



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

**Thursday, February 17, 2021**  
**2:00 p.m. to 4:00 p.m.**

[Videoconference](#)

**Toll-Free: +1.888.240.2560 Meeting ID: 204 430 726**

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

**Staff:** Becky Dinwoodie, Cheryl Foy, Les Jacobs, Lori Livingston, Brad MacIsaac, Pamela Onsiong

**AGENDA**

No.	Topic	Lead	Allocated Time	Suggested Start Time
	<b>PUBLIC SESSION</b>			
1	<b>Call to Order</b>	Chair		
2	<b>Agenda (M)</b>	Chair		
3	<b>Conflict of Interest Declaration</b>	Chair		
4	<b>Chair's Remarks</b>	Chair	5	2:05 p.m.
5	<b>President's Remarks</b>	Steven Murphy	5	2:10 p.m.
6	<b>Strategic Discussion: Fiscal Sustainability*</b>	Chair	20	2:15 p.m.
7	<b>Finance</b>			
7.1	Third Quarter Financial Reports & 2021-2022 Budget Update* (U)	Brad MacIsaac & Pamela Onsiong	20	2:35 p.m.
8	<b>Investment Committee Oversight</b>			
8.1	Quarterly Report	Stephanie Chow	5	2:55 p.m.
9	<b>Project Updates* (U) – questions only</b>	Brad MacIsaac	10	3:00 p.m.
10	<b>Consent Agenda (M):</b>	Chair	5	3:10 p.m.
10.1	Minutes of Public Session of Meeting of June 19, 2020*			
10.2	Compliance Policy*			
11	<b>Written Consultation:</b>			
11.1	Controlled Goods Policy*			
11.2	Radiation Safety Policy*			
12	<b>For Information:</b>			
12.1	Credit Rating Update*			

No.	Topic	Lead	Allocated Time	Suggested Start Time
12.2	Risk, Compliance & Policy Updates*			
12.3	Fiscal Blueprint 2021-2022*			
13	<b>Other Business</b>	Chair		
14	<b>Adjournment (M)</b>	Chair		3:15 p.m.
	<b>BREAK</b>		<b>10</b>	
	<b>NON-PUBLIC SESSION (material not publicly available)</b>			<b>3:25 p.m.</b>
15	<b>Call to Order</b>	Chair		
16	<b>Conflict of Interest Declaration</b>	Chair		
17	<b>President's Remarks</b>	Steven Murphy	5	3:30 p.m.
	<ul style="list-style-type: none"> <li>• Debenture Strategy Review</li> </ul>	Steven Murphy & Cheryl Foy	5	3:35 p.m.
18	<b>Consent Agenda (M):</b>	Chair	5	3:40 p.m.
18.1	Minutes of Non-Public Session of Meeting of June 19, 2020*			
19	<b>Other Business</b>			
20	<b><i>In Camera</i> Session (M)</b>		10	3:45 p.m.
21	<b>Termination (M)</b>			4:00 p.m.

## COMMITTEE REPORT

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**SESSION:**

Public  
Non-Public

☒  
☐**ACTION REQUESTED:**

Decision  
Discussion/Direction  
Information

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**TO:** Audit & Finance Committee (A&F)

**DATE:** February 17, 2021

**PRESENTED BY:** Brad MacIsaac, VP Administration

**SUBJECT:** Pre-Budget Budget 2021-22 Discussion

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**COMMITTEE MANDATE:**

As set out in its Terms of Reference, the committee is responsible for ensuring fiscal responsibility with respect to the financial resources of the university, including reviewing and recommending approval of the annual operating budgets.

We are providing the committee with an update on the 2021-2022 budget planning to help the committee fulfill its mandate and to obtain strategic feedback.

**BACKGROUND/CONTEXT & RATIONALE:**

At the November 2020 A&F meeting we reviewed the in-year forecast and assumptions for the next year. In advance of the April budget setting meeting, this session is a review of a few competing demands Ontario Tech is facing. The intent is to outline the direction and get strategic feedback.

The current budget planning environment remains unstable and difficult to predict given the ongoing, ever-changing, and currently worsening COVID-19 pandemic situation. The 2020-2021 Ontario Tech budget news is more positive than initially anticipated. While we had a plan in place to reduce revenues by \$20M we are currently projecting a \$10M loss. The difference is primarily due to a 2% overall increase in enrolment thanks to increased registrations by continuing students.

We cannot plan on this increased enrolment trend continuing as the 2020-21 new undergraduate intake was down 5.1%, which will impact revenue in the out years, and the current OUAC applications are down 8.2%. Additionally, we cannot assume the continuing return rate will hold constant (i.e. retention into year two has averaged 81% over the last five years and this year was 87%. We believe largely due to the winter 2020 “pass/fail” option).

## **DISCUSSION:**

The 2021-22 Operating Budget is being prepared in the context of continuing revenue pressures caused by: i) capped government grant funding, ii) frozen domestic tuition fees, and iii) limited increases to international enrolment due to risks caused by travel restrictions and virtual availability. Additionally, operating expenses continue to increase at a rate above 2% per year.

While the leadership team will go into greater detail at the April budget meeting, a few of the questions that have been asked over the past budgets include:

### **Is the university confident in its revenue projection?**

The preparation of the operating budget involves the use of projections and estimates that increase the level of overall risk of not achieving the desired results. For example, a 1% deviation in enrolment will lead to ~\$1M variance (positive or negative) from tuition fee revenues. In non COVID times, we have a goal of being within 3% of targets.

The university has projected enrolments based on three-year averages and added some conservative inflationary projections to counteract the inherent enrolment risk. Is this sufficient?

Recommendation: Yes, based on past practice and noting we are expecting over \$2 M discretionary funds in 2020-2021 that can be brought forward a year as contingency.

### **Are resources allocated in line with the school's strategic priorities?**

The first draw on the ~\$190M budget is a reallocation to invest \$6M more in personnel costs compared to 2019-2020. With \$3.3M investment in capital, there is less than \$2M left for discretionary spend which will be prioritized on Learning Re-imagined, Recruitment and Student Success.

As we look to the out years we have growing needs for supports both inside and outside of the classroom. For example, to become "fast followers" in technology we estimate the need for over \$4M investment in the short term. How will this cost be covered?

Recommendation: review any in-year savings till 2022-23 to set aside for oto IT purchases.

### **What is the university doing to mitigate flat grants and domestic tuition freeze?**

The university continues to explore alternate sources of revenues. To ensure focus, a key criteria is how any new venture would be tied to the core mandate of learning (teaching and research). To this end, increased retention would stick closer to our mission than any other initiative. If we increased year 1 to 2 rate by 1% in each of the next three years we could add over \$2M to our annual base. Next would be enhanced recruitment both domestic and international. We have seen a correlation between enrolment growth in the system and new programs. Ontario Tech is currently reviewing 22 new programs with a focus on creating short programs (i.e. diplomas) and more pathway partnerships. Finally, would be the investment in continuing education and Ontario Tech Talent with a focus on micro-credentials.

We are closely monitoring the balance of bringing in more students with the quality of learning. To put it into the context of flat tuition and grant, university salaries increase ~\$2.5 - 3M each year and to offset this we need ~300-350 more students each year. What may this do to class sizes?

Recommendation: revised our international student intake targets to grow from an intake of 135 in 2020 to 180 for 2021 and 225 for 2022 as we move from 6% of the student body towards the system average of 15%.

**Does the school have sufficient reserves to cover major changes?**

The university attempts to maintain appropriate reserves and contingencies to address unexpected events. To balance the budget we are looking at carrying forward funds from 2020-21 to act first as contingency until September and then be available to fund discretionary expenditures (further information on reserves is in the Budget Paper Appendix F).

Over the next decade, we have plans to complete the top floor of the new A5 building, move into our own buildings downtown, rather than leasing, and prepare for increasing deferred maintenance. Eight years ago the university started to put aside \$3.5M for these activities but this was paused the last two budget cycles. What is the right amount to reserve?

**Recommendation:** In 2021-2022 we reserve up to \$1 M if possible at end of the year and implement an upward sliding scale model as we plan for more maintenance and future purchase.

**ALIGNMENT WITH MISSION, VISION, VALUES:**

The suggested directions are made with an eye on the mission of the university and an investment in the priorities laid out in the Integrated Academic Research Plan. They will allow Ontario Tech to continue to provide high quality undergraduate and graduate services and experiences to its students.

**COMPLIANCE WITH POLICY/LEGISLATION:**

The assumptions are to be compliant with provincial tuition fee policy and Ontario Tech's ancillary fee protocol.

**NEXT STEPS:**

Information sharing meetings are scheduled with the internal community over the coming weeks, the leadership team will review the formal winter count data and finalize the budget submission. This will be presented to A&F in April 2021.

**SUPPORTING REFERENCE MATERIALS:**

Fiscal Blueprint 2021-2022, Feb 2021 (included for information)

**Financial Update  
Report to the Audit and Finance Committee  
For 9 months ending December 31, 2020**

**February 17, 2021**

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Financial Update – Report to Audit and Finance Committee – February 17, 2021**  
**For 9 months ending December 31, 2020**  
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**ONTARIO TECH UNIVERSITY - OPERATING FORECAST SUMMARY  
FOR THE YEAR ENDING MARCH 31, 2021 (in '000s)**

April 1, 2020 - March 31, 2021				
	Total Annual Budget	Y/E Forecast	Fav. (Unfav.) Forecast vs. Budget \$ / %	
<b><u>Revenue</u></b>				
Grants	81,023	81,555	533	1%
Tuition	68,629	80,666	12,037	18%
Student Ancillary	10,732	12,111	1,379	13%
Other	13,821	9,735	(4,086)	-30%
<b>Total Revenue</b>	<b>\$ 174,204</b>	<b>\$ 184,067</b>	<b>\$ 9,862</b>	<b>6%</b>
<b><u>Expenditures</u></b>				
Academic	75,193	76,431	(1,239)	-2%
Academic Support	34,356	34,478	(122)	0%
Administrative	27,490	26,211	1,279	5%
<b>Sub-total</b>	<b>\$ 137,039</b>	<b>\$ 137,121</b>	<b>(82)</b>	<b>0%</b>
<b>Purchased Services</b>	<b>12,336</b>	<b>11,599</b>	<b>737</b>	<b>6%</b>
<b>Total Commercial</b>	<b>7,558</b>	<b>6,027</b>	<b>1,532</b>	<b>20%</b>
<b>Debenture Interest Expense</b>	<b>10,541</b>	<b>10,541</b>	<b>-</b>	<b>0%</b>
<b>Total Operating Expenses</b>	<b>\$ 167,474</b>	<b>\$ 165,287</b>	<b>\$ 2,187</b>	<b>1%</b>
<b>Net Contribution from Operations</b>	<b>\$ 6,730</b>	<b>\$ 18,780</b>	<b>\$ 12,049</b>	<b>179%</b>
<b>Capital Expenses funded from Operations</b>	<b>2,171</b>	<b>7,794</b>	<b>(5,623)</b>	<b>-259%</b>
<b>Debenture &amp; lease principal repayments</b>	<b>6,743</b>	<b>6,743</b>	<b>0</b>	<b>0%</b>
<b>Total Net Surplus</b>	<b>\$ (2,183)</b>	<b>\$ 4,243</b>	<b>\$ 6,427</b>	<b>294%</b>

**Other Disclosures: funded through PY reserves**

<b>&amp; external financing: New Building</b>	<b>\$ 20,008</b>	<b>\$ 19,800</b>	<b>\$ 208</b>	<b>1%</b>
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## 2020/21 Operating Forecast Summary

Based on Nov 1 enrolment count data and expense projections from budget holders, the operating budget, after capital expenditures, is projecting a favourable variance of \$6.4M of which \$2.2M will be utilized to cover the original approved budget deficit, for a net operating surplus of \$4.2M at the end of the fiscal year.

Better than expected enrolment has resulted in an upside in both tuition and student ancillary fees. However, the ongoing pandemic has led to a longer than expected physical closure for most of the campus premises. Whilst this has resulted in base building cost savings (e.g. janitorial services and utilities) in the current year, it has adversely impacted our commercial revenues such as ACE, food services, parking and rental income from the Arena and Campus Fieldhouse.

Below are the variances of the year-end forecast to the approved budget:

### Enrolment

FTE's	2019/20 Actual	2020/21 Approved Budget *	2020/21 November 1 count **	Variance to Approved Budget
<b>Undergraduate</b>				
Domestic	7,901	7,152	8,186	1,034
International	461	365	512	147
<b>Graduate</b>				
Domestic	429	382	453	71
International	183	263	199	-64
<b>Total FTE's</b>	<b>8,974</b>	<b>8,162</b>	<b>9,350</b>	<b>1,188</b>

\* 2020/21 approved budget reflects the uncertainty around the global pandemic and its anticipated impact on enrolment projections.

\*\* Nov 1 update reflects the official fall enrolment count to the Ministry

Current eligible undergraduate and graduate enrolment projection is within the + / - 3% of the University's corridor midpoint. Core Operating Grant remains flat as under the new funding formula implemented by the Ministry in 2017 -18, the funding for domestic students for the current year remains at the 2016 – 17 level.

## **2020/21 Operating Forecast Summary (continued)**

The pivot to online learning last spring and the successful transition to the hybrid model, have resulted in a higher than budgeted enrolment. Except for international graduate students which shows a net unfavourable variance to budget of 64 FTE, total domestic undergraduate and graduate at 8,639 FTE are 1,105 FTE (~15%) more than anticipated, with increases seen across all faculties.

It is also noted that total current projections at 9,350 FTE are 376 FTE (~4%) more than the prior year 2019/20 actual enrolment, with a higher number of returning students, offset by a decrease of 6% in first-year domestic intake which will have a flow-through financial impact in the next 4 years.

### **Revenues**

Total revenues are favourable \$9.9M against the approved budget.

Better than expected enrolment has resulted in an upside of \$12.0M in tuition fees and a net \$1.4M in student ancillary fees, including the accounting recognition of \$0.9M of prior year ancillary fees for investment in athletic ground renovations.

These positive variances are offset by \$4.1M lower than expected Other revenues, mostly attributable to a decrease in our commercial revenues such as ACE, food services, parking, daycare and rental income from the Arena and Campus Fieldhouse, as a result of the longer than expected closure of most of the campus facilities (the approved 2020/21 budget assumed a partial return to campus for September 1, 2020).

The decrease in Other revenues is offset by a corresponding net decrease in expenses of \$1.5M (see Total Commercial under “Expenses” section below).

### **Expenses**

Total operating expenses and capital are projected to be net \$3.4M unfavourable to budget.

Academic units are unfavourable \$1.2M and includes increases in part-time labour, including sessionals, and various operating expenses, associated with higher than expected enrolment.

Academic support units are projected to be in line with their total approved budgets, with the Registrar’s Office forecasting an overspend of \$0.8M, comprising of \$0.5M increase in entrance scholarships as more students met the criteria for these scholarships, and \$0.3M additional investment in recruitment efforts. This overspending is offset by other variances, none of which is material.

Administrative units are favourable \$1.3M to budget. This positive variance includes \$1.2M of base building cost savings due to the longer than expected physical closure of most of the campus premises, release of \$1.0M of operational reserves which will not be utilized in the current year, offset by \$0.4M increase in legal fees and other variances, none of which is material.

## **2020/21 Operating Forecast Summary (continued)**

Total Commercial Expenses are showing a positive variance of \$1.5M due to cost savings directly attributable to the decrease in revenues for ACE, food services, parking, daycare and rental income from the Arena and Campus Fieldhouse (see Other revenues under “Revenues” section above).

Capital Expenses funded from Operations is \$5.6M unfavourable to budget. The variance is comprised of \$2.7M investment in the ACE MGP (Moving Ground Plane) to cover for project costs not funded by external grant, \$1.0M in IT to support the current and future hybrid learning platform and to invest in laptops for faculty and staff, \$0.9M for athletic ground renovations which are fully funded by student ancillary fees (see Student ancillary fees under “Revenues” section above), \$0.7M in facilities infrastructure for projects that have been put on hold for the last 2 years due to budget constraints and \$0.2M increase in faculty capital investment.

### **New Building**

In addition to the operating spending, the University is investing \$20.0M in the new A5 building in the current year, using a combination of restricted prior year reserves, contribution from the University’s Student Union and a construction loan of up to \$25.0M.

### **Conclusion**

The current operating forecast is showing a net surplus of \$4.2M based on expected enrolment, spending plans and the current COVID situation in the Region and the Province which Management will continue to closely monitor.

Actual operating results for the fiscal year will be reviewed in conjunction with the University’s financial position at year-end. In addition to reserves that are required to comply with contracts and/or policies (e.g. faculty start-up and PD funds, unspent student ancillary fees), an appropriate amount of surplus will be reserved for future operating contingencies, ongoing student recruitment efforts and strategic investment in our IT infrastructure to support the future of the University’s hybrid learning model. These restricted reserves are approved by the Board of Governors at the end of the fiscal year.

**ONTARIO TECH UNIVERSITY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2020**

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>	<u>YOY Variance</u>	<u>Mar 31, 2020</u>
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash and cash equivalents	\$ 40,738,745	\$ 15,971,250	\$ 24,767,496	\$ 42,339,591
Short-Term Investments	-	25,508,584	(25,508,584)	7,052,500
Grant receivable	9,844,887	9,088,304	756,583	9,183,463
Other accounts receivable	41,016,580	40,321,207	695,373	8,543,271
Prepaid expenses and deposits	1,754,283	2,235,284	(481,001)	2,270,296
Inventories	41,308	710,490	(669,182)	57,736
	<u>93,395,804</u>	<u>93,835,119</u>	<u>(439,316)</u>	<u>69,446,857</u>
<b>INVESTMENTS</b>	<b>31,591,858</b>	<b>28,920,233</b>	<b>2,671,625</b>	<b>26,137,454</b>
<b>CAPITAL ASSETS</b>	<b>399,507,768</b>	<b>393,293,380</b>	<b>6,214,388</b>	<b>396,612,877</b>
<b>TOTAL ASSETS</b>	<b>\$ 524,495,429</b>	<b>\$ 516,048,733</b>	<b>\$ 8,446,696</b>	<b>\$ 492,197,188</b>
<b>LIABILITIES</b>				
<b>CURRENT AND LONG-TERM LIABILITIES</b>				
Accounts payable and accrued liabilities	24,446,817	24,567,969	(121,151)	27,506,321
Deferred revenue	57,290,678	51,108,211	6,182,468	22,206,208
	<u>81,737,496</u>	<u>75,676,179</u>	<u>6,061,316</u>	<u>49,712,529</u>
<b>LONG TERM DEBT</b>	<b>302,285</b>	<b>426,616</b>	<b>(124,331)</b>	<b>425,924</b>
<b>OBLIGATIONS UNDER CAPITAL LEASE</b>	<b>36,385,512</b>	<b>37,119,602</b>	<b>(734,089)</b>	<b>36,954,011</b>
<b>DEBENTURE DEBT</b>	<b>151,543,488</b>	<b>158,105,761</b>	<b>(6,562,273)</b>	<b>158,105,761</b>
<b>DEFERRED CAPITAL CONTRIBUTIONS</b>	<b>159,426,955</b>	<b>157,349,205</b>	<b>2,077,750</b>	<b>162,196,325</b>
	<u>429,395,736</u>	<u>428,677,363</u>	<u>718,373</u>	<u>407,394,550</u>
<b>Net Assets</b>				
<b>UNRESTRICTED</b>				
NET ASSETS, excluding current year surplus	61,536,522	63,995,371	(2,458,849)	64,154,137
ENDOWMENTS	24,346,517	23,538,942	807,576	23,536,115
CURRENT YEAR SURPLUS / (DEFICIT)	9,216,654	(162,943)	9,379,597	(2,887,614)
	<u>95,099,693</u>	<u>87,371,369</u>	<u>7,728,324</u>	<u>84,802,638</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 524,495,429</b>	<b>\$ 516,048,733</b>	<b>\$ 8,446,696</b>	<b>\$ 492,197,188</b>

**ONTARIO TECH UNIVERSITY**  
**Consolidated Statement of Operations**  
**For the 9 months ending December 31, 2020**

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>	<u>YOY Variance</u>
<b>REVENUE</b>			
Grants - operating & research	\$ 59,678,771	\$ 56,611,867	3,066,905
Grant - debenture	13,500,000	13,500,000	-
Donations - operating & research	542,744	426,846	115,898
Student tuition fees	53,719,294	53,968,757	(249,463)
Student ancillary fees	8,527,717	11,178,696	(2,650,979)
Revenue from purchased services	251,722	2,371,748	(2,120,026)
Other income	3,525,952	7,365,501	(3,839,549)
Amortization of deferred capital contributions	7,050,102	7,056,987	(6,885)
Interest revenue	607,422	1,050,022	(442,599)
Unrealized gain on investments	4,556,057	465,997	4,090,061
	<b>151,959,782</b>	<b>153,996,419</b>	<b>(2,036,637)</b>
<b>EXPENSES</b>			
Salaries and benefits	82,964,378	84,236,766	(1,272,388)
Student aid, financial assistance and awards	8,467,879	8,689,067	(221,187)
Supplies and expenses	14,784,697	22,322,183	(7,537,486)
Purchased Services	8,471,291	9,742,326	(1,271,035)
Professional fees	812,157	1,204,563	(392,407)
Interest expense - Current Obligations	69,959	108,097	(38,138)
Interest expense - Long Term Debt	9,696,961	10,040,459	(343,499)
Amortization of capital assets	17,165,159	17,709,725	(544,566)
Loss on disposal of assets	310,647	106,175	204,471
	<b>142,743,128</b>	<b>154,159,362</b>	<b>(11,416,234)</b>
<b>Excess of revenues over expenses</b>	<b>\$ 9,216,654</b>	<b>\$ (162,943)</b>	<b>\$ 9,379,597</b>

**ONTARIO TECH UNIVERSITY**  
**Consolidated Statement of Cash Flows**  
**For the 9 months ending December 31, 2020**

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of revenue over expenses	9,216,654	(162,943)
Items not affecting cash:		
Amortization of capital assets	17,165,159	17,709,725
Amortization of deferred capital contributions	(7,050,102)	(7,056,987)
Loss on disposal of assets	310,647	106,175
Unrealized gain on investments	(4,556,057)	(465,997)
	<u>15,086,300</u>	<u>10,129,973</u>
 Working Capital		
Grant and other accounts receivable	(33,134,735)	(33,508,787)
Prepaid expenses and deposits	516,013	(68,534)
Inventories	16,428	(577,146)
Accounts payable and accrued liabilities	(3,059,504)	(5,046,069)
Deferred revenue	35,084,471	30,808,345
	<u>14,508,973</u>	<u>1,737,782</u>
 <b>INVESTING</b>		
Purchase of capital assets	(20,100,696)	(19,012,060)
Investments	6,154,153	(10,229,363)
Endowment contributions	810,403	1,695,653
	<u>(13,136,140)</u>	<u>(27,545,770)</u>
 <b>FINANCING</b>		
Repayment of long term debt	(6,685,912)	(6,287,993)
Repayment of obligations under capital leases	(568,499)	(476,748)
Deferred capital contributions	4,280,732	3,306,989
	<u>(2,973,679)</u>	<u>(3,457,751)</u>
 <b>NET CASH OUTFLOW</b>	<b>(1,600,846)</b>	<b>(29,265,739)</b>
 <b>CASH BALANCE, BEGINNING OF YEAR</b>	<b>42,339,591</b>	<b>45,236,989</b>
 <b>CASH BALANCE, END OF PERIOD</b>	<b>\$ 40,738,745</b>	<b>\$ 15,971,250</b>

## CONSOLIDATED FINANCIAL STATEMENTS

In addition to normal operating activities, these financial statements reflect the ongoing construction of the new A5 building and the impact of the global pandemic and the resulting physical closure of the most of the campus facilities on expenses in the current year.

**The Statement of Financial Position** is stable at the end of the reporting quarter.

Although a net \$10.2M cash has been invested to-date in the new A5 building, cash and short-term investments are flat compared to last year, mostly due to lower operating spending in the current year.

Note: short-term investments at the end of the reporting period mature within 90 days of quarter-end, and are hence disclosed under “Cash and cash equivalents”.

Accounts receivable balance of \$41.0M consists of \$37.6M of tuition fees receivable of which over 90% relates to the future winter 2020 semester for which payment is not due till January 2021. Due to covid-19, many students have also opted to pay their fees on a monthly payment plan which, coupled with a net increase of 376 FTE over the prior year, has resulted in a slight net year-over-year increase in other accounts receivable.

Investment balance of \$31.6M relates to endowed funds held at PH&N. The year-over-year increase of \$2.7M is comprised of mark-to-market unrealized gain \$1.7M, new in-year donations \$1.0M, net investment income \$0.8M, offset by student bursary disbursements \$0.8M.

Capital assets increase of \$6.2M includes net additions of \$28.3M, offset by accumulated amortization of \$22.1M in the last 12 months.

Net additions comprise \$21.2M of construction-in-progress (new A5 building \$14.8M, ACE Moving Ground Plane \$6.4M), \$5.3M of building and building renovations (\$2.0M athletic facilities, \$1.4M portables move and renovations whilst A5 is under construction, \$1.0M donated Stone House), \$2.6M major equipment and FF&E, offset by net disposals \$0.8M of laptops.

## Liabilities

Deferred Revenue relate to revenues deferred to subsequent periods as these have not yet been earned at the end of the reporting quarter or will be recognized as revenue in the period in which related expenses are incurred.

Balance of \$57.3M comprises \$36.7M deferred tuition representing winter term fees not earned at the end of the quarter, and \$20.6M of revenues billed or received and not yet spent at the end of the reporting quarter (\$10.8M of externally funded research revenues, \$4.2M of expendable donations, \$4.0M of student ancillary fees, and \$1.6M of miscellaneous deferred revenues).

## CONSOLIDATED FINANCIAL STATEMENTS (continued)

Decrease in obligations under capital lease represents the principal lease repayments for 61 Charles and 55 Bond in the last 12 months.

Decrease in long-term debenture debt of \$6.6M relates to the principal repayment and resulting drawdown of the debt in the last 12 months. This debt is fully payable in October 2034.

Deferred capital contributions increased \$2.1M and includes new grants and donations of \$11.6M received in the last 12 months for specific capital projects, offset by \$9.5M amortization into revenues of capital grants and donations received since inception of the University.

New grants and donations received comprise of \$5.3M for the ACE Moving Ground Plane project, \$3.3M for the new A5 building (including \$3.0M contribution to the A5 construction costs from the University Student Union, as per the license agreement between the two parties), \$1.0M for the ACE Autonomous Vehicle Innovation Network (AVIN) project, \$1.0M for donated building, and \$1.0M for various campus renovations.

**The Statement of Operations** shows a net year-over-year decrease of \$2.0M (1.3%) in revenues, coupled with a net decrease of \$11.4M (7.4%) in expenses.

### Revenues

Significant variances in revenues include:

Grants – operating & research increase of \$3.0M includes \$1.6M of external research grants, \$0.6M in performance funding grant due to the earlier timing of receipt of this grant in the current year, and other miscellaneous grants, none of which is material (note: there is no additional operating grant funding for year-over-year domestic growth from the Province).

Student ancillary fees decreased \$2.7M as the prior year included the accounting recognition of \$1.0M of fees for investment in athletic facilities projects, coupled with \$1.0M net decrease in TELE hardware fees as the TELE program is fully decommissioned in the current year, and \$0.7M less revenues recognized for Varsity ancillary fees due to lower expenses incurred as a result of the pandemic.

Revenue from purchased services from Durham College decrease of \$2.1M includes \$1.0M decrease in bookstore revenues as the bookstore is outsourced to a third party as of April 1, 2020 (in compliance with generally accepted accounting principles for revenue recognition, revenue is now recorded on a net commission basis), \$0.9M decrease in parking revenues due to the physical closure of most of the campus premises, and other immaterial variances.



## CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other income decreased \$3.8M and is mainly attributable to the impact of covid-19 and the resulting physical closure of the campus on our commercial revenues (\$1.0M ACE, \$0.5M Regent Theater, \$0.5M from the Arena, and other variances, none exceeding \$0.5M).

