



McMASTER UNIVERSITY

2012/13

CONSOLIDATED BUDGET

Approved by the Board of Governors

June 7, 2012

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Executive Summary

The Consolidated University Budget prepared on an accrual basis reflects a deficit of \$1.9 million (or 0%) of revenue. The probability of realizing a surplus on an accrual basis is high. The operating budget is prepared on a cash basis and does not include accrual adjustments required for accounting purposes. The 2012/13 budget reflects a net deficit of \$27 million in the operating fund attributed to \$34.7 million in one-time planned expenditures. Exclusive of one-time expenditures the operations of the University are balanced.

The budget does not include any additional external debt. Overall the financial health of the University continues to make modest improvements, however there remain significant pressures within the Faculties and other units to present balanced budgets while absorbing the costs of salaries and associated employee benefit plans. Even though there has been some cost management success achieved through labour negotiations, a funding plan for non-pension post-retirement benefits and pension solvency relief provided by the Province, the current cost of benefits required to be borne by operating departments presents a very significant annual challenge that once again has required staff vacancy strategies and workforce reductions in many areas. Many Faculties and other units are drawing upon prior year's appropriations to balance current operating costs while considering longer term budget balancing strategies such as new revenue generation and further staff reductions.

With the release of the Drummond report and the provincial budget, continued financial challenges are anticipated. While the Province is still committed to funded growth, it has introduced new efficiency targets that will impact operations in 2013/14 and 2014/15. In addition, some working groups have been established to further consider recommendations of the Drummond report and how these recommendations may be implemented within the higher-education sector.

During 2011/12, the President and Vice-Chancellor Patrick Deane shared a letter entitled "Forward with Integrity: A Letter to the McMaster Community." This letter identifies principles to guide the University in the realization of its priority goals centered on the student experience, research, the community and internationalization. The University community has been widely involved in integrating the concepts of the letter and generating new innovative ideas to move the University forward. Funding needs for this initiative have been provided in the current and future years' budget. Similarly, funding for systems renewal has been accommodated.

The highlights of the 2012/13 Consolidated Budget follow:

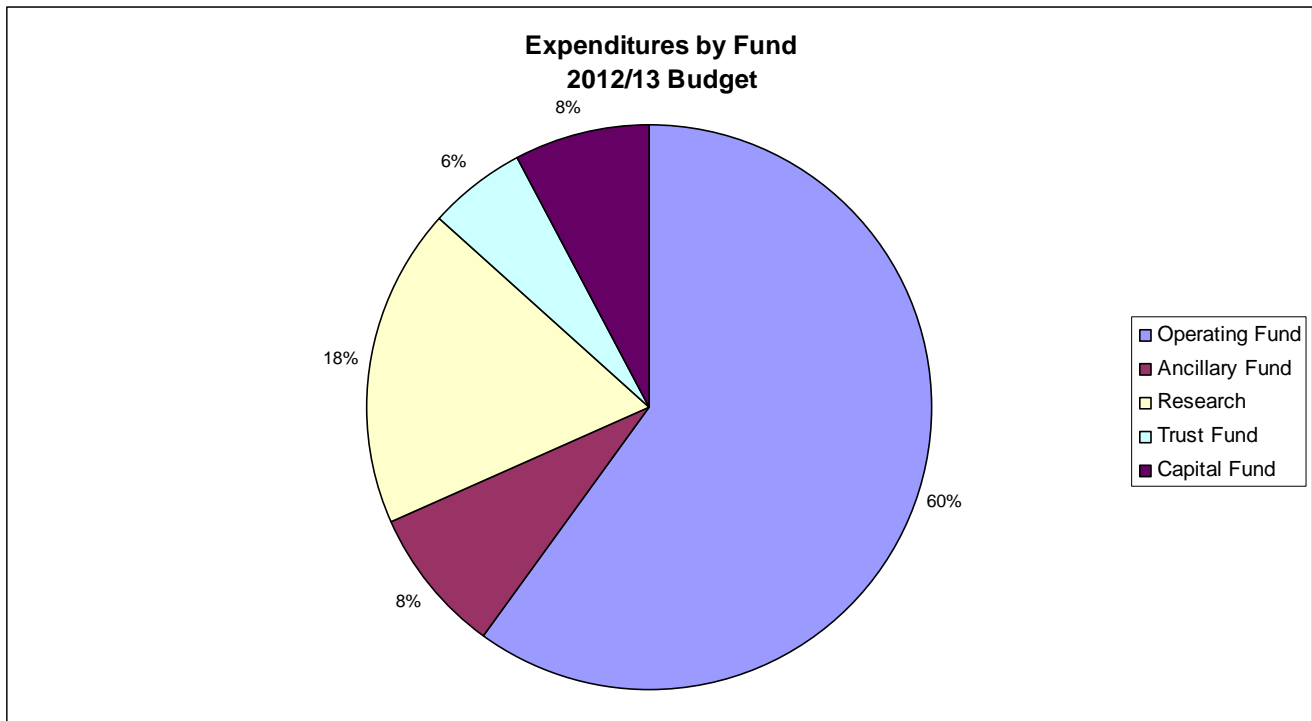
- Modest targeted growth is expected in both undergraduate and graduate enrolment.
- Strategic projects associated with the "Forward with Integrity" initiative are planned to be identified and initiated.
- Work will start on the new McMaster Family Care Centre in downtown Hamilton.
- The technology renewal program will ramp up with major work on the Student Information System to get underway.
- Incremental funding has been allocated to begin to address the longstanding issues of deferred maintenance and post-retirement benefit liabilities.

Introduction

This document includes the budget for 2012/13 and includes projections for 2011/12 and high-level plans for 2013/14 and 2014/15. The budget represents concerted efforts across the University.

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

Figure 1: Expenditures by Fund – Year Ended April 30, 2013



The Budget Committee has been guided in its budget decisions by McMaster’s strategic priorities, developing a distinct, effective and sustainable undergraduate experience; enhancing the way we see and build connections between McMaster and the community; and supporting continuing excellence in research that informs and integrates with a reconceived educational mission, while incorporating internationalization as an integrated part of these three priorities.

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, a consolidated Statement of Operations on a full accrual basis¹, Balance Sheet and Statement of Cash Flows have been included. The objective of the Consolidated Budget is to ensure greater transparency and promote improved understanding of University finances. From this report, 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.

¹ Full accrual basis is the basis under which the audited financial statements are prepared.

Context

Globally, the economy remains sluggish, and investment markets are volatile. This puts strain on the finances of the new provincial minority government and contributes to uncertainty in funding. At the same time, the labour market is slowly shifting from a resource-based to a knowledge-based economy, creating additional demand for postsecondary education. Ongoing changes in the policy and socio-cultural contexts for higher education in Ontario will place a premium on creativity and adaptability. We highlight the most significant factors that affect the budgeting process.

Uncertainty and Timing of Provincial Funding Announcements

When the University budget process began in the fall of 2011, the next phase of the Ontario government's *Reaching Higher* plan, which expired in 2009/10 and was extended to 2011/12, had not yet been announced. Prior to the October 2011 election, the Province committed to supporting 60,000 additional postsecondary students by 2015/16, 41,000 of these in the University sector. In addition, ongoing public discussion around differentiation in the University sector, as well as an increased focus on accountability continues to be major focus areas. While it was not clear how the Province will formulate policies to promote these priorities, growth is expected over the next four years.

With the release of the Drummond report in February 2012, the Commission on the Reform of Ontario's Public Services emphasized that the Province's economic growth and competitiveness depend on a strong postsecondary sector, confirming the importance of the additional 41,000 spaces. The report acknowledges the impressive results of the postsecondary system, absorbing a 36% increase in enrolment since 2002/03 while improving degree-completion rates. The challenge is to maintain the quality of the students' experience and learning outcomes while increasing efficiencies.

As this budget was being finalized, the Province announced a one-year extension of the 5% overall cap on tuition increases for 2012/13 and a moratorium on increasing or establishing flat or deferral fees, with a new multi-year tuition policy planned for the 2013/14 academic year. Additional changes have been introduced in the 2012 provincial budget that are expected to incorporate efficiency targets and reflect the availability of international student tuition revenue, while maintaining the commitment to fund additional spaces over a longer timeframe due to slower-than-expected enrolment growth. These changes will affect the 2013/14 budget, and until further details are available, a conservative approach has been used in planning.

While McMaster sees itself as part of the solution as additional students look for university spaces, the main campus is currently over capacity. Provincial funding that is targeted to specific outcomes reduces flexibility in spending and requires greatly increased accountability reporting. The Budget Committee is committed to providing stability to envelope managers by allocating any revenue increases or decreases on a slip-year basis and to investing funds, if available, in priority areas.

Tuition Framework Set by the Provincial Government

The University has limited fee-setting ability and may only increase regulated tuition within the provincial government framework. McMaster's policy is to maximize tuition fees within the regulations in order to support the quality of education our students receive. We will phase in increases in international student fees so that we are competitive with our key peers².

Budget assumptions include:

- Tuition rate increase will be maximized in 2012/13.
- Undergraduate enrolment growth of 1.4% (327 students) in 2012/13 comparable to the increase realized in 2011/12, with enrolment assumed to be flat in 2013/14 and 2014/15.
- Modest growth in graduate enrolment of 2.9% (104 students) in 2012/13 comparable to the increase realized in 2011/12. The 2012 provincial budget confirmed additional funding for 6,000 additional graduate spaces, however 3,000 will be allocated by 2015/16. Accordingly, the budget assumes that 48 of the 104 additional students in 2012/13 will be eligible for funding, and enrolment growth is assumed to add an additional 48 students in each of 2013/14 and 2014/15.
- For planning purposes, tuition rates in 2013/14 and 2014/15 are assumed to increase 3.7% each year, assuming domestic rates will increase by 3% and international rates by 6%.

Tuition growth revenue has been built into the budget allocation framework for 2012/13 at a high level and generally not distributed to individual envelopes at this time. Distribution will occur to the faculties in the summer of 2012.

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 group RRSP plans exist. Most employees are members of the defined benefit plan. Funding the salaried pension plan continues to be challenging. In early 2011, the Province released a Solvency Funding Relief regulation paper for Ontario universities. As of April 2012, the University has filed its application and received approval for solvency relief for both the hourly and the salaried pension plans. The solvency relief program significantly reduces the pressure to fund the salaried pension plan deficit in the short term. However, it does not relieve the University of funding going-concern deficits or of resolving its solvency deficiency. These will require increased payments to the plan for the foreseeable future. Over the past several years the shortfall between the assets and the liabilities in the defined benefit plan has increased significantly, mainly due to investment losses in the 2008/09 economic downturn and a very low interest rate environment. As of July 1, 2011, the salaried pension plan funding shortfall was estimated at approximately \$182 million on a going-concern basis³. The solvency shortfall at that date was \$267 million .

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

³ The going-concern valuation assumes that the pension plan will be maintained indefinitely and has a long-term time horizon.

As of April 2011, the present value of the expected future cost of non-pension post-retirement obligations was estimated at \$192 million. . To help address this underfunding, changes in plan design were made, and increases to both employee pension contributions and departmental charges for pension and post-retirement benefit charges were implemented and will continue in subsequent years. This meant that each budget envelope was required to absorb these cost increases which could only be accomplished through reductions in other budget lines. In turn, given that 70% of the operating budget represents human resource costs, staff reductions have proved unavoidable in many areas.

Continuing Volatility in Financial Markets

Financial markets have a significant impact on McMaster's financial position through the investment returns on pension plans and internal and external endowments. The endowment fund investment policy uses a diversified asset allocation strategy that includes a mixture of equities (60%) and fixed income (40%); however annual net rates of return can still be quite volatile over short periods of time (i.e., -18.9% in 2008/09, +17.5% in 2009/10, and +11.5% in 2010/11). The projected 2011/12 annual net rate of return for the long-term investment pool is expected to approximate 0%. The fluctuating investment returns continue to affect the University's ability to maintain the annual allocations for spending from some endowments that support strategic areas of expenditures, such as scholarships, research and bursaries. In addition, short-term rates of return are expected to remain low in 2012/13.

Cost Pressures

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 in order to continue to invest in the quality of our core academic and research missions. Present and future challenges to its operating performance include:

- Inflationary pressures of over \$19 million per year. Salary and benefit costs continue to rise. Increasing market demand for highly qualified faculty, staff and researchers nationally and internationally is expected to continue, requiring McMaster to compete for this talent and putting pressure on the University's financial position. Other major cost pressures over which there is less control include utilities, operating costs for new buildings, legal costs and copyright fees.
- The costs of maintaining current space to appropriate standards and covering increasing occupancy costs for the expanding space on campus must be covered by operating budgets. Further, we continue to fall behind on deferred maintenance, which now totals approximately \$150 million.
- The need for increased capacity with increasing enrolment. Space constraints are beginning to impact both admission targets and commitments to research. Expansion is planned at the Ron Joyce Centre, McMaster Innovation Park, and the McMaster Health Campus.
- Introduction of the new Ontario Tuition Grant, which will increase the administrative load on financial aid staff.⁴
- 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 budgeted at approximately \$46.3 million to be funded over 10 years.

⁴ We have been advised that we will be compensated, but have not received any formal notice or funding amount.

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 costs⁵. Indirect costs of research are approximately half of direct costs; however overall the University's overhead income is only about 15% of total research spending.

In addition to supporting the indirect costs of research, matching contributions to the direct costs are a part of many grant programs. For example, the Canada Foundation for Innovation will cover 40% of a research project, with the balance to be provided by the Province, other external partners and University sources.

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 a significant pressure for McMaster University.

Balance Sheet Challenges

In April 2010, DBRS downgraded the University's credit rating to AA (low) from AA, primarily reflecting financial results over the 2008/09 and 2009/10 fiscal periods (in which we spent more than we earned to the extent of \$67.5 million) and its resulting reduced financial flexibility. In December 2010, Standard & Poor's (S&P) also cited a decline in unrestricted financial resources, a tight operating environment, and potential post-employment deficit funding when it completed its rating. As a result, S&P reduced its credit rating from AA (stable) to AA- (stable). Since that time the balance sheet has strengthened due to favourable investment returns in 2010/11 and positive operating results. The 2012 updated credit rating reports have resulted in unchanged credit ratings (S&P remains at AA- (stable)). Although the financial health of the University has improved over the past two consecutive years, the ratings remained unchanged due in part to our continuing pension and non-pension cost pressures, and due to the credit downgrading of the Province, which provides 43% of the University's operating budget. A sector review is expected to occur during 2012 as a result of the Provincial downgrade, which may further impact the University's current stable outlook.

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 people. This document, as a Consolidated Budget, reflects the decisions made at every level. This process 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

In “Forward with Integrity: A Letter to the McMaster Community,” dated September 21, 2011, President and Vice-Chancellor Patrick Deane identified principles to guide the realization of the University’s goals in the coming decade:

1. McMaster is an institution devoted to the cultivation of human potential, which cannot be realized by individuals in isolation from one another; its programs and activities will reflect this comprehensive view.
2. The University will adopt a multidisciplinary perspective, recognizing that even the most specialized problem requires an appropriately broad-based approach.
3. McMaster’s future shall be continuous and consistent with its past, expanding upon and fulfilling the historic character and distinct identity of the University as an institution while at the same time continuing to recognize the importance of collaboration and dialogue with sister institutions in Ontario, Canada, and abroad.
4. McMaster will place the highest value on original thought and innovation.
5. The University will not only reaffirm the importance of radical questioning at the heart of the academic enterprise, but will ensure the integrity of its work by bringing a critical view to all of its practices – those which bear directly upon education and research, as well as those less directly related to it.
6. Wherever possible, the University will reduce or eliminate obstacles to cooperation.
7. Members of the McMaster community will acknowledge, and seek to integrate in all their work and in ways appropriate to their specific fields, an obligation to serve the greater good of their community – locally, nationally and globally.

The President and Vice-Chancellor identified three strategic priorities for the next decade:

- Developing a distinct, effective and sustainable undergraduate experience
- Enhancing connections between McMaster and the community
- Supporting continuing excellence in research

In the aggregate, these priorities comprise an urgent imperative which frames the University’s future and that of each of its constituent parts, and informs the 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 University mission
- Ongoing and one-time costs need to be identified in order to develop a clear picture of our financial position

- Envelopes must be structurally balanced with ongoing expenditures less than or equal to ongoing revenues
- Priorities must be decided using a rigorous process in a way that is strategic, fair and equitable across the University and avoids a piecemeal approach

Uncertainty in Budgeting

All budgets are based on assumptions made about the future, resulting in some uncertainty respecting future events. For McMaster University, there is significant uncertainty about our annual operating expenses. We are able to predict operating expenses, partly because roughly two thirds of our operating expenses go to personnel costs. 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. Tuition income and base funding are relatively predictable for the following year. However, accessibility funding from the Province can be more variable and has typically been determined quite late in the fiscal year. This introduces significant uncertainty into our budgeting process. 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.

As one means of coping with uncertainty, slip-year funding for academic envelopes was introduced in the 2010/11 budget year. This process means that academic budgets are predicated on the basis of realized expenses and revenues from a prior year. This provides greater certainty and allows improved planning by envelope managers. While this does not impact consolidated budgets (which recognize this revenue), it has presented new challenges in the short term as faculties with growing enrolment must allow for additional expenses in their budgets without building in the additional revenues. However, in the event revenues decrease, slip-year funding provides a year's delay to plan for the reduction. Allocations to non-academic envelopes are not affected by slip-year funding, and remain frozen except for funding provided to targeted priorities.

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, we recognize that budgeting a full complement of personnel tends to overstate compensation expense, and consistent with recent practice and informed by historical trends, a vacancy allowance totaling \$3 million has been included in the 2012/13 budget.

The conservative approach has been less rigorously applied to revenues than in the past, and revenue growth, which is supported by reasonable plans as opposed to certainty, has been included. In addition to tuition rate increase assumptions, enrolment growth based on historical increases has been factored into tuition revenue. This is a departure from prior years' assumptions of flat undergraduate enrolment, and the resulting budget is expected to be closer to actual revenue realized. Revenue from provincial grants continues to be conservatively estimated due to uncertainty about proposed changes to funding.

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 2012/13, the Budget Committee set envelope allocations unchanged over current 2011/12 levels.

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, identifying:

- 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, recommending some for funding. 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. As the budget cycle progressed, more reliable information became available. **Table 1** below summarizes assumptions at the beginning and end of the 2012/13 budget process. Additional revenue received in 2011/12 will be allocated to faculties during the 2012/13 fiscal year. For fiscal years subsequent to 2012/13, high-level projections were made by the departments and faculties. Should these projections prove too optimistic, additional spending cuts will be required.

Table 1: 2012/13 Budget Assumptions

Key Assumptions	2012/13 Budget Guidelines Fall 2011	2012/13 Final Budget April 2012	2013/14 and 2014/15 Plans April 2012
Enrolment	- Undergraduate flat except medical expansion - Graduate to increase by 64 Masters and 34 PhD as McMaster's annual share of 6,000 new graduate spaces to be funded over four years	- Undergraduate to increase 1.4% - Graduate to increase 2.9%, including by 32 Masters and 16 PhD as McMaster's annual share of 3,000 new graduate spaces to be funded over four years	Small increase
Operating grants	- Undergraduate Accessibility at 2011/12 level due to flat enrolment - Increase in medical expansion funding - Graduate Expansion funding at current rate of \$14,067 per Masters student and \$27,145 per PhD student	- Undergraduate Accessibility at 2011/12 level due to possibility of discounted BIU's - Increase in medical expansion funding - Graduate Expansion funding at current rate of \$14,067 per Masters student and \$27,145 per PhD student	- Undergraduate Accessibility at 2011/12 level due to possibility of discounted BIU's - Increase in medical expansion funding - Graduate Expansion funding at current rate of \$14,067 per Masters student and \$27,145 per PhD student
Tuition revenues	6.5% increase due to graduate enrolment growth, domestic rates capped at 5%, international rate increase 6%	6.8% increase due to undergraduate and graduate enrolment growth, domestic rates capped at 5%, international rate increase 6%	5% increase due to enrolment growth and rate increases
Other revenues	Increased contributions from ancillaries	Increased contributions from ancillaries	Increased contributions from ancillaries
Rate of return on long-term investments	7.5%		7.5%
Rate of return on short-term investments	1.0%		1.0%
Compensation increases	- No increases to salary ranges for upcoming negotiations to comply with the Public Sector Compensation Restraint Act - 2% for groups previously affected by the Act	- No increases to salary ranges for upcoming negotiations to comply with the Public Sector Compensation Restraint Act - 3% for groups previously affected by the Act in 2012/13, 2% thereafter	
Employee benefits	Pension solvency relief and WSIB NEER surcharge increase included	Pension solvency relief and WSIB NEER surcharge increase included	

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 2012/13 budget reflects action taken in five 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:

- Pursuing enrolment growth at the graduate student level, especially Ministry-funded students. Growth in 2012/13, the final year to reach the Ministry of Training, Colleges and Universities' (MTCU) targets, is expected to result in 48 net new eligible graduate students (32 Masters and 16 PhD).
- Introducing new programs, including Executive Education, EMBA, joint initiatives with Mohawk College, and interdisciplinary programs.
- Maintaining contributions of ancillary operations to the operating budget at 3% of sales, while ensuring all facility costs are covered.
- Increasing tuition to the extent allowed within government guidelines, generating \$9 million new funding for 2012/13.
- Increasing recruitment of international students, including entering agreements with Chinese university partners, and tapping into external sources of support of scholarships.
- Improving student retention through strategies to improve student success as well as early warning systems to identify students at risk.
- Introducing the Dean's Award for Innovation in Recruitment and Retention to provide an incentive for innovative approaches in graduate programs.
- Developing and maintaining strong government relations advocacy programs to maximize funding at the federal, provincial and municipal levels, as recommended in the President's Advisory Committee on the Impact of the Current Economic Situation (PACICES) report.

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 2012/13, and the non-academic share has been reallocated and used for funding strategic priorities identified through the budgeting process. Revenue sharing with academic areas has continued and is in place in 2012/13 and beyond. Non-academic areas have been required to find efficiencies and reduce services to accommodate these implied reductions.

It has always been a principle that ancillary operations cover all costs incurred while earning revenue. A review of space-related charges across ancillary operations showed that a variety of complex and inconsistent methods of charging occupancy costs had evolved over time. In 2010/11, a model was developed based on market rates, including ground and facility rent, utilities, custodial services and insurance, and has been applied to all space occupied by ancillaries. The charges are being phased in over a three-year period beginning in 2011/12. Incremental recoveries will be directed to funding strategic and capital projects to help alleviate the strain on the operating budget that might result from additional borrowing.

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 have needed to absorb inflationary costs. This required actions such as:

- Where possible, delaying, reducing or eliminating expenditures (e.g., vacancies, lab renewal, equipment replacement, research support, memberships)
- Targeting expenditures to areas of greatest priority
- Reducing services or introducing fees for new services

While some of 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 always contribute significantly to long-term financial viability. Several of them require action over a number of years to be successful.

Decentralization is the most effective structure in a university setting, putting the authority and decision-making capacity in the hands of those in the best position to exercise it. However, decentralization may result in reduced efficiency with overlap or duplication of activities in disparate units. In order to cope with frozen budget allocations, some budget managers are exploring amalgamation possibilities to rationalize operations. In addition, in preparation for implementation of an activity-based budgeting model, service levels provided by support units are being reviewed with the objective of identifying which activities add value and optimizing their delivery in a decentralized environment. These reviews will allow for more informed decision-making as the inevitable cost pressures continue.

4. Addressing Specific Challenges through Strategic Investments

As previously mentioned, the Budget Committee controlled unallocated funds tightly and then recommended allocation based on areas that were strategic (e.g., “Forward with Integrity” initiatives), efficiency based (e.g., e-mail/calendar replacement, wireless canopy extension) or unavoidable (e.g., AODA compliance).

