

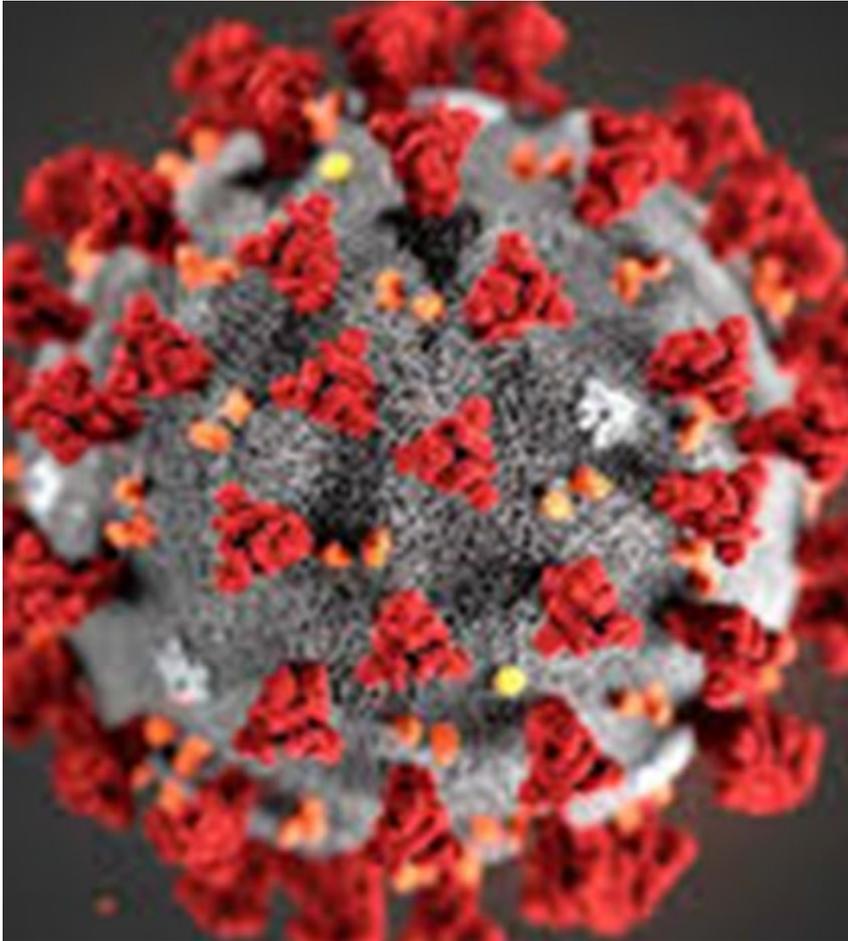
University Sector Financial Sustainability

*& Delivering on McMaster's
Strategic Plan*



*Financial Forum
November 16, 2021*

Today's Discussion



- Ontario Funding
- Pandemic Impact
- The Laurentian Effect
- Performance-Based Metrics Impact
- Delivering on McMaster's Strategic Plan

Pre-Presentation Poll

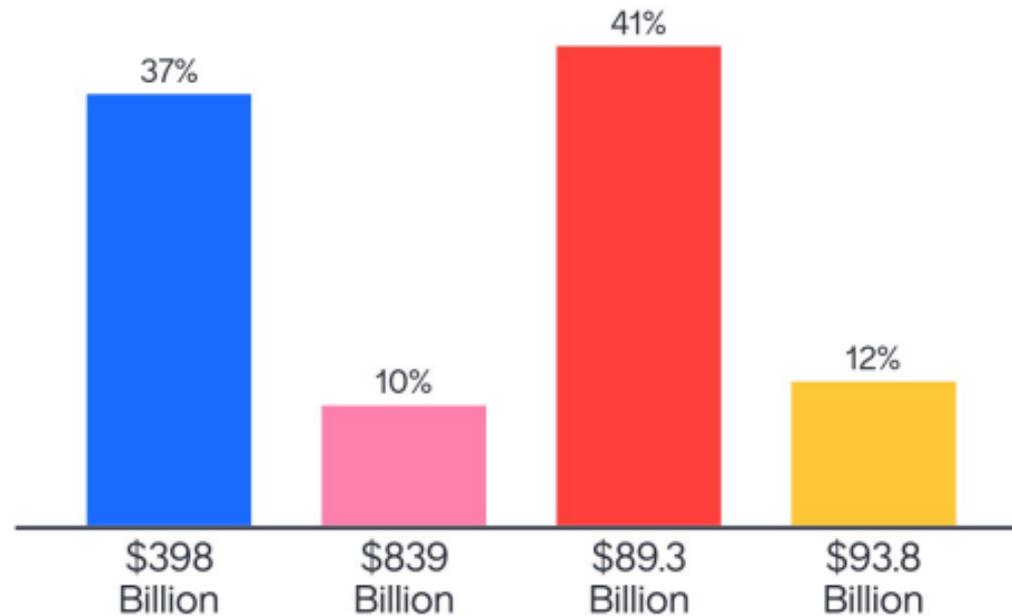
- Using your mobile device
- Hold your camera over the QR code
- Click the link that appears
- Or, go to www.menti.com and use code 8403 6748

- Poll will begin shortly

Hold Camera over this
QR Code:



How big was Ontario's total net deficit in 2020? Roughly

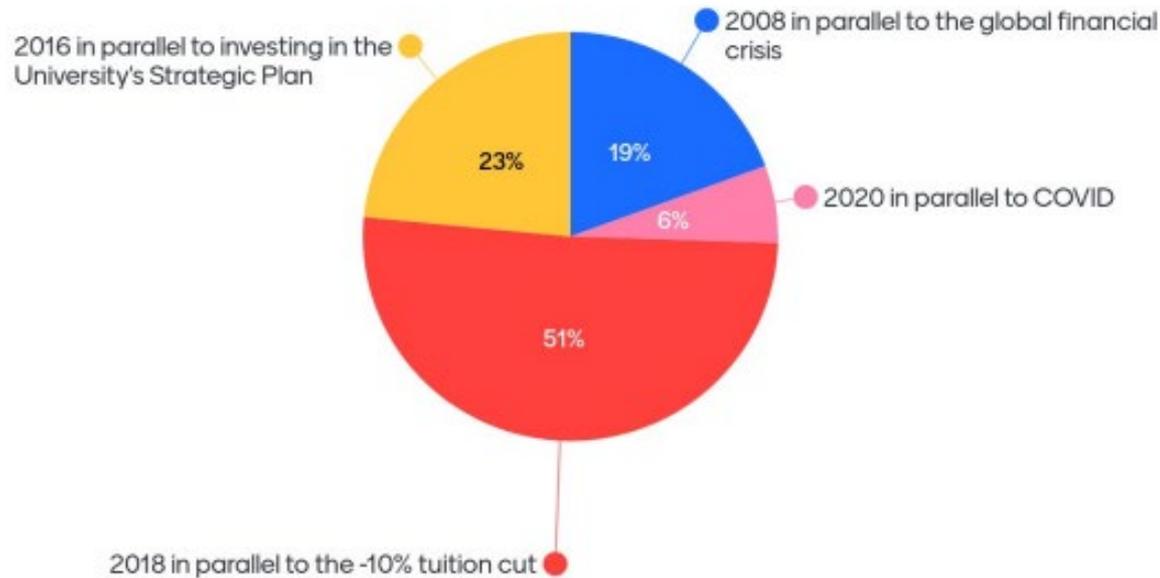


Answer:

Ontario's net deficit at the end of 2019/20 was \$398 billion.



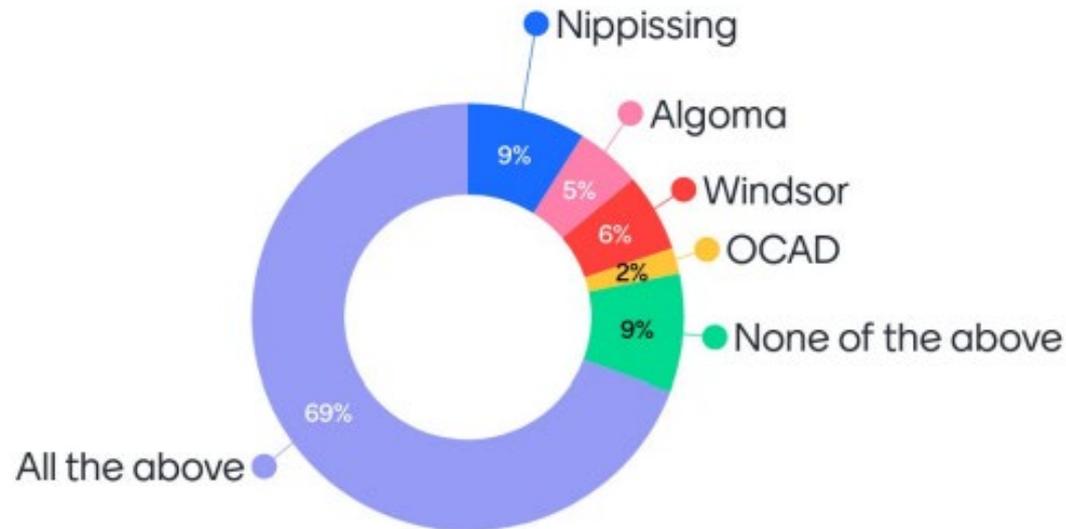
When did Laurentian begin having financial troubles?



Answer:

The financial troubles, as evident from public records, began to show itself in 2008 for Laurentian. At this time, the operating activities began to generate negative cash flows, and this continued ongoing through to February 2021 when Laurentian declared insolvency.

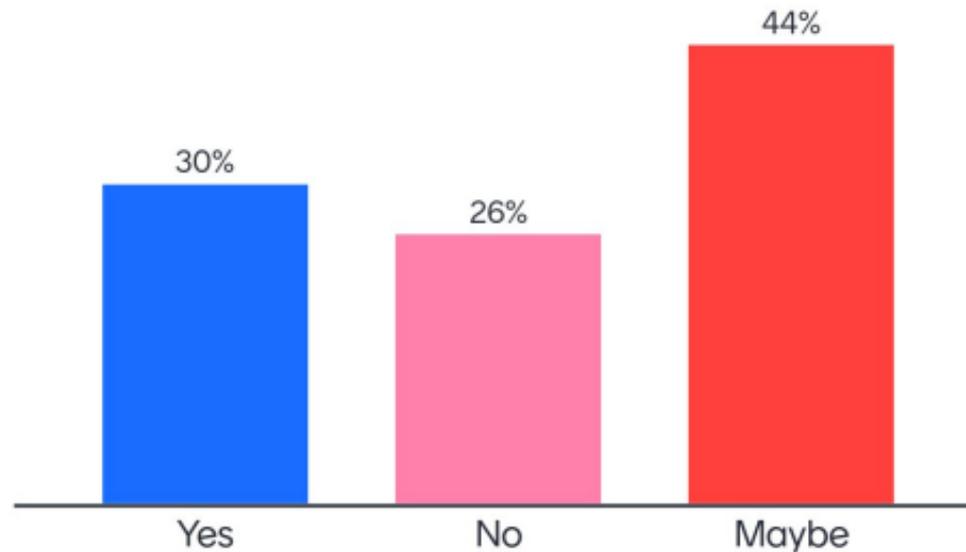
Which other Universities are at risk of bankruptcy in the absence of special action plans?



Answer:

All the above. The truth is ALL 20 Ontario universities are at risk in the absence of robust financial health monitoring with management strategic priorities.

Could what happened at Laurentian happen to McMaster?



Answer:

Maybe. In the absence of McMaster's integrated strategic planning that assesses key priorities, including new capital and IT initiatives, with the annual budget plans and multi-year projections the University would be at risk of over-committing cash flows. The University uses an integrated planning cycle with scenario and stress testing to ensure financial resiliency exists with directions taken.

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Ontario Funding



Before understanding University funding, we need to understand more broadly:

- Ontario's funding sources
- How Canada's population segments are changing AND
- How these changes shift allocation decisions

Finally, we will consider how allocations follow populations and the importance of location, location, location for provincially funded organizations.

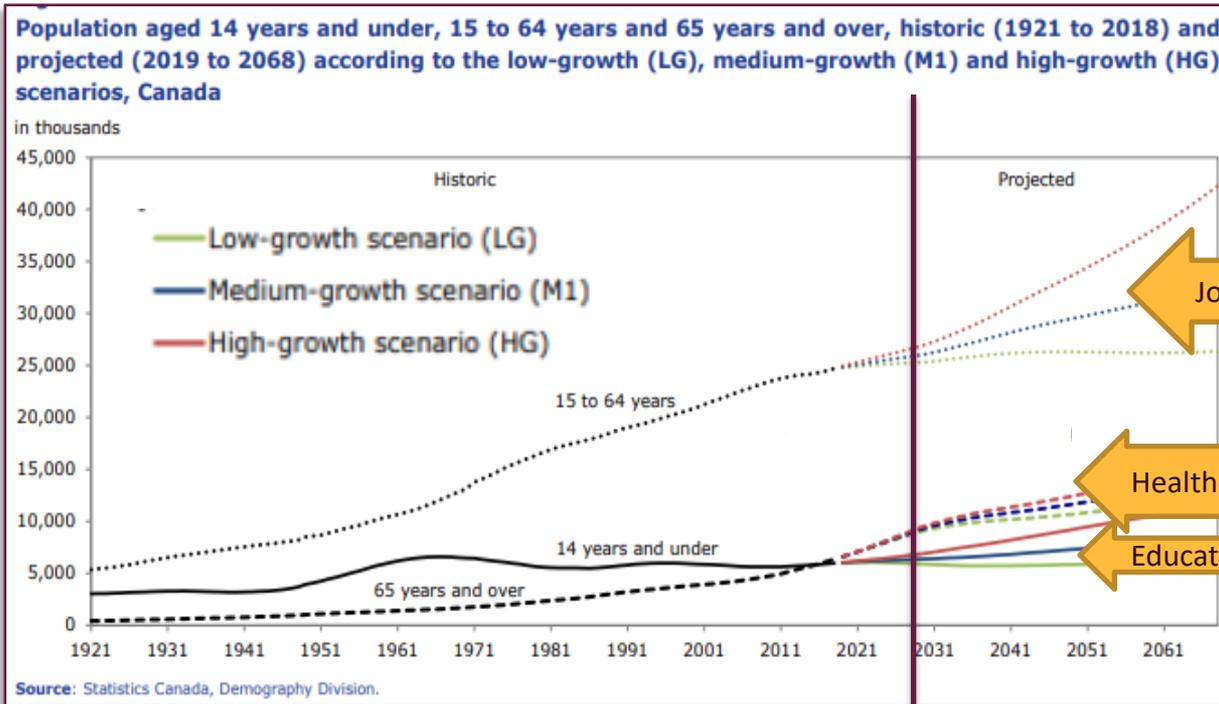
Ontario Funding

- \$156.1B Collected 2019/20
- \$151.8B Projected in 2020/21
 - Pandemic Deflation - **2.8%**
- Projected Budgets
 - 2021/22 \$154B (1.4%)
 - 2022/23 \$160B (3.9%)
 - 2023/24 \$167B (4.4%)
- No change projected to collection distribution shown here



