McMASTER UNIVERSITY

2010/11

CONSOLIDATED BUDGET

Approved by the Board of Governors

June 2010

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Executive Summary

The 2010/11 consolidated budget presents the alignment and allocation of resources to support the mission and vision of the University. With the operating fund budget and the consolidated results on a full accrual basis balanced except for one-time expenditures, this budget is a good step toward addressing our financial challenges; however, there are still issues to address in years to come.

Recognizing that postsecondary education will play an important role in fuelling the economic recovery, in March 2010 the province announced funding for 2009/10 and 2010/11 and an extension of the Reaching Higher tuition framework. The additional revenues, along with difficult decisions on the priority of allocations for funding including the significant investment in technology renewal, have produced an acceptable result. However, this has come at a cost, as staffing and service levels will decline in 2010/11. In future years, increases in pension and post-retirement benefit costs are expected to increase at rates higher than inflation, which will once again force difficult budget decisions.

A number of factors influenced the preparation of the 2010/11 budget. As in previous years, when budget preparation began, the province had not released funding information; however, with the bleak economic outlook, there were indications that funding could decline from 2009/10 levels. In addition, the tuition framework was due to expire after 2009/10, and it was unknown whether the new regulations would provide for an increase to tuition fees. The shortfalls in funding pension and post-retirement benefit programs continue to have a major effect on budget plans, and the improvement in financial markets have provided only a marginal relief. The volatility of financial markets has also affected endowment balances and has resulted in a significant reduction in the amounts available to be transferred to the operating fund. Costs continue to rise, with inflation adding over $20 million to expenses each year with no corresponding increase in revenues. Our success in attracting research funding contributes to increasing costs as the indirect costs of research are not fully funded by sponsors. The overall impact of these factors has resulted in a weakened financial position, with the result that our credit rating was downgraded to AA (low), which will negatively affect the cost of any future borrowing that the University wishes to undertake.

The 2010/11 Operating budget process took the above factors into account. Principles used in generating the budget were:

- The academic and research mission of the University is foremost in the development of guidelines to budget managers.
- Revenue must be strategically allocated in support of the mission.
- It is critical to identify ongoing and one-time costs to develop a clear picture of our financial position.

The budget process must attempt to manage great uncertainty. To address the uncertainty, a conservative approach is taken, with risks associated with underestimating revenue less than the risks of overestimating it. The 2010/11 budget is less conservative than recent budgets due to inclusion of a $5.3 million vacancy allowance in anticipation of unfilled positions and a relaxation of the requirement for certainty for inclusion of additional revenue. Another measure adopted to address uncertainty is slip-year funding, with allocations to operating envelopes based on the last available actual results rather than potentially inaccurate estimates. For 2010/11, the budget process was influenced by the PACICES[1] report issued in February 2010 which projected increasing deficits, indicating the size and type of mitigating actions that would be required to achieve a balanced budget.

To prepare the 2010/11 budget, envelope managers were provided with a set of assumptions and asked to develop balanced budgets, identifying the actions necessary to balance and the associated risks, one-time costs, unfunded priorities, and capital plans. Assumptions evolved during the budget cycle as new information became available. The final version assumes:

- No change to revenue allocations to individual envelopes. Increases will flow on a slip-year basis.
- Although some undergraduate enrolment growth is expected, revenues have been estimated using current levels. Graduate enrolment is expected to increase by 135 students.
- Tuition fees will increase up to the 5% permitted by Provincial regulations.
- Salary increases will take place in accordance with current agreements, with an estimated 2% increase for management employees. Effects of the Compensation Restraint Act are not included.
- Benefit rates were set at a level to fully fund pension contributions in 2010/11 (270% of employee's cost) and contribute to post-retirement benefits (1% payroll charge).

As the Budget Committee reviewed the budget submissions, unfunded priorities and potentially unacceptable cost-cutting measures were identified and prioritized. In consultation with the Vice-Presidents, the Budget Committee and the President undertook to fund as many initiatives as possible.

For 2010/11, the most significant new initiative will be technology renewal. Technology has been identified as one of the critical success factors in PACICES and other task forces. The current state of our technology is in dire need of attention. Vision 2020 (*see* **Appendix M**), the blueprint for technology investment and decision-making over the next decade, will transform technology at McMaster from its current state towards a state based on best practices, thus improving the delivery of key technology services, increasing user satisfaction, and supporting the University's key objectives.

In the face of limited revenue growth and increasing costs, all envelopes have undertaken initiatives to contain costs and strengthen their financial position. Actions to balance the 2010/11 budget were taken in four main areas:

- <u>Revenue generation</u>: Strategies include pursuing graduate enrolment growth, increasing contributions from ancillary operations, developing new programs to attract students, increasing tuition to the extent allowed by government guidelines, maintaining strong government relations, and actively seeking grant and donation opportunities.
- <u>Reallocation of resources to support the academic mission of teaching and research</u>: Incremental revenue was allocated first to faculties through the established revenue-sharing formula. The remaining share was strategically allocated to initiatives that support the academic mission.
- <u>Budget freezing or reducing envelope allocations</u>: Although no budget cuts have been implemented since 2007/08, the allocations of non-academic envelopes have been frozen and inflationary costs absorbed through delaying or eliminating expenditures, including staff reductions, and increasing efficiencies.

[1] The President's Advisory Committee on the Impact of the Current Economic Situation (PACICES) was established by President Peter George in 2008 to provide strategic advice and develop strategies to ensure the long-term sustainability of the University.

- Addressing specific challenges through strategic investments: Funding was allocated to the greatest priorities that were either strategic (e.g., technology), revenue generating (e.g., advancement), efficiency based or unavoidable (e.g., utilities).
- Strategic labour negotiations: McMaster and its partners have worked to pursue reductions in the rate of increase while remaining competitive and ensuring effective retention and recruitment, including changes to benefit plans and contributions.

Operating Fund Budget

The results of these efforts may be seen in the projection for 2009/10, and in the 2010/11 budget. The operating budget for the 2009/10 fiscal year is projected to finish with an $18.4 million deficit, including transfers to other funds of $6.2 million. Of this deficit, $37.1 million of one-time payments were funded from previous appropriations, leaving the ongoing or structural budget in a surplus position.

Table 2 provides details of the projected financial results of operations for 2009/10.

The 2010/11 Operating Budget is projecting total expenditures of approximately $495.7 million (3.8% increase) against expected revenues of $487.9 million (4.8% increase) supported by increased provincial funding and tuition income, resulting in a deficit of $8.4 million including transfers (*see* **Table 3**). This deficit relates entirely to one-time expenditures of $16.6 million (*see* **Table 4**). 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.

Other Fund Budgets (Ancillary, Research, Endowments, Trust and Capital)

Highlights include:

- Sales in ancillary operations are budgeted to increase by 3.4% in 2010/11. As well as covering their own operating expenses, ancillary contributions to the operating budget will increase from 1% to 2% of sales in 2010/11, and to 3% in 2011/12.
- Research funding expected to be received in 2010/11 is $170 million and is expected to increase in future years as recently announced long-term large-scale awards begin to flow.
- The trust fund override policy has been extended to 2010/11, requiring approval for spending on funds where the market value is less than the original donation. Higher-than-expected investment returns in 2009/10 will result in higher opening balances in 2010/11 than initially projected.
- The Finance Committee recommended that the new central bank funds available for internal funding of projects be set at zero. As a result, the 2010/11 capital budget does not include any projects that are not fully funded. Deferred maintenance remains a challenge, and is estimated to exceed $140 million.

Consolidated Full Accrual Budget

Budgets for the individual funds outlined above are prepared on a cash basis. This consolidated budget includes results on a full accrual accounting basis, which is comparable to the PACICES report and the audited financial statements. On an accrual basis, a consolidated deficit of $10.4 million is forecast for

2009/10, in comparison with the PACICES forecast deficit of $42.2 million. The improved financial projections are primarily due to changes in the operating fund, with an increase of approximately 3% in provincial grant revenue and a decrease of 2% in non-salary expenditures as a result of significant actions to reduce or delay expenditures and increase revenues. For 2010/11, the deficit on an accrual basis is projected to be $18.6 million, compared to $58.4 million in the PACICES report, also due to increased revenues and the inclusion of strategies to decrease expenses in the operating fund as discussed above.

Risks

There is a risk that actual results for 2010/11 will not come in as budgeted. With major changes in operations planned, the risk that actions do not deliver forecasted savings due to delays or impracticalities uncovered in execution is high. There is also a high risk that deferred maintenance could result in greater costs if emergency repairs are required. Additional risks include missing enrolment and revenue targets; however, these risks are considered low.

The operating environment continues to tighten with pressures on both revenue and expense. Attention will be firmly focused on improving the operating results over the next few years and stabilizing the balances in reserves and funds. The rising deficit in future years will present a considerable challenge to the University unless significant actions are undertaken. 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. The biggest risks to long-term financial viability are the pending pension deficit payments projected at $35 million in 2011/12 and $40 million in 2012/13, an increase over the current level of $8 million.

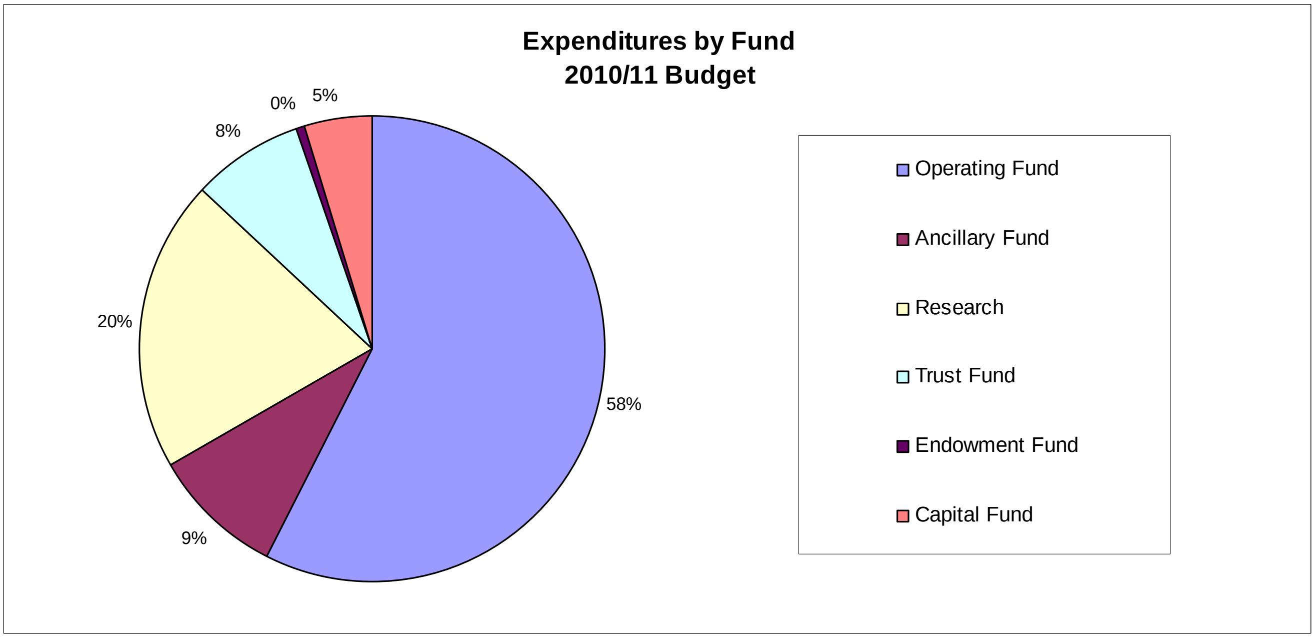
Within all of this risk and uncertainty, we must not lose sight of the long-term vision and our commitment to the goals. We cannot allow the current short-term financial challenges to impact opportunities that will advance the long-term vision. A thoughtful approach to capital investment, increasing 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.

Introduction

This document has been prepared to summarize the financial plan for the University for 2010/11 on a consolidated basis. It includes projections for 2009/10 and budgets for 2010/11, with high-level projections included for the following two years, 2011/12 and 2012/13.

Accountability for the effective management of the budget is delegated through the Board of Governors to the President. The Budget Committee of the University has responsibility for oversight of the operating and ancillary funds of the University, which account for over two thirds of annual expenditures, and recommends the annual budget to the President.

Figure 1: Expenditures by Fund – Year Ended April 30, 2011



The Budget Committee has been guided in its budget decisions by McMaster's strategic priorities, maintaining our core teaching services for students and supporting the University's well-established record as one of Canada's leading research universities.

While the focus of this document will be mainly on the operating fund, activities in the other funds impact choices available in the operating fund. Budgets for each of the other funds are included. In addition, for the first time, a consolidated budget, on a full accrual basis[2], has been included. The objective is to provide greater transparency and to promote a better understanding of University finances as recommended in the final PACICES report. By including this additional report, along with a projected balance sheet, it should be possible for readers to see the details of the operating fund and how it integrates with the consolidated budget, thereby getting a clearer picture of the University's overall financial health.

[2] Full accrual basis is the basis under which the audited financial statements are prepared.

Context

The fiscal year 2009/10 has continued to be a time of extraordinary financial challenges and uncertainty. Canada is emerging from the global recession, and conditions remain difficult. This state of affairs is expected to continue into 2010/11. There are a number of issues that contribute to the challenge of planning this budget. We highlight the seven most significant factors that affect the budgeting process.

Uncertainty and Timing of Provincial Funding Announcements

When the budget process began in the fall of 2009, the direction from the provincial government was largely unknown. At the time, the economy was unstable, financial markets were fluctuating greatly, and provincial deficit forecasts were sizeable. We were advised to make an assumption of no revenue growth and, if anything, to expect potential cuts. In light of this situation, the Budget Committee made the assumption of no increased allocations to budget envelopes in 2010/11. This effectively meant that envelope managers would have to absorb all increased costs in their budgets and/or find additional revenue sources.

At the end of March, the province presented its annual budget and demonstrated once again its commitment to higher education and its belief in the role universities play in Ontario's short- and long-term economic future. For 2009/10, the province provided "top up" Basic Income Unit (BIU) funding amounting to $9.5 million plus one-time quality funding of $2.5 million. This additional funding appears in the budget at a high level and will be allocated in 2010/11. For 2010/11, operating grants increase by $5.5 million (3%), graduate expansion funding by $3.3 million, and medical funding by $8.7 million as compared to the 2009/10 budget. The majority of this money goes directly to the faculties for academic programs. Additional information on government funding is available in **Appendix A**.

Tuition Framework Set by Provincial Government

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. McMaster's undergraduate and graduate tuition fees are below the average of its G6 peers[3].

During our budget preparation cycle, the indications we received were that we could not rely on an extension of the previous tuition framework into 2010/11. We assumed tuition revenue would be flat. In March 2010, after our budgets had been prepared, the province announced a two-year continuation of the current tuition framework. While very well received, most of this tuition growth has been built into the budget allocation framework at a high level and generally not distributed to individual envelopes at this time. Distribution will occur to the faculties in the summer 2010.

[3] The G6 is the six Ontario universities that are members of the G13, a group of leading research-intensive Canadian universities. The G13 universities are University of Alberta, University of British Columbia, University of Calgary, Dalhousie University, Université Laval, McGill University, McMaster University, Université de Montréal, University of Ottawa, Queen's University, University of Toronto, University of Waterloo, and the University of Western Ontario.

Unfunded Liabilities in Pension and Non-Pension Post-Retirement Benefit Programs

McMaster University maintains pension and post-retirement benefit programs for most groups of full-time employees. Both defined benefit and defined contribution plans exist, but most employees are members of the defined benefit plan. Over the past several years the shortfall between the assets and the liabilities in the defined benefit plans have increased significantly, mainly due to investment losses in the 2008 and 2009 economic downturn. As of July 2009, the pension deficit was estimated at approximately $298 million (PACICES Report, Appendix D) on a going-concern basis[4], and the present value of the expected future cost of post-retirement obligations is estimated at approximately $195 million (PACICES Report, Appendix E), resulting in an underfunding situation of approximately $493 million in total. Despite investment market improvements, the pension deficit has reduced only marginally to $277 million on a prospective basis as of July 2010. To help address this underfunding, pension and post-retirement benefit charges were increased. This meant that each budget envelope was required to absorb these cost increases which could only be accomplished through reductions in other budget lines.

Continuing Volatility in Financial Markets

Financial markets have a significant impact on McMaster's financial position. Long-term rates of return impact the pension plans and the internal and external endowments. Although the endowment fund investment policy uses a diversification strategy that involves a mixture of fixed income (40%) and equity securities (60%), the economic crisis generated an annual rate of return on the endowment funds of -19.8% in 2008/09. Notwithstanding the estimated positive returns for 2009/10 (14%), the fallout from 2008/09 has affected the ability of the University to maintain the annual allocations for spending from the internal and external endowments which support strategic areas of expenditures, such as scholarships, research and bursaries. In addition, short-term rates of return (applicable to excess cash and short-term investments held by the University) are expected to continue to decline in 2010/11. Consequently, the amount of investment income available for allocation in the 2010/11 Operating Budget was reduced.

Cost Pressures

Despite concerted efforts by management to eliminate the structural deficit over the past few years, expenses continue to grow at rates faster than revenues. Like other Ontario Universities, McMaster faces significant cost pressures, which force us to make difficult choices for investments that enhance academic quality. Present and future challenges to its operating performance include:

- Salary and benefit costs that continue to rise. Each year, the University must find approximately $20 million to cover the costs of inflation. Additionally, market demand for highly qualified faculty, staff and researchers nationally and internationally will continue, requiring McMaster to compete for this talent, putting pressure on the University's financial position.

[4] The going concern valuation assumes that the pension plan will be maintained indefinitely and has a long term time horizon.

- The costs of maintaining current space to appropriate standards and covering increasing occupancy costs for the expanding space on campus are largely unfunded and must be covered by operating budgets. We continue to fall behind on deferred maintenance, for example, which now totals $147 million and is a source of increasing pressure.
- The costs of compliance with increasing regulatory and reporting requirements ,such as the Access for Ontarians with Disabilities Act (AODA), for which no external funding has been allocated.
- An urgent need to overhaul the information technology infrastructure at McMaster. These costs are forecast at approximately $50 million.
- "Underwater" trust funds which impact funds available for the operating budget. "Underwater" funds are those whose current value has fallen below the original capital, which severely limits the use of investment income from these endowments and requires replacement funding from elsewhere in the budget.

Funding for Indirect Costs of Research

- When government research grants are received they cover the direct costs of research but only a portion of the indirect costs[5]. Therefore, the more successful the University is in securing research grants, the more resources are required from elsewhere in the operating and capital budgets to pay for the full cost of research. As a highly research-intensive University, this financial disconnect is very acute for McMaster.

Weakened Overall Financial Position over the Last Two Years

In March 2008, DBRS (McMaster's credit rating agency) changed the trend on our credit rating from AA (stable) to AA (negative). In April 2010, the rating was downgraded to AA (low), primarily reflecting McMaster's last two years' financial results (in which we have spent more than we earned to the extent of $67.5 million) and its resulting reduced financial flexibility. Reduced financial flexibility impacts the University's ability to fund core operations and extraordinary expenses such as legislated payments for pension deficits. It also affects our ability to issue debt to take advantage of opportunities as they arise. In addition, a weakened financial position requires the continuation of conservative planning assumptions to manage the downside risk.

[5] Indirect costs include support for the libraries, the provision and maintenance of space, computing and networking support, accounting and other administrative services, Health Physics, Security, etc.

The Budget Process

The process of generating a budget for the University involves many steps and people. This document, as a consolidated budget, reflects the decisions made at every level and presents them in a consistent manner. This results in a picture of the financial vitality of the institution and its relationship to the wellbeing of its constituent components.

Principles Used in Generating the Budget

- The academic and research mission of the University is foremost in the development of guidelines to budget managers
- Revenue must be strategically allocated in support of the mission
- It is critical to identify ongoing and one-time costs to develop a clear picture of our financial position
- Envelopes must be structurally balanced with ongoing expenditures less than or equal to ongoing revenues

Uncertainty in Budgeting

All budgets are based on assumptions made about the future, so all budgets are uncertain to some extent. For McMaster University, there has been significant uncertainty about our annual operating budget for many years. We are able to predict operating expenses, partly because roughly two thirds of our operating expenses go to personnel costs and because expenses vary slowly from year to year. We are less able to project one-time costs, especially capital expenditures. The operating fund revenues come from three primary sources: tuition, base funding by the province, and provincial accessibility funding. We are accurate in predicting tuition income and base funding for any year. However, accessibility funding from the province has not followed any particular pattern in the last five years, and has typically been determined quite late in the fiscal year. The net impact of the uncertainty of this one revenue source is to introduce significant uncertainty into our budgeting process. We cannot budget this revenue, yet we are dependent on it to cover inflationary costs. These unforeseen incremental revenue sources, while welcome, create confusion and lead to disbelief in the budgetary process, especially as they are frequently targeted in application. We are optimistic that the establishment of a successor to the *Reaching Higher* plan will alleviate some of this uncertainty, but even once a new plan is set by the province for postsecondary education, there will remain some uncertainty in budgeting.

As one means of coping with uncertainty we introduced slip-year funding this year for the operating budget. This means that this year and in the future, the budgets will be predicated on the basis of realized expenses and revenues from a prior year. This will provide greater certainty and allow improved planning by envelope managers. While this does not impact the consolidated budgets (which recognizes this revenue), it has presented new challenges in the short-term.

Conservative Budgeting

- McMaster uses a conservative approach to producing its budgets. We choose this conservative approach because the risks associated with overestimating available revenue far outweigh the risks of underestimating it. Notwithstanding, the 2010/11 budget is somewhat less conservative than recent budgets because we have introduced vacancy allowances into our planning of compensation costs ($5.3 million), and we have relaxed the criteria for including revenue growth which is supported by reasonable plans as opposed to certainty.

The Impact of the PACICES Report

The PACICES report was published in February 2010, but earlier drafts were made available to the Budget Committee. The forecasts of sizeable financial deficits in the PACICES report and the recommendations that flowed from them materially influenced the Budget Committee in the preparation of budget guidelines and processes. They clearly outlined the size and type of actions required to balance the budget. As new information became available, some assumptions in the PACICES report proved to be too conservative, notably those relating to provincial funding and the size of the 2009/10 deficit. The PACICES report is available at:
http://www.mcmaster.ca/opr/html/discover_mcmaster/presidents_message/documents/PACICES_Final_March_2010.pdf

Budget Development

At the beginning of the budget cycle, the Budget Committee makes assumptions about revenues and expenses for the coming year based on the best information available at the time. The Budget Committee sets allocation levels and issues budget guidelines to envelope managers to provide a uniform basis for development of the budget. For 2010/11, the Budget Committee set envelope allocations at an unchanged level over 2009/10.

Budgets are developed by envelope managers on the basis of the guidelines. Each of these envelopes is reviewed by the Budget Committee using a standard submission framework.

This year, envelope managers were asked to clearly identify:

- The actions taken to achieve a balanced budget, effects on the University community, and the related risks.
- All one-time costs and the related funding sources
- Unfunded priorities
- Capital plans

While receiving all budget submissions, the Budget Committee identified unfunded priorities and potentially unacceptable cost-cutting actions. The Committee explicitly prioritized these items for review by the President. In consultation with the Vice-Presidents, the Budget Committee and the President undertook their best efforts to fund as many of these important items as possible.

Assumptions

As indicated above, what is known at the beginning and the end of the budgeting process often varies substantially. This is attributable to the level of information provided in the fall by the province, the provincial budget being announced in the spring, and general fluctuations in the market. As the budget cycle progressed, more reliable and mostly positive information became available. **Table 1** below summarizes assumptions at the beginning and end of the 2010/11 budget process. Additional revenue received in 2009/10 will be allocated to faculties during the 2010/11 fiscal year.

Table 1: 2010/11 Budget Assumptions

Key Assmptions	2009/10 Projection and subsequent years Budget Guidelines as of Fall 2009	2009/10 Projection and subsequent years Final Budget as of April 2010
Enrolment	No change	No change in undergrad, increase in graduate
Operating grants	Decrease of $3 million	7.5% in 2009/10, 1.3% in 2010/11
Tuition revenues	5% increase	Rate and volume increases totalling 5.8%
Other revenues	Increase to normal	Increases as detailed throughout the document
Rate of return on long term investments	7.5% all years	14.0 % 2009/10, 7.5% onward
Rate of return on shot term investments	2% all years	3.5% 2009/10, 1% onward
Supplies and expenses	3% includes one time costs of $13 million	Most one time costs eliminated or treated as transfers
Employee benefits	Based on valuations	Based on update to July 2008 valuation, slight improvement
Reductions in staffing	None	As outlined throughout the document
Capital projects	Approved projects plus Primary Care Centre	As outlined in Capital Section

Enrolment

Based on information available in April 2010, an increase in graduate enrolment of 135 students has been projected. In order to be conservative, revenues in the 2010/11 budget have been estimated assuming flat undergraduate enrolment.

Actions Taken to Achieve Balanced Operating Budgets

Operating Fund

At the direction of the Board of Governors, the University is required to present a balanced budget.

The 2010/11 budget reflects action taken in four main areas:

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. Growth in 2010/11 is expected to result in 135 net new graduate students (100 Masters and 35 PhD). This is particularly important in order to reach Ministry of Training, Colleges and Universities (MTCU) targets by the 2013/14 deadline. In addition, significant growth is expected in the MD, post-graduate medical and physician assistant programs, as well as backfilling second- to fourth-level undergraduate programs with transferring students.
   - Increasing contributions of ancillary operations to the operating budget to 2% of sales from the previous 1%, with a further increase to 3% planned for 2011/12.
   - Developing new graduate and undergraduate honours 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 $8.6 million new funding for 2010/11.
   - Developing and maintaining strong government relations advocacy programs to maximize funding, at the federal, provincial and municipal levels as recommended in the PACICES report.
   - Ensuring fees cover the underlying costs, e.g., hard-copy undergraduate calendars and application fees. This has become important with the increase in demand.
   - Reducing international graduate student fee waivers.
   - Actively seeking opportunities for grants and donations toward new initiatives.

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

   Revenue-sharing arrangements in which enrolment-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 2010/11, and the non-academic share has been reallocated. Revenue sharing with academic areas has continued and is in place in 2010/11 and beyond. The non-academic areas have been required to reduce services to accommodate these implied reductions, although pressure is rising in several of these envelopes.

3. Budget Freezing or Reducing Envelope Allocations

   In 2007/08, all envelopes had their base-budget allocations reduced by 1%. Since then, no specific budget reductions have been implemented. However, with no general increases to allocations, all budget envelopes must absorb inflationary costs, which range from 2% to 13.5% per year. This required actions such as:

   - Where possible, expenditures have been delayed (e.g., lab renewal, research support) or eliminated.
   - Targeting expenditures to areas of greatest priority.
   - Increasing efficiencies by consolidating services and eliminating redundancy, as in the successful implementation of the HR Service Centre, or reducing service levels in non-critical areas.

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

4. Addressing Specific Challenges through Strategic Investments

   As previously mentioned, the Budget Committee controlled unallocated funds tightly and then allocated them to areas that were strategic (e.g., technology), revenue based (e.g., advancement), efficiency based or unavoidable (e.g., utilities).

