



2021-2022 Consolidated Budget

Approved by the Board of Governors
June 10, 2021

BRIGHTER WORLD



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1 QUICK FACTS

History

Founded in **1887** in Toronto.

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

Institutional Leadership

Chancellor: **Santee Smith**

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

Provost and Vice-President Academic: **Dr. Susan Tighe**

McMaster Model

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

Degrees Granted (in 2019/20)

7,861

Student Enrolment Headcount (as of fall 2020)

Undergraduate: **31,533**

Graduate: **4,917**

Domestic: **30,710**

International: **5,740**

Average Entering Grade (in fall 2020)

90.04%

Faculties

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

Full-Time Faculty (excluding Clinicians, 2019)

888

Staff (2020)

11,862

Alumni (2020)

205,810

Research Funding

\$353.5 million awarded in research funding in 2019/20 (McMaster and affiliated hospitals)

World Ranking

Shanghai Ranking (2020): **98th**

Times Higher Education (2020): **69th**

QS World Ranking (2020): **144th**

Times Higher Education Global Impact Rankings (2021): **14th**, including:

1st in Canada for Good Health and Well-being, Decent Work and Economic Growth and Partnerships for the Sustainable Development Goals

2nd in Canada for Working to Reduce Inequality

2020 – Canada's most research-intensive university – Research Infosource Rankings

Campus

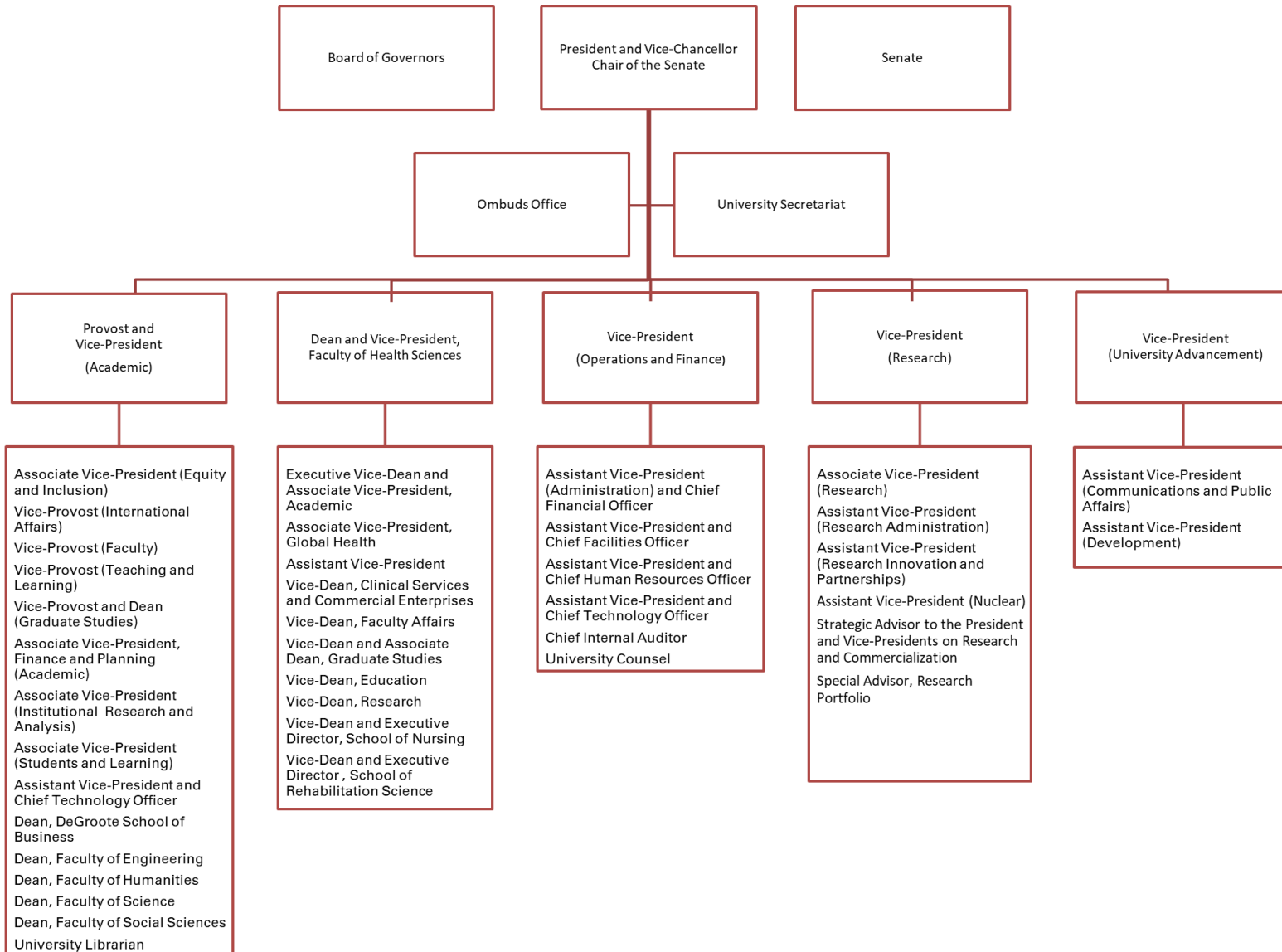
152.4 hectares of property

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

Nuclear Reactor, WJ McCallion Planetarium, McMaster Museum of Art

5 campuses (Main campus in West Hamilton, and 4 additional campuses)

2 ORGANIZATIONAL CHART



3 MESSAGE FROM THE PRESIDENT



I am pleased to present McMaster's consolidated budget for 2021/22. Over the last year we have demonstrated our ability as a university and a community to respond to the pandemic, and pivot our approaches to deliver programs and courses in a largely virtual environment. McMaster's longstanding financial resilience has been a great asset during the pandemic and our enrolment figures indicate that the University continues to be attractive to both domestic and international students. While we cannot say with certainty what the next year will hold, McMaster will continue to be innovative and thoughtful in our programming and approach to campus life, and responsive to the health and safety needs of our campus community.

The consolidated budget is structurally balanced, which enables the University to look to the future and invest in strategic priorities. Throughout 2020 I engaged in a broad consultative process to understand the aspirations and goals of our McMaster community. This led to the development of our refreshed vision statement, which indicates the depth of our collective desire for positive societal impact: **Impact, ambition, and transformation through excellence, inclusion and community: advancing human and societal health and well-being.**

Additionally, the following five strategic priorities will focus McMaster's strategic spending during 2021/22 and for the following two planning years:

- **Inclusive Excellence** – aspire to embed an inclusive approach that intentionally engages and respects a diversity of peoples, perspectives, and ways of knowing, in everything we do.
- **Teaching and Learning** – further advance and support innovation in teaching and learning, within and beyond the classroom, and across disciplines and Faculties, to elevate teaching as a professional discipline, and equip our students with the knowledge and skills needed to make a transformative impact on our world.
- **Research and Scholarship** – be the go-to place for world-class researchers and collaborators who share our values and commitment to working together across disciplines, sectors, and borders to develop knowledge, tackle global issues, and advance human understanding.
- **Engaging Local, National, Indigenous, and Global Communities** – further develop and expand our network of longstanding and respectful partnerships with communities, partners, research collaborators, and supporters for the benefit of all.
- **Operational Excellence** – enable the administrative operations of the University to most effectively support the institutional vision and aspirations of our community of researchers, scholars, teachers, and learners.

I would like to acknowledge and thank each department and unit for their extraordinary work and contributions during these unprecedented and challenging times. Despite the difficulties we continue to face, I am optimistic about the future and look forward to working with the University community over the coming years to focus on the opportunities ahead. I have no doubt that we can accomplish great things together.

Sincerely,

David Farrar

President and Vice-Chancellor

4 MESSAGE FROM THE PROVOST



I am very pleased to present McMaster University's 2021/22 budget to the University community. The budget supports our mission to advance discovery, innovation, impact, and dissemination of knowledge while considering strategic priorities.

Developing a distinctive, personalized, engaging, and sustainable student experience, and building on the success of our most creative and innovative programs to provide an enriching and transformative learning experience for all students. This includes fostering opportunities for experiential, work-integrated, reflective, self-directed, and active learning while allowing for the consideration of multidisciplinary perspectives. McMaster is committed to integrating our world-class research enterprise into teaching and learning, and connecting the learning experience to our local, national, and international communities.

Strengthening the excellence of our research, our graduate education and training through opportunities to integrate research more purposefully into our academic mission. We strive to build on our track record in technology transfer and entrepreneurship to provide opportunities for commercialization for our faculty and students, and to bridge the gap between research and commercial application. Our graduate training is central to sustain our research intensity; we are committed to equipping graduate students in all programs with the practical skills, experiential knowledge and ethically informed judgment that will enable them to translate their academic achievements into success after graduation.

Enhancing the connections between McMaster and the communities we serve, locally, provincially, nationally and around the globe. We do this by fostering ongoing collaborations across the University, but also with many external partners. This provides a platform for the McMaster community to understand and consider more fully the issues identified as priorities by local and global communities, and to integrate them fully and meaningfully into the work of the academy.

Under the current enrolment corridor mandated by the Ministry of Colleges and Universities, McMaster has exceeded the upper limit for enrolment of domestic undergraduate and graduate students. Therefore, increases in enrolment will come from an intensified and diversified international recruitment, which is not limited by the Ministry's funding cap. Although demand for McMaster programs remains strong, there are other risks that could impact the current budget plan including: changes in government priorities and funding; our ability to attract and retain a diversified international student base; and other legislative changes. The ongoing COVID-19 pandemic stands to impact McMaster University and all Ontario universities given the uncertainty of in-person capacity as the vaccine rollout continues to unfold.

Strategically aligned initiatives intended to broaden our revenue include: the retention and success of international students; new international partnership programs; increased summer use of campus; new professional graduate programs; and a life-long learning focus including micro-credentials.

I would like to thank the academic and administrative staff across the University for their contributions to sound financial management and their hard work in contributing to this budget. Their collective efforts ensure the ongoing well-being of our great institution.

Sincerely,
Susan Tighe
Provost and Vice-President (Academic)

5 EXECUTIVE SUMMARY

From Deidre Henne, Assistant Vice-President (Administration) and Chief Financial Officer.

The 2021/22 consolidated budget is structurally balanced with a \$78.8 million surplus. The operating fund is structurally balanced with a \$42.3 million surplus before one-time expenditures of \$47.1 million planned to advance McMaster's refreshed vision and strategic plan. The ancillary funds have been impacted the most by the pandemic due to campus closures with an opening deficit of \$8.2 million. After cost mitigation efforts, the ancillaries 2021/22 budgeted net surplus is \$2.7 million based on a hybrid fall opening.

The budget holds operating grant revenues flat and close to 2016/17 levels and domestic tuition is budgeted without any inflation. The province announced its domestic tuition framework extension for 2021/22 which may lead to some in-year financial adjustments, with up to 3% inflation allowed for out of province domestic students. International participation reached over 16% in 2019/20 and is projected to grow up to 20% with increased diversification over the next decade. International growth budgeted is reflective of past years realized growth, however application offers are behind past years confirmation rates. This trend is being monitored with low risk to the net budgeted results due in part to the delay flexibility around one-time capital investments driven from Faculty level initiatives.

Approved capital projects, such as the expansion of the student's athletics facilities, the McLean Centre for Collaborative Discovery, research commercialization space, and two public-private partnership residences are continuing as planned with a net capital expenditure of \$90 million in 2021/22. Capital initiatives to support the strategic plan, such as Global Nexus, and other local Faculty projects to support student experiential learning are included in the budget and planning years. Capital transfers from the operating fund are included as one-time budgeted allocations confirmed each April following the fall and winter academic year when final enrolments and annual results are known.

The consolidated budget includes additional debt financing of \$150 million to support capital and strategic initiatives associated with McMaster's strategic plan. The annual interest costs are budgeted and included in the financial metrics tracked in the Annual Financial Report and reporting to the Board of Governors. With the additional debt McMaster continues to hold very strong financial health metrics and is rated above the province as AA stable by DBRS and S&P credit rating agencies.

In 2020/21 one Ontario university entered creditor protection due to many factors. The financial health of this university declined over several years evidenced by the financial metrics tracked and reported to the province. While the circumstances around this university are very different from the operations of McMaster, the sectoral impact associated with one university entering creditor protection is not yet clear. The province has assigned a supervisor and substantial expense cuts have been publicly announced for this one university. Any further sectoral implications are not yet known. However, the Ontario universities have offered the province financial health metric thresholds to assist in future monitoring of each university and to aid in the early detection of financial erosion.

McMaster's enrolment demand has remained strong despite the pandemic. Global reputation and rankings have continued to assist in attracting the best and brightest students. McMaster has been instrumental in COVID-19 and personal protective equipment research. Overall, our evidence-based approach to medicine and the advancement of knowledge supporting health and societal issues,

including mental-health, remain a key strength to the student-centered research-intensive experience McMaster uniquely offers. This budget and planning years are supported by McMaster’s strength.

Figure 1: Operating Fund Outlook

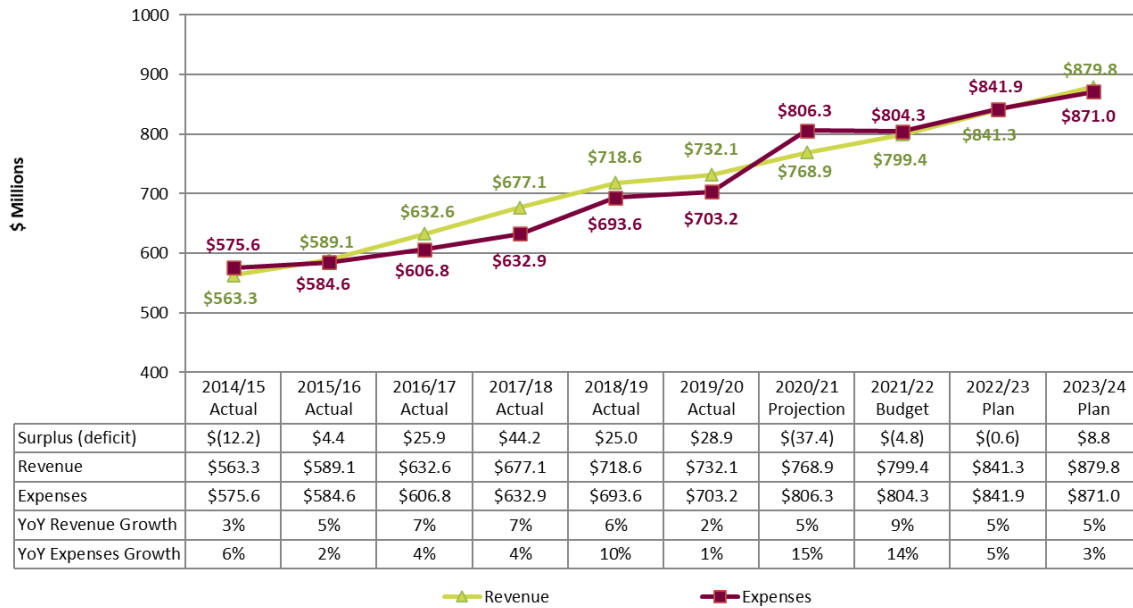


Figure 2: Operating Fund Appropriations

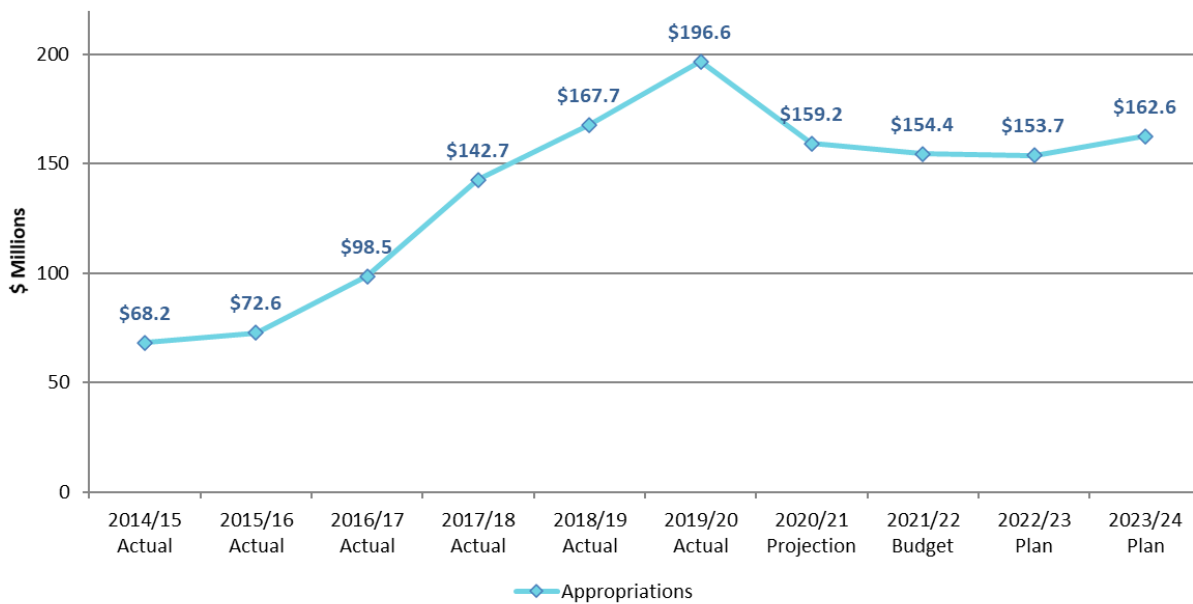
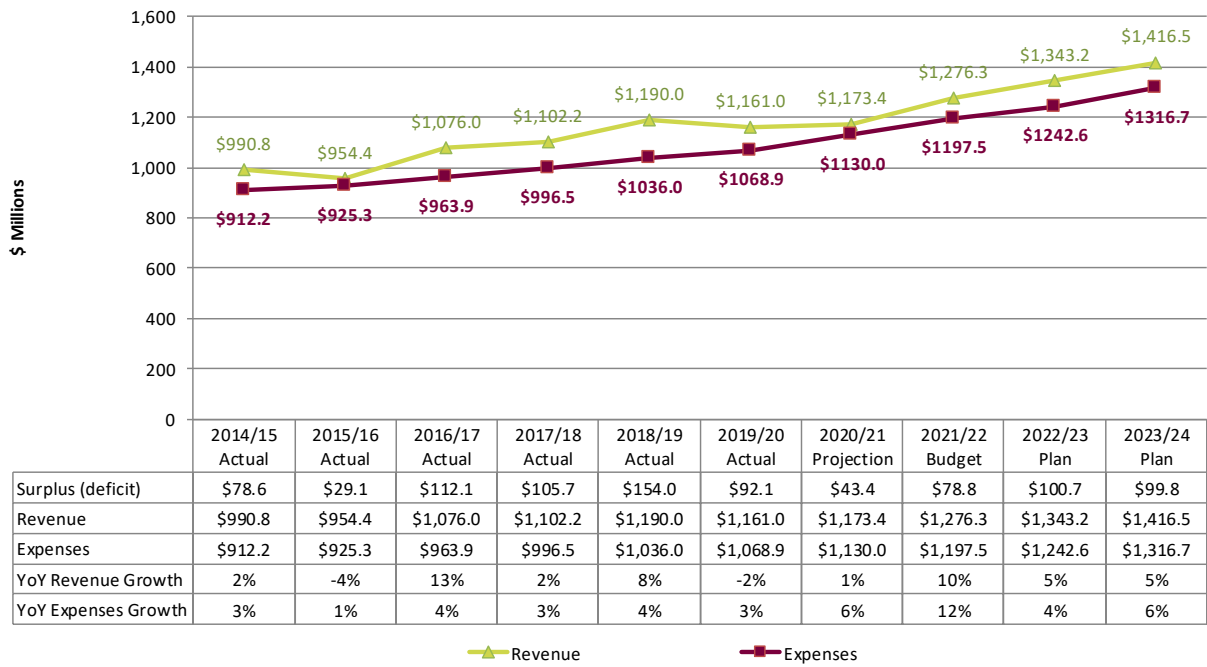


Figure 3: Consolidated Outlook



6 MCMASTER'S KEY STRATEGIC HIGHLIGHTS

6.1 REFRESHED VISION STATEMENT AND STRATEGIC PLAN

As noted in the President's message, McMaster's refreshed vision statement and new strategic plan capture McMaster's collective aspirations and desire for positive impact, as well as our University commitment to inclusive excellence and serving the global community to advance human and societal health and well-being. Our vision is to use our collective skills, knowledge, and understanding to improve the world, addressing issues ranging from climate change to global sustainability and equity. The vision statement and strategic plan were developed following several months of consultations and discussions across the McMaster community. Five clear institutional priorities emerged that will shape strategic spending in the budget and planning in the years ahead.

6.2 STRATEGIC MANDATE AGREEMENT

The Strategic Mandate Agreement (SMA3) captures McMaster's areas of strength, growth, and direction and as such aligns well to the refreshed vision and strategic plan. The SMA3 is an agreement between McMaster University and the Ministry of Colleges and Universities (MCU) that includes key metrics or targets covering May 1, 2020 to April 30, 2025. The achievement of SMA3 metrics within acceptable ranges will affect future funding allocations beginning in 2022/23, reflecting a two-year pandemic-driven delay to any funding implications. This delay enables McMaster to have funding certainty on its operating grant budget for 2020/21 and 2021/22. Planning years assume McMaster will achieve its targets required to retain current operating grant levels, which are materially reflective of the 2016/17 grant.

The budget process engages all Faculties and support units to develop a structurally balanced budget that highlights how resources are invested to deliver McMaster's strategic priorities and SMA3 metrics. The MCU has extended the domestic tuition framework into 2021/22 but allowing up to 3% inflation for out of province students; for conservatism domestic tuition has been held flat (0% increases). Annual international tuition rate increases of 6% to 10% remain in place, along with growing diversified international student participation in 2021/22 and beyond to approximately 20% international participation.

6.3 RESEARCH

The *Research for a Brighter World — Strategic Plan for Research 2018-2023* (BWRI) is embedded within McMaster's Strategic Plan setting out research objectives to further advance human and societal health and well-being. BWRI is designed to nurture our culture of collaboration with our hospital, government, and industry partners; advance our dynamic research enterprise; and guide our development of future initiatives of local, national, and global importance. BWRI will help deliver on McMaster's refreshed vision by building on our strengths and ensuring our knowledge reaches those who can put it to its best use, through translation and mobilization, technology transfer, and commercialization.

The pandemic has brought sharp focus to the importance of research innovation and the need for interdisciplinary approaches to solve the biggest problems facing society. McMaster is world-renowned for its evidence-based transformative approach to medicine and can deliver positive wide-ranging impact in areas of physical and mental health, pandemic preparedness, climate change, social

justice, Indigenous Ways of Knowing, and advanced manufacturing, to name a few. McMaster will draw on its research strengths to enable a more equitable and sustainable future for everyone.

A key area of focus for McMaster is the impacts we can make through our research and scholarship, particularly as it relates to the United Nations' (UN) 17 Sustainable Development Goals. McMaster's initial focus aims to deliver Canada's Global Nexus for Pandemics and Biological Threats, which is a truly interdisciplinary facility engaging all six Faculties and providing undergraduate learning opportunities to support the next generation of professionals needed to tackle the world's greatest problems driven by population growth, drug resistance, and more. Nexus provides a path to deliver global impact drawing upon the work undertaken across labs, libraries and offices in collaboration with partners while growing diversified revenues to further invest in research that tackles key societal challenges.

6.4 CAPITAL MASTER PLAN

McMaster's current capital master plan (2017-2022) is a key planning document guiding priority-setting and planning of capital projects in support of McMaster's mission, vision and strategic plan. In 2021/22, McMaster will undertake a consultative approach to update the capital master plan. The objective of the master plan update will be to directly link the five-year outlook to the most impactful priorities in support of the updated strategic plan, with a focus on learnings from the pandemic, sustainability, climate change and resiliency, carbon neutrality by 2050, land reconciliation, and a healthy campus and community interrelationship.

The consolidated budget includes capital plan priorities that are informed by academic enrolment plans and strategic priorities. The annual capital plan is integrated into the University's multi-year projections summarized into an annual Debt Strategy Report. The debt strategy determines the University's financial capacity to fund key priorities and examines whether internal and/or additional external financing is needed. In 2021/22 the budget includes additional debt financing of \$150 million (see Section 12) to support the strategic plan and its capital priorities.

Additional supplementary plans, such as the Campus Master Plan, the Campus Capacity Study, the Asset Management Plan, the Campus Accessibility Action Plan, and the Energy Management Plan are available on the Facilities Services web pages¹.

6.5 ENTERPRISE RISK MANAGEMENT (ERM)

The Enterprise Risk Management Program involves a collaborative approach to identifying opportunities and risks associated with McMaster's mission, vision, and strategic plans. The opportunities and risks are reviewed annually by the Enterprise Risk Steering Committee, which comprises the President and Vice-Presidents. The review ensures the University's risk register remains current and major risk mitigation strategies are updated and summarized by risk leaders.

There are nineteen key risks based on net residual risk. The 2021 key risks are:

Geopolitical

Change Readiness

¹ <https://facilities.mcmaster.ca/>

Government Policy	Physical Infrastructure
Mental Wellness	Leadership
Research	Undergraduate Student Enrolment
Research Infrastructure	Technology
Partnership	Financial
Pandemic	Attract Graduate Students
Information Security	Student Experience, Satisfaction & Retention
Reputation and Brand	Information Availability & Quality
People	

Multi-year financial projections used to produce the consolidated budget examine key material risk scenarios converging financial planning with risk management. Key material risk scenarios associated with government policy, pandemic, physical infrastructure (climate-related risks), information security, and geopolitical (international participation) are run for presentation to Provost’s Council, the President and Vice-Presidents, and Board governance committees. This approach reflects an intergrated reporting framework that aligns with McMaster’s adoption of the Task Force Recommendations on Climate-Related Financial Disclosures which requires an annual assessment of climate-related risks.

7 CONTEXT

7.1 COVID-19

The COVID-19 pandemic had widespread impacts across the University campus and on the operations of the University, which have materially affected financial projections. Several adjustments were made to revise the 2020/21 consolidated budget, approved in November 2020. The 2021/22 consolidated budget reflects a hybrid return approach beginning fall 2021. While most staff and students working remotely has resulted in lower expenses, new expenses have emerged to support these remote activities. Ancillary student support operations remain the most severely impacted by the campus closures, resulting in significantly lower revenues and associated labour changes. McMaster has supported its ancillaries with some temporary rent relief while other deficits remaining in the ancillaries will be addressed when operations resume.

7.2 FINANCIAL CONTEXT

The financial health of McMaster going into the pandemic has contributed to its financial resiliency throughout this unprecedented period. The same is not equally true across all Ontario higher education institutions. Universities that have a reliance on an annual inflation-linked tuition frameworks and special purpose grants, with lower international participation, less appropriations, and that are highly leveraged (debt-financed) have struggled far more, with one Ontario university entering creditor protection in early 2021. While universities with the profile described above are at greater risk than others, it is unclear what the system-wide consequences might be across Ontario higher education.

McMaster is optimistic that independent credit ratings and strong institutional internal control frameworks can be drawn upon to provide assurance to MCU and other stakeholders in their differentiation assessments across universities. McMaster is financially resilient and sound, undertaking financial scenario planning and routinely monitoring financial metrics. Further, McMaster reconciles and reports restricted funds to Board governance and even though funds are co-mingled across cash and investments, restricted funds remain in liquid assets and are used only for intended purposes.

7.3 REVENUE GENERATION ENVIRONMENT

7.3.1 ENROLMENT TRENDS

Provincial grants for domestic enrolment make up 30% of the Operating Fund's budgeted revenues (or 19% of the consolidated budget). Domestic tuition accounts for another 24% of the Operating Fund budgeted revenue (or 15% of the consolidated budget). Domestic grant growth has been limited over recent years due in part to the corridor funding model introduced in 2017/18, which maintains 2016/17 funding levels except for graduate expansion allowances up to 2019/20. In addition, domestic tuition was reduced by 10% in 2019/20 (a negative impact of \$22.3 million) and held at flat for 2020/21. The tuition framework was extended into 2021/22 and for budget planning purposes a flat or 0% increase assumption has been used. Without any form of domestic inflationary funding McMaster has focused on its revenue diversification and alternative revenue generation initiatives to keep total revenues at pace with annual expense inflation and necessary investments.

McMaster has increased international enrolment across certain programs over recent years to address provincial funding constraints. Despite the pandemic, domestic and international demand for McMaster's programs remains strong. The 2021/22 international enrolment confirmations are behind progress to date in prior years due in part to Canada's national vaccination position, however McMaster is confident that planned enrolments will materialize (see also Section 8.6.1). In 2020/21 domestic enrolment rose above the funded corridor ceiling resulting in approximately \$22 million in unfunded grants for domestic participation. In 2021/22 McMaster's objective is to achieve traditional funded domestic and international targeted growth enrolment figures.

McMaster's application growth for 2021/22 (as at April 2021) is domestically 13.8% over prior year (exceeding the census university-age population growth rate which is just under 1%). International application growth for this same period is 2.6% higher than at this time last year. Application demand suggests that budgeted enrolment plans are achievable and aligns with the capacity-enabling infrastructure initiatives such as the Peter George Centre for Living and Learning (opened in 2019), the McLean Centre for Collaborative Discovery at the DeGroote School of Business (opening 2023), and two additional public-private partnership projects to provide approximately 2,000 additional student residence beds.

7.3.2 PROVINCIAL GRANT FUNDING

The Ministry's corridor funding model caps provide funding to the University by means of three funding components:

1. Domestic enrolment-based funding, referred to as the Core Operating Grant (COG), whereby funding for each eligible domestic student is based on weighted grant units (WGU) by program limited to the enrolment corridor mechanism².
2. Differentiation (or performance- or outcomes-based) funding is the portion of grant linked to the achievement of SMA3 metrics. This funding focuses on differentiation across the higher-education sector, student success, and strengthening existing areas of excellence.
3. Special purpose grants are based on government or system priorities, such as improving access for Indigenous learners, francophone students, and students with disabilities.

The University's performance-based funding is currently 25% of overall grant revenue, however this will grow to approximately 60% during the SMA3 period ending in 2025 with the offset reducing enrolment-based funding (proportional reductions to WGU per student enrolled). MCU has delayed metric funding impacts until 2022/23 due to the pandemic. The delay provides grant funding certainty for 2021/22. Future budgets will be based upon metric targets and achievement within reasonable boundaries (also referred to as bands of tolerance). Failure to meet metric target ranges will result in funding reductions and redistribution to other universities meeting metric targets. McMaster expects to meet SMA targets and has not factored in any operating grant funding increases to its planning years, nor any reductions.

² The corridor methodology means that the government grant is fixed by the corridor midpoint. Domestic enrolment fluctuation will not affect the grant unless enrolment (based on a moving five-year average calculation) were to fall below the corridor floor, defined as 3% beneath the midpoint. The corridor midpoint for the SMA3 is set at the 2016/17 level plus the addition of Funded Graduate Expansion Spaces over the 2016/17 base.

Finally, a Student Choice Initiative introduced by MCU in 2019/20 required universities and student organizations to allow an opt-out process for non-essential fees. The Ontario Divisional Court reversed this requirement in November 2019 after its implementation. The Student Choice Initiative has since been in an appeal process between MCU and the Ontario Court of Appeal and a decision is pending. If the appeal is successful and the initiative is reinstated, students will have the option to opt out of non-essential fees paid to student organizations. In 2019/20 when the SCI was implemented, a minority of students opted out. Although there is no direct impact on the university, these organizations contribute to the student experience and provide services that may need to be assumed by the university if reduced.

7.3.3 TUITION

As covered in earlier sections, the domestic tuition framework for 2021/22 extended the freeze, but allows up to 3% inflation for out of province domestic students. The consolidated budget and planning years have assumed a 0% or flat framework for all domestic. As the tuition framework allows for modest inflation there will be a small favourable budget implication.

International tuition rates increase based on demand and market conditions associated with each program. Rate increases range between 6% to 10% and are monitored relative to McMaster's key peers.³ International tuition covers costs covered domestically by the combined grant and tuition. For each international student enrolled McMaster's operating grant is taxed \$750.

7.4 INVESTMENT RETURNS

McMaster is a signatory to the United Nations' Principles for Responsible Investing, and in April 2018 a decarbonization strategy was initiated to reduce carbon emissions and increase green investments. Further, in 2020 McMaster set an objective to lower carbon intensity by 45% by 2030. Progress to date:

- Weighted average carbon intensity of the investment pool is 33% lower at April 2020.
- Invested assets in the Carbon Underground 200 (CU200), representing the top 100 oil and top 100 coal reserve holding companies, is lower by 53% reducing CU200 from 4.5% of the portfolio to 2.1% of the portfolio at April 2020. The 2021/22 budget year aims to reduce CU200 to under 1%.
- Growing clean technology investments, which represent 24% of invested assets at April 2020 to over 30% in 2021/22. Clean technology investments include energy efficiency, alternative energy, sustainable water, pollution prevention, and green buildings.

Beyond these strategies all invested assets, including pensions, integrate environmental, social, and governance considerations in hiring investment managers and monitoring quarterly performance reports. During the 2021/22 budget cycle McMaster's decarbonization strategy will further integrate a fossil fuel divestment approach aligned with McMaster's vision and strategic plan. The divestment

³ 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.

initiative will serve to advance McMaster's clean technology investments while also delivering on the United Nations call to all organizations globally to accelerate the clean energy and sustainable economy transition.

The investment strategies have not compromised performance. Budgeted investment returns after inflation remains at 5.6%. The \$1.4 billion investment pool holds funds associated with endowments and internal reserves established to settle future obligations. Annual income and losses flow through McMaster's consolidated results in accordance with the accounting policies in Appendix 5. For each plus or minus 1% difference from the 5.6% return budgeted, the Statement of Operations and Statement of Financial Position are each affected by a \$6.2 million financial impact.

McMaster's financial strategies to address market volatility and preserve spending commitments include:

- Annual investment income and losses on internal reserves are allocated to a specific purpose reserve, which can be drawn upon to maintain spending levels during extraordinary times.
- The Operating Fund is allocated a fixed \$9.5 million per year from the specific purpose reserve regardless of returns related to the two supporting trusts (refer to Section 10.1.1.4 for details).
- Annual endowment spending approximates \$19 million per year, based on achieving 4% per year on five-year average market returns. Additionally, the specific purpose reserve preserves two years' annual spending requirements that can be utilized to maintain support during periods of prolonged market downturn for trusts that do not allow for encroachment on the original balance.

McMaster also manages pension plan assets of over \$2.2 billion, which are offset against the pension obligations and reported on a net basis. Strategies for funding the pension plans are discussed in Section 7.9.

7.5 RESEARCH FUNDING

On April 19, 2021, the federal government released Budget 2021. This document contained funding commitments for a wide range of research and innovation. The centrepiece of these commitments is \$2.2 billion over seven years towards growing the domestic life science sector via the Strategic Innovation Fund, with a focus on biomanufacturing. This includes support for the bioscience capital and infrastructure needs of post-secondary institutions and research hospitals, a new Tri-Agency biomedical research fund, support for commercialization in the life sciences sector, research into stem cell and regenerative medicine, renewal of the Strategic Innovation Fund to be targeted toward promising domestic life sciences and biomanufacturing firms, and an increase to clinical research capacity.

McMaster is well-positioned to advance the federal government's efforts to strengthen Canada's biomanufacturing capacity. Recently, the Centre for Commercialization of Regenerative Medicine (CCRM), a leader in developing and commercializing regenerative medicine-based technologies and cell and gene therapies, and McMaster Innovation Park (MIP), announced their intent to partner in the development of a biomanufacturing campus at MIP. The partnership, focused on regenerative medicine-based technologies and cell and gene therapies, builds on McMaster's research expertise, facilities and strong innovation culture in applied research and development in life sciences and biotechnology.

The overall commitment for the Strategic Innovation Fund will also include funding to support projects in the automotive, aerospace, and agriculture sectors, as well as the Net Zero Accelerator. This will scale up support for projects to help decarbonize heavy industry, support clean technologies and help accelerate domestic greenhouse gas emissions reductions by 2030.

Beyond the Strategic Innovation Fund, the federal government has committed funding for Mitacs, the Tri-Agencies and the Canada Foundation for Innovation, including expanding the Industrial Research Assistance Program, mental health supports, and the environment and clean technology programs. Of particular importance to McMaster is the ongoing allocation to help address antimicrobial resistance. Investments will support efforts to prevent the inappropriate use of antimicrobials and expand efforts to monitor the emergence of antimicrobial resistance in Canada.