Ontario Funding

First Looking Across Canada at total population projections



FACTS:

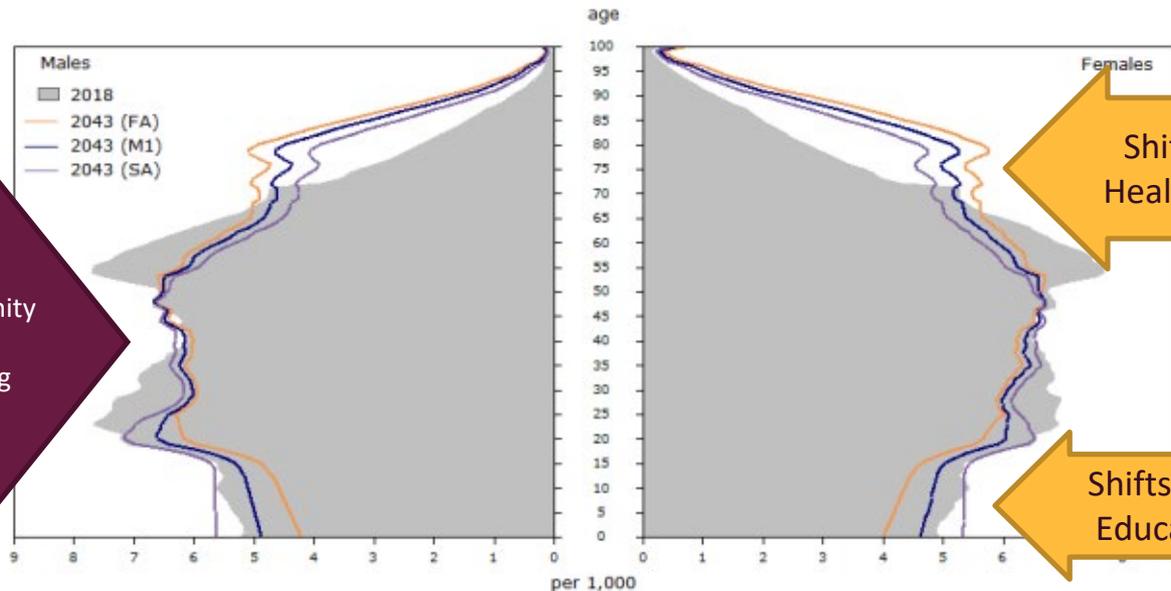
- The “14 years and under segment” has been declining on a per capital basis since the mid-60s, more recently this segment has been FLAT.
- The “65 and older” segment is growing especially as baby boomers fully shift into this category and due to improving life spans (all projected scenarios suggest growth)
- Finally, the **worker segment** is the area where job sustainability and growth is needed, along with day care support, and mental health support.

CONCLUSIONS:

- Per capita population segments drive larger proportionate allocations of funding. Thus, its relatable that the Ontario Operating Grant to our PSE sector has been held FLAT since 2016/17.
- Overall, Ontario’s funding priorities are to serve its population as highlighted in the 2021 Provincial Budget: ...allocations are to: (1) protect the health of the population, and (2) to protect a contributing economy. Both of which are paramount to driving sustainable circular economy.

Ontario Funding (Allocations)

Population (in relative value), historic (2018) and projected (2043) according to selected scenarios, Ontario



Note: Persons aged 100 and over are included at age 100.
Source: Statistics Canada, Demography Division.

Given funding allocation priorities follow the distribution of Ontario it is no surprise again that there will be:

- Growing needs in **healthcare**,
- Stable or declining needs in **education** (from a Provincial perspective)
- Stability needs across **innovation** (jobs), and
- Repaying our outstanding **debt**, which itself calls on ~8% of the annual revenues each year.

Each allocation segment has pressures (such as labour and expense inflation).

The province has the unpopular task of shifting limited funds to the areas feeling the greatest pressure.

The relationship of protecting the economy to education is in part related to training and adult learners, which has not traditionally been considered the activities of Universities, rather job training is more commonly been tied to Ontario Colleges, making University communication strategies all the more important to translate what we do as both driving new innovation and job creation and as training since we educate highly trained professionals, while in parallel we also need to enhance our strategies on adult and life-long learning and credentialling.

Ontario Allocations

- 2019//20 \$164.8B (\$8.7B deficit)
- 2020/21 \$190.3B (\$38.5B deficit)

Projections

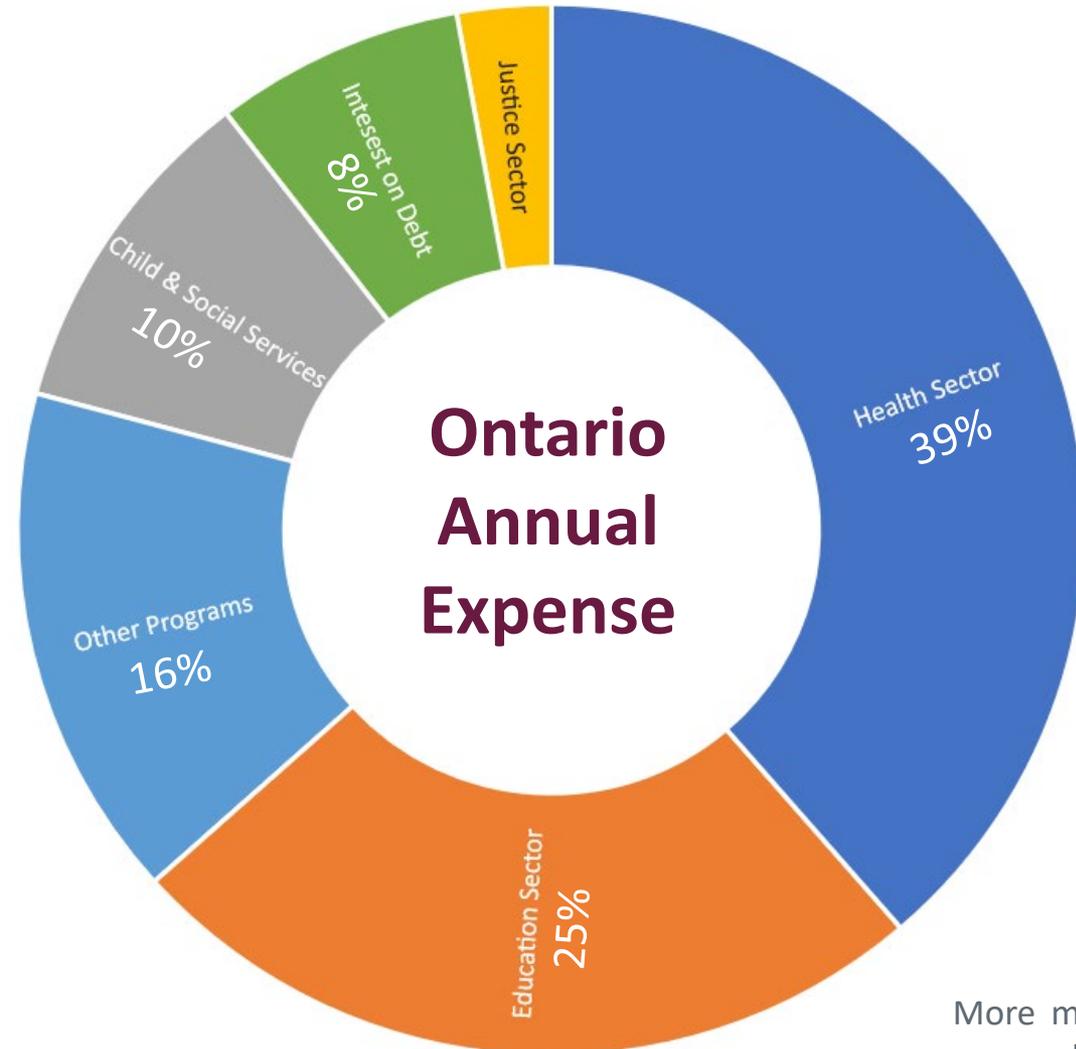
- 2021/22 \$186.1B (\$32.1B deficit)
- 2022/23 \$186.2B (\$26.2B deficit)
- 2023/24 \$185.6B (\$18.7B deficit)

Education Sector 2019/20

- \$30.2B K-12 (75%)
- \$10.5B Postsecondary (25%)

Postsecondary shared across Universities and Colleges, and includes provisions for capital

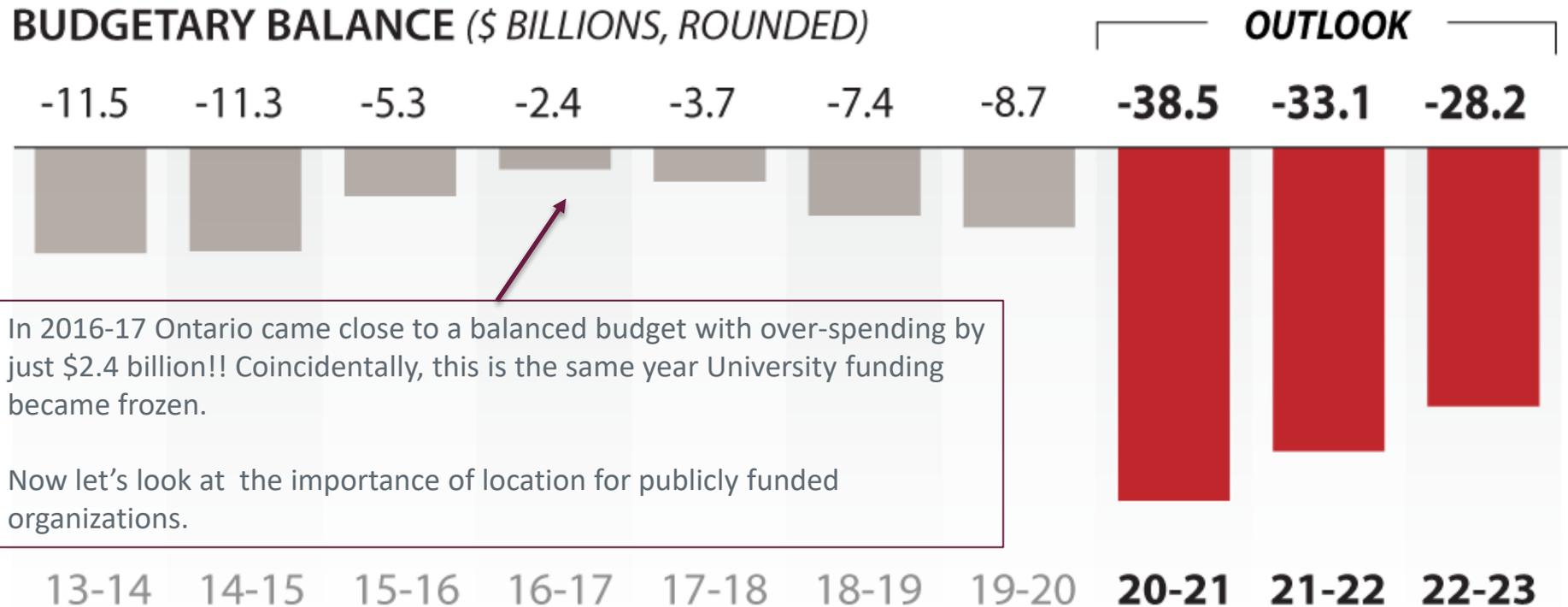
More money is allocated than earned every year and net accumulated debt in 2020 is \$398 Billion and with planned spending the net debt will grow



ONTARIO BUDGETARY BALANCE

The Government of Ontario is projecting a \$38.5-billion deficit for 2020-21 followed by a \$33.1-billion deficit the following year.

BUDGETARY BALANCE (\$ BILLIONS, ROUNDED)



In 2016-17 Ontario came close to a balanced budget with over-spending by just \$2.4 billion!! Coincidentally, this is the same year University funding became frozen.

Now let's look at the importance of location for publicly funded organizations.

