BOARD OF GOVERNORS
Audit & Finance Committee

Wednesday, November 24, 2021
2:00 p.m. to 5:00 p.m.
Videoconference
+1-647-735-5530 PIN: 477649143

Members: Laura Elliott (Chair), Stephanie Chow (Vice-Chair), Doug Ellis, Mitch Frazer, Thorsten Koseck, Dale MacMillan, Steven Murphy, Dietmar Reiner, Kim Slade, Roger Thompson

Staff: Becky Dinwoodie, Cheryl Foy, Les Jacobs, Lori Livingston, Brad MacIsaac, Pamela Onsiong, Bobbi-Jean White & Reagen Travers (KPMG)

AGENDA

No.	Topic	Lead	Allocated Time	Suggested Start Time
	PUBLIC SESSION			
1	**Call to Order**	Chair		
2	**Agenda (M)**	Chair		
3	**Conflict of Interest Declaration**	Chair		
4	**Chair's Remarks**	Chair	5	2:05 p.m.
5	**President's Remarks**	Steven Murphy	5	2:10 p.m.
6	**Annual Terms of Reference Review* (D)**	Becky Dinwoodie	5	2:15 p.m.
7	**Finance**			
7.1	Strategic Risk Discussion: Financial Sustainability - Reserves* (D)	Chair	25	2:20 p.m.
7.2	Second Quarter Financial Reports* (U)	Pamela Onsiong	10	2:45 p.m.
7.3	Budget Assumptions* (D)	Lori Livingston & Brad MacIsaac	15	2:55 p.m.
8	**Investment Oversight**			
8.1	Annual Review of Statement of Investment Policies* (M)	Brad MacIsaac	5	3:10 p.m.

D – Discussion M – Motion P – Presentation U – Update * Documents attached

No.	Topic	Lead	Allocated Time	Suggested Start Time
9	**Consent Agenda (M):**	Chair	5	3:15 p.m.
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*			
10	**For Information:**			
10.1	Freedom of Expression Annual Report*	Cheryl Foy		
11	**Other Business**	Chair		
12	**Adjournment (M)**	Chair		3:20 p.m.
	BREAK		**10**	
	NON-PUBLIC SESSION (material not publicly available)			**3:30 p.m.**
13	**Call to Order**	Chair		
14	**Conflict of Interest Declaration**	Chair		
15	**Audit**		15	3:30 p.m.
15.1	Year End Auditor's Management Letter (U)	Pamela Onsiong		
15.2	Engagement Audit Plan* (U)	KPMG		
15.3	Pension Plan Audit Findings Report* (U)	KPMG		
15.4	Pension Plan Financial Statements* (U)	KPMG		
	KPMG Departs			
15.5	Audit Update* (D)	Brad MacIsaac	10	3:45 p.m.
16	**President's Remarks**	Steven Murphy	5	3:55 p.m.
17	**Finance**			
17.1	Cyber Insurance Update* (M)	Cheryl Foy	10	4:00 p.m.
18	**Investment Oversight**			
18.1	Second Quarter Investment Review – Portfolio Components* (U)	PH&N	20	4:10 p.m.
19	**Consent Agenda (M):**	Chair	5	4:30 p.m.
19.1	Minutes of Non-Public Session of A&F Meeting of June 16, 2021*			
19.2	Minutes of Non-Public Session of Investment Meeting of June 2, 2021*			
19.3	2021-2022 Work Plan*			
20	**Other Business**			
21	***In Camera* Session (M)**			4:35 p.m.
22	**Termination (M)**			4:45 p.m.

D – Discussion   M – Motion   P – Presentation   U – Update   * Documents attached

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☒

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

DATE: **November 24, 2021**

PREPARED BY: **Becky Dinwoodie, Associate University Secretary & Judicial Officer**

SUBJECT: **Review of A&F Terms of Reference**

COMMITTEE MANDATE:

- As part of the committee's mandate, it must conduct a periodic review of its Terms of Reference and recommend revisions to the Board when appropriate.
- We are presenting the committee's Terms of Reference to provide members with an opportunity to remind themselves of the committee's mandate at the start of the Board year, as well as to obtain the committee's feedback on the Terms of Reference, if any.

BACKGROUND/CONTEXT & RATIONALE:

- In June 2021, the committee's Terms of Reference were reviewed and updated in the context of the restructuring of the Board's Audit & Finance and Investment Committees, as well as incorporating any comments received since the terms were last updated in June 2020.

COMPLIANCE WITH POLICY/LEGISLATION:

- This is compliant with the Act and By-laws.

NEXT STEPS:

- If A&F has any proposed amendments to the Terms of Reference, the amended Terms of Reference will be presented to the Board for approval on December 9, 2021.

SUPPORTING REFERENCE MATERIALS:

- A&F Terms of Reference

BOARD OF GOVERNORS
Audit and Finance Committee

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1. TERMS OF REFERENCE

The Audit and Finance Committee is a standing committee of the university's Board of Governors and is responsible for overseeing the financial affairs of the university with respect to all auditing, financial reporting and internal systems and control functions, budget approvals, investment of the university's endowment funds, risk management, and other internal and external audit functions and activities at the university. The Committee will report and make recommendations to the Board of Governors regarding these and other related matters.

The Committee will also consider such other matters that are delegated to the Committee by the Board of Governors, including special examinations as may be required from time to time, and if appropriate retain special counsel of experts to assist.

Specifically, the Audit and Finance Committee has the following responsibilities:

a. Finance

i) Ensuring fiscal responsibility with respect to the financial resources of the university, including:

1) Reviewing and recommending approval of the annual operating budgets, capital budgets, tuition fees and ancillary fees;
2) Reviewing on a quarterly basis financial statements and financial performance against budget;
3) Reviewing policies on financial administration and recommending their approval by the Board;
4) Reviewing and monitoring all long-term debt and providing recommendations as appropriate; and
5) Providing financial oversight for subsidiary operations.

b. Audit and Financial Reporting

i) Ensuring that appropriate financial controls, reporting processes and accountabilities are in place at the university, including:

1) Appointing the external auditor, and approving the fee for such service;

2) Reviewing the external auditor’s letter of engagement, independence, and the scope of services;
3) Reviewing the external auditor’s comprehensive audit plan, scope of the examination, and the nature and level of support to be provided by the internal audit function;
4) Meeting with the external auditor, independent from management, to review audit results and when planning the upcoming audit year;
5) Assessing the performance of the external audit function; and
6) Providing an avenue of communication between the external auditor, management and the Board of Governors.

ii) Reviewing and recommending to the Board approval of the university’s annual audited financial statements, as well as reviewing significant findings or recommendations submitted by the external auditor.

iii) Overseeing the provision of internal and external audit functions at the university, including annual reviews, area specific evaluations, functional assessments and process appraisals.

c. Oversight of the Investment of the University’s Endowment Funds

i) Overseeing the investment of the university's endowment funds in accordance with the university’s Statement of Investment Policies (“SIP”).

ii) Overseeing the performance of the Investment Manager, including the Investment Manager’s compliance with their mandate.

iii) Providing recommendations to the Board of Governors regarding the SIP and the selection, engagement and dismissal of the Investment Manager, and any other agents or advisors that may be necessary to prudently manage the university’s endowment funds.

iv) Overseeing the administration of the university’s endowment funds by the VP, Administration.

d. Risk Management

i) Reviewing and approving the risk management process at the university that ensures that appropriate processes are in place to determine management’s risk parameters and risk appetite.

ii) Monitoring and 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.

iii) Receiving regular reports from management on areas of significant risk to the university, including but not limited to legal claims, development (fundraising activities), environmental issues, health, safety and other regulatory matters.

2. MEETINGS

The Committee will meet at least four (4) times per year, or otherwise at the Committee's discretion. In accordance with the university's Act and the Board of Governors Meeting Policy and Procedures, the Committee will conduct three types of Meetings as part of its regular administration: Public, Non-Public and *In Camera* (when required).

3. MEMBERSHIP

The Committee will be composed of:

- Between three (3) and seven (7) external governors

The Chair and Vice-Chair of the Committee will be selected from among the external governors.

At least one member of the committee will have an accounting designation or related financial experience.

All members of the committee will be financially literate and have the ability to read and understand the university's financial statements, or must be able to become financially literate within a reasonable period of time after his/her appointment to the Committee. In this regard, the VP, Administration or other financial expert will ensure that each new member receives appropriate training in reading and understanding the financial statements.

4. QUORUM

Quorum requires that half of the Committee members entitled to vote be present.

OntarioTech UNIVERSITY

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☒
		Information	☐

Financial Impact ☒ **Yes** ☐ **No** **Included in Budget** ☒ **Yes** ☐ **No**

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

DATE: **November 24, 2021**

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

SUBJECT: **Internal Reserves**

COMMITTEE/BOARD MANDATE:

Audit and Finance 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, capital budgets.

The purpose of this discussion paper is to outline the need for in year surpluses to build reserves for long-term planning specifically related to new buildings and deferred maintenance. With many competing demands for short-term resourcing the committee should understand the needs in the out years and have general guidelines on how much to save for future needs.

BACKGROUND/CONTEXT & RATIONALE:

The Board has senior oversight of the institution; it concerns itself with the long-range planning and the business affairs of the institution. One of the key parts to long range financial sustainability includes the capital construction, renewal and deferred maintenance programs require to meet the Integrated Academic- Research Plan (IARP) and normal operations. The desire to balance competition for scarce resources can be satisfied by focusing on the short term in the anticipation the longer term will balance itself. In today's environment we do not see the same funds coming from government as they have in the past. For that reason, we need to set aside funds for future needs.

Ontario Tech's asset management strategy's is driven by the IARP, as well as the need to future-proof existing and new infrastructure required to deliver our programs and research projects. The asset management plan helps guide and prioritize decisions to support the infrastructure needs of students, faculty, staff, and community, within sustainable financial and risk management frameworks.

Operationally, to support the ability to stay at the leading edge of new technology the university has a hybrid approach to asset management planning; that is, a centralized plan mainly tied to "built-in equipment" combined with a decentralized system for program specific equipment.

- For program equipment, there is an annual "capital call" cycle where all units are invited to submit requests based on in-year and future capital demands for space, renovations and/or assets. These requests are then prioritized based on program/ research demands, strategic vision, and impact on student and staff experience to create the in-year budget. Units are encouraged to include requests for future years, to meet hiring needs or anticipating grant funding, etc. This allows for a Capital Plan that continuously rolls forward and can steer changes on campus to meet anticipated needs, or can be modified to react to upcoming pressures while lessening in-year impacts.

- For "built-in equipment" the University operates on a rolling 10-year strategic asset management plan in order to manage its facility assets effectively and efficiently. Ontario Tech takes a multi-step approach to determine the best approach in prioritizing which assets are renewed and when through a deferred maintenance risk analysis that includes condition, criticality assessment (the effects of failure such as safety or operational impact), and any incurred damage as a result of a complete failure.

Selection of priorities for capital construction, renewal and deferred maintenance includes temptations to focus on the current institutional goals. The long-term projects, which are competing (and maybe even conflict) become a compromise between alternatives. Overcoming this traditional approach to distribution of resources requires clear guidelines. The attached discussion paper has been drafted to help open conversation related to: a) the understanding of normal industry practices and b) the strategy Ontario Tech should use for reserving funds for capital.

1) Based on In *Committing to the Cost of Ownership: Maintenance and Repair of Public Buildings*, the annual capital renewal should be 0.5 -1.5% maintenance and 1.5 -2.5% savings of the current replacement value. This means **we should set aside $4.5 - 8M annually.**

2) As we plan today, we are estimating $20M deferred maintenance by 2040 and $85M of new construction. With an assumed university contribution of fifty percent to construction this means at minimum **we should set aside $3 - 5M annually**.

SUPPORTING REFERENCE MATERIALS:

- Discussion Paper: Internal Reserves/ Surpluses

ONTARIO TECH'S DISCUSSION PAPER INTERNAL RESERVES/ SURPLUS

Vice President Administration, November 2021

Preamble: Need for Surpluses and Reserves

Ontario Tech is a not for profit entity and therefore only needs to make a surplus in order to generate funds for re-investment in the organisation that cannot be met from our annual sources of revenue and for meeting unforeseen adverse circumstances. The future investment is planned to support delivery on the university priorities including: new academic developments, improving the quality of buildings, and enhancing our information technology. Without surpluses we will not have the funds to make that investment. Universities must reflect reserves in the budgets and annual financial statements. These reserves are often mistaken as money that can be leveraged towards investing in any particular services; but, for the most part they are restricted in terms of what kinds of expenses they can cover. It is very important to note that we are not talking about externally restricted funds such as research grants here. A general overview has been provided within this paper with a greater focus on physical capital.

1. **Providing short-term flexibility/ Responding to unexpected operational costs.**
   Where possible, universities keep prudent reserves to ensure that there is a level of stability and to 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. As a few examples:

   The 2018 deterioration in Canada-Saudi Arabia relations led to the Kingdom recalling its scholarship-funded students from Canadian universities. This led to a $3M loss in expected tuition fee revenue for Ontario Tech. With the majority of the university budget being based on how many courses students take (e.g. tuition, ancillary fees and government grant), there can be fluctuations in any one-year budget. This is especially true for a smaller institution. Assuming grants are relatively stable in a corridor model a good practice is to plan contingencies based on an annual three per cent enrolment fluctuation (this equates to $3M of tuition and ancillary fees in 2021). The university works hard to be balanced but will err on the side of surplus over deficit.

