



BOARD OF GOVERNORS

Audit & Finance Committee (A&F)

Minutes of the Public Session of the Meeting of November 21, 2024 2:00 p.m. to 3:35 p.m., Videoconference

Members: Carla Carmichael, (Chair), Laura Elliott, Laura Money, Steven Murphy, Kim Slade, Susanna Zagar

Regrets: Nolan Bederman, Mitch Frazer,

Staff: Kirstie Ayotte (Secretary), Nicola Crow, Jacquelyn Dupuis, Krista Hester, Lori Livingston, Jennifer MacInnis, Brad MacIsaac, Pamela Onsiong, Sarah Thrush

Guests: Chelsea Bauer, Michelle de Cordova (ESG Global Advisors), Mikael Eklund, Matthew Mackenzie (guest governor), Dwight Thompson (guest governor)

1. Call to Order

The Chair called the meeting to order at 2:00 p.m. and read aloud the land acknowledgment.

2. Agenda

Upon a motion duly made by L. Money and seconded by S. Zagar, the Agenda including the Consent Agenda items were approved as presented.

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair welcomed attendees to the meeting, remarking on the busy agenda and expressing appreciation for the engagement of new members. She thanked S. Zagar for accepting the role of Vice-Chair, acknowledging their shared work and future collaboration. She highlighted the importance of the Committee's work in providing oversight on critical issues and welcomed the contributions of all members.

5. President's Remarks

The President welcomed the Committee and noted the historic success of the Men's soccer team winning the Ontario University Athletics (OUA) championship securing a space at the USPORTS National Championships, hosted this year by Ontario Tech, marking a milestone for the University. In addition, he highlighted the University's strong performance in the latest Maclean's rankings, where Ontario Tech achieved the top spot in reputation among universities. He highlighted key strategic partnerships, including the Partnership for Advanced Technology in Health Care (PATH) initiative with Lakeridge Health, which focuses on advanced healthcare technologies, especially in AI, and furthering the University's healthcare capabilities.

6. Finance

6.1. Strategic Discussion: ESG and Responsible Investing* (D)

B. Maclsaac introduced Michelle de Cordova from ESG Global Advisors, to lead a discussion on responsible investing, particularly in the context of environmental, social, and governance (ESG) factors. She began by providing an overview of responsible investing, explaining the growing importance of ESG integration in the university investment landscape and noted that Ontario Tech was committed to ensuring that its investments align with responsible practices that balance financial returns with societal impact. She walked the Committee through key aspects of responsible investing, including the need for transparency in investment decisions, the distinction between ESG and corporate responsibility, and the emerging global trends in sustainable investing. She also addressed the University's current ESG policy, which mandates that external asset managers integrate ESG factors into their decision-making processes.

The discussion emphasized Ontario Tech's commitment to meeting its fiduciary responsibilities while addressing growing stakeholder expectations for leadership in responsible investing, particularly from students, faculty, and alumni. The importance of monitoring ESG-related issues within investment portfolios was highlighted, with an emphasis on the role of external asset managers in flagging significant concerns through their reporting. M. de Cordova noted that boards and committees depend on portfolio monitoring reports to identify emerging issues and ensure alignment with ESG standards. B. Maclsaac explained that Ontario Tech receives quarterly reports from its investment manager, Phillips, Hager & North (PH&N), which include an attestation of ESG compliance. He also proposed enhancing transparency by incorporating updates on emerging issues directly into Board reports.

S. Murphy highlighted the importance of balancing transparency in investment practices with education, particularly for stakeholders who may be less familiar with the complexities of investment processes. He noted that without a proper understanding of the intricate structures and decision-making chains involved, people may arrive at conclusions that conflict with the values or objectives of the organization and stressed the need to continue educating stakeholders to ensure informed

discussions and decisions, concurrent with aligning transparency efforts with broader institutional goals.

6.2. Second Quarter Financial Reports* (U)

P. Onsiang presented the second-quarter financial reports, projecting a year-end surplus of \$5.9 million, aligning closely with the budgeted \$5.4 million. The surplus is earmarked for future strategic initiatives and/or operating contingencies as part of the University's due diligence in the current fiscal context.

She attributed the surplus to tuition revenue increases largely due to higher than budgeted domestic under-graduate student enrollment reflective of the differentiated growth strategy; and, provincial funding also exceeding budgetary expectations, including a \$3.6 million sustainability grant and \$500,000 earmarked for a third-party efficiency review of the University's structure and operational policies.

She noted that international enrollment saw a modest increase and cautioned that future caps could pose challenges.

On the expense side, P. Onsiang noted that increased enrollment raised operational costs, including expanded sessional hires, teaching assistant support, and scholarships.

With the increase in projected enrolment and associated revenues, funds have been allocated to support academic growth and invested in strategic initiatives to improve the student experience and upgrade campus technology. She highlighted the University's \$12 million acquisition of a 50% stake in the Campus Corners building, approved by the Board of Governors in June 2024. Aligned with the Campus Master Plan (CMP), this move further reduces reliance on leases, with tenant rental revenues used to service any debt arising from the acquisition. In response to a question about the CMP status, B. Maclsaac supported presenting a refresher on the CMP at a future meeting.

6.3. 2025-2026 Budget Assumptions* (D)

B. Maclsaac commenced the presentation on the 2025-2026 Budget Assumptions.

B. Maclsaac noted that the projected total revenue for the 2025-2026 fiscal year was \$260 million, a \$15 million increase from the previous year, with half of the growth driven by enrollment. Key budgetary factors under consideration include: a provincial freeze on domestic tuition; a 3% increase in international tuition; a 3% increase in provincial funding for 2024-2025 and an additional 2% the following year; and ancillary fees are expected to rise by \$2 million. He emphasized that much of the revenue, especially from government grants, is designated for specific purposes and cannot be freely allocated to broader strategic priorities.

