



**BOARD OF GOVERNORS  
AUDIT & FINANCE COMMITTEE**

**MINUTES OF THE MEETING OF FEBRUARY 20, 2019  
PUBLIC SESSION  
2:00 p.m. – 3:55 p.m., ERC 3023**

**Attendees:** Nigel Allen (Chair), Doug Allingham, Stephanie Chow, Dale MacMillan (*via teleconference*), Steven Murphy

**Staff:** Becky Dinwoodie, Craig Elliott, Cheryl Foy, Doug Holdway, Brad MacIsaac, Sue McGovern, Pamela Onsiong

**Regrets:** Dietmar Reiner

**1. Call to Order**

The Chair called the meeting to order at 2:01 p.m.

**2. Agenda**

*Upon a motion duly made by S. Chow and seconded by S. Murphy, the Agenda was approved as amended.*

**3. Conflict of Interest Declaration**

There were no conflict of interest declarations.

**4. Chair's Remarks**

The Chair welcomed everyone to the first committee meeting of the calendar year. He wished Happy New Year to those whom he had not yet seen.

**5. President's Remarks**

The President informed the committee that a video had been distributed to the Board and university community that afternoon, in which he discusses the budget process and budget priorities. This is a time of opportunity for the university. Despite being faced with the challenge of budget cuts, the university can become leaner and more focused. The budget is being examined through a strategic lens, which will serve the university well.

## **6. Finance**

### **6.1 Third Quarter Financial Reports**

P. Onsiong provided the committee with an overview of the third quarter financial reports. The balance sheet continues to be stable. There is \$40M in AR (similar amount to the same time last year), which includes winter term tuition fees not collectible until January 2019. The university has collected \$34M since the end of 2018. The university continues to repay its long-term debt. They are currently forecasting an operating surplus of \$4.7M at the end of the fiscal year.

Following the government's announcement of tuition cuts in January, budget holders identified a savings of approximately \$1M in expenses. There is also a forecast net savings of \$2.8M in vacant positions. The forecast will be updated with new assumptions and presented to the committee at the next meeting.

(S. McGovern arrived at 2:17 p.m.)

### **6.2 2019-2020 Budget**

R. Bailey emphasized that budget development continues to be guided by the university's strategic priorities. He reviewed the core values and principles that are reflected in the budget development, including:

- Students - providing an excellent learning environment and student experience;
- Faculty - build an innovation ecosystem that fosters high-impact research;
- Employees - committed to minimizing the impact of budget challenges on people by finding efficiencies and doing things differently;
- Access - committed to maintaining and enhancing a diverse and inclusive campus community; and
- Communication - committed to communicating regularly with our campus community about the budget process as it progresses.

C. Elliott reviewed the changes to the significant budget assumptions made since the budget was initially presented to the committee in November. The university is looking at strategically increasing international tuition. He confirmed that the government is implementing a 10% domestic tuition reduction for 2019-2020 and that the rates will be frozen for 2020-2021. A hard look was taken at contingencies - \$2.5M remains in the plan and \$1M in contingency for unanticipated events throughout the year. Budget holders were asked to submit proposals to reduce expenditures by 5% in year 1 and by an additional 3% in year 2. The university will be implementing strategic cuts as opposed to across the board reductions. C. Elliott reviewed the next steps in the budget process.

### **6.3 2019-2020 Tuition Fees**

B. MacIsaac presented the recommended 2019-2020 tuition fees. He advised that despite the proposed 10% increase for first year international engineering tuition fees, the fees would remain below the Ontario median. For international graduate students, tuition fee increases have less of an impact as funding is often given back through scholarships. There was a discussion regarding the demand for international students and whether demand is affected by tuition fees. The assumption

for domestic and international students is that demand is inelastic. The university is examining how to increase our number of international students where we have room to grow.

*Upon a motion duly made by S. Chow and seconded by D. Allingham, the Audit & Finance Committee recommended the 2019-2020 tuition fees, as presented, for approval by the Board of Governors.*

#### **6.4 Revised 2019-2020 Ancillary Fees**

B. MacIsaac presented the proposed ancillary fees for the committee’s consideration. He explained that the 2019-2020 ancillary fees were approved by the Board two years ago in order to determine net tuition fees under the previous tuition framework. After years of no ancillary fee increases, the recommendation is to increase fees by the rate of inflation for 2019-20. B. MacIsaac advised that there remains some uncertainty surrounding how ancillary fees will be categorized as mandatory or optional. It seems that all of the administrative fees will fit the definition of mandatory ancillary fees. There are components within the Student Union (SU) fees that might be considered optional. The goal is that by educating students about the services those fees provide, students will choose not to opt out.

In the context of this uncertainty, the Board is being asked to approve the ancillary fees as a maximum amount. The university will continue to work with the SU on further breaking down the ancillary fees and presenting the break down at the next meeting for information.