5. Strategic Labour Negotiations

   Employee costs account for 68% of our operating costs and are therefore the major focus of our cost-reduction strategies. Historically, these costs have been rising faster than revenues as compensation increases and the costs of absorbing pension payments, including deficits, into the operating budget have taken effect. For some years, McMaster has pursued strategies in our labour negotiations targeted at reducing the rate of increase and establishing greater cost certainty while being mindful of the need to be competitive in the market to ensure effective retention and recruitment. Our partners have responded productively to bring about significant change that has led to a better financial outcome. Key successes have included changes to pension benefits and post-retirement benefits including substantial employee contribution increases. A full analysis of our pension and post-retirement benefit plans is included in **Appendix K**.

Envelope Highlights

The faculties and the supporting units have faced limited revenue growth and increasing costs. What follows is a brief description of the actions of the major envelopes to contain costs and to strengthen their financial position.

Faculty of Business

The major initiative of 2010/11 is the opening of the Ron Joyce Centre at the DeGroote School of Business in Burlington, with commencement of classes for the MBA program scheduled for September 2010. The opening of the Ron Joyce Centre helps to alleviate capacity constraints that have existed for a decade.

Given the current economic environment, the Faculty has adjusted its plans for Executive Education programs, to reflect a more conservative enrolment number. The Faculty is engaging in a process review to identify better uses of its resources and cost savings. In developing new programs, the Faculty has positioned itself to respond quickly to market demands and is keeping fixed costs at a minimum.

Faculty of Engineering

Engineering has initiated the implementation of its strategic plan entitled "Engineering a Sustainable Society: Strategic Plan 2009 – 2014." During 2009/10, Engineering undertook a series of cost-control measures and received unanticipated revenue, placing it in a better-than-expected financial position.

Over the last four years Engineering's student undergraduate and graduate enrolments have grown. Its faculty complement, however, has remained constant. There is some concern that if the Faculty does not engage in faculty renewal, some key measures will continue to fall, jeopardizing its pre-eminent position as one of the most research-intensive Engineering schools in Canada. Engineering is looking to the BTech program and its professional Masters programs to provide a source of additional revenue to the Faculty. Additionally, Engineering is leading the consideration of academic programs at a new campus in China in order to enhance its visibility, provide additional interaction with businesses, and grow another source of revenue.

Faculty of Health Sciences

The Faculty of Health Sciences continues to move forward with its strategic initiatives which include expanding geographically distributive learning opportunities and graduate enrolments, growing research capacity, and promoting inter-professional education and research. Provincial ministries have financially supported and continue to encourage growth in these areas.

During 2010/11 the Faculty will engage in several capital endeavours which include:

- Construction of the Niagara Regional Campus of the Michael G. DeGroote School of Medicine on the campus of Brock University in St. Catharines
- Construction of the Halton McMaster Family Medicine Centre in Burlington
- Expansion of the School of Rehabilitation Science
- Development of the Farncombe Family Digestive Health Research Institute
- Construction of a Centre for Primary Care at the McMaster Innovation Park

Faculty of Humanities

Today, 94% of Humanities courses are taught by full-time faculty, a remarkable achievement that the Faculty believes is without parallel within Canadian Arts faculties. This is the result of a painstaking and multi-year process of curriculum review, the phasing out of some small programs, and controlling faculty teaching loads to reflect a standard level. Since 2005/06, Humanities has reduced its reliance on sessional teaching units by a factor of almost five. This has been accomplished by hiring additional permanent faculty and reducing the number of electives and course sections offered.

Humanities has developed an aggressive plan for expansion of its graduate programs to increase the absolute number of graduate students in the Faculty. This includes refocusing some of its existing programs from the undergraduate to graduate level and increasing its historical levels of external research funding. As a new internal budget model comes on line, the recognition of service teaching by Humanities will provide them with revenue that, historically, has not been provided.

Faculty of Science

The Faculty's focus in the past few years on promoting multi-disciplined approaches in research and education positions Science to capitalize on expected federal and provincial research and educational opportunities in the coming years.

Since 2000, the Faculty has seen a significant increase in student enrolment, the expansion of its graduate programs, and an increase in research intensity. However, it has kept its level of academic and support staff relatively constant. The Faculty is in the midst of a reorganization strategy that includes consolidation, a reduction in sessional teaching units, and the development of a growth/renewal plan. Science will also benefit from a move to the new budget allocation model, allowing it to more closely match revenues to costs.

Faculty of Social Sciences

The Social Science Faculty's successes are reflected in its ranking of 38th in the world, higher than any other Faculty at McMaster by the 2009 Shanghai Jiao Tong University Academic Ranking of World Universities.

Faced with a decline in admissions a couple of years ago, Social Sciences has sought to backfill upper-year enrolment and has engaged in active recruitment of first-year undergraduate and graduate students. Early results suggest these efforts have been successful through both a steady increase in first-year admissions and a 30% increase in BIU eligible graduate enrolments from 2008/09 to 2009/10.

To address its budget issues, the Faculty has delayed hiring, reduced its reliance on sessional teaching, and introduced new honours degree (four-year) programs. This Faculty has the highest average undergraduate class size in the University. In part, this is attributable to the service teaching it does for other faculties which will be recognized when the new budget allocation model is implemented.

University Library

McMaster's Library improved its rank from 109th in 2005 to 88th in 2008 amongst libraries that are members in the Association of Research Libraries. As the Library has continued to invest in its spaces and reorganize over the last several years, we anticipate the Library to continue to improve in its rankings when the next results are announced (July 2010). Our investment in the Library has resulted in a resource for our students and faculty that is better than many of our sister institutions.

During 2010/11, the Library is undertaking several major renovations to promote the Library as a place which enables and encourages learning. New projects underway or completed this year include the move of the Lyons Multimedia Center to Mills Library, the move of the Bertrand Russell Centre to Mills Library, the creation of quiet study space for graduate students, the design and creation of a Digitization Centre which will partner with a number of our research scholars, and the development of dedicated meeting space for the McMaster Health Forum in Mills.

The biggest budgetary challenges for the Library include significant increases in the cost of serial subscriptions and staff salaries. The Library is engaging in a review of its operations and has developed a plan that will preserve staff positions, refocus Library services, and reduce costs wherever possible.

Student Affairs

Student Affairs continues to maintain a good relationship with its students and is continuously ranked amongst the country's best when it comes to its student services. This situation has been maintained despite the cost pressures produced by increasing student enrolments and increased numbers of students requiring government-mandated services. In addition, Student Affairs continues to repay its debt on residences, the David Braley Athletic Centre and the Ron Joyce Stadium.

Student Affairs has engaged in a reorganization and consolidation of services to promote efficiencies in the use of resources and the streamlining of processes while maintaining or improving service standards. These changes will result in such things as a more integrative and collaborative organizational structure to better serve our students, the reorganization of technology and administrative areas to provide better and more economical support, an enhancement of the Centre for Student Development and Office of International Student Services, and the creation of a Student Life/Success Centre.

Other Academic Units

Every academic unit was forced to control costs and explore new sources of revenue generation. What follows illustrates issues faced by these units.

<u>Registrar's Office</u>

The Registrar's Office is responsible for many critical processes to our operation, such as student admission and course registration. The Registrar is currently engaged in a business process review to identify improvements that can be made which do not depend on an upgraded student information system. Additionally, the Registrar is a key player in the development of a business plan and implementation of a new student information/financial management system.

School of Graduate Studies

The School of Graduate Studies continues to promote graduate expansion and has begun promoting a greater integration between graduate studies and the rest of McMaster. For example, it has expanded its mandate this year to include graduate student life, undergraduate research, and the establishment of a framework in support of interdisciplinary programs. In the coming year it will be reviewing strategies for awarding graduate scholarships and bursaries to align its allocations to goals and enhance transparency.

Museum of Art

The Art Museum is in the first stage of its newly adopted strategic plan. This plan includes building better connections with the rest of the McMaster campus and building external links and partnerships with other museums. Despite its recognition as one of the top Canadian University Museums, the Museum operates under a very limited budget. To control costs, the Museum will be limiting the exhibits that use work from non-McMaster collections.

Other Budget Areas

Research

The research enterprise at McMaster represents almost one quarter of the University's total income. For 2010/11, our direct external research funding/research project funding is expected to be over $170 million compared to the total University income of over $800 million. Additionally, indirect overhead income accounts for a further $25.8 million.

McMaster has a solid track record of research excellence and is 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 in fact was second in research intensity for 2009. In addition, the Shanghai Jiao Tong University's 2009 ranking of universities worldwide names McMaster as one of only four Canadian universities in the Top 100.

Full details of the significant accomplishments of our researchers is appended as **Appendix G**.

Technology

McMaster seriously lags behind its sister institutions in the area of technology. During 2009/10, Vision 2020 (*see* **Appendix M)**, a strategic plan for technology renewal, was released. This strategic plan forms the basis of a significant reinvestment over the next five years in McMaster's technology which will address such things as systems renewal and better data integration, allowing for an up-to-date and simplified data collection and reporting infrastructure for the University. This investment will come from operating funds and will have built in redundancies to ensure existing technologies continue to operate while we develop, test, and transition to the new technologies.

Facility Services

Funding to support facilities has been cut consistently, either directly or effectively by failure to accommodate campus growth, to the point where budgets benchmark at low levels in relation to comparable universities. Additional reductions are planned in 2010/11. A key concern is the risk related to the growing deferred maintenance on campus, with negative impacts on safety and statutory requirements. The combination of ever-increasing utilities consumption due to growth and rate increases creates an inevitable annual increment to cost. Sustainability initiatives and energy management plans to control utility costs are required to bring this element under control. Allocations have been made to the utilities envelope to compensate for increased costs ($1.3 million in 2010/11).

Administration

Administrative units will contract further in 2010/11, as operations are restructured. The Service Centre has been created through the merger of human resources, payroll and benefit departments to form a "one-stop" service area. Administrative heads continue to bring focused attention to process improvements. Implementation of benchmarking, outsourcing and related strategies will increase operating cost efficiencies and increased self-service transactions. Automation and process simplification are critical requirements. Business Management Services is operating very close to its minimum effective operational level and is concentrating on expansion of centralized purchasing programs, both internally and via group synergies with HHS, Mohawk College and the City of Hamilton. Human Resources is similarly constrained while delivering significantly on its labour relations mandate.

University Advancement

Core activities will continue but overall activity will decrease due to the end of the campaign budget. Strategic initiatives are expected to produce an annual return of $21.5 million based on an incremental $1 million investment from the operating budget. This investment allows for some retention of campaign resources on completion of the campaign and is justified by the incremental revenue expectations. Successful introduction and integration of the new president with donors, alumni and other key constituencies will be essential.

Non-operating Budget Action Items

Significant action has also been taken in other important areas, e.g., capital budgeting, cash management and trust fund expenditures, which are detailed in their respective sections of this budget document.

Results

Operating Fund

Outlook for 2009/10

In 2009/10, the Operating Fund is projected to run an in-year deficit of $18.3 million, which is wholly related to one-time, non-recurring expenditures of $37.1 million (refer to **Appendix B** for details of these expenditures). This represents a favourable variance of $8.5 million over the original budget. This positive variance has two principal causes:

- Revenues were greater than the approved budget by $1.6 million, primarily due to higher-than-expected enrolments and full funding for accessibility. This increase consists of an increase to framework revenues to be allocated to envelopes of $19.7 million as detailed below, offset by reduced other income and transfers of $18.0 million ($16.8 million one-time, $1.2 million ongoing).
- Lower-than-expected expenditures by $6.8 million.

The additional framework revenues over the 2009/10 budget amount to $19.7 million and are the sum of:

- Top-up to full accessibility funding of $9.5 million announced in March 2010, which is $5.5 million higher than the 2009/10 budget
- An increase of $1.0 million for graduate expansion due to increased growth
- An increase of $2.5 million one-time quality improvement funding announced in March 2010
- An increase of $5.9 million for medical grants due to increased growth and enhanced funding levels, $2.7 million received in March 2010
- An increase of $2.4 million for tuition due to increased growth
- An increase of $2.2 million in investment income from working capital which has built up during the year but could not be relied upon until realized
- An increase of $0.2 million in recoveries and other income

The lower rate of expenditure relates primarily to the following factors:

- Lower-than-expected spending on salaries of $4.0 million
- Favourable benefits of $4.0 million
- These favourable variances were partially offset by higher non-compensation costs, primarily for supplies and other expenditures

Compared to the five-month projection completed in November 2009, the in-year deficit has been reduced by $31.3 million. This significant reduction has the same core explanation as noted beforehand. $12.1 million of the variance is due to revenue receipts greater than planned and $19.1 million is due to lower-than-predicted expenditures.

Table 2: University Operating Revenues and Expenditures 2009/10

($ thousands)	2009/10 Budget	2009/10 Projection 5-Month	2009/10 Projection 9-Month	Variances 9-Month vs. Budget	Variances 9-Month vs. 5-Month
				Fav (Unfav)	
Ongoing:					
Framework revenue	362,290	364,607	376,930	14,640	12,323
Other income	90,393	85,542	89,166	(1,227)	3,625
Total revenue	452,683	450,149	466,096	13,413	15,948
Expenditures	452,683	452,394	447,342	5,341	5,052
Surplus (deficit)*	(0)	(2,246)	18,754	18,754	21,000
One-time:					
Framework revenue	(1,000)	(1,000)	4,010	5,010	5,010
Other income	5,971	(2,002)	(10,813)	(16,784)	(8,811)
Total revenue	4,971	(3,002)	(6,803)	(11,774)	(3,801)
Expenditures	31,822	44,403	30,326	1,496	14,077
Surplus (deficit)	(26,850)	(47,405)	(37,129)	(10,279)	10,276
Total surplus (deficit)*	(26,850)	(49,651)	(18,375)	8,475	31,276
Opening appropriations	51,133	67,381	67,381	16,248	0
Ending appropriations	**24,283**	**17,730**	**49,006**	**24,723**	**31,276**

*Including transfers to other funds

2010/11 Budget

The Operating Fund Summary in **Table 3** provides the projected 2009/10 year-end results and the 2010/11 budget, along with plans for 2011/12 and 2012/13. Highlights compared to 2009/10 projection are:

- Total sources of funding will increase by $22.4 million (4.8%) due primarily to tuition growth ($8.6 million or 5.8%) and recoveries ($13.8 million or 20.5%)
- Operating expense will increase by $18.0 million (3.8%) due entirely to growth in compensation and benefits
- The in-year operating deficit will be $7.7 million (1.6% of revenue)
- Of this amount, one-time net expenditures account for $16.6 million, i.e., the operating fund is balanced before one-time expenses
- Appropriations decline 17.1% to reach $40.6 million at April 2011.

Table 3: Operating Fund Summary – Year Ending April 30, 2011

($ thousands)	Operating Fund 2009/10 Budget	Operating Fund 2009/10 Projection	2009/10 Variance Favourable/ (Unfavourable		Operating Fund 2010/11 Budget	Operating Fund 2011/12 Plan	Operating Fund 2012/13 Plan
Sources of Funding:							
Provincial Grants	196,905	211,745	14,840	7.5%	214,451	218,714	219,347
Tuition	146,572	149,000	2,428	1.7%	157,643	167,046	167,362
Research Overhead Grants	22,530	22,725	195	0.9%	21,434	21,210	21,400
Investment Income	9,467	11,467	2,000	21.1%	9,467	9,467	9,467
Other income	2,582	3,315	733	28.4%	3,914	4,696	4,707
Subtotal	**378,056**	**398,252**	**20,196**	**5.3%**	**406,909**	**421,133**	**422,283**
Recoveries and other income	79,598	67,225	(12,374)	-15.5%	81,010	89,797	97,507
Total sources of funding	**457,654**	**465,476**	**7,822**	**1.7%**	**487,918**	**510,929**	**519,790**
Expenditure:							
Salaries, wages and benefits	324,264	316,233	8,031	2.5%	335,895	361,361	375,212
Utilities and maintenance	31,987	32,735	(748)	-2.3%	32,852	32,867	32,856
Capital projects	3,544	976	2,567	72.4%	602	981	981
Library acquisitions	9,362	9,051	311	3.3%	9,137	9,164	9,191
Supplies and other expenditures	66,980	69,775	(2,795)	-4.2%	70,628	70,107	70,292
Supplies and other expenditures - Research	5,779	5,778	2	0.0%	5,826	5,862	5,884
Scholarships, bursaries and work study	32,381	32,706	(326)	-1.0%	29,987	27,656	27,600
Debt and financing charges	10,208	10,414	(207)	-2.0%	10,739	10,415	10,415
Total expenditures	**484,505**	**477,668**	**6,836**	**1.4%**	**495,665**	**518,412**	**532,431**
In Year Surplus/(deficit)	**(26,850)**	**(12,192)**	**14,658**	**54.6%**	**(7,746)**	**(7,483)**	**(12,642)**
Transfers from (to) other funds	**-**	**(6,183)**	**(6,183)**	**-**	**-**	**(651)**	**(751)**
Fund balances, beginning of year	51,133	67,381	16,248	31.8%	49,006	40,609	32,375
Fund balances, end of year	**24,283**	**49,006**	**24,723**	**101.8%**	**40,609**	**32,375**	**18,982**

Supporting details are available in **Appendix B** as follows:

- **Tables 20 through 24** show a breakdown of the sources of funding and resource allocation for each operating budget envelope, together with variances between the 2009/10 projection and original budget and one-time items for 2009/10 and 2010/11.
- **Table 25** shows the annual net change in operating envelopes for 2009/10 through 2012/13.
- The financial position of budget envelopes in **Tables 26 and 27** provides the budget and a two-year financial plan for the operating fund. For each envelope, the report highlights the opening appropriations balance at May 1, 2009, and projected/planned net expenditures for 2009/10 through 2012/13.

2010/11 One-time Costs

As shown in **Appendix B**, **Table 24**, one-time expenditures have been budgeted for 2010/11 in the following areas:

- Graduate scholarships of $0.7 million for additional International Excellence Awards
- Undergraduate scholarships of $1.8 million for the final payments of retention awards.
- Other expenditures of $14.2 million, including:
  - Equipment and renovations, including laboratory and classroom renewal, renovations for the Library's Digitization Centre, and upgrades to meet security and Health and Safety requirements ($7.6 million)
  - Expenditures on special projects and specifically funded accounts ($5.1 million)
  - Business process renewal, system redesign and upgrades ($1.5 million)

Table 4: Operating Fund Revenues and Expenditures showing ongoing and one-time expenditures – Year Ending April 30, 2011

($ thousands)

	2009/10 Budget	2009/10 Projection	2010/11 Budget	2011/12 Plan	2012/13 Plan
Ongoing:					
Framework revenue	362,290	376,930	390,701	405,175	405,887
Other income	90,393	89,166	96,509	105,959	114,238
Total revenue	452,683	466,096	487,210	511,134	520,125
Expenditures	452,683	447,342	479,041	503,992	519,814
Surplus (deficit)*	(0)	18,754	8,169	7,142	311
One-time:					
Framework revenue	(1,000)	4,010	0	0	0
Other income	5,971	(10,813)	57	(956)	(1,086)
Total revenue	4,971	(6,803)	57	(956)	(1,086)
Expenditures	31,822	30,326	16,623	14,420	12,617
Surplus (deficit)	(26,850)	(37,129)	(16,566)	(15,376)	(13,703)
Total surplus (deficit)*	(26,850)	(18,375)	(8,397)	(8,234)	(13,393)
Opening appropriations	51,133	67,381	49,006	40,609	32,375
Ending appropriations	**24,283**	**49,006**	**40,609**	**32,375**	**18,982**

*Including transfers to other funds

Revenue

Table 5: Growth and Diversification of the Operating Revenue Base

($ thousands)

	2009/10 Budget	2009/10 Projection	2010/11 Budget	2011/12 Plan	2012/13 Plan
Provincial Grants	196,905	211,745	214,451	218,714	219,347
Tuition	146,572	149,000	157,643	167,046	167,362
Research Overhead Income	22,530	22,725	21,434	21,210	21,400
Investment Income	9,467	11,467	9,467	9,467	9,467
Other Income	1,601	2,923	2,416	2,416	2,416
Transfer from Ancillary Operations	981	392	1,498	2,280	2,291
Total Sources of Funding*	**378,056**	**398,252**	**406,909**	**421,133**	**422,283**
Percentage change		**5.3%**	**2.2%**	**3.5%**	**0.3%**

*Excludes recoveries and transfers

Strengthening and diversifying the operating revenue base continues to be an important financial objective for McMaster University. Total 2009/10 operating revenue is currently projected to be $398.3 million, up by 5.3% over the original 2009/10 budget. This is due mainly to increased funding for undergraduate, graduate and medical enrolment growth, as well as greater-than-expected returns on working capital balances. This rate of revenue growth reduces in 2010/11 to just 2.2%.

As indicated above, the two main sources of operating funding are grants from the provincial government and tuition fees paid by students. 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 $214.5 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 – 2009/10 to 2012/13

($ thousands)

	2009/10 Budget	2009/10 Projection	2010/11 Budget	2011/12 Plan	2012/13 Plan
Basic Grant	157,545	158,603	180,058	180,058	180,058
Accessibility Grant*	15,938	21,455	-	-	-
Graduate Expansion	4,222	5,196	7,552	10,428	10,428
MTCU Adjustment Fund**	1,129	-	-	-	-
Performance Fund	1,808	1,872	1,872	1,872	1,872
Access to Higher Quality Education Fund	6,286	8,789	6,286	6,286	6,286
MD and Post Graduate Expansion	8,690	12,484	15,463	16,794	17,240
MD Enhanced Funding	-	1,784	1,658	1,714	1,901
Grant for Expanded Nursing Program	963	1,238	1,238	1,238	1,238
Clinical Education Grant	324	324	324	324	324
Total Grant Income	**196,905**	**211,745**	**214,451**	**218,714**	**219,347**
Percentage change		**7.5%**	**1.3%**	**2.0%**	**0.3%**

*To be added to Basic Grant in 2010/11
**Added to Basic Grant in 2009/10

A full analysis of the various sources of the provincial grants is included as **Appendix C**.

<u>Tuition Income $157.6 million</u>

Based on the enrolment targets outlined previously, total 2010/11 tuition income is projected to increase by $8.6 million from the 2009/10 nine-month review.

For 2010/11, full-time undergraduate domestic enrolments are expected to hold relatively constant while graduate domestic enrolments are projected to be higher than 2009/10. 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. Graduate tuition reflects expected increases of 135 students in 2010/11 and an additional 144 students in 2011/12.

Table 7: Tuition Income – 2009/10 to 2012/13

($ thousands)

	2009/10 Budget	2009/10 Projection	2010/11 Budget	2011/12 Plan	2012/13 Plan
Undergraduate	124,878	126,000	132,483	139,497	139,813
Graduate	21,694	23,000	25,160	27,549	27,549
Total Tuition Income	**146,572**	**149,000**	**157,643**	**167,046**	**167,362**
Percentage change		**1.7%**	**5.8%**	**6.0%**	**0.2%**

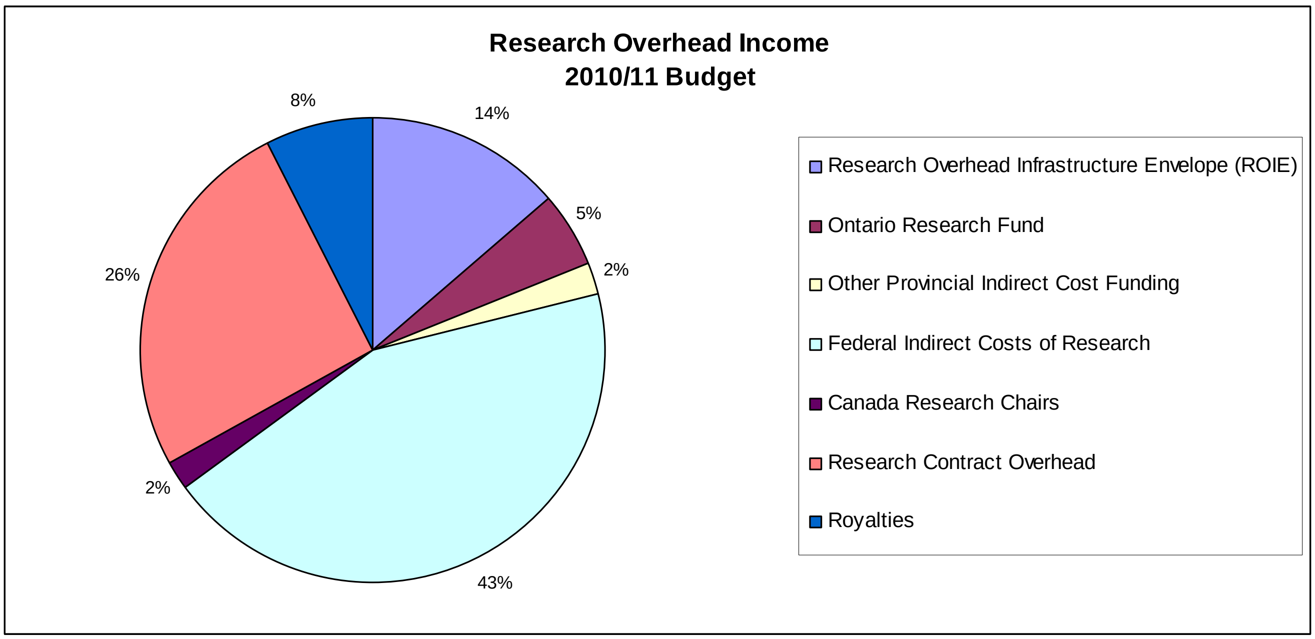
Domestic tuition fees through 2010/11 will increase in compliance with the government's tuition policy. The policy allows first-year fees for undergraduate general arts and science programs to increase by 4.5% and subsequent years' fees to increase by 4%. First-year fees for professional and graduate 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 2010/11. MTCU has announced a requirement to contribute 10% of additional revenue from tuition fee increases to bursaries and other student assistance programs that provide financial aid to students in need, as well as a requirement to deliver Student Access Guarantee funding automatically to all students in first-entry programs eligible for assistance without an application. A series of meetings with universities and colleges will be held to determine implementation strategies

Research Overhead Income $21.4 million

Funding toward the indirect costs of research is received from both federal and provincial governments, as well as industry funding partners as shown in **Figure 2**. Additional details of each source of funding are shown in **Appendix D**.

Figure 2: Research Overhead Income – Year Ending April 30, 2011



Other Sources $12.9 million

The University's operating fund includes other income derived from sources such as interest earned on working capital balances, investment income, donations and grants. Details are shown in **Appendix E**.

