Ancillary Budget Guidelines

For the fiscal years 2020/21, 2021/22 and 2022/23
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1 INTRODUCTION

The Ancillary Budget Guidelines are provided as a budget development framework to ensure consistency across the University. The budget for 2020/21 will be developed in the Hyperion system, which is integrated with the PeopleSoft system. The 2019/20 projection and 2020/21 budget submissions in Hyperion will be transferred into PeopleSoft after the budget process for 2020/21 is finalized. A brief overview of the Hyperion submission is given in Section 5.

2 INFORMATION AND CHANGES FOR 2020/21

The following is a list of key information and changes and is not intended to be exhaustive:

- The budget planning horizon will cover the three-year period 2020/21 to 2022/23. Submissions should include updated projections for 2019/20. The 2020/21 budget should be based on a detailed analysis by department and program which will be used as the benchmark for actual results, while 2021/22 and 2022/23 may project revenue and expenses at the envelope level, incorporating major changes. The specific budget approval will be limited to the 2020/21 fiscal year while the future years remain a working document.

- The budget cycle will continue to be divided into two phases:
  - Phase 1 June to October: Support units prepare budgets and activity units prepare a 5 month review.
  - Phase 2 November to March: Activity and ancillary units prepare budgets.

- Budget presentation conferences will continue to be attended by the Budget Committee, as well as by Deans and faculty Directors of Administration to provide feedback. The review, submission and presentation schedule is shown in Section 3.

- NEW A new benefits taskforce was convened this year to review benefit rates with the goal of minimizing costs to departments, as well as reviewing whether benefits are funded using a consistent approach. As a result of this review and new information about the defined benefit pension plan, the average rate should decrease. More details are available in section 4.4.2.

- NEW The new Budgeting website now contains a section on Preparation of Budgets which outlines the various steps for preparing budgets. [https://financial-affairs.mcmaster.ca/services/budgeting/guidelines-for-preparation-of-budgets/](https://financial-affairs.mcmaster.ca/services/budgeting/guidelines-for-preparation-of-budgets/)

- NEW There are new budget submission templates which have been revised this year and highlight important information in the main part of the narrative, with appendices for Budget Committee and for Budgeting Services. Please be sure to download the updated template for the 2020/21 budget from the Budget Guidelines and Templates section of the Budgeting Services web site. [https://financial-affairs.mcmaster.ca/services/budgeting/budget-guidelines-and-templates/](https://financial-affairs.mcmaster.ca/services/budgeting/budget-guidelines-and-templates/) The short timeline for presentations results in a large amount of material to be reviewed in a short period of time. It is strongly recommended to limit narrative submissions to no more than 12 pages plus appendices.
• The provincial Strategic Mandate Agreement (SMA) was renewed effective May 1, 2017. This agreement supports McMaster’s institutional strategy, and budgeted activities must contribute to achievement of its stated objectives. In order to meet institutional reporting requirements, each envelope must report achievement of SMA commitments and SMA goals for the next three years. These items should be highlighted in point form in Section 4.3 of the narrative for Ancillaries.

• Please note the following information to be included in the budget submission narrative:
  
  o Benchmarks and performance indicators in section 3 should include employee engagement survey results. Any external benchmarks should be limited to comparable Canadian universities.
  
  o All assumptions must be consistent with these guidelines and no deviations are allowed. Envelope Managers should highlight concerns in their narrative submissions.
  
  o A section outlining budgeted positions is included in the narrative. While the FTEs calculated in Hyperion are based on hours worked, this Section 5.2 focuses on trends in fully-staffed complement. Details of requirements are included in the narrative template. For the 2020/21 budget, FTEs will be calculated by Hyperion based on the hours forecast for each employee. This calculation will be consistent with the FTEs used as a driver in the budget model, which includes hours worked by all employees as recorded in the HR payroll system through salary accounts. For more information, please see Section 4.5 and Appendix F.
  
  o Budget submissions should include details of strategies for maximizing revenues, minimizing costs, contributing to the University (4.5% of sales), and achieving balanced budgets. Examination of alternative processes and consideration of partnerships with other areas (centralized or decentralized) to achieve greater administrative efficiency are encouraged.
  
  
  o Details and explanations of all one-time revenue and expenses must be provided (see Appendix C). Please note that contractually limited appointments (CLAs) are not considered to be a one-time expense unless the position will not continue.
  
  o Reasons for major variances (>100K and 10%) of the 2019/20 projection and 2020/21 budget from original budget and prior year actual must be explained.
  
  o Details of transfers outside your envelope balancing to your submission must be provided in the appendix to your narrative. Before including a transfer in your budget you must confirm that the other side of the transfer has been budgeted. A report template will be provided in Hyperion.

• Hyperion will be used for entering and managing budgets. Information on how to use Hyperion is available in the Mosaic Resources section of the Budgeting Services web site. Refresher
training sessions will be announced. Assumptions for salary increases in accordance with collective agreements and benefit rates in accordance with rates approved by the Budget Committee will be loaded into Hyperion to facilitate calculation of the compensation budget. The 2020/21 budget in Hyperion will be entered the PeopleSoft GL after approval. Refer to Section 4.2 for more information.

- The Adjusted Budget forms introduced in June 2018 will be open for input to 2019/20 in Hyperion throughout the year. Any changes made in the Adjusted Budget dimension can be copied into the budget. Please refer to the training material on the Budgeting Services web site or contact your Budgeting Services representative (see Section 5) for more information.

- Form 1.1.2.2 Existing Employees Override will accept changes to labour account numbers for budgeting purposes. Any changes to the HR system still require completion of the HR Event Form.

- Appendix F *Frequently Asked Questions* will be updated as further questions arise and posted to the Budgeting Services web site.
3 SUBMISSION AND PRESENTATION TIMETABLE

The dates for the various budget envelope submissions and presentations are shown in the table below. The Vice-President of your envelope must review and approve your budget before it is forwarded to Budgeting Services. Material must be submitted to Budgeting Services on the specified date for review at the following Budget Committee meeting. Workflow is used in Hyperion to transfer control of the budget from submitter to approver within the envelope. Please submit the final narrative (in Word format) and financial report electronically to your Budgeting Services representative (see contact information in Section 5) for presentation to Budget Committee.

