



**BOARD OF GOVERNORS
AUDIT & FINANCE COMMITTEE**

**MINUTES OF THE MEETING OF NOVEMBER 19, 2018
PUBLIC SESSION
1:00 p.m. – 3:00 p.m., ERC 3023**

Attendees: Nigel Allen (Chair), Doug Allingham, Stephanie Chow, Steven Murphy, Dietmar Reiner, Craig Elliott (non-voting)

Staff: Becky Dinwoodie, Cheryl Foy, Justin Gammage, Doug Holdway, Brad MacIsaac, Pamela Onsiong

Regrets: Dale MacMillan

Guests: Kimberly Nugent

1. Call to Order

The Chair called the meeting to order at 1:17 p.m.

2. Agenda

S. Chow requested that an update from the Investment Committee be added to the non-public session of the agenda.

Upon a motion duly made by D. Reiner and seconded by D. Allingham, the Agenda was approved as amended.

3. Conflict of Interest Declaration

There were no conflict of interest declarations.

4. Chair's Remarks

The Chair reported on his attendance at the annual Whitby Chamber of Commerce Business Achievement Awards. He congratulated Board Chair, D. Allingham, on winning the Peter Perry Award.

5. President's Remarks

The President discussed the tragic death of Rhyss Glenfield, a first-year student in the Faculty of Business and Information Technology. He informed the committee that GoFundMe initiatives have been started to raise money for funeral costs and to establish a scholarship in his name.

The President also reported on his attendance at the Ontario Economic Summit. They are anticipating funding cuts to the sector.

6. Finance

6.1 Second Quarter Financial Reports

The Chair noted the detailed and helpful notes in the financial reports. He directed the committee members to the financials and the relevant notes, as P. Onsiong will only provide an overview of the reports.

P. Onsiong reviewed the key items in the financial statements. She noted that the almost \$40M in accounts receivable includes winter term tuition fees, which are not collectible until next year. The university is looking at a current year-to-date deficit of just under \$5M, which is not unusual for this time period as costs are being incurred in preparation for the new school year. Last year was a bit unusual - there was a surplus at the end of the second quarter due to a one time receipt of a significant tax rebate in July 2017. There was also a year-over-year increase of \$4.4M in salaries and benefits.

Forecast financial metrics

The forecast is based on the assumption that the university will be fully funded by the government. P. Onsiong advised that all special purpose grants have been held back as part of the government's line by line review of the budget. The university is forecasting a net operating surplus of \$3.1M at the end of the fiscal year. P. Onsiong answered questions from committee members.

Operating Forecast Summary

P. Onsiong highlighted the effects of the change in Saudi policy on enrolment. The university will not receive additional funding for domestic growth. There is an upside of \$1.1M in grants for campus projects that will improve greenhouse gas emissions.

6.2 2018-2019 Enrolment

R. Bailey presented an enrolment update. The university is currently at 102% of the undergraduate enrolment target and 113% of the graduate enrolment target. With respect to graduate enrolment, 124% represents continuing graduate students. The focus will be on thesis students finishing their programs in a timely fashion. R. Bailey discussed the university's student retention goals. In 2017, the proportion of students who attended in first year and returned in 2nd year was 82%. There is still work to be done on improving student success.

6.3 Budget Assumptions, Targets & Outcomes

C. Elliot discussed the key items in the budget update, which was circulated in the meeting material. The university will be spending \$1.7M more for student assistance than anticipated. The planned surplus at the end of the second quarter is approximately \$4M, which could be allocated towards the new building project. C. Elliott discussed the budget methodology – incremental budget with strategic allocations based on unit and academic plans.

C. Elliott reviewed the key budget assumptions, as well as the five strategic priorities: sticky campus, technology, entrepreneurial culture, reimagined partnerships and story-telling. Members of the Finance Department have met with all of the budget holders. There was a discussion regarding the uncertainty of government funding and whether it would impact reserve allocations. The committee also discussed the implications of funding cuts to the new building project.

