



**BOARD OF GOVERNORS**  
**Audit & Finance Committee**

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**Minutes of the Public Session of the Meeting of Wednesday, November 25, 2020**  
2:00 – 3:50 p.m., Videoconference

**Members:** Laura Elliott (Chair), Stephanie Chow, Mitch Frazer, Dale MacMillan, Steven Murphy, Dietmar Reiner, Roger Thompson

**Staff:** Jamie Bruno, Becky Dinwoodie, Cheryl Foy, Andrew Gallagher, Lori Livingston, Brad Maclsaac, Susan McGovern, Pamela Onsiong, Les Jacobs

**Guests:** Shay Babb, Jackie Dupuis, Mike Eklund, Christine McLaughlin (Ontario Tech FA), Bobbi-Jean White & Reagen Travers (KPMG), Ed Hielema (Gardiner Roberts LLP), Chelsea Bauer (Ontario Tech FA)

**1. Call to Order**

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

**2. Agenda**

*Upon a motion duly made by D. Reiner and seconded by S. Murphy, the Agenda was approved as presented.*

**3. Conflict of Interest Declaration**

There was none.

**4. Chair's Remarks**

The Chair welcomed the committee to their first meeting of the Board year. She noted that it was also her first meeting as Chair of the committee. The Chair thanked the outgoing Chair, Nigel Allen, for being instrumental in her transition to the role of Chair. She also congratulated B. Maclsaac on his recent promotion to VP Administration. She thanked A. Gallagher for all of his work as Interim CFO. The Chair also welcomed R. Thompson to his first committee meeting since joining the Board in September.

The Chair remarked that she is looking forward to working with the committee to advance the committee's mandate. The committee accomplished a lot last year and she is

confident they will continue to make progress. As the university continues to deal with COVID and the uncertainty it brings, this committee's oversight continues to be integral, now more than ever.

As the agenda was very full, the Chair advised that she would be actively managing the meeting to ensure the committee gets through all of the agenda items. She shared that she hopes everyone reviewed the material in advance and encouraged everyone to actively engage in the meeting.

## **5. President's Remarks**

The President provided a brief update on enrolment numbers. He advised that the university will need to bring in more students over the next few years to make up for the decreased enrolment this fall. From a planning perspective, in most sectors it has been a difficult year to project where COVID would lead in terms of finances and there remains a high degree of uncertainty.

The university is focused on strengthening our digital platforms as an investment. The President noted that they are not treating COVID as a once in a hundred-year occurrence, but are looking at how the university handles risk, how the university adapts, and how to come out of the crisis stronger. He reported that he has been visiting every Faculty Council and university departments. The signs are that we have been able to move more quickly and effectively in delivering higher quality learning than other institutions. This presents an opportunity to re-envision what higher education looks like. He also noted that the flexibility of working from home presents an opportunity for broader recruitment of staff and faculty.

He hopes that 2021 is a better year and he anticipates it will be an exciting time for the university to examine what has been learned from the pandemic. He advised that robust processes are being put in place to capture what we have learned.

The President responded to questions from the committee. There was a discussion regarding the structures in place to support the mental health of the university community, as we will be dealing with the effects of COVID for quite some time. The President advised that our students can now access mental health services by phone and virtually. He has heard from students that they feel more comfortable with this. Further, the university is incorporating different technologies into the services being offered to the student community. The President also confirmed that there are robust coverages for mental health included in the employee benefits packages. From the senior leadership team down, mental health is touched upon at most meetings. Managers are being encouraged to touch base with their teams to find out how they are doing as staff and faculty are juggling many different issues. They are trying to develop tailor-made solutions for people and are empowering managers to check in and see how people are doing. It is important for people to know that they are part of a community that cares about them.

There was a discussion regarding how our enrolment this year compares to other institutions. The President explained that due to the uncertainty related to COVID, students seem to be gravitating towards the larger legacy universities with recognized brands (e.g. UofT, Western, Queen's). The larger, more well-known universities have lowered their entrance averages and accepted more students, which has had a knock-on effect for smaller, lesser known institutions.

