

BOARD OF GOVERNORS

Audit & Finance Committee (A&F)

Minutes of the Public Session of the Meeting of April 10, 2025 2:01 p.m. to 3:58 p.m. [Videoconference](#)

- Present:** Carla Carmichael (Chair), Susanna Zagar (Vice-Chair), Nolan Bederman, Laura Elliott, Laura Money, Steven Murphy
- Staff:** Kirstie Ayotte, Nicola Crow, Jacquelyn Dupuis, Krista Hester, Lori Livingston, Jennifer MacInnis, Brad MacIsaac, Sarah Thrush
- Guests:** Chelsea Bauer, Libby Duckworth, Mikael Eklund, Cristina Morrone, Channen Tan

1. Call to Order

The Chair called the Public session of the A&F meeting to order at 2:01 p.m. and read aloud the Land Acknowledgment.

2. Agenda (M)

Upon a motion duly made by L. Elliott and seconded by S. Murphy, the Agenda was approved as presented, including approving and receiving the Consent Agenda and its contents.

3. Conflict of Interest Declaration

None noted

4. Chair's Remarks

The Chair began by reminding Committee members of some meeting protocols, and Public session attendees were welcomed though were noted unable to participate or engage in the meeting.

She continued by reminding Board members of the upcoming annual Board Practices Assessment and Skills Matrix, which will be due by May 9, 2025. She emphasized that these tools are essential as part of governance best practices and for identifying competency gaps to guide future Board recruitment. She highlighted increasing financial pressures across the post-secondary sector and stressed the importance of

maintaining financial sustainability as a key strategic priority in today's complex and evolving environment.

5. President's Remarks

As the semester comes to a close, the President expressed his appreciation to faculty, staff, and students for their hard work and dedication throughout another successful term. He shared news that Salma Bafagih, a Master of Health Science candidate, placed first in Ontario Tech's Three Minute Thesis competition for her research on food literacy among Canadian adults, and will represent the University at the provincial competition in May. The President also highlighted the recent Excellence in Teaching Awards, extending congratulations to all nominees and recipients for their meaningful contributions to student learning. In addition, the President celebrated several significant achievements in athletics, including the Men's Soccer team winning its first Ontario University Athletics (OUA) soccer championship and the Women's Lacrosse team earning its first medal. These milestones reflect the growing success of the athletics program and the important role it plays in strengthening campus pride and community spirit.

The Chair congratulated the University on the success of its sports teams, noting the challenge of recruiting talented athletes and acknowledged the growing student body and improved forecasts compared to other universities, which are as a result of the excellent University community and the programs offered.

6. Finance

6.1 2025-2028 Budget Approval* (M)

B. MacIsaac advised that the presentation will focus on key aspects of the University's 2025-26 budget. This year's budget is recommended in the context of focusing on adapting to unpredictable government policies and enrollment-driven revenue. This is a shift in Ontario university budgeting practices over the past decade from a more predictable model based on enrollment.

S. Thrush noted that the University's enrollment plan focuses on both undergraduate and graduate programs, considering existing student retention and anticipated intake numbers. While aiming to meet its enrollment targets, the plan acknowledges risks such as increased competition for domestic students and the impact of federal and provincial policies on international student growth. She noted that projections for international student enrollment are expected to flatten or decrease due to enrollment caps.

S. Thrush presented several potential scenarios that were considered to address policy changes and shifts in enrollment trends. These included strategies for attracting non-traditional students to support growth. She highlighted that the University continues to refine its approach and is adjusting for realistic assumptions and potential risks within the evolving landscape of higher education.

B. MacIsaac explained that the University prepares its budget on a modified cash basis to better reflect annual income and expenditures, which differs from the year-end financial statements that account for amortization and investment gains. He advised that tuition is the primary revenue source as government grants have declined substantially over time. On the expense side labour related costs (faculty, staff) are the largest expense category.