   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. 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 20th year, equipment maintenance costs are increasing and the need for replacement is approaching.

   Unexpected costs may also come from external policy changes. For example, the Student Choice Initiative required universities to develop new ancillary fee protocols that allowed students to opt-in/out of non-mandatory fees. Operationalizing this policy required significant financial and human resources to consult affected fee-collecting groups and developing a software platform before the 2019-2020 academic year. This expense was in addition to the lost revenue that covered events already planned. Therefore, reserves were used to smooth over more than one budget year.

2. **Responding to unexpected revenues.**
   While the university has made great strides in reviewing in-year expenses by implementing quarterly forecast 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 investments (e.g. gains on endowed funds) that are basically paper transactions as we could only use the funds if we cashed out. If we only look at operating, the number is $13 million. Of this, there was the $3.5 million planned capital reserve, an unexpected 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 management as the majority could not be anticipated and came in too late to distribute.

3. **Funding future 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, or for the upgrading and maintenance of existing infrastructure, such as outfitting existing 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 Ontario Tech has had a planned set aside of $3.5M for capital improvements. With the building of Software and Informatics Research Centre and Shawenjigewining Hall, these funds are depleted.

Where we are today

As we plan today for the future we are estimating a need for almost $20 million in deferred maintenance by 2040 (Information Technology and Building infrastructure) and $85M of new buildings we plan to have constructed in the next 10 to 15 years.

Where we had a high of $15M in capital reserves in 2019 we depleted that when we invested in our last two new building projects and now sit just under $4M (see figure 1). To highlight the "restriction" on these accounts the research funds are set aside internally for specific faculty members start-up resources that have detailed eligibility requirements and student assistance funds that have items outlined in an ancillary fee or bursary agreement that they can be used for.

Figure 1 – Internal Restrictions Summary

	Actual year-end balance			
Internally Restricted Assets ($'000)	2021	2020	2019	2018
Research funds	5,107	4,700	5,206	4,987
Capital projects/ Digital and physical infrastructure	3,871	2,940	15,019	12,693
Student assistance and related funds	2,488	2,398	2,951	2,971
Working capital	6,000	6,000	6,000	6,000
Learning re-imagined	2,411	1,154	1,154	1,708
One-time only budget allocations	250	397	1,456	1,453
Total Restricted	**$20,127**	**$17,589**	**$31,786**	**$29,812**

Future Investments - Physical Infrastructure

Moving on to the items that Ontario tech is looking to save in order to invest in. Fifteen per cent of the university budget (about $30 million) goes to maintaining of campus infrastructure through operating and capital spends. This is the second highest investment next to our people (70% of budget). This includes:

- Capital assets managed by Information Technology Services, which have an estimated replacement cost of approximately $12M (considering both wholly owned assets and the university's portion of infrastructure shared with Durham College). Assets that are already beyond their expected maximum life cycle total $5.5M, nearly half of that total asset base. In a steady state, this infrastructure requires investment of approximately $1.5M per year to refresh assets within their expected maximum life cycle; whereas we are spending about $700,000.

- Capital assets managed by Facilities, include the costs associated with operating and the annual upkeep of 31 buildings (24 owned, portables and storage facilities and 7 leased) totaling over 1.25 million gross square feet of space. Embedded in this expense is more than $5 million a year in building leases and $3 million for the unfunded portion of the debenture. The replacement costs and annual investment is described further in the paper

As we plan for the future, funds need to be set aside for renovations, move from leases to university-owned buildings and new infrastructure to support growth plans.

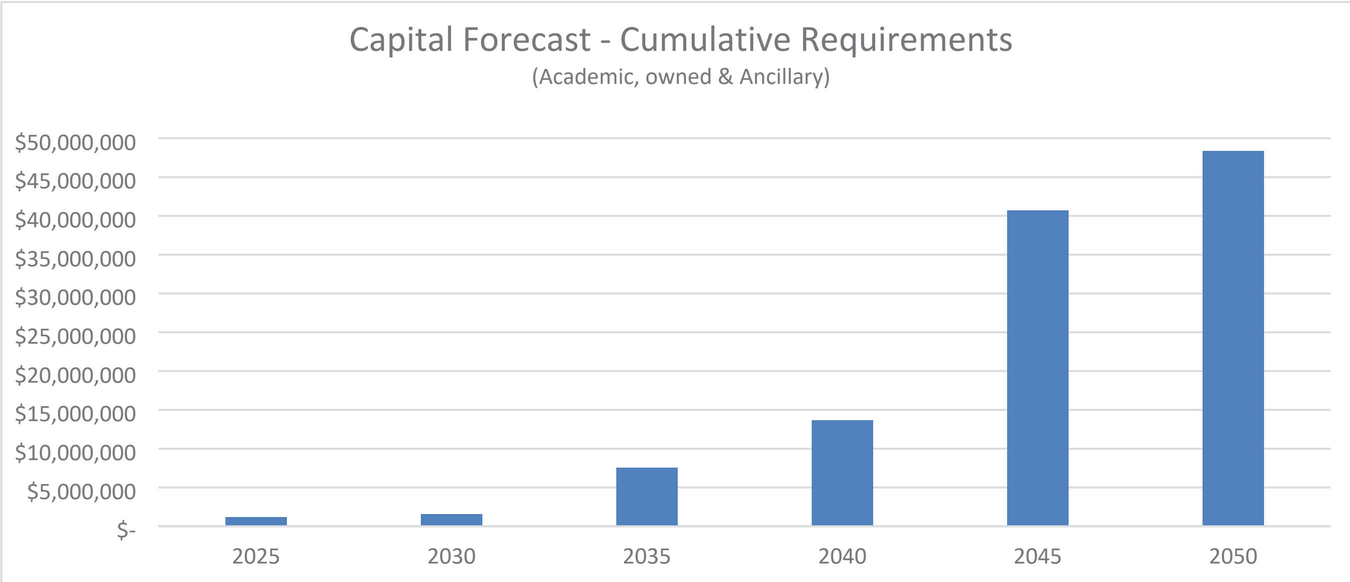
Deferred Maintenance

Deferred maintenance has been a top priority for facilities leaders for decades. As institutions face aging buildings and growing maintenance backlogs, tackling deferred maintenance has increasingly become a primary concern for boards, academic leaders, and students. Unaddressed capital needs have a direct impact on the ability to recruit students or attract star faculty critical to research and teaching excellence.

In *Committing to the Cost of Ownership: Maintenance and Repair of Public Buildings*, the Building Research Board concluded that an appropriate total annual budget allocation for routine maintenance and capital renewal is in the range of 2 to 4 percent of the current replacement value (CRV) of those facilities. Of this 4% it is proposed that 0.5 to 1.5 percent of CRV should be spent on annual operations and maintenance. When a backlog of deferred maintenance has been allowed to accumulate, spending must exceed this minimum level until the backlog has been eliminated.

At Ontario Tech, when focusing on owned facilities, the CRV is $305 million. This means we should allocate $6 to $12 million annually for capital renewal ($4 – 8M savings). Until 2019 Ontario Tech was spending about $1.5M annually on facilities renewal and had a planned reserve of $3.5M putting us under the minimum suggested range. This is not a high risk at this time as the majority of our buildings are in excellent condition based on the Facility Condition Index, which is the ratio of the cost of deferred maintenance to the cost of the current replacement value of the physical infrastructure.

As we look towards the future we must plan for greater investment. In 2020 the provincial government doubled our facility renewal grant to $2M; therefore, we are planning for capital improvements of about $2.2 million annually. 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. As we look out to 2040 the accumulated deferred maintenance will be over $14M and growing faster after that time.



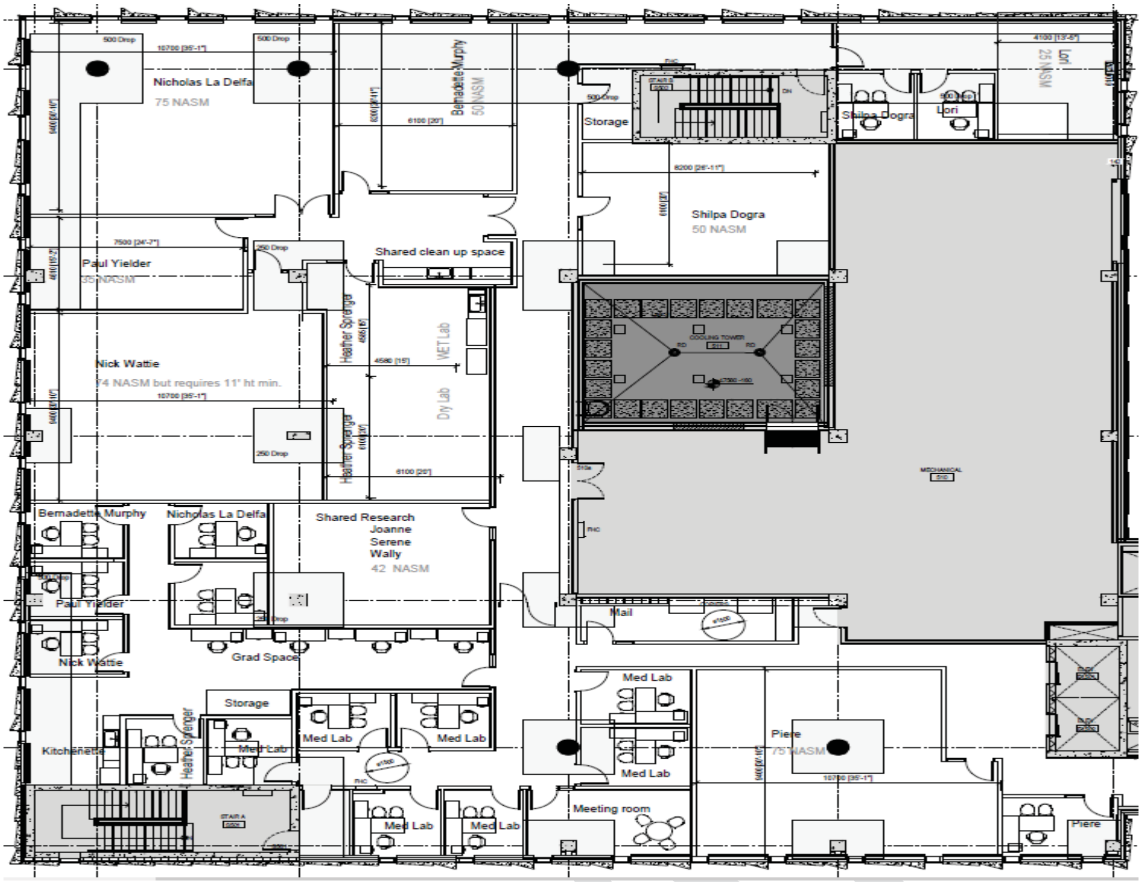
New Construction

While the space utilization and standards have changed, there remains a need for high quality space to support the University's core mission of teaching and research as we look to grow from 10,000 to 18,000 students and further engage our local community. Additionally, and maybe more fundamental, almost 30% of current space is either temporary (i.e. portables) or leased, compared to the system average of under 2%. Ontario Tech has set out an ambitious vision through the Integrated Academic- Research Plan (IARP) to re-imagine physical and virtual space. Ontario Tech is exploring ways to drive enrollment with the promise of a budding campus life and the allure of a state-of-the-art campus infrastructure that connects with our size and commuter campus stature. But, with the constant need for change and the ebb-and-flow of enrollment, we must deeply examine how we can keep up with multiple different, and sometimes conflicting stakeholder demands.

Construction of instruction and research space has been a significant issue since the inception of the University, and in today's funding regime there is no indication that the savior is going to come from outside the institution. In the absence of further investment in new facilities, it will be increasingly difficult to fulfill our mission of providing students with inspiring learning environments that prepare them for their future career and hiring high quality faculty and staff. The university has a number of planning documents in preparation for building opportunities. We will outline a few of these.