6.4 2019-2020 Ancillary Fees Amendment

B. Maclsaac presented the proposed amendment to the 2019-2020 ancillary fees. He explained that the gaming program and the Faculty of Engineering and Applied Science are moving out of the existing TELE program, which will result in a 44% decrease in ancillary fees.

Upon a motion duly made by D. Allingham and seconded by S. Chow, the Audit and Finance Committee recommended the changes to the 2019-20 ancillary fees, as presented, for approval by the Board of Governors:

	2018-19	2019-20	
Compulsory Ancillary Fees			% Inc
Flat Fee Paid once per yr. Charged to FT & PT			
Technology-enriched Learning (FT) Gaming ULAF	853.87	478.00	-44.0%
Technology-enriched Learning (FT) FESNS ULAF	729.79	221.00	-69.7%

6.5 Moody’s Credit Rating Upgrade

C. Elliott reported on the upgrade of the university’s Moody’s credit rating from A2 to A1. In the sector, we still have the lowest credit rating because of the debenture debt. DBRS were in last week and we should receive a report within the next month. C. Elliott responded to questions from the committee. He advised that funding a new building would not have a negative effect on the university’s credit rating unless it affected our operating income negatively.

7. Project Updates

7.1 Capital Projects:

(a) New Building:

(i) Student Union Addendum & Guarantee Agreement

C. Foy reminded the committee of the university's legal obligation to the Student Union (USU) with respect to the new building. She summarized the background of the Minutes of Settlement, out of which the university's obligations arose. The USU expressed a preference for being included in a new building with the university. The site originally identified for the new building was not suitable for various reasons, including Hydro easements. The USU has elected to go with a third-party lender with the university as a guarantor. They have been working on an addendum to the Minutes of Settlement. The next step will be to draft a Guarantee Agreement.

C. Foy reviewed the process of collecting ancillary fees, which would provide the university with the remedy of holding back funds from ancillary fees if any issues arise under the Guarantee Agreement. She also clarified that the university does not own the land on which the building will be located; accordingly, the transfer of the student portion of the building to the USU will be limited by the university's rights to the property.

There was a discussion regarding whether such an agreement would have any consequences under the debenture. There was also a review of the USU's financials and they are looking at a 20-year payment forecast.

(D. Allingham left at 2:08 p.m.)

(ii) Business Case

B. Maclsaac reviewed the key elements of the business case for the new building project. In order to promote a sticky campus, he highlighted the elements of the building that will motivate students, faculty, and staff to stay on campus. The alternatives considered when planning the building were also reviewed. By building in the proposed location, it will achieve the goal of completing the quad and removing temporary structures.

The main considerations are building size and costs. The proposal is to construct a building with a total of 6 floors, with the top floor being shelled. By including an additional floor, it will only be between \$3-3.5M more. By investing now, the university will maximize efficiencies. For an additional \$3.5M, an additional 1000 NASMs would be created to allow for 200 more students per year. This would increase tuition revenue by \$1.5M annually. The estimated project budget is \$48M.

C. Elliott discussed the funding options. The university has approximately \$30M for the building project, the sources of which were set out in the accompanying material. The main funding options are:

- partnering with federal government;
- fundraising

- working capital reserve of \$6M
- university resources (e.g. line of credit, external funding)

C. Elliott also presented the new building project risk register. The Board would be provided with regular updates on the progress of the new building project using the same reporting format as the SIRC building.

The USU has been part of the consultation process and are part of the design team. The USU's Board continues to be supportive of the project. There was a discussion about the contingency. We are at 25% completion of the design phase and will continue to reduce the risk as we reach closer to completion.

A question was raised about the difference in cost between the proposal set out in the business case and the initial \$40M building project approved by the Board. C. Elliott responded that estimated cost has been affected by the introduction of steel and aluminum tariffs. The increased estimate is also a result of design changes and inclusion of related work; whereas, the initial estimate related only to hard building costs.