As outlined in our equity, diversity and inclusion (EDI) strategy, *Towards Inclusive Excellence*, McMaster is committed to excellence in research and training for the benefit of Canadians. Achieving a more equitable, diverse, and inclusive research enterprise is essential to creating the excellent, innovative and impactful research necessary to seize opportunities and to respond to global challenges. McMaster was one of the first postsecondary institutions in the country to endorse *Dimensions: Equity, Diversity and Inclusion Canada*, a pilot program from the Government of Canada designed to transform research culture by strengthening EDI. Dimensions seeks to foster EDI within the research communities of Canadian universities and colleges by promoting and recognizing institutional efforts to identify and eliminate obstacles and inequities, support equitable access to funding opportunities, increase equitable and inclusive participation, and embed EDI-related considerations in research design and practices. In alignment with this initiative, the Canada Research Chairs (CRC) program recently introduced EDI requirements which must be satisfied if participating institutions are to continue submitting new CRC nominations. As a result of McMaster's ongoing efforts to promote EDI principles and practices, we continue to submit new nominations and are developing a truly diverse complement of Chairholders whose perspectives and leadership strengthen our research enterprise.

In response to the COVID-19 pandemic, both the Government of Canada and the Province of Ontario have strongly supported efforts to fight the disease, mitigate the impacts on individuals, families and businesses, and rebuild the economy. Building on the University's internationally recognized strength in infectious disease and antimicrobial resistance research, McMaster has established Canada's Global Nexus for Pandemics and Biological Threats, an international network of researchers, government, industry, health care and other partners with the shared goal of working together to find solutions to the current pandemic, while preparing for future global health threats like antimicrobial resistance. Since the beginning of the COVID-19 pandemic, our federal, provincial and industry partners have invested \$55 million to support more than 150 research projects across our campus. These investments include \$1 million from the federal government to support the McMaster-led COVID-19 Evidence Network. The Network will bring together experts to collaborate and rapidly synthesize the latest research on COVID-19 public health measures, clinical management, health-system arrangements, and economic and social impacts, to provide policymakers with the evidence they require to make informed decisions regarding the health and well-being of Canadians.

In 2020, the Province of Ontario invested \$50 million in the Ontario Together Fund to support innovative efforts to improve our understanding of COVID-19 and strengthen the capacity of Ontarians to respond to the disease. Investments from the Ontario Together Fund include \$1.2 million for McMaster's Centre of Excellence in Protective Equipment and Materials (CEPEM), Canada's first and only research hub dedicated to developing, testing and validating personal protective equipment

(PPE). Through the CEPEM, more than 100 faculty, technical staff and students are collaborating with regional manufacturers and government agencies to design, develop and test PPE and thereby strengthen Canada's supply chain.

Ontario Budget 2021 saw a long-term commitment to research and infrastructure with an investment of \$500 million to the Ontario Research Fund over the next 10 years. The investment will leverage an additional \$700 million in funding from other jurisdictions and the private sector. The budget also committed \$1.5 million in intellectual property (IP) expertise and policy development, signaling the government's recognition of the essential role of Ontario's universities in commercialization outcomes. As Canada's leading university in corporate research income (Research Infosource 2019), McMaster looks forward to working with the province to expand upon the academic and extracurricular IP education and awareness programs recently initiated by the University and to strengthen the efforts of the McMaster Industry Liaison Office to incorporate best practices and policies.

The indirect costs of research incurred in the Operating Fund are partially subsidized by federal and provincial grants, in addition to overhead income from research contracts and royalties. In 2020/21, these federal and provincial grants to McMaster are projected to total \$15 million and \$3 million, respectively. Although actual indirect costs exceed 40%, in 2020/21 the federal Research Support Fund (RSF), including the new Incremental Project Grant (IPG) program, paid indirect costs to McMaster and its affiliated hospital partners at 21.7% of all eligible Tri-Agency receipts, a slight increase from 2019/20. As a highly research-intensive university, these financial requirements can be challenging.

Finally, McMaster's partner support is critical to advancing the endeavours of our research community, in particular the many collaborations with Hamilton Health Sciences and St. Joseph's Healthcare Hamilton.

7.6 FACULTY RENEWAL

The Faculty budget plans, taken together, include an 11% overall increase in faculty complement over the next three years to address the growth in student-to-faculty ratios and additional programming. These plans are preliminary and will be adjusted as actual enrolments, revenues and strategies solidify. Hiring is predominantly in tenure-track and teaching-track appointments. There is continued interest in increasing teaching-track appointments to address increased teaching demands and to enable other research-focused appointments.

In addition to planned new positions, there is significant renewal forecast within the existing complement. In 2020/21, renewal of 8% of existing faculty occurred through retirements/lapses and an additional 5% is planned for 2021/22.

7.7 INFLATION

Cost inflation is a significant issue for McMaster. With many existing revenue sources flat or deflationary, management has limited tools to address the full extent of expense inflation. McMaster competes globally for talent so salaries must attract and secure the most qualified faculty, staff and researchers, nationally and internationally. Salary inflation adds broad expense pressure, particularly as seen with the passing of Bill 148, *Fair Workplaces, Better Jobs Act, 2017*, which increased Ontario minimum wage inflation beyond historical averages by almost 23% in 2017/18. This Bill has had ripple

effects across many other expense categories, including capital infrastructure, whereby third parties increase prices to address or pass on these added costs. The result of these increased wages across the Ontario system has been broad cost inflation affecting everything from food to other goods and services, perhaps making the standard of living no more cost-effective for the original targeted increased wage recipients than preceding the changes.

The consumer price index inflation for Ontario approximated 0.7%, broadly in line with Canada in 2020. The Bank of Canada targeted inflation for Canada at 2% in 2020, prior to the impacts of COVID-19 on the Canadian economy. Following a decline in real GDP of 5.5% in 2020, the Bank is projecting the economy to grow by 4% in 2021, and inflation to return to the 2% target level.

In 2019/20, McMaster launched an e-procurement shopping cart project aimed at delivering savings by increasing pre-negotiated contract buying. The project, MacBuy, has delivered savings of \$11.3 million to date accruing to the research units, Faculties, and departments using this system. The MacBuy results are tracked and reported as a key performance indicator on the Financial Affairs website⁴. This project assists in defraying some inflationary pressures.

Brand, reputation, and ranking improvements are driving some cost inflation affecting books and academic journals. Higher rankings often include higher-tiered pricing, pressuring library budgets. Competition among publishers has declined and monopolies control key academic journals. The average acquisition costs for books and journals inflates by over 5% annually, with some individual titles increasing even more.

Utility prices also remain volatile. The largest cost pressure is any increase in electricity rates, which are affected by the Global Adjustment for provincial infrastructure and changes to the electricity market. Facility Services is investigating options to mitigate electricity costs escalations, however due to the pandemic-driven campus closures the 2021/22 budget is expected to be favourable. Utility-driven project priorities include a peak shaver project to reduce cogeneration hours from over 8,000 per year to under 500 hours per year, which will contribute to a 40% reduction in campus carbon emissions and assist in managing utility costs associated with the federal Output-Based Pricing System (OBPS), which adds a \$0.04 tax to a cubic meter of gas consumed each year (2019 to 2022). The City of Hamilton is also planning water rate increases.

Construction has seen unprecedented cost increases in the past year where COVID-19 impacted supply chains and the material costs remain volatile. Based on “Commodity Markets Outlook” report, material prices for steel have gone up 25% in Q3 2020 and have increased by up to 15% for several major materials. Costs have continued to rise due to the duration of the pandemic and high demand in the market. The cumulative effect of these factors on construction costs has been up to 25% in increased cost and remains a risk going forward.

The budget model does not allocate resources on a basis of inflationary needs; rather units have an opportunity to request funding for inflationary pressures. The decision to allocate compensation-related inflationary funding or other inflationary requests is made on a year-by-year basis and, as a conservatism rule, budget managers are expected to find efficiencies to meet higher costs.

⁴ <https://financial-affairs.mcmaster.ca/>

7.8 CURRENCY EXCHANGE RATES

McMaster's imported goods and services are in US dollars (USD). The Canadian dollar has fluctuated in value over the past several years, from trading at par in January 2013 to \$0.80 USD at end of March 2021. To mitigate the financial impacts of currency exchange Financial Affairs retains USD deposits to settle USD expenditures minimizing exchange risk. Deposit accounting for research projects or departmental accounts in USD are given the Canadian equivalent using a daily exchange rate. Restricted funds are reconciled against cash, receivables, and invested assets routinely to ensure co-mingled deposits have all restricted funding available with appropriate liquidity for use. Co-mingled deposits with appropriate internal controls enable fee savings, exchange risk management, and transactional efficiency.

For some areas of the University, such as the library expenditures, the exchange rate is fixed at \$1.25 CDN for \$1 USD.

Among other economic factors, the direction of the Canadian dollar will be impacted by the level of interest rates in Canada relative to the US. Pandemic recovery paces will differ between nations. As the global economy improves, or if the US Federal Reserve raises interest rates at a faster pace than the Bank of Canada, the Canadian dollar will weaken.

7.9 PENSION AND POST-RETIREMENT BENEFITS

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

The budget assumes a continued use of the funding valuation approach to measure pension and non-pension obligations each April 30 year-end. In 2022, generally accepted accounting principles require an accounting valuation approach for obligations not managed using a third-party asset trust unless a funding valuation is required by employer-employee plan text. The accounting changes might impact the post-retirement benefits since McMaster uses an internal reserve with funds managed within the investment pool, rather than third-party trust. The funding valuation approach for the post-retirement plan is used to establish the employee-employer benefit rates approved by the Budget Committee each cycle. In the event McMaster must revert to an accounting valuation the ten-year provincial bond interest rates will be used to assess asset/liability gaps instead of the interest rates earned by the investment pool over the matching duration of the liability. The accounting valuation will reduce interest rates and increase the obligation resulting in additional funding requirements.

7.9.1 PENSION PLANS

McMaster University maintains defined benefit (DB) and group Registered Retirement Savings Plan (RRSP) pension plans for full-time employees. The valuation of the pension obligation and related funding requirements considers interest rates, funding rules, and valuation timing. The current low interest rate environment materially increases estimated liabilities compared to plan assets. Benefit rates are set annually using a ten-year horizon to smooth impacts of interest rate fluctuations.

The University has made significant progress to reduce the long-term financial impact of pension obligations through the collective bargaining process for unionized employees. All employee groups remaining in the DB plans have increased contributions over the past several years. Employee cost sharing through contribution increases help plan sustainability and are one of the key reasons that the plans have qualified for previous provincial temporary solvency relief measures. The employer's share of pension costs is allocated to departments as a percentage of employee contributions, budgeted at 125% for 2021/22 and future years, which is adequate to meet current funding requirements.

The Ontario Pension Benefits Act (PBA) and regulations require McMaster University to submit actuarial valuations for the Contributory Pension Plan for Salaried Employees of McMaster University Including Divinity College (Plan 2000) and the Contributory Pension Plan for Salaried Employees of McMaster University Including Divinity College (Original Plan) (together known as "the Salaried Plans"), as well as the Contributory Pension Plan for Hourly-Rated Employees of McMaster University Including McMaster Divinity College ("the Hourly Plan") no later than every three years. The Salaried Plans were last filed in 2018 and are due to be measured on July 1, 2021. The smaller Hourly Plan was measured on January 1, 2020, with the next required filing date on January 1, 2023.

The PBA rules require plans with solvency ratios below 85% to file annual actuarial valuations, and any solvency deficiency under 85% must be funded over five years. The July 1, 2018 filing for the Salaried Plans reported solvency ratios over 85%. The Hourly Plan solvency ratio at the July 1, 2019 was under 85%, resulting in an employer special one-time payment from the benefit reserve to increase the ratio above 85%, along with an early filing election on January 1, 2020. The funded status of the pension plans is monitored quarterly and actions are taken to maintain the solvency ratio above 85% and transfer ratio above 0.9.

The PBA rules also require a new Provision for Adverse Deviation (PfAD) to be funded, which is based on the plan's open or closed status and the plans' invested-asset mix. The initial regulations identified the Plan 2000 as closed, however the status definitions have been amended and Plan 2000 now qualifies as an open plan, which will reduce the PfAD liability during the next valuation in July 2021. The budget includes the anticipated reduction for Plan 2000 and lowers the departmental charge-out rate beginning in 2021/22.

Funding requirements associated with pension plans remain challenging as employee contributions never fully reach 50% of the current service costs despite increased contributions levels, due to other changes such as improved mortality. The table below shows the funded position of both Plan 2000 and the Hourly Plan on a going-concern basis⁵ and a solvency basis⁶ as of the last valuation date.

⁵ Going-concern basis refers to the pension plan asset and liability gap measured assuming the University will continue to operate over the long term, thereby using a long-term interest return rate for assets and discount rate for liabilities, and that the University will continue to collect employee contributions over future working periods until retirement.

⁶ Solvency basis refers to the pension plan asset and liability gap measurement methodology whereby the key assumption is that the University will cease to continue operating and must immediately settle pension obligations.

Table 1: Pension Plan Status

\$ millions	Plan 2000	Hourly Plan
	Valuation date July 1, 2018	Valuation date January 1, 2020
Going concern surplus (deficit)	\$ (143.4)	\$ 3.0
Solvency surplus (deficit)	\$ (197.2)	\$ (8.1)
Solvency ratio	91%	90%

7.9.2 NON-PENSION EMPLOYEE FUTURE BENEFITS

McMaster offers non-pension retirement benefits (PRB) including extended health, dental and life insurance for many of its full-time employees. In 2011/12, the University worked with its actuaries to quantify the impact of plan changes on the unfunded liability⁷. Since that time, employee groups have agreed to changes that have significantly mitigated the growth of the liability.

In addition, a PRB reserve has been established to fund the liability. This internally restricted reserve is funded by a 0.25% surcharge included in employer benefit costs, an annual Operating Fund allocation of \$7.9 million, and investment returns on the balance as part of the long-term investment pool. The reserve initially held only 1% of the net present value of the cash payments, however funding initiatives adopted in 2011/12 have resulted in an internal reserve sufficient to cover 44% of the projected costs and projections suggesting the plan will be fully funded by 2035. The PRB reserve continues to be reviewed annually based on updated actuarial valuations and future expected investment returns. Strategies to ensure this obligation is settled include any combination of the items noted below:

- Further plan design changes and co-payment strategies;
- Continuation of a charge to operating and research units and/or addition to the support unit budget allocation to increase the funding reserve; and
- Contribution of any additional surpluses from the Operating Fund, University Benefits Reserve or Specific Purpose Reserve.

7.10 FACILITIES

7.10.1 CAPACITY

Physical capacity on McMaster's main campus is largely determined by geographic limitations and physical structure, which contains well-established streets and natural features. The Campus Master Plan identifies capacity for new development is approximately 3 million gross square feet of ground area. This means capacity planning must begin to consider height optimization opportunities that are reasonable in context of the surrounding community.

The Peter George Centre for Living and Learning opened in September 2019, the first new residence on campus in 15 years, and provided a 36% increase in classroom space to address enrolment demand. Despite over 500 new residence beds, spaces still fall short in accommodating all first-year

⁷ As of April 30, 2020, the liability for non-pension employee future benefits is estimated at \$277.2 million, with reserves of \$116.2 million.

students. In McMaster's most recent Campus Capacity Study further critical needs included graduate student offices, assembly facilities, administrative offices and related space, and service space. In addition, accessibility compliance needs are high with the *Accessibility for Ontarians with Disabilities Act*, including new installations of barrier-free ramps, washrooms, and fire alarm strobe lights.

Multiple projects continue to address capacity issues, including an expansion of the McLean Centre for Collaborative Discovery and new residence buildings for undergraduate and graduate students. Further specific funding for classroom renewal and accessibility retrofit projects has been included in the budget. Some projects are funded by the MCU MD Expansion or Grad Expansion grants, which are annual capacity expansion grants based on delivered additional enrolments. The grant programs extend annual capital commitments to 2031 and some contractual capital commitments exist relying on these future annual funds.

7.10.2 DEFERRED MAINTENANCE

A total of 70% (46 of 66) of McMaster buildings are over 40 years old with 44 of them above 50 years old. The current deferred maintenance backlog totals \$713.9 million. Deferred maintenance on academic buildings and infrastructure (excluding residences and McMaster University Medical Centre) is estimated at \$419.8 million. The deferred maintenance backlog of critical building systems is estimated at \$308.7 million. The 2021/22 budget for these costs is \$17.0 million, which includes the \$10.6 million base allocation, along with \$5.1 million from the Ministry of Colleges and Universities for deferred maintenance needs, \$1.0 million in additional operating funding within Facilities Services and \$337,000 of Campus Accessibility upgrade funding. The backlog of critical priorities is forecast to increase by about 12% from the current position of \$308.7 million to approximately \$346.7 million over the next ten years (based on 2020 data). Residence deferred maintenance is funded by Housing and Conference Services (H&CS) with approximately \$2 million per year allocated. The Bates residence will require significant renovations estimated at over \$25 million; H&CS had been saving for this initiative however the pandemic has eliminated savings to date.

McMaster's deferred maintenance backlog has increased substantially from two years ago due in part to measurement methodology harmonization approach across Ontario universities. The changes ensure more accurate building component replacement costs and soft costs are included in the measure. Higher future deferred maintenance costs are expected as McMaster continues to apply the new assessment approach to 20% of McMaster's infrastructure per year.

8 BUDGET CREATION

8.1 ACCOUNTABILITY

The effective management of the budget is a responsibility of the President assigned by the Board of Governors and defined in the 1976 McMaster University Act. The University's budgets are prepared on a modified cash basis and pursuant to the concepts of fund accounting. Fund accounting enhances accountability and budgetary control by assuring that restricted grants and contributions are spent for the purposes intended.

The President delegates budget accountability to the Budget Committee, a sub-committee of the University Planning Committee, to oversee the development of budgets for both the operating and ancillary funds. The operating and ancillary funds together account for two thirds of McMaster's annual expenditures. The Budget Committee recommends the annual budget to the President. In addition, specifically externally funded programs, such as those funded by the Ministry of Health and Long-Term Care, are included in each envelope's submission to the Budget Committee. The funds not overseen by the Budget Committee have restricted uses and other governance and/or committee oversight.

8.2 BUDGETING PRINCIPLES

The 2021/22 budget and following two-year plans are developed using principles and priorities aligned to our refreshed vision and embedded in the Strategic Mandate Agreement:

- The academic and research mission of the University is foremost in the development of budget guidelines for envelope managers. This includes student experience and support.
- Revenue must be strategically allocated in support of the University mission.
- Ongoing and one-time costs need to be identified to develop a clear picture of McMaster's overall financial position.
- Envelopes must be structurally balanced within each Vice-President's area of responsibility, with ongoing expenditures less than or equal to ongoing revenues.

Allocations of funding to priorities must be decided using a rigorous process in a way that is strategic, fair, and equitable across the University, and avoids a piecemeal approach.

8.3 BUDGET DESIGN

Separate funds are set up for activities, with each fund comprised of its own revenue and expenses. The following funds are used:

1. **Operating Fund:** Unrestricted general revenues and expenses that are directly related to the mission of the University, education and activities supporting research (i.e. not restricted by an agreement or contract). The Board of Governors has approved a policy of permitting envelopes to carry forward unexpended budgets into the subsequent fiscal year.

2. **Research Funds:** Research-related funds externally restricted by an agreement or contract for specific research purposes. The use of these funds is restricted by the donor or granting agency.
3. **Capital Fund:** Funding and expenditures for capital projects.
4. **External Endowments:** Donations or bequests received by the University that have a non-expendable requirement as well as other legal requirements for use as agreed upon by the donor and the University.
5. **Internal Endowments:** Unrestricted donations and bequests, and other monies which have been endowed by action of the Board of Governors.
6. **Ancillary Fund:** Sales of goods and services by departments that are defined as being supplementary to the University's primary operating activities of education and research. Such sales may be made to the University community and/or to external clients. Ancillary operations are self-sustaining.
7. **Specifically Funded:** Funding provided by an external entity, restricted by an agreement outlining expenditure of the funds and a requirement to return unspent funds at the end of the term.

8.4 BUDGET MODEL

To allocate Operating Fund resources, McMaster uses a hybrid between a full activity-based model and an incremental model. Implemented in 2014/15, the model aims to strike a balance between providing transparent activity-based funding to the Faculties while maintaining financial flexibility to address strategic goals. Funding to support units is fixed year-over-year where incremental allocations are annual decisions based on funding availability and unit-level requests considered a priority. Support unit funding does not increase with changes to enrolment or research.

Figure 4: Operating Fund Budget Model Revenue Streams



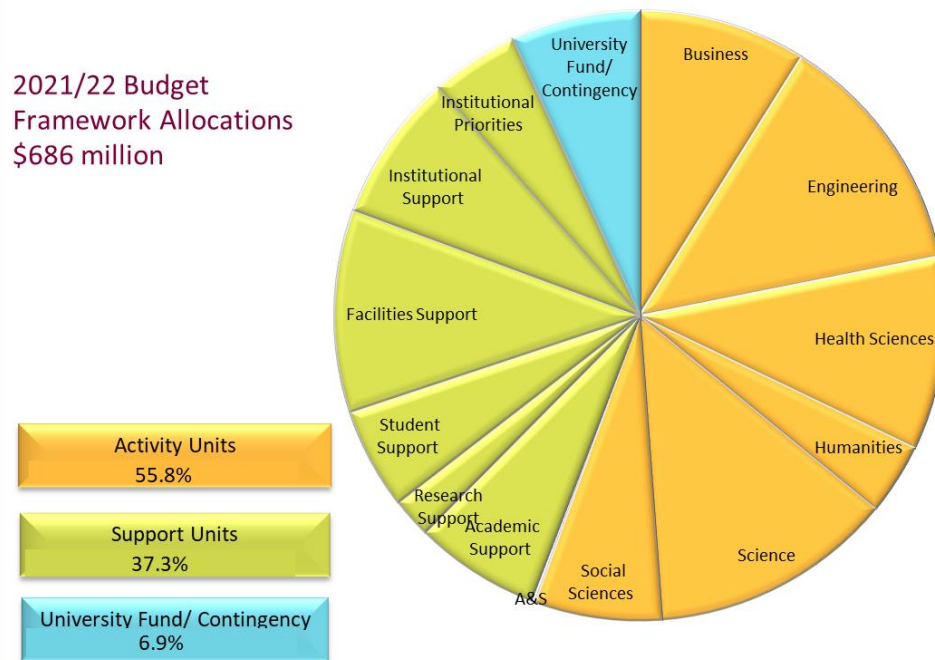
All central revenue streams are allocated to Faculties based on activities (such as student enrolment and teaching) as earned. The model mostly matches provincial funding flows. However, two strategic envelopes are created as a percentage of Operating Fund revenue: i) the Research Discretionary Fund to be used by the Vice-President (Research) for strategic research initiatives, and ii) the University Fund to be allocated by the Provost to support the University’s mission, vision, and strategic priorities.

Recognizing that the indirect costs of research are not fully covered by overhead revenue, the Research Infrastructure Fund and Research Excellence Fund redistribute a portion of revenues to support the most research-intensive Faculties. Additionally, occupancy costs are charged out to a research host Faculty using an overall average cost per square meter without distinction to the higher cost of research labs.

After all revenue allocations are made to the Faculties and strategic funds, allocations of central support unit costs are charged to Faculties based on cost drivers, for example Human Resources costs are charged out based on employee full-time equivalents.

All Faculties or activity unit allocations are adjusted based on actual revenues and cost driver results after year-end.

Figure 5: Operating Fund 2020/21 Budget Framework Allocations by Area



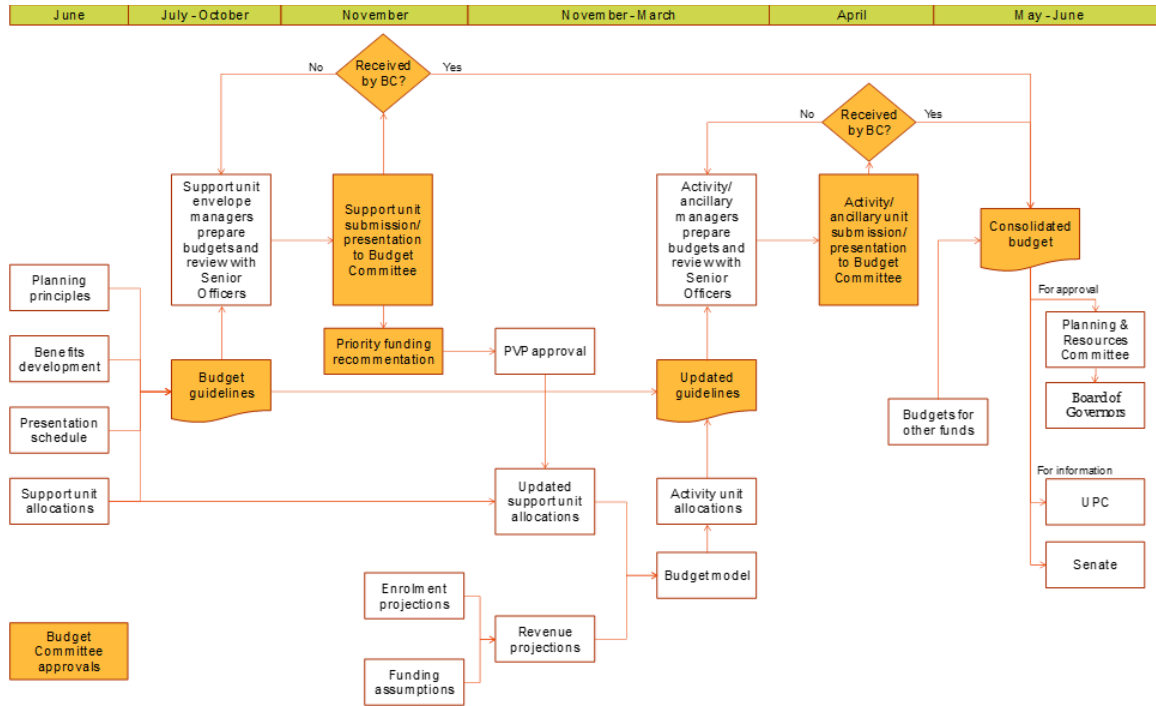
The budget approach has been continually assessed and evaluated both internally and externally, the latter involving the sharing of best practices with other Canadian and U.S. universities, as well as participating in research undertaken by the Education Advisory Board.

Review feedback and ongoing input and analysis has resulted in some changes to the budget to either address concerns or enhance incentives aligned to strategic priorities. The budget adjustments mostly alter values of the parameters and not the underlying principles. The most recent full review of the budget model involving external and internal budget leaders was released in September 2017 and did not recommend any substantive changes be made.

The funding linked to SMA3 metrics beginning in 2022/23 might warrant some further refinements to the budget model in future years to ensure incentives are optimally aligned. Additional information on the budget model is available at <http://budgetmodel.mcmaster.ca/>.

8.5 BUDGET CYCLE

Figure 6: Budget Cycle



June: The budget cycle for the Operating Fund and Specifically Funded Programs begins as the Budget Committee reviews and approves the assumptions and guidelines that will apply to all units across the University. Submissions include a projection for the current year, budget for next year, and plans for the following two years. The Budget Committee requests the submissions on a standard template, identifying:

- Strategic objectives and their relationship to the vision and the Strategic Mandate Agreement
- Key metrics and benchmarks, including enrolment trends, ratio of students to faculty, staffing levels, and space requirements
- New initiatives and cost pressures, the actions taken to achieve a balanced budget, effects on the University community, and the related risks
- All one-time costs and the related funding sources
- Capital and/or renovation plans, including funding sources or internal financing capacity

Benefit rates are set to cover statutory deductions as well as pension, post-retirement benefits, and other benefit costs associated with employer plans offered to employee groups. Assumptions for salary and wage increases by employee group are reviewed, incorporating information from collective agreements. Support units have a fixed budget year-over-year unless specific unit-level approved allocations and/or approved strategic investments are made. Incremental allocations to support units to defray compensation increases are discussed, and if feasible are allocated for the upcoming budget year only.

July to October: Budget allocations to activity units follow both the total level of funding and the allocations made to support units. The budget cycle is divided into two stages, with support units preparing their budgets first from July through October, so that any funding for any recommended priorities may be incorporated into the activity unit allocations.

November: Support units present budgets during a three-day Budget Committee conference, attended by additional guests including the Vice-Presidents, Faculty Deans and Directors of Faculty Administration. This allows the Faculty or activity unit leaders to consider and comment on the budget priorities and expenditures of all support units before the Budget Committee votes to receive each budget.

While receiving budget submissions, the Budget Committee identifies unfunded priorities and potentially unacceptable cost-cutting actions. The Committee explicitly prioritizes these items for review by the President, recommending some for funding. In consultation with the Vice-Presidents, as many of these important items as possible are funded.

November to March: Activity units begin budget preparation. Reasonable estimates of future enrolment and revenues based on provincial regulations, strategic objectives, historical demand, and other commitments are prepared. The activity unit allocations are updated in the budget model using the revenue estimates and the final support unit allocations, and the Operating Fund Guidelines are released with the updated allocations.

Ancillaries are self-funded and not dependent on support unit allocations, but may use enrolment assumptions in their revenue estimates. Ancillary Fund Guidelines are issued using the same salary and benefit cost assumptions as the Operating Fund, including rent charges and amounts to be contributed to the Operating Fund.

April: Activity units and ancillaries present their budgets during a two-day Budget Committee conference, attended by additional guests including the Vice-Presidents, Faculty Deans and Directors of Faculty Administration. The Budget Committee votes to receive each budget and reviews the final total.

Budgeted consolidated financial statements are prepared incorporating plans for the remaining funds. In order to finalize the budget, senior management reviews the financial position over the three-year planning horizon and makes adjustments, where necessary, to ensure reasonableness of the consolidated position and continued financial sustainability while promoting the academic mission.

May to June: The budget is presented to the University Planning Committee and the Senate for information and comment before presentation to the Planning and Resources Committee and Board of Governors for approval.

8.6 REVENUE ASSUMPTIONS

8.6.1 ENROLMENT

The University responded to the potential negative revenue impacts of the pandemic by focusing on adjusting cut-offs for acceptance and issuing more offers than targets, assuming that due to the pandemic acceptance rates would be lower. Acceptance rates for 2020/21 remained at similar levels to past years and that combined with grade inflation in the high school system resulted in more

eligibility. McMaster’s domestic enrolment is above the funded corridor, while objectives aim to bring this over-enrolment down in the budget and planning years. International enrolment surpassed targets last year, and despite strong numbers of applications for 2021/22 confirmations are behind prior years. Overall, the enrolment baseline is projected to increase in accordance with the Strategic Mandate Agreement and the enrolment management targets, enabled by the capacity enabling projects noted in Section 7.10.1.

The undergraduate enrolment projection model uses the Enrolment Management Team’s level 1 targets to forecast each Faculty’s annual intake. For movement between levels 2 and above, within each Faculty and between Faculties, the model applies a flow-through methodology that incorporates each Faculty’s historical three-year transition rate.

To project graduate enrolment, since no level 1 intake targets are set at the graduate level, the graduate enrolment projection model is a flow-through model based on the following two elements:

- Each Faculty’s historical level 1 intake: With the 2020/21 level 1 intake being impacted by the COVID-19, the higher of the 2019/20 level 1 intake (i.e. as of November 1, 2019) and the 2020/21 level 1 intake (i.e. as of November 1, 2020) is applied as the anticipated level 1 intake from 2021/22 to 2024/25, unless a specific target was provided by a program.
- The transition probabilities of students from levels 2 and above: Similar to the undergraduate projection, for movement between levels 2 and above, within each Faculty and between Faculties, the graduate model applies a flow-through methodology that incorporates each Faculty’s historical three-year transition rate, adjusted for mid-year graduation rates.

For both undergraduate and graduate enrolment projection models, actual enrolment data at the student level are used to simulate the projections. The projection data includes FTEs, headcount and WGU counts by Faculty, level, registration status, immigration status, and fee category.

Table 2: Enrolment Assumptions

		2020/21 Budget	2020/21 Projection	2021/22 Budget	2022/23 Plan	2023/24 Plan	
Enrolment	Undergraduate FTEs	Domestic	23,759	25,882	26,264	26,571	26,712
			-0.9%	+7.5%	+1.5%	+1.2%	+0.5%
		International	3,296	4,200	4,451	4,754	5,116
		-6.2%	+18.9%	+6.0%	+6.8%	+7.6%	
	Total	27,055	30,082	30,715	31,324	31,828	
		-1.6%	+9.0%	+2.1%	+2.0%	+1.6%	
	Graduate FTEs	Domestic	3,061	3,218	3,306	3,451	3,526
			-2.1%	+2.5%	+2.7%	+4.4%	+2.2%
		International	1,087	1,114	1,145	1,259	1,287
		-17.4%	-15.6%	+2.8%	+9.9%	+2.3%	
Total	4,148	4,332	4,451	4,709	4,813		
	-6.6%	-2.9%	+2.7%	+5.8%	+2.2%		

8.6.2 TUITION RATES

The domestic tuition rate increase is budgeted as flat or 0%, however it will match any inflation the MCU tuition fee framework model allows. International tuition rates include market inflation and demand considerations. Rates are budgeted to increase by 10% per year for level 1 and 6% for level 2 and above, with exceptions to specific programs. However, due to the 4% maximum increase guarantee granted to international students enrolled prior to 2019/20, the 6% increase will be applied only to new cohorts. For 2023/24, international rates are assumed to be increased by 6% for level 1 and 4% for level 2 and above. Note that international PhD tuition will mirror that of the domestic PhD in accordance with McMaster’s decision to harmonize the international and domestic PhD tuition starting 2018/19 (Table 3).

Table 3: Tuition Rate Assumptions

			2020/21 Budget		2020/21 Projection		2021/22 Budget		2022/23 Plan		2023/24 Plan	
			Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +	Level 1	Level 2 +
Domestic	Undergraduate	Arts & Science or other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Professional	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Graduate	Research (with thesis component)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Professional (course work only)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
International	Undergraduate	Arts & Science or other	10%	6%	10%	6%	10%	6%	10%	6%	6%	4%
		Professional	10%	6%	10%	6%	10%	6%	10%	6%	6%	4%
	Graduate	Research (with thesis component)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Professional (course work only)	10%	6%	10%	6%	10%	6%	10%	6%	6%	4%

8.6.3 OPERATING GRANTS

Operating grants are held flat with adjustments for graduate expansion achieved in 2019/20. Despite fixed grant figures for 2021/22 a net decline in the operating grant is budgeted to account for the incremental \$750 per international student tax charged to universities.

Table 4: Operating Grant Assumptions

		2020/21 Budget	2020/21 Projection	2021/22 Budget	2022/23 Plan	2023/24 Plan
Core Operating Grant (COG)		\$2,355/WGU based on WGU midpoint 2019/20	Flat	\$2,017/WGU based on WGU midpoint 2019/20	\$1,679/WGU based on WGU midpoint 2019/20	\$1,342/WGU based on WGU midpoint 2019/20
	Performance Based	Up to 25% of Total Operating Grants	Flat	Up to 35% of Total Operating Grants	Up to 45% of Total Operating Grants	Up to 55% of Total Operating Grants
Differentiation Grant	Other DE	Remaining funds from the result of reduced WGU value in excess of 25%	Flat	Remaining funds from the result of reduced WGU value in excess of 35%	Remaining funds from the result of reduced WGU value in excess of 45%	Remaining funds from the result of reduced WGU value in excess of 55%
International student reduction		\$750 per international student	Flat	Flat	Flat	Flat

8.7 ACTIONS TAKEN TO ACHIEVE THE STRATEGIC PLAN

All areas across the University are involved in initiatives that support the strategic plan. Activity units and ancillaries fund activities from current revenue and appropriations⁸ carried forward. Under the budget model, allocations to support units are held flat, therefore new initiatives are either funded from appropriations or a request is made to the Budget Committee to fund priority items. Revenue and expense adjustments related to COVID-19 were funded from appropriations in 2020/21, unless a specific request for funding was made to Budget Committee in the 2021/22 cycle.

The budget process provides a transparent means of prioritizing incremental funding for strategic investments or unavoidable costs in support units. For the 2021/22 budget, additional allocations have been made for:

- Further investment in the libraries for journal inflation
- The McMaster Okanagan Committee
- Support to the core research operations reducing the reliance on royalties revenues
- Further research administration support
- Support services to international students
- International student aid

⁸ Appropriations are the accumulated surpluses or deficits from prior years, also known as reserves. In accordance with the Operating and Ancillary Budgets Policy, these balances are carried forward to future years. Surplus appropriations may be used to provide funds to offset one-time spending and investments in deficit-reducing strategies. Envelope managers must present plans to eliminate deficit appropriations with their budget submissions.

- International student recruitment
- Action plan support following review of the black student-athlete experience and Marauders Athletics climate
- President's new strategic support fund
- Archway (online student community initiative) coach funding
- Facilities services to offset Ancillary rent waivers provided to alleviate the impacts of the COVID-19 pandemic
- Further branding and marketing strategy investment

In addition to the above, several smaller base or one-time investments have been made in the 2021/22 budget and planning years. Further to the actions that directly support the strategic plan, a series of administrative support reviews and benchmarking activities have been conducted to ensure that non-academic services are operating at maximum efficiency while continuing to reflect McMaster's values.

