



BOARD OF GOVERNORS
Audit & Finance Committee

Minutes of the Public Session of the Meeting of Wednesday, November 24, 2021
2:00 p.m. to 3:20 p.m., Videoconference

Members: Laura Elliott (Chair), Stephanie Chow, Douglas Ellis, Mitch Frazer, Thorsten Koseck, Dale MacMillan, Steven Murphy, Dietmar Reiner,

Staff: Becky Dinwoodie, Jackie Dupuis, Cheryl Foy, Barb Hamilton, Krista Hester, Lori Livingston, Brad MacIsaac, Susan McGovern, Pamela Onsiong

Regrets: Kim Slade, Roger Thompson

Guests: Sylvie Bardin, Chelsea Bauer, Toba Bryant, Mike Eklund, Christine McLaughlin, Namdar Saniei, Hannah Scott

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. Ellis and seconded by T. Koseck, the Agenda was approved as presented.

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair welcomed the committee to their first meeting of the Board year. She also acknowledged that it was the first committee meeting following the restructuring of the Investment and Audit & Finance Committees. She welcomed the newest members of the committee: Doug Ellis, Thorsten Koseck, and Kim Slade. The Chair commented that she is looking forward to continuing to work with committee members to advance the committee's mandate, which has been updated to incorporate oversight of the investment of the university's endowment funds.

The Chair noted it has been a difficult fall as people navigate their way back to work and try to balance working from home and working in the office. It is understandable that there will be challenges ahead.

5. President's Remarks

The President welcomed the committee members back. He acknowledged the faculty and staff who have gotten students through another semester. The President reported on a recent presentation given by Stephen Marsh to Academic Council. S. Marsh shared his innovations in his home classroom. The President thanked L. Livingston for steering us through COVID. He advised the committee that the focus is on September 2022, learning the lessons from the past two years and placing students at the centre of the experience.

The President reported on the Woman for STEM Summit that took place in October. This initiative is important in helping build a pipeline of women in STEM disciplines, as well as providing bursaries and scholarships, and opportunities for mentorship. The President also shared the great news with respect to the university's rankings - Maclean's ranked the university ninth in the category of primarily undergraduate universities. He acknowledged the work of the Registrar, Joe Stokes, in making sure ranking agencies have what they need to acknowledge Ontario Tech for our growth.

The President also discussed the launch of Canada's International Atomic Energy Agency Collaborating Centre at the university. Ontario Tech is the first university in Canada to have a collaborating centre. The trajectory of the university is strong and he looks forward to discussing the budget with the committee today.

The Chair echoed the President's comments about the presentation by S. Marsh and observed the excitement of the attendees of the session.

6. Annual Terms of Reference Review

B. Dinwoodie provided an overview of the committee's updated terms of reference. There was a question about how many times the committee meets per year and B. Dinwoodie confirmed that the committee meets four times a year.

7. Finance

7.1. Strategic Risk Discussion: Financial Sustainability - Reserves

B. MacIsaac provided a high level overview of the accompanying reports. He highlighted the following key points:

- important for the committee to be aware that there are often unexpected things that happen that result in a surplus;

- the university is sometimes mandated to collect a reserve (e.g. Health & Wellness Centre); and
- important to set aside funds for deferred maintenance.

The committee had a robust discussion about reserves, which included the following comments and questions:

- the background paper was clear and written at the right level for the committee;
- strategy of deferred maintenance - Does that increase the university's risk or cost? Are we creating a risk that we need to be cognizant of?
 - B. MacIsaac advised that as many of the university's buildings are newer, we have not had to discuss deferred maintenance very often; however, as our buildings age, it is important to set aside funds to save for repairs.
- 10-year asset plan - What are the assets we would need to replace to ensure business continuity?
 - D. MacMillan advised that the Government of Canada recently published a fixed asset review and she provided the website link (<https://www.canada.ca/en/treasury-board-secretariat/corporate/reports/improving-results-2017-horizontal-departmental-reviews/horizontal-fixed-asset-review-executive-summary-final-report.html>).
- How do you manage these funds (visibility/transparency) and show withdrawals?
 - transparency can be improved;
 - manage funds with fixed/hybrid model - equipment and units update annually - must provide better information on IT projects; and
 - with respect to the budget process, there is greater transparency on what money is being spent on.
- Where are capitalization rates sourced, particularly for unique facilities?
 - Capitalization rates close to inflation but some differ depending on type of equipment.
- If the university were to increase enrolment, what would we need to do to accommodate 18,000 students?
 - Campus Master Plan shows how the university and Durham College could grow to 20,000 students each.