SOURCE: 2020 ONTARIO BUDGET

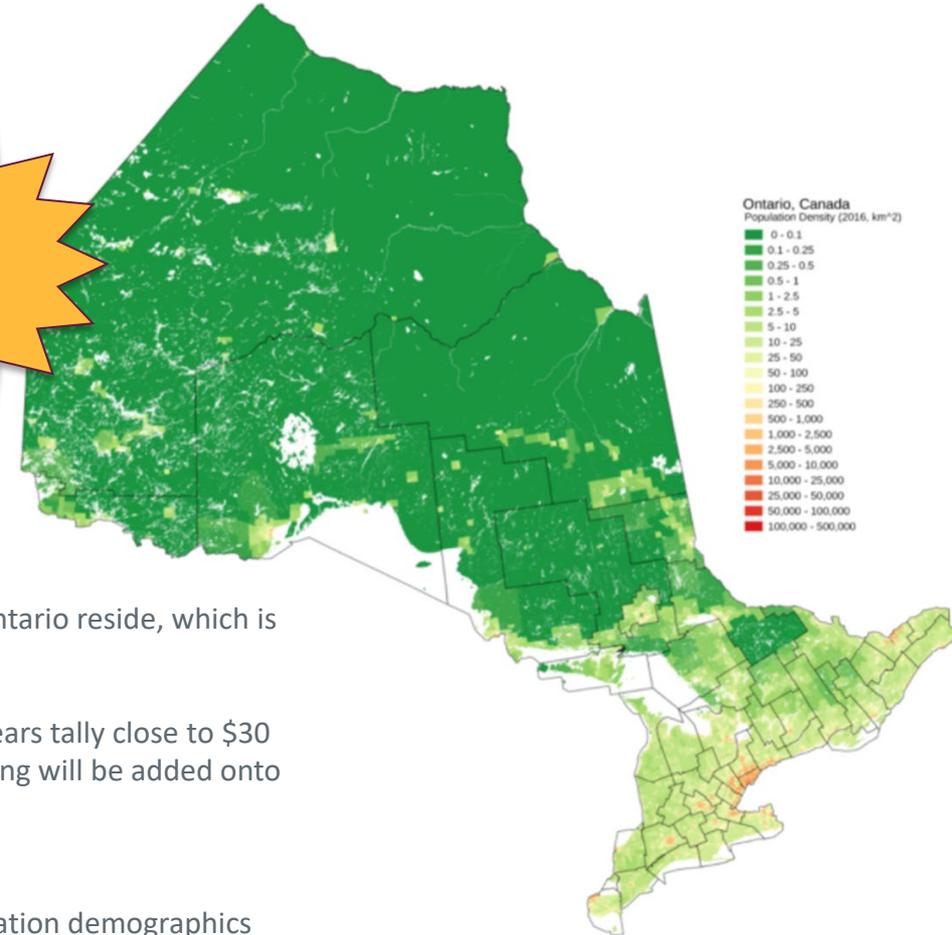
THE CANADIAN PRESS

Ontario Funding (Allocations)

To protect the public the following 2020-2023 COVID Extra Allocations include:

- Vaccines >\$1B
- PPE >\$1.4B
- Testing/Tracing >2.3B
- +ICU beds >\$5.1B
- Long-Term Care >\$8B
- Mental Health >\$3.8B
- Other COVID

\$29.6B



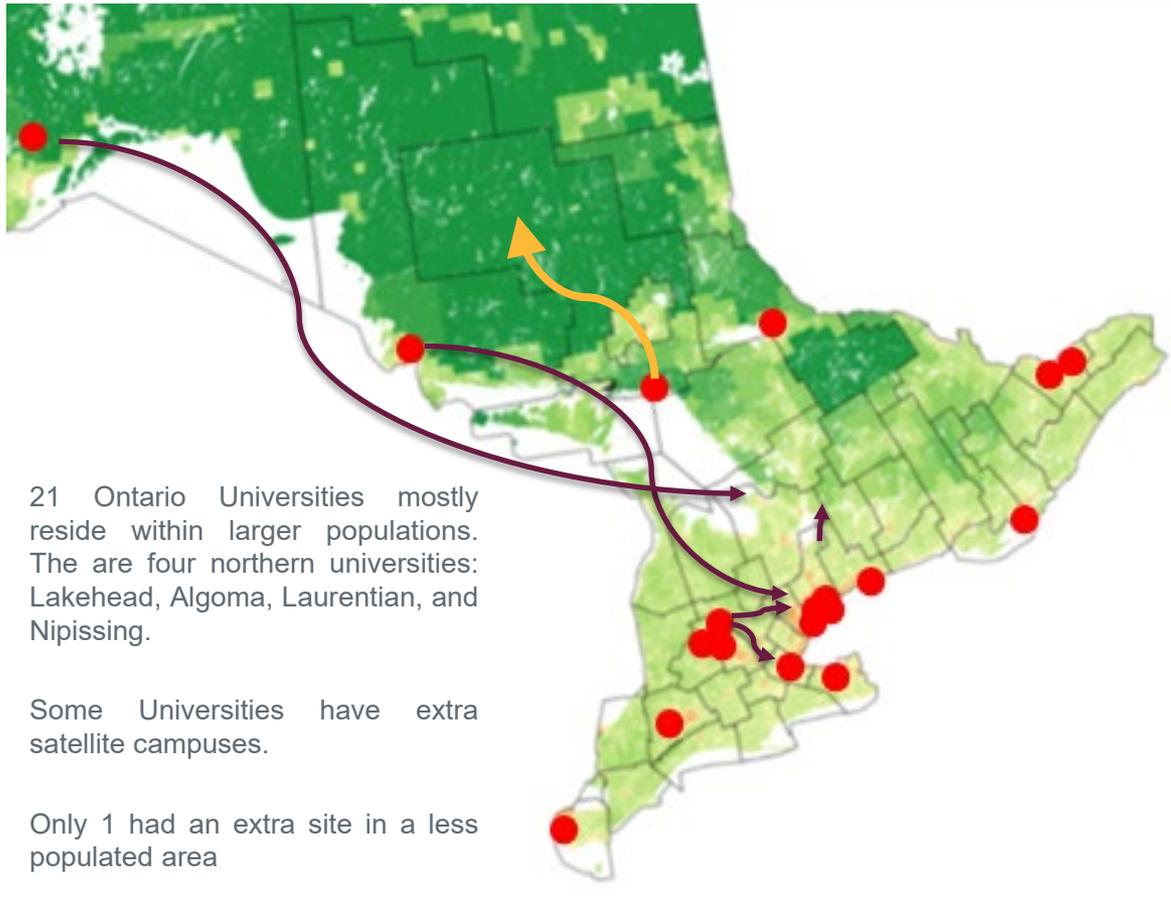
The image on the right shows you where the heavier populations in Ontario reside, which is mainly in the south-eastern Ontario Region.

To the left is a list of Pandemic costs borne by Ontario, which over 4 years tally close to \$30 billion! And, without any substantial personal tax increases this spending will be added onto our net provincial debt.

Conclusions:

- Annual funding is insufficient to address the pressures of our population demographics
- Universities that rely on Ontario funding allocations tend to reside in the areas where there is a higher likelihood of population attraction.

Ontario Funding (Allocations)

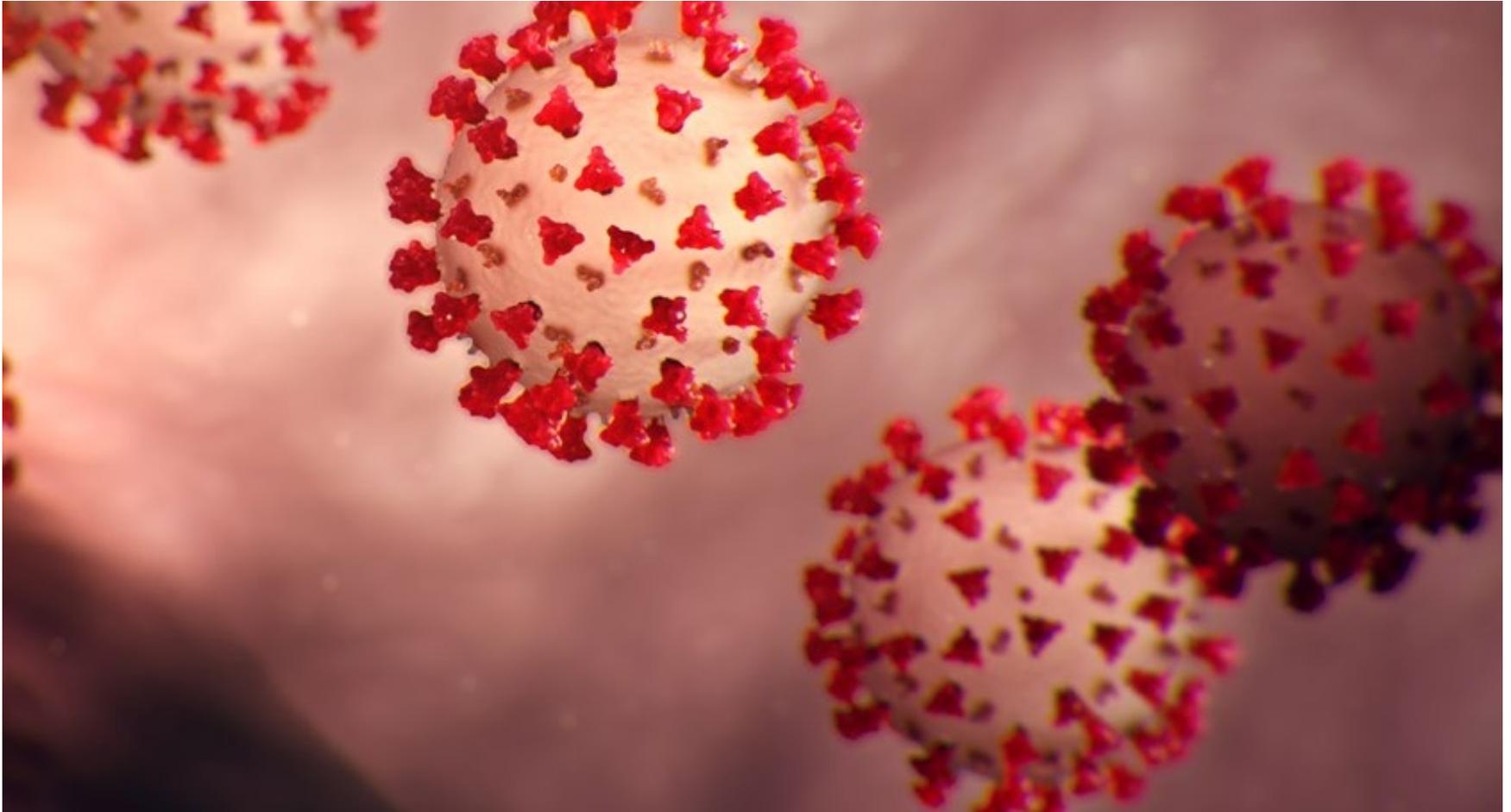


Facts

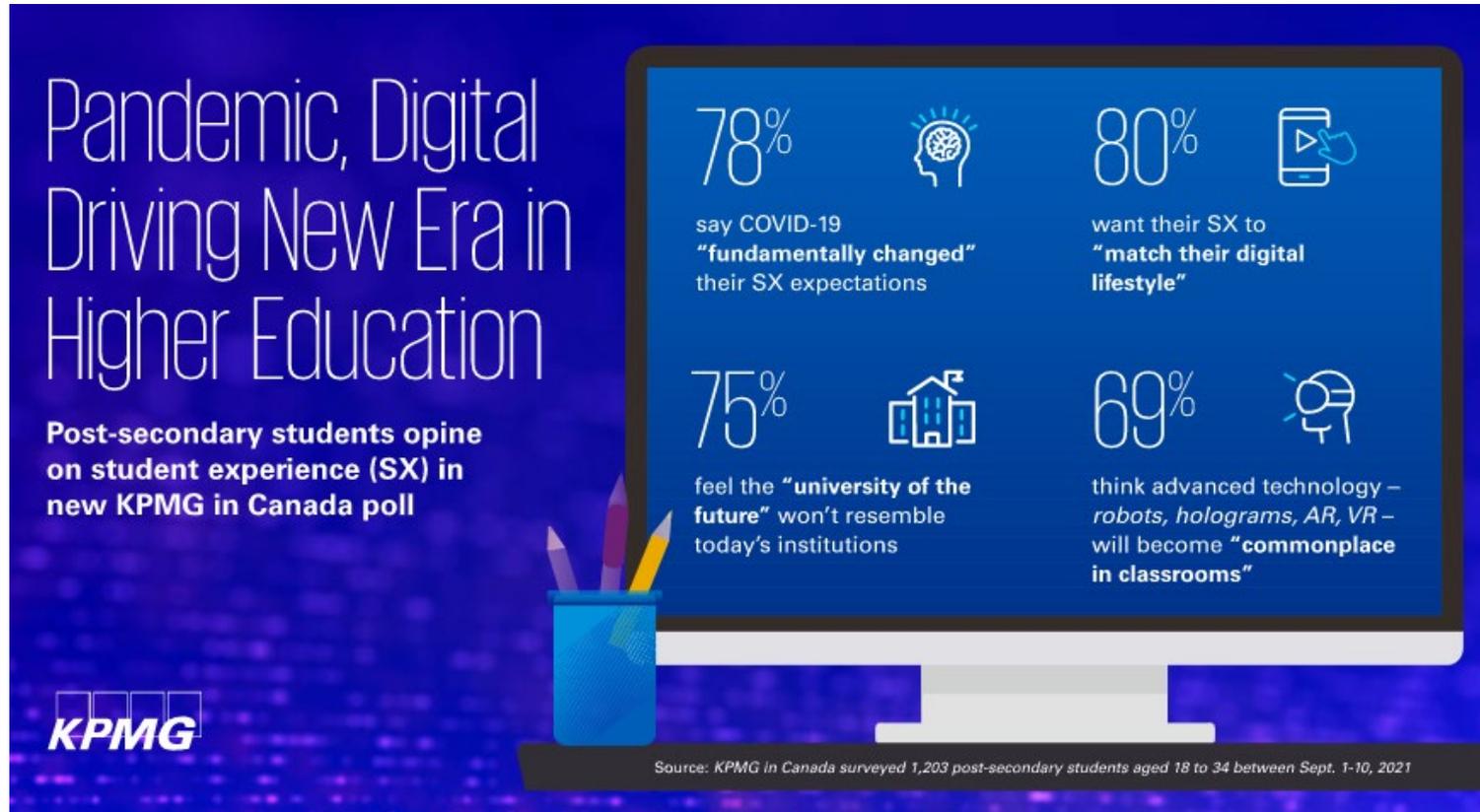
Universities within larger cities often attract higher numbers of nearby domestic students and consequently attract more Operating Grant and tuition revenues based traditionally on enrolment numbers. In turn, Universities with higher revenues have an ability to invest in academic and research areas building reputation and attraction both domestically and internationally.

The Northern Universities shown here include Lakehead, Algoma, Laurentian and Nipissing. Most have satellite campuses reaching areas of greater population. One, Nipissing, closed its satellites due to expenses associated with administering these locations. Only one other, Laurentian, operates a satellite campus more remote than its main campus.

Pandemic Impact



Pandemic Impact (Student View)



Universities need to adapt to the digital and mobile lifestyles students have and provide personalized experiences to each student. This includes everything from registration, payment methods and reminders, to ease of materials and food ordering with simple pick-up and delivery options. Customizable and tailored experiences for each student. Further, almost 70% of students expect some form of augmented reality experience in their education, advanced technology integration to support experiential learning.