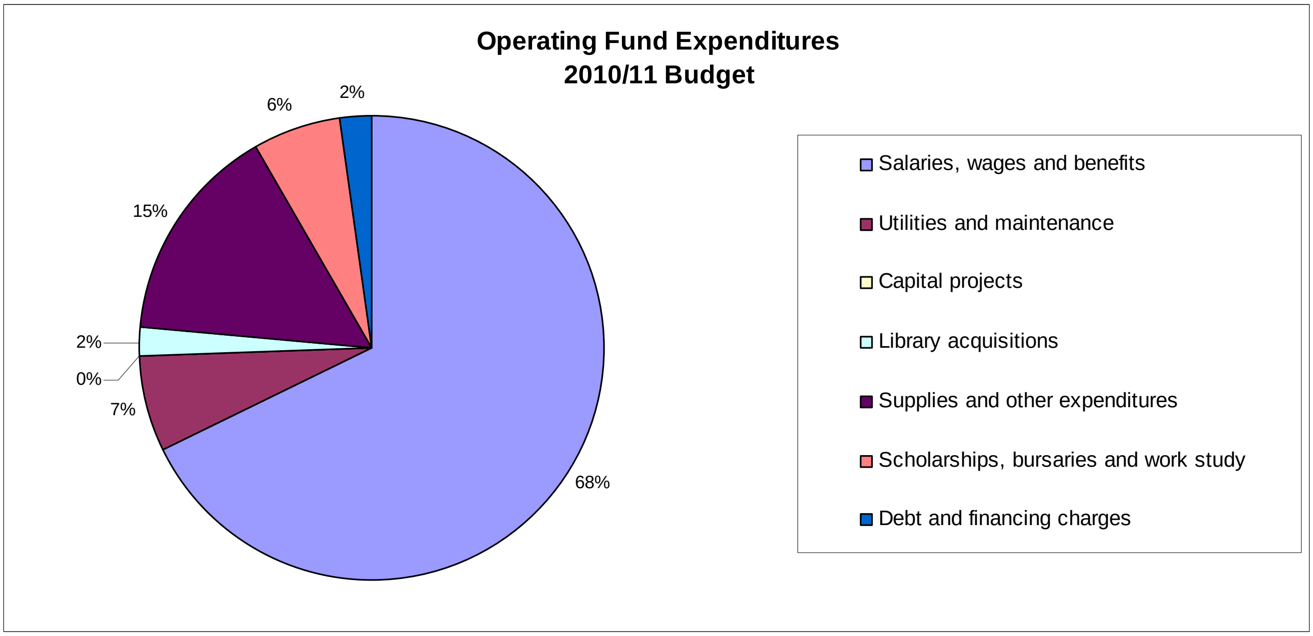
Recoveries and Other Non-Framework Income $81.0 million

Recoveries and other income include cost-recovery programs credited directly to budget envelopes, costs recovered for utilities, income for the nuclear reactor, and staffing from our partner hospitals. For 2010/11, these revenue sources are anticipated to increase by 20.5% over the 2009/10 projection, primarily due to reclassifications of income.

Expenditures

Expenditures budgeted for 2010/11 total $495.7 million, of which 68% relates to compensation costs.

Figure 3: Operating Fund Expenditures – Year Ending April 30, 2011



<u>Salaries, Wages and Benefits $335.9 million</u>

- Salaries, wages and benefits represent 68% of the University's total operating budget expenditures and will increase by $19.7 million (6.2%) in 2010/11 over the 2009/10 projection.
- Attention continues to be focused through labour negotiations on controlling increasing post-retirement benefit and pension costs.
- The plan identifies reduction in positions in many areas, managed through attrition, early retirements and restructuring operations including layoffs.

<u>Facility Services and Utilities $32.9 million</u>

- The cost of maintaining and operating the physical infrastructure represents 6.6% of the operating budget.
- The University will be aggressively pursuing savings in utility costs through an Energy Management Plan that leverages sustainability. Cost increases in 2010/11 reflect additional costs of increased space in the engineering building and the Michael G. DeGroote Centre for Learning and Discovery.

Capital Projects $0.6 million

- The amount represents the cost of renovations that are funded through operating funds.
- Operating funds contributed to major construction and renovation projects are included in transfers, and costs are accumulated in the capital fund.

Library Acquisitions $9.1 million

- Anticipated spending on acquisitions for 2010/11 increase slightly from 2009/10 levels. Increasing demands and rising costs continue to be a challenge for the library. Efforts are being made to prioritize regular acquisitions and make less popular publications available on request. Electronic resources, now at approximately 80% of our acquisitions budget, will become an even greater percentage, possibly reaching 100%. Students and faculty alike will expect increased service and access through the library website, including assistance through instant messaging.

Supplies and Other Expenditures $70.6 million

- Significant budget reduction measures have been implemented, focusing on reducing supply and other expenditures, with an increase of 1.2% budgeted over 2009/10 projection. These costs continue to be a significant portion of the total spending and make up the bulk of 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. Costs are expected to remain flat in 2010/11.

Scholarships, Bursaries and Work Study $30.0 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 $2.4 million to reach a steady state. McMaster is continually reviewing the scholarship programs in an effort to be competitive and cost effective.
- Provincial tuition set-aside requirements are expected to add an estimated $0.5 million to scholarship payments.

Debt and Financing Costs $10.7 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.
- Payments on internal loans for the Engineering Technology Building, David Braley Athletic Centre, and Centre for Advanced Management Studies are included.

Operating Fund: Conclusions

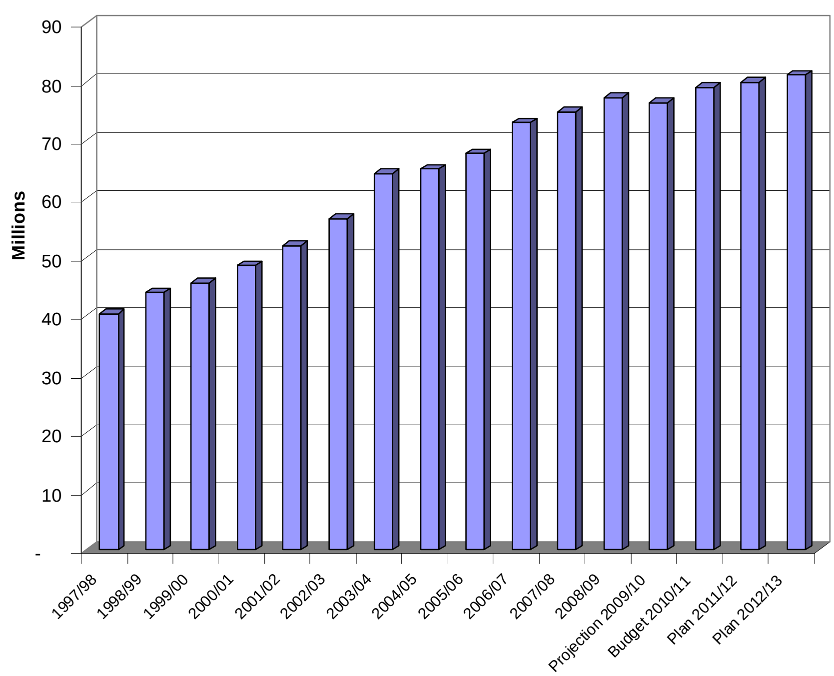
Through major actions of envelope managers to contain costs and provincial commitments to provide an increase to revenues, the operating fund is budgeted to be structurally in balance in 2010/11. One-time investments will draw down appropriated surpluses, however the operating fund is budgeted to end 2010/11 in a better position than anticipated by the original 2009/10 budget at this same time last year. Over the following two years, while growth will provide some additional revenue, increasing costs will continue to erode appropriations. Significantly higher pension and post-retirement benefit costs, the effects of inflation and continuing need for one-time investments will make it imperative to find new revenues, additional cost savings and greater efficiencies .

In addition to the operating fund, the University's financial position must incorporate the budgets of other funds to be complete. These budgets are also prepared on a cash basis.

Ancillary Fund

The University Budget Committee reviews and approves the budgets of the University's ancillary departments. The 2010/11 review included an evaluation of each area's two-year plan. The chart below shows actual ancillary department income for fiscal 1998 through 2009 and the projected income for 2009/10 through 2012/13. Sales for 2010/11 are estimated to be $79.1 million, a 2.3% increase over the 2008/09 actual and a 3.4% increase over the 2009/10 projection.

Figure 4: Sales by Ancillary Operations



Ancillary operations provide invaluable services and financial support to the University community. In addition to covering their increasing direct and indirect costs, ancillaries are projected to contribute 2% of sales to the operating fund in 2010/11 and 3% in 2011/12 and future years, an increase from 1% in 2009/10. Operating highlights and individual budgets for each ancillary are shown in **Appendix F.**

Table 8: Ancillary Fund Summary – Year Ending April 30, 2011

($ thousands)

	Ancillary Fund	
	2009/10 Projection	2010/11 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	-	-
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	65,959	67,213
Investment income (loss)	-	-
Investment income transfer	-	-
Other donations and grants	-	-
Other sources	9,343	9,759
Subtotal	**75,302**	**76,972**
Recoveries and other income	-	-
Total sources of funding	**75,302**	**76,972**
Expenditure:		
Salaries, wages and benefits	26,647	28,235
Utilities and maintenance	3,953	3,854
Facility and capital projects	-	-
Library acquisitions	-	-
Supplies and other expenditures	14,739	15,716
Supplies and other expenditures - Research	-	-
Scholarships, bursaries and work study	-	-
Depreciation	-	-
Cost of sales - ancillaries	22,083	22,519
Debt and financing charges	6,874	6,128
Total expenditures	**74,296**	**76,452**
Surplus/(deficit) in year	**1,006**	**520**
Transfers between funds	(868)	(3,468)
Fund balances, beginning of year	4,317	4,455
Fund balances, end of year	**4,455**	**1,507**

Research Fund

The forecast for the 2009/10 research budget (research revenue receipted, including revenue received for future periods) is $170 million. This is a decrease from the original projection of $183 million which is a result of one-time Canadian Foundation for Innovation (CFI) funding that was realized in 2008/09 but not in 2009/10. The forecast for 2010/11 remains conservative at $170 million. This forecast reflects the current research funding landscape as outlined in **Appendix G**. In the years following 2010/11 revenues are expected to increase once again as funding for the recently announced long-term large-scale awards begin to flow, which will unfortunately put further pressure on indirect costs.

Figure 5: Research Revenue Received

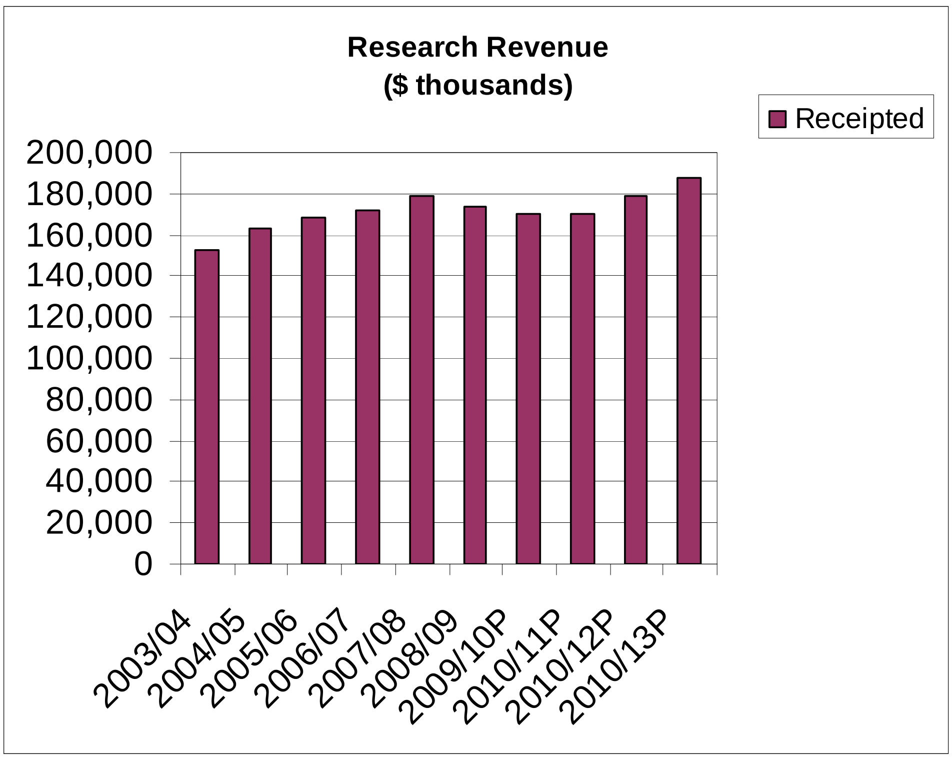


Table 9: Research Fund Summary – Year Ending April 30, 2011

($ thousands)

	Research Fund 2009/10 Projection	Research Fund 2010/11 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	170,420	170,420
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	-	-
Investment income (loss)	-	-
Investment income transfer	-	-
Other donations and grants	-	-
Other sources	-	-
Subtotal	**170,420**	**170,420**
Recoveries and other income	-	-
Total sources of funding	**170,420**	**170,420**
Expenditure:		
Salaries, wages and benefits	103,654	101,554
Utilities and maintenance	-	-
Facility and capital projects	-	-
Library acquisitions	-	-
Supplies and other expenditures	-	-
Supplies and other expenditures - Research	70,300	71,475
Scholarships, bursaries and work study	-	-
Depreciation	-	-
Cost of sales - ancillaries	-	-
Debt and financing charges	-	-
Total expenditures	**173,954**	**173,029**
Surplus/(deficit) in year	**(3,534)**	**(2,609)**
Transfers between funds	(2,652)	-
Fund balances, beginning of year	159,095	152,909
Fund balances, end of year	**152,909**	**150,300**

Trust Funds and Internally Restricted Endowment Funds

Trust funds include accounts that hold donations or bequests received by the University that have conditions or legal requirements for use agreed upon by the donor and the University. Of the almost $50 million in donations and grants received annually, approximately three quarters are expendable and will be spent in the year received. The remaining one quarter are endowed and will remain in perpetuity.

Highlights

Highlights of trust funds include:

- Expected investment returns in fiscal 2009/10 will result in higher opening balances than initially budgeted.
- The policy override for 2009/10 was extended for fiscal 2010/11, again requiring PVP approval for spending on trust funds where the total market value was less than the original donation. PVP approved spending of $1 million on underwater funds in 2010/11, leaving approximately $5.4 million that will not be spent as a result of the policy override.
- Investment income earned on endowed trust funds of 7.5% of average market value after investment management fees.
- The budget includes endowed trust fund donations of approximately $9 million, expendable donations of $15 million and $25 million from the Regional Medical Associates (RMA), totaling $49 million in donations which is in line with the projection for 2009/10.
- Scholarship and bursaries provided from trust income and other specifically designated funds are budgeted at approximately $9 million.
- With the Board of Governors' approval for the construction of the Centre for Primary Care at McMaster Innovation Park, approximately $10 million of previously donated funds were transferred to the capital fund.

Table 10: Trust Fund Summary – Year Ended April 30, 2011

($ thousands)

	Trust Fund	
	2009/10 Projection	2010/11 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	-	-
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	-	-
Investment income (loss)	37,328	21,070
Investment income transfer		-
Other donations and grants	49,122	49,285
Other sources	-	-
Subtotal	**86,450**	**70,355**
Recoveries and other income	(2,855)	(2,954)
Total sources of funding	**83,595**	**67,401**
Expenditure:		
Salaries, wages and benefits	21,997	20,307
Utilities and maintenance	-	-
Facility and capital projects	-	-
Library acquisitions	-	-
Supplies and other expenditures	14,817	13,229
Supplies and other expenditures - Research	3,000	3,000
Scholarships, bursaries and work study	9,075	9,231
Depreciation	-	-
Cost of sales - ancillaries	-	-
Debt and financing charges	-	-
Total expenditures	**48,889**	**45,767**
Surplus/(deficit) in year	**34,706**	**21,634**
Transfers between funds	(9,767)	340
Fund balances, beginning of year	318,264	343,203
Fund balances, end of year	**343,203**	**365,177**

Trust Fund Expenditure Policy Override

Due to the significant investment losses (-18.9%) experienced in 2008/09, a policy override for 2009/10 was approved by the Finance Committee in March 2009 to limit spending from endowed funds that were “underwater” (those funds where the market value of the total fund is less than original donation). This policy has been extended into 2010/11. Approximately one third of our funds are in this position. In situations where limiting spending would have compromised key programs, exceptions were granted by the President and Vice-Presidents (PVP). Trust administrators were also encouraged to re-capitalize unspent funds from prior years to assist in returning these trusts to their original capital value. Special appeals were made to donors to encourage them to donate additional expendable funds to allow scholarships and bursaries to be awarded wherever possible.

Internally Restricted Endowment Funds – Highlights

- As approved in the business plan for the Centre for Advanced Management Studies (under construction in Burlington), the remaining business endowment of approximately $2.6 million was used in fiscal 2009/10 to fund a portion of the construction costs.
- The $2.5 million budgeted in fiscal 2009/10 to fund a portion of the required pension deficit amortization payment from the pension endowment was instead funded from internally restricted net assets (excess health and dental reserve). In 2010/11 there is no plan to fund any of the pension deficit from the internal endowment as all of the deficit ($8.4 million) will be funded through a benefit charge rate which has been increased to generate the funds for this deficit.

Table 11: Endowment Fund Summary – Year Ended April 30, 2011

($ thousands)	Endowment Fund	
	2009/10 Projection	2010/11 Budget
Sources of Funding:		
Provincial grants	-	-
Research and other grants	-	-
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	-	-
Investment income (loss)	11,719	3,555
Investment income transfer	-	-
Other donations and grants	130	200
Other sources	-	-
Subtotal	**11,849**	**3,755**
Recoveries and other income		
Total sources of funding	**11,849**	**3,755**
Expenditure:		
Salaries, wages and benefits		
Utilities and maintenance		
Facility and capital projects		
Library acquisitions		
Supplies and other expenditures		
Supplies and other expenditures - Research		
Scholarships, bursaries and work study		
Depreciation		
Cost of sales - ancillaries		
Debt and financing charges		
Total expenditures	**-**	**-**
Surplus/(deficit) in year	**11,849**	**3,755**
Transfers between funds	(2,923)	(340)
Fund balances, beginning of year	98,832	107,758
Fund balances, end of year	**107,758**	**111,173**

Capital Fund

The following discussion of the capital fund is presented on a basis consistent with the operating fund, i.e., cash based. This is not the basis of accounting used in our audited financial statements. In those statements, 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.

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 $12 million but committed draws will increase gross internal loans to $109 million by April 2011.

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 $2.7 million from CFI towards the construction costs associated with various research projects. These contributions and the related spending are shown as transfers from the research fund to the capital fund. In addition, McMaster was successful in obtaining several awards from the 2008 round of the CFI competition to date. Because of the long lead time associated with planning and building these projects, the approximately $17 million of spending is projected in the 2012/13 year. External funding from the federal and provincial agencies for these capital projects is anticipated at $13 million, with the balance of the funds being sourced from previously set-aside bond funds.

Facilities Maintenance, New Facilities and Major Renovations

Capital Planning

In November 2008 the Senate approved a Project Prioritization Policy to prioritize projects against the available funds and borrowing capacity of the University. In November 2009, based on a review of current projects, available funds, and the borrowing capacity of the University, the Finance Committee recommended that the available central bank funds for 2010/11 be set at zero. As a result, the updated 2010/11 capital budget does not include any new projects that were not fully funded. The following projects have been materially affected by the requirement for full funding:

- Liberal Arts Building: for which application has been made to government for capital funding in support of student growth
- Aquatic Facility (pool for the PanAm Games): alternative designs are under consideration.
- Front Entrance: This project is on hold.
- Upgrade of the Central Animal Facility: dependent on identifying adequate funding.
- In addition, there are a number of projects for which funding is not currently available, totaling approximately $15 million.

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 including the University's share of McMaster University Medical Centre.

Regular Facilities Renewal funding from the Ministry, at approximately $1.2 million per year for 2010/11 is down from $1.8 million in 2009/10. These amounts are not sufficient to cover deferred maintenance costs, and an additional $0.6 million has been included in the 2010/11 operating budgets. This represents a decrease from previous levels.

Capital Renewal and Expansion

Priorities for 2010/11 include the Centre for Advanced Management Studies ($26.8 million) which was started in 2009/10 in Burlington, and the Centre for Primary Care at MIP ($39.9 million). In addition, the Centre for Spinal Cord Injury and Cancer Education and Research ($20 million), along with the Nuclear Reactor Building Renovation ($22 million) projects, were both fully funded under the federal government's Knowledge Infrastructure Program. Further details on these projects are included in **Appendix I.**

The two charts below summarize the total expected capital funding and spending by project for fiscal 2009/10 and 2010/11.

Table 12: 2009/10 Updated Capital Budget

2009/10 Capital Projects - Projection
(in thousands of dollars)

Project	Source of Funds by type excluding external debt: Provincial Grants	Other Donations and Grants	Other Income	From Other Funds	Total Sources of Funds	Expenditure	Net Impact
2nd Floor Fit-Out, MDCL	1,000			893	1,893	5,000	(3,107)
Communications Research Lab		400		1,051	1,451	1,400	51
Engineering Technology Building	2,023	2,000		806	4,829	10,000	(5,171)
Btech Equipment					-	1,350	(1,350)
Surgical Skills Laboratory, HSC				-	-	2,200	(2,200)
February 2008 Campus Renewal Grant ($9.1 M)	-				-	2,192	(2,192)
June 2008 Campus Renewal Grant ($13.5M)					-	8,804	(8,804)
Centre for Advanced Management Studies (Burlington)		3,000		2,583	5,583	16,834	(11,251)
Farncombe Institute, FHS				953	953	1,000	(47)
2009/10 Def. Maintenance and Facility Renewal Program	1,811			1,000	2,811	2,800	11
Estimates for other small projects (<$1 million)					-	1,500	(1,500)
Institute for Applied Health Sciences				1,700	1,700		1,700
Centre for Primary Care at MIP	7,100			11,707	18,807	1,000	17,807
Regional MD 2 & 3 Expansion Projects	3,800				3,800	6,235	(2,435)
KIP Project - Spinal Cord Research Centre	2,000				2,000	2,000	-
KIP Project - Nuclear Research Building	2,000				2,000	2,000	-
UTS computer room				1,700	1,700	2,400	(700)
Level 3 Biocontainment Lab					-		-
Capital Projects	**19,734**	**5,400**	**-**	**22,393**	**47,527**	**66,715**	**(19,188)**
					-		-
Net Capital Fund Investment Income (Expense)				**(3,000)**			**(3,000)**
Funds rec'd for Internal Capital Loans				**7,930**		**-**	**7,930**
Net Change to Capital Fund							**(14,258)**

For the upcoming fiscal year, there is only one new capital project on campus, the McMaster Environment for Digital Scholarship (MEDS), Mills Library, which will require an internal loan in 2011. The loan for this project is funded by donations that have been pledged. The chart below summarizes the capital plan for the fiscal year 2010/11. It should be noted that the funds that will be flowed to Niagara and Waterloo for the Regional Medical Expansion Leasehold Improvements are offset by excess operating reserves in the Faculty of Health Sciences, and eventually will be repaid to the capital fund through 20-year MTCU MD capital expansion grants.

Table 13: Capital Budget 2010/11

2010/11 Major Capital Projects -
(in thousands of dollars)

		In Year Source of Funds by type excluding external debt							
Project	***NEW**	**Provincial Grants**	**Other Donations and Grants**	**Other Income**	**Transfers From/(to) Other Funds**	**Total Sources of Funds**	**In Year Expenditure**	**Net -In Year Impact**	Expected $ of Internal Loan from Central Bank, at Project Completion
Commons Marketplace	*				2,300	2,300	2,400	(100)	-
Communications Research Lab	*		1,400			1,400	1,400	-	-
February 2008 Campus Renewal Grant ($9.1 M)						-	2,000	(2,000)	-
June 2008 Campus Renewal Grant ($13.5M)						-	1,500	(1,500)	-
Centre for Advanced Management Studies (Burlington)						-	9,989	(9,989)	19,000
Farncombe Institute, FHS						-	3,000	(3,000)	-
2010/11 Def. Maintenance and Facility Renewal Progra	*	1,200			1,519	2,719	2,200	519	-
Estimates for other small projects (<$1 million)						-	1,500	(1,500)	-
Institute for Applied Health Sciences	*				300	300	2,000	(1,700)	-
MEDS Project in Mills Library	*		250			250	1,000	(750)	750
Centre for Primary Care at MIP	*					-	6,000	(6,000)	-
MD3 Regional Expansion Programs	*	2,500				2,500	4,500	(2,000)	
KIP Project - Spinal Cord Research Centre	*	14,500	3,500			18,000	18,000	-	-
KIP Project - Nuclear Research Building	*	20,000				20,000	20,000	-	-
Level 3 Biocontainment Lab						-	1,900	(1,900)	978
Capital Projects		**38,200**	**5,150**	**-**	**4,119**	**47,469**	**77,389**	**(29,920)**	**20,728**
						-		-	
Net Capital Fund Investment Income (Expense)					**(3,000)**			**(3,000)**	
Annual Repayments of Internal Capital Loans					**11,560**			**11,560**	
Net Change to Capital Funds								**(21,360)**	

Table 14: Capital Fund – Year Ending April 30, 2010

($ thousands)

	Capital Fund	
	2009/10 Projection	2010/11 Budget
Sources of Funding:		
Provincial grants	19,734	38,200
Research and other grants	-	-
Tuition	-	-
Research overhead income	-	-
Sales by ancillary operations	-	-
Investment income (loss)	(3,000)	(3,000)
Investment income transfer		
Other donations and grants	5,400	5,150
Other sources	-	-
Subtotal	**22,134**	**40,350**
Recoveries and other income	-	-
Total sources of funding	**22,134**	**40,350**
Expenditure:		
Salaries, wages and benefits	-	-
Utilities and maintenance	-	-
Facility and capital projects	66,715	77,389
Library acquisitions	-	-
Supplies and other expenditures	-	-
Supplies and other expenditures - Research	-	-
Scholarships, bursaries and work study	-	-
Depreciation	-	-
Cost of sales - ancillaries	-	-
Debt and financing charges	(7,930)	(11,560)
Total expenditures	**58,785**	**65,829**
Surplus/(deficit) in year	**(36,651)**	**(25,479)**
Transfers between funds	22,393	4,119
Fund balances, beginning of year	(22,061)	(36,319)
Fund balances, end of year	**(36,319)**	**(57,679)**

Five Year Capital Estimates

While detailed capital planning and projects are approved on a project-by-project and annual basis, the University has prepared the chart below to indicate other capital projects which are currently pending.

Table 15: Five Year Capital Plan

Five Year Estimate - Major Capital Projects

	Estimated Spending by year - thousands					Total
	2009/10	2010/11	2011/12	20012/13	20013/14	
Approved & Underway						
- prior year's capital projects still underway	$ 66,715					$ 66,715
-next year's capital plan as detailed above		$ 77,389				$ 77,389
-completion of Primary Care Centre			$ 19,000	$ 13,000		$ 32,000
						$ -
Approved (estimated costs to be incurred after April 2011)						
-CFI Projects (2008 Round)			$ 17,000			$ 17,000
- MD3 Capital Expansion			$ 2,000			$ 2,000
Pending/Under Review/Priorize/Estimates only						
- Pan Am Bid - Pool Retrofit				$ 25,000		$ 25,000
-Small Projects and Regular Def. Maintenance			$ 3,700	$ 3,700	$ 3,700	$ 11,100
- Wilson Building for Studies in Humanities and Social Sciences				$ 35,000	$ 65,000	$ 100,000
Total	$ 66,715	$ 77,389	$ 41,700	$ 76,700	$ 68,700	$ 331,204

Consolidated Results – Full Accrual Basis

In this section of the budget document, we take the cash-based fund-by-fund results which we have discussed to this point (detailed in **Appendix J**) and convert them at a high level to be consistent with the accrual accounting basis. The audited financial statements and the PACICES report were prepared on the accrual accounting basis. The comparisons that follow relate, as appropriate, to the PACICES report or the audited financial statements.

To convert to the accrual accounting basis, the following five key changes must be made:

- Capital expenditures are added back and depreciation expense is deducted
- All investment income earned/lost on internal endowments is added
- The portion of investment income earned on trust funds is excluded to the extent that it is not spent and added directly to the net assets of the trust funds, along with endowed donations (2009/10 – $34,796, 2010/11 – $19,277)
- Accruals for pension and non-pension employee future benefit costs are added
- Reclassifications between revenues and expenditures are performed

The total fund consolidation (on a cash basis) with the required adjustments is shown in **Table 16** below.