The challenge of funding non-pension post-retirement benefits has been growing for many years. Without action, benefit surcharges would increase to excessive levels without keeping pace with escalating costs of these plans, threatening the ability to fund mission-critical initiatives. A multi-pronged approach is now in place to fund this cost over the long term. The plan includes making specific allocations and utilizing reserves to build an investment fund; the income from the fund will have a cumulative effect of reducing the charges to budget units. Benefit surcharges will

increase at a modest rate. . This plan will clear the deficit over an extended period while keeping the benefit surcharge at approximately half of the projected required rate under the *status quo*.

The backlog of deferred maintenance has also been growing for many years. The current cost of critical annual maintenance is an incremental \$11 million for the next decade. With provincial capital funding now linked to asset management plans, it is essential that this challenge be addressed in the short term. An additional one-time allocation to deferred maintenance has been made in the 2012/13 budget.

As identified in President Deane's letter "Forward with Integrity," focus on the priorities of improving the student experience, community engagement, research, and internationalization is a strategic response to rapidly changing circumstances and requires new initiatives to transform education at McMaster. The 2012/13 budget provides \$1 million for funding of practical measures for advancing these priorities that would otherwise have to be absorbed in already stretched operating budgets and therefore at risk of delay, downscaling or abandonment.

5. Strategic Labour Negotiations

Employee costs account for 70% 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.

Envelope Highlights

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

Although much has been achieved with limited funding, many faculties and non-academic units are facing deficits due to ongoing cost pressures. Overall, these cost pressures relate mainly to increasing salary and benefit costs. In order to manage these costs, there are plans to reduce staffing levels through attrition and delayed hiring. Individual budgets have been balanced through the use of appropriations, which is not sustainable in the long term and may necessitate further staff reductions in future years.

Faculty of Business

The 2011/12 fiscal year has seen strong progress in the DeGroote School of Business. Two of the three Associate Deans have been confirmed, and the search for the new Dean is well underway. Two endowed chairs have been filled and recruitment efforts to replace six tenure-track faculty are underway. The undergraduate, MBA and administrative reviews will help guide the School's strategy going forward.

The new faculty leadership structure will need to quickly address the competing priorities of faculty renewal, program renewal, Executive Education growth and plans for significant cost control measures. An update of the business plan will address the economic challenges facing the school.

Faculty of Engineering

The Faculty of Engineering has aggressively pursued new income generation, primarily through graduate expansion and the success of the BTech program. While new faculty members have been actively recruited, with 13 hires in the past year, continued attrition through resignation and retirements has slowed the net growth. Once the current phase of hiring is complete, the faculty complement (not including those associated with the new BTech program) will have grown by about 5% over the previous peak of 149 in 2006/07, a modest rate given the much larger growth in both undergraduate and graduate student enrolments.

The Faculty is in a stable financial position providing the confidence to hire the new faculty needed to pursue objectives in key areas such as sustainability, power and automotive engineering, design and energy systems, while addressing critical imperatives including improving the gender balance amongst faculty and a focus on experiential learning.

Faculty of Health Sciences

The Faculty of Health Sciences continues to sustain success by absorbing planned enrolment increases, particularly with distributed learning opportunities; enhancing prospects for inter-professional education and research while stabilizing research capacity growth and developing flexibility in a time of fiscal challenges.

Faculty of Health Sciences program expansion has been undertaken to have minimal impact on other areas of the University, as most of the additional students are off campus, particularly at self-sustaining regional campuses. However, rising competition for research funding and continued fiscal stress on hospital partners are hard realities that present financial risk in the long term.

The Faculty's major capital initiatives in 2012/13 are the beginning of construction of the McMaster Health Campus in downtown Hamilton and the Halton McMaster Family Health Centre with Joseph Brant Memorial Hospital in Burlington. Both facilities will provide capacity for commitments to the Ministry of Health and Long-Term Care for growth of post-graduate medical programs, particularly family medicine. As well, the Niagara Regional Campus of the Michael G. DeGroot School of Medicine on the campus of Brock University in St. Catharines will open this summer.

Faculty of Humanities

In 2012/13, the Faculty of Humanities will focus on four major areas: maintaining and strengthening undergraduate programs; achieving greater efficiencies; achieving greater coordination and collaboration; and revisiting and renovating course offerings. Planned initiatives include introduction of innovative program initiatives: the introduction of Bachelor of Arts programs in Justice, Political Philosophy and Law as well as Applied Ethics; the launching of a Bachelor of Professional Communication, collaboration with Mohawk College; and the expansion and development of new graduate programs, including the PhD in Communications and New Media Practice. The Faculty's

departments, courses and institutes are undergoing the process of transformation to a global outlook. The Faculty has also launched a recruitment and retention strategy and other programs designed to boost professional experience of graduate students.

The Faculty's strategic focus also involves seeking external sources of funding which will include public and foundation support and new partnerships. Potential new revenue sources include the Master of Communication Management, a new International Certificate, and a new diploma in English as a Second Language. The building of L.R. "Red" Wilson Hall also presents a generational opportunity to expand opportunities for fundraising and building relationships.

Faculty of Science

The Faculty of Science continues to reduce its accumulated debt from over \$8 million in 2005 to less than \$2 million in 2011/12. In-house operations which are not cost recoverable are being closely examined, and this financial review will continue in 2012/13, where additional savings are expected from transferring the oversight of liquid nitrogen usage to central areas already charged with such functions, and implementing cost-recovery models in our animal facilities on a transitional basis. Resource allocation in the BA Programs will also be addressed through a principles-based agreement recently established with the Faculty of Social Sciences.

Despite ongoing financial pressures, the Faculty continues to make significant progress in our mission of teaching and research excellence. The Faculty's Integrated Science (iSci) Program continues to exceed expectations. The cut-off average was 92%, making it among the highest entry-average programs in the University. The Faculty has identified dedicated laboratory space for iSci and finalized the design. Science leads the University in domestic graduate student expansion both in total numbers and as a percentage of net growth. Our graduate students have been highly successful in obtaining prestigious national awards (including highly competitive Banting and Vanier awards).

Science continues to be highly successful in obtaining NSERC CREATE grants, and our success rates in NSERC competitions continues to be above national averages. Many of our faculty members were recipients of highly competitive and prestigious international awards, acknowledging our research excellence. This year, Science was also home to a 3M Teaching Award recipient.

The Faculty completed the new Kinesiology building expansion process made possible through the government's Knowledge Infrastructure Program and private donations. This state-of-the-art research and teaching space will have its official opening in the summer of 2012.

Faculty of Social Sciences

The Faculty of Social Sciences was once again ranked 40th in the world according to the Shanghai Jiao Tong University Academic Ranking of World Universities in 2011, the highest of any Faculty at McMaster. The Faculty of Social Sciences is home to some of the best educators in Canada, most recently evidenced by the award of a 3M Teaching Fellow to Professor Marshall Beier. The Faculty has revamped its undergraduate degrees to allow students an opportunity to complete Mohawk College certificates concurrent with their academic studies. This and other changes respond to student needs, and are aimed at improving student retention and success. The Faculty combines its commitment to teaching excellence with research innovation and excellence, evidenced by consistently higher-than-

national average success rates in National Research Council grant applications. Finally, one of the hallmarks of the Faculty is its engagement with the community at local, national and global levels.

The success of the Faculty has meant increased undergraduate and graduate enrolments over the last year, and a growing proportion of students enrolled in Honours programs. The Faculty is committed to increasing the permanent faculty complement, to improving student outcomes and has recently invested in student supports aimed at improving the transition from University to the world of work. The Faculty is in the process of developing new innovative PhDs in Health and Social Sciences and Work and Society.

University Library

Since 2006 acquisition expenditures have increased from \$6.8 million to \$7.5 million, a relatively modest increase considering the annual inflation of journals. Serials acquisitions have been maintained due to the favourable exchange rate, however this is not an acceptable strategy for the future. Control of personnel costs has been achieved through consolidation of services and the loss of approximately 20 FTEs. In spite of these losses, hours of operation have increased, including 24x5 in Mills and 24x7 in Thode and Mills during exams. Services have also increased, most notably with the Lyons New Media Centre. This new facility and the associated services have become one of the library “gems.” The library continues to see increases in peak gate count at over 14,000 in 2011/12. In 2011 seating in Thode will be increased by 400. Compact shelving in Mills will allow an increase to seating by over 200. The library review scheduled for March 2012 is expected to provide valuable input on future directions.

Student Affairs

Student Affairs continues to pride itself for service excellence and as a leader of best practices amongst University partners. 2011/12 represented another year of many significant accomplishments and successful partnerships with students and the University community, including the creation of a Student Wellness Centre; promoting academic skills under the accountability of the Student Success Centre; and helping McMaster athletes achieve their first Vanier Cup win supported by the services of the Sports Medicine Clinic of Excellence.

In 2012/13, a new Student Affairs Strategic Plan will be developed to incorporate the change of reporting for ancillary operations and important alignment to the guiding principles contained in President Deane’s letter to the University community. Focus will be enhanced on Student Life and Student Development programming and specifically contributions to student learning in the context of “Educating the Whole Student.”

Other Academic Units

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

Registrar’s Office

The Office of the Registrar is committed to managing budgetary pressures without compromising its mission and overall objectives: a positive customer experience; a positive working environment; and

greater efficiency and innovation in processes, services and structures. Continuous review of business processes has already allowed the office to initiate many operational changes to create efficiencies and improve customer satisfaction, capitalizing on digital technology to reduce manual and printed materials. The systems renewal project will also provide the opportunity to look at service delivery optimization.

School of Graduate Studies

New initiatives planned for 2012/13 include moving toward the development of a University-wide five-year plan for graduate studies, and recommendations for best practices in developing and maintaining increasingly critical interdisciplinary programs; providing an innovative and stimulating learning environment and student life experience; enhancing professional development and research training programs across all levels of research trainees; increasing opportunities to create intellectual communities and engaged scholarship opportunities among undergraduate researchers, graduate students and postdoctoral fellows; ensuring that all members of the community (students, faculty, and support staff) are recognized and valued for their contributions; and laying the foundations for a fair, transparent, and predictable scholarship allocation system to be put into place for the direct support of graduate students.

Museum of Art

The Museum prioritizes exhibitions that contribute to the academic mission of the University and to the discourse on art in Canada. The Museum strives to provide innovative pedagogical alternatives to classroom teaching and is leading in this area with the Visual Literacy Program. The Museum seeks out and develops innovations in digital presentation, and promotes original research on our collections. These initiatives are funded by aggressively pursuing government operating fund opportunities where they exist and other appropriate project funding.

The Museum will approach the Canada Council for the Arts for operating assistance and will continue to develop a relationship with the Office of Advancement to explore opportunities for donations. The Museum will continue to grow the collection, the program, and research interests such that the institution remains at the forefront of our peer university-affiliated and public cultural institutions in Canada. A modest additional allocation in the 2012/13 budget has been made to assist the Museum toward sustainability.

Centre for Leadership in Learning

The Centre for Leadership in Learning (CLL) will be celebrating its 40th anniversary this year. CLL has developed and enhanced a number of teaching and learning partnerships at McMaster. These partnerships, which have been facilitated by CLL publications, have helped to foster increased interest in and awareness of evidence-informed pedagogy at McMaster. After a very successful launch of Avenue to Learn, a stable and robust learning platform, a pilot is beginning with an ePortfolio module, as well as the Blended Learning Project collaboration with the Library.

The move to Mills Library has provided one-stop access to all materials and services and has improved productivity. Additional publications include *Good Practice in the Supervision & Mentoring of Post Graduate Students: It takes an Academy to Raise a Scholar*; the *Teaching at McMaster Handbook*; the *TA Guide*; and the *Research on Teaching and Learning Guidebook*.

Other Budget Areas

Research Envelope

In 2012/13 the first competition of the new Science and Engineering Research Board is being planned. This will be an annual competition designed to provide seed funding to McMaster's young researchers.

Technology

The University has committed \$5 million per annum over five years to the implementation of Vision 2020, with plans for funding over an additional five years to 2021/22.

The major initiative is the SMAART (Systems for McMaster Academic, Administration and Research Technology) Project for Systems Renewal (ERP). By the end of 2011/12, as a result of joint efforts between functional departments across campus, a software vendor will have been selected. Significant funding commitments will be made beginning in 2012/13, including:

- Purchase of ERP software licenses
- Purchase of additional technology infrastructure (e.g., servers and storage) upon which to run the ERP software
- Purchase of professional services of a systems integrator to assist with the initial implementation of the ERP software
- Backfill for resources seconded to the SMAART project

Following the official kick-off during late 2012, major work effort is expected to initially focus on implementation of the Student Information System. Critical next steps include finalizing the budget and work plan for the SMAART implementation detailing the effort required over a five-year horizon, and ensuring UTS skills are aligned appropriately and that the infrastructure is in place to move forward.

Also in 2012/13, Telecommunications will move under the UTS envelope from the Ancillary Fund. This realignment reflects the accountability structure, the essential nature of the service provided to the entire University, and the changing technology landscape with less opportunity for external sales. Convergence of traditional voice and data networks into a single integrated infrastructure is well underway and will continue as resources are available, with all functionality eventually provided over a single network allowing greater economies of scale.

Administration and Facility Services

Administrative units have reconfigured service levels and fee structures in order to ensure alignment to continued flat budgets while ensuring the best possible service levels. The division has steadily reduced its workforce over the last few years while absorbing increased demand notwithstanding weak computer and information systems. Changes to service levels and fees have been comparatively insignificant as resources are optimized.

University Advancement (UA)

The 2011/12 fiscal year was one of transition for University Advancement. Emerging from the

successful conclusion of the University's largest fundraising campaign, the UA team welcomed a new Vice-President, experienced the reduction of 13 FTEs and undertook several new strategic priorities. A new focus was placed on Government Relations activities with the successful recruitment of new and experienced team members. A number of significant milestone funding commitments were made in 2011 from all three levels of government, and in August Stephen Harper, the Prime Minister of Canada, made a visit to campus. McMaster's reputation was further enhanced with significant national and international media coverage through the year, which focused on teaching and learning, research, and community engagement. Alumni activities continue to realize outstanding levels of engagement, and focused on developing opportunities for alumni to be engaged with McMaster based on their interests. Despite significant change in the last calendar year, University Advancement was successful in surpassing the \$21.5 million fundraising goal as set by the University thanks to McMaster's community of committed donors and highly engaged alumni and friends. There are over \$40 million in new gifts and well over \$6 million in future gift expectancies.

Results

Operating Fund

Outlook for 2011/12

As shown in **Table 2**, in 2011/12, the operating fund is projected to run an in-year deficit of \$4.5 million, which is wholly related to net one-time, non-recurring expenditures of \$23 million (refer to **Appendix A** for details of these expenditures). The deficit has been reduced by \$13.3 million compared to the original budget. This positive variance was caused by revenues greater than the approved budget by \$18.1 million, offset by greater-than-expected spending of \$4.7 million.

Total additional revenues of \$18.1 million were a combination of \$9.9 million in general revenues received and allocated through the budget framework, plus \$8.2 million received directly by budget units. The additional framework revenues are the sum of:

- An increase of \$6.5 million for tuition due to increased growth.
- Accessibility funding of \$1.7 million for undergraduate enrolment growth, which was assumed to be flat in the original budget, offset by \$0.6 million due to lower-than-expected graduate growth.
- Greater-than-expected quality funding of \$1.3 million.
- Increased medical grants of \$0.5 million.
- An increase of \$0.5 million in other framework revenue is primarily due to additional Ontario Universities' Application Centre (OUAC) fee revenue and interest on student accounts.

Other revenue received directly by budget units is favourable by \$8.2 million, primarily in the Faculty of Health Sciences due to increased revenue from the Nursing Consortium, as well as post-graduate expansion revenue originally budgeted outside of the operating fund.

The higher rate of expenditure is primarily due to timing differences on one-time expenses of \$5.6 million, which were originally projected in 2010/11, and are offset by the favourable fund balance of \$15.7 million at the start of 2011/12. Timing differences are expected to recur in 2011/12, and a \$4.5 million one-time allowance for delayed expenditures has been included in the projection.

Compared to the five-month projection completed in November 2011, the in-year deficit has been reduced by \$22.7 million. This significant reduction has the same core explanation as noted beforehand. \$15.7 million of the variance is due to revenue greater than planned, with the remaining \$7 million due to lower-than-predicted expenditures (\$2.9 million lower ongoing expenses, offset by \$4.1 million lower one-time expenditures).

Table 2: University Operating Revenues and Expenditures 2011/12

(\$ thousands)				Variances	
	2011/12 Budget	2011/12 Projection		8 Month vs. Budget	8 Month vs. 5 Month
		5 Month	8 Month		
Fav (Unfav)					
Ongoing:					
Allocations	403,060	404,415	409,459	6,399	5,044
Other income	76,878	76,361	82,496	5,618	6,135
Total revenue	479,938	480,776	491,955	12,017	11,179
Expenditures	474,248	476,256	473,359	889	2,897
Surplus (deficit)	5,690	4,520	18,596	12,906	14,076
One-time:					
Allocations	5,626	5,098	11,633	6,007	6,535
Other income	3,586	3,408	6,137	2,551	2,729
Total revenue	9,212	8,506	17,770	8,558	9,264
Expenditures	35,205	44,914	40,818	(5,613)	4,096
Surplus (deficit)	(25,993)	(36,409)	(23,048)	2,945	13,361
Framework under (over) allocation	2,509	4,700	0	(2,509)	(4,700)
Total surplus (deficit)	(17,794)	(27,189)	(4,452)	13,341	22,736
Opening appropriations	67,785	83,495	83,496	15,711	1
Ending appropriations	49,991	56,307	79,044	29,053	22,737

Note: Reclassification between lines. Certain 2011/12 figures have been reclassified to conform with the format now adopted in the Projection column.

2012/13 Budget

The Operating Fund Summary in **Table 3** provides the projected 2011/12 year-end results and the 2012/13 budget, along with plans for 2013/14 and 2014/15. Highlights compared to 2011/12 projection are:

- Total sources of funding will increase by \$14.2 million (2.8%) primarily due to tuition growth (\$11.9 million or 6.8%)
- Operating expense will increase by \$36.8 million (7.1%) due to:
 - Growth in compensation and benefits of \$25 million (7.0%), primarily due to an average increase in benefits of 12.9% caused by pension costs and increased provision for post-retirement benefits, including a one-time contribution of \$1.8 million towards the investment fund
 - Increased one-time expenditures of \$9.2 million on technology renewal
- The in-year operating deficit will be \$27 million (5.2% of revenue)
- Of this amount, one-time net expenditures account for \$34.7 million, i.e., the operating fund is balanced before one-time expenses
- Appropriations decline 33.6% to reach \$53.3 million at April 2013.

Table 3: Operating Fund Summary – Year Ending April 30, 2013

(\$ thousands)	Operating Fund		2011/12 Variance		Operating Fund		
	2011/12 Budget	2011/12 Projection	Favourable/ (Unfavourable)		2012/13 Budget	2013/14 Plan	2014/15 Plan
Sources of Funding:							
Provincial Grants	221,132	223,900	2,768	1.3%	224,741	223,398	221,941
Tuition	170,236	176,748	6,512	3.8%	188,681	198,116	208,028
Research Overhead Income	22,057	22,157	100	0.5%	21,828	21,772	21,823
Investment Income	9,467	9,467	-	0.0%	9,467	9,467	9,467
Other income	68,766	77,452	8,686	12.6%	79,202	78,648	79,688
Total sources of funding	491,658	509,725	18,066	3.7%	523,919	531,401	540,948
Expenditure:							
Salaries, wages and benefits	360,555	359,721	834	0.2%	384,736	395,370	406,720
Utilities and maintenance	30,476	30,364	112	0.4%	32,490	29,554	29,517
Equipment and renovations	18,848	20,132	(1,284)	-6.8%	21,587	11,923	11,181
Scholarships, bursaries and work study	28,992	30,862	(1,869)	-6.4%	29,491	29,037	28,956
Library acquisitions	9,085	9,481	(395)	-4.4%	9,542	9,681	9,703
Debt and financing charges	10,623	11,308	(685)	-6.4%	11,005	11,010	11,010
All other expenses	50,872	52,310	(1,438)	-2.8%	62,087	51,369	48,538
Total expenditures	509,452	514,177	(4,725)	-0.9%	550,939	537,942	545,625
Total surplus (deficit)	(17,794)	(4,452)	13,341	75.0%	(27,020)	(6,541)	(4,677)
Fund balances, beginning of year*	67,785	83,496	15,711	23.2%	80,334	53,313	46,772
Fund balances, end of year	49,991	79,044	29,053	58.1%	53,313	46,772	42,095

*2012/13 includes reserves for Campus Health and Telecommunications transferred from Ancillary Fund, less copier account deficit transferred to Ancillary Fund
 Note: Reclassification between lines. Certain 2011/12 budget figures have been reclassified to conform with the format now adopted in the Projection column.

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

- **Tables 22 through 26** show a breakdown of the sources of funding and resource allocation for each operating budget envelope, together with variances between the 2011/12 projection and original budget and one-time items for 2011/12 and 2012/13.
- **Table 27** shows the annual net change in operating envelopes for 2011/12 through 2014/15.
- The financial position of budget envelopes in **Tables 28 and 29** 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, 2011, and projected/planned net expenditures for 2011/12 through 2014/15.

2012/13 One-time Costs

As shown in **Appendix A, Table 26**, one-time expenditures have been budgeted for 2012/13 including the following areas:

- \$14.2 million for system renewal and other technology costs throughout the University
- \$8.7 million from Health Sciences, including the Primary Care Centre
- \$2.8 million for Engineering laboratory renewal, completion of the Engineering Technology Building, and expansion of the BTech program to McMaster Innovation Park
- \$2.7 million for Science specifically funded expenses and iSci laboratory development
- \$2.9 million for deferred maintenance and campus accessibility, including AODA compliance
- \$2 million to transition to a new methodology for graduate scholarships
- \$1.8 million added to the reserve for post-retirement benefits
- \$1 million for initiatives related to the “Forward with Integrity” strategy

Table 4: Operating Fund Revenues and Expenditures Showing Ongoing and One-time Expenditures – Year Ending April 30, 2013

(\$ thousands)

	2011/12 Budget	2011/12 Projection	2012/13 Budget	2013/14 Plan	2014/15 Plan
Ongoing:					
Allocations	403,060	409,459	420,447	430,882	441,656
Other income	76,878	82,496	86,513	87,157	88,379
Total revenue	479,938	491,955	506,960	518,039	530,035
Expenditures	474,248	473,359	499,263	511,337	521,418
Surplus (deficit)	5,690	18,596	7,697	6,702	8,617
% of revenue	1.2%	3.8%	1.5%	1.3%	1.6%
One-time:					
Allocations	5,626	11,633	13,574	4,750	4,500
Other income	3,586	6,137	3,385	2,005	1,861
Total revenue	9,212	17,770	16,959	6,755	6,361
Expenditures	35,205	40,818	51,676	26,605	24,208
Surplus (deficit)	(25,993)	(23,048)	(34,717)	(19,850)	(17,846)
Framework under (over) allocation	2,509	0	0	6,607	4,552
Total surplus (deficit)	(17,794)	(4,452)	(27,020)	(6,541)	(4,677)
Opening appropriations*	67,785	83,496	80,334	53,313	46,772
Ending appropriations	49,991	79,044	53,313	46,772	42,095

*2012/13 includes reserves for Campus Health and Telecommunications transferred from Ancillary Fund, less copier account deficit transferred to Ancillary Fund

Note: Reclassification between lines. Certain 2011/12 budget figures have been reclassified to conform with the format now adopted in the Projection column.

Revenue**Table 5: Growth and Diversification of the Operating Revenue Base**

(\$ thousands)

	2011/12 Budget	2011/12 Projection	2012/13 Budget	2013/14 Plan	2014/15 Plan
Provincial Grants	221,132	223,900	224,741	223,398	221,941
Tuition	170,236	176,748	188,681	198,116	208,028
Research Overhead Income	22,057	22,157	21,828	21,772	21,823
Investment Income	9,467	9,467	9,467	9,467	9,467
Other Income	68,766	77,452	79,202	78,648	79,688
Total Sources of Funding	491,658	509,725	523,919	531,401	540,948
Percentage change		3.7%	2.8%	1.4%	1.8%

Strengthening and diversifying the operating revenue base continues to be an important financial objective for McMaster University. Total 2011/12 operating revenue is currently projected to be \$509.7 million, up by 3.7% over the original 2011/12 budget. This is due mainly to increased funding for undergraduate, graduate and medical enrolment growth, as well as greater-than-expected income from other sources. This rate of revenue growth decreases in 2012/13 to 2.8%.