At the budget presentation, assume that the group has reviewed the material provided. Be prepared to highlight your key points, which should be limited to 10 minutes. Following your presentation there will be a total of 20 minutes scheduled for discussion of the budget submission and feedback from the Budget Committee, Deans, and Directors of Administration.

<table>
<thead>
<tr>
<th>Unit</th>
<th>Submit to Budgeting Services</th>
<th>Present to Budget Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campus Stores</td>
<td>First draft to D. Henne and A. Coldwell January 24, 2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Feedback from R. Couldrey and D. Henne will be sent by February 7, 2020.</td>
<td></td>
</tr>
<tr>
<td>Hospitality Services</td>
<td>Final version to be sent to A. Coldwell by February 20, 2020 for discussion at the Administrative Strategies Team meeting February 26, 2020.</td>
<td>April 1, 2019</td>
</tr>
<tr>
<td>Housing &amp; Conference Services</td>
<td>Due in Budgeting Services March 11, 2020</td>
<td></td>
</tr>
<tr>
<td>Parking</td>
<td>*Budgets matching the narrative submission must be fully loaded into Hyperion on due dates above.</td>
<td></td>
</tr>
<tr>
<td>Media Production Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centre for Continuing Education</td>
<td>March 11, 2020</td>
<td>April 1, 2020</td>
</tr>
</tbody>
</table>
4  BUDGET SUBMISSIONS

The Budget Committee requests a written plan for all envelopes. Submissions that project an ongoing (structural) deficit (see Appendix C) must include a detailed plan as discussed with the Vice-President outlining how the deficit will be eliminated.

Envelope managers are encouraged to set priorities for their units. This means that envelope managers should prepare a summary for the total envelope and the choices that have been made among the different units within the envelope, rather than describing the activities of each individual unit.

4.1 NARRATIVE

- Updated narrative templates for ancillaries units in Word format may be downloaded from the Downloads section of the Budgeting Services web site.

- Hyperion summary tables of major variances and transfers to be included in narrative may be found in the Downloads section of the Budgeting Services web site.

4.2 HYPERION BUDGET ENTRY

Instructions on how to use the Hyperion system are available under the Hyperion Resources section of the Budgeting Services web site. The website also includes a section on preparing budgets, including various the various steps involved. A schedule of group training sessions will be emailed to all Hyperion users at the start of each budget cycle. One-on-one support is available from your Budgeting Services representative (contact information in Section 5).

Important: Transfers must be entered at the account level in order to balance on a consolidated basis. Interest and debt repayment should also be entered at the account level.

For the 2019/20 projection, Hyperion will be pre-populated with all monthly actual revenue, expense and appropriation results up to October. The remainder of the planning periods will be pre-populated as follows:

- Salaries and benefits are calculated using year-to-date actuals plus projections based on the current data for each employee.
  - Actual results for May through October will be loaded into the 2019/20 projection, and Hyperion will project salaries and benefits for all years based on employee master data loaded from the HR system in November.
  - Salaries and wages will be calculated using merit and step increase assumptions for each employee group.
  - Benefits will be calculated using statutory and employer rates for each employee group and salary/wage level.
  - Tables showing the rate assumptions are available in Hyperion under 1.2.1.2.5 Labour Source Data & Assumptions. This data is STRICTLY CONFIDENTIAL.

- Revenue and non-salary operating expense totals are based on the 2019/20 budget for both 2019/20 projection and 2020/21 budget. 2021/22 and 2022/23 will be left blank. Plans for
2021/22 and 2022/23 are required by type of expense but do not need to be entered at the individual account level, with the exception of transfers, interest and debt repayment.

- Reserves are updated to the actual amount.

All Smart View comments and supporting detail cells have been carried over from the previous budget cycle, however the numbers have been updated as described above.

- Numbers from the previous budget may be restored using the Smart View copy functions.
- Numbers in supporting detail cells may be restored by editing the supporting details and submitting.
- Instructions on how to use these functions are available in the Hyperion Reference Guide Opex Module within Hyperion Resources on the Budgeting Services web site.

You will be notified when the forms and reports are available in Hyperion. A formatted report for submission to the Budget Committee will be available in “Reports” in Hyperion.

4.3 Revenues, Recoveries and Transfers

Provide a justification for any price or fee changes. Discuss how any fee change will impact operations and/or contributions to the University operating budget. Outline who your major customers are and the impact of your proposed price or fee changes on other units.

Ancillaries may receive internal and external revenue and recoveries, and may have internal transfers within the University. External revenue and recoveries represent new money to the University, while internal revenue, recoveries and transfers move money around between departments.

Revenues include the possibility of a gain or loss. External revenues would include grants, sales, fees, donations, and sponsorships. Internal revenues are generated when one University unit provides goods or services to another and receives more than the direct cost (i.e. receives a profit or overhead factor). This would include lab fees, registration for McMaster conferences, and ancillary sales. External revenue is shown in Hyperion in categories Government Grants, Tuition Fees, Research Overhead, Sales, and Investment Income. Internal revenue is included with Research Overhead and Internal Revenue in Hyperion.

Recoveries represent a reimbursement of an actual cost, with no possibility of gain or loss. Recoveries may be from internal or external sources. The amount received just recovers an amount already paid, with no profit or overhead built in. This commonly includes all or part of payroll, equipment or supply costs. Internal recoveries are included with Internal Revenue in Hyperion. External recovery accounts are shown in the Other Revenue category in Hyperion. Specific salary and benefit recoveries are categorized with salaries and benefits in Hyperion/PeopleSoft.

Transfers can be used for any internal transaction with the exception of internal revenue, and are included in the Transfer category in Hyperion. Generally, accounts on both sides of the entry must be the same. Please refer to Appendix E for a complete list of transfer accounts and a decision tree to determine the correct account to use. Any transfers budgeted must be confirmed with the envelope on the other side. A Hyperion report balancing to the transfers budgeted at the envelope level must be included in your narrative budget submission.
4.4 **Expenditures**

Below are the salary, benefits, and operating expenditure guidelines to be used to develop the 2019/20 budget. Salary increase and benefit rate assumptions will be loaded into Hyperion along with data for each employee and will be used to calculate salary, benefit, and FTE forecasts.

