

MEMORANDUM

Date: June 11, 2009
To: Board of Governors
From: Peter George
Re: 2009/10 Consolidated Budget

The 2009/10 Draft Consolidated Budget will be presented to the Board of Governors on June 18th. The University will spend approximately \$830 million in the next year on capital, research and operating activities, an increase of 3% over the 2008/09 projection.

The Budget Committee has spent countless hours developing the Operating Budget, and their efforts are to be acknowledged. Operating budget expenditures are expected to rise by 7% to \$484.5 million while revenues will rise by only 3% to \$457.6 million, resulting in an operating deficit of \$26.9 million. All of this deficit relates to one-time expenditures while the ongoing budget of the University is balanced within the context outlined in the document. This context proposes the financing of some pension deficit payments directly through reserves (\$3.8 million) and the financing of post-retirement benefits on a cash basis. The aggregate of these post-retirement benefits costs not charged to the operating budget is approximately \$20.2 million per annum.

The Budget Committee has followed its practice of conservatism to develop this plan, relying only on known revenues and costing all expenses based on historical or known costs.

While I commend the work to achieve this budget position for 2009/10 in the wake of these challenging economic times, the campus community must be mindful that this one-year budget does not fully address the significant short-term and long-term financial challenges that the University is facing.

The Operating Budget for 2009/10 has addressed the approximately \$20 million impact of inflation on the University's operating expenditures through new revenue generation and cost-saving strategies. Many areas have undergone restructuring and downsizing, some new hiring has been frozen or delayed, course offerings are under review, sections are being reduced and non-critical expenditures have been deferred. Budget envelope managers have been able to draw down their financial reserves to support their interim restructuring plans and one-time expenditures. These reserves are projected to slowly disappear, and this is not a long-term solution for managing our rising expenditures. Despite the implementation of these strategies, many of our faculties have operating deficits and accumulated debt.

I am very concerned about the financial health of the University. The impact of the current economic climate has significantly reduced our investments held for pensions and endowments. Expenses are continuing to rise at a rate greater than revenue. Based on our financial modeling and barring further

provincial government intervention, the University will be facing significant pension deficit payments for a minimum of the next 10 years. These payments are currently at \$9 million per year, and are expected to rise. The source of the funds to pay for these deficit payments has not been fully factored into 2009/10 operations. This will require significant cost cutting in 2010/11 to address the impact of inflation as well as the pension deficit. Employees will be asked to contribute more into their pension plan, and the University will have to allocate a greater percentage of the operating budget to fund this plan. As if that were not enough, the decline in endowment investment returns will also stretch the resources of the operating budget. We currently rely on our endowment investment proceeds to fund approximately \$21 million of expenditures. Already we have had to freeze expenditures from some of our endowments, and we are re-examining the expenditure rate for future years. The uncertainty around investment returns presents a significant exposure and risk to the University. The rising cost of post-retirement benefits that are currently funded on a cash basis in the operating budget will grow to double-digit millions of dollars, adding an even greater burden on the operating budget. Finally, the need to finance the unfunded portion of capital projects from future operations over a long period of time increases overall financial risk and has added \$2 million of debt and financing charges to the 2009/10 operating and ancillary budget. This amount is projected to increase over the next few years to finance approved capital projects.

These challenges amount to a minimum of \$50 million in new annual costs that the University will have to fund in the next few years. This will be a major challenge and will cause a great deal of tension and stress to our community.

The Presidents' Advisory Committee to Address the Impact of the Current Economic Situation (PACICES) was formed to bring together members of the University community to provide advice on how best to tackle this financial crisis. The Committee has been diligently reviewing all of the financial and non-financial information that will inform its recommendations. I expect to receive these recommendations in a few weeks. In the meantime, management has moved forward with a number of initiatives required to achieve a balanced budget position in 2009/10.

On a positive note, representatives of the provincial government have indicated that they intend to introduce a new five-year funding plan for universities and colleges, a *Reaching Higher 2* plan, with the 2010 Budget, but it is not yet clear how much additional operating funding will be provided and for what purposes.

Finally, one-time year-end funding from MTCU was received in April 2009. This funding is a welcome relief as it gives us some surplus, unexpected funds to set aside for the next budget year. However, it does reinforce the ongoing difficulty in communicating the impact of provincial funding received at the end of Ontario's fiscal year. This funding is unpredictable. It also creates what can seem like mixed messaging in that we have a surplus of funds while at the same time we are discussing significant financial challenges. There has been, and continues to be, criticism of our budgeting process and approach in light of these surpluses and whether they should be used for ongoing rather than one-time expenses. Given the uncertainty of many of our revenue sources, I believe that it is still prudent to be cautious and conservative. The work of the Alternative Budget Model Committee will be releasing its report in the next few weeks, and this will guide the preparation of future budgets for the University.



McMASTER UNIVERSITY

2009/10

CONSOLIDATED BUDGET

Approved by the Board of Governors

June 2009

Executive Summary

The 2009/10 Consolidated Budget presents the alignment and allocation of resources to support the Mission and Vision of the University. Market conditions that have threatened revenue streams and the burden of rising costs have increasingly made it more difficult to fund all areas of the University adequately. It is the Operating Budget of the University that is most challenged by the impact of declining revenues and increasing costs. Budget envelope managers have addressed significant challenges again this year, being required to absorb inflationary costs entirely. The 2009/10 Operating Budget is projecting total expenditures of approximately \$484.5 million against expected revenues of \$457 million resulting in a deficit of \$26.8 million. This deficit relates entirely to one-time expenditures (see **Table 9d**) while the ongoing budget of the University is balanced within the context proposed by management. This context proposes the financing of some pension deficit payments directly through reserves and the financing of post-retirement benefits on a cash basis. The aggregate of these post retirement benefit costs not charged to the operating budget is approximately \$20.2 million per annum.

The Budget Committee has recommended that the University use appropriations to finance the one-time expenditures, consistent with previous years. This use of reserves and appropriations is a short-term strategy and can only continue as long as there are available cash resources.

The Finance Committee and the President's Advisory Committee reviewing the impact of the current economic condition have been presented with financial modeling to 2013. The rising deficit in each of our models is staggering and will present a significant challenge to the University unless the University takes significant action. The solution to creating fiscal stability rests in adopting a more strategic and focused approach to allocate resources to support key core mission initiatives, maximizing revenues and dramatically constraining costs. The University must make significant progress to address rising expenditures that strain financial sustainability and threaten the long-term financial viability of the organization.

Uncertainty creates challenges in the preparation of the consolidated budget. 2008 will be remembered as a year like no other with events such as the Brandon Hall fire and the economic downturn. Add to these the uncertainty regarding funding from the Ministry, grant applications, student enrolment, investment returns, dollar fluctuations, collective bargaining outcomes and success of research applications. The economic downturn in 2008 had an immediate and significant financial impact on the University, and there is concern that the 2009/10 fiscal period will have an even greater negative impact on the University. Economic conditions have resulted in investment losses for pension plans and endowments. The impact of these is outlined in detail in this budget.

In June 2007, the Board of Governors of McMaster University approved the 2007/08 Consolidated Budget and a three-year financial plan that eliminated the in-year, ongoing operating deficit¹ of the University by 2009/10.

¹ Also referred to as the Structural Deficit.

The University had established and communicated the key goals of the three-year plan. The plan was to:

- eliminate the in-year, ongoing deficit within three to five years
- allow the university to make strategic faculty and staff appointments
- make the changes that enable McMaster to move forward, recognizing that the *status quo* is not an option
- focus the University on its strategic areas

The 2009/10 consolidated budget is the final year in the three-year plan. Through diligent planning efforts and support from the campus community, management has made significant steps to deliver on these key goals.

- The operating deficit resulting from one-time expenditures is being managed through the use of internal appropriations and reserves.
- Review and restructuring is underway in both academic and non academic areas.
- Strategic investments have supported graduate expansion initiatives, investments in libraries, technology infrastructure renewal, and major interdisciplinary research opportunities and advocacy.

The University has delivered a conservative consolidated financial plan – a plan that accounts for revenues that are known and certain, and estimates expenses based upon actual projections or historical experience.

The operating environment continues to tighten with pressures on both revenue and expense. The greatest pressure is compensation with unfunded post-retirement benefits and special pension deficit payments. The weaker operating position results in narrowing of the debt service coverage ratio, a guideline established to monitor the level of debt that the University is taking on to provide new facilities to support growth and demand for space. Declining internal endowment and operating fund appropriation balances will continue in 2009/10, falling to \$93.3 million and \$24.3 million, respectively. Attention is firmly focused on improving the operating results over the next few years and stabilizing the balances in reserves and funds.

It was agreed at the outset of the 2009/10 budget planning process that the current budget model would remain intact and the new budget model would be used in 2010/11 to shadow the current model.

As in previous years, the University operating budget does not address the unfunded current service cost of non-pension post-retirement benefits. In 2009/10 the benefit rate has been increased to generate a small sinking fund (\$750,000) to offset some of these future costs. These costs represent extended health and dental benefits that will be provided to active employees upon retirement, and are estimated to be in excess of \$4,800 per covered active employee per year.

The 2008/09 fiscal year is projected to finish with an \$8.3 million deficit. Of this deficit \$22.0 million of one-time payments were funded from previous appropriations leaving the ongoing or structural budget in a surplus position. On April 1, 2009, the University received an influx of one-time provincial funds. The \$6.4 million of new funds received were provided on a “one-time” only basis and not as an increase to the base budget allocation. These funds are designated to be used as follows:

- \$2.7 million to fund accessibility – this represents full funding for undergraduate enrolment
- \$2.4 million to fund quality initiatives
- \$1.3 million to fund sustainability issues (defined as financial pressures caused by the economic downturn)

Tables 1 and 3 provide details of the projected financial results of operations for 2008/09.

Turning our attention to the 2009/10 fiscal period there are key qualifications that relate to the success of this plan:

- Budget envelopes will continue to absorb approximately \$20 million of inflationary increases, including salary and wage increases, within existing budget envelopes.
- Enrolment in the Business School will continue to grow. The Business School Burlington expansion project has submitted a revised financial plan reflecting the timing of private, regional and municipal donations. The plan extends an additional two years to achieve a balanced budget.
- Internally restricted reserves will be used for one final year to fund a portion of the pension deficit not covered by the Health and Benefit reserves.
- Non-pension post-retirement benefits will continue to be funded on a cash basis only.
- Significant action will be taken to constrain compensation increases, starting with the freezing of all senior administrative salaries – President to Deans.
- New program funding will be sufficient to cover new program expenses.
- Financial markets are expected to generate modest investment returns of 3%.

Academic and non-academic planning initiated in 2008/09 continues through the next fiscal period. The Provost has initiated several task forces focused on comprehensive evaluations and reviews of the budget model for the University, the evaluation, accountability and measurement processes of the University, and innovative teaching strategies.

The Vice-President (Administration) has undertaken a complete review of all administrative activities under the “Inspiring Transformation” initiative and will continue the restructuring of services focused on improving service and efficiency, resulting in cost savings.

Table 1 provides a summary of the financial plan and an overview of the operating revenues and expenses of the University from 2008/09 to 2009/10.

Table 1: University Operating Budget – Two-Year Financial Plan

(\$ thousands)	2008/09	2008/09	2009/10
	Budget	Projection	Budget
Revenue	347,590	364,683	378,949
Net Expenditures (Ongoing)	349,535	351,055	378,928
Under/(Over) Allocation of Framework	(532)	25	(21)
Surplus/(Deficit) (Ongoing) (A)	<u>(2,477)</u>	<u>13,653</u>	<u>(0)</u>
Net Expenditures (One-time) (B)	15,459	21,971	26,850
Surplus/(Deficit) (C = A - B)	<u>(17,936)</u>	<u>(8,318)</u>	<u>(26,850)</u>
Opening Appropriations (D)	48,462	59,451	51,133
Expensed in the Year	0	0	0
Ending Appropriations (E = C + D)	<u>30,526</u>	<u>51,133</u>	<u>24,283</u>

Excluding the Faculties of Business and Health Sciences

Revenue	282,559	291,263	302,320
Net Expenditures (Ongoing)	280,495	281,115	303,108
Under/(Over) Allocation of Framework	(532)	25	(21)
Surplus/(Deficit) (Ongoing) (A)	<u>1,532</u>	<u>10,173</u>	<u>(809)</u>
Net Expenditures (One-time) (B)	8,577	12,650	17,155
Surplus/(Deficit) (C = A - B)	<u>(7,045)</u>	<u>(2,477)</u>	<u>(17,965)</u>
Opening Appropriations (D)	27,407	35,425	32,948
Expensed in the Year	0	0	0
Ending Appropriations (E = C + D)	<u>20,362</u>	<u>32,948</u>	<u>14,983</u>

Operating budget revenue is expected to grow to \$378 million (2.2%) supported by increased Ministry of Training, Colleges and Universities (MTCU) funding and tuition income; however investment interest and donations will decline. Expenses will increase by 7.9% to \$378.9 million; an additional \$26.9 million of expenses will be funded by appropriations, resulting in a total university operating expenditure of \$405.8 million.

Appropriated operating fund balances will decline, but will continue to provide a cushion during these turbulent financial times.

Undergraduate enrolment will be held to current levels despite increased demand. Following strong graduate growth in 2008 (12%), graduate applications have increased this year, resulting in greater confidence of achieving graduate enrolment targets. This is the final year of the current provincial tuition policy, and McMaster will maximize its opportunity for tuition increases. International undergraduate student enrolment has partially rebounded and was up by 6% from the previous year in 2008/09.

The President's Advisory Committee on the Impact of the Current Economic Situation (PACICES) is preparing recommendations to guide the University's planning for future years. This committee has been meeting since early 2009 to gain a better understanding of the impact of the economic downturn on the University.

While considerable attention and effort has been focused on addressing fiscal challenges, there have also been significant achievements across campus.

- Growth in research grants and awards, highlighting McMaster's success in competing for peer-reviewed research funding and in attracting and retaining top researchers
- National and international recognition and awards for McMaster researchers
- High satisfaction results in student surveys
- The Campaign for McMaster tops \$327 million in fundraising
- Construction is well underway on the new Engineering Technology Building
- Over \$20 million in deferred maintenance funding was received and projects initiated

The University continues to face a number of significant challenges that are not addressed by this two-year operating budget plan, including:

- Pension deficit payments
- Significant deferred maintenance costs of buildings
- Increases in internal loans signaling potential future debt-servicing payments resulting from the need for capital financing
- The majority of the accrued costs of post-retirement benefits
- Increasing class sizes and increasing student-to-faculty ratios
- Increased workloads for all employees
- Increasing costs of electronic library resources
- Increasing demand for student services
- Rising research costs in the wake of declining research funding from granting agencies
- Costs of awards and financial aid for students
- Space constraints to support graduate student expansion

The current economic climate has exposed areas of great financial risk to the University. It is obvious that the *status quo* is not sustainable, and the University community must turn its attention to long-term plans that will minimize risk by reducing uncertainty. Efforts must be made to restructure so that expenditures are reduced.

Within all of this risk and uncertainty we must not lose sight of the long-term vision and our commitment to the goals outlined in *Refining Directions*. We cannot allow the current short-term financial challenges to impact opportunities that will advance the long-term vision. A thoughtful approach to capital investment, increasing operating commitments and University growth must be undertaken. All new investments must be evaluated against criteria that will enable long-term financial stability. McMaster's commitment to innovation and creativity will serve it well during these uncertain times.

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The 2009/10 Consolidated Budget

The 2009/10 Consolidated Budget is presented as a compilation of the six separate funds that constitute the University's total budget. The Budget Committee of the University only has responsibility for oversight of the Operating Fund and the Ancillary Fund. The six funds are listed below, and **Table 2** provides an overview of the sources of funding and the expenditures for each of these funds.

Funds Overseen by the Budget Committee

- **Operating Fund** – the sources of funding and expenditures related to annual activities for academic program delivery and administration of the University.

Capital equipment used in operations and funded from operating revenues is included in Operating Fund Budget expenditures. Depreciation expense for equipment and buildings and maintenance costs that are deferred to future periods are not included in Operating Fund Budget expenditures. Operating Fund expenditures include the cash costs of pension and non-pension employee future benefits (retiree benefits) and do not include costs that are deferred to future periods. For pension, the cash cost is the contribution that the University makes into the pension plan fund. For non-pension retiree benefits, the cash costs represent the cost of benefits used by retirees, in addition to a small surcharge used to generate a sinking fund to offset a share of the future costs of these benefits. In specific circumstances where Operating Fund expenditures are paid directly from other funds, such as the Endowment Fund, the amount is not considered as an expense to the Operating Fund, but as an expense to the Endowment Fund. This is the case when pension deficit payments, or parts thereof, are funded from the Endowment Fund. In situations where pension deficit payments are funded from a reserve generated from lower-than-expected health and dental costs in a prior year, the transfer from the reserve to fund the Pension Plan is not charged to the Operating Fund.

- **Ancillary Fund** – the sources of funding and expenditures associated with activities that are expected to run as business units.

Funds Not Overseen by the Budget Committee

- **Research Fund** – the external sources of funding and expenditures associated with research activity not funded by the Operating Fund and carried on by the University directly. This fund includes Tri-Council funding, funding from a wide range of granting agencies, research contracts, clinical trials, etc. This fund does not include grants provided to any affiliated institutions.
- **Trust Fund** – includes accounts that hold donations or bequests received by the University that have conditions and/or legal requirements for use agreed upon by the donor and the University. Most of the trust funds are “endowed,” which means the terms require that the investment income generated on the original capital be used to provide an amount for spending and to maintain the purchasing power of the initial investment. In years where the investment returns are negative, amounts for spending can be drawn from accumulated net investment income to fund deficiencies.

For endowments without sufficient accumulated net investment income, temporary encroachment on capital is permitted. The encroached amounts will be recovered from future investment returns.

- **Endowment Fund** – includes accounts that have been endowed by the Board of Governors. A Board policy requires that all unrestricted donations, bequests and other funds be added to the General Endowment. The Board has also created three other endowed funds: the Pension Surplus Endowment, Hooker Endowment, and the Business Endowment. The income from these funds is used as a source of funding in the Operating Fund. Use of the original capital for special one-time needs can be approved by the Board through the annual budget.
- **Capital Fund** – includes sources of funding and expenditures related to the capital projects associated with new construction and significant renovation costs. Capital expenditures for equipment used in operations and to support ancillary and research accounts are included in these funds.

Table 2: Consolidated Budget Summary –Year Ending April 30, 2010

(\$ thousands)

	Operating Fund		Ancillary Fund		Research Fund		Trust Fund		Endowment Fund		Capital Fund		Grand Total	
	2008/09 Projection	2009/10 Budget												
Sources of Funding:														
Provincial grants	197,697	196,905	-	-	-	-	-	-	-	-	16,348	2,835	214,045	199,740
Research and other grants	-	-	-	-	183,922	183,922	-	-	-	-	-	-	183,922	183,922
Tuition	136,678	146,572	-	-	-	-	-	-	-	-	-	-	136,678	146,572
Research overhead income	22,536	22,530	-	-	-	-	-	-	-	-	-	-	22,536	22,530
Sales by ancillary operations	-	-	75,880	78,336	-	-	-	-	-	-	-	-	75,880	78,336
Investment income (loss)	3,446	1,946	-	-	-	-	(60,000)	9,000	(28,000)	3,021	-	-	(84,554)	13,967
Investment income transfer	7,021	7,521	-	-	-	-	-	-	(5,521)	(4,521)	(1,500)	(3,000)	-	-
Other donations and grants	1,195	1,195	-	-	-	-	63,597	44,047	100	100	1,324	7,400	66,216	52,742
Other sources	1,387	1,387	(189)	145	-	-	-	-	-	-	-	-	1,198	1,532
Subtotal	369,960	378,056	75,691	78,481	183,922	183,922	3,597	53,047	(33,421)	(1,400)	16,172	7,235	615,921	699,341
Recoveries transfers and other income	72,995	79,598	-	(565)	-	-	-	-	-	(2,500)	4,100	5,400	77,095	81,933
Total sources of funding	442,955	457,654	75,691	77,916	183,922	183,922	3,597	53,047	(33,421)	(3,900)	20,272	12,635	693,016	781,274
Expenditure:														
Salaries, wages and benefits	293,839	318,762	21,440	22,565	102,324	103,348	21,644	20,642	-	-	-	-	439,247	465,317
Utilities and maintenance	29,949	31,987	3,864	3,921	-	-	-	-	-	-	-	-	33,813	35,908
Facility and capital projects	1,492	3,544	-	-	1,223	3,700	-	-	-	-	57,035	46,002	59,750	53,246
Library acquisitions	9,379	9,362	-	-	-	-	-	-	-	-	-	-	9,379	9,362
Supplies and other expenditures	63,975	67,006	21,395	20,559	-	-	15,651	19,473	-	-	-	-	101,021	107,038
Supplies and other expenditures - Research	7,070	5,779	-	-	72,017	72,737	-	-	-	-	-	-	79,087	78,516
Scholarships, bursaries and work study	29,849	32,381	-	-	-	-	11,594	11,300	-	-	-	-	41,443	43,681
Special pension costs	6,828	5,502	-	-	-	-	-	-	-	2,500	-	-	6,828	8,002
Cost of sales - ancillaries	-	-	23,772	23,647	-	-	-	-	-	-	-	-	23,772	23,647
Debt and financing charges	8,892	10,182	6,914	7,574	-	-	-	-	-	-	(6,943)	(9,728)	8,863	8,028
Total expenditures	451,273	484,505	77,385	78,266	175,564	179,785	48,889	51,415	-	2,500	50,092	36,274	803,203	832,745
Surplus/(deficit)	(8,318)	(26,851)	(1,694)	(350)	8,358	4,137	(45,292)	1,632	(33,421)	(6,400)	(29,820)	(23,639)	(110,187)	(51,471)
Fund balances, beginning of year	59,451	51,133	5,130	3,436	159,868	168,226	356,897	311,605	133,166	99,745	(12,356)	(42,176)	702,156	591,969
Fund balances, end of year	51,133	24,282	3,436	3,086	168,226	172,363	311,605	313,237	99,745	93,345	(42,176)	(65,815)	591,969	540,498

Mission, Vision, Goals and Targets

Mission

At McMaster, our purpose is the discovery, communication and preservation of knowledge. In our teaching, research and scholarship, we are committed to creativity, innovation and excellence. We value integrity, quality, inclusiveness and teamwork in everything we do. We inspire critical thinking, personal growth, and a passion for lifelong learning. We serve the social, cultural and economic needs of our community and our society.

Vision

To achieve international distinction for creativity, innovation and excellence.

Strategic Goals Approved by the Board of Governors in June 2003 – *Refining Directions*

- To provide an innovative and stimulating learning environment where students can prepare themselves to excel in life
- To achieve the next level in research results and reputation by building on existing and emerging areas of excellence
- To build an inclusive community with a shared purpose

In order to sustain the academic mission of the University, a strong financial position is required. The University has identified four key financial performance goals outlined below.

Financial Performance Goals

1. To achieve strong demand for McMaster programs and consistently achieve student enrolment targets
2. To grow and diversify the revenue base
3. To strategically deploy resources into priority areas
4. To strengthen the financial position of the University and manage business risks

Strategic Planning and Management – *Refining Directions*

The *Refining Directions* strategic planning exercise was launched in the fall of 2002 with the dual objectives to evaluate the University's success in meeting the goals established in *Directions* and to construct a strategic framework that would guide the University's course for the next five to ten years.

Through the extensive *Refining Directions* consultation process, there was widespread satisfaction with the Mission and Vision. In June 2003, the Board of Governors reaffirmed the *Directions* Mission and Vision and confirmed the University's strategic position as a student-centred, research-intensive university. To achieve the mission, the Board of Governors has approved the *Refining Directions* framework.

The *Refining Directions* framework had three goals:

- To provide an innovative and stimulating learning environment where students can prepare themselves to excel in life.
- To achieve the next level in research results and reputation by building on existing and emerging areas of excellence.
- To build an inclusive community with a shared purpose.

In 2008/09, the University continued to focus on the implementation of *Refining Directions* through the establishment of a number of task forces and committees, each focused on a portion of the *Refining Directions* strategy.

- The Task Force on Teaching and Learning (TOTAL) was given the charter to determine means of retaining and enhancing McMaster's reputation as one of the world's most innovative educational institutions. This will be accomplished by documenting the current state of teaching and learning at McMaster, identifying the ideal future state, designing strategies to achieve the ideal state, and implementing, evaluating and disseminating those strategies. Recommendations were made in an October 2008 report, and work is currently progressing on developing concepts and implementing strategies.
- The Task Force on Evaluation, Accountability and Measurement (TEAM) was asked to determine how each unit, academic and non-academic, should be measured and evaluated. This information will help in establishing strategic priorities at McMaster. A pilot project to assess possible performance metrics and benchmark against peers for various academic and administrative units is scheduled for completion in summer 2009.
- The International Activities Committee aims to identify current international activities, leverage opportunities available through internal and external partnerships, and explore potential areas for expansion and coordination. Recommendations for action will be presented in the fall of 2009.
- The Task Force on Alternative Budget Models is developing a new budgeting model through examining all aspects of McMaster's budget policy and process, establishing the vision and guidelines for the process, examining allocation of revenues and expenses to budget units, and addressing issues of accountability, performance and transparency. A progress report is scheduled to be completed in summer 2009. In the fall of 2009 a first iteration of a model with current numbers will be completed. The new model will shadow the current budget model in 2010/11, with the objective of evaluating these changes closely as to how they impact budgets across the University and with a view to making changes that will improve the academic mission and the support areas as well as possible. Transition to the new model may occur the following year.
- The President's Advisory Committee on Building an Inclusive Community (PACBIC) is a sub-committee of the University Planning Committee (UPC), the governing body responsible for the implementation of *Refining Directions*, effective in 2008/09. Seven working groups are implementing the PACBIC plan.
- Finally, a *Refining Directions* Implementation Plan Committee has been struck. This committee reports to the UPC and has the authority to form sub-committees and working groups. The charter of this committee is to update *Refining Directions*, to coordinate the work of all other committees, to identify areas of *Refining Directions* not yet addressed, and to develop a single implementation plan.