The committee also considered whether the project funding options would be restricted by the debenture covenants and whether there are any opportunities for cost cuts on the shelled top floor.

There was also a thoughtful discussion about whether it makes sense to proceed with the new building project in light of the required funding. During the discussion, the committee took into consideration: the university's legal obligation to build a student centre; that the completion of the new building would be well timed for government capital expenditures; and it could serve as a flagship for a campaign.

Student Union Addendum & Guarantee Agreement Motion:

Upon a motion duly made by N. Allen and seconded by D. Reiner, the Audit and Finance Committee recommended the following for approval by the Board of Governors:

- *that UOIT guarantee a UOITSU construction loan for a student centre to be built within A5 in an amount not to exceed five million dollars (\$5MCDN);*
- *that UOIT agree to transfer the space allocated as the student centre to the UOITSU, and;*
- *both the guarantee and the transfer are to be made on such terms and conditions as are recommended and supported by the UOIT CFO and the UOIT General Counsel and negotiated with the UOITSU.*

At their next meetings, A&F/Board will be provided with a summary of the key elements of the final agreements and thereafter be provided with regular updates regarding the status of the relationship and the student centre building.

New Building motion:

WHEREAS the Board of Governors approved the Minutes of Settlement among UOIT, Durham College (“DC”) and the UOIT Student Union (“USU”) dated September 24, 2017 (“MoS”);

WHEREAS paragraph 1 of the MoS stipulates that UOIT will construct a two-storey 8,000 square foot building for the exclusive use by the USU as a student centre (“USU Student Centre”);

WHEREAS paragraph 6 of the MoS provides that at the USU’s option the location and size of the USU Student Centre as stipulated in paragraph 1 may be modified in consultation with UOIT;

WHEREAS in an e-mail dated November 9, 2017, the USU expressed its preference to pursue the option of modifying the location and size;

WHEREAS, having received and considered the “UOIT New Building Discussion Paper 2018” at its meeting on March 7, 2018, the Board of Governors authorized the university to proceed with the RFP process for the design and construction of the proposed New Building;

WHEREAS the successful design build proponent was selected in June 2018 and an update was provided to the Board of Governors at their meeting on June 27, 2018;

WHEREAS the preliminary phase – design services has been completed;

WHEREAS the university recommends proceeding with further design and site work to prepare for the new building construction while the guaranteed maximum price agreement is finalized;

WHEREAS the cost of the preparatory work is anticipated to be up to \$1.5 million, which is included in the total estimated project cost of \$48M outlined in the November Business Case;

NOW THEREFORE, having received and considered the “New Building Business Case November 2018”, upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee recommended the following for approval by the Board of Governors:

- 1. Authorizing the university to proceed with the preparatory work for the new building construction, up to a maximum cost of \$1.5M dollars.*
- 2. Directing the university to present the final negotiated guaranteed maximum price agreement for approval at the February 28, 2019 Board meeting.*
- 3. Authorizing and directing the President and/or Chief Financial Officer for and in the name of the Corporation to execute and deliver (under the corporate seal or otherwise) all such other documents and do all such other acts as may be necessary or desirable to give effect to this resolution.*

(b) ACE Enhancement

C. Elliott summarized the key aspects of the report on the ACE Enhancement Project. He explained that upon further project development, it was determined that rather than awarding a single RFP for the moving ground plane integration project (up to a maximum amount of \$10.4M), there will be multiple RFPs, which will likely include several contracts in excess of \$1M requiring Board approval (up to a maximum amount of \$10.4M).