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
\$224.7 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. Growth in operating grants is conservatively estimated at 0.4% for 2012/13, with no increases budgeted for undergraduate accessibility and an increase of 48 graduate students in accordance with provincial targets. As a result of provincial efficiency targets to be introduced in 2013/14, the basic operating grant is assumed to decrease for our share of the targeted reduction and to reflect access to international student revenue. This is a conservative approach, and forecasts will be refined as additional details become available.

Table 6: Provincial Grants – 2011/12 to 2014/15

(\$ thousands)

	2011/12 Budget	2011/12 Projection	2012/13 Budget	2013/14 Plan	2014/15 Plan
Basic Grant	180,061	180,061	180,061	177,700	175,339
Accessibility Grant	1,973	3,647	3,621	3,621	3,621
Graduate Expansion	9,047	8,435	9,319	10,203	11,087
Performance Fund	1,745	1,745	1,745	1,745	1,745
General Quality Fund	8,000	9,250	8,600	8,600	8,600
MD and Post Graduate Expansion	16,986	17,611	18,057	18,057	18,057
MD Enhanced Funding	1,714	1,714	1,901	2,035	2,055
Grant for Expanded Nursing Program	1,282	1,113	1,113	1,113	1,113
Clinical Education Grant	324	324	324	324	324
Total Grant Income	221,132	223,900	224,741	223,398	221,941
Percentage change		1.3%	0.4%	-0.6%	-0.7%

Tuition Income
\$188.7 million

Based on the enrolment targets outlined previously, total 2012/13 tuition income is projected to increase by \$11.9 million (6.8%) from the 2011/12 projection. For 2012/13, undergraduate enrolments are expected to increase by 1.4% while graduate enrolments increase 2.9%, both in line with growth achieved in 2011/12. The University, through the Enrolment Management Team (EMT), is reviewing undergraduate enrolment targets and forecasting models to ensure McMaster sets reasonable targets and achieves them.

Table 7: Tuition Income – 2011/12 to 2014/15

(\$ thousands)

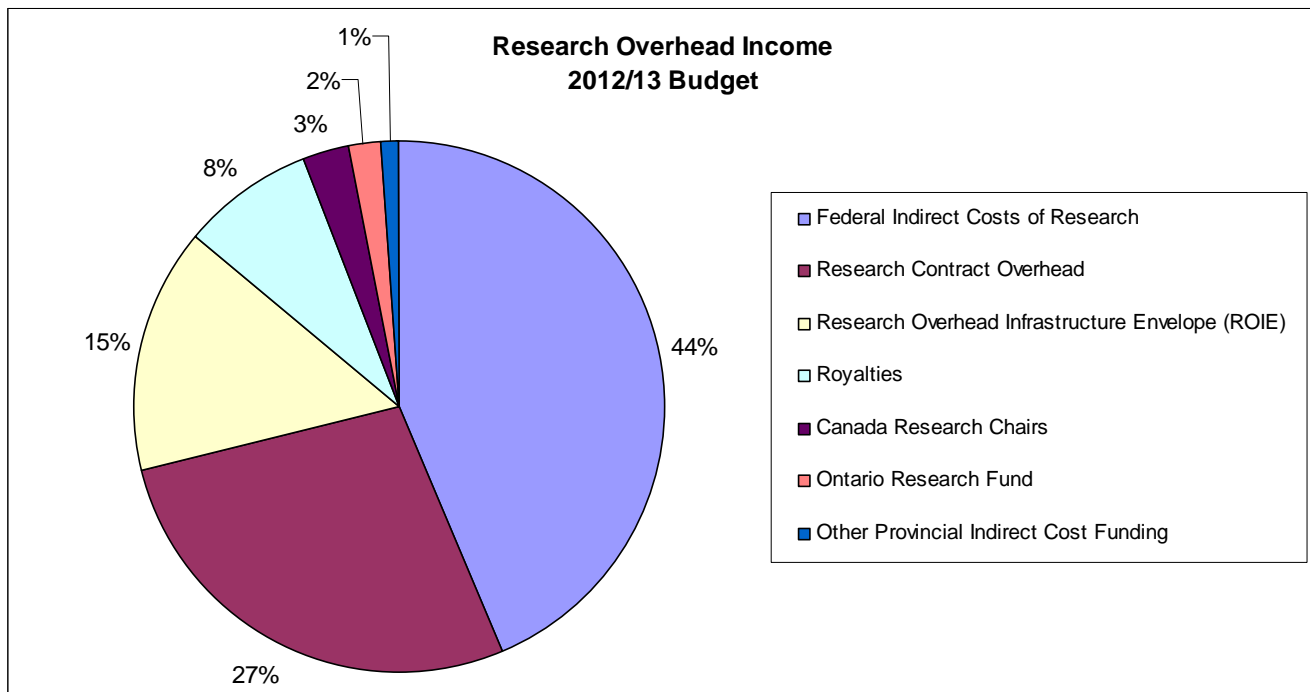
	2011/12 Budget	2011/12 Projection	2012/13 Budget	2013/14 Plan	2014/15 Plan
Undergraduate	143,639	148,977	158,710	166,634	174,964
Graduate	26,597	27,771	29,971	31,482	33,064
Total Tuition Income	170,236	176,748	188,681	198,116	208,028
Percentage change		3.8%	6.8%	5.0%	5.0%

Research Overhead Income

\$21.8 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**.

Figure 2: Research Overhead Income – Year Ending April 30, 2013



Investment and Other Income

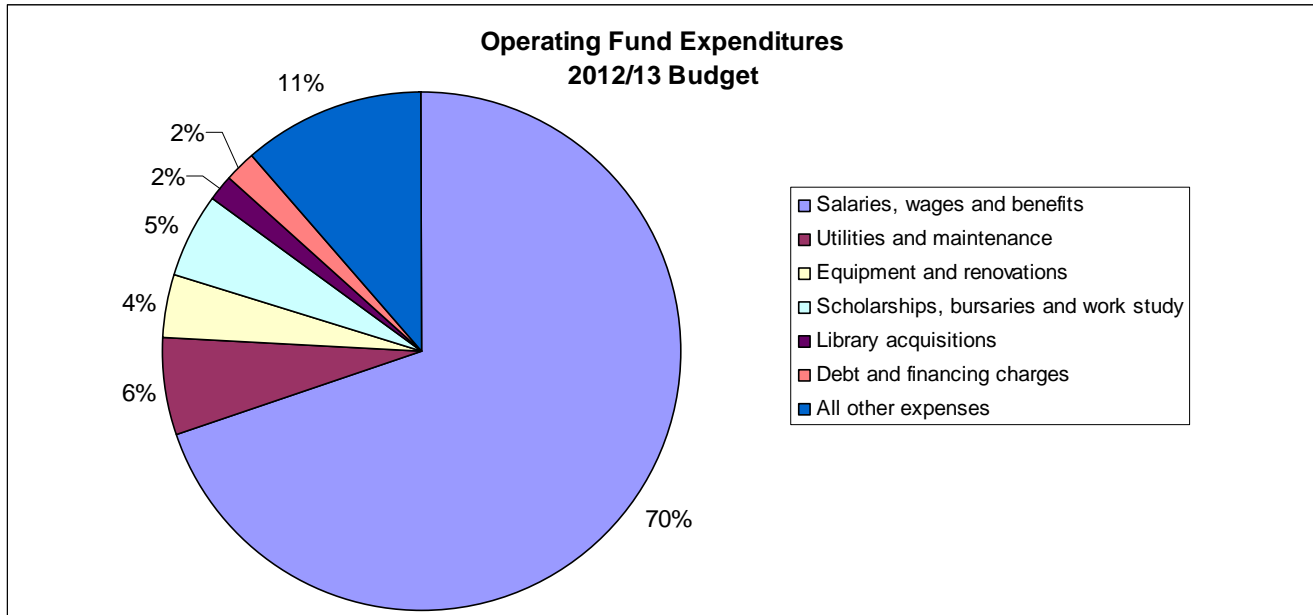
\$88.7 million

The University’s operating fund includes other income derived from sources such as interest earned on working capital balances, investment income, donations and grants. Other income is primarily received directly by budget envelopes, and includes cost-recovery programs, targeted grants, income from the nuclear reactor, and costs recovered for utilities and staffing from partners.

Expenditures

Expenditures budgeted for 2012/13 total \$550.9 million, of which 69.8% relates to compensation costs.

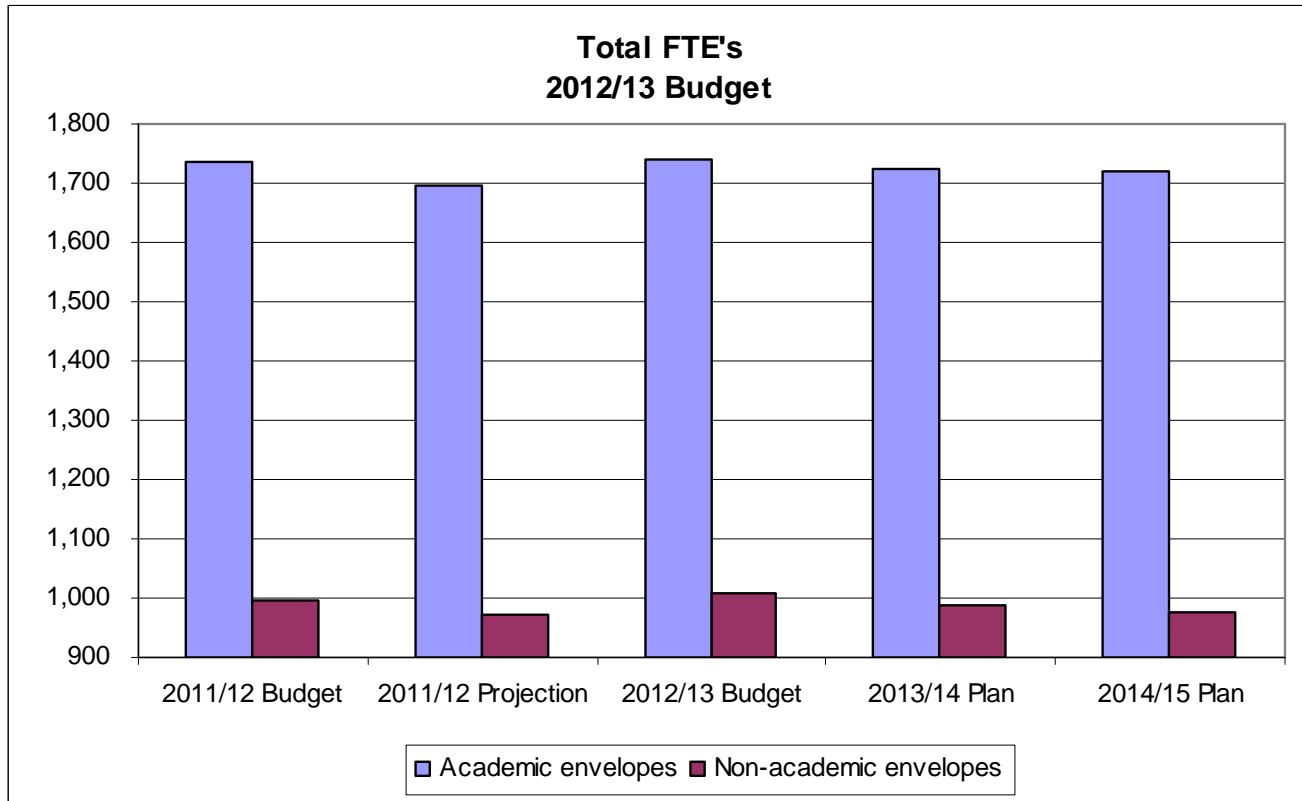
Figure 3: Operating Fund Expenditures – Year Ending April 30, 2013



Salaries, Wages and Benefits \$384.7 million

- Salaries, wages and benefits represent 69.8% of the University’s total operating budget expenditures and will increase by \$25 million (7%) in 2012/13 over the 2011/12 projection.
- Attention continues to be focused through labour negotiations on controlling increasing post-retirement benefit and pension costs.
- Benefit costs continue to rise at a greater rate than inflation as a result of additional employer contributions to pension plans, WSIB surcharge, and an increased provision for post-retirement benefits.
- As shown in **Figure 4**, projected FTEs in 2011/12 were less than originally budgeted due to vacancies.
- Increases in FTEs in 2012/13 reflect growth in the Faculty of Health Sciences, resources associated with the ERP project and filling faculty vacancies. Declines in 2013/14 and 2014/15 represent a return to steady state staffing as temporary positions come to an end.

Figure 4: Total FTEs – Year Ending April 30, 2013



Utilities and Maintenance

\$32.5 million

- The cost of maintaining and operating the physical infrastructure represents 5.9% of the operating budget.
- Facility Services is working on the development of an Energy Management Plan with the objective to reduce the cost of purchase of utilities and to also achieve reductions in the conservation of energy. Facility Services will also continue to work with the Sustainability Office to implement sustainability items that were included in the Climate Action Plan.
- Utilities costs have been minimized by achieving favourable rates for purchased utilities.
- An allocation of \$0.8 million for a critical replacement of the transformer in the Life Sciences Building has been included in the 2012/13 budget.

Equipment and Renovations

\$21.6 million

- Infrastructure spending and transfers to the capital fund for equipment and renovations include:
 - \$6.1 million in Health Sciences for the McMaster Health Campus, Halton McMaster Family Health Centre, and the Niagara Regional Campus of the Michael G. DeGroote School of Medicine
 - \$5.2 million for facilities and deferred maintenance
 - \$3.6 million in Engineering for fit-out of space in the Engineering Technology Building and expansion into McMaster Innovation Park

- \$3.1 million for athletic track renewal and infield development
- \$2.2 million for technology infrastructure
- \$0.9 million for Library equipment

Scholarships, Bursaries and Work Study **\$29.5 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. The program has reached steady state.
- The phase-in to the new allocation methodology for allocation of graduate scholarships will begin in 2012/13. One-time transition costs of \$2 million have been included in the budget.

Library Acquisitions **\$9.5 million**

- Despite inflation in the cost of journals, acquisitions have increased modestly due to a strong Canadian dollar. Acquisitions are projected to remain flat for the next three years, including \$7.5 million in the main library and \$2 million in the Health Sciences library.

Debt and Financing Costs **\$11 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 the Ron Joyce Centre are included (refer to **Tables 12 and 13**).

All Other Expenses **\$62.1 million**

- This line represents 11.3% of the operating budget, and includes a broad range of supplies and other expenses not categorized elsewhere.
- The 2012/13 budget increased \$9.8 million over 2011/12 projection related to technology renewal and spending on delayed projects carried over from 2010/11. Excluding these special one-time projects, the planned level of expenditure is flat to 2011/12 and returns to normalized levels in 2013/14 and 2014/15.

Operating Fund: Conclusions – 2012/13 Budget

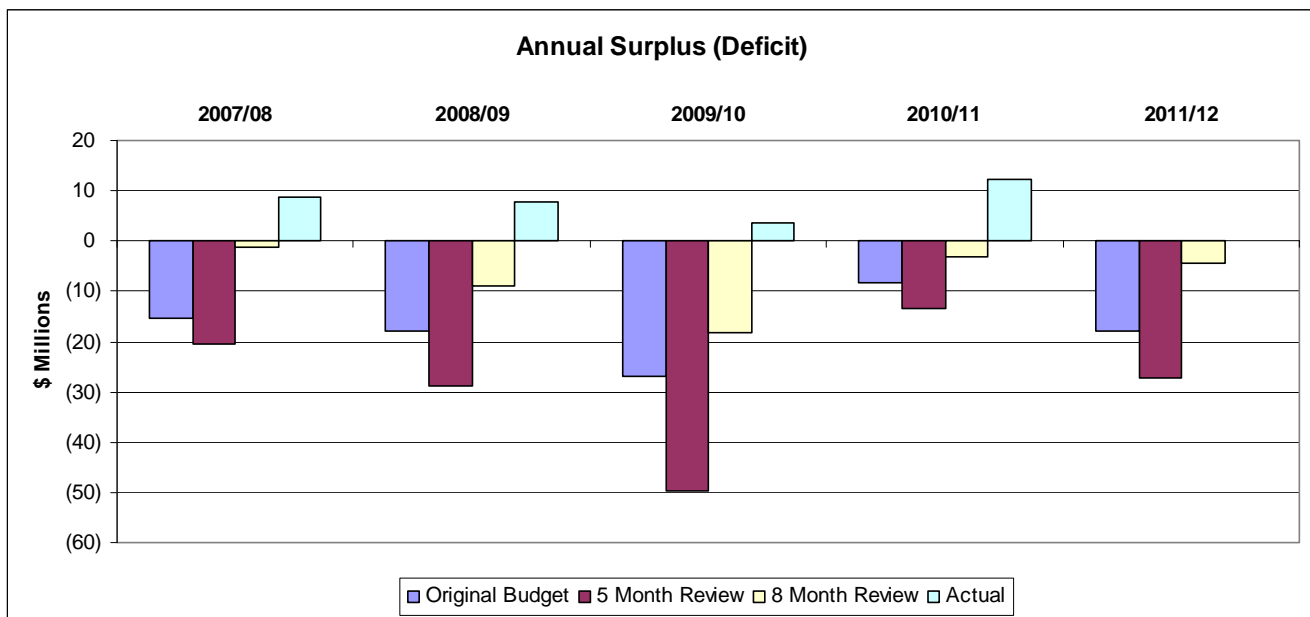
Through major actions of envelope managers to contain costs and provincial commitments to provide an increase to revenues, the operating fund is budgeted to be structurally in balance in all years of the planning horizon. One-time expenditures will draw down appropriated surpluses as critical and long-overdue investments are made. This was possible because of restraint in allocating revenue over the last few years, resulting in a surplus in the budget framework available for allocation. This surplus has been fully allocated to these one-time investments in 2011/12 and 2012/13, however since the allocations were made on a one-time basis, the surplus is projected to be available again in 2013/14 for

similar strategic investments.

Although the budgeted deficit is significant, there is good reason to expect that the operating fund will end 2012/13 in a better position than budgeted. The farther in advance a projection is prepared, the less certain is the outcome. Fixed costs like salaries and benefits can be reasonably estimated at the time of the original budget. Revenue is less certain and not budgeted unless there is a good chance that it will materialize. Discretionary expenses are often incurred only if expected revenue is received.

Due to our conservative budgeting approach, a pattern emerges in the projections. As **Figure 5** shows, since 2007/08 the original annual budget for the year is a deficit. The original budget normally includes assumptions about spending in the prior year, and therefore funding carried forward, as well as the expectation of full staffing levels. Usually the spending in the prior year is less than expected and the balance carried forward greater, so projected expenses are increased at the time of the five-month review, increasing the annual deficit. By the time of the eight-month review, budget managers have had a chance to make adjustments to spending based on actual results to date, but are still conservative in their estimates. A combination of realized revenue and reduced spending produces a favourable year-end actual result. While this pattern does not provide grounds for complacency, neither should it signal the need for draconian actions to balance the original budget.

Figure 5: Actual Surplus/(Deficit) vs. Projections



Operating Fund Conclusions – 2013/14 and 2014/15

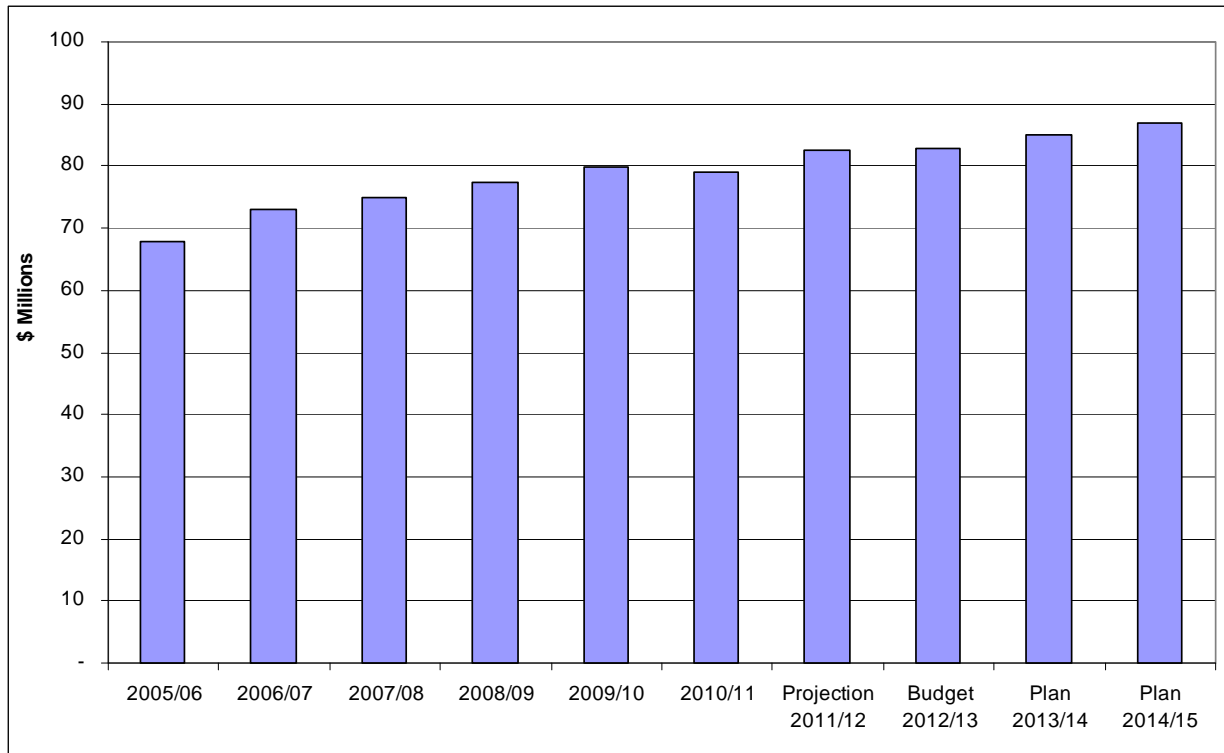
The expected provincial cost-saving measures along with the absence of a tuition framework introduce considerable uncertainty into the plans for 2013/14 and 2014/15. Using conservative assumptions, the budget is structurally balanced. However, the significant one-time expenditures over the next six years will draw down appropriations. The need to continue these strategic investments will make it imperative to find new revenues, additional cost savings and greater efficiencies in future years.

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 2012/13 review included an evaluation of each area’s three-year plan. The chart below shows actual gross ancillary income for fiscal 2005/06 through 2010/11 and the projected income for 2011/12 through 2014/15. Gross sales for 2012/13 are estimated to be \$82.8 million, a 0.3% increase over the 2011/12 projection, reflecting the move of Telecommunications and the Student Wellness Centre to the operating fund in 2012/13.

Figure 6: Gross 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 3% of sales to the operating fund in 2011/12 and future years. In addition, standard space and facilities charges for ancillary operations at market rates will be phased in over a three-year period beginning in 2011/12. The bulk of this funding will be transferred to a strategic reserve, providing a reliable internal source of funding for capital and other priorities. Operating highlights and individual budgets for each ancillary are shown in **Appendix B**.

Table 8: Ancillary Fund Summary – Year Ending April 30, 2013

(\$ thousands)

	Ancillary Fund	
	2011/12 Projection	2012/13 Budget
Revenue		
Ancillary sales and services	68,468	68,759
Other revenues	6,506	5,569
Total revenues	74,974	74,328
Expenses		
Salaries, wages and benefits	26,992	26,456
All other expenses, including capital	37,757	36,078
Transfers to (from) other funds	5,983	7,504
Debt and financing charges	5,076	4,821
Total expenses	75,808	74,859
Excess of revenues over expenses	(834)	(531)
Fund balances, beginning of year	5,228	3,104
Fund balances, end of year	4,394	2,573

Research Fund

The forecast for the 2011/12 research budget (research revenue received, including revenue received for future periods) is \$182.3 million. The budget for 2012/13 is \$184.5 million. This forecast reflects the current research funding landscape as outlined in **Appendix C**.