All of the diligent attention to planning can be severely discounted by the high degree of uncertainty with respect to Government funding. In light of the current economic climate, the President's Advisory Committee to Address the Impact of the Current Economic Climate (PACICES) has been formed. The purpose of the advisory committee is to provide strategic advice to the President on mitigating strategies to ensure the long-term sustainability of the University.

Short-term and long-term strategies must:

- preserve the academic and research mission
- develop fiscal strategies to address the current economic realities
- ensure that the University will be poised for action on the other side of this economic downturn

The PACICES committee will meet until the final report of recommendations is presented to the President.

Operating Budget Projection for 2008/09

In 2008/09, results of total University operations were projected to run an in-year deficit of \$8.3 million, of which \$22.0 million relates to one-time, non-recurring expenditures. Revenues were greater than the approved budget due to higher-than-expected enrolments and full funding for accessibility; however, expenditures were also greater than expected. The resulting in-year deficit for 2008/09 is projected to be favourable by \$9.6 million compared to last year's projected budget deficit of \$17.9 million.

The additional revenues over the 2008/09 budget amount to \$23.8 million and are the sum of:

- A base increase in accessibility funding of \$3.2 million (\$1.3 million announced April 2009)
- An increase of \$1.6 million for graduate expansion
- An increase of \$4.4 million for medical grants
- An increase of \$0.9 million for tuition
- An increase of \$2.3 million in research overhead income
- An increase of \$5.0 million in recoveries and other income
- A one-time only increase of \$2.7 million in accessibility funding and \$2.4 million from the Ministry of Training, Colleges and Universities (MTCU) quality improvement fund (announced April 2009)
- A one-time only sustainability grant of \$1.3 million (announced March 31, 2009)

This additional revenue (**Table 3**) was partially offset by increased spending (\$14.2 million) on salaries and benefits, scholarships, and supplies and other expenditures, mainly related to new revenue. Compared to the six-month projection completed in January 2009, the in-year deficit has been reduced by \$15.9 million. This reduction is due to the receipt of one-time accessibility and quality improvement funding from the MTCU in April 2009 combined with lower-than-predicted expenditures of \$6.0 million. These expenditures do not include \$6.3 million of pension deficit payments that are being paid from a reserve and were originally budgeted to be paid from the Internal Endowment. The additional \$6.4 million of MTCU funding announced in April 2009 will be appropriated and used in 2009/10. The Budget Committee will meet in the summer to decide on final allocations. Sustainability funding of \$1.3 million will be used in 2008/09 for pension deficit payments.

Table 3: University Operating Revenues and Expenditures 2008/09

(\$ thousands)	Budget	Projection		Favourable (Unfavourable) Variance Nine-Month vs. Budget
		Six-Month	Nine-Month	
Expenditures	\$ 419,158	\$ 433,066	\$ 442,955	\$ 23,797
In-Year Surplus/(Deficit)	\$ 437,094	\$ 457,305	\$ 451,273	\$ (14,179)
	\$ (17,936)	\$ (24,239)	\$ (8,318)	\$ 9,618
Fund Balance, Beginning of Year	\$ 48,462	\$ 59,450	\$ 59,451	\$ 10,989
Fund Balance, End of Year	\$ 30,526	\$ 35,211	\$ 51,133	\$ 20,607

Operating Budget 2009/10

The Current Operating Budget Environment

The context of the University's operating budget and financial plan for the next year is in large part set by the Provincial Government's plan for higher education, *Reaching Higher, Plan for Postsecondary Education*, and by the research aspirations and learning goals of our faculty and students.

Provincial Government Funding¹

In the Ontario Budget 2009, the Province announced additional funding focused on operating, infrastructure and research funding.

The Government announced a commitment of \$150 million in "immediate, one-time support" for colleges and universities in recognition of the substantial enrolment and operating pressures that they face. This is in addition to the scheduled increase of \$199 million for 2009/10 for post-secondary education in the Reaching Higher plan. The Government also committed \$780 million in support of campus renewal and new buildings to match Ontario's share of the Federal Government's funding for post-secondary infrastructure.

Other investments include:

- \$35 million for medical infrastructure to support the creation of 100 medical spaces with associated operating funding
- \$10 million to expand graduate fellowships
- \$50 million for proposed enhancements to the Cooperative Educational Tax Credits

The provincial grant is still the largest component of McMaster's operating funding. McMaster still must deal with the challenges of escalating costs associated with running a university – inflationary costs which are not recognized in the Ministry's basic operating grants.

The 2009 Ontario Budget made a number of significant research investments including \$300 million over six years for research infrastructure that will leverage Ontario's portion of the new federal funds from the Canada Foundation for Innovation. There is an additional \$100 million provided for biomedical research focused on genomics, to be delivered through the Ontario Research Fund. McMaster is well positioned to receive a share of these funds.

Ontario Universities have met, and in fact exceeded, the provincial undergraduate enrolment target set in the Reaching Higher agenda of 60,000 additional full-time equivalent students when compared to the 2002/03 level. The Province recognized the success of Ontario universities in attracting an increasing number of qualified students, and is considering an expansion of the original Reaching Higher plan. In the absence of additional undergraduate growth funding, universities will be faced with a reduction in per-student funding, which will present a significant compromise to their commitment to quality. A provincial commitment to full average cost funding per student (measured in basic income units) would generate additional funding (approximately \$2.7 million) that has not been included in budgeted revenue.

¹ Based on the Ontario Budget 2009, Ministry of Finance.

Details of McMaster's provincial grants is provided in the Revenue section on page 23 and detailed in **Table 6**.

Tuition Fees

The 2009/10 tuition income is based on the policy set by the Province. The policy, which permits the University to increase tuition fees by a maximum of 5% per year for regulated programs, ends in 2009/10. Under the 2006/07 – 2009/10 policy, the University has limited fee-setting ability and may only increase regulated tuition subject to several constraints.

McMaster's policy is to maximize tuition fees within the regulations. At the same time that the new tuition policy was set out, the Government also announced significant changes to student financial aid, including the Student Access Guarantee (SAG) that will assist OSAP-eligible students to access post-secondary education. The University has made budget provisions to meet the SAG requirements. Discussions are underway between the Council of Ontario Universities and the Province regarding the new tuition policy that will be in place for 2010/11.

Tuition fees for international students were increased by 6% for all undergraduate and most graduate programs. Further details of tuition income is provided in **Table 7** on page 27.

Federal Government

The January 27, 2009 Federal Budget acknowledged the significant role of Canadian universities to contribute to Canada's short-term recovery from the recession and to the sustainable growth of the economy. The investments into the post-secondary sector include:

- The Knowledge Infrastructure Funding program will provide \$2 billion targeted for critical infrastructure at post-secondary institutions including both repairs and maintenance projects to deal with the major backlog of deferred maintenance and accelerated new construction that supports research and development activities.
- Further investment in the Science & Technology strategy of \$150 million to existing Canada Foundation for Innovation competitions and \$600 million for future rounds of competition.
- An additional \$87.5 million for Canada Graduate Scholarships and \$3.5 million for internships in science and business will fund 1,000 masters and 500 doctoral scholarships as well as 600 internships

Canadian universities continue to work closely with their federal partners to advocate for growth in the funding of the direct and indirect cost of research and development activities with the goal of increasing the productivity and competitiveness of Canadians.

Spending Pressures

Like other Ontario Universities, McMaster faces significant spending pressures, which compromise its ability to make investments that enhance academic quality. Present and future challenges to its operating performance include:

- Salary and benefit costs that will continue to rise. The need for highly qualified faculty and staff and the rising demand for academics across the national and international university sector will continue to put pressure on the University's financial position. Compensation increases and other inflationary costs are estimated to be in the range of \$20 million annually.
- The University's salaried pension plan has a going concern² deficit estimated to be in the range of \$8 million to \$10 million per year in 2009/10. The University plans to fund the deficit payments from a combination of an increase to the rates charged to departments, reserves and internally restricted endowment funds. In future years, the University must make provision in its operating and research budgets for future deficit payments and for repayment of the endowment funds.
- The increasing costs of providing post-retirement benefits to a growing number of retirees are funded on a cash basis (increasing to \$7.0 million by 2011). On an accrued basis, the present value of the benefits earned in the year by active employees plus the associated interest exceeds \$22 million and is currently unfunded.
- The costs of maintaining current space to appropriate standards and providing occupancy costs for the expanding space on campus are largely unfunded and must be covered by operating budgets. For example, \$1.3 million is required to provide occupancy costs of the new engineering building and the second floor of the Michael G. DeGroot Centre for Learning & Discovery, and this has been included in the 2009/10 budget.
- \$7.4 million per year is required to pay interest on the current bond issue.
- Maintenance of a quality graduate education, including appropriate faculty supervision, lab facilities and library resources, within the provincial funding allocation.
- The increasing costs of providing library resources, particularly electronic journals.
- The cost of implementing and maintaining adequate and secure information technology that meets the academic, research and administrative requirements of the University.

Multi-Year Strategic Budget Planning – Actions Taken

At the direction of the Board of Governors, the University embarked on a multi-year strategic budget planning process in 2007/08 with the goal of balancing the in-year, ongoing operating budget by 2009/10.

The University established and communicated the key goals of the three-year plan in 2007/08 and reiterated them in 2008/09 and 2009/10. The plan must:

- balance the in-year, ongoing operating budget within three to five years
- allow for strategic faculty and staff appointments
- make the necessary budget changes that will enable McMaster to move forward, recognizing that the *status quo* is not an option
- focus the University on its strategic areas

² The going concern valuation is one type of valuation of a pension plan; a going concern valuation takes a long-term view of the pension in terms of the calculation methodology and the assumptions used in these calculations.

In the absence of a completed program prioritization exercise and in order to achieve the short-term financial goals, the University implemented five important short-term budget balancing principles:

1. revenue generation
2. reallocation of resources to the academic mission of teaching and research
3. freezing or reducing budget allocations
4. addressing specific challenges through strategic investments
5. faculty renewal in strategic areas

The Budget Framework allocations for 2008/09 and 2009/10 have been based on these principles.

Short-Term Operating Budget Balancing Strategies

1. Revenue Generation

Specific strategies to generate new net income to the University were identified and implemented. Each budget envelope was encouraged to increase revenues. The Academic Revenue-Generating Policy was revised to provide Faculties with an improved incentive to generate revenues and to ensure that all incremental costs are considered in revenue-generating plans. University-wide strategies to increase the revenue base include:

- Aggressively pursuing enrolment growth at the graduate student level, especially Ministry-funded students.
- Developing new graduate and undergraduate programs in order to attract the best students and encourage student growth in strategic areas.
- Increasing tuition to the extent allowed within government guidelines, generating \$9.9 million new funding for 2009/10.
- Developing and maintaining strong government relations advocacy programs to maximize funding, at the federal, provincial and municipal levels.
- Ensuring fees cover the underlying costs, e.g., hard-copy undergraduate calendars and application fees. This has become important with the increase in demand.
- Ancillary operations were asked to contribute 1% of sales to the operating budget.
- Focusing on increasing international enrolment.

Libraries are investigating revenue-generating programs such as direct linking to Amazon, reproducing and selling books with the Kirtas robotic scanner, a partnership with Adam Matthew Digital to create a scholarly commercial resource on World War I, and a partnership with Hospitality Services through the Thode Library Reactor Café. A number of departments are applying for grants to support operations.

2. Reallocation of Resources to Support the Academic Mission of Teaching and Research

Revenue-sharing arrangements in which enrollment-related incremental revenues are shared between faculties and non-academic envelopes were suspended for non-academic envelopes in 2007/08. This suspension has continued through 2009/10, and the non-academic share has been reallocated. Revenue sharing with academic areas has continued and is in place in 2009/10.

3. Budget Freezing or Reducing Envelope Allocations

In 2007/08, all envelopes had their base budget allocations reduced by 1%. No specific budget reductions were implemented for the 2008/09 or 2009/10 budget years. All budget envelopes must absorb inflationary costs, which amount to about 6% per year.

In the University's budget envelope system, accountability for financial decisions resides with the budget envelope manager at the envelope level. The budget process required envelope managers to achieve a structural balance in their budgets by 2009/10. Each envelope manager was required to clearly specify the changes they required to balance revenues and expenditures, with the resultant impact on activity, quality and staffing.

Envelope managers have used a variety of measures to control costs and take advantage of opportunities to save previously committed funds. In most Faculties there has been no increase in support staff, except where new sources of funding have been identified, even though graduate and undergraduate numbers have grown and administrative tasks continue to grow. Many departments have achieved savings by not replacing staff, deferring some hiring, offering voluntary separation packages, and restructuring some areas by generally increasing productivity. Additional measures include:

- Cancellation of sections and courses with low enrolments where this does not jeopardize the academic mission.
- Closure of some programs where there has been low enrolment or the restructuring of programs to make more efficient use of resources while maintaining academic integrity.
- Reducing costs through sourcing materials through multi-year provincial and national purchasing programs in the Library.
- Sharing costs for common resources across envelopes.
- Where possible, one-time expenditures have been delayed or eliminated.
- Minimizing the amount of discretionary funding for things such as supplies.

While these measures allow for balanced budgets in the short term, the amount they contribute to the operating surplus is limited, and they do not contribute significantly to long-term financial viability.

4. Address Specific Challenges through Strategic Investments

Prior to making allocations to budget envelopes, the University addresses specific challenges, which are either strategic, such as additional investment in each of 2008/09 and 2009/10 for undergraduate scholarships, or unavoidable, such as utilities costs. Utilities costs have been reduced through the Energy Management Initiative in the McMaster University Medical Centre,

but payments to Hamilton Health Sciences have been maintained at pre-savings levels in order to pay back the costs of the retrofit program.

5. Faculty Renewal in Strategic Areas

In 2007, a faculty retirement incentive plan was approved by the Board of Governors. The purpose of this program was twofold: one, to achieve the required base-budget reductions, and two, to facilitate faculty renewal. Retirement incentives were granted only where base-budget savings were generated and where the departure did not weaken the ability of the University to achieve the Mission. As each Faculty completed its retirement incentive plan, they balanced the hiring of faculty in key strategic areas with savings. The plan projected net savings and provided funding for strategic faculty appointments.

It is important to note that faculty renewal will likely involve a mix of junior and mid-career faculty hirings. Where there has been hiring of faculty members in strategic areas, this has often been offset by decreasing hiring of contract faculty.

There are envelopes that face unresolved challenges to balancing the budget. The Budget Committee is continuing to work with areas that have persistent deficits to avoid accumulating an excessive debt balance. Where declining enrolment and increasing costs have created a situation requiring a multi-year plan of action to eliminate the deficit an in-depth review of programs, class sizes, and potential efficiencies is underway. The outcome of this review is expected to be a plan to eliminate the structural deficit and repay the accumulated debt within a reasonable timeframe.

Projected Operating Budget/Financial Plan

The total university operating position for 2009/10 as shown in **Table 4** is projected to be a deficit of \$26.9 million which is due to one-time, non-recurring net expenditures.

Table 4 shows the in-year, ongoing operating and one-time financial position by year and the corresponding draw down of appropriations. The increase in one-time expenditures is primarily due to timing differences of expenditures originally included in the 2008/09 projection, and is covered by higher-than-expected opening appropriations.

Table 4: Operating Budget/Financial Plan and Appropriation Balances

(\$ thousands)	<u>2008/09</u> <u>Budget</u>	<u>2008/09</u> <u>Projection</u>	<u>2009/10</u> <u>Budget</u>
Opening Envelope Appropriations	48,462	59,451	51,133
Ongoing Surplus/(Deficit)	(2,477)	13,653	(0)
One Time Surplus/(Deficit)	(15,459)	(21,971)	(26,850)
Total In-Year Surplus/(Deficit)	(17,936)	(8,318)	(26,850)
Expensed in the Year	0	0	0
Closing Envelope Appropriations	30,526	51,133	24,283

Revenues and Expenses not included in the Plan

The operating budget presented does not include potential revenues that have either not yet been announced or are difficult to quantify. Likewise, some future expenses have not been factored into the plan. The first priority for the new revenues, after consideration of reallocation of academic revenue, will be to address these future expenses. The revenues and expenses that have not been factored into the operating budget include:

Revenue:

- Full accessibility funding from the Province for undergraduate enrolment growth. Additional one-time funding received from the Province in 2008/09 for full funding is \$2.7 million. This top-up has been excluded from expected revenues in 2009/10, and the decision on actual funding level may not be received until April 2010.
- Additional tuition revenue of approximately \$1.3 million related to a late change in the calculation of 2009/10 tuition fees has not been included in revenue. This revenue will be shared with Faculties under the current revenue-sharing methodology.
- Funding related to further expansion of medical school programs will be based on actual enrolment and is not included in the 2009/10 budget.

Expenses:

- Special deficit payments for the salaried pension plan of \$8 million to \$10 million are expected to be required in 2009/10. Up to 2009/10, these payments were made from outside of the operating and research budgets. In 2009/10, over 50% of the expected deficit payment is being funded through charges to operating and research departments.
- The accrued cost of non-pension post-retirement benefits (\$22 million), with the exception of a small surcharge, is expected to generate approximately \$750,000 per year.
- McMaster Innovation Park (MIP) has forecast a deficit of \$0.8 million for 2009. The MIP Board continues to work on strategies to reduce or eliminate the deficit. Provision for the deficit has not been included in the University's budget at this time.

Multi-Year Strategic Budget Planning – Long-Term Strategy

In the past year, work has continued on a long-term strategy for achieving financial sustainability and addressing quality concerns. There are several key initiatives underway.

- President's Advisory Committee to Address the Impact of the Current Economic Environment (PACICES)
- New Revenue Generation
- Provost's Task Force on Evaluation, Accountability and Measurement (TEAM)
- Inspiring Transformation – Process Reviews
- Alternative Budget Model Review
- Task Force on Best Practices in Teaching and Learning (TOTAL)
- International Activities Committee
- President's Advisory Committee on Building an Inclusive Community (PACBIC)
- *Refining Directions* Implementation Plan Committee

Revenue Generation

Strategies that have been initiated include:

- Restore visa undergraduate student enrolment
- Review cost-recovery programs
- Evaluate BIU funding opportunities
- Expand ancillary revenue-generating services
- Continuously monitor new policies
- Develop full cost-recovery and revenue-generating graduate programs
- Aggressively pursue graduate student enrolment in Ministry-funded programs
- Increase focus on non-governmental revenue sources

President's Advisory Committee to Address the Impact of the Current Economic Environment (PACICES)

The President convened PACICES to address the financial challenges posed by the current economic climate. These challenges if not addressed could have a significant impact on the core mission and future financial sustainability of the institution.

Positioning the University to weather this economic crisis and come out stronger and ready to take advantage of an economic upturn requires vision and forward thinking. Decisions to mitigate the impact of these financial risks will be difficult. They must be thoughtful and balanced to ensure that the University does not jeopardize strategic objectives or future fiscal health of the organization.

The membership represents a cross section of the University community and includes members of the Board, senior management, faculty, staff, student and union leadership. While broad consultation is important, there is an urgency to put actions into place to manage the impact of the economic downturn on the University. The pace of consultation is reflective of the urgency of the required actions. Actions must be in place for the start of 2009/10.

Provost's Task Force on Evaluation, Accountability and Measurement

In 2003, McMaster University established a long-term strategic plan, *Refining Directions*, that has guided subsequent actions. One of the key statements in *Refining Directions* is: "Setting priorities among competing goals will be an essential part of the implementation process." Further, the plan notes that:

A commitment to accountability is a key recommendation of the Refining Directions exercise. Measurement and evaluation are necessary for effective planning and enable us to determine how we are doing with respect to our goals. It is also essential for transparency and accountability to members of McMaster's internal and external communities. Each department and unit along with the University as a whole will be accountable.

The goal of this task force is to address the issues of measurement, evaluation and accountability institutionally, in an open and inclusive manner.

The Provost's Task Force on Evaluation, Accountability and Measurement will recommend a process to assess departments and units in the context of *Refining Directions*. The intent is to provide an information base that will play an important role in prioritizing institutional initiatives and aligning resources in ways that reflect *Refining Directions*' goals. The task force will report to the University Planning Committee, and the Provost will conduct its work in an inclusive manner, soliciting the views of all constituencies. Department and units to be considered by the task force will include all departments and units of the university, academic and otherwise.

The task force activities include:

- consulting with members of the McMaster community as to what to measure and how to evaluate departments and units along with the University as a whole in the context of the goals expressed in *Refining Directions*
- assessing current methods of measurement and evaluation of individual departments and units along with the University as a whole
- reviewing the types of data on individual departments and units along with the University as a whole that are currently available and determining whether there are informational gaps that are important in the context of *Refining Directions* and are feasible to fill. Data include quantitative measures and qualitative considerations, such as reports on important future directions for university research and educational activities
- developing, as necessary, new instruments and methods for gathering information about individual departments and units as well as the University as a whole that will help to determine their effectiveness in meeting University goals as expressed in *Refining Directions*
- maintaining a liaison with the Alternative Budget Model Task Force as that group may share some of the same informational needs, and that the budget model must be such that it supports institutional priorities and processes
- recommending how information should be used in any prioritization process

A pilot project is currently underway with the participation of the departments of Biochemistry and Biomedical Sciences, Political Science, and Parking and Security. Activities are to determine performance metrics, to identify what quality means for each unit, and benchmarking against peers.

Inspiring Transformation Initiative

The Vice-President (Administration) continues implementation of initiatives focused on:

1. Improving efficiency for customers
2. Improving efficiency for administrative staff
3. Saving money

Specific initiatives include:

- Process review and improvement
- Departmental reorganization
- Technology enhancements
- Leadership development
- Accountability and performance measurement

Over the course of the past three years, the “Inspiring Change” divisional program has focused on cost savings and efficiency of operations; it recently transformed into the “Inspiring Transformation” initiative. In 2009/10 further reorganization will result in the creation of a Working @ McMaster Service Centre. By combining functions of Payroll with Human Resources we will streamline and standardize processes relating to employment (working) at McMaster. Across the division there will be additional restructuring and downsizing of FTEs that will achieve cost savings.

A few of the new initiatives include:

- Expanding the previous ACT office to now cover the broader topic of Sustainability for the University
- Implementation of the new Sharp copier contract providing multi-purpose technology
- Implementation of new technology to enable online budgeting and financial management
- Signing of a strategic partnership with Hewlett Packard to provide the lowest costing on computer equipment
- Completion of a five-year capital equipment plan for Administration detailing the capital equipment requirements
- Reporting realignment of Grounds to Facility Services resulting in efficiency of operations and co-ordination of services under one management
- Web-based online payment systems for students – I Debit
- MacTRAC online job posting and resume management for new employee hires

The Administrative reserve balance is committed to renovation, capital equipment replacement and technology and the funding of one-time investments that will enhance service and contribute to greater efficiency.

Task Force on Alternative Budget Models

The Task Force on Alternative Budget Models is reviewing the current McMaster budget model relative to the objectives, examining alternatives and, after consultation with the Budget Committee and the University Planning Committee, will make recommendations to the President that will enhance the effectiveness and efficiency of the budget model and budget process. The task force has been given the broad mandate to examine all aspects of McMaster’s Budget Policy and the budget process. It is expected to establish the vision and the guidelines for the budget process. As part of its study, the committee is examining the way in which all revenues and expenses are allocated to the units, reviewing the present method of interdepartmental charges and recommending changes that may be needed, and addressing issues of accountability, performance and transparency.

The Committee agrees that the budget must be guided by the following governance-related principles:

- To promote transparency, trust and engagement
- To assure financial responsibility, accountability and fairness
- To advance the efficient use of physical and human resources
- To have predictability and stability
- To enable innovation, creativity and change
- To assign fiscal and academic responsibility to appropriate levels
- To enable rapid response to opportunities

The activity-based budgeting model the task force is reviewing operates on the principle that the unit's activities lead to automatic flow of *revenue and costs*.

The task force will present its findings and recommendations to the President in June 2009. The intent is to examine a model using current numbers over the summary. The new model will shadow the current budget model in 2010/11, with the objective of evaluating these changes closely as to how they impact budgets across the University with a view to making changes that will improve the academic mission and the support areas as best as possible. Transition to the new model may occur the following year.

Task Force on Teaching and Learning

Recognized as one of Canada's most innovative and most research-intensive universities, McMaster has a longstanding record of excellence in teaching and learning. The "McMaster model," a student-centred, problem-based interdisciplinary approach to learning has been adopted by universities around the world. As one of the top 100 universities in the world, McMaster University is graduating students who will become the leaders of tomorrow.

However, we cannot afford to rest on our past success, hoping that the McMaster name alone will propel us into the future. McMaster is not unique among Canadian universities in the challenges it faces competing for students, faculty and the financial resources needed to excel.

It is therefore timely that we re-examine the effectiveness of teaching and learning practices across the university as a whole. We must take stock of our current strengths and weaknesses, identify the "ideal" teaching and learning environment we would like to develop at McMaster and devise strategies and directions to help us achieve that ideal.

The Task Force on Teaching and Learning consists of faculty representatives from each of the faculties, the libraries, Centre for Student Development, Centre for Leadership in Learning, graduate students and undergraduate students. It has been charged by the Provost with the following four goals:

1. Documentation of the Current State: Where are we now?
2. Identification of the Ideal Future State: Where should we be?
3. Design Strategies: How do we get there?
4. Implement, Evaluate and Disseminate

The timeline includes both short-term and long-term goals and deliverables. Throughout the process, the task force will communicate with the campus through interviews, surveys and focus groups.