Unrealized gain on investment relate to the mark-to-market gain on our endowed investments. The gain at the end of the reporting period is as a result of the equity market outperforming which has been driven by, amongst others, comfortable fiscal and monetary policy, low interest rates, the roll-out of covid-19 vaccines and an expected reopening of the economy.

### Expenses

Expenses are mostly flat over the prior year, except for:

Salaries and benefits decrease \$1.3M and includes decrease of \$3.2M attributable to current year budget reductions (\$1.2M contract staff, \$1.1M sessionals and teaching assistants which will increase in Q4, \$0.9M full-time staff temporary layoffs and work load reductions), decrease \$0.9M in work-study student programs and decrease \$0.7M to reflect the reversal of administrative leaves accrued in the prior year. These decreases are offset by \$3.1M in annual salary increases and enhanced benefits for faculty and staff, \$0.7M in net new hires and other immaterial variances.

Supplies & expenses and Purchased services total decrease of \$8.8M (~27%) over the prior year is directly attributable to the impact of covid-19 including the physical closure of most of the campus premises and the current year budget reductions (decrease in: travel and related expenses \$2.3M; base building costs \$1.4M; promotional and branding expense \$1.1M, contract services and consulting \$0.9M; instructional and office supplies \$0.5M, and other variances, none exceeding \$0.5M).

## COMMITTEE/BOARD REPORT

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**SESSION:**

Public ☒  
Non-Public ☐

**ACTION REQUESTED:**

Decision ☐  
Discussion/Direction ☐  
Information ☒

Financial Impact ☐ Yes ☒ No

Included in Budget ☒ Yes ☐ No

**TO:** Audit and Finance Committee (A&F)

**DATE:** February 17, 2021

**PRESENTED BY:** Brad MacIsaac, VP, Administration

**SUBJECT:** Capital Projects Update – ACE Moving Ground Plane and New Building (A5)

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**COMMITTEE/BOARD MANDATE:**

In accordance with its Terms of Reference, A&F is responsible for overseeing the financial affairs of the university, which includes ensuring fiscal responsibility and providing oversight for major capital projects, auxiliary operations, and structures.

We are providing the committee with an update on the status of the ACE Enhancement Project and the new building (A5).

**BACKGROUND/CONTEXT & RATIONALE:**

A5 is proceeding as planned for an opening in fall 2021. As previously noted the ground water delayed the project but the revised scheduling is on track. With COVID concerns some construction has been pulled forward (i.e. wiring and wall enclosure) noting we may incur delays later depending on regional restrictions. With 39 of 41 sub-contracts awarded we are on budget.

ACE MGP was expected to be installed December 2020 with full integration by February 2021. However, due to COVID restrictions technical expertise required for integration is not able to cross the border at this time. The ACE team has worked closely with the American installers and will be attempting an innovative virtual installation. To do this we will be bringing in a local mechanical team.

We know that there will be additional costs due to projet extention (i.e. adding time for project manager), the virtual installation (i.e. bringing in mechanical team) and the unknown potential costs as we put the equipment together. For this reason a revised budget will be brought forward at the next meeting of A&F.

#### **RESOURCES REQUIRED:**

While no resources are being requested at this time we know there will be an increased budget. We will have better information at the next meeting of A&F as the installation progresses.

#### **CONSULTATION:**

For the ACE MGP operations plan there were consultations with the ACE Management Committee to look at options (i.e. delay, maximizing virtual work and minimizing numbers on campus) and the Pandemic Response Team (i.e. on-site working requirements).

#### **NEXT STEPS:**

An update will be provided at the next meeting of A&F.

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#### **SUPPORTING REFERENCE MATERIALS:**

- PowerPoint summaries for month ending January 2021 attached

# ACE Enhancement Project

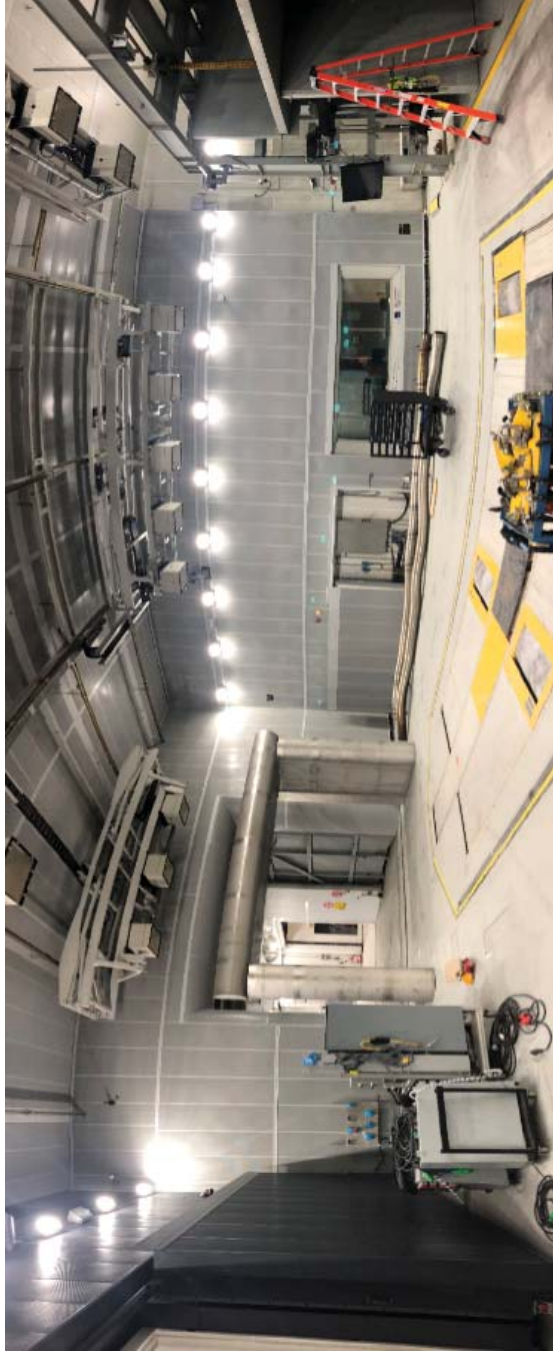


## Monthly Project Update JANUARY 2021

## **Progress Update (31 January 2021) :**

### **Moving Ground Plane Integration into CWT**

- MTS confirmed working remotely providing real time technical support to ACE team to perform the works this coming February Shutdown
- One part of turntable received from USA
- All controls received in ACE facility
- Ride height control and drag links fabrication on going with Multimatic
- Old belt received from USA
- Preparation works for February shutdown – RRS modification buildup



# ACE Enhancement Project – Implementing MGP

## Phase I

February 3 – March 5, 2021

Assembly and functional operation and fitting of machine

## Phase II

Controls/integration & Debug

June 21 – July 30, 2021

## Phase III

Commissioning and Acceptance

## Offline Activities

March 6 – June 20, 2021

Includes wiring, piping, programming, testing



# ACE Enhancement Project – Implementing MGP

ACE developed an alternate plan for Phase I

ACE is scheduled to attempt implementing Phase I: February 3 – March 5, 2021

- Use a unique (never attempted) remote approach with MTS from the US
- This will involve using:
  - Additional expert in-house and local resources
  - Virtual real time video
  - Computer support remotely from the US

Therefore there will not be any US travel for this initial phase

With completion of Phase I activities and success we will be able to better evaluate any further cost impacts to the overall project.



# Health & Safety

- ☐ Health & Safety measures were in place in compliance to the new norm
- ☐ Mandatory use of face mask implemented
- ☐ **No covid-19 case identified and incident to report this period**



## **Change Orders:**

- Nothing to report this period

## **Procurement Summary:**

- Nothing to report this period

## **Financial Summary:**

- Total Actual Cash Flow to date \$14.92M
- Project estimated cost at completion \$15.67M
- FedDev agreed to release the 75% of holdback amount prior project completion, documentations and review in progress
- Cash flow Breakdown of Sources and Uses of funds next slide.

# A&F Roll up Financial Report as of 31 January 2021

ACE ENHANCEMENT PROJECT		JANUARY 2021							
Sources of Funds - Cash Flow									
Description	Total Funding	Actual Total To-date	J an 2021	Funding at Completion	Funding Balance	Remarks			
FEDDEV	\$ 9,465,000	\$ 8,518,500	\$ -	\$ 9,465,000	\$ 946,500	75% HB amount plan to release prior completion			
PROVINCIAL	\$ 1,500,000	\$ 1,350,000	\$ -	\$ 1,500,000	\$ 150,000	10% to be released upon project completion			
MAGNA	\$ 1,000,000	\$ 658,533	\$ -	\$ 1,000,000	\$ 341,467				
ONTARIO TECH (Announce Contribution)	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -				
ONTARIO TECH (Loan to ACE)	\$ 2,510,000	\$ 3,191,304	\$ 66,386	\$ 2,510,000	\$ (681,304)	in lieu of committed funds above			
THE GREENBRIAR FOUNDATION	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -				
GA HAYBALL FOUNDATION	\$ 225,000	\$ 225,000	\$ -	\$ 225,000	\$ -				
ACE INTERNAL (ERF/ Research Fund)	\$ 165,000	\$ 165,000	\$ -	\$ 165,000	\$ -				
ONTARIO TECH (Additional Loan to ACE)	\$ 209,354	\$ 209,354	\$ -	\$ 209,354	\$ -				
Totals	\$ 15,674,354	\$ 14,917,691	\$ 66,386	\$ 15,674,354	\$ 756,663				
Uses of Funds - Cash Flow									
Description	Total Budget	Actual Total To-date	J an 2021	Estimate at Completion**	Variance / Cost Increase	Remarks			
Moving Ground Plane Integration into CWT	\$ 3,350,000	\$ 5,419,476	\$ 27,057	\$ 5,841,054	\$ 2,491,054	More complex turntable integration design and build. Repair to MGP			
Aerodynamic Enhancements Required for MGP	\$ 2,540,000	\$ 2,086,872	\$ 1,573	\$ 2,256,163	\$ (283,837)	Value engineered design			
Acoustics	\$ 845,000	\$ 701,297	\$ 12,229	\$ 780,168	\$ (64,832)	Major delays due to Covid-19			
Precision Measurement Capability	\$ 1,850,000	\$ 1,085,272	\$ -	\$ 1,086,433	\$ (763,567)	In-house design and build			
Chamber Modifications	\$ 630,000	\$ 705,981	\$ 3,568	\$ 706,655	\$ 76,655	System requires more process air and vacuum			
Base Building Modifications	\$ 3,645,000	\$ 3,414,767	\$ 3,958	\$ 3,416,973	\$ (228,027)	No Storage Building			
Engineering and Project Management	\$ 2,000,000	\$ 1,504,026	\$ 18,002	\$ 1,586,908	\$ (413,092)	Contingency & commissioning move to MGP Integration			
				\$ -					
Totals	\$ 14,860,000	\$ 14,917,691	\$ 66,386	\$ 15,674,354	\$ 814,354	Unforeseen full integration and covid-19 effect			



**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 MacIsaac, 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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

## COMMITTEE REPORT

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**SESSION:**

Public

**ACTION REQUESTED:**

Decision  
Discussion/Direction  
Information

**TO:** Audit & Finance Committee**DATE:** February 17, 2021**PRESENTED BY:** Cheryl Foy, University Secretary & General Counsel (USGC)**SUBJECT:** Compliance Policy

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**ACADEMIC COUNCIL MANDATE:**

- In accordance with committee's Terms of Reference, the committee has been delegated responsibility to oversee university compliance, which includes ensuring that appropriate policies, procedures and processes are in place to identify, comply and monitor the university's compliance obligations.
- The USGC is seeking the committee's recommendation of the Compliance Policy for approval by the Board of Governors.

**BACKGROUND/CONTEXT & RATIONALE:**

- The Compliance Policy is being established to support an institutional compliance risk management framework that will seek to demonstrate good governance, compliance with laws, regulations, policies and procedures.
- The Compliance Policy applies to all university employees, students, and those holding appointments and/or honorific appointments.
- The accountability framework identifies the role of each university member and outlines the responsibilities of each role to ensure that the University has processes to identify and address compliance risk.
- Compliance risk management tools have been developed to support, manage and monitor the university's obligations.

**ALIGNMENT WITH MISSION, VISION, VALUES & STRATEGIC PLAN:**

- This policy supports the university's values of integrity and respect by demonstrating the institution's commitment to ethical conduct through adherence with all laws and compliance obligations.

- By promoting compliance at Ontario Tech University, this policy will support the strategic pillar of creating a “sticky campus”. In order to create a “sticky campus”, the university community must trust that the university is a safe space where the university’s obligations are known, documented and followed by all university members.

#### **CONSULTATION:**

- Developed in consultation between Compliance, Policy and General Counsel.
- Policy Advisory Committee – September 30 for consultation.
- Senior Leadership Team – November 9 for consultation.
- Academic Leadership Team – November 10 for consultation.
- Online Consultation: November 17-27.
- Academic Council – November 24 for consultation.

#### **Consultation Comments and Response To Date**

- We received feedback regarding the title of roles within the policy. Some roles were felt to be inconsistent, confusing and vague.
- **Response:** The affected role titles have been amended to “Executive Compliance Lead” and “Functional Unit Lead” to address community concerns. “University Deans” have been removed.
- We received feedback regarding the granularity of the provision related to HR’s role in institutional training initiatives.
- **Response:** The provision was amended to further clarify that Human Resources is responsible for compliance training that is offered by their department.
- We received feedback that there should be an annual list that identifies the affected Executive Compliance Leads and Functional Unit Leads along with areas of responsibility.
- **Response:** The Compliance Register (see the attached “Supporting Reference Material” below) will be the tool that will meet this need. Currently, this information is managed in Excel, with hopes of automating this process in the near future.
- We received feedback that the opening sentence of the policy should further define the term “Compliance”.
- **Response:** The opening sentence has been amended with updated wording to address these concerns.

#### **COMPLIANCE WITH POLICY/LEGISLATION:**

- The Compliance Policy will introduce a compliance risk management framework to ensure that the University can identify and demonstrate compliance to its obligations.

**MOTION for CONSIDERATION:**

*That the Audit and Finance Committee hereby recommends the Compliance Policy for approval by the Board of Governors, as presented.*

**NEXT STEPS:**

- Additional consultation and deliberation will take place over the next several months, as per below:
  - Audit and Finance Committee: February 17 2021 for deliberation.
  - Board of Governors: February 25, 2020 for approval.

**SUPPORTING REFERENCE MATERIALS:**

- Compliance Policy
- Compliance Management System – Responsibility Framework



Classification Number	<i>To be assigned by Policy Office</i>
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	University Secretary and General Counsel
Approval Date	DRAFT FOR DISCUSSION
Review Date	
Supersedes	

## COMPLIANCE POLICY

### PURPOSE

1. The University is committed to complying with all applicable laws. The purpose of this Policy is to provide a compliance governance framework which allows the University to demonstrate such compliance. The Compliance governance framework will facilitate Compliance through the creation of clear roles and responsibilities and processes that supports the University, University Employees, and University Members to comply with Obligations.

### DEFINITIONS

2. For the purposes of this Policy the following definitions apply:

**“Compliance”** means to ensure that the University is aware of and demonstrating adherence to its Obligations.

**“Compliance Checklist”** means a document that is completed on an annual basis to evaluate whether Obligations have been completed.

**“Compliance Manual”** means a comprehensive document compiling the Compliance Obligations of the University including Policies and Procedures (with reference to specific legislation, rules, and regulations) that address Compliance risks to which the University is exposed.

**“Compliance Monitoring Plan”** means a plan and timetable to monitor the institutional Compliance Checklist Process, Compliance risk assessments and CRMP’s.

**“Compliance Register”** means a comprehensive listing of key statutory and regulatory requirements of the University, along with an assigned Executive Compliance Lead.

**“Compliance Risk Management Plan” (“CRMP”)** means a document that should comprise of the following:

- The legal requirements that have to be complied with;
- The control measure that will ensure Compliance. This may include the development and implementation of a policy, procedure, or other control;
- The responsible person for implementing the control measure;
- The target date for implementing the control measure;
- The monitoring plan to ensure implementation of the control measure; and
- The frequency of monitoring.

**“Executive Compliance Lead”** means a member of SLT with delegated responsibility for addressing specific Compliance Obligations and certifying an annual Compliance Checklist in

their areas of responsibility. The Provost and Vice-President, Academic along with the Executive Compliance Leads responsible for Finance, Human Resources, Research & Innovation, External Relations, Legal, and Governance may delegate part or all of his/her Compliance management duties to a University Employee who serves as a Functional Unit Lead, but s/he remains responsible for Compliance management of their respective area.

**“Functional Unit Lead”** means any faculty, department, administrative unit, research facility (e.g. ACE) or third-party contractor reporting to an Executive Compliance Lead.

**“Obligation”** means a requirement mandated under federal, provincial or municipal laws, regulations, University policy, procedure, directive or by-law.

**“Risk Assessment”** means a formalized, systematic ranking and prioritizing of identified risks, using a likelihood/consequence framework.

**“Risk Review”** means an annual risk identification and Risk Assessment process, conducted in accordance with the University’s Risk Management Policy and facilitated by the Risk Management Committee.

**“Senior Leadership Team” (“SLT”)** is comprised of the President, Provost and Vice-President, Academic, the heads of Finance, Human Resources, Research & Innovation, External Relations, Legal, and Governance. All of the members of SLT (with the exception of the President) are also known as Executive Compliance Leads.

**“Supervisor”** means a person who has charge or authority over the employment activities of a University Employee;

**“University Member”** means any individual who is:

- Employed by the University (**“University Employee”**);
- Registered as a student, in accordance with the academic regulations of the University;
- Holding an appointment with the University, including paid, unpaid and/or honorific appointments; and/or
- Otherwise subject to University policies by virtue of the requirements of a specific policy (e.g. Booking and Use of University Space) and/or the terms of an agreement or contract.

## SCOPE AND AUTHORITY

3. This Policy applies to all University Members and extends to all activities of the University.
4. The University Secretary and General Counsel, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.

## POLICY

Ontario Tech University is committed to Compliance, integrity, ethical behaviour and good governance. The University is required to comply with numerous Obligations relating to its key activities and stakeholders, and to effectively integrate these Obligations into day-to-day operations. Compliance is

fundamental to the University achieving its strategic, operational and business objectives. This policy establishes a framework to identify, manage, and define accountabilities and reporting on Obligations.

## **5. Responsibilities and Accountabilities**

### **5.1. University Secretary and General Counsel (“USGC”) is responsible to:**

- Direct and oversee Compliance risk management through the development, implementation and monitoring of the University’s Compliance management framework.

### **5.2. SLT is responsible to:**

- Meet regularly and whenever required by the University Secretary and General Counsel, to discuss and give directions regarding Compliance risk management and strategies; and
- Decide whether any Compliance matters will be reported to the Board of Governors.

### **5.3. Executive Compliance Lead is responsible to:**

- Be aware of Obligations applicable to their area of responsibility;
- Ensure Compliance with applicable Obligations;
- Implement and monitor a Compliance risk management program that satisfies the specific Compliance Obligations for which they are accountable, including policy, procedures and training program(s);
- Annually certify the Compliance Checklist; and
- Ensure appropriate delegation of part or all of their Compliance risk management duties to Functional Unit Leads, while taking measures to ensure appropriate oversight by the Executive Compliance Lead.

### **5.4. USGC Delegate is responsible to:**

- Identify Compliance management requirements to the affected departments and following-up on the development and implementation of required policies, procedures and other controls;
- Report Compliance management deficiencies to SLT to ensure corrective actions are implemented;
- Compile and maintain the Compliance Manual;
- Compile and maintain the Compliance Register;
- Monitor legislative and regulatory changes and work with the Executive Compliance Lead to advise the affected departments of proposed changes to ensure adequate planning for upcoming changes;
- Perform independent Compliance monitoring (control effectiveness reviews);



- Evaluate Compliance breaches with a view to identify trends and/or areas of process improvement, recommendations and remedial actions, and;
- Support the Policy & Compliance Advisor in the review of Compliance policies and procedures.

**5.5. Policy & Compliance Advisor** is responsible to:

- Coordinate legal reviews;
- Assist with the development of institutional policies;
- Consult with policy owners regarding Compliance risks and gaps;
- Conduct research and policy scans;
- Provide other recommendations; and
- To maintain the Policy Framework and Policy Library by ensuring all links to associated documents, such as procedures are functional.  
*All policies, procedures, guidelines and standards are posted on the Policy Library website administered by the Office of the University Secretary and General Counsel.*

**5.6. Human Resources** is responsible to:

- Establish a system to enable the ability to track the completion of Compliance training for those courses offered by Human Resources for University Employees; and
- In collaboration with applicable Supervisors, the Executive Compliance Lead responsible for Human Resources (or delegate) will follow up with any University Employees who have not completed Compliance training within the 6-month time frame required by the Ethical Conduct Policy.

**5.7. Supervisors** are responsible to:

- Ensure that University Employees under their authority are aware of their Compliance Obligations relevant to their jobs; and
- Ensure that University Employees under their authority complete the requisite Compliance training within the six-month time frame required by the Ethical Conduct Policy.

**5.8. University Employees** are responsible to :

- Comply with applicable laws, regulatory requirements and Compliance related policies and standard operating procedures at all times; and
- Report a Compliance breach or deficiency in Compliance management in accordance with section 11 of this policy and other related procedures without delay.

## **COMPLIANCE RISK MANAGEMENT**

### **6. Compliance Manual**

- 6.1.** The Compliance Manual is a document compiling the Compliance Obligations of the university and includes:
  - a)** Specific legislation, rules and regulations;
  - b)** Primary and secondary Obligations;
  - c)** Penalties;
  - d)** Limitation periods;
  - e)** Director/Officer liability; and
  - f)** Policies and procedures that address the Compliance risk.
- 6.2.** The USGC Delegate has the responsibility for developing, implementing and monitoring the legislative landscape of the University;
- 6.3.** The Compliance Manual is supported by the Compliance Register and the Compliance Checklist.

### **7. Compliance Register**

- 7.1.** The Compliance Register includes:
  - a)** A list of applicable legislation and regulations; and
  - b)** An assigned Executive Compliance Lead with primary responsibility for each set of Obligations.
- 7.2.** Executive Compliance Lead(s) have the responsibility for developing, implementing and monitoring a policy, program and training to satisfy each subset of Obligations assigned in the Compliance Register.
- 7.3.** The Compliance Register is supported by the Compliance Manual and the Compliance Checklist.

### **8. Compliance Checklist**

- 8.1.** Executive Compliance Lead will work with the USGC Delegate to identify applicable laws and regulations that pose Compliance and reputational risk to the University. The Compliance Checklist will outline detailed Obligations of each functional area, along with information related to risk mitigation efforts that have been implemented, including: policies, procedures and processes that address the Compliance risks associated with the identified Obligations.
- 8.2.** Executive Compliance Lead will certify the results of the annual Compliance Checklist.
- 8.3.** The USGC Delegate will periodically review the Certified Compliance Checklist(s), to assess the sufficiency of the controls developed to address the Compliance risks of the University.

Additional Compliance management deficiencies may also be identified by:

- Specific Compliance risk self assessments;

- Monitoring and/or analysis of incidents of Compliance process breakdown; and;
- External audit findings.

- 8.4.** The Executive Compliance Leads with responsibility for Finance, and Human Resources are each responsible for Compliance management for their specific areas of oversight, with the assistance of external consultants and advisors. They will ensure that all compliance breaches and deficiencies are promptly reported to SLT to ensure that appropriate actions are undertaken to address the related compliance matter.
- 8.5.** Certified Compliance Checklists will be submitted to the USGC Delegate each year on a specified time table (“Compliance Monitoring Plan”). Results of the annual Compliance Checklists, will be reported to the Audit and Finance Committee of the Board as part of its Compliance oversight role.
- 8.6.** USGC Delegate will monitor legislative and regulatory changes over time and will update Compliance Checklists to comply with identified Obligations. Executive Compliance Leads and will also have the responsibility of monitoring applicable Compliance Obligations within their area of responsibility and communication of any relevant changes to the USGC Delegate.

## **9. Risk Assessment**

- 9.1.** The USGC Delegate will evaluate the impact of non-Compliance in consultation with General Counsel, and then will identify the level of risk associated with the non-compliant Obligations. All identified risks will be included in department risk registers, as part of the annual Risk Review.

## **10. Compliance Risk Management Plan (“CRMP”)**

- 10.1.** For each Compliance risk that has been identified as “High”; a Compliance risk management plan (“CRMP”) for each risk must be developed. Where the legal requirement generally affects a specific faculty, department, administrative unit, research facility (e.g. ACE) or third-party contractor, the Executive Compliance Lead of the affected area has the primary responsibility for developing the relevant CRMP. If the requirement affects more than one functional unit, then the General Counsel will decide which Executive Compliance Lead will be responsible for developing the CRMP in line with established procedures.
- 10.2.** For risks that are determined to be low and/or medium risk, the USGC Delegate will work with Executive Compliance Lead to monitor and address the gap or deficiency in Compliance Obligations.

## **11. Non-Compliance Reporting**

- 11.1.** If any University Member identifies or has evidence of a violation of the Compliance Policy the University Member must make a Report to the General Counsel in accordance with the Safe Disclosure Policy and Procedure.
- 11.2. No Reprisal:** The University will not discharge, discipline, demote, suspend, threaten or in any manner discriminate against any University Member based on any good faith and lawful actions of such University Member to responsibly and carefully

report Compliance issues using the channels provided by the University. Those who make disclosure are protected from reprisal.

**12. Training & Education**

- 12.1.** The Compliance Office will support the development and implementation of institutional Compliance training and education programs required in order to reinforce the importance of Compliance management. The type of training and education will be developed and conducted as appropriate.

**MONITORING AND REVIEW**

- 13.** This Policy will be reviewed as necessary and at least every three years. The Audit and Finance Committee, or successor thereof, is responsible to monitor and review this Policy.

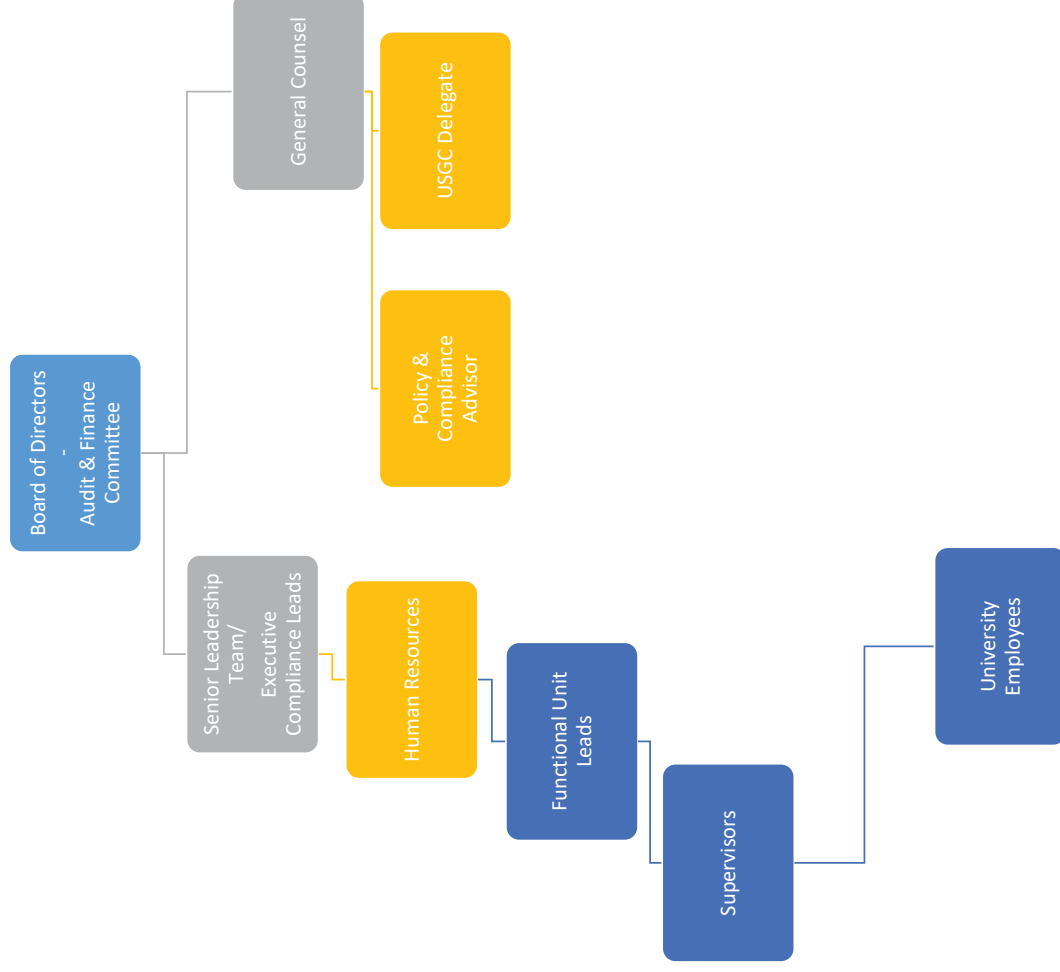
**RELEVANT LEGISLATION**

*All legislation applicable to university activities.*

**RELATED POLICIES, PROCEDURES & DOCUMENTS**

*All university policies applicable to Compliance Obligations.*

## Compliance Management System – Responsibility Framework (January 2021)



## COMMITTEE REPORT

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**SESSION:**

Public

**ACTION REQUESTED:**

Decision  
Discussion/Direction  
Information

**TO:**

Audit &amp; Finance Committee

**DATE:**

February 17, 2021

**PRESENTED BY:** Cheryl Foy, University Secretary & General Counsel (USGC)**SUBJECT:**Controlled Goods Policy

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**ACADEMIC COUNCIL MANDATE:**

- In accordance with committee's Terms of Reference, the committee is responsible for overseeing risk management at the university, which includes ensuring that appropriate processes are in place to identify, report and control areas of significant risk to the university and ensuring that appropriate mitigative actions are taken or planned in areas where material risk is identified and receiving regular reports from management on areas of significant risk to the university.
- The Office of Research Services (ORS) and the Office of the University Secretary and General Counsel (USGC) are presenting the draft Controlled Goods Policy for the committee's written feedback.

