	57,624	0
Engineering	78,673	1,172	1,514	2,722	84,082	54,704	13,971	68,675	1,861	-	18,626	20,487	89,162	(5,080)
Health Sciences	68,614	1,289	6,940	36,775	113,618	88,402	23,212	111,614	2,660	(0)	5,460	8,120	119,734	(6,115)
Humanities	24,481	1,826	340	13,202	39,849	28,538	7,331	35,869	460	-	2,279	2,739	38,609	1,241
Science	77,669	573	448	2,176	80,866	53,335	14,495	67,830	462	-	14,805	15,268	83,098	(2,232)
Medical Radiation - Mohawk share	4,010	-	-	-	4,010	-	-	-	-	-	4,010	4,010	4,010	-
Social Sciences	40,445	975	50	616	42,087	29,565	8,191	37,755	251	-	3,563	3,813	41,569	518
Arts & Science	1,240	57	-	-	1,297	1,875	161	2,036	1	-	(208)	(208)	1,829	(532)
Sub-total	<b>348,002</b>	<b>5,893</b>	<b>9,292</b>	<b>60,245</b>	<b>423,433</b>	<b>287,842</b>	<b>75,340</b>	<b>363,182</b>	<b>7,023</b>	<b>(0)</b>	<b>65,429</b>	<b>72,451</b>	<b>435,633</b>	<b>(12,200)</b>
<b>2. Academic Priorities</b>														
University Fund	38,913	(6,143)	-	-	32,770	550	-	550	-	-	39,299	39,299	39,849	(7,079)
Revenue Projection Contingency	(31,492)	-	-	-	(31,492)	-	-	-	-	-	-	-	-	(31,492)
Ongoing Priorities Contingency	33	-	-	-	33	1,821	-	1,821	-	-	(1,823)	(1,823)	(2)	35
One-time Priorities Contingency	(654)	-	-	-	(654)	-	-	-	-	-	-	-	-	(654)
Sub-total	<b>6,800</b>	<b>(6,143)</b>	<b>-</b>	<b>-</b>	<b>657</b>	<b>2,371</b>	<b>-</b>	<b>2,371</b>	<b>-</b>	<b>-</b>	<b>37,476</b>	<b>37,476</b>	<b>39,847</b>	<b>(39,191)</b>
<b>TOTAL ACADEMIC</b>	<b>354,802</b>	<b>(250)</b>	<b>9,292</b>	<b>60,245</b>	<b>424,089</b>	<b>290,213</b>	<b>75,340</b>	<b>365,553</b>	<b>7,023</b>	<b>(0)</b>	<b>102,905</b>	<b>109,927</b>	<b>475,480</b>	<b>(51,391)</b>
<b>3. Academic Support</b>														
Provost's Office	7,771	-	-	780	8,551	5,918	1,282	7,200	33	-	3,024	3,057	10,257	(1,706)
Museum of Art	623	-	-	173	796	719	228	947	-	-	(151)	(151)	796	(0)
MacPherson Institute	3,517	-	-	75	3,592	2,971	813	3,784	-	-	405	405	4,188	(596)
University Library	21,788	-	-	106	21,894	7,313	2,151	9,463	3	11,030	1,012	12,044	21,508	386
Health Sciences Library	4,507	-	15	94	4,616	1,839	537	2,377	-	3,222	(796)	2,426	4,803	(187)
Registrar	5,572	-	-	2,911	8,483	6,848	1,944	8,792	-	-	73	73	8,865	(381)
Sub-total	<b>43,778</b>	<b>-</b>	<b>15</b>	<b>4,139</b>	<b>47,932</b>	<b>25,608</b>	<b>6,956</b>	<b>32,563</b>	<b>36</b>	<b>14,252</b>	<b>3,566</b>	<b>17,854</b>	<b>50,417</b>	<b>(2,484)</b>
<b>4. Research Support</b>														
Research	10,797	250	3,981	9,293	24,321	12,837	3,555	16,392	94	1	8,257	8,351	24,744	(423)
VP Research Discretionary Fund	2,261	-	-	-	2,261	36	9	45	-	-	2,216	2,216	2,261	0
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	<b>13,058</b>	<b>250</b>	<b>3,981</b>	<b>9,293</b>	<b>26,582</b>	<b>12,873</b>	<b>3,564</b>	<b>16,437</b>	<b>94</b>	<b>1</b>	<b>10,384</b>	<b>10,479</b>	<b>26,916</b>	<b>(334)</b>
<b>5. Student Support</b>														
Graduate Scholarships	13,818	-	-	-	13,818	1,064	142	1,205	12,613	-	-	12,613	13,818	(0)
School of Graduate Studies	2,235	-	-	-	2,235	1,306	359	1,665	60	-	770	830	2,495	(260)
Student Affairs	5,911	-	-	24,354	30,265	15,387	3,529	18,916	485	-	11,412	11,897	30,813	(548)
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(160)	(160)	(160)	160
Undergraduate Scholarships	16,560	-	-	263	16,823	2,125	-	2,125	14,427	-	271	14,698	16,233	(0)
Sub-total	<b>38,524</b>	<b>-</b>	<b>-</b>	<b>24,617</b>	<b>63,141</b>	<b>19,881</b>	<b>4,030</b>	<b>23,912</b>	<b>27,585</b>	<b>-</b>	<b>12,293</b>	<b>39,877</b>	<b>63,789</b>	<b>(649)</b>
<b>6. Facilities Support</b>														
Facilities Services	15,829	-	-	2,010	17,839	12,189	3,882	16,070	-	-	1,825	1,825	17,895	(56)
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,042	4,042	4,042	0
Utilities	23,911	-	-	1,923	25,834	1,658	555	2,213	-	-	23,714	23,714	25,927	(93)
Security	2,049	-	-	25	2,074	2,142	523	2,665	-	-	(315)	(315)	2,350	(276)
Deferred Maintenance	11,930	-	-	-	11,930	-	-	-	-	-	11,930	11,930	11,930	(0)
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0
Sub-total	<b>68,784</b>	<b>-</b>	<b>-</b>	<b>3,998</b>	<b>72,782</b>	<b>15,989</b>	<b>4,959</b>	<b>20,948</b>	<b>-</b>	<b>-</b>	<b>52,259</b>	<b>52,259</b>	<b>73,207</b>	<b>(425)</b>
<b>7. Institutional Support</b>														
Administration	16,122	-	-	1,731	17,853	12,229	3,609	15,838	-	-	3,414	3,414	19,252	(1,398)
UTS Asset Management	1,500	-	-	-	1,500	67	23	90	-	-	1,602	1,602	1,693	(193)
UTS/Technology Fund	19,386	-	-	128	19,514	8,939	2,678	11,617	-	-	9,928	9,928	21,545	(2,031)
University Secretariat	912	-	-	-	912	600	180	780	-	-	129	129	909	3
President's Office	1,169	-	-	-	1,169	389	117	505	-	-	601	601	1,106	63
University Advancement	5,760	-	-	92	5,852	7,525	2,143	9,668	-	-	(2,906)	(2,906)	6,762	(911)
General University	10,485	-	-	2,102	12,587	1,376	181	1,557	-	-	10,945	10,945	12,502	85
Sub-total	<b>55,334</b>	<b>-</b>	<b>-</b>	<b>4,053</b>	<b>59,387</b>	<b>31,124</b>	<b>8,931</b>	<b>40,056</b>	<b>-</b>	<b>-</b>	<b>23,713</b>	<b>23,713</b>	<b>63,769</b>	<b>(4,381)</b>
<b>8. Institutional Priority allocations</b>														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	3,294	-	-	-	3,294	772	192	964	-	-	1,042	1,042	2,006	1,288
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>29,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,986</b>	<b>772</b>	<b>22,367</b>	<b>23,139</b>	<b>-</b>	<b>-</b>	<b>1,042</b>	<b>1,042</b>	<b>24,181</b>	<b>5,805</b>
<b>Surplus/(Deficit)</b>	<b>604,266</b>	<b>(0)</b>	<b>13,287</b>	<b>106,346</b>	<b>723,899</b>	<b>396,460</b>	<b>126,148</b>	<b>522,608</b>	<b>34,737</b>	<b>14,253</b>	<b>206,161</b>	<b>255,151</b>	<b>777,759</b>	<b>(53,859)</b>
<i>Under/(over)allocated</i>	<i>(0)</i>	<i>(0)</i>	<i>(3,146)</i>	<i>(3,146)</i>	<i>(3,146)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(3,146)</i>	<i>(3,146)</i>	<i>(3,146)</i>	<i>(0)</i>
<b>Total Surplus/(Deficit)</b>	<b>604,266</b>	<b>(0)</b>	<b>13,287</b>	<b>103,199</b>	<b>720,753</b>	<b>396,460</b>	<b>126,148</b>	<b>522,608</b>	<b>34,737</b>	<b>14,253</b>	<b>203,014</b>	<b>252,004</b>	<b>774,612</b>	<b>(53,859)</b>