A member noted that the Ministry of Health has asked OPG to take part in a rapid testing pilot and asked whether there would be an opportunity for the university to take part in this type of project, as well. The President advised that the MCU asked whether the university would have the capacity of level 2 labs to analyze these tests or could serve as a community centre for testing. They are exploring different options.

## **6. Annual Terms of Reference Review**

B. Dinwoodie presented the committee's Terms of Reference (ToR) for annual review. She noted that the ToR were last updated in November 2020 to reflect the university's new brand. The annual ToR review provides the committee with an opportunity to review the mandate, membership, and meeting frequency to ensure they continue to be appropriate. The committee members did not have any proposed changes resulting from the review.

## **7. Finance**

### **7.1 Second Quarter Financial Reports**

P. Onsiong reviewed the forecast summary with the committee. She highlighted that the enrolment projection is better than anticipated. The higher number of returning students was offset by a 7% decrease in first year students. This has translated into an \$8.6m increase in tuition revenues. P. Onsiong explained that the decrease in revenues from ancillary services is due to COVID closures. Based on current enrolment projections and the COVID situation, they were currently forecasting a surplus of \$4.8m. Management is focused on recruitment and enhancing technologies to put us in the best position possible for next year.

P. Onsiong responded to questions and comments from the committee. A member commented that it is always good to see that the financial position is better than expected. There was a discussion regarding the ongoing pressure on costs related to COVID. P. Onsiong noted that the university experienced a decrease of almost \$5m in expenses over the prior year due to reduced spending tied to efforts to reduce the budget and that those savings offset the university's COVID-related expenses. A suggestion was made to footnote the surplus to clarify what it is actually based on.

### **7.2 2020-2021 Enrolment & Budget Update**

The committee received a presentation on the 2020-2021 enrolment and budget update. With the forecasted surplus of \$2.6m, A. Gallagher noted that there remain a lot of

unknown factors. As challenges continue and in the face of ongoing cost pressures, management is recommending that, to the extent there is any excess revenue or cost savings, that funds for next year be spent on student recruitment efforts and enhancing technology. There was a suggestion that management provide an update to the committee earlier than June 2021 and that it be incorporated into budget planning for next year. A. Gallagher clarified that A&F would be updated before then. A friendly amendment to the motion was proposed to provide that the President will report on the 2020-2021 budget at every A&F meeting through 2021.

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

*WHEREAS the 2020-2021 budget was prepared and approved in June 2020 based on a forecast using the best information available at that time;*

*WHEREAS the Board of Governors directed management to continue to meet with the Chair of the Audit and Finance Committee to conduct further budget reviews in light of the continuing high degrees of risk and uncertainty precipitated by the COVID-19 pandemic;*

*WHEREAS management has updated the forecast for 2020-2021 based on the most recent enrolment update and the Audit and Finance Committee notes the competing forces of positive budget direction in the current year, with continuing risk and uncertainty in the current and following budget years;*

*NOW THEREFORE the Audit and Finance Committee recommends that the Board of Governors authorizes the President to spend additional in-year revenues and savings, if any, toward strategic initiatives and those initiatives that mitigate future budget risk, in accordance with the recommendations presented by the Senior Leadership Team, and requests that the President report on these matters to the Audit and Finance Committee at every meeting through 2021.*

### **7.3 Budget Assumptions, Targets & Outcomes**

B. Maclsaac discussed the budget assumptions for the upcoming year. They are anticipating an increase in students returning to school due to COVID and a change in grading standards. They will be using the 3-year average from 2017 on to get an anticipated enrolment number. He noted that they anticipate flat domestic tuition due to the government's tuition framework. He advised that the university would be able to raise international tuition by 5-10% and still be below the Canadian average.