The October 2008 report included the following recommendations:

- Recognize and reward excellence in teaching and learning
- Rejuvenate the infrastructure that supports teaching and learning
- Re-engineer processes, programs, systems and support structures to enable success
- Reiterate our commitment to scholarly teaching and learning

Current activities include:

- Assist with review of Centre for Leadership in Learning
- Prioritize recommendations presented in interim report
- Develop concept of “ideal future state”
- Devise implementation strategies

International Activities Committee

The *ad hoc* Committee on International Activities was struck to consider our current activities, partnerships, communication strategies, and future directions. McMaster University has historically had a significant engagement in international activities directly related to its academic mission. Some of these activities have been led by the Office of International Affairs while others have been centered within particular faculties or service units.

A compendium of international activities has been completed and recommendations for action will be presented in the fall 2009. The report will be submitted to the Provost for review and then widely shared within McMaster.

President’s Advisory Committee on Building an Inclusive Community (PACBIC)

This year PACBIC is focusing on implementing the recommendations in the report on campus equity issues. Activities include public consultations on defining "Inclusive Community" and gauging the human rights climate on campus. Stakeholders are engaged in seven working groups to implement the PACBIC workplan:

- Priorities and Planning
- Accessibility and Accommodation
- Communications and Visibility
- Employment Equity
- Human Rights Audit
- Interfaith Issues
- PACBIC Dialogues

Additionally, there are new initiatives designed to build greater partnerships with the Aboriginal Community. McMaster has established a new centre bridging McMaster and the Six Nations campus, and approved an innovative plan to hire an Aboriginal scholar in Social Work who will be supported as they finish their doctoral dissertation and then assume a tenure-track faculty position.

Refining Directions Implementation Plan Committee

This Committee, a subgroup of the University Planning Committee, is responsible for the implementation of *Refining Directions*. The new *Refining Directions* Implementation Plan Committee will develop an implementation plan, which is resonant with the goals in *Refining Directions* and which details how to achieve those goals. The work of the committee is to establish priority objectives and strategies in broad categories: education, research, outreach, building an inclusive community, resources, technology services. This committee has the authority to form sub-committees and working groups.

In light of the other established task forces and committees, a great deal of the work of this committee is to assemble all of the information into a single comprehensive planning document. The committee has identified a total of 97 strategic goals. These serve as the overall framework for moving forward to further implement the *Refining Directions* method:

- Four to six of the specific strategic goals are chosen to pursue at any moment
- For each, identify leaders, resources, timelines, deliverables, stakeholders, metrics of success, and actions
- Implement – monitoring progress and publicly announcing performance measures

Work is continuing in the areas of:

- Consultation and implementation of the priorities of various task forces
- Pulling together and establishing priority objectives
- Producing a series of reports for public disclosure

Student Affairs – Partners in Learning

2008/09 marks another year of both significant accomplishments and challenges for Student Affairs. Highlights include the grand opening of the Ron Joyce Stadium, the first Espresso print-on-demand book machine, enhanced transition and orientation programs for first-year students, expanded peer helper and volunteer support by students, exciting new eatery facilities, a new Community Service Learning and Civic Engagement Office and the implementation of an integrated Housing and Conference Management Software. The University was also faced with the tragedy of the Brandon Hall Fire that saw the displacement of 560 students during the first term. Through the dedication of our Housing and Residence Staff and support by the University Crisis Management Team and the University community, these students returned to residence homes in January.

2009/10 will represent a significant year of budget reform and management for Student Affairs. The ability to sustain operations within the current fiscal environment and budgetary constraints continues to be difficult. The budget presented incorporates a detailed plan to eliminate the structural operating deficit with program reductions, review of the business and capital financing policies for Hospitality and Housing and relies on growth in the conference business. This strategy is supported by the authority provided to Student Affairs by the Budget Committee to achieve a balanced position using a consolidated approach that includes our ancillary operations. A detailed review is currently underway of all programs and their cost effectiveness. Areas of high risk, including mental health, student behaviour, and our required compliance to the Accessibility Ontarians Disability Act (AODA) will continue to be designated high priority areas for funding purposes. There will also be a renewed focus on the growth of the conference business that will leverage off the strengths of our state-of-the-art sports and recreational facilities and award-winning Paradise Catering business. Student Affairs will also be contributing a total of \$11 million to funding for the stadium. The budget contains annual debt payments of \$500,000 plus interest towards the payment of this debt.

Student Enrolment Targets

McMaster continues to experience strong demand for its programs and is confident that it will achieve the student enrolment targets set in the 2009/10 budget, while continuing to attract the best-qualified students.

The University’s 2009/10 budget is based on a domestic undergraduate enrolment projection that holds Level I enrolment to targets set by the Enrolment Management Team. Based on recent experience, for budgeting planning purposes, the part-time enrolment has been held constant.

Consistent with McMaster’s strategic plan, *Refining Directions*, one of the University’s goals is to increase the importance of graduate education so McMaster’s graduate population reaches 20% of the University’s total full-time enrolment. The President, Provost and Vice-Presidents have committed to provide the resources and infrastructure support to achieve the proposed growth while maintaining high academic and research standards. Due to the uncertainties associated with the exact allocation of graduate expansion income resulting from this plan, the 2009/10 budget includes an estimate of growth funding for 150 graduate students, of whom 80 are MBA students projected in the Burlington Campus Business plan for 2009/10. This growth has not been incorporated into the enrolment forecasts shown below.

Figure 1: Total FTE Enrolment (Undergraduate and Graduate)

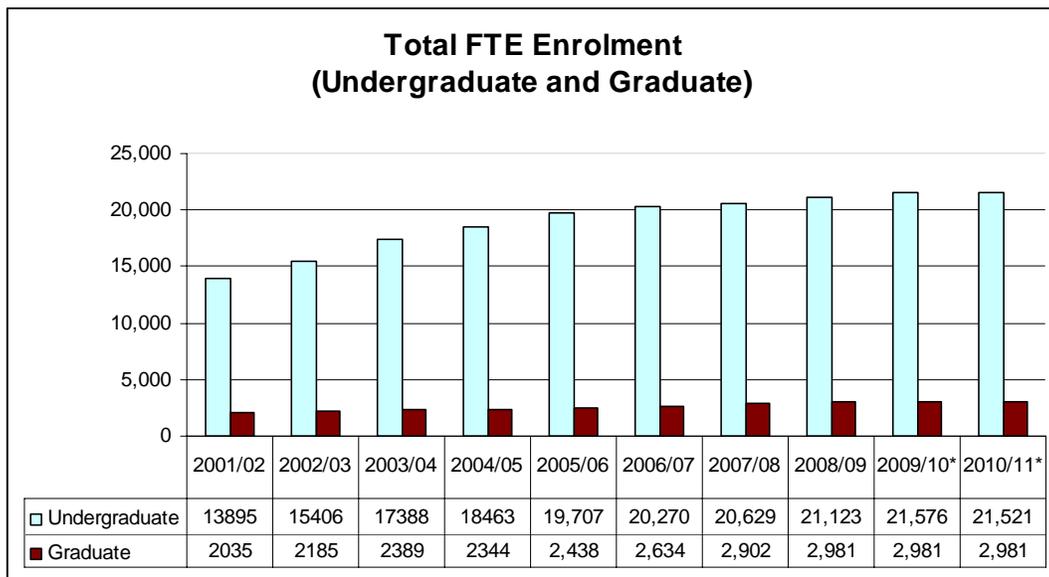
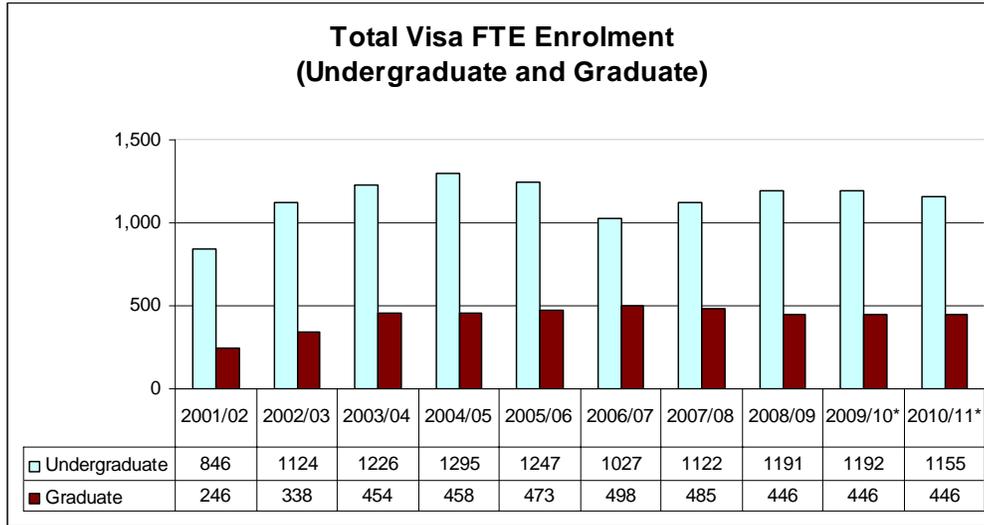


Figure 2: Total Visa Enrolment (Undergraduate and Graduate)



Note: FTE enrolment is defined here as full-time headcounts + (part-time headcounts/3.5).

Revenue

Table 5: Growth and Diversification of the Operating Revenue Base

(\$ thousands)

	2008/09 Budget	2008/09 Projection	2009/10 Budget
Provincial Grants ¹	182,674	197,697	196,905
Tuition	135,759	136,678	146,572
Research Overhead Income ²	20,199	22,536	22,530
Investment Income	10,467	10,467	9,467
Other Income	2,910	1,601	1,601
Transfer from Ancillary Operations	981	981	981
Total Sources of Funding	352,990	369,960	378,056
Percentage change		4.8%	2.2%

¹2008/09 budget restated to reclassify \$592 thousand Disability Grant credited directly to operating envelope

²2008/09 budget restated to increase by \$5.4 million for amounts originally included in *Recoveries and other income*

Strengthening and diversifying the operating revenue base continues to be an important financial objective for McMaster University. Total 2008/09 operating revenue is currently projected to be \$370 million, up by 5.0% over the original 2008/09 budget. This is due mainly to increased funding for undergraduate and graduate enrolment growth and one-time funding provided at year end.

As indicated above, the two main sources of operating funding are grants from the Provincial Government and tuition fees paid by students. A summary of provincial grant income is provided in **Table 6**. As more of the grant income has been targeted to specifically funded activities, such as the Accessibility Fund, the continued expansion of the MD program and the expansion of our Nursing program, less grant funding, in real terms, has been available to support base operations.

Provincial Government Grants \$196.9 million

Table 6 shows the budgeted year-over-year change in the various provincial grant income items in the operating budget. As the largest component of operating funding, changes in the components of the provincial grant can have a significant impact on McMaster's level of revenue.

Table 6: Provincial Grants – 2008/09 to 2009/10

(\$ thousands)	2008/09	2008/09	2009/10
	Budget*	Projection	Budget
Basic Grant	157,919	157,545	157,545
Accessibility Grant	10,724	14,068	15,938
Accessibility Grant (Top-up)	-	2,664	-
Graduate Expansion	-	1,622	4,222
MTCU Adjustment Fund	1,154	-	1,129
Performance Fund	1,809	1,808	1,808
Access to Higher Quality Education Fund	5,636	6,286	6,286
Additional Quality Fund	-	2,401	-
Sustainability Grant	-	1,326	-
MD and Post Graduate Expansion	5,055	8,690	8,690
Grant for Expanded Nursing Program	39	963	963
Clinical Education Grant	338	324	324
Total Grant Income	182,674	197,697	196,905
Percentage change		8.2%	-0.4%

*Restated for amounts rolled into Basic Grant in 2008/09, less \$0.6 million Disability Grant credited to operating envelope:

Accessibility Grant to 2004/05	26,476
Graduate Expansion to 2007/08	9,498
MTCU Adjustment Fund	7,055
Quality Assurance Fund	4,727
MD and Post Graduate Expansion	7,536
Grant for Expanded Nursing Program	565
Total	55,857

Basic Operating Grant \$157.6 million

The Basic Operating Grant, which represents most provincial funding, funds the official “corridor” enrolment of the University. For many years, the value of this funding component has been \$94.5 million. In 2006/07, base adjustments to the government’s grant in lieu of tuition and from growth related to the Access to Opportunities Programme (ATOP) added \$8.2 million to the Basic Operating Grant of the University. Additional funding received over the past several years and outlined above has added an additional \$55.7 million to the basic grant. This change to the basic grant does not represent new funding.

The lack of inflationary increase in the basic grant has, over the past fifteen years, required the University to implement cost-saving strategies and use enrolment funding to cover unavoidable and inflationary increases. As a result, Ontario university funding has become the lowest per capita in Canada and almost the lowest in North America. This situation places McMaster in an extremely difficult fiscal position. The need for additional funding is acute, otherwise Ontario universities cannot make investments that maintain and enhance quality.

“Targeted” Operating Grants

Over the past five years, the MTCU has tied increases in operating funding to specific outcomes based on either performance measures or activity levels in specific government priority programs. The government treats these “targeted operating grants” as separate funding envelopes and not as part of the Basic Grant.

- The Accessibility Fund \$15.9 million

The Accessibility Fund was designed to provide additional funding to universities as they increased enrolments due to both the “double cohort” and increased participation rates. Prior to 2005/06, this envelope was targeted at undergraduate enrolment. As part of *Reaching Higher*, accessibility funding was made available for eligible graduate students. The amount each university receives is based on its year-over-year growth.

The preliminary incremental increase in undergraduate accessibility for 2008/09 is \$14.0 million (an increase of \$3.2 million over the budgeted amount.) This increase is due to an increase in funding per BIU. Little, if any, accessibility funding is available for additional growth in 2009/10, however anticipated increases to BIUs due to higher enrolment targets is expected to result in increased funding of \$1.9 million in 2009/10. The lack of any growth funding will be a significant issue for Ontario universities, especially given increasing participation rates in the 18-to-24-year-old cohort of young adults.

Note: In April 2009, MTCU announced full funding for BIUs for 2008/09 on a one-time basis. This additional funding resulted in McMaster receiving \$4.0 million more than projected at the six-month review, of which \$2.7 million is one-time top-up funding.

- Additional Quality Funding \$2.4 million (2008/09)

In April 2009, the MTCU announced one-time year-end money to support quality enhancements. This funding is being provided on a one-time basis based on eligible enrolment. Universities will be required to provide a report identifying the quality enhancements supported by this funding.

- Graduate Expansion \$4.2 million

The government has committed to a funding plan for graduate education. The plan will invest a total of \$222 million by 2011/12 across Ontario. The investment is designed to substantially increase graduate enrolment across the province by upwards of 15,000 students over 2002/03 enrolment levels. Only Canadian citizens or landed immigrants qualify to be counted in the graduate expansion framework.

Based on year-over-year increases in applications, graduate expansion funding is estimated to increase \$2.6 million in 2009/10. This estimate incorporates \$1.1 million for the planned 80 additional MBA students included in the business plan for the new Centre for Advanced Management Studies in Burlington, and \$1.5 million in other faculties. Most of these additional funds are expected to be offset by increased costs in graduate student support in the academic areas where these students are registered.

In April 2008, McMaster submitted an aggressive graduate student growth plan to the Ontario government. The primary objective of this plan was to bring to fruition the targeted graduate student levels of 20% of total enrolment as outlined in *Refining Directions*.

- The MTCU Adjustment Fund \$1.1 million

This funding is part of the government's plan to improve the quality of each student's university experience. A portion of the provincial funding set aside for quality improvement was provided in the form of the Adjustment Fund to address historical funding anomalies (unfunded Basic Income Units) created when institutions like McMaster responded to the increased demand for a university education by increasing enrolments. Unfortunately, additional government funding was not made available for these students, hence the term "unfunded BIUs" or "unfunded students."

This MTCU adjustment funding was flowed over three years, and in 2007/08 McMaster received its final payment of \$8.2 million. In 2008/09 \$7.1 million of this funding has been moved into our basic grant. It is anticipated that MTCU will continue to top up funding to the previous level in 2009/10. This has not yet been confirmed by the Ministry.

- The Performance Fund \$1.8 million

The Performance Fund allocation is based on achieving or exceeding certain key performance indicators (KPI) established by the government, specifically, student graduation rates and student employment rates at six months and two years after graduation. The Performance Fund grant is a fixed envelope of funding distributed to all universities, and allocations do not change significantly from year to year. We received an increase of \$0.2 million in 2007/08 and anticipate receiving \$1.8 million in 2008/09 and beyond.

- The Access to Higher Quality Education Fund \$6.3 million

The Access to Higher Quality Education Fund includes \$6.3 million identified as Quality Access and Quality Access Contingency Fund in the multi-year allocations announced in August 2006. This funding is expected to continue at least until 2009/10.

- Expanded MD/Post-Graduate Program Grant \$8.7 million

Expansion plans for the MD/Post-Graduate programs at five Ontario universities are designed to increase the number of physicians in the province. Student enrolment in the three-year program at McMaster will continue to increase as this expansion program is implemented. The projection for 2008/09 reflects this growth as well as enhanced funding that recognizes the significant cost of training Ontario’s next generation of physicians, and is budgeted at this level in 2009/10. A total of \$7.5 million in funding has been rolled into the basic grant.

- Expanded Nursing Programs \$1.0 million

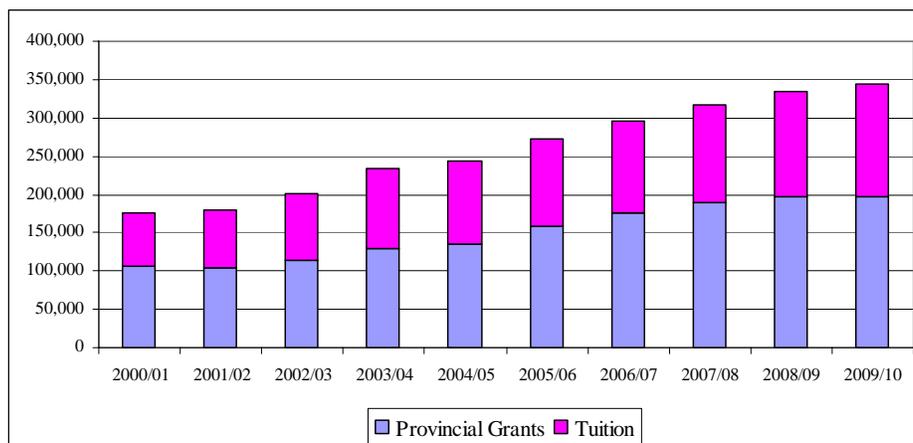
The graduate Nursing program offers students a Masters degree in Clinical Health Sciences that will develop nursing researchers and care providers at the post-graduate level. The Second Entry Nursing Program is a specifically funded initiative to provide more nurses for Ontario. It will graduate a cohort of students in three years rather than four as in the traditional undergraduate Nursing program. Funding for these expanded Nursing programs is based on actual enrolment each year.

- Clinical Education Grant \$0.3 million

This MTCU funding is allocated in recognition of the additional clinical education costs associated with running the program in Rehabilitation Science.

With the decline in the real economic value of provincial funding, tuition income has become an increasingly important component of operating funds. **Figure 3** clearly shows the rise in tuition income over the past ten years and the corresponding reduction to the operating grant in the mid-1990s.

Figure 3: Budgeted Grant and Tuition Income



Tuition Income \$146.6 million

Based on the enrolment targets outlined previously, total 2009/10 tuition income is projected to increase by \$9.9 million from the 2008/09 five-month review. Additional tuition revenue of approximately \$1.3 million related to a late change in some 2009/10 tuition rates has not been included in budgeted tuition income at this time.

For 2009/10, full-time undergraduate domestic enrolments are expected to hold relatively constant while graduate domestic enrolments are projected to be higher than 2008/09. The University, through the Enrolment Management Team (EMT), are reviewing undergraduate enrolment targets and forecasting models to ensure McMaster sets reasonable targets and achieves them.

Table 7 details the various sources of tuition income for 2008/09 to 2009/10.

Table 7: Tuition Income – 2008/09 to 2009/10

(\$ thousands)

	2008/09 Budget	2008/09 Projection	2009/10 Budget
Domestic Tuition Undergraduate	92,945	93,344	99,586
Domestic Tuition Graduate	13,642	14,170	16,184
Visa Tuition Undergraduate	15,530	14,390	15,316
Visa Tuition Graduate	5,671	5,318	5,510
Summer School Tuition	4,603	5,989	6,327
Tuition for Expanded MD Program	3,244	3,248	3,435
Tuition for Nursing Program	124	219	214
Total Tuition Income	135,759	136,678	146,572
Percentage change		0.7%	7.2%

Domestic tuition fees through 2009/10 will increase in compliance with the government's tuition policy. The policy allows first-year fees for undergraduate general arts and science programs to increase by 4.5% and subsequent years' fees to increase by 4%. First-year fees for professional and graduate programs are permitted to increase by 8%.

Government policy further stipulates that the total year-over-year increase, net of enrolment changes, must not exceed 5%. In taking the maximum allowable tuition fee increase for most undergraduate and graduate programs, McMaster's increase in total domestic tuition, adjusted for the change in enrolment, is just below the maximum allowable total increase in 2009/10.

Tuition income from international students is projected to be \$19.7 million in 2008/09. In 2009/10, we estimate that total international income will increase to \$20.8 million.

Summer school and part-time enrolment is held at 2008/09 enrolment levels for budgeting purposes.

Research Overhead Income \$22.5 million

- Research Overhead Infrastructure Envelope (ROIE) \$2.8 million

McMaster expects to receive \$2.8 million from the province's Research Overhead Infrastructure Envelope to help offset the indirect costs of research. This overhead amount reflects our faculty members' success in obtaining research grants from the Natural Science and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC) and from the Canadian Institute for Health Research (CIHR).

- Ontario Research Fund \$2.8 million

\$2.8 million is anticipated from the province's Ontario Research Fund. This fund is allocated through the Ministry of Enterprise, Opportunity and Innovation and further offsets the indirect costs of provincially funded university research.

- Other Provincial Indirect Cost Funding \$0.3 million

Overhead and administrative reimbursement is received on Centres of Excellence and Early Researcher Awards.

- Federal Indirect Costs of Research/Canada Research Chairs \$10.2 million

Additional funding for the indirect costs of research is allocated from the Federal Government to fund the indirect costs associated with federally sponsored research.

- Research Contract Overhead \$4.7 million

Research support received from the private sector is a significant part of total research funding. The University recognizes and supports the expansion of this activity. An indirect cost recovery formula is applied to all private sector contracts and grants, including research foundations. This income is disbursed to faculties, departments, institutes, and the research envelope, as well as supporting the research activities of the investigator.

- Royalties \$1.7 million

Discoveries are an objective of research, and every day McMaster investigators perform ground-breaking research. Some of these discoveries have commercial value which can be exploited to the mutual advantage of all concerned through partnerships and licensing.

Investment Income \$9.5 million

There are two components of investment income included in the Operating Budget: interest earned on working capital balances associated with the Operating Fund, and Investment Income earned from Internally Restricted Endowments which is used in the Operating Fund. Interest revenue is expected to be \$1.0 million less in 2009/10 than 2008/09.

- Interest Earned on Working Capital Balances \$2.0 million

Due to the current economic situation, short-term interest rates will continue to decline. These lower rates, in combination with lower internal reserve balances, will generate significantly less interest income on working capital in 2008/09.

- Investment Income Transfer \$7.5 million

Approximately 4% of the income earned on each of the General, Hooker and Pension Surplus (5%) endowments is transferred to the Operating Budget to fund specific expenditures. In addition, internal loans for capital projects will result in approximately \$3 million in interest revenue being transferred to the Operating Fund from the Capital Fund.

- Donations, Grants and Other Income \$2.6 million

The University operating fund includes other income derived from sources such as:

- donations and grants
- rental of facilities
- application income
- other sundry sources
- transfers from trust accounts and ancillaries

- Recoveries and Other Non-Framework Income Supporting Operations \$79.6 million

Recoveries and other income include income from cost-recovery programs, costs recovered for utilities, income for the nuclear reactor, and staffing from our partner hospitals. For 2009/10, these revenue sources are anticipated to increase by 9% over the 2008/09 projection.

Expenditures

- Salaries, Wages and Benefits \$324.3 million

- Salaries, wages and benefits represent 67% of the university's total operating budget expenditures and will increase by \$23.6 million (7.9%) in 2009/10 over the 2008/09 projection.
- Attention continues to be focused on controlling increasing post-retirement benefit and pension costs.
- The plan identifies reduction in FTEs in many areas, managed through attrition and early retirements.

- Facility Services and Utilities \$32.0 million

- The cost of maintaining and operating the physical infrastructure represents 6.6% of the operating budget.

- The University is now seeing the full impact of the Energy Renewal Project completed in 2006/07, with the 2009/10 budget flat compared to the 2008/09 original plan, despite inclusion of the full costs of increased space in the engineering building and the Michael G. DeGroot Centre for Learning and Discovery.

Capital Projects \$3.5 million

- The cost of major renovations, including deferred maintenance projects that are funded through operating funds.

Library Acquisitions \$9.4 million

- Anticipated spending on acquisitions for 2009/10 will be held at 2008/09 levels, and continue to reflect the impact of unfavourable exchange rates. Increasing demands and rising costs continue to be a challenge for the library.

Supplies and Other Expenditures \$67.0 million

- Significant budget reduction measures have been implemented, focusing on reducing supply and other expenditures. These costs continue to be a significant portion of the total spending and make up the bulk of the one-time expenditures.

Supplies and Other Expenditures – Research \$5.8 million

- A significant amount of expenditures are incurred by the Research envelope to support our research intensity.

Scholarships, Bursaries and Workstudy \$32.4 million

- McMaster has been very successful in attracting and retaining top quality students. McMaster University's Entrance Scholarships program provides "automatic" scholarship awards based on a student's high school average. The program is very attractive to students, and we believe it has helped to raise entering averages for first-year students in almost all programs.
- Entrance scholarships are awarded for a one-year period. Students holding two- and four-year awards are currently working toward degrees. As these students graduate, costs are expected to drop by \$3.8 million to reach a steady state. McMaster is continually reviewing the scholarship programs in an effort to be competitive and cost effective.