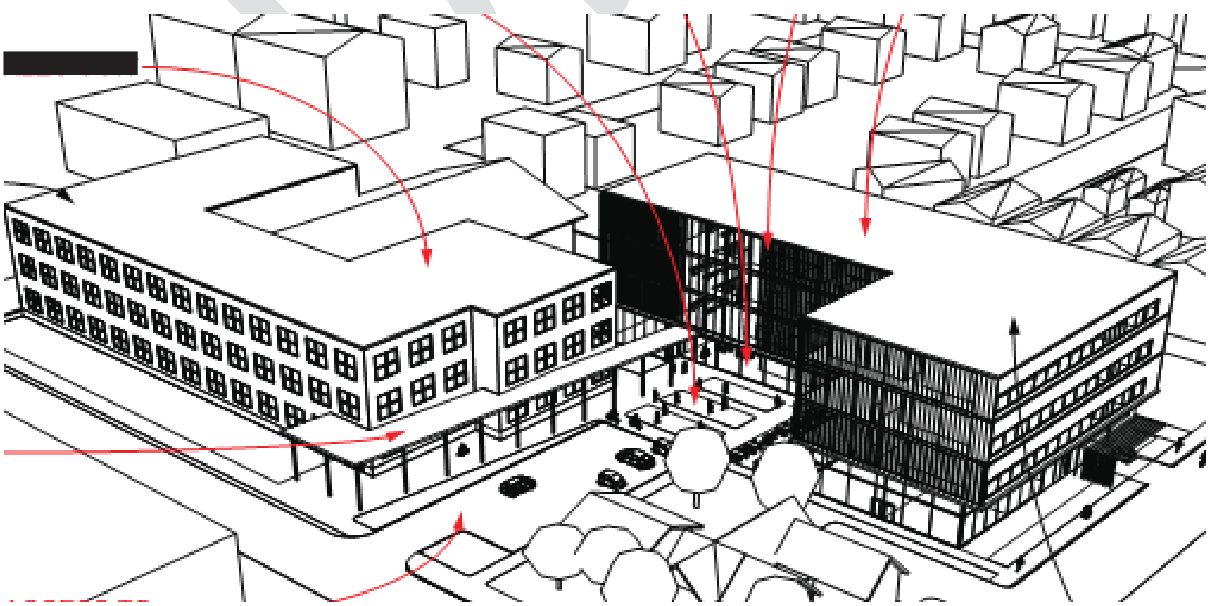
Shawenjigewining Hall

In the construction of our most recent building we planned for future expansion by constructing a shelled fifth floor that could be completed at a later date. This space has been designed for the goal of pulling together the remainder of Health Sciences that is spread across campus. This will give an additional 12,000 square feet and we estimate a need for $4 million to complete the project.



Downtown Expansion

The purpose of the project is to examine opportunities for space in Downtown Oshawa that respects the 2015 Campus Master Plan, and the 2011 Framework report. These plans address the need for high quality space to provide enhanced student success, quality learning, and innovative research within the University's financial plans. A key component of this design is to look at our current 65,000 square feet of leased space to see if it can be combined within five minutes of 61 Charles to create a core educational hub. With a parking structure at the bottom we estimate $35M. Interestingly by replacing leased space and using parking revenue this could have less than an eight-year payback period.



North Expansion:

As we plan for enrolment and research growth we must also plan for building growth. The new buildings design will incorporate a forward-thinking approach that puts a renewed emphasis on the quality of experience with the intent to build an academic community. A key desired outcome of the reimagining of space use at Ontario Tech includes the deliberate intent to erode artificial subject based boundaries to stimulate cross-disciplinarily discussion. The way we assign our spaces must respond to this blurring; encouraging and supporting its evolution. The current design shows 75,000 sq feet at a cost of $48M. As noted earlier, gone are the days of government funding the full building so we must be prepared to put up at least half of the funds should an opportunity arise.

Recommendation

With an assumed university contribution of fifty percent to new construction **we would have to set aside over $4M per year** to be prepared for the proposed buildings and required future maintenance.

Financial Update
Report to the Audit and Finance Committee
For 6 months ending September 30, 2021

November 24, 2021

Ontario Tech University

ONTARIO TECH UNIVERSITY
Financial Update – Report to Audit and Finance Committee – November 24, 2021
For 6 months ending September 30, 2021
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Ontario Tech University - Operating Forecast Summary
For the year ending March 31, 2022 (in $000 s)

The table below shows the variance of the projected year-end forecast vs the approved 2021-22 budget

	April 1, 2021 - March 31, 2022			
	Approved Budget	Y/E Forecast	Fav. (Unfav.) Forecast vs Budget $ / %	
Revenue				
Grants	81,677	89,034	7,357	9%
Tuition	82,951	88,922	5,972	7%
Student Ancillary	12,305	12,575	270	2%
Other	14,969	13,483	(1,486)	-10%
Total Revenue	**191,902**	**204,014**	**$ 12,112**	**6%**
Expenditures				
Academic	80,273	82,167	(1,894)	-2%
Academic Support	37,497	40,877	(3,380)	-9%
Administrative	30,551	30,790	(240)	-1%
Sub-total	**148,321**	**153,834**	**(5,514)**	**-4%**
Purchased Services	**12,749**	**12,434**	314	**2%**
Total Commercial	**8,546**	**7,662**	885	**10%**
Debenture Interest Expense	**9,312**	**9,312**	(0)	**0%**
Total Operating Expenses	**178,927**	**183,242**	**$ (4,315)**	**-2%**
Net Contribution from Operations	**$ 12,975**	**$ 20,772**	**$ 7,797**	**60%**
Capital Expenses	**4,897**	**9,162**	**(4,265)**	**-87%**
Principal Repayments - debenture/leases	**8,078**	**8,078**	**0**	**0%**
Total Net Surplus	**$ 0**	**$ 3,532**	**$ 3,532**	**N/A**

Other Disclosures - funded from external financing or prior year reserves

Utilization of prior year reserves	**$ 483**	**$ 483**	**$ -**	**0%**
New Building - loan	**$ 22,300**	**$ 20,650**	**$ 1,650**	**7%**

2021/22 Operating Forecast

Summary

Based on Oct 1, 2021 enrolment data, and expense forecasts from budget holders, the net operating surplus for the year is projected to be approximately $3.5M against an original balanced budget.

Total revenue is favourable $12.1M (or 6% against original budget), and includes $6.0M tuition fees due to higher than expected enrolment, $7.4M unexpected grants in support of virtual learning, student support and facilities renewal. These increases are offset by $1.5M unfavourable variance in other revenues attributable to the ongoing impact of COVID-19 on ancillary and commercial activities such as parking, athletics, and food services.

Total operating and capital expenses increased $8.6M (or 5% against original budget), of which $7.4M is funded by the unexpected grants received and/or recognized in the current year, with remaining increase reflecting additional investment in academic initiatives and faculty lab equipment and renovations.

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

Enrolment

FTE's	2020/21 actual	2021/22 approved budget *	2021/22 Oct update *	Oct 1 update vs approved budget
Undergraduate				
Domestic	8,291	7,802	8,396	594
International	521	559	644	85
Graduate				
Domestic	443	415	438	23
International	193	239	297	58
Total FTE's	9,448	9,015	9,775	760

** Oct 1 update reflects Sep Day 10 enrolment count.

Current eligible undergraduate and graduate enrolment projection is within the + / - 3% of the University's corridor midpoint.

2021/22 Operating Forecast (continued)

Enrolment

Increases were recognized across all faculties, except for a decrease of 7% (19 FTE) in the Faculty of Energy Systems and Nuclear Science. The increases are attributable to a higher than excepted number of returning students, offset by a decrease of 10% in first-year domestic undergraduate intake which will have a flow-through impact in the outer years' enrolment.

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.

Revenues

Total revenues are favourable $12.1M to budget:

1) Grants are $7.4M favourable to budget and includes additional specific grants received and recognized in the current year, and for which there are corresponding offsetting expenses. Significant grants include $2.4M of e-campus Ontario grant to support the evolution of virtual teaching and learning, $2.3M COVID support grant deferred from the prior year, $1.2M for student work placement and graduate awards, and $0.9M additional funding for campus facilities renewal.

2) Tuition is showing an upside of $6.0M against budget due to the higher than budgeted enrolment for both domestic and international students (see Enrolment table above).

3) Other revenues are unfavourable $1.5M due to the loss in our commercial revenues for ACE, food services, parking, and the athletic facilities, mostly attributable to the ongoing impact of COVID-19 and lower than expected number of faculty, staff and students on campus.

Expenses

Total operating expenses are unfavourable $4.3M to budget:

1) Academic units are unfavourable $1.9M against budget and reflects additional support allocated to instruction based on enrolment growth. These expenses are funded by the e-campus and COVID support grants received and/or recognized in the current year (see "Grants" under "Revenues" above)

2) Academic Support units are unfavourable $3.4M and includes $1.2M of expenses funded by the e-campus grant (see "Grants" under "Revenues" above), $1.0M in entrance scholarships as a higher than expected number of students met the eligibility criteria, $0.8M additional investment in academic initiatives, $0.5M increase in recruitment costs, and other immaterial variances.

3) Commercial Expenses are showing a positive variance of $0.9M and is attributable to cost savings to offset decreased revenues in ACE, food services, parking and athletic facilities (see "Other" in "Revenues" above).

2021/22 Operating Forecast (continued)

Capital

Capital Expenses are unfavourable $4.3M, and includes $2.8M capital investment in IT and Facilities infrastructure that are fully funded by the provincial COVID support grant and additional facilities renewal grant (see "Grants" under "Revenues" above), $1.5M in faculty lab equipment and renovations, including Nursing equipment in the new Shawenjigewining building

Conclusion

The current forecast is showing a net surplus of $3.5M based on current spending plans and the current COVID situation in the Region and the Province. Management is reviewing plans on where to strategically invest actual surplus at year-end, with the focus being on future capital renewal after two years of a strategic pause on capital reserves.

ONTARIO TECH UNIVERSITY
Consolidated Statement of Financial Position
As at September 30, 2021

		September 30, 2021		September 30, 2020		YOY Variance		March 31, 2021
ASSETS								
CURRENT								
Cash and short-term investments	**$**	**85,809,218**	$	60,999,225	$	24,809,993	$	53,127,071
Grant receivable		**8,385,350**		9,818,128		(1,432,778)		12,658,992
Other accounts receivable		**11,422,836**		43,875,791		(32,452,955)		5,343,153
Prepaid expenses and deposits		**2,454,947**		2,252,047		202,900		2,176,575
Inventories		**5,131**		39,416		(34,286)		5,131
		108,077,482		116,984,608		(8,907,126)		73,310,922
INVESTMENTS		**34,024,083**		29,607,087		4,416,996		31,947,275
Other Investments		**(467,074)**		-		(467,074)		(189,539)
Other Assets		**2,202,998**		-		2,202,998		2,000,007
CAPITAL ASSETS		**406,816,111**		395,798,780		11,017,331		405,978,815
TOTAL ASSETS	**$**	**550,653,600**	$	542,390,474	$	8,263,126	$	513,047,480
LIABILITIES								
CURRENT AND LONG-TERM LIABILITIES								
Accounts payable and accrued liabilities		**34,882,349**		34,888,478		(6,129)		32,995,232
Deferred revenue		**51,661,492**		79,110,008		(27,448,516)		28,244,367
		86,543,841		113,998,487		(27,454,646)		61,239,598
LONG TERM DEBT		**25,125,446**		303,027		24,822,419		301,525
OBLIGATIONS UNDER CAPITAL LEASE		**35,726,847**		36,593,387		(866,540)		36,173,825
DEBENTURE DEBT		**148,105,249**		154,875,907		(6,770,658)		151,543,488
DEFERRED CAPITAL CONTRIBUTIONS		**157,557,396**		157,381,631		175,765		161,007,867
		453,058,779		463,152,439		(10,093,660)		410,266,304
Net Assets								
UNRESTRICTED								
NET ASSETS, excluding current year surplus		**78,430,875**		61,266,522		17,164,353		63,286,186
ENDOWMENTS		**24,714,163**		23,660,499		1,053,664		24,350,300
CURRENT YEAR (DEFICIT) / SURPLUS		**(5,550,216)**		(5,688,985)		138,769		15,144,690
		97,594,821		79,238,035		18,356,786		102,781,177
TOTAL LIABILITIES AND NET ASSETS	**$**	**550,653,600**	$	542,390,474	$	8,263,126	$	513,047,480

ONTARIO TECH UNIVERSITY
Consolidated Statement of Operations
For the 6-months ending September 30, 2021

		September 30, 2021		September 30,2020		YOY Variance
REVENUE						
Grants - operating & research	$	**43,984,811**	$	40,253,061		3,731,751
Grant - debenture		**6,750,000**		6,750,000		-
Donations - operating & research		**148,545**		157,541		(8,997)
Student tuition fees		**28,588,832**		25,483,401		3,105,431
Student ancillary fees		**6,183,101**		5,449,851		733,249
Revenue from purchased services		**78,559**		252,468		(173,909)
Other income		**3,106,712**		1,725,181		1,381,531
Amortization of deferred capital contributions		**4,950,471**		4,975,059		(24,589)
Interest revenue		**121,753**		206,666		(84,913)
Unrealized gain on investments		**1,641,339**		3,327,385		(1,686,046)
		95,554,123		88,580,614		6,973,509
EXPENSES						
Salaries and benefits		**57,950,602**		54,041,355		3,909,247
Student aid, financial assistance and awards		**7,325,874**		6,246,543		1,079,331
Supplies and expenses		**11,772,360**		9,922,369		1,849,991
Purchased Services		**5,149,410**		5,461,706		(312,296)
Professional fees		**466,370**		444,563		21,807
Interest expense - Current Obligations		**89,254**		100,794		(11,540)
Interest expense - Long Term Debt		**6,240,404**		6,482,793		(242,389)
Amortization of capital assets		**11,819,394**		11,457,035		362,359
Loss on other investments		**277,534**		-		277,534
Loss on disposal of assets		**13,138**		112,441		(99,303)
		101,104,339		94,269,599		6,834,740
Excess of expenses over revenues	**$**	**(5,550,216)**	$	(5,688,985)	$	138,769

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UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Cash Flows
As at September 30, 2021

	September 30, 2021	September 30, 2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of expenses over revenue	**(5,550,216)**	(5,688,985)
Items not affecting cash:		
Amortization of capital assets	**11,819,394**	11,457,035
Amortization of deferred capital contributions	**(4,950,471)**	(4,975,059)
Loss on other investments	**277,534**	-
Loss on disposal of assets	**13,138**	112,441
Unrealized gain on investments	**(1,641,339)**	(3,327,385)
	(31,961)	(2,421,954)
Working Capital		
Grant and other accounts receivable	**(1,806,041)**	(35,967,184)
Prepaid expenses and deposits	**(278,372)**	18,248
Inventories	**-**	18,319
Accounts payable and accrued liabilities	**1,887,117**	7,382,157
Deferred revenue	**23,417,125**	56,903,801
	23,187,868	25,933,387
INVESTING		
Purchase of capital assets	**(12,669,827)**	(10,755,378)
Investments	**(435,468)**	(142,248)
Other Assets	**(202,991)**	-
Endowment contributions	**363,863**	124,384
	(12,944,425)	(10,773,242)
FINANCING		
Repayment of long term debt	**21,385,681**	(3,352,751)
Repayment of obligations under capital leases	**(446,978)**	(360,623)
Deferred capital contributions	**1,500,000**	160,366
	22,438,703	(3,553,009)
NET CASH INFLOW	**32,682,147**	11,607,137
CASH BALANCE, BEGINNING OF YEAR	**53,127,071**	42,339,591
CASH BALANCE, END OF PERIOD	**$ 85,809,218**	$ 53,946,728

CONSOLIDATED FINANCIAL STATEMENTS

Summary

In addition to normal operating activities, these statements reflect a new external loan of $25.0M for the long-term financing of the new Shawenjigewing Hall, the timing of registration for the winter semester (registration opened in November 2021 for the 2021/22 academic year vs July 2020 for 2020/21) and the ramp-up of activities attributable to the gradual re-opening of the campus facilities in the current year.