**BACKGROUND/CONTEXT & RATIONALE:**

- The Controlled Goods Policy is being established to demonstrate compliance with Canada's Controlled Goods Program, a Federal Government program administered by the Controlled Goods Directorate.
- The Controlled Goods governance framework will define the University's management plan for Controlled Goods and/or Controlled Technology to prevent the proliferation of weapons of mass destruction, conventional weapons, and goods that have military or national security significance.
- The Controlled Goods Policy applies to all University Members (e.g. University employees, students, and those holding appointments, such as, adjunct status).
- The accountability framework identifies the roles and responsibilities of University Members and defines the requirements associated with the University's registration in the Controlled Goods Program.

**ALIGNMENT WITH MISSION, VISION, VALUES & STRATEGIC PLAN:**

- This policy supports the university's values of integrity and respect by demonstrating the institution's commitment to ethical conduct through adherence with all laws and compliance obligations.
- By establishing a Controlled Goods compliance program at Ontario Tech University, this policy will support the strategic pillar of "partnerships". The university will be strategically positioning itself as an effective industry partner to niche client groups.

**CONSULTATION:**

- Developed in consultation between the Compliance Office (USGC) and the Office of Research Services (ORS).
- Policy Advisory Committee – April 21, 2020 for consultation.
- Research Board – November 23, 2020 for consultation.
- Online Consultation – November 30 to December 11, 2020 for consultation.
- Academic Council – January 26, 2021 for consultation.

**Consultation Comments and Response To Date**

- All feedback received to date has been related to clarification. No other feedback has been received.

**COMPLIANCE WITH POLICY/REGISTRATION:**

- The Controlled Goods Policy will create an institutional compliance program to ensure that the University can comply with the requirements under the *Defence Production Act* and the *Controlled Goods Regulations*.

**NEXT STEPS:**

- Additional consultation and deliberation will take place over the next several months, as per below:
  - Audit & Finance Committee: April 14, 2021 for recommendation
  - Board of Governors: April 22, 2021 for approval.

**SUPPORTING REFERENCE MATERIALS:**

- Controlled Goods Program Policy



Classification Number	<i>To be assigned by Policy Office</i>
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	Vice-President, Research & Innovation
Approval Date	DRAFT FOR REVIEW
Review Date	
Supersedes	

## CONTROLLED GOODS PROGRAM POLICY

### PURPOSE

1. The purpose of this Policy is to define the authority, obligations and procedures established and maintained by the University to achieve compliance with Canada's Controlled Goods Program which is a Federal Government program administered by the Controlled Goods Directorate under the Defence Production Act and the Controlled Goods Regulations.
2. To provide a framework for the responsible management of Controlled Goods and/or Controlled Technology for the prevention of the proliferation of weapons of mass destruction, and conventional weapons, and goods that have military or national security significance.

### DEFINITIONS

3. For the purposes of this Policy the following definitions apply:
 

**"Access"** means to Possess, Transfer or Examine Controlled Goods and/or Controlled Technology. This may include the direct or indirect involvement in the acquisition, repair, modification, transfer or disposal of Controlled Goods and/or Controlled Technology, or the transmission, reception, interpretation, manipulation or safe keeping of Controlled Goods and/or Controlled Technology information.

**"Authorized Individual"** is an individual that is responsible for ensuring that a Designated Official is appointed for each University Work Site in Canada where Controlled Goods and/or Controlled Technology are examined, possessed or transferred; and has signing authority to approve any changes in any of the information contained in the application for registration.

**"Controlled Goods"** means as listed in the schedule to the *Defence Production Act*. They are listed as Group 2, Group 5 (section 5504), and Group 6 of the Export Control List. These groups are described as follows:

  - **Group 2 Goods (Munitions List):** Includes, but is not limited to, automatic weapons, firearms, ammunition, components, projectors, bombs, fighter jets,

tanks, missiles, chemicals, explosives, and related equipment and components, etc.

- **Group 5 Goods-Item 5504 (Strategic Goods):** Includes but is not limited to, global navigation satellite systems, ground control stations, and nuclear weapon design and testing equipment.
- **Group 6 (Missile Technology Control Regime):** Includes but is not limited to, missile technology-rocket systems, unmanned air vehicle systems, propulsion components and equipment.

**“Controlled Goods Guide”** means the guide to the Controlled Goods List that provides a simplified listing of the items that are identified as Controlled Goods. The guide helps identify whether or not an item is included on the Controlled Goods List, but the detailed *Controlled Goods List* takes precedence over this guide.

**“Controlled Goods List”** means the list of goods set out in the schedule to the Defense Production Act as defined above in “Controlled Goods”.

**“Controlled Goods Program”** is an industrial security program that is authorized by the *Defence Production Act*. The Canadian Government’s Controlled Goods Directorate administers the Controlled Goods Program to prevent the proliferation of tactical and strategic assets and to build up Canada's defence trade controls. Public Services and Procurement Canada is the federal agency responsible for this program.

**“Controlled Technology”** technology necessary for the development, production or use of a Controlled Good. These technologies include information necessary for the design, development, production, manufacture, assembly, operation, repair, testing, maintenance or modification of Controlled Goods. This information may take the form of Technical Data or Technical Assistance. Controlled Technology does not include general scientific, mathematical or engineering principles commonly taught in a school, college or university, information in the public domain, basic marketing information or general system descriptions.

**“Designated Official(s)”** means an official responsible for ensuring compliance with the Controlled Goods Program, with responsibility within a certain area of the University.

**“Examination”** means to investigate Controlled Goods and/or Controlled Technology by any means so as to provide a person with detailed knowledge of the Controlled Goods and/or Controlled Technology inherent properties and performance characteristics that would allow that person to use this knowledge so that the good could be reproduced or replicated, or the performance of a similar article could be improved.

**“Functional Units”** Means any Faculty, Department, Administrative Unit, Research Facility (e.g. ACE) or Third-Party Contractor in which the Controlled Goods Program applies.

**“Unit Leads”** means any University members in charge of a Functional Unit.

**“ITAR”** International Traffic in Arms Regulations. Individuals who are registered with ITAR may be exempt from registration with the Controlled Goods Program pending documentation is provided to the Designated Official in support of the exemption.

**“Possession”** means to actually possess, wherein the person has direct physical control over a Controlled Good at a given time, or constructive possession, where the person has the power and the intention at a given time to exercise control over a Controlled Good either directly or through another person or persons.

**“Project Leads”** means a University Member responsible for, or involved in, a project, research or otherwise, that the Controlled Goods Program applies.

**“Security Assessment”** is a risk assessment carried out by the Designated Official that is required by law for anyone Examining, Possessing or Transferring Controlled Goods and/or Controlled Technology. Through this assessment Designated Official determines the extent to which the individual poses a risk of Transferring a Controlled Good to a non-registered or exempt individual.

**“Security Breach”** means the unauthorized Examination, Possession or Transfer of Controlled Goods and/or Controlled Technology.

**“Security Plan”** is a written document that sets out the following:

- procedures to control the Examination, Possession and Transfer of Controlled Goods and/or Controlled Technology,
- individuals responsible for security,
- responsibilities of the security organization,
- procedures for reporting and investigating security breaches,
- contents of training programs and security briefings.

**“Security Briefings”** is the information provided to all visitors prior to the Examination of Controlled Goods.

**“Technical Assistance”** includes assistance provided in the form of instruction, skills, training, working knowledge or consulting services and may involve the transfer of Technical Data.

**“Technical Data”** includes Controlled Technology in the form of blueprints, plans, diagrams, models, formulae, tables, engineering designs and specifications, manuals and instructions.

**“Transfer”** means, in respect of a Controlled Good, to dispose of it or disclose its content in any manner. This would include sharing or giving access (physical, verbal or electronic) to Controlled Technology, which includes but is not limited to, Technical Data, software or providing Technical Assistance in respect of a Controlled Good.

**“University” or “Ontario Tech University”** means the University of Ontario Institute of Technology (operating as Ontario Tech University).

**“University Member”** means any individual who is:

- Employed by the University (including temporary workers, research personnel);
- Registered as a student, in accordance with the academic regulations of the University (including international students);
- Holding an appointment with the University, including paid, unpaid and/or honorific appointments; and/or
- Otherwise, subject to University policies by virtue of the requirements of a specific policy (e.g. Booking and Use of University Space) and/or the terms of an agreement or contract (including contractors and subcontractors).

**“Work Site”** means each physical place of business in Canada where Controlled Goods and/or Controlled Technology are examined, possessed or transferred by the Controlled Goods registrant.

## **SCOPE AND AUTHORITY**

4. This Policy applies to all University Members who may be involved in the Examination, Possession or Transfer of; or, may have any form of Access to any Controlled Good at, related to, on behalf of or in connection with Ontario Tech University.
5. The Vice-President responsible for Research and Innovation, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.

## **POLICY**

6. Ontario Tech University is committed to managing and safeguarding Controlled Goods used in research, scholarly work and other University activities. This Policy is intended to manage the University’s obligations in accordance with applicable statutes, regulations, directives, policies and instructions, including Canada’s Controlled Goods Program. This Policy applies to the entire life cycle (from acquisition/creation through to disposal/destruction) for any Controlled Goods and/or Controlled Technology that the University may have Access to, Examine, Transfer or have in its Possession.
7. The University is registered in Canada’s Controlled Goods Program. Any addition of Controlled Goods and/or Controlled Technology, individuals, or Work Sites requires prior review, a Security Assessment and authorization by a Designated Official.

8. If any University Member wishes to Examine, Possess or Transfer Controlled Goods and/or Controlled Technology must contact a Designated Official prior to any activity falling under the Controlled Goods Program.

## **ROLES AND RESPONSIBILITIES**

### **9. Roles and Responsibilities**

#### **9.1 Office of the Vice-President Research and Innovation will:**

- a) Act as the primary authority for the Controlled Goods Program at the University.
- b) Designate at least one individual to be the Authorized Individual registered with Canada's Controlled Goods Directorate.
- c) Oversee the implementation, administration and interpretation of this Policy.
- d) Maintain the University's registration in the Controlled Goods Program.
- e) Coordinate the monitoring and review of this Policy with the Research Board, or successor thereof.
- f) Coordinate the development of supporting procedures and training materials to support compliance with this Policy.
- g) Designate at least one individual to serve as Designated Official for the University.
- h) Arrange training and retraining for Designated Officials.
- i) Maintain a register of Designated Officials along with proof of training and certification to serve as a Designated Official under the Controlled Goods Program.
- j) Maintain a register of activities, Work Sites and Controlled Goods and/or Controlled Technology that are authorized and registered under the Controlled Goods Program.
- k) Support a University website with links to relevant legislation, training materials and list of Designated Officials to support compliance with this Policy.
- l) Support the development of the supporting procedures, guidance and training materials.
- m) Cooperate with the University Secretary and General Counsel in the performance of the University Secretary and General Counsel.

#### **9.2 Designated Official(s) will carry out the duties prescribed in the Controlled Goods Regulations and the Defence Productions Act which include, but are not limited to:**

- a) Be certified under the Controlled Goods Program by completing the Designated Official Certification Program;

- b) Answer questions about export controls for their area of responsibility;
- c) Conduct Security Assessments and Security Briefings for all University Members who wish to Examine, Possess or Transfer any Controlled Goods;
- d) Submit applications for exemptions to the Minister in respect of temporary workers or visitors in accordance with Section 18 of the Controlled Goods Regulations;
- e) Develop and implement a Security Plan for every Work Site where Controlled Goods and/or Controlled Technology are Examined, Possessed or Transferred;
- f) Authorize Work Sites, individuals and new uses of Controlled Goods and/or Controlled Technology;
- g) Keep and maintain a record of Controlled Goods, Security Assessments and supporting documentation, information on the identity of exempt individuals and evidence regarding the classes of exempt individuals;
- h) In conjunction with the Office of the General Counsel, develop a report of all Security Breaches;
- i) Advise the Canada Controlled Goods Directorate of any Security Breaches in relation to Controlled Goods and/or Controlled Technology;
- j) Conduct training or make training available for University Members seeking to use Controlled Goods and/or Controlled Technology;
- k) Maintain recordkeeping obligations required under the Controlled Goods Program; and
- l) Maintain compliance with the Controlled Goods Program and allow for inspections of the University to ensure conformity with the legislation.
- m) Cooperate with the University Secretary and General Counsel in the performance of the University Secretary and General Counsel.

**9.3 Office of the University Secretary and General Counsel will:**

- a) Audit and report on Controlled Goods Program compliance, and in this regard will be given such access to files and information as is required to fulfil this role.
- b) Designate at least one individual to serve as Designated Official for the University's Faculties and Researchers as backup to the Designated Official in the Office of the Vice-President Research and Innovation.
- c) Monitor legislative changes and recommend revisions and/or updates to supporting policies and procedures to maintain the effectiveness of the Controlled Goods Program.

- d) Investigate and respond to the Controlled Goods Directorate in an appropriate manner to any charges related to Controlled Goods offenses under the Defence Production Act and the Controlled Goods Regulations.

**9.4 Office of Research Services will:**

- a) Assist with the execution of the roles and responsibilities of the Office of the Vice-President Research and Innovation.

**9.5 Functional Units will:**

- a) If decided upon by the Authorized Individual, designate one or more individuals to serve as Designated Official for the Unit
- b) Establish and implement Security Documentation to add to the site Security Plan once it is established that the Controlled Good Program applies to the Functional Unit

**9.6 Unit Leads will:**

- a) Administrative structures, programs and resources are in place and demonstrate due diligence in complying with the Controlled Goods Program;
- b) Orders and requirements of regulatory inspectors and directors are complied with;
- c) Orders of the Public Services and Procurement Canada, as legislated by the Defence Production Act and the Controlled Goods Regulations are complied with;
- d) The resources and direction necessary are provided to support their departments in developing and implementing programs and practices that ensure compliance with the Controlled Goods Program.
- e) Assist the Project Lead in the performance of the Project Lead roles and responsibilities.
- f) Cooperate with the Designated Official in the performance of the Designated Official duties.
- g) Cooperate with the University Secretary and General Counsel in the performance of the University Secretary and General Counsel.

**9.7 University Members will:**

- a) Refrain from the use of Controlled Goods and/or Controlled Technology without prior authorization from a Designated Official;
- b) Follow all prescribed practices and procedures related to the Controlled Goods Program.



- c) Avoid circumventing any technical or administrative safeguards in the use of Controlled Goods and/or Controlled Technology.
- d) Completed the Controlled Goods training; either, if you, your faculty or department have been identified as a mandatory participant;
- e) Report changes related to the handling of Controlled Goods or Controlled Technology at the University, Security Breaches and personnel background changes to the applicable Designated Official.
- f) Cooperate with the Designated Official(s) in the performance of the Designated Official duties.

**9.8 Project Leads will:**

- a) Perform all the roles and responsibilities of a University Member.
- b) Ensure and enforce the compliance of this Policy by all University Members under their supervision.
- c) Identify new University Members under their supervision who fall under this Policy and immediately inform the Designated Official.
- d) Promptly correct any identified Policy non-compliances and immediately advise the Designated Official(s).
- e) Inform the Designated Official(s) of his/her anticipated, current Examination, Possession or Transfer of Controlled Goods and/or Controlled Technology. Submission of registration/application to the Designated Official is recommended at least two months prior to receiving Controlled Goods and/or Controlled Technology;
- f) Complete a Security Assessment with the Designated Official and provide same to the Designated Official in accordance with section 15 of the Defence Production Act and the Controlled Goods Regulations. Where applicable, provide the Designated Official with the information necessary for registration exemptions as identified under the legislation;
- g) Cooperate with the Unit Leads in the performance of the Unit Leads roles and responsibilities; and
- h) Cooperate with the Designated Official in the performance of the Designated Official's roles and responsibilities.

**10. Identifying Controlled Goods**

- 10.1** It is the responsibility of each University Member to understand the requirements and restrictions of Canada's Controlled Goods Program;
- 10.2** It is also the responsibility of each University Member to assess the goods, including components, parts, technology, technical data or technical assistance that they may examine, possess or transfer to determine whether it is a Controlled Good. This assessment must be conducted prior to any Examination, Possession or Transfer of a Controlled Good and/or Technology;

- 10.3** The Controlled Goods List and the Controlled Goods Guide will be used by the University Member for the purposes of this assessment; and
- 10.4** If the University Member identifies a Controlled Good and/or Controlled Technology, they are required to contact the Designated Official to commence a Security Assessment before the Examination, Possession or Transfer of any Controlled Good.

## **11. Security Assessments**

- 11.1** Any University Member wishing to Examine, Possess or Transfer Controlled Goods for any purpose, including research or study, must first undergo a Security Assessment, successfully complete Controlled Goods training and be authorized by a Designated Official to Examine, Possess and/or Transfer the identified Controlled Goods.
- 11.2** Security Assessments will be conducted in accordance with the process set out by the Controlled Goods Program.
- 11.3** Security Assessments can be valid for up to five years, as long as the individual remains a University Member and/or the Designated Official determines that a new Security Assessment is not required prior to the end of the five-year period.
- 11.4** Security Assessments conducted by the Designated Official are subject to inspection by the Controlled Goods Directorate at any time over the period of registration and for a period of two years after the day on which the person ceases to be a University Member.
- 11.5** A University Member is not permitted to share or provide Access to Controlled Goods to any person, within or outside of the University (including visitors, research partners or contractors) unless that person has an approved Security Assessment, registered or exempt under, and is in full compliance with the requirements of Canada's Controlled Goods Program and the University's Controlled Goods Policy and related procedures.

## **12. Security Plan**

- 12.1** For each Work Site where Controlled Goods are Examined, Possessed or Transferred, a Security Plan must be developed. A Security Plan is a written document that must include the following information:
  - a)** Procedures to control the Examination, Possession and Transfer of Controlled Goods at each applicable worksite;
  - b)** Procedures for reporting and investigating Security Breaches;

- c) Descriptions of the responsibilities of the University's administrative structure, and identification of individuals responsible for the security of Controlled Goods and/or Controlled Technology;
- d) Contents of training programs given to University Members, and
- e) Contents of Security Briefings given to visitors.

### **13. Security Breach Reporting**

**13.1** A Security Breach is the unauthorized Examination, Possession or Transfer of Controlled Goods and/or Controlled Technology. All breaches, suspected or confirmed, must be reported immediately to a Designated Official. The University is required to report any such breach to the Canada Controlled Goods Directorate within three (3) days upon discovery. The Designated Official will coordinate with the Office of the General Counsel to deliver the required report.

**13.2** Security Breaches involving Controlled Goods include:

- a) Loss of Controlled Goods, such as by theft or disappearance, including a breach of controlled Technical Data as a result of computer hacking or cyber attack or the theft of a device on which Controlled Goods and/or Controlled Technology are stored;
- b) Unauthorized Examination, Possession or Transfer of Controlled Goods and/or Controlled Technology, including its controlled Technical Data, or software by anyone, including unauthorized University Members;
- c) Appearance of willful damage or tampering to Controlled Goods/Technology; and
- d) Witness of unauthorized persons Examining Controlled Goods and/or Controlled Technology.

### **14. Controlled Goods Training**

**14.1** Every University Member who will Examine, Possess or Transfer Controlled Goods for any purpose is required to successfully complete the applicable Controlled Goods Program training.

## **MONITORING AND REVIEW**

15. This Policy will be reviewed as necessary and at least every three years. The Research Board, or successor thereof, is responsible to monitor and review this Policy.

#### **RELEVANT LEGISLATION**

16. Defence Production Act, R.S.C., 1985, c. D-1  
Controlled Goods Regulations, SOR/2001-32  
Controlled Goods List (Schedule 35 of Defence Production Act)  
Guide to the schedule to the Defence Production Act  
Export and Import Permits Act, R.S.C., 1985 c. E-19  
A Guide to Canada's Export Controls  
International Traffic in Arms Regulations, 22 CFR 120-130

#### **RELATED POLICIES, PROCEDURES & DOCUMENTS**

17. Access Control policy and procedure  
Adjunct Professors Policy  
Biosafety Program Manual  
Booking and Use of University Space  
Contract Management Policy  
Cotutelle Policy  
Creation of Research Entities Procedure  
Document Imaging Policy  
Information Security  
International Agreements Procedure  
International Travel, High Risk  
International Travel, Student  
Personal Use of University Resources  
Procurement of Goods and Services  
Technology Use  
Radiation Safety Manual

Records Disposition

Records Management

Responsible Conduct of Research and Scholarship

Risk Management Policy

Student Conduct Policy

Safe Disclosure Policy

DRAFT

## COMMITTEE REPORT

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**SESSION:**

Public

**ACTION REQUESTED:**Decision  
Discussion/Direction  
Information**TO:** Audit & Finance Committee**DATE:** February 17, 2021**PREPARED BY:** Jennifer Freeman (ORS) and Francis Arnaldo (ORS)**SUBJECT:** Radiation Safety Policy

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**COMMITTEE MANDATE:**

- In accordance with committee's Terms of Reference, the committee is responsible for overseeing risk management at the university, which includes ensuring that appropriate processes are in place to identify, report and control areas of significant risk to the university and ensuring that appropriate mitigative actions are taken or planned in areas where material risk is identified and receiving regular reports from management on areas of significant risk to the university.
- The Office of Research Services (ORS) is presenting the draft Radiation Safety Policy for the committee's written feedback.

**BACKGROUND/CONTEXT & RATIONALE:**

- The University is a leader in Nuclear Science teaching and research.
- The University does not have a Radiation Safety Policy, but has been functioning with a strong compliance program outlined in the Radiation Safety Manual.
- A Radiation Safety Policy strengthens the University's commitment to providing a safe work environment that are in line with the applicable regulatory requirements.

**RESOURCES REQUIRED:**

- The University is mandated to appoint a Radiation Safety Officer (RSO) on all CNSC Licenses issued to the University. The RSO ensures the requirements of the legislation are met.
- The University must have a radiation safety program in place – some aspects of the program requires monetary resources to function (e.g. dosimetry, annual leak testing, annual device calibration, etc.). The costs are shared between ORS, the faculties/departments, and the workers/students.

- Compliance measures and practices are currently in place, as such, the University is already allocating resources.

### **IMPLICATIONS:**

- Compliance with the applicable regulatory requirements is currently administered by the Radiation Safety Program, which is reviewed by the Radiation Safety Committee every 3 years. The Radiation Safety Policy makes clear policy statements and ensures that the policy statements found in the Radiation Safety Manual are governed by the Policy Framework and are available in the Policy Library.
- Research, teaching and other activities involving ionizing and non-ionizing radiation and radiation emitting devices will fall under the policy. Faculty and staff involved in those activities will fall under the policy.
- A radiation safety policy will put Ontario Tech in line with other Canadian Universities

### **CONSULTATION:**

**June 9, 2015 (Radiation Safety Committee):** Radiation Safety Committee determined that a stand-alone Radiation Safety Policy would further strengthen compliance framework at the university.

**Dec 18, 2015 (Radiation Safety Committee):** Discussed suggested revisions submitted by the committee members. RSO to revise and circulate revised version to committee for approval.

**Feb 22, 2016 (Research Board):** reviewed revised copy and requested changes.

**July 5, 2016 (Research Board):** reviewed and modified the policy.

**November 7, 2016 (Policy Advisory Committee):** Recommended revisions. Revisions made by ORS.

**October 8, 2020 (Radiation Safety Committee):** Discussions resume on Radiation Safety Policy and finalized for submission to University Secretariat and General Consul's Office.

**February 23, 2021 (Academic Council)**

### **COMPLIANCE WITH POLICY/LEGISLATION:**

- A Radiation Safety Policy will complement the University's Health and Safety Policy and the Radiation Safety Manual by capturing the additional requisites for radiation safety.
- A Radiation Safety Policy is in compliance with the applicable legislation:

• Legislation	Administered by
Nuclear Safety and Control Act, and all applicable regulations under the Act.	Canadian Nuclear Safety Commission (CNSC)
Occupational Health and Safety Act	Ontario Ministry of Labour (MOL)
R.R.O. 1990, Reg. 861 X-Ray Safety	Ontario Ministry of Labour
Healing Arts and Radiation Protection Act and Regulations	Ontario Ministry of Health and Long-Term Care (MOHLTC)
R.R.O 1990, Reg. 543 X-Ray Safety Code	Ontario Ministry of Health and Long-Term Care
Radiation Emitting Devices Act	Health Canada
Radiation Emitting Devices Regulations	Health Canada

**NEXT STEPS:**

- Consultation and approval from:
  - Administrative Leadership Team
  - Online Consultation
  - Audit and Finance Committee (recommendation)
  - Board of Governors (approval)

**SUPPORTING REFERENCE MATERIALS:**

- Radiation Safety Policy



Classification	LCG XXXX
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	VP Research and Innovation
Approval Date	DRAFT FOR REVIEW
Review Date	
Supersedes	

## RADIATION SAFETY POLICY

### PURPOSE

1. This policy sets out the standards, requirements and responsibilities that apply to research and scholarly activities involving ionizing and non-ionizing radiation, including nuclear substances and radiation emitting devices at the University of Ontario Institute of Technology (Ontario Tech).

### DEFINITIONS

2. For the purposes of this Policy the following definitions apply:

**“Action Level”** means a specific dose or other parameter that, if exceeded, may indicate a loss of control of part of the radiation safety program.

**“Authorized Users”** means any University Member who has been authorized to handle ionizing or non-ionizing radiation in accordance with the requirements set out in the Radiation Safety Program.

**“ALARA”** (as low as reasonably achievable) means an optimization tool in radiation protection used to keep individual, workplace and public dose limits as low as reasonably achievable, social and economic factors being taken into account. ALARA is not a dose limit; it is a practice that aims to keep dose levels as far as possible below regulatory limits. (ALARA)

**“CNSC”** means the Canadian Nuclear Safety Commission, the federal regulatory agency whose mandate is to establish and enforce the Nuclear Safety and Control Act and Regulations. The CNSC regulates the use of nuclear energy and materials to protect health, safety, security and the environment, and to implement Canada's international commitments on the peaceful use of nuclear energy.