Figure 7: Research Revenue Received

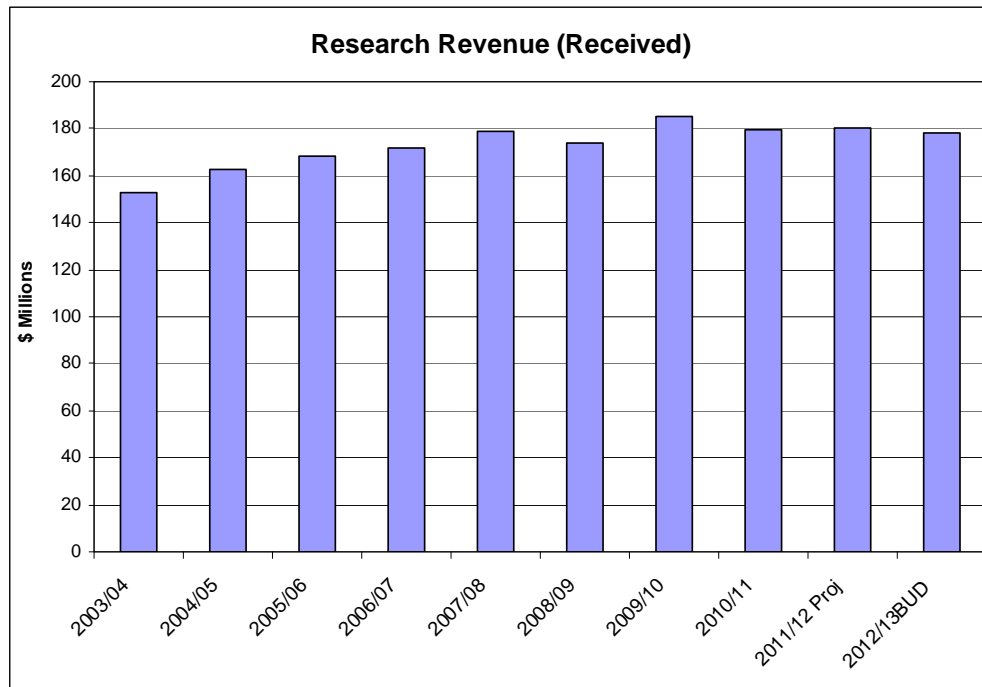


Table 9: Research Fund Summary – Year Ending April 30, 2013

	Research Fund	
	2011/12 Projection	2012/13 Budget
Revenue		
Research grants and contracts	180,051	177,987
Total revenues	180,051	177,987
Expenses		
Salaries, wages and benefits	103,707	102,457
All other expenses, including capital	72,990	72,110
Transfers to (from) other funds	(10,027)	(6,119)
Total expenses	166,670	168,448
Excess of revenues over expenses	13,381	9,539
Fund balances, beginning of year	183,723	197,104
Fund balances, end of year	197,104	206,643

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 \$52 million in donations and grants budgeted for fiscal 2012/13, approximately 80% are expendable and will be spent in the year received. The remaining 20% are endowed and will remain in perpetuity.

Highlights

Highlights of trust funds include:

- Investment income earned on endowed trust funds of 0% in 2011/12 and 7.5% thereafter (net of investment management fees).
- The budget includes endowed trust fund donations of approximately \$11.6 million, expendable donations of \$12.3 million and \$28.4 million from the Regional Medical Associates (RMA), totaling \$52.3 million in donations.
- Budgeted 2012/13 donations are lower than 2011/12 projected by approximately \$14 million. The budget includes \$5.4 million in donations from the Boris Family compared to \$12 million in the projection. Also contributing to the reduction in donations is the elimination of the Ontario government's OTSS program which resulted in reduced budgeted donations of \$2.6 million. Expendable donations are also budgeted at \$3 million less than projected.
- Scholarship and bursaries provided from trust income and other specifically designated funds are budgeted at approximately \$12 million.

Table 10: Trust Fund Summary – Year Ended April 30, 2013

(\$ thousands)	Trust Fund	
	2011/12	2012/13
	Projection	Budget
Revenue		
Other revenues	66,128	52,332
Investment income (loss)	-	25,590
Total revenues	66,128	77,922
Expenses		
Salaries, wages and benefits	20,539	20,781
All other expenses, including capital	21,319	21,788
Transfers to (from) other funds	8,364	8,872
Total expenses	50,222	51,441
Excess of revenues over expenses	15,906	26,481
Fund balances, beginning of year	398,262	414,168
Fund balances, end of year	414,168	440,649

*Internally Restricted Endowment Funds***Table 11: Endowment Fund Summary – Year Ended April 30, 2013**

(\$ thousands)	Endowment Fund	
	2011/12	2012/13
	Projection	Budget
Revenue		
Other revenues	200	100
Investment income (loss)	-	8,288
Investment income transfer	(4,521)	(4,521)
Total revenues	(4,321)	3,867
Fund balances, beginning of year	114,833	110,512
Fund balances, end of year	110,512	114,379

Capital Projects and Financing

Capital Fund Projects⁶

The University has a Campus Master Plan which ensures the physical infrastructure is an appropriate reflection of McMaster's excellence and academic priorities. Each year, through the work of Facilities Services and the Planning and Building Committee, major multi-year projects are reviewed, prioritized and approved. Projects are not usually approved unless they are fully funded or accompanied by an approved financing plan. Priorities for 2012/13 include completion of the McMaster Automotive Resource Centre (MARC) at MIP (\$21.6 million) and the beginning of the downtown McMaster Family Health Centre (\$84.6 million). In addition, the Wilson Building for Humanities and Social Science (\$65 million) is slated to begin construction once planning is finalized and final approval from the Board is given.

Research-Related Capital Fund 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 2012/13, the University expects to receive \$19 million from CFI toward the construction costs associated with various research projects, most of which were awarded during the 2009 round of the CFI competition. These contributions and related spending are shown in the capital fund. In addition, the University is anticipating success for additional projects in the 2012 CFI round, and approval to provide matching funds in subsequent years to undertake these expenditures has been secured from the Board.

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 recent audit valuations, approximates \$150 million⁷, including the University's share of the McMaster University Medical Centre.

Regular Facilities Renewal funding from the Ministry, at approximately \$1.2 million per year for 2012/13, is down from \$1.8 million in 2008/09. These amounts are not sufficient to cover deferred maintenance costs, and an additional \$2.8 million has been allocated in the 2012/13 operating budgets. Even at this level, deferred maintenance spending is inadequate.

Tables 12 and 13 below summarize the total expected capital funding and spending by project for fiscal 2011/12 and 2012/13. **Table 14** includes projections for the next five years.

⁶ 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.

⁷ Updated estimate from \$145 million as reported in the April 30, 2011 audited financial statements. Deferred maintenance is defined as work on the maintenance of physical facilities that has been deferred on a planned or unplanned basis to a future budget cycle or postponed until funds become available.

Table 12: 2011/12 Updated Capital Projection

(\$ thousands)

Project	In Year Source of Funds by type			Total Sources of Funds	In Year Expenditure	Net -In Year Impact
	Operating Grants	Other external sources	Transfers From/(to) Other Funds			
2nd Floor MDCL		648		648	500	149
Level 3 Biocontainment Lab			88	88	1,000	(912)
KIP Project - Spinal Cord Research Centre		14,104		14,104	7,859	6,244
KIP Project - Nuclear Research Building & Equipment		5,054		5,054	(1,024)	6,079
KIP Project - Reactor Equipment		5,191		5,191	2,845	2,346
KIP Project - NRB		6,900		6,900	866	6,035
McMaster Health Centre (downtown)		1,199	5,700	6,899	238	6,661
MUMC Infrastructure Projects (incl. CAF)				-	1,197	(1,197)
MARC (McMaster Automotive Resource Centre)		4,515		4,515	4,571	(55)
Outdoor Track Replacement		1,942	-	1,942	142	1,799
GSA Relocation of Phoenix & Renovation		1,042	648	1,689	1,916	(226)
Kinesiology Lab Retrofit				-	965	(965)
Campus Backflow Preventers			415	415	34	381
Halton McMaster Family Health Centre			1,000	1,000	34	966
MD2 Regional Expansion Program		-		-	34	(34)
MD3 Regional Expansion Programs		2,000		2,000	138	1,862
2009 CFI Projects		3,085	-	3,085	6,171	(3,086)
2011/12 Def. Maintenance and Facility Renewal Program	1,155		1,000	2,155	172	1,983
Completion of pr yrs deferred maintenance	-			-	3,057	(3,057)
Estimates for other small projects (<\$1 million)			567	567	1,000	(433)
Capital Projects	1,155	45,680	9,417	56,253	31,714	24,539
				-		-
Annual Repayments of Internal Capital Loans			8,004			8,004
Contribution from Strategic Reserve			1,322			1,322
Net Change to Capital Funds						33,865

Table 13: Capital Budget 2012/13

(\$ thousands)

Project	In Year Source of Funds by type			Total Sources of Funds	In Year Expenditure	Net -In Year Impact
	Operating Grants	Other external sources	Transfers From/(to) Other Funds			
				-		-
Level 3 Biocontainment Lab				-	2,000	(2,000)
McMaster Health Centre (downtown)		10,000	3,428	13,428	28,566	(15,138)
MUMC Infrastructure Projects (incl. CAF)		1,713		1,713	2,300	(587)
MARC (McMaster Automotive Resource Centre)		7,500		7,500	15,500	(8,000)
Outdoor Running Track Replacement		258		258	1,068	(809)
GSA Relocation of Phoenix & Renovation		1,527		1,527	1,300	227
Kinesiology Lab Retrofit			500	500	69	431
Wilson Building for the Humanities & Soc.Sci.		1,850		1,850	2,000	(150)
Backflow Preventers			-	-	1,551	(1,551)
Halton McMaster Family Health Centre			1,000	1,000	5,031	(4,031)
MD2&3 Regional Expansion Program				-	1,862	(1,862)
2009 CFI Projects		19,050		19,050	15,964	3,086
2012 CFI Projects				-	1,000	(1,000)
2012/13 Def. Maintenance	1,155		2,802	3,957	3,957	-
Boris Family Stem Cell Projects		2,500		2,500	2,500	-
Estimates for other small projects (<\$1 million)			535	535	5,000	(4,465)
Capital Projects	1,155	44,398	8,265	53,819	89,667	(35,849)
				-		-
Annual Repayments of Internal Capital Loans			7,446			7,446
Contribution from Strategic Reserve			2,604			2,604
Net Change to Capital Funds						(25,799)

Table 14: Five-Year Capital Plan

Five Year Estimate - Major Capital Projects
(\$ thousands)

	Estimated Spending by year					Total
	2011/12	2012/13	2013/14	2014/15	2015/16	
Approved & Underway						
- prior year's capital projects still underway	\$ 31,714					\$ 31,714
-next year's capital plan as detailed above		\$ 89,667				\$ 89,667
-completion of McMaster Health Centre		incl. above	\$ 40,796	\$ 15,000		\$ 55,796
- CFI Projects likely won in 2012 round			\$ 10,500	\$ 7,500		\$ 18,000
						\$ -
Pending/Under Review/Priorize/Estimates only						
- 4th Floor Fit out for Burlington Campus			\$ 4,500			\$ 4,500
-Small Projects and Regular Def. Maintenance			\$ 3,700	\$ 3,700	\$ 3,700	\$ 11,100
- Wilson Building for Studies in Humanities and Social Sciences		incl. above	\$ 30,000	\$ 18,000	\$ 15,000	\$ 63,000
- Estimates for projects not yet considered				\$ 4,000	\$ 38,000	\$ 42,000
Total	\$ 31,714	\$ 89,667	\$ 89,496	\$ 48,200	\$ 56,700	\$ 315,777

Capital Financing

As noted above, not all projects are fully funded at the time of construction. Interim and long-term financing is offered through the University's central bank. The central bank is funded by a portion of the University's \$120 million bond and other reserves. **Table 15** summarizes the expected position of the central bank over the next four years.

Table 15: Central Bank Position

Loans of the Central Bank (thousands of dollars)	April 2011-	April 2012-	April 2013-	April 2014-	April 2015-
	Actual	Projected	Projected	Projected	Projected
Internal Equipment Loans	361	524	394	263	125
Les Prince Residence	18,345	17,837	17,299	16,733	16,137
David Braley Athletic Complex	13,351	12,287	11,321	10,371	9,369
Ron Joyce Stadium & Parking	26,181	24,520	22,785	20,933	18,998
Engineering Building	9,316	4,984	2,485	1,298	1,155
2nd Floor MDCL-Build	6,255	5,519	5,355	5,182	4,997
Ron Joyce Centre in Burlington	19,941	17,220	15,080	12,860	10,633
MUMC Infrastructure (incl. Central Animal Facility)	-	1,639	3,176	3,008	2,788
MD Expansion Phase 2 and 3	-	2,000	1,854	1,707	1,561
Graduate Student Association (Phoenix)	-	224	1,211	998	785
Hedden Residence	-	5,000	4,875	4,749	4,624
CFI 2012 Awards	-	-	3,000	3,000	2,925
MARC	-	3,062	8,485	8,408	8,331
McMaster Health Centre (downtown)	-	-	-	10,000	9,749
Capital Projects-	93,751	94,816	97,319	99,510	92,177
Faculty of Science Long Term Loan	4,000	3,500	3,000	2,500	2,000
Systems Renewal Project			2,413	8,684	14,426
Nuclear Reactor Long Term Loan	600	500	400	300	200
Campaign for McMaster	4,025	4,268	2,962	1,755	415
Comprehensive Energy Reduction Project	27,410	27,288	27,124	26,915	26,657
Other Loans financed	36,035	35,556	35,899	40,154	43,698
Total	129,785	130,372	133,218	139,664	135,875

Table 16: Capital Fund – Year Ending April 30, 2013

(\$ thousands)

	Capital Fund	
	2011/12 Projection	2012/13 Budget
Revenue		
Operating grants	1,155	1,155
Other revenues	45,680	44,398
Total revenues	46,836	45,554
Expenses		
All other expenses, including capital	31,714	89,667
Transfers to (from) other funds	(10,739)	(10,869)
Debt and financing charges	(8,004)	(7,446)
Total expenses	12,971	71,353
Excess of revenues over expenses	33,865	(25,799)
Fund balances, beginning of year	(14,703)	19,162
Fund balances, end of year	19,162	(6,637)

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 and convert them at a high level to be consistent with the accrual accounting basis. The audited financial statements are prepared on the accrual accounting basis. The comparisons that follow relate, as appropriate, to the audited financial statements.

To convert to the accrual accounting basis, the following five key changes must be made as shown in **Table 17** below:

- 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.
- Accruals for pension and non-pension employee future benefit costs are added.
- Reclassifications to offset internal transactions between departments affecting revenues and expenditures are performed.

Table 17: Accrual Adjustments

(\$ thousands)

	2011/12	2012/13	2013/14	2014/15
Excess (deficiency) of revenue over expenses per Operating Budget Funds	\$ (4,452)	\$ (27,020)	\$ (6,451)	\$ (4,677)
Add back capital expenditures/deduct depreciation (net)	\$ 15,515	\$ 21,474	\$ 8,897	\$ 9,712
Investment (loss)/income from internal endowments	\$ (4,321)	\$ 3,867	\$ 4,059	\$ 4,364
Deduct additional accrual costs for pension	\$ (4,502)	\$ 508	\$ 892	\$ 884
Deduct additional accrual costs for non pension future benefits	\$ (7,312)	\$ (4,671)	\$ (2,991)	\$ 237
All other accounting adjustments required for GAAP	\$ (4,914)	\$ 3,929	\$ 3,198	\$ 1,922
Accrual Adjustment	\$ (5,534)	\$ 25,108	\$ 14,056	\$ 17,119
Excess (deficiency) of revenues over expenses (all funds accrual basis)	\$ (9,985)	\$ (1,912)	\$ 7,604	\$ 12,442

In 2012/13, increased capital expenditures reflect the \$13 million of expected spending on the Systems Renewal Project and the transfer of accumulated operating funds from the Faculty of Health Sciences

to the capital project associated with the Downtown McMaster Family Health Centre. These capital expenditures are expensed as paid in the operating fund contributing to the \$27 million deficit, but are amortized over multiple years on an accrual basis.

In 2011/12 when investment income earned in the internal endowment is zero, there is a negative adjustment to reflect the fact that the University will still provide the contribution to the operating fund of \$4.3 million. In subsequent years, where the rate of return is budgeted at 7.5% the adjustment will be positive reflecting the additional revenue that will remain in the internal endowment to provide inflation protection to the endowment principal.

The costs for pension and non-pension post-retirement benefits have been greater than the amounts charged to the operating and other funds, requiring an adjustment for the additional expense and increasing the deficit on an accrual basis. As the more of the full costs of these benefits are covered through increased department benefit charges, the extra expense recorded on an accrual basis declines. This ensures the full cost of employee benefit programs are absorbed by departments as they are incurred and not left for future years.

In summary, the accrual adjustments expected in the 2011/12 projection are negative, which results in a higher deficit in the consolidated accrual based Statements of Operations than that expected in the operating fund. In 2012/13 until the end of the forecast period, the results will be reversed.

The projected Statement of Operations for all funds with the required adjustments is shown in **Table 18** below. The Statement of Financial Position (Balance Sheet) and Statement of Cash Flows follow in **Tables 19 and 20**.

Statement of Operations

Table 18: Accrual Basis Statement of Operations

(\$ thousands)	2011/12	2012/13	2013/14	2014/15
Statement of Operations				
REVENUE				
Operating Grants	239,926	242,325	244,749	247,196
Research Grants & Contracts	159,391	162,579	165,831	169,147
Tuition Fees	179,197	188,157	197,565	207,443
Ancillary Sales & Services	69,960	72,058	74,220	76,447
Other Revenues	161,535	169,529	177,374	185,272
Investment Income (Net)	12,728	30,399	35,759	35,440
Amortization of Deferred Capital Contributions	39,442	39,851	44,742	49,957
TOTAL REVENUES	862,180	904,899	940,240	970,903
EXPENSES				
Salaries & Wages	409,299	421,578	434,225	447,252
Employee Benefits	130,100	140,142	152,642	165,219
Supplies & Services	256,550	266,539	262,878	258,518
Interest on Long-Term Debt	9,845	9,769	9,741	9,711
Amortization of Capital Assets	66,370	68,782	73,150	77,760
TOTAL EXPENSES	872,165	906,811	932,636	958,460
EXCESS OF REVENUES OVER EXPENSES	-9,985	-1,912	7,604	12,442

Statement of Financial Position (Balance Sheet)

Table 19: Balance Sheet – As At April 30

(\$ thousands)	2011/12	2012/13	2013/14	2014/15
Balance Sheet				
ASSETS				
Cash Equivalents & ST Investments	250,589	215,232	176,740	191,665
Other Current Assets	163,185	176,023	190,534	206,961
Investment in McMaster Innovation Park	13,436	13,936	14,436	14,936
Deferred Pension Asset	194,493	195,001	195,894	196,778
Capital Assets	750,726	812,983	878,125	886,073
Investments	584,060	609,332	619,921	646,671
TOTAL ASSETS	1,956,490	2,022,508	2,075,650	2,143,084
LIABILITIES & DEFERRED CONTRIBUTIONS				
Other Liabilities and Deferred Contributions	983,063	1,013,303	1,029,880	1,054,116
Accrued Employee Future Benefits	270,543	280,283	290,373	300,826
Decommissioning Obligation	8,722	9,158	9,616	10,097
TOTAL LIABILITIES	1,262,328	1,302,744	1,329,869	1,365,040
NET ASSETS				
Pension & EFB Reserve (Deficiency)	-101,454	-105,616	-107,715	-106,593
Available Expendable Resources	199,933	182,921	173,837	186,940
Externally Restricted Endowments	341,202	368,716	387,128	406,949
Net Investment in Plant, Adjusted	254,480	273,743	292,530	290,748
TOTAL NET ASSETS	694,162	719,764	745,780	778,044
TOTAL LIABILITIES AND NET ASSETS	1,956,490	2,022,508	2,075,650	2,143,084

Statement of Cash Flows

Table 20: Statement of Cash Flows – As At April 30

	2012 Statement of Cash Flows	2013 Statement of Cash Flows	2014 Statement of Cash Flows	2015 Statement of Cash Flows
(\$ thousands)				
STATEMENT OF CHANGE IN CASH	\$ -	\$ -	\$ -	\$ -
Excess of revenue over expenses (expenses over revenues)	\$ (9,985)	\$ (1,912)	\$ 7,604	\$ 12,442
Add (deduct) non-cash items:	\$ -	\$ -	\$ -	\$ -
(Increase) decrease in deferred pension asset	\$ 4,502	\$ (508)	\$ (892)	\$ (884)
Increase in accrued employee future benefits	\$ 9,401	\$ 9,740	\$ 10,090	\$ 10,453
Amortization of capital assets	\$ 66,370	\$ 68,782	\$ 73,150	\$ 77,760
Earned capital contributions	\$ (39,442)	\$ (39,851)	\$ (44,742)	\$ (49,957)
Deferred contributions for future expenses	\$ 22,811	\$ (21,588)	\$ (39,237)	\$ 4,382
Increase in provision for decommissioning nuclear reactor	\$ 415	\$ 436	\$ 458	\$ 481
Net change in non-cash working capital (reduction)	\$ (14,811)	\$ (4,516)	\$ (5,571)	\$ (6,827)
Increase in deferred contributions restricted for capital assets	\$ 43,122	\$ 83,874	\$ 91,677	\$ 60,303
Contributions/(reductions) to externally restricted endowments	\$ 11,930	\$ 27,514	\$ 18,412	\$ 19,821
Repayment of long-term debt	\$ (12,744)	\$ (1,028)	\$ (580)	\$ (616)
Acquisition of capital assets	\$ (72,359)	\$ (131,040)	\$ (138,292)	\$ (85,708)
Net decrease (add) to long-term investments	\$ 7,277	\$ (25,272)	\$ (10,589)	\$ (26,750)
Cash and cash equivalents, beginning of year	\$ 234,599	\$ 250,589	\$ 215,232	\$ 176,740
Cash and cash equivalents, end of year	\$ 250,589	\$ 215,232	\$ 176,740	\$ 191,665
CHANGE IN CASH BALANCE	\$ 15,990	\$ (35,357)	\$ (38,492)	\$ 14,925

Analysis

Key Financial Metrics of the Consolidated Budget

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 metrics are reported in the Annual Financial Report each year. Included in the table below are the projected and budgeted results of these key metrics.