Table 16: Accrual Basis Statement of Operations – Year Ending April 30, 2011

Statement of Operations - Fund Basis adjusted to full accrual basis
($ thousands)

	Fiscal Year 2009/10			Fiscal Year 2010/11		
	2009/10 Projection- all funds	Estimated Adjustments for GAAP Accruals	Projection - Full Accrual Basis	2010/11 Budget- all funds	Estimated Adjustments for GAAP Accruals	Budget -Full Accrual Basis
Sources of Funding:						
Provincial grants	231,479	(12,734)	218,745	252,651	(31,200)	221,451
Research and other grants	170,420	(19,361)	151,059	170,420	(7,430)	162,990
Tuition	149,000		149,000	157,643		157,643
Research overhead income	22,725		22,725	21,434		21,434
Sales by ancillary operations	65,959		65,959	67,213		67,213
Investment income (loss)	57,514	(14,524)	42,990	31,092	(1,530)	29,562
Other donations and grants	54,652	(12,820)	41,832	54,635	(8,626)	46,009
Amortization of deferred capital grants		44,095	44,095		45,630	45,630
Other sources	12,658		12,658	13,673	611	14,284
Subtotal	**764,407**	**(15,344)**	**749,063**	**768,761**	**(2,545)**	**766,216**
Recoveries and other income	64,370	(60)	64,310	78,056		78,056
Total sources of funding	**828,777**	**(15,404)**	**813,373**	**846,817**	**(2,545)**	**844,272**
Expenditure:						
Salaries, wages and benefits	468,531	24,401	492,932	485,991	36,662	522,653
Utilities and maintenance	36,688		36,688	36,706		36,706
Facility and capital projects	67,691	(64,957)	2,734	77,991	(68,396)	9,595
Library acquisitions	9,051		9,051	9,137		9,137
Supplies and other expenditures	99,332	(35,811)	63,521	99,572	(36,856)	62,716
Supplies and other expenditures - Research	79,078		79,078	80,301	20	80,321
Scholarships, bursaries and work study	41,781		41,781	39,218		39,218
Depreciation	-	64,957	64,957	-	68,396	68,396
Cost of sales - ancillaries	22,083	(60)	22,023	22,519	611	23,130
Debt and financing charges	9,358	1,676	11,034	5,307	5,665	10,972
Total expenditures	**833,593**	**(9,794)**	**823,799**	**856,742**	**6,102**	**862,844**
Surplus/(deficit) in year	**(4,816)**	**(5,610)**	**(10,426)**	**(9,925)**	**(8,647)**	**(18,572)**
Contributions/Invest.income Ext.Endowment		34,796	34,796		19,277	19,277
Fund balances, beginning of year(GAAP basis- Net Assets)			574,071	(9,925)		598,441
Fund balances, end of year	**(4,816)**		**598,441**	**(19,850)**		**599,146**

Projected Result for 2009/10 – Summary Revenues and Expenses Accrual Basis

On an accrual accounting basis, we are currently forecasting, on an unaudited basis, a deficit of $10.4 million. This compares to the forecast in PACICES of a deficit of $42.2 million.

Table 17: Revenues and Expenses PACICES Compared to 2009/10 Projection – Year Ending April 30, 2010

Statement of Operations - full accrual basis*	2008/09	2009/10 - PAC_ICES	2009/10 9 mth Projection
REVENUES*	731,819	801,663	813,373
EXPENSES*	785,772	843,828	823,799
EXCESS OF REVENUES OVER EXPENSES	(53,953)	(42,165)	(10,426)
ACCRUAL ADJUSTMENTS	61,895	(4,861)	(8,249)
OPERATING SURPLUS (DEFICIT)	7,942	(47,026)	(18,675)

The primary reasons for the improved financial projections for 2009/10 are:

- Operating budget revenue: budget announcements will result in approximately 3% more in provincial grants than initially estimated
- Operating budget expenditures: delayed or reduced spending resulting in a decrease in total expenditures of approximately 2% primarily in non-salary expenditures.

A smaller loss in 2009/10 positions the University to fund the required one-time spending in the operating fund in 2010/11 through increased appropriations.

2010/11 Budget – Revenues and Expenses

Table 18: Revenues and Expenses PACICES Compared to Budget – Year Ending April 30, 2011

Statement of Operations - full accrual basis*	2010/2011 - PAC-ICES FINAL REPORT Feb 2010	2010/11-Budget
REVENUES*	826,006	844,272
EXPENSES*	884,365	862,844
EXCESS OF REVENUES OVER EXPENSES	(58,359)	(18,572)
ACCRUAL ADJUSTMENTS	11,877	10,175
OPERATING SURPLUS (DEFICIT)	(46,482)	(8,397)

For the upcoming year the same factors have impacted the final budget. Significant actions to reduce or delay expenditures and generate new revenues, along with continuing additional funding from the province, will result in a smaller deficit than planned.

The variances in revenue and expenses are mainly in the operating fund as described above, and may be explained as follows:

- Operating budget revenue – The initial assumption for provincial funding in 2010/11 was that it would return to the 2008/09 level. In particular, an increase in accessibility funding had been built into the initially projected 2009/10 grants. At the time of the PACICES projection, indications from the province were that the funding would be discounted, and therefore grant revenue was reduced by $3 million. Actual grant funding received in 2009/10 increased by $14.8 million, resulting in a $17.8 million variance.
- Operating budget expenditures – The initial assumption was prior to cost-containment strategies as a result of direction from the Budget Committee which froze operating allocations and required submission of a balanced budget.

Statement of Financial Position (Balance Sheet)

Folding in all of the assumptions outlined in the preceding pages and the projected and budgeted operating deficits for 2009/10 and 2010/11 will result in balance sheets as outlined in **Table 19** below.

Table 19: Balance Sheet – As At April 30, 2011

McMaster University Financial Pro Forma
(In $000's)

	2010	2011
BALANCE SHEET		
ASSETS		
Cash Equivalents & ST Investments	192,505	181,638
Other Current Assets	156,018	172,024
Investment in McMaster Innovation Park	13,318	13,318
Deferred Pension Asset	220,811	215,993
Capital Assets	705,680	739,971
Investments	510,502	533,193
TOTAL ASSETS	1,798,834	1,856,137
LIABILITIES & DEFERRED CONTRIBUTIONS		
Other Liabilities and Deferred Contributions	953,765	993,519
Accrued Employee Future Benefits	240,633	257,478
Decommissioning Obligation	5,994	5,994
TOTAL LIABILITIES	1,200,393	1,256,991
NET ASSETS		
Pension & EFB Reserve (Deficiency)	-51,930	-73,593
Available Expendable Resources	133,098	122,990
Externally Restricted Endowments	280,935	300,212
Net Investment in Plant, Adjusted	236,338	249,538
TOTAL NET ASSETS	598,441	599,147
TOTAL LIABILITIES AND NET ASSETS	1,798,834	1,856,137

Analysis

Key Financial Indicators

The University has four key financial goals:

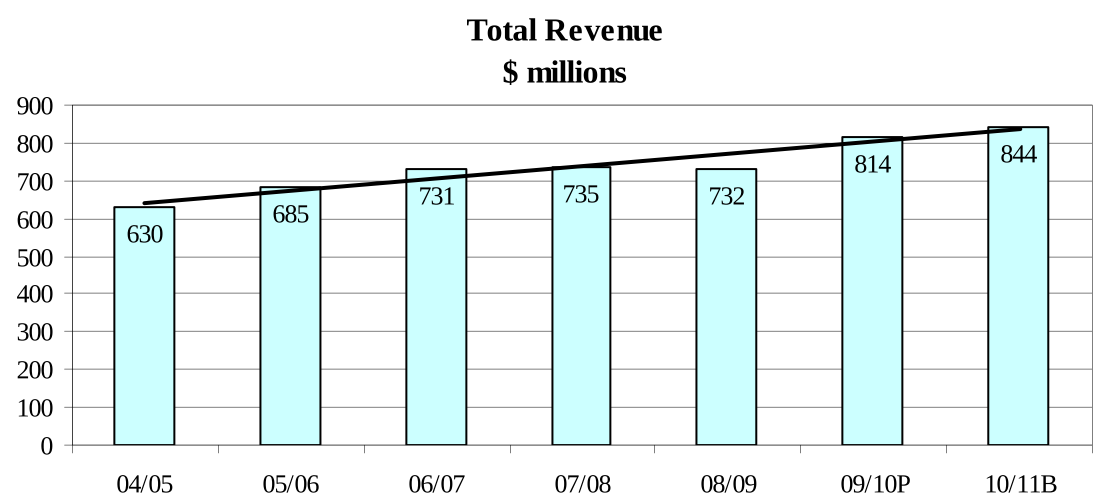
- Achieve strong demand for programs
- Increase and diversify revenues
- Strategically deploy financial resources
- Maintain a strong financial position and manage business risks.

In order to measure progress against these goals, several key financial indicators are tracked each year. Included in this budget document are the projected and budgeted results for five of the key indicators.

1. Increase the revenue base

As outlined in the chart below, the budget for 2010/11 achieves the goal of increasing the revenue base. In each of the last three years, there was very little growth in revenues; with this plan, revenue growth is anticipated.

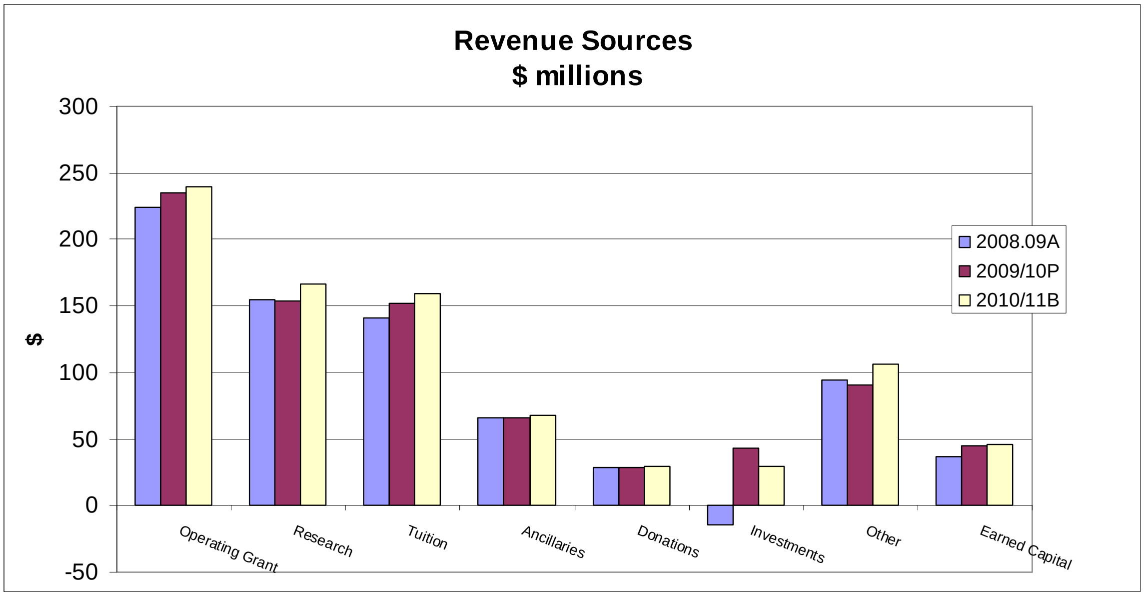
Figure 6: Total Revenue



2. Diversify the revenue base

As outlined in the chart below, revenue diversification continues which reduces dependency on any one source.

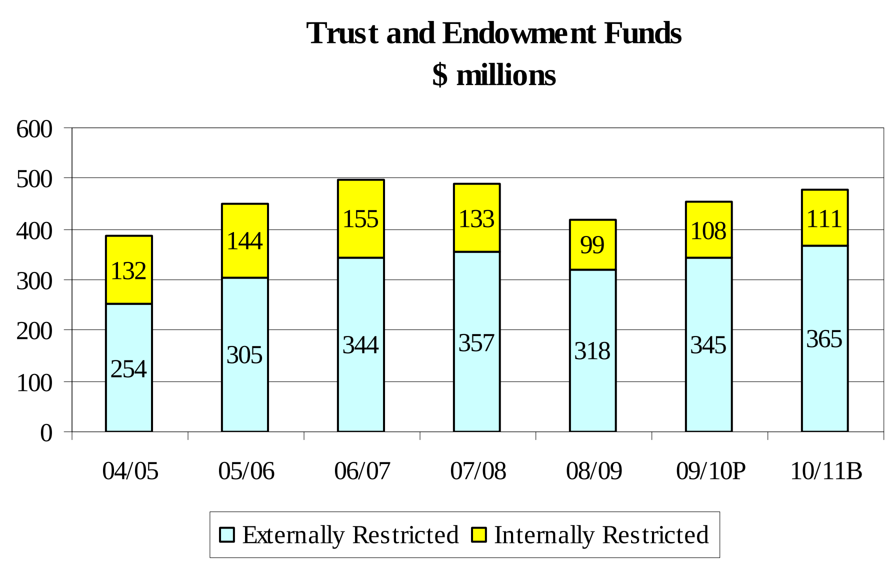
Figure 7: Revenue Sources



3. Maintain a strong financial position – grow internal and external endowments

In 2008/09 total internal and external endowments declined on an absolute basis and on a per-student basis. As shown in the chart below, endowments are expected to increase on an absolute dollar basis in 2009/10 and 2010/11 as a result of the improved investment income, and the reduced spending as due to the spending policy override.

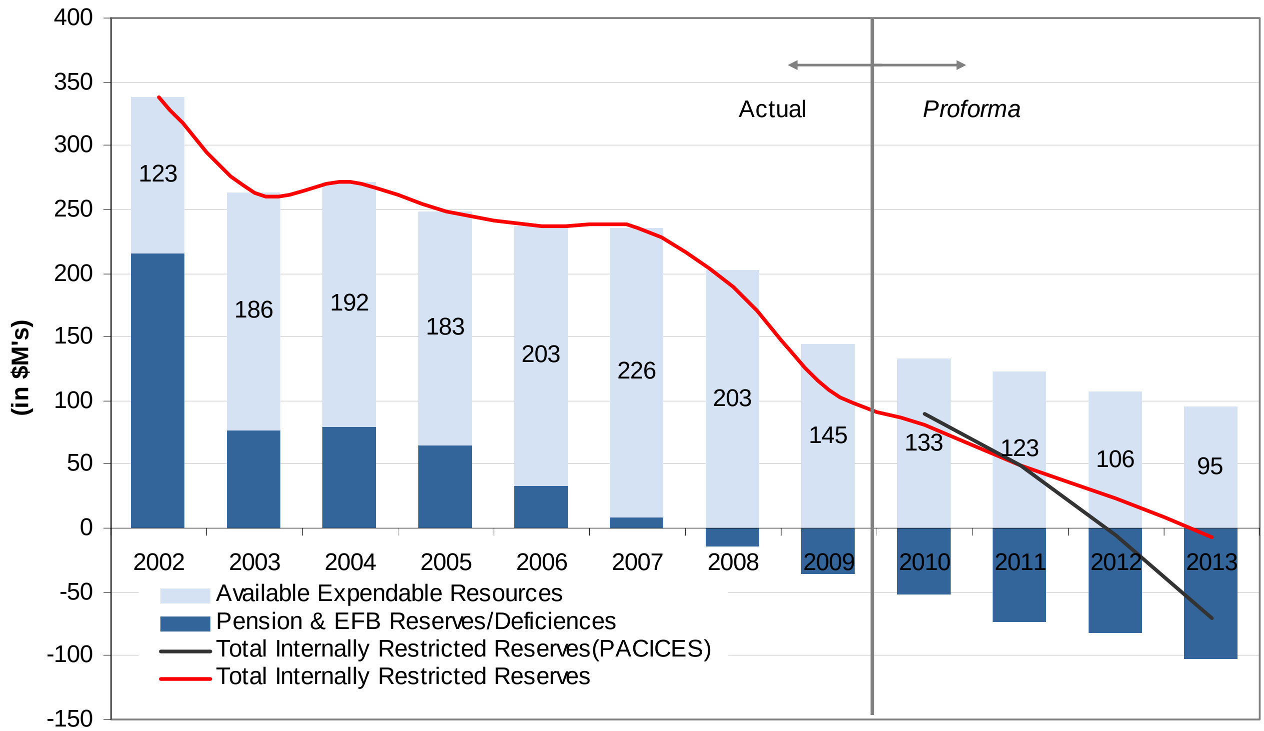
Figure 8: Trust and Endowment Funds



4. Maintain a strong financial position – manage available expendable resources

While there are several key indicators of balance sheet strength, one of the key indicators which the PACICES committee encouraged the University to focus on was that of the Available Expendable Resources (AER). AER represent the uncommitted funds of the University that could be available to settle its debts. These funds provide operating flexibility, support debt management and provide the ability to take advantage of opportunities as they arise. McMaster's AER have been seriously depleted in the last couple of years ($203 million and $145 million at the end of 2007/08 and 2008/09, respectively) and the initially projected deficits identified earlier would eliminate all AER by 2012. PACICES identified that this would significantly increase financial risk and impair McMaster's ability to deliver on its mission and commitments. The reduced budget deficits now planned for 2010/11 have mitigated the decline of AER so that the balance projected at the end of 2012 is now $106 million as shown in the chart below.

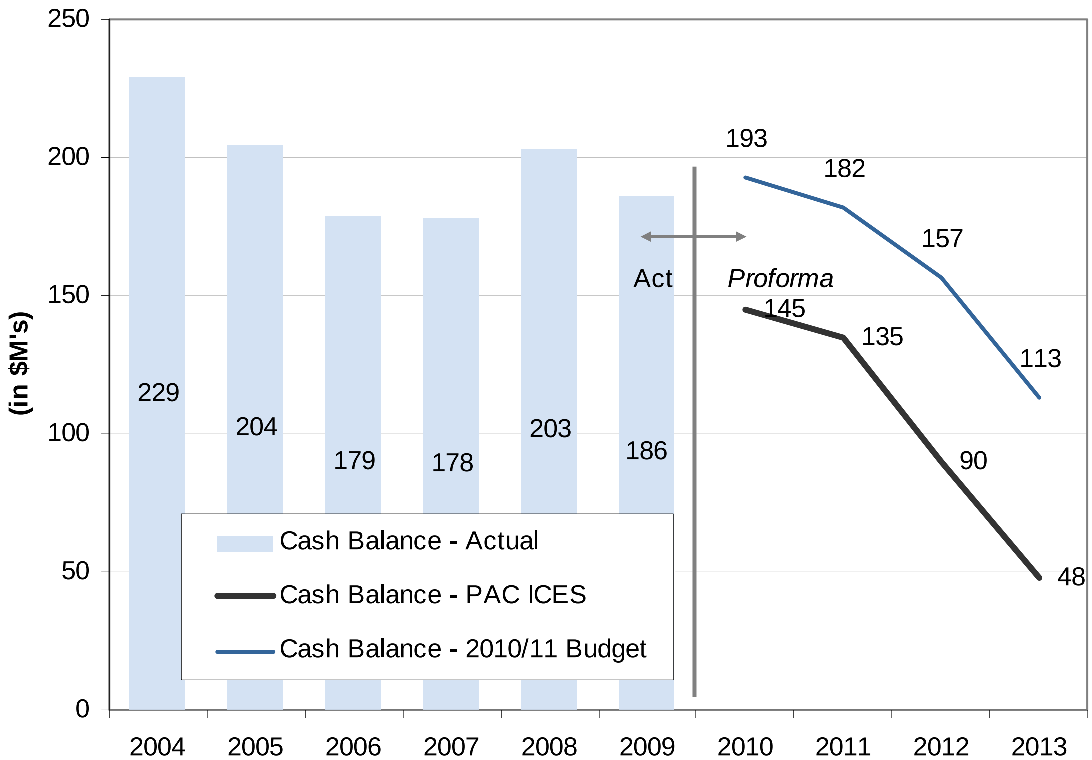
Figure 9: Available Expendable Resources and Reserves



5. Managing liquidity

Similarly, the cash balances, while still declining at a precipitous rate, will be just above the minimum of one month's expenditures by 2013 based on the planning assumptions included in this document.

Figure 10: Cash and Short Term Investments



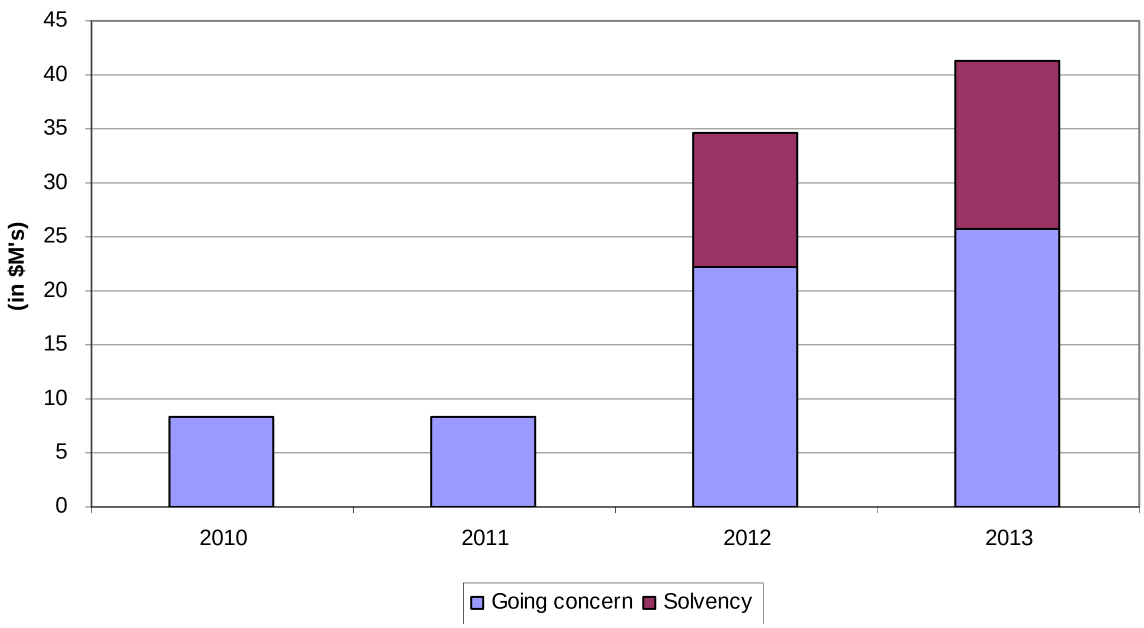
Detailed cash flow projections are used to manage total University cash receipts and disbursements coming into McMaster (e.g., operating, research, capital, ancillary etc,). Short-term funds in excess of those needed for immediate operational purposes are invested to maximize yield taking into account the security of the investments being purchased along with the projected future cash requirements of the University. In addition, a portion of these investments are maintained in highly liquid investments which can be converted to cash quickly with minimum loss of principal to meet unanticipated cash requirements. Cash and short-term investments are expected to decline from current levels over the forecast period reflecting the operational assumptions included in this budget model. Plans are being developed to ensure that the University's cash resources are adequate to pay expected future costs, notably pension deficit payments due in 2011/12 and forward for several years. These plans may include both borrowings and asset sales.

6. Managing pension and post-retirement benefit costs

The largest single impact on operating budgets over recent years has been the need to fund from the operating budget the full cost of the pension plans, including deficit payments, and to begin to fund post-retirement benefit costs. Significant progress has been made to the point where the 2010/11 operating budget includes the entire pension cost. On an accrual basis, even the costs of post-retirement benefits have been funded. This progress has been made at significant cost to the operating budget, a cost which is destined to increase with the forecast increases in deficit payments over the next few years. Pension deficit payments are shown in **Figure 11** below.

Strategies being planned to manage the accrued liability include increasing benefit charges to departments, which is expected to contribute $1.5 million annually, and seeking solutions through labour negotiations.

Figure 11: Pension Deficit Payments



A full analysis of pension and post-retirement benefits is included at **Appendix K.**

Risks to the 2010/11 Budget

- That planned budgetary actions do not deliver the forecasted savings because, for example, of delays or impracticalities uncovered in execution. Risk estimated as high because of the scale of change proposed.
- That the paucity of funding of deferred maintenance and certain operating costs could result in greater emergency repairs, and a rapid escalation of costs. Risk is high and is beginning to materialize.
- That forecasted enrolment levels are not achieved. This risk is considered low.
- That the estimated revenue increases do not materialize. This risk is considered low.

Potential Upsides

This budget includes all known revenues and expenses. The potential for upside in 2010/11 is small and is limited to incremental undergraduate student growth and positive impact from the Compensation Restraint Act, absent unexpected revenue from the province.

Conclusions on the 2010/11 Budget

The 2010/11 budget is effectively balanced, inclusive of all costs on a full accrual accounting basis when one takes account of the planned funding of one-time costs from appropriations. This is a remarkable achievement, and envelope managers are to be commended for their hard work to achieve this goal.

The concerns expressed in the PACICES report have been addressed as they relate to 2010/11 through a combination of envelope manager action and new revenues. Budgeted available expendable resources and cash holdings are well above policy limits at year-end. However, the pressures brought about by spreading resources ever more thinly in the absence of strategic change are building strongly. Urgent attention will continue to be focused on technological and process change and investment to free resources for more productive purposes. Capital resourcing and cash management will also be a focus to ensure that we are able to meet financial requirements and take advantage of opportunities as they arise. Government advocacy will also be important going forward.

Although the 2010/11 budget represents a good step in addressing our financial challenges, we will remain in a delicate balance for several years to come. Revenue uncertainty and significant cost increases that are likely to occur in the near future could deplete surplus appropriations. The McMaster collegial tradition will be the foundation for our continued strategic progress in what will remain challenging circumstances.

Moving Forward

Budgets have been prepared for 2010/11 only with forecasts for the two later years. During this time, we are anticipating significant influences on the budget, e.g.:

- The effect of the Compensation Restraint Act which has not been built into this budget
- The outcome of negotiations with McMaster University Faculty Association (MUFA)
- Potential for pension solvency relief, either through the use of existing legislation or the application for exemption
- Undergraduate growth in line with provincial expectations and the related capital plan implications
- The announcement of the replacement for “Reaching Higher” and the tuition framework for 2012/13
- The province’s plans for the online university announced in the provincial budget.
- Cash management planning
- Strategic investment requirements into technology, deferred maintenance and other areas

Plans will be developed over the course of the next year to bring these considerations into 2011/12 budget planning.

Appendix A – Government Funding

The context of the University's operating budget and financial plan for the next year is influenced by the research aspirations, learning goals of our faculty and students and the provincial government's *Open Ontario* plan for higher education, the follow-up to *Reaching Higher*, which expired in 2009/10.