Table 23: 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		
<b>1. Faculties</b>														
Business	57,114	-	-	4,754	61,868	32,486	7,832	40,317	1,327	-	20,223	21,551	61,868	(0)
Engineering	84,989	410	1,598	2,776	89,773	58,071	14,082	72,153	1,829	-	23,083	24,912	97,065	(7,292)
Health Sciences	68,028	394	6,721	35,067	110,211	89,192	22,549	111,741	2,681	(0)	4,152	6,834	118,575	(8,364)
Humanities	24,522	1,407	340	14,198	40,468	29,156	7,039	36,195	711	-	2,677	3,388	39,584	884
Science	84,861	110	445	2,059	87,475	54,472	14,955	69,426	416	-	15,783	16,198	85,624	1,851
Medical Radiation - Mohawk share	4,092	-	-	-	4,092	-	-	-	-	-	4,092	4,092	4,092	-
Social Sciences	44,931	570	50	435	45,986	31,098	8,243	39,341	280	-	7,945	8,225	47,566	(1,580)
Arts & Science	1,307	57	-	-	1,364	1,740	133	1,873	1	-	(145)	(144)	1,729	(365)
Sub-total	<b>369,844</b>	<b>2,949</b>	<b>9,154</b>	<b>59,289</b>	<b>441,236</b>	<b>296,215</b>	<b>74,832</b>	<b>371,047</b>	<b>7,246</b>	<b>(0)</b>	<b>77,810</b>	<b>85,056</b>	<b>456,103</b>	<b>(14,866)</b>
<b>2. Academic Priorities</b>														
University Fund	42,944	(2,949)	-	-	39,995	550	-	550	-	-	41,451	41,451	42,001	(2,006)
Revenue Projection Contingency	316	-	-	-	316	-	-	-	-	-	-	-	-	316
Ongoing Priorities Contingency	6,833	-	-	-	6,833	1,821	-	1,821	-	-	(1,823)	(1,823)	(2)	6,835
One-time Priorities Contingency	7,095	-	-	-	7,095	-	-	-	-	-	3,656	3,656	3,656	3,439
Sub-total	<b>57,188</b>	<b>(2,949)</b>	<b>-</b>	<b>-</b>	<b>54,239</b>	<b>2,371</b>	<b>-</b>	<b>2,371</b>	<b>-</b>	<b>-</b>	<b>43,284</b>	<b>43,284</b>	<b>45,656</b>	<b>8,584</b>
<b>TOTAL ACADEMIC</b>	<b>427,032</b>	<b>-</b>	<b>9,154</b>	<b>59,289</b>	<b>495,476</b>	<b>298,586</b>	<b>74,832</b>	<b>373,418</b>	<b>7,246</b>	<b>(0)</b>	<b>121,095</b>	<b>128,340</b>	<b>501,759</b>	<b>(6,283)</b>
<b>3. Academic Support</b>														
Provost's Office	7,771	-	-	780	8,551	5,903	1,247	7,149	33	-	3,079	3,112	10,262	(1,711)
Museum of Art	623	-	-	187	810	735	223	957	-	-	(147)	(147)	810	0
MacPherson Institute	3,517	-	-	75	3,592	2,866	766	3,632	-	-	466	466	4,099	(507)
University Library	21,788	-	-	106	21,894	7,372	2,075	9,448	3	11,222	971	12,196	21,644	250
Health Sciences Library	4,507	-	-	94	4,601	1,876	541	2,417	-	3,353	(776)	2,577	4,994	(393)
Registrar	5,572	-	-	3,053	8,625	6,793	1,826	8,619	-	-	(121)	(121)	8,498	128
Sub-total	<b>43,778</b>	<b>-</b>	<b>-</b>	<b>4,295</b>	<b>48,073</b>	<b>25,545</b>	<b>6,677</b>	<b>32,222</b>	<b>36</b>	<b>14,575</b>	<b>3,472</b>	<b>18,083</b>	<b>50,306</b>	<b>(2,232)</b>
<b>4. Research Support</b>														
Research	9,832	-	3,981	9,556	23,369	12,853	3,402	16,255	94	1	7,747	7,841	24,096	(727)
VP Research Discretionary Fund	2,261	-	-	-	2,261	36	9	45	-	-	2,216	2,216	2,261	-
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89
Sub-total	<b>12,093</b>	<b>-</b>	<b>3,981</b>	<b>9,556</b>	<b>25,630</b>	<b>12,889</b>	<b>3,411</b>	<b>16,300</b>	<b>94</b>	<b>1</b>	<b>9,874</b>	<b>9,968</b>	<b>26,268</b>	<b>(638)</b>
<b>5. Student Support</b>														
Graduate Scholarships	13,818	-	-	-	13,818	1,072	138	1,210	12,608	-	-	12,608	13,818	0
School of Graduate Studies	2,235	-	-	-	2,235	1,223	321	1,544	60	-	770	830	2,374	(139)
Student Affairs	5,361	-	-	27,335	32,696	16,128	3,449	19,578	485	-	13,525	14,010	33,588	(891)
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	1,764	1,764	1,764	(1,764)
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(420)	(420)	(420)	420
Undergraduate Scholarships	16,649	-	-	263	16,912	2,125	-	2,125	14,556	-	231	14,787	16,912	(0)
Sub-total	<b>38,063</b>	<b>-</b>	<b>-</b>	<b>27,598</b>	<b>65,661</b>	<b>20,549</b>	<b>3,908</b>	<b>24,457</b>	<b>27,709</b>	<b>-</b>	<b>15,870</b>	<b>43,579</b>	<b>68,035</b>	<b>(2,374)</b>
<b>6. Facilities Support</b>														
Facilities Services	15,829	-	-	1,975	17,804	12,449	3,924	16,372	-	-	1,705	1,705	18,077	(273)
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,042	4,042	4,042	-
Utilities	23,911	-	-	2,183	26,094	1,667	567	2,234	-	-	26,880	26,880	29,113	(3,019)
Security	1,949	-	-	25	1,974	2,162	528	2,690	-	-	(415)	(415)	2,276	(302)
Deferred Maintenance	11,930	-	-	-	11,930	-	-	-	-	-	11,930	11,930	11,930	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	-
Sub-total	<b>68,684</b>	<b>-</b>	<b>-</b>	<b>4,223</b>	<b>72,907</b>	<b>16,278</b>	<b>5,019</b>	<b>21,297</b>	<b>-</b>	<b>-</b>	<b>55,205</b>	<b>55,205</b>	<b>76,501</b>	<b>(3,594)</b>
<b>7. Institutional Support</b>														
Administration	16,122	-	-	1,691	17,813	12,204	3,474	15,678	-	-	3,075	3,075	18,752	(940)
UTS Asset Management	1,500	-	-	-	1,500	67	23	90	-	-	1,535	1,535	1,625	(125)
UTS/Technology Fund	17,861	-	-	128	17,989	8,901	2,525	11,426	-	-	7,950	7,950	19,376	(1,387)
University Secretariat	912	-	-	-	912	610	178	788	-	-	129	129	917	(5)
President's Office	1,169	-	-	-	1,169	464	134	597	-	-	572	572	1,169	(0)
University Advancement	5,760	-	-	92	5,852	7,113	1,960	9,072	-	-	(2,659)	(2,659)	6,413	(562)
General University	8,864	-	-	2,104	10,968	1,416	177	1,593	-	-	10,886	10,886	12,478	(1,510)
Sub-total	<b>52,188</b>	<b>-</b>	<b>-</b>	<b>4,015</b>	<b>56,203</b>	<b>30,775</b>	<b>8,470</b>	<b>39,245</b>	<b>-</b>	<b>-</b>	<b>21,486</b>	<b>21,486</b>	<b>60,732</b>	<b>(4,529)</b>
<b>8. Institutional Priority allocations</b>														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	1,006	-	-	-	1,006	620	145	765	-	-	1,741	1,741	2,506	(1,500)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>27,698</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,698</b>	<b>620</b>	<b>22,320</b>	<b>22,940</b>	<b>-</b>	<b>-</b>	<b>1,741</b>	<b>1,741</b>	<b>24,681</b>	<b>3,017</b>
<b>Surplus/(Deficit)</b>	<b>669,536</b>	<b>-</b>	<b>13,135</b>	<b>108,977</b>	<b>791,648</b>	<b>405,242</b>	<b>124,638</b>	<b>529,879</b>	<b>35,084</b>	<b>14,576</b>	<b>228,743</b>	<b>278,402</b>	<b>808,282</b>	<b>(16,634)</b>
<i>Under/(over)allocated</i>	-	-	-	(3,538)	(3,538)	-	-	-	-	-	(3,538)	(3,538)	(3,538)	-
<b>Total Surplus/(Deficit)</b>	<b>669,536</b>	<b>-</b>	<b>13,135</b>	<b>105,439</b>	<b>788,110</b>	<b>405,242</b>	<b>124,638</b>	<b>529,879</b>	<b>35,084</b>	<b>14,576</b>	<b>225,205</b>	<b>274,865</b>	<b>804,744</b>	<b>(16,634)</b>