L. Livingston noted that the strategy is to enhance recruitment efforts and try to get back to the previous years' levels of incoming students. Once we recruit students, it will be important to retain them and will focus on enhancing student success programming. By ensuring we deliver a quality product, this will also enhance our ability to retain students. L. Livingston highlighted the strategic areas of investment: recruitment, retention, technology, and valuing the university's people.

L. Livingston and B. MacIsaac responded to questions from the committee. There was a discussion regarding how we gauge student satisfaction, including international students. L. Livingston advised that we are trying to poll our students to assess their level of satisfaction. Further, she and the President are engaging in student focus groups. There was also a discussion of the success of the grade change to pass or W in winter term 2020. L. Livingston confirmed that many students selected the pass/W option, with the net effect being that students who otherwise would have been dismissed due to poor academic performance continued this year. While this contributed to a higher retention rate, it leaves us vulnerable to a double cohort of dismissals this year. They are carefully monitoring the academic performance of these students. The student success program is in high gear for the next term in order to avoid a double cohort of dismissals.

#### **7.4 New Building Financing**

The committee received a presentation on the proposed terms of the new building financing. There was a discussion regarding the covenants associated with the financing. E. Hielema, the university's external counsel, advised that the covenants are very typical for this type of financing. The committee also discussed the value added of using this form of financing, as it has a favorable locked in interest rate for 25 years. M. Frazer commented that this is the best interest rate product on the market right now and that there are a number of banks marketing this to universities and other similar organizations.

C. Foy advised that there are complexities with respect to mortgages on our buildings since the university does not own the land on which the buildings are situated.

*Upon a motion duly made by S. Chow and seconded by D. MacMillan, the Audit and Finance Committee unanimously recommended the following motion for approval by the Board of Governors:*

WHEREAS the Board of Governors approved negotiating and finalizing a GMP agreement for the new building construction with Eastern up to a maximum amount of \$41M and the total cost of construction and fit out not to exceed \$48M at their meeting on February 28, 2019;

WHEREAS additional financing is required to fund the completion of the new building construction;

WHEREAS the university invited three institutions to bid on the new building financing;

WHEREAS the successful bidder was RBC;

WHEREAS the university is in the process of concluding the terms of the construction loan with RBC;

WHEREAS the Audit and Finance Committee received a summary of the key terms and risks of the RBC construction loan at their meeting on November 25, 2020;

NOW THEREFORE, upon a motion duly made by [TBD] and seconded by [TBD], the Audit and Finance Committee hereby recommends the following for approval by the Board of Governors:

1. Authorizing the university to proceed negotiating, finalizing and executing and delivering the loan agreement, hedging agreement, and all ancillary documents, and recommending that the Board of Governors pass all necessary resolutions (including in the form required by RBC), all with respect to the new building financing with RBC up to a maximum of \$25M on the terms set out in the summary presented;
2. Directing the university to provide the Board with annual updates on the final negotiated loan and hedging agreements; and
3. Authorizing and directing any two of the President, Provost, VP Academic, or VP Administration 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.

## **8. Investment Committee Oversight**

### **8.1 Quarterly Report**

S. Chow reported that the university's portfolio is at \$28.9m and has a cash balance of \$561,000. The return over the last quarter was ahead of the benchmark and is also ahead of the benchmark at the 5-year cycle. She also reported that over the last few meetings, the Investment Committee had discussed adding an allocation to direct real estate investment. She explained the rationale for adding such an allocation.

S. Chow advised that in favour of a stronger performance in the portfolio, PH&N reduced holdings in low volatility equities, which remained in line with the target allocations. PH&N continue to monitor the performance of the portfolio. In light of the continuing uncertainty of COVID, the committee has been receiving more frequent updates from PH&N. S. Chow noted that the committee continues to maintain a long-term focus. She also discussed the education session, which examined the postsecondary investment landscape.