Debt and Financing Costs \$10.2 million

- In 2002 McMaster issued \$120 million in debentures. \$7.4 million represents the interest-only payment.
- The principal will be repaid in fifty years as a bullet payment.
- A sinking fund of \$6.1 million was established in 2002. The sinking fund is invested in the Investment Pool and is expected to be sufficient to repay the principal in 2052.

Salaried Pension Plan

The financial health of McMaster's defined benefit pension plans has eroded as stock markets and interest rates plummeted in 2008. There are no sustainable signs of improvement in 2009.

The University has worked with its actuary, Mercer, to implement a long-term financial modeling tool for the Salaried Pension Plan. Under normal circumstances, the 10-year projections would assist the university in developing and refining its funding policy.

In the midst of a full global recession, it is difficult to project with exact precision the required payments into the salaried pension plan over the next few years. What is certain is that required contributions to fund deficits are expected to increase significantly unless investment returns increase quickly and dramatically or unless material changes are made to plan design.

Valuation Results as of July 2007

The University filed the Salaried Pension Plan 2000 valuation for funding purposes as at **July 1, 2007**. At that time, the plan provided pension benefits for 1,416 (2006 – 1,357) pensioners, covers 3,607 (2006 – 3,566) active members and 563 (2006 – 602) deferred and inactive members.

The next valuation for funding purposes is currently required as of July 1, 2010.

The results of the valuation at **July 1, 2007** are:

- Going-concern deficit of \$66 million; required University contributions of \$7.1 million per annum over 15 years to amortize this deficit
- No additional solvency deficit funding was required
- University current service cost contributions of 11.1% of pensionable earnings in 2008/2009 (206% of member contributions)

The University funds current service cost contributions through charges to operating and research accounts that are roughly equivalent to 210% of employee contributions to the plan. Going concern deficit payments of \$8.1 million for 2007/08 were funded from internally restricted endowments. Expected deficit payments of \$9 million for 2008/09 will be funded by \$1.3 million of Sustainability funding received from the province with the remainder funded by excess health and dental reserves set aside for this purpose.

Investment Management

The normal calculations for the funding of the salaried pension plan include the assumption that the assets of the plan will earn an average of 6.5% per year after investment management fees. This is a long-term assumption. The short-term results have been very different. Actual investment returns are as follows:

- For the one-year period of July 1, 2007 to June 30, 2008: -3.7%
- For the three-month period of July 1, 2008 to Sept 30, 2008: -7.9%
- For the six-month period July 1, 2008 to Dec 31, 2008: -14.3%

The Pension Trust Committee regularly monitors the investment performance of the Salaried Pension Fund and posts an investment performance report on the McMaster website for the information of its members on a semi-annual basis.³ The four-year annualized return at December 31, 2008 of 1.4%, before fees, exceeds the benchmark by 1.4%, but is far short of the 6.5% (after fees) rate required to fund the plan.⁴

Over the past several years, the Pension Trust Committee has reviewed its investment strategy by completing an asset/liability study designed to identify the asset mix that provides the best balance of risks and return relative to the plan's liabilities. The study affirmed the overall 65% equity, 35% fixed income allocation of the fund and recommended the transfer of 20% universe bonds to 15% long bonds and 5% to real return bonds to improve our matching of assets to pension liabilities. In addition to implementing this recommendation, the Pension Trust Committee has made changes to the U.S. and Europe, Australasia and Far East (EAFE) equity management.

Ontario Pension Funding Relief

The 2009 Ontario Budget confirmed the December 2008 government announcement of temporary solvency funding relief to pension plans affected by the financial-market turmoil. Amendments to the Pension Benefits Act (PBA) will be introduced to provide for regulations to affect the relief retroactive to scheduled filing dates after September 30, 2008. Proposed funding relief provisions include:

- extension of the amortization period for new solvency deficits from 5 years to 10 years provided sufficient member consent is obtained
- deferral of deficit payments for one year from the valuation date
- allow up to 10 years of going-concern deficit payments to be taken into account in determining net solvency deficiency
- allow early adoption of new Canadian Institute of Actuaries (CIA) Commuted Value Standard
- allow institutional investors in the public sector, such as Universities, to use the Ontario Teachers' Pension Plan for investment management and pension administration services for a fee

The Council of Ontario Universities (COU) has held discussions with the Ministry of Finance to request university-specific short-term pension funding relief in excess of the relief measures announced in the budget. The Minister of Finance has decided its short-term relief package should be sufficient for University plans and recommended that the University sector review its employee contribution rates which are below those of other public sector plans. For example, the employee contribution rates for the Hospitals of Ontario Pension Plan (HOOPP) is 6.9% below the YMPE⁵ and 9.2% above; OMERS is 6.3% below the YMPE and 9.5% above; and Teachers' Pension Plan is 10.4% below the YMPE and 12.0% above. The employee contribution rate at McMaster, which is fairly typical of the University sector, is 5% (CAW, 5.5%) below the YMPE and 6.5% (CAW, 7%) above. The Minister was supportive of a working group to discuss longer-term solutions for university pension plans including comparison of value/cost to other public sector plans and joint management options. McMaster is represented on this working group by Karen Belaire, Vice President (Administration). Based on this result, the COU is ensuring that the Ministry of Training, Colleges and

³ <http://www.workingatmcmaster.ca/link.php?link=ewlss:Salaried-Total-Performance-2009>

⁴ Note that the time-weighted performance numbers used by the Pension Trust Committee to compare the fund performance to the policy benchmark differs substantially from the smoothing methodology used to calculate the going-concern asset value in the actuarial valuation report.

⁵ Year's Maximum Pensionable Earnings is set by the Federal Government. For 2009 it is set at \$46,300

Universities (MTCU) is aware of the dire financial consequences for universities in the absence of meaningful short-term relief.

Funding Implications

Recognizing the continued volatility in the markets, the reduction of pension assets since July 2008 and the lack of meaningful funding relief, administration decided to re-visit the possibility of filing an actuarial valuation report for funding purposes as of July 1, 2008.

If a report is filed as of July 2008, it (the report) will establish the minimum required contributions for the three plan years 2008/09, 2009/10 and 2010/11. The next required valuation would be **July 2011**.

Mercer, the University's actuary, has prepared estimates of the July 1, 2008 valuation. Based on actual asset values and using a five-year smoothing for both going-concern and solvency, and using July 2007 plan demographics and assumptions, Mercer estimates a similar going-concern deficit to the July 2007 valuation and no solvency deficit. The annual required payments for the going-concern deficit are estimated to be in the range of \$8 million to \$10 million per year. The University is using \$9 million per year for planning purposes.

There is no guarantee that the Financial Services Commission of Ontario (FSCO) will accept the late filing. The administration has asked Mercer to proceed with preparation of the valuation report with the goal of making a decision to file prior to June 30, 2009. The methodology and assumptions used in the valuation report will be reviewed by the Pension Trust Committee and the decision to file or not will be reviewed by the Finance Committee and approved by the Board of Governors.

The decision to file a July 2008 valuation would not be made in an attempt to reduce payments from the current level but strictly to provide the University with an additional year to better plan how it intends to address the expected special payments in 2012 and allow one more year for a possible market recovery.

2009/10 expected deficit payments of \$9 million are being funded through a combination of an increase in the charge to operating and research budgets from 2.1 times employee contributions to 2.4 times, which should generate \$5.2 million, excess health and dental reserves of \$1.3 million and \$2.5 million of the internally restricted endowment. Additional excess health and dental reserves identified in the 2008/09 year-end process, if any, will be used to reduce the amount taken from the internally restricted endowment. In order to fund the expected \$9 million deficit payment required for 2010/11, the University plans to increase both employee contributions and the charge to operating and research budgets. In the absence of a meaningful increase in employee contributions, the charges to operating and research budgets will need to increase in excess of 25% from current levels.

Plan Design Changes

The University continues to explore strategies to reduce financial impact of the pension obligation. These changes will be discussed through the collective bargaining process for unionized employees and through consultation with non-unionized employees. The goal is to reduce the cost, volatility and uncertainty of the pension plan obligations.

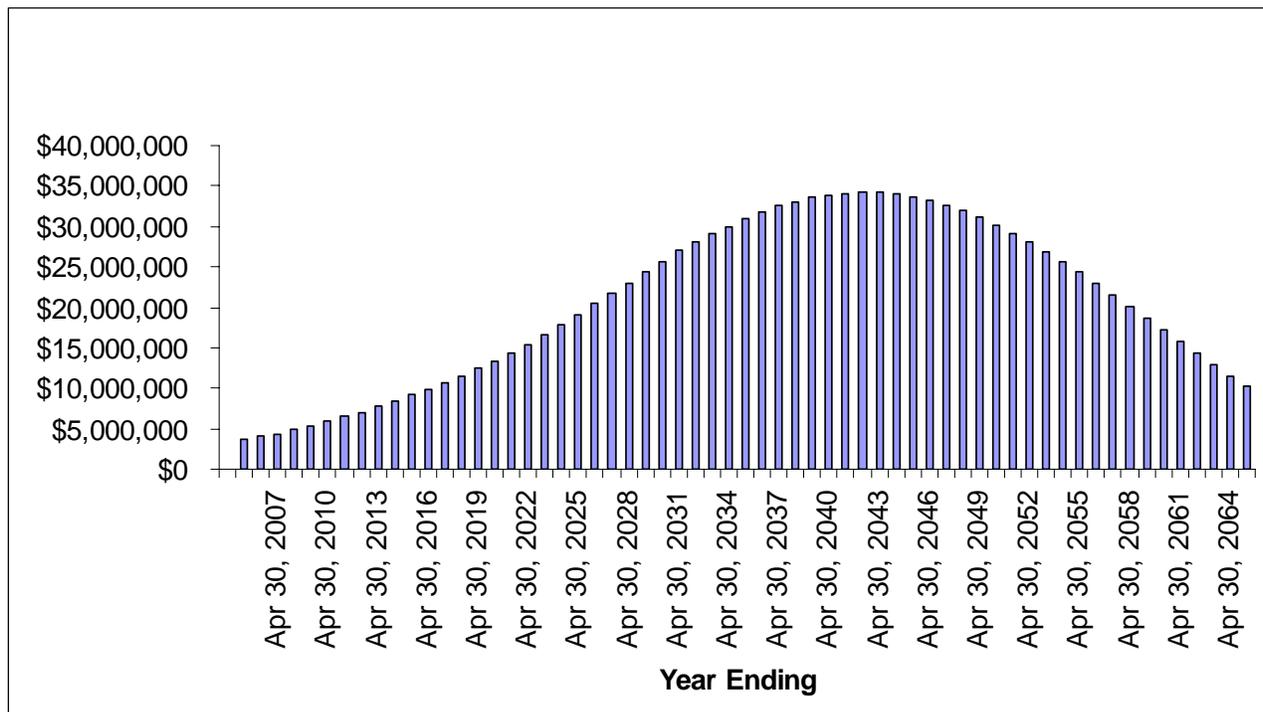
Hourly Pension Plan

The University also sponsors a defined benefit pension plan that provides benefits to 350 retirees and covers 588 active hourly rated employees. While not as large as the salaried pension plan, this plan has experienced the same negative consequence of volatile equity markets and low interest rates. Employer contributions to cover the current service cost and deficit payments are currently at 390% of employee contributions and are expected to increase significantly. Human Resources has negotiated the closure of this plan to new hires for all but one employee group. New hires in the union groups that were covered by the plan are now eligible for a group RRSP plan whereby the university matches employee contributions to their account.

Non-Pension Employee Future Benefits

McMaster offers defined benefit plans that provide non-pension retirement benefits including extended health, dental and life insurance for substantially all of its full-time employees. The University continues to fund these future non-pension benefits on a cash basis and has budgeted \$5.6 million for 2009/10. **Figure 4** shows the significant expected growth in the cash cost of benefits paid to retirees based only on the retirees and active staff currently covered by the plan (i.e., does not include new employees).

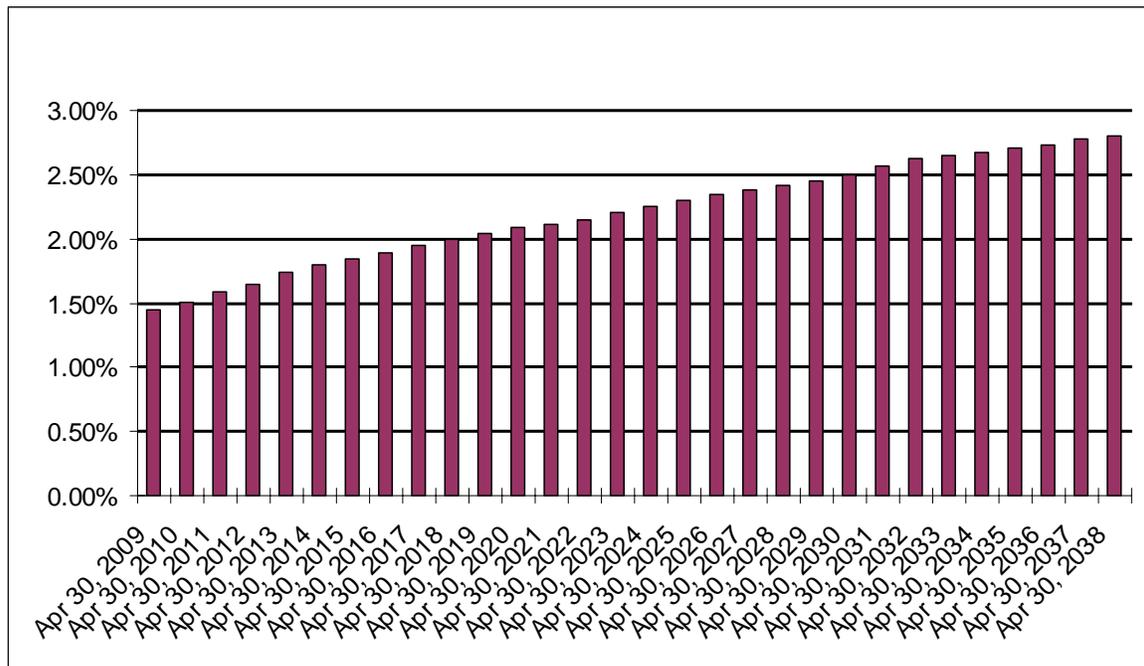
Figure 4: Annual Retiree Benefits Payments



On an accrued basis, the present value of the benefits earned in the year by active employees is \$10 million plus the associated interest of approximately \$12 million, for a total exceeding \$22 million. The shortfall between the unfunded accrued value of the benefits earned (\$22 million) and the cash cost of the benefits paid to retirees (\$5.6 million) is building an unfunded accrued benefit obligation for the University. The University’s actuaries measured this unfunded accrued benefit obligation at \$203.1 million as of April 30, 2008, making it the third highest obligation of its kind amongst Ontario Universities and the second largest when measured as a percentage of expenditures.

The sheer size of this obligation in relation to McMaster’s financial resources creates a significant risk to the University. Using its limited financial capacity to fund these growing obligations annually will put considerable pressure on other mission-critical expenditures and threatens its future competitive position. **Figure 5** shows the increase in the projected cash cost of non-pension post-retirement benefits as a percentage of projected salaries from the current 1.5% to over 2.75%⁶

Figure 5: Projected Non-Pension Post-Retirement Costs as a Percentage of Salaries



Upon review of the situation, the Finance Committee directed the University Administration to produce a plan for review by the Committee providing for the level of employee benefits to become comparable with the level of such benefits at McMaster’s comparator group of universities, over such reasonable time period as the Administration suggests, whilst maintaining the quality of the institution. The results of this review may impact the funding required for non-pension employee future benefits as built into this consolidated budget. For 2009/10, a small benefit surcharge will be used to generate a sinking fund to offset a portion of the future costs of these benefits.

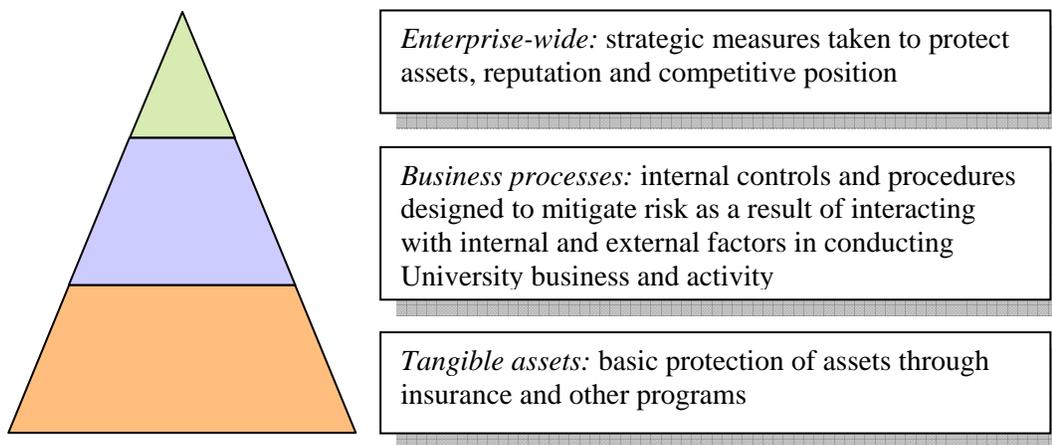
⁶ Assumes a constant active employee population and salary increases of 3% per year. The % will be lower if salaries increase more than 3% and will be higher if salaries stay flat or decrease or if the active population decreases.

Risk and Control Environment Management

An essential component of the University’s *Refining Directions* initiatives is the identification and mitigation of risk at all levels within its activities. Within strategic and operational contexts, the process can be summarized as follows:

“ ... a structured and disciplined approach that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces.”

Risk and its mitigation can be categorized into three distinct and interrelated components as highlighted in the following chart:



The University has installed comprehensive processes to monitor risk and the effectiveness of controls thereof in each of the distinct levels.

The Enterprise Wide Risk Management program (“EWRM”) is monitored on behalf of the Audit Committee by the Internal Audit Department and with the respective Risk Owners. For monitoring purposes, strategic risks have been grouped into two distinct groups:

<i>Resources and Processes</i>	<ul style="list-style-type: none"> • Technology • Physical infrastructure • Student satisfaction • Financial • Human capital and employee relations
<i>Leading and Managing</i>	<ul style="list-style-type: none"> • Government policy • Partnering • Change readiness • Leadership • Reputation • Competitor

The *Internal Audit Plan* considers the linkages among enterprise, business processes, protection of assets and business activities in the effort to direct the monitoring and audit efforts according to the significance of the risk ranking in each area according to the risk events' potential impact and their likelihood of occurrence.

To manage and monitor the effectiveness of controls at all risk levels, the University has instituted a variety of initiatives including the following:

- Internal Audit Department reviews which provide assurance and consulting services through a comprehensive risk-based audit and process review plan
- Ongoing communication with its External Auditors
- Risk Services Department monitoring and reporting
- Monitoring of legal and other claims
- The establishment of a Fraudulent Activity and Whistle Blower policy including the installation of a dedicated website for reporting such activity in confidence

Operating Budget Framework

The Operating Fund Summary in **Table 8** provides the projected 2008/09 year-end results and the 2009/10 budget. **Table 9** shows a breakdown of the sources of funding and resource allocation for each operating budget envelope, together with variances between the 2008/09 projection and original budget. **Table 9d** shows a breakdown of one-time sources of funding and resource allocation for each operating budget envelope for 2009/10. In **Table 10**, the salary and benefits detail report provides a further breakdown of salaries and benefits.

The Financial Position of Budget Envelopes in **Table 11** provides the two-year financial plan for the operating fund. For each envelope, the report highlights the opening appropriations balance at May 1, 2008, and projected/planned net expenditures for 2008/09 and 2009/10. Although there is a surplus balance budgeted for the University Technology Services/Technology Fund, major investments in systems are anticipated in the next few years. The accumulated surplus in this envelope will form the start of a sinking fund that will provide a permanent source of funding for technology infrastructure renewal.

Table 8: Operating Fund Summary – Year Ending April 30, 2010

(\$ thousands)	Operating Fund	
	2008/09	2009/10
	Projection	Budget
Sources of Funding:		
Provincial Grants	197,697	196,905
Tuition	136,678	146,572
Research Overhead Grants	22,536	22,530
Investment Income	10,467	9,467
Other income	2,582	2,582
Subtotal	369,960	378,056
Recoveries and other income	72,995	79,598
Total sources of funding	442,955	457,654
Expenditure:		
Salaries, wages and benefits	300,666	324,264
Utilities and maintenance	29,949	31,987
Capital projects	1,492	3,544
Library acquisitions	9,379	9,362
Supplies and other expenditures	63,975	67,006
Supplies and other expenditures - Research	7,070	5,779
Scholarships, bursaries and work study	29,849	32,381
Debt and financing charges	8,892	10,182
Total expenditures	451,273	484,505
In Year Surplus/(deficit)	(8,318)	(26,851)
Fund balances, beginning of year	59,451	51,133
Fund balances, end of year	51,133	24,283

Table 9a: Sources of Funding and Resource Allocation – 2008/09 Projection

Funding Sources & Resource Allocation (\$ thousands)	2008/09 Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	Other Expenditures	Total		
1. Faculties (Academic Programmes)													
Business	15,621	88	1,818	17,527	12,480	3,072	15,552	370	0	1,975	2,344	17,896	(369)
Engineering	34,217	1,645	3,439	39,301	27,986	6,481	34,466	1,411	0	3,610	5,021	39,488	(187)
Health Sciences	53,752	3,960	28,861	86,572	58,058	14,647	72,706	180	0	19,159	19,339	92,044	(5,472)
Humanities	21,446	87	1,208	22,741	18,766	4,213	22,979	74	0	1,600	1,674	24,652	(1,911)
Science	44,511	892	1,479	46,882	32,996	7,765	40,761	708	0	5,394	6,101	46,862	20
Advance to Science	0	0	(500)	(500)	0	0	0	0	0	0	0	0	(500)
Medical Radiation - Mohawk share	3,324	0	(3,227)	97	0	0	0	0	0	0	0	0	97
Social Sciences	22,145	207	4,585	26,936	21,337	5,029	26,366	165	0	1,537	1,702	28,068	(1,131)
Teaching Assistants - Incremental	0	0	12	12	0	0	0	0	0	0	0	0	12
Interdisciplinary Programmes	1,469	20	319	1,808	1,305	183	1,489	51	0	359	410	1,898	(90)
Academic Allocation - QIF	4,911	0	(4,460)	451	0	0	0	0	0	0	0	0	451
Academic Allocation - Accessibility	3,978	0	(1,434)	2,544	0	0	0	0	0	0	0	0	2,544
Sub-total	205,374	6,898	32,100	244,372	172,928	41,390	214,318	2,958	-	33,632	36,591	250,909	(6,537)
2. Academic Priorities													
Academic Contingency	2,561	0	(2,135)	426	404	58	462	0	0	554	554	1,016	(590)
Faculty Recruiting	398	0	(200)	199	0	0	0	0	0	404	404	404	(206)
Academic Priorities Allocation	4,845	0	(360)	4,486	0	0	0	0	0	0	0	0	4,486
Sub-total	7,804	-	(2,694)	5,110	404	58	462	-	-	958	958	1,420	3,690
TOTAL ACADEMIC	213,178	6,898	29,406	249,482	173,332	41,448	214,780	2,958	-	34,590	37,549	252,329	(2,847)
3. Academic Support													
Office of the Provost	2,009	0	165	2,174	1,622	385	2,007	0	0	201	201	2,207	(33)
School of Graduate Studies	1,129	0	1,256	2,385	928	246	1,174	0	0	1,161	1,161	2,335	50
Museum of Art	270	0	709	979	493	148	641	0	0	391	391	1,032	(53)
Centre for Leadership in Learning	1,574	0	54	1,628	1,109	298	1,408	0	0	805	805	2,212	(585)
Research	1,669	8,864	7,292	17,825	8,403	2,377	10,780	0	0	7,070	7,070	17,850	(25)
Nuclear Reactor Debt	0	0	0	0	0	0	0	0	0	0	0	0	0
University Library	14,953	767	2,875	18,595	6,540	2,120	8,660	0	7,696	2,355	10,051	18,711	(116)
Health Sciences Library	2,476	192	746	3,414	1,238	356	1,594	0	1,683	134	1,817	3,411	2
Registrar	3,466	0	1,880	5,346	3,108	881	3,988	0	0	1,476	1,476	5,465	(119)
Pension	6,828	0	0	6,828	0	6,828	6,828	0	0	0	0	6,828	0
Academic Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	34,374	9,823	14,978	59,175	23,441	13,639	37,081	-	9,379	13,592	22,972	60,052	(877)
4. Student Support													
Graduate Scholarships/Bursaries	10,583	0	(2,364)	8,219	0	0	0	9,208	0	11	9,219	9,219	(1,000)
Student Affairs	17,845	0	16,987	34,832	8,571	1,848	10,418	17,683	0	7,405	25,087	35,506	(674)
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	28,428	-	14,623	43,051	8,571	1,848	10,418	26,890	-	7,416	34,306	44,724	(1,674)
5. Facilities Support													
Facilities Services	15,194	0	(68)	15,126	8,129	2,370	10,500	0	0	4,544	4,544	15,044	83
HSC Maintenance	3,287	0	0	3,287	0	0	0	0	0	3,390	3,390	3,390	(103)
Utilities	13,118	0	6,362	19,480	1,404	401	1,805	0	0	17,558	17,558	19,364	116
HSC Utilities	4,943	0	0	4,943	0	0	0	0	0	4,457	4,457	4,457	486
Deferred Majnt/Facilities Renew	1,387	0	0	1,387	0	0	0	0	0	1,464	1,464	1,464	(77)
Bond Interest	7,380	0	0	7,380	0	0	0	0	0	7,380	7,380	7,380	0
Renovation contingency	981	0	(309)	672	0	0	0	0	0	28	28	28	644
Sub-total	46,290	-	5,985	52,275	9,534	2,771	12,305	-	-	38,821	38,821	51,126	1,148
6. Institutional Support													
Administration/Institutional Support	12,253	0	1,676	13,929	9,875	2,709	12,585	0	0	3,023	3,023	15,607	(1,678)
UTS/Technology Fund	11,293	0	3,417	14,710	5,514	1,785	7,300	0	0	5,474	5,474	12,773	1,937
University Secretariat	635	0	0	635	469	138	607	0	0	68	68	676	(41)
Presidential Budget	1,113	0	0	1,113	439	121	560	0	0	462	462	1,022	91
University Advancement	3,637	0	3,037	6,674	3,466	858	4,324	0	0	2,004	2,004	6,328	346
General/Contingency	2,613	0	(126)	2,487	677	30	707	0	0	4,126	4,126	4,833	(2,346)
Sub-total	31,544	-	8,004	39,548	20,441	5,641	26,082	-	-	15,157	15,157	41,239	(1,691)
7. Institutional Priority allocations													
Strategic Priorities/Refining Directions	(600)	0	0	(600)	0	0	0	0	0	1,802	1,802	1,802	(2,402)
Sub-total	(600)	-	-	(600)	-	-	-	-	-	1,802	1,802	1,802	(2,402)
Surplus/(Deficit)	353,214	16,721	72,995	442,930	235,319	65,347	300,666	29,849	9,379	111,379	150,606	451,273	(8,343)
<i>Under/(over)allocated</i>	25			25			0				0	0	25
Total Surplus/(Deficit)	353,239	16,721	72,995	442,955	235,319	65,347	300,666	29,849	9,379	111,379	150,606	451,273	(8,318)