B. MacIsaac noted that revenue has increased, largely due to higher undergraduate domestic and graduate international enrollment. However, he noted that growing competition for international and domestic students, alongside government-imposed caps, present future challenges.

He explained that the budget is structured into specific categories, such as ancillary fees that are designated to specific functions such as health services, ensuring funds are used appropriately and transparently. In response to declining government grants, the University has made strategic investments in student services, academic support, and financial aid, which reflect a commitment to student success.

Looking ahead, he advised that the University plans to continue refining its approach in managing enrollment and expenses, with the aim to balance growth with maintaining quality and long-term financial sustainability.

In response to a question regarding space limitations and program capacities while managing the student enrollment growth that is needed, B. MacIsaac advised that the University is exploring alternative solutions such as hybrid learning, non-traditional programs and co-op opportunities to accommodate future growth without overwhelming existing resources.

B. MacIsaac continued by noting that the University is facing a structural deficit, as contractual expenses are outpacing modest revenue growth. While tuition and government grants have seen slight increases, they are not keeping up with rising costs. To maintain a balanced budget, efficiency is a key focus along with the

continued priority of differential growth, recognizing that traditional business models are no longer sufficient for fiscal sustainability. As part of this, the University is exploring alternative approaches, including program innovation, increased advocacy for public funding, and selective revenue opportunities that offer clear returns. B. MacIsaac advised that an external review confirmed that the University is already operating efficiently, reinforcing the need for data-driven planning. Moving forward, the University will need to remain flexible and strategic to maintain financial and academic stability.

B. MacIsaac discussed the University's capital investment planning, noting the need for increased short-term to long-term spending on infrastructure repairs and academic equipment upgrades due to aging facilities. He noted that investments in IT are also underway, including a major system overhaul scheduled for completion by 2026 and after training and implementation in 2027. He noted that commercial services are expected to generate a modest surplus to fund future equipment replacements.

He highlighted that reserves are largely committed to existing obligations, with a need to plan for growing future maintenance needs. He noted that a key priority is setting aside funds for operating reserves. To this end, the 2021 paper on reserves is being updated for presentation in the future to the Committee.

Within this budgetary context, B. MacIsaac noted there are risks in ensuring the maintenance of academic quality amid rising enrollment and limited hiring. Efforts to improve efficiency through technology and AI are being prioritized to help staff free up time for more strategic initiatives which will help ensure continued student success.

L. Livingston emphasized the precarious state of post-secondary funding in Ontario, noting that uncertainty surrounding revenues and costs makes long-term planning difficult. Tuition remains frozen, government grants are tied to performance metrics, and international student caps have intensified competition for domestic students. Inflation, tariffs, and unexpected facility issues add further risk. She noted that to navigate this uncertainty, the University must prioritize growing enrollment, diversifying revenue streams, improving efficiency, investing in technology, increasing program innovation and advocacy for public funding, strengthening partnerships and building reserves.

A question was asked about recent procurement restrictions on U.S. products, particularly affecting capital and software purchases. B. MacIsaac noted that 2% of the University's budget went to U.S. products, which could result in a potential

estimated risk of up to \$1.5 million if tariffs and procurement limitations were to escalate. He assured the Committee that the University is closely monitoring the situation, and existing contracts, such as with U.S software vendors, are not currently affected by the policy changes.

A question was also raised about how the University addresses low-enrollment programs, and the decisions made regarding them. L. Livingston explained that the University has paused admissions for three such programs. She added that one of the programs had been listed in error on the Ontario University Application Centre, and the other two were newer programs with limited marketing exposure. The pause allows time to refine and revitalize the offerings, to enhance their potential for future success. She noted that the University will continue to monitor applications closely so as to better understand student interests and needs.

In a discussion regarding the University's finances, a Committee member asked about deferred maintenance costs and how the University's capital expenditure is compared to others. B. MacIsaac explained that the University's spending is in line with sector benchmarks, though slightly lower, and that more detailed information would be provided at the upcoming Board of Governors meeting.