4.4.1 **Salaries and Wages**

Changes in staff complement should be budgeted on the expected effective date of the change. Since the University’s fiscal year is May 1 through April 30, this may result in less than a full year’s expense and calculated FTE.

Salary and wage increase assumptions as approved by the Budget Committee have been built into Hyperion. These assumptions are based on the collective agreements in currently effect, government directives, and future across-the-board increases. Any lump sums included in collective agreements have not been included in increase rates and should be budgeted as a hedge. *Salary increase assumptions are for modelling purposes only.*

A complete list of salary accounts and related benefit accounts is provided in Appendix D, along with a table of all union groups and the correct account(s) to use for each.

On November 22, 2017, the provincial government passed Bill 148, *Fair Workplaces, Better Jobs Act, 2017*, which introduced equal pay for equal work based on employment status and increases to the minimum wage. Although the new government has introduced Bill 47, *Making Ontario Open for Business Act, 2018*, which repealed the January 1, 2019 increase to minimum wage. There may be additional impacts to individual envelopes from the equal pay for equal work requirement if not already reflected in the HR system. Please contact Human Resources to discuss any required action.

On June 5, 2019, the Ontario government announced Bill 124, *An Act to implement moderation measures in respect of compensation in Ontario’s public sector.* "This Act will likely become law in Fall 2019. The provisions, if passed, will apply for a period of three years upon the expiration of existing collective agreements. It would not apply retroactively to collective agreements that are currently in force, but when they expire. The compensation cap is an average of one percent for all employees under the collective agreement for each 12 month period. Increases in salary rates for a position or class of position during this period must not be greater than one percent; increases may be lower." As a result of the Ontario government’s announcement and in anticipation that this legislation will be passed, the salary assumptions have been amended in consideration of the compensation cap.

4.4.2 **Benefits**

The benefit costs charged to departments consist of the employer share of statutory government remittances, pension contributions, insurance and surcharges. Employee Benefits Task Force 2 (BTF2) was established in 2018 to address two key topics. The first topic included reviewing the current benefit rates as to their competitiveness and to see if they could be reduced going forward. The second topic included a review of the principles and methodologies which the university is using to allocate employee benefit costs to departments and projects with recommendations for changes where appropriate. As a result of the BTF2 recommendations, the average rate (defined as a TMG employee in the defined benefit plan earning $90,000 per year) has been reduced from 33.22% in the 2019/20 budget to 29.66% for the 2021/22 plan.
For 2019/20 and 2020/21, the employer contribution to the pension plan has been lowered from 175% to 150% of employees’ contributions for the budget year; this is based on changes to the pension legislation and updated projection analysis. Savings will be realized by departments and faculties as a positive variance in the benefit expense line. For 2021/22 and 2022/23 high level planning should assume 125%.

Other changes from the task force include:

- The MUFA Child Care Surcharge has changed from a percentage of salary rate to a flat dollar rate, since the benefit to individual employees does not depend on salary level. The rate to be charged for 2020/21 is $778.05 per employee; for planning purposes, the rate in 2021/22 will remain at $778.05 and in 2022/23 will decrease to $681.54 per employee.

- Paid Education Leave (PEL) and Social Justice Fund, previously charged to the benefits surcharge, will now be charged directly to departments similar to CPP.

The extended health and dental premiums will increase by 3% in 2020/21, as costs are trending higher than the current rate charged; premium increases for 2021/22 and 2022/23 are projected at 3% per year.

The new MUFA and TMG dependents/spouse external tuition bursary/reimbursement program for undergraduate and graduate programs where the student is enrolled at an accredited post-secondary institution within Canada, other than McMaster comes into effect July 1, 2019 with first payments scheduled for fall 2020. These have been included in new benefit surcharge. The rate to be charged in 2020/21 will be $301.57 per employee (MUFA) and $233.55 per employee (TMG); for planning purposes, the rate in 2020/21 and 2021/22 will remain the same.

Tables showing the components and computation of benefit rates are available in the Benefit Rates section of the Budgeting Services web site. [https://financial-affairs.mcmaster.ca/benefit-tables/](https://financial-affairs.mcmaster.ca/benefit-tables/) The rates in these tables are used in the Hyperion labour planning module to calculate benefits based on salary level. This year a benefits rate taskforce was convened to review how benefits are funded. Changes to actual charge-out rates are possible if more information becomes available.

### 4.4.3 Professional Development Allowances

<table>
<thead>
<tr>
<th></th>
<th>TMG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,500 per year</td>
</tr>
</tbody>
</table>

### 4.4.4 Non-Salary Expenses

#### 4.4.4.1 Occupancy Cost

For ancillary and support units that pay for occupancy costs, base space charges are aligned with the budget model. Base services provided by Facility Services are incorporated into the rent rates. There will continue to be additional charges for enhanced and special services as negotiated by each unit. Details of rent calculations are included in Appendix A. Insurance will be charged separately based on actual premiums paid.

Costs of space are assigned based on the prior year actual space inventory (on a slip-year basis) unless otherwise notified by Budgeting Services for large new buildings opening mid-year. Changes in assigned
space will be reflected in the following year’s projections, thus occupancy cost adjustments for approved relinquished space will take effect for the next budget cycle. Any unit wishing to relinquish underutilized space should provide information on the type and amount of space and the desired timeframe for relinquishing it their envelope Vice-President by December 31, 2019. The VPs will assess if the relinquished space is of a type and configuration that would be usable by another unit. The VP and/or Space Management Committee will make all reasonable attempts to match the space to known needs expressed by other units, however, the unit to which the space was originally assigned will remain responsible for the occupancy cost until the end of the next budget cycle.

4.4.4.2 CAPITAL EQUIPMENT

Please refer to the capitalization policy and provide an explanation of significant expenditures. Asset categories, dollar thresholds and account numbers are summarized in Appendix F.

4.4.4.3 SCHOLARSHIPS AND BURSARIES

Identify separately, all amounts paid directly to students.

4.4.4.4 SUPPLIES AND EXPENSES

All non-salary expenditure not itemized above. Please note that Microsoft software is now provided through McMaster’s site license. The cost of individual licenses should not be budgeted.