Initiated in 2017/18, UniForum is an annual benchmarking and feedback program that allows McMaster to collect information and data about the distribution of non-academic services and activities that support teaching and research. Participation in the UniForum program enables McMaster to understand how non-academic support services are being delivered, where they are being delivered, and at what cost. This information is being used to help the University fully understand how it is supporting the academic and research mission and how it benchmarks against other participating institutions. A total of 55 universities have participated over the past ten years. There are currently 38 participating post-secondary institutions worldwide – 14 universities in Australia and New Zealand, 14 in the United Kingdom and now 7 others in Canada. Several institutions in the UK and Australia chose not to collect data during the pandemic (2020) but are still members and are expected to collect in the post-pandemic cycle.

The IT Services Review completed in 2016, resulted in the launch of a new IT governance framework in 2017. An IT Executive Committee now oversees enterprise-wide systems needs supporting teaching and learning, research, administration, and infrastructure and security. In 2018/19 a new IT Strategic Plan was developed which will help guide future IT investments. Several IT projects have been prioritized, developed, and approved in the budget or planning years applying the new framework and plan.

The Research-Finance Review in 2018 brought together a team of internal and external researchers and administrators to evaluate the delivery of strategic research financial and reporting services, and to determine the most efficient and effective basis on which to deliver those services. The resulting recommendations have resulted in changes to policies; introduced a transactional support hub in the Faculty of Health Sciences; modified Mosaic interfaces affecting budget checking, voucher approvals, and workflows; and resulted in the successful launch of MacBill (an accounts receivable module) and MacBuy (a new procurement tool). All key recommendations of the review were completed in 2020/21. In 2021/22, automation changes to procurement card reconciliation, automation and streamlined research account opening, and other UniForum-linked projects are planned.

A Human Resources Review was launched in the fall of 2018, concluding in the fall of 2019. This was an aspirational and functional review of all HR activities across the University. The review reached several recommendations which are being addressed around 4 core themes. The theme areas are payroll process improvements, standardize and simplify processes, Integrated service model, structure & accountability, and recruitment improvements.

Specific activities contributing to achieving the University's mission and vision are put forward in each Faculty and department budget submissions. A summary of these activities follows.

8.7.1 STUDENT EXPERIENCE

Key initiatives affecting the student experience that McMaster will either continue or launch in the budget year are:

- Expansion or introduction of new programs, including -
 - The separate BComm stream where students that successfully secure a placement are enrolled in this plan that has the internship placement as a degree requirement.
 - The Computer Sciences program expansion.
 - Department of Psychiatry started a new program of MSc Psychotherapy in the fall of 2020 and international enrolment expansion will be targeted for this program.
 - New Bachelor of Arts and Technology program, collaboration between the Faculty of Engineering, the Faculty of Humanities, and the Community Engagement Office.
 - An interdisciplinary MA in Public Policy in Digital Society, the Faculty of Social Sciences' first professional program (outside Social Work) was introduced this year, and a second program in the area of mental health is being explored.
 - Proposal from School of Rehabilitation Science for a new undergraduate interdisciplinary degree in Humanities and Rehabilitation in collaboration with the Faculty of Humanities.
 - The Arts & Science Program continues to administer the McMaster Spring Intersession, a three-year pilot project (2019 to 2022), developing the partnership to provide an academic home for the Inspire courses and Intersession Program Administrator.
 - The new Integrated Arts (iArts) program has been approved by Quality Council and awaits provincial approval. This undergraduate program, which will replace three existing programs, will offer students the chance to learn and create across disciplinary boundaries, undertaking the sorts of projects and collaborations that exist for those working in the creative arts industries.
 - Partnership between Science, Humanities and Health Sciences in the development of an interdisciplinary graduate program in science communication and companion microcredentials.
- Implementation of Slate system for timely and transparent admission processing.

- Conversion of the Indigenous Studies Program into an academic department, expansion of the undergraduate Indigenous Studies Program, and the development of a graduate program in Indigenous Studies.
- Pivoting to effective delivery of remote student services and virtual student events.
- Implementation of a virtual chat assistant on the Student Success Centre website adhering to the principles of 'disarming and discover' from the Appreciative Advising model.
- Implementation of a new first-year student portal for McMaster Welcome Week (WW) as a one-stop place for all WW events and programs (over 230 events shared on the website across Faculties, programs and departments).
- Graduate Admissions project aimed at easing the application process for potential students and reducing the workload for program administrators.
- Improved partnerships and communication to encourage reporting to Security Services. Focus on mental health and wellness, substance use and abuse, sexual assault and violence, and anti-racism.
- Building of the McLean Centre and the expansion of the Athletics and Recreation facility to provide additional athletic and student wellness space.

8.7.2 INNOVATION IN TEACHING AND LEARNING EXCELLENCE

Innovation in teaching and learning excellence will help McMaster to maintain high student demand for programs. Key initiatives include:

- Further integrating into Levels 2 and 3 the transformational shift in Engineering to encourage design thinking, creativity, reflection and integrated learning called The Pivot. The Pivot is the first program of its kind to intensely focus on our engineering students and their learning, not the specific projects they will tackle.
- The McLean Centre for Collaborative Discovery facilitating curriculum changes in a way that ensures students will learn from, and with, other students and faculty across the University, as well as partners in the community. Through discovery-based learning projects, they'll actively engage in real-world business challenges in the McLean Centre's interconnected, learning "hubs" or "labs".
- A new Faculty of Engineering building envisioned as an interdisciplinary, open-design, multi-floor teaching, research and innovation hub. The proposed design provides significant space for multidisciplinary interaction and collaboration, as well as open space available to other faculties and units.
- Implementation of chatbot systems in a number of University areas, including Engineering's advising office and the Registrar's office, will enable quicker handling and directing of student enquiries.
- Continuing to enhance remote teaching supports in order to be responsive to the unique needs of the Faculties and instructors.

- Increasing the involvement of Indigenous Elders and Knowledge Keepers within Indigenous Student Services (ISS).
- Continuing the Student Proposals for Intellectual Community Engaged Scholarships (SPICES) program to provide leadership opportunities for graduate students to develop/deliver innovative and creative programs for their peers and the broader community.
- Collaboration between the MacPherson Institute for Teaching and Learning, Humanities Media and Computing, and the University Library, and with support from University Technology Services, for the development of a course outline portal with goals of creating consistent course outlines in line with University policies, creating efficiencies in communications and support among campus support units and instructors, and offering opportunities for integrated data management and records keeping processes.
- Partnership between University Library, Health Sciences Library, Research and High-Performance Computing Support, Institutional Research and Analysis, and Communications and Public Affairs to explore a new program to support the effective and ethical use of bibliometric data across all disciplines.
- Continuing to publicly recognize outstanding contributions to education through innovation, continued excellence in teaching, and enhanced student learning by funding the President's Award for Outstanding Contributions to Teaching and Learning, and supporting the annual President's Retreat for past and present award winners to share best practices, share educational innovations and reflect on the overall student experience.

8.7.3 ACCESS AND EQUITY

Access and equity are key pillars of McMaster's vision and values. Key initiatives include:

- Increasing the Library's collection of books by First Nations authors. Actively build collections of rare books and primary sources relating to Indigenous peoples. Contribute to national efforts to revise and adopt appropriate subject descriptors.
- Continuing COVID-19 crisis response and action planning.
- Indigenous Student Services (ISS) continuing to increase the profile of McMaster University as the University of choice for Indigenous learners, while improving Indigenous governance and policy development to maximize the student experience and success of Indigenous students.
- McMaster Museum of Art De-colonization Program, a staff-led strategy to raise awareness, examine strategies, provide direction for the institution and staff in de-colonialization.
- Continuing the implementation of the Campus Accessibility Action Plan to improve access to campus facilities. Further, continue to prioritize accessibility and health related maintenance requests as the most urgent projects.
- Further improving partnerships and communication to encourage reporting to Security. Focus on mental health and wellness, substance use and abuse, and sexual assault and violence to improve the security and safety throughout the university community.

- Creating an “Inclusive Dining Hall” concept in 2021/22 (delayed from 2020/21 due to the COVID-19 pandemic) which will be unique to the university world, supporting and promoting inclusivity by providing dedicated dining stations for allergen-free, local, halal, cultural foods, and vegan and vegetarian. Food security initiatives will also be implemented from the location to support students with financial restrictions.
- Continuing implementation of the employment equity strategy and action planning.
- Initiating temporary part-time parking permit program to accommodate a part-time on campus schedule for staff and faculty during the transitional return to work on campus and new hybrid working models.

8.7.4 RESEARCH EXCELLENCE AND IMPACT

McMaster’s commitment to world-class research is one of the key differentiating factors contributing to its global reputation. Key initiatives include:

- Continuation of the Brighter World Research Initiative.
- McMaster COVID-19 Research Fund, designed to support a broad range of research which will benefit society in dealing with pandemics in the immediate and longer term.
- Conducting an environmental scan across McMaster to identify the range of ways faculty and staff understand systematic inquiry, engage with scholarly literature, and are motivated to engage in research on teaching and learning.
- Continuation of the “MacLIMS” Laboratory Information Management System assisting researchers with management of research laboratories.
- Implementation in the Faculty of Health Sciences of highly multiplexed immunohistochemistry using multiplex ion beam imaging (MIBI) and support for this infrastructure as a core facility. This will be established as a core facility to support the broadest spectrum of faculty members and is expected to be funded by cost recovery for services. This is the only MIBI that is in Canada and McMaster researchers will be leaders in this field with the use of images from this equipment.
- Creation of an Assistant Vice-President, Nuclear to advance the University's strategic research plan by seeking out and establishing partnerships related to the nuclear operations and facilities with public and private stakeholders, foster these external partnerships on behalf of the University, identify opportunities for interdisciplinary collaborations, and promote and support institutional commercialization and entrepreneurship efforts related to the Nuclear Operations and Facilities (NOF).
- Investment in Spark, a centre for social research innovation, which sponsors seminars, workshops and related forum to advance interdisciplinary research approaches.
- The Community Research Platform, which connects researchers and community organizations to further community-engaged research on issues of importance to the community.

- The “Global Science” research initiative, paused in the last year, will re-start and act as a platform to enable and promote international activity including undergraduate and graduate educational programs, and collaborative research projects with international partners.
- Continuing to centralize McMaster’s research information in Experts (McMaster Experts) and integrate it with other campus systems for seamless reuse. Independently and with the McMaster Data Sharing Service, develop solutions that streamline creation of academic reports (CVs, McMaster CV, and Annual Record of Activities) and updating of the Common CV.
- A Research grant application project to automate grant applications process for researchers.
- Continuing research commercialization of McMaster researchers by developing spaces for research spin-off companies at the McMaster Innovation Park enabling the relocation of new companies from campus to the innovation hub. In exchange, McMaster negotiates arrangements with newly formed companies that provide new companies access to space at an affordable start-up rate with access to shared services to reduce initial operating costs in exchange for equity, convertible debt, or equivalent consideration.
- Re-imagining of the Campus Store business model as physical locations re-open, blending the physical and the virtual.

8.7.5 INNOVATION, ECONOMIC DEVELOPMENT AND COMMUNITY ENGAGEMENT

McMaster is a major contributor to the local, provincial, national and global communities. Key initiatives include:

- In addition to the research commercialization strategy that is building a research business hub at the McMaster Innovation Park keeping research spin-off companies in Hamilton, McMaster will also invest in four large projects. First, the McLean Centre for Collaborative Discovery a nine-storey expansion on top of Innis Library for multi-disciplinary problem-based learning, an undergraduate residence⁹ along Main Street West expanding McMaster’s main campus, and a graduate residence in downtown Hamilton adjacent to the David Braley Health Sciences Centre.
- Strengthening relationships with a diversity of racialized communities/groups in the City, to enhance support/service.
- Building on and accelerating the culture of commercialization and entrepreneurship in the faculty and student community through creation of a McMaster investment fund for seed or

⁹ The undergraduate and graduate residence projects are public-private partnerships whereby a developer will build and finance the project and McMaster will manage, maintain, and operate the student life programming of the buildings just as it would any other residence. These projects are subject to affordability metrics and will be cancelled if the City amends its development charge exemption for McMaster projects as the projects would no longer be economically viable.

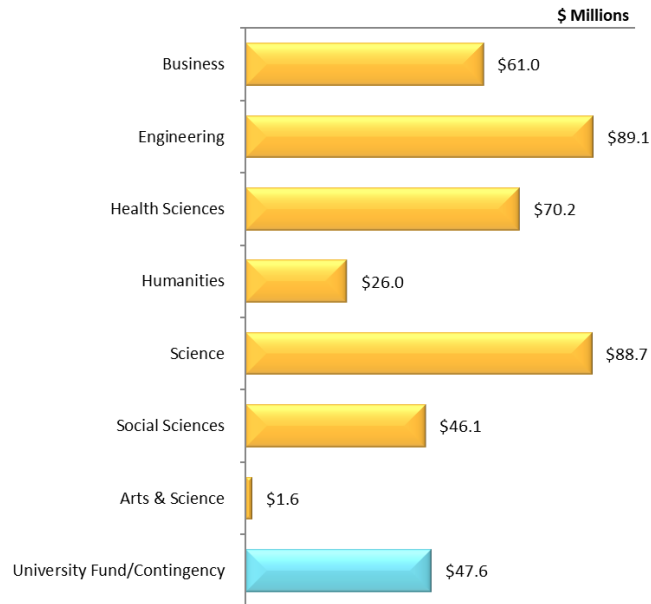
prototype development. This will support the translation of research discoveries to products on the market via a start-up company.

- Energy management plan initiatives in various buildings, including:
 - Demand Control ventilation.
 - Water system retrofits in the Life Sciences fish tank room.
 - Strobic fan upgrades.
- The McMaster Museum of Art is partnering with Nia Centre for the Arts (a Toronto centre for the appreciation of arts from the African Diaspora) and the Aboriginal Curatorial Collective on the Black, Indigenous and People of Colour (BIPOC) Cultural Administrators Mentorship Program, the first of its kind in Canada.
- Design and implementation of Indigenous knowledge stewardship strategy in partnership with Indigenous health leaders on campus and the community.
- Re-imagining partnerships with campus groups sharing common expertise and interest in health information management.
- Progressing initiatives related to the carbon footprint reduction strategy.
- Partnership between Student Success Centre, the Centre for Continuing Education, Alumni Association and local small/medium-sized employers to implement a program where grads of spring 2021 will take on the following training: digital skills, career resiliency and eight months of experiential learning with local employers. This program is targeting 50 young alumni from the Liberal Arts programs.
- Planning to increase cycling education for McMaster students through grant received for Bike Buddies.
- Supporting Faculty information technology teams with a data sharing service project that will improve data integrations and automation between systems of record and other systems.
- Education through Art offered community-wide and on campus.
- School of Nursing is collaborating with Government of Nunavut's Department of Health and St. Joseph's Healthcare Hamilton to develop a nursing residency program to address the increasing need for nurses in Nunavut.
- Re-launching "Everything McMaster", the Campus Store initiative, which leverages the University brand, unit marks/logos, and more, to strengthen brand recognition and life-long belonging that extends to alumni and broader community.
- Continuing to work with the City and community on needs matching strategic importance to the University. As well, further develop and grow relationships with existing partners within the Hamilton community and continue collaborative efforts to grow and enhance existing programs.

9 ENVELOPE HIGHLIGHTS

9.1 ACTIVITY UNITS (FACULTIES)

Figure 7: Operating Fund 2021/22 Budget Activity Unit Allocations



9.1.1 FACULTY OF HUMANITIES

The education provided by the Faculty of Humanities prioritizes the skills that many employers in the region already seek in their employees: “communication, collaboration, and critical thinking.” [RBC study, Humans Wanted]. New initiatives to expand career-planning activities and experiential education opportunities are already underway, as are several proposals for new interdisciplinary programming, which McMaster highlighted as a strength in SMA3.

Humanities will continue to face considerable revenue risk, given the reduction in tuition and the cap on domestic undergraduate student enrolments. While some growth is expected in the international student body, the Faculty also plays a major role in the University’s international strategy by providing McMaster’s highly successful English Language Development (MELD) programs. There is a degree of risk as the program remains dependent on students from a very small number of countries and unforeseen crises can restrict student mobility. Greater recruitment efforts are needed to expand the list of countries from which students are drawn, while maintaining the position where our reputation is already strong.

The Faculty of Humanities looks forward to participating in the Brighter World Research Initiative and assisting the President in achieving his vision for McMaster. In partnership with University Advancement, the Faculty is expanding the Faculty communications and development teams to raise the Faculty’s profile and expand its donor base. Research and educational portfolios are growing increasingly connected to the rest of the institution, demonstrating the value of Humanities to McMaster and to the many communities served by McMaster.

9.1.2 FACULTY OF BUSINESS

The faculty and staff deserve enormous credit for the success of the DeGroote School of Business in the face of considerable challenges related to the global pandemic. Because of their commitment, the Faculty is meeting obligations to students and meeting targets under SMA3. In fall 2020, the Faculty reached a new steady state with the Blended Learning Part-Time MBA program and Commerce Integrated Business and Humanities programs populating all cohorts. Also successfully launching the new highly experiential Student Experience and Development course for Commerce students. All plans are fully aligned with the Strategic Mandate Agreement, and existing programs are tracking well against McMaster's goals.

The School's financial position is strong. At the end of this fiscal year, both the minimum fundraising target and the contribution committed from operating funds towards the new McLean Center for Collaborative Discovery have been exceeded. The School is in a strong position to welcome its new Dean in July and continue the School's forward momentum. The risk to the operating budget, and McMaster generally, is the ability to meet international enrolment targets. However, demand for programs is high. The course of the pandemic and of public policy are both uncertain currently.

DeGroote's new Dean will have the opportunity to lead the School in an exciting redevelopment of the Commerce program and lead a significant expansion of the faculty. Academic programming will begin development this coming year and continue through to the opening of the McLean Centre. Throughout this past year, the talent and dedication of both faculty and staff have been exemplary, and it is this same dedication that will assure success.

9.1.3 FACULTY OF HEALTH SCIENCES

There is an ongoing need for health professionals, and graduates of the Faculty of Health Sciences (FHS) are practically fully employed with comfortable salaries at graduation. Health professional education is, by nature, experiential as more than half of students' training is in clinical situations. Experiential opportunities are also built into other FHS programs such as Biomedical Discovery and Commercialization and in graduate programs which also have high success rates. Most of the Bachelor of Health Sciences (Honours) graduates continue to further professional or graduate education. McMaster remains Canada's top university for attracting industry funding, and the Faculty of Health Sciences continues to be a driver, bringing in 57% of the University's research funding annually. Nimbleness was demonstrated with the pandemic, as FHS researchers brought in almost \$50 million in specific pandemic research funding.

The Faculty of Health Sciences continues to lead in education and research despite facing declining operating revenues. Other income resources such as hospitals are also fragile, and the Faculty remains dependent on the support of clinical faculty and the revenues they provide that sustain its operations. Support of research infrastructure is also a costly concern.

The Faculty of Health Sciences has redeveloped its internal budget model, to ensure support of research. Reviews of administrative departments are being completed to find efficiencies at the same time as growing effectiveness. Opportunities for enrolment growth are limited by provincial restraints on health professional seats, however the BHSc and nursing programs are recruiting international students, and new programs such as a Masters in Psychotherapy and a PhD in Global Health are attracting highly qualified candidates.

9.1.4 FACULTY OF ENGINEERING

McMaster Engineering continues to invest in areas that support the University's Strategic Mandate Agreement. The Faculty also continues to implement the elements of The Pivot. A new integrated experiential learning course will bring Engineering disciplines together to apply their skills and knowledge to real world problems. Another new initiative, a Bachelor of Arts and Technology program, is being planned jointly with the Faculty of Humanities and the Office of Community Engagement. This interdisciplinary program will provide students with the knowledge, acumen, and skills to develop innovative technological solutions within an increasingly complex labour market characterized by profound social, economic, and technological change. It is also increasing faculty complement with a view to reducing the student-to-faculty ratio providing opportunities to be more engaged with students.

Engineering is continuing with the planned growth in the Computer Science Program. In addition, the Faculty continues to invest in growing international enrolment. Engineering's retention rate continues to increase. All these factors help to bring Engineering into a strong financial position, allowing it to invest heavily in retrofitting outdated areas and to address the need for additional significant experiential program space. The Faculty also recognizes the need to grow the faculty complement and wants to do this carefully given the continuing uncertainty around international enrolment.

Engineering's most significant constraint is space, and the Faculty plans to address this by using appropriations, as well as raising funds and partnering with other University units to build a structure between the John Hodgins Engineering Building and the Burke Science Building. This structure is initially referred to as the McMaster Bridge to Impact. Additionally, included in the budget are funds to improve some of Engineering's current spaces, particularly in JHE.

9.1.5 FACULTY OF SOCIAL SCIENCES

Faculty of Social Sciences (FSS) is engaged in improving skills and job outcomes for students and will be investing in key initiatives to enhance support for experiential education and develop career readiness programming. The Faculty is focused on growing enrolment in priority areas, such as international students and health programs, and developing interdisciplinary programming, including a new professional MA and programming in social innovation. The FSS is also working to enhance retention rates by investing in a student experience coordinator to improve support for students in Social Sciences. Community and Economic Impact continues to be a priority for the Faculty, and initiatives such as increased support to community engagement, through the community research platform, and research activities will assist in moving this priority forward.

After a period of decline, enrolments in Social Sciences have stabilized and are expected to grow over the coming years. However, uncertainty regarding future funding, dependence on international enrolment and tuition growth rates, and compensation increases for faculty and staff create challenges for making necessary investments in strategic research, educational and support areas.

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

9.1.6 FACULTY OF SCIENCE

The Faculty of Science is continuing to make strategic investments in faculty, staff and infrastructure that will continue to be a focus in the coming years. This will have a positive impact on goals related to the student experience, metrics of success of graduates, excellence in teaching and learning, research excellence and impact, innovation, economic development, and community engagement. It will permit the Faculty to increase diversity in staff and faculty complement and support high impact practices in learning, discovery, and engagement.

The main challenges relate to the uncertainty in future revenue projections in all categories of domestic tuition, government grants, international student tuition, research revenue and fundraising capacity. As a result, the Faculty has tried to balance desire for innovation and investment with a conservative approach to renewal and reinvigoration of resources while ensuring that all plans are closely aligned with strategic plans at the Faculty and University level.

The Faculty has collaborated to use data and information to address top priorities that directly link to the SMA3 while also aligning with the Faculty of Science strategic plan 2020 for the learning, discovery and engagement pillars. Investing in capacity for unique academic programming, excellence in all spheres, advancement, innovation, commercialization and in an international strategy must continue to mitigate risk and facilitate the Faculty's mission and vision.

9.1.7 ARTS & SCIENCE PROGRAM

Consistent priorities include creative development of student research and experiential learning opportunities, ongoing offering of the McMaster Discovery Program, and innovative developments in McMaster Intersession collaboration. A key initiative is to increase the involvement of Arts & Science alumni in promotion of the program and to engage them in offering learning opportunities for current students within a culture of scholarly challenge and social responsibility.

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

Teaching secondments continue to be negotiated successfully. Of particular note, succession planning for the long-serving incumbent Director of Arts & Science, retiring next year, is currently a key activity to ensure an ongoing successful program.

9.1.8 UNIVERSITY FUND

The University Fund has the goal of supporting excellence, innovation, and renewal in all areas of the university. By design, the projects supported in this way have been allocated for specific purposes with the intention that successful innovations will be funded permanently by different means, thus freeing the University Fund for new initiatives of innovation and excellence. These funds enable greater flexibility in achieving the academic mission of the University and support discovery and learning opportunities.

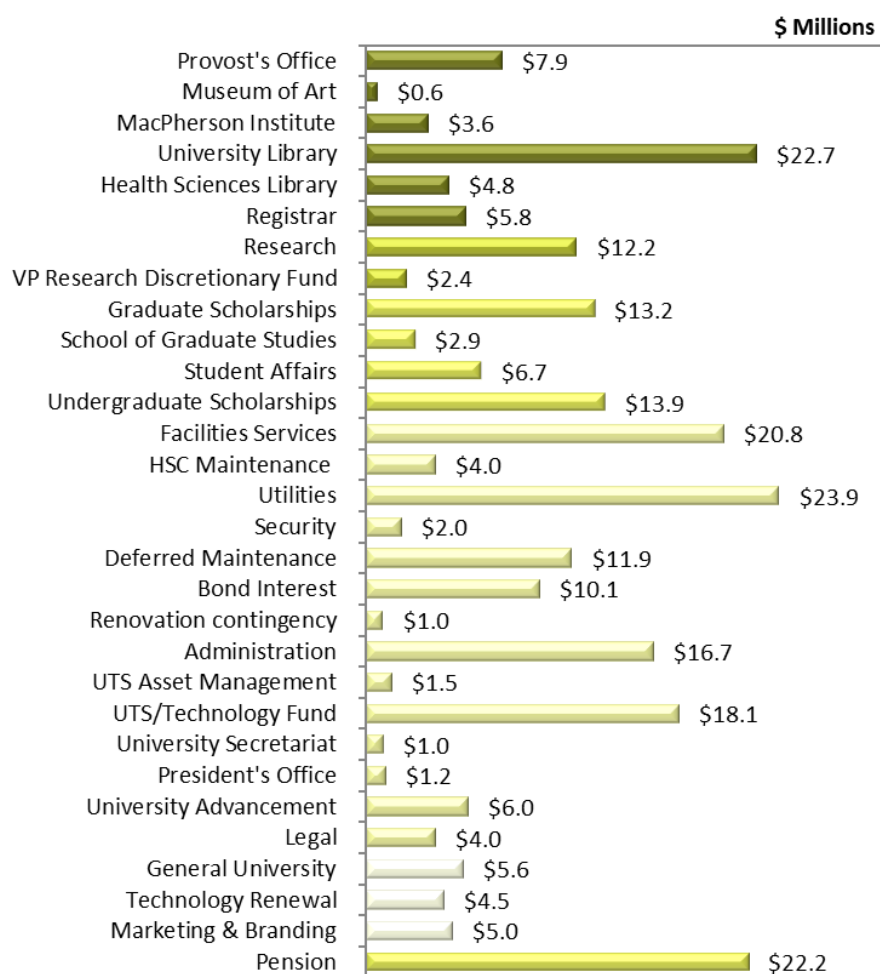
The Office of the Provost is responsible for developing appropriate mechanisms to control and use the University Fund as a strategic tool for the University. This fund is used to support unforeseen or unfunded priorities and to seed new strategic initiatives. A significant portion of the Fund is now being

used to support ongoing commitments and capital infrastructure, thus limiting the Fund’s capacity for supporting worthwhile new initiatives.

The Provost is actively supportive of strategic initiatives and is providing funding from the University Fund to enable innovative projects that support the University’s mission. Many existing ongoing commitments have been shifted to permanent allocations in the relevant areas as intended, and the Provost will continue to apply this lens to all future projects.

9.2 SUPPORT UNITS

Figure 8: Operating Fund 2021/22 Budget Support Unit Allocations



9.2.1 STUDENT AFFAIRS

The pandemic has resulted in the rapid adaptation of student services and programs to a virtual environment. There remains a focus on initiatives that will drive internationalization, and innovation and that will support inclusivity and well-being. These priorities are interrelated. Well-being is the foundation of student success and is even more critical for students from abroad and/or for students who are studying remotely. Institutions that welcome and include students from diverse

backgrounds, and that encourage domestic students to gain experience abroad, will enable innovation and nurture global citizens.

Athletics and Recreation (A&R) remains the biggest challenge due to indefinite facility closures and the associated reduction in fees and elimination of several revenue streams. In addition, several other key priorities related to innovation, internationalization, health and well-being, and inclusivity are funded on soft money and could be seen by some as peripheral to the core mandate of the institution. Rather than view these priorities through that lens, an alternative is to take a holistic view that is core to student development and learning - one that values supporting well-being, creating global citizens, and nurturing an innovative mindset.

Program and staff reductions in A&R have mitigated some of the lost fee and other revenue. Additional strategies and action may be required dependent on the pandemic and the impact on A&R operations over the next year. The pursuit of major gift fundraising efforts in partnership with Advancement aims to offset financial obligations normally met through University operating allocations.

9.2.2 LIBRARIES

The University Library will move aggressively on a variety of fronts including enhancements to McMaster Experts (for showcasing faculty research), digitization of unique content, research data management, and classroom technology renewal. The Health Sciences Library focuses on activities that ensure both local and distributed users have access to high-calibre health research content and information management, knowledge synthesis, and publishing support services. This commitment to providing online content and virtual services has served users well during the pandemic requiring very few adjustments to service delivery upon lockdown.

The University libraries continue to face the ongoing problem of journal cost inflation. Researchers need access to elite journals; most serial subscriptions are bundled consortially as part of binding, multi-year contracts in US dollars. Costs for journal subscriptions are linked to McMaster's research intensity and thus McMaster pays higher prices than some of our counterparts.

The University libraries have implemented several cost-saving measures including complement review; where possible trimming print material and low impact, low use journal subscriptions; and implementing centrally mitigated exchange rate impacts. However, closer consideration of the full impact of research and educational programming on the library is required to avoid drastic cuts to research collections and further reducing library hours.

9.2.3 OFFICE OF THE REGISTRAR

The Registrar's Office supports the Strategic Mandate agreement in several ways. The most direct is in the support of student administrative needs and support of the teaching mission of the University. The Registrar's Office drives recruitment and admissions activities and manages student registrations. In the upcoming year, the Registrar's Office will be focused on a number of new initiatives including: 1) the Slate recruitment and admissions project 2) the stop-gap pink folder admissions project 3) student services support software including online chat 4) Aid and Awards' AwardSpring software implementation 5) a reinvention of all recruitment activity to virtual programming while achieving increasing international student recruitment goals, and 6) space planning for the upcoming physical relocations of the Registrar's Office.

The most significant pressure facing the Office of the Registrar continues to be working with existing staffing resources to continue to deliver on expectations in the face of rising costs of salaries and benefits; increased resource pressures to support, maintain, enhance, and upgrade systems; and increased resource demands to support an increasing student population. Additionally, the COVID-19 pandemic has put further pressures on the department to reinvent current business processes to deliver services remotely.

The Office of the Registrar continues to review how it provides the best service in the most effective way and to look for other cost-saving measures to meet budget constraints. The most effective actions are improvements to student self-service options which both improves the student experience and allows the redeployment of resources to more complex work. The increased use of virtual delivery in recruitment also saves significant travel and logistics time allowing recruitment officers more time to interact with students and guidance counsellors. Managers also work collaboratively to support each other during peak activity periods as the unit is working toward building a talented, flexible and efficient work group that responds quickly and effectively in serving the University Mission.

9.2.4 SCHOOL OF GRADUATE STUDIES

The School of Graduate Studies works in concert with the Faculties to achieve their strategic priorities by assisting in recruiting activities, scholarship administration and the development of new graduate programs and skills development opportunities.

The fixed Graduate Scholarship envelope is an ongoing challenge given a growing graduate student population. Staffing has been a challenge with the many changes introduced by COVID-19 requiring out-of-the-box thinking for thesis defense meetings, recruitment, and communications.

A critical evaluation and assessment are required as staff vacancies arise to determine if the role, responsibilities, and functions performed still add value for graduate students and the University. The implementation of the Slate admissions software will significantly alleviate staffing pressures and time lag related to adjudicating applications and onboarding new students.

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

In pivoting to support remote instruction, the MacPherson Institute expanded its faculty liaison model and developed new resources, that contributed to the strategic goal of Innovations in Teaching and Learning. The Institute delivered on core elements of its strategic plan tied to Access and Equity, as well as Research Excellence and Impact in the development of inclusive teaching resources and continued international leadership in student partnership. For Student Experience it grew the successful Educational Developer Fellow program in size and scope to support remote teaching, while continuing exemplary work in supporting the academic program review process.

License costs for institutionally hosted technology tools that are under-utilized are being reviewed in order to alleviate resources allowing more focus enhanced pedagogical training and support of tools that are used broadly across the University.

Since COVID-19 the Institute has and will continue to emphasize the importance of digital pedagogies. It expanded the Faculty Liaison model to deliver teaching development supports in direct response to

Faculty-specific needs and the Institute will strive to continue focus efforts on providing educational technology supports in accordance with our mandate.

9.2.6 RESEARCH ENVELOPE (INCLUDES NUCLEAR OPERATIONS AND FACILITIES)

Support provided by the Vice President Research (VPR) envelope is critical to meeting the research metrics in SMA3. Research Office for Administration and Development Support (ROADS) personnel increased Tri-Agency funding by increasing the competitiveness of McMaster's grant applications and supporting researchers' efforts to bring in more funds. The McMaster Research Ethics Board, Biosafety, Health Physics and Research Finance ensure that McMaster meets the requirements of the Tri-Agencies and other funders regarding compliance, financial oversight, and protection of researchers, highly qualified personnel and research subjects. The McMaster Industry Liaison Office (MILO), in its support of private sector partnerships, protection of intellectual property, licensing, patents and start-ups, is critical to McMaster's efforts to meet the SMA3 metric of increased research funding from the private sector and invention disclosures. New initiatives, such as increased support for core research facilities, ensures that infrastructure is available for use by researchers and industry thus enhancing partnerships and attracting additional revenue.

The VPR envelope has avoided any resourcing cuts and allowed for additional new initiatives, which include increased support for grant development and management, prizes and awards, business development and support for commercialization, innovation and for start-up companies; for developing and fostering national and international partnerships; and for celebrating and communicating McMaster's research success to enhance our reputation and the reach of our impact research.

As Canada's sole major neutron source, the McMaster Nuclear Reactor (MNR) makes McMaster the only university in Canada capable of hosting several types of research facilities, including the Small Angle Neutron Scattering Facility (SANS), which relies on the neutrons present in the MNR, and the McMaster Intense Positron Beam Facility (MIPBF), which utilizes the high gamma ray fields in the reactor core. Nuclear Operations and Facilities (NOF) will continue to enable nuclear research in support of McMaster researchers and the Canadian research community; while planned expansion will facilitate greater research and development and commercial opportunities around medical isotopes.

The VPR operation teams will continue to work to attract further Tri-Agency and private sector funding, increase commercialization and knowledge translation activities, and develop collaborations both nationally and internationally – enhancing our brand on the global stage and strengthening our reputation as a trusted and reliable partner. With a strategic institutional focus on McMaster's nuclear capabilities, expanded NOF operations will bring increased research activity across all nuclear fields and allow McMaster to capitalize on our radiopharmaceutical research capabilities, increasing opportunities for commercialization and spin-off success. While this pandemic year was unprecedented, it highlighted the importance of being able to pivot our attention to emerging opportunities while maintaining excellence in attracting more traditional funding opportunities.

9.2.7 UNIVERSITY TECHNOLOGY SERVICES (UTS)

The McMaster IT Strategic Plan was implemented in 2019 and continues to deliver on the aspirational goals and priorities outlined therein. The focus of the IT strategic plan is on creating a stable and secure technology environment while implementing desired systems, technologies, and processes to improve and support the teaching, learning and research activities of the institution and to improve the student experience, as well as those of staff, instructors, researchers.

There are always finite dollars balanced against almost infinite IT needs and enhancements. In addition to funding an asset maintenance and renewal envelope, the institution has committed to fund numerous initiatives that are advancing the capabilities of the campus through technology and systems. Continued investments will be necessary to continue to address infrastructure needs and new systems to improve automation and capabilities across campus.

UTS will continue to enhance its focus on people, processes and technology across all current services and in line with strategic future services. Enhancing employee engagement and competency levels, reducing deferred maintenance risks, enhancing IT security capabilities, developing strong partnerships and collaboration opportunities with partners across campus, evaluating and rationalizing IT services, and the ongoing support of projects and priorities highlighted as part of the McMaster IT Strategic Plan, within the IT governance framework, are all key areas of focus.

9.2.8 ADMINISTRATION AND FACILITY SERVICES

There is broad acceptance that continued improvement in service effectiveness is dependent on integrated planning and execution of cross-campus initiatives. McMaster has the most cost-effective administration among the Canadian universities in UniForum, but it is equally clear that there is substantial opportunity to improve in comparison to other top-tier universities in Australia, New Zealand, and the United Kingdom, and in the opinions of our users. To make progress in cost-effectiveness, the University may need to increase up-front investment for longer-term gain. The President's strategic focus on operational excellence will allow us as a campus to address this challenge.

The 2021/22 budget includes further substantial investment in the HR Review action planning such that appropriations will be fully expended. As efficiency initiatives play out in HR and Finance in particular, a revised understanding of the optimal organizational approach will emerge which will inform future budgets. It is probable that further investment will be required in 2022/23 and later years to facilitate delivery of the service models we seek to achieve across the campus.

Plans are in place for progress of the following Facility Services initiatives:

- Strategic Plan
- Energy Management Plan
- Capital Plan
- Asset Management Plan
- Project Management Methodology
- Space Management Plan
- Campus Accessibility Plan
- Campus Plan
- Campus Capacity Study

Facilities Services continues to look at new ways to improve the day-to-day operation. Custodial Services is participating in a pilot through the UniForum project to determine if there are effective ways to reduce cost or improve satisfaction. As deferred maintenance continues to grow, maintenance staff are increasingly challenged to work on tasks outside the Priority 1 items identified.