Technologically Intuitive



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Our focus, like suggested last year, needs to be looking at how other personalized digital experiences have succeeded across other industries and adapt these types of solutions to make the University experience better.

Pandemic Impact (Employment View)

Deloitte.

Hybrid models appear to be here to stay in the “new normal”



68%

Implementing
some kind of
hybrid model



21%

Back to physical
workspaces



10%

Undecided



1%

Remain fully
virtual

<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-2021-return-to-workplaces-survey.pdf>

Pandemic Impact (Employment View)

Expected changes to office space in 2022 vary

Organizations planning for a hybrid strategy are 4.5 times more likely to expect a reduction in space by more than 10%



With hybrids, the opportunity to manage space grows, potentially hoteling, sharing offices, and ideally, converting dedicated campus spaces to better utilized student or staff hybrid spaces.

<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-2021-return-to-workplaces-survey.pdf>

Pandemic Impact (Employment View)

Employers' biggest concerns with their future onsite/remote/hybrid workplace include:



For employers, top concerns relate to maintaining campus culture, managing high performance, supporting collaboration, and maintain some egalitarian rules across staff.

That said, University-culture remains vibrant through a blend of online and onsite, work has progressed well, and collaborations have increased with wasted travel times gone.

Most organizations plan to reduce travel expenses (as a percentage of prepandemic levels)



Further, McMaster has saved \$1.2 million in printing costs and \$16 million in travel costs in 2020/21 (both contributing to less carbon and environmental impact).

Post-COVID opportunities exist to leveraging the stay-at-home learnings and savings.

<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-2021-return-to-workplaces-survey.pdf>

The Laurentian Effect



While COVID impacted all organizations globally, it was an Ontario event when Laurentian declared insolvency or bankruptcy in February 2021.

The Laurentian Effect



- Deficit results go back to 2008
- Enrolment declined over a decade (program driven)
- Capital expansion and funding strategy remained the focus despite finances
- Cash flow erosion occurred of >10 years
- Cash and investments were less than endowments & deferred contributions
- Growing use of debt and line of credit

- Management plans relied on Ontario Government for:
 - Ongoing Northern sustainability grants
 - One-time offset to the -10% tuition
 - Capital grants
- Ontario fell short on expectations

- COVID accelerated the outcome

The Laurentian Effect

“...due to COVID 19, coupled with the permanent decline in domestic tuition rates and declines in government funding... in an environment of weak fiscal health, projected demographic declines and unforeseen financial pressures due to COVID-19, Laurentian is determined to hold the line on costs and to seek revenue and savings opportunities which will sustain growth and increase its relevance in the North and well beyond.”

Annual Financial Report

Fiscal year ended April 30, 2020

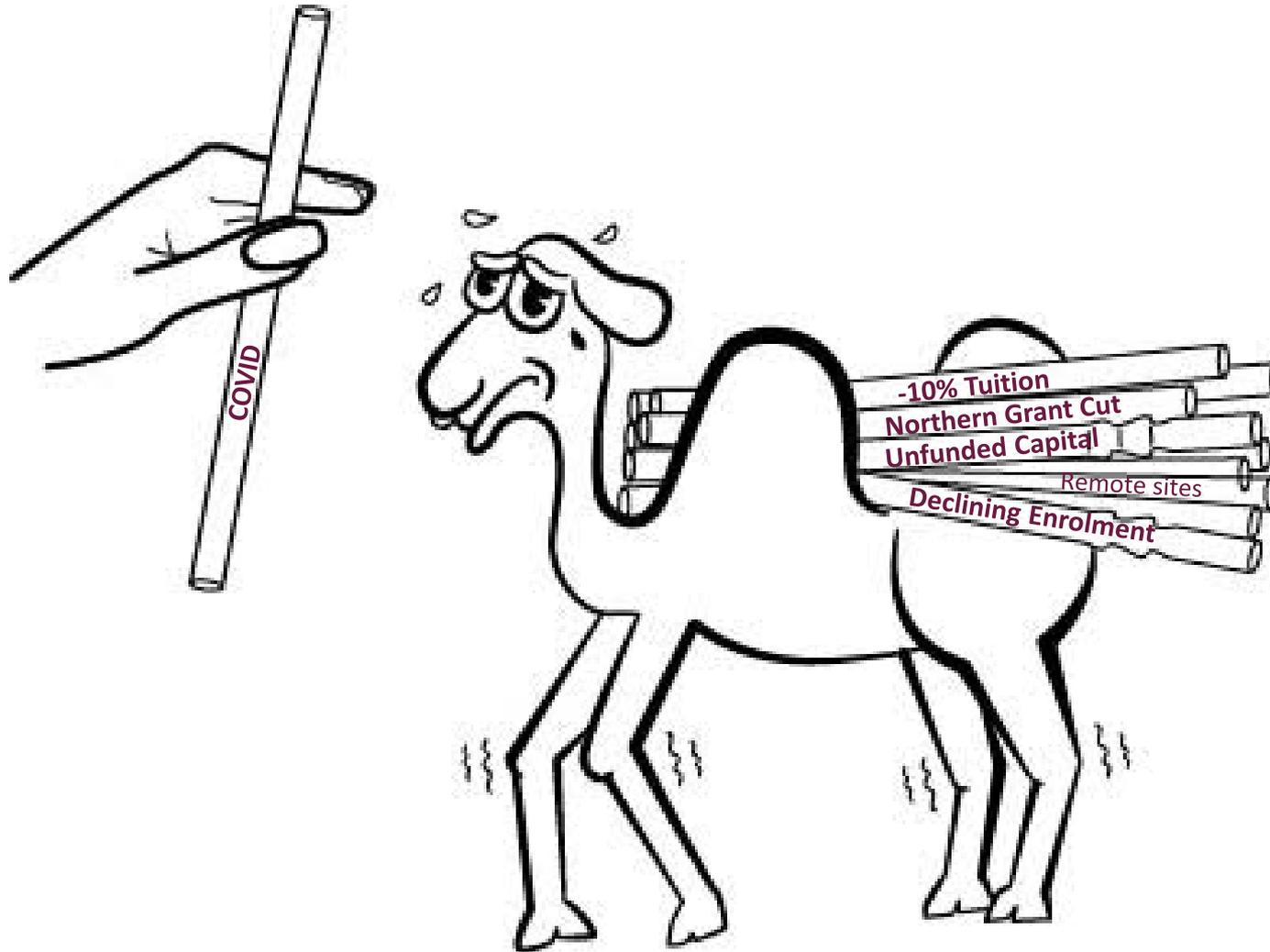


In a statement issued in the April 30, 2020, Annual Report, 12 years after financial health erosion began and less than one year before Laurentian declares insolvency... blame for weakened financial health is placed on COVID, tuition policy, and government funding.

No comments suggest issues with lack of student enrolment attraction, capital spending outpacing cash flows, or other cash issues, such as spending restricted funds on payroll or additional debt despite an ability to self-finance operations and interest costs.

For Laurentian, COVID may have been the final straw in a pile of long-standing financial problems.

The Laurentian Effect



The Laurentian Effect

Could what happened to Laurentian happen to McMaster / Others?

1. How is financial health measured?
 - Credit Ratings – indicator of **future** financial health
 - Financial Metrics – an indicator of **point in time** financial health
 - Financial Metric History – an indicator of potential future **trend**

Technically, credit ratings are an excellent indicator of current and future financial health, assessed by independent third parties, such as DBRS, S&P and Moody's.

The issue is that not all universities obtain credit ratings, making it difficult for the Ministry to ask Universities to submit ratings for financial health considerations across the sector.

In the absence of this, financial metrics are used for both the current year assessments and over time the metric trending is used to ascertain stable, improving or worsening financial conditions.

Credit Ratings

Credit Ratings are future looking indicators, with negative, positive or stable trends.

Not all Ontario Universities obtain credit ratings, and the cost/work for some to do so it a financial burden if not required.

<u>A (Low)</u>	<u>A</u>	<u>A (High)</u>	<u>AA (Low)</u>	<u>AA</u>
				
				
				
				

Schools like Algoma, Nipissing, and Laurentian do not have credit ratings required by their lenders

Financial Metrics

Could what happened to Laurentian happen to McMaster / Others?

2. What measures does the Ministry of Colleges and Universities review?

Net Income / Loss Ratio

Primary Reserve Ratio

Viability Ratio

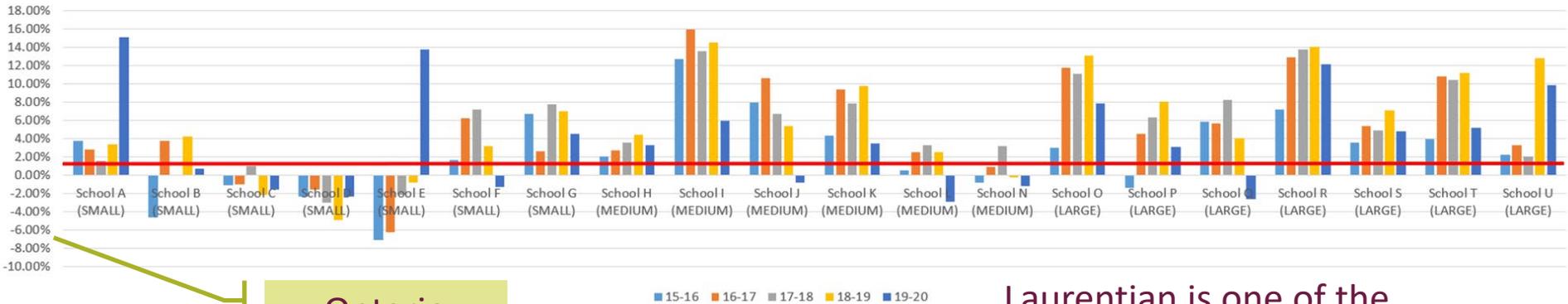
Interest Burden Ratio

Net Operating Revenues Ratio

Financial Metrics

$$\text{Net Income/Loss Ratio} = \frac{\text{Total Revenues less Total Expenses}}{\text{Total Revenues}}$$

Net Income Loss Ratio (minimum 1.5%)



Ontario
NLR -6%

Laurentian is one of the small listed schools
McMaster is School O

Net income/loss ratio

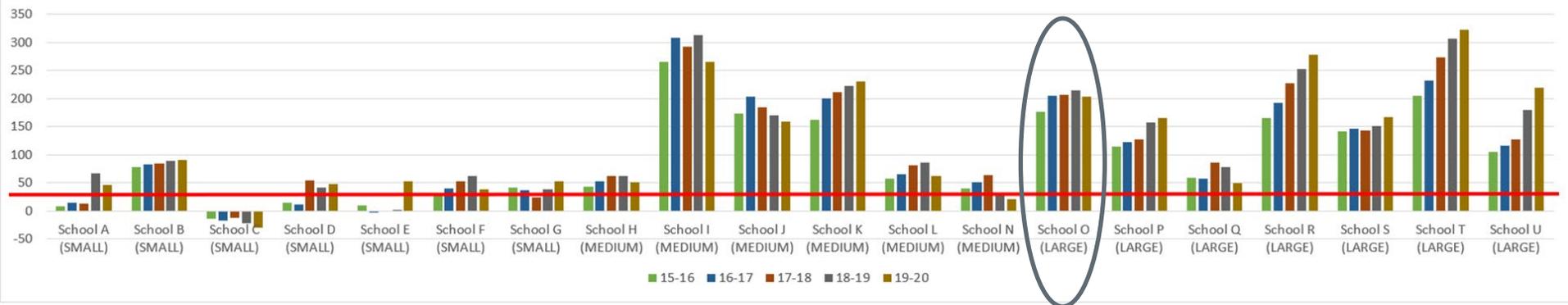
Net income/loss ratio is an indicator of the extent to which an institution's revenues contribute to its net assets. The objective of this metric is to identify trends in an institution's net earnings. It provides insight into how well an institution is able to manage its expenses, relative to revenue base. Total Revenues and Total Expenses are obtained from an institution's financial statements.

Small schools include OCAD, Algoma, Lakehead, Ont Tech, Laurentian, Nipissing, and Trent
Medium Schools include: Carleton, Guelph, Brock, Queens, Laurier, and Windsor
Large Schools include: Ryerson, Toronto, Waterloo, McMaster, Western, and York

Financial Metrics

$$\text{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Expenses}} \times 365 \text{ days}$$

Primary Reserve Ratio (minimum 30 Days)



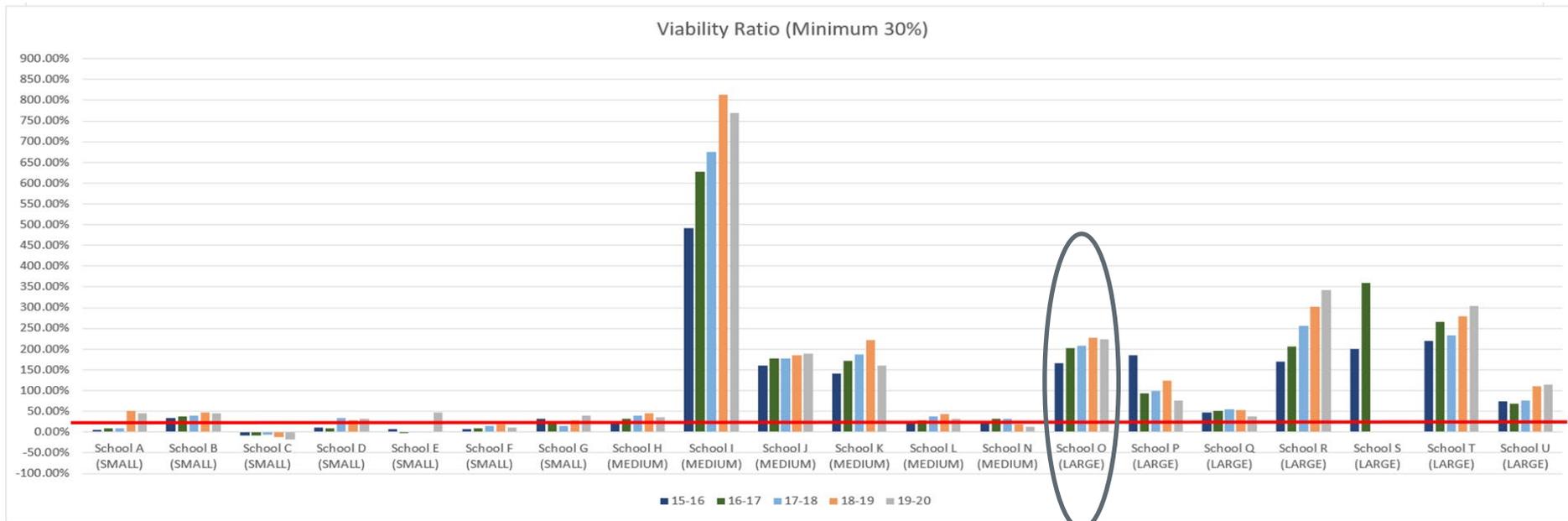
Primary Reserve Ratio (Days)