**“Ionizing Radiation”** means particles, X-rays, or gamma rays with sufficient energy to cause ionization in the medium through which it passes.

**“MOL”** means the Ontario Ministry of Labour, the provincial regulatory agency whose mandate is to establish and enforce the Occupational Health and Safety Act, which includes the X-ray Safety regulation and takes into consideration the American National Standards Institute (ANSI) Z136 series of laser safety standards (the “ANSI” Standards).

**“Non-Ionizing Radiation”** means any type of electromagnetic radiation that does not carry enough energy to ionize atoms or molecules.

**“Nuclear Substance”** means:

- a) deuterium, thorium, uranium or an element with an atomic number greater than 92;
- b) a derivative or compound of deuterium, thorium, uranium or of an element with an atomic number greater than 92;
- c) a radioactive nuclide;
- d) a substance that is prescribed as being capable of releasing nuclear energy or as being required for the production or use of nuclear energy;
- e) a radioactive by-product of the development, production or use of nuclear energy; and
- f) a radioactive substance or radioactive thing that was used for the development or production, or in connection with the use, of nuclear energy.

**“Radiation”** means, for the purpose of this policy:

- a) energy in the form of electromagnetic waves or acoustical waves with the potential to harm;
- b) the emission by a nuclear substance, the production using a nuclear substance, or the production at a nuclear facility of an atomic or subatomic particle or electromagnetic wave with sufficient energy for ionization.

**“Radiation device”** means any device that contains more than the exemption quantity of a nuclear substance and that enables the nuclear substance to be used for its radiation properties.

**“Radiation emitting device”** means any device that is capable of producing and emitting radiation.

**“Radioisotope Laboratory”** means a conventional laboratory that is permitted to house radioactive materials and all activities within the laboratory are prescribed by a radioisotope permit.

**“Radiation Safety Program”** means the documented policies and procedures developed to control the risks and hazards associated with ionizing and non-ionizing radiation. The radiation safety program includes x-ray safety and for the purposes of this policy includes the laser safety program. These programs are documented as the Radiation Safety Manual and the Laser Safety Manual and outline the university’s responsibility and oversight for the protection of personnel against the harmful effects of radiation.

**“University Member”** means any member of the Ontario Tech community who teaches, conducts research or works at or under the auspices of the University and includes any of the following:

- A person who is an employee of the university;
- Any person who is an appointee (including adjunct faculty, emeritus, a volunteer on research related committees and boards) of the University , or
- Student, post-doctoral fellows, visiting scholars, contractors, and any other research personnel while they are engaged in research or scholarly activities under supervision of a Member.

## **SCOPE AND AUTHORITY**

3. This policy applies to all activities at the University involving ionizing and non-ionizing radiation and radiation emitting devices defined under this Policy.

4. The Vice-President Research and Innovation, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.
5. On behalf of the Vice-President, Research and Innovation, the Radiation Safety Officer and the Radiation Safety Committee have the authority to immediately stop any use of ionizing and non-ionizing radiation sources and radiation emitting devices which deviates from the approved conditions set out in a Permit or is deemed to be in non-compliance with the applicable legislation and regulations and/or university policy or procedures as described under the Radiation Safety Program.

## **POLICY**

The University is committed to protecting all University Members and the environment from any adverse effects resulting from the use of ionizing and non-ionizing radiation for research and scholarly activities at the University. To this end, the University will maintain a radiation safety program to ensure the safe use, storage, transfer and disposal of radiation and radioactive materials in compliance with all legislated requirements, University Policies and Procedures.

### **6. General**

- 6.1. The University holds Licences from the Canadian Nuclear Safety Commission for the use of nuclear substances and radiation devices.
- 6.2. The University is registered with the Ministry of Labour for the use of x-ray devices on campus.
- 6.3. All procurement, use, storage, transfers, and disposal of these material/devices by a University Member under the auspices of the University is governed by the terms of the CNSC Licence(s) or MOL approval letter.
- 6.4. The University adheres to the safety standards outlined in the ANSI Standard for the Safe Use of Lasers for all laser equipment.
- 6.5. The University shall establish a Radiation Safety Program for workplace safety and regulatory compliance in accordance with CNSC requirements, the ANSI Standard and the X-Ray Safety Regulation. The internal responsibility system shall be fundamental to the effective operation of the Radiation Safety Program.
- 6.6. All research and scholarly activities at the University involving ionizing, non-ionizing and radiation emitting devices must be approved by the Radiation Safety Committee prior to any activities commencing.
- 6.7. Authorized Users are accountable for ensuring compliance with all relevant legislation, regulations, guidelines and University policies and procedures.
- 6.8. The University recognizes its responsibility to act with due diligence where ionizing, non-ionizing materials and radiation emitting devices are concerned.
- 6.9. The University shall only support work for which it is licensed to by the CNSC or approved for by the MOL.
- 6.10. All occupational exposures shall be limited in accordance with the ALARA (as Low As Reasonably Achievable) principle and within CNSC and MOL prescribed dose limits.

- 6.11.** University Members who, on reasonable grounds, believe that a University place or vehicle is contaminated in excess of the prescribed limit by a radioactive prescribed substance, or an event has occurred that is likely to result in the exposure of persons or the environment to a dose of radiation in excess of prescribed limits, shall immediately notify the Radiation Safety Officer and appropriate authorities about the location and circumstances of the contamination or event.

**7. Non-Compliance**

- 7.1.** All members of the University community are subject to the requirements of this policy. Violations place the University at significant risk and are subject to appropriate corrective administrative, academic or non-academic discipline and could result in disciplinary action up to and including termination of the member's position with the University, or in the case of a student, an academic suspension. Any disciplinary action arising from a violation of this policy will be conducted in accordance with the collective agreement that governs the member, if applicable. Significant legal penalties may also be assessed by the Canadian Nuclear Safety Commission under the authority of the Nuclear Safety and Control Act and Regulations or the Ontario Ministry of labour under the authority of the Ontario Occupational Health and Safety Act and X-Ray Safety Regulation.

**MONITORING AND REVIEW**

- 8.** This Policy will be reviewed as necessary and at least every three years. The Director, Research Services, or successor thereof, is responsible to monitor and review this Policy.

**RELEVANT LEGISLATION**

- 9.** Nuclear Safety and Control Act  
Regulations under the Nuclear Safety and Control Act  
Occupational Health and Safety Act  
R.R.O. 1990, Reg. 861 X-Ray Safety  
Healing Arts and Radiation Protection Act and Regulations  
R.R.O 1990, Reg. 543 X-Ray Safety Code  
Radiation Emitting Devices Act

**RELATED POLICIES, PROCEDURES & DOCUMENTS**

- 10.** Ontario Tech Health and Safety Policy  
Ontario Tech Radiation Safety Manual  
Procurement Policy and Procedures  
CNSC Licenses issued to the University Of Ontario Institute Of Technology  
CNSC Regulatory Guidance Documents

ANSI Standard for the Safe Use of Lasers

MOL X-Ray Permits issued to the University Of Ontario Institute Of Technology

Safety Code 34. Radiation Protection and Safety for Industrial X-Ray Equipment

## COMMITTEE/BOARD REPORT

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**SESSION:**

Public  
Non-Public

☒  
☐**ACTION REQUESTED:**

Decision  
Discussion/Direction  
Information

☐  
☐  
☒

**TO:** Audit & Finance Committee

**DATE:** February 17, 2021

**PRESENTED BY:** Brad MacIsaac, VP Administration

**SUBJECT:** Ontario Tech Credit Rating

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**COMMITTEE/BOARD MANDATE:**

The committee is responsible for overseeing the financial affairs of the university with respect to all financial reporting/ internal control functions, budget approvals, risk management and other internal/ external audit functions at the university. The committee also oversees the university's compliance program.

We are providing this report to the committee to assist with the fulfilment of the committee's financial oversight mandate, and as required by the covenants in the university's debenture.

**BACKGROUND/CONTEXT & RATIONALE:**

This report provides an update on Ontario Tech credit ratings, which were issued in November 2020 (Moody's) and January 2021 (DBRS).

Ontario Tech has issued debt (debentures) initially valued at \$220M. Covenants in the First Supplemental Indenture Agreement require annual credit ratings from two credit rating agencies. The University uses Dominion Bond Rating Services (DBRS) and Moody's Investor Service and reviews with both agencies are conducted annually.

Both have remained at previous levels: Moody's has confirmed our Credit Rating at A1 - Stable. DBRS has confirmed our Credit Rating as A (low) – Stable. Although Ontario Tech ratings have trended positively over the past five years, our credit rating remains at the low end of the range in our sector. This is due to high debt levels which are a consequence of the Provincial choice to have Ontario Tech fund its own initial infrastructure costs.

In reaffirming their ratings, both agencies acknowledged Ontario Tech's positive operating results while highlighting the pressures caused by flat government grants and

tuition framework especially in the uncertain times caused by COVID. Neither noted concerns with the declining reserves as we were clear on our plans for internally financed large capital projects instead of taking on new debt. Moody's noted the university has been successful in the past with similar financing strategies, with the goal of replenishing reserves following internal draws.

**IMPLICATIONS:**

Credit ratings assess a debtor's ability to pay back debt by making timely interest payments and the likelihood of default. It affects the interest rate that a security pays out, with higher ratings leading to lower interest rates. A credit rating also facilitates the trading of securities on a secondary market. For Ontario Tech, an improved credit rating would result in lower borrowing costs on future debts.

**NEXT STEPS:**

Continue working with DBRS and Moody's to provide information, highlight Ontario Tech's operational improvements, and to ensure our credit rating accurately reflects the university's fiscal position.

**SUPPORTING REFERENCE MATERIALS:**

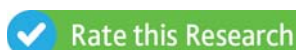
Moody's Credit Opinion – Nov 2020

DBRS Rating Report – Jan 2021

## CREDIT OPINION

5 November 2020

## Update



## RATINGS

**University of Ontario Institute of Technology**

Domicile	Ontario, Canada
Long Term Rating	A1
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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# University of Ontario Institute of Technology (Canada)

## Update to credit analysis

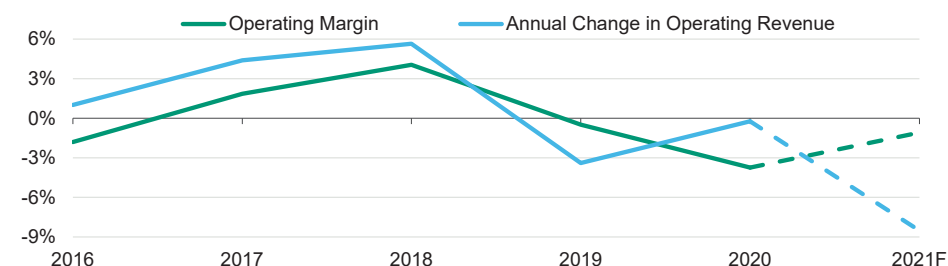
## Summary

The credit profile of the [University of Ontario Institute of Technology](#) (A1 stable) (Ontario Tech) reflects solid operating cash flows, a declining debt burden and moderate levels of liquidity from cash and investments. The provincially mandated tuition freeze in 2020/21, which follows a 10% tuition cut in 2019/20, will continue to weaken tuition revenues. The coronavirus pandemic poses additional operating challenges to the university through reduced demand for commercial/ancillary services, elevated pandemic-related expenses, and weaker enrolment levels especially for international students. Nevertheless the university exhibits prudent fiscal management including expense containment measures to mitigate these pressures.

Exhibit

## The pandemic has exacerbated existing operating challenges

Year ending March 31



Source: Moody's Investors Service, University of Ontario Institute of Technology financial statements

## Credit Strengths

- » Declining debt burden, low interest rates and provincial debt service subsidies support debt affordability
- » Solid levels of liquidity from cash, investments and reserves
- » Strong operating cash flow margins supported by prudent fiscal management

## Credit Challenges

- » Revenue constraints from provincial tuition restrictions and the coronavirus pandemic
- » Limited capacity to expand physical infrastructure
- » Weaker research profile and fundraising capacity than peers



## Rating Outlook

The stable outlook reflects our opinion that the university will be able to maintain adequate levels of cash and investments and strong cash flows that allow it to mitigate ongoing operating pressures.

## Factors That Could Lead to an Upgrade

A significant improvement in the university's liquidity profile, as measured by spendable cash and investments, or an ability to maintain strong liquidity metrics if debt was required to expand capital, could put upward pressure on the rating.

## Factors That Could Lead to a Downgrade

A significant weakening in operating results with consistent operating deficits, or a decline in liquidity as a result of weaker enrolment levels or a deterioration in expenditure controls would put downward pressure on the rating.

## Key Indicators

Exhibit 2

### University of Ontario Institute of Technology

(Year Ending March 31)	2016	2017	2018	2019	2020
Operating Revenue (CAD Million) [1]	179.6	187.5	198.0	191.3	190.9
Annual Change in Operating Revenue (%)	1.0	4.4	5.6	(3.4)	(0.2)
Operating Cash Flow Margin (%)	21.3	23.0	23.3	19.1	15.7
Total Cash and Investments (CAD Million)	62.9	80.9	77.9	89.0	75.5
Spendable Cash and Investments to Operating Expenses (x)	0.3	0.4	0.3	0.3	0.3
Total Debt to Cash Flow (x)	6.1	5.1	4.5	5.5	6.5

[1] Revenue net of scholarship expenses

Source: Moody's, University of Ontario Institute of Technology financial statements

## Detailed Credit Considerations

The credit profile of Ontario Tech as expressed in its A1 stable rating, combines (1) a Baseline Credit Assessment (BCA) of a3, and (2) a very high likelihood of extraordinary support coming from the [Province of Ontario](#) in the event that the university faced acute liquidity stress.

### Baseline Credit Assessment

#### Declining Debt Burden, Low Interest Rates and Provincial Debt Service Subsidies Support Debt Affordability

Ontario Tech's debt burden will continue to decline over the next two years given the amortizing nature of its existing debenture and a lack of expected new long-term debenture issuances. Debt affordability remains strong, supported by the continued low interest rate environment. Total debt to cash flow stood at 6.5x in 2019/20 and debt to operating revenue stood at 1.06x. The debenture grant from the province will continue to ease the financial impact of the debt burden on the university.

The university's total debt as at March 31, 2020 primarily includes a CAD158 million senior unsecured debenture maturing in 2034 (issued in 2004) and CAD37 million in long-term capital lease obligations for buildings in downtown Oshawa. The Durham College of Applied Arts and Technology provides a guarantee to Ontario Tech's 2004 debenture, providing additional credit support to debenture holders.

Debt affordability is supported by annual debt service subsidies from the Province of Ontario. In 2012 the university signed an agreement with the province guaranteeing an annual debt service subsidy of CAD13.5 million (received semi-annually) earmarked for debt service of the university's 2034 maturity, CAD220 million notional value debenture.

#### Solid Levels of Liquidity from Cash, Investments and Reserves

The university's prudent fiscal management have resulted in solid levels of wealth from spendable cash and investments, despite a recent weakening. At March 31, 2020, total cash and investments stood at CAD76 million, a level that is up approximately 20%

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

from 2015/16 levels, although below the previous year's level of CAD89 million mostly due to weaker tuition revenues and significant purchases of capital assets in 2019/20.

Within total cash and investments, only about one-third is permanently restricted. Spendable cash and investments (which exclude permanently restricted assets such as endowments) measured CAD52 million in 2019/20. The liquidity portfolio including reserves will continue to support the university's efforts in making moderate, internally financed investments in campus infrastructure, and provides a buffer against fiscal challenges from provincial tuition constraints and the coronavirus pandemic.

The internally financed investments include large capital projects financed through reserves instead of taking on new debt, and the university has been successful in the past with similar financing strategies, with the goal of replenishing reserves following internal draws. In our view the liquidity profile will continue to support the university's efforts in making similar investments in campus infrastructure. The university also maintains a CAD17 million operating line of credit which remained undrawn as at March 31, 2020.

The university's cash and investment balances provide a cushion against the debt, with spendable cash and investments covering 0.27x total debt at March 31, 2020.

#### **Strong Operating Cash Flow Margins Supported by Prudent Fiscal Management**

Ontario Tech maintains solid operating cash flows, including CAD30 million in 2019/20. This supports strong operating cash flow margins (net income before non-cash expenses relative to operating revenue) which exceeded 15% in the last 5 years despite weaker operating performance. These levels are supported not only by prudent fiscal management, but also by annual provincial debt subsidies.

Although cash flows over the next two years could be constrained by limited domestic tuition growth and additional coronavirus spending, we note that the university retains flexibility to lower both operating and capital expenses. In 2020/21, the university already implemented temporary layoffs, staff work load reductions, delayed hires and terminations of part-time contracts, resulting in an estimated savings of about CAD5.6 million. Other measures also support cash flows including deferral of non-essential IT procurements and delaying some campus renovations.

The non-tenure eligible teaching track stream for academic staff, coupled with a defined contribution pension plan, also support expense flexibility. As management seeks ways to achieve balanced fiscal outcomes, we do not expect a significant deterioration in the university's operating cash flows. As a result, we expect operating cash flow margins to remain approximately in line with current levels over the next two years.

#### **Revenue Constraints from Provincial Tuition Restrictions and the Coronavirus Pandemic**

The university's fiscal profile is challenged by restrictions on domestic tuition as the province continues to seek ways to improve tuition affordability. The province mandated a 10% reduction in domestic tuition fees for 2019/20 followed by a freeze in domestic tuition fees in 2020/21, adversely impacting operating revenues. The provincial directive weakens the university's ability to generate revenue in 2020/21 in an environment further constrained by the coronavirus pandemic.

A new provincial funding framework, which was planned to be introduced during the 2020/21 academic year but now postponed by two years, will transition from a primarily enrolment-based funding model to a predominantly performance-based model. Although the deferral of the model's implementation allows Ontario Tech to have sufficient time to incorporate expected changes into its future budgets, the move to a higher share of performance-based funding will remove the funding stability from the current provincial funding model.

Ontario Tech, along with the higher education sector globally, also faces fiscal pressure related to the pandemic including higher pandemic-related expenses and uncertainty relating to tuition revenue. Revenues related to ancillary services and operations are also constrained, including student housing, parking and rental income as several buildings are typically rented out for community and cultural events throughout the year. The university will also record higher expenses for online learning transition and increased student support. In 2019/20, Ontario Tech recorded a deficit of CAD2.6 million (1.2% of total revenues, based on audited financial statements) which included the early impacts of the pandemic. For 2020/21, in line with the university's forecasts, we expect a modest shortfall of CAD3.6 million (2.0% of total revenues) which may be covered fully with reserves.

The second wave of the pandemic, which appears to be already underway, along with continued travel restrictions, campus closures and public health concerns may constrain demand in the near-term for the university.

### Limited capacity to expand physical infrastructure

The university's ability to increase revenues is also constrained by physical capacity limitations given limited available space to expand significantly. Although the coronavirus pandemic has temporarily halted the requirement for expansions, major capital expansion (including through adjacent lands) would require significant cash reserves.

Although limited reserves have historically enabled moderate campus investments, the university has limited available reserves to fund major new capital acquisitions or expansions without incurring new debt or substantial new government capital grants. Since we do not expect the university to issue new long-term debt in the near future, the likelihood of material campus expansion over the next few years is low.

With capacity constraints already limiting the university's ability to capitalize on strong demand, the constraints on tuition growth further support our expectation that the university's revenues will grow more slowly than in recent years.

### Weaker research profile and fundraising capacity than peers

Ontario Tech is a small university and the youngest in Ontario. Its research profile reflects this status as it secures lower levels of long-term research grants from the federal government relative to its larger, more established peers. Externally funded operating research grants are low compared to peers with modest growth to CAD11.2 million in 2019/20 from CAD10.4 million in 2018/19. Nevertheless Ontario Tech has partnered with several large corporations in the region for in-kind research collaborations, which, although they do not contribute to revenues, could enhance the university's research profile.

Ontario Tech's relatively young stage of development also limits its ability to raise significant fundraising revenue, as it does not yet have a large alumni and donor pool to draw donations from. The university initiated its first official fundraising campaign in 2017, and following a more challenging fundraising environment in 2020/21, we expect to see some growth in restricted reserves and donation revenues in the subsequent years.

### Extraordinary support considerations

Moody's assigns a very high likelihood that the Province of Ontario would act to prevent a default by the university. The very high support level reflects a perceived risk to the province's reputation as regulator of the university sector if Ontario Tech or any Ontario university were to default. In addition, Durham College of Applied Arts and Technology provides a guarantee to Ontario Tech's 2004 senior unsecured debenture. As colleges in Ontario face stronger regulation than universities, and therefore are closer to the province, the guarantee provides for a stronger level of extraordinary support for Ontario Tech, if the university were to face acute liquidity pressure, than other universities in the province.

### ESG considerations

#### How environmental, social and governance risks inform our credit analysis of Ontario Tech

Moody's takes into account the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of Ontario Tech, we assess the materiality of ESG to the credit profile as follows:

Environmental considerations are not material to Ontario Tech's credit profile. The university owns land and owns/operates buildings which may be subject to environmental risks (e.g. asbestos in older buildings or clean-up following construction), but these risks are small and the university proactively manages them through its facilities maintenance.

Social considerations are material to Ontario Tech's credit profile and the risks are moderate. Social considerations principally relate to developments in public policy on education, in particular Ontario's objective of promoting improvements in tuition affordability through mandated provincial tuition fee restrictions. We also consider the coronavirus outbreak as a social risk which adds a high degree of uncertainty on enrolment levels as students may alter their plans on attending universities during a global health pandemic. These pressures are partly mitigated by solid enrolment demand.

Governance considerations are also material to Ontario Tech's credit profile. We assess governance risk as low given a strong institutional framework and prudent financial planning which includes annual balanced budgets and 5-year strategic plans. Each faculty is responsible for developing its own budget and adhering to self-imposed revenue and expense targets. Oversight is strong from the Academic Council and Board of Governors.

Further details are provided in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing Environmental, Social and Governance Risks](#).

## Rating Methodology and Scorecard Factors

The assigned BCA of a3 is two notches lower than the scorecard indicated outcome of a1, reflecting the combination of a high debt load which limits future debt issuances, the university's small size relative to Ontario peers and capacity constraints for expansion which limit future growth. For details of our rating approach, please refer to the [Higher Education](#) (May 2019) and [Government-Related Issuers](#) (February 2020) methodologies.

Exhibit B

### University of Ontario Institute of Technology

Rating Factors	Value	Score
<b>Factor 1: Market Profile (30%)</b>		
Scope of Operations (Operating Revenue) (\$000)	143,448	A2
Reputation and Pricing Power (Annual Change in Operating Revenue) (%)	(0.2)	B1
Strategic Positioning	A	A
<b>Factor 2: Operating Performance (25%)</b>		
Operating Results (Operating Cash Flow Margin) (%)	15.7	Aa1
Revenue Diversity (Maximum Single Contribution) (%)	43.0	Aa2
<b>Factor 3: Wealth &amp; Liquidity (25%)</b>		
Total Wealth (Total Cash & Investments) (\$000)	53,241	A2
Operating Reserve (Spendable Cash & Investments to Operating Expenses) (x)	0.3	A1
Liquidity (Monthly Days Cash on Hand)	104	A1
<b>Factor 4: Leverage (20%)</b>		
Financial Leverage (Spendable Cash & Investments to Total Debt) (x)	0.3	A2
Debt Affordability (Total Debt to Cash Flow) (x)	6.5	Aa2
Scorecard-Indicated Outcome		a1
Assigned BCA		a3

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year. For non-US issuers, nominal figures are in US dollars, consistent with the Higher Education Methodology.

Source: Moody's Investors Service

## Ratings

Exhibit B

Category	Moody's Rating
UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY	
Outlook	Stable
Bkd Senior Unsecured Dom Curr	A1

Source: Moody's Investors Service

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# Rating Report

## University of Ontario Institute of Technology

### DBRS Morningstar

January 15, 2021

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### Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A (low)	Confirmed	Stable
Series A Senior Unsecured Debentures	A (low)	Confirmed	Stable

### Rating Update

On December 3, 2020, DBRS Limited (DBRS Morningstar) confirmed the University of Ontario Institute of Technology's (the University or Ontario Tech) Issuer Rating and Series A Senior Unsecured Debentures (the Debentures) rating at A (low). Both trends are Stable. The University's credit profile has been steadily improving in recent years supported by a strengthening academic profile, ongoing student demand for its high-demand Science, Technology, Engineering, and Mathematics (STEM) program offerings, positive operating results, and debt reduction. However, ratings are limited by Ontario Tech's limited financial flexibility as represented by DBRS Morningstar's calculation of expendable resources. In addition, the challenging operating environment and provincial policy uncertainty remain obstacles for all public universities in the Province of Ontario (Ontario or the Province; rated AA (low) with a Stable trend by DBRS Morningstar).

After several years of positive operating results, the University reported a consolidated deficit of \$2.6 million in 2019–20. The deficit primarily resulted from a decline in tuition revenues (-3.8%) and lower revenue from auxiliary services, such as parking operations (-12.6%), coupled with higher spending on salaries and benefits (+7.6%) and a significant unrealized loss on the endowed investments as a result of the impact of the global Coronavirus Disease (COVID-19) pandemic on the equity market (-500.0%).

The University responded to the coronavirus pandemic with campus closure and a transition to online learning, which resulted in anticipated adverse financial impacts on income and some additional expenses toward student assistance, technology investments, and sanitization and extensive cleaning. Subsequently, Ontario Tech revised its budget estimates downward in June 2020 to reflect additional operating pressures arising from the pandemic. However, the University's year-to-date performance is ahead of the June budget expectations, with Ontario Tech anticipating a nearly balanced result in 2020–21. The improved budget outlook stems from stronger-than-anticipated growth in enrolment in fall 2020, supported by some savings on utilities, lower discretionary spending, and delayed full-time hires.

The medium-term outlook is less clear given ongoing travel restrictions and other pandemic-related health concerns. The University forecasts modest deficits over the next few years, though the actual performance will likely be slightly better than budget following a resumption of enrolment growth.

Ontario Tech revised its enrolment projections downward but continues to budget enrolment growth of more than 5% over the next five years.

The University's debt burden remains the highest among DBRS Morningstar-rated Ontario universities at \$21,796 per full-time equivalent (FTE) student, although the circumstances surrounding Ontario Tech's debt burden remain unique in the Ontario context. The Province supports a large share of the University's annual debt-servicing costs through a restricted debt-servicing grant. While the legal obligations rest with the University, this arrangement effectively results in only one-third of its total debt being serviced through its general operations (e.g., unrestricted operating grants, tuition revenue). The University is contemplating approximately \$25 million in new debt, resulting in debt per FTE above \$22,000 over the next three years. Although the addition of a new bank loan will reduce borrowing flexibility within the current rating category, DBRS Morningstar anticipates Ontario Tech's debt burden to decline gradually over the medium term as debt amortizes.

DBRS Morningstar does not expect the ratings to shift materially given a challenging outlook for the sector in general. However, a resumption of positive operating results and debt reduction, together with favourable resolution of operating and policy uncertainty, could lead DBRS Morningstar to consider changing the trend to Positive. Though unlikely, DBRS Morningstar could lower the rating if there is a sustained deterioration in operating outlook and a materially higher debt burden.

## Financial Information

	For the year ended March 31				
(CAD millions)	2020	2019	2018	2017	2016
Operating result	(2.6)	6.9	15.4	12.6	2.9
Surplus-to-revenue (five-year average) (%)	3.4	4.5	5.0	5.2	4.3
Debt per FTE (\$)	21,796	22,731	23,410	24,738	26,288
Expendable resources to debt (%)	11.3	17.3	13.6	9.4	6.1
Interest coverage ratio (x)	2.0	2.5	3.1	2.8	2.4

## Issuer Description

Ontario Tech is located in Oshawa, Ontario, and provides career-oriented university programs and transitional programs to enable college graduates to complete university degrees. The University was established in 2002 and has an enrolment of about 9,000 FTEs. Ontario Tech has developed a strong reputation for its STEM programming and industry partnerships.