4.5 EMPLOYEE FULL-TIME EQUIVALENT (FTE)

FTEs will be calculated by Hyperion based on the hours forecast for each employee. This calculation includes hours worked by all employees as recorded in the HR payroll system through salary accounts. FTEs are the actual time worked compared to standard hours for that position. For example, if a department has 3 part-time employees working a total of 70 hours per week with standard 35 hours per week, the department has 2 FTEs.

Information about actual paid FTEs for all employee groups is available to envelope managers through Hyperion.

Please refer to the FAQs in Appendix F for additional details on FTEs.

4.6 CONTRIBUTION TO THE OPERATING BUDGET

Ancillary operations make a critical contribution to the financial health of the University Operating Budget. The contribution is based on a percentage of the two slip-year gross sales by ancillary operation as detailed in the audited financial statements (i.e. the 2018/19 contribution is based on the 2016/17 audited statements).

The ancillary contribution rate has been set throughout the budget period, as detailed below. The contributions on sales exclude:

- Campus Store technical department sales
- Campus Store course materials sales
- Media Production Services internal sales to the Campus Store for further resale
- Media Production Services sales to Mohawk

<table>
<thead>
<tr>
<th>McMaster University</th>
<th>2019/20 Projection</th>
<th>2020/21 Budget</th>
<th>2021/22 Plan</th>
<th>2022/23 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media Production Services</td>
<td>Contribution rate: 4.5%</td>
<td>Sales: 4,190,282</td>
<td>4,330,405</td>
<td>4,480,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less sales to Mohawk: -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less custom courseware: 380,706</td>
<td>399,190</td>
<td>399,190</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Base sales: 3,809,576</td>
<td>3,931,215</td>
<td>4,080,810</td>
</tr>
<tr>
<td></td>
<td>Total contribution: 171,400</td>
<td>176,900</td>
<td>183,600</td>
<td>179,100</td>
</tr>
<tr>
<td>Housing &amp; Conference Services</td>
<td>Sales: 27,231,101</td>
<td>27,792,002</td>
<td>32,764,626</td>
<td>33,409,147</td>
</tr>
<tr>
<td></td>
<td>Total contribution: 1,225,400</td>
<td>1,250,600</td>
<td>1,474,400</td>
<td>1,503,400</td>
</tr>
<tr>
<td>Hospitality</td>
<td>Sales: 27,641,057</td>
<td>27,240,397</td>
<td>30,149,658</td>
<td>30,869,540</td>
</tr>
<tr>
<td></td>
<td>Total contribution: 1,243,800</td>
<td>1,225,800</td>
<td>1,356,700</td>
<td>1,389,100</td>
</tr>
<tr>
<td>Campus Store</td>
<td>Sales: 15,897,274</td>
<td>14,907,558</td>
<td>14,753,330</td>
<td>14,742,744</td>
</tr>
<tr>
<td></td>
<td>Total contribution: 215,700</td>
<td>218,100</td>
<td>255,500</td>
<td>270,000</td>
</tr>
<tr>
<td>Parking</td>
<td>Sales: 5,820,861</td>
<td>6,221,566</td>
<td>6,021,683</td>
<td>6,121,683</td>
</tr>
<tr>
<td></td>
<td>Total contribution: 261,900</td>
<td>280,000</td>
<td>271,000</td>
<td>275,500</td>
</tr>
<tr>
<td>CCE</td>
<td>Sales: 7,182,956</td>
<td>7,758,850</td>
<td>7,789,974</td>
<td>8,030,299</td>
</tr>
<tr>
<td></td>
<td>Total contribution: 323,200</td>
<td>349,100</td>
<td>350,500</td>
<td>361,400</td>
</tr>
<tr>
<td>Total</td>
<td>Total sales: 87,963,532</td>
<td>88,250,778</td>
<td>95,959,271</td>
<td>97,553,413</td>
</tr>
<tr>
<td></td>
<td>Less adjustments: 11,483,798</td>
<td>10,460,272</td>
<td>9,473,990</td>
<td>9,141,318</td>
</tr>
<tr>
<td></td>
<td>Base sales: 76,479,734</td>
<td>77,790,506</td>
<td>86,485,281</td>
<td>88,412,095</td>
</tr>
<tr>
<td></td>
<td>Total contribution: 3,441,400</td>
<td>3,500,500</td>
<td>3,891,700</td>
<td>3,978,500</td>
</tr>
</tbody>
</table>

4.7 Interest Charges

Interest will be charged if the total of accounts receivable, inventory, and reserve is a debit balance. The short-term interest rate is set by Treasury as the 12-month actual average rate of the previous fiscal year. The rate to be charged beginning May 1, 2020 is 1.8%. This rate should be used throughout the planning period.

4.8 Operating Surplus (Deficit)

The expectation of the Budget Committee is that the envelope is in either surplus or balanced position in each fiscal year. Envelopes with an operating deficit should bring forward a plan as discussed with the Vice-President on how to achieve a balanced budget. Carry forward amounts are not meant to be used to support ongoing operations.

4.9 Reserves

Reserves are calculated on the budget submission report. The in-year operating surplus (deficit) is added/subtracted to the opening envelope reserve to determine the ending balance at April 30.
5 CONTACT INFORMATION

If you have any questions or concerns regarding the Operating Budget please contact your Budgeting Services representative:

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iain Clarkson</td>
<td>21960</td>
<td><a href="mailto:iclarks@mcmaster.ca">iclarks@mcmaster.ca</a></td>
</tr>
<tr>
<td>Paola Morrone</td>
<td>23934</td>
<td><a href="mailto:morronep@mcmaster.ca">morronep@mcmaster.ca</a></td>
</tr>
<tr>
<td>Vacant - TBC</td>
<td>28688</td>
<td></td>
</tr>
<tr>
<td>Chris Sylvester</td>
<td>24766</td>
<td><a href="mailto:sylvest@mcmaster.ca">sylvest@mcmaster.ca</a></td>
</tr>
<tr>
<td>Carly Welch</td>
<td>27026</td>
<td><a href="mailto:welchcm2@mcmaster.ca">welchcm2@mcmaster.ca</a></td>
</tr>
</tbody>
</table>