Table 21: Key Financial Metrics at a Glance

Key Financial Metrics at a Glance	2009/10 Actual	2010/11 Actual	2011/12 Projected	2012/13 Budget
Total Net Assets (\$ millions)	629.3	692.2	694.1	719.7
Available Expendable Resources (\$ millions)	170.0	213.1	199.9	182.9
Capital Spending (\$ millions)	93.9	90.2	72.4	131
Total Revenue (\$ millions)	828.4	859.5	862	904.9
Total Expenditures (\$ millions)	816.7	837.6	872	906.8
Excess (Deficiency) of Revenues over Expenses (\$ millions)	11.7	22.0	(10.0)	(1.9)
Excess (Deficiency) of Revenues over Expenses Operating Fund only (\$ millions)	3.7	12.4	-4.5	-27.02
Long Term Investment Pool Return	17.1%	11.5%	0.0%	7.5%
Employee Future Benefit (EFB) Unfunded Obligation - Registered Pension (\$ millions)	(296.1)	(211.0)	See Note	See Note
Employee Future Benefit (EFB) Unfunded Obligation - Non Pension (\$ millions)	(203.7)	(192.4)	See Note	See Note
Enrolment (Full Time Equivalent (FTE))	25,007	25,399	25,929	26,360

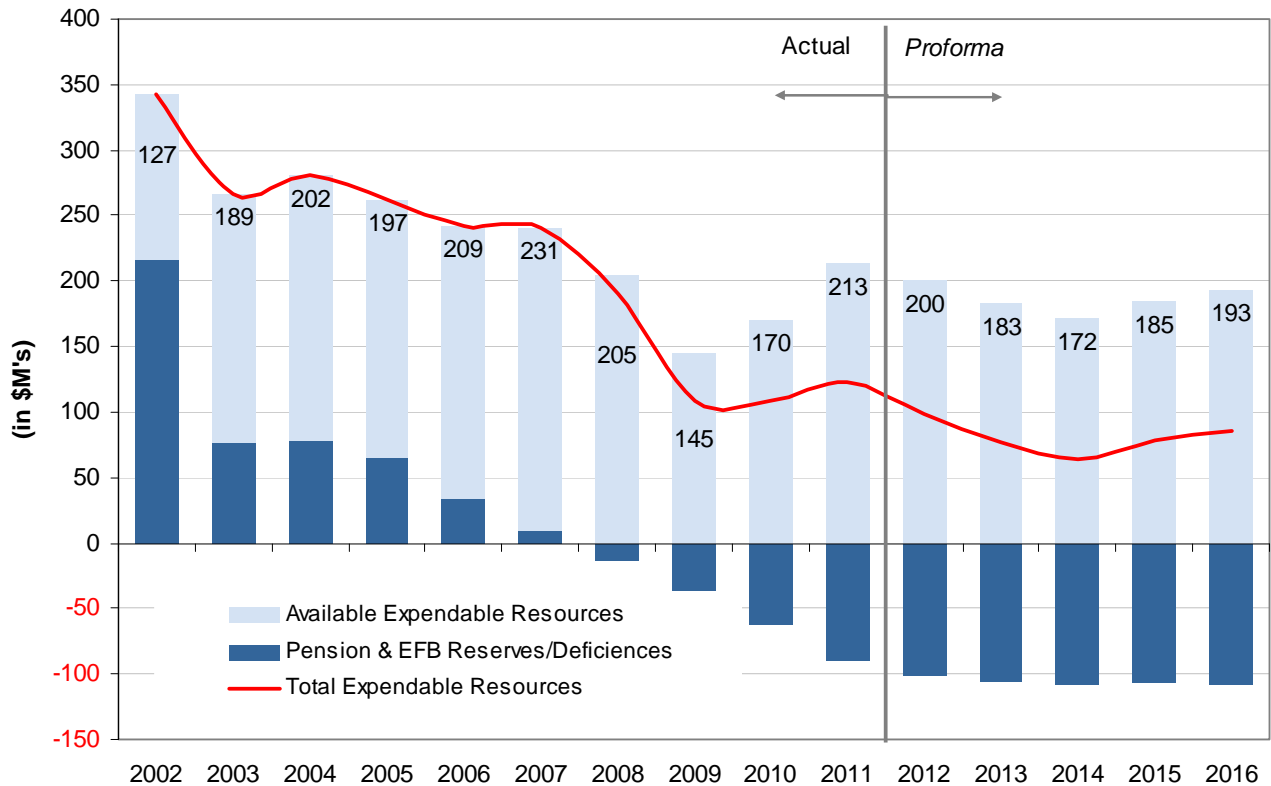
Note: These obligations require actuarial calculations that cannot be reliably estimated before completion of actuarial work.

Based on the planning and assumptions used in the 2011/12 projection and the 2012/13 budget, the expected financial metrics are outlined above. In addition to the key metrics, additional indicators, some of which were added as a result of recommendations from the 2010 report prepared by the President's Advisory Committee on the Impact of the Economic Crisis (PAC-ICES) are used to monitor the financial position of the University. These are outlined in the paragraphs below.

Available Expendable Resources

While there are several key indicators of balance sheet strength, one of the key indicators which the PAC-ICES committee encouraged the University to focus on was that of Available Expendable Resources (AER). AER represent funds the University holds that do not have an externally committed purpose, such as unrestricted net assets, specific-purpose reserves and appropriations and internally restricted net assets. These funds provide operating flexibility, support debt management and provide the ability to take advantage of opportunities as they arise. McMaster’s AER were seriously depleted in 2008/09 as a result of the economic crisis and had only partially recovered in 2009/10 (\$170 million). Surpluses generated in the 2010/11 fiscal year along with improved investment returns (11.5%) have mitigated the decline of AER so that the balance at the end of 2011 was \$213 million as shown in **Figure 8** below. For 2011/12 the projection is \$200 million. In 2012/13, AER are expected to decline, primarily due to the large one-time expenditures planned in the operating fund. In 2013/14, additional central bank loans will likely result in a small decrease, however with projections of essentially balanced budgets in each of the next two subsequent years, AER will stabilize and remain comfortably above the minimum as outlined in **Figure 8**.

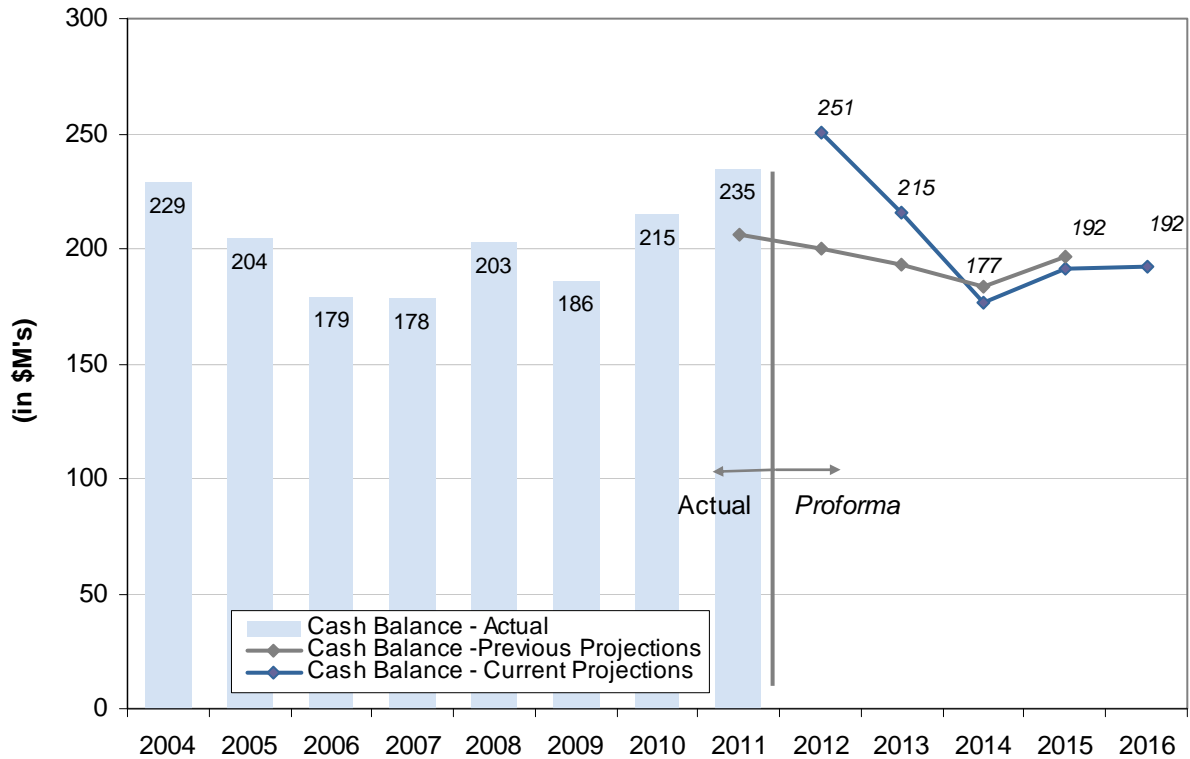
Figure 8: Available Expendable Resources and Reserves



Cash and Short-Term Investments

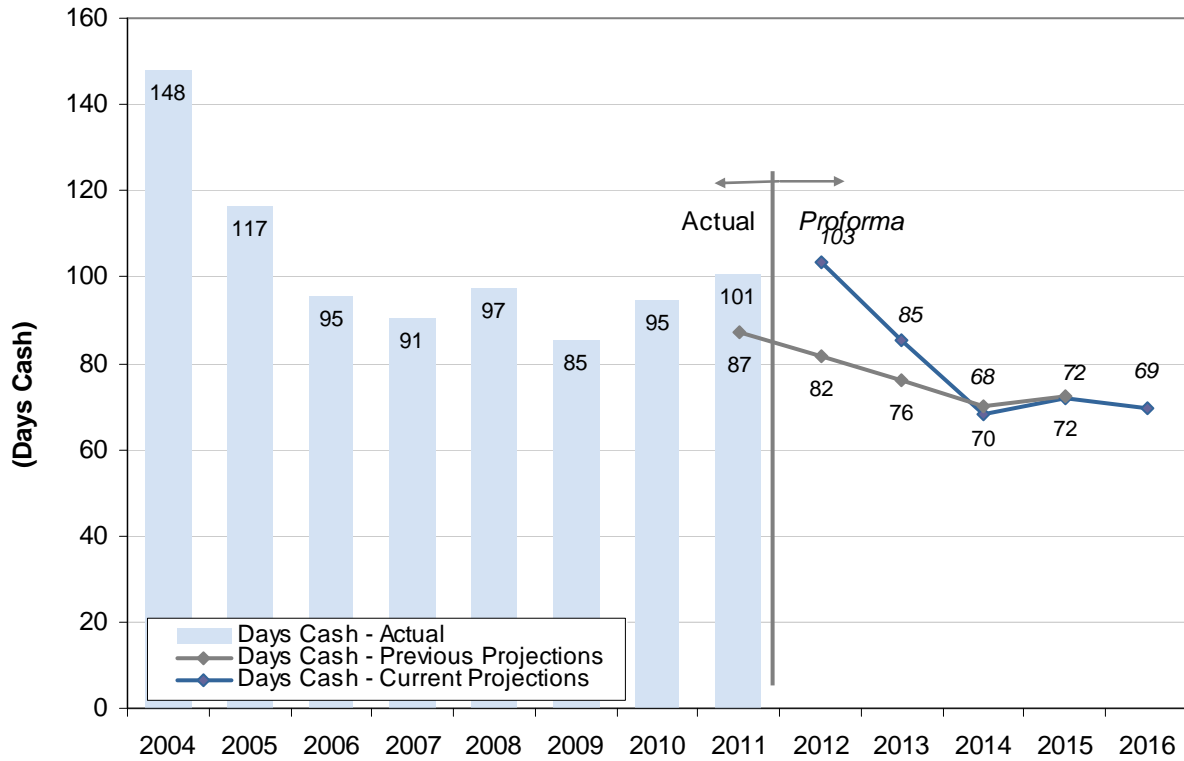
Cash and short-term investment balances are projected to increase between April 30, 2011 and April 30, 2012, reflecting delayed capital spending, offset by the small deficit. In 2012/13 and 2013/14 cash balances are expected to decline reflecting increased one-time spending in the operating fund and on capital projects.

Figure 9: Cash and Short-Term Investments



Similarly, as shown in **Figure 10** below, cash resources, while declining, will remain comfortably above the minimum of one month’s expenditures through 2013 based on the planning assumptions included in this document.

Figure 10: Days Cash on Hand



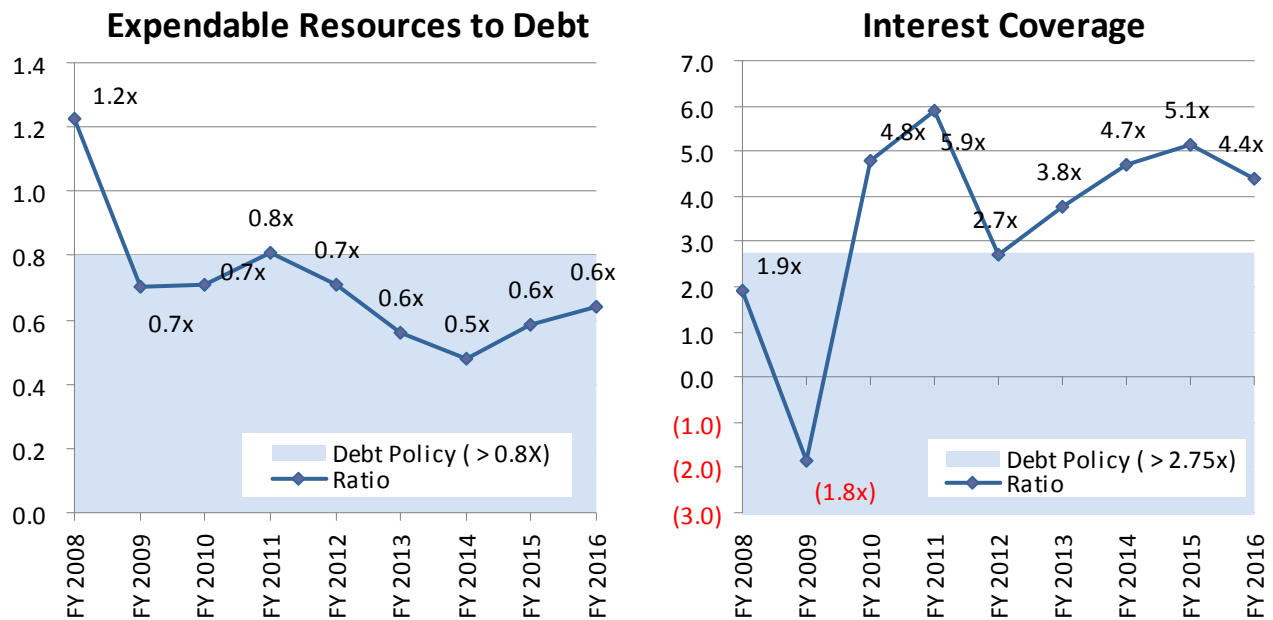
Credit Management Ratios

There are three ratios that the University tracks to guide its credit capacity and manage its external bond rating, which was confirmed again at AA- in 2011/12. The ratios include Expendable Resources to Debt, Interest Coverage, and Available Expendable Resources (AER) as a % of Revenue as outlined in the University’s Debt Management Policy at

<http://www.mcmaster.ca/policy/General/Financial/DebtManagementPolicy.pdf>

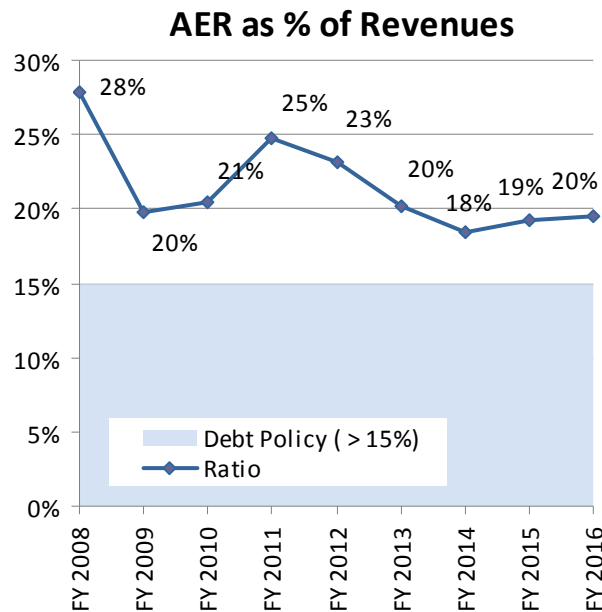
As illustrated in the figures below two of the three ratios are expected to be above the policy guidelines based on the planning assumptions for capital expenditures and operating results included in this document. Additional internal central bank loans as outlined in **Table 15** have been incorporated into these ratios. Additional analysis with respect to longer term financing needs, external financial markets, and the need for potential additional external borrowing will be undertaken in 2012/13.

Figure 11: Credit Management Ratios



The above two ratios measure debt capacity and debt affordability respectively. The final ratio, Available Expendable Resources as a % of Revenue, measures spending flexibility.

Figure 12: Available Expendable Resources as a % of Revenue



Risks to the 2012/13 Budget

- The size of the provincial deficit and its downgrade from all three credit rating agencies to AA- may result in a change to funding assumptions for 2012/13 and future fiscal years and may affect the University’s current AA- (stable) rating increasing the cost of external debt if needed.
- Staffing cuts have resulted in high key-person dependency. In many areas a single person is responsible for key deliverables with no back-up. Senior staff and many TMG (The Management Group) staff are committing work schedules that will not be sustainable over the long term.
- Deferred maintenance costs increase operating cost risk due to infrastructure failures and breakdowns and risk further infrastructure risk as breakdowns can affect adjacent or attached facilities.

Conclusions on the 2012/13 Budget

Excluding one-time expenditures (funded through appropriations), the operating budget, now absorbing all operating costs (with the exception of future post-retirement benefit costs for which a funding plan has been approved), will be flat. On an accrual basis, the negative effect of post-retirement benefit accrual leads to a deficit of \$1.9 million, or approximately 0% of revenues which exceed \$900 million. The combination of conservative budgeting, consistently spending less than budgeted levels and history of unplanned revenues would suggest that the 2012/13 budgeted deficit is not cause for concern.

Appendix A – Operating Fund Tables

Table 22: Sources of Funding and Resource Allocation – 2011/12 Projection

(\$ thousands)	2011/12 Mo Projection Sources of Funding			Total Salaries & Benefits		Non-salary Expenses			Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead & Other Income	Recoveries & Other Income	Salaries & Wages	Benefits	Scholarships	Library Acquisitions	All Other Expenses		
I. Faculties (Academic Programmes)										
Business	23,300	88	2,538	16,520	4,551	21,072	629	-	4,594	5,223
Engineering	47,068	1,488	1,810	30,987	9,300	40,287	1,201	-	3,285	4,486
Health Sciences	69,855	4,831	35,422	110,108	18,623	89,179	370	0	24,428	24,796
Humanities	25,328	76	598	26,000	21,705	6,007	130	-	(1,767)	(1,639)
Science	52,623	859	2,123	55,605	40,596	11,936	751	-	3,594	4,345
Advance to Science									500	500
Medical Radiation - Mohawk share	4,391					4,391			4,318	4,318
Social Sciences	25,300	163	922	26,385	21,371	6,066	124	-	(280)	(156)
Interdisciplinary Programmes	1,586	20	391	1,997	1,345	235	24	-	128	151
Academic Allocation - QIF	650					650			500	500
Academic Allocation - Accessibility									500	500
Slip-year Allocation*	(96)		301			205			-	-
Sub-total	250,003	7,525	44,105	203,080	56,719	259,799	3,229	0	39,296	42,525
2. Academic Priorities										
Academic Contingency	1,976	-	(1)	1,975	247	144	-	-	1,263	1,654
Faculty Recruiting	398	-	-	398	-	-	-	-	598	598
Academic Priorities Allocation	7,687	-	-	7,687	1,338	261	1,599	-	11,740	13,339
Sub-total	10,061	-	(1)	10,060	1,585	405	1,599	-	13,601	13,601
TOTAL ACADEMIC	260,064	7,525	44,104	204,665	57,124	261,789	3,229	0	52,897	56,126
3. Academic Support										
Office of the Provost	1,683	-	25	1,708	1,134	381	1,514	-	206	206
School of Graduate Studies	1,129	-	394	1,523	942	310	1,252	-	463	453
Museum of Art	446	-	142	588	629	184	813	-	(204)	(204)
Centre for Leadership in Learning	1,574	1	32	1,606	1,166	433	1,599	-	(110)	(110)
Research	1,683	8,822	6,864	17,369	9,317	3,329	12,645	-	5,038	5,038
Nuclear Reactor Debt									(100)	(100)
University Library	15,443	731	256	16,430	6,324	2,229	8,553	7,608	267	7,876
Health Sciences Library	2,476	209	92	2,777	1,355	474	1,829	1,872	410	410
Registrar	4,188	-	1,615	5,803	4,285	1,298	5,584	-	55	55
Pension	6,880	-	-	6,880	-	-	-	-	6,880	6,880
Sub-total	35,502	9,763	9,419	54,683	25,152	15,517	40,669	9,481	4,981	14,462
4. Student Support										
Graduate Scholarships/Bursaries	14,058	-	-	14,058	424	158	582	-	1,266	13,021
Student Affairs	2,725	-	14,563	17,288	7,966	2,202	10,188	12	9,667	9,679
Undergraduate Scholarships	14,340	-	3,136	17,476	1,707	-	1,707	-	(62)	15,824
Student Support Allocation									-	-
Sub-total	31,123	-	17,698	48,821	10,117	2,360	12,478	-	10,891	38,523
5. Facilities Support										
Facilities Services	15,371	-	41	15,412	8,257	2,448	10,706	-	4,866	4,866
HSC Maintenance	3,287	-	35	3,322	-	-	-	-	3,929	3,929
Utilities	15,630	-	-	15,630	1,489	405	1,894	-	14,036	14,036
HSC Utilities	5,423	-	-	5,423	-	-	-	-	5,202	5,202
Deferred Maintenance	1,919	-	-	1,919	-	-	-	-	2,030	2,030
Bond Interest	7,380	-	-	7,380	-	-	-	-	7,380	7,380
MIP Occupancy									718	718
Renovation contingency	981	-	718	1,699	-	-	-	-	1,246	1,246
Sub-total	49,991	-	794	50,785	9,747	2,853	12,599	-	39,396	39,396
6. Institutional Support										
Administration/Institutional Support	14,333	-	1,220	15,553	10,916	3,293	14,209	-	709	709
UTS/Technology Fund	11,396	(0)	-	11,396	6,351	2,092	8,443	-	3,298	3,298
University Secretariat	693	-	-	693	480	181	661	-	99	99
Presidential Budget	2,273	-	154	2,427	1,128	367	1,495	-	818	818
University Advancement	5,137	-	906	6,043	4,977	1,519	6,496	-	1	1
General University	7,612	-	205	7,817	553	81	634	-	7,181	7,181
Sub-total	41,444	-	2,486	43,930	24,406	7,532	31,938	-	12,107	12,107
7. Institutional Priority allocations										
Technology Renewal	4,500	-	-	4,500	214	33	247	-	2,487	2,487
Strategic Priorities	(1,532)	-	-	(1,532)	-	-	-	-	(5,500)	(5,500)
Sub-total	2,968	-	-	2,968	214	33	247	-	(3,003)	(3,003)
Surplus/(Deficit)	421,092	17,287	74,501	512,880	274,301	85,420	359,721	30,862	117,269	157,611
Under/overallocated	0	(3,155)	(3,155)	(3,155)	0	0	0	0	(3,155)	(3,155)
Total Surplus/(Deficit)	421,092	17,287	71,345	509,725	274,301	85,420	359,721	30,862	114,114	154,456

To be allocated to Faculties

Table 23: Sources of Funding and Resource Allocation – 2011/12 Variances – Projection vs. Budget