The Statement of Financial Position remains stable at the end of the reporting quarter with improved cash and short-term investments primarily due to underspending in the prior year and increase in current year operating and research funds coupled with timing of spend. Balance of cash and short-term investments include $26.0M of restricted cash attributable to research, donation, and commercial activities such as ACE and the Childcare Center.

Our debt position shows a slight deterioration with the additional long-term financing of $25.0M, offset by $7.6M repayment of debenture debt and capital lease obligations in the last 12 months.

Detailed Analysis of Consolidated Financial Statements

Assets

<u>Cash and short-term investments</u> increased $24.8M and is comprised of $8.4M of operating underspending in the prior fiscal year, $10.0M increase in operating funds and $5.0M increase in research to reflect increased grant funding and tuition, coupled with timing of spend, and other immaterial variances.

<u>Grant receivable</u> balance of $8.4M consists of $7.0M of operating grant receivable, of which $6.6M relates to the Collaborative Nursing grant which is funded on a slip-year basis, and $1.4M of research grant, all of which is current.

Grant receivable decreased $1.4M as the prior year included $1.0M in research grants that have since been received.

<u>Other accounts receivable</u> balance of $11.4M consists of net $8.0M of fall tuition fees receivable, $1.5M of trade, research and ACE receivable and $0.8M of sales tax receivable and other variances.

CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other accounts receivable decreased $32.5M as the prior year balance included $32.8M of tuition receivable for winter semester 2021 as students were able to register for both the fall and winter semesters for the 2020/21 academic year. Due to the uncertainty around COVID-19 and the public health guidelines, registration for winter 2022 was delayed and started after the end of the reporting quarter on November 9, 2021.

Investment balance of $34.0M relate to our endowed funds held at PH&N. The year-over-year increase of $4.4M is comprised of mark-to-market unrealized gains of $3.3M, new endowed donations of $0.9M, net investment income of $0.9M, offset by $0.7M bursary disbursements to students.

Other investments of $0.5M represent the University's accumulated investment in Ontario Tech Talent which is accounted for on an equity basis.

Other assets of $2.2M include $1.6M of a life insurance policy for which the University is the named beneficiary and $0.6M of related party loan to fund the start-up costs of Ontario Tech Talent.

Capital assets increase of $11.0M include net asset additions of $33.8M, offset by accumulated amortization of $22.8M.

Net additions in the last 12 months comprise of $25.7M investment in the new Shawenjigewining Hall, $3.1M donated land and building, $2.7M of major equipment of which $1.0M is funded by external research grants, $1.2M of building renovations funded by the facilities renewal grant, and $1.1M of IT equipment and laptops.

Liabilities

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

Balance of $51.7M comprises $31.5M deferred tuition representing three months of fall term fees not earned at the end of the reporting quarter, and $20.2M of revenues billed or received and not yet spent at the end of the period ($11.7M externally funded research grants, $4.3M expendable donations, $1.7M student ancillary fees, and $2.5M miscellaneous deferred revenues).

Decrease of $27.4M in deferred revenue is primarily attributable to decrease in deferred tuition due to the timing of registration for the winter semester in the current academic year 2021/22.

CONSOLIDATED FINANCIAL STATEMENTS (continued)

Long Term Debt of $25.1M includes $25.0M of long-term financing for the construction of the new Shawenjigewining Hall.

Current and long-term obligations under capital lease decrease represents the principal lease repayments for 61 Charles and 55 Bond in the current year.

Current and long-term debenture debt decrease of $6.8M relates to the principal repayment and resulting drawdown of the debt over the last 12 months. This debt is fully payable in October 2034.

Deferred capital contributions increase of $0.2M includes grants and donations of $9.8M received for capital projects in the last 12 months, offset by $9.6M accumulated amortization into revenues of capital grants and donations.

New grants and donations of $9.8M include $3.0M contribution from the University Student Union for the construction, use and occupation of the licensed areas in the new Shawenjigewining Hall, $2.1M donations for building capital projects, $2.0M facilities renewal grant, $1.7M for research capital projects, and $1.0M donated Stone House building.

The Statement of Operations shows a net increase of $7.0M (7.9%) in revenues, offset by a net increase of $6.8M (7.3%) in expenses.

Revenues

Grants increase of $3.7M includes $2.3M COVID support grant and $1.3M of e-campus grant received and/or recognized in the current year.

Student tuition fee increase of $3.1M is attributable to the increase in year-over-enrolment (net 325 FTE).

Other income increase of $1.4M relates to increases in commercial revenues such as ACE and athletic facilities as activities on campus ramp up after the physical closure of most of the campus facilities in the prior year.

Unrealized gains on investment relate to the mark-to-market gains on our endowed portfolio held at PH&N. The market is less favourable than the prior year with concerns around US fiscal and monetary policy, inflation fears and concerns about the Chinese property market which all contributed to knock equities from their upward trajectory.

CONSOLIDATED FINANCIAL STATEMENTS (continued)

Expenses

Salaries and benefits increased $3.9M and includes $2.4M in annual salary increases, $1.5M in annualized net new hires and restoration of prior year staff salary reductions in the current year, $1.4M increase in work study placements which are funded by "tuition set-aside" funds and grants, $0.9M in part-time labour to backfill vacant full-time positions, offset by $1.5M savings from vacant positions and $0.8M decrease in vacation accrual.

Student aid, financial assistance and awards increased $1.1M and is mainly due to increase in entrance scholarships as more students met the eligibility criteria in the current year.

Supplies and expenses increase of $1.9M includes increases in maintenance, janitorial expense cleaning services and other general expenses resulting from the gradual re-opening of the campus facilities in the current year.

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☒
		Information	☐

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

DATE: **November 24, 2021**

PRESENTED BY: **Brad MacIsaac, Vice-President, Administration**
Lori Livingston, Provost and Vice-President, Academic

SUBJECT: **Budget 2022 Assumptions and Priorities**

COMMITTEE MANDATE:

As set out in its Terms of Reference, this 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.

Today we are providing an update on an important step in the 2022-2023 budget planning process to help the committee fulfill its mandate and to obtain strategic feedback.

BACKGROUND/CONTEXT & RATIONALE:

At this point in time, the 2021 - 2022 Ontario Tech budget news is more positive than initially anticipated as the overall projected total enrolment is above our annual target. However, for the second year in a row the new student intake was below target. This will lead to potential budget issues in the coming two years unless we find ways to mitigate this impact. Second quarter forecast is a $3.5M surplus. As indicated at the February 2021 A&F meeting we want to reserve at least $1M at end of the year and implement an upward sliding scale model as we plan for more maintenance and future purchase. Since 2012 we have been budgeting $3.5M a year for the reserve; but, this stopped in 2020 due to COVID impacts on the university budget.

As we start to plan for 2022 – 2023 we have increased our three-year rolling enrolment target based on this year's results. The intent of the attached budget paper is to provide the Board, and the university community, with a general understanding of the revenues we expect and the expenses that are already accounted for. In the past the senior management team has spent time at the November and February meetings updating the Audit & Finance Committee on where it was at in the budget planning process and outlining some of the recommendations being considered. In April 2021 the Committee's discussion was limited as they felt they had already commented on most of the presentation previously. To avoid similar duplication going forward, we will limit this November meeting to a review of the assumptions and the priorities being considered.

The main questions for today's Audit & Finance Committee discussion are:

Do you feel comfortable with the current revenue and expense assumptions?
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.

Do you believe the priorities for funding are in line with the school's strategic priorities?
The first draw on the ~$203M budget is a reallocation to invest $6M more in personnel costs compared to 2020-2021. We are currently anticipating $3.5M to invest in our key priorities that are outlined on page three and four of the paper.

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:
The paper has been released to all employees and we have meetings set with Academic Council on November 23rd and an open virtual Townhall Meeting scheduled for November 29th.

Budget holders are to complete and submit their budget by December 17th. The leadership team will review the formal winter count data and finalize the budget submission. This will be presented to the Audit & Finance Committee in April 2022.

SUPPORTING REFERENCE MATERIALS:

Fiscal Blueprint 2022-2023, November 2021

ONTARIO TECH'S FISCAL BLUEPRINT 2022-2023

Budget Working Group, November 2021

Contents

Executive Summary

This paper outlines the initial phase of the 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 outlining some of the tensions we face due to multiple competing demands. The community is asked for their feedback on the specific questions listed below by emailing budget@ontariotechu.ca .

The budget process begins with stating our assumptions, yet we are still dealing with times of considerable uncertainty. Looking forward into 2022-2023, our total revenues are trending up in large part due to international student growth and the provision of increased commercial services (e.g.. food services and parking) in comparison to the previous fiscal year. However, there is a level of risk associated with the revenue assumptions as there is no indication of a new tuition framework from the government, whether we will need to continually respond to subsequent waves of the pandemic (if any), and the impact on our international recruitment targets as the international student market competition intensifies.

We are at the initial stages of setting the budget, yet based on current assumptions we are planning for revenues in excess of $203M. The plan is being developed to allow for flexibility to adapt to potential revenue swings. For example, while we feel secure in planning for $203M, we will prioritize an actionable items list for $210M in order to mobilize additional strategic activities, if and, when funds become available. At $203M, the current plan forecasts about $12M in additional revenue over last year. The first draw on the budget is an investment in our employees, including limited hiring of new full-time positions and the provision of mandated salary increases. The starting budget already includes $6M more in salaries and benefits compared to 2021-2022, allocating half of our estimated revenue increase. Excluding the $13.5M debenture grant, 70 per cent of our budget covers employee compensation.

After reviewing the total base expenses (i.e., items we have committed to such as salaries, facilities, financial aid, etc.) we may have $3.5 to $6.5M remaining for allocation. This range is set based on achieving enrolment targets with the low end being a target for budget and the high end being aspirational. There are limited funds available and this requires a strategic and focused approach to spending, which aligns with the Integrated Academic-Research Plan (IARP).

Figure 1 – Ontario Tech Forecasted Operating Budget

Revenue Summary	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Forecast	2022-23 Budget*
FFTEs	*8905*	*8975*	*9438*	*9016*	*9774*	*9450*
Tuition	$82,247	78,590	81,440	82,511	90,008	93,055
Grant	$82,375	81,065	82,371	80,972	81,849	82,102
Ancillary	$12,541	14,453	11,155	12,305	13,087	12,697
Other Revenue	$9,031	8,087	3,237	4,861	5,134	4,699
Donations	$1,332	2,030	1,103	960	960	1,460
Commercial	$7,350	8,342	5,751	9,394	9,394	9,394
Total Revenue	**$194,876**	**$192,568**	**$185,058**	**$191,003**	**$200,432**	**$203,407**
Expense Summary						
FT Labour	$88,555	95,468	97,429	105,747	105,241	111,286
PT Labour	$20,522	21,153	16,855	16,603	18,078	14,859
OPEX	$67,977	67,513	55,887	64,943	68,527	69,704
Capital	$9,307	4,223	6,571	4,609	4,609	3,844
Total Expenses	**$186,360**	**$188,357**	**$176,743**	**$191,903**	**$196,455**	**$199,693**

The IARP identifies four priority areas of focus. As we start to emerge out of a number of years of budget austerity created by a combination of provincial tuition cuts followed by freezes, lower than planned new domestic enrolment, and pandemic uncertainty, we must identify and prioritize a few key investment areas.

As you read the paper, we want your feedback on the following:

- With limited net revenues and numerous possible expenditures, what priorities from the IARP do you feel that we should seek to invest in, or protect?