The Budget Committee would like to thank you in advance for your continued commitment and effort in building a fiscally sound and accountable budget that will provide a secure future for McMaster.
## APPENDIX A – 2020/21 RENT

**Total rent charge:**

<table>
<thead>
<tr>
<th>2019/20 Projection incl PGCLL</th>
<th>2020/21 Budget</th>
<th>2021/22 Plan</th>
<th>2022/23 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>NASM Rent excl. insurance</td>
<td>NASM Total Rent Rate</td>
<td>NASM Rent excl. insurance</td>
<td>NASM Total Rent Rate</td>
</tr>
<tr>
<td><strong>Campus Store</strong></td>
<td><strong>1,725</strong> $</td>
<td><strong>465,062</strong></td>
<td><strong>1,698</strong> $</td>
</tr>
<tr>
<td><strong>Hospitality</strong></td>
<td><strong>4,027</strong> $</td>
<td><strong>1,085,834</strong></td>
<td><strong>4,017</strong> $</td>
</tr>
<tr>
<td><strong>Housing &amp; Conference Services</strong></td>
<td><strong>81,984</strong> $</td>
<td><strong>3,448,738</strong></td>
<td><strong>87,294</strong> $</td>
</tr>
<tr>
<td><strong>Housing &amp; Conference Services - Commons Building</strong></td>
<td><strong>787</strong> $</td>
<td><strong>212,085</strong></td>
<td><strong>787</strong> $</td>
</tr>
<tr>
<td><strong>Housing &amp; Conference Services - Revised Total</strong></td>
<td><strong>82,771</strong> $</td>
<td><strong>3,660,823</strong></td>
<td><strong>88,080</strong> $</td>
</tr>
<tr>
<td><strong>Continuing Education</strong> (Space with 1500 SF = 140 NASM credit)</td>
<td><strong>1,776</strong> $</td>
<td><strong>478,891</strong></td>
<td><strong>1,776</strong> $</td>
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<tr>
<td><strong>MPS</strong></td>
<td><strong>513</strong> $</td>
<td><strong>138,189</strong></td>
<td><strong>425</strong> $</td>
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<tr>
<td><strong>Parking</strong></td>
<td><strong>113</strong> $</td>
<td><strong>30,371</strong></td>
<td><strong>113</strong> $</td>
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</table>

**Rent rate breakdown:**

<table>
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<tr>
<th>2016/19 Budget</th>
<th>2019/20 Budget</th>
<th>2020/21 Plan</th>
<th>2021/22 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buildings</strong></td>
<td><strong>8.16</strong> $</td>
<td><strong>8.16</strong> $</td>
<td><strong>8.16</strong> $</td>
</tr>
<tr>
<td><strong>Logistics and Mail Services</strong></td>
<td><strong>4.16</strong> $</td>
<td><strong>4.16</strong> $</td>
<td><strong>4.16</strong> $</td>
</tr>
<tr>
<td><strong>Design &amp; Construction</strong></td>
<td><strong>4.64</strong> $</td>
<td><strong>4.64</strong> $</td>
<td><strong>4.64</strong> $</td>
</tr>
<tr>
<td><strong>Grounds</strong></td>
<td><strong>4.85</strong> $</td>
<td><strong>4.85</strong> $</td>
<td><strong>4.85</strong> $</td>
</tr>
<tr>
<td><strong>Facilities Central Admin OH</strong></td>
<td><strong>15.24</strong> $</td>
<td><strong>15.24</strong> $</td>
<td><strong>15.24</strong> $</td>
</tr>
<tr>
<td><strong>Renovation Contingency</strong></td>
<td><strong>5.01</strong> $</td>
<td><strong>5.01</strong> $</td>
<td><strong>5.01</strong> $</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>$42.07</strong></td>
<td><strong>$42.07</strong></td>
<td><strong>$42.07</strong></td>
</tr>
<tr>
<td><strong>Custodial Services</strong></td>
<td><strong>22.04</strong> $</td>
<td><strong>22.04</strong> $</td>
<td><strong>22.04</strong> $</td>
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<tr>
<td><strong>Facilities Maintenance Service (incl FHS Deployed)</strong></td>
<td><strong>34.11</strong> $</td>
<td><strong>34.11</strong> $</td>
<td><strong>34.11</strong> $</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td><strong>118.82</strong> $</td>
<td><strong>118.82</strong> $</td>
<td><strong>118.82</strong> $</td>
</tr>
<tr>
<td><strong>Deferred Maintenance</strong></td>
<td><strong>52.60</strong> $</td>
<td><strong>52.60</strong> $</td>
<td><strong>52.60</strong> $</td>
</tr>
<tr>
<td><strong>Total rent rate</strong></td>
<td><strong>$269.63</strong></td>
<td><strong>$269.63</strong></td>
<td><strong>$269.63</strong></td>
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</tbody>
</table>

* Excludes charges billed directly to Housing and Conference Services

---

13
## APPENDIX B – 2020/21 BUDGET CYCLETIMELINES

<table>
<thead>
<tr>
<th>Week of</th>
<th>IRA</th>
<th>Facility Services</th>
<th>Budgeting Services</th>
<th>Support Units</th>
<th>Budget Committee</th>
<th>Deans</th>
<th>Activity Units</th>
<th>Ancillary Units</th>
</tr>
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<tbody>
<tr>
<td>Jun 24/19</td>
<td></td>
<td>finalize NASM</td>
<td>issue support unit guidelines</td>
<td></td>
<td>Approve FY19 benefits &amp; support unit guidelines</td>
<td></td>
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<tr>
<td>Jul 1/19</td>
<td></td>
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<td>Jul 22/19</td>
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<td>Jul 29/19</td>
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<td>May 4/20</td>
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</tbody>
</table>