## **9. Project Updates – questions only**

B. Maclsaac delivered a short verbal update on the ACE project. When A&F last met in June, they were advised that the project integration was delayed from October 2020 to January 2021. In September, the senior team decided not to bring up the technical team from the US due to COVID considerations. They explored implementing a quarantine period for the technical team, as well as getting an exemption. Since obtaining an exemption was not possible, work on integration in December will not be possible and there will be a further delay.

B. Maclsaac responded to questions from the committee. There was a discussion regarding the impact on the operations of the facility and whether there are any integration experts in Canada that could assist. B. Maclsaac advised that there would be no significant implications for operations this year and that any delay would impact future projects. He also confirmed that MTS must be used for the integration project.

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

### **10.1 Risk, Compliance & Policy Update**

#### **(a) Compliance Policy**

C. Foy provided an overview of the Compliance Policy, which was included in the meeting material. She explained that the policy is the first step in developing a compliance framework at the university. The university has over 400 pieces of legislation that must be adhered to. She noted that the policy will return to the committee in February for deliberation. C. Foy also advised the committee that lots of good feedback was received from Academic Council at their last meeting. The goal is to have the policy in place by next March.

C. Foy responded to questions and comments from the committee. She noted that not many universities have undertaken a comprehensive compliance review and that they worked with other institutions to develop the list. In response to a question about the nature of progress reports, she clarified that they are unsure of what progress reports will look like at this point. The university is currently dealing with compliance matters as they arise (e.g. Controlled Goods, AODA, etc.). Policy developments will develop out of grassroots efforts and identified priorities. C. Foy explained that while this is not a mandated process, the university is being proactive and the work is integral to the Board's ability to verify the compliance of the university.

A member suggested that as the compliance framework evolves, the university should consider whether an internal audit role or oversight role should be implemented to conduct internal checks on compliance with university policies. C. Foy advised that the Board has considered this several times in the past and the response was that the university was so early in the development of some of these programs (e.g. Policy Framework), that it was premature to have an internal audit function at that stage. As the framework matures, an internal audit function would make sense. She also noted that the university has a Safe Disclosure Policy in place that provides the university community with an opportunity to report non-compliance with policies and procedures. C. Foy ended by inviting the committee to provide any additional feedback they might have directly to her prior to the committee's February meeting.

#### **(b) Signing Authority Policy Review Update (U)**

C. Foy provided an update on the Signing Authority Policy Review. She noted that this is a long-standing item and that they have experienced several challenges along the way. C. Foy advised that the review began with Craig Elliott and A. Gallagher recently completed a draft. The goal is to present the updated policy to the Board for approval by the end of the year.

## **(c) Controlled Goods & Exports Compliance Update**

C. Foy discussed the development of the controlled goods compliance framework. Under Canada's Controlled Goods Program, the university is required to appoint an "Authorized Individual" who is responsible for the compliance obligations of the university. Under the university's current registration, the University Secretary & General Counsel has served as the Authorized Individual for the institution. As a result of the implementation of the Controlled Goods compliance program, the Vice-President, Research & Innovation will assume the institution's Authorized Individual duties.

## **10.2 Freedom of Expression Annual Report**

C. Foy presented the annual freedom of expression report and explained the background to the annual reporting requirements. She clarified the Freedom of Expression Policy applies to on campus and online activities.

### **11. Consent Agenda:**

#### **11.1 Minutes of Public Session of Meeting of June 19, 2020**

*Upon a motion duly made by D. MacMillan and seconded by D. Reiner, the Consent Agenda was approved as presented.*

### **12. For Information:**

#### **12.1 Project Updates:**

**(a) ACE Enhancement & New Building**

**(b) AVIN**

#### **12.2 Risk, Compliance & Policy Update**

### **13. Other Business**

### **14. Adjournment**

*Upon a motion duly made by D. MacMillan and seconded by D. Reiner, the public session adjourned at 3:50 p.m.*

Becky Dinwoodie, Secretary