

McMaster UPDATE

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McMaster Update is a university publication for the internal community at McMaster. The monthly publication will focus on financial developments, policy changes and updates, and initiatives and issues that affect faculty, staff and students at the University. An electronic edition of each issue is available on the Daily News Website. Inquiries can be sent to update@mcmaster.ca

McMaster financial update

Each year, we write a number of messages to update the McMaster community about the University's budget. This year, we are beginning these communications earlier in the budget cycle to ensure that all members of our community have a clear idea of the gravity of our financial situation and the steps that are being taken to address the problems we face.

The year 2009-10 has been challenging. As world economies continue to battle their way out of the recession, universities have faced increasing costs and uncertain government funding. At McMaster, these challenges occurred after a decade of tremendous innovation and development. Faculty members who have joined our ranks have brought both teaching and research expertise and opportunity to their McMaster colleagues. The number of students choosing McMaster has also grown at unprecedented levels and while this has caused strain in some areas, these students clearly demonstrate that McMaster has become one of Canada's leading universities both at the undergraduate and graduate levels. Our core missions of teaching and research continue to be our priorities.

While investment markets have recovered in part, the reality is that the financial health of the University has been materially affected. Despite concerted efforts by management to eliminate our structural deficit over the past few years, we find ourselves still facing serious financial challenges. The continued growth in costs exceeds projected revenue growth from our government funding partners who themselves are under immense financial pressure. Forecasts for this year and next year show that 2010-11 will be the fourth year in a row in which we have spent more than we earned. Over this period our expenses could well exceed our revenues by over \$100 million. These numbers are huge and we are eating into our reserves at a pace we cannot

possibly sustain. As an institution we must now make significant changes in the way we operate in order to keep paying the bills.

The demands on the University's finances for 2010-11 are staggering. In addition to our ongoing expenses, we will need to find:

- \$22 million to cover the cost of inflation - largely increases in salary and benefits
- \$8 million to pay the pension deficit
- \$14 million to account for the cost of post-retirement medical and dental benefits for current and future retirees
- \$4 million increase in the cost of utilities, regulatory requirements, and insurance.

Improvements to financial markets, while welcome, will only help marginally. Finding the funds to pay for these expenses will put pressure on every budget envelope as each unit will need to pay more through benefit surcharges and will need to once again cover inflationary costs within a flat budget allocation.

We anticipate that these budget pressures will require that a minimum of 50 and up to 100 positions will need to be cut across the University. While some of these will be through attrition, others will cause layoffs. Because more of these cuts will be in non-teaching rather than teaching areas, service levels in many areas will be reduced. All hiring must now have the written approval of the appropriate vice-president or the president.

On the revenue side, we have neither clarity on the level of provincial funding nor the tuition guidelines for next year, and this makes forecasting more uncertain than ever.

Our operating deficit has for several years benefitted from one-time funds received from the provincial government in the spring. In some years, these funds have been available to help cover the operating deficit, in other years they

have been earmarked for capital projects or other targeted programs. Many experts believe the government's current financial picture means it will not be in a position to transfer these one-time funds as it has in the past.

Although times are difficult and require flexibility we also know that we are finding solutions. The willingness of TMG, CAW, hourly workers and senior administrative leaders to significantly increase their pension contributions will have substantial long-term benefits. The recent arbitrator's decision to modify pension formulas for new employees in CAW 555 Unit 1 will also reduce the University's future pension liabilities and costs. These changes demonstrate clear recognition that our financial problems are serious and must be addressed.

McMaster is not alone in these challenges. Universities across Ontario are facing the same pressures. Independently and together we continue to help the government understand the depth of the issues before us. We continue to emphasize the benefits that are created for students and our economy by ongoing provincial investment in Ontario's universities.

By the end of March, the Budget Committee will have a better understanding of what units are proposing in order to balance their budgets. We will continue to keep you informed as the budget is developed and our funding picture becomes clearer.

Thank you for your continued efforts and interest in these critical issues.

Yours sincerely,



Peter George
President and vice-chancellor



Ilene Busch-Vishniac
Provost and vice-president, Academic



New accessibility law

The Accessibility for Ontarians with Disabilities Act (AODA) is now in effect and the province's universities must follow the new rules to ensure access for the disabled.

The legislation is being implemented in stages and the first phase focuses on customer service standards.

The law stipulates training for all faculty and staff and anyone else providing customer service. Online training modules have been created and are available here: <http://www.mcmaster.ca/accessibility/customerservice/training.html>

If you have any questions please see your supervisor, visit www.mcmaster.ca/accessibility or email aoda@mcmaster.ca or ext. 21371.



HST implementation

The University is preparing for the implementation of the Harmonized Sales Tax (HST) which takes effect in Ontario on July 1, 2010.

The HST harmonizes the GST and PST and for the most part follows the same rules as the GST.

A working group has been formed from areas and departments across campus to assist in planning for HST implementation. The committee is working with staff and departments that are directly affected by these changes.

For central university system issues contact: Katie West in UTS at westk@mcmaster.ca

For questions regarding de-centralized systems call : Tim Russell trussel@mcmaster.ca

Regular updates will be posted on the Business Management Services website at http://www.mcmaster.ca/bms/BMS_News.htm

Alternative Budget update

Work on McMaster's new budget model is entering its next phase.

Late last year, the Alternative Budget Model Task Force issued its final report which recommended the University develop an activity-based budget system.

A new Task Force has been formed to take the "Alternative Budget Committee Task Force Report" recommendations and move forward to develop a version of an activity-based budget system that fully supports and enhances McMaster's academic mission.

The Budget Model Task Force II is chaired by Khaled Hassanein, associate professor and chair of the Information Systems Area at the DeGroot School of Business. A full membership list and the mandate for the Alternative Budget Model Task Force II are available at: <http://www.mcmaster.ca/vpacademic/priorities.html>



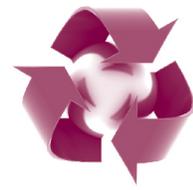
Capacity Study

The University's Campus Capacity Study continues. In January, the steering committee leading the study invited members of the McMaster community to an Open House where ideas and opinions were shared and questions asked about the group's work.

The committee, which includes representatives of faculty and staff, is leading a collaborative campus-wide study to determine McMaster's physical space capacity and gain a clearer understanding of how space is used and activities scheduled.

The committee has been meeting with campus stakeholders over the past few months and will continue meetings through the spring. A final report is expected in June.

For more information <http://mcmaster.ca/avpira/campuscapacitystudy.html>



Sustainability Policy

McMaster has a new policy on sustainability.

The policy outlines the mission, guiding principles and seven key areas of focus for sustainability at McMaster.

The seven areas of focus include: transportation, green space, energy, waste, water, health & wellbeing and education.

You can read the policy at: <http://www.mcmaster.ca/sustainability/policies.html>

Questions or comments can be forwarded to Kate Whalen at whalenk@mcmaster.ca

MACTive Challenge

The annual MACTive Challenge begins March 8 and runs through May 2, 2010. Individuals and teams of McMaster faculty and staff are encouraged to register. Participants track their physical activities during the Challenge and prizes are awarded for those who increase their heart rates and move their muscles the most. For more information visit www.workingatmcmaster.ca/mactive or email mactive@mcmaster.ca ■