9.2.9 UNIVERSITY ADVANCEMENT (UA)

For the coming year, the Strategic Mandate Agreement will continue to be a guide for ongoing priorities for UA, as will a strong emphasis on the strategic priorities of Inclusive Excellence, Student Learning, Research and Scholarship, Community Engagement, Commercialization, International Engagement and Operational Excellence. The needs of the research enterprise will have a special focus through the Brighter World Research Initiative (BWRI). As a support unit for the University, UA works to enable the priorities of the broader University and our performance goals are focused on serving and supporting these goals. Given our service and support for institutional priorities, our activities touch on all areas outlined in SMA3, and our achievements and goals cut across the numerous categories laid out with the SMA3 document.

UA is using strategic savings to seed positions and resources for the BWRI in partnership with our Faculties and units. We continue to focus on our key success factors for building McMaster's relationships, reputation, and resources. Our work in support of the University enables other areas to be successful in achieving their respective objectives that directly correlate with the tenets of the SMA3. UA will continue to play a lead role in the University's marketing and branding initiative as McMaster recognizes that the strength of its brand is integral to the achievements of its institutional objectives in the increasingly competitive post-secondary environment. The activities of Public Affairs (formerly Government Relations) continue to be a priority at both the provincial and federal levels as we work to influence policy and secure investment. UA is playing a lead role, in partnership with senior leaders from across the University, in the planning and implementation of the BWRI to bring more revenue into the University's research enterprise.

9.2.10 UNIVERSITY BRANDING AND MARKETING

The marketing initiative has taken great strides over the past four years as McMaster's reputation continues to trend upwards. Our marketing commitment to advancing human and societal health and well-being via our Brighter World brand platform is expanding to achieve goals and effectively integrate with new opportunities including the UN Sustainable Development Goals. Differentiating McMaster in an increasingly competitive national and international environment underpins the evidence-based marketing strategy. New websites, advertising campaign, focus on strengthening McMaster's international ranking results, role in supporting international recruitment and response to the COVID-19 pandemic support the development of McMaster's reputation as a world-class research and teaching university.

The University has made a strong commitment to the marketing program for several years, which has allowed McMaster to reposition itself and develop new marketing infrastructure. The full scope of work that will be required over time to support the University's goals and align McMaster with its competitors has been acknowledged this year with an ongoing commitment for the general marketing budget and a one-time budget allocation to support marketing's role in advancing international recruitment goals. While the current focus is on priority goals in the plan, areas across the University will benefit from increased assistance in developing comprehensive and analytically supported

marketing approaches to enhance competition for students and faculty, to help influence government, and to attract other funding sources.

The marketing program will continue to support the priorities established by the Marketing Steering Committee and to support Faculty priorities and initiatives to achieve both short- and long-term objectives. The program is focused on delivering an efficient, effective, and innovative marketing discipline for McMaster. Time will be spent with the Steering Committee over the next year to create alignment with university goals and the stewardship of funding and future needs to deliver the strategy to the University.

10 BUDGET BY FUND

10.1 OPERATING FUND

Table 5: Operating Fund Summary

(\$ thousands)							
	2020/21 Budget	2020/21 Projection	2020/21 Variance		2021/22 Budget	2022/23 Plan	2023/24 Plan
Revenues							
Provincial grants	235,540	236,355	815	0.3%	236,158	235,863	235,585
Tuition	337,244	398,233	60,989	18.1%	418,215	456,282	492,998
Research overhead income	28,993	28,032	(961)	-3.3%	28,459	28,285	28,280
Investment income	9,467	10,467	1,000	10.6%	9,467	9,467	9,467
Other income	109,508	95,813	(13,695)	-12.5%	107,132	111,393	113,442
Total revenues	720,753	768,900	48,147	6.7%	799,431	841,290	879,772
Expenses							
Salaries, wages and benefits	522,608	509,688	12,919	2.5%	531,369	552,334	576,459
Utilities and maintenance	43,051	39,716	3,335	7.7%	45,066	47,958	47,783
Equipment and renovations	62,021	122,872	(60,851)	-98.1%	68,157	76,037	72,818
Scholarships, bursaries and work study	34,737	32,536	2,201	6.3%	31,619	31,286	31,285
Library acquisitions	14,253	15,116	(863)	-6.1%	15,193	15,681	16,031
Debt and financing charges	18,448	18,410	37	0.2%	26,401	25,539	24,893
All other expenses	79,495	67,944	11,551	14.5%	86,447	93,086	101,694
Total expenses	774,612	806,283	(31,671)	-4.1%	804,253	841,920	870,963
Excess of revenues over expenses	(53,859)	(37,383)	16,476	30.6%	(4,822)	(630)	8,809
Fund balance, beginning of year	157,672	196,580	38,908	24.7%	159,197	154,375	153,745
Fund balance, end of year	103,812	159,197	55,384	53.4%	154,375	153,745	162,554

The 2020/21 Operating Fund projected deficit is smaller than budgeted and includes capital fund transfers for future projects associated with Engineering and Science projects. The Operating Fund is structurally balanced in 2021/22 and planning years, one-time permanent allocations to the Capital Fund have increased to support McMaster's vision and strategic plan priorities. Details of the variances between the 2020/21 budget and projection are available in Appendix 1. The revenue trend table that follows in the next section is not adjusted for inflation, so where revenues remain flat or fixed over time the actual purchasing power of those funds is decreasing by approximately 2% per year (long-term average of Ontario consumer price index inflation).

10.1.1 REVENUE

Figure 9: Operating Fund Revenue Trend

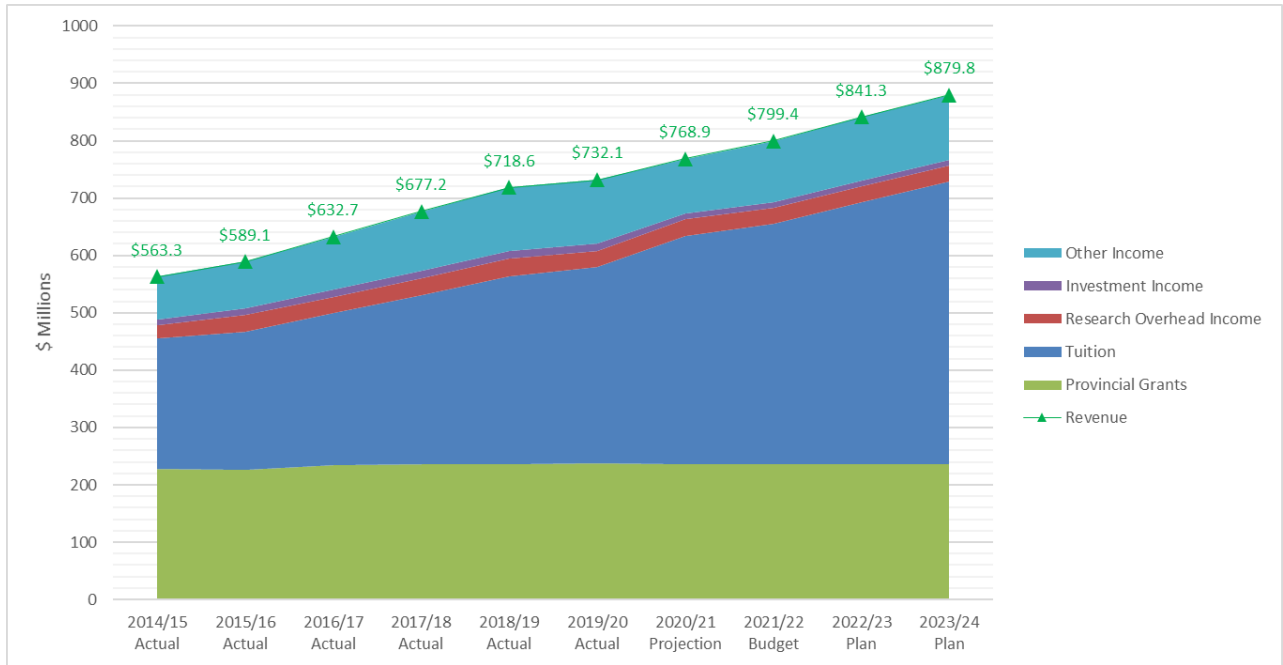


Figure 10: Operating Fund 2021/22 Budget Revenue by Type

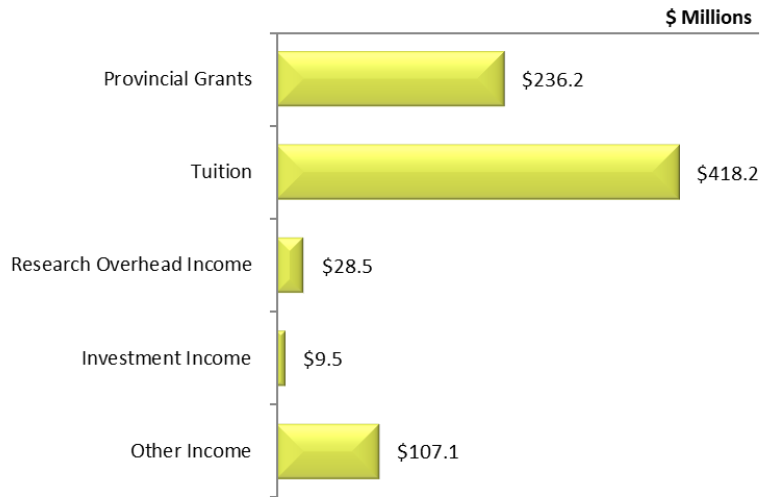
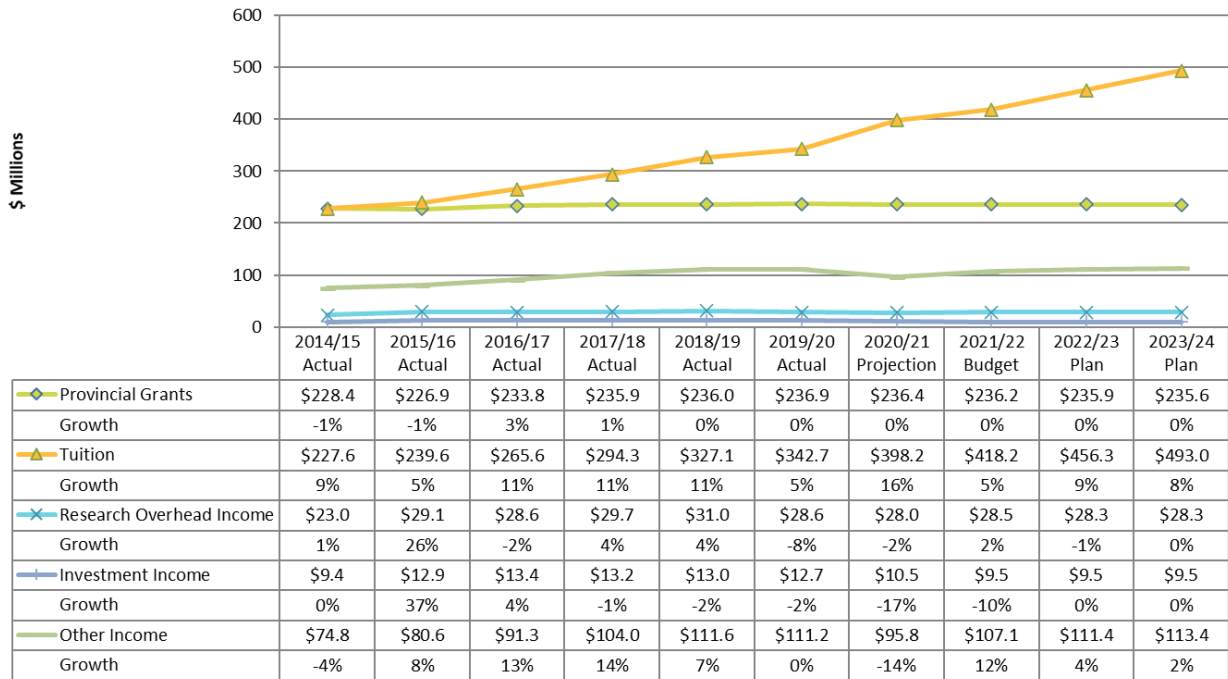


Figure 11: Operating Fund Budget Revenue Trend by Type



10.1.1.1 PROVINCIAL GRANTS

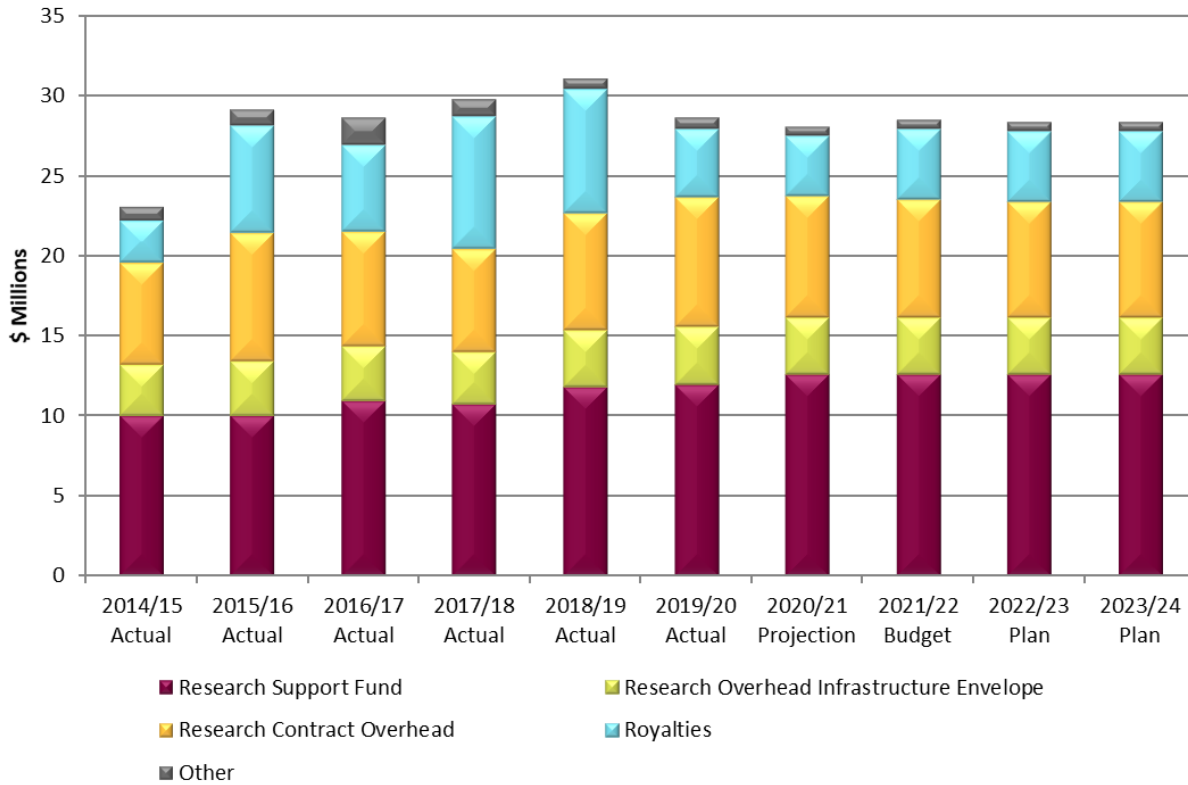
Both the Core Operating Grant and Performance/Student Success Grant are projected to remain flat over the planning horizon. With the funding for graduate enrolment growth now captured in the corridor funding with a new base year of 2019/20 this now remains flat as well, with slight reductions to provincial grant funding caused by the International Student Reduction (\$750 tax per international student enrolled) as international enrolment increases.

10.1.1.2 TUITION

Based on the enrolment targets outlined previously and the assumed flat tuition framework, 2021/22 net overall tuition income is projected to increase by \$20.0 million (+5.0%) from the 2020/21 projection. This increase is a result of the planned international enrolment growth.

10.1.1.3 RESEARCH OVERHEAD INCOME

Figure 12: Operating Fund Research Overhead Income Trend



Research overhead income is conservatively budgeted. All research overhead income is intended to fund a portion of central and departmental administrative and infrastructure costs related to conducting research.

The federal Research Support Fund and provincial Research Overhead Infrastructure Envelope grants are calculated based on the amount of Tri-Agency research funding the University receives. As a result of the incremental investment in Tri-Agency research in the federal *Budget 2018*, additional funding to McMaster, known as the Incremental Projects Grant (IPG), within the Research Support Fund has been built into projections based on the 2020/21 amount received. These grants are distributed to activity units through the budget model.

Overhead is levied on research grants and contracts from the private sector and other agencies where allowed. It is normally calculated as a percentage of direct research costs, with the objective of recovering the full amount of indirect costs. Revenue fluctuates with the funding received, therefore has been budgeted at the average historical amount. The income is credited directly to activity units, where it may be further distributed to departments or reinvested in research.

Royalty income is payment for commercial use of intellectual property owned by McMaster linked to research discoveries. Like research contract overhead, it will fluctuate depending on usage and has been budgeted at the average amount normally received. This income is also credited directly to activity units, with a share going to inventors.

Other research overhead income may be earned on funding from Centres of Excellence, Canada Research Chairs, and Early Researcher Awards.

10.1.1.4 INVESTMENT INCOME

The Operating Fund is allocated \$9.5 million per year from investment pool interest revenue derived from two primary sources. First, the H. Lyman Hooker Endowment Fund, which is a gift directed to “provide a steady annual flow of funds to support programs that will enrich the academic achievements of the University and to provide a suitable memorial to Dr. Hooker”. Second, the employer portion of the pension surplus payout in 2003. Annual interest from these two funds at the smoothed expected long-term return rate approximates \$5 million per year. The difference is funded from the specific purpose reserve as an approach to stabilize interest revenues allocated to Faculties through the budget model framework.

In 2020/21 and ongoing, Faculties will make permanent transfers for future capital projects from the Operating Fund into the Capital Fund. These allocations will be included in the budget model interest allocation of the \$9.5 million annually.

In 2020/21, the specific purpose reserve has made an additional \$1.0 million one-time contribution, totaling a \$10.5 million transfer, to support the President’s Strategic Support Fund.

10.1.1.5 OTHER INCOME

Other income is primarily earned directly by budget envelopes, including:

- Ministry of Health and Long-Term Care grants
- Post-graduate medical training
- Tuition from non-Ministry funded programs
- Nuclear Reactor sales
- Ancillary sales contributions to the Operating Fund (reflecting 4.5% on sales)
- Contributions to the Athletics and Recreation facility expansion
- Registration and service fees
- Recovery of utility costs from partners

10.1.2 EXPENSE

Figure 13: Operating Fund Expense Trend

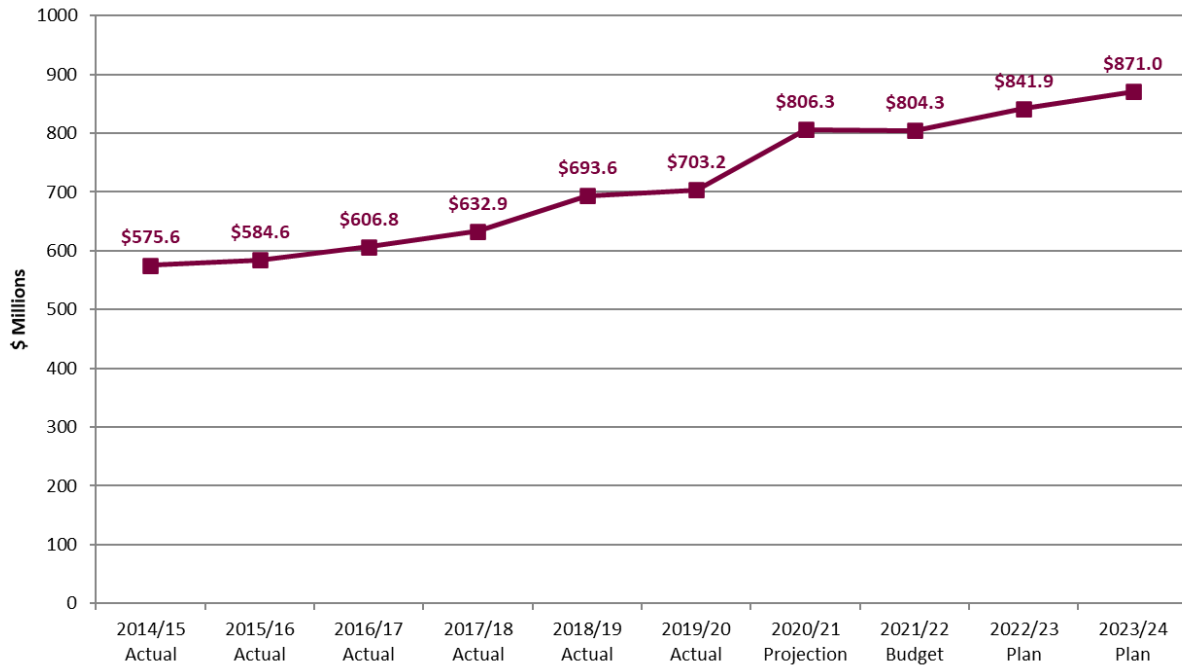


Figure 14: Operating Fund 2021/22 Budget Expense by Type

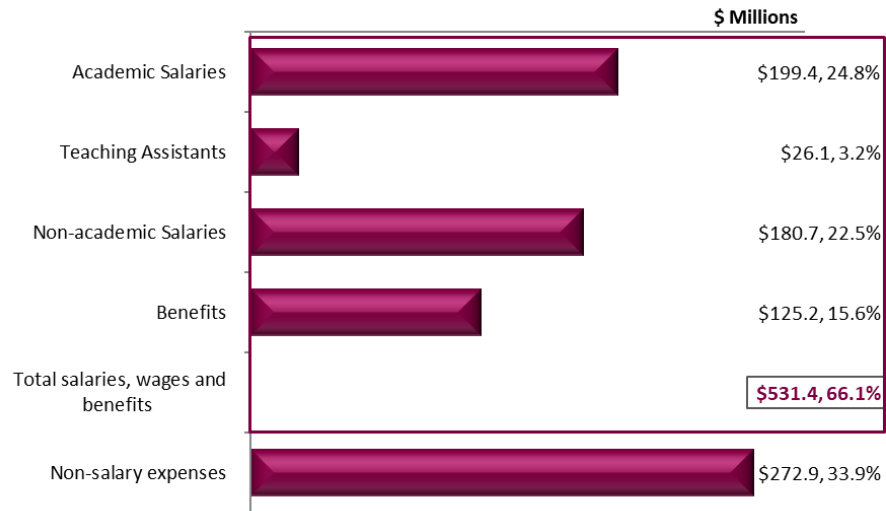
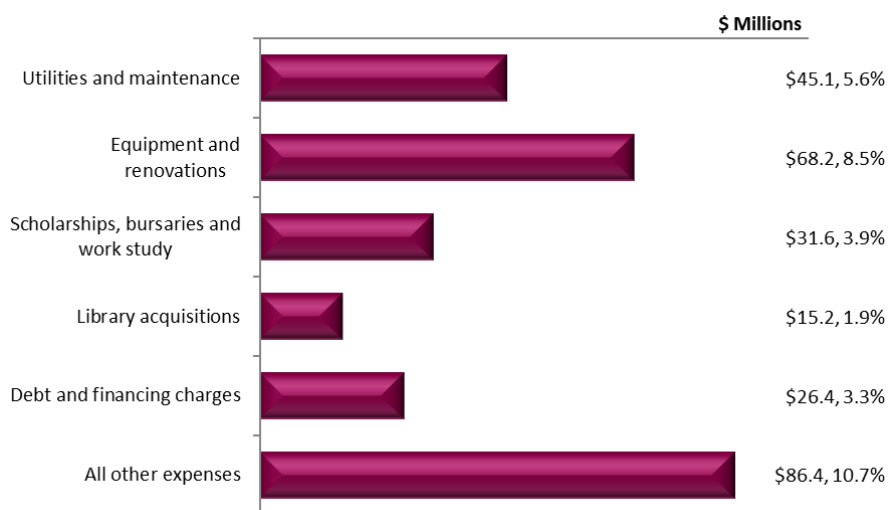


Figure 15: Operating Fund 2021/22 Budget Non-salary Expenses by Type



10.1.2.1 SALARIES, WAGES AND BENEFITS

At close to 70% of all expenditures, salaries, wages, and benefits are the largest component of the operating budget. As a research-intensive, student-centered university, the quality of the faculty driving the education and research mission is a key success factor. Highly skilled administrative and support staff are required to facilitate academic work and sustain an exceptional student experience.

In order to maintain the quality of education, accommodate new programs and additional enrolment, and prepare for upcoming retirements, there is an increasing emphasis on faculty renewal. Teaching by tenured, tenure-track or teaching-track faculty will be maintained while addressing the growth in student-to-faculty ratios. In addition, there is a continued focus on staff processes, drawing on benchmarking information, examining further opportunities to streamline business processes in order to maintain a reasonable complement of support staff.

Through labour negotiations, McMaster has pursued strategies targeted at optimizing the rate of compensation increases to control costs while being mindful of the need to be competitive in the market to ensure effective retention and recruitment. The *Fair Workplaces, Better Jobs Act, 2017* has had a significant impact on wage inflation. The budget reflects increases to minimum wage, as well as the requirement for equal pay for all employees doing substantially the same work regardless of differences in employment status.

The benefit rates used for budgeting purposes collect smoothed funding into a benefit reserve to settle the variable cash outflow schedules produced by the plan actuaries. The payment schedules are updated routinely and compared to benefit rate collections. McMaster completed an early filing election for the Salaried Plans adopting the new *Pension Act* provisions put in place in 2018. The updated filing provides payment certainty under the rules until 2021 and eliminates the funding requirement for solvency while introducing a new funding requirement for the provision for adverse deviation. Due to these changes the budget has been adjusted to reflect a new lower smoothed benefit rate for employer contributions.

The salary pension plan charge-out rates approved by the Budget Committee at the beginning of the budget process were as follows:

- The employer contribution rate built into the benefit charges for salaried faculty and staff dropped from 150% of employee contributions for 2020/21 to 125% of employee contributions for 2021/22 for all funds including ancillary.
- 2022/23 and 2023/24 high-level planning assumes 125% for the departmental and ancillary rate.

Taking these factors into account, the increase in total compensation costs approximates just under 4% per annum over the planning horizon.

The pension plan expenses are not immediately affected by pandemic-related economic impacts. The Salaried Plan valuations will occur July 1, 2021, however no material expense increases are anticipated with the updated filing. The Hourly Plan valuation is not due until 2023. No changes are budgeted to benefit charge-out rates for 2021/22 and the planning years.

10.1.2.2 UTILITIES AND MAINTENANCE

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

Costs for utilities can be volatile, subject to market rates, weather fluctuation, unplanned maintenance failures, and campus behavior. McMaster is the backup for the hospital's energy, which can also lead to increased costs due to unforeseen utility requirements during high-cost periods. In addition, critical components of the physical campus infrastructure, such as the central electrical station, are beyond end of life. Replacement costs are part of the deferred maintenance plan.

The largest component of utility costs is electricity. Rates have been conservatively budgeted at about \$0.15 for 2021/22 following the end of the Ontario Rebate for Electricity Consumers and Ontario Electricity Rebate. An investment in peak shaving generators is one activity that has been planned to mitigate the expected increase as Facilities Services continuously looks for potential strategies to lower electricity rates and while being mindful of lowering carbon emissions.

McMaster tracks the Ontario Association of Physical Plant Administrators (OAPPA) numbers for benchmarking purposes. Although there is a defined reporting method it is questionable if all members are following the methodology, and due to this McMaster continues to report and track this data but does not rely on it to make decisions. The most recent OAPPA G6 benchmark average for energy was \$2.47 per square foot (/SF). McMaster University Medical Centre and Michael DeGroote Centre for Learning and Discovery have a significantly higher energy cost index at \$4.90/SF due to the energy-intensive nature of health research and the heating/cooling requirements of the hospital with in-patient beds and emergency rooms/operating rooms. Excluding these two facilities, the energy cost index for the McMaster campus was \$1.89/SF.

10.1.2.3 EQUIPMENT AND RENOVATIONS

Physical and technical infrastructure resources are essential to achieving the strategic plan and delivering an optimal student experience. Space is increasingly a challenge as enrolment increases and additional capacity for research is required. In addition, equipment and software renewal is essential for leading-edge education and research. Physical and technical infrastructure maintenance is a key priority to facilitate student registration, control administrative costs, and minimize risk of infrastructure failure or security issues.

The budget includes transfers to capital at an average of \$53 million per year for new and upgraded physical facilities, including new community spaces. Transfers to capital are considered one-time repeating transfers made by choice and from a governance perspective these are permanent holds for capital with spending still based on Board by-laws. A key focus includes classroom renewal whereby investments are directed based on areas of greatest need as identified by the University community. Other major items include:

- Transfer to Capital for the McLean Centre for Collaborative Discovery
- Science space improvements
- Systems to improve the student experience, including Visual Schedule Builder, document management, and customer relationship management
- Continued expansion of the wireless network

10.1.2.4 SCHOLARSHIPS, BURSARIES AND WORK STUDY

Scholarships support the University's recruitment and admission goals, recognize student achievement, and aid in retention. Favourable positioning of McMaster's admission and scholarship offers is imperative in recruiting the best students. Depending on need, additional support may be provided to students in high-cost programs through the provincially mandated Student Access Guarantee (SAG).

In support of the provincial government, McMaster issues a net bill to students, which details the costs of education less Ontario Student Access Program and other student aid reductions. The net bill builds off the net estimate initiative, which provided new students a net cost estimate before accepting an offer of admission. Together these initiatives aim to increase transparency and help students make decisions that are more informed. Although McMaster's entrance awards on their own are not competitive when compared to other Ontario universities, this initiative will allow the total aid and award package from multiple sources of funding to be managed and remain attractive students.

Enrolment growth has increased the demand for need-based aid over recent years. The number of student requests for work program opportunities and bursary assistance continues to rise across the University. To ensure that sufficient funding is available to meet SAG obligations, the funding provided through the budget model varies with actual amounts required. The budget incorporates estimated expenses given the enrolment assumptions.

10.1.2.5 LIBRARY ACQUISITIONS

As the number of publishers of academic journals decreases, their ability to raise prices increases. The cost of purchasing the collection of core titles climbs by approximately \$0.5 million annually.

In order to achieve the University's mission, access to the journals with the highest profile and impact must be maintained. Most serial subscriptions are purchased through the Canadian Research Knowledge Network (CRKN) consortium as part of a binding, multi-year contract for large publisher journal packages. While reducing flexibility, purchasing through a consortium helps to mitigate the impact of journal inflation. Controlling costs by purchasing subscriptions individually is not an option.

McMaster's high research intensity works to increase journal costs since the CRKN subscription fees are linked to a University's research-intensity factor. McMaster has higher pricing than some peers, unrelated to student numbers or usage, but because the University generates more research dollars.

Several actions have been taken to contain costs. An analysis of cost per use data was done to suggest packages for possible cancellation. A comparison of holdings against those of partners will determine if there is any overlap. Results from CRKN initiatives will be monitored to ensure alternatives are explored. Options are limited by the University's need for access to the world's most high-profile and high-impact journals.

The budget reflects the combined impacts of inflation and expected exchange rates. In order to reduce pressure on the library envelopes, the US exchange rate has been internally fixed at the long-term rate, with any gain or loss covered centrally.

10.1.2.6 DEBT AND FINANCING CHARGES

In 2002, McMaster issued \$120 million in debentures. Expense of \$7.4 million represents the interest-only payment on the bond with a coupon rate of 6.15%. The principal will be repaid in 50 years as a bullet payment. An internal reserve or sinking fund of \$6.1 million was established in 2002. The sinking fund is invested in the investment pool and monitored annually and is expected to be sufficient to repay the principal in 2052. The annual balance in this internally restricted reserve is disclosed in the notes to the audited financial statements.

In 2015, McMaster issued an additional \$120 million in 50-year private placement (public style) debentures. The coupon rate of 4.105% (\$4.9 million) is offset by short-term investments with an estimated yield of 1.6%, which will be available on a declining basis until the funding is fully utilized for capital projects. Payments on internal loans for additional capital projects are included in the budgeted expense. The principal will be repaid using a separate internal reserve or sinking fund approach similar to the one described above.

The Board has approved a new debt call for an additional \$150 million in spring of 2021. Additional annual expenses of \$4.5 million has been budgeted for interest payments, and a sinking fund will be established to ensure repayment of the principal at the end of the term. See Section 12 Overall Borrowing and Debt Position for additional details.

10.1.2.7 ALL OTHER EXPENSES

This line represents 10.7% of operating costs and includes a broad range of supplies and other expenses not categorized elsewhere. The expense is net of recoveries including transfers from trust funds, contributions of ancillaries to occupancy costs, and internal services. It includes a provision for expected strategic initiatives facilitated by the University Fund.

10.1.3 OPERATING FUND APPROPRIATIONS

With the budgeted deficit of \$4.8 million, Operating Fund appropriations are expected to decline to \$154.4 million, or 19.3% of operating revenue, by the end of 2021/22. According to the budget policy, envelope managers may carry forward unspent balances to future years (see Appendix 3 Operating Fund Unit Level Tables). These balances assume an increasing importance as costs increase faster than allocations. Although each envelope is required to present a balanced budget, an appropriation balance may be utilized to fund strategic initiatives including academic, research and capital, as well as initiatives that are one-time projects or cause temporary structural deficits until greater efficiencies are achieved. The appropriation balance is increase slightly during the planning horizon, while dropping in terms of percentage of revenue to 18.5%.

10.1.4 ONE-TIME EXPENDITURES

Table 6: Operating Fund Ongoing and One-time Summary

(\$ thousands)							
	2020/21 Budget	2020/21 Projection	2020/21 Variance		2021/22 Budget	2022/23 Plan	2023/24 Plan
Ongoing:							
Allocated income	604,266	666,726	62,460	10.3%	686,443	721,168	761,403
Other income	115,957	100,296	(15,661)	-13.5%	112,639	119,772	118,020
Total revenues	720,223	767,022	46,799	6.5%	799,082	840,940	879,423
Expenses	743,676	705,289	38,387	5.2%	756,762	786,629	812,587
Excess of revenues over expenses	(23,453)	61,733	85,186	-363.2%	42,320	54,312	66,836
% of revenue	-3.3%	8.0%			5.3%	6.5%	7.6%
One-time:							
Allocated income	-	(500)	(500)	n/a	(0)	-	-
Other income	530	2,378	1,848	349.1%	350	350	350
Total revenues	530	1,878	1,348	254.7%	349	350	350
Expenses	30,936	100,994	(70,058)	-226.5%	47,491	55,291	58,376
Excess of revenues over expenses	(30,406)	(99,116)	(68,710)	226.0%	(47,141)	(54,942)	(58,027)
Excess of revenues over expenses	(53,859)	(37,383)	16,476	-30.6%	(4,822)	(630)	8,809
Fund balance, beginning of year	157,672	196,580	38,908	24.7%	159,197	154,375	153,745
Fund balance, end of year	103,812	159,197	55,384	53.4%	154,375	153,745	162,554

The budget shows a structural surplus across the planning horizon. Increases in ongoing expenses are mainly either strategic investments like faculty renewal or unavoidable costs. One-time costs in the budget include:

- \$24.4 million renovation and expansion of facilities
- \$10.0 million for undetermined strategic investments from the University Fund likely to include:
 - Expenses related to COVID-19

- New IT commitments
- Investment in rejuvenating core research platforms and research commercialization
- Incentives and impact minimization of internal and external policy changes
- New opportunities for capital renewal and expansion
- \$2.0 million for branding and marketing activities
- \$1.4 million for operational initiatives including the HR digitization project and business process redesigns
- \$1.0 million wireless network expansion and other existing IT initiatives

10.1.5 OPERATING FUND BUDGET CONCLUSIONS

This budget includes plans to support the refreshed vision and strategic plan priorities associated with inclusive excellence, learning and teaching, research and scholarship, engaging local, national, Indigenous, and global communities, and operational excellence. The 2021/22 Operating Fund is structurally based with a \$42.3 million surplus. One-time expenditures of \$47.1 million include strategic and capital priorities resulting in a net deficit of \$4.8 million. The structural surplus is driven by international enrolment growth and flow-through of the growth of domestic enrolment achieved in 2020/21. The Operating Fund is also supporting some of the shortfall related to existing contractual commitments for capital projects underway, which were planned to be funded by the MD or Graduate Expansion Grant cancelled by MCU in 2019.

10.2 RESEARCH FUND

Table 7: Research Fund Summary

(\$ thousands)						
	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Budget	2022/23 Plan	2023/24 Plan
Revenues						
Research grants and contracts	153,000	237,000	84,000	186,000	188,000	190,000
Total revenues	153,000	237,000	84,000	186,000	188,000	190,000
Expenses						
Salaries, wages and benefits	86,000	117,000	(31,000)	119,000	121,000	123,000
All other expenses *	65,000	63,000	2,000	63,000	63,000	63,000
Transfers to (from) other funds	(15,566)	(19,340)	3,774	(16,414)	(14,698)	(14,745)
Total expenses	135,434	160,660	(25,226)	165,586	169,302	171,255
Excess of revenues over expenses	17,566	76,340	58,774	20,414	18,698	18,745
Fund balance, beginning of year	242,660	226,036	(16,624)	302,376	322,790	341,488
Fund balance, end of year	260,226	302,376	42,150	322,790	341,488	360,233

*Including transfers to capital

The 2019/20 Research Fund revenue projection is \$237.0 million, which is based on research revenue received, including revenue received for future periods, net of hospital research. The projection is \$84.0 million higher than the original budget due in large part to the award of several research grants and contracts related to COVID-19 and other government support programs.