**Key Dates and Activities:**
- **Jun 24/19:** Finalize NASM.
- **Jul 1/19:** Issue support unit guidelines.
- **Aug 19/19:** Finalize FY19 actual revenue.
- **Aug 19/19:** Send FY19 actual allocations to Budget Committee.
- **Aug 26/19:** Issue FY20 estimated allocations.
- **Sep 16/19:** Send FY19 actual and FY20 estimated allocations to Budget Committee.
- **Sep 23/19:** Issue FY19 actual & FY20 estimated allocations.
- **Sep 30/19:** Issue activity & ancillary unit guidelines without allocations.
- **Oct 21/19:** Written feedback on presentations due.
- **Nov 4/19:** Send activity unit allocations to Budget Committee.
- **Nov 11/19:** Support unit budget presentations 31st/1st/4th.
- **Nov 18/19:** Send 5 Month Review to PRC.
- **Nov 25/19:** Approve activity & ancillary unit guidelines without allocations.
- **Dec 2/19:** Send support unit resubmissions to Budget Committee if necessary.
- **Dec 9/19:** Review support unit submissions.
- **Dec 16/19:** Finalize revenue estimates.
- **Dec 23/19:** Support unit budget presentations.
- **Dec 30/19:** Activity & ancillary unit presentations.
- **Jan 6/20:** Finalize revenue estimates.
- **Jan 13/20:** Send budget submissions to Budget Committee & Deans.
- **Jan 20/20:** Send activity unit allocations to Budget Committee.
- **Jan 27/20:** Review activity unit allocations.
- **Feb 3/20:** Update revenue estimates.
- **Feb 10/20:** Review activity unit allocations.
- **Feb 17/20:** Send consolidated budget draft.
- **Feb 24/20:** Review consolidated budget draft.
- **Mar 2/20:** Send final consolidated budget draft.
- **Mar 9/20:** Review consolidated budget.
- **Mar 16/20:** Activity & ancillary unit presentations.
- **Mar 23/20:** Final consolidated budget.
- **Mar 30/20:** Activity & ancillary unit presentations.
- **Apr 6/20:** Final consolidated budget.
- **Apr 13/20:** Final consolidated budget.
- **Apr 20/20:** Review consolidated budget draft.
- **Apr 27/20:** Send final consolidated budget.
- **May 4/20:** Approve final consolidated budget.
APPENDIX C – ONGOING VS. ONE-TIME REVENUE AND EXPENDITURE GUIDELINES

It is important to separate one-time from ongoing items within budget reporting to be able to clearly identify if a unit’s funding/revenue can sustain its level of operations on a continual basis.

**Ongoing expenditures**

An ongoing item is one that is incurred in the normal operations of a unit. It is a part of the regular activities and required on a continual basis for the efficient and productive running of the unit. Examples would be salaries and benefits for permanent employees, supplies, telecommunications, printing, computer purchases (if done on a rotating basis through the unit), and travel.

**One-Time Expenditures**

One-time items are those that would occur within a single reporting period and which are unlikely to recur in the future, although they could cross over multiple reporting periods. These would be items that are not part of the normal activities of a unit. Examples would be severance payments, consultants/contractual staffing used for a specific time-defined project, computer purchase that would be large and one-time (system replacements), large capital purchases, large renovations.

**Structural Deficit**

A structural deficit occurs when the regular ongoing costs within a unit exceed the regular ongoing revenue/allocation for that unit. This means that the income is not sufficient to cover the costs of regular ongoing operations. A structural deficit in the ongoing operations of a unit cannot be sustained as it shows that the unit will not be able to cover its costs on a continual basis. A deficit in the ongoing operations of a unit may not be considered a structural deficit if there is a reasonable strategy to address the deficit.

**One-Time Deficit**

A budget deficit may be incurred in a particular year within an area due to one-time expenses. This does not mean that the deficit will occur in all years, as the expenses will reduce to normal levels once the one-time event has been completed.

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Structural deficit</th>
<th>One-time deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ongoing</td>
<td>One-time</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,000</td>
<td>50</td>
</tr>
<tr>
<td>Expenses</td>
<td>1,050</td>
<td>1,050</td>
</tr>
<tr>
<td>Surplus (deficit)</td>
<td>(50)</td>
<td>50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year 2</th>
<th>Structural deficit</th>
<th>One-time deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ongoing</td>
<td>One-time</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,000</td>
<td>0</td>
</tr>
<tr>
<td>Expenses</td>
<td>1,050</td>
<td>1,050</td>
</tr>
<tr>
<td>Surplus (deficit)</td>
<td>(50)</td>
<td>0</td>
</tr>
<tr>
<td>Cumulative surplus (deficit)</td>
<td>(100)</td>
<td>50</td>
</tr>
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</table>

A structural deficit will continue to build and is unsustainable. A one-time deficit can be covered by surpluses in other years.
### APPENDIX D – LABOUR/BENEFIT ACCOUNT MAPPING

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<th>Description</th>
<th>Benefit Account</th>
<th>Description</th>
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<td>510001</td>
<td>Benefits Academic FT</td>
</tr>
<tr>
<td>500005</td>
<td>Academic Ceil GUAR/Other</td>
<td>510005</td>
<td>FB PT Other Academic</td>
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<tr>
<td>500131</td>
<td>Academic Teach Track</td>
<td>510131</td>
<td>FB Academic - Teach Track</td>
</tr>
<tr>
<td>500111</td>
<td>Academic Admin Stipend</td>
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<td>Benefits Academic FT</td>
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<td>500002</td>
<td>Academic FHS Stipend</td>
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<td>FB Academic FHS Stipend</td>
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<td>Academic - CLA</td>
<td>510121</td>
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<td>FB PT Academic</td>
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<td>Salary Masters Student Foreign</td>
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<td>Salary PostDoc Fellows Foreign</td>
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APPENDIX E – TRANSFER ACCOUNTS

**DO** use transfer accounts on journal entries
**DO** use the same transfer account on both sides of the entry
**DO** use the accounts in black below

**DON’T** use on deposits, vouchers, purchase requisitions, etc.
**DON’T** use the accounts in gray below (reserved for the offices as shown)

**Transfer between MAC01 & other business units**

- **NO**
  - Don’t use transfer accounts
  - Other business units (e.g., DIV01, EXHAH, EXHAP, etc.) are external entities. Use revenue or expense accounts.