## Rating Considerations

### Strengths

#### 1. Provincial support

Universities are stable institutions and a critical component of the public sector. Access to high-quality postsecondary education remains a priority for the Province. As such, universities in Ontario and across Canada benefit from stable and consistent revenue sources. Government grants and tuition fees account for about 80% to 85% of revenue for Ontario Tech.



## *2. Established reputation*

Ontario Tech has grown rapidly since its establishment in the early 2000s and has developed a strong reputation in several high-demand, engineering- and technology-related fields. The University ranks reasonably well in Canada for a new and small university and is well established in the Durham Region (Oshawa). Ontario Tech's name recognition remains limited outside the Greater Toronto Area (GTA) but is improving with a growing alumni base and improved visibility.

## *3. Effective financial management practices*

Financial management practices have improved significantly over the past several years. The University has developed effective budget and planning processes, improved internal and external reporting, and made its operations more effective and cost efficient.

## *4. Defined contribution pension plan*

Ontario Tech has a defined contribution pension plan, which alleviates the risk of meeting future benefit payments for retired employees. Defined benefit plans are the norm for Canadian universities.

# **Challenges**

## *1. Limited control of revenue*

Canadian universities have limited control over their main revenue sources—tuition fees and government grants. The Province imposed a 10% reduction on tuition fees for domestic students in regulated programs for 2019–20, while effectively limiting domestic enrolment growth and freezing operating grants. The changes to the tuition fee framework are estimated to have adversely affected Ontario Tech's revenue by \$9 million in 2019–20.

## *2. Cost pressures and pandemic impacts*

Underlying cost pressures are somewhat detached from the University's revenue drivers. Canadian universities' expense bases are largely fixed and growing in the form of tenured faculty, unionized support staff, externally mandated student aid requirements, and large infrastructure footprints. In recent years, inherent cost pressures have outpaced provincially controlled revenue growth for many DBRS Morningstar-rated universities. The fixed nature of expenses also tends to slow the pace at which universities can respond to a significant exogenous shock to revenue, such as the coronavirus pandemic. As with other universities, these factors have compelled Ontario Tech to undertake adjustments. Ontario Tech has less operational flexibility to adjust to the constrained operating environment than larger, more established universities. The University responded to the pandemic with campus closure and a transition to online learning, which resulted in anticipated adverse financial impacts on income and some additional expenses toward student assistance, technology investments, and sanitization and extensive cleaning.

### *3. Limited balance sheet flexibility*

Ontario Tech incurred losses for several years after its establishment in 2002, resulting in an accumulated deficit and a negative net-asset position. Over the last several years, net assets have risen, supported by positive operating results. Nevertheless, as a relatively new and small institution that has operated primarily in a constrained funding environment, Ontario Tech's balance sheet has limited financial flexibility compared with most other DBRS Morningstar-rated universities.

### *4. Significant debt burden*

Ontario Tech has the highest debt burden among DBRS Morningstar-rated Ontario universities at \$21,796 per FTE; however, the debt burden and its funding are unique among Ontario universities because the amortizing Debentures, issued when the University was established, are largely serviced by restricted debt-servicing grants from the Province. Effectively, Ontario Tech services one-third of its total debt with general operations (e.g., unrestricted operating grants, tuition fees).

## **Operating Performance**

### **2019–20 Results**

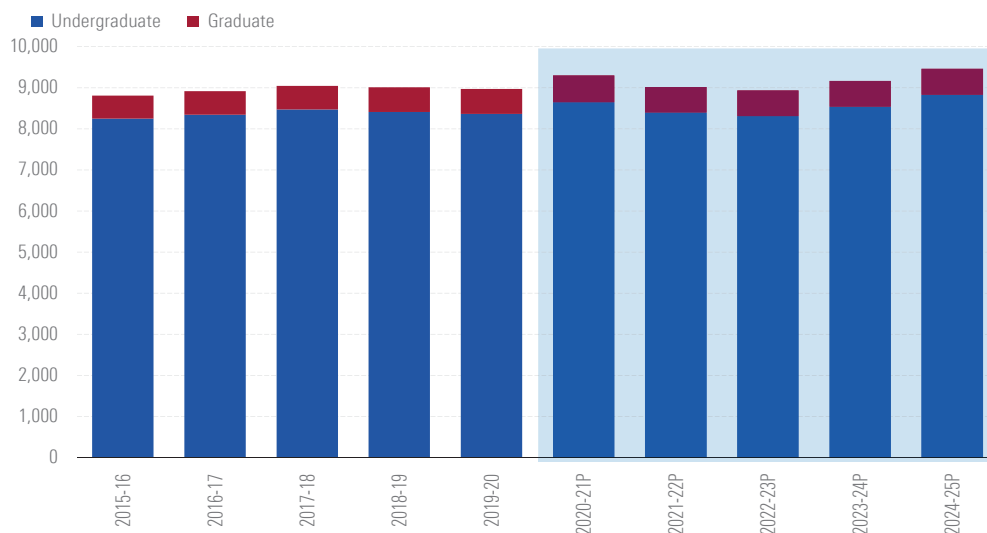
Ontario Tech has generated positive consolidated results over the past many years. However, the University reported a deficit of \$2.6 million in 2019–20 as the pandemic exacerbated the imbalance caused from expense growth outpacing revenues.

Total revenue slightly declined (-0.4%) as a decrease in tuitions (-3.8%), lower revenue from auxiliary services, such as parking operations (-12.6%), and other revenue (-6.9%) offset modest growth across most revenue categories. Tuition revenue declined due to a combination of weaker domestic undergraduate enrolment and a provincially mandated 10% reduction in domestic tuition rates in 2019–20. The pandemic prompted universities to move the majority of their operations online, which resulted in lower ancillary revenues for most Ontario universities that DBRS Morningstar rates.

Provincial operating grants remained stable, in line with the Province's funding formula under the Strategic Mandate Agreement with Ontario Tech.

Total expense increased (+4.2%) mainly because of higher spending on salaries and benefits (+7.6%), increased student aid and financial assistance (+2.9%), and other expenses (+4.2%). The increase in spending was partially offset by lower interest expense (-3.0%) as debt continued to amortize and owing to some savings from supplies and expenses (-1.0%) reflecting reduced on-premise activities due to the pandemic-led closures in the final months of F2020.

As at March 31, 2020, net assets were \$84.8 million (-1.2%), slightly lower compared with the prior year. While still weaker than many Ontario universities, the University's net asset position has improved considerably over the last decade through its efforts to strengthen the balance sheet.

**Exhibit 1** Enrolment (FTEs)

Sources: Ontario Tech and DBRS Morningstar. P = Projection.

### 2020–21 Budget and Year-to-Date Performance

The University uses an incremental budget model and prepares its budget on a modified cash basis. The budget's scope differs somewhat from that of the audited financial statements, but variances between bottom-line results are generally modest.

Ontario Tech revised its budget estimates downward in June 2020 to reflect additional operating pressures arising from the pandemic. However, the University's year-to-date operating performance is ahead of June budget expectations and Ontario Tech now forecasts a nearly balanced result in 2020–21. The University's June 2020 budget projected a deficit of \$2.1 million for F2021. The improved outlook relative to the June budget update is driven by stronger-than-estimated enrolment growth in fall 2020, University-wide cost reduction initiatives (including hiring delays, salary reductions, temporary and permanent layoffs, deferred capital spending, and lower discretionary spending, among other measures), and the use of prior year surpluses. Despite a decline in first-year intake of domestic students (-6%), total enrolment increased by 3.6% (as of October 2020 data), compared with actual enrolment in the prior year.

In January 2019, the Province introduced a new tuition fee framework imposing a 10.0% reduction in 2019–20 domestic tuition fee levels (relative to 2018–19) and stipulated that fees shall remain frozen at that level into the subsequent year (2020–21). The impact of the tuition fee reduction on University revenues is roughly \$9.0 million in 2019–20 and \$12.0 million in 2020–21. There is presently no guidance for domestic tuition fees in future years. In 2020–21, tuition rate increases ranged between 0% and 10% for international students.

The pandemic resulted in loss of revenues from parking, day care, and other campus facilities, and the University anticipates an ancillary budget deficit in F2021. However, a significant portion of the University's ancillary operations (such as, bookstores, food services, and housing) are outsourced to external vendors or are managed by Durham College of Applied Arts and Technology (DC). As such, the financial impact on consolidated results will be limited.

### **Operating Outlook**

The medium-term outlook is less clear given ongoing travel restrictions and other pandemic-related health concerns. In addition to the changes in provincial policy, the University's strategy has shifted considerably under the leadership of its new president, Steven Murphy. The University's budget-working group has been working on a multi-year cost reduction initiative that aims to sustainably re-adjust Ontario Tech's cost base downward and increase financial flexibility.

The University expects the level of provincial operating grants to remain stable, though the allocation of operating grants will shift from an enrolment-based approach to a performance-based approach under the next iteration of the Strategic Mandate Agreement (SMA3). However, as a result of the pandemic, Ontario has indicated that the move to performance-based funding will be delayed by two years, thus holding operating grants stable around current levels with no adverse funding impacts if a university is unable to achieve its negotiated performance targets.

Ontario Tech's academic profile has improved over the past decade but remains relatively weak compared with larger and more established universities in Ontario. The University has limited visibility outside the GTA. The University rebranded itself Ontario Tech University in 2019 and started to make changes to the campus to improve its attractiveness as a destination for students. Although some of the initiatives will be delayed because of the pandemic, the University will continue to explore addition of new facilities, more student- and community-oriented spaces, and improved food services.

Ontario Tech envisions continued international enrolment growth and has contracted agencies in various countries to support this effort. International students currently make up 7% of the student population, although the University expects this share to rise to about 15% over time. The targeted level is comparable with many other DBRS Morningstar-rated universities but well below the highs seen at some universities and colleges. Like most universities, Ontario Tech hopes to diversify the program mix for international students but expects most to continue to enter computer science and engineering programs in the near to medium term.

As with other universities, labour costs are Ontario Tech's largest expense, accounting for more than half of total expenses. Compensation costs have steadily risen over the last five years with underlying growth in the University's workforce and negotiated compensation increases. Labour relations at Ontario Tech are constructive and there is little risk of a work stoppage in the near term. The University has signed collective agreements (that expire in 2021) with its faculty and sessional instructors, providing modest salary and wage increases. Bargaining discussion will likely begin early next year. The University ratified the collective agreement (expiring in June 2023) with Ontario Public Service Employees Union,

which represents administrative staff at Ontario Tech. The renewed collective agreement includes annual increases limited to 1%, which is consistent with the recent provincial legislation aimed at slowing growth in public sector compensation (Protecting a Sustainable Public Sector for Future Generations Act, 2019).

### **Capital Plan**

Capital investment increased to \$28.5 million in F2020, compared with \$16.4 million in the prior year. Currently, the University has several other capital projects underway as it seeks to increase research and academic capacity and improve student experience:

- **Automotive Centre of Excellence (ACE) Enhancement Project:** The ACE is one of the world's largest and most sophisticated wind tunnels, capable of simulating extreme weather conditions. In 2016, the University bought a state-of-the-art moving ground plane (MGP), one of only 14 worldwide. The MGP is "a giant belt that acts as a road moving under a vehicle, simulating the aerodynamic forces against moving vehicles, and measuring physical characteristics in real-world conditions."<sup>1</sup> Ontario Tech secured the necessary \$11.0 million in funding to install and integrate the MGP into the ACE. Installation and integration of the MGP commenced in November 2018, though the pandemic has prompted some delays in completion, which was previously scheduled for fall 2020.
- **General Academic and Student Building:** Ontario Tech has begun the construction of a five-storey academic building that will house the student union as well as classroom and research space. The new building is to be a showcase on the main campus and will replace some of the portables currently in use, providing a modest amount of new teaching capacity. The new building will also include better-quality spaces for students to congregate, study, and engage. The total control budget is \$48 million (including \$750,000 in contingencies), which will be largely funded by the University with contributions from the student union, fundraising and philanthropy, \$25.0 million of external financing, and possibly contributions from the federal government. Occupancy is planned by fall 2021.

Ontario Tech does not have any other projects contemplated after the new academic building is complete, although over the medium to long term, the University may require additional capacity to sustain its planned enrolment growth. There are options to extend several of the existing facilities if additional space is necessary.

Ontario Tech's deferred maintenance (DM) needs are limited because most buildings were built in the 2000s. As at fiscal year-end 2020, the University estimated DM of \$16.4 million and an overall facilities condition index of 0.008, which is considered manageable. Ontario Tech intends to allocate roughly \$2.0 million for DM spending, funded by the Province's Facility Renewal Program, and another \$0.5 million to DM reserves.

### **Debt and Liquidity**

Ontario Tech's total debt was \$195.5 million at March 31, 2020. On a per-student basis, this equates to \$21,796 per FTE and is the highest among DBRS Morningstar-rated universities. The University's debt

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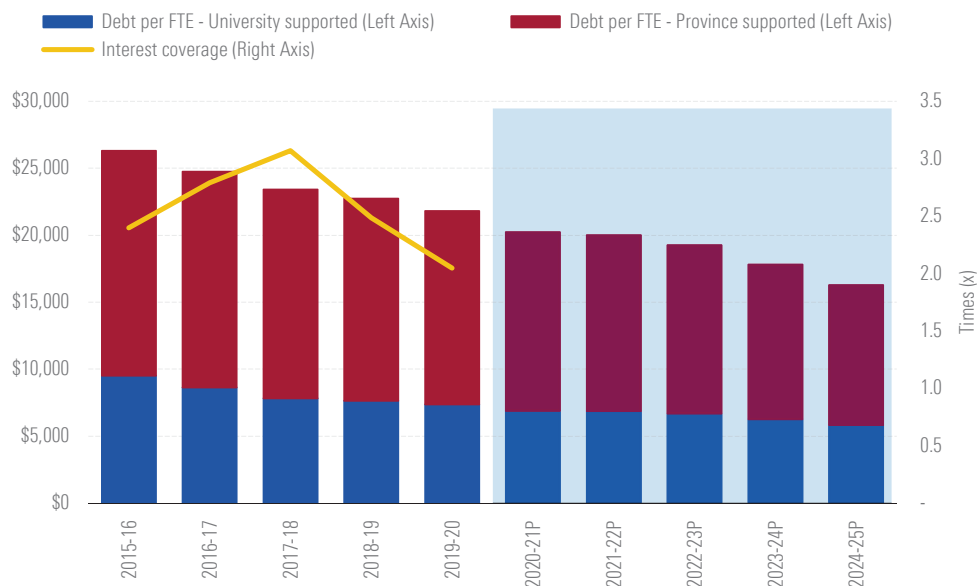
<sup>1</sup> University of Ontario Institute of Technology, "Province and industry partners rally to drive automotive innovation" (2018).

comprises \$158.1 million in amortizing Debentures, \$37.0 million in capital leases, and \$0.4 million in other long-term debt. Ontario Tech's debt continues to amortize by roughly \$7.0 million annually.

Ontario Tech's debt burden is significant and unusual in the Ontario context, reflecting a policy decision made by the Province when the University was established in the early 2000s. The Province provided Ontario Tech with relatively modest upfront capital grants, with the University funding much of the initial infrastructure with debt that was to be supported by Provincial operating grants. At first, the debt servicing grant was targeted at 15% of the annual operating grant, but it was later converted to a flat \$13.5 million annual restricted grant aimed at ensuring the University's financial sustainability and mitigating the risk of default. The grant covers about 80% of the annual \$16.5 million requirement for principal and interest. While the legal obligation rests with the University and the grants flow through Ontario Tech, the Province is effectively servicing 80% of the Debentures.

Excluding the portion of the debt effectively serviced by the Province would yield a debt burden of \$66.1 million or \$7,400 per FTE. DBRS Morningstar continues to view Ontario Tech's debt burden as elevated among Ontario universities but acknowledges the unique circumstances surrounding the debt. The Province has provided Ontario Tech with assurances that the restricted grant will continue until the Debentures are fully repaid in 2034, although the payments are subject to conditions and require annual legislative approval. Nevertheless, DBRS Morningstar is confident that the Province will continue to provide the grants until the debt is retired because of the importance of postsecondary education to the provincial government, the political consequences resulting from the failure of a publicly funded and regionally important university, and the grant's relatively small size in the broader provincial budget. A material reduction in the grant would challenge the University's finances and put downward pressure on the credit profile.

Although still high, the University's debt-servicing costs have been declining as debt amortizes. Total interest costs represent about 6.3% of total expense, nearly halved relative to a decade ago. Nevertheless, interest coverage was relatively low at 2.0x, compared with 2.5x in the prior year. DBRS Morningstar expects interest coverage to remain lower than at most DBRS Morningstar-rated universities over the coming years.

**Exhibit 2** Debt per FTE and Interest Coverage

Sources: Ontario Tech and DBRS Morningstar. P = Projection.

Note: The chart above does not include \$25 million planned new debt as the amortization schedule is unavailable.

The University's balance sheet has improved significantly over the last 10 years, supported by ongoing effort to improve operating results and financial management practices. Ontario Tech's net assets have risen because of accumulation of reserves, and debt has declined steadily. Nevertheless, and consistent with the rating, the University's balance sheet exhibits less flexibility than most other DBRS Morningstar-rated universities. Expendable resources comprise a subset of net assets, including unrestricted net assets, most internally restricted net assets, and internally restricted endowments. DBRS Morningstar assesses Ontario Tech's expendable resources to be \$22.1 million, or a modest 11.3% of total debt outstanding at March 31, 2020. Over the medium to long term, DBRS Morningstar expects the University's expendable resources to be supported by positive operating results and as the University sets aside capital reserves for future projects.

The University's efforts to address debt and financial management practices have also improved its liquidity. In recent years, cash and short-term investments have risen and Ontario Tech has repaid balances on its credit facilities (its \$5.0 million credit facility with IBM was closed in F2019). The University maintains a \$17.0 million operating bank line with a major Canadian bank that was undrawn as of March 31, 2020.

Unlike most DBRS Morningstar-rated universities, Ontario Tech does not have a defined benefit pension plan, which alleviates longer-term funding risks. The University does not report any long-term obligations associated with employee future benefits.

**Outlook**

The University is contemplating approximately \$25 million in new debt, resulting in debt per FTE above \$22,000 over the next three years. Although the addition of a new bank loan will reduce borrowing flexibility within the current rating category, DBRS Morningstar anticipates Ontario Tech's debt burden to decline gradually over the medium term as debt amortizes.

**Durham College Guarantee**

DC unconditionally and irrevocably guarantees the punctual performance of all obligations related to the Debentures, plus all accrued interest starting on the date that payment is demanded. The language of the guarantee is comprehensive and consistent with DBRS Morningstar criteria requirements. The guarantee requires DC to pay all present and future amounts due and unpaid in respect of the Debentures immediately after written demand by the Trustee. Material conditions precedent to demand payment are (1) Ontario Tech's failure to promptly pay an instalment of principal and interest and (2) the occurrence of any event of default (with DC formally notified about such event) that is continuing and has not been waived. If either condition is met, the Trustee shall not be required to exhaust all remedies against Ontario Tech before demanding payment from DC. While DC is an agent of the Province, the guarantee is limited to the assets held by DC with no recourse to the Province. DC was established in 1967 and is one of the largest colleges in Ontario, providing career-focused programs to more than 13,600 full-time students and many part-time, continuing education, and online students through campuses in Oshawa and Whitby and smaller satellite sites in Pickering and Uxbridge. DC consistently reports small but positive operating results. However, it has limited balance sheet flexibility despite a manageable amount of debt.

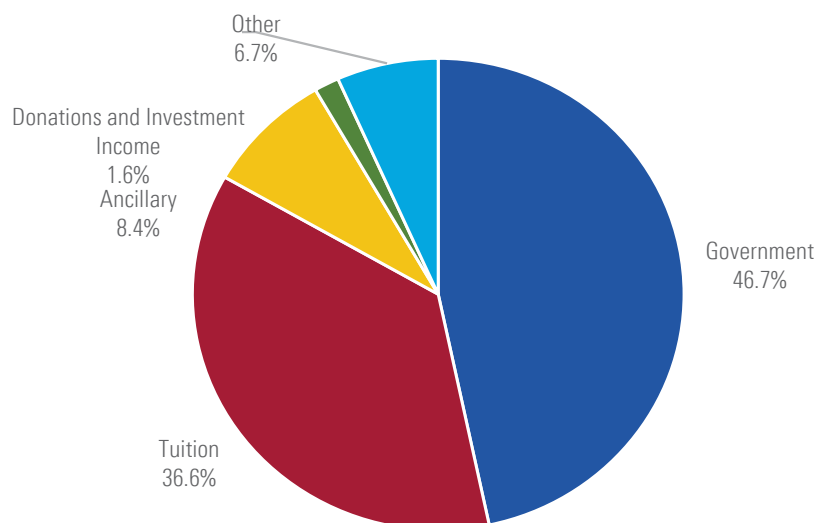
The DC guarantee was important at the time of DBRS Morningstar's initial rating of Ontario Tech in 2004; however, since that time, the guarantee's importance has diminished as the University gained scale.

**University Funding in Ontario**

Canadian universities in the Province generally have three key sources of revenue for their core teaching and research activities: (1) government grants, (2) student fees, and (3) donations and investment income. For Ontario Tech, these accounted for roughly 85% of total revenue in 2019–20, which is comparable with other DBRS Morningstar-rated universities.

Provincial government funding remains one of the primary sources of revenue for universities across the country, although its relative importance remains under pressure in most provinces because of strained finances and competing priorities. Over time, this has led to a gradual shift in the relative shares of revenue provided by operating grants, which have declined, and tuition fees, which have increased.



**Exhibit 3** Revenue Breakdown (2019–20)

Sources: Ontario Tech and DBRS Morningstar.

**Government Funding (Provincial and Federal; 46.7%)**

Government funding includes operating grants, research grants, and contracts as well as capital grants. Operating grants are the most important and stable revenue source.

In 2017–18, the provincial government introduced a new funding model for Ontario universities in which a large share of funding was enrolment based, but the model reduced the financial incentive to increase domestic undergraduate enrolment and provided universities facing enrolment declines with downside protection. Under this model, funding was relatively stable for all Ontario universities over a three-year period (from 2017–18 to 2019–20).

The Province has concluded negotiations with universities to ascertain enrolment corridors and funding targets under the next iteration of the SMA3. DBRS Morningstar does not expect funding levels or the allocation formula to change significantly over the next few years and funding is unlikely to include any inflationary increases. The medium-term outlook remains uncertain, given that the direction of fiscal policy under the current government is one of constraint.

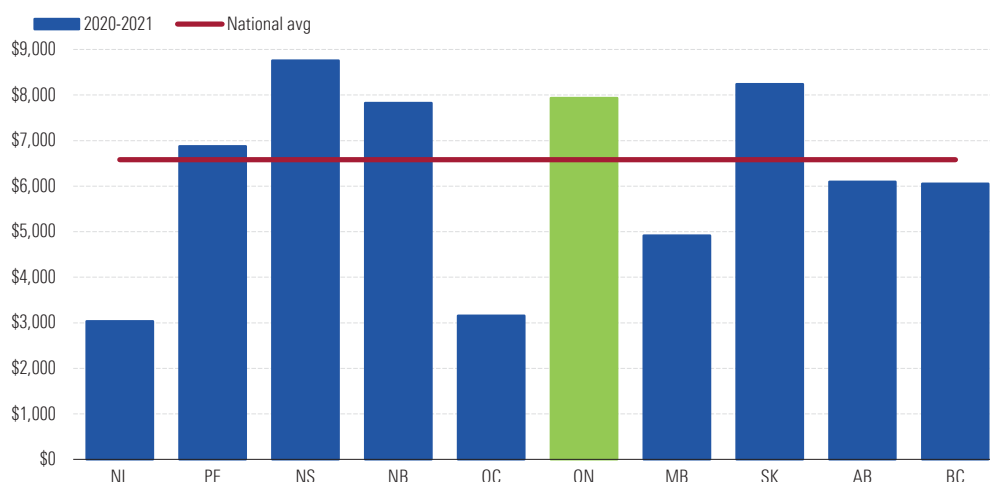
Research and capital grants are another important source of funding. The federal government typically provides 65% to 75% of all public research funding, whereas the Province provides the bulk of capital funding. In 2019–20, the federal and provincial governments provided additional funding for financial assistance to students and modest emergency relief funding to universities to offset initial pandemic-related costs.

### Tuition (36.6%)

On January 17, 2019, the Province announced a revised tuition fee framework for regulated domestic programs at Ontario universities and colleges. The framework required Ontario universities to reduce tuition fees for domestic funding (eligible programs by 10% in 2019–20) and to maintain these tuition fees at this level for the 2020–21 academic year.

International student fees are not regulated by the Province and are generally set to recover the full costs of international student enrolment.

**Exhibit 4** Average Provincial Undergraduate Tuition Fees (CAD)



Source: Statistics Canada

### Donations and Investment Income (1.6%)

Unrestricted donations and investment income, recognized on the statement of operations, represent a modest portion of the University's total revenue. Endowed contributions and investment income earned by the externally restricted endowments are recognized as changes in net assets and are not captured on the statement of operations until they are spent, at which point they are recorded as revenue.

As a relatively new university with a small alumni base, fundraising efforts have been modest. Ontario Tech focuses on the local community and companies in the region that have a stake in the University. The University has increased efforts to improve visibility, supported by the appointment of a new Chancellor. The University has an eight-year, \$50 million fundraising campaign underway. To date, the University has raised \$24.5 million in pledges and donations.

Ontario Tech's endowment has risen steadily over the years and amounted to \$23.5 million, or \$2,624 per FTE as of March 31, 2020. This is relatively low in comparison with other DBRS Morningstar-rated universities.

**Statement of Operations (Adjusted)**

(CAD thousands)	For the year ended March 31				
	2020	2019	2018	2017	2016
<b>Revenues</b>					
Student tuition fees	77,110	80,152	78,266	74,818	69,730
Other student fees	14,455	12,546	13,466	13,774	14,558
Government operating grants	64,046	63,768	61,786	60,150	59,192
Research grants	11,246	10,444	10,467	9,640	9,172
Debentures grant	13,500	13,500	13,500	13,500	13,500
Unrestricted donations	1,865	1,573	1,934	1,090	702
Interest income	1,586	1,520	1,166	865	1,026
Amortization of deferred capital contributions	9,559	9,238	9,036	8,796	8,705
Ancillary operations	3,265	3,734	3,600	3,993	3,725
Other revenue	14,093	15,136	19,107	15,791	10,903
<b>Total revenues</b>	<b>210,726</b>	<b>211,610</b>	<b>212,328</b>	<b>202,417</b>	<b>191,213</b>
<b>Expenses</b>					
Salaries and benefits	114,363	106,246	97,530	96,519	94,207
Student aid, financial assistance, and awards	12,839	12,479	11,478	-	-
Supplies and expenses	30,760	31,081	31,608	36,581	36,022
Amortization of capital assets	23,752	23,676	23,730	24,859	26,191
Interest expense	13,443	13,862	14,317	14,823	15,285
Other expenses	18,125	17,398	18,268	17,031	16,621
<b>Total expenses</b>	<b>213,283</b>	<b>204,743</b>	<b>196,931</b>	<b>189,813</b>	<b>188,326</b>
Excess of revenue over expense	(2,557)	6,867	15,396	12,604	2,886
<b>Gross capital expenditures</b>	<b>28,535</b>	<b>16,351</b>	<b>25,139</b>	<b>28,176</b>	<b>9,350</b>

**Statement of Financial Position (Adjusted)**

(CAD thousands)	As at March 31				
	2020	2019	2018	2017	2016
<b>Assets</b>					
Cash and short-term investments	49,392	62,161	52,195	56,796	42,479
Receivables	17,727	15,901	15,705	13,777	12,894
Inventories & prepaid expenses	2,328	2,300	1,861	1,862	1,856
Long-term investments	26,137	26,809	25,682	29,633	30,968
Capital assets	396,613	392,097	399,588	399,940	397,511
<b>Total assets</b>	<b>492,197</b>	<b>499,268</b>	<b>495,030</b>	<b>502,007</b>	<b>485,708</b>
<b>Liabilities and net assets</b>					
<b>Liabilities</b>					
Payables and accrued liabilities	27,506	29,614	25,821	34,634	24,195
Deferred revenue	22,206	20,300	19,580	20,879	20,358
Long-term debt	158,532	164,820	170,744	181,891	192,479
Capital lease obligations	36,954	37,596	38,167	38,673	39,090
Deferred capital contributions	162,196	161,099	162,549	164,582	162,286
<b>Total liabilities</b>	<b>407,395</b>	<b>413,430</b>	<b>416,861</b>	<b>440,658</b>	<b>438,408</b>
<b>Net assets</b>					
Unrestricted net assets	4,504	3,264	(1,296)	(10,744)	(22,161)
Internally restricted net assets	17,589	31,786	29,811	31,574	36,293
Equity in capital assets	39,174	28,946	28,613	20,902	14,996
Endowment—externally restricted	23,536	21,843	21,040	19,617	18,172
<b>Total net assets</b>	<b>84,803</b>	<b>85,839</b>	<b>78,169</b>	<b>61,349</b>	<b>47,300</b>

<b>Total liabilities and net assets</b>	<b>492,197</b>	<b>499,268</b>	<b>495,030</b>	<b>502,007</b>	<b>485,708</b>
<b>Commitments &amp; other obligations</b>					
Operating lease obligations	10,197	11,915	13,634	14,733	16,662

### Calculation of Free Cash Flow (Adjusted)

(CAD thousands)	For the year ended March 31				
	2020	2019	2018	2017	2016
Operating balance as reported	(2,557)	6,867	15,396	12,604	2,886
Amortization	23,752	23,676	23,730	24,859	26,191
Other noncash adjustments	(7,125)	(9,981)	(9,502)	(10,932)	(7,742)
<b>Cash flow from operations</b>	<b>14,070</b>	<b>20,563</b>	<b>29,624</b>	<b>26,531</b>	<b>21,335</b>
Change in working capital	(2,055)	3,878	(12,039)	10,071	(585)
<b>Operating cash flow after working capital</b>	<b>12,015</b>	<b>24,441</b>	<b>17,586</b>	<b>36,601</b>	<b>20,750</b>
Net capital expenditures <sup>1</sup>	(17,879)	(8,562)	(18,136)	(17,083)	(8,452)
<b>Free cash flow</b>	<b>(5,864)</b>	<b>15,879</b>	<b>(550)</b>	<b>19,518</b>	<b>12,298</b>

<sup>1</sup> Gross capital expenditures less restricted contributions for capital purposes received during the year.