Table 9b: Sources of Funding and Resource Allocation – 2008/09 Variances - Projection vs. Budget

Funding Sources & Resource Allocation (\$ thousands) Favourable (Unfavourable) Variance	2008/09 Sources of Funding			Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)
	Framework Allocation incl. Research Overhead	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	Other Expenditures	Total		
1. Faculties (Academic Programmes)												
Business	797	(1,780)	(983)	2,150	351	2,501	(120)	0	951	832	3,333	2,350
Engineering	3,986	(3,915)	71	213	175	389	229	0	961	1,190	1,578	1,649
Health Sciences	7,593	(1,165)	6,427	(1,770)	(2,037)	(3,808)	47	304	(272)	79	(3,728)	2,699
Humanities	(780)	105	(675)	(87)	116	29	51	0	(262)	(211)	(181)	(856)
Science	1,671	2,148	3,819	(689)	424	(265)	228	0	(1,850)	(1,621)	(1,886)	1,933
Advance to Science	0	(500)	(500)	0	0	0	0	0	0	0	0	(500)
Medical Radiation - Mohawk share	142	(45)	97	0	0	0	0	0	0	0	0	97
Social Sciences	(1,161)	839	(323)	(544)	150	(394)	(5)	0	(495)	(500)	(894)	(1,216)
Teaching Assistants - Incremental	(490)	502	12	0	0	0	0	0	0	0	0	12
Interdisciplinary Programmes	47	21	68	(61)	7	(55)	(18)	0	(227)	(245)	(299)	(231)
Academic Allocation - QIF	3,051	(2,600)	451	0	0	0	0	0	0	0	0	451
Academic Allocation - Accessibility	3,978	(1,434)	2,544	0	0	0	0	0	0	0	0	2,544
Sub-total	18,833	(7,824)	11,009	(788)	(814)	(1,602)	413	304	(1,192)	(476)	(2,078)	8,931
2. Academic Priorities												
Academic Contingency	0	(536)	(536)	(385)	(58)	(443)	0	0	(473)	(473)	(916)	(1,452)
Faculty Recruiting	0	(200)	(200)	0	0	0	0	0	(6)	(6)	(6)	(206)
Academic Priorities Allocation	58	2,402	2,460	200	0	200	0	0	0	0	200	2,660
Sub-total	58	1,666	1,724	(185)	(58)	(243)	-	-	(479)	(479)	(722)	1,002
TOTAL ACADEMIC	18,891	(6,158)	12,733	(973)	(872)	(1,845)	413	304	(1,671)	(955)	(2,800)	9,933
3. Academic Support												
Office of the Provost	510	106	616	(440)	(120)	(560)	0	0	(110)	(110)	(669)	(53)
School of Graduate Studies	0	720	720	3	11	14	0	0	(638)	(638)	(624)	96
Museum of Art	0	(78)	(78)	72	38	110	0	0	(85)	(85)	25	(53)
Centre for Leadership in Learning	52	(116)	(64)	95	49	143	0	0	(89)	(89)	55	(10)
Research	1,884	1,074	2,958	(381)	(125)	(506)	0	0	(2,180)	(2,180)	(2,686)	272
Nuclear Reactor Debt	0	(100)	(100)	0	0	0	0	0	0	0	0	(100)
University Library	159	1,831	1,990	(9)	(164)	(173)	0	(296)	(1,489)	(1,785)	(1,958)	32
Health Sciences Library	53	261	314	(25)	(7)	(32)	0	(319)	21	(298)	(330)	(17)
Registrar	0	15	15	71	54	126	0	0	(144)	(144)	(19)	(4)
Pension	1,578	0	1,578	0	(1,578)	(1,578)	0	0	0	0	(1,578)	0
Academic Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	4,236	3,714	7,950	(614)	(1,842)	(2,457)	-	(615)	(4,713)	(5,329)	(7,785)	165
4. Student Support												
Graduate Scholarships/Bursaries	541	(799)	(258)	0	0	0	(731)	0	(11)	(742)	(742)	(1,000)
Student Affairs	267	4,201	4,468	(1,046)	22	(1,023)	(2,884)	0	(309)	(3,192)	(4,216)	252
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	808	3,402	4,210	(1,046)	22	(1,023)	(3,614)	-	(320)	(3,934)	(4,957)	(748)
5. Facilities Support												
Facilities Services	0	(206)	(206)	413	(48)	364	0	0	75	75	439	234
HSC Maintenance	0	0	0	0	0	0	0	0	(18)	(18)	(18)	(18)
Utilities	0	(2,021)	(2,021)	15	(120)	(105)	0	0	2,243	2,243	2,137	116
HSC Utilities	0	0	0	0	0	0	0	0	486	486	486	486
Deferred Majnt/Facilities Renew	(532)	0	(532)	0	0	0	0	0	455	455	455	(77)
Bond Interest	0	0	0	0	0	0	0	0	0	0	0	0
Renovation contingency	0	(309)	(309)	0	0	0	0	0	953	953	953	644
Sub-total	(532)	(2,536)	(3,068)	427	(168)	259	-	-	4,194	4,194	4,453	1,384
6. Institutional Support												
Administration/Institutional Support	(1,054)	116	(938)	486	93	578	0	0	(802)	(802)	(223)	(1,161)
UTS/Technology Fund	200	2,229	2,429	163	68	230	0	0	343	343	574	3,003
University Secretariat	0	0	0	52	(2)	50	0	0	(1)	(1)	48	48
Presidential Budget	(350)	(3)	(353)	326	99	425	0	0	136	136	561	208
University Advancement	0	13	13	471	211	682	0	0	(66)	(66)	616	629
General/Contingency	374	143	517	(415)	7	(408)	0	0	(2,455)	(2,455)	(2,863)	(2,346)
Sub-total	(830)	2,498	1,668	1,082	476	1,558	-	-	(2,845)	(2,845)	(1,287)	381
7. Institutional Priority allocations												
Strategic Priorities/Refining Directions	(780)	508	(252)	0	0	0	0	0	(1,802)	(1,802)	(1,802)	(2,054)
Sub-total	(780)	508	(252)	-	-	-	-	-	(1,802)	(1,802)	(1,802)	(2,054)
Surplus/(Deficit)	21,813	1,427	23,240	(1,124)	(2,384)	(3,508)	(3,202)	(311)	(7,158)	(10,670)	(14,179)	9,061
<i>Under/(over)allocated</i>	557	0	557	0	0	0	0	0	0	0	0	557
Total Surplus/(Deficit)	22,370	1,427	23,797	(1,124)	(2,384)	(3,508)	(3,202)	(311)	(7,158)	(10,670)	(14,179)	9,618

Table 9c: Sources of Funding and Resource Allocation – 2009/10 Budget

Funding Sources & Resource Allocation (\$ thousands)	2009/10 Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	Other Expenditures	Total		
1. Faculties (Academic Programmes)													
Business	17,576	80	4,461	22,117	15,290	4,015	19,305	453	0	3,457	3,910	23,215	(1,098)
Engineering	39,572	1,257	(60)	40,769	29,062	8,089	37,151	1,192	0	4,109	5,301	42,452	(1,683)
Health Sciences	54,414	4,559	34,550	93,523	62,266	16,025	78,291	180	0	22,840	23,020	101,311	(7,788)
Humanities	22,048	87	1,167	23,302	19,512	4,989	24,501	74	0	1,178	1,252	25,753	(2,451)
Science	47,967	923	3,352	52,242	38,740	10,322	49,062	584	0	4,669	5,253	54,315	(2,073)
Advance to Science	0	0	(500)	(500)	0	0	0	0	0	0	0	0	(500)
Medical Radiation - Mohawk share	3,542	0	(3,542)	0	0	0	0	0	0	0	0	0	0
Social Sciences	20,266	191	1,592	22,049	17,906	4,996	22,902	140	0	718	858	23,760	(1,711)
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0
Interdisciplinary Programmes	1,488	20	346	1,854	1,322	218	1,540	64	0	395	460	2,000	(147)
Academic Allocation - QIF	2,510	0	(2,920)	(410)	0	0	0	0	0	0	0	0	(410)
Academic Allocation - Accessibility	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	209,383	7,116	38,447	254,945	184,099	48,654	232,753	2,688	-	37,365	40,053	272,806	(17,861)
2. Academic Priorities													
Academic Contingency	2,006	0	(2,030)	(24)	43	3	46	0	0	125	125	171	(195)
Faculty Recruiting	398	0	0	398	0	0	0	0	0	398	398	398	0
Academic Priorities Allocation	6,921	0	(350)	6,571	563	0	563	0	0	4,002	4,002	4,565	2,006
Sub-total	9,325	-	(2,380)	6,945	606	3	609	-	-	4,525	4,525	5,134	1,811
TOTAL ACADEMIC	218,708	7,116	36,067	261,890	184,705	48,657	233,362	2,688	-	41,890	44,578	277,940	(16,049)
3. Academic Support													
Office of the Provost	2,564	0	20	2,584	1,782	536	2,317	0	0	262	262	2,579	5
School of Graduate Studies	1,129	0	1,278	2,407	1,173	294	1,468	0	0	1,184	1,184	2,652	(245)
Museum of Art	270	0	708	978	557	175	732	0	0	246	246	978	0
Centre for Leadership in Learning	1,574	0	459	2,033	1,303	410	1,713	0	0	526	526	2,239	(206)
Research	1,683	8,691	6,874	17,248	8,722	2,755	11,476	0	0	5,779	5,779	17,255	(7)
Nuclear Reactor Debt	0	0	100	100	0	0	0	0	0	0	0	0	100
University Library	14,957	767	385	16,109	5,968	1,782	7,750	0	7,400	733	8,133	15,883	225
Health Sciences Library	2,476	192	1,019	3,687	1,232	334	1,567	0	1,962	159	2,121	3,688	(1)
Registrar	3,466	0	1,974	5,440	3,276	1,047	4,323	0	0	1,552	1,552	5,876	(436)
Pension	5,502	0	0	5,502	0	5,502	5,502	0	0	0	0	5,502	0
Academic Support Allocation	470	0	0	470	0	0	0	0	0	0	0	0	470
Sub-total	34,091	9,650	12,816	56,558	24,014	12,835	36,848	-	9,362	10,442	19,804	56,652	(95)
4. Student Support													
Graduate Scholarships/Bursaries	10,780	0	(1,651)	9,129	0	0	0	10,129	0	0	10,129	10,129	(1,000)
Student Affairs	17,845	0	19,080	36,925	9,769	2,181	11,949	19,564	0	8,988	28,552	40,501	(3,576)
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	28,625	-	17,429	46,054	9,769	2,181	11,949	29,693	-	8,988	38,681	50,630	(4,576)
5. Facilities Support													
Facilities Services	15,744	0	(292)	15,452	8,459	2,388	10,847	0	0	4,604	4,604	15,452	0
HSC Maintenance	3,287	0	0	3,287	0	0	0	0	0	3,305	3,305	3,305	(18)
Utilities	14,202	0	6,457	20,659	1,357	359	1,716	0	0	18,943	18,943	20,659	0
HSC Utilities	5,135	0	0	5,135	0	0	0	0	0	5,135	5,135	5,135	0
Deferred Maint/Facilities Renew	1,919	0	0	1,919	0	0	0	0	0	1,919	1,919	1,919	0
Bond Interest	7,380	0	0	7,380	0	0	0	0	0	7,380	7,380	7,380	0
Renovation contingency	981	0	0	981	0	0	0	0	0	1,625	1,625	1,625	(644)
Sub-total	48,648	-	6,164	54,812	9,816	2,747	12,563	-	-	42,911	42,911	55,474	(662)
6. Institutional Support													
Administration/Institutional Support	12,484	0	2,242	14,726	10,194	3,260	13,454	0	0	2,758	2,758	16,212	(1,486)
UTS/Technology Fund	11,123	0	535	11,658	6,417	2,173	8,590	0	0	4,169	4,169	12,759	(1,101)
University Secretariat	635	0	200	835	480	152	632	0	0	259	259	891	(56)
Presidential Budget	1,113	0	5	1,118	511	163	674	0	0	585	585	1,259	(141)
University Advancement	3,637	0	3,161	6,798	4,115	1,091	5,206	0	0	2,091	2,091	7,297	(499)
General/Contingency	2,589	0	1,259	3,848	919	67	986	0	0	4,405	4,405	5,391	(1,542)
Sub-total	31,581	-	7,402	38,983	22,636	6,906	29,541	-	-	14,267	14,267	43,808	(4,825)
7. Institutional Priority allocations													
Strategic Priorities/Refining Directions	(342)	0	(280)	(622)	0	0	0	0	0	0	0	0	(622)
Sub-total	(342)	-	(280)	(622)	-	-	-	-	-	-	-	-	(622)
Surplus/(Deficit)	361,311	16,766	79,598	457,675	250,939	73,325	324,264	32,381	9,362	118,498	160,241	484,505	(26,829)
<i>Under/(over)allocated</i>	(21)			(21)			0				0	0	(21)
Total Surplus/(Deficit)	361,290	16,766	79,598	457,654	250,939	73,325	324,264	32,381	9,362	118,498	160,241	484,505	(26,850)

Table 9d: One-time Sources of Funding and Resource Allocation – 2009/10 Budget

McMaster University
2009/10 Budget

One-time Funding Sources & Resource Allocation

(\$ thousands)

	2009/10 One-time Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	Other Expenditures	Total		
1. Faculties (Academic Programmes)													
Business	0	0	126	126	0	0	0	0	0	110	110	110	16
Engineering	0	0	(260)	(260)	0	0	0	0	0	150	150	150	(410)
Health Sciences	(0)	0	2,118	2,118	1,430	270	1,700	0	0	10,129	10,129	11,829	(9,711)
Humanities	0	0	50	50	0	0	0	0	0	0	0	0	50
Science	0	115	2,394	2,508	1,738	432	2,170	0	0	1,900	1,900	4,070	(1,562)
Advance to Science	0	0	(500)	(500)	0	0	0	0	0	0	0	0	(500)
Medical Radiation - Mohawk share	0	0	0	0	0	0	0	0	0	0	0	0	0
Social Sciences	0	0	453	453	200	6	206	0	0	15	15	221	232
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0
Interdisciplinary Programmes	0	0	(96)	(96)	18	0	18	0	0	69	69	87	(183)
Academic Allocation - QIF	0	0	(1,060)	(1,060)	0	0	0	0	0	0	0	0	(1,060)
Academic Allocation - Accessibility	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	0	115	3,225	3,340	3,385	709	4,094	-	-	12,373	12,373	16,467	(13,127)
2. Academic Priorities													
Academic Contingency	0	0	(2,000)	(2,000)	15	3	18	0	0	61	61	79	(2,079)
Faculty Recruiting	0	0	0	0	0	0	0	0	0	0	0	0	0
Academic Priorities Allocation	0	0	(350)	(350)	0	0	0	0	0	0	0	0	(350)
Sub-total	0	-	(2,350)	(2,350)	15	3	18	-	-	61	61	79	(2,429)
TOTAL ACADEMIC	0	115	875	990	3,400	712	4,112	-	-	12,434	12,434	16,546	(15,556)
3. Academic Support													
Office of the Provost	0	0	0	0	24	0	24	0	0	70	70	94	(94)
School of Graduate Studies	0	0	500	500	145	0	145	0	0	600	600	745	(245)
Museum of Art	0	0	35	35	24	0	24	0	0	0	0	24	11
Centre for Leadership in Learning	0	0	(48)	(48)	2	0	2	0	0	74	74	76	(123)
Research	400	238	948	1,586	582	168	750	0	0	843	843	1,593	(7)
Nuclear Reactor Debt	0	0	100	100	0	0	0	0	0	0	0	0	100
University Library	300	0	0	300	0	0	0	0	0	300	300	300	0
Health Sciences Library	0	0	0	0	0	0	0	0	0	2	2	2	(2)
Registrar	0	0	0	0	23	11	33	0	0	374	374	407	(407)
Pension	0	0	0	0	0	0	0	0	0	0	0	0	0
Academic Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	700	238	1,535	2,473	799	179	977	-	-	2,263	2,263	3,240	(767)
4. Student Support													
Graduate Scholarships/Bursaries	0	0	(500)	(500)	0	0	0	500	0	0	500	500	(1,000)
Student Affairs	1,801	0	973	2,774	498	89	587	3,803	0	1,961	5,764	6,351	(3,577)
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	1,801	-	473	2,274	498	89	587	4,303	-	1,961	6,264	6,851	(4,577)
5. Facilities Support													
Facilities Services	50	0	0	50	0	0	0	0	0	50	50	50	0
HSC Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
HSC Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Majnt/Facilities Renew	0	0	0	0	0	0	0	0	0	0	0	0	0
Bond Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Renovation contingency	0	0	0	0	0	0	0	0	0	644	644	644	(644)
Sub-total	50	-	-	50	-	-	-	-	-	694	694	694	(644)
6. Institutional Support													
Administration/Institutional Support	500	0	(1,198)	(698)	652	193	844	0	0	59	59	903	(1,602)
UTS/Technology Fund	0	0	0	0	900	345	1,245	0	0	1,071	1,071	2,316	(2,316)
University Secretariat	0	0	200	200	0	0	0	0	0	200	200	200	0
Presidential Budget	0	0	0	0	109	32	141	0	0	60	60	201	(201)
University Advancement	250	0	(250)	0	410	0	410	0	0	88	88	499	(499)
General/Contingency	350	0	0	350	340	3	343	0	0	29	29	372	(22)
Sub-total	1,100	-	(1,248)	(148)	2,411	573	2,983	-	-	1,507	1,507	4,490	(4,639)
7. Institutional Priority allocations													
Strategic Priorities/Refining Directions	(428)	0	(240)	(668)	0	0	0	0	0	0	0	0	(668)
Sub-total	(428)	-	(240)	(668)	-	-	-	-	-	-	-	-	(668)
Surplus/(Deficit)	3,223	353	1,395	4,971	7,107	1,552	8,659	4,303	-	18,860	23,162	31,822	(26,850)
Under/(over)allocated	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Surplus/(Deficit)	3,223	353	1,395	4,971	7,107	1,552	8,659	4,303	-	18,860	23,162	31,822	(26,850)

Table 10a: Salary and Benefits Detail – 2008/09 Projection

Salary and Benefits Detail (\$ thousands)	Academic							Support Staff				Teaching Assistants			Hourly Staff		
	Full-time	CLA	Permanent Teaching Track	CAWAR/Special	Part-time	Benefits	Total	Full-time	Part-time	Benefits	Total	Salaries	Benefits	Total	Wages	Benefits	Total
1. Faculties (Academic Programmes)																	
Business	6,290	963	237	0	1,320	2,106	10,916	2,692	281	896	3,869	697	70	766	0	0	0
Engineering	15,128	632	299	0	2,400	4,386	22,844	5,245	789	1,627	7,661	3,370	429	3,799	123	39	162
Health Sciences	790	4,356	944	22,629	5,797	9,062	43,580	18,773	2,479	5,585	26,837	2,289	0	2,289	0	0	0
Humanities	10,718	1,079	126	0	1,600	3,093	16,616	2,418	234	805	3,457	2,591	315	2,905	0	0	0
Science	17,614	1,539	567	0	1,265	5,181	26,166	6,372	834	2,006	9,213	4,804	577	5,382	0	0	0
Advance to Science	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Medical Radiation - Mohawk share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Social Sciences	12,288	1,318	461	0	1,466	3,753	19,286	2,924	357	965	4,246	2,524	311	2,834	0	0	0
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interdisciplinary Programmes	408	101	0	0	190	62	762	276	97	95	468	233	26	259	0	0	0
Academic Allocation - QIF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Academic Allocation - Accessibility	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	63,235	9,988	2,635	22,629	14,039	27,644	140,170	38,700	5,072	11,980	55,751	16,507	1,728	18,235	123	39	162
2. Academic Priorities																	
Academic Contingency	306	0	0	0	14	52	372	56	28	6	90	0	0	0	0	0	0
Faculty Recruiting	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Academic Priorities Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	306	-	-	-	14	52	372	56	28	6	90	-	-	-	-	-	-
TOTAL ACADEMIC	63,541	9,988	2,635	22,629	14,053	27,696	140,542	38,756	5,100	11,985	55,841	16,507	1,728	18,235	123	39	162
3. Academic Support																	
Office of the Provost	115	0	0	0	24	0	139	1,428	54	385	1,868	0	0	0	0	0	0
School of Graduate Studies	151	0	0	0	0	12	163	698	79	234	1,011	0	0	0	0	0	0
Museum of Art	0	0	0	0	0	0	0	409	84	148	641	0	0	0	0	0	0
Centre for Leadership in Learning	0	0	0	0	0	0	0	1,000	110	298	1,408	0	0	0	0	0	0
Research	190	0	0	0	40	8	239	7,752	401	2,389	10,522	0	0	0	20	0	20
Nuclear Reactor Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
University Library	0	0	0	0	0	0	0	5,934	607	2,120	8,660	0	0	0	0	0	0
Health Sciences Library	0	0	0	0	0	0	0	1,155	83	356	1,594	0	0	0	0	0	0
Registrar	0	0	0	0	0	0	0	2,660	447	881	3,988	0	0	0	0	0	0
Sub-total	456	-	-	-	64	20	540	21,036	1,865	6,791	29,692	-	-	-	20	-	20
4. Student Support																	
Graduate Scholarships/Bursaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Student Affairs	0	0	0	0	71	0	71	5,077	3,423	1,848	10,347	0	0	0	0	0	0
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	-	-	-	-	71	-	71	5,077	3,423	1,848	10,347	-	-	-	-	-	-
5. Facilities Support																	
Facilities Services	0	0	0	0	0	0	0	2,034	53	766	2,854	0	0	0	6,042	1,604	7,646
HSC Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	0	0	0	0	0	0	0	191	0	52	242	0	0	0	1,214	349	1,563
HSC Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Maint/Facilities Renew	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bond Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Renovation contingency	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	-	-	-	-	-	-	-	2,225	53	818	3,096	-	-	-	7,256	1,953	9,209
6. Institutional Support																	
Administration/Institutional Support	0	0	0	0	0	0	0	8,243	739	2,487	11,469	0	0	0	894	222	1,116
UTS/Technology Fund	0	0	0	0	0	0	0	5,344	170	1,785	7,300	0	0	0	0	0	0
University Secretariat	0	0	0	0	0	0	0	469	0	138	607	0	0	0	0	0	0
Presidential Budget	0	0	0	0	0	0	0	420	19	121	560	0	0	0	0	0	0
University Advancement	0	0	0	0	0	0	0	3,319	146	858	4,324	0	0	0	0	0	0
General/Contingency	20	0	0	0	0	0	20	657	0	30	687	0	0	0	0	0	0
Sub-total	20	-	-	-	-	-	20	18,453	1,074	5,419	24,946	-	-	-	894	222	1,116
7. Institutional Priority allocations																	
Strategic Priorities/Refining Directions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	64,017	9,988	2,635	22,629	14,188	27,716	141,173	85,546	11,515	26,861	123,923	16,507	1,728	18,235	8,293	2,214	10,507