Primary reserve ratio is a measure of financial viability that compares expendable net assets to total expenses, and provides an indication of an institution's financial strength and flexibility by determining how many days an institution might (theoretically) function using only its existing unrestricted financial resources. **Expendable Net Assets include: unrestricted surplus (deficit), internally restricted net assets and internally restricted endowments, adjusted for the non-cash component of employee future benefits.**



Financial Metrics

$$\text{Viability Ratio} = \frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$



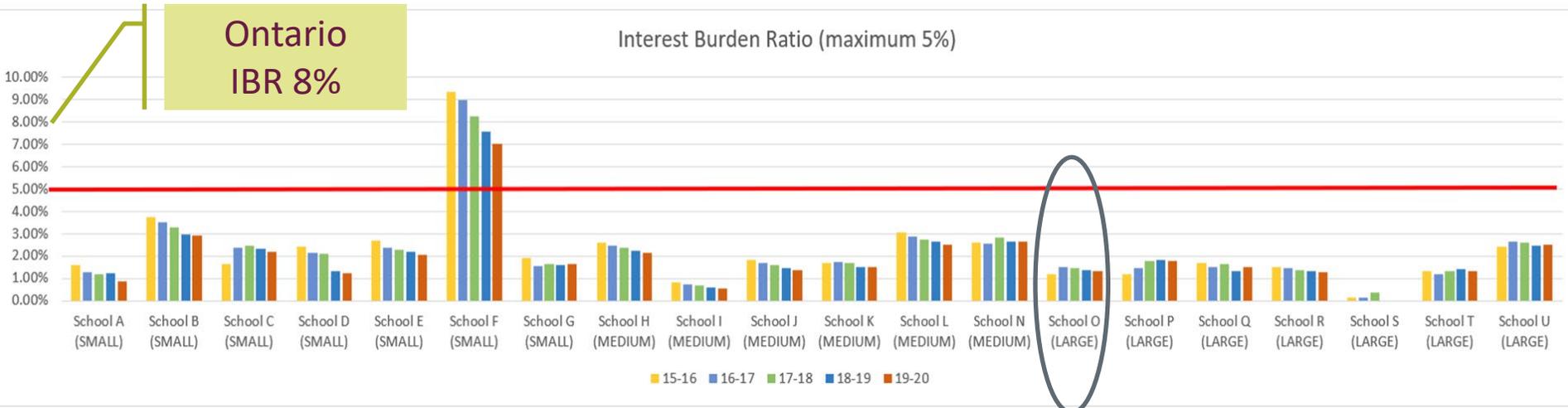
Viability ratio

Viability ratio is an indicator of an institution's financial health, as it provides an indication of the funds on hand that can be used should an institution be required to settle its long-term obligations. It is measured as a ratio and is calculated as Expendable Net Assets over Long-Term Debt. Expendable Net Assets are defined above under Primary Reserve Ratio. Long-Term Debt is total external long-term debt as disclosed in the institution' financial statements without adding the current portion that may be included in accounts payable.



Financial Metrics

$$\text{Interest Burden Ratio} = \frac{\text{Interest Expense}}{\text{Total Expenses - Depreciation}}$$



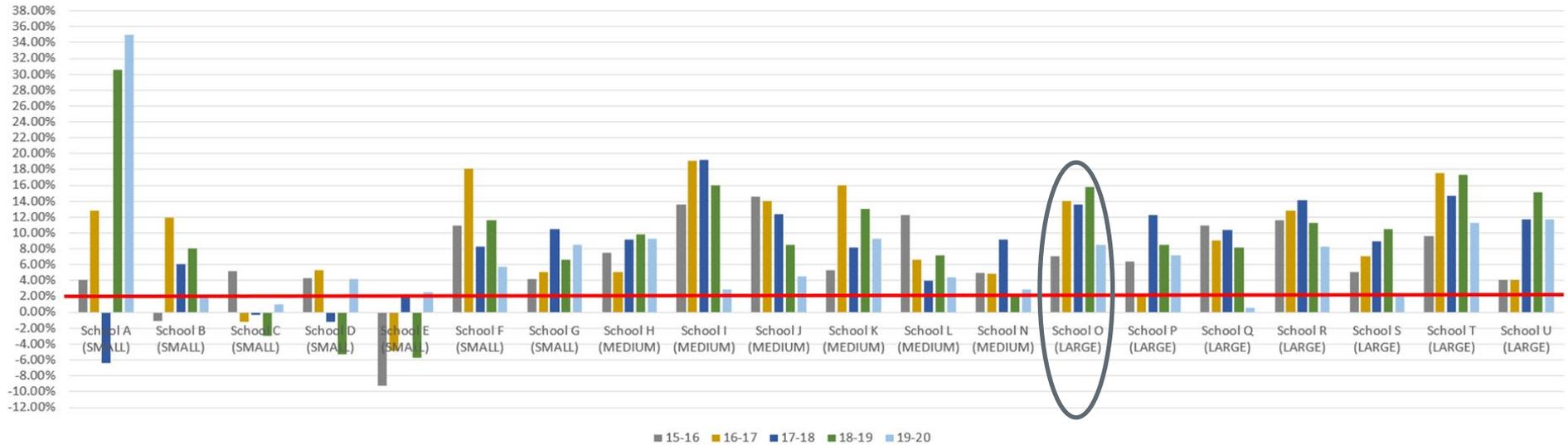
Interest burden ratio

Interest burden ratio is a measure of debt affordability that compares the level of current debt service with the institution's total expenses. It examines the percentage of total expenses used to cover an institution's cost of servicing its debt. The ratio is calculated as interest expense over total expenses (adjusted for depreciation).

Financial Metrics

$$\text{Net Operating Revenues Ratio} = \frac{\text{Cash Flow from Operating Activities}}{\text{Total Revenues}}$$

Net Operating Revenues Ratio (Minimum 2%)



Net operating revenues ratio

The Net Operating Revenues Ratio is a financial performance metric that provides an indication of the extent to which institutions are generating positive cash. The ratio is calculated as Cash Flow from Operating Activities (from the statement of cash flows) over Total Revenues (from the statement of operations).

Financial Metrics

Generally, the financial metrics overviewed show:

- Small universities (with student enrolments less than 12,000) have more difficulty meeting the financial health minimum thresholds.
- Four universities routinely have results below thresholds, Laurentian is one of those.
- Medium and large universities have stronger metrics, driven by enrolment size, participation mix, urban access, and reputation academically and through research.

- Conclusions, Laurentian really needed to:
 - Address student enrolment trends (program quality)
 - Examine cost-benefit of satellite locations
 - Examine the cost-pressures associated with financing new strategic capital
 - Examine the resiliency of operations if capital funding from Ontario fell short
 - Examine other revenue risks:
 - -10% Tuition and frozen thereafter
 - Continuity risk for the Northern University Grant
 - Performance based funding coming risk of further lost revenue

The Laurentian Effect

- **Impact felt throughout the system:**
 - Distrust around co-mingled funds
 - Increased concerns over Universities sustainability
 - Risk of increased Ontario control or influence
- **Proposed *Four Point Plan for Continued Financial Transparency and Accountability* Objectives:**
 1. Demonstrate Accountability & Transparency
 2. Provide clear data and mitigate financial sustainability risks
 - Financial health warning system (red, orange, yellow, green metric triggers)
 3. Avoid disruption and preserve institutional autonomy
 4. Recognize Ontario's relationship to sector financial health

Financial Metrics

Primary Reserve Ratio

Green: > 45 Days

Yellow: between 31 & 45 Days

Action A: Early warning stage: triggers communication with MCU, unless credit rating = A (high) or better

Orange: between 15 & 30 Days

Action B: Triggers confirmation to MCU that a management action plan with Board is underway, unless A (high)

Red: < 15 Days

Action C: Third-Party Advisor: triggers hiring experts with MCU to review University finances and recovery strategies. The University would be required to issue an annual progress report to MCU

Net Income (Loss) Ratio

Green: > 2%

Yellow: between 1.51% & 2.0%

Orange: between 0.5% & 1.5%

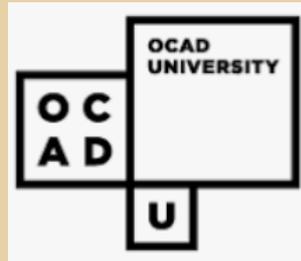
Red: < 0.5%

Financial Metrics

Yellow Zone



Orange Zone



Red Zone



Performance-based Metrics Impact



Performance-based Metrics Impact

- Shifts funding from Enrolment based to 60% Performance Target based
 - Shift planned for 2020/21
 - Activation delayed due to COVID for two years
 - Performance based funding now planned to begin in 2022/23

Skills and Job Outcomes

1. Graduate employment earnings
2. Experiential Learning
3. Skills and competencies
4. Graduate employment rate (in field)
5. Institutional strength/focus
6. Graduation rate

Economic and Community Impact

7. Research funding and capacity (Tri-Agency)
8. Research funding from industry sources
9. Community impact of student population
10. Economic impact

<https://www.ontario.ca/page/2020-2025-strategic-mandate-agreement-mcmaster-university>

Delivering on McMaster's Strategic Plan

- Five Strategic Pillars
- Research for a Brighter World
 - Global Nexus
 - Sustainability-focus
 - Net Zero Campus and Investment Pool

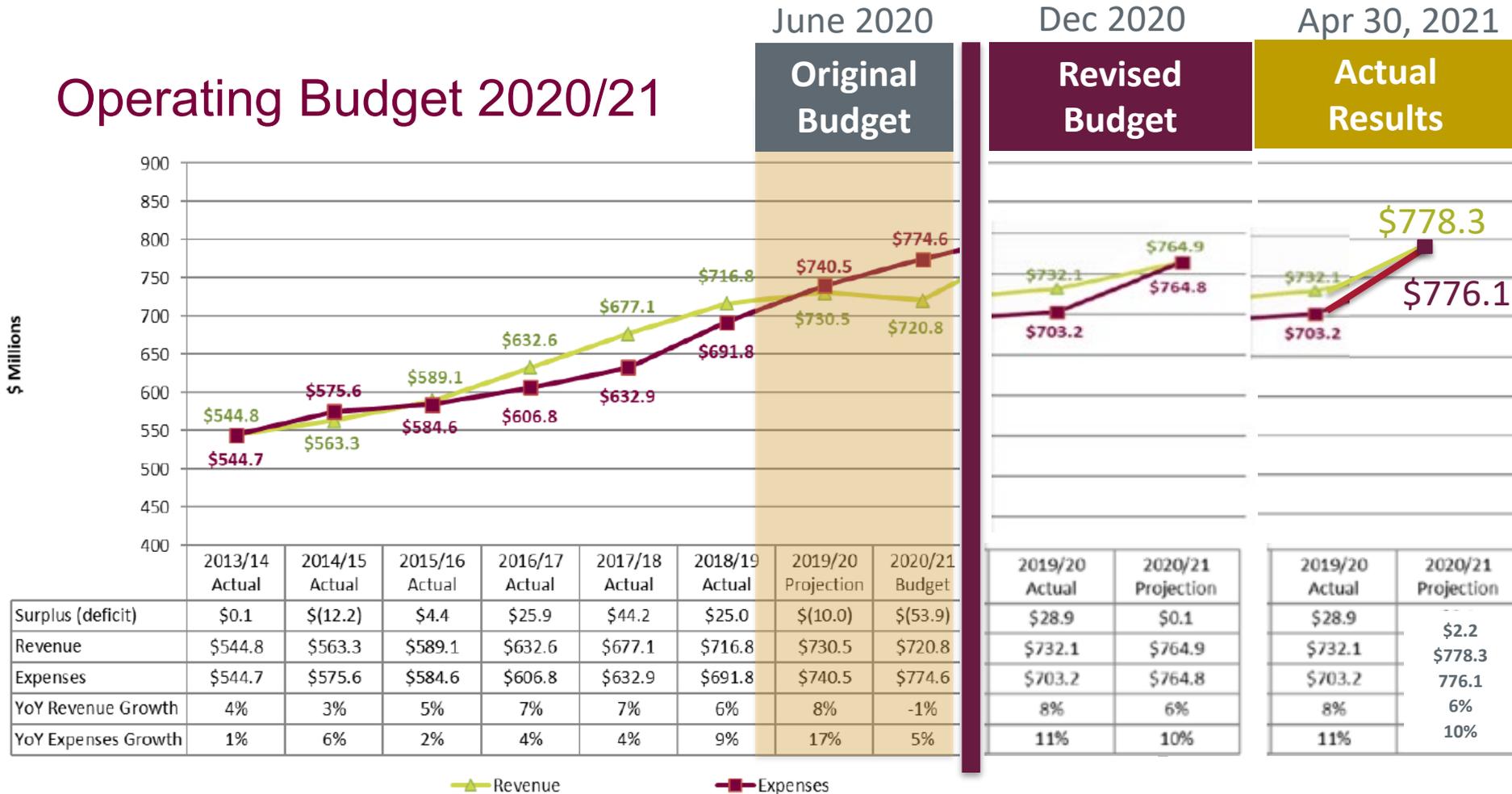


Delivering on the Strategic Plan

- Global Nexus – integrated multi-faculty research and academic facility focused on the full spectrum of societal health needs regarding infectious diseases, tracking, vaccine development, PPE, and public-policy
 - Capital Initiative ~\$410M
 - Operating ~\$50M per year
- Research for a Brighter World
 - Multiple initiatives, including research support for Global-Nexus
- Net Zero Campus and Investment Pool
 - **Over \$100M** in campus modifications to transition off fossil-fuel energy
 - Ensuring the Investment Pool's investment managers eliminate carbon-emitting companies that fail to address carbon aligned to the Paris Agreement
- Sustainability-focus
 - Across all Sustainable Development Goal