- Projected operating costs are increasing at a faster rate than government support, creating a budget gap. To narrow the difference, we need to increase revenues (through increased enrolment, fees, and alternative sources, where possible) and adjust expenditures. What are our net new revenue generating opportunities? How might expenditures be reduced?

- Increasing international tuition is one key lever to address rising costs but we realize challenges are created for students by tuition increases. We have invested significantly in bursary support for students in need. In addition to current supports, are there better ways we can support students for whom increased tuition represents a financial hardship?

Planning and Budgetary Context

This paper provides an overview of our main revenue streams and expenses, and forms the basis for a discussion on the challenges the current budget context poses, as well as the investments we need to prioritize. This budget paper marks the initial phase of the 2022-2023 budget process that is intended to enhance the community's understanding of the challenges and opportunities the budget context presents. Coupled with this is the opportunity to invest limited funds into shared priorities. The focus is on the operating budget, revenues and expenses, which represents 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 and Research Plan (IARP) and the Strategic Research Plan), our path will help to 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 focuses on tangible gains in the year ahead.

The current financial context requires ongoing fiscal discipline to address budget pressures and release resources to invest in our plans. We remain committed to finding efficiencies and identifying net new resources available to fund priority areas. The Senior Leadership Team has had an initial review of resources, and is pleased to see that the budget austerity measures that were put in place over the past few years as well as the enrolment performance for the current year, have provided for some one-time only revenues to investment in strategic priorities for fiscal 2022-2023. The spring release of the 2021-2023 IARP marked enduring continued commitment to our four priority areas: Learning Re-imagined, Creating a Sticky Campus, Tech with a Conscience; and Partnerships. When acted upon, these priorities will move us towards realizing our university's vision. The following areas of focus were discussed at the Board of Governors' Strategy and Planning meeting as strategies to move forward over the next fiscal year:

- **Sticky Campus**
  - Commitment to mental health and equity, inclusion and diversity:
    - Provide supplemental supports by increased resources for faculty, staff and students.
    - Strong acknowledgement of stressors experienced by community members contributed by global pandemic.
    - Concentration on the potential changes to work settings with greater focus on employee choice, conditions to ensure positive engagement and an environment that promotes inclusion, collaboration and equity in learning, teaching, and research.

- **Sticky Campus/Learning Re-imagined:**
  - Student-centric university:
    - Strategic Enrolment Management Framework—Long-term enrolment plan aligned with institutional vision and priorities, and retention programming.
    - Concentration on student success and the entire student lifecycle with greater focus on digital recruiting, and analytics to help student success and enhanced connections with alumni for lifelong learning.
    - Increased research opportunities for undergraduate and graduate students.

- **Learning Re-imagined/Tech with a Conscience:**
  - Innovative programming:
    - Re-invent learning by defining and constructing high-quality pedagogical practices specifically designed for use with technological solutions and experiential components.
  - Differentiated technology and physical space:
    - Invest in, and utilize, an expanded array of technological platforms and assets while simultaneously exploring and identifying new opportunities in relation to the technology pedagogy interface.
    - Repurpose and re-imagine space to support learning, research and community engagement.
- **Learning Re-imagined/Partnerships:**
  - Incentivize scholarship of teaching and enhancing teaching practices:
    - Focus on leading in pedagogy and technology scholarship and research that is learner focused.

Remaining focused on strategic priorities in a financially constrained environment requires campus community to work together. This includes following our budget guiding principles, as established in 2019, to develop a balanced annual Operating Budget and working to ensure decisions are financially sustainable in the long term. The principles to guide the budget setting process note that we are committed to:

Students:	Providing an excellent learning environment and student experience.
Faculty and Staff:	Minimizing the impact on people by finding efficiencies.
Access:	Enhancing a diverse and inclusive campus community.
Communication:	Communicating regularly 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. Our campus community will continue to come together to consider our future, and identify how we can achieve our vision through thoughtful, sustainable decisions that will strengthen our University.

Most 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, with the exception of international student tuition, are governed by the Province of Ontario. The era of Ontario universities receiving funding based primarily on enrolments has changed. Institutional supports from government are capped and an increasing proportion of the existing enrolment funding will be performance based. We now find ourselves needing to stabilize our revenue base to cover inflationary expenses, while prioritizing resources to invest in our IARP. Alternative sources of revenue, enrolment growth, and meeting our performance targets with the provincial government are all required to ensure ongoing financial stability.

We have long-term plans to grow to 20,000 students, with near term enrolment commitments set out in our current Strategic Mandate Agreement—2020 -2021 to 2024-2025 (SMA3) with the provincial government. Our eligible domestic student enrolment goal was to maintain enrolments at 2020 levels, while growing international student enrolment 250 per cent overall for the same time period (e.g. 750 to 2,000) to achieve an overall international student population representing 15 to20 per cent of our total enrolment. We have increased our overall proportion of international students in 2020 and 2021 from 7.5 to 9.3 per cent despite the global pandemic. Domestically we have challenges, having missed our intake targets in 2020 and 2021. This is due to a number of factors including increased competition from Ontario universities for domestic students during the pandemic, timing of the university's rebrand and its impact on the applicant pool, and capacity limits in high-demand programs where clinical placements and space needs create significant barriers. The good news is that our strategic enrolment management (SEM) strategies are working. With the Ontario population on the cusp of a demographic upturn in the greater Toronto area (GTA), and the implementation of SEM strategies, the university is moving to stabilize and strengthen its domestic student population and continue its international growth.

These assumptions are set with the information we have at this point in time and will be revised as new information becomes available. Any shift in the assumptions, positive or negative, will impact budget projections. For example, our assumptions may change if we enrol 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, and so on. As we look to the next three years, our assumptions include:

- **Enrolment** (Figure 2): Overall enrolments will decrease as our missed domestic intake targets in 2020 and 2021 flow through the next four to five years. Decreased in-person recruitment events (e.g. cancellation of the Ontario Universities Fair and high school recruiting visits) negatively impact our ability to attract our incoming class. Provincially, university-aged population demographics are holding steady, with an increase in the GTA and decreases in other parts of Ontario, yet overall there is an increase in competition for students amongst Ontario post-secondary institutions. New university and college programs are being created to address student demand and interest, and satellite campuses in the GTA to service students are increasing, thus requiring us to diversify our recruitment efforts to include new and enhanced pathways and non-traditional learner populations locally and globally.

- **Grants:** These are expected to remain flat until 2024, the end of the SMA3 period, as the province has implemented a model that provides institutions with the same level of support that was received in 2016-2017 and 2019-2020 for universities that experienced graduate growth. The implementation of performance-based funding has been delayed until at least 2023.

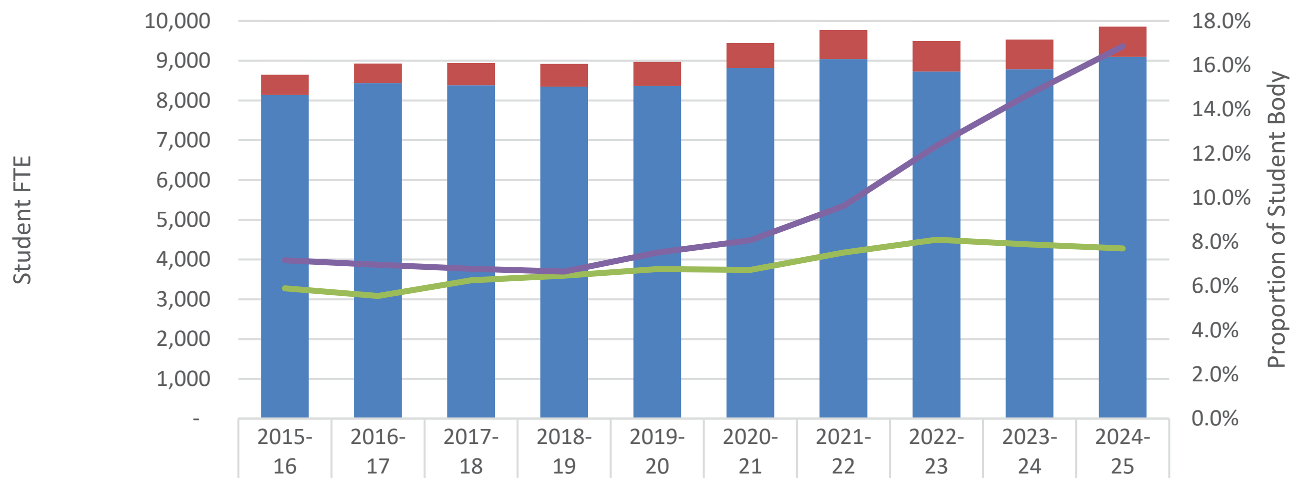
- **Tuition:** Domestic tuition fee rates were decreased 10 per cent in 2019-2020 and then frozen. At present, we do not have any information on the domestic tuition framework for future years. The assumption is that the tuition freeze will continue.

- **Ancillary Fees:** These fees are governed by a provincially imposed fee protocol that allows for an annual inflationary increase. The 2022 rate is 2.6 per cent.

- **Commercial Revenues** (e.g. parking, food sales, facility rentals)**:** We anticipate that these will begin to increase above pandemic levels going forward.

- **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 three years. With known increases in cleaning supply costs, required lab kits, and food costs, we anticipate limiting operational expense increases at the rate of inflation will be difficult.

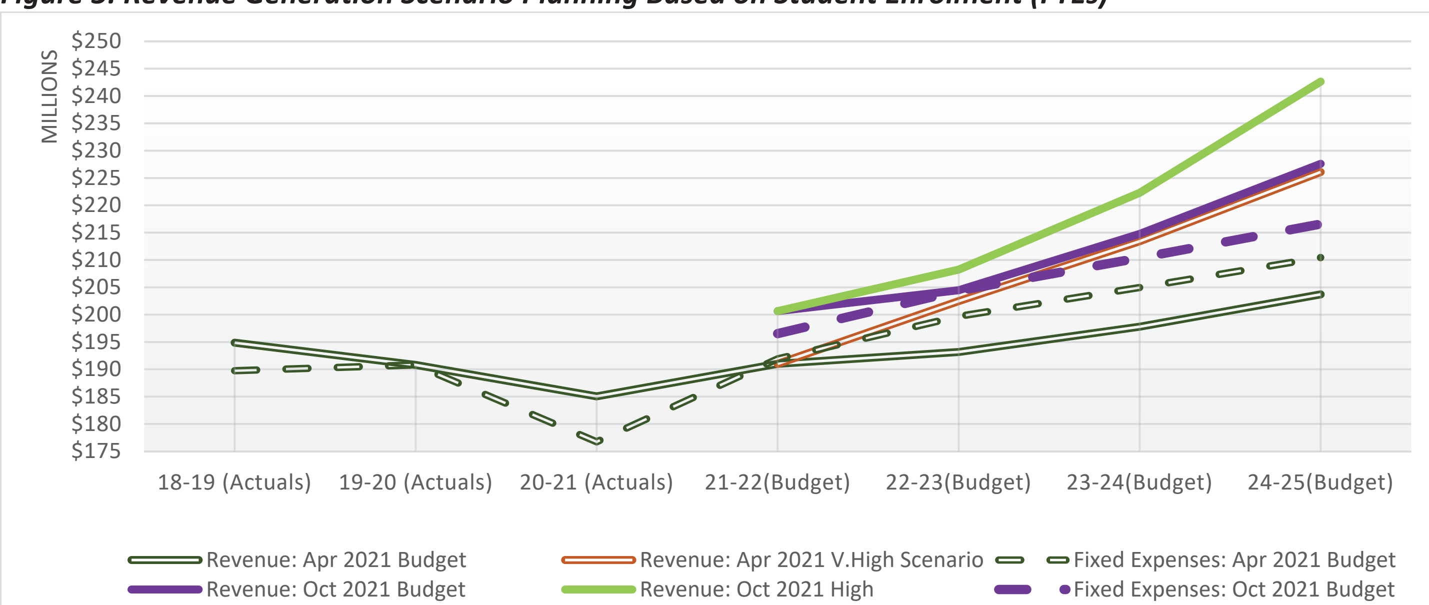
Figure 2: Forecasted Student Enrolment (FTEs)



	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
New UG intake	2,612	2,443	2,658	2,629	2,496	2,710	2,684	2,735	2,858	2,909
GR FTEs	510	496	560	578	607	636	735	769	752	759
UG FTEs	8,139	8,434	8,383	8,347	8,362	8,813	9,039	8,727	8,785	9,096
% Graduate	5.9%	5.6%	6.3%	6.5%	6.8%	6.7%	7.5%	8.1%	7.9%	7.7%
% International	7.2%	7.0%	6.8%	6.7%	7.5%	8.1%	9.6%	12.3%	14.7%	16.8%

Based on the assumptions above, we expect our 2022-2023 budget scenario to track to last years very high revenue scenario of just over $200M in 2022-23 (Figure 3). We also see that with the budget scenario our fixed expenses and inflation are consuming almost all of our revenues with the potential for increased allocations if we hit our high target.