A member then enquired about staffing levels, particularly the balance between fixed and variable staffing costs. B. MacIsaac confirmed that the University uses various models to manage staffing, though acknowledged that administrative support is harder to predict and highlighted ongoing work with KPMG and industry groups to refine these models.

Regarding additional questions on the obligation to present a balanced budget due to the terms of the University's debenture, B. MacIsaac acknowledged the necessity of balancing the budget, and emphasized difficult decisions had been made in preparing this year's budget, such as delaying \$5 million in capital improvements. He added that the University needs to better communicate these trade-offs to the Ministry, especially as they impact long-term sustainability. Members agreed and stressed the importance of framing financial decisions in terms of future risks.

In closing, B. MacIsaac noted that all universities are dealing with financial pressures, and that the Government is pushing for efficiencies. S. Murphy added that while larger universities face deficits, their endowments help. He emphasized that the University is focused on high-demand programs, and working with the Government for a stable funding framework.

Upon a motion duly made by L. Elliott and seconded by N. Bederman, pursuant to the recommendation of management, that the Audit & Finance Committee recommends to the Board of Governors approval of the 2025-2026 budget and approval in principle of the budgetary projections for the next two years.

6.2 MCU Efficiency and Accountability Fund Report* (D)¹

B. MacIsaac confirmed that the Ministry funded an Efficiency and Accountability review to be undertaken by third-party. KPMG conducted the University's review. He noted that Leadership supports in general the review's recommendations, which will culminate in an implementation plan being presented to the Committee at its June meeting. He then introduced guest speakers from KPMG to report on their findings.

C. Tan explained that the review was intended to identify opportunities to strengthen the University's financial position while supporting its strategic priorities. He noted that the final report, which focuses on five key areas identified by the Ministry, aligns closely with preliminary findings previously shared with Leadership. The insights aim to highlight opportunities that offer a positive return on investment within five years.

He emphasized the ongoing challenge of managing a largely fixed cost base amid stagnant revenues and underscored the importance of increasing revenue through improved student retention, continuing education, and enhanced grant funding.

He advised that while efficiency gains were identified, the most significant opportunities lie in optimizing academic programming and expanding revenue, two themes echoed in this Meeting's budget discussions. Despite the proposed changes, the University is still projected to operate in a deficit over the next five years, which is consistent with trends across other Ontario institutions.

C. Morrone elaborated on the five areas of focus, ranked by financial impact, with academic programming offering the greatest potential. Recommendations included boosting enrollment, restructuring course offerings to allow more flexible intakes, reviewing prerequisites, assessing course and section sizes, optimizing faculty-to-student ratios, and ensuring a review process is in place to determine if programs are financially or strategically sustainable.

¹ MCU Efficiency and Accountability Fund Review – Final Report, March 31, 2025 is a confidential report and is not available for disclosure without the express written consent of KPMG and Ontario Tech University.

The second focus was revenue generation. While the University has already taken innovative steps, the review identified further potential through expanding continuing education, growing international partnerships, better use of campus assets, and streamlining advancement efforts to enhance fundraising.

The third area addressed governance and administrative services. Opportunities included reducing manual processes in areas such as payroll and scheduling, centralizing onboarding and offboarding, implementing automation, and exploring deeper integration with Durham College to improve service quality and reduce costs.

L. Duckworth presented the final two areas, facilities and procurement, which showed limited savings potential. She noted existing efficiency efforts and emphasized that remaining opportunities focus on process improvements and enhanced coordination with Durham College. Procurement gains were tied to stronger oversight and maximizing value for money. She concluded with a summary of the financial outlook, based on a five-year forecast where opportunities were grouped into tangible savings, revenue generation, and efficiency gains. While academic programming showed the most potential, many savings are intangible. Even with these measures, the University is projected to remain in deficit without further action.