### Summary Statistics (Adjusted)

	For the year ended March 31				
	2020	2019	2018	2017	2016
<b>Total students (FTEs)</b>	<b>8,969</b>	<b>8,905</b>	<b>8,924</b>	<b>8,916</b>	<b>8,809</b>
Undergraduate (%)	93	94	94	94	94
Graduate (%)	7	6	6	6	6
Annual change (%)	0.7	(0.2)	0.1	1.2	0.2
<b>Enrolment (Headcount)</b>	<b>10,390</b>	<b>10,348</b>	<b>10,273</b>	<b>10,154</b>	<b>9,945</b>
Domestic (%)	93	94	94	93	93
International (%)	7	6	6	7	7
<b>Operating results</b>					
Surplus (deficit; CAD thousands)	(2.6)	6.9	15.4	12.6	2.9
- As % of revenues	(1.2)	3.2	7.3	6.2	1.5
- As % of revenues (five-year rolling average)	3.4	4.5	5.0	5.2	4.3
<b>Revenue mix</b>					
Government funding (%)	46.7	45.8	44.6	45.5	47.4
Tuition (%)	36.6	37.9	36.9	37.0	36.5
Ancillary (%)	8.4	7.7	8.0	8.8	9.6
Donations and investment income (%)	1.6	1.7	1.6	1.8	0.2
Other (%)	6.7	6.9	8.9	7.0	6.4
<b>Debt and liquidity</b>					
Total debt, including capital leases (CAD millions)	195.5	202.4	208.9	220.6	231.6
- Per FTE student (CAD)	21,796	22,731	23,410	24,738	26,288
Interest costs as share of total expense (%)	6.3	6.8	7.3	7.8	8.1
Interest coverage ratio (x)	2.0	2.5	3.1	2.8	2.4
Expendable resources (CAD millions)	22.1	35.0	28.5	20.8	14.1
As a share of long-term debt (%)	11.3	17.3	13.6	9.4	6.1
<b>Endowments (market value)</b>					
Total market value (CAD millions)	23.5	21.8	21.0	19.6	18.2

Per FTE student (CAD)	2,624	2,453	2,358	2,200	2,063
Annual change (%)	7.7	3.8	7.3	8.0	12.0

### Rating History

Issuer	Debt	Current	2019	2018	2017	2016	2015
University of Ontario Institute of Technology	Issuer Rating	A (low)	A (low)	A (low)	A (low)	BBB (high)	BBB (high)
University of Ontario Institute of Technology	Series A Senior Unsecured Debentures	A (low)	A (low)	A (low)	A (low)	BBB (high)	BBB (high)

### Related Research

- *Rating Public Universities*, May 15, 2020.
- DBRS Morningstar Canadian University Peer Comparison Table, January 15, 2021.
- Corporate Risk Assessment Scorecard for Public Universities, January 15, 2021.

### Previous Report

- University of Ontario Institute of Technology: Rating Report, December 19, 2019.

#### Notes:

All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on [www.dbrsmorningstar.com](http://www.dbrsmorningstar.com). Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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DBRS Morningstar is a global credit ratings business with approximately 700 employees in eight offices globally.

On July 2, 2019, Morningstar, Inc. completed its acquisition of DBRS. Combining DBRS' strong market presence in Canada, the U.S., and Europe with Morningstar Credit Ratings' U.S. footprint has expanded global asset class coverage and provided investors with an enhanced platform featuring thought leadership, analysis, and research. DBRS and Morningstar Credit Ratings are committed to empowering investor success, serving the market through leading-edge technology and raising the bar for the industry.

Together as DBRS Morningstar, we are the world's fourth-largest credit ratings agency and a market leader in Canada, the U.S., and Europe in multiple asset classes. We rate more than 2,600 issuers and 54,000 securities worldwide and are driven to bring more clarity, diversity, and responsiveness to the ratings process. Our approach and size provide the ability to respond to customers' needs, while being large enough to provide the necessary expertise and resources.



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## COMMITTEE REPORT

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**SESSION:**

Public  
Non-Public

☒  
☐**ACTION REQUESTED:**

Decision  
Discussion/Direction  
Information

☐  
☐  
☒

**TO:** Audit & Finance Committee

**DATE:** February 17, 2021

**FROM:** Cheryl Foy, University Secretary and General Counsel

**SUBJECT:** Risk Management Update

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### ***Risk Management Update***

COVID-19: The university Operations Taskforce, chaired by the Director of Risk Management, continues to collaborate on emerging trends, evaluate long-term impacts, and re-evaluate existing and ongoing mitigation strategies. Risk Management continues to promote the University Risk Management Framework and support Risk Owners during the COVID-19 pandemic, by developing risk-related tools, providing regular education surrounding government restrictions, and performing risk assessments on operational activities which have resumed. As we continue to navigate through the second wave, risk management continues to inform decision making on the health, safety, and security of the university and its members.

Annual Risk Management Activities: Risk Management is preparing for discussions with Risk Owners regarding the university's annual Risk Register review, with an enhanced focus on the university's Strategic Risks, risks associated with EDI, technological infrastructure, financial sustainability, and compliance. The strategic risks alignment to operational risks will be concluded during this review and shared for discussion with the university's Senior Leadership Team.

### **Insurance:**

Insurers continue to face volatile circumstances in the face of global natural disasters, and the COVID-19 pandemic. In Marsh's latest Global Insurance Market Index, the market reflected a 22% increase in cost of premiums in the third quarter of 2020. This is the largest increase since the index was first launched in 2012. Global financial and professional lines were up 47% on average, compared to casualty insurance by 7%. Directors and Officers liability insurance coverage costs continue to climb with an increase between 25-50%.

In anticipation of coverage restrictions and premium increases in 2021, Risk Management is working with the university broker and other members of the insurance marketplace to discuss coverage gaps and the risks associated in the existing university business environment.

Risk Management is continuing to progressively train members of the university on insurance gaps and associated risks, related specifically to international travel and student placement programs.



## COMMITTEE REPORT

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**SESSION:**

Public  
Non-Public

☒  
☐**ACTION REQUESTED:**

Decision  
Discussion/Direction  
Information

☐  
☐  
☒

**TO:** Audit & Finance Committee

**DATE:** February 17, 2021

**FROM:** Cheryl Foy, University Secretary and General Counsel

**SUBJECT:** Compliance Update

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**COMMITTEE MANDATE:**

- The Audit and Finance Committee is responsible for overseeing university compliance, risk management, and other internal control functions at the university.
- This oversight includes receiving regular reports from management on areas of significant risk to the university including regulatory matters, as well as policy development and approvals at the university, in accordance with the Policy Framework.

**BACKGROUND/CONTEXT & RATIONALE:**

- The purpose of this report is to provide the committee with an update on the status of compliance, risk and policy development activity being undertaken by the Office of the University Secretary and General Counsel (USGC).

***Compliance Update*****Ethics & Compliance:**

Work has continued to support the university's Ethical Conduct Policy framework. Guidance and reporting forms are currently being developed for the Conflict of Interest and Gift Registry Procedures.

From a training and awareness perspective, as of October 2020, Ethics & Compliance has been included in the Employee Onboarding Orientation session with links to all relevant policies and procedures`.

The Compliance Policy is scheduled to be presented at February's Audit and Finance Committee meeting for recommendation. The Compliance Responsibility Framework, the Compliance Manual and the Compliance Register are controls that have been developed to support the introduction of a university compliance risk management framework.

### **Accessibility:**

The Accessibility Working Group members have established subcommittees to address and meet the accessibility commitments outlined in the University's Multi-Year Accessibility Plan 2020-2025. Over the course of the 2020 reporting period, the Human Resources subcommittee identified and addressed opportunities to enhance employee accessibility including: the development of an employee accessibility-related website, forms, guidance materials, a manager tool kit and disability accommodation and emergency response procedures. All enhancements have been approved, implemented and published on the Human Resources website located here:

<https://hr.ontariotechu.ca/accessibility/index.php>.

A new subcommittee has been formed and led by The Teaching & Learning Centre. The subcommittee will focus on the availability, sufficiency and compliance with educator training requirements; specifically related to accessibility programming, course delivery and instruction.

### **Copyright:**

The Copyright Advisory Committee is a new cross-functional advisory body that will support the university's copyright compliance strategy. Committee members have had an introductory meeting to discuss setting the committee's priorities and objectives during the committee term.

Legal and Compliance continue to work with university members to address and develop guidance materials to support the transition to blended learning.

### **Information Governance:**

The Information Governance working group comprising of Legal, Compliance and IT continue to assess the university's information governance environment. Compliance is currently reviewing relevant materials from IT and DC IT, with a view of proposing a road map to address information management, cybersecurity and information security risks.

### **Occupational Health & Safety Act Compliance Review:**

A compliance review has commenced to assess the university's compliance with the *Occupational Health & Safety Act*. Compliance has met with the Health & Safety Officer to discuss the scope of the review and its objectives. The review is currently in the early information-gathering phase.

**Controlled Goods:**

The Controlled Goods Program Policy is scheduled to be presented for written consultation at February's Audit & Finance committee meeting. This policy will give faculty members the flexibility to conduct research utilizing controlled goods outside of the ACE environment. In anticipation of this institutional change, Compliance, ORS and ACE met to discuss operationalizing the proposed policy and procedures, along with discussions around the registration requirements. ACE is following up with the Controlled Goods Directorate to obtain further clarification on registration amendment requirements.

## COMMITTEE REPORT

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**SESSION:**

Public  
Non-Public

☒  
☐**ACTION REQUESTED:**

Decision  
Discussion/Direction  
Information

☐  
☐  
☒

**TO:** Audit & Finance Committee

**DATE:** February 17, 2021

**FROM:** Cheryl Foy, University Secretary and General Counsel

**SUBJECT:** Policy and Privacy Update

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**COMMITTEE MANDATE:**

- The Audit and Finance Committee is responsible for overseeing risk management, and other internal systems and control functions at the university.
- This oversight includes receiving regular reports from management on areas of significant risk to the university including regulatory matters, as well as policy development and approvals at the university, in accordance with the Policy Framework.

**BACKGROUND/CONTEXT & RATIONALE:**

- The purpose of this report is to provide the committee with an update on the status of compliance, risk and policy development activity being undertaken by the Office of the University Secretary and General Counsel (USGC).

***Policy Update***

- The USGC is supporting a variety of policy projects at the university relating to microcredentials, work from home, academic appeals and compliance policies in areas such as workplace violence and worker safety. In addition, we are supporting amendments to several graduate policies. The approval of these policies will complete the long-term project of bringing academic regulations in the Undergraduate and Graduate Academic Calendars into compliance with the Privacy Framework.
- The USGC expects the following instruments to advance to deliberation and approval steps before the end of this board year:
  - Accommodation Policy

- Respectful Campus Policy and Harassment and Discrimination Procedures
  - Compliance Policy
  - Controlled Goods Policy
- The USGC is supporting the amendment of the Signing Authority Policy and Register and will develop policy instruments to give direction around signing authorities for agreements that do not involve expenditures.
- A total of 6 Policy Instruments have been approved from June 1, 2020 to February 1, 2021. A complete list of Policy Instrument approvals has been included as Schedule A.

### ***Privacy Update***

- We have supported the development of an online COVID-19 screening form in compliance with obligations under the Freedom of Information and Protection of Privacy Act (FIPPA).
- The USGC, in collaboration with Teaching and Learning has developed a Directive and guidance for the use of Virtual Proctor Systems in a privacy-protective manner. This policy work arises from a PIA completed by the USGC. The directive and guidance were approved by Academic Council at the November meeting.
- The USGC has conducted a joint training session with Shared Services staff at Ontario Tech and Durham College, related to obligations under Ontario privacy law. We will be following up the training by developing guidance documents and processes to ensure that compliance obligations in the shared services environment can be met by both institutions.
- Each year, the university provides statistical reporting to the Information and Privacy Commissioner related to compliance activities under FIPPA. The university reports the number and certain details of access to information requests. The table below sets out the number of access to information requests, PIA's, and privacy investigations in the 2020 calendar year with a comparison to the two previous years:

**TABLE 3: Privacy Activity by year, calendar year 2018-2020**

<b>Category</b>	<b>Calendar year 2018</b>	<b>Calendar year 2019</b>	<b>Calendar year 2020</b>	<b>Calendar year 2021 YTD</b>
<b>Requests for personal information</b>	11	9	4	1
<b>Requests for general information</b>	3	3	3	0
<b>Informal Requests</b>	<b>3</b>	<b>9</b>	<b>7</b>	<b>1</b>

<b>resolved by USGC</b>				
<b>3<sup>rd</sup> party notifications</b>	2	1	3	
<b>Privacy Impact Assessments</b>	-	-	9	3 ( <i>in progress</i> )
<b>Breaches investigated</b>	11	16	8	2

- The statistical report considers the university's compliance obligations under FIPPA. There have been two instances of non-compliance with legislated timelines in the 2020 calendar year:
  - **2020-10-002:** The delay resulted from efforts to provide information outside the scope of FIPPA which required drafting a summary report for the requester.
  - **2020-10-004:** The request was not forwarded to the Privacy Office until after the legislated timeline had expired. Remote working conditions contributed to the delay.

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#### **SUPPORTING DOCUMENTS:**

- Schedule A List of Policy Instrument approvals
- Schedule B IPC Statistical Reporting

## **Schedule A: Policy Instrument Approvals**

### **November 1, 2020 to January 31, 2021**

- Volunteer Policy (November 11, 2020)
- Volunteer Procedures (November 20, 2020)
- Academic Integrity Policy (November 24, 2020)
- Academic Integrity Violation Procedures (November 24, 2020)
- Virtual Proctor System Directives (November 24, 2020)
- Missing Student Procedures (January 12, 2021)



The Year-End Statistical Report  
for the  
Information and Privacy Commissioner of Ontario

**Statistical Report of**  
**University of Ontario Institute of Technology**  
**for the Reporting Year 2020**  
**for**  
*Freedom of Information and Protection of Privacy Act*

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## Section 1: Identification

### 1.1 Organization Name

University of Ontario Institute of Technology

Head of Institution Name & Title

Steven Murphy, President and Vice-Chancellor

Head of Institution E-mail Address

president@ontariotechu.ca

Management Contact Name & Title

Cheryl Foy, University Secretary & General Counsel

Management Contact E-mail Address

cheryl.foy@ontariotechu.ca

Primary Contact Name & Title

Cheryl Foy, University Secretary & General Counsel

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Primary Contact Fax Number

9057213076

Primary Contact Mailing Address 1

Office of the Board of Governors

Primary Contact Mailing Address 2

Ontario Tech University

Primary Contact Mailing Address 3

2000 Simcoe Street North

Primary Contact City

Oshawa

Primary Contact Postal Code

L1G0C5

### 1.2 Your institution is:

University

## Section 2: Inconsistent Use of Personal Information

### 2.1

Whenever your institution uses or discloses personal information in a way that differs from the way the information is normally used or disclosed (an inconsistent use), you must attach a record or notice of the inconsistent use to the affected information.

0

### Your institution received:

- ☐ No formal written requests for access or correction
- ☒ Formal written requests for access to records

## Section 2: Inconsistent Use of Personal Information

- ☐ Requests for correction of records of personal information only

## Section 3: Number of Requests Received and Completed

Enter the number of requests that fall into each category.

- 3.1** New Requests received during the reporting year
- 3.2** Total number of requests completed during the reporting year

Personal Information	General Records
3	3
3	3

## Section 4: Source of Requests

Enter the number of requests you completed from each source.

- 4.1** Individual/Public
- 4.2** Individual by Agent
- 4.3** Business
- 4.4** Academic/Researcher
- 4.5** Association/Group
- 4.6** Media
- 4.7** Government (all levels)
- 4.8** Other
- 4.9** Total requests (Add Boxes 4.1 to 4.8 = 4.9)

Personal Information	General Records
3	1
0	0
0	2
0	0
0	0
0	0
0	0
0	0
3	3

BOX 4.9 must equal BOX 3.2

## Section 5: Time to Completion

How long did your institution take to complete all requests for information? Enter the number of requests into the appropriate category. How many requests were completed in:

- 5.1** 30 days or less
- 5.2** 31 - 60 days
- 5.3** 61 - 90 days
- 5.4** 91 days or longer
- 5.5** Total requests (Add Boxes 5.1 to 5.4 = 5.5)

Personal Information	General Records
1	3
1	0
0	0
1	0
3	3

BOX 5.5 must equal BOX 3.2

In the following charts, please indicate the number of requests completed, within the statutory time limit and in excess of the statutory time limit, under each of the four different situations:

NO notices issued;

BOTH a Notice of Extension (s.27(1)) and a Notice to Affected Person (s.28(1)) issued;

ONLY a Notice of Extension (s.27(1)) issued;

ONLY a Notice to Affected Person (s.28(1)) issued.

Please note that the four different situations are mutually exclusive and the number of requests completed in each situation should add up to the total number of requests completed in Section 3.2. (Add Boxes 6.3 + 6.6 + 6.9 + 6.12 = BOX 6.13 and BOX 6.13 must equal BOX 3.2)

#### A. No Notices Issued

	Personal Information	General Records
<b>6.1</b> Number of requests completed within the statutory time limit (30 days) where neither a Notice of Extension (s.27(1)) nor a Notice to Affected Person (s.28(1)) were issued.	1	3
<b>6.2</b> Number of requests completed in excess of the statutory time limit (30 days) where neither a Notice of Extension (s.27(1)) nor a Notice to Affected Person (s.28(1)) were issued.	2	0
<b>6.3</b> Total requests (Add Boxes 6.1 + 6.2 = 6.3)	3	3

#### B. Both a Notice of Extension (s.27(1)) and a Notice to Affected Person (s.28(1)) Issued

	Personal Information	General Records
<b>6.4</b> Number of requests completed within the time limits permitted under both the Notice of Extension (s.27(1)) and a Notice to Affected Person (s.28(1)).	0	0
<b>6.5</b> Number of requests completed in excess of the time limit permitted by the Notice of Extension (s.27(1)) and the time limit permitted by the Notice to Affected Person (s.28(1)).	0	0
<b>6.6</b> Total requests (Add Boxes 6.4 + 6.5 = 6.6)	0	0

#### C. Only a Notice of Extension (s.27(1)) Issued

	Personal Information	General Records
<b>6.7</b> Number of requests completed within the time limits permitted under both the Notice of Extension (s.27(1)).	0	0
<b>6.8</b> Number of requests completed in excess of the time limit permitted by the Notice of Extension (s.27(1)).	0	0
<b>6.9</b> Total requests (Add Boxes 6.7 + 6.8 = 6.9)	0	0

#### D. Only a Notice to Affected Person (s.28(1)) Issued

	Personal Information	General Records
<b>6.10</b> Number of requests completed within the time limits permitted under both the Notice to Affected Person (s.28(1)).	0	0
<b>6.11</b> Number of requests completed in excess of the time limit permitted by the Notice to Affected Person (s.28(1)).	0	0
<b>6.12</b> Total requests (Add Boxes 6.10 + 6.11 = 6.12)	0	0

#### E. Total Completed Requests (sections A to D)

Personal Information	General Records
----------------------	-----------------

## Section 6: Compliance with the Act

**6.13** Total requests (Add Boxes 6.3 + 6.6 + 6.9 + 6.12 = 6.13)

3

3

BOX 6.13 must equal BOX 3.2

## Section 6a: Contributing Factors

Please outline any factors which may have contributed to your institution not meeting the statutory time limit. If you anticipate circumstances that will improve your ability to comply with the Act in the future, please provide details in the space below.

The Privacy Office had an increase in privacy work this year while supporting a transition to remote work and remote learning at the university due to COVID-19. This necessitated extensive Privacy Impact Assessments of new technologies. FIPPA activities were also affected by remote work, layoffs, and mandatory leave due to COVID-19, which affected mail service, timeliness of access requests being sent to the Privacy Office for handling, and responsiveness when conducting searches. In one instance, an access request was received by another department at the university and not forwarded to the Privacy Office until after the 30-day time limit had expired.

## Section 7: Disposition of Requests

What course of action was taken with each of the completed requests? Enter the number of requests into the appropriate category.

### 7.1 All information disclosed

## 7.2 Information disclosed in part

### 7.3 No information disclosed

#### 7.4 No responsive records exists

## 7.5 Request withdrawn, abandoned or non-jurisdictional

**7.6** Total requests (Add Boxes 7.1 to 7.5 = 7.6)

1

2

2
---

1
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0
---

0
---

3
---

greater than or equal to 3.2

10 BOX 3.2

## Section 8: Exemptions &amp; Exclusions Applied

For the Total Requests with Exemptions/Exclusions/Frivolous or Vexatious Requests, how many times did your institution apply each of the following? (More than one exemption may be applied to each request)

## 8.1 Section 12 - Cabinet Records

## 8.2 Section 13 - Advice to Government

### 8.3 Section 14 - Law Enforcement<sup>1</sup>

#### 8.4 Section 14(3) - Refusal to Confirm or Deny

## 8.5 Section 14.1 - Civil Remedies Act, 2001

## 8.6 Section 14.2 - Prohibiting Profiting from Recounting Crimes Act, 2002

## 8.7 Section 15 - Relations with Other Governments

## 8.8 Section 16 - Defence

0

0

1
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0
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0
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0
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0
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0
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0
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## Section 8: Exemptions & Exclusions Applied

<b>8.9</b>	Section 17 - Third Party Information
<b>8.10</b>	Section 18 - Economic and Other Interests of Ontario
<b>8.11</b>	Section 18.1 - Information with Respect to Closed Meetings
<b>8.12</b>	Section 19 - Solicitor-Client Privilege
<b>8.13</b>	Section 20 - Danger to Safety or Health
<b>8.14</b>	Section 21 - Personal Privacy(Third Party) <sup>2</sup>
<b>8.15</b>	Section 21(5) - Refusal to Confirm or Deny
<b>8.16</b>	Section 21.1 - Species at risk
<b>8.17</b>	Section 22 - Information soon to be published
<b>8.18</b>	Section 27.1 - Frivolous or Vexatious
<b>8.19</b>	Section 49 - Personal Information(Requester)
<b>8.20</b>	Section 65 - Act Does Not Apply <sup>3</sup>
<b>8.21</b>	Section 65(6) - Labour Relations & Employment Related Records and Appointment and Placement Related Records
<b>8.22</b>	Section 67 - Other Acts
<b>8.23</b>	PHIPA Section 8(1) Applies
<b>8.24</b>	Total Exemptions & Exclusions Add Boxes 8.1 to 8.23 = 8.24

0	0
0	0
0	0
1	0
0	0
0	0
0	0
0	0
0	0
2	0
0	1
1	0
0	0
0	0
5	1

<sup>1</sup> not including Section 14(3)

<sup>2</sup> not including Section 21(5)

<sup>3</sup> not including Section 65(6)

## Section 9: Fees

Did your institution collect fees related to request for access to records?

	Personal Information	General Records	Total
<b>9.1</b>	Number of REQUESTS where fees other than application fees were collected	0	0
<b>9.2.1</b>	Total dollar amount of application fees collected	\$15.00	\$15.00
<b>9.2.2</b>	Total dollar amount of additional fees collected	\$0.00	\$0.00
<b>9.2.3</b>	Total dollar amount of fees collected (Add Boxes 9.2.1 + 9.2.2 = 9.2.3)	\$15.00	\$30.00
<b>9.3</b>	Total dollar amount of fees waived	\$0.00	\$0.00

## Section 10: Reasons for Additional Fee Collection

Enter the number of REQUESTS for which your institution collected fees other than application fees that apply to each category.

	Personal Information	General Records	Total
<b>10.1</b>	Search time	0	0
<b>10.2</b>	Reproduction	0	0
<b>10.3</b>	Preparation	0	0

**Section 10: Reasons for Additional Fee Collection**

- 10.4** Shipping
- 10.5** Computer costs
- 10.6** Invoice costs (and other as permitted by regulation)
- 10.7** Total (Add Boxes 10.1 to 10.6 = 10.7)

0	0	0
0	0	0
0	0	0
0	0	0

**Section 11: Correction and Statements of Disagreement**

Did your institution receive any requests to correct personal information?

- 11.1** Number of correction requests received
- 11.2** Correction requests carried forward from the previous year
- 11.3** Correction requests carried over to next year
- 11.4** Total Corrections Completed  $[(11.1 + 11.2) - 11.3 = 11.4]$

**Personal  
Information**

0
0
0
0

BOX 11.4 must  
equal BOX 11.9

What course of action did your institution take regarding the requests that were received to correct personal information?

- 11.5** Correction(s) made in whole
- 11.6** Correction(s) made in part
- 11.7** Correction refused
- 11.8** Correction requests withdrawn by requester
- 11.9** Total requests (Add Boxes 11.5 to 11.8 = 11.9)

**Personal  
Information**

0
0
0
0
0

BOX 11.9 must  
equal BOX 11.4

In cases where correction requests were denied, in part or in full, were any statements of disagreement attached to the affected personal information?

- 11.10** Number of statements of disagreement attached:

**Personal  
Information**

0
---

If your institution received any requests to correct personal information, the Act requires that you send any person(s) or body who had access to the information in the previous year notification of either the correction or the statement of disagreement. Enter the number of notifications sent, if applicable.

- 11.11** Number of notifications sent:

**Personal  
Information**

0
---

**Note:**

This report is for your records only and should not be faxed or mailed to the Information and Privacy Commissioner of Ontario in lieu of online submission. Faxed or mailed copies of this report will NOT be accepted. Please submit your report online at: <https://statistics.ipc.on.ca>.