	Sources of Funding			Total Salaries & Benefits			Non-salary Expenses			Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses		
1. Facilities (Academic Programmes)											
Business	4,278	5	(1,727)	70	(571)	(501)	(172)	-	(145)	(317)	1,738
Engineering	7,199	39	(2,879)	1,085	441	1,526	322	-	819	1,141	7,026
Health Sciences	3,408	460	8,378	(1,818)	(792)	(2,610)	(41)	(0)	(5,786)	(5,807)	3,530
Humanities	1,804	(9)	62	1,858	392	194	382	440	1,026	440	2,884
Science	3,234	(4)	(227)	640	(497)	143	(28)	-	(736)	(765)	2,380
Advance to Science	-	-	-	-	-	-	-	-	-	-	-
Medical Radiation - Mohawk share	328	-	-	328	-	-	-	-	(63)	(63)	265
Social Sciences	2,100	(6)	279	(1,115)	(32)	(1,148)	(14)	-	562	548	1,773
Interdisciplinary Programmes	106	-	10	172	36	208	2	-	(6)	(4)	320
Academic Allocation - QIF	-	-	-	-	-	-	-	-	1,345	1,345	-
Academic Allocation - Accessibility	-	-	-	-	-	-	-	-	-	-	-
Slips-year Allocation*	(20,387)	-	3,583	3,208	872	4,080	67	(0)	788	788	(11,936)
Sub-total	2,070	484	7,479	2,634	(349)	2,285	67	(0)	(2,761)	(2,693)	9,625
2. Academic Priorities											
Academic Contingency	(30)	-	(1)	(91)	(31)	(123)	-	-	376	376	223
Faculty Recruiting	-	-	-	-	-	-	-	-	(200)	(200)	(200)
Academic Priorities Allocation	2,530	-	-	(528)	54	(474)	-	-	(5,558)	(5,558)	(6,032)
Sub-total	2,500	(1)	2,499	(619)	22	(597)	-	-	(5,382)	(5,382)	(3,479)
TOTAL ACADEMIC	4,570	484	7,478	2,015	(326)	1,688	67	(0)	(8,142)	(8,075)	6,145
3. Academic Support											
Office of the Provost	30	-	-	36	9	45	-	-	(52)	(62)	23
School of Graduate Studies	-	-	33	(18)	(2)	(21)	-	-	(10)	(10)	3
Museum of Art	-	-	38	2	3	5	-	-	(85)	(85)	(21)
Centre for Leadership in Learning	-	1	2	(2)	10	8	-	-	185	192	194
Research	0	3	75	(164)	49	(115)	-	-	280	260	224
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	-	-
University Library	-	6	4	124	(20)	104	-	(358)	223	(136)	(21)
Health Sciences Library	-	(24)	13	(194)	(59)	(253)	-	(37)	414	377	113
Registrar	-	-	112	(28)	236	208	-	-	(285)	(255)	66
Pension	120	-	-	-	(32)	(88)	-	-	(120)	(88)	-
Sub-total	150	(14)	277	(244)	195	(50)	-	(395)	613	218	581
4. Student Support											
Graduate Scholarships/Bursaries	2,422	-	-	284	65	349	(800)	-	(10)	(810)	1,612
Student Affairs	-	-	316	143	-	143	(12)	-	(1,656)	(1,668)	(1,003)
Undergraduate Scholarships	-	-	(514)	-	-	-	(1,124)	-	20	(1,104)	(962)
Student Support Allocation	-	-	-	-	-	-	-	-	-	-	(1,476)
Sub-total	2,422	-	(198)	427	65	492	(1,936)	-	(1,646)	(3,582)	(866)
5. Facilities Support											
Facilities Services	0	-	15	(332)	(120)	(452)	-	-	238	238	(189)
HSC Maintenance	-	-	-	-	-	-	-	-	(607)	(607)	(607)
Utilities	-	-	-	44	16	59	-	-	387	387	447
HSC Utilities	-	-	-	-	-	-	-	-	221	221	221
Deferred Maintenance	-	-	-	-	-	-	-	-	(111)	(111)	(111)
Bond Interest	-	-	-	-	-	-	-	-	-	-	-
MIP Occupancy	-	-	35	-	-	-	-	-	(35)	(35)	-
Renovation contingency	-	-	-	-	-	-	-	-	(265)	(265)	-
Sub-total	0	-	50	(289)	(104)	(393)	-	-	(172)	(172)	(514)
6. Institutional Support											
Administration/Institutional Support	(0)	-	73	(113)	432	319	-	-	853	853	1,244
UTS/Technology Fund	-	-	(12)	(62)	279	217	-	-	(422)	(422)	(217)
University Secretariat	-	-	-	(2)	(3)	(5)	-	-	(19)	(19)	(24)
Presidential Budget	0	-	144	42	65	107	-	-	(134)	(134)	117
University Advancement	-	-	(41)	577	132	708	-	-	(86)	(86)	581
General University	4,130	-	(105)	121	(8)	113	-	-	(1,192)	(1,192)	2,946
Sub-total	4,130	-	59	562	897	1,459	-	-	(1,001)	(1,001)	4,647
7. Institutional Priority allocations											
Technology Renewal	-	-	-	230	128	358	-	-	1,586	1,586	1,944
Strategic Priorities	1,134	-	-	(2,020)	(700)	(2,720)	-	-	5,500	5,500	3,914
Sub-total	1,134	-	-	(1,790)	(572)	(2,362)	-	-	7,086	7,086	5,858
Surplus/(Deficit)	12,406	470	7,666	681	153	834	(1,869)	(395)	(3,261)	(5,526)	15,850
Under/over-allocated	(2,509)	-	33	-	-	(2,476)	-	-	(33)	(33)	(2,509)
Total Surplus/(Deficit)	9,897	470	7,699	681	153	834	(1,869)	(395)	(3,294)	(5,559)	13,341

*To be allocated to Facilities

Table 24: One-time Sources of Funding and Resource Allocation – 2011/12 Projection

(\$ thousands)	2011/12.8 Month One-time Sources of Funding			Total Salaries & Benefits			Non-salary Expenses			Total Expenses	Annual Surplus (Deficit)	
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions			All Other Expenses
1. Faculties (Academic Programmes)												
Business	2,130	-	-	2,130	200	-	200	-	-	(417)	(417)	2,556
Engineering	3,595	-	(1,593)	2,002	-	-	-	-	-	609	609	1,393
Health Sciences	2,648	95	1,842	4,585	1,251	83	1,334	-	-	14,508	14,508	15,842
Humanities	902	-	17	919	-	-	-	-	-	(2,937)	(2,937)	3,857
Science	1,617	163	1,745	3,525	1,425	442	1,867	141	-	167	308	2,175
Advance to Science	-	-	-	-	-	-	-	-	-	500	500	(500)
Medical Radiation – Mohawk share	164	-	-	164	-	-	-	-	-	91	91	73
Social Sciences	1,050	8	441	1,499	(27)	67	40	-	-	(1,371)	(1,371)	2,830
Interdisciplinary Programmes	53	-	387	440	189	35	224	10	-	96	106	330
Academic Allocation – QIF	-	-	-	-	-	-	-	-	-	500	500	(500)
Academic Allocation – Accessibility	-	-	-	-	-	-	-	-	-	-	-	-
Slip-year Allocation*	(13,485)	-	1,593	(11,892)	-	-	-	-	-	-	-	(11,892)
Sub-total	(1,317)	266	4,432	3,381	3,037	628	3,665	151	-	11,745	11,896	15,561
2. Academic Priorities												
Academic Contingency	-	-	(1)	(1)	151	61	212	-	-	798	798	1,010
Faculty Recruiting	-	-	-	-	-	-	-	-	-	200	200	(200)
Academic Priorities Allocation	1,265	-	-	1,265	470	-	470	-	-	12,721	12,721	13,191
Sub-total	1,265	-	(1)	1,264	621	61	682	-	-	13,719	13,719	14,401
TOTAL ACADEMIC	(52)	266	4,431	4,645	3,658	689	4,347	151	-	25,464	25,615	(25,317)
3. Academic Support												
Office of the Provost	-	-	25	25	23	5	28	-	-	101	101	(104)
School of Graduate Studies	0	-	17	17	259	91	351	-	-	68	68	(402)
Museum of Art	-	-	48	48	23	-	23	-	-	46	46	(21)
Centre for Leadership in Learning	-	1	2	139	113	26	139	-	-	(248)	(248)	112
Research	400	152	239	792	270	(14)	256	-	-	707	707	963
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(100)	(100)	100
University Library	-	-	17	17	678	47	724	-	-	358	(486)	238
Health Sciences Library	-	-	-	-	-	-	-	-	-	(89)	(89)	(53)
Registrar	-	-	50	50	292	-	292	-	-	562	562	(804)
Pension	104	-	-	104	-	104	104	-	-	-	-	104
Sub-total	504	153	398	1,054	1,658	259	1,916	-	404	193	597	(1,459)
4. Student Support												
Graduate Scholarships/Bursaries	1,211	-	-	1,211	-	-	-	800	-	-	800	411
Student Affairs	-	-	659	659	245	36	281	12	-	3,379	3,391	3,672
Undergraduate Scholarships	943	-	-	943	31	-	31	973	-	-	973	(61)
Student Support Allocation	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	2,154	-	659	2,813	276	36	312	1,785	-	3,379	5,164	(2,663)
5. Facilities Support												
Facilities Services	-	-	-	-	173	54	228	-	-	39	39	266
HSC Maintenance	-	-	-	-	-	-	-	-	-	607	607	(607)
Utilities	-	-	-	-	-	-	-	-	-	415	415	(415)
HSC Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Maintenance	-	-	-	-	-	-	-	-	-	111	111	(111)
Bond Interest	-	-	-	-	-	-	-	-	-	-	-	-
MIP Occupancy	-	-	-	-	-	-	-	-	-	-	-	-
Renovation contingency	-	-	-	-	-	-	-	-	-	118	118	(118)
Sub-total	625	-	87	712	418	27	445	-	-	995	995	(728)
6. Institutional Support												
Administration/Institutional Support	-	-	(0)	(0)	-	-	-	-	-	190	190	(190)
UTS/Technology Fund	-	-	-	-	-	-	-	-	-	19	19	(19)
University Secretariat	-	-	144	144	38	6	43	-	-	113	113	156
Presidential Budget	250	-	-	250	-	-	-	-	-	355	355	(105)
University Advancement	5,230	-	-	5,230	70	-	70	-	-	1,875	1,875	1,945
General University	6,105	-	231	6,336	525	33	558	-	-	3,548	3,548	2,230
Sub-total	4,500	-	-	4,500	214	33	247	-	-	2,487	2,487	1,755
Technology Renewal	(1,578)	-	-	(1,578)	-	-	-	-	-	(5,500)	(5,500)	3,922
Strategic Priorities	2,922	-	-	2,922	214	33	247	-	-	(3,003)	(3,003)	(5,677)
Sub-total	11,633	419	5,718	17,770	6,505	1,104	7,609	1,936	404	30,869	33,209	40,818
Surplus/(Deficit)	(11,607)	-	-	(11,607)	-	-	-	-	-	-	-	(11,607)
Under/(over)allocated	26	419	5,718	6,163	6,505	1,104	7,609	1,936	404	30,869	33,209	(34,655)
Total Surplus/(Deficit)	26	419	5,718	6,163	6,505	1,104	7,609	1,936	404	30,869	33,209	(34,655)

*To be allocated to Faculties

Table 25: Sources of Funding and Resource Allocation – 2012/13 Budget

(\$ thousands)	2012/13 Sources of Funding			Total Salaries & Benefits			Non-salary Expenses			Total Expenses	Annual Surplus (Deficit)		
	Framework Allocation	Research Overhead Income	Recoveries & Other Income	Salaries & Wages	Benefits	Total	Scholarships	Library Acquisitions	All Other Expenses			Total	
1. Faculties (Academic Programmes)													
Business	21,161	85	2,600	23,846	17,766	4,962	22,728	775	-	5,563	6,338	29,067	(5,221)
Engineering	43,292	1,263	5,241	49,796	33,917	12,102	46,019	1,311	-	7,362	8,673	54,692	(4,896)
Health Sciences	68,813	4,780	33,487	107,080	73,834	18,955	92,789	348	1	20,851	21,200	113,989	(6,900)
Humanities	24,349	76	779	25,204	22,249	6,796	29,045	87	-	1,071	1,158	30,203	(4,999)
Science	52,187	859	1,506	54,552	41,337	14,139	55,475	804	-	4,327	5,131	60,607	(6,055)
Advance to Science	4,227	-	-	4,227	-	-	-	-	-	500	500	500	(500)
Medical Radiation - Mohawk share	-	-	-	-	-	-	-	-	-	4,227	4,227	4,227	-
Social Sciences	26,250	156	682	27,088	21,474	7,640	29,114	90	-	832	922	30,036	(2,948)
Interdisciplinary Programmes	1,633	20	380	2,033	1,400	311	1,711	25	-	159	184	1,895	138
Academic Allocation - QIF	-	-	-	-	-	-	-	-	-	2,277	2,277	2,277	-
Academic Allocation - Accessibility	-	-	-	-	-	-	-	-	-	-	-	-	-
Slip-year Allocation*	22,875	-	(2,989)	19,886	-	-	-	-	-	-	-	-	19,886
Sub-total	264,757	7,239	41,695	313,722	211,977	64,905	276,882	3,441	1	47,169	50,611	327,493	(13,771)
2. Academic Priorities													
Academic Contingency	1,976	-	-	1,976	211	120	331	-	-	1,865	1,865	2,196	(220)
Faculty Recruiting	398	-	-	398	-	-	-	-	-	398	398	398	-
Academic Priorities Allocation	5,072	-	-	5,072	1,277	271	1,548	-	-	(560)	(560)	988	4,084
Sub-total	7,446	-	-	7,446	1,488	391	1,879	-	-	1,703	1,703	3,581	3,865
TOTAL ACADEMIC	272,233	7,239	41,695	321,168	213,465	65,296	278,761	3,441	1	48,872	52,313	331,074	(9,907)
3. Academic Support													
Office of the Provost	1,683	-	-	1,683	1,139	389	1,528	-	-	132	132	1,660	23
School of Graduate Studies	1,129	-	377	1,506	932	330	1,262	-	-	455	455	1,718	(212)
Museum of Art	464	-	136	600	566	174	741	-	-	(141)	(141)	600	-
Centre for Leadership in Learning	1,574	-	55	1,629	1,191	461	1,653	-	-	(15)	(15)	1,638	(9)
Research	1,283	8,681	7,131	17,095	9,219	3,630	12,850	-	-	4,245	4,245	17,095	0
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(100)	(100)	100	0
University Library	15,443	731	253	16,427	6,218	2,504	8,722	-	7,500	363	7,863	16,585	(158)
Health Sciences Library	2,476	209	82	2,767	1,429	509	1,937	-	2,041	(1,037)	1,004	2,941	(174)
Registrar	4,188	-	1,589	5,747	4,189	1,653	5,841	-	-	45	45	5,886	(139)
Pension	8,694	-	-	8,694	-	-	-	-	-	-	-	-	-
Sub-total	36,934	9,621	9,593	56,148	24,884	18,345	43,229	-	9,541	3,947	13,488	56,716	(568)
4. Student Support													
Graduate Scholarships/Bursaries	12,847	-	-	12,847	453	168	621	12,257	-	1,969	14,226	14,847	(2,000)
Student Affairs	2,725	-	17,871	20,596	9,591	2,886	12,477	-	-	8,404	8,404	20,882	(286)
Undergraduate Scholarships	13,397	-	2,090	15,487	1,630	-	1,630	13,793	-	(92)	13,701	15,331	156
Student Support Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	28,969	-	19,961	48,930	11,675	3,054	14,729	26,050	-	10,281	36,331	51,060	(2,130)
5. Facilities Support													
Facilities Services	15,392	-	157	15,549	8,654	2,546	11,200	-	-	4,660	4,660	15,860	(311)
HSC Maintenance	3,297	-	35	3,332	-	-	-	-	-	3,322	3,322	3,322	-
Utilities	16,434	-	-	16,434	1,560	439	1,999	-	-	14,395	14,395	16,394	40
HSC Utilities	5,423	-	-	5,423	-	-	-	-	-	5,423	5,423	5,423	-
Deferred Maintenance	4,055	-	-	4,055	-	-	-	-	-	4,055	4,055	4,055	-
Bond Interest	7,380	-	-	7,380	-	-	-	-	-	7,380	7,380	7,380	-
MIP Occupancy	-	-	640	640	-	-	-	-	-	640	640	640	-
Renovation contingency	981	-	-	981	-	-	-	-	-	1,170	1,170	1,170	(189)
Sub-total	52,952	-	832	53,784	10,214	2,984	13,198	-	-	41,046	41,046	54,244	(460)
6. Institutional Support													
Administration/Institutional Support	13,708	-	1,133	14,841	10,898	3,869	14,767	-	-	926	926	15,693	(852)
UTS/Technology Fund	12,663	-	156	12,819	6,845	2,680	9,526	-	-	2,828	2,828	12,354	465
University Secretariat	693	-	-	693	492	206	698	-	-	40	40	738	(45)
Presidential Budget	2,373	-	10	2,383	1,370	423	1,793	-	-	769	769	2,562	(179)
University Advancement	5,137	-	890	6,027	5,714	1,700	7,414	-	-	(254)	(254)	7,160	(1,133)
General University	2,392	-	1,980	4,362	374	33	408	-	-	8,714	8,714	9,122	(4,760)
Sub-total	36,956	-	4,170	41,126	25,694	8,912	34,606	-	-	13,023	13,023	47,630	(6,504)
7. Institutional Priority allocations													
Technology Renewal	4,500	-	-	4,500	1,526	280	1,816	-	-	11,214	11,214	13,030	(8,530)
Strategic Priorities	1,477	-	-	1,477	(832)	(770)	(1,602)	-	-	2,000	2,000	398	1,079
Sub-total	5,977	-	-	5,977	694	(480)	214	-	-	13,214	13,214	13,428	(7,451)
Surplus/(Deficit)	434,021	16,861	76,251	527,132	286,625	98,111	384,736	29,491	9,542	130,383	169,416	554,152	(27,020)
Under/(over)allocated	0	(3,213)	(3,213)	(3,213)	(3,213)	(3,213)	(3,213)	(3,213)	(3,213)	(3,213)	(3,213)	(3,213)	0
Total Surplus/(Deficit)	434,021	16,861	73,037	523,919	286,625	98,111	384,736	29,491	9,542	127,169	166,203	550,939	(27,020)

*To be allocated to Faculties

Table 26: One-time Sources of Funding and Resource Allocation – 2012/13 Budget

(\$ thousands)	2012/13 One-time Sources of Fund				Total Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	Research Overhead & Other Income	Recoveries & Other Income	Total Income	Salaries & Wages	Benefits	Total	Non-salary Expenses					
								Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties (Academic Programmes)													
Business	-	-	-	-	-	-	-	-	-	-	71	71	(71)
Engineering	-	-	-	-	-	-	-	-	-	-	3,315	3,315	(3,315)
Health Sciences	689	-	675	1,364	1,626	229	1,854	-	-	-	12,066	13,921	(12,957)
Humanities	-	-	-	-	55	22	77	-	-	-	(245)	(245)	168
Science	1,000	163	1,112	2,275	975	249	1,224	3	-	-	1,521	1,523	(472)
Advance to Science	-	-	-	-	-	-	-	-	-	-	500	500	(500)
Medical Radiation - Mohawk share	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Sciences	0	4	158	162	130	31	161	-	-	-	155	155	(159)
Interdisciplinary Programmes	100	-	376	476	181	49	230	11	-	-	128	139	369
Academic Allocation - QIF	-	-	-	-	-	-	-	-	-	-	2,277	2,277	(2,277)
Academic Allocation - Accessibility	-	-	-	-	-	-	-	-	-	-	-	-	-
Slip-year Allocation*	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	1,789	167	2,321	4,277	2,966	580	3,546	14	-	19,757	19,801	23,347	(19,070)
2. Academic Priorities													
Academic Contingency	-	-	-	-	70	12	82	-	-	1,385	1,385	1,467	(1,467)
Faculty Recruiting	-	-	-	-	-	-	-	-	-	-	-	-	-
Academic Priorities Allocation	-	-	-	-	363	-	363	-	-	531	531	694	(694)
Sub-total	-	-	-	-	433	12	445	-	-	1,916	1,916	2,361	(2,361)
TOTAL ACADEMIC	1,789	167	2,321	4,277	3,400	592	3,992	14	-	21,703	21,717	25,709	(21,432)
3. Academic Support													
Office of the Provost	-	-	-	-	-	-	-	-	-	28	28	28	(28)
School of Graduate Studies	-	-	-	-	80	33	113	-	-	104	104	216	(216)
Museum of Art	-	-	25	25	-	-	-	-	-	25	25	25	-
Centre for Leadership in Learning	-	-	25	25	136	14	149	-	-	(112)	37	37	(12)
Research	0	-	164	164	174	(10)	164	-	-	8	8	172	(9)
Nuclear Reactor Debt	-	-	-	-	-	-	-	-	-	(100)	(100)	100	100
University Library	-	-	-	-	138	37	175	-	-	71	(647)	(472)	472
Health Sciences Library	-	-	-	-	-	-	-	-	-	125	52	177	(177)
Registrar	-	-	-	-	-	-	-	-	-	157	157	157	(157)
Pension	1,803	-	-	1,803	-	-	1,803	-	-	-	-	-	-
Sub-total	1,803	-	214	2,017	528	1,876	2,404	-	196	(557)	(361)	2,044	(27)
4. Student Support													
Graduate Scholarships/Bursaries	-	-	-	-	-	-	-	-	2,000	-	2,000	2,000	(2,000)
Student Affairs	-	-	533	533	336	101	438	-	-	1,120	1,120	1,557	(1,024)
Undergraduate Scholarships	-	-	-	-	30	-	30	-	-	(90)	(90)	-	-
Student Support Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	533	533	366	101	468	-	2,000	1,090	3,090	3,557	(3,024)
5. Facilities Support													
Facilities Services	-	-	100	100	159	88	246	-	-	58	58	304	(204)
HSC Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	750	-	-	750	-	-	-	-	-	750	750	750	-
HSC Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Maintenance	2,136	-	-	2,136	-	-	-	-	-	2,136	2,136	2,136	-
Bond Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Renovation contingency	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	2,886	-	100	2,986	159	88	246	-	-	2,944	2,944	3,190	(204)
6. Institutional Support													
Administration/Institutional Support	0	-	50	50	334	-	334	-	-	775	775	1,109	(1,059)
UTS/Technology Fund	1,095	-	-	1,095	-	-	-	-	-	1,162	1,162	1,162	(67)
University Secretariat	-	-	-	-	-	-	-	-	-	(96)	(96)	36	36
Presidential Budget	100	-	200	300	134	33	167	-	-	151	151	318	(218)
University Advancement	250	-	-	250	-	-	-	-	-	250	250	250	-
General University	-	-	-	-	-	-	-	-	-	1,225	1,225	1,225	(1,225)
Sub-total	1,445	-	50	1,495	468	33	501	-	-	3,527	3,527	4,028	(2,533)
7. Institutional Priority allocations													
Technology Renewal	4,500	-	-	4,500	1,526	280	1,816	-	-	11,214	11,214	13,030	(8,530)
Strategic Priorities	1,151	-	-	1,151	(1,112)	(770)	(1,882)	-	-	2,000	2,000	118	1,033
Sub-total	5,651	-	-	5,651	414	(480)	(66)	-	-	13,214	13,214	13,148	(7,497)
Surplus/(Deficit)	13,574	167	3,218	16,959	5,335	2,210	7,545	2,014	196	41,921	44,131	51,676	(34,717)
Under/(over)allocated	(13,574)	-	(13,574)	-	5,335	2,210	7,545	2,014	196	41,921	44,131	51,676	(13,574)
Total Surplus/(Deficit)	0	167	3,218	3,385	5,335	2,210	7,545	2,014	196	41,921	44,131	51,676	(48,291)