Table 10b: Salary and Benefits Detail – 2008/09 Variances Projection vs. Budget

Salary and Benefits Detail (\$ thousands) Favourable (Unfavourable) Variances	Academic							Support Staff				Teaching Assistants			Hourly Staff			
	Full-time	CLA	Permanent Teaching Track	CAWAR/Special	Part-time	Benefits	Total	Full-time	Part-time	Benefits	Total	Salaries	Benefits	Total	Wages	Benefits	Total	
1. Faculties (Academic Programmes)																		
Business	1,076	(4)	23	0	438	294	1,827	603	(35)	42	610	49	15	65	0	0	0	
Engineering	1,195	279	(94)	0	(516)	305	1,170	(3)	(184)	(67)	(254)	(454)	(60)	(514)	(10)	(3)	(13)	
Health Sciences	(1,507)	1,360	(612)	1,434	(347)	(1,395)	(1,069)	610	(1,962)	(642)	(1,994)	(745)	0	(745)	0	0	0	
Humanities	240	340	(3)	0	(354)	264	487	(105)	14	(94)	(185)	(219)	(54)	(272)	0	0	0	
Science	92	(178)	(50)	0	(145)	325	44	365	(446)	142	60	(326)	(42)	(369)	0	0	0	
Advance to Science	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Medical Radiation - Mohawk share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Social Sciences	488	(183)	45	0	(415)	316	251	(216)	(190)	(55)	(461)	(74)	(111)	(184)	0	0	0	
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interdisciplinary Programmes	(294)	(2)	0	0	345	20	68	11	(97)	(7)	(93)	(24)	(6)	(30)	0	0	0	
Academic Allocation - QIF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Academic Allocation - Accessibility	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total	1,291	1,612	(692)	1,434	(995)	128	2,778	1,265	(2,901)	(682)	(2,317)	(1,792)	(258)	(2,050)	(10)	(3)	(13)	
2. Academic Priorities																		
Academic Contingency	(306)	0	0	0	0	(52)	(358)	(56)	(23)	(6)	(85)	0	0	0	0	0	0	
Faculty Recruiting	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Academic Priorities Allocation	200	0	0	0	0	0	200	0	0	0	0	0	0	0	0	0	0	
Sub-total	(106)	-	-	-	-	(52)	(158)	(56)	(23)	(6)	(85)	-	-	-	-	-	-	
TOTAL ACADEMIC	1,185	1,612	(692)	1,434	(995)	76	2,620	1,209	(2,924)	(687)	(2,402)	(1,792)	(258)	(2,050)	(10)	(3)	(13)	
3. Academic Support																		
Office of the Provost	(19)	0	0	0	(24)	0	(43)	(361)	(35)	(120)	(517)	0	0	0	0	0	0	
School of Graduate Studies	(151)	126	0	0	0	(1)	(26)	81	(53)	12	40	0	0	0	0	0	0	
Museum of Art	0	0	0	0	0	0	0	106	(34)	38	110	0	0	0	0	0	0	
Centre for Leadership in Learning	0	0	0	0	0	0	0	112	(18)	49	143	0	0	0	0	0	0	
Research	(76)	0	0	0	(40)	1	(116)	(282)	37	(126)	(371)	0	0	0	(20)	0	(20)	
Nuclear Reactor Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
University Library	0	0	0	0	0	0	0	247	(257)	(164)	(173)	0	0	0	0	0	0	
Health Sciences Library	0	0	0	0	0	0	0	58	(83)	(7)	(32)	0	0	0	0	0	0	
Registrar	0	0	0	0	0	0	0	155	(83)	54	126	0	0	0	0	0	0	
Sub-total	(246)	126	-	-	(64)	(0)	(184)	116	(526)	(264)	(674)	-	-	-	(20)	-	(20)	
4. Student Support																		
Graduate Scholarships/Bursaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Student Affairs	0	0	0	0	(60)	0	(60)	171	(1,157)	22	(963)	0	0	0	0	0	0	
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total	-	-	-	-	(60)	-	(60)	171	(1,157)	22	(963)	-	-	-	-	-	-	
5. Facilities Support																		
Facilities Services	0	0	0	0	0	0	0	225	40	18	282	0	0	0	148	(66)	82	
HSC Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Utilities	0	0	0	0	0	0	0	(1)	0	0	(0)	0	0	0	15	(120)	(105)	
HSC Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Deferred Majnt/Facilities Renew	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Bond Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Renovation contingency	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total	-	-	-	-	-	-	-	224	40	18	282	-	-	-	163	(186)	(23)	
6. Institutional Support																		
Administration/Institutional Support	0	0	0	0	0	0	0	1,037	(420)	51	668	0	0	0	(132)	42	(90)	
UTS/Technology Fund	0	0	0	0	0	0	0	183	(20)	88	230	0	0	0	0	0	0	
University Secretariat	0	0	0	0	0	0	0	52	0	(2)	50	0	0	0	0	0	0	
Presidential Budget	0	0	0	0	0	0	0	324	2	99	425	0	0	0	0	0	0	
University Advancement	0	0	0	0	0	0	0	502	(30)	211	682	0	0	0	0	0	0	
General/Contingency	0	0	0	0	0	0	0	(415)	0	7	(408)	0	0	0	0	0	0	
Sub-total	-	-	-	-	-	-	-	1,682	(468)	434	1,648	-	-	-	(132)	42	(90)	
7. Institutional Priority allocations																		
Strategic Priorities/Refining Directions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenditures	939	1,738	(692)	1,434	(1,119)	76	2,376	3,403	(5,035)	(477)	(2,110)	(1,792)	(258)	(2,050)	1	(147)	(146)	

Table 10c: Salary and Benefits Detail – 2009/10 Budget

Salary and Benefits Detail (\$ thousands)	Academic							Support Staff				Teaching Assistants			Hourly Staff			
	Full-time	CLA	Permanent Teaching Track	CAWAR/Special	Part-time	Benefits	Total	Full-time	Part-time	Benefits	Total	Salaries	Benefits	Total	Wages	Benefits	Total	
1. Faculties (Academic Programmes)																		
Business	8,338	663	670	0	1,294	2,769	13,734	3,399	137	1,148	4,685	788	98	886	0	0	0	
Engineering	15,957	706	308	0	2,545	5,582	25,098	5,948	486	2,077	8,511	2,927	367	3,294	186	63	249	
Health Sciences	3,042	4,455	965	23,159	5,679	9,923	47,223	20,410	2,358	6,102	28,871	2,197	0	2,197	0	0	0	
Humanities	12,175	1,194	134	0	1,039	3,910	18,453	2,461	179	798	3,438	2,330	281	2,611	0	0	0	
Science	21,559	1,363	775	0	1,195	6,986	31,878	7,600	854	2,641	11,094	5,394	695	6,089	0	0	0	
Advance to Science	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Medical Radiation - Mohawk share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Social Sciences	10,567	1,020	554	0	1,159	3,895	17,196	2,503	212	899	3,614	1,891	202	2,092	0	0	0	
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interdisciplinary Programmes	423	109	0	0	195	89	815	268	50	97	415	278	32	310	0	0	0	
Academic Allocation - QIF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Academic Allocation - Accessibility	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total	72,061	9,510	3,407	23,159	13,105	33,154	154,397	42,590	4,275	13,763	60,628	15,805	1,674	17,479	186	63	249	
2. Academic Priorities																		
Academic Contingency	0	0	0	0	14	0	14	12	17	3	32	0	0	0	0	0	0	
Faculty Recruiting	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Academic Priorities Allocation	563	0	0	0	0	0	563	0	0	0	0	0	0	0	0	0	0	
Sub-total	563	-	-	-	14	-	577	12	17	3	32	-	-	-	-	-	-	
TOTAL ACADEMIC	72,624	9,510	3,407	23,159	13,119	33,154	154,974	42,602	4,292	13,766	60,660	15,805	1,674	17,479	186	63	249	
3. Academic Support																		
Office of the Provost	115	0	0	0	0	0	115	1,630	37	536	2,202	0	0	0	0	0	0	
School of Graduate Studies	148	0	0	0	0	12	160	975	50	282	1,308	0	0	0	0	0	0	
Museum of Art	0	0	0	0	0	0	0	492	65	175	732	0	0	0	0	0	0	
Centre for Leadership in Learning	0	0	0	0	0	0	0	1,202	102	410	1,713	0	0	0	0	0	0	
Research	159	0	0	0	40	31	230	8,173	329	2,724	11,226	0	0	0	20	0	20	
Nuclear Reactor Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
University Library	0	0	0	0	0	0	0	5,618	350	1,782	7,750	0	0	0	0	0	0	
Health Sciences Library	0	0	0	0	0	0	0	1,169	63	334	1,567	0	0	0	0	0	0	
Registrar	0	0	0	0	0	0	0	2,870	406	1,047	4,323	0	0	0	0	0	0	
Sub-total	422	-	-	-	40	43	505	22,130	1,402	7,290	30,822	-	-	-	20	-	20	
4. Student Support																		
Graduate Scholarships/Bursaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Student Affairs	0	0	0	0	71	0	71	5,541	4,156	2,181	11,878	0	0	0	0	0	0	
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total	-	-	-	-	71	-	71	5,541	4,156	2,181	11,878	-	-	-	-	-	-	
5. Facilities Support																		
Facilities Services	0	0	0	0	0	0	0	2,063	0	861	2,924	0	0	0	6,396	1,527	7,924	
HSC Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Utilities	0	0	0	0	0	0	0	199	0	59	258	0	0	0	1,158	300	1,458	
HSC Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Deferred Majnt/Facilities Renew	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Bond Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Renovation contingency	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total	-	-	-	-	-	-	-	2,262	-	920	3,182	-	-	-	7,554	1,827	9,381	
6. Institutional Support																		
Administration/Institutional Support	0	0	0	0	0	0	0	8,956	473	2,985	12,414	0	0	0	765	275	1,040	
UTS/Technology Fund	0	0	0	0	0	0	0	6,229	188	2,173	8,590	0	0	0	0	0	0	
University Secretariat	0	0	0	0	0	0	0	480	0	152	632	0	0	0	0	0	0	
Presidential Budget	0	0	0	0	0	0	0	486	25	163	674	0	0	0	0	0	0	
University Advancement	0	0	0	0	0	0	0	4,017	98	1,091	5,206	0	0	0	0	0	0	
General/Contingency	20	0	0	0	0	0	20	899	0	67	966	0	0	0	0	0	0	
Sub-total	20	-	-	-	-	-	20	21,067	784	6,631	28,481	-	-	-	765	275	1,040	
7. Institutional Priority allocations																		
Strategic Priorities/Refining Directions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenditures	73,066	9,510	3,407	23,159	13,230	33,197	155,570	93,602	10,634	30,787	135,023	15,805	1,674	17,479	8,525	2,164	10,690	

Table 11: Annual Net Change in the Operating Envelopes Total – 2008/09 to 2009/10

(\$ thousands)	2008/09		2009/10
	Budget	Projection	Budget
1. Faculties (Academic Programmes)			
Business	(2,719)	(369)	(1,098)
Engineering	(1,836)	(187)	(1,683)
Health Sciences	(8,171)	(5,472)	(7,788)
Humanities	(1,055)	(1,911)	(2,451)
Science	(1,413)	20	(2,073)
Advance to Science	(500)	(500)	(500)
Medical Radiation - Mohawk share	-	97	-
Social Sciences	85	(1,131)	(1,711)
Teaching Assistants - Incremental	-	12	-
Interdisciplinary Programmes	141	(90)	(147)
Academic Allocation - QIF	-	451	(410)
Academic Allocation - Accessibility	-	2,544	-
Sub-total	(15,467)	(6,537)	(17,861)
2. Academic Priorities			
Academic Contingency	862	(590)	(195)
Faculty Recruiting	-	(206)	0
Academic Priorities Allocation	1,826	4,486	2,006
Sub-total	2,688	3,690	1,811
TOTAL ACADEMIC	(12,779)	(2,847)	(16,049)
3. Academic Support			
Office of the Provost	20	(33)	5
School of Graduate Studies	(46)	50	(245)
Museum of Art	-	(53)	-
Centre for Leadership in Learning	(575)	(585)	(206)
Research	(298)	(25)	(7)
Nuclear Reactor Debt	100	-	100
University Library	(148)	(116)	225
Health Sciences Library	19	2	(1)
Registrar	(115)	(119)	(436)
Pension	-	-	-
Academic Support Allocation	-	-	470
Sub-total	(1,042)	(877)	(95)
4. Student Support			
Graduate Scholarships/Bursaries	-	(1,000)	(1,000)
Student Affairs	(925)	(674)	(3,576)
Student Support Allocation	-	-	-
Sub-total	(925)	(1,674)	(4,576)
5. Facilities Support			
Facilities Services	(151)	83	-
HSC Maintenance	(85)	(103)	(18)
Utilities	-	116	-
HSC Utilities	-	486	-
Deferred Maint/Facilities Renew	-	(77)	-
Bond Interest	-	-	-
Renovation contingency	-	644	(644)
Sub-total	(235)	1,148	(662)
6. Institutional Support			
Administration/Institutional Support	(517)	(1,678)	(1,486)
UTS/Technology Fund	(1,066)	1,937	(1,101)
University Secretariat	(89)	(41)	(56)
Presidential Budget	(117)	91	(141)
University Advancement	(283)	346	(499)
General/Contingency	-	(2,346)	(1,542)
Sub-total	(2,072)	(1,691)	(4,825)
7. Institutional Priority allocations			
Strategic Priorities/Refining Directions	(348)	(2,402)	(622)
Sub-total	(348)	(2,402)	(622)
Surplus/(Deficit)	(17,403)	(8,343)	(26,829)
<i>Under/(over)allocated</i>	(532)	25	(21)
Total Surplus/(Deficit)	(17,935)	(8,318)	(26,850)

Table 12a: Financial Position of Operating Envelopes – 2008/09 Budget and Projection

(\$ thousands)	2008/09 Budget				2008/09 Projection					
	Appropriations April 30, 2008	On-going	One-time	Total	Appropriations April 30, 2009	Appropriations April 30, 2008	On-going	One-time	Total	Appropriations April 30, 2009
1. Faculties (Academic Programmes)										
Business	(4,124)	(2,719)	-	(2,719)	(6,843)	(2,615)	(671)	303	(369)	(2,983)
Engineering	(1,338)	(1,836)	-	(1,836)	(3,174)	(225)	(187)	-	(187)	(412)
Health Sciences	25,180	(1,289)	(6,882)	(8,171)	17,009	26,641	4,151	(9,623)	(5,472)	21,169
Humanities	405	(1,005)	(50)	(1,055)	(650)	1,383	(2,600)	689	(1,911)	(529)
Science	(4,858)	(574)	(839)	(1,413)	(6,271)	(3,759)	1,673	(1,653)	20	(3,739)
Advance to Science	5,500	(500)	-	(500)	5,000	5,500	-	(500)	(500)	5,000
Medical Radiation - Mohawk share	-	-	-	-	-	(97)	97	-	97	-
Social Sciences	(2,250)	85	-	85	(2,165)	(2,069)	(1,399)	268	(1,131)	(3,201)
Teaching Assistants - Incremental	-	-	-	-	-	(12)	12	-	12	-
Interdisciplinary Programmes	598	112	29	141	740	594	141	(231)	(90)	504
Academic Allocation - QIF	3,600	-	-	-	3,600	3,660	650	(199)	451	4,111
Academic Allocation - Accessibility	1,000	-	-	-	1,000	1,434	1,314	1,230	2,544	3,978
Sub-total	23,713	(7,725)	(7,742)	(15,467)	8,246	30,436	3,180	(9,717)	(6,537)	23,899
2. Academic Priorities										
Academic Contingency	978	2,461	(1,599)	862	1,840	1,913	2,060	(2,650)	(590)	1,323
Faculty Recruiting	-	-	-	-	-	224	(6)	(200)	(206)	18
Academic Priorities Allocation	5,809	4,587	(2,761)	1,826	7,635	5,959	4,645	(160)	4,486	10,444
Sub-total	6,787	7,048	(4,360)	2,688	9,475	8,096	6,700	(3,010)	3,690	11,786
TOTAL ACADEMIC	30,500	(677)	(12,103)	(12,779)	17,721	38,531	9,880	(12,727)	(2,847)	35,684
3. Academic Support										
Office of the Provost	122	9	11	20	142	179	(2)	(31)	(33)	147
School of Graduate Studies	339	16	(63)	(46)	293	548	127	(77)	50	599
Museum of Art	-	-	-	-	-	53	(76)	23	(53)	-
Centre for Leadership in Learning	767	-	(575)	(575)	192	791	(352)	(233)	(585)	206
Research	74	(298)	-	(298)	(224)	40	104	(129)	(25)	15
Nuclear Reactor Debt	(1,000)	-	100	100	(900)	(900)	-	-	-	(900)
University Library	275	(148)	-	(148)	127	(110)	(116)	(0)	(116)	(226)
Health Sciences Library	42	19	-	19	61	52	2	-	2	54
Registrar	893	130	(244)	(115)	779	831	227	(346)	(119)	712
Pension	-	-	-	-	-	-	-	-	-	-
Academic Support Allocation	-	-	-	-	-	-	-	-	-	-
Sub-total	1,512	(272)	(771)	(1,042)	469	1,483	(85)	(792)	(877)	606
4. Student Support										
Graduate Scholarships/Bursaries	3,244	-	-	-	3,244	4,871	-	(1,000)	(1,000)	3,871
Student Affairs	2,307	(173)	(752)	(925)	1,382	4,329	295	(968)	(674)	3,656
Student Support Allocation	103	-	-	-	103	103	-	-	-	103
Sub-total	5,654	(173)	(752)	(925)	4,729	9,303	295	(1,968)	(1,674)	7,630
5. Facilities Support										
Facilities Services	199	(151)	-	(151)	48	175	83	-	83	257
HSC Maintenance	150	(85)	-	(85)	66	192	(103)	-	(103)	89
Utilities	-	-	-	-	-	-	116	-	116	116
HSC Utilities	-	-	-	-	-	-	486	-	486	486
Deferred Maint/Facilities Renew	-	-	-	-	-	77	(77)	-	(77)	-
Bond Interest	-	-	-	-	-	-	-	-	-	-
Renovation contingency	-	-	-	-	-	-	644	-	644	644
Sub-total	349	(235)	-	(235)	114	443	1,148	-	1,148	1,592
6. Institutional Support										
Administration/Institutional Support	3,484	(168)	(349)	(517)	2,967	4,492	1,276	(2,954)	(1,678)	2,814
UTS/Technology Fund	1,260	(401)	(665)	(1,066)	194	(66)	2,204	(267)	1,937	1,870
University Secretariat	135	(89)	-	(89)	46	157	(33)	(8)	(41)	116
Presidential Budget	438	20	(137)	(117)	321	215	226	(135)	91	306
University Advancement	1,272	-	(283)	(283)	990	860	346	0	346	1,207
General/Contingency	(131)	-	-	-	(131)	283	(1,722)	(624)	(2,346)	(2,063)
Sub-total	6,457	(639)	(1,434)	(2,072)	4,385	5,941	2,298	(3,988)	(1,691)	4,251
7. Institutional Priority allocations										
Strategic Priorities/Refining Directions	3,991	52	(400)	(348)	3,643	3,749	92	(2,494)	(2,402)	1,346
Sub-total	3,991	52	(400)	(348)	3,643	3,749	92	(2,494)	(2,402)	1,346
Surplus/(Deficit)	48,463	(1,944)	(15,459)	(17,403)	31,060	59,451	13,628	(21,971)	(8,343)	51,108
<i>Under/(over)allocated</i>	-	(532)	-	(532)	(532)	-	25	-	25	25
Total Surplus/(Deficit)	48,463	(2,476)	(15,459)	(17,935)	30,528	59,451	13,653	(21,971)	(8,318)	51,133

Table 12b: Financial Position of Operating Envelopes – 2008/09 Variances - Projection vs. Budget

(\$ thousands)	Favourable (Unfavourable) Variance				Appropriations April 30, 2009
	Appropriations April 30, 2008	On-going	One-time	Total	
1. Faculties (Academic Programmes)					
Business	1,510	2,048	303	2,350	3,860
Engineering	1,113	1,649	-	1,649	2,762
Health Sciences	1,460	5,440	(2,741)	2,699	4,159
Humanities	978	(1,595)	739	(856)	121
Science	1,099	2,247	(814)	1,433	2,532
Advance to Science	-	500	(500)	-	-
Medical Radiation - Mohawk share	(97)	97	-	97	-
Social Sciences	181	(1,484)	268	(1,217)	(1,036)
Teaching Assistants - Incremental	(12)	12	-	12	-
Interdisciplinary Programmes	(5)	29	(260)	(231)	(236)
Academic Allocation - QIF	60	650	(199)	451	511
Academic Allocation - Accessibility	434	1,314	1,230	2,544	2,978
Sub-total	6,722	10,905	(1,975)	8,930	15,652
2. Academic Priorities					
Academic Contingency	935	(401)	(1,051)	(1,452)	(517)
Faculty Recruiting	224	(6)	(200)	(206)	18
Academic Priorities Allocation	150	58	2,602	2,660	2,809
Sub-total	1,309	(349)	1,351	1,002	2,311
TOTAL ACADEMIC	8,031	10,556	(624)	9,932	17,963
3. Academic Support					
Office of the Provost	58	(10)	(42)	(53)	5
School of Graduate Studies	210	111	(15)	96	306
Museum of Art	53	(76)	23	(53)	-
Centre for Leadership in Learning	23	(352)	342	(10)	14
Research	(34)	401	(129)	272	239
Nuclear Reactor Debt	100	-	(100)	(100)	-
University Library	(385)	32	(0)	32	(353)
Health Sciences Library	10	(16)	-	(16)	(6)
Registrar	(63)	97	(101)	(4)	(67)
Pension	-	-	-	-	-
Academic Support Allocation	-	-	-	-	-
Sub-total	(29)	187	(22)	165	136
4. Student Support					
Graduate Scholarships/Bursaries	1,627	-	(1,000)	(1,000)	627
Student Affairs	2,022	468	(216)	252	2,274
Student Support Allocation	-	-	-	-	-
Sub-total	3,649	468	(1,216)	(748)	2,901
5. Facilities Support					
Facilities Services	(24)	233	-	233	209
HSC Maintenance	41	(18)	-	(18)	23
Utilities	-	116	-	116	116
HSC Utilities	-	486	-	486	486
Deferred Maint/Facilities Renew	77	(77)	-	(77)	-
Bond Interest	-	-	-	-	-
Renovation contingency	-	644	-	644	644
Sub-total	94	1,384	-	1,384	1,478
6. Institutional Support					
Administration/Institutional Support	1,009	1,444	(2,606)	(1,161)	(153)
UTS/Technology Fund	(1,326)	2,605	398	3,002	1,677
University Secretariat	22	57	(8)	49	70
Presidential Budget	(223)	206	2	208	(15)
University Advancement	(412)	346	283	629	217
General/Contingency	415	(1,722)	(624)	(2,346)	(1,931)
Sub-total	(516)	2,937	(2,555)	382	(134)
7. Institutional Priority allocations					
Strategic Priorities/Refining Directions	(242)	40	(2,094)	(2,054)	(2,296)
Sub-total	(242)	40	(2,094)	(2,054)	(2,296)
Surplus/(Deficit)	10,988	15,572	(6,512)	9,060	20,048
<i>Under/(over)allocated</i>	-	557	-	557	557
Total Surplus/(Deficit)	10,988	16,129	(6,512)	9,617	20,605

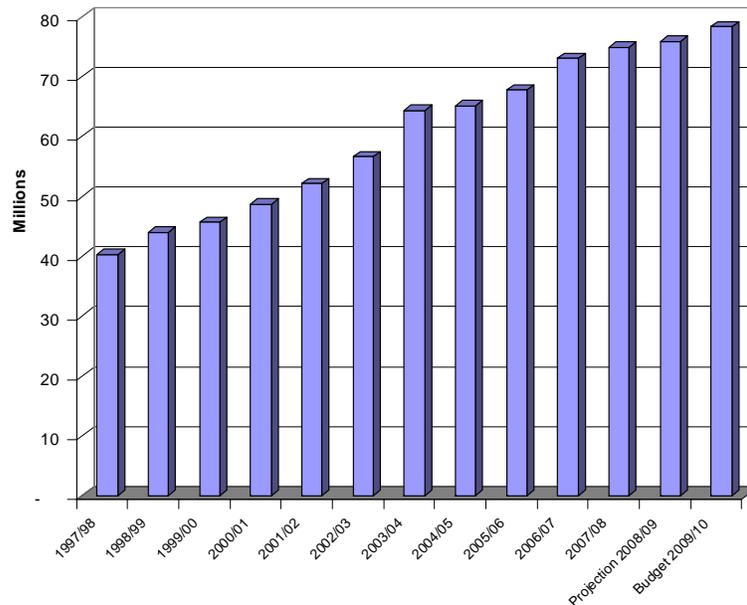
Table 12c: Financial Position of Operating Envelopes – 2009/10 Budget

(\$ thousands)	2009/10 Budget				Appropriations April 30, 2010
	Appropriations April 30, 2009	On-going	One-time	Total	
1. Faculties (Academic Programmes)					
Business	(2,983)	(1,114)	16	(1,098)	(4,081)
Engineering	(412)	(1,273)	(410)	(1,683)	(2,094)
Health Sciences	21,169	1,923	(9,711)	(7,788)	13,381
Humanities	(529)	(2,501)	50	(2,451)	(2,980)
Science	(3,739)	(511)	(1,562)	(2,073)	(5,812)
Advance to Science	5,000	-	(500)	(500)	4,500
Medical Radiation - Mohawk share	-	-	-	-	-
Social Sciences	(3,201)	(1,944)	232	(1,711)	(4,912)
Teaching Assistants - Incremental	-	-	-	-	-
Interdisciplinary Programmes	504	36	(183)	(147)	357
Academic Allocation - QIF	4,111	650	(1,060)	(410)	3,701
Academic Allocation - Accessibility	3,978	-	-	-	3,978
Sub-total	23,899	(4,734)	(13,127)	(17,861)	6,038
2. Academic Priorities					
Academic Contingency	1,323	1,884	(2,079)	(195)	1,128
Faculty Recruiting	18	-	0	0	18
Academic Priorities Allocation	10,444	2,356	(350)	2,006	12,451
Sub-total	11,786	4,240	(2,429)	1,811	13,597
TOTAL ACADEMIC	35,684	(493)	(15,556)	(16,049)	19,635
3. Academic Support					
Office of the Provost	147	98	(94)	5	151
School of Graduate Studies	599	0	(245)	(245)	354
Museum of Art	-	(11)	11	-	-
Centre for Leadership in Learning	206	(83)	(123)	(206)	(0)
Research	15	-	(7)	(7)	8
Nuclear Reactor Debt	(900)	-	100	100	(800)
University Library	(226)	225	-	225	(1)
Health Sciences Library	54	1	(2)	(1)	53
Registrar	712	(29)	(407)	(436)	276
Pension	-	-	-	-	-
Academic Support Allocation	-	470	-	470	470
Sub-total	606	672	(767)	(95)	511
4. Student Support					
Graduate Scholarships/Bursaries	3,871	-	(1,000)	(1,000)	2,871
Student Affairs	3,656	0	(3,577)	(3,576)	80
Student Support Allocation	103	-	-	-	103
Sub-total	7,630	0	(4,577)	(4,576)	3,054
5. Facilities Support					
Facilities Services	257	-	-	-	257
HSC Maintenance	89	(18)	-	(18)	71
Utilities	116	-	-	-	116
HSC Utilities	486	-	-	-	486
Deferred Maint/Facilities Renew	-	-	-	-	-
Bond Interest	-	-	-	-	-
Renovation contingency	644	-	(644)	(644)	-
Sub-total	1,592	(18)	(644)	(662)	930
6. Institutional Support					
Administration/Institutional Support	2,814	116	(1,602)	(1,486)	1,328
UTS/Technology Fund	1,870	1,215	(2,316)	(1,101)	769
University Secretariat	116	(56)	-	(56)	60
Presidential Budget	306	60	(201)	(141)	165
University Advancement	1,207	-	(499)	(499)	708
General/Contingency	(2,063)	(1,521)	(22)	(1,542)	(3,605)
Sub-total	4,251	(186)	(4,639)	(4,825)	(574)
7. Institutional Priority allocations					
Strategic Priorities/Refining Directions	1,346	46	(668)	(622)	724
Sub-total	1,346	46	(668)	(622)	724
Surplus/(Deficit)	51,108	21	(26,850)	(26,829)	24,279
<i>Under/(over)allocated</i>	25	(21)	-	(21)	4
Total Surplus/(Deficit)	51,133	(0)	(26,850)	(26,850)	24,283

Ancillary Fund Revenue and Expenditures

The University Budget Committee reviews and approves the budgets of the University’s Ancillary departments. The 2009/10 review included an evaluation of each area’s two-year plan. The chart below shows actual Ancillary department income for fiscal 1998 through 2008 and the projected income for 2008/09 and 2009/10. Sales for 2009/10 are estimated to be \$78.3 million, a 4.5% increase over the 2007/08 actual and a 3.2% increase over the 2008/09 projection.