It is anticipated that research revenue related to COVID-19 will diminish in 2021/22 compared to 2020/21. Expenditures are expected to be maintained at 2020/21 levels as those projects are continuing. Modest growth in research revenue not related to COVID-19 is anticipated but may be sector-specific and will depend on recovery of the general economy.

The plan years of 2022/23 and 2023/24 show modest growth in research revenue and expenses connected to continuing research into COVID-19.

10.3 CAPITAL FUND

Table 8: Capital Fund Summary

(\$ thousands)						
	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Budget	2022/23 Plan	2023/24 Plan
Revenues						
Operating grants	3,290	5,061	1,771	5,000	5,970	5,330
Other revenues	11,620	9,585	(2,035)	22,610	92,835	148,710
Total revenues	14,910	14,646	(264)	27,610	98,805	154,040
Expenses						
All other expenses, including capital	170,149	72,596	97,553	164,487	265,894	257,923
Transfers to (from) other funds	(37,715)	(76,755)	39,039	(35,655)	(49,225)	(48,594)
Debt and financing charges	(12,645)	(9,350)	(3,295)	(11,058)	(16,569)	(18,740)
Total expenses	119,789	(13,509)	133,297	117,774	200,100	190,589
Excess of revenues over expenses	(104,879)	28,154	133,033	(90,164)	(101,295)	(36,549)
Fund balance, beginning of year	23,401	63,242	39,841	91,396	1,232	(100,063)
Fund balance, end of year	(81,478)	91,396	172,874	1,232	(100,063)	(136,612)

Spending in the Capital Fund includes major building and renovation projects, transfers from the Operating Fund, and repayments of internal capital loans. The information in the table above reflects capital projects included in the University's Capital Master Plan (see also Section 6.3), as well as the prior year's budget updated with current spending.¹⁰

Table 9 below summarizes the total expected capital funding and spending by project for fiscal 2019/20 to 2022/23. The updated capital projection (\$72.6 million) is significantly lower than the original budget (\$170.1 million) due to slower than expected spending on some key projects such as the McLean Center for Collaborative Discovery, the Athletics and Recreation expansion, and the Research Commercialization Project, largely due to COVID-19. For 2021/22, spending on capital projects is expected to resume at pre-pandemic levels.

¹⁰ Capital expenditures used in operations and to support ancillary departments are budgeted through the Operating and Ancillary Funds within the same envelope system, and using the same priority-setting, monitoring and control process as operating expenses. Capital expenditures budgeted within the Operating and Ancillary Funds include equipment, renovations, faculty start-up costs, and deferred maintenance. Internally led projects that require financing borrow from McMaster's central bank approach at the weighted average cost of capital plus a stabilization factor, which is currently 5.75%.

Table 9: Capital Spending by Project

(\$ thousands)

	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Plan	2022/23 Plan	2023/24 Plan
Approved projects						
ABB 5th Floor Fit Out	-	2,435	(2,435)	273	-	-
Advanced Manufacturing Centre - PVP Approved	-	340	(340)	5,000	3,450	-
Athletic and Recreation - Pulse and Student Space Expansion	30,110	16,600	13,510	24,000	8,092	-
CCEM CALM Lab Renovation	3,400	2,300	1,100	1,394	-	-
CFI 2017	-	4,378	(4,378)	-	-	-
Classroom Reconfiguration Plan	2,000	2,000	-	2,938	-	-
Deferred Maintenance Projects	13,020	15,113	(2,093)	16,654	16,593	16,593
Energy Management Projects and Sustainability	-	1,654	(1,654)	-	-	-
Greenhouse and LSB Phase One	10,000	200	9,800	10,000	10,000	1,662
Innovation Hub - The Clinic	1,492	972	520	-	-	-
Lot K Parking Structure	7,000	-	7,000	10,000	7,000	-
McLean Center For Collaborative Discovery	29,726	3,515	26,211	25,000	30,000	28,446
One-Stop Shop	6,000	400	5,600	2,329	-	-
Parking and Security Relocation	2,300	1,020	1,280	1,242	-	-
PeakShavers and Boilers	-	-	-	5,000	22,000	2,000
Peter George Center for Living and Learning	8,104	6,274	1,830	-	-	-
Research Commercialization Project	9,980	6,900	3,080	24,000	14,782	-
Residence Renewal Program	2,000	-	2,000	2,000	2,000	2,000
Strategic Property Acquisitions	11,100	7,000	4,100	-	-	(1,925)
Other	13,744	1,496	12,248	737	737	737
Total approved projects	149,976	72,596	77,380	130,567	114,654	49,513
Estimate of planned projects - not yet approved	20,173	-	20,173	33,920	151,240	208,410
Total capital spending	170,149	72,596	97,553	164,487	265,894	257,923

The table above includes capital projects that are approved, as well as an estimate of projects in the planning phase. The unapproved projects are currently being reviewed by senior management. If these planned projects are pursued, a business case will be created including stress testing for varying income adjustments. Approval will be subject to the appropriate governance process.

While not all external funding for projects has been received at the time of construction, all funding sources for a project are identified prior to the project's approval. Interim and long-term financing is provided by a University central bank. Additional external borrowing needs are examined annually, as outlined in Section 12 Overall Borrowing and Debt Position.

10.4 EXTERNAL ENDOWMENT

Table 10: External Endowment Summary

(\$ thousands)						
	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Budget	2022/23 Plan	2023/24 Plan
Revenues						
Other revenues	2,787	2,787	-	2,637	2,559	4,000
Investment income (loss)	15,781	26,657	10,876	26,995	27,306	27,617
Total revenues	18,568	29,444	10,876	29,632	29,865	31,617
Expenses						
All other expenses	1,869	2,535	(666)	4,820	3,768	3,662
Transfers to (from) other funds	20,718	20,867	(149)	19,270	20,531	20,734
Total expenses	22,587	23,402	(815)	24,090	24,299	24,396
Excess of revenues over expenses	(4,019)	6,042	10,061	5,542	5,566	7,221
Fund balance, beginning of year	394,520	476,018	81,498	482,060	487,601	493,167
Fund balance, end of year	390,501	482,060	91,559	487,601	493,167	500,388

The external endowment consists of accounts that hold donations or bequests received by the University that have conditions or legal requirements for use agreed upon by the donor and the University. Endowed donations are held in perpetuity and invested in the University's long-term investment pool.

The rate of return on endowed trust funds for all planning years is projected achieve the long-term rate of 5.6% net of investment management fees, an improvement on the previous assumptions for planning years 2020/21 through 2022/23 of 4.0%, 5.4% and 5.6% respectively. In addition, the investment loss in 2019/20 was significantly less than expected, resulting in a favourable fund balance at the beginning of 2020/21.

In order to protect the capital value of external endowments and ensure that spending allocations can increase over time with inflation, an endowment capital protection policy limits the amount of investment income allocated for spending and administration¹¹. The policy requires the reinvestment of excess income earned (interest, dividends, realized and unrealized gains, net of expenses) to protect the capital value of the endowment from inflation.

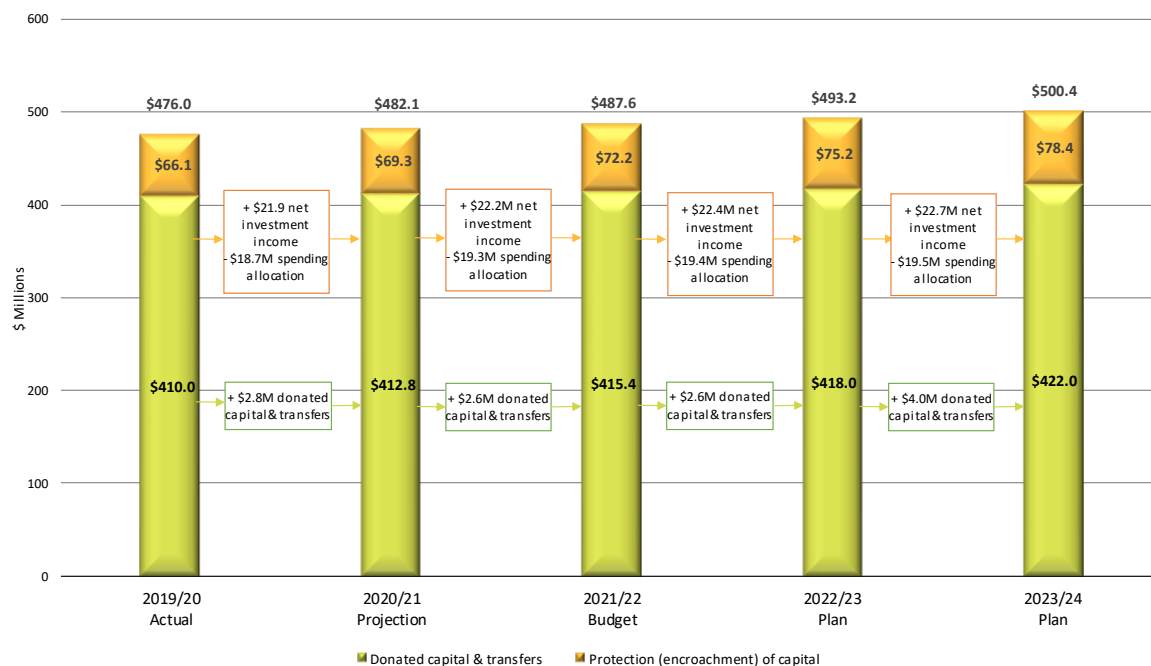
Following the market downturn in 2008, several policies were implemented to smooth the spending allocation spend despite volatility.

- The spending allocation is calculated based on the monthly market value of the capital balance of each trust fund over the last five years. The impact of temporary losses is moderated by the longer-term market values.
- In years where investment returns are less than the spending allocation, the policy allows temporary encroachment of reinvested income.

¹¹ The current spending limit is 5% (4% for spending and 1% for administration).

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

Figure 16: External Endowment Fund Balance Trend



At

April 30, 2020, the University's external endowment was \$476.0 million, including a protection of capital amount of \$66.1 million, reflecting an erosion due to the market downturn at the end of the fiscal year. Using the projected 5.6% rate of return which is above the spending limit, the preservation of capital will continue to increase. Underwater trusts, where the market value is below the original capital, will continue to be regularly monitored and appropriation action taken.

10.5 INTERNAL ENDOWMENT

Table 11: Internal Endowment Summary

(\$ thousands)						
	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Budget	2022/23 Plan	2023/24 Plan
Revenues						
Other revenues	100	100	-	100	100	101
Investment income (loss)	4,673	7,915	3,242	8,007	8,095	8,188
Investment income transfer	(5,507)	(5,489)	18	(5,631)	(5,631)	(5,631)
Total revenues	(734)	2,526	3,260	2,476	2,564	2,658
Expenses						
All other expenses	-	182	(182)	160	169	173
Transfers to (from) other funds	584	707	(123)	715	723	731
Total expenses	584	889	(305)	875	892	904
Excess of revenues over expenses	(1,318)	1,637	2,955	1,601	1,672	1,754
Fund balance, beginning of year	116,823	141,333	24,510	142,970	144,571	146,243
Fund balance, end of year	115,505	142,970	27,465	144,571	146,243	147,997

The internal endowment includes unrestricted donations, bequests and other allocations that are set aside for future obligations and restricted by the Board of Governors. The funds are invested in the University's long-term investment pool. Like the external endowment, the internal endowment is projected to achieve the long-term investment return rate of 5.6% net of investment fees, and the investment loss in 2019/20 was significantly less than expected, resulting in a favourable fund balance at the beginning of 2020/21.

The largest endowment is the Dr. H. L. Hooker Endowment, which is a bequest restricted for use to advance the University's mission. An annual allocation from this internal endowment is made to the Operating Fund and distributed to Faculties through the budget model. In 2021/22 the allocation amounts to \$5.6 million (within the \$9.5 million annual Operating Fund transfer).

10.6 ANCILLARY FUND

Table 12: Ancillary Fund Summary

(\$ thousands)						
	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Budget	2022/23 Plan	2023/24 Plan
Revenues						
Ancillary sales and services	55,172	19,309	(35,863)	78,182	93,259	103,791
Total revenues	55,172	19,309	(35,863)	78,182	93,259	103,791
Expenses						
Salaries, wages and benefits	23,009	25,244	(2,235)	30,494	32,877	35,102
All other expenses	27,237	14,854	12,383	30,637	33,473	36,061
Transfers to (from) other funds*	16,199	(7,488)	23,687	7,968	10,906	16,878
Debt and financing charges	8,093	5,243	2,850	6,347	7,603	9,417
Total expenses	74,538	37,854	36,685	75,446	84,859	97,459
Excess of revenues over expenses	(19,367)	(18,545)	822	2,736	8,400	6,332
Fund balance, beginning of year	(2,357)	10,300	12,657	(8,245)	(5,508)	2,892
Fund balance, end of year	(21,723)	(8,245)	13,479	(5,508)	2,892	9,224

*Including transfers to capital

Ancillary operations provide essential academic and student support services across the University. Ancillary units enhance the student experience and contribute funding to both direct student support and the operating budget to support the core University mission.

The decision to close the campus due to the pandemic has had significant financial implications on the non-academic ancillaries, while the Centre for Continuing Education (CCE) has had to rapidly pivot to a full offering of online courses.

The 2020/21 original budget included a contingency reduction in revenues and related salaries, benefits, and cost of sales, assuming the full campus physical closure would end in September 2020, to account for the potential impact of COVID-19 of lower student numbers and events on campus. The revised projection for ancillaries reflects the extended campus closure for the fall and winter terms in 2020/21. This results in a temporary deficit fund balance for the Ancillary Fund at the end of 2020/21 of \$8.3 million.

Ancillaries have taken extraordinary steps to provide core services while shutting down units and, in some cases, laying off casual, full-time, and part-time staff. Despite best efforts to mitigate losses,

each non-academic ancillary (Campus Store, Hospitality Services, Housing and Conference Services, Media Production Services, and Parking Services) has a projected loss, which when combined totals \$19.3 million.

The 2021/22 budget is built on the assumption that campus begins to open up and students are on site in some form in fall 2022, allowing more ancillaries to generate revenue. This results in a small surplus for the Ancillary Fund and a return to a positive reserve balance within the planning period. The analysis and planning to return each unit to break-even is ongoing and will be solidified when campus re-opening plans are further defined.

10.6.1 CAMPUS STORE

Learning in the classroom continues to evolve as new tools for teaching and assessment are introduced to the educational marketplace. The materials selected to facilitate this learning come in a variety of formats, and each format supports a different learning style. The Campus Store works closely with faculty, providing students with a variety of course material options that support their educational experience. The Campus Store can deliver dynamic digital content as well as traditional physical textbooks. Materials include both paid and free content that is published by faculty members or sourced from major publishers and open educational resource content providers.

With the rise in online learning and growth of dynamic content and ebooks, the unit sales of print materials continue to decline. The sale of course materials will not generate enough revenue to offset expenses, and the general book department within the Campus Store also operates at a loss. The store continues to sell general reference materials, alumni and faculty publications as well as general reading materials by offsetting this loss through the sale of crested merchandise

The Campus Store will be focused on outreach and community engagement, working with community partners to move current objectives forward while exploring new business opportunities.

10.6.2 McMASTER CONTINUING EDUCATION (MCE)

McMaster Continuing Education is well aligned with the University's Strategic Mandate Agreement given its delivery of career-focused education to adult learners. At present, the unit serves just under 5,000 learners annually. Increasingly, adult learners from newcomer backgrounds who reside in the Hamilton region as well as international learners from around the world are studying through MCE. The unit also serves undergraduates who choose to blend their degree work with career-focused studies. Graduates of academic certificate and diploma programs are advantaged in careers related to five main areas: 1) business, accounting, and human resources management; 2) communications and marketing; 3) health and social services; 4) data and emerging technologies; and 5) metallurgy. A new Certificate of Professional Learning provides adult learners a compressed pathway to new knowledge and skills while the piloting of micro-credentials and delivery of not-for-credit professional development offerings benefit adults needing workplace-sensitive learning. MCE is actively increasing the career development services it offers students and enhancing its relationship with the City of Hamilton in the data and technology sector.

Budget challenges center around staff costs related to the design, delivery, and marketing of excellent online programs, which require a greater staff complement than more traditional approaches to teaching and learning. Recent increases in enrolments are also affecting staffing costs and increasing the need for more instructors with strong industry expertise and online teaching experience. While

continuing education is well established in the online education sector, there are additional costs as new educational technologies emerge. Continuing Education is presently embarked on three large systems projects: completion of the implementation of a new customer relations management system; completion of a new web site; and discovery work and initial implementation work for a registration system that will better support non-traditional students. While all three initiatives involve substantive financial, time, and human resource investments.

The unit's current strategic plan is ending, so this year will focus on the development of a new strategic plan, beginning with a review of pillars from the present plan which may be extended. A careful review and consultation process will inform all stages of the development of the plan. MCE will continue to deepen its relationships with internal units and external partners in the region, and with the adult and professional education sectors more broadly. Should MCE and its partners be successful on submissions made to Ontario's Virtual Learning Strategy competition, carrying out these projects will take place in 2021/22. Research and innovation in contemporary approaches to adult, online, and virtual education and in relation to micro-learning and alternate digital credentials are likewise planned for the upcoming year.

10.6.3 HOSPITALITY SERVICES

Each Hospitality Services location plays a critical support role in McMaster's ongoing pursuit of excellence and enhancing the student experience. Ensuring a focus on efficiency, flexibility and adaptability allows the unit to contribute to McMaster's mission and the core operating budget. The Hospitality Services three-year strategic plan was developed within the framework of the key business objectives of the department that align with the Strategic Mandate Agreement and the Administration Division strategy. Hospitality Services has developed a strong direction for achieving financial stability, operational growth and improving the student experience to ensure long-term relevance in supporting McMaster's overall strategy and vision. Technology, nutrition, and the internationalization of our menus will guide the department as we provide a more in-depth food service experience for students and integrate ourselves deeper into the community through business and volunteer partnerships. Hospitality is also committed to the further enrichment of program elements in the areas of community, wellness and sustainability as a means of furthering our alignment with the Okanagan Charter

McMaster University continues to operate a highly respected Hospitality department – a reputation built on quality and value. Providing this based on some of the lowest meal plan pricing among our peers is a testament to the resourcefulness and the innovation of the department. However, it will be necessary for the department to continually assess both meal plan and retail pricing to maintain a balanced budget. Planned increases, considering student value first and foremost, will be critical to absorb the financial impacts in the areas of unionized labour contracts, remaining competitive in our market, and continuing the current level of quality and reputation. In addition to these pricing challenges, increased University operating costs and volatile food inflationary costs will pose financial challenges to the department. Hospitality Services currently projects that the negative financial impact of the pandemic on departmental reserves will be resolved within the three-year window of this planning period.

While the pressures of cost and pricing create budget challenges, we are committed to diligently work to assess and validate our approach and take corrective actions that will keep Hospitality Services at the forefront of their sector within the Canadian university marketplace and contribute

positively to McMaster's overall mission and reputation. Actions for new value-driven revenue streams to overcome financial challenges will include reviews of meal plan and retail pricing, increased internationalized menu offerings that support our diverse cultural student needs, continued review/implementation of trending and innovative concepts, social media marketing, and collaboration with internal partners to develop an integrated technology options. Operational efficiencies will be driven through a streamlined, compliant purchasing approach, a continual operational loss analysis of units, and a review of inventory and management carrying costs highlighted during the pandemic.

10.6.4 HOUSING AND CONFERENCE SERVICES (HCS)

Housing and Conference Services directly supports the University's goal of advancing human and societal well-being and the overriding vision of educating for capability. Specifically, HCS provides a distinctive living and learning experience for 4,100 students focused on key educational priorities including community development, personal growth and wellness, academic excellence, and inclusion. The residence experience is a critical and proven factor in assisting with our SMA3 metric of retaining students between Year 1 and Year 2. Expansion plans, including a graduate residence, support the undergraduate and graduate student experience in alignment with SMA3 metrics.

The decision to transition fall and winter courses to virtual learning during the pandemic and the limited use of residences to support students in exceptional circumstances will result in a large operating deficit in 2020/21. HCS contained our operational deficit by redirecting \$13.6 million in savings for the Bates Residence redevelopment project against the revenue shortfall, ultimately limiting the deficit and allowing for an accelerated financial recovery over the planning period. Plans for 2021/22 focus on re-establishing operations at approximately 60% capacity in alignment with Public Health guidelines, while trying to mitigate continuing COVID-19 cost pressures (i.e. custodial costs, cleaning supplies, personal protective equipment, improved ventilation, etc).

10.6.5 MEDIA PRODUCTION SERVICES (MPS)

Media Production Services will continue to provide printing and creative services in support of McMaster's academic mission with the goal of maintaining levels of customer satisfaction (currently 95%). In order to assist the University in achieving its web compliance requirements, MPS will continue work on improving and promoting the free self-serve MacSites option. The new management information system will offer additional efficiencies and an improved customer experience.

The COVID-19 pandemic has fundamentally altered projections for 2020/21 and beyond. MPS, like all ancillaries, relies heavily on serving faculty and staff on campus to generate revenue. The loss of fleet revenue has had the largest single impact on the MPS budget. However other revenue streams, such as exam production, optical mark recognition marking, and custom courseware are likely to be negatively impacted on an ongoing basis. Assuming regular business resumes on campus by fall 2021, it is expected that MPS revenues will return over time. MPS has a proven track record of rising to tough challenges.

MPS will re-examine how best to serve the University by assessing our services, product offerings, and resources. A departmental restructure will be undertaken, including a review of roles, redistribution of work and reassignment of responsibilities.

10.6.6 PARKING SERVICES

Parking Services will continue to invest in physical space on campus in line with the new Campus Master Plan and maintain existing parking infrastructure. The unit will be managing parking demands for the graduate student residence (GSR) when it is completed in 2023, while continuing to support undergraduate and graduate students on campus by designating a lot for student parking only and by providing them with employment opportunities to support their education where possible.

The unit will be taking an additional loan in 2021/22 for the Peter George Center for Living and Learning underground lot with the GSR and Lot K loan payments starting in the following year. The department will continue to incur revenue losses associated with the pandemic and removal of the charge for monthly parking. Although charging for monthly rates will resume in September 2021, it is difficult to determine how long the loss associated with the pandemic will continue. Loan payments along with continued revenue losses will considerably constrain the parking budget leaving minimal funds available for maintenance and capital projects. Construction on campus will continue to impact parking by taking over parking spaces for the duration of construction. Although the loss of space due to construction is temporary, multiple projects taking place simultaneously create significant challenges for parking management.

A new parking strategy will be developed in 2021 in line with the new Campus Master Plan. Parking capacity constraint issues may be addressed by increasing density in existing parking lots instead of creating new lots. Consideration may also be given to improving parking access for visitors and special event guests.

10.7 SPECIFICALLY EXTERNALLY FUNDED

Table 13: Specifically Externally Funded Summary

(\$ thousands)						
	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Budget	2022/23 Plan	2023/24 Plan
Revenues						
Other revenues	33,481	32,845	(636)	31,980	32,864	32,148
Total revenues	33,481	32,845	(636)	31,980	32,864	32,148
Expenses						
Salaries, wages and benefits	23,534	22,903	631	22,730	22,854	23,059
All other expenses	10,463	10,051	413	9,822	10,303	9,412
Transfers to (from) other funds	(165)	6	(171)	(179)	(187)	(193)
Total expenses	33,833	32,960	873	32,372	32,970	32,279
Excess of revenues over expenses	(352)	(115)	237	(393)	(106)	(131)
Fund balance, beginning of year	6,846	6,672	(174)	6,557	6,164	6,058
Fund balance, end of year	6,494	6,557	63	6,164	6,058	5,927

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

- The funding is provided by an external entity

- There is an agreement with the sponsor to spend the funding for a specified purpose on specified items
- Unspent funding must be returned to the sponsor

Departments are responsible for administering this funding, ensuring that it is used for the intended purpose and not overdrawn. Specifically externally funded programs are included within budget submissions to Budget Committee.

10.8 INTERNAL RESERVES

There are other critical internal reserves created to settle future obligations associated with current faculty, staff or other activities. The balance in 2020/21 is projected to be \$102.4 million, growing to \$201.0 million in 2021/22 with the issuance of new debt, and returning below \$200.0 million in 2022/23 and future years as the financing is deployed to strategic projects.

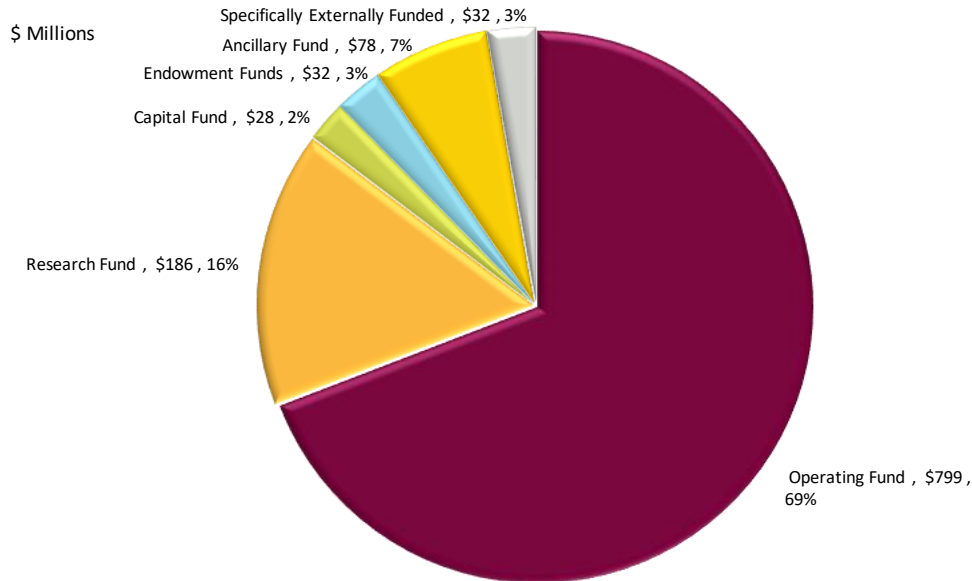
Internal reserves include two categories of funding. First, Operating and Ancillary Fund reserves are balances carried forward into future years. Faculties and departments are required to develop structurally balanced budgets each year and additionally are expected to save reserves for new capital investments or renovations or other large strategic initiatives. Combined Operating and Ancillary Fund reserves are projected to be \$151.0 million in 2020/21, falling to \$148.9 million in 2021/22 due to the planned use of reserves for strategic projects, before increasing to \$156.6 million in 2022/23 and \$171.8 million in 2023/24 as ancillary operations recover from COVID-19 losses.

The second component of internal reserves relates to future obligation settlement needs. The settlement-related balances appear as part of internal reserves on the University's Statement of Financial Position and could be misinterpreted as funding available for other uses, however to do so would be detrimental to future University generations by passing on unfunded obligations related to current operations. Some examples of these internal reserves include two debt retirement sinking funds, the Canadian Nuclear Safety Commission's required Nuclear Reactor decommissioning fund, and the special post-retirement benefit fund. All these internal reserves are monitored annually for sufficiency of the reserve compared to the future liability or third-party projected obligation. Balances of these settlement reserves compared to targeted funding are presented separately throughout the year to the Planning and Resources Committee of the Board of Governors. For example, the special post-retirement fund has grown to 44% of the funding required to settle future payments related to existing faculty and staff in the plan.

Overall, internal reserves are a critical component of the University's financial health strategy to ensure funding is appropriately set aside today for future obligations arising from current faculty, staff and activities. The reserve strategies have proved to be a prudent set aside of University resources following the 2008/09 economic crisis and have served the University well to mitigate COVID-19 impacts.

11 CONSOLIDATED RESULTS

Figure 17: Consolidated 2021/22 Budget Revenue by Fund



As outlined in Section 8.3 Budget Design, the budget process results in a revenue and expense budget for each fund. The Annual Financial Report includes the audited financial statements that are prepared on a full accrual basis using the deferral method of accounting for revenue (see Appendix 5 Significant Accounting Policies for more details). Under this method, all funds are consolidated into a single column for the Statement of Operations, Statement of Financial Position and the Statement of Cash Flows. In order to complete the Consolidated Budget document on the same basis as the Annual Financial Report accounting adjustments are made to each fund.

Table 14: Reconciliation of Operating Fund Budget to Accrual-Based Budget

(\$ thousands)	2020/21		2020/21	2021/22		
	Budget	Projection	Variance	Budget	Plan	2023/24 Plan
Excess (deficiency) of Operating Fund revenues over expenses	(53,859)	(37,383)	16,476	(4,822)	(630)	8,809
Capital expenditures net of amortization	96,215	14,951	(81,264)	79,538	89,646	82,709
Investment income (loss) on internal endowments	(1,318)	1,637	2,955	1,600	1,673	1,754
Pension and non-pension adjustments	13,638	11,676	(1,962)	13,714	14,797	15,197
Changes in other reserves	(67,664)	52,516	120,180	(11,191)	(4,817)	(8,659)
Total accrual adjustment	40,871	80,781	39,910	83,661	101,299	91,002
Excess (deficiency) of revenues over expenses	(12,988)	43,398	56,386	78,839	100,669	99,811

Table 14 shows the summary adjustments required to reconcile the Operating Fund's net income from the fund and cash accounting basis to the full accrual basis for all funds, the adjustments include:

- Capital expenditures treated as immediate cash basis expenses are added back and only the net amortization expense is deducted, reflecting the useful life of the capital asset over time.
- Investment income earned or (lost) on internal endowments, net of funds not already transferred to the Operating Fund, are added back or (subtracted).
- Actuarial adjustments (excluding re-measurements) for pension and non-pension costs are recorded.
- Reclassifications to offset internal transactions between departments affecting revenues and expenditures are recorded.

The large favourable variance in other reserves in 2020/21 reflects the anticipated impacts of lower international enrolment on non-operating funds that did not occur, as well as lower capital expenditures decreasing the need for drawing funding from reserves.

11.1 STATEMENT OF OPERATIONS

Table 15: Consolidated Statement of Operations (Accrual Basis)

(\$ thousands)	2020/21		2020/21	2021/22		2022/23	2023/24
	Budget	Projection	Variance	Budget	Plan	Plan	Plan
Revenues							
Operating grants	273,794	278,603	4,809	278,248	277,778	277,399	
Research grants and contracts	183,403	176,326	(7,077)	178,971	183,445	188,031	
Tuition fees	349,130	416,153	67,024	432,852	472,252	510,253	
Ancillary sales and services	55,172	19,309	(35,863)	78,182	93,259	103,791	
Other revenues	211,017	182,504	(28,512)	202,647	206,700	220,102	
Investment income (net)	48,131	60,891	12,760	66,716	70,773	71,903	
Amortization of deferred capital contributions	45,033	39,650	(5,384)	38,719	39,037	44,989	
Total revenues	1,165,679	1,173,436	7,757	1,276,335	1,343,245	1,416,468	
Expenses							
Salaries and wages	558,181	546,106	12,075	594,709	618,497	655,607	
Employee benefits	129,187	133,106	(3,919)	144,953	146,402	149,330	
Supplies and services	384,703	357,022	27,680	359,812	373,718	402,180	
Interest on long-term debt	13,155	13,151	3	15,358	17,564	17,517	
Amortization of capital assets	93,441	80,652	12,789	82,664	86,395	92,022	
Total expenses	1,178,667	1,130,038	48,629	1,197,496	1,242,576	1,316,657	
Excess of revenues over expenses	(12,988)	43,398	56,386	78,839	100,669	99,811	

McMaster's objective is to achieve a 10% excess of revenues over expenses to generate sufficient internal reserves to cover future obligations. The excess is currently less than 10% of consolidated revenues in all years, averaging approximately 7%. Both revenue and expenses are expected to increase in 2021/22 with the increase in in-person learning, returning to pre-pandemic levels by 2022/23.

11.2 STATEMENT OF FINANCIAL POSITION

Table 16: Consolidated Statement of Financial Position

(\$ thousands)	2020/21		2020/21 Variance	2021/22		2022/23 Plan	2023/24 Plan
	Budget	Projection		Budget	Plan		
Assets							
Cash	33,224	17,223	(16,000)	18,317	19,053	20,203	
Short-term investments	166,118	195,100	28,982	206,953	215,341	228,413	
Investments	990,848	1,317,138	326,290	1,411,559	1,388,895	1,442,056	
Capital assets	1,354,513	1,235,399	(119,114)	1,352,221	1,566,720	1,767,621	
Other assets	164,689	232,127	67,438	252,950	258,009	263,169	
Total assets	2,709,391	2,996,987	287,596	3,241,998	3,448,019	3,721,461	
Liabilities and deferred contributions							
Current liabilities	197,207	176,373	(20,835)	179,911	183,521	187,204	
Deferred contributions for future expenses	854,336	859,308	4,972	871,512	953,727	1,086,034	
Long-term debt	267,654	267,201	(453)	417,691	418,247	418,876	
Employee future benefits and pension	346,214	457,415	111,201	466,563	475,894	485,412	
Total liabilities and deferred contributions	1,665,412	1,760,296	94,885	1,935,678	2,031,391	2,177,527	
Net assets							
Unrestricted	10,755	-	(10,755)	-	-	-	
Internally restricted reserves	(91,900)	102,350	194,250	201,052	162,456	186,373	
Equity in capital assets	619,119	502,893	(116,225)	466,441	607,846	685,754	
Endowments			-				
Internal	115,505	142,970	27,466	144,571	146,243	147,997	
External	390,501	488,477	97,976	494,256	500,082	523,811	
Total net assets	1,043,979	1,236,691	192,711	1,306,320	1,416,628	1,543,935	
Total liabilities and net assets	2,709,391	2,996,987	287,596	3,241,998	3,448,019	3,721,461	

The Statement of Financial Position is the University's consolidated balance sheet.

Cash and short-term investments reflect funds held for current spending. The investments line includes medium-term funds in longer durations approximating 36 to 48 months, as well as long-term investments placed in the unitized investment pool, which targets an annual 5.9% return. Long-term investments hold both external and internal endowment funds, as well as a component of funds not needed in the short or medium term. Capital assets reflect infrastructure additions that meet the capitalization accounting policy (described further in Appendix 5). Other assets include grants and other accounts receivable, prepaid expenses, inventories and investments in McMaster Innovation Park, Halton McMaster Family Health Centre, and public-private partnership investments.

Deferred contributions for future expenses reflect funding received for specific purposes, primarily research and capital, that has not yet been expended or met the test to expense. This funding is reduced when the related expense occurs resulting in offsetting revenue or neutral impact to the Statement of Operations. The long-term debt obligation relates primarily to bonds raised in 2002 and 2015 for capital investments, with additional debt of \$150 million approved for issuance in 2021/22 as outlined in Section 12 Overall Borrowing and Debt Position. All bond obligations will have an internally restricted sinking fund reserve to settle the future \$390 million in balloon payments. Long-term debt includes the liability for decommissioning the nuclear reactor as determined by the Canadian Nuclear Safety Commission. An offsetting internally restricted reserve has been created to fund this obligation when it becomes due. The liability for employee future benefits and pension is determined by the University's third-party actuary for each plan the University has with its faculty and staff. For costs associated with the variable pension expenses and future post-retirement benefits, internally restricted reserves are used.

Finally, net assets are made up of internally restricted reserves, equity in capital assets, and internal and external endowments. Details of internally restricted reserves and the two endowments are provided in sections 10.8, 10.4 and 10.5 respectively. Equity in capital assets reflects accrual-basis adjustments that increase with new University-funded capital investments, and decrease with amortization over the assets' useful life.