B. MacIsaac responded to questions from the committee. He clarified that previously, the only ancillary fees students could opt out of were the health/dental fees (by providing proof of existing coverage). Approximately one-third of students opted out of health/dental fees. Student ambassadors will be educating students about the benefits of paying ancillary fees. B. MacIsaac explained that the reduction in TELE ancillary fees for FEAS and gaming is because they are moving out of the “black box” device program and into “TELE - Bring Your Own Device”. There was a suggestion that alumni could also be involved in communicating the value of ancillary fees to incoming students.

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

#### **Compulsory Ancillary Fees**

	<b>2018-2019</b>	<b>2019-2020</b>	<b>% Inc</b>
<b>Fees Paid on Per CH basis Charged to FT &amp; PT</b>			
Student Life <b>USSL</b>	251.55	256.58	2.0%
Health and Wellness <b>UHLW</b>	61.72	62.96	2.0%
Campus Health Centre <b>UHC</b>	35.75	36.47	2.0%
Infrastructure & Service Enhancements <b>UISE</b>	173.49	176.96	2.0%
Campus Access & Safety <b>UCAS</b>	139.97	142.77	2.0%
<b>Flat Fee Paid once per yr. Charged to FT &amp; PT</b>			
Technology-enriched Learning (FT) Gaming <b>ULAF</b>	853.87	478.00	-44.0%
Technology-enriched Learning (FT) FEAS <b>ULAF – first year</b>	729.79	231.00	-68.3%

Technology-enriched Learning (FT) FEAS <b>ULAF – upper year</b>	729.79	766.28	5.0%
Technology-enriched Learning (FT) FESNS <b>ULAF</b>	729.79	221.00	-69.7%
Technology-enriched Learning FSCI (FT) <b>ULSF</b>	180.13	180.13	0.0%
Technology-enriched Learning FHSc (FT) <b>ULSF</b>	156.3	157.86	1.0%
Technology-enriched Learning FBIT (FT) <b>ULSF</b>	146.67	151.07	3.0%
Technology-enriched Learning (FT) FSSH <b>ULSF</b>	126.88	130.69	3.0%
Technology-enriched Learning (FT) FEDU <b>ULSF</b>	189.2	194.88	3.0%
<b>Flat Fees Paid once per yr. (Fall or as admitted). FT only.</b>			
Health & Dental <b>UHTH</b>	213.06	250.32	17.5%
<b>Flat Fees Paid half Fall and half Winter. FT only</b>			
Athletics Complex Membership <b>UACM</b>	36.69	37.35	1.8%
Intramurals <b>UITN</b>	10.36	10.55	1.8%
Campus Recreation and Wellness <b>UEXP</b>	172.23	174.12	1.1%
Student Org. Fees <b>USOF</b>	169.36	172.75	2.0%
Varsity Fee <b>UVAR</b>	119.14	121.52	2.0%
Instructional Resource <b>UTIR</b>	112.96	115.22	2.0%
WUSC Student Sponsorship <b>UWUF</b>	2.70	2.70	
U-Pass <b>UUPS</b>	135.00	139.00	3.0%
<b>Summary (not including TELE or program fees)</b>	<b>1633.98</b>	<b>1668.60</b>	<b>2.1%</b>

## 7. Project Updates

### 7.1 New Building

B. MacIsaac delivered the new building presentation. He informed the committee that as Eastern works with sub-trades on project expenses, the estimated costs increased by approximately \$2M. Eastern is now using the design-assist process to see if cost reductions can be found. Changes have also been made to the design of the building in an effort to reduce costs (reduce width of hallways) without compromising AODA compliance. There was a discussion regarding whether the planned contingency amount is sufficient. B. MacIsaac confirmed that the project will be overseen by a project manager again. The funding options presented do not take into account potential government or philanthropic funding.

### 7.2 Land Exchange

C. Elliott provided a status update on the land exchange with the City of Oshawa. The environmental assessment has been completed and the City has accepted the report. He confirmed that a stage three archeological assessment has been completed and a stage four assessment is not required. The next step is to receive an updated appraisal of the land.

### 7.3 ACE Enhancement

C. Elliott provided an update on the progress of the ACE enhancement project. He summarized the report that was included in the meeting material. The construction project is approximately 5 days behind because of the weather. He referred the committee to the financial report included in the

meeting material. There was a change order for approximately \$34,000 due to an unanticipated pipe problem. On the integration side of the project, Aolis is managing the project and RFPs are starting to be issued. There is an anticipated shortfall of approximately \$2M due to inflationary effects. The gap will have to be bridged through operating funds, fundraising, or additional funding from FedDev. C. Elliott responded to questions from the committee. The project is so unique that it is difficult to get competing bids. C. Elliott advised that there is \$500,000 contingency built into the project. C. Elliott meets weekly with John Komar, ACE's Director of Engineering & Operations, to ensure the project budget is staying on track.