**Transfer within the same fund**

- **NO**
  - Within the same envelope
    - 480040/480050 General
    - 480000 Operating allocation
    - 480099 Appropriations
  - Between envelopes
    - 480050 General
    - 480005 UF allocation (Provo)
    - 480105 Exam fees (Registrar)

- **YES**
  - 20 to 20

- **NO**
  - Within the same envelope
    - 480040/480050 General
    - 480099 Appropriations
  - Between envelopes
    - 480050 General

- **YES**
  - 30 to 30 or 45 to 45

- **NO**
  - Subgrants
    - 480050 Debit & credit

- **YES**
  - 50 to 50 or 55 to 55

- **NO**
  - Subgrants
    - 480040 Debit
    - 480050 Credit

- **YES**
  - 80 to 80 or 85 to 85

**Transfer between different funds**

- **NO**
  - Miscellaneous
    - 480150 Any inter-fund transfer not listed
  - Research (Between all funds & 50/55/80/85)
    - 480925 Internal research awards
    - 480150 Subgrants between FHS & MRF
      - (FHS debit 480150/credit 480950)
    - 480920 Research to Capital (Facility Services)
    - 480200 Residuals (MRF/FHS Research)
  - Trust (Between all funds & 70/75/77)
    - 480700 General
    - 480770 Matching funds to trust
    - 480772 Investment Income (Financial Affairs)
    - 480750 Income allocation (Financial Affairs)
    - 480751 Administration (Financial Affairs)
  - Capital (Between all funds & 60)
    - 480900-480920 All transfers (Facility Services)
  - Research Royalties
    - 489100 Revenue distribution (MILQ)
  - Ancillary (Between 20 & 30)
    - 480055 Internal rent (Financial Affairs)
    - 480065 Operating contribution (Financial Affairs)
### Transfer accounts are used only for journal entries within MAC01. Both sides of the journal entry must use the same account number except as noted on lines below. They may not be used for deposits or expenses.

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<th>Specifically Externally Funded</th>
<th>Research</th>
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</table>

#### 1. Transfers within the same Fund

**General transfers**
- Within the same budget envelope
  - 480040
  - 480040
  - 480040
- To/from a different budget envelope
  - 480050
  - 480050
  - 480050

**Specific transfers**
- Operating allocation
  - 480000
  - Allocations of central operating funds per the budget framework.
- University Fund specific allocations
  - 480005
  - Allocations from the University Fund to activity units for specific purposes, and to support units for on-going funding - entry initiated by the Provost’s Office.
- University Fund funded priorities
  - 480010
  - Used only in the University Fund to record the total of current funding awarded by the Budget Committee.
- Appropriation transfers
  - 480099
  - 480099
  - 480099
  - May be used to transfer appropriation balances between departments/programs within the same envelope. Appears below the total surplus/deficit, before net income.
- Deferred exam fee transfers
  - 480105
  - Transfer fee revenue to Faculties - entry initiated by the Registrar’s Office.
- Internal research subgrants
  - 480050
  - 480050
  - 480050
  - Subgrants to research projects within the same Fund.
- Research residuals
  - 480200
  - 480200

#### 2. Transfers between different Funds

**General transfers not specified below**
- 480150
- 480150
- 480150
- 480150
- 480150
- 480150
- 480150
- 480150

**Internally funded research awards**
- 480925
- 480925
- 480925
- 480925
- 480925
- Grants funded by Faculty departments, transferred to research projects. If the original source is Trust, Fund 55 or 85 must be credited.

**Research subgrants between projects**
- 480150
- 480150

**Research overhead income**
- CRC
  - 475002 Cr
  - 475002 Cr
  - 480005 Dr
  - 480005 Dr
- ERA
  - 475003 Cr
  - 475003 Cr
  - 480005 Dr
  - 480005 Dr
- Contract overhead
  - 475004 Cr
  - 475004 Cr
  - 480005 Dr
  - 480005 Dr
- Research royalties
  - 489100
  - 489100
  - 489100
  - Royalties earned on intellectual property - entry initiated by MILO.

**Ancillary/Operating internal rent**
- 480055
  - 480055
  - Rent charge for specified departments reimbursing Facility Services - entry initiated by Financial Services.

**Ancillary contribution to Operating**
- 480065
  - 480065
  - Percentage of ancillary sales contributed to operating funds.

**Capital from all Funds**
- 480200
  - 480900
  - 480910
  - Restricted to Facility Services for capital transfers.

**Research to Capital**
- 480200
  - 480900
  - 480920
  - 480920
  - Transfer from research projects for capital - initiated by Facility Services.

#### 3. Trusts

**Between Trust and all ledgers**
- 480000
  - 480000
  - 480000
  - 480000
  - 480000
  - 480000
  - 480000
  - 480000
  - Almost exclusively transfers out of Trusts Fund 77. On rare occasions may be a transfer to trusts.

**Investment income allocated (75 to 77)**
- 480750
  - Restricted to Financial Affairs department - allocation from Fund 75 to 77 for trust spending.

**Required match from other Funds to Trust**
- 480770
  - 480770
  - 480770
  - 480770
  - 480770
  - Used only for matching funds transferred to trust as per trust gift agreement.

**Interest transfer to Operating**
- 480772
  - 480772
  - 480772
  - 480772
  - Restricted to Financial Affairs department - Investment income from internal endowments allocated to Fund 20 for spending.

**Trust administration to Advancement**
- 480751
  - 480751
  - 480751
  - Restricted to Financial Affairs department - administration fee charged to trusts.

*Trust funding transferred to research through operating: Revenue is recognized in trust when transferred, expense in trust in account 480700 when transfer made [received in operating in 480700], transfer from operating to research (55/85) in 480315 which nets in expense.
APPENDIX F – FREQUENTLY ASKED QUESTIONS

General

1. How do appropriations and carry-forwards work? How do we show them?

Appropriations and carry-forwards are unspent (surplus) or overspent (deficit) funds from the previous year. Appropriations or carry-forwards are shown at the bottom of the budget submission form. The opening balance for a particular year should be the closing balance from the prior year for each category.

Total revenue, expenses and appropriations for all types (ongoing and one-time) are summarized in the last lines of the form.

A_6000 Surplus/Deficit: The total of revenue and expense before reallocation of appropriations within the envelope for the type (On-Going, One-Time or All Type) selected in the point of view.

A_480099 Appropriation transfer: Optional reallocation of appropriations between departments and programs within the same envelope and fund.