11.3 STATEMENT OF CASH FLOWS

Table 17: Consolidated Statement of Cash Flows

(\$ thousands)						
	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Budget	2022/23 Plan	2023/24 Plan
Excess of revenues over expenses	(12,888)	43,398	56,286	78,839	100,669	99,811
Adjustments for non-cash items:						
Amortization of deferred capital contributions	(45,033)	(39,650)	5,384	(38,719)	(39,037)	(44,989)
Amortization of capital assets	93,441	80,652	(12,789)	82,664	86,395	92,022
Employee future benefits	(1,998)	(5,600)	(3,602)	(15,089)	3,713	3,668
Change in decommissioning obligation	1,138	1,107	(30)	1,193	1,285	1,384
Net change in deferred contributions	19,180	30,684	11,503	42,763	129,109	185,309
Financing and investing activities:						
Purchase of capital assets	(200,149)	(107,596)	92,553	(199,487)	(300,894)	(292,923)
Net change in investments	152,978	(15,030)	(168,009)	(106,273)	14,274	(66,232)
Net change in external endowments	(4,020)	12,559	16,578	5,879	5,926	23,828
Issuance of long-term debt	-	-	-	150,000	-	-
Principal repayments on long-term obligations	(654)	(709)	(55)	(678)	(703)	(728)
Increase/(decrease) in cash	1,996	(184)	(2,180)	1,093	736	1,150
Cash, beginning of year	31,228	17,408	(13,820)	17,224	18,317	19,053
Cash, end of year	33,224	17,224	(16,000)	18,317	19,053	20,204

11.4 DEBT MANAGEMENT RATIOS

Table 18: Debt Management Ratios

	2020/21 Budget	2020/21 Projection	2020/21 Variance	2021/22 Budget	2022/23 Plan	2023/24 Plan
Debt Management Policy Ratios						
Expendable Net Assets to Debt (Target > 1.0x)	1.1	2.2	1.1	1.6	1.5	1.5
Interest Burden (Target < 4.0%)	1.2%	1.2%	0.0%	1.4%	1.5%	1.4%
Debt per FTE (Target < \$12,000)	\$8,731	\$7,920	\$811	\$11,999	\$11,690	\$11,476
Debt Management Monitoring Ratios						
Net Income/(Loss) Ratio (McMaster Target > 1.0%)	-1.1%	3.7%	4.8%	6.1%	7.4%	7.0%
Net Operating Revenues (McMaster Target > 2.0%) ¹	2.0%	7.0%	5.0%	10.0%	12.0%	12.0%
Primary Reserves Ratio (McMaster Target > 91 days) ²	91	190	99	204	183	175
Viability Ratio (McMaster Target > 1.0) ³	1.1	2.2	1.1	1.6	1.5	1.5

¹ Measures cash flow from operating activities as a proportion of revenues

² Measures the number of days University reserves can cover operating expenses

³ Measures the proportion of long-term debt that could be settled using unrestricted assets

Since capital projects require a combination of financing sources, debt is considered a perpetual component of the University's capital structure. The University has established guidelines regarding the optimal amount of outstanding debt using the above ratios, which measure balance sheet resources and annual cash flow. These ratios are consistent with those monitored by the University's

credit rating agencies and are subject to review periodically. All ratios over the planning horizon are within acceptable ranges and support the \$150 million debt call approved for 2021/22.

11.5 RISKS TO THE 2021/22 BUDGET

The risks emerging from post-pandemic timing creates significant uncertainty to the 2021/22 budget. Financial results are heavily dependent on maintaining domestic and international enrolment levels and resuming some on-campus activity. Prolonged restrictions, further closure or lock-down orders, and delayed vaccination roll-out in Canada are a threat to international enrolment confirmations. Further, ancillary revenues are highly dependent on a return to campus model. These risks are most critical to understanding the financial resources that will be available to support the vision and strategic plan priorities ahead. Significant investments linked to the five priority areas will be required to deliver the Global Nexus initiative and progress on key issues affecting health and society. Climate change and resiliency measures will require capital investments to increase McMaster's alignment with the UN Sustainable Development Goals.

The risks that existed prior to the pandemic generally remain. Maintaining McMaster's status as a global education leader and destination of choice for international students, as well as achieving diversified international enrolment targets remain important goals. Diversity of international enrolment will be important to minimize geopolitical risk. Enrolment growth will eventually be limited by capacity, forcing a greater focus on the delivery of new revenues and operational process efficiencies. Although the University continues to invest in capital expansion projects, post-pandemic there may be some facets of the courses that remain virtual to their benefit. These changes will present further risks.

Implementation of provincial performance- or outcomes-based funding has been delayed, but when funding is linked to metrics in 2022/23 it introduces the risk that up to 60% of McMaster's funding will be linked to the achievement of ten SMA3 targets, nine set by MCU and one selected by McMaster. There is no indication yet of changes to the tuition framework in 2021/22 and beyond, and if domestic tuition rates continue to be held frozen the University will not have any source of inflationary funding related to domestic higher education delivery.

Risk of market volatility and capital losses could continue to impact annual commitments to operations, including funding for Chairs, scholarships and bursaries. This risk is managed by diversification and experienced oversight, as well as maintenance of an internally restricted investment reserve established more formally following the 2008 financial crisis to cover annual spending commitments that might otherwise be hindered in a prolonged market loss situation. In addition to market losses, a decline in interest rates would affect pension plan liabilities and increase the amount of required payments. Projections and scenario modeling are used to monitor this risk and develop funding strategies using internally restricted benefit reserves to potentially supplement payment schedules, resulting in a process of smoothed benefit rate budgeting for Faculties and departments and enabling greater stability.

Additional systemic or uncontrollable risks include ensuring sufficiency of funding for investments in infrastructure and strategic priorities. Further still, the University has partnered with the private sector in an effort to minimize the debt held directly by the University while still delivering on key capital projects of strategic importance to the University's mission. Risk of bankruptcy of public-private partners involves mitigation strategies including extensive due diligence initiatives, strategic

negotiations allowing remedy within a defined period and the University's right to buy out the partnership or replace the partner failing reasonable remedy.

12 OVERALL BORROWING AND DEBT POSITION

Strategic initiatives and capital projects for both infrastructure and technology require a combination of financing solutions, including internal loans from the central bank, commitments against future revenue streams, gifts, external and off-book financing.

External financing is used to fund the central bank and is considered a perpetual component of the University’s capital structure. The University examines optimal debt positions for strategic and capital needs against established debt management guidelines and financial health metrics annually, results of which are outlined in a debt strategy report along with multi-year financial projections. McMaster uses debt retirement funds (or sinking funds) for the bonds outstanding.

Additional debt of up to \$150 million with a maturity of up to 50 years has been approved by the Board of Governors for issuance in 2021/22. This additional debt will replenish the capital reserve by \$135 million (net of a \$15 million sinking fund) to expand financial capacity for large high-priority projects supporting the President’s strategic plan. Debt interest of 3% has been used for planning purposes, which will lower the University’s weighted average cost of capital (WACC).

Together with two \$120 million debentures maturing in 2052 and 2065, the new \$150 million debt will be structured to create staggering maturities and allow current strategic initiatives to proceed, while maintaining strong financial health metrics and our AA (stable) credit rating with DBRS and S&P. According to the credit rating agencies, the key capacity determinant for McMaster is debt of no more than \$12,000 per student. The amount of the new debt was chosen to maximize financing flexibility while minimizing financing cost, resulting from the strong credit rating.

The Debt Management Policy identifies that financing should preferably go toward projects with internal loan repayment streams as a principle, and business cases should show an ability to repay the capital investment with interest at WACC over a reasonable repayment period. Internal loans associated with completed projects average a 30-year repayment schedule.

13 CONCLUSIONS ON THE 2021/22 BUDGET

The consolidated results for 2021/22 are structurally balanced with a \$78.8 million surplus. All funds are structurally balanced. The operating fund is structurally balanced with a budgeted net deficit of \$4.8 million before one-time expenditures of \$47.1 million for capital and strategic plan initiatives.

The ancillary funds projected losses for 2020/21 are \$8.2 million due to campus closures and after several cost mitigation efforts, however the 2021/22 budgeted ancillary results net surplus is \$2.7 million based on a hybrid fall opening. The ancillary’s pandemic related losses will be recovered within the planning years of this budget.

Operating grant revenues are budgeted close to 2016/17 levels. The domestic tuition is also flat without any rate inflation. International tuition rates include increases ranging between 6-10% and participation growth up to 20% over the next decade. Any provincial inflationary funding will favourably impact the budget. Conversely, any pandemic driven enrolment impacts (lower participation than planned) will delay one-time planned expenditures to ensure the operating fund remains structurally balanced.

Approved capital projects and new strategic initiatives, such as Global Nexus, are included in the budget and planning years with a net capital expenditure budgeted in 2021/22 of \$90 million. The consolidated budget includes additional debt financing of \$150 million to support capital and strategic initiatives associated with McMaster’s strategic plan. The credit rating agencies continue to rate McMaster as AA stable despite one Ontario university entering creditor protection in 2020/21.

McMaster’s global reputation, rankings and its student-centered research-intensive experience have continued to assist in attracting the best and brightest students. McMaster’s enrolment has remained strong despite the pandemic. This budget and planning years are supported by McMaster’s strength.

APPENDIX 1– OPERATING FUND PROJECTION VS. BUDGET

Table 19: Operating Fund 2020/21 Projection vs. Budget

(\$ thousands)	Operating Fund		2020/21 Variance	
	2020/21 Budget	2020/21 Projection	Favourable/ (Unfavourable)	
Sources of Funding:				
Provincial Grants	235,540	236,355	815	0.3%
Tuition	337,244	398,233	60,989	18.1%
Research Overhead Income	28,993	28,032	(961)	-3.3%
Investment Income	9,467	10,467	1,000	10.6%
Other income	109,508	95,813	(13,695)	-12.5%
Total sources of funding	720,753	768,900	48,147	6.7%
Expenditure:				
Salaries, wages and benefits	522,608	509,688	12,919	2.5%
Utilities and maintenance	43,051	39,716	3,335	7.7%
Equipment and renovations	62,021	122,872	(60,851)	-98.1%
Scholarships, bursaries and work study	34,737	32,536	2,201	6.3%
Library acquisitions	14,253	15,116	(863)	-6.1%
Debt and financing charges	18,448	18,410	37	0.2%
All other expenses	79,495	67,944	11,551	14.5%
Total expenditures	774,612	806,283	(31,671)	-4.1%
Total surplus (deficit)	(53,859)	(37,383)	16,476	30.6%
Fund balances, beginning of year	157,672	196,580	38,908	24.7%
Fund balances, end of year	103,812	159,197	55,384	53.4%

The Operating Fund is projected to end 2020/21 in a more favourable position than the original budget due to favourable fund balances at the end of 2019/20 carrying over, as well as reduced deficit projected in year.

Provincial grants are favourable by \$0.8 million (-0.3%) due to higher final Graduate Expansion grants for 2019/20, which have now been rolled into base and eliminated for future years.

Tuition is favourable by \$61.0 million (18.1%) primarily based on surpassing the original enrolment target within the current tuition framework due to additional offers with no drastic decline in acceptance rates, the reduction budgeted for international enrolment from the COVID-19 fallout did not materialize.

Research overhead income is unfavourable by \$1.0 million (-3.3%) as a result of the lower royalties received in 2019/20 due to the impacts of COVID-19, and royalty income from Inflammatory Bowel Disease Questionnaire (IBDQ) declined from the previous year due to fewer large-scale clinical trials with multiple sites.

Other income is unfavourable by \$13.7 million (-12.5%) as a result of a number of impacts and changes in activities due to the pandemic including reduced student services fees, suspension of summer study abroad programs, and cancellation of alumni events and other fee generating campus activities.

Salaries, wages and benefits are favourable by \$12.9 million (2.5%) predominantly due to staff reductions in full-time and part-time support staff and work study positions.

Utilities and maintenance are favourable by \$3.3 million (7.7%) due to rates adjustments based on the market via industry consultation and decreased consumption due to reduced campus activity and physical closures.

Equipment and renovations are unfavourable by \$60.9 million (-98.1%) driving the unfavourable variance are large increases for capital transfers for the McLean Centre project, Engineering building, and Faculty of Science buildings. These are considered to be one-time transfers that may repeat and are made by choice. Increased investments in equipment and software to facilitate online teaching, lab delivery, and student advising and engagement, and staff working from home also drove the unfavourable variance. Additional equipment purchases have also been made to enable social distancing protocols for lab delivery, and for classroom audio-visual equipment.

Scholarships, bursaries and work-study expenditures are favourable by \$2.2 million (6.3%) due to lower Student Access Guarantee (SAG) obligations.

Library acquisitions are unfavourable by \$0.9 million (-6.1%) due to slightly higher acquisitions cost than budget.

All other expenses are favourable by \$11.6 million (14.5%) primarily due to lower than budget expenses related to the shutdown of campus and remote working including materials and supplies, office expenses, travel, meeting expenses, and externally contracted services, and lower than expected contingency spending on priorities in other expenses, especially University Fund spending crystalizing in other spending categories. This was partially offset by lower internal recoveries, increased consulting and professional services fees and COVID-19 related expenses. Additionally, there were increased investments in research including from the newly established President's Strategic Support Fund which has initially provided directed funding to the McMaster COVID-19 Research Fund, designed to support a broad range of research which will benefit society in dealing with pandemics in the immediate and longer term.

The resulting \$16.5 million favourable in-year deficit variance plus the \$38.9 million favourable opening appropriations variance result in a projected closing balance in the Operating Fund of \$55.4 million (53.4%) greater than the original budget. These appropriations will be carried forward for expenditure in 2021/22 and future years and will help to mitigate the continuing challenges associated with COVID-19, the recovery from the pandemic, and planned investments in capital.

APPENDIX 2 – BUDGET MODEL CALCULATIONS

McMaster University - New Budget Model - Faculties			Prof. Faculties					Other Faculties		VP Research Discretionary Fund				
Projected Budget Allocation			University Fund		8.00%		8.00%		10.00%					
2020-21			Research Infrastructure Fund		3.00%		1.00%							
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Rad - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)
Revenue														
Undergraduate Tuition			62,005	108,279	32,042	17,612	79,549	2,062.390	42,116	1,792	-			345,459
UG Tuition Adjustment for tuition fee framework			(257)	(954)	237	185	497	-	275	17	-			-
Total UG SAG Obligation			(1,009)	(3,564)	(2)	-	-	-	(1)	-	4,576			-
Graduate Tuition			18,042	10,333	11,728	2,290	4,175	-	2,095	-	-			48,664
Operating Grant			18,389	43,000	83,163	14,114	49,750	2,142	22,631	1,669	-	1,497	-	236,355
Other Income			1,259	2,244	4,415	863	2,196	-	1,101	90	-	3,823	-	15,992
Gross Revenue			98,429	159,338	131,584	35,065	136,167	4,204.627	68,218	3,568	4,576	5,321	-	646,470
Undergraduate Cross Faculty Teaching Adjustment			(5,908)	(13,261)	194	8,828	6,593	-	4,020	(464)	-			0
Revenue for Contributions			92,521	146,077	131,777	43,892	142,760	4,204.627	72,238	3,105	4,576	5,321	-	646,470
Internal International Tax			(854)	(1,155)	(20)	(152)	(868)	-	(452)	-	-	3,500	-	-
University Fund Contribution			(7,402)	(11,686)	(10,542)	(3,511)	(11,421)	-	(5,779)	(248)	-	50,590	-	-
Research Infrastructure Fund Contribution			(2,776)	(4,382)	(1,318)	(439)	(1,428)	-	(722)	(93)	-	-	11,158	-
Indirect Cost of Research (excluding Royalties)			374	5,396	11,920	472	4,737	-	719	-	33	-	-	23,651
VP Research Discretionary (10 % of ICR above)			(37)	(540)	(1,192)	(47)	(474)	-	(72)	-	2,362	-	-	-
Adjustments for ICR received by Journal (Contract & ERA)			(14)	(1,334)	(5,504)	(226)	(1,004)	-	(7)	-	-	-	-	(8,088)
Adjustments for Current Practices			(635)	(1,384)	(5,770)	(680)	(1,336)	(186.670)	(466)	(32)	-	6,500	-	(3,990)
Research Infrastructure Fund Distribution			177	2,549	5,631	223	2,238	-	340	-	-	-	(11,158)	-
Research Excellence Fund (from UF)			67	482	1,065	84	423	-	129	-	-	(2,250)	-	-
Revenue Prior to Shared Support Unit Allocations			81,421	134,023	126,047	39,617	133,628	4,017.957	65,927	2,731	6,971	63,660	-	658,043
Shared Support Unit Allocations - via double stepdown														
Occupancy Cost	43,991	(14,666)	(823)	(7,442)	(8,692)	(2,190)	(8,504)	-	(1,601)	(72)	-	-	-	(29,324)
Deferred Maintenance	11,593	(4,402)	(202)	(1,825)	(2,132)	(537)	(2,085)	-	(393)	(18)	-	-	-	(7,191)
Insurance	1,409	(603)	(23)	(208)	(228)	(61)	(238)	-	(45)	(2)	-	-	-	(806)
MIP Occupancy 1	2,752	(332)	-	(1,366)	(721)	(47)	(26)	-	(260)	-	-	-	-	(2,420)
MIP Occupancy 2	178	-	-	(178)	-	-	-	-	-	-	-	-	-	(178)
HR	7,082	(991)	(336)	(1,009)	(3,193)	(402)	(754)	-	(387)	(11)	-	-	-	(6,092)
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)
Financial Affairs/Admin/ Inst Support	7,298	(2,339)	(629)	(911)	(1,635)	(442)	(874)	-	(446)	(21)	-	-	-	(4,959)
Supplementary Pension	4,738	(493)	(394)	(727)	(1,519)	(393)	(788)	-	(419)	(4)	-	-	-	(4,245)
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)
Presidential/Univ Sec	2,146	(822)	(168)	(243)	(437)	(118)	(233)	-	(119)	(6)	-	-	-	(1,324)
General University Expense	7,455	(3,050)	(559)	(809)	(1,453)	(393)	(776)	-	(396)	(19)	-	-	-	(4,405)
Bond Interest	10,089	(3,798)	(177)	(1,597)	(1,865)	(470)	(1,825)	-	(343)	(16)	-	-	-	(6,291)
UTS/ Technology Fund	18,241	2,204	(2,602)	(4,059)	(4,141)	(1,453)	(5,228)	-	(2,797)	(164)	-	-	-	(20,445)
UTS- ERP	4,517	(169)	(53)	(863)	(881)	(309)	(1,112)	-	(595)	(35)	-	-	-	(4,348)
UA	6,336	1,520	(1,076)	(1,823)	(1,811)	(531)	(1,723)	-	(855)	(37)	-	-	-	(7,855)
Office of the Provost	7,880	(2,945)	(626)	(906)	(1,627)	(440)	(870)	-	(444)	(21)	-	-	-	(4,935)
Research Support	11,819	5,885	(196)	(3,746)	(10,331)	(379)	(2,173)	-	(879)	-	-	-	-	(17,703)
Student Affairs	5,296	6,638	(1,657)	(2,465)	(1,749)	(872)	(3,309)	-	(1,775)	(107)	-	-	-	(11,934)
MIITL	3,517	695	(573)	(853)	(687)	(302)	(1,145)	-	(614)	(37)	-	-	-	(4,212)
Libraries	21,208	8,523	(3,870)	(5,815)	(5,758)	(2,135)	(7,732)	-	(4,174)	(246)	-	-	-	(29,731)
HS Library	4,492	1,830	(823)	(1,236)	(1,224)	(454)	(1,644)	-	(888)	(52)	-	-	-	(6,322)
Registrar	5,750	9,964	(2,056)	(3,151)	(2,169)	(1,143)	(4,594)	-	(2,443)	(159)	-	-	-	(15,714)
SGS	2,460	404	(489)	(618)	(936)	(186)	(397)	-	(237)	-	-	-	-	(2,864)
Museum of Art	623	498	(139)	(216)	(253)	(77)	(278)	-	(149)	(9)	-	-	-	(1,121)
UG Scholarship	5,178	721	(808)	(1,329)	(429)	(449)	(1,860)	-	(960)	(63)	-	-	-	(5,899)
UG Bursaries	3,834	0	(513)	(844)	(359)	(285)	(1,182)	-	(610)	(40)	-	-	-	(3,834)
Grad Scholarship	13,243	649	(2,384)	(3,010)	(4,504)	(907)	(1,933)	-	(1,155)	-	-	-	-	(13,892)
Branding and Marketing	1,006	148	(158)	(267)	(257)	(78)	(253)	-	(125)	(5)	-	-	-	(1,154)
Adjustments for Current Practices - Support Units			-	-	4,559	-	-	-	-	-	(4,559)	-	-	0
Total Shared Support Unit Allocations	233,622	0	(22,845)	(49,734)	(59,414)	(16,606)	(54,729)	-	(24,581)	(1,153)	(4,559)	-	-	(233,622)
Net Revenue			58,576	84,289	66,633	23,011	78,899	4,018	41,346	1,578	2,412	63,660	-	424,421
UF Supplement			-	-	-	3,000	-	-	-	-	-	(3,000)	-	-
UF Supplement 2 - Grants top up			-	-	1,617	-	-	-	-	-	-	(1,617)	-	-
Base Net Projected Budget 2020-21			58,576	84,289	68,250	26,011	78,899	4,018	41,346	1,578	2,412	59,043	-	424,421

McMaster University - New Budget Model - Faculties			Prof. Faculties					Other Faculties		VP Research Discretionary Fund					10.00%	
Projected Budget Allocation			University Fund					8.00%		8.00%						
2021-22			Research Infrastructure Fund					3.00%		1.00%						
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Rad - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)		
Revenue																
Undergraduate Tuition			64,590	113,924	33,240	19,150	86,512	2,224	49,306	1,944	-			370,890		
UG Tuition Adjustment for tuition fee framework			(114)	(643)	176	118	290	-	166	7	-			-		
Total UG SAG Obligation			(1,023)	(3,593)	(2)	-	-	-	(1)	-	4,619			-		
Graduate Tuition			18,534	11,558	12,536	2,314	4,194	-	2,245	-	-			51,380		
Operating Grant			18,233	43,803	83,972	14,075	49,787	2,145	22,476	1,676	-	(8)	-	236,158		
Other Income			1,299	2,245	4,387	781	2,238	-	1,129	89	-	3,755	-	15,924		
Gross Revenue			101,519	167,294	134,309	36,438	143,021	4,369	75,320	3,716	4,619	3,748	-	674,353		
Undergraduate Cross Faculty Teaching Adjustment			(5,887)	(13,595)	123	9,324	7,073	-	3,457	(496)	-	-	-	0		
Revenue for Contributions			95,632	153,699	134,432	45,762	150,094	4,369	78,777	3,221	4,619	3,748	-	674,353		
Internal International Tax			(1,359)	(1,913)	(48)	(277)	(1,533)	-	(920)	-	-	6,049	-	-		
University Fund Contribution			(7,651)	(12,296)	(10,755)	(3,661)	(12,008)	-	(6,302)	(258)	-	52,929	-	-		
Research Infrastructure Fund Contribution			(2,869)	(4,611)	(1,344)	(458)	(1,501)	-	(788)	(97)	-	-	11,667	-		
Indirect Cost of Research (excluding Royalties & CRC)			374	5,396	11,920	472	4,737	-	719	-	33	-	-	23,651		
VP Research Discretionary (10 % of ICR above)			(37)	(540)	(1,192)	(47)	(474)	-	(72)	-	2,362	-	-	-		
Adjustments for ICR received by Journal (Contract & ERA)			(14)	(1,334)	(5,504)	(226)	(1,004)	-	(7)	-	-	-	-	(8,088)		
Adjustments for Current Practices			-	-	(4,055)	(218)	192	(192)	218	-	-	-	-	(4,055)		
Research Infrastructure Fund Distribution			185	2,666	5,888	233	2,340	-	355	-	-	-	(11,667)	-		
Research Excellence Fund (from UF)			67	482	1,065	84	423	-	129	-	-	(2,250)	-	-		
Revenue Prior to Shared Support Unit Allocations			84,329	141,550	130,407	41,664	141,268	4,177	72,109	2,867	7,014	60,476	-	685,860		
Shared Support Unit Allocations - via double stepdown																
Occupancy Cost	44,414	(14,775)	(832)	(7,522)	(8,785)	(2,213)	(8,596)	-	(1,618)	(73)	-	-	-	(29,639)		
Deferred Maintenance	11,593	(4,394)	(202)	(1,827)	(2,134)	(538)	(2,088)	-	(393)	(18)	-	-	-	(7,199)		
Insurance	1,409	(603)	(23)	(208)	(228)	(61)	(238)	-	(45)	(2)	-	-	-	(806)		
MIP Occupancy 1	3,316	(400)	-	(1,646)	(869)	(57)	(31)	-	(314)	-	-	-	-	(2,916)		
MIP Occupancy 2	178	-	-	(178)	-	-	-	-	-	-	-	-	-	(178)		
HR	7,191	(1,009)	(341)	(1,024)	(3,240)	(408)	(765)	-	(393)	(11)	-	-	-	(6,181)		
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)		
Financial Affairs/Admin/ Inst Support	7,850	(2,571)	(669)	(969)	(1,743)	(470)	(929)	-	(475)	(22)	-	-	-	(5,278)		
Supplementary Pension	4,738	(472)	(396)	(730)	(1,527)	(395)	(792)	-	(421)	(4)	-	-	-	(4,266)		
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)		
Presidential/Univ Sec	2,177	(833)	(170)	(247)	(444)	(120)	(237)	-	(121)	(6)	-	-	-	(1,344)		
General University Expense	7,455	(3,038)	(560)	(811)	(1,459)	(394)	(778)	-	(397)	(19)	-	-	-	(4,417)		
Bond Interest	10,089	(3,790)	(177)	(1,599)	(1,867)	(470)	(1,827)	-	(344)	(16)	-	-	-	(6,299)		
UTS/ Technology Fund	19,227	2,220	(2,671)	(4,275)	(4,356)	(1,518)	(5,464)	-	(2,988)	(175)	-	-	-	(21,447)		
UTS- ERP	4,517	(166)	(542)	(867)	(884)	(308)	(1,109)	-	(606)	(36)	-	-	-	(4,351)		
UA	6,550	1,539	(1,134)	(1,899)	(1,783)	(540)	(1,796)	-	(899)	(37)	-	-	-	(8,089)		
Office of the Provost	8,106	(3,036)	(643)	(930)	(1,675)	(452)	(893)	-	(456)	(21)	-	-	-	(5,070)		
Research Support	14,249	6,012	(225)	(4,287)	(11,823)	(433)	(2,486)	-	(1,006)	-	-	-	-	(20,260)		
Student Affairs	6,695	6,712	(1,816)	(2,779)	(1,989)	(975)	(3,697)	-	(2,028)	(122)	-	-	-	(13,407)		
MI/ETL	3,597	704	(571)	(875)	(708)	(307)	(1,163)	-	(638)	(38)	-	-	-	(4,301)		
Libraries	21,929	8,603	(3,884)	(5,997)	(5,942)	(2,183)	(7,906)	-	(4,363)	(257)	-	-	-	(30,532)		
HS Library	4,780	1,847	(843)	(1,302)	(1,290)	(474)	(1,716)	-	(947)	(56)	-	-	-	(6,627)		
Registrar	5,942	10,046	(2,064)	(3,174)	(2,233)	(1,160)	(4,661)	-	(2,531)	(165)	-	-	-	(15,989)		
SGS	2,508	408	(458)	(685)	(953)	(186)	(389)	-	(245)	-	-	-	-	(2,916)		
Museum of Art	644	503	(139)	(222)	(259)	(79)	(284)	-	(155)	(9)	-	-	-	(1,147)		
UG Scholarship	5,418	743	(833)	(1,370)	(466)	(468)	(1,937)	-	(1,021)	(66)	-	-	-	(6,161)		
UG Bursaries	3,834	(0)	(507)	(834)	(367)	(285)	(1,179)	-	(621)	(40)	-	-	-	(3,834)		
Grad Scholarship	13,243	667	(2,196)	(3,279)	(4,508)	(890)	(1,865)	-	(1,172)	-	-	-	-	(13,910)		
Branding and Marketing	3,022	152	(445)	(744)	(701)	(212)	(704)	-	(353)	(15)	-	-	-	(3,174)		
Adjustments for Current Practices - Support Units			-	-	4,852	-	-	-	-	-	(4,852)	-	-	(0)		
Total Shared Support Unit Allocations	244,162	0	(23,353)	(52,496)	(62,351)	(17,149)	(56,723)	-	(26,020)	(1,217)	(4,852)	-	-	(244,162)		
Net Revenue			60,976	89,054	68,055	24,515	84,545	4,177	46,089	1,649	2,162	60,476	-	441,698		
UF Supplement			-	-	-	1,500	-	-	-	-	-	(1,500)	-	-		
UF Supplement 2 - Grants top up			-	-	2,154	-	-	-	-	-	-	(2,154)	-	-		
Base Net Projected Budget 2021-22			60,976	89,054	70,209	26,015	84,545	4,177	46,089	1,649	2,162	56,823	-	441,698		

McMaster University - New Budget Model - Faculties			Prof. Faculties					Other Faculties		VP Research Discretionary Fund					10.00%		
Projected Budget Allocation			University Fund					8.00%		8.00%		VP Research Discretionary Fund					10.00%
2022-23			Research Infrastructure Fund					3.00%		1.00%							
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Rad - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)			
Revenue																	
Undergraduate Tuition			68,467	125,343	34,492	21,145	96,092	2,476	54,193	2,201	-			404,408			
UG Tuition Adjustment for tuition fee framework			(114)	(643)	176	118	290	-	166	7	-			-			
Total UG SAG Obligation			(1,033)	(3,619)	(2)	-	-	-	(1)	-	4,655			-			
Graduate Tuition			19,423	13,673	12,884	2,591	4,691	-	2,655	-	-			55,917			
Operating Grant			18,225	43,962	83,597	14,024	49,971	2,234	22,183	1,673	-	(6)	-	235,863			
Other Income			1,299	2,245	4,387	781	2,238	-	1,129	89	-	708	-	12,877			
Gross Revenue			106,267	180,961	135,535	38,659	153,283	4,710	80,324	3,970	4,655	702	-	709,066			
Undergraduate Cross Faculty Teaching Adjustment			(5,874)	(13,988)	131	9,497	7,152	-	3,615	(533)	-			0			
Revenue for Contributions			100,394	166,974	135,665	48,155	160,434	4,710	83,939	3,437	4,655	702	-	709,066			
Internal International Tax			(1,485)	(2,297)	(73)	(339)	(1,855)	-	(1,086)	-	-	7,136	-	-			
University Fund Contribution			(8,032)	(13,358)	(10,853)	(3,852)	(12,835)	-	(6,715)	(275)	-	55,920	-	-			
Research Infrastructure Fund Contribution			(3,012)	(5,009)	(1,357)	(482)	(1,604)	-	(839)	(103)	-	-	12,406	-			
Indirect Cost of Research (excluding Royalties & CRC)			374	5,396	11,920	472	4,737	-	719	-	33	-	-	23,651			
VP Research Discretionary (10 % of ICR above)			(37)	(540)	(1,192)	(47)	(474)	-	(72)	-	2,362	-	-	-			
Adjustments for ICR received by Journal (Contract & ERA)			(14)	(1,334)	(5,504)	(226)	(1,004)	-	(7)	-	-	-	-	(8,088)			
Adjustments for Current Practices			(588)	(1,336)	(5,735)	(651)	(1,245)	(200)	(446)	(32)	-	-	-	(10,232)			
Research Infrastructure Fund Distribution			197	2,834	6,261	248	2,488	-	378	-	-	-	(12,406)	-			
Research Excellence Fund (from UF)			67	482	1,065	84	423	-	129	-	-	(2,250)	-	-			
Revenue Prior to Shared Support Unit Allocations			87,864	151,812	130,197	43,363	149,066	4,510	75,998	3,028	7,050	61,508	-	714,396			
Shared Support Unit Allocations - via double stepdown																	
Occupancy Cost	44,414	(14,775)	(832)	(7,522)	(8,785)	(2,213)	(8,595)	-	(1,618)	(73)	-	-	-	(29,639)			
Deferred Maintenance	11,593	(4,394)	(202)	(1,827)	(2,134)	(538)	(2,088)	-	(393)	(18)	-	-	-	(7,199)			
Insurance	1,409	(603)	(23)	(208)	(228)	(61)	(238)	-	(45)	(2)	-	-	-	(806)			
MIP Occupancy 1	3,316	(400)	-	(1,646)	(869)	(57)	(31)	-	(314)	-	-	-	-	(2,916)			
MIP Occupancy 2	178	-	-	(178)	-	-	-	-	-	-	-	-	-	(178)			
HR	7,191	(1,009)	(341)	(1,024)	(3,240)	(408)	(765)	-	(393)	(11)	-	-	-	(6,181)			
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)			
Financial Affairs/Admin/ Inst Support	7,850	(2,571)	(669)	(969)	(1,743)	(470)	(929)	-	(475)	(22)	-	-	-	(5,278)			
Supplementary Pension	4,738	(472)	(396)	(730)	(1,527)	(395)	(792)	-	(421)	(4)	-	-	-	(4,266)			
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)			
Presidential/Univ Sec	2,177	(833)	(170)	(247)	(444)	(120)	(237)	-	(121)	(6)	-	-	-	(1,344)			
General University Expense	7,455	(3,038)	(560)	(811)	(1,459)	(394)	(778)	-	(397)	(19)	-	-	-	(4,417)			
Bond Interest	10,089	(3,790)	(177)	(1,599)	(1,867)	(470)	(1,827)	-	(344)	(16)	-	-	-	(6,299)			
UTS/ Technology Fund	19,727	2,219	(2,705)	(4,397)	(4,420)	(1,555)	(5,619)	-	(3,065)	(185)	-	-	-	(21,946)			
UTS- ERP	4,517	(162)	(537)	(873)	(877)	(309)	(1,115)	-	(608)	(37)	-	-	-	(4,355)			
UA	6,550	1,539	(1,142)	(1,931)	(1,702)	(540)	(1,816)	-	(921)	(38)	-	-	-	(8,089)			
Office of the Provost	8,106	(3,036)	(643)	(930)	(1,675)	(452)	(893)	-	(456)	(21)	-	-	-	(5,070)			
Research Support	14,249	6,011	(225)	(4,287)	(11,823)	(433)	(2,486)	-	(1,006)	-	-	-	-	(20,260)			
Student Affairs	6,740	6,711	(1,798)	(2,801)	(1,993)	(978)	(3,719)	-	(2,035)	(126)	-	-	-	(13,451)			
MIETL	3,597	703	(564)	(879)	(704)	(307)	(1,168)	-	(639)	(40)	-	-	-	(4,300)			
Libraries	22,545	8,602	(3,920)	(6,154)	(6,013)	(2,228)	(4,603)	-	(4,460)	(270)	-	-	-	(31,147)			
HS Library	4,930	1,847	(853)	(1,339)	(1,308)	(485)	(1,763)	-	(970)	(59)	-	-	-	(6,777)			
Registrar	5,942	10,046	(2,042)	(3,179)	(2,225)	(1,172)	(4,677)	-	(2,523)	(171)	-	-	-	(15,988)			
SGS	2,508	408	(448)	(699)	(926)	(173)	(407)	-	(264)	-	-	-	-	(2,916)			
Museum of Art	644	504	(138)	(224)	(257)	(79)	(286)	-	(156)	(9)	-	-	-	(1,148)			
UG Scholarship	5,418	743	(822)	(1,369)	(473)	(472)	(1,941)	-	(1,015)	(69)	-	-	-	(6,161)			
UG Bursaries	3,834	-	(500)	(834)	(370)	(287)	(1,182)	-	(618)	(42)	-	-	-	(3,834)			
Grad Scholarship	13,243	667	(2,144)	(3,347)	(4,378)	(829)	(1,948)	-	(1,265)	-	-	-	-	(13,910)			
Branding and Marketing	3,022	152	(448)	(757)	(669)	(212)	(712)	-	(361)	(15)	-	-	-	(3,174)			
Adjustments for Current Practices - Support Units			-	-	4,852	-	-	-	-	-	1,337	-	-	6,189			
Total Shared Support Unit Allocations	245,473	0	(23,309)	(52,975)	(62,226)	(17,190)	(57,307)	-	(26,354)	(1,261)	1,337	-	-	(239,284)			
Net Revenue			64,556	98,837	67,972	26,173	91,759	4,510	49,644	1,767	8,387	61,508	-	475,112			
UF Supplement			-	-	-	-	-	-	-	-	-	-	-	-			
UF Supplement 2 - Grants top up			-	-	2,674	-	-	-	-	-	(2,674)	-	-	-			
Base Net Projected Budget 2022-23			64,556	98,837	70,646	26,173	91,759	4,510	49,644	1,767	8,387	58,834	-	475,112			