Table 24: Operating Fund 2022/23 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		
<b>1. Faculties</b>														
Business	61,650	-	-	4,754	66,404	33,050	8,060	41,110	1,327	-	23,967	25,294	66,404	0
Engineering	91,921	-	1,598	2,966	96,485	59,964	14,749	74,713	1,828	-	25,434	27,262	101,975	(5,491)
Health Sciences	67,686	65	6,721	34,812	109,284	91,301	23,160	114,461	2,515	(0)	5,171	7,685	122,146	(12,862)
Humanities	24,522	1,253	340	15,595	41,711	30,053	7,226	37,278	696	-	2,669	3,365	40,643	1,067
Science	92,073	-	445	1,997	94,515	55,822	15,401	71,223	416	-	23,203	23,619	94,842	(327)
Medical Radiation - Mohawk share	4,178	-	-	-	4,178	-	-	-	-	-	4,178	4,178	4,178	-
Social Sciences	49,451	570	50	435	50,506	32,507	8,614	41,121	280	-	8,012	8,292	49,413	1,093
Arts & Science	1,322	57	-	-	1,379	1,530	67	1,597	1	-	56	56	1,654	(275)
Sub-total	<b>392,803</b>	<b>1,945</b>	<b>9,154</b>	<b>60,558</b>	<b>464,461</b>	<b>304,226</b>	<b>77,277</b>	<b>381,503</b>	<b>7,062</b>	<b>(0)</b>	<b>92,690</b>	<b>99,752</b>	<b>481,255</b>	<b>(16,794)</b>
<b>2. Academic Priorities</b>														
University Fund	46,896	(1,945)	-	-	44,951	550	-	550	-	-	46,955	46,955	47,505	(2,554)
Revenue Projection Contingency	316	-	-	-	316	-	-	-	-	-	-	-	-	316
Ongoing Priorities Contingency	13,833	-	-	-	13,833	1,821	-	1,821	-	-	(1,823)	(1,823)	(2)	13,835
One-time Priorities Contingency	7,770	-	-	-	7,770	-	-	-	-	-	7,770	7,770	7,770	-
Sub-total	<b>68,815</b>	<b>(1,945)</b>	<b>-</b>	<b>-</b>	<b>66,870</b>	<b>2,371</b>	<b>-</b>	<b>2,371</b>	<b>-</b>	<b>-</b>	<b>52,901</b>	<b>52,901</b>	<b>55,273</b>	<b>11,597</b>
<b>TOTAL ACADEMIC</b>	<b>461,618</b>	<b>-</b>	<b>9,154</b>	<b>60,558</b>	<b>531,331</b>	<b>306,597</b>	<b>77,277</b>	<b>383,875</b>	<b>7,062</b>	<b>(0)</b>	<b>145,591</b>	<b>152,653</b>	<b>536,528</b>	<b>(5,197)</b>
<b>3. Academic Support</b>														
Provost's Office	7,771	-	-	780	8,551	5,866	1,231	7,097	33	-	2,871	2,904	10,002	(1,451)
Museum of Art	623	-	-	192	815	752	230	982	-	-	(167)	(167)	815	(0)
MacPherson Institute	3,517	-	-	75	3,592	2,824	754	3,578	-	-	622	622	4,200	(608)
University Library	21,728	-	-	106	21,834	7,502	2,128	9,630	3	11,571	1,037	12,612	22,242	(409)
Health Sciences Library	4,492	-	-	94	4,586	1,917	544	2,461	-	3,475	(715)	2,760	5,221	(635)
Registrar	5,572	-	-	3,202	8,774	6,915	1,876	8,791	-	-	(128)	(128)	8,663	112
Sub-total	<b>43,703</b>	<b>-</b>	<b>-</b>	<b>4,449</b>	<b>48,152</b>	<b>25,776</b>	<b>6,764</b>	<b>32,540</b>	<b>36</b>	<b>15,047</b>	<b>3,519</b>	<b>18,602</b>	<b>51,142</b>	<b>(2,990)</b>
<b>4. Research Support</b>														
Research	9,832	-	3,981	10,264	24,077	12,971	3,526	16,497	-	1	7,427	7,428	23,925	152
VP Research Discretionary Fund	2,261	-	-	-	2,261	36	9	45	-	-	2,216	2,216	2,261	-
Research Loans	-	-	-	-	-	-	-	-	-	-	(39)	(39)	(39)	39
Sub-total	<b>12,093</b>	<b>-</b>	<b>3,981</b>	<b>10,264</b>	<b>26,338</b>	<b>13,007</b>	<b>3,535</b>	<b>16,542</b>	<b>-</b>	<b>1</b>	<b>9,604</b>	<b>9,605</b>	<b>26,147</b>	<b>191</b>
<b>5. Student Support</b>														
Graduate Scholarships	13,818	-	-	-	13,818	1,082	142	1,224	12,594	-	-	12,594	13,818	0
School of Graduate Studies	2,135	-	-	-	2,135	1,216	327	1,543	60	-	670	730	2,272	(137)
Student Affairs	5,361	-	-	28,074	33,435	16,364	3,548	19,911	485	-	13,545	14,030	33,941	(506)
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	712	712	712	(712)
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(420)	(420)	(420)	420
Undergraduate Scholarships	16,769	-	-	263	17,032	2,125	-	2,125	14,636	-	271	14,907	17,032	(0)
Sub-total	<b>38,083</b>	<b>-</b>	<b>-</b>	<b>28,336</b>	<b>66,419</b>	<b>20,786</b>	<b>4,016</b>	<b>24,802</b>	<b>27,775</b>	<b>-</b>	<b>14,778</b>	<b>42,553</b>	<b>67,355</b>	<b>(936)</b>
<b>6. Facilities Support</b>														
Facilities Services	15,829	-	-	2,094	17,923	12,613	3,920	16,533	-	-	1,678	1,678	18,211	(289)
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,042	4,042	4,042	-
Utilities	23,911	-	-	2,278	26,189	1,682	577	2,260	-	-	28,595	28,595	30,854	(4,666)
Security	1,949	-	-	25	1,974	2,198	543	2,742	-	-	(415)	(415)	2,327	(353)
Deferred Maintenance	11,930	-	-	-	11,930	-	-	-	-	-	11,930	11,930	11,930	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	-
Sub-total	<b>68,684</b>	<b>-</b>	<b>-</b>	<b>4,436</b>	<b>73,120</b>	<b>16,493</b>	<b>5,041</b>	<b>21,534</b>	<b>-</b>	<b>-</b>	<b>56,893</b>	<b>56,893</b>	<b>78,428</b>	<b>(5,307)</b>
<b>7. Institutional Support</b>														
Administration	16,122	-	-	1,710	17,832	12,429	3,558	15,987	-	-	2,908	2,908	18,895	(1,063)
UTS Asset Management	1,500	-	-	-	1,500	67	23	90	-	-	1,675	1,675	1,765	(265)
UTS/Technology Fund	17,861	-	-	128	17,989	9,017	2,576	11,594	-	-	7,590	7,590	19,184	(1,195)
University Secretariat	912	-	-	-	912	622	182	805	-	-	129	129	934	(22)
President's Office	1,169	-	-	-	1,169	473	137	610	-	-	559	559	1,169	(0)
University Advancement	5,760	-	-	92	5,852	6,678	1,841	8,519	-	-	(2,568)	(2,568)	5,952	(100)
General University	8,864	-	-	2,107	10,971	1,460	181	1,641	-	-	11,070	11,070	12,711	(1,740)
Sub-total	<b>52,188</b>	<b>-</b>	<b>-</b>	<b>4,036</b>	<b>56,224</b>	<b>30,747</b>	<b>8,499</b>	<b>39,246</b>	<b>-</b>	<b>-</b>	<b>21,363</b>	<b>21,363</b>	<b>60,609</b>	<b>(4,385)</b>
<b>8. Institutional Priority allocations</b>														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	1,006	-	-	-	1,006	406	104	510	-	-	1,996	1,996	2,506	(1,500)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	<b>27,698</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,698</b>	<b>406</b>	<b>22,279</b>	<b>22,685</b>	<b>-</b>	<b>-</b>	<b>1,996</b>	<b>1,996</b>	<b>24,681</b>	<b>3,017</b>
<b>Surplus/(Deficit)</b>	<b>704,067</b>	<b>-</b>	<b>13,135</b>	<b>112,081</b>	<b>829,283</b>	<b>413,813</b>	<b>127,411</b>	<b>541,224</b>	<b>34,873</b>	<b>15,047</b>	<b>253,745</b>	<b>303,665</b>	<b>844,889</b>	<b>(15,606)</b>
<i>Under/(over)allocated</i>	-	-	-	(3,624)	(3,624)	-	-	-	-	-	(3,624)	(3,624)	(3,624)	-
<b>Total Surplus/(Deficit)</b>	<b>704,067</b>	<b>-</b>	<b>13,135</b>	<b>108,456</b>	<b>825,658</b>	<b>413,813</b>	<b>127,411</b>	<b>541,224</b>	<b>34,873</b>	<b>15,047</b>	<b>250,120</b>	<b>300,040</b>	<b>841,265</b>	<b>(15,606)</b>