Provincial Government Funding[6]

The provincial grant is still the largest component of McMaster's operating funding. In the Ontario Budget 2010, the province announced overarching goals and commitments for Ontario's postsecondary education system (PSE), including:

- Increasing PSE attainment to 70% in the province
- Increasing international enrolment by 50%, while guaranteeing space for domestic students
- Maintaining the current tuition framework and requiring that ten per cent of additional revenue from fee increases be contributed to bursaries and other student assistance
- A commitment to review capital planning in 2010 and the development of a ten-year capital infrastructure plan beginning in 2011. Funding to the Facility Renewal Program was reduced by $14 million or 35% for 2010/11
- Funding for the Ontario Trust for Student Support will be maintained at the 2009/10 level of $42.5 million
- Development of a new Multi-Year Accountability (MYAA) framework
- 1,000 additional Ontario graduate scholarships.
- Aggressively promoting Ontario postsecondary schools abroad to encourage the world's best students to study here, settle here and help Ontario build a stronger economy
- Improving students' ability to navigate Ontario's postsecondary system by providing additional resources to support the implementation of a credit transfer system
- Creating the new Ontario Online Institute, which will bring the best professors from Ontario's postsecondary institutions into the homes of those who want to pursue higher learning

To address increasing enrolments, the government also announced $310 million to fund growth of approximately 20,000 students to colleges and universities in 2010/11 over 2009/10. Of the $310 million, $248 million is being directed to universities to fund enrolment growth and special purpose initiatives. The infusion of new funds into PSE is welcome; however, McMaster continues to deal with the challenges of escalating costs associated with running a university – inflationary costs which are currently not recognized in the Ministry's basic operating grants.

[6] Based on the Ontario Budget 2010, Ministry of Finance.

Federal Government

The March 4, 2010 Federal Budget acknowledged the significant role of Canadian universities to help Canada to emerge from the recession and to accelerate economic growth. The investments into the postsecondary sector include:

- The second year of the Knowledge Infrastructure Funding program provides $2 billion targeted for critical infrastructure at postsecondary 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
- New investments in post-doctoral fellows of $45 million over five years will build on the stimulus provided by the Knowledge Infrastructure Program and research funding to help attract and retain talented PhD graduates in Canada
- Funding of the three major research granting councils are to be increased by an additional $32 million per year starting in 2010/11. The budget also provides for an additional $8 million investment in the Indirect Costs Program

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.

Appendix B – Operating Fund Tables

Table 20: Sources of Funding and Resource Allocation – 2009/10 Projection

($ thousands)	2009/10 Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	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	17,706	273	2,534	20,512	14,618	3,476	18,094	208	0	2,379	2,588	20,682	(170)	0	(170)
Engineering	39,572	1,489	765	41,826	28,677	7,298	35,975	1,611	0	4,635	6,246	42,221	(395)	0	(395)
Health Sciences	60,116	4,604	25,787	90,507	59,267	14,917	74,184	435	0	20,275	20,711	94,894	(4,387)	(4,351)	(8,738)
Humanities	22,048	90	2,524	24,662	19,474	4,893	24,367	60	0	2,166	2,225	26,593	(1,930)	0	(1,930)
Science	47,967	925	4,568	53,460	37,731	9,633	47,364	636	0	5,711	6,347	53,711	(251)	0	(251)
Advance to Science	0	0	(500)	(500)	0	0	0	0	0	0	0	0	(500)	0	(500)
Medical Radiation - Mohawk share	3,542	0	497	4,039	0	0	0	0	0	4,060	4,060	4,060	(21)	0	(21)
Social Sciences	20,406	192	3,519	24,117	19,304	4,804	24,108	113	0	1,347	1,460	25,568	(1,451)	0	(1,451)
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interdisciplinary Programmes	1,488	20	385	1,893	1,239	197	1,436	66	0	385	451	1,888	6	0	6
Academic Allocation - QIF	2,510	0	(6,691)	(4,181)	0	0	0	0	0	362	362	362	(4,543)	0	(4,543)
Academic Allocation - Accessibility	3,586	0	(3,570)	16	0	0	0	0	0	0	0	0	16	0	16
Slip-year Allocation	5,071	0	0	5,071	0	0	0	0	0	0	0	0	5,071	0	5,071
Sub-total	**224,012**	**7,593**	**29,818**	**261,422**	**180,311**	**45,218**	**225,529**	**3,130**	**-**	**41,320**	**44,450**	**269,979**	**(8,556)**	**(4,351)**	**(12,907)**
2. Academic Priorities															
Academic Contingency	2,006	0	(3,015)	(1,009)	82	6	88	0	0	213	213	301	(1,310)	0	(1,310)
Faculty Recruiting	398	0	0	398	0	0	0	0	0	252	252	252	146	0	146
Academic Priorities Allocation	4,140	0	(980)	3,160	0	0	0	0	0	0	0	0	3,160	0	3,160
Sub-total	**6,544**	**-**	**(3,995)**	**2,549**	**82**	**6**	**88**	**-**	**-**	**465**	**465**	**553**	**1,996**	**-**	**1,996**
TOTAL ACADEMIC	**230,556**	**7,593**	**25,823**	**263,971**	**180,393**	**45,225**	**225,617**	**3,130**	**-**	**41,785**	**44,915**	**270,532**	**(6,561)**	**(4,351)**	**(10,912)**
3. Academic Support															
Office of the Provost	2,713	0	7	2,720	1,814	510	2,324	0	0	311	311	2,635	84	0	84
School of Graduate Studies	1,129	0	1,128	2,257	1,141	305	1,445	0	0	783	783	2,228	29	0	29
Museum of Art	270	0	698	968	573	175	748	0	0	310	310	1,058	(91)	0	(91)
Centre for Leadership in Learning	1,574	0	782	2,356	1,479	392	1,871	0	0	378	378	2,249	107	0	107
Research	1,683	8,761	6,745	17,189	9,100	2,524	11,623	0	0	5,778	5,778	17,401	(212)	0	(212)
Nuclear Reactor Debt	0	0	100	100	0	0	0	0	0	0	0	0	100	0	100
University Library	14,957	766	940	16,663	6,690	1,805	8,495	0	7,200	1,008	8,208	16,703	(40)	0	(40)
Health Sciences Library	2,476	192	805	3,472	1,105	357	1,462	0	1,851	168	2,019	3,481	(9)	0	(9)
Registrar	3,466	0	2,047	5,513	3,365	961	4,325	0	0	1,379	1,379	5,704	(191)	0	(191)
Pension	6,132	0	0	6,132	0	6,132	6,132	0	0	0	0	6,132	0	0	0
Academic Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**34,400**	**9,719**	**13,251**	**57,370**	**25,265**	**13,162**	**38,426**	**-**	**9,051**	**10,114**	**19,165**	**57,592**	**(222)**	**-**	**(222)**
4. Student Support															
Graduate Scholarships/Bursaries	10,780	0	(3,285)	7,495	0	0	0	10,300	0	0	10,300	10,300	(2,805)	0	(2,805)
Student Affajrs	17,845	0	18,994	36,839	9,918	2,151	12,070	19,276	0	8,504	27,781	39,851	(3,012)	668	(2,344)
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**28,625**	**-**	**15,709**	**44,334**	**9,918**	**2,151**	**12,070**	**29,577**	**-**	**8,504**	**38,081**	**50,151**	**(5,817)**	**668**	**(5,149)**
5. Facilities Support															
Facilities Services	15,744	0	(82)	15,662	8,451	2,437	10,888	0	0	4,975	4,975	15,863	(201)	0	(201)
HSC Majntenance	3,287	0	0	3,287	0	0	0	0	0	3,415	3,415	3,415	(128)	0	(128)
Utilities	15,644	0	5,470	21,114	1,476	427	1,903	0	0	19,210	19,210	21,113	0	0	0
HSC Utilities	5,135	0	0	5,135	0	0	0	0	0	5,135	5,135	5,135	0	0	0
Deferred Majnt/Facilities Renew	1,919	0	0	1,919	0	0	0	0	0	861	861	861	1,058	(1,000)	58
Bond Interest	7,380	0	0	7,380	0	0	0	0	0	7,380	7,380	7,380	0	0	0
MIP Occupancy	0	0	66	66	0	0	0	0	0	66	66	66	0	0	0
Renovation contingency	981	0	(2,443)	(1,462)	0	0	0	0	0	116	116	116	(1,578)	0	(1,578)
Sub-total	**50,090**	**-**	**3,011**	**53,101**	**9,927**	**2,864**	**12,791**	**-**	**-**	**41,157**	**41,157**	**53,949**	**(848)**	**(1,000)**	**(1,848)**
6 Institutional Support															
Administration/Institutional Support	12,484	0	1,943	14,427	10,370	2,755	13,125	0	0	2,969	2,969	16,094	(1,667)	200	(1,467)
UTS/Technology Fund	13,623	0	2,349	15,972	6,109	1,809	7,917	0	0	6,167	6,167	14,084	1,888	(1,700)	188
University Secretariat	635	0	200	835	455	146	601	0	0	250	250	851	(16)	0	(16)
Presidential Budget	1,113	0	5	1,118	483	152	635	0	0	499	499	1,134	(16)	0	(16)
University Advancement	3,637	0	3,210	6,847	3,378	915	4,293	0	0	2,069	2,069	6,362	485	0	485
General/Contingency	6,159	0	920	7,079	638	118	757	0	0	6,164	6,164	6,920	158	0	158
Sub-total	**37,651**	**-**	**8,626**	**46,277**	**21,433**	**5,895**	**27,328**	**-**	**-**	**18,117**	**18,117**	**45,445**	**832**	**(1,500)**	**(668)**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	(382)	0	806	424	0	0	0	0	0	0	0	0	424	0	424
Sub-total	**(382)**	**-**	**806**	**424**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**424**	**-**	**424**
Surplus/(Deficit)	**380,940**	**17,312**	**67,225**	**465,476**	**246,936**	**69,297**	**316,233**	**32,706**	**9,051**	**119,678**	**161,436**	**477,668**	**(12,192)**	**(6,183)**	**(18,375)**
Under/(over)allocated	0			0			0				0	0	0		0
Total Surplus/(Deficit)	**380,940**	**17,312**	**67,225**	**465,476**	**246,936**	**69,297**	**316,233**	**32,706**	**9,051**	**119,678**	**161,436**	**477,668**	**(12,192)**	**(6,183)**	**(18,375)**

Table 21: Sources of Funding and Resource Allocation – 2009/10 Variances – Projection vs. Budget

($ thousands) Favourable (Unfavourable) Variance	Sources of Funding: Framework Allocation	Sources of Funding: Research Overhead Income	Sources of Funding: Recoveries & Other Income	Sources of Funding: Total Income	Total Salaries & Benefits: Salaries & Wages	Total Salaries & Benefits: Benefits	Total Salaries & Benefits: Total	Non-salary expenditures: Scholarships	Non-salary expenditures: Library Acquisitions	Non-salary expenditures: Other Expenditures	Non-salary expenditures: Total	Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	Annual Surplus (Deficit)
1. Faculties (Academic Programmes)															
Business	130	193	(1,927)	(1,605)	672	538	1,211	245	0	1,077	1,322	2,533	928	0	928
Engineering	0	232	825	1,056	385	791	1,176	(419)	0	(526)	(945)	231	1,287	0	1,287
Health Sciences	5,702	45	(8,763)	(3,016)	2,999	1,108	4,107	(255)	0	2,565	2,309	6,417	3,401	(4,351)	(950)
Humanities	(0)	4	1,356	1,360	38	96	134	15	0	(988)	(973)	(839)	521	0	521
Science	(0)	2	1,216	1,219	1,009	689	1,698	(52)	0	(1,042)	(1,094)	604	1,822	0	1,822
Advance to Science	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Medical Radiation - Mohawk share	0	0	4,039	4,039	0	0	0	0	0	(4,060)	(4,060)	(4,060)	(21)	0	(21)
Social Sciences	140	1	1,927	2,068	(1,398)	192	(1,206)	27	0	(629)	(603)	(1,808)	260	0	260
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interdisciplinary Programmes	0	0	40	40	83	21	104	(2)	0	10	9	113	153	0	153
Academic Allocation - QIF	0	0	(3,771)	(3,771)	0	0	0	0	0	(362)	(362)	(362)	(4,133)	0	(4,133)
Academic Allocation - Accessibility	3,586	0	(3,570)	16	0	0	0	0	0	0	0	0	16	0	16
Slip-year Allocation	5,071	0	0	5,071	0	0	0	0	0	0	0	0	5,071	0	5,071
Sub-total	**14,629**	**477**	**(8,629)**	**6,477**	**3,789**	**3,435**	**7,224**	**(442)**	**-**	**(3,955)**	**(4,397)**	**2,827**	**9,305**	**(4,351)**	**4,954**
2. Academic Priorities															
Academic Contingency	(0)	0	(985)	(985)	(39)	(3)	(42)	0	0	(88)	(88)	(130)	(1,115)	0	(1,115)
Faculty Recruiting	(0)	0	0	(0)	0	0	0	0	0	146	146	146	146	0	146
Academic Priorities Allocation	(2,781)	0	(630)	(3,411)	563	0	563	0	0	4,002	4,002	4,565	1,154	0	1,154
Sub-total	**(2,781)**	**-**	**(1,615)**	**(4,396)**	**524**	**(3)**	**520**	**-**	**-**	**4,060**	**4,060**	**4,580**	**184**	**-**	**184**
TOTAL ACADEMIC	**11,848**	**477**	**(10,244)**	**2,081**	**4,312**	**3,432**	**7,744**	**(442)**	**-**	**105**	**(337)**	**7,408**	**9,489**	**(4,351)**	**5,138**
3. Academic Support															
Office of the Provost	149	0	(13)	136	(32)	26	(7)	0	0	(49)	(49)	(56)	80	0	80
School of Graduate Studies	0	0	(150)	(150)	33	(11)	22	0	0	401	401	424	274	0	274
Museum of Art	0	0	(10)	(10)	(16)	0	(16)	0	0	(65)	(65)	(81)	(91)	0	(91)
Centre for Leadership in Learning	0	0	323	323	(175)	17	(158)	0	0	147	147	(11)	313	0	313
Research	0	70	(129)	(60)	(378)	231	(147)	0	0	2	2	(145)	(205)	0	(205)
Nuclear Reactor Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
University Library	0	(1)	555	554	(721)	(24)	(745)	0	200	(275)	(75)	(819)	(265)	0	(265)
Health Sciences Library	0	(0)	(215)	(215)	127	(23)	105	0	111	(8)	103	207	(8)	0	(8)
Registrar	0	0	73	73	(88)	87	(2)	0	0	174	174	172	245	0	245
Pension	630	0	0	630	0	(630)	(630)	0	0	0	0	(630)	0	0	0
Academic Support Allocation	(470)	0	0	(470)	0	0	0	0	0	0	0	0	(470)	0	(470)
Sub-total	**309**	**69**	**434**	**812**	**(1,251)**	**(327)**	**(1,578)**	**-**	**311**	**328**	**639**	**(939)**	**(127)**	**-**	**(127)**
4. Student Support															
Graduate Scholarships/Bursaries	0	0	(1,634)	(1,634)	0	0	0	(171)	0	0	(171)	(171)	(1,805)	0	(1,805)
Student Affajrs	0	0	(86)	(86)	(150)	29	(120)	288	0	483	771	650	564	668	1,232
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**0**	**-**	**(1,720)**	**(1,720)**	**(150)**	**29**	**(120)**	**116**	**-**	**483**	**600**	**479**	**(1,241)**	**668**	**(573)**
5. Facilities Support															
Facilities Services	0	0	210	210	8	(48)	(41)	0	0	(371)	(371)	(411)	(201)	0	(201)
HSC Majntenance	0	0	0	0	0	0	0	0	0	(110)	(110)	(110)	(110)	0	(110)
Utilities	1,442	0	(987)	455	(119)	(69)	(187)	0	0	(268)	(268)	(455)	0	0	0
HSC Utilities	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	1,058	1,058	1,058	1,058	(1,000)	58
Bond Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MIP Occupancy	0	0	66	66	0	0	0	0	0	(66)	(66)	(66)	0	0	0
Renovation contingency	0	0	(2,443)	(2,443)	0	0	0	0	0	1,509	1,509	1,509	(934)	0	(934)
Sub-total	**1,442**	**-**	**(3,154)**	**(1,712)**	**(111)**	**(117)**	**(228)**	**-**	**-**	**1,754**	**1,754**	**1,525**	**(186)**	**(1,000)**	**(1,186)**
6 Institutional Support															
Administration/Institutional Support	(0)	0	(299)	(299)	(176)	505	329	0	0	(211)	(211)	118	(181)	200	19
UTS/Technology Fund	2,500	0	1,813	4,313	308	364	672	0	0	(1,997)	(1,997)	(1,325)	2,989	(1,700)	1,289
University Secretariat	0	0	0	0	25	6	31	0	0	10	10	40	41	0	41
Presidential Budget	0	0	0	0	28	11	39	0	0	85	85	125	125	0	125
University Advancement	(0)	0	49	49	737	176	913	0	0	22	22	935	983	0	983
General/Contingency	3,570	0	(340)	3,230	280	(52)	229	0	0	(1,759)	(1,759)	(1,530)	1,701	0	1,701
Sub-total	**6,070**	**-**	**1,224**	**7,294**	**1,203**	**1,011**	**2,213**	**-**	**-**	**(3,850)**	**(3,850)**	**(1,637)**	**5,657**	**(1,500)**	**4,157**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	(40)	0	1,086	1,046	0	0	0	0	0	0	0	0	1,046	0	1,046
Sub-total	**(40)**	**-**	**1,086**	**1,046**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,046**	**-**	**1,046**
Surplus/(Deficit)	**19,629**	**546**	**(12,374)**	**7,801**	**4,004**	**4,028**	**8,031**	**(326)**	**311**	**(1,180)**	**(1,195)**	**6,836**	**14,637**	**(6,183)**	**8,454**
Under/(over)allocated	21	0	0	21	0	0	0	0	0	0	0	0	21	0	21
Total Surplus/(Deficit)	**19,650**	**546**	**(12,374)**	**7,822**	**4,004**	**4,028**	**8,031**	**(326)**	**311**	**(1,180)**	**(1,195)**	**6,836**	**14,658**	**(6,183)**	**8,475**

Table 22: One-time Sources of Funding and Resource Allocation – 2009/10 Projection

($ thousands)	2009/10 One-time Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	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	179	126	305	141	0	141	0	0	121	121	262	43	0	43
Engineering	0	0	0	0	0	0	0	0	0	632	632	632	(632)	0	(632)
Health Sciences	0	0	(490)	(490)	1,219	274	1,493	0	0	4,241	4,241	5,734	(6,224)	(4,351)	(10,575)
Humanities	0	0	472	472	(7)	(2)	(9)	0	0	447	447	438	34	0	34
Science	0	128	4,094	4,222	1,408	292	1,700	0	0	2,260	2,260	3,960	262	0	262
Advance to Science	0	0	(500)	(500)	0	0	0	0	0	0	0	0	(500)	0	(500)
Medical Radiation - Mohawk share	0	0	497	497	0	0	0	0	0	518	518	518	(21)	0	(21)
Social Sciences	0	2	2,623	2,626	191	38	228	0	0	266	266	495	2,131	0	2,131
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interdisciplinary Programmes	0	20	365	385	208	45	253	0	0	256	256	509	(124)	0	(124)
Academic Allocation - QIF	0	0	(4,831)	(4,831)	0	0	0	0	0	362	362	362	(5,193)	0	(5,193)
Academic Allocation - Accessibility	0	0	(3,570)	(3,570)	0	0	0	0	0	0	0	0	(3,570)	0	(3,570)
Slip-year Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**0**	**329**	**(1,215)**	**(886)**	**3,159**	**648**	**3,807**	**-**	**-**	**9,103**	**9,103**	**12,910**	**(13,796)**	**(4,351)**	**(18,147)**
2. Academic Priorities															
Academic Contingency	0	0	(3,015)	(3,015)	82	6	88	0	0	213	213	301	(3,316)	0	(3,316)
Faculty Recruiting	0	0	0	0	0	0	0	0	0	252	252	252	(252)	0	(252)
Academic Priorities Allocation	0	0	(980)	(980)	0	0	0	0	0	0	0	0	(980)	0	(980)
Sub-total	**0**	**-**	**(3,995)**	**(3,995)**	**82**	**6**	**88**	**-**	**-**	**465**	**465**	**553**	**(4,548)**	**-**	**(4,548)**
TOTAL ACADEMIC	**0**	**329**	**(5,210)**	**(4,881)**	**3,241**	**654**	**3,896**	**-**	**-**	**9,568**	**9,568**	**13,463**	**(18,344)**	**(4,351)**	**(22,695)**
3. Academic Support															
Office of the Provost	0	0	7	7	143	1	144	0	0	50	50	194	(187)	0	(187)
School of Graduate Studies	0	0	650	650	208	48	257	0	0	364	364	621	29	0	29
Museum of Art	0	0	25	25	40	0	40	0	0	61	61	101	(76)	0	(76)
Centre for Leadership in Learning	0	0	752	752	366	25	390	0	0	255	255	645	107	0	107
Research	400	60	(57)	404	89	(21)	68	0	0	684	684	753	(349)	0	(349)
Nuclear Reactor Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
University Library	300	0	543	843	346	2	348	0	0	744	744	1,092	(248)	0	(248)
Health Sciences Library	0	0	0	0	17	0	17	0	0	12	12	29	(29)	0	(29)
Registrar	0	0	0	0	174	35	209	0	0	360	360	570	(570)	0	(570)
Pension	0	0	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	0	0
Sub-total	**700**	**60**	**1,920**	**2,681**	**1,382**	**91**	**1,473**	**-**	**-**	**2,531**	**2,531**	**4,004**	**(1,323)**	**-**	**(1,323)**
4. Student Support															
Graduate Scholarships/Bursaries	0	0	(2,144)	(2,144)	0	0	0	1,172	0	0	1,172	1,172	(3,316)	0	(3,316)
Student Affajrs	1,801	0	1,670	3,471	709	68	776	3,136	0	1,896	5,032	5,809	(2,337)	0	(2,337)
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**1,801**	**-**	**(474)**	**1,327**	**709**	**68**	**776**	**4,308**	**-**	**1,896**	**6,204**	**6,981**	**(5,653)**	**-**	**(5,653)**
5. Facilities Support															
Facilities Services	50	0	250	300	273	0	273	0	0	482	482	755	(455)	0	(455)
HSC Majntenance	0	0	0	0	0	0	0	0	0	110	110	110	(110)	0	(110)
Utilities	1,442	0	0	1,442	0	0	0	0	0	0	0	0	1,442	0	1,442
HSC Utilities	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
Bond Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MIP Occupancy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Renovation contingency	0	0	(2,443)	(2,443)	0	0	0	0	0	0	0	0	(2,443)	0	(2,443)
Sub-total	**1,492**	**-**	**(2,193)**	**(701)**	**273**	**-**	**273**	**-**	**-**	**592**	**592**	**865**	**(1,566)**	**-**	**(1,566)**
6 Institutional Support															
Administration/Institutional Support	500	0	(1,245)	(745)	111	26	137	0	0	556	556	693	(1,437)	0	(1,437)
UTS/Technology Fund	2,500	0	1,130	3,630	62	0	62	0	0	2,281	2,281	2,343	1,287	(1,700)	(413)
University Secretariat	0	0	200	200	0	0	0	0	0	168	168	168	32	0	32
Presidential Budget	0	0	0	0	106	32	138	0	0	0	0	138	(138)	0	(138)
University Advancement	250	0	(250)	0	0	0	0	0	0	0	0	0	0	0	0
General/Contingency	3,920	0	163	4,083	27	4	31	0	0	1,641	1,641	1,671	2,412	0	2,412
Sub-total	**7,170**	**-**	**(1)**	**7,169**	**306**	**61**	**367**	**-**	**-**	**4,646**	**4,646**	**5,013**	**2,156**	**(1,700)**	**456**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	(428)	0	806	378	0	0	0	0	0	0	0	0	378	0	378
Sub-total	**(428)**	**-**	**806**	**378**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**378**	**-**	**378**
Surplus/(Deficit)	**10,735**	**389**	**(5,151)**	**5,973**	**5,912**	**874**	**6,786**	**4,308**	**-**	**19,232**	**23,540**	**30,326**	**(24,353)**	**(6,051)**	**(30,404)**
Under/(over)allocated	(6,725)			(6,725)			0				0	0	(6,725)		(6,725)
Total Surplus/(Deficit)	**4,010**	**389**	**(5,151)**	**(752)**	**5,912**	**874**	**6,786**	**4,308**	**-**	**19,232**	**23,540**	**30,326**	**(31,078)**	**(6,051)**	**(37,129)**