A_3000 Net Income: The total increase or decrease during the year after all revenue, expense and appropriation transfers for the type (On-Going, One-Time or All Type) selected in the point of view. Note that this total could be different than the Deficit or (Surplus) – All Types if the point of view has selected only On-Going or One-Time.

Total Revenue – All Types: The total of all ongoing and one-time revenue.

Total Expenses – All Types: The total of all ongoing and one-time expenses.

Deficit or (Surplus) – All Types: The net of all ongoing and one-time revenue and expenses.

Appropriation Transfers – All Types: The net of all ongoing and one-time appropriation transfers.

Opening Appropriations – All Types:

    Actual and 8 Month Review: Actual ending appropriations carried forward from the prior year

    Budget: Ending appropriations carried forward in the current forecast

PS Adjustments – All Types: Actual year-to-date journal entries to appropriation accounts in PeopleSoft GL. The only entries to appropriations should be corrections of errors occurring in the prior year-end roll-over.

Closing Appropriations – All Types: Total of Deficit/(Surplus), Opening Appropriations, Appropriation Transfers, and PS Adjustments

2. Why is there such a long time between submission and presentation?

Budgeting Services needs the time to review budget submission prior to forwarding it to Budget Committee. The Budget Committee also needs time to review the submission before the meeting.
3. **What are Ancillaries?**

Ancillaries are units that operate as profit centres. They generate their own revenue to cover both the direct and indirect expenses of their operations. The University has six areas that operate as profit centres. They are:

- Campus Store
- Centre for Continuing Education
- Hospitality Services
- Housing & Conference Services
- Media Production Services
- Parking

4. **If your budget is rolled up into a larger unit, how do you know what your allocation is?**

To get your allocation you can contact your Director of Administration, Business Manager or Budgeting Services.

**Revenue and Funding**

1. **How do we budget for recoveries received for work done by part-time employees? When do we use the 'Recoveries' line?**

Normally, recoveries for part-time staff (Work-study, MacWork) go directly against the salary account where the salary is paid from. In some cases departments may wish to use a part-time salary recovery account (541801).

**Salary**

1. **How are FTEs calculated? What about FTTEs?**

FTEs are not head counts. For Unifor and TMG staff, FTEs are calculated based on time worked as a proportion of total hours available in the year, depending on the standard work week of that employee:

- 35 hours/week = 1,825 hours/year
- 37.5 hours/week = 1,955 hours/year
- 40 hours/week = 2,086 hours/year

For employees working a total of 1,217 hours in a year on a position with a standard work week of 35 hours, the calculation would be:

\[
\frac{1,217 \text{ hours worked}}{1,825 \text{ hours available}} = 0.67 \text{ FTE}
\]

Faculty FTTEs (full-time teaching equivalent) are normally the same as FTEs, and are not needed on the submission.

2. **Where can I find details of my FTEs?**

A report showing actual and projected hours and the resulting FTE calculation is part of the Hyperion labour planning module forms under 1.2.1.2 LABOUR. Total hours by employee are available on
1.1.2.3 Labour Hours Input. Details of FTE by employee are available on 1.2.1.2.1 Variance Report Detail by Employee.

3. **Do you count contract positions?**

All hours paid to employees through the HR payroll system are counted toward FTE.

4. **What salary and wage assumptions will be used?**

Salary expense estimates calculated through Hyperion will be based on the signed collective agreements with McMaster University. For estimates in the absence of specific salary details, assume the continuation of the current contract or agreement including, where applicable, across the board, scale, merit, and CPM increases. Assumptions used in the Hyperion labour planning module may be viewed in the forms under 1.2.1.2.5 Labour Source Data & Assumptions. Salary estimates are for modelling purposes only.

5. **How should positions undergoing evaluation be handled?**

Budget the salary costs at the expected pay rate after evaluation, including any retroactive amounts that may be payable. Adjustment may be made to the employee’s hourly rate through Hyperion on form 1.1.2.2 Existing Employees Override, with retroactive payments entered as a hedge.

**Benefits**

1. **Most of my staff are single and I have consistently been under budget in benefits when using this formula? Can I revise the formula?**

The benefit rates prepopulated as part of the assumptions in Hyperion consist of a factor for each employee group that will bring the overall rate closer to the actual charges. If the resulting calculation is unreasonable, a hedge may be entered.

2. **Do you have to budget MPDA even if staff never use it?**

Yes. MPDA budgets must be allocated as long as the employee is part of the department.

**Non-salary**

1. **How can I tell which account to use for capital?**

Projects performed by Facility Services and funded from operating accounts must use transfer account 480910. Minor renovations and alterations should be charged to account 620000. Other accounts outlined in the capital assets policy are summarized below. For full details refer to the Capital Assets policy at https://financial-affairs.mcmaster.ca/app/uploads/2018/07/Capital-Assets-Accounting-Policy-_2019_Final.pdf
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<tr>
<td>Equipment Under $5,000</td>
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<tr>
<td>Vehicles Over $5,000</td>
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<td>Vehicles Under $5,000</td>
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<tr>
<td>Furniture &amp; Fixtures Over $5,000</td>
<td>610015</td>
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<tr>
<td>Furniture &amp; Fixtures Under $5,000</td>
<td>610016</td>
</tr>
<tr>
<td>Computer Hardware Over $5,000</td>
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<tr>
<td>Computer Hardware Under $5,000</td>
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</table>

Assets with a useful life of greater than one year

<table>
<thead>
<tr>
<th>COMPUTER SOFTWARE</th>
<th>Code</th>
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<tbody>
<tr>
<td>One-time Software License Over $5,000</td>
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<td>One-time Software License Under $5,000</td>
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<tr>
<td>Software Fees (other than one-time)</td>
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One-time License: Perpetual right to use the software without an ongoing subscription fee

<table>
<thead>
<tr>
<th>FACILITIES PROJECTS</th>
<th>Code</th>
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<tr>
<td>Renovations &amp; Alterations Under $200,000</td>
<td>620000</td>
</tr>
<tr>
<td>Renovations &amp; Alterations Over $200,000</td>
<td>620100</td>
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Generally projects less than $200,000 do not extend the useful life of the asset