Table 25: Operating Fund Annual Net Change by Unit

(\$ thousands)	2019/20		2020/21	2021/22	2022/23
	Budget	Projection	Budget	Plan	Plan
<b>1. Faculties</b>					
Business	424	(3,455)	0	(0)	0
Engineering	(6,767)	8,009	(5,080)	(7,292)	(5,491)
Health Sciences	(8,591)	(2,282)	(6,115)	(8,364)	(12,862)
Humanities	493	1,720	1,241	884	1,067
Science	(7,110)	(10,112)	(2,232)	1,851	(327)
Medical Radiation - Mohawk share	-	(1)	-	-	-
Social Sciences	(443)	1,861	518	(1,580)	1,093
Arts & Science	(44)	(155)	(532)	(365)	(275)
Sub-total	<b>(22,038)</b>	<b>(4,416)</b>	<b>(12,200)</b>	<b>(14,866)</b>	<b>(16,794)</b>
<b>2. Academic Priorities</b>					
University Fund	(17,394)	(2,857)	(7,079)	(2,006)	(2,554)
Revenue Projection Contingency	4,305	(2,483)	(31,492)	316	316
Ongoing Priorities Contingency	5,030	8,931	35	6,835	13,835
One-time Priorities Contingency	618	(1,073)	(654)	3,439	-
Sub-total	<b>(7,442)</b>	<b>2,518</b>	<b>(39,191)</b>	<b>8,584</b>	<b>11,597</b>
<b>TOTAL ACADEMIC</b>	<b>(29,479)</b>	<b>(1,898)</b>	<b>(51,391)</b>	<b>(6,283)</b>	<b>(5,197)</b>
<b>3. Academic Support</b>					
Office of the Provost	(1,564)	(1,854)	(1,706)	(1,711)	(1,451)
Museum of Art	80	(1)	(0)	0	(0)
MacPherson Institute	(612)	(588)	(596)	(507)	(608)
University Library	(327)	(1)	386	250	(409)
Health Sciences Library	350	317	(187)	(393)	(635)
Registrar	(532)	(495)	(381)	128	112
Sub-total	<b>(2,605)</b>	<b>(2,621)</b>	<b>(2,484)</b>	<b>(2,232)</b>	<b>(2,990)</b>
<b>4. Research Support</b>					
Research	(7)	(1,346)	(423)	(727)	152
VP Research Discretionary Fund	141	(4)	0	-	-
Research Loans	89	89	89	89	39
Sub-total	<b>222</b>	<b>(1,262)</b>	<b>(334)</b>	<b>(638)</b>	<b>191</b>
<b>5. Student Support</b>					
Graduate Scholarships	(869)	0	(0)	0	0
School of Graduate Studies	(396)	(310)	(260)	(139)	(137)
Student Affairs	139	(887)	(548)	(891)	(506)
DBAC Building Financing	-	-	-	(1,764)	(712)
DBAC Deferred Maintenance	160	160	160	420	420
Undergraduate Scholarships	0	(2,209)	(0)	(0)	(0)
Sub-total	<b>(966)</b>	<b>(3,245)</b>	<b>(649)</b>	<b>(2,374)</b>	<b>(936)</b>
<b>6. Facilities Support</b>					
Facilities Services	41	(9)	(56)	(273)	(289)
HSC Maintenance	85	9	0	-	-
Utilities	932	245	(93)	(3,019)	(4,666)
Security	(261)	(384)	(276)	(302)	(353)
Deferred Maintenance	0	(0)	(0)	-	-
Bond Interest	0	(0)	-	-	-
Renovation contingency	0	(4)	0	-	-
Sub-total	<b>797</b>	<b>(143)</b>	<b>(425)</b>	<b>(3,594)</b>	<b>(5,307)</b>
<b>7. Institutional Support</b>					
Administration	(729)	(1,949)	(1,398)	(940)	(1,063)
UTS/Technology Fund	(727)	(526)	(2,031)	(1,387)	(1,195)
UTS Asset Management	(88)	(395)	(193)	(125)	(265)
University Secretariat	14	49	3	(5)	(22)
Presidential Budget	14	(143)	63	(0)	(0)
University Advancement	(360)	(249)	(911)	(562)	(100)
General University	86	(612)	85	(1,510)	(1,740)
Sub-total	<b>(1,791)</b>	<b>(3,827)</b>	<b>(4,381)</b>	<b>(4,529)</b>	<b>(4,385)</b>
<b>8. Institutional Priority allocations</b>					
Technology Renewal	4,517	4,517	4,517	4,517	4,517
Marketing & Branding	(600)	(1,505)	1,288	(1,500)	(1,500)
Pension	-	(0)	(0)	-	-
Strategic Priorities	-	-	-	-	-
Sub-total	<b>3,917</b>	<b>3,012</b>	<b>5,805</b>	<b>3,017</b>	<b>3,017</b>
<b>Surplus/(Deficit)</b>	<b>(29,906)</b>	<b>(9,984)</b>	<b>(53,859)</b>	<b>(16,634)</b>	<b>(15,606)</b>
<b>Under/(over)allocated</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>-</b>	<b>-</b>
<b>Total Surplus/(Deficit)</b>	<b>(29,906)</b>	<b>(9,984)</b>	<b>(53,859)</b>	<b>(16,634)</b>	<b>(15,606)</b>