Delivering on the Strategic Plan

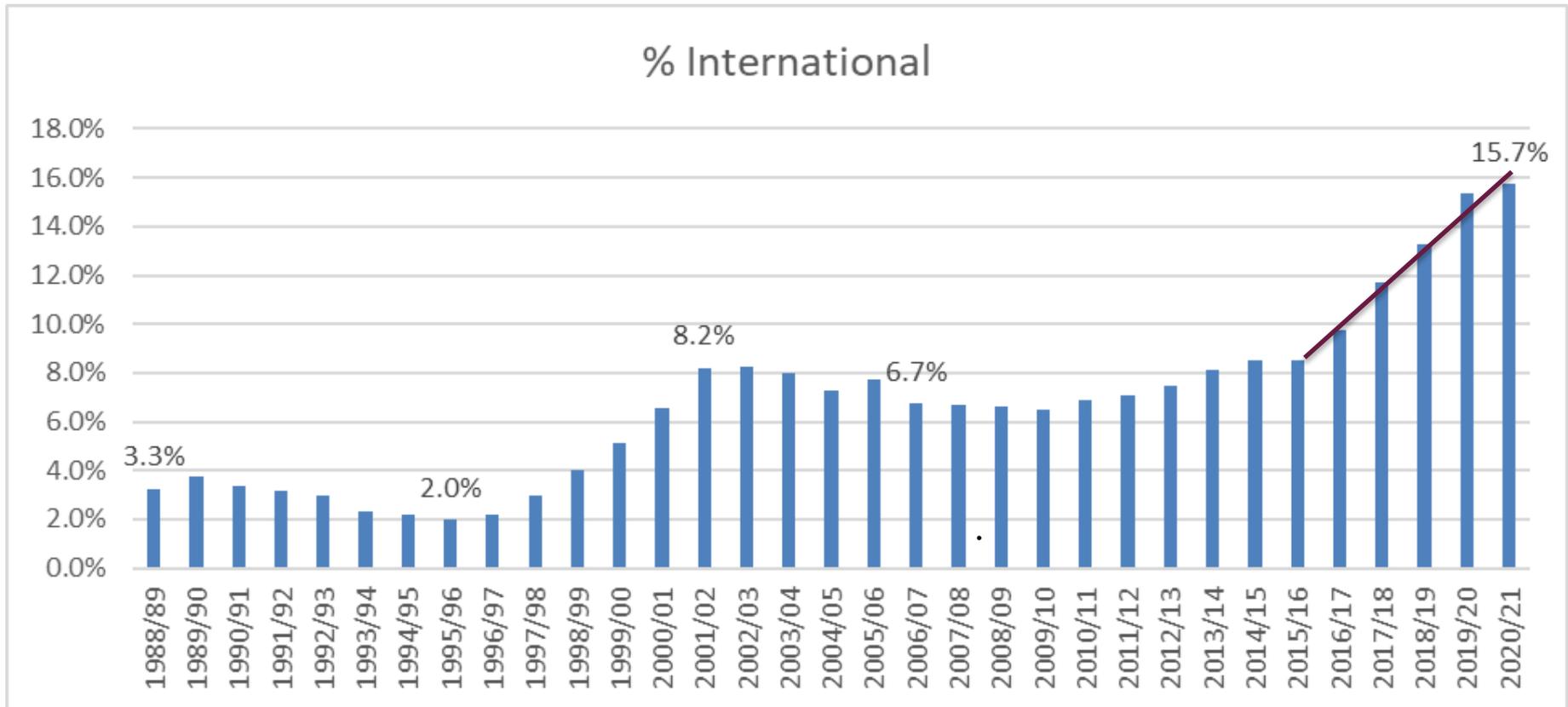
Operating Budget 2020/21



	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Actual	2019/20 Projection	2020/21 Budget
Surplus (deficit)	\$0.1	\$(12.2)	\$4.4	\$25.9	\$44.2	\$25.0	\$(10.0)	\$(53.9)
Revenue	\$544.8	\$563.3	\$589.1	\$632.6	\$677.1	\$716.8	\$730.5	\$720.8
Expenses	\$544.7	\$575.6	\$584.6	\$606.8	\$632.9	\$691.8	\$740.5	\$774.6
YoY Revenue Growth	4%	3%	5%	7%	7%	6%	8%	-1%
YoY Expenses Growth	1%	6%	2%	4%	4%	9%	17%	5%

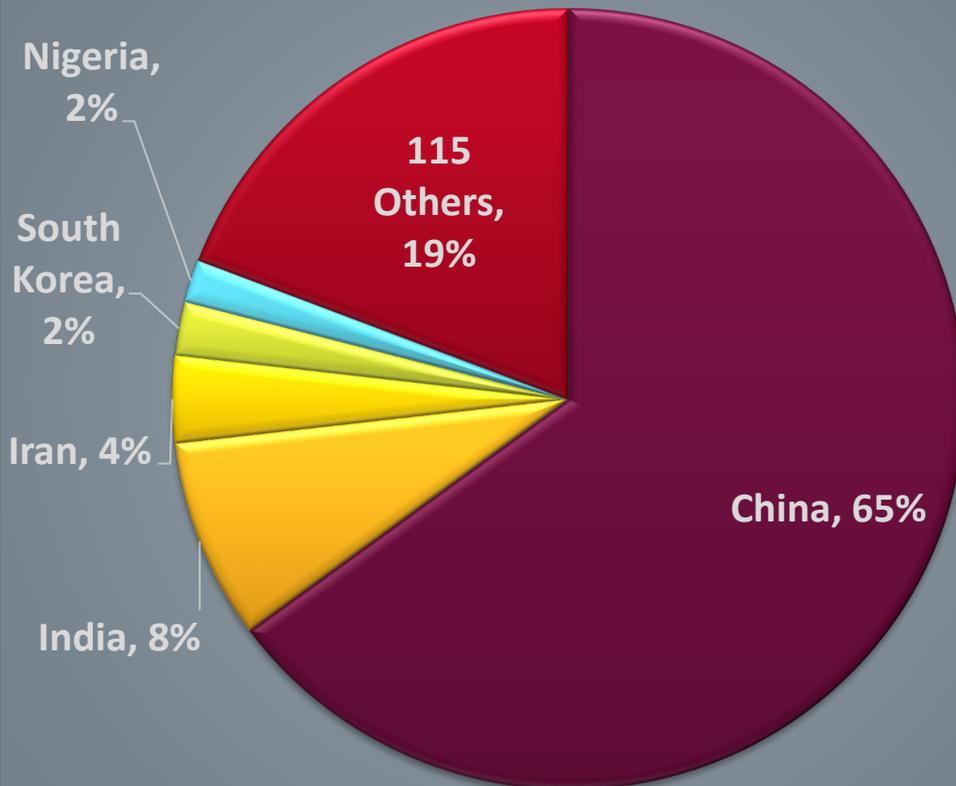
	2019/20 Actual	2020/21 Projection	2019/20 Actual	2020/21 Projection
Revenue	\$732.1	\$764.9	\$732.1	\$778.3
Expenses	\$703.2	\$764.8	\$703.2	\$776.1
YoY Revenue Growth	8%	6%	8%	6%
YoY Expenses Growth	11%	10%	11%	10%

Delivering on the Strategic Plan



Delivering on the Strategic Plan

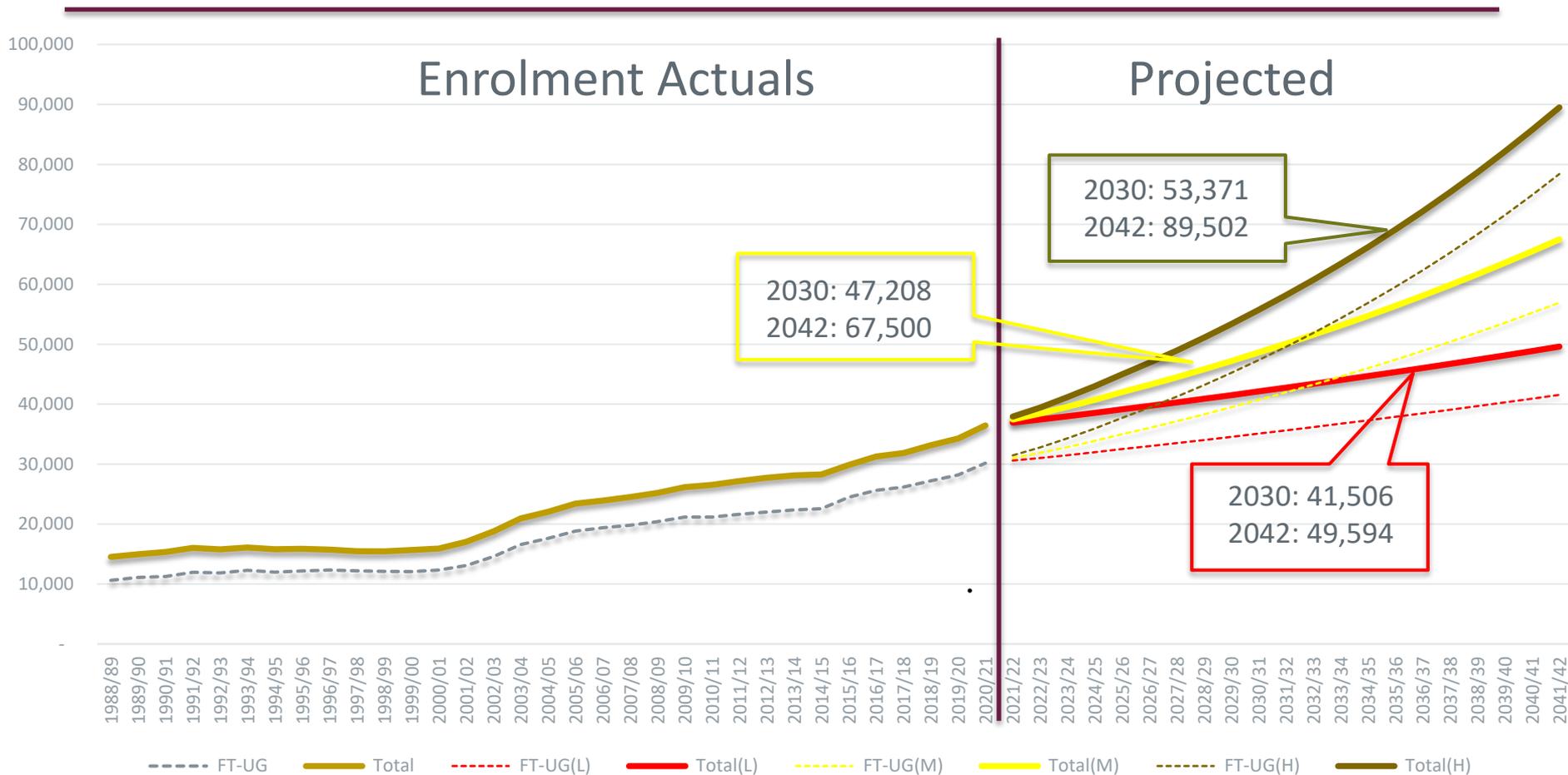
International Diversification 2021



Geo-political Risk

- Example, Saudi-Arabia
- In 2017 China was 68%
- Objective diversification would reduce single country exposures <25%
- Difficult to achieve in short-term

Delivering on McMaster's Strategic Plan

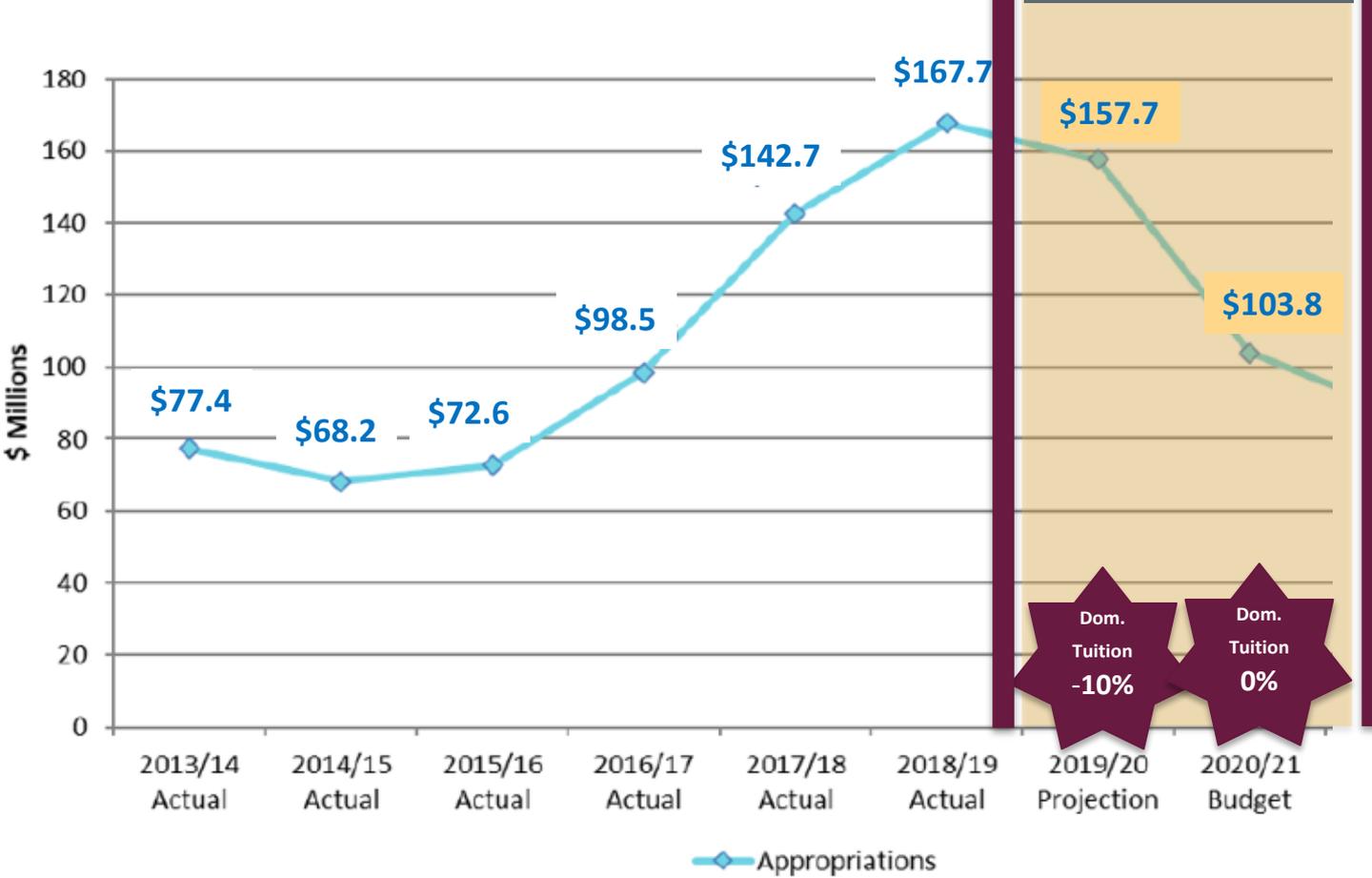


Projection Basis:

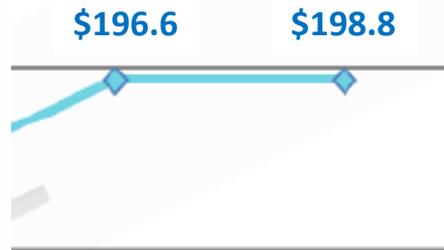
- High scenario applies 100% of the past 5 years growth as the ongoing enrolment growth pace
- Medium scenario applies 66% of the past 5 years growth rate as the ongoing outlook
- Low scenario applies 33% of the part 5 years growth rate as the outlook

Delivering on McMaster's Strategic Plan

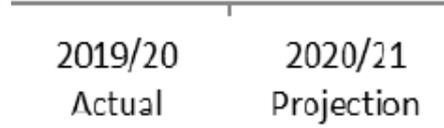
Operating Appropriations 2020/21



Actual Results

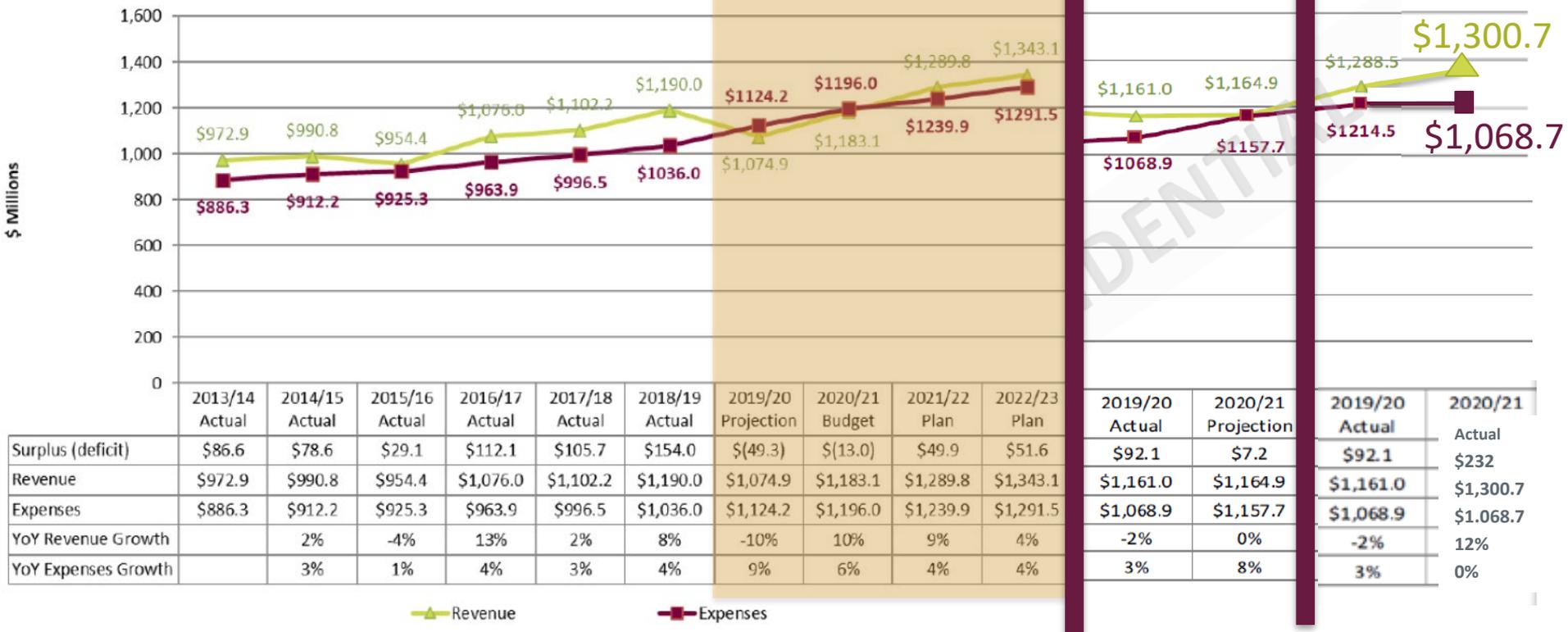


Operating Reserves represent 26% of Operating Expenses (Before capital transfers 30%)



Delivering on McMaster's Strategic Plan

Consolidated Budget and Actuals 2020/21



International tuition (up to \$55.7 million) and extraordinary investment income of net 26.1% (up \$172.7 million) are the key drivers of the revenue growth.



Delivering on McMaster's Strategic Plan

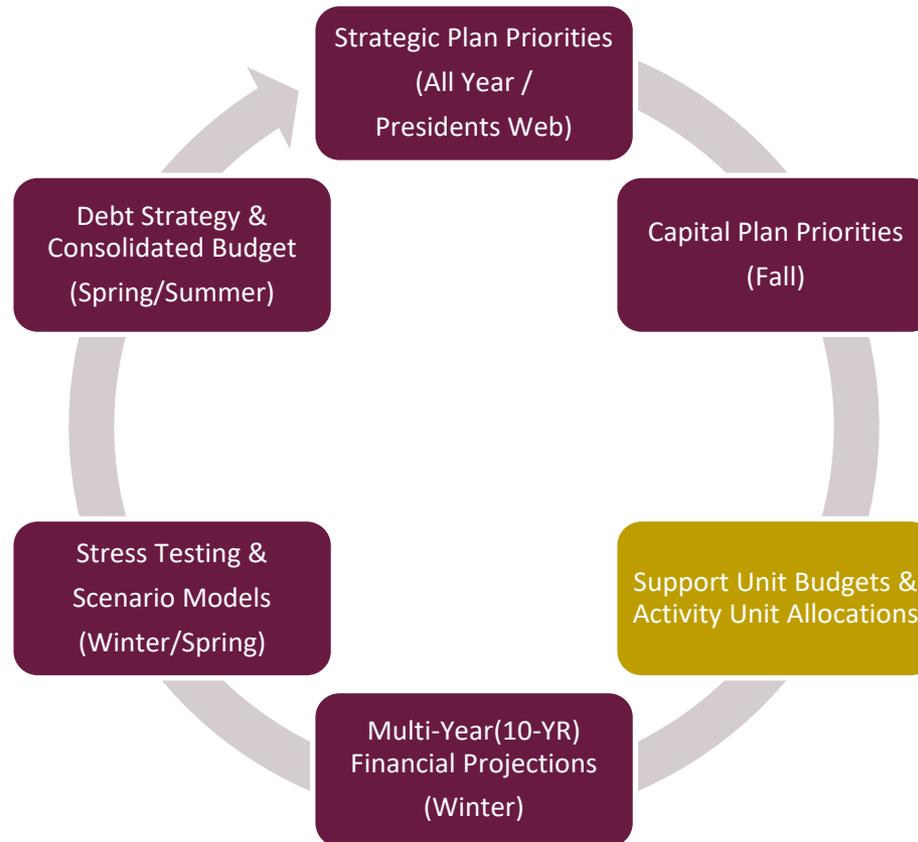
- Improving metrics:

	2016/17	2017/18	2018/19	2019/20	2020/21
Debt Management Policy Ratios					
Expendable Net Assets to Debt (Target > 1.0x)	1.9x	2.0x	2.2x	2.2x	2.7x
Interest Burden (Target < 4.0%)	1.5%	1.4%	1.4%	1.3%	1.3%
Debt per FTE (Target < \$12,000)	\$9,575	\$9,321	\$8,898	\$8,525	\$7,826
Debt Management Monitoring Ratios					
Net Income/(Loss) Ratio (McMaster Target > 1.0%)	10.4%	9.6%	13.2%	7.9%	17.8%
Net Operating Revenues (McMaster Target > 2.0%) ¹	14.3%	12.0%	15.7%	8.5%	29.7%
Primary Reserves Ratio (McMaster Target > 91 days) ²	200	205	214	204	247
Viability Ratio (McMaster Target > 1.0) ³	2.0	2.1	2.3	2.2	2.7
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.					

- June 2021, added \$150M in additional financing to support McMaster's Strategic Plan

Delivering on McMaster's Strategic Plan

- Planning Cycle at McMaster to monitor financial health with Strategy



Delivering on McMaster's Strategic Plan

	Central Bank Continuity Schedule ('000s)	April 2021 Actual	April 2022 Projected	April 2023 Budget	April 2024 Plan
Net Sources of Funding for Strategy (incl. Capital)	PERMANENT SOURCES OF FUNDS				
	2052 Bond	120,000	120,000	120,000	120,000
	2065 Bond	120,000	120,000	120,000	120,000
	<i>2052 & 2072 Bonds</i>	-	<i>150,000</i>	<i>150,000</i>	<i>150,000</i>
	Gross Central Bank	240,000	390,000	390,000	390,000
	Less: 2052 Sinking Fund	(6,000)	(6,000)	(6,000)	(6,000)
	Less: 2065 Sinking Fund	(10,000)	(10,000)	(10,000)	(10,000)
	<i>Less: Permanent Allocation (repay past capital)</i>		<i>(135,000)</i>	<i>(135,000)</i>	<i>(135,000)</i>
	<i>Less: 2052 & 2072 Sinking Funds</i>		<i>(15,000)</i>	<i>(15,000)</i>	<i>(15,000)</i>
	Net Permanent Sources of Funds	224,000	224,000	224,000	224,000
Temporary Sources of Funding for Strategy	SOURCES OF FUNDS				
	Unexpended Departmental Carry forwards	198,753	154,375	153,745	162,554
	10% of Deferred Contributions for Future Exp.	43,799	43,799	43,799	43,799
	Specific Purpose Reserve	52,096	52,096	52,096	52,096
	Department Capital Fund Pending Approval Projects:				
	Business			10,000	20,000
	Engineering	30,370			
	Science	5,000	4,500	14,500	24,500
	Social Science		1,000	6,000	11,000
	Net Temporary Sources of Funds:	330,018	255,770	280,140	313,949
Net Central Bank Sources of Funds:	554,018	479,770	504,140	537,949	
Temporary Sources of Funding for Strategy	Less: McMaster Capital Reserve Schedule	(141,923)	(11,169)	(12,237)	(56,513)
	Less: Central Bank Loans Schedule	(152,536)	(219,143)	(233,855)	(241,978)
	Less: Amounts Committed to P3 Projects	(22,464)	(34,130)	(34,130)	(30,580)
	Less: Non-Cash Receipts			(236)	(576)
Available w/o Restriction	Net Central Bank Position	237,096	215,328	223,682	208,301

Delivering on McMaster's Strategic Plan

- The Central Bank and McMaster Capital Reserve commitments are updated routinely throughout the year. Projects do not start without confirmation of full funding plan.

McMaster Capital Reserve		Actual	Projected>>>									
Line	Description	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
1	Opening Balance	\$ (149,895,412)	\$ (141,922,622)	\$ (11,169,312)	\$ (12,237,343)	\$ (56,513,131)	\$ (50,770,237)	\$ (26,682,071)	\$ (3,168,891)	\$ 19,763,808	\$ 42,607,446	\$ 64,840,701
2	Contributions from University Fund	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000
3	Transfer from Specific Purpose Reserve (plan years TBC)	\$ 25,000,000	\$ 7,500,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
4	Allocation from 2051 & 2072 Bonds		\$ 135,000,000									
5	MD Expansion Capital Planned Spending	\$ (46,756)	\$ (823,974)									
6	CFI 2014 / 2015	\$ (7,982)										
7	CFI 2017	\$ (4,379,516)	\$ -									
8	CFI 2020		\$ (1,345,024)									
9	CFI Future Matching Funds (Set Aside)			\$ (3,586,864)								
10	Classroom reconfiguration Plan	\$ (2,016,966)	\$ (4,088,905)									
11	Grad Residence - Parking Portion	\$ (1,500,000)										
12	132 Mayfair Crescent	\$ (300,000)										
13	8 Mayfair Crescent		\$ (1,000,000)									
14	Research Commercialization Project	\$ (20,119,135)	\$ (9,880,865)									
15	Research Comm. - Royalty & Excess Cost Repayment		\$ 2,500,000	\$ 2,500,000						\$ 500,000	\$ 500,000	\$ 500,000
16	Downtown Centre / OJN Relocation		\$ (200,000)									
17	DSB Expansion		\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (2,537,596)						
18	Osler House	\$ (1,569,000)										
19	LSB / Greenhouse		\$ (800,000)									
20	Project Pending Approval		\$ (3,000,000)									
21	NEXUS - Strategic Plan Priority			\$ (18,000,000)	\$ (63,000,000)	\$ (9,000,000)						
22	NEXUS - Base Lease MCR Capital Recovery						\$ 1,413,851	\$ 1,481,009	\$ 1,551,357	\$ 1,625,046	\$ 1,702,236	\$ 1,750,000
23	Sterling lot					\$ (2,500,000)						
24	Return Excess Funding / Timing Differences	\$ 63,305										
25	MIP Net Rent - All Spaces		\$ (1,538,002)	\$ 235,707	\$ 340,220	\$ 359,603	\$ 392,278	\$ 417,576	\$ 439,222	\$ 448,517	\$ 456,321	\$ 467,000
26	Short-Term Investment Income	\$ (103,893)										
27	Administrative Expenses	\$ (269,668)	\$ (364,668)	\$ (369,668)	\$ (374,668)	\$ (379,668)	\$ (384,668)	\$ (389,668)	\$ (394,668)	\$ (399,668)	\$ (404,668)	\$ (405,000)
28	Section 211 Election Recovery (net)	\$ 4,058,871	\$ 1,211,764	\$ 1,349,356	\$ 845,339	\$ 1,129,757						
29	Share of borrowing charged to central bank - 2065 Bond	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)	\$ (2,216,700)
30	Interest income from Loans	\$ 7,480,230	\$ 6,899,685	\$ 11,120,139	\$ 12,230,021	\$ 11,987,499	\$ 15,983,406	\$ 15,320,963	\$ 14,653,488	\$ 13,986,443	\$ 13,296,067	\$ 12,000,000
	Total	\$ (141,922,622)	\$ (11,169,312)	\$ (12,237,343)	\$ (56,513,131)	\$ (50,770,237)	\$ (26,682,071)	\$ (3,168,891)	\$ 19,763,808	\$ 42,607,446	\$ 64,840,701	\$ 85,836,001