*To be allocated to Faculties

Table 27: Annual Net Change in Operating Envelope Balance – 2011/12 to 2014/15

(\$ thousands)	2011/12		2012/13	2013/14	2014/15
	Budget	Projection	Budget	Plan	Plan
1. Faculties (Academic Programmes)					
Business	(2,106)	(368)	(5,221)	(5,683)	(6,148)
Engineering	(1,431)	5,594	(4,896)	(4,951)	(7,577)
Health Sciences	(7,697)	(3,867)	(6,900)	(1,740)	(1,835)
Humanities	(2,958)	(74)	(4,999)	(6,491)	(7,754)
Science	(3,652)	(1,272)	(6,055)	(8,510)	(10,774)
Advance to Science	(500)	(500)	(500)	(500)	(500)
Medical Radiation - Mohawk share	(192)	73	-	-	-
Social Sciences	(2,670)	(897)	(2,948)	(3,724)	(4,698)
Interdisciplinary Programmes	(55)	264	138	(77)	(119)
Academic Allocation - QIF	(1,195)	150	(2,277)	-	-
Academic Allocation - Accessibility	-	-	-	-	-
Slip-year Allocation*	12,140	205	19,886	28,108	38,920
Sub-total	(10,316)	(692)	(13,771)	(3,568)	(486)
2. Academic Priorities					
Academic Contingency	98	321	(220)	(123)	103
Faculty Recruiting	-	(200)	-	-	-
Academic Priorities Allocation	(2,150)	(5,652)	4,084	3,745	3,947
Sub-total	(2,052)	(5,531)	3,865	3,622	4,050
TOTAL ACADEMIC	(12,368)	(6,222)	(9,907)	54	3,564
3. Academic Support					
Office of the Provost	(35)	(12)	23	2	(25)
School of Graduate Studies	(185)	(182)	(212)	(404)	(388)
Museum of Art	-	(21)	-	-	4
Centre for Leadership in Learning	(77)	117	(9)	(47)	(17)
Research	(539)	(315)	0	(0)	2
Nuclear Reactor Debt	100	100	100	100	100
University Library	23	2	(158)	(871)	(1,168)
Health Sciences Library	(58)	55	(174)	(1)	(1)
Registrar	(257)	(191)	(139)	(195)	(93)
Pension	-	-	-	-	-
Sub-total	(1,029)	(448)	(568)	(1,417)	(1,586)
4. Student Support					
Graduate Scholarships/Bursaries	(1,156)	456	(2,000)	(2,000)	(1,948)
Student Affairs	(1,577)	(2,580)	(286)	53	(54)
Undergraduate Scholarships	1,420	(56)	156	158	158
Student Support Allocation	-	-	-	-	-
Sub-total	(1,313)	(2,180)	(2,130)	(1,790)	(1,844)
5. Facilities Support					
Facilities Services	49	(150)	(311)	(14)	(130)
HSC Maintenance	-	(607)	-	-	-
Utilities	(746)	(299)	40	40	40
HSC Utilities	-	221	-	-	-
Deferred Maint/Facilities Renew	-	(111)	-	-	-
Bond Interest	-	-	-	-	-
MIP Occupancy	-	-	-	-	-
Renovation contingency	-	(265)	(189)	-	-
Sub-total	(697)	(1,211)	(460)	26	(90)
# Institutional Support					
Administration/Institutional Support	(610)	634	(852)	143	112
UTS/Technology Fund	(128)	(346)	465	321	302
University Secretariat	(43)	(67)	(45)	(49)	(132)
Presidential Budget	(2)	115	(179)	(114)	(17)
University Advancement	(1,034)	(453)	(1,133)	(423)	(617)
General/Contingency	(2,944)	2	(4,760)	(3,492)	(3,405)
Sub-total	(4,761)	(115)	(6,504)	(3,614)	(3,757)
7. Institutional Priority allocations					
Technology Renewal	(189)	1,755	(8,530)	(6,453)	(5,562)
Strategic Priorities	54	3,968	1,079	46	46
Sub-total	(135)	5,723	(7,451)	(6,407)	(5,516)
Surplus/(Deficit)	(20,303)	(4,452)	(27,020)	(13,148)	(9,229)
<i>Under/(over)allocated</i>	2,509	-	-	6,607	4,552
Total Surplus/(Deficit)	(17,794)	(4,452)	(27,020)	(6,541)	(4,677)

*To be allocated to Faculties

Table 28: Financial Position of Operating Envelopes – 2011/12 Budget and Projection

	2011/12 Budget				2011/12 8 Month Projection				Favourable (Unfavourable) Variance			
	Appropriations April 30, 2011	On-going	One-time	Total	Appropriations April 30, 2011	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, 2012	On-going	One-time	Total	Appropriations April 30, 2012	On-going	One-time	Total
1. Facilities (Academic Programmes)												
Business	(3,093)	(2,106)	-	(2,106)	(3,186)	(2,724)	2,356	(368)	(618)	2,356	-	1,738
Engineering	3,995	(367)	(1,064)	(1,431)	4,871	4,201	1,393	5,594	876	4,568	2,457	7,026
Health Sciences	19,535	3,880	(11,577)	(7,697)	28,260	7,390	(11,257)	(3,867)	8,725	3,510	320	3,830
Humanities	(395)	(4,867)	1,909	(2,958)	(3,522)	(3,930)	3,857	(74)	966	936	1,948	2,884
Science	(1,255)	(2,808)	(844)	(4,907)	(861)	(2,622)	1,350	(1,272)	394	186	2,194	2,380
Advance to Science	4,000	(500)	(500)	(500)	4,000	-	(500)	(500)	-	-	-	-
Medical Radiation - Mohawk share	(73)	(192)	-	(192)	(73)	73	73	73	(0)	192	73	265
Social Sciences	(3,822)	(3,123)	453	(2,670)	(3,652)	(3,727)	2,830	(897)	171	(604)	2,377	1,773
Interdisciplinary Programmes	810	(67)	12	(55)	827	155	110	262	16	221	98	320
Academic Allocation - QIF	1,845	650	(1,845)	(1,195)	2,127	650	(500)	150	282	-	1,345	1,627
Academic Allocation - Accessibility	0	-	-	-	0	-	-	-	0	-	-	-
Ship-year Allocation*	12,014	12,928	(788)	12,140	11,892	12,096	(11,892)	205	(122)	(832)	(11,104)	(11,936)
Sub-total	33,561	3,928	(14,245)	(10,316)	44,774	11,488	(12,180)	(692)	11,214	7,560	2,065	9,625
2. Academic Priorities												
Academic Contingency	(176)	793	(695)	98	222	1,332	(1,011)	321	398	538	(316)	223
Faculty Recruiting	116	-	-	-	269	-	(200)	(200)	153	-	(200)	(200)
Academic Priorities Allocation	12,864	4,207	(6,357)	(2,150)	11,765	6,274	(11,926)	(5,652)	(1,099)	2,067	(5,569)	(3,502)
Sub-total	12,804	5,000	(7,052)	(2,052)	12,256	6,274	(13,137)	(6,861)	(548)	2,066	(6,085)	(3,479)
TOTAL ACADEMIC	46,365	8,929	(21,296)	(12,368)	57,031	19,094	(25,317)	(6,222)	10,665	10,166	(4,021)	6,145
3. Academic Support												
Office of the Provost	739	151	(43)	(286)	823	92	(104)	(12)	84	85	(62)	23
Office of Graduate Studies	1,407	-	(336)	(185)	1,684	220	(402)	(182)	277	69	(66)	3
Museum of Art	0	23	(23)	-	21	(1)	(21)	(21)	21	(24)	2	(21)
Centre for Leadership in Learning	(103)	21	(98)	(77)	(181)	5	112	117	97	(16)	210	194
Research	392	60	(599)	(539)	315	(144)	(171)	(315)	(77)	(203)	427	224
Nuclear Reactor Debt	(600)	100	(600)	(500)	(600)	-	100	100	-	-	100	100
University Library	(22)	377	(354)	23	4	223	(222)	2	26	(154)	133	(21)
Health Sciences Library	58	-	(58)	(58)	127	3	53	55	69	3	111	113
Registrar	887	42	(299)	(257)	957	613	(804)	(191)	70	570	(505)	66
Pension	0	-	-	-	0	-	-	-	0	-	-	-
Sub-total	2,758	781	(1,810)	(1,029)	3,325	1,012	(1,459)	(448)	568	230	350	581
4. Student Support												
Graduate Scholarships/Bursaries	6,046	(1,156)	-	(1,156)	5,519	45	411	456	(527)	1,201	411	1,612
Student Affairs	1,908	39	(1,617)	(1,578)	331	433	(3,013)	(2,580)	1,174	394	(1,397)	(1,003)
Undergraduate Scholarships	(705)	1,420	-	1,420	40	5	(61)	(56)	745	(1,415)	(61)	(1,476)
Student Support Allocation	103	-	-	-	103	-	-	-	(0)	-	-	-
Sub-total	7,352	303	(1,617)	(1,313)	8,744	483	(2,663)	(2,180)	1,392	180	(1,046)	(866)
5. Facilities Support												
Facilities Services	24	49	-	49	516	116	(266)	(150)	492	67	(266)	(199)
HSC Maintenance	0	-	(800)	(746)	607	-	(607)	(607)	607	-	(607)	(607)
Utilities	851	54	(800)	(746)	0	116	(415)	(299)	(851)	62	385	447
Deferred Maint/Facilities Renew	4	-	-	-	0	221	(111)	(111)	0	221	(111)	(111)
Bond Interest	0	-	-	-	0	-	-	-	107	-	-	-
MIP Occupancy	0	-	-	-	0	-	-	-	0	-	-	-
Renovation contingency	0	-	-	-	454	(148)	(118)	(265)	454	(148)	(118)	(265)
Sub-total	879	103	(800)	(697)	1,688	306	(1,516)	(1,211)	809	202	(716)	(514)
# Institutional Support												
Administration/Institutional Support	1,797	(988)	(610)	(1,187)	2,473	1,362	(728)	634	677	974	270	1,244
UTS/Technology Fund	(327)	(88)	(40)	(128)	(854)	(155)	(190)	(346)	(527)	(67)	(150)	(217)
University Secretariat	112	(34)	(10)	(43)	114	(48)	(19)	(67)	2	(14)	(10)	(24)
Presidential Budget	482	65	(66)	(2)	597	127	(12)	115	115	63	54	117
University Advancement	2,258	(1,034)	-	(1,034)	2,721	(348)	(105)	(453)	463	686	(105)	581
General University	(232)	(2,885)	(59)	(3,176)	(396)	(3,283)	3,285	2	(164)	(398)	3,344	2,946
Sub-total	4,099	(3,589)	(1,173)	(4,761)	4,656	(2,345)	2,230	(115)	566	1,244	3,403	4,647
7. Institutional Priority allocations												
Technology Renewal	3,203	(883)	694	(189)	4,363	-	1,755	1,755	1,160	883	1,061	1,944
Strategic Priorities	3,137	46	8	54	3,689	46	3,922	3,968	553	-	3,914	4,467
Sub-total	6,340	(837)	702	(135)	8,052	46	5,677	5,723	1,712	883	4,975	5,888
Surplus/(Deficit)	67,785	5,690	(25,993)	(20,303)	83,496	18,596	(23,048)	(4,452)	15,711	12,906	2,945	15,850
Under/over/allocated	0	8,118	(5,609)	2,509	0	11,607	(11,607)	0	0	3,489	(5,998)	(2,509)
Total Surplus/(Deficit)	67,785	13,808	(31,602)	(17,794)	83,496	30,203	(34,655)	(4,452)	15,711	16,395	(3,053)	13,341

*To be allocated to Faculties

Table 29: Financial Position of Operating Envelopes – 2012/13 to 2014/15

(\$ thousands)	2012/13 Budget				2013/14 Plan				2014/15 Plan				
	Appropriations April 30, 2012	On-going	One-time	Total	Appropriations April 30, 2013	On-going	One-time	Total	Appropriations April 30, 2014	On-going	One-time	Total	Appropriations April 30, 2015
1. Facilities (Academic Programmes)													
Business	(3,555)	(5,150)	(71)	(5,221)	(8,775)	(5,683)	-	(5,683)	(14,458)	(6,148)	-	(6,148)	(20,607)
Engineering	10,465	(1,581)	(3,315)	(4,896)	5,569	(4,951)	-	(4,951)	618	(7,577)	-	(7,577)	(6,959)
Health Sciences	24,393	5,657	(12,557)	(6,900)	17,493	(7,146)	(1,740)	(8,892)	15,753	4,849	(6,684)	(1,835)	13,918
Humanities	497	(5,167)	168	(4,999)	(4,502)	(6,721)	230	(6,491)	(10,993)	(7,984)	230	(7,754)	(18,747)
Science	(2,134)	(5,583)	(472)	(6,055)	(8,188)	(7,999)	(511)	(8,510)	(16,698)	(10,412)	(362)	(10,774)	(27,472)
Advance to Science	3,500	-	(500)	(500)	3,000	-	(500)	(500)	2,500	-	(500)	(500)	2,000
Medical Radiation - Mohawk share	0	-	-	-	0	-	-	-	0	-	-	-	0
Social Sciences	(4,548)	(2,795)	(153)	(2,948)	(7,496)	(3,606)	(118)	(3,724)	(11,220)	(4,585)	(112)	(4,698)	(15,918)
Interdisciplinary Programmes	1,091	32	106	138	1,229	(89)	12	(77)	1,151	(117)	(2)	(119)	1,033
Academic Allocation - QIF	2,277	-	(2,277)	-	0	-	-	-	0	-	-	-	0
Academic Allocation - Accessibility	0	-	-	-	0	-	-	-	0	-	-	-	0
Slip-year Allocation*	12,096	19,886	-	19,886	31,983	28,108	-	28,108	60,090	38,920	-	38,920	99,010
Sub-total	44,083	5,299	(19,070)	(13,771)	30,311	4,465	(8,033)	(3,568)	26,744	6,945	(7,431)	(486)	26,258
2. Academic Priorities													
Academic Contingency	543	1,247	(1,467)	(220)	323	992	(1,115)	(123)	200	1,188	(1,085)	103	304
Faculty Recruiting	69	-	-	-	69	-	-	-	69	-	-	-	69
Academic Priorities Allocation	6,113	4,979	(894)	4,084	10,197	4,947	(1,202)	3,745	13,942	4,913	(966)	3,947	17,889
Sub-total	6,725	6,226	(2,361)	3,865	10,590	5,939	(2,317)	3,622	14,212	6,101	(2,051)	4,050	18,262
TOTAL ACADEMIC	50,808	11,525	(21,432)	(9,907)	40,901	10,405	(10,351)	54	40,955	13,046	(9,482)	3,564	44,519
3. Academic Support													
Office of the Provost	810	51	(28)	23	833	30	(29)	2	835	5	(30)	(25)	810
School of Graduate Studies	1,503	4	(216)	(212)	1,291	5	(409)	(404)	887	(0)	(387)	(388)	500
Museum of Art	0	-	-	-	0	-	-	-	0	4	-	4	4
Centre for Leadership in Learning	110	4	(12)	(9)	102	(59)	12	(47)	55	(10)	(8)	(17)	37
Research	0	9	(9)	0	1	109	(109)	(0)	0	193	(191)	2	3
Nuclear Reactor Debt	(500)	-	100	100	(400)	-	-	-	(300)	-	-	-	(200)
University Library	5	(630)	472	(158)	(153)	(871)	-	(871)	(1,023)	(1,168)	-	(1,168)	(2,191)
Health Sciences Library	182	2	(177)	(174)	8	53	(55)	(1)	6	2	(3)	(1)	5
Registrar	766	19	(157)	(139)	628	0	(195)	(195)	432	2	(95)	(93)	339
Pension	0	-	-	-	0	-	-	-	0	-	-	-	0
Sub-total	2,878	(541)	(27)	(568)	2,309	(733)	(684)	(1,417)	893	(972)	(614)	(1,586)	(693)
4. Student Support													
Graduate Scholarships/Bursaries	5,975	-	(2,000)	(2,000)	3,975	(0)	(2,000)	(2,000)	1,975	0	(1,948)	(1,948)	27
Student Affairs	1,266	738	(1,024)	(286)	980	596	(543)	53	1,033	397	(451)	(54)	979
Undergraduate Scholarships	(16)	156	-	156	140	158	-	158	297	158	-	158	455
Student Support Allocation	103	-	-	-	103	-	-	-	103	-	-	-	103
Sub-total	7,328	894	(3,024)	(2,130)	5,198	754	(2,543)	(1,790)	3,408	554	(2,399)	(1,844)	1,564
5. Facilities Support													
Facilities Services	366	(107)	(204)	(311)	55	(114)	100	(14)	41	(130)	-	(130)	(88)
HSC Maintenance	0	-	-	-	0	-	-	-	0	-	-	-	0
Utilities	(299)	40	-	40	(259)	40	-	40	(219)	40	-	40	(179)
HSC Utilities	221	-	-	-	221	-	-	-	221	-	-	-	221
Deferred Maint/Facilities Renew	0	-	-	-	0	-	-	-	0	-	-	-	0
Bond Interest	0	-	-	-	0	-	-	-	0	-	-	-	0
MIP Occupancy	0	-	-	-	0	-	-	-	0	-	-	-	0
Renovation contingency	189	(189)	-	(189)	0	-	-	-	0	-	-	-	0
Sub-total	477	(256)	(204)	(460)	17	(74)	100	26	43	(90)	-	(90)	(47)
# Institutional Support													
Administration/Institutional Support	3,108	208	(1,059)	(852)	2,256	(79)	222	143	2,399	(158)	270	112	2,511
UTS/Technology Fund	(1,068)	532	(67)	465	(603)	376	(55)	321	(282)	337	(35)	302	20
University Secretariat	47	(81)	36	(45)	2	(103)	54	(49)	(47)	(125)	(8)	(132)	(180)
Presidential Budget	712	39	(218)	(179)	533	25	(139)	(114)	419	(0)	(17)	(17)	402
University Advancement	2,268	(1,133)	-	(1,133)	1,135	(423)	-	(423)	712	(617)	-	(617)	96
General University	(0)	(3,535)	(1,225)	(4,760)	(4,760)	(3,492)	-	(3,492)	(8,252)	(3,405)	-	(3,405)	(11,658)
Sub-total	5,067	(3,971)	(2,533)	(6,504)	(1,437)	(3,695)	81	(3,614)	(5,052)	(3,968)	211	(3,757)	(8,809)
7. Institutional Priority allocations													
Technology Renewal	6,119	-	(8,530)	(8,530)	(2,411)	-	(6,453)	(6,453)	(8,864)	-	(5,562)	(5,562)	(14,426)
Strategic Priorities	7,657	46	1,033	1,079	8,736	46	-	46	8,782	46	-	46	8,828
Sub-total	13,776	46	(7,497)	(7,451)	6,325	46	(6,453)	(6,407)	(82)	46	(5,562)	(5,516)	(5,598)
Surplus/(Deficit)	80,334	7,697	(34,717)	(27,020)	53,313	6,702	(19,850)	(13,148)	40,165	8,617	(17,846)	(9,229)	30,936
<i>Under/over allocated</i>	0	13,374	(13,574)	0	6,607	1,357	(4,750)	6,607	6,607	9,052	(4,500)	4,552	17,159
Total Surplus/(Deficit)	80,334	21,271	(48,291)	(27,020)	53,313	18,059	(24,600)	(6,541)	46,772	17,669	(22,346)	(4,677)	42,095

*To be allocated to Facilities

Appendix B – Ancillary Budgets

Developing a distinct, effective and sustainable undergraduate experience is one of the important strategic priorities outlined in President Deane’s “Forward with Integrity” letter. In order to increase the focus of the Student Affairs envelope on the student experience, responsibility for ancillary operations will transfer to the Vice-President Administration in 2012/13.

Bookstore

In 2011/12 the Bookstore carried out both physical and structural transformations. Significant changes to the main-floor layout were made in order to drive sales, especially those of higher-margin items. A 13.9% increase in general merchandise and an 8.4% projected increase in sales of stationery products are projected over previous-year sales as a direct result of implementing this change. In addition, an organizational structure has been developed to increase adaptability and change as the marketplace changes.

The focus in 2012/13 is to implement changes in the Health Sciences store with the goal of increasing overall sales from this location to a wider market base including students, staff and visitors. The online selection of electronic books and access codes will be expanded as well as a new rental option for textbooks. The focus will be on offering students course material in a format that meets both their learning style and budget.

Campus Health Centre

Effective in 2012/13, the activities and programs of the Campus Health Centre will be restructured and included as part of the new Student Wellness Centre (SWC) under the Student Affairs envelope in the operating fund.

Telecommunications

Effective in 2012/13, Telecommunications will cease to be treated as an ancillary and will be included under the UTS envelope in the operating fund.

Media Production Services

An external operational review of Media Production Services (MPS) was conducted in 2011, providing an objective understanding of the business model and valuable insights to enhance efficiencies. From this review a program of profitability improvement initiatives has been developed for implementation in 2012/13.

In 2012/13, MPS will partner with the Library in the creation of a Centre for Digital Scholarship, the aim of which is to provide a collaborative space to enhance academic research using technology and digital solutions. The Centre will include a Digital Lab to provide the latest in digitization technology and services to internal clients at McMaster and external community organizations. Also in 2012/13 the campus copier account will be moved from the operating fund to the MPS ancillary business to align with the accountability structure. MPS has been responsible for campus copiers since leading the initiative in 2009/10.

Centre for Continuing Education

In an external review, CCE was deemed to be among the top 5% best performing continuing education units internationally. CCE provides value to residents and organizations in Hamilton and beyond, as well as to the University community as a support to faculties and a provider of training programs for workforce development. In 2011/12, CCE offered a free Certificate or Diploma course to all graduates, and in the first term offered (fall 2011), 66 graduates took a free course.

The Centre recently developed a strategic plan for the next five years. In 2012/13 there will be a significant investment in growth. New online diploma programs will be launched, and a variety of new professional development courses are being planned. Investment in market research, development, marketing and operational costs will be funded by reserves set aside for this purpose.

Housing and Conference Services

In 2011/12, Housing and Conference Services (H&CS) successfully completed over \$3 million in deferred maintenance projects on schedule and on budget, including replacement of all windows in the 295-bed Woodstock Hall, part of a multi-year energy saving/sustainability initiative.

H&CS continues to seek ways to enhance the living and learning environment for students in residence. Its Residence Life Unit initiated a pilot project, “The Facilitated Learning Groups (FLG) Program” in collaboration with Dr. Joseph Kim, Assistant Professor, Pedagogy and Applied Cognition Lab, which has evolved to become a major research project in 2011/12. The program is a form of supplemental instruction offered outside the classroom to students who live in residence and are enrolled in Introductory Psychology. The goal of the program is to improve soft skills such as critical thinking and self regulation, as well as grades and retention as a means to better support students’ transition to postsecondary education and living away from home.

It is anticipated the study results will confirm a direct and positive correlation between participation in curriculum-based supplemental instruction sessions and an improved learning experience and enhanced personal development, both determinants of successful transition to living and learning at McMaster. Pending study results and assessment, the FLG program will continue in 2012/13 with the Faculty of Science, and H&CS will explore partnerships with other faculties to complement and inform their student success and retention efforts.

Hospitality Services

The renovation at the Commons Building with the creation of CENTRO has increased revenue approximately 15% over the previous year. The renewal concepts provide new menu items with more nutritional options and socially responsible choices in addition to great-tasting food.

Continuing plans to introduce popular brands and product offers include a Booster Juice kiosk and development of an in-house Teppanyaki concept. This will support the strategy for attracting new catering business and improving quality and presentation. Plans also include the design and development of a unique concept and the renovation of Celebration Hall in Kenneth Taylor Hall.

Parking and Transit Services

Parking and Transit Services provides safe and well-maintained parking and transit infrastructure. It 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. Parking revenues are used to reduce the debt load, as well as providing the financial resources to construct and improve sidewalks, reconstruct campus roadways, and for capital safety and security projects. The current reserve deficit is projected to be paid off in 2013/14. The Parking Levy remains at \$14 per month as per the approved parking garage capital funding payback plan and will remain at this level until the stadium debt is repaid in 2031.