Table 26: Operating Fund 2019/20 Financial Position and Variance by Unit

( \$ thousands)	2019/20 Budget				2019/20 Projection				Favourable (Unfavourable) Variance						
	Appropriations April 30, 2019	On-going	One-time	Total	Appropriations April 30, 2020	Appropriations April 30, 2019	On-going	One-time	Total	Appropriations April 30, 2020	Appropriations April 30, 2019	On-going	One-time	Total	Appropriations April 30, 2020
1. Faculties															
Business	3,699	4,954	(4,530)	424	4,123	3,455	7,880	(11,335)	(3,455)	0	(244)	2,926	(6,805)	(3,879)	(4,123)
Engineering	22,661	(2,939)	(3,828)	(6,767)	15,894	24,248	6,235	1,773	8,009	32,256	1,587	9,175	5,601	14,775	16,362
Health Sciences	42,669	(9,370)	779	(8,591)	34,078	41,243	(6,296)	4,014	(2,282)	38,961	(1,425)	3,074	3,234	6,308	4,883
Humanities	1,647	(2,214)	2,707	493	2,140	2,578	(664)	2,384	1,720	4,298	931	1,550	(323)	1,227	2,158
Science	18,742	(3,023)	(4,087)	(7,110)	11,632	20,363	2,192	(12,304)	(10,112)	10,251	1,621	5,215	(8,216)	(3,002)	(1,381)
Medical Radiation - Mohawk share	0	-	-	-	0	1	(1)	-	(1)	-	-	(1)	-	(1)	(0)
Social Sciences	4,590	(2,068)	1,624	(443)	4,147	6,276	(448)	2,309	1,861	8,137	1,686	1,620	684	2,304	3,990
Arts & Science	1,516	(101)	57	(44)	1,472	1,564	(525)	370	(155)	1,408	48	(425)	313	(111)	(64)
Sub-total	95,524	(14,760)	(7,277)	(22,038)	73,486	99,728	8,374	(12,790)	(4,416)	95,311	4,204	23,134	(5,513)	17,621	21,825
2. Academic Priorities															
University Fund	40,673	10,406	(27,800)	(17,394)	23,278	39,925	6,175	(9,032)	(2,857)	37,068	(748)	(4,231)	18,768	14,537	13,790
Revenue Projection Contingency	4,563	4,305	-	4,305	8,868	4,563	2,080	(4,563)	(2,483)	2,080	-	(2,225)	(4,563)	(6,788)	(6,788)
Ongoing Priorities Contingency	40	5,030	-	5,030	5,070	1,111	29	8,902	8,931	10,043	1,071	(5,000)	8,902	3,902	4,973
One-time Priorities Contingency	(1,712)	10,000	(9,382)	618	(1,094)	(1,712)	10,000	(11,073)	(1,073)	(2,785)	-	-	(1,691)	(1,691)	(1,691)
Sub-total	43,564	29,740	(37,182)	(7,442)	36,122	43,887	18,284	(15,766)	2,518	46,406	323	(11,456)	21,416	9,960	10,283
TOTAL ACADEMIC	139,088	14,980	(44,459)	(29,479)	109,608	143,615	26,658	(28,556)	(1,898)	141,717	4,528	11,678	15,903	27,581	32,109
3. Academic Support															
Office of the Provost	7,675	(1,365)	(198)	(1,564)	6,111	7,877	(1,724)	(130)	(1,854)	6,023	202	(359)	69	(290)	(88)
Museum of Art	(1)	80	-	80	79	1	(24)	23	(1)	0	2	(104)	23	(81)	(79)
MacPherson Institute	2,298	(520)	(92)	(612)	1,686	2,711	(460)	(127)	(588)	2,123	412	60	(35)	25	437
University Library	192	(505)	178	(327)	(135)	544	(114)	113	(1)	543	352	391	(65)	326	678
Health Sciences Library	(356)	(6)	356	350	(6)	(290)	(39)	356	317	27	66	(33)	-	(33)	33
Registrar	1,004	(334)	(198)	(532)	472	1,449	(246)	(249)	(495)	954	445	89	(51)	38	482
Sub-total	10,812	(2,651)	46	(2,605)	8,207	12,291	(2,607)	(14)	(2,621)	9,670	1,479	44	(60)	(16)	1,463
4. Research Support															
Research	877	(972)	965	(7)	870	4,315	(1,317)	(29)	(1,346)	2,969	3,439	(345)	(995)	(1,339)	2,099
VP Research Discretionary Fund	73	141	-	141	213	4	51	(55)	(4)	(0)	(69)	(90)	(55)	(145)	(213)
Research Loans	(654)	89	-	89	(566)	(654)	89	-	89	(566)	(0)	(0)	-	(0)	(0)
Sub-total	295	(743)	965	222	517	3,665	(1,178)	(84)	(1,262)	2,403	3,370	(435)	(1,049)	(1,484)	1,886
5. Student Support															
Graduate Scholarships	403	(869)	-	(869)	(466)	546	0	-	0	546	143	869	-	869	1,012
School of Graduate Studies	(43)	(396)	-	(396)	(439)	8	(285)	(25)	(310)	(302)	51	111	(25)	86	138
Student Affairs	1,951	(1,622)	1,761	139	2,090	4,403	(655)	(231)	(887)	3,517	2,452	967	(1,992)	(1,025)	1,427
DBAC Building Financing	(0)	-	-	-	(0)	-	-	-	-	-	0	-	-	-	0
DBAC Deferred Maintenance	2,541	160	-	160	2,701	2,641	160	-	160	2,801	100	(0)	-	(0)	100
Undergraduate Scholarships	253	(1,000)	1,000	0	253	2,262	76	(2,285)	(2,209)	52	2,009	1,076	(3,285)	(2,209)	(201)
Sub-total	5,105	(3,727)	2,761	(966)	4,139	9,860	(704)	(2,542)	(3,245)	6,615	4,755	3,023	(5,302)	(2,279)	2,476
6. Facilities Support															
Facilities Services	414	41	-	41	455	241	(9)	-	(9)	232	(174)	(50)	-	(50)	(223)
HSC Maintenance	(85)	(0)	85	85	(0)	(9)	(76)	85	9	0	77	(76)	-	(76)	0
Utilities	1,357	932	-	932	2,289	2,840	245	-	245	3,085	1,483	(687)	-	(687)	797
Security	552	(256)	(5)	(261)	291	877	(254)	(130)	(384)	492	325	1	(125)	(124)	201
Deferred Maintenance	(0)	0	0	0	(0)	(0)	(0)	-	(0)	(0)	0	(0)	(0)	(0)	(0)
Bond Interest	(1)	0	0	0	(1)	(1)	(0)	0	(0)	(1)	(0)	(0)	0	(0)	(0)
Renovation contingency	952	0	-	0	952	0	(4)	-	(4)	(4)	(952)	(4)	-	(4)	(956)
Sub-total	3,189	717	80	797	3,986	3,948	(98)	(45)	(143)	3,805	758	(815)	(125)	(940)	(182)
7. Institutional Support															
Administration	2,962	85	(814)	(729)	2,233	5,482	(926)	(1,023)	(1,949)	3,532	2,520	(1,011)	(210)	(1,220)	1,299
UTS/Technology Fund	724	(1,760)	1,034	(727)	(3)	3,162	(2,399)	1,873	(526)	2,635	2,438	(639)	840	201	2,639
UTS Asset Management	(526)	(88)	-	(88)	(614)	321	(395)	-	(395)	(74)	847	(307)	-	(307)	540
University Secretariat	213	25	(11)	14	227	246	56	(8)	49	295	33	31	4	35	68
Presidential Budget	2,226	14	-	14	2,240	2,220	(23)	(120)	(143)	2,077	(6)	(37)	(120)	(157)	(162)
University Advancement	1,259	(360)	-	(360)	899	2,022	(268)	18	(249)	1,773	763	93	18	111	874
General University	0	86	-	86	86	605	(1,112)	500	(612)	(7)	605	(1,198)	500	(698)	(93)
Sub-total	6,859	(1,999)	208	(1,791)	5,067	14,058	(5,067)	1,240	(3,827)	10,231	7,200	(3,067)	1,032	(2,036)	5,164
8. Institutional Priority allocations															
Technology Renewal	(21,283)	-	4,517	4,517	(16,766)	(21,283)	-	4,517	4,517	(16,766)	-	-	-	-	-
Marketing & Branding	1,103	(600)	-	(600)	503	1,503	(1,505)	(0)	(1,505)	(2)	400	(905)	(0)	(905)	(505)
Pension	-	-	-	-	-	-	(0)	-	(0)	(0)	-	(0)	-	(0)	(0)
Strategic Priorities	0	-	-	-	0	-	-	-	-	-	(0)	-	-	-	(0)
Sub-total	(20,180)	(600)	4,517	3,917	(16,263)	(19,780)	(1,505)	4,517	3,012	(16,768)	400	(905)	(0)	(905)	(505)
Surplus/(Deficit)	145,168	5,976	(35,882)	(29,906)	115,262	167,657	15,500	(25,484)	(9,984)	157,673	22,489	9,523	10,398	19,922	42,411
Under/(over)allocated	(0)	4,517	(4,517)	0	(0)	(0)	4,517	(4,517)	(0)	(0)	0	(0)	-	(0)	(0)
Total Surplus/(Deficit)	145,168	10,493	(40,399)	(29,906)	115,262	167,657	20,017	(30,001)	(9,984)	157,673	22,489	9,523	10,398	19,922	42,411