S. Thrush outlined the enrolment assumptions underlying the budget for both domestic and international students, projecting moderate growth of 1.5 to 1.75% for un-capped domestic programs through 2025-2026. She highlighted separate targets for nursing and modest growth in Master's and PhD students, excluding new programs like Sociology and the PhD in Cybersecurity that are not launched yet. For international enrollment, she noted uncertainty due to new Immigration, Refugees and Citizenship Canada (IRCC) rules, with the assumption of steady intake for the next two years and a 5% increase thereafter. She presented three enrollment scenarios: a base scenario with moderate growth, a constrained scenario with lower international enrollment, and a growth scenario with 10% annual increase in undergraduates and 5% in international students, particularly in STEM.

B. MacIsaac explained that with \$252 million in projected expenses the university is left with \$8 million for allocation. As noted in the enrolment section there is an uncertainty on the international cap which could reduce the tuition revenue by about \$3.2 million next year. He highlighted the University's conservative budgeting and the strategic plans to set aside \$3 to \$5 million annually for future needs. Despite a 1.5% revenue increase, rising labour (6%) and operating costs (4%) are creating a budget gap.

L. Livingston acknowledged that the University is in a strong financial position compared to others, but faces challenges from external factors like geopolitical unrest, inflation, and uncertainty around international student policies. She emphasized the need for caution and stressed that the University will continue to focus on differentiated growth including expanding programs and adding new ones.

When asked how many years it would take before the University faces a deficit based on current projections, B. MacIsaac explained that with essentially no new operating funded hires a deficit would likely occur in year three if the current assumptions continue. He also noted that the April budget presentation will include projections for the following two years, providing a clearer view of the University's future financial outlook.

In response to a question about the University's efforts to obtain answers from the Federal government regarding international student policies, S. Thrush noted despite meetings with other institutions in Ottawa, the Government has not provided clear answers, so creating uncertainty. The University is proceeding with assumptions based on past policies but remains concerned about the volatility and lack of urgency from the Government.

7. Compliance and Policy

7.1 Risk Management Update* (U)

J. Dupuis highlighted significant progress in advancing the University's risk management practices. Key achievements include strengthening insurance coverage while reducing premiums, streamlining insurance processes to improve user experience, and creating concise, user-friendly bulletins on common operational risks.

She noted that the development of risk-specific resources ensures alignment with institutional risk activities, with plans to finalize continuity planning by 2025 and to propose ten thematic risk categories to risk owners this winter.

Additionally, she advised that the office is preparing to launch resources on cyber and international travel risks and has transitioned inspection forms to digital platforms, enhancing efficiency and cross-departmental workflows. Future efforts will focus on providing training and webinars to familiarize members with these tools. J. Dupuis expressed appreciation and kudos to the hard-working Office of Risk Management team.

7.2 Risk Management Policy* (M)

J. Dupuis presented the updated Risk Management Policy, highlighting its alignment with current practices through clarified responsibilities, enhanced definitions, and the integration of the compliance policy to streamline governance processes. Feedback from consultations was instrumental in refining the changes, and B. Maclsaac commended the consolidation of three documents into one as a significant step toward greater efficiency.

Upon a motion duly made by L. Money and seconded by L. Elliott, the Audit & Finance Committee hereby recommends the Risk Management Policy, as presented, for approval by the Board of Governors.

7.3 MCU Efficiency and Accountability Fund Proposal* (M)

B. Maclsaac noted that the University has secured a one-time government grant for efficiency reviews and selected KPMG after a Request for Proposal (RFP) process. He advised that approval is being sought from the Committee to engage KPMG for up to \$350,000, as required by policy for using external auditors for non-audited services. Additionally, he noted that \$150,000 of the \$500,000 grant is allocated for a land monetization review. KPMG has signed an attestation confirming its independence from the auditors, and A&F approval is now sought.

Upon a motion duly made by S. Zagar and seconded by K. Slade, the Audit and Finance Committee approves the engagement of KPMG LLP to provide non-audit services to Ontario Tech estimated at Three Hundred and Fifty Thousand Dollars (\$350,000) in respect of an efficiency and accountability review.

7.4 Auditor General Value for Money Audit Status Update* (U)

B. Maclsaac provided an update on the Auditor General's upcoming 2 year review report, noting that Ontario Tech has completed 48% of the 2022 audit

recommendations. Key actions outstanding include presenting the costing model at the program level scheduled for April 2025 and addressing data collection through an Ontario Tech-specific exit survey, now set for summer 2025 after the external consortium confirmed it could not do this with the current system.

In response to a question, B. MacIsaac confirmed that Ontario Tech is held to the same standards as other universities audited, with similar recommendations. He explained that the Auditor General requested more detail on both short- and long-term presidential succession, as well as internal succession and that the University emphasized its open, international searches while also offering leadership training for internal candidates. He expressed confidence that, barring any major issues, all recommendations will be addressed within the 5 year timeline set by the AGO.

8. Consent Agenda

8.1. Minutes of Public Session of A&F Meeting of June 13, 2024* (M)

8.2. Annual Statement of Investment Policies* (I)

8.3. Internal Audit Update* (I)

8.4. Review of Audit and Finance Terms of Reference* (I)

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

9. Adjournment

There being no other business, upon a motion duly made, by L. Elliott, the public A & F meeting adjourned at 3:35 p.m.

Kirstie Ayotte, Assistant University Secretary