#### **7.4 Campus Recreation & Wellness Centre (CRWC) Expansion**

C. Elliott summarized the key aspects of the report provided on the status of the CRWC expansion. He advised that RFPs were issued in early December and BBA was awarded the contract in January. BBA is finalizing drawings and pricing. Scott Barker, the Director of Athletics, is driving the project, together with L. Brual, the project manager. The Board will be provided with the same financial reporting on the CRWC project as they were given for the SIRC project. C. Elliott clarified that the project is being funded through the reserve built up through student ancillary fees. The financial report will be updated to clarify the source of funds.

#### **7.5 AVIN**

D. Holdway delivered a presentation providing an overview of the status of the AVIN project, which was included in the meeting material.

### **8. Investment Committee Oversight**

#### **8.1 Quarterly Report**

S. Chow delivered the Investment Committee update. She advised that the portfolio performed 20 basis points behind the benchmark for the last quarter. There was significant volatility in December. The portfolio is still doing well overall for the year. In January, there was a turnaround in the market. At the committee's meeting that morning, they had an educational session on ESG, which is used as a tool to monitor operational risks that will affect a company's performance.

#### **8.2 Endowment Disbursement Report**

S. Chow presented the endowment disbursement recommendation. She confirmed that there is \$2.5M available for disbursements. At the current investment level, the university needs to disburse between 3-4% of the principal value to cover our gift requirements. While the Disbursement Committee recommended disbursing up to \$550,000 in 2019-20 for student awards, the Investment Committee is recommending the disbursement of up to \$600,000. When making the recommendation, the Investment Committee considered the recent changes to OSAP funding and the amount available for disbursement.

*Upon a motion duly made by S. Chow and seconded by S. Murphy, pursuant to the recommendation of the Investment Committee, the Audit & Finance Committee recommended the disbursement of up to \$600,000 from Endowment Funds for distribution as student awards in 2019-20 for approval by the Board of Governors.*

## **9. Risk, Compliance & Policy**

### **9.1 Policy:**

#### **(a) Continuity Policy**

C. Foy presented the Continuity Policy framework for recommendation by the committee. The university worked closely with Durham College (DC) on developing the policy and DC's policy will be almost identical. During the initial risk register development, business continuity was identified as having more significance than many other operational risks and, as such, was described as a "foundational" risk. C. Foy answered questions from the committee. She clarified that "university member" includes subcontractors or services provided by DC. She also confirmed that the policy was developed in the spirit of risk management and not as a compliance exercise. There was a discussion regarding the next steps in operationalizing the policy. C. Foy advised that the policy will require the development of procedures, tools and resources for the community, as well as training across the university. This will be a coordinated effort with DC. She will return to the committee with an implementation plan.

*Upon a motion duly made by D. Allingham and seconded by S. Chow, the Audit and Finance Committee recommended the University Continuity Management Framework Policy, as presented, for approval by the Board of Governors.*

#### **(b) Review of Use of External Auditor for Non-Audit Services Policy**

C. Elliott summarized the report, which was included in the meeting material. There were no recommended changes. He confirmed that the university has not used the auditors for any services that are not included on the list of pre-approved non-audit services.

#### **(c) Review of Expendable Funds Policy**

C. Elliott summarized the report for the committee and responded to questions. The university has approximately \$2.4M in excess funds, which are currently invested in GICs. There were no recommended changes to the policy.

### **9.2 Compliance & Risk Management Update**

#### **Risk Management Update**

C. Foy reviewed the key aspects of the risk management update, which was included in the material. The university is on track with the Risk Management and Insurance work plan. Given the governance work being undertaken by Academic Council (AC), the recommendation was to defer working with AC on risk and rolling it out next year. The annual risk report will be delivered in June.

#### **Compliance – FIPPA Statistical Reporting**

C. Foy provided the committee with an update on the status of compliance activities under the Freedom of Information and Protection of Privacy Act (FIPPA). Each year, the University must submit a statistical report documenting all requests for access to general records and records containing personal information. C. Foy noted a correction to the years in the table - they should be 2017 and 2018. She responded to questions from the committee members. Most breaches involve human error, which frequently involve incorrect e-mail addresses. Practices are being changed at the

university to try to minimize this type of breach. Time and hard costs for FIPPA requests are tracked and recovered. The costs of responding to requests are also being reduced by implementing changes such as providing electronic records as opposed to hard copies.

**10. Consent Agenda:**

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

**10.1 Statement of Investment Policies Amendments**

**10.2 Minutes of Public Session of Meeting of November 19, 2018**

**11. Other Business**

**12. Adjournment**

*There being no other business, upon a motion duly made, the public session of the meeting adjourned at 4:01 p.m.*

Becky Dinwoodie, Secretary