Table 27: Operating Fund Budget and Plan Financial Position by Unit

(\$ thousands)	2020/21 Budget					2021/22 Plan					2022/23 Plan				
	Appropriations April 30, 2020	On-going	One-time	Total	Appropriations April 30, 2021	On-going	One-time	Total	Appropriations April 30, 2022	On-going	One-time	Total	Appropriations April 30, 2023		
1. Faculties															
Business	0	7,028	(7,028)	0	0	10,760	(10,760)	(0)	0	14,333	(14,333)	0	0		
Engineering	32,256	(1,578)	(3,503)	(5,080)	27,176	898	(8,190)	(7,292)	19,883	4,034	(9,525)	(5,491)	14,393		
Health Sciences	38,961	(7,136)	1,021	(6,115)	32,846	(8,665)	301	(8,364)	24,481	(12,833)	(28)	(12,862)	11,620		
Humanities	4,298	(515)	1,756	1,241	5,538	(446)	1,330	884	6,422	(119)	1,186	1,067	7,490		
Science	10,250	4,004	(6,236)	(2,232)	8,019	9,746	(7,895)	1,851	9,870	15,178	(15,505)	(327)	9,542		
Medical Radiation - Mohawk share	-	-	-	-	-	-	-	-	-	-	-	-	-		
Social Sciences	8,137	337	180	518	8,655	2,838	(4,418)	(1,580)	7,075	5,511	(4,418)	1,093	8,167		
Arts & Science	1,408	(879)	347	(532)	877	(635)	270	(365)	512	(332)	57	(275)	238		
Sub-total	95,310	1,262	(13,462)	(12,200)	83,110	14,495	(29,362)	(14,866)	68,244	25,772	(42,566)	(16,794)	51,450		
2. Academic Priorities															
University Fund	37,068	2,921	(10,000)	(7,079)	29,988	14,994	(17,000)	(2,006)	27,982	12,446	(15,000)	(2,554)	25,428		
Revenue Projection Contingency	2,080	(31,492)	-	(31,492)	(29,412)	316	-	316	(29,096)	316	-	316	(28,780)		
Ongoing Priorities Contingency	10,043	35	-	35	10,077	6,835	-	6,835	16,912	13,835	-	13,835	30,747		
One-time Priorities Contingency	(2,785)	10,000	(10,654)	(654)	(3,439)	10,000	(6,561)	3,439	-	10,000	(10,000)	-	-		
Sub-total	46,406	(18,537)	(20,654)	(39,191)	7,215	32,145	(23,561)	8,584	15,799	36,597	(25,000)	11,597	27,395		
TOTAL ACADEMIC	141,716	(17,275)	(34,116)	(51,391)	90,325	46,640	(52,923)	(6,283)	84,042	62,369	(67,566)	(5,197)	78,845		
3. Academic Support															
Office of the Provost	6,023	(1,447)	(259)	(1,706)	4,317	(1,492)	(218)	(1,711)	2,606	(1,550)	99	(1,451)	1,156		
Museum of Art	0	(0)	-	(0)	(0)	0	-	0	0	(0)	-	(0)	0		
MacPherson Institute	2,123	(477)	(119)	(596)	1,527	(455)	(52)	(507)	1,020	(557)	(51)	(608)	413		
University Library	543	(35)	421	386	929	(413)	663	250	1,179	(1,005)	597	(409)	770		
Health Sciences Library	27	(187)	-	(187)	(160)	(393)	-	(393)	(553)	(635)	-	(635)	(1,187)		
Registrar	954	(15)	(366)	(381)	573	128	-	128	700	112	-	112	812		
Sub-total	9,670	(2,162)	(323)	(2,484)	7,185	(2,625)	393	(2,232)	4,953	(3,635)	646	(2,990)	1,963		
4. Research Support															
Research	2,969	(538)	115	(423)	2,546	(727)	-	(727)	1,819	152	-	152	1,972		
VP Research Discretionary Fund	(0)	0	-	0	0	-	-	-	0	-	-	-	0		
Research Loans	(566)	89	-	89	(477)	89	-	89	(388)	39	-	39	(349)		
Sub-total	2,403	(449)	115	(334)	2,069	(638)	-	(638)	1,431	191	-	191	1,622		
5. Student Support															
Graduate Scholarships	546	(0)	-	(0)	545	0	-	0	545	0	-	0	546		
School of Graduate Studies	(302)	(260)	-	(260)	(562)	(139)	-	(139)	(701)	(137)	-	(137)	(838)		
Student Affairs	3,517	(1,307)	759	(548)	2,969	(994)	103	(891)	2,077	(624)	118	(506)	1,571		
DBAC Building Financing	-	-	-	-	-	(1,764)	-	(1,764)	(1,764)	(712)	-	(712)	(2,476)		
DBAC Deferred Maintenance	2,801	160	-	160	2,961	420	-	420	3,381	420	-	420	3,801		
Undergraduate Scholarships	52	(0)	-	(0)	52	(0)	-	(0)	52	(0)	-	(0)	52		
Sub-total	6,615	(1,408)	759	(649)	5,966	(2,477)	103	(2,374)	3,592	(1,053)	118	(936)	2,656		
6. Facilities Support															
Facilities Services	232	44	(100)	(56)	176	(173)	(100)	(273)	(98)	(189)	(100)	(289)	(387)		
HSC Maintenance	0	0	-	0	0	-	-	-	0	-	-	-	0		
Utilities	3,085	(93)	-	(93)	2,993	(3,019)	-	(3,019)	(27)	(4,666)	-	(4,666)	(4,693)		
Security	492	(276)	-	(276)	216	(302)	-	(302)	(85)	(353)	-	(353)	(438)		
Deferred Maintenance	(0)	(0)	-	(0)	(0)	-	-	-	(0)	-	-	-	(0)		
Bond Interest	(1)	-	-	-	(1)	-	-	-	(1)	-	-	-	(1)		
Renovation contingency	(4)	0	-	0	(4)	-	-	-	(4)	-	-	-	(4)		
Sub-total	3,805	(325)	(100)	(425)	3,380	(3,494)	(100)	(3,594)	(214)	(5,207)	(100)	(5,307)	(5,522)		
7. Institutional Support															
Administration	3,532	(909)	(489)	(1,398)	2,134	(1,083)	143	(940)	1,194	(1,379)	316	(1,063)	131		
UTS/Technology Fund	2,635	(2,194)	163	(2,031)	605	(1,521)	134	(1,387)	(783)	(1,195)	-	(1,195)	(1,977)		
UTS Asset Management	(74)	(193)	-	(193)	(267)	(125)	-	(125)	(391)	(265)	-	(265)	(656)		
University Secretariat	295	3	-	3	298	(5)	-	(5)	293	(22)	-	(22)	271		
Presidential Budget	2,077	87	(24)	63	2,140	(0)	-	(0)	2,140	(0)	-	(0)	2,140		
University Advancement	1,773	(934)	24	(911)	862	(562)	-	(562)	301	(100)	-	(100)	201		
General University	(7)	(1,419)	1,504	85	78	(1,510)	-	(1,510)	(1,432)	(1,740)	-	(1,740)	(3,173)		
Sub-total	10,231	(5,560)	1,178	(4,381)	5,850	(4,806)	277	(4,529)	1,321	(4,701)	316	(4,385)	(3,064)		
8. Institutional Priority allocations															
Technology Renewal	(16,766)	-	4,517	4,517	(12,249)	-	4,517	4,517	(7,732)	-	4,517	4,517	(3,215)		
Marketing & Branding	(2)	(0)	1,288	1,288	1,286	0	(1,500)	(1,500)	(214)	0	(1,500)	(1,500)	(1,714)		
Pension	(0)	(0)	-	(0)	(0)	-	-	-	(0)	-	-	-	(0)		
Strategic Priorities	-	-	-	-	-	-	-	-	-	-	-	-	-		
Sub-total	(16,768)	(0)	5,805	5,805	(10,963)	0	3,017	3,017	(7,946)	0	3,017	3,017	(4,929)		
Surplus/(Deficit)	157,672	(27,178)	(26,681)	(53,859)	103,812	32,599	(49,233)	(16,634)	87,178	47,964	(63,570)	(15,606)	71,572		
Under/(over)allocated	(0)	4,517	(4,517)	(0)	(0)	4,517	(4,517)	-	(0)	4,517	(4,517)	-	(0)		
Total Surplus/(Deficit)	157,672	(22,661)	(31,198)	(53,859)	103,812	37,116	(53,750)	(16,634)	87,178	52,481	(68,087)	(15,606)	71,572		