Table 23: Sources of Funding and Resource Allocation – 2010/11 Budget

($ thousands)	2010/11 Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	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	17,706	80	4,356	22,141	16,498	3,939	20,437	365	0	3,925	4,290	24,727	(2,585)	0	(2,585)
Engineering	39,539	1,327	1,365	42,231	30,556	8,979	39,535	1,428	0	4,695	6,123	45,657	(3,426)	0	(3,426)
Health Sciences	63,130	3,984	31,239	98,353	66,526	15,470	81,996	421	0	21,525	21,946	103,942	(5,589)	(300)	(5,889)
Humanities	22,175	86	1,622	23,883	20,807	5,522	26,330	126	0	1,898	2,024	28,354	(4,471)	0	(4,471)
Science	47,967	878	3,406	52,251	39,163	11,258	50,421	501	0	4,174	4,675	55,096	(2,845)	0	(2,845)
Advance to Science	0	0	(500)	(500)	0	0	0	0	0	0	0	0	(500)	0	(500)
Medical Radiation - Mohawk share	3,542	0	0	3,542	0	0	0	0	0	3,542	3,542	3,542	0	0	0
Social Sciences	20,419	181	2,016	22,616	18,938	5,609	24,546	110	0	921	1,031	25,578	(2,962)	0	(2,962)
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interdisciplinary Programmes	1,488	20	356	1,864	1,356	249	1,605	65	0	345	410	2,015	(151)	0	(151)
Academic Allocation - QIF	2,510	0	(2,510)	0	0	0	0	0	0	0	0	0	0	0	0
Academic Allocation - Accessibility	3,586	0	0	3,586	0	0	0	0	0	0	0	0	3,586	0	3,586
Slip-year Allocation	14,020	0	(727)	13,293	0	0	0	0	0	0	0	0	13,293	0	13,293
Sub-total	**236,082**	**6,555**	**40,623**	**283,260**	**193,844**	**51,025**	**244,869**	**3,016**	**-**	**41,025**	**44,041**	**288,910**	**(5,650)**	**(300)**	**(5,950)**
2. Academic Priorities															
Academic Contingency	2,006	0	(2,135)	(129)	24	3	27	0	0	191	191	218	(347)	0	(347)
Faculty Recruiting	398	0	0	398	0	0	0	0	0	252	252	252	146	0	146
Academic Priorities Allocation	4,140	0	(2,300)	1,840	0	0	0	0	0	0	0	0	1,840	0	1,840
Sub-total	**6,544**	**-**	**(4,435)**	**2,109**	**24**	**3**	**27**	**-**	**-**	**443**	**443**	**470**	**1,640**	**-**	**1,640**
TOTAL ACADEMIC	**242,626**	**6,555**	**36,188**	**285,369**	**193,868**	**51,028**	**244,896**	**3,016**	**-**	**41,467**	**44,483**	**289,380**	**(4,011)**	**(300)**	**(4,311)**
3. Academic Support															
Office of the Provost	2,713	0	2	2,715	1,793	591	2,384	0	0	273	273	2,658	57	0	57
School of Graduate Studies	1,129	0	1,245	2,374	1,247	356	1,603	0	0	771	771	2,374	0	0	0
Museum of Art	290	0	695	985	585	169	754	0	0	231	231	985	0	0	0
Centre for Leadership in Learning	1,574	0	298	1,872	1,220	376	1,597	0	0	513	513	2,109	(237)	0	(237)
Research	1,683	8,740	7,534	17,957	8,998	3,129	12,126	0	0	5,826	5,826	17,952	5	0	5
Nuclear Reactor Debt	0	0	100	100	0	0	0	0	0	0	0	0	100	0	100
University Library	15,443	730	738	16,911	6,494	2,234	8,728	0	7,250	768	8,018	16,747	165	0	165
Health Sciences Library	2,476	183	957	3,616	1,171	397	1,568	0	1,887	185	2,072	3,640	(24)	0	(24)
Registrar	3,466	0	2,198	5,664	3,322	1,153	4,476	0	0	1,497	1,497	5,973	(309)	0	(309)
Pension	6,384	0	81	6,465	0	6,465	6,465	0	0	0	0	6,465	0	0	0
Academic Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**35,158**	**9,653**	**13,848**	**58,659**	**24,831**	**14,871**	**39,702**	**-**	**9,137**	**10,064**	**19,201**	**58,903**	**(244)**	**-**	**(244)**
4. Student Support															
Graduate Scholarships/Bursaries	10,780	0	(1,651)	9,129	0	0	0	9,848	0	0	9,848	9,848	(719)	0	(719)
Student Affajrs	18,645	0	18,041	36,686	10,180	2,337	12,517	17,123	0	9,158	26,281	38,797	(2,112)	968	(1,144)
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**29,425**	**-**	**16,390**	**45,815**	**10,180**	**2,337**	**12,517**	**26,971**	**-**	**9,158**	**36,129**	**48,645**	**(2,831)**	**968**	**(1,863)**
5. Facilities Support															
Facilities Services	15,694	0	(222)	15,472	7,691	2,258	9,949	0	0	4,801	4,801	14,750	722	0	722
HSC Majntenance	3,287	0	0	3,287	0	0	0	0	0	3,287	3,287	3,287	0	0	0
Utilities	15,214	0	5,853	21,067	1,432	295	1,727	0	0	19,340	19,340	21,067	0	0	0
HSC Utilities	5,423	0	0	5,423	0	0	0	0	0	5,423	5,423	5,423	0	0	0
Deferred Majnt/Facilities Renew	1,519	0	0	1,519	0	0	0	0	0	0	0	0	1,519	(1,519)	0
Bond Interest	7,380	0	0	7,380	0	0	0	0	0	7,380	7,380	7,380	0	0	0
MIP Occupancy	0	0	523	523	0	0	0	0	0	523	523	523	0	0	0
Renovation contingency	1,581	0	0	1,581	0	0	0	0	0	602	602	602	979	0	979
Sub-total	**50,098**	**-**	**6,155**	**56,253**	**9,123**	**2,553**	**11,676**	**-**	**-**	**41,357**	**41,357**	**53,033**	**3,220**	**(1,519)**	**1,701**
6 Institutional Support															
Administration/Institutional Support	13,134	0	3,632	16,766	11,561	3,344	14,906	0	0	4,122	4,122	19,028	(2,262)	200	(2,062)
UTS/Technology Fund	13,396	0	914	14,310	5,851	2,093	7,945	0	0	8,433	8,433	16,378	(2,067)	0	(2,067)
University Secretariat	693	0	0	693	462	165	627	0	0	66	66	693	0	0	0
Presidential Budget	1,113	0	0	1,113	679	171	851	0	0	406	406	1,256	(143)	0	(143)
University Advancement	4,987	0	3,365	8,352	5,010	1,195	6,205	0	0	3,122	3,122	9,327	(975)	0	(975)
General/Contingency	2,239	0	518	2,757	481	71	551	0	0	2,451	2,451	3,003	(246)	0	(246)
Sub-total	**35,562**	**-**	**8,429**	**43,991**	**24,045**	**7,039**	**31,084**	**-**	**-**	**18,600**	**18,600**	**49,684**	**(5,693)**	**200**	**(5,493)**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	(40)	0	0	(40)	(3,045)	(935)	(3,980)	0	0	0	0	(3,980)	3,940	0	3,940
Sub-total	**(40)**	**-**	**-**	**(40)**	**(3,045)**	**(935)**	**(3,980)**	**-**	**-**	**-**	**-**	**(3,980)**	**3,940**	**-**	**3,940**
Surplus/(Deficit)	**392,829**	**16,208**	**81,010**	**490,046**	**259,001**	**76,893**	**335,895**	**29,987**	**9,137**	**120,646**	**159,770**	**495,665**	**(5,618)**	**(651)**	**(6,269)**
Under/(over)allocated	(2,128)			(2,128)			0				0	0	(2,128)		(2,128)
Total Surplus/(Deficit)	**390,701**	**16,208**	**81,010**	**487,918**	**259,001**	**76,893**	**335,895**	**29,987**	**9,137**	**120,646**	**159,770**	**495,665**	**(7,746)**	**(651)**	**(8,397)**

Table 24: One-time Sources of Funding and Resource Allocation – 2010/11 Budget

($ thousands)	2010/11 One-time Sources of Funding				Total Salaries & Benefits			Non-salary expenditures				Total expenditures	Annual Surplus (Deficit)	Transfers from (to) other funds	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	0	0	0	0	0	0	0	0	0	0	0	0	0
Engineering	0	0	(440)	(440)	0	0	0	0	0	695	695	695	(1,135)	0	(1,135)
Health Sciences	800	0	58	858	1,316	139	1,456	0	0	5,482	5,482	6,937	(6,079)	(300)	(6,379)
Humanities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Science	0	115	2,577	2,692	1,177	255	1,432	0	0	1,730	1,730	3,162	(470)	0	(470)
Advance to Science	0	0	(500)	(500)	0	0	0	0	0	0	0	0	(500)	0	(500)
Medical Radiation - Mohawk share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Social Sciences	0	2	734	736	119	58	177	0	0	92	92	269	467	0	467
Teaching Assistants - Incremental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interdisciplinary Programmes	0	20	341	361	257	85	342	0	0	115	115	456	(95)	0	(95)
Academic Allocation - QIF	0	0	(650)	(650)	0	0	0	0	0	0	0	0	(650)	0	(650)
Academic Allocation - Accessibility	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Slip-year Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**800**	**136**	**2,121**	**3,057**	**2,869**	**537**	**3,406**	**-**	**-**	**8,114**	**8,114**	**11,519**	**(8,463)**	**(300)**	**(8,763)**
2. Academic Priorities															
Academic Contingency	0	0	(2,135)	(2,135)	24	3	27	0	0	191	191	218	(2,353)	0	(2,353)
Faculty Recruiting	0	0	0	0	0	0	0	0	0	252	252	252	(252)	0	(252)
Academic Priorities Allocation	0	0	(2,300)	(2,300)	0	0	0	0	0	0	0	0	(2,300)	0	(2,300)
Sub-total	**-**	**-**	**(4,435)**	**(4,435)**	**24**	**3**	**27**	**-**	**-**	**443**	**443**	**470**	**(4,905)**	**-**	**(4,905)**
TOTAL ACADEMIC	**800**	**136**	**(2,314)**	**(1,378)**	**2,893**	**540**	**3,433**	**-**	**-**	**8,556**	**8,556**	**11,989**	**(13,367)**	**(300)**	**(13,667)**
3. Academic Support															
Office of the Provost	0	0	2	2	1	0	1	0	0	29	29	30	(28)	0	(28)
School of Graduate Studies	0	0	800	800	278	83	361	0	0	438	438	800	0	0	0
Museum of Art	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Centre for Leadership in Learning	0	0	268	268	137	8	145	0	0	66	66	211	57	0	57
Research	400	0	0	400	60	0	60	0	0	370	370	430	(30)	0	(30)
Nuclear Reactor Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
University Library	300	0	300	600	47	4	51	0	0	296	296	347	253	0	253
Health Sciences Library	0	0	0	0	0	0	0	0	0	27	27	27	(27)	0	(27)
Registrar	0	0	0	0	49	19	67	0	0	300	300	368	(368)	0	(368)
Pension	0	0	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	0	0
Sub-total	**700**	**-**	**1,370**	**2,070**	**572**	**114**	**685**	**-**	**-**	**1,527**	**1,527**	**2,212**	**(142)**	**-**	**(142)**
4. Student Support															
Graduate Scholarships/Bursaries	0	0	(500)	(500)	0	0	0	720	0	0	720	720	(1,220)	0	(1,220)
Student Affajrs	1,801	0	1,075	2,876	147	12	159	1,801	0	2,151	3,952	4,111	(1,234)	0	(1,234)
Student Support Allocation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	**1,801**	**-**	**575**	**2,376**	**147**	**12**	**159**	**2,521**	**-**	**2,151**	**4,672**	**4,831**	**(2,454)**	**-**	**(2,454)**
5. Facilities Support															
Facilities Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HSC Majntenance	0	0	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	0	0
HSC Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Majnt/Facilities Renew	(400)	0	0	(400)	0	0	0	0	0	0	0	0	(400)	400	0
Bond Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MIP Occupancy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Renovation contingency	600	0	0	600	0	0	0	0	0	0	0	0	600	0	600
Sub-total	**200**	**-**	**-**	**200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**200**	**400**	**600**
6 Institutional Support															
Administration/Institutional Support	150	0	338	488	693	5	699	0	0	1,413	1,413	2,111	(1,624)	0	(1,624)
UTS/Technology Fund	0	0	390	390	0	0	0	0	0	558	558	558	(168)	0	(168)
University Secretariat	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Presidential Budget	0	0	0	0	108	35	143	0	0	0	0	143	(143)	0	(143)
University Advancement	250	0	(250)	0	0	0	0	0	0	79	79	79	(79)	0	(79)
General/Contingency	0	0	(288)	(288)	0	0	0	0	0	0	0	0	(288)	0	(288)
Sub-total	**400**	**-**	**190**	**590**	**801**	**41**	**842**	**-**	**-**	**2,050**	**2,050**	**2,892**	**(2,302)**	**-**	**(2,302)**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	(1,406)	0	0	(1,406)	(4,100)	(1,200)	(5,300)	0	0	0	0	(5,300)	3,894	0	3,894
Sub-total	**(1,406)**	**-**	**-**	**(1,406)**	**(4,100)**	**(1,200)**	**(5,300)**	**-**	**-**	**-**	**-**	**(5,300)**	**3,894**	**-**	**3,894**
Surplus/(Deficit)	**2,495**	**136**	**(179)**	**2,452**	**313**	**(494)**	**(181)**	**2,521**	**-**	**14,283**	**16,804**	**16,623**	**(14,171)**	**100**	**(14,071)**
Under/(over)allocated	(2,495)			(2,495)			0				0	0	(2,495)		(2,495)
Total Surplus/(Deficit)	**0**	**136**	**(179)**	**(43)**	**313**	**(494)**	**(181)**	**2,521**	**-**	**14,283**	**16,804**	**16,623**	**(16,666)**	**100**	**(16,566)**

Table 25: Annual Net Change in Operating Envelopes – 2009/10 to 2012/13

($ thousands)	2009/10 Budget	2009/10 Projection	2010/11 Budget	2011/12 Plan	2012/13 Plan
1. Faculties (Academic Programmes)					
Business	(1,098)	(170)	(2,585)	(3,541)	(4,051)
Engineering	(1,683)	(395)	(3,426)	(4,219)	(5,297)
Health Sciences	(7,788)	(8,738)	(5,889)	(3,353)	(3,726)
Humanities	(2,451)	(1,930)	(4,471)	(5,645)	(6,755)
Science	(2,073)	(251)	(2,845)	(3,720)	(5,075)
Advance to Science	(500)	(500)	(500)	(500)	(500)
Medical Radiation - Mohawk share	-	(21)	-	-	-
Social Sciences	(1,711)	(1,451)	(2,962)	(4,998)	(6,375)
Teaching Assistants - Incremental	-	-	-	-	-
Interdisciplinary Programmes	(147)	6	(151)	(164)	(220)
Academic Allocation - QIF	(410)	(4,543)	-	-	-
Academic Allocation - Accessibility	-	16	3,586	3,586	3,586
Slip-year Allocation	-	5,071	13,293	18,095	17,856
Sub-total	**(17,861)**	**(12,907)**	**(5,950)**	**(4,459)**	**(10,557)**
2. Academic Priorities					
Academic Contingency	(195)	(1,310)	(347)	(9)	42
Faculty Recruiting	0	146	146	170	170
Academic Priorities Allocation	2,006	3,160	1,840	1,640	1,240
Sub-total	**1,811**	**1,996**	**1,640**	**1,802**	**1,452**
TOTAL ACADEMIC	**(16,049)**	**(10,912)**	**(4,311)**	**(2,657)**	**(9,105)**
3. Academic Support					
Office of the Provost	5	84	57	36	33
School of Graduate Studies	(245)	29	0	(250)	(250)
Museum of Art	-	(91)	-	-	-
Centre for Leadership in Learning	(206)	107	(237)	(490)	(529)
Research	(7)	(212)	5	3	12
Nuclear Reactor Debt	100	100	100	100	100
University Library	225	(40)	165	5	(112)
Health Sciences Library	(1)	(9)	(24)	(12)	(1)
Registrar	(436)	(191)	(309)	(158)	(129)
Pension	-	-	-	-	-
Academic Support Allocation	470	-	-	-	-
Sub-total	**(95)**	**(222)**	**(244)**	**(766)**	**(876)**
4. Student Support					
Graduate Scholarships/Bursaries	(1,000)	(2,805)	(719)	(719)	(719)
Student Affairs	(3,576)	(2,344)	(1,144)	169	599
Student Support Allocation	-	-	-	-	-
Sub-total	**(4,576)**	**(5,149)**	**(1,863)**	**(550)**	**(120)**
5. Facilities Support					
Facilities Services	-	(201)	722	729	736
HSC Maintenance	(18)	(128)	-	-	-
Utilities	-	0	-	-	-
HSC Utilities	-	-	-	-	-
Deferred Maint/Facilities Renew	-	58	-	-	-
Bond Interest	-	-	-	-	-
MIP Occupancy	-	-	-	-	-
Renovation contingency	(644)	(1,578)	979	-	-
Sub-total	**(662)**	**(1,848)**	**1,701**	**729**	**736**
6 Institutional Support					
Administration/Institutional Support	(1,486)	(1,467)	(2,062)	(467)	(600)
UTS/Technology Fund	(1,101)	188	(2,067)	(1)	1
University Secretariat	(56)	(16)	0	(31)	(48)
Presidential Budget	(141)	(16)	(143)	-	-
University Advancement	(499)	485	(975)	(1,094)	(1,250)
General/Contingency	(1,542)	158	(246)	(2,020)	(2,096)
Sub-total	**(4,825)**	**(668)**	**(5,493)**	**(3,613)**	**(3,994)**
7. Institutional Priority allocations					
Strategic Priorities/Refining Directions	(622)	424	3,940	(374)	(9)
Sub-total	**(622)**	**424**	**3,940**	**(374)**	**(9)**
Surplus/(Deficit)	**(26,829)**	**(18,375)**	**(6,269)**	**(7,232)**	**(13,369)**
Under/(over)allocated	(21)	-	(2,128)	(1,002)	(24)
Total Surplus/(Deficit)	**(26,850)**	**(18,375)**	**(8,397)**	**(8,234)**	**(13,393)**

Note: Includes transfers to other funds

Table 26: Financial Position of Operating Envelopes – 2009/10 Budget and Projection

($ thousands)	2009/10 Budget					2009/10 Projection					Favourable (Unfavourable) Variance				
	Appropriations April 30, 2009	On-going	One-time	Total	Appropriations April 30, 2010	Appropriations April 30, 2009	On-going	One-time	Total	Appropriations April 30, 2010	Appropriations April 30, 2009	On-going	One-time	Total	Appropriations April 30, 2010
1. Faculties (Academic Programmes)															
Business	(2,983)	(1,114)	16	(1,098)	(4,081)	(2,760)	(213)	43	(170)	(2,930)	223	901	27	928	1,152
Engineering	(412)	(1,273)	(410)	(1,683)	(2,094)	339	236	(632)	(395)	(56)	751	1,509	(222)	1,287	2,038
Health Sciences	21,169	1,923	(9,711)	(7,788)	13,381	28,018	1,837	(10,575)	(8,738)	19,279	6,849	(86)	(864)	(950)	5,899
Humanities	(529)	(2,501)	50	(2,451)	(2,980)	1,346	(1,964)	34	(1,930)	(585)	1,874	537	(16)	521	2,395
Science	(3,739)	(511)	(1,562)	(2,073)	(5,812)	(2,459)	(512)	262	(251)	(2,709)	1,280	(1)	1,823	1,822	3,102
Advance to Science	5,000	-	(500)	(500)	4,500	5,000	-	(500)	(500)	4,500	-	-	-	-	-
Medical Radiation - Mohawk share	-	-	-	-	-	21	-	(21)	(21)	-	21	-	(21)	(21)	-
Social Sciences	(3,201)	(1,944)	232	(1,711)	(4,912)	(3,191)	(3,582)	2,131	(1,451)	(4,642)	10	(1,638)	1,898	260	270
Teaching Assistants - Incremental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interdisciplinary Programmes	504	36	(183)	(147)	357	636	130	(124)	6	642	132	94	59	153	285
Academic Allocation - QIF	4,111	650	(1,060)	(410)	3,701	4,543	650	(5,193)	(4,543)	-	432	-	(4,133)	(4,133)	(3,701)
Academic Allocation - Accessibility	3,978	-	-	-	3,978	3,570	3,586	(3,570)	16	3,586	(408)	3,586	(3,570)	16	(392)
Slip-year Allocation	-	-	-	-	-	-	5,071	-	5,071	5,071	-	5,071	-	5,071	5,071
Sub-total	**23,899**	**(4,734)**	**(13,127)**	**(17,861)**	**6,038**	**35,063**	**5,239**	**(18,147)**	**(12,907)**	**22,156**	**11,165**	**9,973**	**(5,019)**	**4,954**	**16,118**
2. Academic Priorities															
Academic Contingency	1,323	1,884	(2,079)	(195)	1,128	1,690	2,006	(3,316)	(1,310)	379	366	122	(1,237)	(1,115)	(749)
Faculty Recruiting	18	-	0	0	18	84	398	(252)	146	230	66	398	(252)	146	212
Academic Priorities Allocation	10,444	2,356	(350)	2,006	12,451	8,975	4,140	(980)	3,160	12,135	(1,469)	1,784	(630)	1,154	(315)
Sub-total	**11,786**	**4,240**	**(2,429)**	**1,811**	**13,597**	**10,749**	**6,544**	**(4,548)**	**1,996**	**12,745**	**(1,036)**	**2,304**	**(2,119)**	**184**	**(852)**
TOTAL ACADEMIC	**35,684**	**(493)**	**(15,556)**	**(16,049)**	**19,635**	**45,813**	**11,783**	**(22,695)**	**(10,912)**	**34,901**	**10,128**	**12,277**	**(7,139)**	**5,138**	**15,266**
3. Academic Support															
Office of the Provost	147	98	(94)	5	151	142	271	(187)	84	226	(5)	173	(93)	80	75
School of Graduate Studies	599	0	(245)	(245)	354	873	-	29	29	902	275	(0)	274	274	548
Museum of Art	-	(11)	11	-	-	91	(15)	(76)	(91)	-	91	(4)	(87)	(91)	-
Centre for Leadership in Learning	206	(83)	(123)	(206)	(0)	447	(0)	107	107	554	241	83	230	313	554
Research	15	-	(7)	(7)	8	217	137	(349)	(212)	5	203	137	(342)	(205)	(2)
Nuclear Reactor Debt	(900)	-	100	100	(800)	(700)	100	-	100	(600)	200	100	(100)	-	200
University Library	(226)	225	-	225	(1)	(54)	208	(248)	(40)	(94)	171	(17)	(248)	(265)	(94)
Health Sciences Library	54	1	(2)	(1)	53	49	20	(29)	(9)	40	(5)	19	(27)	(8)	(13)
Registrar	712	(29)	(407)	(436)	276	888	379	(570)	(191)	697	176	408	(162)	245	422
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Academic Support Allocation	-	470	-	470	470	-	-	-	-	-	-	(470)	-	(470)	(470)
Sub-total	**606**	**672**	**(767)**	**(95)**	**511**	**1,953**	**1,101**	**(1,323)**	**(222)**	**1,731**	**1,347**	**429**	**(556)**	**(127)**	**1,220**
4. Student Support															
Graduate Scholarships/Bursaries	3,871	-	(1,000)	(1,000)	2,871	6,070	511	(3,316)	(2,805)	3,265	2,199	511	(2,316)	(1,805)	394
Student Affairs	3,656	0	(3,577)	(3,576)	80	3,781	(7)	(2,337)	(2,344)	1,437	125	(7)	1,239	1,232	1,357
Student Support Allocation	103	-	-	-	103	103	-	-	-	103	-	-	-	-	-
Sub-total	**7,630**	**0**	**(4,577)**	**(4,576)**	**3,054**	**9,954**	**504**	**(5,653)**	**(5,149)**	**4,805**	**2,324**	**504**	**(1,077)**	**(573)**	**1,751**
5. Facilities Support															
Facilities Services	257	-	-	-	257	201	254	(455)	(201)	0	(56)	254	(455)	(201)	(257)
HSC Maintenance	89	(18)	-	(18)	71	128	(18)	(110)	(128)	-	39	-	(110)	(110)	(71)
Utilities	116	-	-	-	116	-	(1,442)	1,442	0	0	(116)	(1,442)	1,442	0	(115)
HSC Utilities	486	-	-	-	486	-	-	-	-	-	(486)	-	-	-	(486)
Deferred Maint/Facilities Renew	-	-	-	-	-	(58)	58	-	58	-	(58)	58	-	58	-
Bond Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renovation contingency	644	-	(644)	(644)	-	599	865	(2,443)	(1,578)	(979)	(45)	865	(1,799)	(934)	(979)
Sub-total	**1,592**	**(18)**	**(644)**	**(662)**	**930**	**869**	**(282)**	**(1,566)**	**(1,848)**	**(979)**	**(722)**	**(264)**	**(922)**	**(1,186)**	**(1,909)**
6 Institutional Support															
Administration/Institutional Support	2,814	116	(1,602)	(1,486)	1,328	3,724	(29)	(1,437)	(1,467)	2,257	909	(145)	164	19	929
UTS/Technology Fund	1,870	1,215	(2,316)	(1,101)	769	1,908	600	(413)	188	2,096	38	(615)	1,903	1,289	1,327
University Secretariat	116	(56)	-	(56)	60	80	(48)	32	(16)	64	(36)	9	32	41	4
Presidential Budget	306	60	(201)	(141)	165	373	122	(138)	(16)	357	67	62	63	125	192
University Advancement	1,207	-	(499)	(499)	708	1,304	485	0	485	1,789	97	485	499	983	1,080
General/Contingency	(2,063)	(1,521)	(22)	(1,542)	(3,605)	(78)	(2,253)	2,412	158	81	1,985	(733)	2,433	1,701	3,686
Sub-total	**4,251**	**(186)**	**(4,639)**	**(4,825)**	**(574)**	**7,311**	**(1,124)**	**456**	**(668)**	**6,644**	**3,061**	**(937)**	**5,095**	**4,157**	**7,218**
7. Institutional Priority allocations															
Strategic Priorities/Refining Directions	1,346	46	(668)	(622)	724	1,481	46	378	424	1,905	135	-	1,046	1,046	1,181
Sub-total	**1,346**	**46**	**(668)**	**(622)**	**724**	**1,481**	**46**	**378**	**424**	**1,905**	**135**	**-**	**1,046**	**1,046**	**1,181**
Surplus/(Deficit)	**51,108**	**21**	**(26,850)**	**(26,829)**	**24,279**	**67,381**	**12,029**	**(30,404)**	**(18,375)**	**49,006**	**16,273**	**12,008**	**(3,554)**	**8,454**	**24,727**
Under/(over)allocated	25	(21)	-	*(21)*	*4*	-	6,725	(6,725)	-	-	(25)	6,746	(6,725)	21	(4)
Total Surplus/(Deficit)	**51,133**	**(0)**	**(26,850)**	**(26,850)**	**24,283**	**67,381**	**18,754**	**(37,129)**	**(18,375)**	**49,006**	**16,248**	**18,754**	**(10,279)**	**8,475**	**24,723**

Note: Includes transfers to other funds

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Table 27: Financial Position of Operating Envelopes – 2010/11 to 2012/13