McMaster University - New Budget Model - Faculties			Prof. Faculties					Other Faculties		VP Research Discretionary Fund				10.00%	
Projected Budget Allocation			University Fund					8.00%		8.00%					
2023-24			Research Infrastructure Fund					3.00%		1.00%					
	Budgets prior to double stepdown allocation	Net double stepdown allocation	Business	Engineering	Health Sciences	Humanities	Science	Med Rad - Mohawk	Social Sciences	Arts & Science	Other (reconciling items)	University Fund	Research Infrastructure Fund	Total (after double stepdown to support unit allocations)	
Revenue															
Undergraduate Tuition			73,770	136,468	35,362	23,313	104,765	2,771	59,550	2,519	-			438,518	
UG Tuition Adjustment for tuition fee framework			(114)	(643)	176	118	290		166	7				-	
Total UG SAG Obligation			(1,041)	(3,628)	(2)	-	-	-	(1)	-	4,672			-	
Graduate Tuition			20,174	14,397	13,117	2,830	5,122	-	2,881	-	-			58,521	
Operating Grant			18,155	43,859	83,616	13,944	49,891	2,346	22,109	1,671	-	(5)	-	235,585	
Other Income			1,299	2,245	4,387	781	2,238	-	1,129	89	-	4,506	-	16,675	
Gross Revenue			112,244	192,698	136,655	40,986	162,307	5,117	85,833	4,286	4,672	4,501	-	749,300	
Undergraduate Cross Faculty Teaching Adjustment			(6,009)	(14,211)	107	9,613	7,367	-	3,693	(561)	-	-	-	(0)	
Revenue for Contributions			106,235	178,487	136,763	50,600	169,674	5,117	89,526	3,725	4,672	4,501	-	749,300	
Internal International Tax			(1,664)	(2,682)	(94)	(407)	(2,169)	-	(1,270)	-	-	8,286	-	-	
University Fund Contribution			(8,499)	(14,279)	(10,941)	(4,048)	(13,574)	-	(7,162)	(298)	-	58,801	-	-	
Research Infrastructure Fund Contribution			(3,187)	(5,355)	(1,368)	(506)	(1,697)	-	(895)	(112)	-	-	13,119	-	
Indirect Cost of Research (excluding Royalties & CRC)			374	5,396	11,920	472	4,737	-	719	-	33	-	-	23,651	
VP Research Discretionary (10% of ICR above)			(37)	(540)	(1,192)	(47)	(474)	-	(72)	-	2,362	-	-	-	
Adjustments for ICR received by Journal (Contract & ERA)			(14)	(1,334)	(5,504)	(226)	(1,004)	-	(7)	-	-	-	-	(8,088)	
Adjustments for Current Practices			(1,235)	(2,831)	(7,608)	(1,136)	(2,856)	(208)	(1,191)	(69)	-	-	-	(17,135)	
Research Infrastructure Fund Distribution			208	2,997	6,621	262	2,631	-	399	-	-	-	(13,119)	-	
Research Excellence Fund (from UF)			67	482	1,065	84	423	-	129	-	-	(2,250)	-	-	
Revenue Prior to Shared Support Unit Allocations			92,249	160,343	129,660	45,047	155,693	4,908	80,176	3,246	7,067	69,338	-	747,728	
Shared Support Unit Allocations - via double stepdown															
Occupancy Cost	44,414	(14,783)	(831)	(7,520)	(8,783)	(2,213)	(8,593)	-	(1,618)	(73)	-	-	-	(29,631)	
Deferred Maintenance	11,593	(4,394)	(202)	(1,827)	(2,134)	(538)	(2,088)	-	(393)	(18)	-	-	-	(7,199)	
Insurance	1,409	(603)	(23)	(208)	(228)	(61)	(238)	-	(45)	(2)	-	-	-	(806)	
MIP Occupancy 1	3,316	(400)	-	(1,646)	(869)	(57)	(31)	-	(314)	-	-	-	-	(2,916)	
MIP Occupancy 2	178	-	-	(178)	-	-	-	-	-	-	-	-	-	(178)	
HR	7,191	(1,012)	(341)	(1,024)	(3,238)	(408)	(765)	-	(393)	(11)	-	-	-	(6,178)	
HR Employee Programs	2,055	(534)	(107)	(234)	(524)	(164)	(337)	-	(155)	(1)	-	-	-	(1,521)	
Financial Affairs/Admin/ Inst Support	7,850	(2,574)	(669)	(968)	(1,743)	(470)	(929)	-	(474)	(22)	-	-	-	(5,276)	
Supplementary Pension	4,738	(473)	(396)	(730)	(1,527)	(395)	(792)	-	(421)	(4)	-	-	-	(4,265)	
Pension Special	17,437	(4,533)	(905)	(1,982)	(4,447)	(1,389)	(2,856)	-	(1,316)	(9)	-	-	-	(12,904)	
Presidential/Univ Sec	2,177	(834)	(170)	(247)	(444)	(120)	(237)	-	(121)	(6)	-	-	-	(1,343)	
General University Expense	7,455	(3,038)	(560)	(811)	(1,459)	(394)	(778)	-	(397)	(19)	-	-	-	(4,417)	
Bond Interest	10,089	(3,790)	(177)	(1,599)	(1,867)	(470)	(1,827)	-	(344)	(16)	-	-	-	(6,299)	
UTS/ Technology Fund	19,727	2,226	(2,695)	(4,409)	(4,391)	(1,565)	(5,625)	-	(3,076)	(191)	-	-	-	(21,953)	
UTS- ERP	3,215	(114)	(381)	(623)	(620)	(221)	(795)	-	(435)	(27)	-	-	-	(3,101)	
UA	6,550	1,535	(1,138)	(1,958)	(1,639)	(540)	(1,830)	-	(942)	(38)	-	-	-	(8,085)	
Office of the Provost	8,106	(3,037)	(643)	(930)	(1,674)	(452)	(892)	-	(456)	(21)	-	-	-	(5,068)	
Research Support	14,249	6,003	(224)	(4,285)	(11,818)	(433)	(2,485)	-	(1,006)	-	-	-	-	(20,252)	
Student Affairs	6,785	6,700	(1,792)	(2,813)	(1,991)	(987)	(3,727)	-	(2,044)	(130)	-	-	-	(13,485)	
MIETL	3,597	702	(561)	(881)	(700)	(309)	(1,167)	-	(640)	(41)	-	-	-	(4,299)	
Libraries	22,945	8,596	(3,951)	(6,248)	(6,050)	(2,270)	(8,210)	-	(4,529)	(282)	-	-	-	(31,541)	
HS Library	5,080	1,846	(868)	(1,372)	(1,328)	(499)	(1,803)	-	(994)	(62)	-	-	-	(6,926)	
Registrar	5,942	10,039	(2,040)	(3,185)	(2,213)	(1,187)	(4,653)	-	(2,528)	(176)	-	-	-	(15,982)	
SGS	2,508	408	(434)	(699)	(916)	(167)	(434)	-	(265)	-	-	-	-	(2,916)	
Museum of Art	644	504	(137)	(224)	(255)	(80)	(286)	-	(156)	(10)	-	-	-	(1,148)	
UG Scholarship	5,418	743	(820)	(1,370)	(477)	(477)	(1,931)	-	(1,016)	(71)	-	-	-	(6,161)	
UG Bursaries	3,834	-	(499)	(834)	(371)	(291)	(1,176)	-	(619)	(43)	-	-	-	(3,834)	
Grad Scholarship	13,243	667	(2,079)	(3,345)	(4,336)	(799)	(2,080)	-	(1,272)	-	-	-	-	(13,910)	
Branding and Marketing	3,022	151	(446)	(768)	(645)	(212)	(718)	-	(369)	(15)	-	-	-	(3,173)	
Adjustments for Current Practices - Support Units			-	-	4,852	-	-	-	-	-	8,242	-	-	13,094	
Total Shared Support Unit Allocations	244,766	0	(23,088)	(52,917)	(61,836)	(17,165)	(57,284)	-	(26,337)	(1,286)	8,242	-	-	(231,672)	
Net Revenue			69,160	107,426	67,824	27,882	98,409	4,908	53,839	1,960	15,309	69,338	-	516,056	
UF Supplement			-	-	-	-	-	-	-	-	-	-	-	-	
UF Supplement 2 - Grants top up			-	-	2,947	-	-	-	-	-	(2,947)	-	-	-	
Base Net Projected Budget 2023-24			69,160	107,426	70,771	27,882	98,409	4,908	53,839	1,960	15,309	66,391	-	516,056	

APPENDIX 3 – OPERATING FUND UNIT LEVEL TABLES

Table 20: Operating Fund 2020/21 Projection by Unit

(\$ thousands)	Sources of Funding					Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)	
	Framework Allocation	University Fund Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total			
1. Faculties															
Business	60,633	612	1	4,078	65,325	31,534	7,112	38,646	1,054	-	34,240	35,293	73,939	(8,615)	
Engineering	83,655	1,100	1,488	700	86,942	53,827	12,670	66,496	2,153	-	39,603	41,756	108,253	(21,310)	
Health Sciences	69,472	1,597	6,623	34,345	112,036	88,074	21,798	109,871	1,494	1	5,178	6,674	116,545	(4,509)	
Humanities	26,116	1,875	264	12,643	40,897	28,183	7,061	35,243	329	13	1,642	1,984	37,227	3,670	
Science	78,620	839	474	1,609	81,542	52,210	14,113	66,323	134	-	21,277	21,411	87,734	(6,192)	
Medical Radiation - Mohawk share	4,018	-	-	-	4,018	-	-	-	-	-	4,019	4,019	4,019	(1)	
Social Sciences	41,626	1,042	51	813	43,531	29,194	7,632	36,826	320	-	2,448	2,768	39,594	3,937	
Arts & Science	1,652	57	-	4	1,713	1,833	134	1,967	7	-	(284)	(277)	1,690	22	
Sub-total	365,792	7,121	8,900	54,190	436,004	284,854	70,520	355,373	5,491	14	108,122	113,627	469,001	(32,997)	
2. Academic Priorities															
University Fund	45,090	(7,491)	-	20	37,619	210	-	210	-	-	37,908	37,908	38,118	(499)	
Revenue Projection Contingency	5,232	-	-	-	5,232	-	-	-	-	-	-	-	-	5,232	
Ongoing Priorities Contingency	(400)	-	-	-	(400)	1,898	-	1,898	-	-	(1,912)	(1,912)	(14)	(386)	
One-time Priorities Contingency	(7,775)	-	-	-	(7,775)	-	-	-	-	-	-	-	-	(7,775)	
Sub-total	42,147	(7,491)	-	20	34,676	2,108	-	2,108	-	-	35,995	35,995	38,103	(3,428)	
TOTAL ACADEMIC	407,939	(370)	8,900	54,210	470,680	286,962	70,520	357,481	5,491	14	144,118	149,623	507,104	(36,424)	
3. Academic Support															
Provost's Office	7,771	-	-	(45)	7,726	6,443	1,350	7,792	33	-	1,928	1,961	9,754	(2,027)	
Museum of Art	623	-	-	236	859	779	242	1,021	-	-	(191)	(191)	830	29	
MacPherson Institute	3,517	-	-	150	3,667	3,418	840	4,258	-	-	(365)	(365)	3,893	(226)	
University Library	21,788	-	-	254	22,042	6,870	2,058	8,928	3	11,676	1,562	13,241	22,168	(127)	
Health Sciences Library	4,507	120	30	33	4,690	1,680	455	2,135	-	3,426	(922)	2,504	4,639	51	
Registrar	5,572	-	-	2,434	8,006	6,129	1,916	8,045	-	-	104	104	8,148	(142)	
Sub-total	43,778	120	30	3,061	46,889	25,319	6,860	32,180	36	15,101	2,116	17,253	49,432	(2,443)	
4. Research Support															
Research	10,830	250	2,957	10,653	24,690	12,998	3,855	16,853	95	1	7,674	7,770	24,623	67	
VP Research Discretionary Fund	2,463	-	-	(0)	2,463	-	-	-	-	-	597	597	597	1,866	
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	(89)	89	
Sub-total	13,293	250	2,957	10,653	27,153	12,998	3,855	16,853	95	1	8,183	8,278	25,131	2,022	
5. Student Support															
Graduate Scholarships	13,243	-	-	-	13,243	600	-	600	12,613	-	(0)	12,613	13,213	30	
School of Graduate Studies	2,810	-	-	58	2,868	1,917	533	2,450	55	-	468	523	2,973	(105)	
Student Affairs	5,846	-	-	16,961	22,807	10,986	3,142	14,127	477	-	10,404	10,881	25,008	(2,202)	
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(160)	(160)	(160)	160	
Undergraduate Scholarships	15,355	-	-	310	15,665	1,877	-	1,877	13,769	-	390	14,159	16,037	(371)	
Sub-total	37,254	-	-	17,329	54,583	15,381	3,674	19,055	26,914	-	11,102	38,016	57,071	(2,488)	
6. Facilities Support															
Facilities Services	20,537	-	-	1,109	21,646	12,296	3,580	15,876	-	-	5,645	5,645	21,521	125	
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,127	4,127	4,127	(85)	
Utilities	23,911	-	-	1,824	25,735	1,576	563	2,139	-	-	22,394	22,394	24,533	1,202	
Security	2,049	-	-	25	2,074	2,102	450	2,552	-	-	(292)	(292)	2,259	(185)	
Deferred Maintenance	11,930	-	-	-	11,930	-	-	-	-	-	11,930	11,930	11,930	0	
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,088	10,088	10,088	1	
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0	
Sub-total	73,492	-	-	2,999	76,491	15,974	4,592	20,566	-	-	54,866	54,866	75,433	1,058	
7. Institutional Support															
Administration	17,271	-	-	1,784	19,055	12,440	3,659	16,099	-	-	3,740	3,740	19,839	(784)	
UTS Asset Management	1,500	-	-	-	1,500	-	-	-	-	-	1,433	1,433	1,433	67	
UTS/Technology Fund	19,386	-	-	97	19,483	9,593	2,797	12,389	-	-	9,962	9,962	22,352	(2,868)	
University Secretariat	977	-	-	56	1,033	795	234	1,029	-	-	47	47	1,076	(44)	
President's Office	1,169	-	-	-	1,169	423	122	545	-	-	2,621	2,621	3,166	(1,997)	
University Advancement	5,760	-	-	24	5,784	6,958	1,904	8,863	-	-	(3,698)	(3,698)	5,164	620	
Legal	3,971	-	-	-	3,971	742	166	909	-	-	4,519	4,519	5,428	(1,457)	
General University	7,450	-	-	2,135	9,585	524	36	561	-	-	7,699	7,699	8,260	1,326	
Sub-total	57,484	-	-	4,096	61,580	31,475	8,919	40,394	-	-	26,324	26,324	66,718	(5,137)	
8. Institutional Priority allocations															
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517	
Marketing & Branding	3,294	-	-	-	3,294	793	190	984	-	-	3,875	3,875	4,859	(1,565)	
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-	
President's Strategic Support Fund	3,000	-	-	-	3,000	-	-	-	-	-	(79)	(79)	(79)	3,079	
Sub-total	32,986	-	-	-	32,986	793	22,365	23,159	-	-	3,797	3,797	26,955	6,031	
Surplus/(Deficit)	666,226	0	11,887	92,349	770,462	388,902	120,786	509,688	32,536	15,116	250,504	298,156	807,845	(37,383)	
<i>Under/overallocated</i>	-	-	-	(1,561)	(1,561)	-	-	-	-	-	(1,561)	(1,561)	(1,561)	-	
Total Surplus/(Deficit)	666,226	0	11,887	90,787	768,900	388,902	120,786	509,688	32,536	15,116	248,943	296,595	806,283	(37,383)	

Table 21: Operating Fund 2021/22 Budget by Unit

(\$ thousands)	Sources of Funding					Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	University Fund Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties														
Business	60,976	-	-	4,574	65,550	33,341	7,677	41,018	1,557	-	22,234	23,792	64,810	740
Engineering	89,054	466	1,578	1,086	92,184	58,690	13,752	72,442	2,114	-	18,872	20,986	93,428	(1,245)
Health Sciences	70,209	765	6,406	36,814	114,193	88,548	22,667	111,214	1,888	-	9,118	11,005	122,220	(8,026)
Humanities	26,015	1,355	200	9,269	36,839	28,566	7,040	35,606	452	15	2,161	2,628	38,234	(1,395)
Science	84,545	460	447	2,125	87,577	54,568	14,749	69,316	279	-	15,878	16,157	85,473	2,103
Medical Radiation - Mohawk share	4,177	-	-	-	4,177	-	-	-	-	-	4,177	4,177	4,177	-
Social Sciences	46,089	615	50	738	47,492	31,661	8,316	39,976	458	-	4,140	4,599	44,575	2,917
Arts & Science	1,649	-	-	-	1,649	1,658	109	1,767	7	-	(187)	(180)	1,587	62
Sub-total	382,714	3,660	8,681	54,606	449,661	297,031	74,310	371,341	6,756	15	76,393	83,164	454,504	(4,843)
2. Academic Priorities														
University Fund	46,823	(3,660)	-	-	43,163	5,050	-	5,050	-	-	40,761	40,761	45,811	(2,648)
Revenue Projection Contingency	582	-	-	-	582	-	-	-	-	-	-	-	582	-
Ongoing Priorities Contingency	33	-	-	-	33	(8,022)	-	(8,022)	-	-	(1,978)	(1,978)	(10,000)	10,033
One-time Priorities Contingency	153	-	-	-	153	-	-	-	-	-	-	-	153	-
Sub-total	47,591	(3,660)	-	-	43,931	(2,972)	-	(2,972)	-	-	38,783	38,783	35,811	8,120
TOTAL ACADEMIC	430,305	-	8,681	54,606	493,592	294,058	74,310	368,368	6,756	15	115,176	121,947	490,315	3,277
3. Academic Support														
Provost's Office	7,902	-	-	880	8,782	6,563	1,347	7,910	33	-	2,893	2,926	10,836	(2,054)
Museum of Art	644	-	-	198	842	777	228	1,005	-	-	(162)	(162)	842	0
MacPherson Institute	3,597	-	-	150	3,747	2,934	770	3,704	-	-	827	827	4,531	(784)
University Library	22,652	-	-	88	22,740	7,853	2,162	10,015	19	11,783	1,512	13,314	23,329	(589)
Health Sciences Library	4,795	-	30	33	4,858	1,840	503	2,343	-	3,395	(819)	2,575	4,918	(61)
Registrar	5,760	-	-	2,551	8,311	6,259	1,834	8,093	-	-	553	553	8,646	(336)
Sub-total	45,350	-	30	3,899	49,279	26,227	6,843	33,070	52	15,178	4,803	20,032	53,103	(3,823)
4. Research Support														
Research	12,208	-	3,602	11,598	27,408	14,393	4,013	18,405	84	1	8,602	8,686	27,092	317
VP Research Discretionary Fund	2,362	-	-	-	2,362	-	-	-	-	-	1,480	1,480	1,480	882
Research Loans	-	-	-	-	-	-	-	-	-	-	(89)	(89)	89	-
Sub-total	14,570	-	3,602	11,598	29,770	14,393	4,013	18,405	84	1	9,993	10,078	28,483	1,287
5. Student Support														
Graduate Scholarships	13,243	-	-	-	13,243	600	-	600	12,613	-	-	12,613	13,213	30
School of Graduate Studies	2,858	-	-	58	2,916	1,979	522	2,501	55	-	477	532	3,032	(116)
Student Affairs	6,695	-	-	25,522	32,217	15,041	3,287	18,328	527	-	12,174	12,701	31,029	1,188
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	1,211	1,211	1,211	(1,211)
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(400)	(400)	400	-
Undergraduate Scholarships	13,871	-	-	277	14,148	2,125	-	2,125	11,533	-	271	11,803	13,928	220
Sub-total	36,667	-	-	25,857	62,524	19,745	3,809	23,554	24,728	-	13,732	38,460	62,014	511
6. Facilities Support														
Facilities Services	20,770	-	-	1,389	22,159	12,750	3,542	16,292	-	-	5,674	5,674	21,966	193
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,154	4,154	4,154	(112)
Utilities	23,937	-	-	2,090	26,027	1,549	564	2,113	-	-	25,605	25,605	27,719	(1,692)
Security	2,039	-	-	25	2,064	2,224	469	2,693	-	-	(305)	(305)	2,388	(324)
Deferred Maintenance	11,930	-	-	-	11,930	-	-	-	-	-	11,930	11,930	11,930	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0
Sub-total	73,741	-	-	3,544	77,285	16,523	4,575	21,098	-	-	58,122	58,122	79,220	(1,936)
7. Institutional Support														
Administration	16,670	-	-	1,835	18,505	13,194	3,702	16,896	-	-	3,228	3,228	20,124	(1,619)
UTS Asset Management	1,500	-	-	-	1,500	-	-	-	-	-	2,339	2,339	2,339	(839)
UTS/Technology Fund	18,135	-	-	80	18,215	10,022	2,733	12,755	-	-	8,081	8,081	20,835	(2,620)
University Secretariat	994	-	-	56	1,050	870	250	1,120	-	-	143	143	1,263	(213)
President's Office	1,183	-	-	-	1,183	399	113	511	-	-	634	634	1,145	38
University Advancement	5,963	-	-	23	5,986	8,456	2,265	10,721	-	-	(3,310)	(3,310)	7,411	(1,425)
Legal	4,016	-	-	-	4,016	725	173	898	-	-	4,519	4,519	5,417	(1,401)
General University	5,635	-	-	2,170	7,805	762	37	799	-	-	7,581	7,581	8,380	(575)
Sub-total	54,096	-	-	4,163	58,259	34,427	9,273	43,700	-	-	23,214	23,214	66,914	(8,655)
8. Institutional Priority allocations														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	5,022	-	-	-	5,022	808	190	998	-	-	4,024	4,024	5,022	0
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	0
President's Strategic Support Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	31,714	-	-	-	31,714	808	22,365	23,173	-	-	4,024	4,024	27,197	4,517
Surplus/(Deficit)	686,443	-	12,314	103,668	802,424	406,181	125,188	531,369	31,619	15,193	229,064	275,877	807,246	(4,822)
<i>Under/(over)allocated</i>	0	0	-	(2,993)	(2,993)	-	-	-	-	-	(2,993)	(2,993)	(2,993)	0
Total Surplus/(Deficit)	686,443	0	12,314	100,674	799,431	406,181	125,188	531,369	31,619	15,193	226,071	272,884	804,253	(4,822)

Table 22: Operating Fund 2022/23 Plan by Unit

(\$ thousands)	Sources of Funding					Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	University Fund Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties														
Business	64,556	-	-	4,634	69,190	35,571	8,330	43,900	1,557	-	21,157	22,715	66,615	2,574
Engineering	98,837	-	1,568	1,047	101,452	62,965	14,947	77,912	1,924	-	22,328	24,252	102,164	(712)
Health Sciences	70,646	65	6,228	36,562	113,501	88,768	23,235	112,003	1,843	(0)	7,858	9,700	121,704	(8,202)
Humanities	26,173	1,240	200	10,875	38,488	29,079	7,172	36,251	454	15	4,949	5,418	41,669	(3,180)
Science	91,759	442	476	2,042	94,719	57,869	15,643	73,512	211	-	19,733	19,944	93,456	1,263
Medical Radiation - Mohawk share	4,510	-	-	-	4,510	-	-	-	-	-	4,510	4,510	4,510	-
Social Sciences	49,644	615	50	699	51,008	32,867	8,729	41,596	500	-	8,366	8,866	50,462	546
Arts & Science	1,767	57	-	1,824	-	1,673	95	1,768	1	-	33	34	1,802	22
Sub-total	407,892	2,419	8,522	55,859	474,692	308,792	78,151	386,942	6,490	15	88,934	95,439	482,382	(7,689)
2. Academic Priorities														
University Fund	48,834	(2,419)	-	-	46,415	4,500	-	4,500	-	-	41,915	41,915	46,415	0
Revenue Projection Contingency	582	-	-	-	582	-	-	-	-	-	-	-	-	582
Ongoing Priorities Contingency	6,222	-	-	-	6,222	(3,022)	-	(3,022)	-	-	(1,978)	(1,978)	(5,000)	11,222
One-time Priorities Contingency	7,303	-	-	-	7,303	-	-	-	-	-	-	-	-	7,303
Sub-total	62,941	(2,419)	-	-	60,522	1,478	-	1,478	-	-	39,937	39,937	41,415	19,107
TOTAL ACADEMIC	470,833	-	8,522	55,859	535,214	310,270	78,151	388,420	6,490	15	128,872	135,376	523,797	11,418
3. Academic Support														
Provost's Office	7,902	-	-	913	8,815	6,141	1,278	7,419	33	-	3,013	3,046	10,465	(1,650)
Museum of Art	644	-	-	202	846	800	237	1,038	-	-	(192)	(192)	846	(0)
MacPherson Institute	3,597	-	-	150	3,747	2,817	764	3,581	-	-	769	769	4,350	(603)
University Library	23,277	-	-	88	23,365	7,969	2,202	10,171	19	12,215	1,806	14,040	24,211	(846)
Health Sciences Library	4,930	-	15	33	4,978	1,895	514	2,409	-	3,450	(668)	2,782	5,192	(214)
Registrar	5,760	-	-	2,977	8,737	6,696	1,900	8,596	-	-	1,899	1,899	10,495	(1,758)
Sub-total	46,110	-	15	4,362	50,487	26,318	6,896	33,214	52	15,665	6,627	22,345	55,558	(5,071)
4. Research Support														
Research	12,208	-	3,602	11,934	27,745	14,421	4,028	18,449	-	1	8,069	8,070	26,518	1,226
VP Research Discretionary Fund	2,362	-	-	-	2,362	-	-	-	-	-	3,910	3,910	3,910	(1,548)
Research Loans	-	-	-	-	-	-	-	-	-	-	(39)	(39)	(39)	39
Sub-total	14,570	-	3,602	11,934	30,107	14,421	4,028	18,449	-	1	11,940	11,940	30,389	(283)
5. Student Support														
Graduate Scholarships	13,243	-	-	-	13,243	600	-	600	12,613	-	-	12,613	13,213	30
School of Graduate Studies	2,758	-	-	58	2,816	1,865	487	2,352	55	-	501	556	2,908	(92)
Student Affairs	6,740	-	-	26,492	33,232	15,557	3,419	18,976	527	-	13,394	13,921	32,897	335
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	704	704	704	(704)
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(520)	(520)	(520)	520
Undergraduate Scholarships	13,907	-	-	277	14,184	2,125	-	2,125	11,549	-	271	11,819	13,944	240
Sub-total	36,648	-	-	26,827	63,475	20,147	3,905	24,053	24,744	-	14,350	39,094	63,147	328
6. Facilities Support														
Facilities Services	17,013	-	-	2,459	19,472	13,011	3,602	16,613	-	-	2,788	2,788	19,401	72
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,154	4,154	4,154	(112)
Utilities	23,937	-	-	2,178	26,115	1,567	576	2,142	-	-	27,100	27,100	29,242	(3,127)
Security	2,039	-	-	25	2,064	2,262	485	2,746	-	-	(315)	(315)	2,431	(367)
Deferred Maintenance	11,930	-	-	-	11,930	-	-	-	-	-	11,930	11,930	11,930	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0
Sub-total	69,984	-	-	4,702	74,686	16,839	4,662	21,501	-	-	56,720	56,720	78,221	(3,535)
7. Institutional Support														
Administration	16,670	-	-	1,883	18,553	13,097	3,734	16,831	-	-	2,830	2,830	19,660	(1,107)
UTS Asset Management	1,500	-	-	-	1,500	-	-	-	-	-	1,663	1,663	1,663	(163)
UTS/Technology Fund	18,135	-	-	80	18,215	10,074	2,777	12,851	-	-	7,557	7,557	20,408	(2,193)
University Secretariat	994	-	-	56	1,050	892	259	1,151	-	-	139	139	1,291	(241)
President's Office	1,183	-	-	-	1,183	409	116	525	-	-	620	620	1,145	38
University Advancement	5,963	-	-	40	6,003	8,422	2,275	10,696	-	-	(3,280)	(3,280)	7,417	(1,414)
Legal	3,886	-	-	-	3,886	743	180	923	-	-	4,519	4,519	5,442	(1,556)
General University	4,978	-	-	2,185	7,163	795	38	833	-	-	7,699	7,699	8,531	(1,368)
Sub-total	53,309	-	-	4,243	57,552	34,431	9,379	43,810	-	-	21,747	21,747	65,557	(8,005)
8. Institutional Priority allocations														
Technology Renewal	4,517	-	-	-	4,517	-	-	-	-	-	-	-	-	4,517
Marketing & Branding	3,022	-	-	-	3,022	586	126	712	-	-	2,310	2,310	3,022	(0)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
President's Strategic Support Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	29,714	-	-	-	29,714	586	22,301	22,887	-	-	2,310	2,310	25,197	4,517
Surplus/(Deficit)	721,168	-	12,140	107,928	841,236	423,012	129,322	552,334	31,286	15,681	242,565	289,532	841,866	(630)
<i>Under/over/allocated</i>	-	-	-	54	54	-	-	-	-	-	54	54	54	-
Total Surplus/(Deficit)	721,168	-	12,140	107,982	841,290	423,012	129,322	552,334	31,286	15,681	242,619	289,586	841,920	(630)

Table 23: Operating Fund 2023/24 Plan by Unit

(\$ thousands)	Sources of Funding					Salaries & Benefits			Non-salary Expenses				Total Expenses	Annual Surplus (Deficit)
	Framework Allocation	University Fund Allocation	Research Overhead Income	Other Income	Total Income	Salaries & Wages	Benefits & PDA	Total	Scholarships	Library Acquisitions	All Other Expenses	Total		
1. Faculties														
Business	69,160	-	-	4,634	73,794	37,585	8,892	46,477	1,557	-	21,153	22,711	69,187	4,607
Engineering	107,426	-	1,568	1,053	110,047	66,708	15,824	82,532	1,912	-	22,425	24,337	106,869	3,127
Health Sciences	70,771	65	6,223	36,551	113,610	91,081	24,055	115,136	1,824	(0)	4,130	5,953	121,090	(7,479)
Humanities	27,882	1,240	200	12,366	41,688	30,158	7,432	37,590	464	15	5,013	5,491	43,081	(1,394)
Science	98,409	348	476	2,057	101,290	60,365	16,361	76,726	211	-	19,754	19,966	96,692	4,598
Medical Radiation - Mohawk share	4,908	-	-	-	4,908	-	-	-	-	-	4,908	4,908	4,908	-
Social Sciences	53,839	615	50	662	55,166	34,344	9,125	43,469	550	-	8,446	8,996	52,465	2,701
Arts & Science	1,960	57	-	-	2,017	1,676	98	1,774	1	-	43	43	1,817	200
Sub-total	434,355	2,325	8,517	57,323	502,520	321,916	81,788	403,703	6,518	15	85,871	92,405	496,108	6,412
2. Academic Priorities														
University Fund	56,391	(2,325)	-	-	54,066	4,500	-	4,500	-	-	49,566	49,566	54,066	0
Revenue Projection Contingency	582	-	-	-	582	-	-	-	-	-	-	-	-	582
Ongoing Priorities Contingency	13,127	-	-	-	13,127	1,978	-	1,978	-	-	(1,978)	(1,978)	0	13,127
One-time Priorities Contingency	9,343	-	-	-	9,343	-	-	-	-	-	6,239	6,239	6,239	3,104
Sub-total	79,443	(2,325)	-	-	77,118	6,478	-	6,478	-	-	53,827	53,827	60,305	16,813
TOTAL ACADEMIC	513,798	-	8,517	57,323	579,638	328,394	81,788	410,181	6,518	15	139,699	146,232	556,413	23,225
3. Academic Support														
Provost's Office	7,902	-	-	966	8,868	6,226	1,306	7,531	3	-	2,991	2,994	10,525	(1,657)
Museum of Art	644	-	-	227	871	831	248	1,079	-	-	(208)	(208)	871	(0)
MacPherson Institute	3,597	-	-	150	3,747	2,832	772	3,604	-	-	759	759	4,362	(615)
University Library	22,945	-	-	88	23,033	8,057	2,240	10,297	3	12,418	1,862	14,284	24,581	(1,548)
Health Sciences Library	5,080	-	15	33	5,128	1,961	530	2,491	-	3,596	(674)	2,923	5,414	(286)
Registrar	5,760	-	-	3,090	8,850	6,936	1,989	8,925	-	-	1,750	1,750	10,675	(1,825)
Sub-total	45,928	-	15	4,554	50,497	26,843	7,084	33,927	6	16,015	6,480	22,501	56,429	(5,932)
4. Research Support														
Research	12,208	-	3,602	11,714	27,524	14,842	4,148	18,990	-	1	7,656	7,657	26,647	877
VP Research Discretionary Fund	2,362	-	-	-	2,362	-	-	-	-	-	2,931	2,931	2,931	(569)
Research Loans	-	-	-	-	-	-	-	-	-	-	(39)	(39)	(39)	39
Sub-total	14,570	-	3,602	11,714	29,886	14,842	4,148	18,990	-	1	10,549	10,549	29,539	347
5. Student Support														
Graduate Scholarships	13,243	-	-	-	13,243	600	-	600	12,613	-	-	12,613	13,213	30
School of Graduate Studies	2,758	-	-	58	2,816	1,853	481	2,335	55	-	501	556	2,891	(75)
Student Affairs	6,785	-	-	27,006	33,791	15,973	3,578	19,551	527	-	13,647	14,174	33,725	66
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	(61)	(61)	(61)	61
DBAC Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	(520)	(520)	(520)	520
Undergraduate Scholarships	13,924	-	-	277	14,201	2,125	-	2,125	11,566	-	271	11,836	13,961	240
Sub-total	36,710	-	-	27,341	64,051	20,551	4,059	24,610	24,761	-	13,838	38,599	63,209	842
6. Facilities Support														
Facilities Services	16,758	-	-	2,508	19,266	13,491	3,698	17,189	-	-	2,971	2,971	20,160	(894)
HSC Maintenance	4,002	-	-	40	4,042	-	-	-	-	-	4,154	4,154	4,154	(112)
Utilities	23,937	-	-	2,178	26,115	1,611	598	2,209	-	-	27,100	27,100	29,309	(3,194)
Security	2,039	-	-	25	2,064	2,315	500	2,815	-	-	(290)	(290)	2,525	(461)
Deferred Maintenance	11,593	-	-	-	11,593	-	-	-	-	-	11,593	11,593	11,593	-
Bond Interest	10,089	-	-	-	10,089	-	-	-	-	-	10,089	10,089	10,089	-
Renovation contingency	974	-	-	-	974	-	-	-	-	-	974	974	974	0
Sub-total	69,392	-	-	4,750	74,142	17,418	4,796	22,214	-	-	56,591	56,591	78,804	(4,662)
7. Institutional Support														
Administration	15,954	-	-	1,921	17,875	13,391	3,850	17,241	-	-	2,832	2,832	20,073	(2,198)
UTS Asset Management	1,500	-	-	-	1,500	-	-	-	-	-	1,482	1,482	1,482	18
UTS/Technology Fund	18,135	-	-	80	18,215	10,365	2,882	13,247	-	-	7,554	7,554	20,801	(2,586)
University Secretariat	994	-	-	56	1,050	921	269	1,190	-	-	139	139	1,329	(280)
President's Office	1,183	-	-	-	1,183	422	120	543	-	-	602	602	1,145	38
University Advancement	5,963	-	-	40	6,003	7,556	2,031	9,588	-	-	(3,585)	(3,585)	6,003	(0)
Legal	3,886	-	-	-	3,886	767	186	953	-	-	4,519	4,519	5,473	(1,587)
General University	4,978	-	-	2,200	7,178	829	38	868	-	-	7,943	7,943	8,810	(1,632)
Sub-total	52,593	-	-	4,297	56,890	34,252	9,377	43,629	-	-	21,487	21,487	65,116	(8,226)
8. Institutional Priority allocations														
Technology Renewal	3,215	-	-	-	3,215	-	-	-	-	-	-	-	-	3,215
Marketing & Branding	3,022	-	-	-	3,022	602	131	733	-	-	2,289	2,289	3,022	(0)
Pension	22,175	-	-	-	22,175	-	22,175	22,175	-	-	-	-	22,175	-
President's Strategic Support Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	28,412	-	-	-	28,412	602	22,306	22,908	-	-	2,289	2,289	25,197	3,215
Surplus/(Deficit)	761,403	-	12,135	109,979	883,516	442,901	133,558	576,459	31,285	16,031	250,933	298,248	874,707	8,809
<i>Under/(over)allocated</i>	-	-	-	(3,744)	(3,744)	-	-	-	-	-	(3,744)	(3,744)	(3,744)	-
Total Surplus/(Deficit)	761,403	-	12,135	106,234	879,772	442,901	133,558	576,459	31,285	16,031	247,188	294,504	870,963	8,809