## APPENDIX 4 – SUMMARY BY FUND

Table 28: Consolidated 2019/20 Projection by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
<b>Revenues</b>										
Operating grants	235,684	-	3,390	-	-	-	-	239,074	34,887	273,961
Research grants and contracts	-	196,000	-	-	-	-	-	196,000	(15,308)	180,692
Tuition fees	342,732	-	-	-	-	-	-	342,732	9,745	352,477
Ancillary sales and services	-	-	-	-	-	64,908	-	64,908	0	64,908
Other revenues	139,479	-	12,287	6,875	228	-	35,151	194,020	22,796	216,816
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	45,963	45,963
Investment income (loss)	6,773	-	-	(90,147)	(27,074)	-	-	(110,448)	50,571	(59,877)
Investment income transfer	5,861	-	-	-	(5,861)	-	-	-	-	-
<b>Total revenues</b>	<b>730,529</b>	<b>196,000</b>	<b>15,677</b>	<b>(83,272)</b>	<b>(32,707)</b>	<b>64,908</b>	<b>35,151</b>	<b>926,286</b>	<b>148,654</b>	<b>1,074,940</b>
<b>Expenses</b>										
Salaries, wages and benefits	498,272	111,000	-	-	-	25,460	24,022	658,753	7,467	666,220
All other expenses	187,530	83,000	134,135	277	128	28,215	11,501	444,786	(87,562)	357,224
Amortization expense	-	-	-	-	-	-	-	-	87,556	87,556
Transfers to (from) other funds	35,876	(14,624)	(60,819)	22,750	752	16,226	(161)	0	(0)	-
Debt and financing charges	18,836	-	(10,920)	-	-	7,006	-	14,922	(1,726)	13,196
<b>Total expenses</b>	<b>740,513</b>	<b>179,376</b>	<b>62,396</b>	<b>23,027</b>	<b>880</b>	<b>76,907</b>	<b>35,362</b>	<b>1,118,461</b>	<b>5,735</b>	<b>1,124,196</b>
<b>Excess of revenues over expenses</b>	<b>(9,984)</b>	<b>16,624</b>	<b>(46,719)</b>	<b>(106,299)</b>	<b>(33,587)</b>	<b>(11,999)</b>	<b>(210)</b>	<b>(192,175)</b>	<b>142,919</b>	<b>(49,256)</b>

Table 29: Consolidated 2020/21 Budget by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
<b>Revenues</b>										
Operating grants	235,540	-	3,290	-	-	-	-	238,830	34,964	273,794
Research grants and contracts	-	153,000	-	-	-	-	-	153,000	30,403	183,403
Tuition fees	337,244	-	-	-	-	-	-	337,244	11,886	349,130
Ancillary sales and services	-	-	-	-	-	55,172	-	55,172	0	55,172
Other revenues	138,502	-	11,620	2,787	100	-	33,481	186,490	41,909	228,399
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	45,033	45,033
Investment income (loss)	3,960	-	-	15,781	4,673	-	-	24,414	23,717	48,131
Investment income transfer	5,507	-	-	-	(5,507)	-	-	-	-	-
<b>Total revenues</b>	<b>720,753</b>	<b>153,000</b>	<b>14,910</b>	<b>18,568</b>	<b>(734)</b>	<b>55,172</b>	<b>33,481</b>	<b>995,150</b>	<b>187,912</b>	<b>1,183,062</b>
<b>Expenses</b>										
Salaries, wages and benefits	522,608	86,000	-	-	-	23,009	23,534	655,152	32,216	687,368
All other expenses	217,610	65,000	170,149	1,869	-	27,237	10,463	492,329	(90,244)	402,085
Amortization expense	-	-	-	-	-	-	-	-	93,441	93,441
Transfers to (from) other funds	15,946	(15,566)	(37,715)	20,718	584	16,199	(165)	0	(0)	-
Debt and financing charges	18,448	-	(12,645)	-	-	8,093	-	13,896	(741)	13,155
<b>Total expenses</b>	<b>774,612</b>	<b>135,434</b>	<b>119,789</b>	<b>22,587</b>	<b>584</b>	<b>74,538</b>	<b>33,833</b>	<b>1,161,377</b>	<b>34,672</b>	<b>1,196,049</b>
<b>Excess of revenues over expenses</b>	<b>(53,859)</b>	<b>17,566</b>	<b>(104,879)</b>	<b>(4,019)</b>	<b>(1,318)</b>	<b>(19,367)</b>	<b>(352)</b>	<b>(166,227)</b>	<b>153,240</b>	<b>(12,987)</b>

Table 30: 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
<b>Revenues</b>										
Operating grants	235,021	-	5,970	-	-	-	-	240,991	32,203	273,194
Research grants and contracts	-	202,000	-	-	-	-	-	202,000	(15,846)	186,154
Tuition fees	402,641	-	-	-	-	-	-	402,641	18,630	421,271
Ancillary sales and services	-	-	-	-	-	94,157	-	94,157	(14,158)	79,999
Other revenues	140,981	-	46,351	2,637	100	-	31,588	221,657	12,063	233,720
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	43,907	43,907
Investment income (loss)	4,364	-	-	21,087	6,237	-	-	31,688	19,902	51,590
Investment income transfer	5,103	-	-	-	(5,103)	-	-	-	-	-
<b>Total revenues</b>	<b>788,110</b>	<b>202,000</b>	<b>52,321</b>	<b>23,724</b>	<b>1,234</b>	<b>94,157</b>	<b>31,588</b>	<b>1,193,134</b>	<b>96,701</b>	<b>1,289,835</b>
<b>Expenses</b>										
Salaries, wages and benefits	529,879	113,000	-	-	-	34,177	23,202	700,258	9,063	709,321
All other expenses	232,542	86,000	167,478	2,811	-	33,864	8,659	531,355	(116,544)	414,811
Amortization expense	-	-	-	-	-	-	-	-	100,113	100,113
Transfers to (from) other funds	20,385	(15,107)	(41,263)	19,549	578	16,024	(166)	0	(0)	-
Debt and financing charges	21,937	-	(14,095)	-	-	10,191	-	18,033	(2,356)	15,677
<b>Total expenses</b>	<b>804,744</b>	<b>183,893</b>	<b>112,120</b>	<b>22,360</b>	<b>578</b>	<b>94,256</b>	<b>31,695</b>	<b>1,249,646</b>	<b>(9,724)</b>	<b>1,239,922</b>
<b>Excess of revenues over expenses</b>	<b>(16,634)</b>	<b>18,107</b>	<b>(59,799)</b>	<b>1,364</b>	<b>656</b>	<b>(98)</b>	<b>(107)</b>	<b>(56,511)</b>	<b>106,424</b>	<b>49,913</b>