Figure 6: Sales by Ancillary Operations



The Ancillary operations provide invaluable services to the University community. These operations cover their increasing direct and indirect costs, and in many cases, make financial contributions to the University Operating Budget.

Some budget highlights for the Ancillary areas include:

Bookstore

The Bookstore continues to successfully fulfill its primary mandate of assisting and supporting students in the learning process by providing an “Academic Bookstore,” while continuing to make a substantial financial contribution to support the University’s operating budget in the amount of \$1.5 million. Included in this amount is the continued contribution to Student Services for support of soft services, University Scholarships and Stadium Fundraising Shortfall. The current state of the economy is having a significant impact on student discretionary funding, and in fact it seems textbook purchases have now also become discretionary. Textbook piracy

recently received press earlier this year in Toronto and is being blamed as a result of higher textbook prices and costs of education in general.

Controlling costs and practising efficient business processes will be critical to sustaining operations. The latest benchmarking information once again places the McMaster University Bookstore ahead of other Canadian university bookstores for sales and efficiency indicators. In addition, the bookstore continues to develop their online web presence and sales. The recent *Globe and Mail* satisfaction survey confirms their continued popularity with McMaster University students.

Campus Health Centre (CHC)

The mission of CHC is “Enhancing health through education and education through health” and is achieved through the provision of high-quality care in a professional clinic by committed staff operating in an efficient and prudent manner. There continues to be a high demand for services with 9,300 students registered, and CHC continues its commitment to maintain the highest level of care in a professional clinic. As with the McMaster University Bookstore, CHC continues to achieve top student satisfaction marks in student satisfaction reports.

Sustainability of clinic operations remains an issue. Efforts to lobby the Province in support of a more equitable compensation funding model for our physicians continue as well as exploring alternate structures for funding models. Mental health concerns also continue to be a primary area of risk. Sustainability of the Mental Health Team Initiative (Mental Health Nurse and Psychiatrist) is also a high priority.

Telecommunications

Telecommunications provides an essential service – voice communication and support for all faculty, students, and staff within the University community. The department continues to provide competitive and consistent rates which have not changed in 15 years, while maintaining its annual contribution to University operations at \$243,000, including the 1% contribution to the Operating Fund of \$27,000 in 2009/10. This has been achieved through prudent fiscal management in containing costs. The Telecommunications reserve balance is used to ensure the telecommunications infrastructure is sustained and upgraded. However, the impact of construction on campus continues to deplete these reserves.

Media Production Services

Media Production Services’ (MPS) mission is to provide high-quality products and services to clients and customers of McMaster University and its affiliated partner institutions. The products and services support the institution in its academic and research mission and help to advance the reputation of McMaster University as one of Canada’s leading post-secondary institutions. Initiatives for 2009/10 include assumption of responsibility for campus copiers, streamlining videoconferencing capabilities, development of a McMaster Services site promoting services which are cost recovery and ancillary, and enhancement of delivery of completed work. The

2009/10 budget is forecasting operations to break even. MPS is challenged to pay off its reserve over the next three-to-five years to its sustainable level of \$275,000. By addressing the issue of right of first refusal and decreasing the amount of work leaving campus, we expect to generate the revenues and volumes required.

Parking and Transit Services

Parking and Transit Services strives to provide the University community and visitors with a safe and well-maintained parking and transiting infrastructure. The department supports McMaster in matters of sustainability; as well, it is responsible for repairs and replacement of sidewalks, curbs and roadways and the promotion of alternate modes of transportation.

The parking automation project was completed in 2008/09 and is having a positive impact on revenues, with the introduction of evening and weekend rates and better enforcement. The underground stadium parking garage is now open and being aggressively promoted to be used by a mix of daily visitors at main campus rates and permit holders at \$95 per month.

For the fiscal year 2009/10 the only parking rate increases for employees and students will be for Lot H, Lot L (old 5) and Lot K (old 4) by \$3 to \$48 per month to reflect a comparative value to nearby prime parking and close proximity to work locations. The Parking Levy is now \$14 as per the approved parking garage capital funding payback plan and will remain at this level until the stadium debt is repaid in 2031.

Centre for Continuing Education

The Centre for Continuing Education (CCE) has a mission to provide quality professional education to individuals and corporate clients in order to enhance careers and foster workforce development. Students can advance their career skills, and through partnerships with McMaster's Faculties, achieve university credit toward degrees. Additional strategic partnerships with organizations allow them to build workforce and leadership capabilities.

CCE operates as a full-cost-recovery centre and prices programs accordingly, taking market conditions into consideration. In 2009/10, CCE will be in the fourth year of a five-year strategic plan. CCE continues to successfully implement this strategic plan and is looking ahead to achieve long-term growth through marketing, new program development based on market demand and harmonization with other McMaster educational services. A one-time investment of reserve funds in 2009/10 will position CCE for continued growth.

Housing and Conference Services

Housing and Conference Services supports the goal of the University to "inspire personal growth" by giving students a positive residential experience in a community which contributes to their pursuit of learning and provides for the emotional growth, well-being and the development of constructive personal skills and social attitudes. In addition, they enhance the experience for summer conference customers, campus visitors, alumni staff, faculty and student user groups by

providing conference co-ordination and central campus booking services as well as accommodation that meets the highest standards of service excellence.

Demand for residence spaces remained strong in 2008/09, with occupancy rates at 99.9% compared to the budgeted level of 98%. These occupancy rates include the 97 vacancies as a result of the Brandon Hall fire, the revenue loss which is assumed to be covered by insurance. The break-even position projected for 2008/09 includes significant savings of over \$600,000 as a result of the utility metering project now completed. Utility charges now reflect charges for actual usage. The 2009/10 budget includes recommendations for a weighted average increase in room fees of 3.98% over 2008/09 fees to \$5,068 and remains competitive with other universities. The 2009/10 budget projects a break-even position and is well within the debt management plan approved for the residences.

Hospitality Services

McMaster Hospitality Services is committed to providing customers with the “Best Dining Experience” by setting the highest standards of excellence within the industry. Through continuous improvement and development, they strive to offer a balance of service and value beyond customers’ expectations and support the broader mandate of the Student Affairs’ portfolio.

Hospitality Services continues to provide a substantial contribution to the University operations as well as fund all capital renovations and expansions. In the next few years, several new projects as well as major renovations (Commons servery and dining room) will be undertaken. Hospitality also continues to provide a contribution to Student Services in support of soft services, University Scholarships, and the Stadium loan payment.

For 2009/10, there will be a minimal increase to the basic meal plan of \$50 for Group A – Full Meal Plans and \$30 for Group B – Reduced Meal Plans plus the additional cost of \$25 to the flex/freedom portion of the plan to offset inflationary price increases. The flex/freedom portion of the plan is refundable to the students if it is not spent. Overhead remains at \$40 per plan plus food price increases from 0% to 3%. This plan was endorsed by the Student Dining Committee.

Summary

A summary of the projection for 2008/09 and the 2009/10 budget of each department is shown in **Table 13** (pages 1 and 2). Along with the University Operating budget, the budgets for the Bookstore, Campus Health Centre, Parking and Transit Services, Telecommunications, and Media Production Services for 2008/09 are presented for approval as provided.

The parking fee schedule proposed for 2009/10 is also presented for approval in the Parking and Transit Services Rate Summary in **Table 14**.

Table 13 (page 1 of 2): Ancillary Fund Detail – Year Ending April 30, 2010

(\$ thousands)

	Bookstore		Campus Health Services		Telecommunication		Media Production		Parking	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget
Revenue										
Gross Sales-less discounts	22,587	22,350	1,705	1,731	2,695	2,695	3,834	4,082	4,521	4,887
Other Income	138	134	-	-	-	-	-	-	-	-
Transfer to Operating Envelopes	(500)	(750)	-	-	-	-	-	-	-	-
Contribution to Operating	(250)	(250)	-	-	(244)	(243)	(51)	(39)	(238)	(288)
Total Revenue	21,975	21,484	1,705	1,731	2,452	2,452	3,783	4,042	4,283	4,599
Expenses										
Salaries, Wages and Benefits										
Full-time	2,151	2,073	881	949	824	817	1,551	1,602	360	356
Part-time	307	295	111	30	76	84	195	210	17	23
Wages	-	-	-	-	-	-	-	-	365	345
Benefits	742	744	261	320	235	310	574	593	191	226
Rent and Utilities	215	223	81	82	33	33	110	110	-	-
Debt Payment/Finance Charges	275	220	-	-	-	-	532	595	495	1,143
Other Expenses	1,062	719	376	378	1,724	1,538	911	932	3,564	2,038
Cost of Goods Sold	17,619	17,337	-	-	-	-	-	-	-	-
Total Expenses	22,369	21,610	1,710	1,759	2,891	2,782	3,872	4,042	4,993	4,131
Excess of Revenue over Expenses	(395)	(126)	(5)	(28)	(440)	(330)	(89)	-	(710)	468
Reserve										
Beginning Balance	2,991	2,596	527	522	807	368	(647)	(736)	(2,555)	(3,265)
Excess of Revenue over Expenses	(395)	(126)	(5)	(28)	(440)	(330)	(89)	-	(710)	468
Closing Balance	2,596	2,470	522	494	368	37	(736)	(736)	(3,265)	(2,797)

Table 13 (page 2 of 2): Ancillary Fund Detail – Year Ending April 30, 2010

(\$ thousands)

	Continuing Education		Hospitality		Housing & Conference Services		Off-Campus Housing		Campus Board Reserve		Total Ancillaries	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget	Projection	Budget
Revenue												
Gross Sales-less discounts	2,673	3,384	18,061	18,610	19,624	20,468	180	129	-	-	75,880	78,336
Other Income	1,439	1,526	-	-	-	-	-	-	-	-	1,576	1,660
Transfer to Operating Envelopes	-	-	(133)	(133)	-	-	-	-	-	-	(633)	(883)
Contribution to Operating	(25)	(26)	(250)	(250)	(75)	(100)	-	-	-	-	(1,132)	(1,197)
Total Revenue	4,087	4,884	17,678	18,227	19,549	20,368	180	129	-	-	75,691	77,916
Expenses												
Salaries, Wages and Benefits												
Full-time	1,154	1,396	1,427	1,573	1,765	1,827	90	76	-	-	10,203	10,669
Part-time	152	9	878	858	907	999	8	6	-	-	2,650	2,515
Wages	-	-	3,420	3,645	-	-	-	-	-	-	3,785	3,990
Benefits	348	477	1,746	1,899	675	794	30	28	-	-	4,803	5,391
Rent and Utilities	45	45	683	715	2,698	2,714	-	-	-	-	3,864	3,921
Debt Payment/Finance Charges	-	-	180	180	5,432	5,437	-	-	-	-	6,914	7,574
Other Expenses	2,241	3,058	3,409	3,277	8,066	8,598	43	21	-	-	21,395	20,559
Cost of Goods Sold	-	-	6,153	6,310	-	-	-	-	-	-	23,771	23,647
Total Expenses	3,939	4,986	17,895	18,457	19,543	20,368	171	131	-	-	77,385	78,266
Excess of Revenue over Expenses	147	(102)	(217)	(230)	5	0	9	(2)	-	-	(1,694)	(350)
Reserve												
Beginning Balance	1,460	1,607	2,228	2,011	125	130	113	122	81	81	5,130	3,436
Excess of Revenue over Expenses	147	(102)	(217)	(230)	5	0	9	(2)	-	-	(1,694)	(350)
Closing Balance	1,607	1,505	2,011	1,781	130	130	122	120	81	81	3,436	3,086

Table 14: Parking and Transit Services Rate Summary

Monthly Permit Rates Central Campus	2006/07 Prior Rate	2007/08 Prior Rate	2008/09 Current Rate	2009/10 Proposed Rate
Stadium Underground	N/A	\$83	No increase	No increase
Zones 1, 2, 3, Q, Ward Avenue	\$66	\$67	No increase	No increase
Zones H, 4, 5	\$44	\$45	No increase	\$48
Zones 6, 7, 8	\$28	\$29	No increase	No increase
"L" Commercial Permit	\$66	\$88	No increase	No increase

Montly Permit Rates Downtown Centre (Does not include levy)	2006/07 Prior Rate	2007/08 Prior Rate	2008/09 Current Rate	2009/10 Proposed Rate
Underground	\$125	\$125	No increase	No increase
Outside	\$86	\$86	No increase	No increase
Offsite A	\$28	\$28	\$29	\$31
Offsite B	\$65	\$65	\$66	\$67

Daily and Visitor Rates	2006/07	2007/08	2008/09	2009/10
Weekday Flat Rates:				
West Campus Daily	\$5	No increase	No increase	No increase
Central Campus Evening				
Disabled Flat Rate				
Weekend Flat Rates:				
Central Campus	\$5 Daily on Saturday	\$5 Daily on Saturday	\$5 Daily \$2.50 Daily and Evening	\$5 Daily \$2.50 Daily and Evening
West Campus and Zone H				
Hourly Rates Central Campus	\$3.75 per hour; \$15 maximum per day	\$5 per hour; \$20 maximum per day	No increase	No increase. Zone H: \$3 per hour; \$15 maximum per day

Special Events	Central Campus		Zones 6 and 7	
	2008/09	2009/10	2008/09	2009/10
One day	Regular rate	Regular rate	Regular rate	Regular rate
Two to five days	\$9 Daily	\$10 Daily	\$3 Daily	\$5 Daily
Six days or more	\$7.50 Daily	\$9 Daily	\$2.50 Daily	\$5 Daily
Greater than 30 days	Not eligible	Not eligible	Regular monthly rate	Regular monthly rate

Research Fund Income and Expenditures

The research enterprise at McMaster represents more than 25% of the University's total income. For 2008/09, our direct research funding/research project funding is expected to be over \$180 million compared to the total University income of approximately \$700 million. Additionally, indirect overhead income accounts for a further \$22.5 million.

We have a solid track record of research excellence and are recognized nationally and internationally as a research powerhouse. The University consistently is ranked among the top three universities in Canada for research intensity (dollars per full-time faculty member) and the Shanghai Jiao Tong University's 2008 ranking of universities worldwide names McMaster as one of only four Canadian universities in the Top 100.

McMaster's research enterprise is an integral part of our University and has helped us to achieve international status as a world-class institution. By investing in strategic and interdisciplinary research priorities, integrating our research with our teaching, and focusing on the betterment of society through knowledge transfer and the commercialization of research, McMaster has the capacity to become one of the world's premier research institutions.

To ensure this happens, a sound financial budget for this activity is imperative. Developing an estimate of research financial activity enables the University to:

- Improve the forecast of indirect cost of research funding which has become an important source of funding to the operating budget and the primary source of funding for building and sustaining the University's research infrastructure
- Ensure that plans for investments in research infrastructure are consistent with the University's aspiration to promote and facilitate research excellence and maintain and advance its position as a leading research-intensive institution, with the need to address increased accountability and tighter regulatory requirements
- Improve integrated cash management
- Highlight areas of potential opportunity or risk to the overall financial plan
- Provide important financial targets and planning parameters against which actual University performance can be compared

At the same time, the plan recognizes that it is impossible to predict specific levels of research activity. Rather, the plan is directional, looking at changes in the research funding environment and specific targets and strategies established at McMaster.

Research Funding Landscape

Over the last decade, both the federal and provincial governments have developed innovation platforms and strategies which have resulted in unprecedented investment in university research and development (R&D). McMaster's research and development activities support both governments' priorities with respect to driving economic development through the commercialization and knowledge transfer of university research and expertise.

The federal government's Science and Technology (S&T) strategy, "Mobilizing Science and Technology to Canada's Advantage," fosters three distinct Canadian S&T advantages:

1. an entrepreneurial advantage
2. a knowledge advantage
3. a people advantage

These advantages are supported and guided by four core principles:

1. promoting world class excellence
2. focusing on priorities
3. encouraging partnerships
4. enhancing accountability

McMaster's R&D priorities are compatible with the federal S&T strategy. In particular, we are creating an internationally recognized critical mass of research capacity in the areas of biomedical research, energy systems, medical isotopes, water research, automotive research, arts and technology, cell biology research, aging and health research, transportation and logistics. A few specific examples include:

- Recruitment of Dr. John Wallace, Director, Farncombe Family Digestive Health Research Institute, working on identification of novel targets for anti-inflammatory therapies. He has been awarded the \$5 million 2009 Premier's Summit Award in Medical Research and has been invited to submit a Canada Excellence Research Chair (CERC) in Microbiome, valued at up to \$10 million over 7 years. The latter initiative will lever established multidisciplinary research teams in infectious, metabolic and gastrointestinal diseases to leapfrog global competitors in the development of therapies in a broad range of diseases and resistant infections.
- Through McMaster's leadership, the Canadian Institute for Health Research (CIHR) has awarded \$23.5 million in funding over 5 years in operational support of a nation-wide long-term health-outcomes research program entitled the "Canadian Longitudinal Study on Aging." Complementary Canadian Foundation for Innovation (CFI) infrastructure funding request of \$26.1 million is undergoing peer review. This success cements McMaster's reputation as a national leader, setting the gold standard for such health-research initiatives.
- McMaster's reputation as a centre of excellence for automotive research is further enhanced by the recent formation of the McMaster Institute for Automotive Research (MacAuto). Over and above several centres aligned with the Institute, a Canada Excellence Research Chair proposal in support of Hybrid Powertrain was among only 40 invited across Canada. This initiative aims furthering our global impact in this sector.
- McMaster is the lead on a \$7.1 million multi-institutional, interdisciplinary 20/20 Research Network for the Development of Advanced Ophthalmic Materials, headed and established with funding from NSERC and private sector partners.
- The establishment of the Centre for Surgical Invention and Innovation (CSII), a new Centre of Excellence for Commercialization and Research (CECR) built upon resident expertise at McMaster and St. Joseph's Healthcare and housed at the McMaster Innovation Park. The CSII will develop and commercialize a new class of robotic platforms for targeted, less

invasive surgical and medical interventions aimed at dramatically improving patient outcomes, reduce the length of hospital stays and recovery periods, and allow patients to return to full activity.

McMaster's acknowledged strengths in automotive and materials research and nuclear energy ensure we are uniquely poised to participate and lead in two recently announced Federal research programs:

- **Automotive Partnership Canada Research Fund** funded by five federal partners for a total budget of \$145 million over five years will support R&D in specific areas, including alternative fuels, next-generation manufacturing, advanced power trains and lighter and more sustainable materials.
- Generation IV, the \$6 million new grants program designed to develop the **next generation of nuclear energy systems** and funded in partnership by Natural Resource Canada (NRCan), the Natural Sciences and Engineering Research Council of Canada (NSERC) in collaboration with the Atomic Energy of Canada Limited (AECL). The federal CANMET Materials Technology Laboratory (CANMET-MTL), now under construction at McMaster Innovation Park, will have facilities dedicated to Gen IV research.
- **Water** continues to be a research priority. Plans are underway to consolidate all water research initiatives into a multidisciplinary research initiative, in partnership with the United Nations University (UNU), relevant industries and governments.

McMaster University is in discussions with the Federal Government regarding the merit of using our expertise and infrastructure (McMaster Nuclear Reactor) to improve the reliability of supply of medical isotopes.

After completion of the renovations to the existing building and in addition to the CANMET building, our plans at the McMaster Innovation Park call for two new buildings to house research and development facilities. One will provide research and pilot space for automotive-related materials and manufacturing projects, including the GM Centre for Corrosion Research. The second is focused on life sciences, including research space for the Centre for Probe Development and Commercialization and the Centre for Surgical Invention and Innovation (CSII).

These are exciting, yet incredibly competitive, times for all research universities in Canada. McMaster is positioning itself to be a prime location where research and teaching excellence intersect to create social and economic value.

Specifically related to our research activities, the Federal Government's budget included:

- An increase to the federal granting councils of \$87.5 million over three years to expand the Canada Graduate Scholarships program; \$145 million to create the Automotive Partnership Canada over five years (Partners include NSERC, NRC Canada, CFI, SSHRC and the Canada Excellence Research Chairs Program); \$3.5 million additional investment over two years for graduate internships through the Industrial Research & Development Internship program

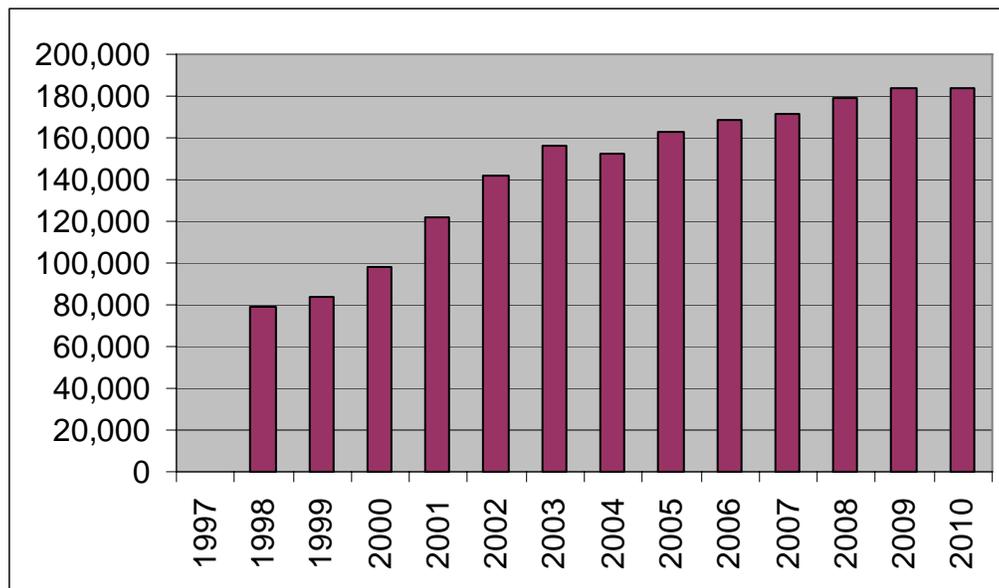
- The investment in the Canada Graduate Scholarships program is perfectly aligned with McMaster’s strategic plan to increase graduate students and is a welcome opportunity for McMaster to work towards achieving its goal.
- McMaster's sponsored research income has increased by nearly 60%, with a growth of more than 75% since 2001/02. NSERC funding at McMaster has grown by 46% with most significant growth in awards for Discovery Grants, Research Tools/Instruments, Collaborative R&D Grants, and both Industrial and Canada Research Chairs.
- Ontario’s Science and Technology strategy remains focused on excellence in innovation, strategic partnerships, commercialization, next generation Highly Qualified Personnel (HQP) and international competitiveness. The Ministry of Research and Innovation (MRI) is a prime vehicle for provincial investment in R&D. The 2008 Ontario budget included:
 - \$300 million to the Ontario Research Fund for investment in research infrastructure over five years to match the 2009 Canada Foundation for Innovation competition awards.
 - \$100 million in new research funding for genomics and stem cell research. McMaster’s Stem Cell and Cancer Research Institute is a prime candidate for a significant portion of these funds.

Together, the Federal and Provincial Governments present a host of research funding opportunities that align well with McMaster’s research strengths and strategic research plan.

Budget

The forecast for the 2008/09 research budget (research revenue received, including revenue received for future periods) is \$183 million. This exceeds the original projection of \$175 million. The forecast for 2009/10 remains conservative at \$183 million. This forecast reflects the current research funding landscape as outlined above.

Figure 7: Research Revenue Received



The Federal Agencies, while not immune to current fiscal constraints, continue to participate in new initiatives under partnership and/or collaborative arrangements. The Automotive Research Fund and new initiative under the Networks of Centres of Excellence are two examples. The Federal Agencies are in transition in response to international reviews, fiscal realities, accountability and impact expectations. Recent initiatives clearly indicate that the Federal Government is moving to emphasizing applied, targeted research. This approach has its benefits, of course, but it also has its costs. Evidence of economic, social and innovation impact of, and accountability for, public investments remain key expectations. Increasingly significant growth in external research funding will be project-specific based and linked to institutional investments from a broad perspective. Recent examples are the federally funded Centre for Surgical Invention and Innovation (CSII) (\$15 million, Total Project Funding \$45 million); two MRI Ontario Research Fund – Research Excellence awards valued at approximately \$10.5 million in software certification for critical systems and sustainable crop production.