($ thousands)		2010/11 Budget				2011/12 Plan				2012/13 Plan			
	Appropriations April 30, 2010	On-going	One-time	Total	Appropriations April 30, 2011	On-going	One-time	Total	Appropriations April 30, 2012	On-going	One-time	Total	Appropriations April 30, 2013
1. Faculties (Academic Programmes)													
Business	(2,930)	(2,585)	-	(2,585)	(5,515)	(3,541)	-	(3,541)	(9,056)	(4,051)	-	(4,051)	(13,107)
Engineering	(56)	(2,291)	(1,135)	(3,426)	(3,482)	(4,039)	(180)	(4,219)	(7,701)	(5,297)	0	(5,297)	(12,997)
Health Sciences	19,279	490	(6,379)	(5,889)	13,390	1,596	(4,948)	(3,353)	10,038	532	(4,258)	(3,726)	6,312
Humanities	(585)	(4,471)	0	(4,471)	(5,056)	(5,555)	(90)	(5,645)	(10,700)	(6,755)	0	(6,755)	(17,456)
Science	(2,709)	(2,375)	(470)	(2,845)	(5,554)	(3,858)	137	(3,720)	(9,275)	(5,468)	393	(5,075)	(14,350)
Advance to Science	4,500	-	(500)	(500)	4,000	-	(500)	(500)	3,500	-	(500)	(500)	3,000
Medical Radiation - Mohawk share	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Sciences	(4,642)	(3,429)	467	(2,962)	(7,604)	(4,939)	(59)	(4,998)	(12,602)	(6,346)	(28)	(6,375)	(18,977)
Teaching Assistants - Incremental	-	-	-	-	-	-	-	-	-	-	-	-	-
Interdisciplinary Programmes	642	(56)	(95)	(151)	490	(33)	(131)	(164)	327	(77)	(143)	(220)	107
Academic Allocation - QIF	-	650	(650)	-	-	650	(650)	-	-	650	(650)	-	-
Academic Allocation - Accessibility	3,586	3,586	-	3,586	7,172	3,586	-	3,586	10,758	3,586	-	3,586	14,344
Slip-year Allocation	5,071	13,293	-	13,293	18,364	18,095	-	18,095	36,459	17,856	-	17,856	54,315
Sub-total	**22,156**	**2,812**	**(8,763)**	**(5,950)**	**16,206**	**1,963**	**(6,422)**	**(4,459)**	**11,747**	**(5,371)**	**(5,186)**	**(10,557)**	**1,190**
2. Academic Priorities													
Academic Contingency	379	2,006	(2,353)	(347)	33	2,006	(2,015)	(9)	24	2,006	(1,965)	42	66
Faculty Recruiting	230	398	(252)	146	376	397	(227)	170	546	397	(227)	170	716
Academic Priorities Allocation	12,135	4,140	(2,300)	1,840	13,975	4,140	(2,500)	1,640	15,615	4,140	(2,900)	1,240	16,855
Sub-total	**12,745**	**6,544**	**(4,905)**	**1,640**	**14,384**	**6,543**	**(4,742)**	**1,802**	**16,186**	**6,543**	**(5,092)**	**1,452**	**17,637**
TOTAL ACADEMIC	**34,901**	**9,356**	**(13,667)**	**(4,311)**	**30,590**	**8,506**	**(11,163)**	**(2,657)**	**27,933**	**1,172**	**(10,277)**	**(9,105)**	**18,828**
3. Academic Support													
Office of the Provost	226	85	(28)	57	283	66	(31)	36	319	66	(33)	33	352
School of Graduate Studies	902	-	0	0	902	-	(250)	(250)	652	0	(250)	(250)	402
Museum of Art	-	-	-	-	-	-	-	-	-	-	-	-	-
Centre for Leadership in Learning	554	(295)	57	(237)	317	(442)	(48)	(490)	(173)	(486)	(43)	(529)	(702)
Research	5	35	(30)	5	10	207	(204)	3	13	203	(191)	12	25
Nuclear Reactor Debt	(600)	100	-	100	(500)	100	-	100	(400)	100	-	100	(300)
University Library	(94)	(89)	253	165	70	(149)	155	5	75	(267)	155	(112)	(37)
Health Sciences Library	40	3	(27)	(24)	16	91	(102)	(12)	4	101	(102)	(1)	3
Registrar	697	59	(368)	(309)	388	21	(180)	(158)	230	1	(130)	(129)	101
Pension	-	-	-	-	-	-	-	-	-	-	-	-	-
Academic Support Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	**1,731**	**(102)**	**(142)**	**(244)**	**1,487**	**(106)**	**(660)**	**(766)**	**721**	**(282)**	**(595)**	**(876)**	**(155)**
4. Student Support													
Graduate Scholarships/Bursaries	3,265	501	(1,220)	(719)	2,546	501	(1,220)	(719)	1,826	501	(1,220)	(719)	1,107
Student Affairs	1,437	91	(1,234)	(1,144)	293	(40)	209	169	462	1,209	(610)	599	1,061
Student Support Allocation	103	-	-	-	103	-	-	-	103	-	-	-	103
Sub-total	**4,805**	**591**	**(2,454)**	**(1,863)**	**2,942**	**461**	**(1,011)**	**(550)**	**2,391**	**1,710**	**(1,830)**	**(120)**	**2,272**
5. Facilities Support													
Facilities Services	0	722	-	722	722	729	-	729	1,450	736	-	736	2,186
HSC Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	0	-	-	-	0	-	-	-	0	-	-	-	0
HSC Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Maint/Facilities Renew	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Renovation contingency	(979)	379	600	979	-	-	-	-	-	-	-	-	-
Sub-total	**(979)**	**1,101**	**600**	**1,701**	**722**	**729**	**-**	**729**	**1,451**	**736**	**-**	**736**	**2,186**
6 Institutional Support													
Administration/Institutional Support	2,257	(438)	(1,624)	(2,062)	195	(343)	(123)	(467)	(271)	(572)	(28)	(600)	(871)
UTS/Technology Fund	2,096	(1,899)	(168)	(2,067)	28	24	(25)	(1)	27	26	(25)	1	27
University Secretariat	64	0	-	0	64	(31)	-	(31)	34	(48)	-	(48)	(15)
Presidential Budget	357	-	(143)	(143)	214	-	-	-	214	-	-	-	214
University Advancement	1,789	(896)	(79)	(975)	814	(1,094)	-	(1,094)	(280)	(1,250)	0	(1,250)	(1,530)
General/Contingency	81	42	(288)	(246)	(165)	(2,020)	-	(2,020)	(2,185)	(2,096)	-	(2,096)	(4,281)
Sub-total	**6,644**	**(3,191)**	**(2,302)**	**(5,493)**	**1,151**	**(3,465)**	**(148)**	**(3,613)**	**(2,462)**	**(3,941)**	**(53)**	**(3,994)**	**(6,456)**
7. Institutional Priority allocations													
Strategic Priorities/Refining Directions	1,905	46	3,894	3,940	5,845	26	(400)	(374)	5,471	(9)	-	(9)	5,462
Sub-total	**1,905**	**46**	**3,894**	**3,940**	**5,845**	**26**	**(400)**	**(374)**	**5,471**	**(9)**	**-**	**(9)**	**5,462**
Surplus/(Deficit)	**49,006**	**7,802**	**(14,071)**	**(6,269)**	**42,737**	**6,151**	**(13,383)**	**(7,232)**	**35,505**	**(613)**	**(12,755)**	**(13,369)**	**22,136**
Under/(over)allocated	-	367	(2,495)	(2,128)	(2,128)	991	(1,993)	(1,002)	(3,130)	924	(948)	(24)	(3,154)
Total Surplus/(Deficit)	**49,006**	**8,169**	**(16,566)**	**(8,397)**	**40,609**	**7,142**	**(15,376)**	**(8,234)**	**32,375**	**311**	**(13,703)**	**(13,393)**	**18,982**
					0				0				0

Note: Includes transfers to other funds

Appendix C – Operating Fund: Provincial Grants

Basic Operating Grant $180.1 million

The basic operating grant, which represents most provincial funding, funds the historical "corridor" enrolment of the University. For many years, the value of this funding component was $94.5 million. In recent years, funding including the government's grant in lieu of tuition, from growth related to the Access to Opportunities Programme (ATOP), and most recently the MTCU Adjustment Fund and phase I of the graduation expansion program have added an additional $64.1 million to the basic grant. This change to the basic grant does not represent new funding.

The MTCU Adjustment Fund was 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. In 2009/10 the full amount of funding was moved into the basic grant.

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 one of the lowest per capita in Canada and 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

  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. The amount each university receives is based on its growth since 2004/05.

  The preliminary incremental increase in undergraduate accessibility for 2009/10 is $21.5 million. This amount is an increase of $5.5 million over the budgeted amount. The budgeted amount for 2009/10 anticipated that growth would outpace funding in the province and adjusted the accessibility funding to a discounted BIU dollar. Fortunately, the government added an additional $101 million to cover growth in 2009/10; thus fully funding the BIU dollar. Accessibility funding will be added to the basic operating grant in 2010/11 and the base year for growth reset to 2009/10. At this time the planned growth in undergraduate FTEs has not been built into the 2010/11 budget.

- Graduate Expansion $7.6 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.

  In April 2008, McMaster submitted an aggressive graduate student growth plan to the Ontario government. Based on year-over-year increases in applications, graduate expansion funding is estimated to increase $2.4 million in 2010/11, representing estimated growth of 100 Masters and 35 PhD students. 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.

  With graduate growth expected to be achieved in 2010/11, additional growth of 79 Masters and 130 PhD students will bring enrolment to the provincial cap. Projected revenue for 2011/12 reflects reaching the maximum for Masters students and PhD growth of half of the available spaces. Growth to the provincial cap is expected to be achieved by the deadline in 2013/14.

- The Performance Fund $1.9 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.

- 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 2010/11.

- Expanded MD/Post-Graduate Program Grant $15.5 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 2009/10 and beyond reflects this growth as well as enhanced funding that recognizes the significant cost of training Ontario’s next generation of physicians. A total of $7.5 million in funding has been rolled into the basic grant.

- Enhanced MD Grant $1.7 million

  This funding represents investment of an additional $20 million in medical schools. The new funding is intended to address the blended funding rate, raising the average base funding per FTE to $38,788 (taking into account pre-expansion and expansion spaces) and equalizing funding per FTE across all five southern medical schools, while compensating for compressed delivery at McMaster. The formula used to calculate each medical school's allocation of the 2009/10 $20 million funding increases undergraduate medical base funding and equalizes funding per FTE in the medical education system. McMaster's allocation of the $20 million funding takes into account both pre-expansion and expansion funded spaces and raises McMaster's average funding per FTE in years one and two to $58,182, and $38,788 per FTE in year three. The total funding amount is expected to change from year to year until all expansion spaces in the system are in place in 2014/15.

- Expanded Nursing Programs $1.2 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.

Appendix D – Operating Fund: Research Overhead Income

- Research Overhead Infrastructure Envelope (ROIE) $2.9 million

  McMaster expects to receive $2.9 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 $1.1 million

  $1.1 million is anticipated from the province's Ontario Research Fund. This fund is allocated through the Ministry of Research and Innovation, as well as the Ministry of Health and Long-Term Care, and further offsets the indirect costs of provincially funded university research.

- Other Provincial Indirect Cost Funding $0.5 million

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

- Federal Indirect Costs of Research/Canada Research Chairs $9.8 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 $5.5 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 $1.6 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.

Appendix E – Operating Fund: Other Income Sources

Investment Income $9.5 million

There are three components of investment income included in the operating budget: interest earned on working capital balances, investment income transferred from internally restricted endowments, and interest from internal capital loans. Interest revenue is projected to be $2.0 million less in 2010/11 than 2009/10 as opportunities for gains on working capital balances are not expected to be repeated.

Donations, Grants and Other Income $3.9 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

Contributions from ancillaries to the operating fund will increase from 1% to 2% of sales in 2010/11, and with a further increase to 3% of sales in 2011/12 where it is expected to remain.

Appendix F – Ancillary Budgets and Operating Highlights

Bookstore

Titles 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. Titles Bookstore continues to deliver solid profits of approximately $1 million used to fund soft student services and provide a contribution back to the University for academic priorities.

Business continues to be difficult with a trend of declining textbook sales. Textbook sales are projected to fall an additional 2.5% or $250,000. Digitization of textbooks continues to be a threat, and competition in the general book area continues to increase. Bookstore staff continue to explore these new emerging trends and the potential opportunities they present. For 2010/11, we are projecting an overall increase of 2.5% and flat in the future years. A new DeGroote School of Business partnership venture is planned for 2010.

Titles Bookstore continues to excel in service delivery. In 2009, Titles proudly took the Libris Award for the Campus Bookseller of the Year from the Canadian Booksellers Association (CBA) and was nominated for the Reader's Choice Award http://www.cbabook.org/libris-currentwinners.html. Titles Bookstore also ranked second in the *Globe and Mail* student satisfaction survey and continues to outrank other university bookstores in regard to customer satisfaction and quality service.

Campus Health Centre

The mission of the Campus Health Centre (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. We continue to sustain a break-even budget position in current and future years. Efforts to lobby the province for a more equitable funding model in a university setting and increase our billings have not been successful. We have also approached the McMaster Family Practice Unit to join their Family Health Team (FHT) and provide in return a teaching centre for their interns. Mental health concerns continue to be a primary area of risk. Commencing in 2010/11 we will have a dedicated mental health nurse participating in a shared care model involving psychiatrists, physicians, psychologists and social workers between the departments of Campus Health Centre and the Centre for Student Development. In June 2009, CHC prepared an annual report entitled "Innovations in Mental Health, McMaster's Model of Student Success." This report can be made available on request to interested parties.

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.

System upgrades to enhance resiliency to component failure, efficiency to reduce cost and improved customer service entail one-time capital investment and ongoing maintenance, while reducing operational costs with self-service automation. IP telephony enables deployment of new services (unified communications) with potential to enhance modes of communication and improve efficiency for customers. New buildings and major renovation projects entail one-time capital costs not included in the project budget to extend telephony cabling to the building and to acquire and deploy phones for occupants.

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 postsecondary institutions. Initiatives for 2010/11 include enhancement of the campus copier solution. This includes developing an optimized state for print devices and encouraging the reduction of personal desktop printers. It also includes the roll-out of a new Multi-Function Device (MFD) management system to enhance accessibility of the MFDs across campus. MPS will also introduce fulfillment services to enhance our service offering. The 2010/11 budget is forecasting a surplus which will be used to pay down the deficit in the reserve, projected to be eliminated over the next three years.

Parking and Transit Services

Parking and Transit Services strives to provide the University community and visitors with a safe and well-maintained parking and transit 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 has had a positive impact on revenues with the introduction of evening and weekend rates and better enforcement.

For the fiscal year 2010/11, there will be a parking rate increase of $2 per month for most lots to reflect a comparative value to nearby prime parking and close proximity to work locations. Lots increased by $2 are Lots B, C, D, E, G, I, Q and Ward Ave to $69 per month. The same increase will apply to Lots H, L and K to $50, and Lots M, N, O, and P to $31, and commercial permits to $90. Parking rates will also increase for employees parking at the Downtown Centre underground Lot by $2 to $127, the outside Lot to $88, the Offsite A Lot to $31 and the Offsite B Lot to $69.

The Parking Levy remains at $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 2010/11, CCE will be in the final year of a five-year strategic plan and will develop a new plan. CCE continues to successfully meet or exceed plan targets, having experienced over 20% growth in Certificate and Diploma enrolments in the last year. CCE is looking ahead to achieve long-term growth through enhanced marketing, continued conversion of programs to online formats, new corporate contracts and the development of some new non-credit programs based on market demand. If a long-term lease is renewed for the Downtown Centre, a one-time investment of reserve funds in facility renewal is planned for 2010/11.

Housing and Conference Services

Housing and Conference Services (H&CS) 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 emotional growth, well-being and the development of positive skills and social attitudes.

The demand for occupancy remains strong at 99.8% and is a pattern consistent with previous years. As a result of this and reduced utility costs, in the past few years H&CS remains in a healthy financial position. Incorporated in the budget for the next few years are expenditures of $1 million (annually) for window replacement, a project geared to reducing energy consumption. In addition, the H&CS budget supports an annual debt payment of $4.8 million (residences) and $2 million for deferred maintenance – representing a substantial investment in the University’s asset base. In 2010/11 we are recommending a modest 3% increase for residence fees that will be affordable for our students and maintain our financial position.

Conference Business

It is our goal to continue to grow the conference business. A collaborative approach is being taken by Hospitality Services, H&CS, and Athletics and Recreation in support of this goal. In 2009/10, we completed the implementation of StarRez, an integrated Residence and Conference Event Management software tool. We are projecting a profit of $460,000 in 2010/11. A contribution of approximately $400,000 will be made back to the University in support of academic priorities. In addition, Conferences Services enhances the experience for summer conference customers, campus visitors, alumni staff, faculty and student groups by providing conference coordination and central campus booking services as well as accommodation that meets the highest standards of excellence.

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, we strive to offer a balance of service and value beyond customers’ expectations and support the broader mandate of the Student Affairs portfolio. Hospitality continues to provide a menu that caters to diverse needs. McMaster University was voted the most Vegetarian-Friendly University in the country for Bridges Café by Pita. Hospitality was also the gold medal winner in the “Catering-Standard Menu” category of the loyal E. Horton Awards of NACUFS (U.S. National Association of College and University Food Services).

Hospitality Services provides a substantial contribution of $800,000 to fund soft student services and the University to support academic priorities. In 2010/11, we will be planning a major overhaul of the Commons servery and seating area in the amount of $2.3 million. This amount will be funded from Hospitality reserves and has been planned for several years.

For 2010/11, there will be a minimal increase to the basic portion of meal plans: $50 for Group A – Full Meal Plans and $35 for Group B – Reduced Meal Plans, plus the additional cost of $50 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.

Table 28 (page 1 of 2) Ancillary Fund Detail – Year Ending April 30, 2011

($ thousands)	Campus Health 2009/10 Projection	Campus Health 2010/11 Budget	Bookstore 2009/10 Projection	Bookstore 2010/11 Budget	Telecommunications 2009/10 Projection	Telecommunications 2010/11 Budget	Media Production 2009/10 Projection	Media Production 2010/11 Budget	Parking 2009/10 Projection	Parking 2010/11 Budget
Revenue										
Sales	440	476	21,673	22,219	0	0	253	365	4,942	5,069
Other Income	1,303	1,406	67	117	1,266	1,272	3,574	3,742	(256)	(266)
Total Revenue	**1,743**	**1,882**	**21,740**	**22,336**	**1,266**	**1,272**	**3,827**	**4,106**	**4,687**	**4,803**
Expenses										
Salaries, Wages and Benefits										
Full-time	1,294	1,424	2,739	2,987	987	894	2,027	2,152	424	439
Part-time	76	30	295	298	66	46	215	203	54	62
Wages	0	0	0	0	0	0	0	0	387	357
Benefits	2	3	21	25	13	12	38	36	15	9
Rent And Utilities	192	105	223	223	0	0	110	110	0	0
Debt Payment/Finance Charges	0	0	170	96	0	0	4	4	1,083	986
Other Expenses	186	275	2,230	2,363	242	236	838	853	1,809	1,933
Cost of Goods Sold	0	0	15,152	15,596	0	0	521	539	0	0
Total Expenses	**1,750**	**1,837**	**20,830**	**21,588**	**1,308**	**1,187**	**3,753**	**3,897**	**3,772**	**3,787**
Surplus (deficit) in-year	**(7)**	**45**	**910**	**748**	**(42)**	**85**	**75**	**209**	**915**	**1,016**
Transfers from (to) other funds										
Transfer to Operating Envelopes	(15)	(15)	(500)	(550)	0	0	0	0	(200)	(200)
Contribution to Operating	0	0	(500)	(450)	(243)	(270)	(39)	(76)	(38)	(379)
Transfer to Capital	0	0	0	0	0	0	0	0	0	0
Total transfers from (to) other funds	**(15)**	**(15)**	**(1,000)**	**(1,000)**	**(243)**	**(270)**	**(39)**	**(76)**	**(238)**	**(579)**
Reserve										
Beginning Balance	515	493	2,589	2,498	355	70	(1,315)	(1,280)	(3,645)	(2,968)
Net change	(22)	30	(90)	(252)	(285)	(185)	35	133	677	437
Closing Balance	**493**	**523**	**2,498**	**2,246**	**70**	**(115)**	**(1,280)**	**(1,146)**	**(2,968)**	**(2,531)**

Table 28 (page 2 of 2) Ancillary Fund Detail – Year Ending April 30, 2011

($ thousands)	CCE		Hospitality		Housing & Conference		Off-Campus Housing		Campus Centre Board/ Elimination	
	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget
Revenue										
Sales	0	0	18,664	18,840	20,616	20,682	0	0	(630)	(437)
Other Income	4,018	5,109	210	220	281	124	121	141	0	0
Total Revenue	**4,018**	**5,109**	**18,874**	**19,060**	**20,897**	**20,806**	**121**	**141**	**(630)**	**(437)**
Expenses										
Salaries, Wages and Benefits										
Full-time	2,715	3,347	2,136	2,279	2,382	2,478	93	97	0	0
Part-time	158	100	949	1,005	1,273	1,354	5	7	0	0
Wages	0	0	5,157	5,331	2,786	2,920	0	0	0	0
Benefits	90	99	87	91	164	147	0	1	0	0
Rent And Utilities	0	0	788	819	2,640	2,597	0	0	0	0
Debt Payment/Finance Charges	0	0	180	180	5,437	4,862	0	0	0	0
Other Expenses	978	1,579	2,989	2,180	5,439	6,279	28	18	0	0
Cost of Goods Sold	0	0	6,410	6,385	630	437	0	0	(630)	(437)
Total Expenses	**3,941**	**5,124**	**18,696**	**18,270**	**20,750**	**21,076**	**126**	**123**	**(630)**	**(437)**
Surplus (deficit) in-year	**78**	**(15)**	**178**	**790**	**147**	**(270)**	**(5)**	**18**	**0**	**0**
Transfers from (to) other funds										
Transfer to Operating Envelopes	0	0	(133)	(383)	(20)	(20)	0	0	0	0
Contribution to Operating	(71)	(136)	(250)	(400)	(100)	(395)	0	0	0	0
Transfer to Capital	0	0	0	(2,300)	0	0	0	0	0	0
Total transfers from (to) other funds	**(71)**	**(136)**	**(383)**	**(3,083)**	**(120)**	**(415)**	**0**	**0**	**0**	**0**
Reserve										
Beginning Balance	1,834	1,840	2,424	2,219	1,406	1,432	59	54	97	97
Net change	7	(151)	(205)	(2,293)	27	(685)	(5)	18	0	0
Closing Balance	**1,840**	**1,689**	**2,219**	**(74)**	**1,432**	**747**	**54**	**71**	**97**	**97**

Appendix G – Research Highlights

The research enterprise at McMaster represents almost one quarter of the University's total income. For 2010/11, our direct external research funding/research project funding is expected to be over $170 million compared to the total University income of over $800 million. Additionally, indirect overhead income accounts for a further $25.8 million.

McMaster has a solid track record of research excellence and is 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 in fact was second in research intensity for 2009. In addition, the Shanghai Jiao Tong University's 2009 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 the 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. McMaster has been awarded significant research funding in these and other priority areas. The following are a sampling of recently awarded projects which will provide research operating or infrastructure funding spanning the next five to six years.

McMaster has this past year been awarded funding in the Leading Edge Fund and New Initiatives Fund competitions. Funding from the Canada Foundation for Innovation (CFI) and the Ministry of Research and Innovation (MRI) along with private sector and institutional partners will facilitate the acquisition of over $93 million in infrastructure support to a wide-ranging slate of research initiatives.

Through McMaster's leadership, the Canadian Longitudinal Study on Aging (CLSA) has been awarded funding from CFI and MRI to support over $26 million in infrastructure which will complement its previous Canadian Institutes of Health Research (CIHR) award of $23.5 million for operational support. Led by Dr. Parminder Raina, this new infrastructure funding provided through CFI and MRI along with other provincial funding partners across the country will conduct high-impact population health research to investigate the complexities of the aging process and improve our understanding of the transitions and trajectories of healthy aging.

The Biointerfaces Institute, led by Dr. John Brennan, will provide over $19 million in infrastructure to support research aimed at understanding the nature of the biological/material interface and study how biological systems respond to the introduction of material, and conversely, how an engineered interface responds to, or is compatible with, a biological system.

Dr. John Luxat has garnered over $23 million to establish a Centre for Advanced Nuclear Systems to focus on materials, safety and medical applications of nuclear technology. This regional centre for advanced reactor systems will lead the global nuclear renaissance.

The McMaster Intense Positron Beam Facility led by Dr. Peter Mascher will provide new opportunities for McMaster researchers. This $5 million project will be one of only a few facilities worldwide which will combine extensive materials research capabilities with fundamental studies of antimatter atoms and molecules.

Dr. Laurel Trainor will establish a unique Neuroscience of Auditory Interaction Lab where hearing and communication can be studied scientifically in various environments that mimic the complexities of the real world. Building on past success in psychology-based research, this $6 million project was funded under the Leading Edge Fund.

Developing a clean, sustainable energy supply for Canada will be furthered by the work of the Laboratory for Advanced Photovoltaic Research led by Dr. Rafael Kleiman. It is anticipated that this $13 million infrastructure project will provide a solution through research that will explore the conversion of solar energy directly to electricity. In recognition of the importance of sustainable energy and McMaster's expertise in this area, the Natural Sciences and Engineering Research Council of Canada (NSERC) has awarded $5 million in funding for the establishment of the NSERC Photovoltaic Innovation Network, also led by Dr. Kleiman. This McMaster-led network, which involves researchers from 13 universities across Canada, aims to raise the status of solar photovoltaics as a renewable energy option.

In addition to these McMaster-led projects, our researchers have partnered with researchers at other institutions for collaborations in a number of other strategic areas, including automotive research, archeological research and research in stem cells and cancer. These collaborations will result in ~$15 million in additional infrastructure to be located at McMaster through the CFI/MRI large-scale competition.

McMaster continues to develop exciting initiatives to build on our established strengths as well as those which will provide the cornerstone for further investigations in areas of strategic priority. The McMaster Innovation Park (MIP) will house laboratory, office, teaching and training facilities in support of research and development in a number of key areas. MIP will be home to the Canadian Longitudinal Study on Aging, and will house a new Archeological Archive which will secure and protect research tools invaluable to researchers across a wide range of disciplines. In addition, McMaster is developing the G-Scale Laboratory to investigate the effects of digital display size and resolution on the user experience. This research will help to position Ontario as a leader in a market worth $42 billion a year and will provide the basis for further research into Interactive Digital Media at McMaster.

In addition to these projects and the completion of the federal CANMET Materials Technology Laboratory (CANMET-MTL) currently under construction, McMaster's plans at the Innovation Park call for renovating part of an existing warehouse to provide research and pilot space for automotive-related materials and manufacturing projects, including the GM Centre for Corrosion Research. 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). In recognition of the high quality of our automotive research, McMaster was awarded the Canada Excellence Research Chair (CERC) in Hybrid Powertrain, the only CERC with a focus on automotive research in Canada. Plug-in hybrid vehicles are expected to be one of the main forms of transport by 2030. The next decade will bring dramatic changes in hybrid powertrain design and production – triggering unprecedented technology investment by the auto industry. Federal funding of ~$10 million to support the research of Dr. Ali Emadi, CERC in Hybrid Powertrain will consolidate McMaster's position in this strategic area.

McMaster University's Stem Cell and Cancer Research Institute has received $11.5 million to lead a world-class initiative to develop new stem-cell-based therapies. The Ontario Consortium for Regeneration-Inducing Therapeutics, led by Dr. Mick Bhatia, will integrate robotics and high-performance computing to create an automated stem-cell platform to identify new drugs capable of inducing stem cells in one's own body to repair damaged tissues. This award was the largest given through the Ontario Research Fund as part of its Global Leadership Round in Genomics and Life Sciences research grant competition.

The Knowledge Infrastructure Program is a two-year, $2 billion initiative to renew Canada's college and university infrastructure. McMaster University received $22 million to upgrade McMaster's Nuclear Reactor and Nuclear Research Building. A further investment of $16.5 million funds construction of two new centres: the Centre for Spinal Cord Injury Education, Research and Rehabilitation and the Centre for Cancer Education, Research and Rehabilitation.

McMaster’s acknowledged strengths in automotive and materials research and nuclear energy ensure we are uniquely poised to participate and lead in two 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 powertrains 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 CANMET Materials Technology Laboratory under construction at MIP, will have facilities dedicated to Gen IV research.

The Provincial budget for 2010 identifies Ontario as being well positioned to become a global leader in the water and wastewater sector as it begins to sell its services and technologies around the world. McMaster, also recognizing the importance of water and wastewater will continue to develop research in these areas which are priorities for McMaster. 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.

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 2010 budget included:

- An increase of $32 million per year, starting in 2010/11 for the Federal Granting Councils ($16 million CIHR, $13 million NSERC, $3 million SSHRC)
- An additional $8 million per year to support the Indirect Costs of Research Program
- A new post-doctoral fellowships program supported by $45 million over five years. This funding will allow the granting councils to establish a new and prestigious post-doctoral fellowships program to attract top-level talent to Canada

- Genome Canada will receive an additional $75 million to launch a new targeted research competition focused on forestry and environment and to sustain funding for regional genomics innovation centres
- $600 million toward a new Canada Foundation for Innovation competition to be launched by December 2010
- Knowledge Infrastructure Program (KIP) has received confirmation of the second year of funding
- $35 million will go to Natural Resources Canada to support research and development of new technologies for the production of isotopes
- CIHR will receive $10 million for a clinical trials network
- $8 million will extend the International Science and Technology Partnership Program

McMaster's sponsored research income has increased by more than 75% since 2002/03. This growth is reflected in all three granting councils. 2008/09 percent increases over 2002/03 for CIHR NSERC and SSHRC are 90%, 59% and 56%, respectively. Funding from the major research programs of the federal and provincial government, combined with additional resources for specific research programs, will add up to increased research activity and will create new opportunities for some of our most promising researchers. Recent programs such as the NSERC Collaborative Research and Training Experience Program (CREATE) provide new opportunities for McMaster to train the next generation of research personnel in areas of strategic priority. This is a time of significant change within the research funding environment, not only in the programs offered but in the program architecture and review process as well. Recent changes to the NSERC review criteria and process has resulted in both challenges and opportunity. In addition, SSHRC has recently revised its program architecture to create a more flexible and effective system of application and assessment. The new structure is guided by five core principles, namely, *excellence, simplicity*, *flexibility*, *integration*, and *quality of service* and will operate through the umbrella programs of *Talent*, *Insight*, and *Connection*.