Table 31: Consolidated 2022/23 Plan by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
<b>Revenues</b>										
Operating grants	234,736	-	5,330	-	-	-	-	240,066	32,800	272,866
Research grants and contracts	-	204,000	-	-	-	-	-	204,000	(13,192)	190,808
Tuition fees	437,368	-	-	-	-	-	-	437,368	23,217	460,585
Ancillary sales and services	-	-	-	-	-	97,335	-	97,335	(15,536)	81,799
Other revenues	144,087	-	110,800	2,559	101	-	31,657	289,205	(52,349)	236,856
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	45,267	45,267
Investment income (loss)	4,820	-	-	21,944	6,505	-	-	33,269	21,647	54,916
Investment income transfer	4,647	-	-	-	(4,647)	-	-	-	-	-
<b>Total revenues</b>	<b>825,658</b>	<b>204,000</b>	<b>116,130</b>	<b>24,503</b>	<b>1,959</b>	<b>97,335</b>	<b>31,657</b>	<b>1,301,243</b>	<b>41,854</b>	<b>1,343,097</b>
<b>Expenses</b>										
Salaries, wages and benefits	541,224	114,000	-	-	-	34,452	23,073	712,750	20,113	732,863
All other expenses	246,122	86,000	154,436	2,545	-	34,107	8,582	531,793	(98,081)	433,712
Amortization expense	-	-	-	-	-	-	-	-	106,731	106,731
Transfers to (from) other funds	32,826	(14,459)	(55,052)	19,065	581	17,207	(169)	0	(0)	-
Debt and financing charges	21,092	-	(17,746)	-	-	9,577	-	12,922	5,276	18,198
<b>Total expenses</b>	<b>841,265</b>	<b>185,541</b>	<b>81,638</b>	<b>21,610</b>	<b>581</b>	<b>95,344</b>	<b>31,486</b>	<b>1,257,465</b>	<b>34,039</b>	<b>1,291,504</b>
<b>Excess of revenues over expenses</b>	<b>(15,606)</b>	<b>18,459</b>	<b>34,492</b>	<b>2,893</b>	<b>1,378</b>	<b>1,991</b>	<b>171</b>	<b>43,778</b>	<b>7,815</b>	<b>51,593</b>

## 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. Income earned from the investment, to the extent it is allocated, is recorded as deferred contributions and recorded as revenue in the periods in which the related expenses are incurred.

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.

3) 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.

4) 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 reflects the long-term nature of the plans and uses management's estimates of investment yields, salary escalation, health care cost trends 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.

5) 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.

6) Endowment capital protection policy: In order to protect the capital value of endowment investments, an endowment capital protection policy limits the amount of investment income allocated for spending to 4%, plus 1% administration spending, and requires the reinvestment of excess income earned (interest, dividends, realized and unrealized capital gains, net of investment expenses). Should endowment spending commitments exceed allocated income, or in fiscal years when investment losses are incurred, annual spending allocations are funded by reinvested investment income accumulated in prior years. For endowments without sufficient accumulated investment income, temporary encroachment on capital is permitted where the terms allow. The encroached amounts will be recovered from future investment returns.

## 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

<b>AMR</b>	Antimicrobial resistance
<b>AODA</b>	Accessibility for Ontarians with Disabilities Act
<b>BIMR</b>	Brockhouse Institute for Materials Research
<b>BIPOC</b>	Black, Indigenous and People of Colour
<b>BWRI</b>	Brighter World Research Initiative
<b>CANS</b>	Centre for Advanced Nuclear Systems
<b>CAUCE</b>	Canadian Association for University Continuing Education
<b>CCE</b>	Center for Continuing Education
<b>CCEM</b>	Canadian Centre for Electron Microscopy
<b>CFI</b>	Canada Foundation for Innovation
<b>COG</b>	Core Operating Grant
<b>COU</b>	Council for Ontario Universities
<b>CPA</b>	Chartered Professional Accountant
<b>CRC</b>	Canada Research Chair
<b>CRDCN</b>	Canadian Research Data Centre Network
<b>CRESS</b>	Centre for Research in Empirical Social Studies
<b>CRKN</b>	Canadian Research Knowledge Network
<b>DB</b>	Defined Benefit
<b>DSB</b>	DeGroote School of Business
<b>EDI</b>	Equity, Diversity, and Inclusion
<b>FHS</b>	Faculty of Health Sciences
<b>FWI</b>	Forward with Integrity
<b>GAAP</b>	Generally accepted accounting principle
<b>HCS</b>	Housing and Conference Services
<b>HR</b>	Human Resources
<b>HSL</b>	Health Sciences Library
<b>IP</b>	Intellectual Property
<b>IPG</b>	Incremental Projects Grant
<b>IQAP</b>	Institutional Quality Assurance Process
<b>ISS</b>	Indigenous Student Services
<b>IT</b>	Information Technology
<b>MA</b>	Master of Arts
<b>MARC</b>	McMaster Automotive Resource Centre
<b>MBA</b>	Master of Business Administration
<b>MCU</b>	Ministry of Colleges and Universities
<b>MD</b>	Medical Doctorate
<b>MGDI</b>	Michael G. DeGroote Initiative for Innovation in Healthcare
<b>MIBI</b>	Multiplex Ion Beam Imaging
<b>MIPBR</b>	McMaster Intense Positron Beam Facility
<b>MIRI</b>	McMaster Indigenous Research Institute
<b>MIS</b>	Management Information System
<b>MIT</b>	Massachusetts Institute of Technology
<b>MNR</b>	McMaster Nuclear Reactor
<b>MPS</b>	Media Production Services
<b>MSI</b>	Major Science Initiatives
<b>MUMC</b>	McMaster University Medical Centre
<b>NFRF</b>	New Frontiers in Research Fund
<b>NO&amp;F</b>	Nuclear Operations and Facilities
<b>OAPPA</b>	Ontario Association of Physical Plant Administrators
<b>OBPS</b>	Output Based Pricing System
<b>OER</b>	Ontario Electricity Rebate
<b>OREC</b>	Ontario Rebate for Electricity Consumers
<b>OSAP</b>	Ontario Student Access Program
<b>PfAD</b>	Provision for adverse deviation
<b>PGCLL</b>	Peter George Centre for Living and Learning
<b>PRB</b>	Post-retirement benefit
<b>PVP</b>	Presidents and Vice-Presidents
<b>RRSP</b>	Registered Retirement Savings Plan
<b>RSF</b>	Research Support Fund
<b>S&amp;P</b>	Standard & Poors
<b>SAG</b>	Student Access Guarantee
<b>SANS</b>	Small Angle Neutron Scattering
<b>SF</b>	Square Feet
<b>SGS</b>	School of Graduate Studies
<b>SMA</b>	Strategic Mandate Agreement
<b>SPICES</b>	Student Proposals for Intellectual Community and Engages Scholarship
<b>TRC</b>	Truth and Reconciliation Commission of Canada
<b>UA</b>	University Advancement
<b>UTS</b>	University Technology Services
<b>VPR</b>	Vice-President Research
<b>WGU</b>	Weighted Grant Units