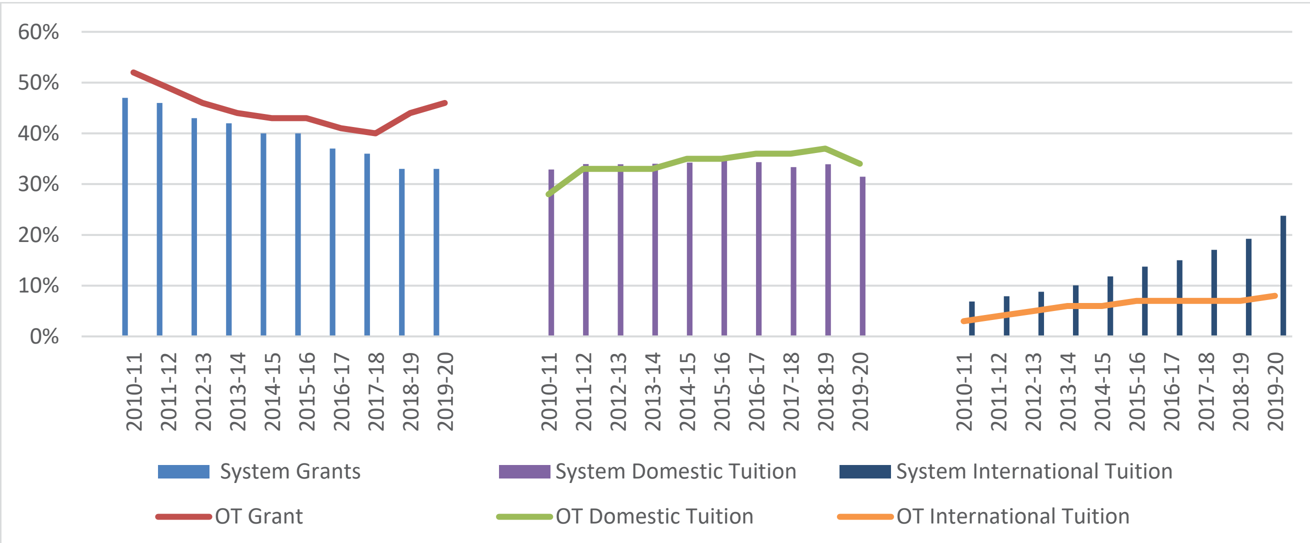
Figure 3: Revenue Generation Scenario Planning Based on Student Enrolment (FTEs)



Revenue Sources

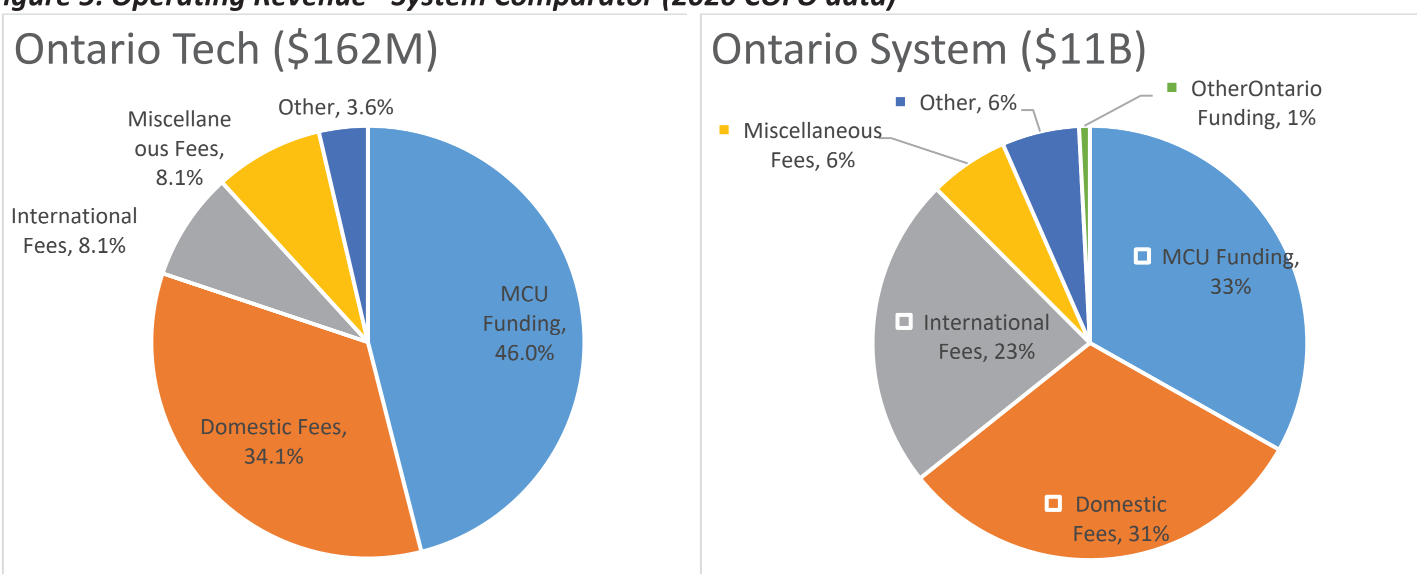
A university's revenue is primarily a function of the number of students who register and the policies put in place by the provincial government that enhance or constrain revenue growth. In Ontario, government grant funding for universities has consistently decreased, while income from international students has grown (Figure 4). In summarizing the current revenue conditions, it is important to note that the university's two main revenue streams, domestic tuition and government grants, are currently frozen. The university sector is advocating to the government for recognition of the impact fiscal constraints put on the quality of programs and student experience. To help address this, universities are collectively lobbying for flexibility within the tuition fee policy and operating grants frameworks. Until responses to lobbying efforts are known, it is prudent to assume the university system will not see net new revenue from grant or increased domestic tuition fees in 2022-2023. Any additional revenues will come from increases in enrolment, more specifically international.

Figure 4: Ontario Revenue Source Percentages



When adding in other fees such as student ancillary fees, in 2019-2020 our 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 5). 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 5: Operating Revenue - System Comparator (2020 COFO data)



Tuition Fees

Tuition is comprised of both domestic and international amounts and represents what undergraduate and graduate students pay for educational instruction. Currently, tuition fee levels for our undergraduate domestic students nears 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 $9.4M (2019-2020) and $12M (2020-2021) relative to what we had expected. As a result of the cuts to domestic tuition fees, all institutions across Ontario including Ontario Tech have implemented and/or enhanced their international recruitment strategies to grow their revenue streams. As a result, competition for international students continues to rise in Canada, as well as globally. For 2021-2022, we proposed an increased international undergraduate tuition fees by 10 and five percent for new and continuing students, respectively. Even with these increases, our international tuition fees remain 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, and a variety of other student-centred services). These represent about 12 per cent of total student fees. Over the past five years we have 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 Shawenjigewining Hall).
- The cost of UPASS program (unlimited use of Durham Transit system at a greatly reduced price).
- Direct access to degree program-related software packages.

Government Grants

In 2016, the provincial government announced an enrolment-based funding formula where institutions receive a fixed 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 undergraduate and graduate enrolment numbers with an opportunity for adjustment for SMA3 based on approved graduate performance. In 2019, as part of the third round of Strategic Mandate Agreements, the funding allocation moved to being heavily tied to performance and outcomes measures. Due to the COVID-19 pandemic, the provincial government has paused linking our funding to these new performance and outcome measures for the first two years of SMA3. Performance funding budget implications are slipped one year, thus any impact on the institutional budget would be in fiscal 2023.

Expenses

Operating expenditures 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 reduced government support as well as escalating costs as described above, our current budget assumptions forecast that we will have funds in 2022 for strategic investments. There are a number of services that are mandated for increases, which are automatically added to the base budgets. This may be required by government, external agreements or existing university policies. For example, we have ‘restricted funds’ 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 (e.g. Campus Health Services fee collected from students applies directly to the operational expenses of this service and cannot be used for any other purpose). Some monies received through government grants are also restricted (e.g. the debenture grant, which is valued at $13.5 M annually and covers a portion of the $16.5 M expense).

Opportunities for Investments

As we look at the 2021-2022 budget compared to the forecasted 2022–2023, there is a projected $12M increase in net new revenues. The initial draw on this incremental revenue includes, but is not limited to, $3M to cover salary increases, $1.5M in full-time hires that were approved or delayed from the previous year (offset by dropping the one-time only part-time support), $2M in student financial support/awards, $2.5M for capital reserve, and $1M in loan interest.

As a result, the university has approximately $3.5M to invest in priorities for 2022-2023. The plan is being developed to allow for flexibility to adapt to potential revenue swings. For example, while we may feel secure in planning for $3.5M, a prioritized list of actionable items as if we had $6.5M will be developed through the budget process so we can mobilize additional strategic activities if, and when, funds become available. This methodology includes a contingency fund to mitigate unplanned expenditures or reduced revenue from missed enrolment targets. Budget projections and assumptions will be updated as we respond to feedback and incorporate updated enrolment projections into the budget process.

The next sections outline some areas of opportunity to invest in priority areas that align with the IARP. Anticipating that asks will exceed the funds available, we are asking for community input to inform our decision-making processes as well as feedback on how to maximize our impact in the goals we have set for ourselves. As we work towards a sustainable future, the goal is to invest the resources we have strategically to improve student experience through our programs, facilities and services. The following are examples of potential areas of investment for consideration through the budget consultation process.

Personnel Costs

Just under 70 per cent of our annual budget supports personnel costs, including salaries and benefits. Year-over-year increases are a factor, as are new faculty and staff hires, and annual salary raises for existing employees. The base budget already includes $6Mmore for full-time employees compared to 2021-2022 budget. This is approximately half of the total revenue increase. Our salary increases have annually grown by $3 to3.5M over the past few years. To provide some context, given that grant and tuition revenues remain flat for the foreseeable future, we would need to enrol about 350 more students per year to cover existing year-over-year inflationary salary costs.

In 2011, our Senior Academic Team set a goal to improve the student-to-faculty ratio from 36:1 to 31:1 in an effort to enhance the educational experience of our students and move closer to the provincial average. Based on the current budget and high enrolment scenarios, our current faculty complement would keep us in this target ratio range. We must consider investing in the faculty and staff complement to bolster program capacity (new and existing), to enhance our ability to move toward quality hybrid learning, enhanced co-operative education offerings, and to strengthen supports for teaching and learning, technology, and our student recruitment efforts.

Figure 8: Staff Complements (FTEs)

FTE's	2018-19 Budget	2018-19 Actual	2019-20 Budget	2019-20 Actual	2020-21 Budget	2020-21 Actual	2021-22 Budget	2021-22 Actual
Filled		1-Oct		1-Oct		1-Oct		1-Oct
Tenure/Tenure Track	221	204	208	214	217	217	215	221
Teaching Faculty	83	74	80	79	84	81	80	83
Support Staff - Durham College	68	68	67	67	64	64	60	63
Support Staff - OPSEU		-	254	277	279	277	276	276
Non-Union - Admin/Support	431	413	172	147	152	145	152	152
Total FT	803	759	781	784	796	784	782	795

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, including portables and storage facilities, and seven leased) totaling more than 115,000 gross square metres of space. Embedded in this number is more than $5Ma year in building leases and $3Mfor the unfunded portion of the debenture. While 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. Since 2012 we have set aside $3.5M for future capital needs but to balance the budget we paused this for the last two years. We now estimate a need for more than$5M for the next decade to deliver on planned activities such as normal repairs (e.g. roof replacements) and future buildings (e,g, 61 Charles Street Building and library expansions).

Financial Aid Costs

Six per cent of our budget is allocated for scholarships, bursaries and fellowships to help students attend our 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 $10M to support students. In 2019, we proposed a plan to grow our annual intake from 125 to 400 new international students by 2024, thereby growing our international student numbers to be closer to that of the Ontario university average. Due to continued travel restrictions, in 2021 we revised our international student intake targets to 180 for 2021 and 225 for 2022. However, with our current international recruitment focus, we are on track to surpass 250 this year. These students will need supports both in service areas (e.g. Student Life services, which will be covered through ancillary fees) and financial aid as the students are coming from different economic backgrounds. A one per cent international tuition rebate and investment in student supports would cost more than $250,000 annually.

Information Technology Costs

Four percent of our budget is dedicated to IT operating costs and capital purchases. The majority of this is used to keep the basic functions and existing licenses in place. As we look towards the future, we need to consider what funds are required to support learning re-imagined. This includes the purchasing of hardware/software platforms to enhance in-class learning opportunities, moving our information systems to cloud-based services, strategically using artificial intelligence to help with transactional tasks, and launching a customer-relationship management initiative in support of recruitment, advancement, research, continuous learning and other functions. We must consider our investment in a digital strategy to support teaching, research and administration that will lead to transformative advancements at the intersection of pedagogy and technology. Initial planning requires investments of $3M per year over the next three years to accomplish this.

Key Budget Risks

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

- **Uncertainty in achieving enrolment targets**, 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 full-time equivalents (FTEs) is reasonable. With increasing competition for students and the lingering effects of the pandemic, we must stay focused on this area.

- The province's **shift to a performance-based funding model** with SMA3 has a growing percentage of funding tied to achieving key performance indicator (KPI) targets. Due to the global pandemic, funding has been decoupled from performance until 2022-2023. As we look to the third year of the agreement, we anticipate that a number of our performance/outcome indicators will be negatively impacted.

- **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 has emerged 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 continue to deliver, and improve these vital online services.

- **Physical/virtual infrastructure:** One of the first budget areas to be reduced over the last few years was the repair and replacement of equipment. The chances of equipment failure only increase as the equipment ages. We will increase in year spending to look after capital renewal and return to increasing our planned reserves for future needs.