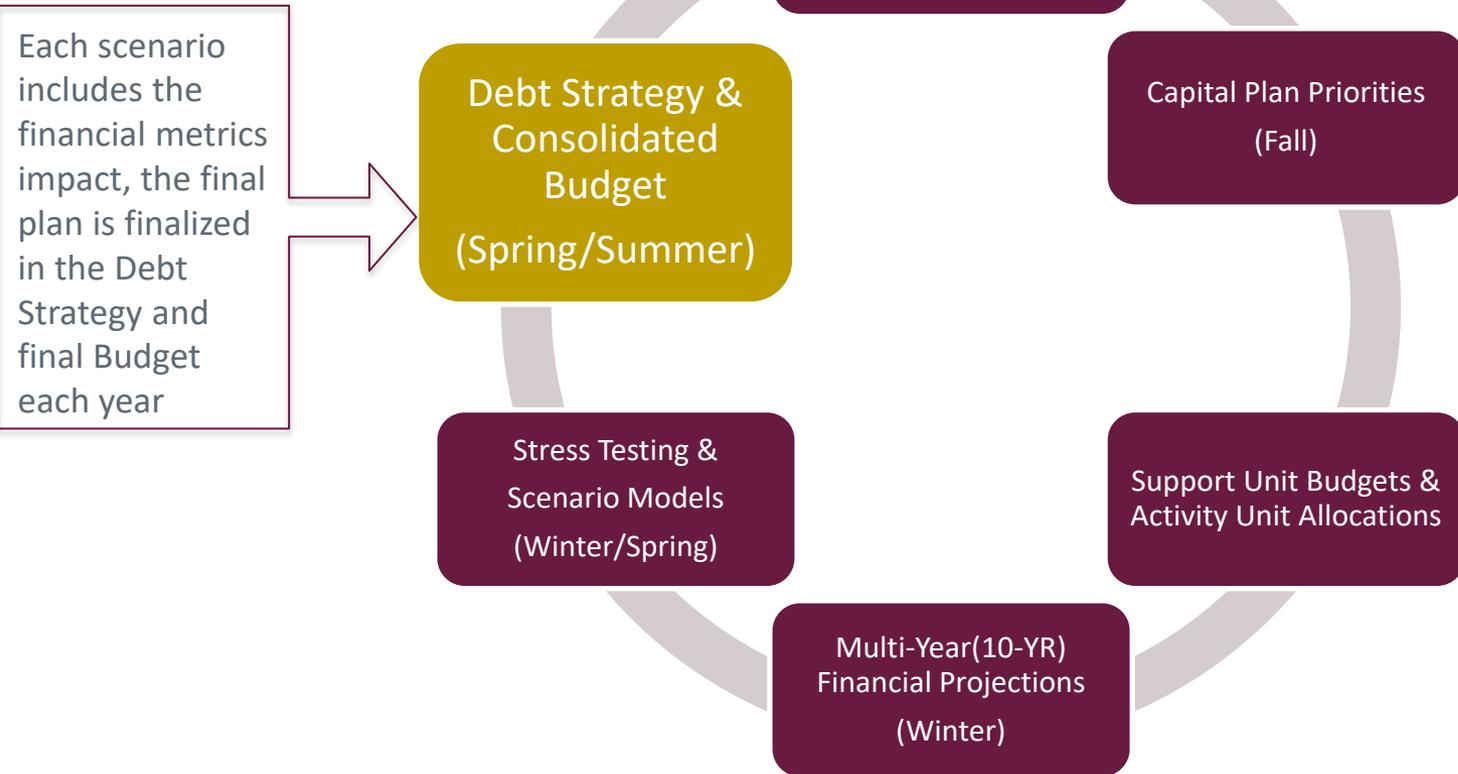
Delivering on McMaster's Strategic Plan

- Projects approved based on funding plans, which may include internal financial (loans) and/or bridge funding, examples below.

Ref#	Central Bank Loans Description	April 2021 Actual	April 2022 Projected	April 2023 Budget	April 2024 Plan	Notes
(1)	Les Prince Residence	12,644	12,411	11,925	11,412	June 30, 2038
(2)	David Braley Athletic Complex	2,093	638	-	-	September 30, 2022
(3)	Ron Joyce Stadium & Parking	12,407	11,198	9,922	8,572	Fiscal 2028 - Parking, Fiscal 2031 Stud. Aff.
(4)	MUMC (Central Animal Facility)	2,438	1,938	1,438	938	Estimated Maturity - Fiscal 2026
(5)	MARC (Faculty of Engineering - Budget Model)	5,197	4,772	4,347	3,922	April 30, 2034
(6)	2003 Energy Reduction Program	23,837	23,124	22,312	21,405	Estimated Maturity - Fiscal 2038
(7)	2012 Energy Project with Cogen	1,411	1,248	-	-	Bridge Financing - Loan to be developed
(8)	Halton-McMaster Fam Med - Final JV Payment	770	-	-	-	Expected by December 31, 2022
(9)	L. R. Wilson Hall: Parking Garage	513	58	-	-	June 30, 2022
(10)	Internal Equipment Loans	41	27	11	-	Various - current loans repaid in 2023/24
(11)	BEAM Rent Loan	672	472	272	72	Estimated Maturity 2024/25
(12)	MIP - Forge Project (Affiliate)	455	430	405	377	April 30, 2034
(13)	PGCLL - Housing & Conference	46,094	45,780	45,124	44,430	February 28, 2051
(14)	PGCLL - Parking	-	4,510	4,239	3,952	April 30, 2033
(15)	MIP - Frid Street	11,533	-	-	-	February 28, 2022
(16)	MIP - Demand Loan	1,459	1,500	1,500	1,500	December 31, 2035
(17)	GSR Ground Lease Differential	226	432	610	830	Bridge Loan Period - Will fold into ref#18
(18)	Grad. Residence Adjacent Parking Structure	-	-	-	13,392	Parking Infrastructure Loan
(19)	Alumni Hall Reno with University Club (Affiliate)	215	341	328	316	December 31, 2041
(20)	MIP - Gore Loan	10,100	13,000	13,000	13,000	Demand Loan - Repayable post development
(21)	Athletics & Rec Phase (SAFE)	20,431	51,047	52,412	51,976	Bridge Loan period - Loan to be developed
(22)	McLean Centre for Collaborative Discovery	-	12,917	15,198	11,363	Bridge Loan period - Loan to be developed
(23)	Light Rail Transit (LRT) Phase 1 (Pending / Planned)	-	-	-	-	Will update bridge financing needs in Feb 2022
(24)	Lot K - Parking Structure	-	16,300	15,586	15,587	Approved (On HOLD)
(25)	Peak Shaver - Energy Project	-	13,000	26,226	24,634	April 30, 2035
(26)	Nuclear Reactor - 5MW Facility Operating Loan	-	4,000	9,000	14,300	Expected by December 31, 2043
Capital Projects funded by Central Bank		152,536	219,143	233,855	241,978	
<i>Represents bridge financing years</i>						

Delivering on McMaster's Strategic Plan

- The 10-Year outlook allows for planning scenarios to ensure financial trends are acceptable to PVP & Board



Delivering on McMaster's Strategic Plan

- **Key take a ways:**
 - Low probability for more Ontario funding
 - Medium need to diversify our international participation
 - High need for your operational excellence – particularly as we continue to grow
 - High need for ALTERNATIVE REVENUE GENERATION
 - High need to manage funding wisely and not over commit spending
 - High need to continue stress testing and scenario modelling ideas
 - High need to ensure we continue to support program and research excellence (which contributes to global attractiveness and enriches the campus)

- Submit questions using the Q&A feature
- First, let's do a wrap up poll

THANK YOU

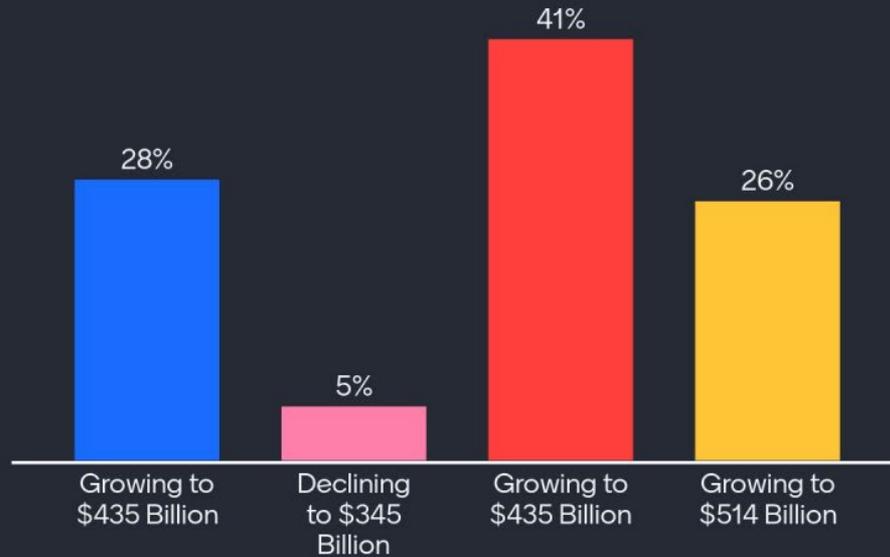
Post-Presentation Poll

- Using your mobile device
- Hold your camera over the QR code
- Or, go to www.menti.com and use code 4018 1613
- Click the link that appears
- Poll will begin shortly

Hold Camera over this
QR Code:



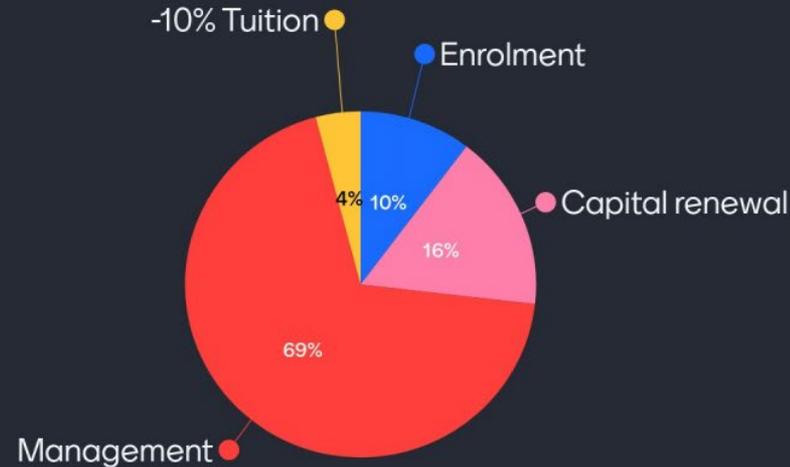
How big is Ontario planning to grow the total net deficit by 2021 (from \$398 Billion in 2020)?



Answer:

In order to address provincial priority needs, particularly costs associated with COVID-19, the Province will increase the net deficit to \$435 billion next year and increase it further to \$514 billion over the next three years.

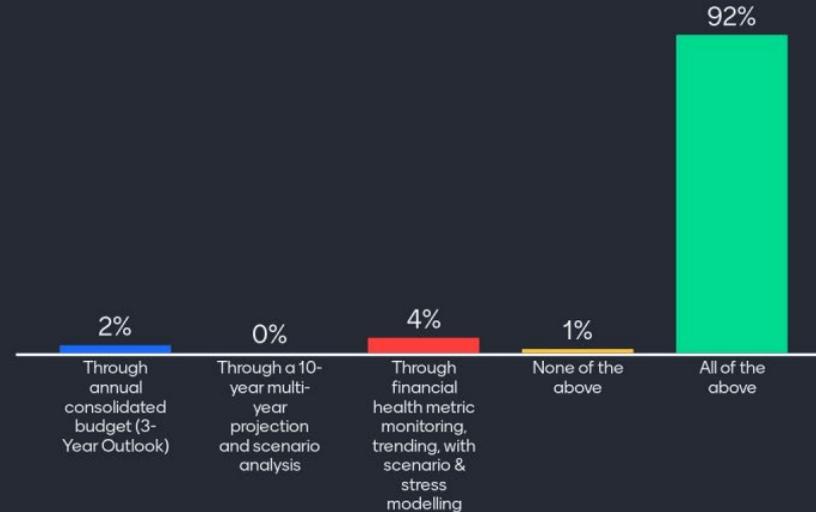
What key factor contributed most to Laurentian's bankruptcy?



Answer:

An organization is run by its “management”, it is management decisions that translate to financial health outcomes. When financial health trends are on a decline or projected to decline it is management action plans that determine whether an organization addresses its sustainability matter or not.

How does McMaster monitor its Strategic Plan Investments?



Answer:

McMaster uses an integrated multi-year projection approach that begins from the annual capital plans along with Faculty and support unit allocations and roles up a 10-year projected outlook based on strategic and capital priorities. These plans are monitored for impact to financial health metrics and outcomes include modified strategic timelines or modified planning for things such as enrolment and/or enrolment mix.