The federal agencies, while not immune to current fiscal constraints, continue to participate in new initiatives under partnership and/or collaborative arrangements. 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 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 include McMaster’s success in the CFI Leading Edge Fund and New Initiatives Fund competition as well as an investment of ~$11.5 million from the Ontario Research Fund – Research Excellence to develop the McMaster-led Ontario Consortium for Regeneration-Inducing Therapeutics (OCRiT). The research enterprise will similarly be held to increasingly stringent accountability standards, requiring appropriate physical and human resources to ensure compliance.

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. The Ministry of Research and Innovation (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, 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.

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 business structure to support the development of the Innovation Park consists of two trusts, one to manage the operations and one to hold the land. These trusts are separate legal entities controlled by the University. While the trusts operate independently from the University in certain circumstances, the University may be required to provide a guarantee for default payments on certain capital financing required for the development of the park.

During 2009/10, the University advanced MIP $19.3 million to finance the renovation of 175 Longwood as approved in the 2009 MIP Business Plan. In their 2010 Business Plan, the MIP Board identified the requirement for long-term financing of up to $23 million to repay the University and to finance some additional infrastructure improvements

MIP has secured the required financing from the Bank of Montreal for which the University has agreed to provide a Debt Service Deficiency Undertaking. MIP has agreed to pay the University a 50-basis-point standby fee on the outstanding amount of the undertaking. MIP repaid the University in full during fiscal 2009/10.

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 has begun the construction of the CANMET building during 2009. The CANMET MTL lab relocation from Ottawa is on target and expected to be complete by the fall of 2010. The $75 million project has been 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. In addition, MIP has provided the University 32,000 square feet of strategic space in 175 Longwood Road to support strategic research initiatives at a base rent of $343,200 plus occupancy costs.

The MIP Board has agreed that it will generate an operating surplus in its financial results equivalent to cost to McMaster for the strategic space less the Debt Service Deficiency Undertaking standby payments made by MIP to the University. This surplus will be recorded as income to the University.

Appendix H – Analysis of Investment Income

Investment Income (University wide)

The financial markets have a significant impact on the ability of the University to earn investment income in these 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. Most of the investment income earned in the University is generated by these funds; however for further clarity all investment income earned in the University is discussed in this section. As outlined at the front of this document, the assumptions for the investment rates of return are as follows:

Table 29: Investment Rates of Return

	Investment Rates of Return*		
	2008/09 Actual	2009/10 Projection	2010/11 Budget
Long Term Investment Pool	-18.90%	14.00%	7.50%
Cash and Short Term Investments	5.00%	3.50%	1.00%
* net of investment expenses			

These rates of return translate into the following dollar figures:

Table 30: Total Investment Income/Loss

	Investment Income/Loss (000s)		
By source	2008/09 Actual	2009/10 Projection	2010/11 Budget
Long Term Pool	-$103,564	$63,450	$38,288
Short Term Pool	$8,972	$6,516	$1,905
Total	-$94,592	$69,966	$40,193

Investment Income (By Fund and as Recognized in the Statement of Operations)

Most of the income earned from investments is allocated to the internal and external endowment as outlined in the chart below.

Table 31: Investment Income Allocated by Fund

	Investment Income/Loss (000s)		
Allocated to fund	2008/09 Actual	2009/10 Projection	2010/11 Budget
Internal Endowment	-$33,420	$11,719	$3,555
Operating Fund	$13,243	$11,467	$9,467
All Other	-$9,838	$9,452	$6,121
Sub - all except Ext. Endow	-$30,015	$32,638	$19,143
External Endowment	-$64,577	$37,328	$21,070
Total	-$94,592	$69,966	$40,213

And when the investment income is adjusted to reflect the requirements for deferrals and the University's preservation of capital policy, in accordance with generally accepted accounting principles, the net results are as follows:

Table 32: Investment Income Recognized

	Investment Income/Loss (000s)		
In the GAAP statements	2008/09 Actual	2009/10 Projection	2010/11 Budget
All except endow (above)	-$30,015	$32,638	$19,123
Recognized for spending from Ext. Endowment	$15,276	$10,352	$10,419
Total	-$14,739	$42,990	$29,542

Appendix I – Major Capital Projects Currently Underway

Knowledge Infrastructure Program

The Knowledge Infrastructure Program is a two-year $2 billion economic stimulus measure to support infrastructure enhancement at postsecondary institutions across Canada. Funds of up to $1 billion in 2009/10 and $1 billion in 2010/11 were available under this program. In 2009, McMaster received approval for two of the nine submitted projects that were 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 two projects are:

1. Centre for Spinal Cord Injury and Cancer Education and Rehabilitation - $20 million
2. Nuclear Reactor Building Renovations - $22 million

The maximum share of funding from federal sources is 50% of total eligible costs; however the other 50% was matched with additional provincial funding. These projects will be completed in full by March 2011.

Burlington – Ron Joyce Centre for Advanced Management Studies (CAMS)

The CAMS project is slated for completion by September 2010. 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 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 $26.8 million. Funding is in place from a $10 million donation and a financial commitment from the City of Burlington anticipated at $10 million with further donations from private donors.

Centre for Primary Care at MIP

The unprecedented growth in the undergraduate MD program, Nurse Practitioner program and Family Medicine Residency Training Program, has created a need for additional training facilities. This Faculty of Health Sciences' project, the Centre for Primary Care at MIP, will include classrooms, lecture theatres, computer labs and a teaching family practice unit where students of all disciplines can train and provide patient care as part of a multi-disciplinary team.

The construction of the building is estimated at 76,302 square feet plus an underground parking garage which will be located on the southeast corner of Aberdeen and Longwood Road on 2.7 acres of land. The total construction cost is estimated at $39.9 million. Construction will begin this September with an expected completion date of September 2012. The capital funding contributions originate primarily from the Ontario Ministry of Health and Long Term Care (MOHLTC) and private donors.

Detailed Listing of Capital Projects

Table 33 (page 1 of 2) Planning and Building Committee Project Status Report, April 8, 2010

Project Name	Original Estimated Completion Date	Revised Completion Date	Approved or Anticipated Budget	Funding Source(s)	Over / Under Budget	Status	Architect / Contractor
McMaster Front Entrance Improvements (Phase 2)	Summer 2007	Pending	$4,900,000	Internal Capital	On budget	Preliminary design work complete. First stage of landscaping to be implemented following the completion of the Engineering Technology Bldg.	Fleisher Ridout
MUMC Biosafety Lab 3 (FHS)	Spring 2008	Pending	$2,500,000		On budget	Working drawings are 90% complete.	Stantec Engineering
MUMC Farncombe Family Digestive Health Research Institute	Summer 2009	Summer 2010	$5,500,000 (rev Nov./09)	CFI - $1.5M Private Donor - $3M FHS - $1M	On budget	**Skylight ceiling completed in atrium. Scaffolding being removed. Interior framing work continuing. Mechanical and electrical finish work has commenced.**	NORR / Ira McDonald
Ron Joyce Centre	Fall 2009	**August 1, 2010**	$26,824,000	Private Donation - $10M City of Burlington - $5M Halton Region - $5M Internal Funds - $6.8M	On budget	**Exterior glazing complete. Roofing complete. Interior mechanical and electrical 75% complete. Interior partitions 85% complete. Drywall and elevator installation 50% complete.**	IBI Group / Cooper Construction
Nuclear Reactor / NRB Renovations	March 2011		$22,000,000	Federal and Provincial Governments		**Working drawings complete. Excavation and foundation work out for tender. Remaining tender packages are being finalized ready for tender.**	Atkinson Engineering Inc. / **Ira McDonald**
IWC Centre for Spinal Cord Injury Education, Research and Rehab and Centre for Cancer Education, Research and Rehabilitation	March 2011		$20,000,000	Federal and Provincial Governments	On budget	**Working drawings complete. Request for Proposal for construction manager closes April 7/10. Prequalification of subtrades has commenced.**	Graff Grguric Architects

Table 33 (page 2 of 2) Planning and Building Committee Project Status Report, April 8, 2010

Project Name	Original Estimated Completion Date	Revised Completion Date	Approved or Anticipated Budget	Funding Source(s)	Over / Under Budget	Status	Architect / Contractor
City of Hamilton Combined Sewer Overflow (CSO) Tank	Fall 2008	**Spring 2010**	City of Hamilton project	City of Hamilton		Construction approximately **97%** complete. Parking Services aware of situation.	
McMaster Innovation Park CanMet Building			MIP Board approval to proceed with sourcing of financing and finalization of lease.	Non-recourse funding taken out by MIP		**Interior work on-going. Exterior cladding work and glazing on-going. Structural steel roof complete.**	Ellis-Don Construction Ltd.
McMaster Innovation Park McMaster Centre for Primary Care	Summer 2012		$40,000,000	To be confirmed		**Planning work on siting of the building has commenced and schematic design process underway.**	
Wilson Building for Studies in Humanities and Social Sciences (Liberal Arts Building)			$50,000,000 to $60,000,000			Revised submission to MTCU January 2010. Long Term Capital Planning Submission to MTCU (Aug 2008). Functional Plan **completed**.	
McMaster Innovation Park Life Sciences Building			$45,000,000			MIP developing concept design.	
Above Ground Parking Structure						On hold pending a campus wide parking review.	
PanAm Games Bid New Pool			**est. $35,000,000**			**Verbal update to be provided at the Committee meeting.**	
Sports Arena						Offsite location.	
Tennis Courts							

Appendix J – Fund by Fund Consolidation

Table 34: Fund by Fund Consolidation – Year Ending April 30, 2011

($ thousands)

	Operating Fund		Ancillary Fund		Research Fund		Trust Fund		Endowment Fund		Capital Fund		Grand Total	
	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget	2009/10 Projection	2010/11 Budget
Sources of Funding:														
Provincial grants	211,745	214,451	-	-	-	-	-	-	-	-	19,734	38,200	231,479	252,651
Research and other grants	-	-	-	-	170,420	170,420	-	-	-	-	-	-	170,420	170,420
Tuition	149,000	157,643	-	-	-	-	-	-	-	-	-	-	149,000	157,643
Research overhead income	22,725	21,434	-	-	-	-	-	-	-	-	-	-	22,725	21,434
Sales by ancillary operations	-	-	65,959	67,213	-	-	-	-	-	-	-	-	65,959	67,213
Investment income (loss)	11,467	9,467	-	-	-	-	37,328	21,070	11,719	3,555	(3,000)	(3,000)	57,514	31,092
Investment income transfer	-	-	-	-	-	-		-	-	-			-	-
Other donations and grants	-	-	-	-	-	-	49,122	49,285	130	200	5,400	5,150	54,652	54,635
Other sources	3,315	3,914	9,343	9,759	-	-	-	-	-	-	-	-	12,658	13,673
Subtotal	**398,252**	**406,909**	**75,302**	**76,972**	**170,420**	**170,420**	**86,450**	**70,355**	**11,849**	**3,755**	**22,134**	**40,350**	**764,407**	**768,761**
Recoveries and other income	67,225	81,010	-	-	-	-	(2,855)	(2,954)			-	-	64,370	78,056
Total sources of funding	**465,477**	**487,919**	**75,302**	**76,972**	**170,420**	**170,420**	**83,595**	**67,401**	**11,849**	**3,755**	**22,134**	**40,350**	**828,777**	**846,817**
Expenditure:														
Salaries, wages and benefits	316,233	335,895	26,647	28,235	103,654	101,554	21,997	20,307			-	-	468,531	485,991
Utilities and maintenance	32,735	32,852	3,953	3,854	-	-	-	-			-	-	36,688	36,706
Facility and capital projects	976	602	-	-	-	-	-	-			66,715	77,389	67,691	77,991
Library acquisitions	9,051	9,137	-	-	-	-	-	-			-	-	9,051	9,137
Supplies and other expenditures	69,776	70,627	14,739	15,716	-	-	14,817	13,229			-	-	99,332	99,572
Supplies and other expenditures - Research	5,778	5,826	-	-	70,300	71,475	3,000	3,000			-	-	79,078	80,301
Scholarships, bursaries and work study	32,706	29,987	-	-	-	-	9,075	9,231			-	-	41,781	39,218
Depreciation	-	-	-	-	-	-	-	-			-	-	-	-
Cost of sales - ancillaries	-	-	22,083	22,519	-	-	-	-			-	-	22,083	22,519
Debt and financing charges	10,414	10,739	6,874	6,128	-	-	-	-			(7,930)	(11,560)	9,358	5,307
Total expenditures	**477,669**	**495,665**	**74,296**	**76,452**	**173,954**	**173,029**	**48,889**	**45,767**	**-**	**-**	**58,785**	**65,829**	**833,593**	**856,742**
Surplus/(deficit) in year	**(12,192)**	**(7,746)**	**1,006**	**520**	**(3,534)**	**(2,609)**	**34,706**	**21,634**	**11,849**	**3,755**	**(36,651)**	**(25,479)**	**(4,816)**	**(9,925)**
Transfers between funds	(6,183)	(651)	(868)	(3,468)	(2,652)	-	(9,767)	340	(2,923)	(340)	22,393	4,119	-	-
Fund balances, beginning of year	67,381	49,006	4,317	4,455	159,095	152,909	318,264	343,203	98,832	107,758	(22,061)	(36,319)	625,828	621,012
Fund balances, end of year	**49,006**	**40,609**	**4,455**	**1,507**	**152,909**	**150,300**	**343,203**	**365,177**	**107,758**	**111,173**	**(36,319)**	**(57,679)**	**621,012**	**611,087**

Appendix K – Post-Retirement Benefit Programs

McMaster University maintains post-retirement pension and non-pension benefit programs for most groups of full-time employees. These plans are both defined benefit and defined contribution in nature. Over the past several years the shortfall between the assets and the liabilities in the defined benefit plans have increased significantly, mainly due to investment losses in the 2008 and 2009 economic downturn.

Pension Program Overview

The University offers the following pension plans to its employees:

- Defined Benefit Registered Pension Plans for salaried employees (Salary Plan 2000 and the Original Plan)
  - Salary Pension Plan 2000 is the largest of the University's pension plans and accounts for over 97% of the pension liability
  - Closed to new membership for management (TMG), senior academic and administrative officers (SAAO) and employees of Affiliates
  - Currently still open to new membership for CAW, Unit 1 (Support Staff) on a reduced benefit basis
- Defined Benefit Registered Pension Plan for hourly employees (Hourly Plan)
  - Closed to new membership for all groups
- A Group RRSP introduced in 2006 for some new employees
  - New Hourly, TMG and SAAO and employees of Affiliates participate in the Group RRSP

Salaried Pension Plan 2000

July 2008 Funding Valuation:

The University filed the Salary Pension Plan 2000 valuation as at **July 1, 2008**. This ensures that the next valuation is not required by regulation to be filed until July 1, 2011 and the University has certainty of funding requirements until that date.

The results of the valuation at **July 1, 2008** are:

- Going-concern deficit of $76 million
- Required University special payments of $8.4 million per annum for 2008/09, 2009/10 and 2010/11 to pay off the going-concern deficit (amortized deficit over 15 years)
- No additional solvency deficit funding was required
- University current service cost contributions of 11.28% of pensionable earnings in 2008/09 (207% of employee contributions), increasing to 11.5% in 2009/10 (211% of employee contributions)

2009/10 Funding Plan

The salary pension funding plan approved by the Budget Committee for 2009/10 was:

- The employer contribution that is built into the operating, ancillary and research unit benefit charges for salaried faculty and staff was increased from 210% of the employee contribution to 240% of the employee contribution effective May 1, 2009
- The portion of the deficit payment that is not covered above (estimated at $3.6 million) will be funded from the Excess Health and Dental Reserve

Investment Management

The normal calculations for the salary pension plan valuation 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 one year period of July 1, 2008 to June 30, 2009: -11.5%
- For the nine-month period of July 1, 2009 to March 31, 2010: +11.7%

The negative investment returns in 2008 and 2009 had a significant negative impact on the funded position of the Salary Pension Plan which must be considered when developing the funding plan for 2010/11.

The Pension Trust Committee regularly monitors the investment performance of the Salary Pension Fund and posts an investment performance report on the McMaster website for the information of its members on a semi-annual basis.[7] The five-year annualized return at December 31, 2009 of 3.7%, before fees, exceeds the benchmark by 0.6%, but is far short of the 6.5% (after fees) rate required to fund the plan.[8]

The Pension Trust Committee is working with the Finance Committee to complete an asset/liability study designed to identify the asset mix that provides the best balance of risks and return relative to the plan's objectives and liabilities. The results of the study will be reviewed in the fall of 2010 and will inform changes, if any, to the asset mix of the salaried pension plan. The Pension Trust Committee continues to monitor the performance of the investment managers and has recently recommended changes to the Canadian bond manager which will be implemented in June 2010.

[7] http://www.workingatmcmaster.ca/link.php?link=ewlss:Salaried-Total-Performance-2009

[8] 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.

Plan Design Changes

The University has made significant progress to reduce the long-term financial impact of the pension obligation through the collective bargaining process for unionized employees. It will continue to explore strategies through consultation with non-unionized employees. The goal is to reduce the cost, volatility and uncertainty of the pension plan obligations.

Projected July 1, 2010 Funded Ratio

Mercer has estimated the financial position of the plan projected to July 1, 2010 using the same methodology and assumptions as contained in the July 1, 2008 valuation report. The results are as follows:

	$ millions
Going Concern Assets (using 5 year smoothing)	$1, 096
Going Concern Assets (Market Value)	$979
Going Concern Liability	$1,257
Going Concern Deficit (Smoothed)	($162)
Going Concern Deficit (Market Value)	($277)
Solvency Deficit (Unsmoothed)	($228)

While the University is not required to file a funding valuation report for the 2009/10 plan year, the sizable going-concern and solvency deficits will need to be addressed and should be considered in the development of the 2010/11 funding plan.

2011/12 and 2012/13 Projections

Preliminary projections based on the modeling done by Mercer, which includes the increased CAW and TMG employee contributions and the new CAW plan design for employees hired after May 1, 2010, shows that special payments in 2011/12 will be approximately $22 to $25 million for the going-concern deficit and $12 to 15 million for the solvency deficit (see **Table 34** below).

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 effect 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 five years to ten years provided sufficient member consent (defined as greater than two thirds agreement) is obtained
- Deferral of deficit payments for one year from the valuation date
- Allow up to ten 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 to invest their funds and administer pensions for a fee

Based on these Ontario funding relief measures, McMaster's 2011/12 solvency special payments could be deferred by one year to the 2012/13 fiscal year. In addition, the solvency payments could be amortized over ten years instead of the current five years effective in 2012/13 if sufficient member consent (defined at two thirds agreement) is obtained. Note that these solvency relief measures are important to assist the University in dealing with the significant short-term cash implications but do not improve the financial position of the plan. The University will contribute less but will need to contribute over a longer time period unless investment returns are measurably better than the expected 6.5% per year.

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. McMaster is currently in discussions with the Ministry of Finance and the MTCU about our specific situation.

2010/11 Funding Recommendation

The following funding plan is recommended for the Salary Pension Plan in 2010/11 in order to prepare the University for 2011/12 results.

The pension funding plan approved by the Budget Committee for 2010/11 is:

- The employer contribution that is built into the operating, ancillary and research unit benefit charges for salaried faculty and staff to increase from 240* the employee contribution to 270* the employee contribution effective May 1, 2010.
- The Excess Health and Dental reserve that is not used in 2009/10 (estimated at $4.3 million) to be reserved to assist with the 2011/12 deficit payment.
- The use of solvency relief measures be actively pursued.

Table 35: Salaried Pension Plan 2000 Employee Contribution Rates

Salaried Pension Plan 2000
Calculation of 2009/10 and 2010/11 ER Contribution Rates
Last FSCO Filing - as of JULY 2008

$ thousands	Budget 2009/10	Proposed 2010/11	Mercer Projection 2011/12	2012/13
	2008 Valuation		Mercer Model	
Estimated Current Service Cost	46,611	49,640	50,371	52,702
Estimated Employee (EE) contributons **	15,111	15,791	18,144	19,861
Payments to the Plan:				
Estimated University Current Service Cost	31,500	33,849	32,227	32,841
Estimated Special Payments (Going Concern)	8,425	8,425	22,301	25,820
Estimated Special Payments (Solvency)			12,381	15,440
Total University Required Payments to the Plan	**39,925**	**42,274**	**66,909**	**74,101**
Funding:				
Proposed University Contribution Rates (*EE Cont)	240%	270%	270%	270%
Funded from Charges to Departmental Accounts	36,266	42,636	48,989	53,625
Funded from the Excess Health and Dental Reserve	3,659		4,300	
Funding from increased EE contributions		820	Built into EE cont above	
Total Funding	**39,925**	**43,456**	**53,289**	**53,625**
Excess /(Deficiency)	**(0)**	**1,182**	**(13,620)**	**(20,476)**
Solvency Relief Measures				
Potential to Defer Solvency Payments for one yr			12,381	2,059
Potential Solvency Relief with Member 2/3 approval				6,191
Total Potential Relief Measures	**0**	**0**	**12,381**	**8,250**
Excess /(Deficiency) After Relief Measures	**(0)**	**1,182**	**(1,239)**	**(12,227)**
Cumulative Cash Deficit to be Funded		**1,182**	**(57)**	**(12,284)**

** Projection includes impact of increased CAW contributions and plan design changes in 2011/12 and 2012/13

Hourly Pension Plan

The University sponsors a defined benefit pension plan that provides benefits to 341 retirees and deferred members and covers 301 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. The use of some solvency relief measures will form part of the funding strategy for the Hourly Pension Plan. The University expects to able to defer the increase in the annual solvency payment into the 2011/12 fiscal year. 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

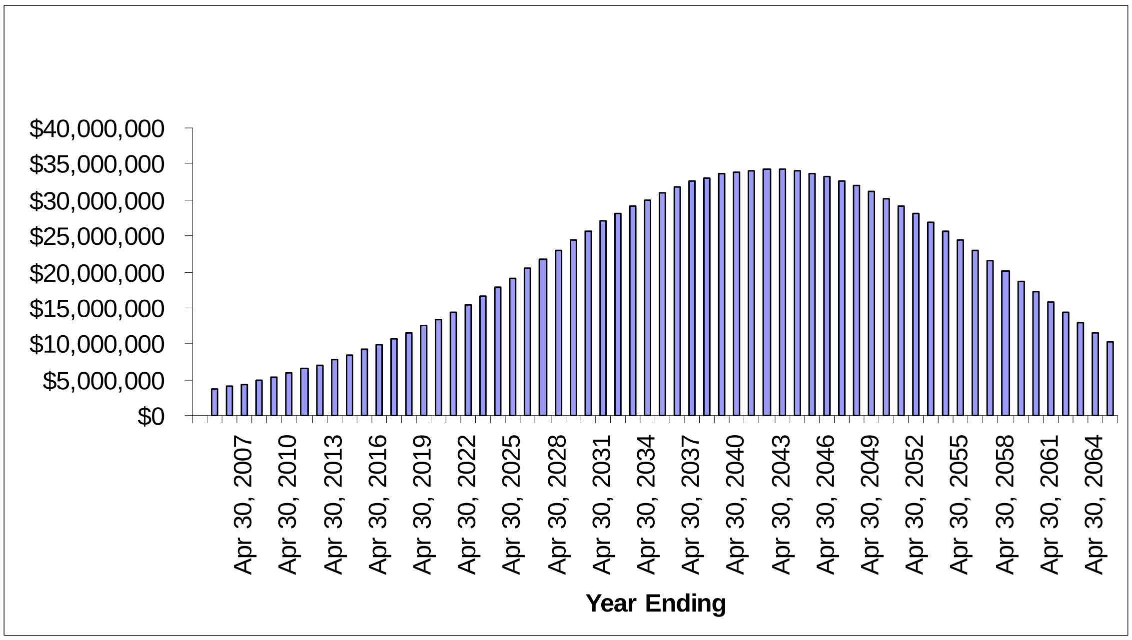
McMaster offers defined benefit plans that provide non-pension retirement benefits including extended health, dental and life insurance for substantially all of its full-time employees. Plan design changes intended to reduce the size of the liability have been made over the past few years:

- New TMG and SAAO employees with a start date after June 16, 2006 are excluded from non-pension post-retirement benefit plans
- New CAW (Unit 1) staff hired after October 1, 2009 will participate in non-pension post-retirement benefits subject to a co-pay program

- New positions created in SEIU (Hospitality) and SEIU (Operations and Maintenance) are excluded from non-pension post-retirement benefits
- New SEIU (Hospitality, Operations and Maintenance, and Machinists) require a minimum of ten years of employment to be eligible
- New IUOE and CAW, Unit 3 (Parking) hired after March 1, 2010 and March 16, 2010 respectively will participate in non-pension post-retirement benefits subject to a co-pay program

The University continues to fund these future non-pension benefits from its operating and research budgets on a cash basis and has budgeted $6.3 million for 2010/11. **Figure 12** 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 12: 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 $10 million, for a total exceeding approximately $20 million. The shortfall between the unfunded accrued value of the benefits earned ($20 million) and the cash cost of the benefits paid to retirees ($6.3 million) has built an unfunded accrued benefit obligation for the University. The University's actuaries measured this unfunded accrued benefit obligation at $195 million as of April 30, 2009, making it the third highest obligation of its kind amongst Ontario Universities and the second largest when measured as a percentage of expenditures.

The University is working on a multi-prong strategy to manage this liability:

- Plan design changes and co-payment strategies as noted above.
- Introduction of a charge to operating and research units equivalent to 0.5% of pay to begin create a funding reserve
- Incorporating the accrued cost of non-pension post-retirement benefits into the consolidated budget prepared on an accrued basis

Appendix L – Vision 2020 – Technology Strategic Directions Supporting McMaster's Academic, Research and Administrative Mission

Executive Summary

Vision 2020 recommends a strategic direction for technology investment and decision-making for McMaster University over the next decade. The University's current state of technology is severely lacking on a number of fronts, with McMaster being the last of the G13 to undertake a review of its critical systems that support students, faculty and researchers. The inability to efficiently gather and disseminate information impedes effective decision-making and clearly highlights the need for a comprehensive data storage and retrieval solution. A substantial investment in technology is required to address these issues, supported by a clear vision for the future.

Five strategic directions are identified – systems renewal and data integration, a renewed focus on service delivery, infrastructure modernization and simplification, a hybrid model based on cooperation and risk mitigation practices. Each of these areas is intricately linked with the others and requires careful coordination and planning to ensure resources are appropriately allocated and utilized. Done properly, this will allow many of the strategic directions to progress concurrently, rather then sequentially, thus expediting how quickly we can achieve the intended results. Each of the strategic directions has a goal, specific objectives and defined benefits to faculty, students, and staff. The directions identified are in keeping with industry best practices, while ensuring their specific focus will meet the specific needs of McMaster.

Vision 2020 recognizes that in the past the faculty and research community have been largely neglected when considering technology directions and recognizes the need to address this moving forward. An Academic and Research Advisory Committee to the CIO will be instrumental in assuring a forum for open communication and cooperation. While Vision 2020 is intended to be forward looking, it also identifies several important initiatives currently underway that are vital to success. It broadly acknowledges the many stakeholders across the University who provided advice and support for establishing this strategic directions initiative.

Specific next steps include an urgent call for systems renewal focusing on student, research and financial systems and a comprehensive plan to address business intelligence, and specifically data integration. To provide a renewed focus on service and support, steps to clarify roles and responsibilities across campus and the establishment of a hybrid model supporting collaborative decision-making regarding technology centralization are key elements. Progress towards the strategic directions of Vision 2020 will also require a supporting alignment of the UTS organization.