- B. Maclsaac advised that the COU standards were developed a long time ago and are high compared to what we need today; a COU task force has been tasked with reviewing and updating those standards – (e.g. being in Oshawa, the university needs more space for food services than an institution located in downtown Toronto).
 - Hybrid learning actually requires more space than less space, as there is a need for more smaller interactive engagement spaces.
 - L. Livingston added that it is also important to create as equitable environments as we can between north and downtown campuses.
- What is the impact of online learning? Should campus be expanded if many students will be learning online?
 - B. Maclsaac advised that while the university will not be returning to the old ways of instruction, if half of students are online and the other half in class, the university must enhance the IT infrastructure as well as in class infrastructure; investment in IT/Cloud will also be required and it is estimated that a \$5m investment over several years would be needed; most of the digital infrastructure is the technology needed to do hybrid learning.
 - If we only focused on reserves, we used to set aside \$3.5m per year and have not done so the past 2 years. The plan for next year is to set aside \$2.5m for our starting point.
- How often are internal restrictions reviewed?
 - P. Onsiang advised that the restrictions are reviewed quarterly.
- There was a discussion about the usage rate of classroom space and examining revenue generation opportunities for space not being used at night and on weekends that align with the university's mission.
 - S. Murphy added that we must also think about how we can bring community members onto campus and promote the university as a community hub.
- How do the recommendations set out in the accompanying paper roll into the financials?
 - B. Maclsaac clarified that when it comes to the end of the year, management will make a recommendation as to what to set aside in light of a deficit/surplus.

7.2. Second Quarter Financial Reports

P. Onsiong reviewed the financials with the committee. She highlighted the forecasted budget surplus due to an upside in revenues due to better than expected enrolment. She also noted the shortfall for domestic intake that will have a flow through for future years. P. Onsiong also highlighted the unanticipated grants, COVID support funding, eCampus Ontario grants, and grants for maintenance. These have all been allocated to cover specific expenses (reflected in academic support and capital expenses). P. Onsiong also discussed the increasing recruitment costs to support enrolment growth and scholarships. There has also been an additional \$4.3m of capital expenses, 35% covered by operating investment and 65% covered by grants. The university has invested \$21m in the new building with the remainder covered by financing. P. Onsiong and B. Maclsaac responded to questions from the committee. In response to a question about whether the enrolment numbers are being overly optimistic, B. Maclsaac advised that as we look at the short term, it is a very positive indicator. The university brought in and retained more students than anticipated. Further, the international intake is above the 2-year plan. He noted that it is the second year in a row that we missed domestic intake numbers, which will have a flow through effect. We will have to focus on recruitment and retention to make up for that shortfall. It remains difficult to anticipate what the ongoing impacts of COVID will have on international travel.

7.3. Budget Assumptions

B. Maclsaac reviewed the key budget assumptions. He emphasized that priorities drive the budget and not the other way around. In order to increase revenue, we must increase the number of students. Total enrolment is anticipated to be down next year compared to this year. Total revenues are up because of the increase in international students and international tuition, whereas domestic enrolment is anticipated to remain flat. Further, there is a \$6m increase in full-time labour.

L. Livingston discussed the strategic priorities that are driving the budget. The Integrated Academic and Research Plan captures the university's priorities and is updated annually in consultation with the university's units. The key areas of priority are:

- mental health and supporting EDI initiatives;
- recruitment;
- innovative programming;

L. Livingston advised that they anticipate \$75m in asks for only \$3.5m in surplus. After a number of years of cutbacks, it is a good position to be in to invest for the future. There was a discussion regarding the next steps, which include town halls and stakeholder engagement.

L. Livingston and B. MacIsaac responded to comments and questions from the committee, which included:

- When units are invited to present asks, how are one-time asks versus long-term asks approached?
 - This year, units can request base or one-time asks – the last few years, units were limited to one-time asks;
- Member expressed support for the priorities set out in the accompanying report - investment in human resources will be required.
- Is management comfortable with the enrolment assumptions?
 - L. Livingston confirmed that they are comfortable with the assumptions; the university is being cautious about relying on international students by limiting international growth and diversifying the markets from which we recruit our students (e.g. Africa, Vietnam).

8. Investment Oversight

8.1. Annual Review of Statement of Investment Policies (SIP)

B. MacIsaac discussed the background work that was done by the Investment Committee last year to update the SIP. He provided an overview of the proposed changes to the SIP that were set out in more detail in the accompanying report.

Upon a motion duly made by T. Koseck and seconded by D. MacMillan, the Audit and Finance Committee unanimously recommended the proposed amendments to the Statement of Investment Policies, as presented, for approval by the Board of Governors.

9. Consent Agenda:

9.1. Minutes of Public Session of A&F Meeting of June 16, 2021

9.2. Minutes of Public Session of Investment Meeting of June 2, 2021

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

10. For Information:

10.1. Freedom of Expression Annual Report

11. Other Business

12. Adjournment

There being no other business, upon a motion duly made by T. Koseck, the meeting adjourned at 3:21 p.m.

Becky Dinwoodie, Secretary