WHEREAS the Government of Canada through FedDev Ontario has committed up to \$9,465,000 to UOIT for the completion of the ACE Enhancement Project (“AEP”);

WHEREAS the AEP will be conducted in two stages;

WHEREAS the first stage of the AEP will require modification to the ACE building to accommodate the installation of the moving ground plane, with substantial completion planned for July 26, 2019;

WHEREAS the second stage of the AEP will involve the integration of the MGP into ACE’s current technical systems, with the goal of completing the entire project by March 31, 2020;

WHEREAS on October 18, 2018, the Executive Committee approved the award of the ACE Building modification contract not to exceed \$4.1M and the issuance of a RFP for the MGP integration to be released in October, 2018 and the award of the ACE MGP Integration contracts not to exceed \$10.4M; and

WHEREAS the project plan will require the issuance and award of multiple contracts to complete the MGP integration, several of which are anticipated to exceed the one million dollar threshold that requires Board approval;

NOW THEREFORE, upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee recommended the following modified motion for approval by the Board of Governors:

- *authorization to award the ACE Building modification contract in an amount not to exceed \$4.1M;*
- *authorization to award multiple MGP integration contracts, the sum of which will not exceed \$10.4M; and*
- *authorization of the negotiation and completion of such agreements by the Chief Financial Officer and the General Counsel for completion of the ACE Building modification contract and ACE MGP Integration contract.*

That the Board authorizes and directs the President and/or the Chief Financial Officer, for and in the name of the university, to execute and deliver (under the corporate seal or otherwise) all such other documents and do all such other acts as may be necessary or desirable to give effect to this resolution.

The Board further requests that management deliver progress updates in respect of the ACE Enhancement Project to the Executive Committee and Audit & Finance Committee until the project is completed, including the award of RFPs that meet the threshold for Board approval and summaries of their key contractual terms and associated risks. The Board anticipates that the Chair of the Board and the Chair of Audit & Finance will report on the Moving Ground Plane project to the Board until the ACE Enhancement Project is completed.

C. Elliott also provided an update on the building expansion – a vendor was selected and construction was scheduled to begin that day.

(c) Campus Recreation & Wellness Centre Expansion (CRWC)

C. Elliott discussed the proposed modifications to the CRWC change rooms and therapy space in order to meet the standards of OUA membership for basketball.

WHEREAS in the spring of 2018, the university's senior leadership and student union approved the establishment of men's and women's varsity basketball teams;

WHEREAS the university's bid to join Ontario University Athletics (OUA) basketball was supported and approved for competition by the OUA Board of Directors starting in the fall of 2019;

WHEREAS being an OUA member requires the university to meet certain standards, we must provide adequate competition and training facilities;

WHEREAS the expansion of the Campus Recreation and Wellness Centre by adding varsity change rooms and more athletic therapy space will help us meet the OUA standards;

NOW THEREFORE upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee recommended the following for approval by the Board of Governors:

- 1. Authorizing the university to proceed with the RFP process for the modifications to the Campus Recreation and Wellness Centre, including the construction of change rooms and therapy space, not to exceed \$1.9M dollars, in order to facilitate the launch of the university's new varsity basketball programs.*
- 2. Authorizing and directing the President and/or Chief Financial Officer for and in the name of the Corporation to execute and deliver (under the corporate seal or otherwise) all such other documents and do all such other acts as may be necessary or desirable to give effect to this resolution.*

The Board further requests that management deliver progress updates in respect of the CRWC Modification Project to the Audit & Finance Committee until the project is completed. The Board anticipates that the Chair of Audit & Finance will report on the CRWC Modification Project to the Board until the project is completed.

(d) Vaso's Field

C. Elliott updated the committee on Vaso's Field. He advised that Vaso's Field is in use and has been used throughout the fall. The change rooms remain to be completed, as well as the work on the shelters for the athletes. The project is still on budget. C. Elliott responded to questions from the committee.

(J. Gammage arrived at 2:45 p.m.)

7.2 AVIN

J. Gammage delivered a presentation summarizing the key aspects of the AVIN project. There was a discussion regarding whether there was any concern about the degree of control Spark has over the project while the university bears a lot of the risk.