Summary

Ontario Tech strives to advance its strategic priorities while ensuring that we engage in financially responsible budgeting practices. This paper aims to provide a better understanding of our main revenue streams and expenses as we focus on the upcoming 2022-2023 budget and provide the basis for discussion on investing in institutional priorities.

It is important to note that our two main revenue streams (domestic tuition and provincial government grants) are currently frozen, while expenses continue to rise due to yearly salary increases and the costs of inflation. We have 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.

The budget assumptions provide $3.5 to $6.5M for strategic allocations depending on the enrolment levels and program mix met. Resource allocation is important to everyone who is part of the institution. We will continue to provide information so that our campus community better understands the issues and factors that must be considered when we make necessary, but also difficult, decisions in our current fiscally constrained environment.

We your feedback through open sessions or by emailing budget@ontariotechu.ca on the following questions:

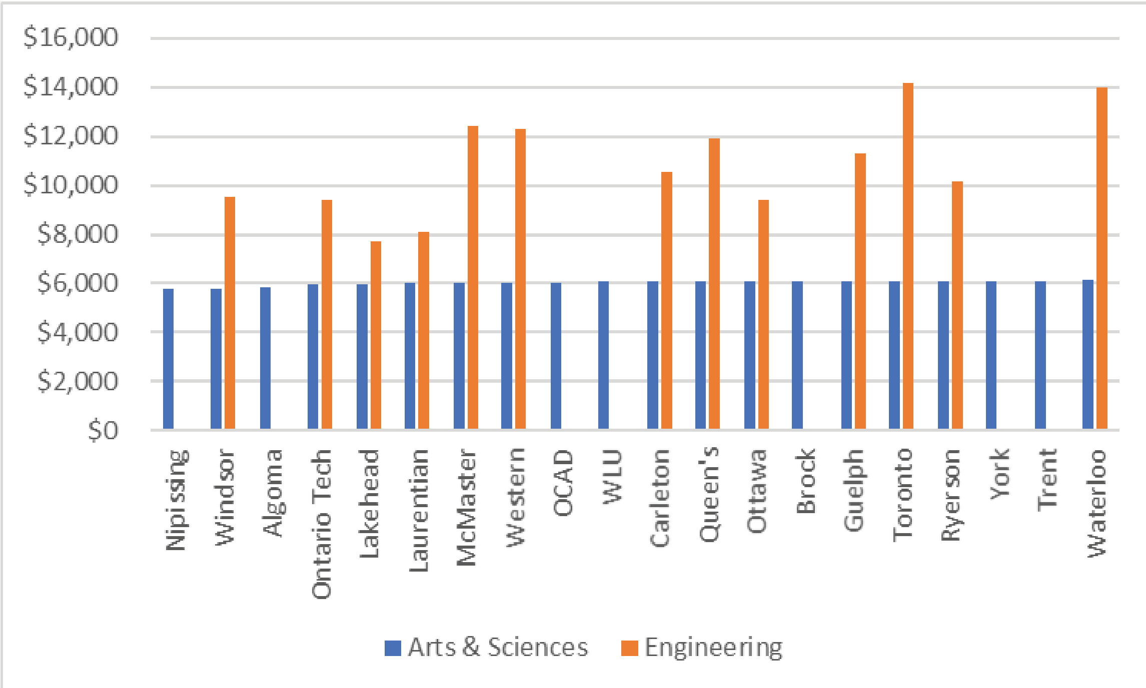
- With limited net revenues and numerous possible expenditures, what priorities from the IARP do you feel that we should seek to invest in, or protect?

- Projected operating costs are increasing at a faster rate than government support, creating a budget gap. To narrow the difference, we need to increase revenues (through increased enrolment, fees, and alternative sources, where possible) and adjust expenditures. What are our net new revenue generating opportunities? How might expenditures be reduced?

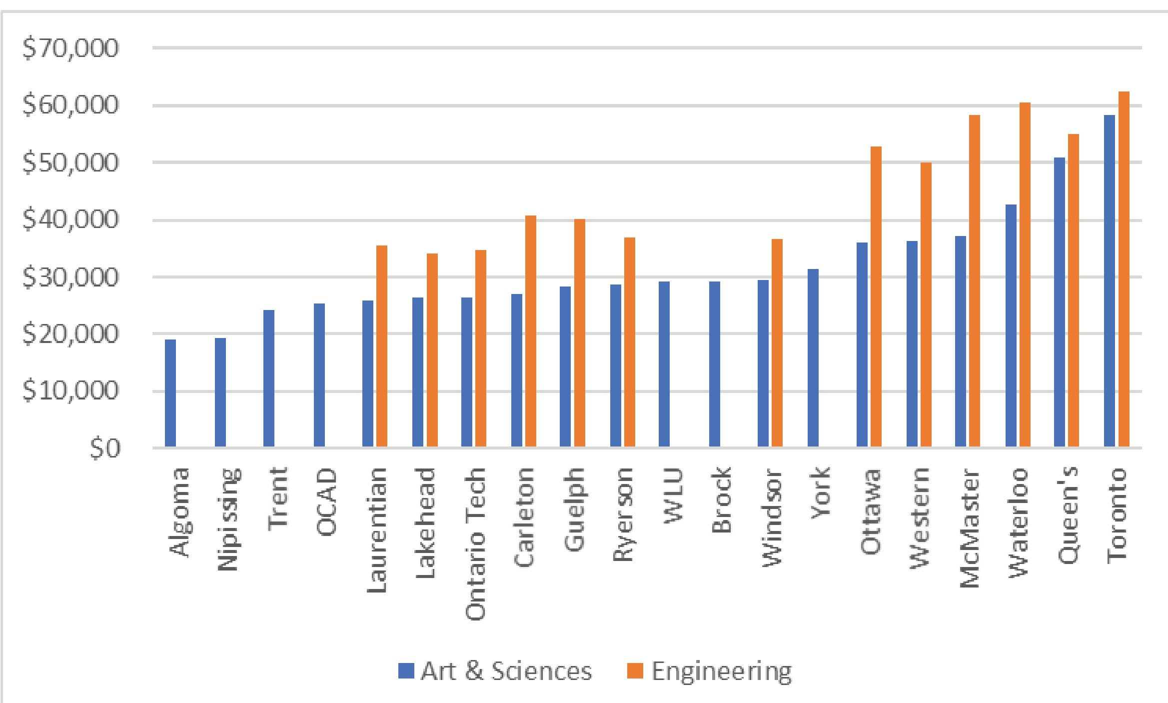
- Increasing international tuition is one key lever to address rising costs but we realize challenges are created for students by tuition increases. We have invested significantly in bursary support for students in need. In addition to current supports, are there better ways we can support students for whom increased tuition represents a financial hardship?

Appendices

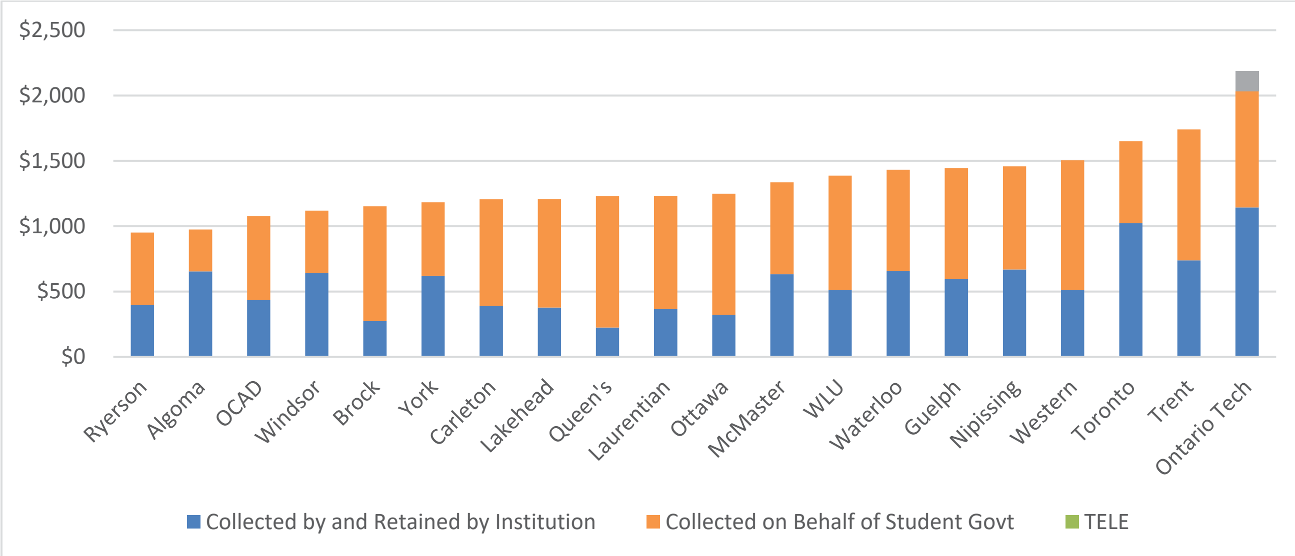
Appendix A: Ontario Undergraduate Domestic Tuition, 2020-2021



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, six other schools had a similar program (Carleton, Ottawa, McMaster, WLU, Waterloo, Western).
- $277.10 for referendum approved capital projects (e.g. OTSU space and Campus Recreation Centre).

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☒
Non-Public	☐	**Discussion/Direction**	☐
		Information	☐

TO: **Audit and Finance Committee**

DATE: **November 24, 2021**

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

SUBJECT: **Review and Update of Statement of Investment Policies**

COMMITTEE/BOARD MANDATE:
The board is responsible for governing and managing the financial affairs of the university.

Audit and Finance Committee is responsible for overseeing the management of the university's investments (Funds) in accordance with the university's Statement of Investment Policies (SIP). This includes, but not limited to: reviewing on an annual basis the SIP and making appropriate recommendations to the Board.

We are seeking the committee's recommendation of the revisions to the SIP for Board approval as editorial clean up.

BACKGROUND/CONTEXT & RATIONALE:

The overall investment objective is to obtain the best possible total return on investments that is commensurate with the degree of risk that Ontario Tech is willing to assume in obtaining such return. In summer 2021 the investment committee recommended a number of changes to the SIP to ensure more flexibility to respond to market changes without a reduction in accountability. These were approved by the Board at the June 2021 meeting.

Section 7.1: Management worked to merge the SIP and Asset Class Management Procedure (ACMP) to ensure maximum flexibility with minimal changes. When we deleted the ACMP we deleted all references excepted for one in section 7.1. We are looking to delete that reference now.

Section 6.1: In early November 2021 PH&N wrote to inform the university of changes to Mortgage Pension Trust (MPT), which has a 15% allocation in the Ontario Tech University portfolio. In summary, the MPT's liquidity is changing from daily to quarterly. This is an important change, but one that PH&N believes will have minimal impact on the Ontario Tech portfolio in the context of its historical disbursement profile, PH&N's understanding of future disbursement needs, and MPT's role in reducing overall portfolio interest rate sensitivity without sacrificing yield. As such, PH&N does not recommend any portfolio changes.

In light of the changes to MPT's redemption schedule from daily to quarterly liquidity, PH&N have decided to reclassify the Fund from fixed income to Alternatives, effective April 1, 2022. In general, Alternative investments are a broad category of investment solutions that are typically more complex and less frequently traded than public bonds or stocks. Reclassification of the Fund ensures its alignment with other private market instruments with a similar quarterly redemption provision. It is important to note that this does not reflect a change in strategy for the portfolio or of the Fund itself, but simply a change in classification. Based on this reclassification we will revise section 6.1 with a direct move of our target and ranges.

IMPLICATIONS:

These changes are intended to clean up the SIP document and do not have any implications.

NEXT STEPS:

- Subject to the committee's recommendation, the updated SIP will be presented to the Board for approval on December 9, 2021.

MOTION for CONSIDERATION:

- *That the Audit and Finance Committee hereby recommends the proposed amendments to the Statement of Investment Policies, as presented, for approval by the Board of Governors.*

SUPPORTING REFERENCE MATERIALS:

Appendix A – blacklined SIP

1.0 Purpose

The purpose of this Statement of Investment Policies (“SIP”) is to define the management structure governing the investment of non-expendable (endowed) university funds, and to outline the principal objectives and rules by which assets will be managed. The assets will be managed in accordance with this Statement and all applicable legal requirements. Any investment manager (“Manager”) or any other agents or advisor providing services in connection with assets shall accept and adhere to this Statement.

2.0 RESPONSIBILITIES

2.1 Board of Governors

The Board of Governors (“the Board”) of the university has responsibility and decision-making authority for these assets.

As part of its fiduciary responsibilities, the Board will:

- appoint members to sit on Audit and Finance Committee;
- receive the Audit and Finance Committee’s recommendations with respect to the SIP and approve or amend the SIP as appropriate;
- review all other recommendations and reports of the Audit and Finance Committee with respect to the Fund and the selection, engagement or dismissal of professional investment managers, custodians and advisors, and take appropriate action.

2.2 Audit & Finance Committee

The Committee may delegate some of its responsibilities to agents or advisors. In particular, the services of a custodian (the “Custodian”) and of one or more investment managers (the “Manager”) may be retained. As part of its fiduciary responsibilities, the Audit and Finance Committee will:

- maintain an understanding of legal and regulatory requirements and constraints applicable to these assets;
- review the SIP on an annual basis, and make appropriate recommendations to the Board of Governors;
- formulate recommendations to the Board of Governors regarding the selection, engagement or dismissal of professional investment managers, custodians and advisors.