Table 24: Operating Fund Annual Net Change by Unit

(\$ thousands)	2020/21		2021/22	2022/23	2023/24
	Budget	Projection	Budget	Plan	Plan
1. Faculties					
Business	0	(8,615)	740	2,574	4,607
Engineering	(5,080)	(21,310)	(1,245)	(712)	3,178
Health Sciences	(6,115)	(4,509)	(8,026)	(8,202)	(7,479)
Humanities	1,241	3,670	(1,395)	(3,180)	(1,394)
Science	(2,232)	(6,192)	2,103	1,263	4,598
Medical Radiation - Mohawk share	-	(1)	(0)	-	-
Social Sciences	518	3,937	2,917	546	2,701
Arts & Science	(532)	22	62	22	200
Sub-total	(12,200)	(32,997)	(4,843)	(7,689)	6,412
2. Academic Priorities					
University Fund	(7,079)	(499)	(2,648)	0	0
Revenue Projection Contingency	(31,492)	5,232	582	582	582
Ongoing Priorities Contingency	35	(386)	10,033	11,222	13,127
One-time Priorities Contingency	(654)	(7,775)	153	7,303	3,104
Sub-total	(39,191)	(3,428)	8,120	19,107	16,813
TOTAL ACADEMIC	(51,391)	(36,424)	3,277	11,418	23,225
3. Academic Support					
Office of the Provost	(1,706)	(2,027)	(2,054)	(1,650)	(1,657)
Museum of Art	(0)	29	0	(0)	(0)
MacPherson Institute	(596)	(226)	(784)	(603)	(615)
University Library	386	(127)	(589)	(846)	(1,548)
Health Sciences Library	(187)	51	(61)	(214)	(286)
Registrar	(381)	(142)	(336)	(1,758)	(1,825)
Sub-total	(2,484)	(2,443)	(3,823)	(5,071)	(5,932)
4. Research Support					
Research	(423)	67	317	1,226	877
VP Research Discretionary Fund	0	1,866	882	(1,548)	(569)
Research Loans	89	89	89	39	39
Sub-total	(334)	2,022	1,287	(283)	347
5. Student Support					
Graduate Scholarships	(0)	30	30	30	30
School of Graduate Studies	(260)	(105)	(116)	(92)	(75)
Student Affairs	(548)	(2,202)	1,188	335	66
DBAC Building Financing	-	-	(1,211)	(704)	61
DBAC Deferred Maintenance	160	160	400	520	520
Undergraduate Scholarships	(0)	(371)	220	240	240
Sub-total	(649)	(2,488)	511	328	842
6. Facilities Support					
Facilities Services	(56)	125	193	72	(894)
HSC Maintenance	0	(85)	(112)	(112)	(112)
Utilities	(93)	1,202	(1,692)	(3,127)	(3,194)
Security	(276)	(185)	(324)	(367)	(461)
Deferred Maintenance	(0)	0	(0)	-	-
Bond Interest	-	1	-	-	-
Renovation contingency	0	0	0	0	0
Sub-total	(425)	1,058	(1,936)	(3,535)	(4,662)
7. Institutional Support					
Administration	(1,398)	(784)	(1,619)	(1,107)	(2,198)
UTS/Technology Fund	(2,031)	(2,868)	(2,620)	(2,193)	(2,586)
UTS Asset Management	(193)	67	(839)	(163)	18
University Secretariat	3	(44)	(213)	(241)	(280)
Presidential Budget	63	(1,997)	38	38	38
University Advancement	(911)	620	(1,425)	(1,414)	(0)
Legal	-	(1,457)	(1,401)	(1,556)	(1,587)
General University	85	1,326	(575)	(1,368)	(1,632)
Sub-total	(4,381)	(5,137)	(8,655)	(8,005)	(8,226)
8. Institutional Priority allocations					
Technology Renewal	4,517	4,517	4,517	4,517	3,215
Marketing & Branding	1,288	(1,565)	0	(0)	(0)
Pension	(0)	(0)	0	-	-
Strategic Priorities	-	3,079	-	-	-
Sub-total	5,805	6,031	4,517	4,517	3,215
Surplus/(Deficit)	(53,859)	(37,383)	(4,822)	(630)	8,809
<i>Under/(over)allocated</i>	(0)	0	0	-	-
Total Surplus/(Deficit)	(53,859)	(37,383)	(4,822)	(630)	8,809

Table 25: Operating Fund 2020/21 Financial Position and Variance by Unit

(\$ thousands)	2020/21 Budget				2020/21 Projection				Favourable (Unfavourable) Variance						
	Appropriations	On-going	One-time	Total	Appropriations	On-going	One-time	Total	Appropriations	On-going	One-time	Total	Appropriations		
	April 30, 2020				April 30, 2021	April 30, 2020			April 30, 2021	April 30, 2020			April 30, 2021		
1. Facilities															
Business	0	7,028	(7,028)	0	0	9,627	16,106	(24,721)	(8,615)	1,012	9,627	9,078	(17,692)	(8,615)	1,012
Engineering	32,256	(1,578)	(3,503)	(5,080)	27,176	33,272	6,955	(28,265)	(21,310)	11,961	1,016	8,532	(24,762)	(16,230)	(15,214)
Health Sciences	38,961	(7,929)	1,813	(6,115)	32,846	47,110	(2,248)	(2,261)	(4,509)	42,601	8,149	5,680	(4,074)	1,606	9,755
Humanities	4,298	(515)	1,756	1,241	5,538	5,879	1,695	1,975	3,670	9,549	1,581	2,211	219	2,429	4,011
Science	10,250	4,004	(6,236)	(2,232)	8,019	21,591	4,508	(10,699)	(6,192)	15,399	11,340	504	(4,464)	(3,960)	7,380
Medical Radiation - Mohawk share	-	-	-	-	-	1	(1)	-	(1)	0	1	(1)	-	(1)	0
Social Sciences	8,137	337	180	518	8,655	9,191	2,610	1,327	3,937	13,128	1,054	2,273	1,146	3,419	4,473
Arts & Science	1,408	(879)	347	(532)	877	1,386	(450)	473	22	1,408	(23)	428	126	554	531
Sub-total	95,310	470	(12,670)	(12,200)	83,110	128,056	29,175	(62,172)	(32,997)	95,059	32,745	28,705	(49,502)	(20,797)	11,949
2. Academic Priorities															
University Fund	37,068	2,921	(10,000)	(7,079)	29,988	37,246	12,454	(12,953)	(499)	36,747	178	9,534	(2,953)	6,581	6,758
Revenue Projection Contingency	2,080	(31,492)	-	(31,492)	(29,412)	3,450	8,682	(3,450)	5,232	8,682	1,370	40,174	(3,450)	36,724	38,094
Ongoing Priorities Contingency	10,043	35	-	35	10,077	430	47	(433)	(386)	44	(9,613)	13	(433)	(420)	(10,034)
One-time Priorities Contingency	(2,785)	10,000	(10,654)	(654)	(3,439)	(2,785)	14,500	(22,275)	(7,775)	(10,560)	-	4,500	(11,621)	(7,121)	(7,121)
Sub-total	46,406	(18,537)	(20,654)	(39,191)	7,215	38,340	35,683	(39,111)	(3,428)	34,912	(8,066)	54,220	(18,457)	35,763	27,697
TOTAL ACADEMIC	141,716	(18,067)	(33,324)	(51,391)	90,325	166,396	64,859	(101,283)	(36,424)	129,971	24,680	82,925	(67,959)	14,967	39,646
3. Academic Support															
Office of the Provost	6,023	(1,447)	(259)	(1,706)	4,317	7,914	(2,375)	347	(2,027)	5,887	1,891	(928)	606	(322)	1,569
Museum of Art	0	(0)	-	(0)	(0)	(29)	29	-	29	(0)	(29)	29	-	29	(0)
MacPherson Institute	2,123	(477)	(119)	(596)	1,527	2,617	(236)	9	(226)	2,390	493	242	128	370	863
University Library	543	(35)	421	386	929	652	(677)	551	(127)	525	108	(642)	130	(512)	(404)
Health Sciences Library	27	(187)	-	(187)	(160)	(101)	(69)	120	51	(51)	(128)	117	120	237	110
Registrar	954	(15)	(366)	(381)	573	1,313	10	(153)	(142)	1,171	359	26	213	239	598
Sub-total	9,670	(2,162)	(323)	(2,484)	7,185	12,365	(3,318)	875	(2,443)	9,922	2,695	(1,156)	1,197	41	2,737
4. Research Support															
Research	2,969	(538)	115	(423)	2,546	5,771	(437)	503	67	5,837	2,802	101	388	489	3,291
VP Research Discretionary Fund	(0)	0	-	0	0	(141)	1,765	101	1,866	1,725	(141)	1,765	101	1,866	1,725
Research Loans	(566)	89	-	89	(477)	(566)	89	-	89	(477)	0	-	-	-	0
Sub-total	2,403	(449)	115	(334)	2,069	5,064	1,417	604	2,022	7,085	2,660	1,866	489	2,355	5,016
5. Student Support															
Graduate Scholarships	546	(0)	-	(0)	545	(556)	30	-	30	(526)	(1,102)	30	-	30	(1,071)
School of Graduate Studies	(302)	(260)	-	(260)	(562)	315	(232)	127	(105)	210	617	28	127	155	772
Student Affairs	3,517	(1,307)	759	(548)	2,969	4,922	(1,467)	(735)	(2,202)	2,720	1,405	(159)	(1,494)	(1,654)	(249)
DBAC Building Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DBAC Deferred Maintenance	2,801	160	-	160	2,961	2,901	160	-	160	3,061	100	(0)	-	(0)	100
Undergraduate Scholarships	52	(0)	-	(0)	52	2,358	216	(587)	(371)	1,986	2,305	216	(587)	(371)	1,934
Sub-total	6,615	(1,408)	759	(649)	5,966	9,940	(1,293)	(1,195)	(2,488)	7,452	3,325	115	(1,954)	(1,839)	1,486
6. Facilities Support															
Facilities Services	232	44	(100)	(56)	176	263	(466)	591	125	388	31	(510)	691	181	213
HSC Maintenance	0	0	-	0	0	177	(85)	-	(85)	92	177	(85)	-	(85)	92
Utilities	3,085	(93)	-	(93)	2,993	293	1,202	-	1,202	1,495	(2,793)	1,295	-	1,295	(1,498)
Security	492	(276)	-	(276)	216	504	(185)	-	(185)	319	12	91	-	91	102
Deferred Maintenance	(0)	(0)	-	(0)	(0)	-	0	-	0	0	0	0	-	0	0
Bond Interest	(1)	-	-	-	(1)	(1)	1	-	1	(0)	(0)	1	-	1	1
Renovation contingency	(4)	0	-	0	(4)	-	0	-	0	0	4	(0)	-	(0)	4
Sub-total	3,805	(325)	(100)	(425)	3,380	1,235	467	591	1,058	2,293	(2,569)	792	691	1,483	(1,087)
7. Institutional Support															
Administration	3,532	(909)	(489)	(1,398)	2,134	5,163	(894)	110	(784)	4,379	1,631	16	599	615	2,245
UTS/Technology Fund	2,635	(2,194)	163	(2,031)	605	6,383	(1,257)	(1,611)	(2,868)	3,515	3,748	937	(1,775)	(838)	2,910
UTS Asset Management	(74)	(193)	-	(193)	(267)	840	67	-	67	907	914	260	-	260	1,173
University Secretariat	295	3	-	3	298	338	(34)	(10)	(44)	294	43	(37)	(10)	(47)	(4)
Presidential Budget	2,077	87	(24)	63	2,140	2,140	7	(2,004)	(1,997)	142	62	(79)	(1,980)	(2,060)	(1,998)
University Advancement	1,773	(934)	24	(911)	862	2,720	620	-	620	3,340	947	1,554	(24)	1,530	2,477
Legal	-	-	-	-	-	(51)	(1,542)	85	(1,457)	(1,508)	(51)	(1,542)	85	(1,457)	(1,508)
General University	(7)	(1,419)	1,504	85	78	(750)	(1,029)	2,355	1,326	576	(743)	390	851	1,241	498
Sub-total	10,231	(5,560)	1,178	(4,381)	5,850	16,781	(4,062)	(1,076)	(5,137)	11,644	6,550	1,498	(2,254)	(756)	5,794
8. Institutional Priority allocations															
Technology Renewal	(16,766)	-	4,517	4,517	(12,249)	(16,766)	0	4,517	4,517	(12,249)	-	0	-	0	0
Marketing & Branding	(2)	(0)	1,288	1,286	(1,286)	1,565	(853)	(712)	(1,565)	(0)	1,567	(853)	(2,000)	(2,853)	(1,286)
Pension	(0)	(0)	-	(0)	(0)	-	(0)	-	(0)	(0)	0	0	-	0	0
Strategic Priorities	-	-	-	-	-	-	(0)	3,079	3,079	3,079	-	(0)	3,079	3,079	3,079
Sub-total	(16,768)	(0)	5,805	5,805	(10,963)	(15,201)	(853)	6,884	6,031	(9,171)	1,567	(853)	1,079	226	1,793
Surplus/(Deficit)	157,672	(27,970)	(25,889)	(53,859)	103,812	196,580	57,216	(94,599)	(37,383)	159,197	38,908	85,186	(68,710)	16,476	55,384
<i>Under/overallocated</i>	(0)	4,517	(4,517)	(0)	(0)	(0)	4,517	(4,517)	0	(0)	0	0	-	0	0
Total Surplus/(Deficit)	157,672	(23,453)	(30,406)	(53,859)	103,812	196,580	61,733	(99,116)	(37,383)	159,197	38,908	85,186	(68,710)	16,476	55,384

Table 26: Operating Fund Budget and Plan Financial Position by Unit

(S thousands)	2021/22 Budget				2022/23 Plan				2023/24 Plan				
	Appropriations	On-going	One-time	Total	Appropriations	On-going	One-time	Total	Appropriations	On-going	One-time	Total	Appropriations
	April 30, 2021				April 30, 2022				April 30, 2023				April 30, 2024
1. Faculties													
Business	1,012	12,357	(11,617)	740	1,752	12,574	(10,000)	2,574	4,327	14,607	(10,000)	4,607	8,933
Engineering	11,961	5,995	(7,239)	(1,245)	10,717	10,173	(10,885)	(712)	10,005	14,203	(11,025)	3,178	13,183
Health Sciences	42,601	(5,439)	(2,587)	(8,026)	34,575	(5,326)	(2,876)	(8,202)	26,372	(7,154)	(325)	(7,479)	18,893
Humanities	9,549	(2,750)	1,355	(1,395)	8,154	(1,420)	(1,760)	(3,180)	4,974	366	(1,760)	(1,394)	3,581
Science	15,399	6,620	(4,516)	2,103	17,503	10,822	(9,558)	1,263	18,766	14,251	(9,652)	4,598	23,364
Medical Radiation - Mohawk share	-	(0)	-	(0)	(0)	-	-	-	(0)	-	-	-	(0)
Social Sciences	13,128	3,302	(385)	2,917	16,045	4,931	(4,385)	546	16,591	7,086	(4,385)	2,701	19,292
Arts & Science	1,408	(183)	244	62	1,470	(44)	66	22	1,492	143	57	200	1,692
Sub-total	95,059	19,902	(24,745)	(4,843)	90,216	31,708	(39,398)	(7,689)	82,527	43,502	(37,090)	6,412	88,938
2. Academic Priorities													
University Fund	36,747	10,852	(13,500)	(2,648)	34,099	13,500	(13,500)	0	34,099	13,500	(13,500)	0	34,099
Revenue Projection Contingency	8,682	582	-	582	9,264	582	-	582	9,846	582	-	582	10,428
Ongoing Priorities Contingency	44	10,033	-	10,033	10,077	11,222	-	11,222	21,299	13,127	-	13,127	34,426
One-time Priorities Contingency	(10,560)	10,000	(9,847)	153	(10,407)	10,000	(2,697)	7,303	(3,104)	10,000	(6,896)	3,104	(0)
Sub-total	34,912	31,467	(23,347)	8,120	43,033	35,304	(16,197)	19,107	62,140	37,209	(20,396)	16,813	78,953
TOTAL ACADEMIC	129,971	51,369	(48,092)	3,277	133,248	67,012	(55,595)	11,418	144,666	80,711	(57,486)	23,225	167,891
3. Academic Support													
Office of the Provost	5,887	(2,160)	105	(2,054)	3,832	(1,656)	6	(1,650)	2,182	(1,651)	(6)	(1,657)	525
Museum of Art	(0)	0	-	0	0	(0)	-	(0)	0	(0)	-	(0)	(0)
MacPherson Institute	2,390	(537)	(247)	(784)	1,606	(544)	(59)	(603)	1,004	(615)	-	(615)	388
University Library	525	(1,144)	556	(589)	(64)	(1,327)	481	(846)	(910)	(1,498)	(50)	(1,548)	(2,458)
Health Sciences Library	(51)	(61)	-	(61)	(111)	(214)	-	(214)	(325)	(286)	-	(286)	(612)
Registrar	1,171	(336)	-	(336)	835	(1,608)	(150)	(1,758)	(923)	(1,825)	-	(1,825)	(2,748)
Sub-total	9,922	(4,237)	414	(3,823)	6,099	(5,349)	278	(5,071)	1,028	(5,877)	(55)	(5,932)	(4,905)
4. Research Support													
Research	5,837	756	(439)	317	6,154	1,226	-	1,226	7,380	877	-	877	8,258
VP Research Discretionary Fund	1,725	882	-	882	2,606	(1,548)	-	(1,548)	1,059	(569)	-	(569)	490
Research Loans	(477)	89	-	89	(388)	39	-	39	(349)	39	-	39	(310)
Sub-total	7,085	1,726	(439)	1,287	8,372	(283)	-	(283)	8,090	347	-	347	8,437
5. Student Support													
Graduate Scholarships	(526)	30	-	30	(496)	30	-	30	(466)	30	-	30	(436)
School of Graduate Studies	210	(283)	167	(116)	94	(157)	65	(92)	2	(137)	62	(75)	(74)
Student Affairs	2,720	226	962	1,188	3,908	278	57	335	4,243	7	59	66	4,309
DBAC Building Financing	-	(1,211)	-	(1,211)	(1,211)	(704)	-	(704)	(1,915)	61	-	61	(1,854)
DBAC Deferred Maintenance	3,061	400	-	400	3,461	520	-	520	3,981	520	-	520	4,501
Undergraduate Scholarships	1,986	220	-	220	2,206	240	-	240	2,446	240	-	240	2,686
Sub-total	7,452	(618)	1,128	511	7,963	207	121	328	8,291	722	121	842	9,133
6. Facilities Support													
Facilities Services	388	38	155	193	581	(183)	255	72	653	(894)	-	(894)	(242)
HSC Maintenance	92	(112)	-	(112)	(20)	(112)	-	(112)	(133)	(112)	-	(112)	(245)
Utilities	1,495	(1,692)	-	(1,692)	(197)	(3,127)	-	(3,127)	(3,325)	(3,194)	-	(3,194)	(6,519)
Security	319	(324)	-	(324)	(5)	(367)	-	(367)	(373)	(461)	-	(461)	(834)
Deferred Maintenance	0	(0)	-	(0)	0	-	-	-	0	-	-	-	0
Bond Interest	(0)	-	-	-	(0)	-	-	-	(0)	-	-	-	(0)
Renovation contingency	0	0	-	0	0	0	-	0	0	0	-	0	0
Sub-total	2,293	(2,091)	155	(1,936)	358	(3,790)	255	(3,535)	(3,177)	(4,662)	-	(4,662)	(7,839)
7. Institutional Support													
Administration	4,379	(964)	(655)	(1,619)	2,760	(1,359)	252	(1,107)	1,653	(1,845)	(353)	(2,198)	(545)
UTS/Technology Fund	3,515	(2,297)	(323)	(2,620)	894	(1,940)	(253)	(2,193)	(1,299)	(2,333)	(253)	(2,586)	(3,884)
UTS Asset Management	907	(839)	-	(839)	68	(163)	-	(163)	(95)	18	-	18	(77)
University Secretariat	294	(213)	-	(213)	81	(241)	-	(241)	(160)	(280)	-	(280)	(440)
Presidential Budget	142	38	-	38	180	38	-	38	218	38	-	38	256
University Advancement	3,340	(1,425)	-	(1,425)	1,914	(1,414)	-	(1,414)	500	(0)	-	(0)	500
Legal	(1,508)	(1,531)	130	(1,401)	(2,909)	(1,556)	-	(1,556)	(4,465)	(1,587)	-	(1,587)	(6,051)
General University	576	(1,115)	540	(575)	1	(1,368)	-	(1,368)	(1,368)	(1,632)	-	(1,632)	(3,000)
Sub-total	11,644	(8,347)	(308)	(8,655)	2,989	(8,003)	(1)	(8,005)	(5,016)	(7,620)	(606)	(8,226)	(13,242)
8. Institutional Priority allocations													
Technology Renewal	(12,249)	-	4,517	4,517	(7,732)	-	4,517	4,517	(3,215)	-	3,215	3,215	(0)
Marketing & Branding	(0)	0	0	0	(0)	(0)	-	(0)	(0)	(0)	-	(0)	(0)
Pension	(0)	0	-	0	0	-	-	-	0	-	-	-	0
Strategic Priorities	3,079	-	-	-	3,079	-	-	-	3,079	-	-	-	3,079
Sub-total	(9,171)	0	4,517	4,517	(4,654)	(0)	4,517	4,517	(137)	(0)	3,215	3,215	3,078
Surplus/(Deficit)	159,197	37,803	(42,624)	(4,822)	154,375	49,795	(50,425)	(630)	153,745	63,621	(54,812)	8,809	162,554
<i>Under/(over)allocated</i>	(0)	4,517	(4,517)	0	(0)	4,517	(4,517)	-	(0)	3,215	(3,215)	-	(0)
Total Surplus/(Deficit)	159,197	42,320	(47,141)	(4,822)	154,375	54,312	(54,942)	(630)	153,745	66,836	(58,027)	8,809	162,554

APPENDIX 4 – SUMMARY BY FUND

Table 27: Consolidated 2020/21 Projection by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
Revenues										
Operating grants	236,355	-	5,061	-	-	-	-	241,416	37,187	278,603
Research grants and contracts	-	237,000	-	-	-	-	-	237,000	(60,674)	176,326
Tuition fees	398,233	-	-	-	-	-	-	398,233	17,920	416,153
Ancillary sales and services	-	-	-	-	-	19,309	-	19,309	0	19,309
Other revenues	123,845	-	9,585	9,204	100	-	32,845	175,580	6,924	182,504
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	39,650	39,650
Investment income (loss)	4,978	-	-	26,657	7,915	-	-	39,550	21,341	60,891
Investment income transfer	5,489	-	-	-	(5,489)	-	-	-	-	-
Total revenues	768,900	237,000	14,646	35,861	2,526	19,309	32,845	1,111,087	62,349	1,173,436
Expenses										
Salaries, wages and benefits	509,688	117,000	-	-	-	25,244	22,903	674,836	4,376	679,212
All other expenses	196,182	63,000	72,596	2,535	182	14,854	10,051	359,400	(2,377)	357,023
Amortization expense	-	-	-	-	-	-	-	-	80,652	80,652
Transfers to (from) other funds	82,003	(19,340)	(76,755)	20,867	707	(7,488)	6	-	-	-
Debt and financing charges	18,410	-	(9,350)	-	-	5,243	-	14,304	(1,153)	13,151
Total expenses	806,283	160,660	(13,509)	23,402	889	37,854	32,960	1,048,539	81,499	1,130,038
Excess of revenues over expenses	(37,383)	76,340	28,154	12,459	1,637	(18,545)	(115)	62,548	(19,150)	43,398

Table 28: Consolidated 2021/22 Budget by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
Revenues										
Operating grants	235,863	-	5,970	-	-	-	-	241,833	35,945	277,778
Research grants and contracts	-	188,000	-	-	-	-	-	188,000	(4,555)	183,445
Tuition fees	456,282	-	-	-	-	-	-	456,282	15,970	472,252
Ancillary sales and services	-	-	-	-	-	93,259	-	93,259	(0)	93,259
Other revenues	139,678	-	92,835	2,577	100	-	32,864	268,054	(61,353)	206,701
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	39,037	39,037
Investment income (loss)	3,836	-	-	27,678	8,095	-	-	39,609	31,164	70,773
Investment income transfer	5,631	-	-	-	(5,631)	-	-	-	-	-
Total revenues	841,290	188,000	98,805	30,255	2,564	93,259	32,864	1,287,038	56,207	1,343,245
Expenses										
Salaries, wages and benefits	552,334	121,000	-	-	-	32,877	22,854	729,065	35,834	764,899
All other expenses	232,098	63,000	265,894	3,898	169	33,473	10,303	608,835	(235,117)	373,718
Amortization expense	-	-	-	-	-	-	-	-	86,395	86,395
Transfers to (from) other funds	31,949	(14,698)	(49,225)	20,531	723	10,906	(187)	-	-	-
Debt and financing charges	25,539	-	(16,569)	-	-	7,603	-	16,573	991	17,564
Total expenses	841,920	169,302	200,100	24,429	892	84,859	32,970	1,354,473	(111,897)	1,242,576
Excess of revenues over expenses	(630)	18,698	(101,295)	5,826	1,672	8,400	(106)	(67,435)	168,104	100,669

Table 29: Consolidated 2022/23 Plan by Fund

(\$ thousands)

	Operating Fund	Research Fund	Capital Fund	External Endowment	Internal Endowment	Ancillary Fund	Externally Funded	Total	GAAP Adjustment	Full Accrual Basis
Revenues										
Operating grants	235,585	-	5,330	-	-	-	-	240,915	36,484	277,399
Research grants and contracts	-	190,000	-	-	-	-	-	190,000	(1,969)	188,031
Tuition fees	492,998	-	-	-	-	-	-	492,998	17,255	510,253
Ancillary sales and services	-	-	-	-	-	103,791	-	103,791	0	103,791
Other revenues	141,722	-	148,710	20,320	101	-	32,148	343,001	(122,899)	220,102
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	44,989	44,989
Investment income (loss)	3,836	-	-	28,005	8,188	-	-	40,029	31,874	71,903
Investment income transfer	5,631	-	-	-	(5,631)	-	-	-	-	-
Total revenues	879,772	190,000	154,040	48,325	2,658	103,791	32,148	1,410,734	5,734	1,416,468
Expenses										
Salaries, wages and benefits	576,459	123,000	-	-	-	35,102	23,059	757,621	47,316	804,937
All other expenses	244,422	63,000	257,923	3,862	173	36,061	9,412	614,853	(212,672)	402,181
Amortization expense	-	-	-	-	-	-	-	-	92,022	92,022
Transfers to (from) other funds	25,190	(14,745)	(48,594)	20,734	731	16,878	(193)	-	-	-
Debt and financing charges	24,893	-	(18,740)	-	-	9,417	-	15,570	1,947	17,517
Total expenses	870,963	171,255	190,589	24,596	904	97,459	32,279	1,388,043	(71,386)	1,316,657
Excess of revenues over expenses	8,809	18,745	(36,549)	23,729	1,754	6,332	(131)	22,690	77,121	99,811

Table 30: Consolidated 2023/24 Plan by Fund

(\$ thousands)

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

APPENDIX 5 – SIGNIFICANT ACCOUNTING POLICIES

The University's audited financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountant (CPA) Canada Handbook. A summary of the significant accounting policies follows:

1) Revenue recognition: The University follows the deferral method of accounting for contributions which include donations and government grants. The principles under this method are summarized as follows:

- Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Contributions externally restricted for purposes such as research grants and non-endowed donations are deferred and recognized as revenue in the year in which the related expenses are recognized.
- Contributions externally restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related capital asset.
- External endowment contributions and investment income preserved under the endowment capital protection policy are recognized as a direct change to endowment net assets. Income realized from the investment, to the extent it is allocated, is recorded as deferred contributions and recorded as revenue in the periods in which the related expenses are incurred.

2) Capital assets and amortization: Capital assets are recorded at cost, or if donated, at fair value on the date of receipt. Amortization is recorded on the straight-line basis over the expected life of the asset.

3) Collections and works of art: The McMaster Museum of Art has significant collections of works of art and coins. The value of collections has been excluded from the Statement of Financial Position except for a nominal value of \$1. Donations of works of art are recorded in operations as revenue at values based on appraisals and are expensed in the year received. Purchased collections are expensed in the year of acquisition.

4) Pensions and other employee future benefits: The University maintains defined benefit registered and non-registered pension plans, a retirement incentive program and group registered retirement savings plans. Non-pension post-retirement and post-employment benefits plans are also provided. Accruals for these costs are recorded over the periods of service. The current service cost and finance cost for the year are charged to excess of revenues over expenses. The actuarial method of determining the accrued benefit obligations for the defined benefit plans uses the funding valuation method, which reflects the long-term nature of the plans and uses management's estimates of investment yields, salary inflation, benefit cost trends and other factors.

- Remeasurement and other items are recognized as a direct increase (decrease) to net assets and are not reclassified to the statement of operations in subsequent periods. Remeasurement and other items comprise the aggregate of: the difference between the actual return on plan assets and the return calculated using the discount rate used to determine the defined benefit obligation; the actuarial gains and losses; the effect of any

valuation allowance in the case of a net defined benefit asset; past service costs; and any gains and losses arising from settlements and curtailments.

- The employer's share of group RRSP contributions is charged to operations in the year made.

5) Investments: Short-term investments are recorded at cost plus accrued income which together approximates fair value. Long-term investments are carried at fair values. Changes in fair value are included in investment income. Investments in publicly traded research entities not subject to significant influence are carried in investments at fair values. Changes in fair values are included in other income. Investments in private research entities are carried in other asset at cost, net of any impairment.

6) Net assets: Net assets are classified as follows:

- Internally restricted: Employee future benefits represent the unfunded portion of pension and other non-pension retirement and post-employment benefits, net of funds set aside to meet estimated future obligations. Other internal reserves, as approved by the Board, include unexpended departmental carry forward amounts for future expenditures or amounts set aside to settle future-oriented obligations.
- Equity in capital assets: Funds invested in capital assets, exclusive of capital assets financed through long-term obligations or deferred capital contributions.
- Internal endowments: Unrestricted contributions including unspent investment income which have been restricted by action of the Board.
- External endowments: External contributions, the principal of which is non-expendable pursuant to the restrictions by the donor, and income retained under the endowment capital protection policy.

7) Endowment capital protection policy: In order to protect the capital value of endowment investments, an endowment capital protection policy limits the amount of investment income allocated for spending to 4%, plus 1% administration spending, and requires the reinvestment of excess income earned (interest, dividends, realized and unrealized capital gains, net of investment expenses). Should endowment spending commitments exceed allocated income, amounts will be drawn from accumulated net investment income balances to fund deficiencies. For endowments without sufficient accumulated investment income, temporary encroachment on capital is permitted where the terms allow. The encroached amounts will be recovered from future investment returns.

APPENDIX 6 – OPERATING FUND ENVELOPE GROUPINGS

Major areas and depts included in envelopes:

Activity Units

DeGroote School of Business

Accounting and Financial Management
Executive Education
Finance and Business Economics
Health Policy and Management
Human Resources and Management
Information Systems
Marketing
Operations Management
Strategic Management
Research Centres
McMaster eBusiness Research Centre
Gould Trading Floor
Health Leadership Academy
Investment Decision Centre
Management of Innovation and Technology

Faculty of Engineering

Chemical Engineering
Civil Engineering
Computing and Software
Electrical and Computer Engineering
Engineering Physics
Materials Science and Engineering
Mechanical Engineering
School of Biomedical Engineering
W. Booth School of Engineering Practice and Technology
Research Centres
ArcelorMittal Dofasco Centre for Engineering and Public Policy
Centre for Effective Design of Structures
Centre for Emerging Device Technologies
Centre for Engineering Design
Centre for Research in Micro- and Nano-systems
Centre of Excellence in Protective Equipment and Materials
Computing Infrastructure Research Centre
McMaster Centre for Software Certification
McMaster Institute for Energy Studies
McMaster Manufacturing Research Institute
McMaster Steel Research Centre
Xerox Centre for Engineering Entrepreneurship and Innovation

Faculty of Health Sciences

Anaesthesia
Biochemistry & Biomedical Sciences
Health Research Methods, Evidence, and Impact
Health Policy
Family Medicine
Michael G. DeGroote School of Medicine
Midwifery
Obstetrics and Gynecology
Oncology
Pathology and Molecular Medicine
Pediatrics
Psychiatry and Behavioural Neurosciences
Radiology
Surgery
School of Nursing
School of Rehabilitation Science

Faculty of Humanities

Classics
Communication Studies and Multimedia
English and Cultural Studies
French
Gender Studies and Feminist Research
History
Linguistics and Languages
Peace Studies
Philosophy
School of the Arts
Research Centres
Bertrand Russell Research Centre
Centre for Advanced Research in Experimental and Applied Linguistics

Faculty of Science

Biology
Chemistry and Chemical Biology
Geography and Earth Sciences
Interdisciplinary Science
Kinesiology
Mathematics and Statistics
Physics and Astronomy
Psychology, Neuroscience and Behaviour
Research Centres
Biointerfaces Institute
McMaster Centre for Climate Change
McMaster Institute for Music and the Mind
Origins Institute

Faculty of Social Sciences

Anthropology
Economics
Health, Aging and Society
Indigenous Studies
Labour Studies
Political Science
Religious Studies
Social Work
Sociology
Research Centres
Gilbrea Centre for Studies in Aging
Institute on Globalization and the Human Condition
Centre for Research in Empirical Social Sciences

Arts & Science Program

Support Units

Academic Support

- Provost and Vice-President (Academic) Office
- Equity and Inclusion Office
- Health Sciences Library
- Institutional Research and Analysis
- International Affairs
- Museum of Art
- Paul R. MacPherson Institute for Leadership, Innovation and Excellence in Teaching
- Registrar's Office
- University Library

Research Support

- Research
 - Vice-President (Research) Office
 - Biosafety Committee
 - Health Physics
 - McMaster Industry Liaison Office
 - Nuclear Operations and Facilities
 - Research Communications
 - Research Ethics
 - Research Finance
 - Research High Performance Computing
 - Research Office for Administration, Development and Support
- Research Centres
 - Accelerator Lab
 - Biomedical engineering and Advanced Manufacturing Research Centre
 - Brockhouse Institute for Material Research
 - Canadian Centre for Electron Microscopy
 - Canadian Research Data Centre Network
 - Interface: McMaster Institute for Multi-Hazard Systemic Risk Studies
 - MacData Institute
 - McMaster Indigenous Research Institute
 - McMaster Institute for Healthier Equity
 - McMaster Institute for Research on Aging
 - McMaster Institute for Transportation and Logistics
 - Statistics Canada Research Data Centre at McMaster
- Vice-President (Research) Discretionary Fund

Facilities Support

- Facility Services
- Security
- Utilities

Institutional Support

- Administration
 - Vice-President (Administration) Office
 - Financial Affairs
 - Human Resources
 - Internal Audit
- Advancement
 - Advancement Services
 - Alumni Advancement
 - Communications and Public Affairs
 - Development
 - Stewardship and Donor Relations
 - Vice-President (Advancement) Office
- General University
- Legal
- Office of the President
- University Secretariat
- University Technology Services

Institutional Priorities

- Marketing and Branding
- Pension
- President's Strategic Support Fund
- Technology Renewal

Student Support

- School of Graduate Studies
- Student Affairs
 - Athletics and Recreation
 - Career Planning and Employment
 - Indigenous Student Services
 - International Student Services
 - Student Accessibility Services
 - Student Success Centre
 - Student Transition and Development
 - Student Wellness Centre
- Graduate Scholarships
- Undergraduate Scholarships

APPENDIX 7 – ACRONYMS

AODA	Accessibility for Ontarions with Disabilities Act	MD	Medical Doctorate
BIMR	Brockhouse Institute for Materials Research	MELD	McMaster English Language Development
BIPOC	Black, Indigenous and People of Colour	MIBI	Multiplex Ion Beam Imaging
BWRI	Brighter World Research Initiative	MILO	McMaster Industry Liaison Office
CEPEM	Centre of Excellence in Protective Equipment and Materials	MIRI	McMaster Indigenous Research Institute
CCRM	Centre for Commercialization of Regenerative Medicine	MIS	Management Information System
COG	Core Operating Grant	MNR	McMaster Nuclear Reactor
COU	Council for Ontario Universities	MPS	Media Production Services
CPA	Chartered Professional Accountant	MREB	McMaster Research Ethics Board
CRC	Canada Research Chair	MSI	Major Science Initiatives
CRKN	Canadian Research Knowledge Network	MUMC	McMaster Univeristy Medical Centre
CRM	Client Relationship Management	NFRF	New Frontiers in Research Fund
CV	Curriculum Vitae	NOF	Nuclear Operations and Facilities
DB	Defined Benefit	OAPPA	Ontario Association of Physical Plant Administrators
DSB	DeGroote School of Business	OER	Ontario Electricity Rebate
EDI	Equity, Diversity, and Inclusion	OREC	Ontario Rebate for Electricity Consumers
ERM	Enterprise Risk Management	OSAP	Ontario Student Access Program
FHS	Faculty of Health Sciences	PfAD	Provision for adverse deviation
FWI	Forward with Integrity	PGCLL	Peter George Centre for Living and Learning
GSR	Graduate Student Residence	PRB	Post-retirement benefit
GAAP	Generally accepted accounting principle	PVP	Presidents and Vice-Presidents
HCS	Housing and Conference Services	ROADS	Research Office for Administration, Development and Support
HR	Human Resources	RRSP	Registered Retirement Savings Plan
HSL	Health Sciences Library	RSF	Research Support Fund
HQP	Highly Qualified Personnel	SAG	Student Access Guarantee
IBDQ	Inflammatory Bowel Disease Questionnaire	SANS	Small Angle Neutron Scattering
IF	Innovation Fund	SF	Square Feet
IP	Intellectual Property	SGS	School of Graduate Studies
IPG	Incremental Projects Grant	SMA	Strategic Mandate Agreement
IQAP	Institutional Quality Assurance Process	SPICES	Student Proposals for Intellectual Community and Engages Scholarship
ISS	Indigenous Student Services	UA	University Advancement
IT	Information Technology	UN	United Nations
MA	Master of Arts	UTS	University Technology Services
MARC	McMaster Automotive Resource Centre	VPR	Vice-President Research
MBA	Master of Business Administration	WACC	Weighted Average Cost of Capital
MCE	McMaster Continuing Education	WGU	Weighted Grant Units
MCU	Ministry of Colleges and Universities	WW	Welcome Week