6.3 2023-2024 University Financial Accountability Framework* (U)

B. MacIsaac presented the 2023-2024 University Financial Accountability Framework noting that the University recently received its second annual financial assessment from the Ministry, which continues to rate the University at a medium risk level, entirely due to its debenture. He noted that the Board of Governors had already received this information as part of the June 2024 Board report, and the table presented within the materials reflects that same data.

It was further noted that with the medium-risk rating, due to the government-backed debenture, affects the financial metrics despite presenting minimal real risk. If the debenture were excluded, the University's financial standing would be strong, and there would be no associated risk. B. MacIsaac noted that the University continues to confirm with the Ministry that the debenture is the cause of this rating, which has been acknowledged by the Ministry without issue.

7. Investment Oversight – Endowment Disbursement* (M)

B. MacIsaac noted that the University is carefully balancing the distribution of endowment funds to meet donor intentions while supporting students and preserving capital. He advised that to keep up with inflation, the value of funds needs to grow by

3-4%. After considering various economic scenarios and to preserve capital, it was determined that allocating \$900,000 this year is feasible, with the understanding that this allocation will not continue indefinitely.

Upon a motion duly made by S. Zagar and seconded by N. Bederman, the Audit & Finance Committee, hereby recommends that the Board of Governors approves the disbursement of up to \$900,000 from the University's endowed fund and unrestricted expendable sources for distribution by Financial Aid in 2025-26.

8. Compliance and Policy

8.1 Annual Risk Report* (U)

J. Dupuis presented the 2025 Annual Risk Management Report. At the outset she outlined the evolution of the University's Risk Management since 2014, when a unified approach was established. She reported that key developments since that time include: the creation of a comprehensive Risk Register in 2017, the designation of risk owners at the manager or director level, and the expansion of risk registers, all of which have helped increase participation and awareness.

She added that by 2023, risk bulletins strengthened communication and integrated risk management into campus culture. In 2024, the University addressed barriers such as unclear terminology and integration issues by grouping risks into thematic buckets. This enabled better communication and alignment with strategic priorities. She noted that the University now uses six recognized measures to evaluate its risk management and has met them consistently since 2017. She advised that the number of identified risks has increased from 240 to 294, reflecting improved detection. Additionally, new risks, such as mental health and privacy, were added; and 18 mitigation strategies have transitioned into proactive controls. She noted that the rise in identified risk drivers reflects better detection of social, political, technological, and economic factors.

J. Dupuis explained that the Report uses a strategic synthesis approach, highlighting significant risks and mitigation strategies, grouped into thematic buckets such as academic technology, student experience, and financial sustainability. There are also strategies used to guide decision-making by focusing attention on urgent areas.

She also reported on emerging risks, including AI adoption and global trends, with the risks slightly decreasing due to a more predictable environment. She noted that the University has now developed Key Risk Indicators (KRIs) to better quantify and forecast risks and going forward, the University will expand KRIs to help improve

project governance and address interconnected risks.

She concluded by noting the ongoing evolution of the risk management process, emphasizing improvements in leadership, data management, and a reduction in unexpected challenges, and expressed satisfaction with the progress made.

In response to the Committee's comments on the Report, J. Dupuis added that some assessments change quickly as resources are applied to mitigation plans and when deciding whether a change is needed, the management team relies on input from the risk owner and lead, ensuring the information is qualified before adjusting the status of risks.

9. Consent Agenda (M):

The Chair confirmed that the contents of the Consent Agenda were approved and received under Agenda Item #2.

- 9.1 Minutes of Public Session of A&F Meeting of February 13, 2025* (M)
- 9.2 Credit Rating Update* (I)
- 9.3 Ancillary Fees Update* (I)
- 9.4 Annual Compliance Report* (I)

10. Adjournment (M)

There being no other business, and upon a motion duly made by S. Zagar, the Public session of the A&F meeting adjourned at 3:58 p.m.