WHEREAS the university and its partners, Durham College and the Spark Centre ("Spark") were awarded \$5M by the by Ontario Centres of Excellence ("OCE") to create a Regional Technology Development Site ("AVIN Project") in the Durham Region to support innovation linked to autonomous vehicles in the Durham and Northumberland Regions;

WHEREAS the Board of Governors authorized the university's participation in the AVIN Project on June 27, 2018;

WHEREAS the \$5M contributed by OCE to the AVIN Project will be administered by Spark;

WHEREAS the majority of the \$5M AVIN Project funding will be used to expand the capabilities of the university's Automotive Centre of Excellence;

WHEREAS the university has negotiated a proposed funding agreement with Spark for the AVIN Project that includes terms for the financial disbursements, reporting requirements, liability, and termination for the AVIN Project activities taking place at the university ("Spark Agreement");

WHEREAS the university will be partnering with IBM Canada, among others, for the AVIN Project that will require the issuance of multiple subcontracts, and purchase orders, that will exceed the \$1M signing authority threshold requiring Board approval; and

WHEREAS the university will enter into a binding Memorandum of Understanding with IBM Canada ("IBM MOU");

NOW THEREFORE upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee recommended the following for approval by the Board of Governors:

- 1. the finalization and completion of the Spark Agreement on the key terms and conditions described;*
- 2. the finalization and completion of the IBM MOU on the key terms and conditions described, including the proposed procurement of up to \$1.5M CDN in software, support and services from IBM*

Canada in support of its partnership with the university for the AVIN Project activities at the university;

3. Authorizing and directing the VP Research and Chief Financial Officer for and in the name of the Corporation to execute and deliver (under the corporate seal or otherwise) all such other documents and do all such other acts as may be necessary or desirable to give effect to this resolution.

The Board requests that management deliver regular progress updates in respect of the AVIN Project to the Audit & Finance Committee until the project is completed. The Board anticipates that the Chair of Audit & Finance will report on the AVIN Project to the Board until the AVIN Project is completed.

(J. Gammage & K. Nugent left at 3:05 p.m.)

8. Investment Committee Oversight

8.1 Quarterly Report

S. Chow delivered an update on the committee's meeting that morning. She advised that the portfolio performed under benchmark during the last quarter and the committee had an educational session on the cannabis market. She advised that the university's portfolio does not currently include any cannabis stocks.

9. Risk, Compliance & Policy

9.1 Policy:

(a) Freedom of Expression Policy

R. Bailey presented the draft Freedom of Expression Policy. He acknowledged the work of C. Foy and Niall O'Halloran in developing the policy. He also thanked the community for their engagement during the consultations. C. Foy noted that a few minor amendments were made following consultation with the Administrative Leadership Team, which will be incorporated into the version of the policy presented to the Board.

Upon a motion duly made by N. Allen and seconded by D. Reiner, the Audit and Finance Committee recommended that the Board of Governors approve the Freedom of Expression Policy, subject to minor amendments.

(b) Procedure For On-Campus Medical Cannabis Use By Students

R. Bailey presented the procedure for consideration. He noted the procedure is unrelated to the legalization of the recreational use of cannabis and is related to the medical use of cannabis. He acknowledged Heather Leckey from Student Life for all of her work on the procedure.

Upon a motion duly made by N. Allen and seconded by D. Reiner, pursuant to the recommendation of the Administrative Leadership Team, the Audit and Finance Committee approved the Procedure for On-Campus Medical Cannabis Use by Students, as presented.

10. Consent Agenda

Upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee approved the following items on the Consent Agenda:

- 10.1 Approval of Minutes from June 18, 2018
- 10.2 Terms of Reference Review

11. For Information:

- 11.1 Risk Management & Insurance Update**
- 11.2 Contract Management Policy & Signing Authority Policy Review Update**

12. Other Business

13. Adjournment

There being no other business, upon a motion duly made by D. Reiner and seconded by S. Chow, the public session of the meeting adjourned at 3:15 p.m.

Becky Dinwoodie, Secretary