**Thank You for your cooperation!**

<b>Declaration:</b>	
I, Cheryl Foy, University Secretary & General Counsel, confirm that all the information provided in this report, furnished by me to the Information and Privacy Commissioner of Ontario, is true, accurate and complete in all respects.	
<hr/>	<hr/>
<i>Signature</i>	<i>Date</i>



# FISCAL BLUEPRINT 2021-2022

**Budget Working Group**  
February 2021



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## Executive Summary

This paper outlines the initial phase of a new budget-setting process to enhance the clarity of Ontario Tech's approach to financial planning. This document provides a budget overview (i.e. revenues and expenses) while recognizing the tensions we face due to multiple competing demands.

Normally, our process begins with stating our estimated assumptions, yet we are not moving forward into a normal year. The uncertainties of COVID-19 overshadow our budget-related discussions. In setting the 2020-2021 budget, we reviewed many COVID-related scenarios and delayed budget setting from April to June. Choosing a scenario that still seemed risky at the time, we established an overall budget total that was almost \$20 million less than 2019-2020.

Looking forward into 2021-2022, our revenues are trending towards 2019-2020 levels (i.e. approximately \$190 million) resulting from flat government funding and anticipating domestic tuition freeze continuation. We expect international student growth to boost our revenues, but we remain uncertain about the impact of ongoing travel restrictions and the extent to which virtual learning will be offered.

The first draw on the \$190 million budget is an investment in our employees, including limited hiring of new members and the provision of mandated salary increases. The budget includes \$6 million more in salaries and benefits compared to 2019-2020. After removing the debenture grant from the calculation, about 69 per cent of the university's total expenses cover employee compensation.

When we add salaries and other items such as facilities, financial aid, and commercial services (e.g. parking, food sales, facility rentals), about 97 per cent (i.e. \$185 million) of our budget is allocated. With \$3.3 million of investments in capital expenditures, there is less than \$2million (or about one per cent of the total budget) left for discretionary spending.

Spending what limited funds we have available requires a strategic and focused approach. We must prioritize our spending in areas to support the long-term sustainability of Ontario Tech. To this end, the following investments are seen as our top priorities for 2021-2022:

1. **Learning Re-imagined:** Investing approximately \$600,000 in **technology to refurbish and add to our technological assets.**
2. **Sticky Campus:** Investing approximately \$600,000 into **enhanced student recruitment** (e.g. recruitment staff, new digital media platforms) and **student success retention** (e.g. advising transformation, graduate scholarship program) initiatives.

## Preamble: Budgeting in Pandemic Times

The pandemic had an immediate impact on teaching, learning, and work at universities across Canada. In March 2020, universities emptied their classrooms, residences, most research spaces and offices to ensure safety on their campuses. Some 1.4 million learners and their professors pivoted to online learning. From that date onward, many started to question what the next few years would look like.

This unprecedented public-health crisis threw Canadian universities into a state of financial uncertainty. The schools' two main revenue sources, tuition fees and public grants, were threatened as students contemplated gap years and governments reigned in spending. Supplemental income from commercial services (e.g. parking, food sales, facility rentals) and corporate partnerships could no longer be counted on. The recruitment of international students that many institutions relied on to boost revenue was also clearly compromised due to the inability to get study permits, let alone travel. Additionally, schools poured money into emergency measures (e.g. student supports, enhanced cleaning measures, and technology investments) with no sense of when, or how, the post-secondary sector would return to normal business. To help manage through the crisis, the sector implemented a number of cost-saving strategies including cuts to discretionary expenditures, travel and professional development initiatives. Hiring freezes, layoffs and deferred investments in capital maintenance projects were also common. However, many of these cost-reduction strategies need to be viewed as temporary.

For Ontario Tech, we looked at a number of different scenarios in planning for 2020-2021. While there were early indications that many students would opt out of enrolling for the year, we took a risk in setting our budget based on anticipated minimal decreases in domestic student enrolments, combined with an anticipated 50 per cent reduction in new international student enrolments (Scenario A, Figure 1). This resulted in an estimated **COVID-related revenue decrease of \$20 million** as tabled in June (2020) in comparison to April (or pre-COVID 2020-2021). Both presentations included a proposed budget with a projected \$2.2 million deficit.

*Figure 1: Ontario Tech COVID Enrolment Scenario Planning*

Scenarios		2018-2019	2019-2020	A	B	C
	FTEs	8924	8969	8160	7700	7260
Intake	Domestic UG			-10%	-15%	-20%
	International UG			-50%	-75%	-100%
Continuing	Domestic UG & Grad			-5%	-10%	-15%
	International UG & Grad			-15%	-25%	-35%

While 2020 national enrolment numbers are not yet finalized, indications from across the country are that new domestic student enrolments are steady, retention has grown and the ability of international students to learn virtually have led to less significant drops than originally anticipated. For Ontario Tech, unexpected total enrolment increases—fuelled by larger than anticipated continuing student numbers —brought in almost \$14 million more in revenues than originally forecasted in the COVID-related budget (June 2020). However, commercial services incurred a \$4-million loss. In summary, our 2020-2021 revenues were about \$10 million higher than anticipated in our COVID-related (June) budget but \$10 million (or about six per cent) below the pre-COVID (April) budget revenue estimates.

As we pass the 2020-2021 fiscal third quarter (Q3), the plan includes using the approximate \$9.8 million in additional revenue to:

- Offset the pre-COVID (April) budget deficit of \$2.2 million.
- Invest approximately \$1.2 million into academic units.
- Cover about \$4.3 million in capital project expenditures (including \$2.7 million for the cost of the ACE Moving Ground Plane project not offset by external funding and \$1 million for Athletic facility enhancements, which is covered by the ancillary fee reserve).

It is proposed that any remaining funds available at the end of the 2020-2021 fiscal year be carried forward into 2021-2022 fiscal for specified purposes (e.g. to cover the labour costs associated with a required increase in the number of nursing clinical placement sections and graduate student scholarships) or to be used as a contingency to offset the uncertainty of enrolment (**Note:** These reserves are described in Appendix F).

Looking forward, much uncertainty remains about the overall operating funding of universities, as well as funding for university research and infrastructure, at a time when federal and provincial governments face substantial increases in debt and ongoing fiscal challenges. While Ontario Tech recognized unexpected total enrolment gains in 2020-2021, it is important to note our **new** undergraduate intake was 5.1 per cent below last year. This shortfall in new student numbers will impact revenue in the out years and makes our efforts related to improving student success and retention more important than ever. Moreover, many questions remain as to what the medium- and long-term impacts of the pandemic will be on Canadian universities.

## Planning and Budgetary Context

This paper provides an overview of Ontario Tech's main revenue streams and expenses while also highlighting the opportunities we are pursuing as well as the challenges we currently face. This paper outlines the initial phase of a new budget-setting process to enhance the clarity of our financial-planning efforts as well as our budget recommendations in an environment fraught with competing demands. The focus will be on the revenues and expenses associated with our operating budget (including commercial services and capital). Ontario Tech's operating budget accounts for 94 per cent of our total budget, with the other six per cent being largely related to sponsored research.

As we strive to reach our [vision and mission](#) through working on our strategic priorities (as outlined in the [Integrated Academic & Research Plan](#) and the [Strategic Research Plan](#)) we have started on a path that will help solidify our university as a remarkable and recognized place of work and study. With numerous competing demands the Senior Leadership Team has developed short-term priorities. This does not eliminate the need for growth and investment in many areas, but rather a focused approach to spending in our current environment.

In this current period of fiscal constraint, the university remains committed to finding efficiencies, while still being able to deliver quality education to our students and supporting our employees. The Senior Leadership Team has reviewed a number of approaches to revenue allocation with an eye on one-time only investments for the next year to provide maximum flexibility going forward. We are prioritizing actions that will help us move towards the following strategic priorities:

1. **Learning Re-imagined:** investing in the next generation of innovative and high-quality tech-based programs and the **technology** needed to support them.

2. **Sticky Campus:** bringing more students to campus via investments in **enhanced recruitment** and **digital media platforms** and boosting student success once they are here (i.e. advising transformation).

Remaining focused on strategic priorities in a time of budgetary constraints requires all constituents of our university to work together. This includes following the guiding principles (established in 2019) to develop the annual Operating Budget and working to ensure the end product is balanced and decisions are financially sustainable in the long term. The principles to guide the annual Operating Budget:

**Students:** We are committed to providing an excellent learning environment and student experience.

**Faculty and Staff:** We are committed to minimizing the impact on people by finding efficiencies.

**Access:** We are committed to maintaining and enhancing a diverse and inclusive campus community.

**Communication:** We are committed to communicating regularly with our campus community about the budget process as it progresses.

### Looking Ahead – Building Assumptions

Ensuring that students have access to high-quality post-secondary education has never been more critical than it is right now. For many, the learning gained through the pandemic presents opportunities in addition to challenges. The Ontario Tech community will come together to think of new ideas to rebuild and reinvigorate the academy.

Although the university has long-term plans to grow to 20,000 students, the short-term growth in student numbers will be relatively flat. Ontario Tech's enrolment challenges and opportunities have not substantially changed since the 2014 release of our Strategic Enrolment Management Plan 2014-2020: Vision Critical. The university still recruits the majority of its students from the Greater Toronto Area (GTA) and the international student population remains steady representing about 6 per cent of our students across all programs. Space limitations continue to hinder significant growth in some popular programs and retention rates remain lower than the system average. With the Ontario population on the cusp of a demographic upturn, the university should be moving into another growth phase. But the era of Ontario universities receiving funding based primarily on enrolments has changed and institution support has decreased. We now find ourselves needing more funds to cover inflationary expenses, with relatively little left over to put into the strategic investments. We have no choice but to continue investing in our efforts to recruit more students and to retain those who have already enrolled in our programs.

The vast majority of our revenue is driven by the number of students registered in our programs. Enrolments drive our revenue from grants, tuition and ancillary fees—all of which are governed by the Province of Ontario. As we look to the next three years, our assumptions include:

- **Enrollment (Figure 2):** Overall enrolments will decrease as our new intake numbers remain flat and we experience lower progression into upper years due to decreases in our new student intake in 2020. The cancellation of the Ontario Universities Fair and school recruiting visits will reduce our ability to recruit students.

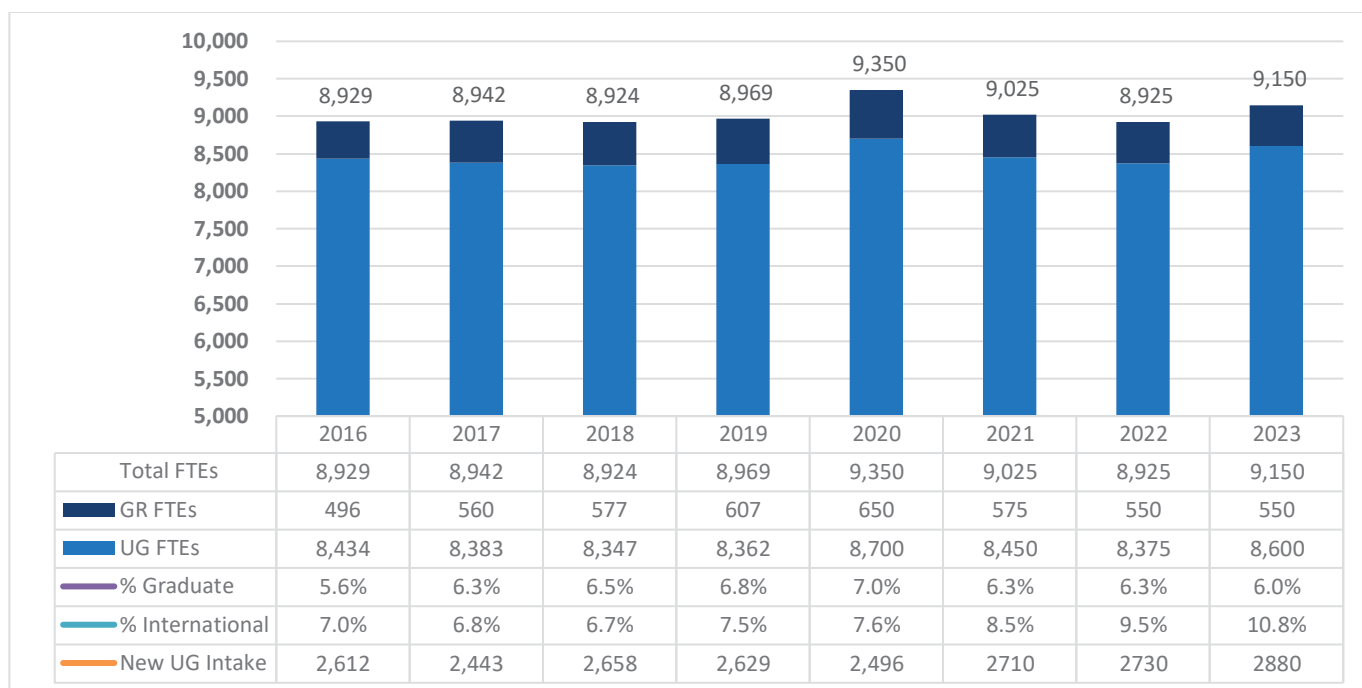
With the normal university-aged population demographic holding steady and an anticipated upsurge in competition for students amongst Ontario PSE institutions, caused by the creation of new university and college programs, we need to diversify our recruitment efforts to include new and enhanced pathways and non-traditional learner populations.

In 2019, we proposed a plan to grow to an annual intake of 240 new international students to begin to move our international student numbers to be closer to that of the Ontario university average (i.e. about 15 per cent of the total student body). Due to continued travel restrictions, it will be difficult to reach this target. Therefore, we have revised our international student intake targets to 180 for 2021 and 225 for 2022.

These assumptions are set with the information we have at this time and will be revised as deemed necessary. Any one positive or negative event can drastically change our budget projections. For example, these events might include if we enroll more international students than anticipated, if we get access to provincial or federal monies to fund building construction, if government allows a permutation in grant and/or tuition increases to at least equal the rate of inflation or if we are able to renegotiate the \$3-million debenture. At this time our budget is established on the basis of:

- **Grants:** These are expected to remain flat as the province has implemented a model that provides institutions with the same level of support as that received in 2016-2017. The implementation of performance-based funding has been delayed until at least 2023.
- **Tuition:** Domestic tuition fee rates were rolled back 10 per cent in 2019-2020 and frozen for 2020-2021. At present, we do not have any information on the domestic tuition framework for future years. The logical assumption is that the tuition freeze will continue.
- **Ancillary Fees:** These fees are governed by a fee protocol that allows for an annual inflationary increase. The 2021 rate is 1.9 per cent.
- **Commercial Revenues** (e.g. parking, food sales, facility rentals): will continue to be reduced as the pandemic impacts run into 2022.
- **Expenses:** Operating expenses have increased at a rate greater than inflation. For example, the Ontario University system has seen increases of about four per cent annually over the past 3 years. With known increases in cleaning supply costs, required lab kits (e.g., personal protective equipment) and food costs, we anticipate limiting operational expense increases at a rate of four per cent will be difficult.

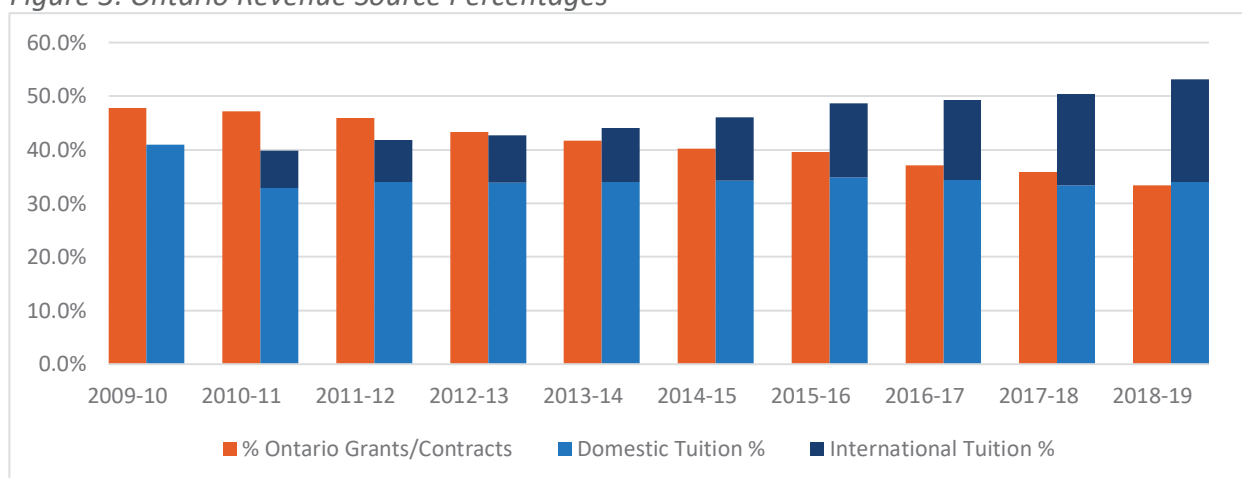
*Figure 2: Total Student Enrolment (FTEs)*



## Revenue Sources

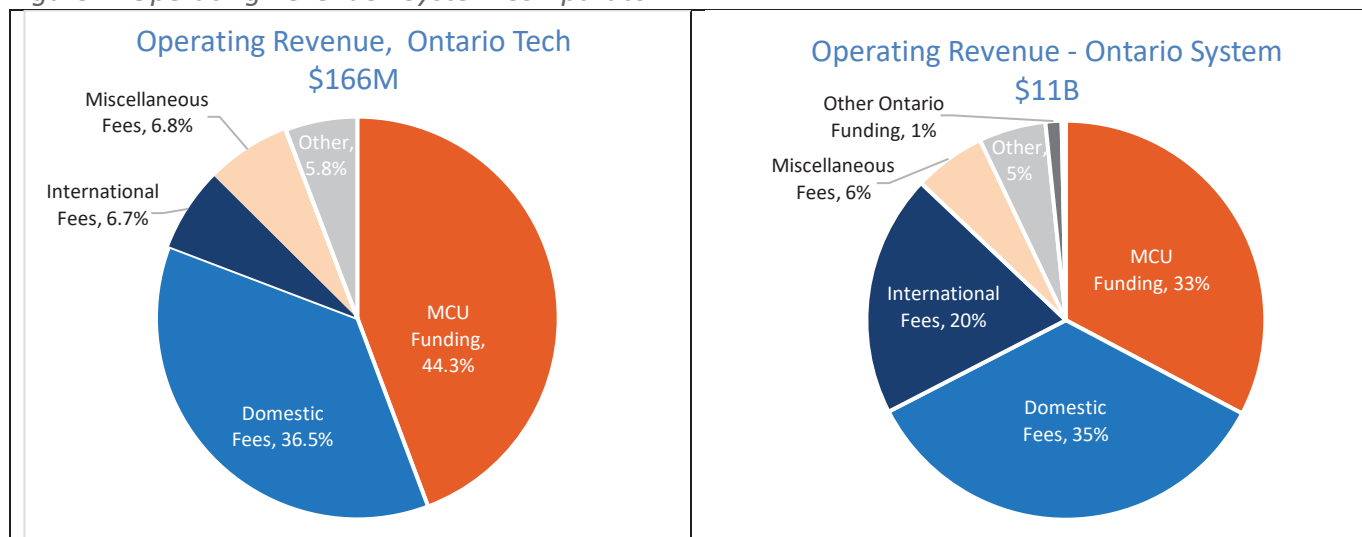
A university's revenue is primarily a function of the number of students who register and the policies put in place by the provincial government that enhance or constrain revenue growth. In Ontario, government grant funding of universities has been essentially flat, while income from students has grown. In summarizing the current revenue conditions, it is important to note that the university's two main revenue streams, domestic tuition and government grants (Figure 3), are currently frozen. This means the university system will see no new revenue in 2021-2022 from these sources and will need to rely going forward on a substantial increase in enrolment, particularly by international students.

Figure 3: Ontario Revenue Source Percentages



When adding in other fees such as student ancillary fees, in 2018-2019 Ontario Tech's operating revenues from tuition and student fees represented 43 per cent of our total revenues versus the provincial system average of 55 per cent (Figure 4). Depending upon the university in question, the proportion of revenues funded by students, ranges from a low of about 40 per cent to a high of 70 per cent of total revenues.

Figure 4: Operating Revenue - System Comparator



## Tuition Fees

Tuition comprises both domestic and international amounts and represents what undergraduate and graduate students pay for educational instruction. Currently, tuition for undergraduate domestic students at Ontario Tech is around the median for Ontario universities (Appendix A). In February 2019, the government announced a 10 per cent cut to domestic student tuition fees for the 2019-2020 academic year and a subsequent tuition freeze for domestic students for the 2020-2021 academic year. For Ontario Tech, this meant a revenue reduction of \$9.4 million (2019-2020) and \$12 million (2020-2021) relative to what we had expected. As a result of the cuts to domestic tuition fees, all institutions across Ontario have shifted toward international recruitment strategies to help enhance their revenue streams. Competition for international students is on the rise in Canada, as well as globally. For 2021-22, Ontario Tech proposes increased international undergraduate tuition fees by 10 per cent for new and five per cent for continuing. These increases will still keep our international tuition fees among the lowest in the system and below the system median (Appendix B).

## Ancillary Fees

The remaining student fees are classified as ancillary fees. Ancillary fees are restricted for the activities for which they were approved (e.g., recreation services, health services, student success centre, disability services and a variety of other student-centred services). These represent about 12 per cent of total student fees. Over the past five years Ontario Tech has focused on keeping these fees relatively flat as we have the highest ancillary fees in Ontario (Appendix C). This number is due to a number of factors including, but not limited to:

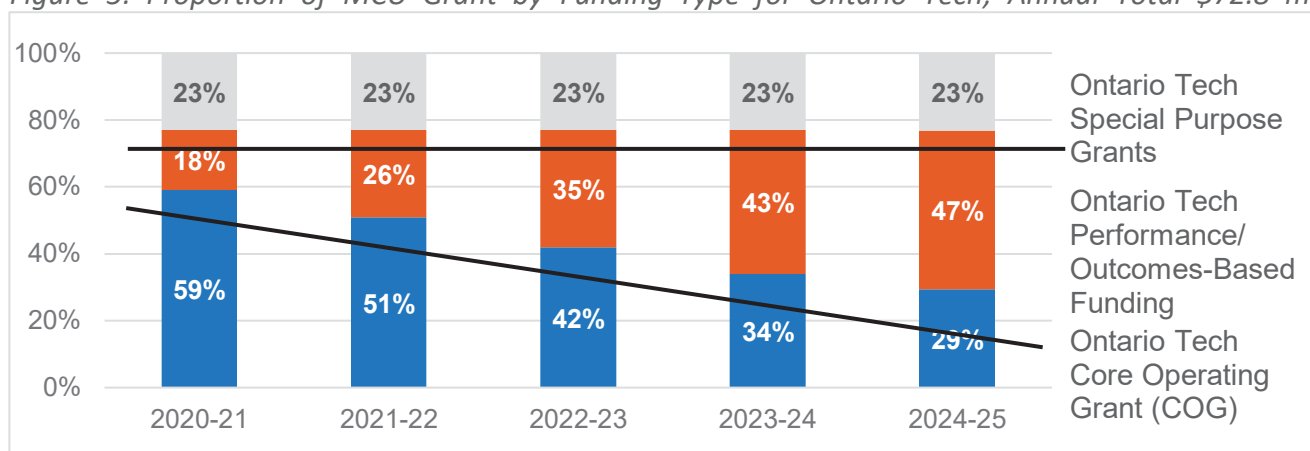
- The small size of the institution.
- Two capital projects supported by students (i.e., Campus Recreation and Wellness Centre and new A5 Building).
- The cost of the UPASS program (i.e., unlimited use of the Durham Transit system at a greatly reduced price).
- Direct access to degree program-related software packages.



## Government Grants

In 2016, the government announced an enrolment-based funding formula where institutions receive a set operating grant as long as their five-year moving enrolment average stays within three per cent of an established target (or corridor mid-point). The new funding model was designed to provide equitable, predictable and stable funding for all institutions and greater certainty for planning. The total grant amount was set based on 2016-2017 enrolment numbers and has not changed since then. Changes to the funding formula were introduced in 2019-2020 as part of the third round of Strategic Mandate Agreements (SMA3). Under this new formula, funding is more heavily tied to performance and outcomes measures. Importantly, due to the COVID-19 pandemic, the provincial government has paused linking our funding to these new performance and outcome measures for two years. However, the SMA3 will be applied for a five-year term and over time, funding will be increasingly tied to the aforementioned metrics with a corresponding decrease in the portion of grants tied to enrolment (Figure 5).

Figure 5: Proportion of MCU Grant by Funding Type for Ontario Tech; Annual Total \$72.8 million



## Expenses

Operating expenditures increase annually and are influenced by a number of factors including, but not limited to:

- Inflation.
- The cost to recruit and retain high-quality faculty, staff, and students.
- The escalating costs of key services (e.g. software licenses, library subscriptions).
- The cost of maintaining and servicing aging facilities.

After two years of strategic budget cuts prompted by mandated tuition decrease in 2019 and enrolment uncertainty in 2020, as well as escalating costs as described above, the goal for 2021 was to work with all academic and administrative units to reallocate monies within their budgets to support key functions rather than to introduce further cuts.

There are a number of predefined services or programs that are mandated by government or existing university policies and agreements leading to some monies being set aside and designated as restricted. Restricted funds represent monies that are collected from students, donated, or provided to us via designated granting programs. The university monitors the collection of these funds and automatically provides the money to the associated service departments. For instance, the Campus Health Services fee collected from students applies directly to the expenses of running this service and cannot be used for any

other purpose. Some monies received through government grants are also restricted. One example of a restricted grant at Ontario Tech is the debenture, which is valued at \$13.5 million annually and covers a portion of the \$16.5-million expense.

The operating budget includes both base and one-time discretionary funding. As we enter 2021-2022 budget planning, the university has a limited amount to invest in discretionary spending initiatives, given that 97 per cent (or \$185 million) of the \$190-million operating budget is required to cover our base and debenture costs. A further 1.4 per cent (\$2.5 million) of our revenues are restricted. This leaves only about one per cent (\$2 million) for new discretionary investments.

The following subsections provide a general breakout of the budgetary expenses (i.e. \$176.5 million) to be considered without the cost of the debenture grant included.

## Personnel Costs

Sixty-nine per cent of Ontario Tech's annual budget supports personnel costs, including salaries and benefits. Year-over-year increases are a factor of new faculty and staff hires, and annual salary raises for existing employees. The first draw on the \$176.5 million is an investment in our employees, including hiring new members and providing the mandated salary increases. The budget includes \$6 million more in salaries and benefits compared to 2019-2020. Ontario Tech salary increases have annually increased by \$2.5 million to \$3 million over the past few years. Given that grant and tuition revenues remain flat for the foreseeable future, the university will need to bring in about 300 to 350 more students per year to cover these increasing salary costs.

**HIGHLIGHT 1:** Within the staffing full-time equivalents (FTEs) (Figure 6), the university will see five new faculty (including two CRCs) to advance our teaching and research mission, four new advising staff to focus on student success and retention, and the hiring of an Indigenous Outreach Co-ordinator to support our response to the Truth and Reconciliation Commission Calls to Action.

Figure 6: Staff Complements (FTEs)

FTE's	2018-19 Actual	2019-20 Actual	2020-21 Budget	2020-21 Forecast	2021-22 Budget	2022-23 <sup>1</sup> Budget	2023-24 Budget
Filled	1-Oct	1-Oct		1-Oct			
TTT	207	221	217	220	225		
TF	77	84	82	83	83		
LTFM	24	18	16	16	16		
Staff	417	427	421	423	434 <sup>2</sup>		
Total	725	750	736	741	766		

## Facilities Costs

Ten per cent of our budgetary expenses include the costs associated with the annual upkeep of our physical infrastructure. There are 31 buildings (24 owned, portables and storage facilities and 7 leased)

<sup>1</sup> Out years will be added for April budget presentation

<sup>2</sup> This includes a ~three per cent holdback on approved FTEs based on normal annual vacancy rates.

totaling 116,724 gross square metres of space. Embedded in this number is more than \$5 million a year in building leases and \$3 million for the unfunded portion of the debenture. More than 60 per cent of our buildings are in great condition. As we plan for the future, funds need to be set aside for renovations and to move from leases to university-owned buildings.