Table 30 (page 1 of 2) Ancillary Fund Detail – Year Ending April 30, 2013

(\$ thousands)	Campus Health		Bookstore		Telecommunications		Media Production		Parking	
	2011/12 Projection	2012/13 Budget	2011/12 Projection	2012/13 Budget	2011/12 Projection	2012/13 Budget	2011/12 Projection	2012/13 Budget	2011/12 Projection	2012/13 Budget
Sources of funding										
Sales	531	0	22,190	22,179	0	0	222	418	5,286	5,286
Other income	1,200	0	126	133	181	0	220	195	0	0
Total sources of funding	1,731	0	22,316	22,312	181	0	442	613	5,286	5,286
						Moved to Operating Fund				
Expenditure										
Salaries, wages and benefits	1,592	0	3,291	3,112	491	0	1,928	2,189	853	1,002
Utilities and maintenance	0	0	0	0	0	0	0	0	0	2
Cost of sales	0	0	16,023	15,542	0	0	527	549	0	0
Debt and financing charges	0	0	95	115	0	0	18	4	986	986
All other expenses	97	0	2,276	2,225	(514)	0	(2,313)	(2,855)	2,674	1,575
Total expenditures	1,689	0	21,685	20,994	(23)	0	160	(113)	4,513	3,565
Surplus (deficit) in-year	42	(0)	630	1,318	204	(0)	282	727	773	1,721
Transfers from (to) other funds	(15)	0	(1,443)	(1,550)	(210)	0	(233)	(365)	(734)	(800)
Change in fund balance	27	(0)	(812)	(232)	(7)	(0)	49	362	39	920
Reserve										
Beginning Balance	737	0	2,406	1,593	138	0	(1,793)	(2,137)	(1,602)	(1,564)
Net change	27	(0)	(812)	(232)	(7)	(0)	49	362	39	920
Closing Balance	764	(0)	1,593	1,361	131	(0)	(1,743)	(1,775)	(1,564)	(643)

*Including copier account moved from Operating Fund in 2012/13

Table 30 (page 2 of 2) Ancillary Fund Detail – Year Ending April 30, 2013

(\$ thousands)	CCE		Hospitality		Housing & Conference		Off-Campus Housing		Campus Centre Board/ Elimination	
	2011/12 Projection	2012/13 Budget	2011/12 Projection	2012/13 Budget	2011/12 Projection	2012/13 Budget	2011/12 Projection	2012/13 Budget	2011/12 Projection	2012/13 Budget
Sources of funding										
Sales	0	0	18,487	18,829	22,203	22,498	0	0	(451)	(451)
Other income	4,078	4,560	300	300	257	238	144	144	0	0
Total sources of funding	4,078	4,560	18,787	19,129	22,460	22,736	144	144	(451)	(451)
Expenditure										
Salaries, wages and benefits	3,170	3,598	8,489	8,901	7,083	7,551	95	101	0	0
Utilities and maintenance	0	0	0	0	3,043	3,077	0	0	0	0
Cost of sales	0	0	6,900	7,000	562	457	0	0	(451)	(451)
Debt and financing charges	0	0	180	180	3,797	3,536	0	0	0	0
All other expenses	655	1,167	1,637	1,549	6,655	6,154	33	59	(47)	31
Total expenditures	3,825	4,765	17,205	17,630	21,140	20,775	128	160	(498)	(420)
Surplus (deficit) in-year	253	(205)	1,582	1,498	1,320	1,961	17	(16)	47	(31)
Transfers from (to) other funds	(182)	(311)	(1,434)	(1,973)	(1,538)	(2,532)	0	(5)	(195)	31
Change in fund balance	71	(516)	148	(474)	(218)	(571)	17	(21)	(148)	(0)
Reserve										
Beginning Balance	2,719	2,790	759	906	1,617	1,399	100	117	148	(0)
Net change	71	(516)	148	(474)	(218)	(571)	17	(21)	(148)	(0)
Closing Balance	2,790	2,274	906	432	1,399	828	117	96	(0)	(0)

Appendix C – Research Highlights

The research enterprise at McMaster represents approximately 20% of the University's total income. For 2012/13, our direct research funding/research project funding is expected to be \$178 million compared to the total University income of approximately \$904 million. Additionally, indirect overhead income accounts for a further \$21.8 million.

McMaster is recognized nationally and internationally for its research excellence and is acknowledged as a world-class institution. ReSearch Infosource Inc. released its 2011 list of Canada's top research universities, and McMaster has again been named one of the country's best. In terms of research intensity – a measure of research income per full-time faculty member – McMaster placed second in Canada. McMaster's total Sponsored Research Income reached \$395.4 million, reflecting an increase of nearly 5% over the previous year. In total, the University averaged \$310,089 per faculty member, far above the average of \$170,600 obtained by the Top 50 Research Universities. In addition, the Shanghai Jiao Tong University's ranking of universities worldwide has for the ninth consecutive year named McMaster in the Top 100 for 2011 – one of only four Canadian universities among this group. Research is a key performance indicator considered for the Times Higher Education World University Rankings which also ranks teaching, international outcomes, citations and income from industry. McMaster has moved up from 93 to 65 in the latest Times rankings, making it one of only two Ontario universities to make the top 100.

McMaster's research enterprise is an integral part of the University and critical to its mission. By investing in strategic and, increasingly, in interdisciplinary research priorities – integrating our research with our teaching and focusing on the betterment of society through knowledge transfer and technology – McMaster has the capacity to become one of the world's premier research institutions.

A sound financial budget for this activity is therefore imperative. Developing an estimate of research financial activity enables the University to:

- Improve the forecast of indirect cost of research funding, 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
- Respond to 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. The plan is therefore directional, looking at changes in the research funding environment and specific targets and strategies established at McMaster.

Research Funding Landscape

Over the last 10 to 15 years, 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 R&D 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

The federal agencies are in transition in response to international reviews, fiscal realities, accountability and impact expectations. Evidence of economic, social and innovation impact of, and accountability for, public investments remain key expectations.

These are competitive times for all research universities in Canada. McMaster continues to be highly successful in attracting federal Tri-Council funds, with 2010/11 Tri-Council total funding of approximately \$90 million. The newly released federal budget will see refocusing of funding to the tri-councils (NSERC, SSHRC and CIHR). What remains unclear at this time is the allocation of funding within the councils. NSERC has advised that core programs such as the Discovery Grant and partnership programs are secure; the future of other programs however is less clear. While success rates in Tri-Council core programs tend to be in decline across the country, McMaster continues to see significant success.

NSERC priority areas of Environmental Science & Technologies, Information & Communications Technologies, Manufacturing, and Natural Resources & Energy are well aligned with McMaster's strengths and priorities and provide significant opportunities for McMaster researchers. We have created, and continue to create, an internationally recognized critical mass of research capacity in the areas of biomedical research, energy systems and green technologies, medical isotopes, water research, automotive research, arts and technology, cell biology research, food sciences and health, aging and health, transportation and logistics, public policy and societal initiatives. In addition to being well placed to succeed through linkages with federal priorities, McMaster enjoys strong partnerships with other sectors. The evolving research funding environment requires that we remain vigilant and poised to engage in new opportunities. The federal budget makes clear that partnerships are key to success in

research funding. Historically, McMaster has fared well in partnership programs and will continue to participate heavily in these opportunities. Increasingly complex initiatives and those which enjoy participation from a number of disciplines require increased coordination and support. We anticipate a greater call on the expertise of McMaster's research administration offices to help researchers manage the complexity of these initiatives. The following selected examples provide evidence of success in partnered programs, which have received federal funding to support both individual researchers and larger multi-disciplinary groups.

- NSERC has recently awarded ~\$1.6 million to McMaster projects through its Strategic Projects Program. Funding will support research into flexible silicone microstructured lenses; interconnect coatings for solid oxide fuel cells; advanced supercapacitor modules for energy storage; concealed weapon detection with microwave radar; and the development of nanowire infrared photodetectors. The McMaster research teams leading these initiatives have strong partnerships with industry and will conduct these projects in collaboration with companies including Dalsa Corporation, Lockheed Martin Corporation, Custom Contact Lenses, Kerber Applied Research Inc., Gates Canada Inc., Tavrma Canada Ltd., Acceleware Corp., A.U.G. Signals Ltd., Defence R&D Canada, and with Industry Canada.
- The Automotive Partnership Canada (APC) program, of which NSERC is the lead agency, has once again acknowledged the expertise of McMaster researchers by providing \$2.3 million to support research aimed at improving the reliability and cost of batteries which power electric vehicles. This funding, along with \$1.2 million provided through partner contributions, will allow the McMaster-led cross-disciplinary research team to focus their efforts on how the longevity and cost of rechargeable lithium ion batteries can be improved, resulting in greater consumer uptake.
- The Networks of Centres of Excellence (NCE) program has awarded \$36.5 million in new funds to support AllerGen – the Allergy, Genes and Environment Network – for another seven years. This funding recognizes the success and impact of this McMaster-led NCE, a partnership involving academia, the private and public sectors which has grown to include almost 200 researchers at 23 institutions and other organizations.

Greater emphasis on partnerships with the private sector and international collaborations are expected in each of the councils. Success in these areas is critical to sustainability and provides opportunity for McMaster. Changes to program architecture and review processes also create opportunity but can also be a cause for concern, particularly during the transitional phase. SSHRC has recently revised its program architecture to create a more flexible and effective system of application and assessment. They also, however, have determined that social sciences or humanities research primarily intended to improve and/or increase knowledge of health or healthcare is no longer eligible for SSHRC. This remains a challenge for those researchers who must now transition into CIHR. The council, while working to ensure that such researchers receive appropriate review within their agency, is in fact changing its review process significantly. It is CIHR's hope that the new process will simplify and streamline the grant application process while increasing support for early-career researchers and for new and emerging areas. However, they have noted that future applications will require increased levels of institutional support which is expected to cause challenges at the institutional level.

Overall, national funding rates tend to be low, and universities are experiencing increased competition from new universities, colleges and other non-university entities. Tri-Council funding is critical, not only to the success of researchers and their teams, but it also forms the basis upon which allocations are made to other federal programs, including Canada Research Chairs and Federal Indirect Costs. Increased competition from new universities requires ongoing reallocation of Chairs supported through the Canada Research Chairs program. This reallocation of Chairs across the country can result in established institutions losing Chairs over time, a loss which is difficult to accommodate within departmental budgets. Coupled with these challenges are those experienced through reduced budgets in some private foundations which are suffering due to the economic climate.

The federal government continues to invest in research and innovation, and the federal budget has identified significant new funding for selected programs. McMaster will receive \$6.5 million, supplemented by contributions from other partners, for a research program aimed at making the healthcare system more cost effective through evaluation of team-based approaches to healthcare delivery.

The Canadian research community was pleased with the federal budget's provision of \$500 million to the Canada Foundation for Innovation (CFI). McMaster has been highly successful in receiving funding from CFI; new CFI Leaders Opportunity Fund awards announced this past year alone will support multiple research projects including those which will investigate physical activity and its impact on the health of children; the design of automotive software, electronics modeling and analysis capabilities to improve the safety of automobiles; and the establishment of an analytical facility to investigate the planet's past and current environmental changes, leading to more accurate predictions regarding future climate change. In addition, McMaster-led projects supported through the most recent large-scale competition which provided funding towards projects valued at ~\$93 million have seen progress and have begun acquiring the infrastructure critical to those research programs. A vital component of McMaster's success in research is support from the institution, which enables our researchers to compete successfully for both basic and targeted funding. Institutional investment into infrastructure projects was instrumental in McMaster ranking fifth in the country during the CFI 2009 New Initiatives/Leading Edge Fund competition. This is one example of the impact of institutional support; however such needs are highly varied. In addition to direct support for research, indirect support through the provision of systems, tools and personnel, which allows researchers to optimize their funding and be compliant with funding agency regulations, is also a vital component to success.

McMaster researchers will pursue funding opportunities provided through Genome Canada, which will see an influx of funds of \$60 million from the new budget. McMaster will also continue to engage in discussion regarding upcoming changes, including those to the National Research Council (NRC). Changes to the structure and mandate of the NRC are forthcoming, and the development of collaborative R&D centres is anticipated; as with the tri-councils, emphasis on increased partnerships between academia and the private sector and international collaborations are expected.

The importance of partnerships with the private sector is increasing, as evidenced in the priority programs of both the federal and provincial governments. McMaster has historic strengths in this area and continues to develop strong relationships with partners in industry and the public sector. We are developing exciting initiatives which build on our established strengths as well as those which will provide the cornerstone for further investigations in areas of strategic priority. Critical to these plans is the development of McMaster Innovation Park (MIP) – whose vision is to facilitate the transformation of ideas into commercial opportunities – which already houses laboratory, office, and training facilities

in support of research and development in a number of wide-ranging key areas. In addition to the establishment of several infrastructure initiatives funded by CFI and the Ministry of Economic Development and Innovation (MEDI), MIP is home to the federal government's CANMET Materials Technology Laboratory (CANMET-MTL). CANMET's work complements other research initiatives under development at MIP including the McMaster Automotive Resource Centre (MARC), which was recently awarded \$11.5 million from the SouthWestern Ontario Federal Development Fund. MARC will build upon McMaster's critical mass of automotive research, which has recently been enhanced through the recruitment of Dr. Ali Emadi as the Canada Excellence Research Chair (CERC) in Hybrid Powertrain, the only CERC with a focus on automotive research in Canada. The next decade will bring dramatic changes in hybrid powertrain design and production, triggering unprecedented technology investment by the automotive industry. McMaster, supported by its industrial liaison office (MILO), also located at MIP, will continue to promote a culture of knowledge transfer/commercialization and will provide incentives for start-up companies to locate at the MIP.

On the provincial front, the MEDI's focus on programs whose outcomes are intended to drive economic growth and job creation requires significant commitment from the private sector. Recognizing the fiscal challenges faced by our private-sector partners, we will continue to forge relationships with industry and to develop industry-friendly practices, allowing us to capitalize on both provincial and federal partnership programs.

McMaster continues to see considerable success through MEDI's Ontario Research Fund Research Excellence (ORF-RE) program. This past year, McMaster-led projects were awarded ~\$5.3 million in MEDI funding to support projects whose partner contributions will facilitate research totaling over \$15 million. Outcomes of these research projects will improve manufacturing operations by making them more reliable and efficient while being environmentally friendly; facilitate on-demand viewing of medical records including large diagnostic images; and enable public health officials to make timely decisions regarding water quality and remediation. Provincial funding, however, is in a period of transition as Ministries struggle to deal with budget reductions, and MEDI has put the fall 2011 and 2012 ORF-RE competitions on hold. McMaster's research administration offices continue to work with research teams who have been awarded ORF-RE funding. Recognizing the complexity of managing projects awarded through these programs, MEDI is attempting to simplify their ongoing management and has invited *ROADS* personnel to join a working group to assist in this endeavour.

McMaster envisions significant ongoing participation in the MEDI Early Researcher Awards (ERA) program which allows young researchers to build their research teams. Recent ERA funding announcements will support research that investigates the impact of fitness programs on bone marrow donors and the success of those transplants; studies the impact of pharmaceuticals in water on aquatic ecosystems; and the impact of live music on audio-visual integration among autistic children. McMaster has also had significant success through the Ontario Research Fund Research Infrastructure (ORF-RI) program, a matching partner to CFI. All McMaster CFI awards which have requested funding from the ORF-RI program to date have received the full funding request. Both the ERA and ORF-RI programs received positive comment in the recent Drummond report, and we will promote increased McMaster participation in these programs. McMaster's research administration will continue to provide education and training to facilitate our researchers' ability to respond to these and other funding opportunities.

This is a time of significant change within the research funding environment and, while there are opportunities to be realized, there are also challenges. Within Canada, the Gross Expenditures on Research & Development as a percentage of Gross Domestic Product (GERD/GDP) has declined from 2.09% in 2001 to 1.74% in 2011 (preliminary figures), providing challenges for all Canadian institutions. Other countries, however, have increased funding to research, enhancing opportunities for collaboration. While continuing to work with our institutional partners to present the needs of research to the Canadian government, McMaster will pursue increased international collaboration opportunities with EU countries, Brazil, Russia, India, China and Italy.

International partnerships are key to future success in research funding. McMaster's international collaboration rates, along with our international publication rates, have increased considerably and consistently for the last five years. With the goal of increasing our involvement in international research, McMaster has established a Task Force on International Revenue Generation which will identify specific activities and areas of focus. In addition, McMaster this past year held its first International Forum on R&D. This two-day Forum on the Role of Research-Intensive Universities was a great success attended by more than 200 individuals from industry, academia and government. Representatives from all major funding agencies were present to engage in meaningful discussion, as were representatives from national and international associations, institutes, foreign embassies, and companies from outside of Canada. Development of such partnerships will see McMaster well placed to take advantage of future opportunities in both research and education and in so doing, will be aligned with the government's International Education Strategy whose goal is to strengthen linkages with Canada and international institutions.

Research funding is essential to a research-intensive university and facilitates the generation of 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. Provincially, the MEDI has shown leadership by moving to a 40% IDC rate for many of its research programs, while the Ministry of Health and Long-term Care has lowered its IDC rate to 20%. A provincial-wide adoption of the IDC rate continues to be encouraged. 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.

Appendix D – Major Capital Projects Currently Underway

Downtown McMaster Family Care Centre

The McMaster Health Campus, to be located on the corner of Main and Bay streets in downtown Hamilton, will be a hub for students, teaching, patient care and research. The campus will allow up to 15,000 Hamiltonians from across the city now without a doctor to have a family physician. It will see up to 54,000 patient visits every year and bring 4,000 McMaster students downtown to participate in classes, training and events. The campus will be home to 450 McMaster employees and create 650 jobs during design and construction. The \$84.6 million project is fully funded, including \$20 million from the City of Hamilton; \$12 million in Ministry of Health and Long-Term Care capital for family medicine postgraduate program expansion; \$7.2 million from the Ministry of Training, Colleges and Universities for medical school program expansion; \$10 million from University capital, and a generous gift of \$10 million from philanthropist David Braley. The campus will include a large family health centre; the offices of the Department of Family Medicine as well as offices and classrooms for the Nurse Practitioner Program, Community Medicine Residency Program, Family Medicine Residency Program and the Continuing Health Sciences Education Program.

McMaster Automotive Resource Centre (MARC)

The McMaster Automotive Resource Centre (MARC) will allow the University to accelerate automotive research, improving educational and employment opportunities across Hamilton and beyond. The McMaster Automotive Resource Centre will occupy about 80,000 square feet of a former appliance warehouse, directly across from the Atrium, the headquarters of McMaster Innovation Park. It will be a state-of-the art research facility, where academic, government and industrial partners will collaborate to develop new technology that can diversify Hamilton's economic base and create new employment. The centre itself is a \$26 million project and is expected to employ 120 to 150 people when complete. A major focus of the new auto research centre will be the work of Ali Emadi, an internationally renowned leader in advanced powertrain technology, who was recruited from the US and holds the \$10 million Canada Excellence Research Chair in Hybrid Powertrain.

Wilson Building for Studies in Humanities and Social Sciences

A major capital project still in the approval process, the Wilson Building for Studies in Humanities and Social Sciences, will feature a wide range of flexible spaces for teaching, learning, research and performance, all equipped with cutting-edge technology. At least 13,000 students will use the building, including those from faculties whose education includes courses in the liberal arts. At 104,000 square feet, the building will create space for 1,275 more students on campus, in keeping with the Province's postsecondary attainment goals. The project is expected to be approved and commence in 2012, with construction anticipated to begin in 2013. The building will be located at the main Hamilton campus, at a location close to students studying in the Humanities and Social Sciences, with access to parking to enhance community participation in the activities of the building. The \$65-million project received critical early support in the form of a \$10-million gift from Chancellor Lynton (Red) Wilson in 2007, and a \$1-million gift from the McMaster Association of Part-time Students in 2010.

Appendix E – 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 and low interest rates.

Salaried Pension Plan 2000

July 2011 Funding Valuation and Temporary Solvency Relief Provisions

The University filed the Salary Pension Plan 2000 valuation as at **July 1, 2011**. The results of the valuation at **July 1, 2011** are:

- Going-concern shortfall of \$182 million (\$76 million at last filing of July 2008)
- Required annual University special payments as a result of this going-concern deficit of \$10.8 million per annum (\$8.425 per annum at last filing)
- Solvency shortfall of \$267 million (\$32 shortfall at last filing)
- Expected required annual special payments as a result of the Solvency Deficit have been waived for three years as a result of qualifying for Temporary Solvency Relief⁸
- Annual special payments for solvency will be required after the July 1, 2014 valuation
- University current service cost contributions fluctuate between 170% and 155% of employer's contributions over the next three years

Funding Plan for Future Years

The salary pension funding plan approved by the Budget Committee for 2012/13 is:

- The employer contribution that is built into the operating, ancillary and research unit benefit charges for salaried faculty and staff was increased from 280% of the employee contribution to 295% of the employee contribution effective May 1, 2012.
- These rates are sufficient to cover both the current service costs and the required special payments referred to above.
- Recommendation to plan to increase to 310% in 2013/14 subject to annual review in October.
- Further review after July 1, 2014 Solvency Report which will determine if the University has qualified for Stage 2 of the Temporary Solvency Relief Program.

⁸ Ontario Pension Funding Relief Funding relief provisions include:

- Extension of the amortization period for new solvency deficits from five years to ten years
- Deferral of going concern 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.

To be eligible for such additional temporary relief, universities had to take measures to make plans more sustainable over time. The University has qualified for Stage 1 and has made changes which should result in Stage 2 qualification in 2014.

Plan Design Changes and Employee Contribution Increases

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. All employee groups remaining in the plan will have increased their contributions from 6.5% up to the YMPE and 8.75% over the YMPE by July 1, 2012. These contribution increases have helped put the plan on a more sustainable basis and are one of the key reasons that the plan has been able to qualify for the Temporary Solvency Relief provisions offered by the Province.

Hourly Pension Plan

The University sponsors a defined benefit pension plan that provides benefits to approximately 340 retirees and deferred members and covers approximately 300 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 has qualified for Solvency Relief. Human Resources has negotiated the closure of this plan to new hires. 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.

In 2011/12, the University worked with its actuaries to quantify the impact of the above changes on the unfunded liability that stood at \$192.4 million as at April 30, 2011. While this liability will continue to grow, the changes referred to above will mitigate its growth significantly. In addition, future strategies may include any combination of the items noted below:

- Further plan design changes and co-payment strategies
- Continuation of a charge to operating and research units equivalent to 1.5% of pay to begin to create a funding reserve (was 0.75% last year) in fiscal 2012/13.
- Contributing \$3 million from the University Benefits reserve to a special long-term investment reserve to mitigate further surcharge increases in the longer term

Finally, the Board has recommended a tri-annual review with the actuaries to review and update strategies above.

Appendix F – Fund-by-Fund Consolidation

(\$ thousands)

	Operating Fund			Ancillary Fund			Research Fund			Trust Fund			Endowment Fund			Capital Fund			Grand Total		
	2011/12 Projection	2012/13 Budget	2012/13 Projection	2011/12 Projection	2012/13 Budget	2012/13 Projection	2011/12 Projection	2012/13 Budget	2012/13 Projection	2011/12 Projection	2012/13 Budget	2012/13 Projection	2011/12 Projection	2012/13 Budget	2012/13 Projection	2011/12 Projection	2012/13 Budget	2012/13 Projection	2011/12 Projection	2012/13 Budget	
Revenue																					
Operating grants	223,900	224,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Research grants and contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tuition fees	176,748	188,681	-	-	-	177,987	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary sales and services	-	-	68,468	68,759	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenues	99,610	101,030	6,506	5,569	-	-	66,128	52,332	200	100	44,398	218,124	203,430	203,430	218,124	203,430	203,430	218,124	203,430	203,430	
Investment income (loss)	4,946	4,946	-	-	-	-	-	25,590	-	8,288	-	-	-	-	-	-	-	-	-	-	
Investment income transfer	4,521	4,521	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total revenues	509,725	523,919	74,974	74,328	177,987	180,051	66,128	77,922	3,867	3,867	46,836	873,393	903,577	903,577	873,393	903,577	903,577	873,393	903,577	903,577	
Expenses																					
Salaries, wages and benefits	359,721	384,736	26,992	26,456	103,707	102,457	20,539	20,781	-	-	-	-	-	-	-	-	-	-	-	-	-
All other expenses, including capital	136,730	154,585	37,757	36,078	72,990	72,110	21,319	21,788	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to (from) other funds	6,418	612	5,983	7,504	(10,027)	(6,119)	8,364	8,872	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt and financing charges	11,308	11,005	5,076	4,821	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	514,177	550,939	75,808	74,859	166,670	168,448	50,222	51,441	-	-	-	12,971	819,849	917,040	819,849	917,040	917,040	819,849	917,040	917,040	
Excess of revenues over expenses	(4,452)	(27,020)	(834)	(531)	9,539	13,381	15,906	26,481	3,867	3,867	(4,321)	(4,321)	(4,321)	(4,321)	(4,321)	(4,321)	(4,321)	(4,321)	(4,321)	(4,321)	
Fund balances, beginning of year	83,496	80,334	5,228	3,104	183,723	197,104	398,262	414,168	114,833	110,512	19,162	770,839	824,363	824,363	770,839	824,363	824,363	770,839	824,363	824,363	
Fund balances, end of year	79,044	53,313	4,394	2,573	197,104	206,643	414,168	440,649	110,512	114,379	19,162	(6,637)	810,920	810,920	(6,637)	810,920	810,920	(6,637)	810,920	810,920	