There is no question that institutional investments that enable our researchers to compete successfully for both basic and targeted funding will be essential to remain competitive and to generate the indirect cost (IDC) revenue to help support the research enterprise. Collective efforts by the Vice-Presidents Research of the major research-intensive institutions to increase the federal investment in IDC of research continue in the context of the current fiscal environment. Similar dialogue at the provincial level has proven successful. MRI has shown leadership by moving to a 40% indirect cost rate for many of its research programs. A provincial-wide adoption of this rate continues to be encouraged. As noted above, increases in IDC income from research is tied directly to the success of our researchers. Increased IDC revenue will position the University to invest in the research enterprise infrastructure and provide the opportunity to reallocate and reinvest any resulting liberated funds.

Table 15: Research Fund Summary – Year Ending April 30, 2010

(\$ thousands)

	Research Fund	
	2008/09 Projection	2009/10 Budget
Sources of Funding:		
Research and other grants	183,922	183,922
Total sources of funding	183,922	183,922
Expenditure:		
Salaries, wages and benefits	102,324	103,348
Facility and capital projects	1,223	3,700
Supplies and other expenditures - Research	72,017	72,737
Total expenditures	175,564	179,785
Surplus/(deficit)	8,358	4,137
Fund balances, beginning of year	159,868	168,226
Fund balances, end of year	168,226	172,363

Trust Funds and Internally Restricted Endowment Funds

The investment income earned from Trust and Internally Restricted Endowment Funds provides an important source of funding for key University expenditures, namely scholarships and bursaries and endowed chair sponsorship of faculty positions. Growth in endowed funds serves to further expand and diversify the University revenue base.

Trust Funds

Projected investment losses (-21%) during 2008/09 are reflective of the decline in financial markets. A policy override for fiscal 2010 was approved which continues to allocate the 4% for spending and the 1% for advancement (calculated on the 36-month average of the funds' market value) for expenditures, however the override requires President/Vice-Presidents' (PVP) approval for spending on funds where total market value is less than the original donation. Trust administrators have also been encouraged to transfer unspent funds from prior years to preservation of capital in order to assist in returning these funds to their original capital value.

Highlights of the 2009/10 budget for Trust Funds include:

- Investment income earned on Endowed Trust Funds of 3% of average market value after investment management and administration expenses.
- The 2009/10 budget at approximately \$44 million in donations is down \$19.6 million from the projection for 2009. The most significant difference is a \$14 million donation received in 2009 from David Braley.
- The Budget includes Endowed Trust Fund donations of approximately \$12 million, expendable donations of \$9.5 million and \$22.5 million from the Regional Medical Associates (RMA).
- Scholarship and bursaries provided from trust income and other specifically designated funds are budgeted at approximately \$11 million.

Internally Restricted Endowment Funds

- The projected rate of return for fiscal 2009 is -21%, which along with the planned allocation of \$5.5 million to the Operating Fund will result in a reduction in Internally Restricted Endowment Funds to approximately \$100 million.
- As a result of lower asset values due to spending in 2008 and poor investment returns in fiscal 2009, the annual budgeted transfer to the Operating Fund in 2009/10 has been reduced by \$1 million to \$4.5 million.
- With a 3% rate-of-return assumption, the budget for Internally Restricted Endowment Funds shows net investment income, after the transfer of \$4.6 million to Operating Fund investment income, of approximately \$3 million.
- In 2009/10, \$2.5 million will be drawn down from the Pension Endowment to fund a portion of the required pension deficit amortization payment. Further information on the pension issue is included in the pension section of this document, starting on page 31.
- As approved in the business plan for the Centre for Advanced Management Studies to be built in Burlington, the remaining Business Endowment (\$2.5 million) will be used to fund a portion of the start-up costs.

Table 16: Trust Fund Summary – Year Ended April 30, 2010

(\$ thousands)

	Trust Fund	
	2008/09 Projection	2009/10 Budget
Sources of Funding:		
Investment income (loss)	(60,000)	9,000
Other donations and grants	63,597	44,047
Total sources of funding	3,597	53,047
Expenditure:		
Salaries, wages and benefits	21,644	20,642
Supplies and other expenditures	15,651	19,473
Scholarships, bursaries and work study	11,594	11,300
Total expenditures	48,889	51,415
Surplus/(deficit)	(45,292)	1,632
Fund balances, beginning of year	356,897	311,605
Fund balances, end of year	311,605	313,237

Table 17: Endowment Fund Summary – Year Ended April 30, 2010

(\$ thousands)

	Endowment Fund	
	2008/09 Projection	2009/10 Budget
Sources of Funding:		
Investment income (loss)	(28,000)	3,021
Investment income transfer	(5,521)	(4,521)
Other donations and grants	100	100
Subtotal	(33,421)	(1,400)
Recoveries transfers and other income	-	(2,500)
Total sources of funding	(33,421)	(3,900)
Expenditure:		
Special pension costs	-	2,500
Total expenditures	-	2,500
Surplus/(deficit)	(33,421)	(6,400)
Fund balances, beginning of year	133,166	99,745
Fund balances, end of year	99,745	93,345

Capital Fund

Consistent with Canadian Institute of Chartered Accountants (CICA) requirements, expenditures are capitalized for annual financial statement purposes, and amortization is recorded as a charge against the Statement of Operations on the Audited Financial Statements. Any funding specifically designated for capital expenditures is deferred and taken into income to offset the amortization expense over the life of the asset. The following analysis does not include these adjustments, as the planning, monitoring and reporting of capital expenditures occur through various funds of the University on a cash basis. This commentary relates to approved capital project expenditures and funding sources as recorded in the various funds for the next fiscal year.

Operating and Ancillary Capital Expenditures

Capital expenditures used in operations and to support ancillary departments are budgeted through the operating and ancillary funds within the same envelope system and using the same priority setting, monitoring and control process as operating expenses. Capital expenditures budgeted within the operating and ancillary funds include technology, library, renovations, and classroom equipment, faculty start-up costs, and deferred maintenance. Departments build up reserves through appropriations to fund large or unusual capital expenditures. From time to time ancillary funds will undertake large capital projects, such as new residences, which cannot be financed through their own reserve funds, and for which internal or external debt financing may be utilized. These large construction projects are included in the Capital Fund. Over the last few years several such projects (Les Prince Residence, David Braley Athletic Centre, Ron Joyce Stadium and the Underground Parking Garage) were completed. This year's Capital Fund activity includes repayment of internal loans which were used to fund a portion of these projects. The repayments expected will total almost \$10 million.

Research-Related Capital Projects

Through the CFI program, direct research grants provide funding to purchase technologically sophisticated capital equipment and build state-of-the-art facilities to support leading-edge research. In 2009/10, the University expects to receive \$3.7 million from CFI towards the construction costs associated with Research projects included in the in the 2nd floor fit-out of the shelled-in space in Michael G. DeGroot Centre for Learning and Discovery. These contributions and the related spending are included in the Research Fund. In addition, submissions have been made for the 2008 round of the CFI competition. No results have been received to date. The likely amount of the required University share in years subsequent to 2009/10 would be approximately \$6 million, most of which is expected to be available from the original Bond due to payback plans from other projects funded by the Bond.

Facilities Maintenance, New Facilities and Major Renovations

Capital Priorities / Deferred Maintenance

An ongoing challenge for the University is to ensure that scarce capital resources are invested in the projects that are priorities for the University, taking into consideration a long-term planning horizon. Consistent with the emphasis on long-term planning, the University is focused on identifying and categorizing the amount of deferred capital renewal that exists on our campus. The estimate of

deferred maintenance, based on up-to-date audits and current costing information is in excess of \$140 million.

Regular Facilities Renewal funding from the Ministry, at approximately \$1.8 million per year, is not sufficient to cover these costs, and an additional \$1.0 million related to managing the deferred maintenance program has been included in the 2009/10 operating budget. In prior years amounts allocated from the operating budgets have sometimes had to be higher, when it has been identified that critical health and safety repairs must be made notwithstanding any additional MTCU funding. This is not expected to be the case in 2009/10 as a result of the one-time significant campus renewal grants of \$9.1 million (received in March 2008), and \$13.5 million (received in June 2008).

A complete listing of the deferred maintenance projects to be funded under the Campus Renewal Plan Funding is included below. Most of these projects are currently underway and will be completed in the 2009/10 fiscal year.

Table 18: Campus Renewal Program – Phase I

(\$ thousands)

PROJECT NO.	PROJECT DESCRIPTION	PROJECT COST
903	Chiller Replacement, E.T. Clarke	2,230
904	Rainwater Harvesting Initiative, ABB	450
905	Uninterrupted Power Supply and Cooling Upgrades	700
906	Renewable Energy Initiative Utilizing Flexible Solar Cell Technology, E.T. Clarke	50
907	Emergency Power Upgrades, E.T. Clarke	1,960
908	Energy Reduction Initiatives (motion sensors, photovoltaic's in various locations)	1,000
909	Security Improvements (fire safety upgrades, surveillance cameras, alarms, lighting)	1,050
910	Replace Windows, Refectory	75
911	Accessibility Improvements and Elevator Replacements	725
912	Classroom Technology (smart podiums and built-in audio visual in classrooms)	920
	TOTAL	9,160

Table 19: Campus Renewal Program Allocation – Phase II

(\$ thousands)

PROJECT NO.	PROJECT DESCRIPTION	PROJECT COST
913	Strobic Fan Replacement, ABB	3,626
914	Boiler Replacement, Clarke Centre	3,000
915	Arts Podium, Phase 4	2,000
916	Roof Replacement, Various Buildings	1,906
917	Painting Program	250
918	Energy Reduction Programs	716
919	Campus Electrical Upgrades	365
920	Building Envelope Restoration	178
921	#1 and #2 Transformer Replacement	750
922	Receiving Dock Modifications, JHE, IWC	223
923	Elevator Replacement, MUMC	500
	TOTAL	13,513

Capital Renewal and Expansion

Work continues on the fit-out of the current shelled-in space on the 2nd floor of the MDCL Building which will accommodate research laboratories, teaching space and offices for the Centre for Microbial Chemical Biology, the Michael G. DeGroote Institute for Infectious Disease and the Michael G. DeGroote Institute for Pain Research and Care. The portion of the expenditures expected to be incurred in 2009/10 is \$1.5 million with project completion estimated in the summer of 2009. This project will require long-term financing of approximately \$9.5 million.

The new Engineering Building, approved at \$48 million, is nearing completion. Spending to bring the building to completion is estimated to be \$9 million in 2009/10. Funding sources include donations, graduate growth funding and internal borrowing. The first of 20 annual payments of \$1.023 million was received from the MTCU based on graduate growth experienced in the University.

Work is currently underway on the Surgical Skills Facility (maximum cost \$3.3 million). The project will be fully funded through the Faculty of Health Sciences and completed in 2009/10.

The Finance Committee has approved a recommendation which will go to the Board in June 2009 for the construction of the Centre for Advanced Management Studies in Burlington. In 2009/10 almost \$12 million of construction will take place. Funding sources include two multi-year pledges of \$10 million each, use of the Business Endowment, and additional fundraising.

The 2009/10 year also includes completion of the Farncombe Digestive Health Research Institute. The total project costs are approximately \$3.5 million, of which \$2.8 million will be spent in the year. This facility will be located in the Health Sciences Centre and includes a new Genome Sequencing Laboratory. Sixty percent of the donation was received in September 2008 and the outstanding portion is expected in 2009/10.

Also slated for completion in 2009/10 is the \$2.5 million Bio Sciences Level 3 Laboratory Project. Funding sources include \$1.2 million accumulated from indirect research overhead charges.

Knowledge Infrastructure Program

The Knowledge Infrastructure Program is a two-year \$2 billion economic stimulus measure to support infrastructure enhancement at post-secondary institutions across Canada. Funds of up to \$1 billion in 2009/10 and \$1 billion in 2010/11 are available under this program. In March 2009, McMaster submitted nine projects that are critical to the University's ability to support its current students and researchers and to develop the infrastructure needed to capture the value created from innovation. The first three projects are:

1. Centre for Spinal Cord Injury and Cancer Education and Rehabilitation
2. University Libraries – Web and New Media Commons
3. Nuclear Reactor Building Renovations

The maximum share of funding from Federal Sources is 50% of total eligible costs, however there is the possibility of additional provincial or other funding. Should some of these projects be fully funded they will be later added to the Capital Budget.

Looking Beyond 2009/10

In 2007, the University prepared a financing plan anticipating capital needs and debt requirements for the next five years. Working with external consultants, this project included a review of traditional and non-traditional alternative forms of financing of capital projects available on the market as well as their impact on the financial health of the University. As a result, the University approved a new Debt Policy in December 2007, which included specific benchmark ratios and general guidelines for project prioritization and funding decisions. In November 2008 the Senate approved a Project Prioritization Policy to prioritize projects against the available funds and borrowing capacity of the University. Based on updated five-year projections done in January 2009, which incorporate the revised economic environment, these specific benchmark ratios will not be met in 2009/10. As a result it is likely that future projects will be not be undertaken until all funding is available.

Summary

The total capital expenditure requirements from major capital projects in 2009/10 are estimated to be \$55.1 million as shown in the following chart. The funding sources include government grants, research grants, donations, levies, transfers from other funds, and either internal or external borrowing, totaling approximately \$21.7 million. In addition, the Capital Fund will receive loan repayments of \$9.7 million. The net impact in the Capital Fund (assuming no external borrowing in 2009/10) is a decrease of approximately \$23.7 million.

Table 20: Major Capital Project - Sources and Uses of Funds in 2009/10

(\$ thousands)

Project	Source of Funds by type excluding external debt				Total Sources of Funds	Expenditure	Net Impact
	Provincial Grants	Other Donations and Grants	Other Income	From Other Funds			
2nd Floor Fit-Out, MDCL		3,700		1,900	5,600	1,473	4,127
University's Share of MUMC Life Safety Program					-	4,016	(4,016)
Engineering Technology Building	1,024	4,800			5,824	9,370	(3,546)
Btech Equipment					-	3,000	(3,000)
Surgical Skills Laboratory, HSC					-	1,386	(1,386)
February 2008 Campus Renewal Grant (\$9.1 M)	-				-	4,192	(4,192)
June 2008 Campus Renewal Grant (\$13.5M)					-	10,304	(10,304)
Centre for Advanced Management Studies (Burlington)		3,000		2,500	5,500	11,754	(6,254)
Farncombe Institute, FHS						2,807	(2,807)
Estimates for regular facilities replacement projects	1,811			1,000	2,811	2,800	12
Estimates for other small projects (<\$1 million)					-	1,545	(1,545)
DeGrootte Funding for Paed. ICU		5,000			5,000		5,000
Net Capital Fund Investment Income(Expense)			(3,000)		(3,000)		(3,000)
BSL Level 3 Lab						2,455	(2,455)
Capktial Projects (all funds)	2,835	16,500	(3,000)	5,400	21,735	55,102	(33,367)
Included in the Operating Fund				2,900	2,900	2,900	-
Included in the Internal Endowment Fund				2,500	2,500	2,500	-
Included in the Research Fund		3,700			3,700	3,700	-
Capital Projects in 2009/10 Capital Fund	2,835	12,800	(3,000)	-	12,635	46,002	(33,367)
Funds received for Internal Capital Loans		1,814	7,914			(9,728)	9,728
Grand Totals					12,635	36,275	(23,639)

Table 21: Capital Cash Flow Summary – Year Ending April 30, 2010

(\$ thousands)

	Capital Fund	
	2008/09 Projection	2009/10 Budget
Sources of Funding:		
Provincial grants	16,348	2,835
Investment income transfer	(1,500)	(3,000)
Other donations and grants	1,324	7,400
Subtotal	16,172	7,235
Recoveries transfers and other income	4,100	5,400
Total sources of funding	20,272	12,635
Expenditure:		
Facility and capital projects	57,035	46,002
Debt and financing charges	(6,943)	(9,728)
Total expenditures	50,092	36,274
Surplus/(deficit)	(29,820)	(23,639)
Fund balances, beginning of year	(12,356)	(42,176)
Fund balances, end of year	(42,176)	(65,815)

McMaster Innovation Park

In pursuit of its *Refining Directions* goal to achieve the next level of research, McMaster University purchased the former Camco site in west Hamilton for \$13 million to develop the McMaster Innovation Park (MIP). The 37-acre (14.8 hectares) site will be vital to the growth and support of the research and development arm of a number of key industrial areas, including advanced manufacturing and materials, biotechnology and nanotechnology. The City of Hamilton and the Province have provided \$5 million and \$10 million, respectively, toward the project to accelerate development of the site.

McMaster implemented a new business structure to support the development of the Innovation Park. Two trusts, one to manage the operations and one to hold the land, have been created. These trusts are separate legal entities controlled by the University. While the trust operates independently from the University it has become apparent that the University may, in certain circumstances, be required to provide a guarantee for default payments on certain capital financing required for the development of the park.

At the January 2009 University Finance Committee meeting, the 2009 Strategic Plan for the Innovation Park was received. As MIP enters 2009, it is poised to complete two significant goals:

1. Complete the development and achieve a 90% lease-up of a multi-tenant multi-purpose laboratory and office facility to act as a catalyst and focal point for initial park development. This is an \$18 million renovation of the existing red brick building on the site. The University is providing interim financing and a debt service deficiency undertaking on the \$15.7 million of external long-term debt that MIP will put in place to finance this renovation.
2. In line with the objective to attract high-profile laboratories and research facilities that function as a magnet for the creation of a materials and manufacturing facility, MIP will initiate the construction of the CANMET building during 2009. The CANMET MTL lab relocation from Ottawa is expected to be complete by 2010. The \$75 million project will be financed externally on a non-recourse basis to McMaster on the strength of a 25-year lease from the Federal Government which covers interest, principal, operating costs and a contribution to life cycle maintenance. MIP will retain ownership of the building.

At the present time a number of University departments are tenants at the Innovation Park. These tenants are required to lease space, and a portion of this cost is included in the operating budget of the University. The University has asked MIP to provide 32,000 square feet of space in 175 Longwood Road for no base rent. The cost of doing so will have a negative impact of \$343,200 per year on MIP's financial results in 2009/2010. MIP has forecast a deficit. The MIP Board continues to work on strategies to reduce or eliminate the deficit. This has not been included in the University's budget at this time.

DeGroot School of Business Centre for Advanced Management Studies (CAMS)

Background and Planning

On June 14, 2007 the Board of Governors of McMaster University approved *in principle* the expansion of the DeGroot School of Business in Burlington, Ontario. The Provost was requested to conduct an external review of the proposed programs and to ensure that issues surrounding the site, building and financing be resolved. The resolution passed by the Board was as follows:

“that the Board of Governors approve in principle that McMaster University proceed with the establishment of the DeGroot School of Business Centre for Advanced Management Studies (CAMS) to be located at the McMaster University Campus in Burlington, Ontario, subject to the provisos⁸ set out by and recommended by the University Planning Committee at its meeting on May 16, 2007.”

In December 2007, members of the Faculty of Business voted to support the opportunity for expansion to the City of Burlington. Immediately thereafter, the planning committees for the expansion project were established following the faculty meeting, and faculty members were encouraged to participate on the proposed committees. In addition to the Faculty Steering Committee, three planning committees were established within the School (Academic and Financial Planning, Resource Renewal, and Learning Space Design) composed of a wide range of faculty members within and outside the School. The detailed findings of these committees will inform the overall planning processes for the Westdale Campus and the Burlington Campus.

Since that time, there have been many meetings between the University and the City of Burlington and subsequently the Regional Municipality of Halton regarding funding contributions. A tripartite agreement has been reached between McMaster, the City of Burlington and Halton Region that encompasses the DeGroot School of Business Centre for Advanced Management Studies (CAMS), in addition to the establishment of a McMaster Affiliated Family Health Centre and a Teaching Affiliation with Joseph Brant Hospital.

Site Selection

The University has identified an ideal site for the project, which meets its immediate and future planning needs. The nine-acre site is located on the South Service Road of the Queen Elizabeth Highway near Appleby Line in Burlington. The site is highly visible with easy access for key target markets (executives and commuter students from the Greater Toronto Area). The proposed building

⁸ Provisos required by the University Planning Committee (May 16, 2007) were:

- 1) “that the business plans for CAMS be peer reviewed by external experts, to examine the alignment of the proposed programs with the need of the community and evaluate the robustness of the enrolment growth projections, which in turn have the major impact on the financial health of the entire project. This review will be conducted by the office of the Provost; and
- 2) that all issues surrounding the location of the site, the construction of the building and the financing of same, be resolved to the mutual satisfaction of McMaster University and the City of Burlington; and that McMaster and the City of Burlington are successful in securing additional funds to ensure the financial success of the Burlington project.”

will be Leadership in Energy and Environmental Design (LEED) certified at the silver level as a state-of-the-art learning facility for executive and graduate education programs.

The construction of the building is now estimated at 90,000 square feet plus surface parking. The total construction cost is estimated at \$28 million. Funding is in place from a \$10 million donation and a financial commitment from the City of Burlington anticipated at \$10 million.

Financial Information and Assumptions

The DeGroot School of Business has been one of the faster-growing faculties within McMaster and has a unique opportunity to reduce the overall reliance on government funding by accessing students from a demographic other than the early- to mid-twenty-year-olds. Additionally, strong demand for business degrees has demonstrated some price elasticity, and we believe that the School of Business has the ability to increase its tuitions beyond current levels and still maintain a value advantage over our comparators.

The agreement outlines the City and Region's contributions of \$5 million each towards the construction and establishment of the Centre for Advanced Management Studies. Terms of the agreement particular to the School of Business are:

- the CAMS building will be operational by September 1, 2010 with no less than 150 FTE students and 10 FTE faculty members on site
- McMaster shall be either the registered owner of this site or have a leasehold interest in the site
- the building shall be environmentally responsible (LEED™ silver standards).

The terms of agreement also require the establishment of the Health Centre and teaching affiliation by July 2011 with affiliated Family Medicine commitments for staffing. McMaster is required to provide a status report on the three components of the project (CAMS, health centre and teaching affiliation) to the City and Halton Region every year of their contribution and is in default of the agreement if it abandons any part of the three-part project.

The underlying assumptions of the Plan are listed below.

1. Capital project funding totaling \$28 million with additional contributions of \$600,000 to date. The present value of cash flows is valued at approximately \$22.9 million using the current short-run market rate of 4.75% as a discounting rate. The major donor portion of this present value amount is just under \$15 million.
2. During construction, interest will be capitalized against the project. Internal debt from operations is not currently subject to interest payments by the Faculty and will continue to be subject to this condition. Debt from the capital project will reach a maximum of \$17.4 million. Additionally, the total deficit will rise to a maximum of \$22.7 million before being retired in or by fiscal year 2018/19.
3. The building will open in September 2010 with three of the four floors completed. A second capital project will be required within three years of initial completion to accommodate steady state enrolment and expanding Executive Education requirements. Deferral of this work is expected to increase modestly the overall cost of the project over its full lifecycle to steady state.

4. Funding contributions are spread over a ten-year period. The plan reflects use of financial instruments other than a long-term mortgage to hold much of the debt during the period when funding contributions are being received.
5. Executive Education revenues have been scaled back to reflect the reality of the current economic climate. Additionally, programs such as the new Doctor of Business Administration (DBA) and Executive Masters of Business Administration (EMBA) have been deferred by one year. Specialized Masters programs have also been reduced significantly both in enrolment and revenues and in part because some planned programs have been moved and are now included in Executive Education. In the short term, these Specialized Masters programs are now expected to be BIU-funded programs; however, these too are being considered for higher-than-traditional tuition rates. It is expected that these programs will fall into the category of professional degrees and students will see the promise of increased returns arising from these degrees. Our overall strategy is to contain as many Specialized Masters programs in the Executive Education area as possible.
6. Increased revenues begin in 2009/10 with an additional 105 graduate students and the start of the Executive Education program. The business plan reflects some of the expected challenges in the short-term due to the current economic climate. Growth in the outer years is based primarily on inflation and incremental real growth to programs and enrolment. Recurring revenues have been increased at an annual rate of 3%. Notwithstanding potential changes to government funding, tuition is expected to increase at its maximum rate (8%, 4% and 6% this year depending on the program) for the life of the plan. Given the School's professional degree status, it is expected that there will be increased flexibility to increase tuition to compensatory market rates (over time) while also maintaining a price leadership position within the top-tier Canadian Business Schools.
7. Within the plan, salary and benefits costs have been treated consistent with current budgeting guidelines in the short term. In the longer term, inflation factors have been reduced from 5% and 6% to 3%. These changes were applied with the understanding of the Provost and Business Management Services and reflect the understanding that growth in long-run costs cannot outpace long-run revenues.
8. Building operating costs are estimated at a starting value of \$9.00 per square foot based on empirical study data for buildings of the same type and size. Operating expense in this plan is also at a steady 3% per year.
9. A more detailed review of expected costs in the area of Executive Education has concluded that a contribution margin of 35% is sustainable.

Table 22: Burlington Campus – Projected Operating Budget Financial Model

(\$ thousands)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Total revenue	22,146	25,579	29,284	32,993	35,195	37,052	39,193
Total operating expenses	23,244	26,711	30,158	32,281	33,617	34,905	36,472
Surplus (deficit)	(1,098)	(1,132)	(874)	712	1,578	2,147	2,721

In conjunction with the Burlington planning process, the School has also undertaken various cost containment measures to assist in reducing discretionary and other spending within the Faculty. Spending within the Faculty will continue to be monitored and managed to ensure that the School is managing its operating costs accordingly.