**HIGHLIGHT 2:** As our buildings age, we need to set aside funds for deferred maintenance. The repair estimate is \$12 million (Appendix D) over the next decade. There is also a need for \$35 million<sup>3</sup> to complete the top floor the new A5 Building and move to university owned buildings by 2030. Previously, we set aside \$3.5 million a year for these items but that was paused in 2020-2021 due to financial constraints.

### Financial Aid Costs (including scholarships & bursaries)

Five and a half per cent of the budget is allocated for scholarships, bursaries and fellowships to help students attend the university and to support our institutional access agenda. With increasing entrance scholarships, graduate assistance and a new international program, we anticipate that we will distribute more than \$9 million to support students.

**HIGHLIGHT 3:** In 2021, we will introduce a new annual investment of \$200,000 to support students entering research based graduate programs.

### Information Technology Costs

Three and a half percent is dedicated to IT operating costs and capital purchases. Funds have been reallocated to support learning re-imagined. This includes the purchasing of a limited number of hardware/software platforms to enhance in-class opportunities (i.e. piloting new classroom technology setups to achieve a flexible hybrid learning environment). The aim is to provide equitable access for students who cannot commit to coming to campus as the pandemic lingers on. We will also launch a customer-relationship management initiative in support of recruitment, advancement, research, continuous learning and other functions.

**HIGHLIGHT 4:** A \$600,000 investment in pilot projects leading to a high-level three- to five-year implementation plan by October 2021, which will outline transformative investments at the intersection of technology and pedagogy. We expect the need to set aside \$4 million in the near term for further investments aimed at enhancing our technology assets.

### Commercial Costs

Four percent of our expenses are linked to a huge range of essential services and facilities to support staff, student, and visitor experiences on our campuses. These include parking, food services, and the use of the Regent Theatre, ACE, the Campus Bookstore, and the Campus Ice Centre/Fieldhouse. The general concept is to build a community (i.e. a sticky campus) by continuing to develop an exceptional experience through opportunities for engagement and support. As we work towards a sustainable future, the goal is to invest strategically to maintain and improve our facilities and services.

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<sup>3</sup> 66 per cent of \$53 million assuming other sources for the remainder

**HIGHLIGHT 5:** In 2020, we launched Dana's Hospitality as our new Food Services provider. As we begin to bring members of our university community back to campus, we will gradually open refreshed food outlets.

## Registrar's Office Costs

Half a per cent is allocated to operate the recruitment, records and registration arm of our institution. The Registrar's Office operates a student-centred client service hub that deals with financial aid, registration and admissions inquiries. The Registrar's Office plays a key role in the university's strategic enrolment management efforts by co-ordinating student recruitment, as well as contributing to student success and retention through the various administrative services they provide.

**HIGHLIGHT 6:** A new \$625,000 investment into student recruitment aimed at increasing both the use of technology and contract staffing to engage one-on-one with prospective students via personal outreach, live chat, integrated text, and a robust lead scoring and nurturing system. Additionally, we have made investments in our international recruitment efforts by employing off-shore representatives in China, India and Africa.

## Key Budget Risks

The following outlines key risks for the university as it relates to the budget-setting process.

### Operational Risks

- **Uncertainty in achieving enrolment targets**, is a medium risk, especially as we look at steady new domestic and growing new international student enrolment numbers. In a normal year, a three-per cent variance for total FTEs is reasonable. With increasing competition for students and the lingering effects of the pandemic, we must stay focused on this area.
- Given that we have assumed an **ongoing freeze for tuition** in the coming year, this is a low risk area. However, continued freezes in future years will have a major impact on our revenues.

The province's **shift to a performance-based funding model** with SMA3 is not a concern right now as government funding for universities will be decoupled from the agreement for two years. However, as we look to the third year of the agreement, we anticipate that a number of our performance/outcome indicators will be negatively impacted.

- **Escalating COVID-19-related operating costs** is a low to medium risk as we have set aside within the budget what we believe to be adequate funds to accommodate smaller classes on campus. However, personal protective equipment costs are increasing at rates greater than 10 per cent and work-from-home costs may impact our spending. We will need to continue to track these trends.

### Strategic Risks

- **Stakeholder Relations/Campus Experience/Culture:** For all of our stakeholders (e.g. students, staff, faculty, alumni and the community at large) these areas may all be impacted based on the

“learn/work from anywhere” atmosphere that emerges as a result of the pandemic. Finding the balance between working virtually and being on campus requires our full attention.

- **Campus Well-being:** Our staff and faculty share one thing in common: a dedication to student success. Our student and administrative services are backed by an impressive array of knowledgeable and caring professionals. By increasing virtual supports for all members and creating a new step-care model for student mental health, we are working to deliver this vital service. For our employees we have also increased access to services through our Employee Assistance Programs. Moving forward, enhancing our professional development offerings for staff and faculty will need to be a priority.
- **Physical/Virtual Infrastructure:** One of the first budget areas to be reduced was the repair and replacement of equipment. A central contingency fund has been set up should emergencies arise. However, the chances of equipment failure only increase as the need for these reductions continue. As we look to the virtual landscape there are also increasing cybersecurity threats. In collaboration with Durham College, a new Director of Cybersecurity has been hired in an effort to mitigate these risks.

## Summary

Ontario Tech strives to advance its strategic priorities while ensuring that we engage in financially responsible budgeting practices. This paper provides a better understanding of Ontario Tech’s main revenue streams and expenses as we focus on the upcoming 2021-2022 budget. Resource allocation is important to everyone who is part of the institution and Ontario Tech strives to provide an improved understanding of the issues and factors that must be considered when we make necessary, but also difficult, decisions in our current fiscally constrained environment.

It is important to note that the university’s two main revenue streams (i.e. domestic tuition fees and provincial government grants) are currently frozen, while expenses continue to rise due to yearly salary increases and the costs of inflation. Ontario Tech has no choice but to focus on enrolment growth (especially international) and generating alternative revenue streams, as well as finding cost efficiencies, during this time of financial constraint.

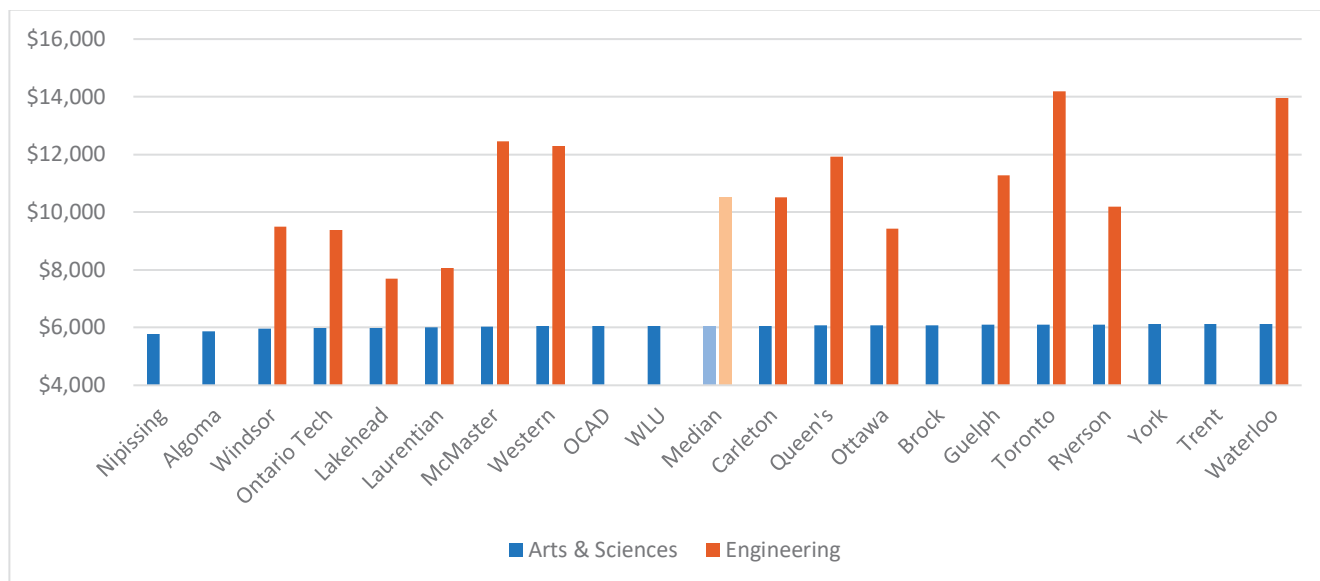
## Key Highlights

- Undergraduate domestic enrolment is expected to remain stagnant over the next few years.
- Domestic tuition rates were reduced by 10 per cent in 2019-2020 and remains frozen at this time.
- Universities across Ontario, including Ontario Tech, have shifted their focus to recruiting international students to generate additional revenue causing greater competition.
- Ministry of Colleges and Universities grant funding amount is frozen at the 2016-2017 enrolment level. The funding formula has changed, but the total funding package remains the same.
- Expenses will continue to grow each year with annual salary increases and inflationary costs.

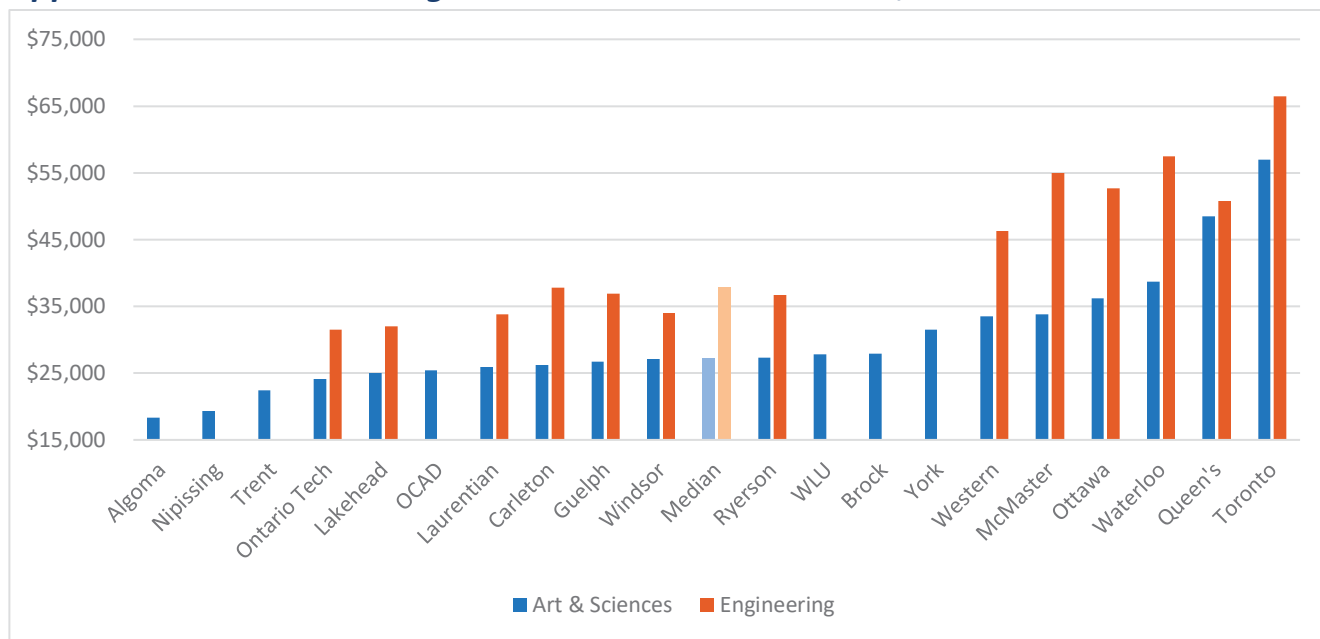
- The university has invested \$6 million more in salaries than 2019 - 2020 even though the total revenues are expected to be similar.
- The majority of the \$2 million discretionary funds are being prioritized for technology to support learning, enhanced student recruitment (e.g. recruitment staff, new digital media platforms) and student success retention (e.g. advising transformation, graduate scholarship program).

## Appendices

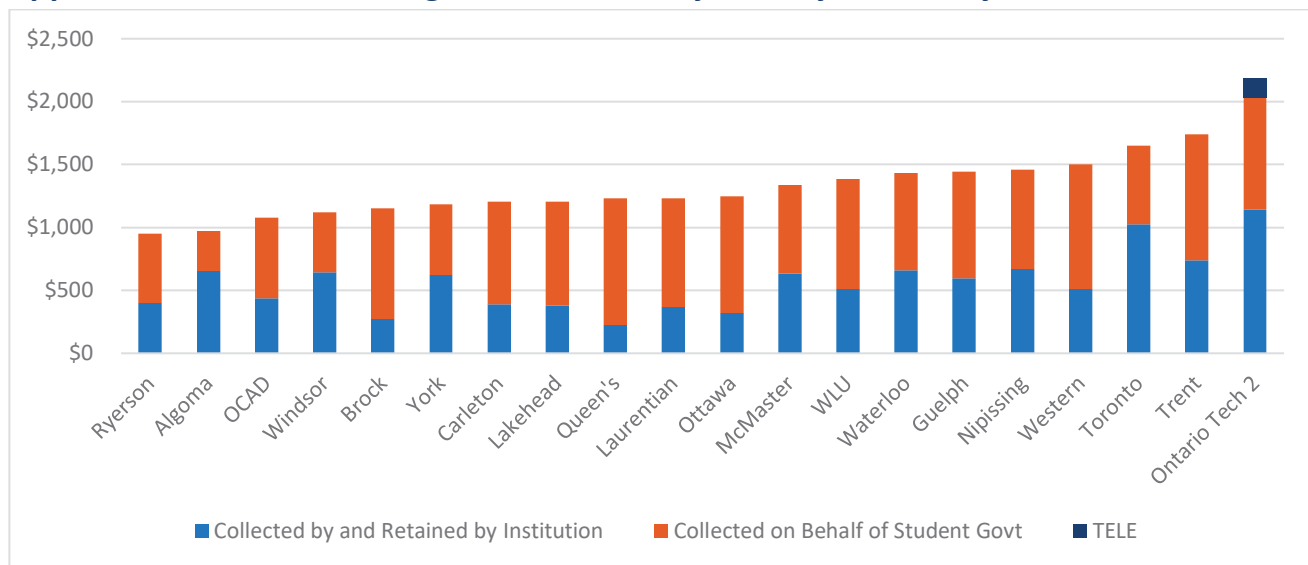
### Appendix A: Ontario Undergraduate Domestic Tuition, 2020-2021



### Appendix B: Ontario Undergraduate International Tuition, 2020-2021



### Appendix C: Ontario Undergraduate Ancillary Fees by University, 2020-2021



The Ontario Tech fees include:

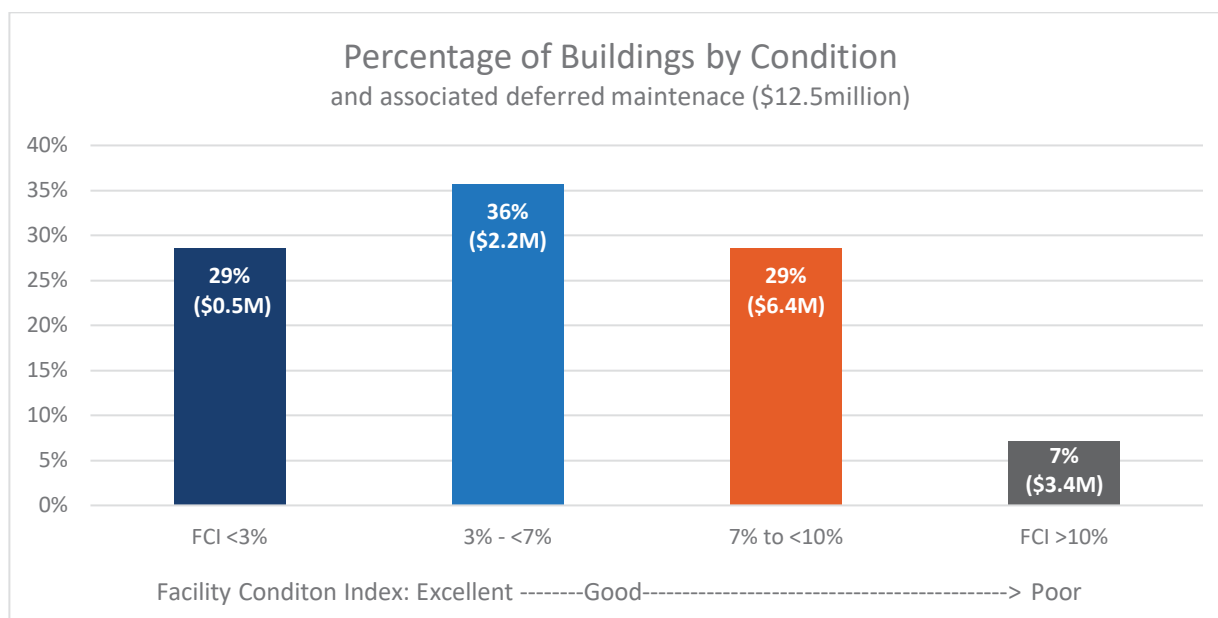
- \$283.50 for UPASS so all students have free access to transit in Durham Region. Upon last review, only six other schools had a UPASS-like program (i.e., Carleton, Ottawa, McMaster, WLU, Waterloo, Western).
- \$277.10 for capital projects (i.e., the new A5 building and Campus Recreation Centre) that were student referendum approved.



## Appendix D: Facilities Condition and Renewal Background

Ontario Tech has 31 buildings (24 owned buildings, portables and storage facilities and 7 leased buildings) totaling 116,724 gross square metres of buildings space. Fourteen buildings have been audited and assessed, having a current replacement value of \$305 million (2020-2021) and an estimated repair value of \$12 million over the next decade. The majority of buildings not assessed include our leased buildings, storage barns and temporary portables. Ontario Tech aims to audit 20 per cent of its campus facilities annually while also reassessing major facility systems every five years.

The Facility Condition Index (FCI) is the ratio of the cost of deferred maintenance (DM) to the cost of the current replacement value (CRV) of the physical infrastructure. The FCI is used to illustrate the condition of the current building. The chart below displays the condition of Ontario Tech's buildings and the amount of deferred maintenance associated with each FCI category. An FCI of less than seven per cent states the building is in great condition; seven per cent to 10 per cent are in good condition; and greater than 10 per cent is considered poor to very poor. As the value approaches 100 per cent, replacement for the building should be considered.



A capital improvements budget of about \$1.8 million (\$1.1 million grant and \$700,000 operating) in 2021-2022 is allowing the university to address some of the \$12M deferred maintenance backlog, as well as to undertake critical repairs, electrical upgrades, modernize classrooms, and to make other capital improvements. In 2019 the operating budget was \$1.4 million.

The vast majority of these funds are currently directed towards the moves into our new building, A5, and the backfill plans (e.g. moving the Offices of the President and Provost into the Science Building, expanding the Faculty of Science spaces in the Science Building, converting Energy Systems and Nuclear Science Research Centre classrooms into Kinesiology and Energy labs, and creating a machine shop to meet the needs of our researchers).

Ontario Tech could allocate fewer dollars to these capital projects but this would just defer critical maintenance activities into the future when finances may still be as tight.

## Appendix E – DRAFT Operating Budget

The assumptions and priorities have been used to set a 2021-2022 Draft Operating Budget and a simple inflationary rate is applied to future years. *For reference only, not finalized.*

### Appendix E.1 – Operating Statement Forecast

Operating Statement	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2020-2021 Forecast	2021-2022 Budget	2022-2023 Budget	2023-2024 Budget
FTE	8,905	8,975	8,162	9,350	9,000	8,950	9,150
Grants	\$82,375	\$81,065	\$81,023	\$81,770	\$80,900	\$81,200	\$81,200
Tuition	\$82,247	\$79,102	\$68,629	\$78,791	\$82,100	\$84,600	\$90,400
Ancillary	\$12,541	\$14,453	\$10,732	\$11,211	\$11,900	\$12,000	\$12,200
Commercial	\$9,670	\$9,693	\$9,693	\$6,306	\$10,900	\$10,900	\$10,900
Other	\$8,043	\$8,255	\$4,128	\$3,762	\$3,500	\$3,500	\$3,500
Total Revenue	\$194,876	\$192,568	\$174,205	\$181,840	\$189,300	\$192,200	\$198,200

### Appendix E.2 – Budget Forecast by Department (future years will be updated in April budget submission)

Department	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget
Energy Systems and Nuclear Science	\$5,084	\$4,308	\$4,329
Business and Information Technology	\$11,837	\$11,883	\$12,225
Social Sciences and Humanities	\$9,979	\$10,294	\$10,378
Education	\$5,189	\$4,705	\$4,272
Health Sciences	\$11,069	\$11,812	\$12,867
Engineering	\$13,730	\$13,993	\$13,856
Science	\$12,511	\$13,066	\$12,441
Graduate Studies	\$2,845	\$2,917	\$2,952
Outsourced Electives	\$389	\$67	\$0
Life-Long Learning	\$0	\$1,678	\$1,150
Total Academic	\$72,632	\$74,723	\$74,470
Office of the Provost	\$1,654	\$948	\$1,015
Planning	\$1,395	\$1,069	\$748
Research & Innovation	\$2,423	\$2,612	\$2,461
Teaching & Learning	\$2,954	\$2,995	\$3,264
Registrar	\$7,350	\$7,490	\$6,859
Tuition Set Aside	\$7,173	\$7,707	\$6,656
Student Life	\$8,349	\$7,996	\$6,984
Library	\$3,973	\$3,835	\$3,891
IT - TELE	\$4,376	\$3,280	\$2,720
Total Academic Support	\$39,647	\$37,933	\$34,597
Secretariat and General Counsel	\$2,417	\$2,493	\$1,627
President	\$990	\$790	\$761
Finance	\$2,903	\$4,151	\$3,008
Central Operations	\$3,539	\$4,219	\$1,682
OCIS/Leased Space	\$12,670	\$11,831	\$12,127
IT (excluding TELE)	\$3,290	\$3,915	\$3,416
External Relations	\$6,099	\$6,575	\$4,944

Human Resources	\$2,708	\$2,500	\$2,302
Purchased Services	\$15,721	\$14,910	\$13,110
<b>Total Administration</b>	<b>\$50,338</b>	<b>\$51,384</b>	<b>\$42,978</b>
ACE	\$4,070	\$4,281	\$3,862
Campus Ice /Campus Tennis Centre	\$1,482	\$1,638	\$1,573
Food/Bookstore	\$0	\$301	\$1,105
Daycare	\$991	\$958	\$944
Regent	\$699	\$639	\$374
<b>Total Ancillary / Commercial Expenses</b>	<b>7,242</b>	<b>7,818</b>	<b>7,858</b>
Debenture	\$16,501	\$16,501	\$16,501
<b>Total Operating Expenses</b>	<b>\$186,360</b>	<b>\$188,359</b>	<b>\$176,403</b>

## **Appendix F – Reserves and Surpluses**

Ontario Tech will routinely carry reserves that are reflected in the budgets and annual financial statements. These reserves are often mistaken for unrestricted funds—or money that can be leveraged towards absorbing the costs of funding cuts, reducing tuition fees or investing in particular programs and services. This misunderstanding highlights the need for a clear explanation of the purposes of reserves, and why these funds are often restricted in terms of what kinds of expenses they can cover. Reserves should always be reviewed with a university's financial statements, with such statements often providing a breakdown or explanation of their categories.

### **1. Providing short-term flexibility for unpredictable revenues and/or expenditures.**

Where possible, universities keep prudent reserves to ensure that there is a level of stability to their revenues and expenditures, and to absorb or mitigate the costs resulting from external factors. Changes to government grants, tuition fee frameworks, other legislated obligations, the domestic and global economy, and foreign policy are all factors that have significant impacts on the financial health of Ontario's universities. For example, the 2018 deterioration in Canada-Saudi Arabia relations led to the Kingdom recalling its scholarship-funded students from Canadian universities. This led to a \$3-million loss in expected tuition fee revenue for Ontario Tech.

With the majority of the university budget being based on how many courses students take, there can be fluctuations in any one-year budget. Hence, the university will use carry forwards and contingencies to forecast a balanced scenario over three years. Assuming grants are relatively stable in a corridor model a good practice is to assume an annual three per cent enrolment fluctuation (or about \$3 million of tuition and ancillary fees in 2021). The university works hard to be balanced but will always err on the side of surplus over deficit.

### **2. Responding to one-time, evolving, or unexpected operational costs.**

Universities frequently face unanticipated operational expenses at the institutional, faculty or departmental level. Reserves are intended to ensure that these costs can be met as they arise, whether as singular or ongoing expenses. Whereas more established institutions may have reserves set at the unit level, Ontario Tech maintains a central contingency. One of the key risks identified by many faculties in the risk register is the aging of equipment. As we approach our 20<sup>th</sup> year, equipment maintenance costs are increasing and the need for replacement is approaching.

Other examples of being prepared for unexpected costs include research grants from external funders that require matching financial commitments from the university. These are anomalous expenses. Changes to institutional operations incur ongoing costs that reserves are intended to cover. For example, the Student Choice Initiative (SCI) required universities to develop new ancillary fee protocols that allowed students to opt-in and/or opt-out of non-mandatory fees. Operationalizing this policy required significant financial and human resources at each institution to consult affected fee-collecting groups, revising ancillary fee schedules and developing a software opt-in/opt-out platform before the 2019-2020 academic year.

### **3. Funding long-term future and ongoing capital commitments.**

Ontario's universities also use reserves for the purpose of investing in campus infrastructure to meet the changing needs of their students and keep current with advances in technology. Reserves are often earmarked for long-term capital commitments, such as the construction of new buildings

on campus, or for the upgrading and maintenance of existing infrastructure, such as outfitting existing studios and labs with the newest tools, equipment and technologies. The deferred maintenance of current university infrastructure is a significant and ongoing cost to institutions.

Since 2012 the university has had a planned set aside of \$3.5 million for capital improvements. With the building of Software and Informatics Research Centre and A5, these funds are depleted. The repair estimates total \$11 million over the next decade, the completion of the fifth floor A5 is estimated at \$4 million and there is a need for \$48 million to replace a downtown lease (i.e. Bordessa Hall) in 2030. To address these costs, we should be setting aside about \$5 million a year.

#### 4. Unexpected Windfalls

While the university has made great strides in reviewing in-year expenses by implementing quarterly reporting, the fact is with 35 units estimating 176 submissions there is bound to be in-year fluctuations. This has been compounded in some years by last-minute grants/awards. For example the 2017-2018 financial statement is often brought up as it had a \$15.4-million surplus. To start this includes the investments, if we only look at operating, the number is \$13 million. Of this there was the \$3.5 million planned capital reserve and unexpected gains from a final quarter one-time enrolment grant of \$1.8 million and a \$4.9-million legal settlement. While above the normal three per cent variance, it should not be referred to as an example of poor fiscal planning or management.

#### 5. Where we are today

As we complete 2020-2021 Q3, the university forecasts a \$4.2-million surplus. A portion of this is already required to be carried into the next fiscal as follows:

- \$300,000 student ancillary fees.
- \$400,000 as part of the collaborative Nursing program agreement to fund required smaller clinical sizes in 2021-2022.
- \$700,000 for student supports (i.e. \$200,000 for graduate scholarships and \$400,000 matching fund and other miscellaneous, emergency funds).
- The remaining surplus, if any, will be reviewed at year end but the idea is to use it as the enrolment contingency as we set a balanced budget. Should we hit our enrolment targets, it will support technology advances in support of learning re-imagined.

Internally Restricted Assets (\$'000)	2019 - 2020 Actual	2018 - 2019 Actual	2017 - 2018 Actual
Research Related	\$4,700	\$5,206	\$4,987
Capital Related	\$2,409	\$14,501	\$12,593
Student Awards	\$222	\$1,000	\$1,000
Working Capital	\$6,000	\$6,000	\$6,000
Budget Carry Forward	\$1,154	\$1,154	\$1,708
Other	\$3,104	\$3,925	\$3,524
<b>Total Restricted</b>	<b>\$17,589</b>	<b>\$31,786</b>	<b>\$29,812</b>