- oversee the Fund and the activities of the Manager, including the Manager's compliance with their mandate and the investment performance of assets
- ensure that the Manager is apprised of any amendments to their mandate; and
- inform the Manager of any significant cash flows.

2.3 Investment Manager(s)

The Manager is responsible for:

- Selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- Providing the Committee with quarterly reports of portfolio holdings, a review of investment performance, facilitating future strategy discussions and recommending appropriate changes to the investment portfolio; (see Section 8 on "Reporting and Monitoring");
- Attending meetings of the Committee at least once per year to review performance and to discuss proposed investment strategies;
- Informing the Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation; and
- Advising the Committee of any elements of this Statement that could prevent attainment of the objectives.

3.0 PORTFOLIO OBJECTIVES

3.1 Investment Policy

The Investment Policy outlines the university's investment objectives and risk guidelines. Investment objectives are defined in the context of Total Return which is defined as the sum of income and capital gains from investments.

3.2 Investment Objectives

The overall investment objective is to obtain the best possible total return on investments that is commensurate with the degree of risk that the university is willing to assume in obtaining such return. In general, the university's investment decisions balance the following objectives:

- generate stable annual income for the funds' designated purpose;
- preserve the value of the capital;
- protect the value of the funds against inflation; and

- maintain liquidity and ease of access to funds when needed

Stable annual incomes are an essential part of the disbursement process, and facilitate the forecast of spendable income each year. The investment object for non-expendable (endowment) funds is to generate a total return that is sufficient to meet obligations for specific purposes by balancing present spending needs with expected future requirements. The total return objective must take into consideration the preservation of endowment capital, and the specific purpose obligations according to donor wishes.

All endowment funds are to be accumulated and invested in a diversified segregated or pooled fund of Canadian and foreign equities and fixed income securities. These funds must be structured to optimize return efficiency such that the return potential is maximized within the organization's risk tolerance guidelines. The Manager is expected to advise the Committee in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement.

4.0 GENERAL GUIDELINES

The university uses the investment pool method, except that in those instances where funds are precluded under agreement or contract from being pooled for investment purposes. The acquisition of specific investment instruments outside of authorized investment pools, requires the approval of the Chief Financial Officer and one of either President or VP External Relations.

All securities shall be registered in the University Of Ontario Institute of Technology's name; or in the name of a financial institution that is eligible to receive investments under the University Of Ontario Institute Of Technology's Investment Policy.

The university may or may not directly or internally manage any portion of its endowed funds.

External investment managers and/or advisors shall be selected from well-established and financially sound organizations which have a proven record in managing funds with characteristics similar to those of the university.

The university shall maintain separate funds in the general ledger for endowment fund donations. Within these funds, the university shall maintain accurate and separate accounts for all restricted funds.

Investment income, capital gains and losses on the sale of equities and securities, and the amortization of premiums and discounts on fixed term securities earned on endowment funds accrue to the benefit of the endowment accounts and are distributed to capital preservation, stabilization and distribution accounts annually.

5.1 AUTHORIZED INVESTMENTS

5.2 Investment Criteria

Outlined below are the general investment criteria as understood by the Committee. The list of permitted investments includes:

(a) Short-term instruments:

- Cash;
- Demand or term deposits;
- Short-term notes;
- Treasury bills;
- Bankers acceptances;
- Commercial paper; and
- Investment certificates issues by banks, insurance companies and trust companies.

(b) Fixed income instruments:

- Bonds;
- Debentures (convertible and non-convertible); and
- Mortgages and other asset-backed securities.

(c) Canadian equities:

- Common and preferred stocks;
- Income trusts; and
- Rights and warrants.

(d) Foreign equities:

- Common and preferred stocks;
- Rights and warrants; and
- American Depository Receipts and Global Depository Receipts.

(e)Alternative investments:

- Direct Real Estate Equity: commercial investment grade income-producing real estate

(f) Pool funds, closed-end investments companies and other structured vehicles in any or all of the above permitted investment categories are allowed.

5.3 Derivatives

The Fund may use derivatives, such as options, futures and forward contracts, for hedging purposes, to protect against losses from changes in interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment.

5.4 Pooled Funds

With the approval of the Committee, the Manager may hold any part of the portfolio in one or more pooled or co-mingled funds managed by the Manager, provided that such pooled funds are expected to be operated within constraints reasonably similar to those described in this mandate. It is recognized by the Committee that complete adherence to this Statement may not be entirely possible; however, the Manager is expected to advise the Committee in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement.

5.5 Responsible Investing

The Board has a fiduciary obligation to invest the Fund in the best interests and for the benefit of the university.

The Board recognizes that environment, social, and governance (ESG) factors may have an impact on corporate performance over the long term, although the impact can vary by industry. Best practices suggest that incorporating ESG factors in the investment process is prudent and aligned with the university's social commitment.

Given the fact that the university uses the investment pool method, it is not practical for the Committee to directly engage individual companies on ESG related issues, either through dialogue or by filing shareholder resolutions. Subject to its primary fiduciary responsibility of acting in the best interests of the university and its stakeholders, and within the limits faced by an investor in externally managed pooled funds, the Committee will incorporate ESG factors into its investment process through the following methods:

(a) Manager Selection and Reporting

The integration of ESG factors in the investment process will be a criterion in the selection, management and assessment of the Manager.

The Committee will require the Manager to provide regular and annual reporting on the incorporation of formal ESG factors in the management of their portfolios.

(b) Engagement

Since the university does not directly invest in companies, proxy voting is delegated to the Manager. The Committee will encourage the Manager to incorporate into their proxy voting guidelines policies that encourage issuers to increase transparency of their ESG policies, procedures and other activities, and also to bring to the Committee's attention any significant exposure through the Fund to a particular company, industry or nation that is facing a material ESG issue.

6.0 RISK GUIDELINES

All investment of assets must be made within the risk guidelines established in this Statement. Prior to recommending changes in investments, the Manager must certify to the Committee that such changes are within the risk guidelines. For the purposes of interpreting these guidelines, it is noted that all allocations are based on market values and all references to ratings reflect a rating at the time of purchase, reviewed at regular intervals thereafter. In the event that the portfolio is, at any time, not in compliance with either the ranges or ratings profile established in this Statement, such non-compliance will be addressed within a reasonable time after the Manager or Committee has identified such non-compliance.

6.1 Asset Mix and Ranges

Investment of assets must be within the asset classes and ranges established in Table 6.1.

Table 6.1

Asset Class	Strategic Target	Range	Benchmark (Total Return)
Cash & short-term	**0%**	**0% – 10%**	FTSE 30-Day T-Bill Index
Fixed Income	**20~~35~~%**	**15~~25~~% – 3~~4~~5%**	
Core Plus Bonds	20%	15% - 35%	FTSE Canada Universe Bond Index
~~Mortgages~~	~~15%~~	~~0% - 25%~~	~~FTSE Canada Short Term Overall Bond Index~~
Equities	**55%**	**45% - 65%**	
Canadian	20%	10% - 30%	S&P/TSX Capped Composite Index
Global	30%	20% - 45%	MSCI World Net Index ($C)
Emerging Market Equities	5%	0% - 10%	MSCI Emerging Markets Net Index ($C)
Alternatives	**25~~10~~%**	**10~~0~~% - 35~~20~~%**	
Direct Real Estate	10%	0% - 15%	Canada CPI (seasonally adjusted) + 4.0%
Mortgages	15%	0% - 25%	FTSE Canada Short Term Overall Bond Index

6.2 Cash and Cash Equivalents

Cash and cash equivalents must have a rating of at least R1, using the rating of the Dominion Bond Rating Service ("DBRS") or equivalent.

6.3 Fixed Income

(a) Maximum holdings of the fixed income portfolio by credit rating are:

Credit Quality	Maximum in Bond[1]	Minimum in Bond[1]	Maximum Position in a Single Issuer
Government of Canada[2]	100%	n/a	no limit

Provincial Governments[2]	60%	0%	40 %
Municipals	25%	0%	10%
Corporates	75 %	0%	10%
AAA[3]	100%	0%	10%
AA[3]	80%	0%	5%
A[3]	50%	0%	5%
BBB	15%	0%	5 %
BB and less	20 %	0%	2 %

[1] Percentage of portfolio at market value; [2] Includes government-guaranteed issues; [3] Does not apply to Government of Canada or Provincial issues

(b) Maximum holdings of the fixed income portfolio, other than Canadian denominated bonds as illustrated in 6.3 (a), by asset type:

- 20% for asset-backed securities;
- 60% for mortgages or mortgage funds;
- 20% for bonds denominated for payment in non-Canadian currency; and
- 10% for real return bonds.

(c) All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS), Standard & Poor's or Moody's.

(d) No less than 80% of non-Canadian dollar denominated bonds should be hedged back to the Canadian dollar.

6.4 Equities

(a) No one equity holding shall represent more than 15% of the market value of the assets of a single pooled fund.

(b) There will be a minimum of 30 stocks in each equity (pooled fund) portfolio.

(c) No more than 5% of the market value of an equity portfolio (pooled fund) may be invested in companies with a market capitalization of less than $1 billion at the time of purchase

(d) Illiquid assets are restricted to 10% of the net assets of the Fund.

(e) Foreign equity holdings can be currency hedged to a maximum of

50%

(f) It is expected that Global Equities will be well-diversified to represent a proportional share of U.S. equities as part of the broader global markets. This has historically ranged from 55% to 65%.

6.5 **Alternative Assets**

(a) Illiquid assets shall not constitute more than 35~~20~~% of the total portfolio.

(b) Alternative investment solutions have the potential to enhance fixed income returns, reduce equity risk, reduce portfolio volatility and improve portfolio efficiency. They typically require a longer investment horizon, are less liquid, and when considered in isolation may be deemed more risky than other securities. The associated risks, fees and expenses are detailed in a document called an Offering Memorandum which the manager is responsible for providing to the appropriate Committee prior to any such new investment being made in the portfolio.

7.0 PERFORMANCE EXPECTATIONS

7.1 Portfolio Returns

The portfolio is expected to earn a pre-fee rate of return in excess of the benchmark return over the most recent four-year rolling period. Return objectives include realized and unrealized capital gains or losses plus income from all sources. Returns will be measured quarterly, and calculated as time-weighted rates of return. ~~The composition of the benchmark is developed from the asset mix outlined in this Statement and more specifically described in the Asset Class Management Procedures, Appendix A.~~

In order to meet the university's disbursement requirements, investments need to earn a minimum level of income, measured over a four year rolling market cycle. The minimum recommended level is defined as the sum of the following items:

Minimum disbursement requirement	3.5%
Investment management fees	0.5%
Capital preservation amount	2.0%
Minimum Rate of Return	6.0%

Note: The disbursement requirement and capital preservation amounts will be reviewed, and updated as required.

8.0 REPORTING & MONITORING

8.1 Investment Reports

Each quarter, the Manager will provide a written investment report containing the following information:

- portfolio holdings at the end of the quarter;
- portfolio transactions during the quarter;
- rates of return for the portfolio with comparisons with relevant indexes or benchmarks; Compliance report;

8.2 **Monitoring and Recommendations**

At the discretion of the Committee as required, the Manager will meet with the Committee regarding:

- the rate of return achieved by the Manager;
- the Manager's recommendations for changes in the portfolio;
- future strategies and other issues as requested.

The agreement with the Manager or any Custodian will be reviewed by the committee on a four year cycle. This review could include a Request for Proposal for these services.

8.3 **Annual Review**

It is the intention of the university to ensure that this policy is continually appropriate to the university's needs and responsive to changing economic and investment conditions. Therefore, the Committee shall present the SIP to the Board, along with any recommendations for changes, at least annually.

9.0 STANDARD OF CARE

The Manager is expected to comply, at all times and in all respects, with the code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

The Manager will manage the assets with the care, diligence and skill that an investment Manager of ordinary prudence would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

The Manager will manage the assets in accordance with this Statement and will verify compliance with this Statement when making any recommendations with respect to changes in investment strategy or investment of assets.

The Manager will, at least once annually, provide a letter to the Committee confirming the Manager's familiarity with this Statement. The Manager will, from time to time, recommend changes to the SIP to ensure that the SIP remains relevant and reflective of the university's investment objectives over time.

10.0 CONFLICT OF INTEREST

All fiduciaries shall, in accordance with the university's Act and By-laws and policies on conflict of interest, disclose the particulars of any actual or potential conflicts of interest with respect to the Fund. This shall be done promptly in writing to the Chair of the Audit & Finance Committee. The Chair will, in turn, table the matter at the next Board meeting. It is expected that no fiduciary shall incur any personal gain because of their fiduciary position. This excludes normal fees and expenses incurred in fulfilling their responsibilities if documented and approved by the

Board.

11.0 PROXY VOTING RIGHTS

Proxy voting rights on portfolio securities are delegated to the Manager. The Manager is expected to maintain, and produce upon request, a record of how voting rights of securities in the portfolio were exercised. The Manager will exercise acquired voting rights in the best interests of the unit holders of the pooled fund.

BOARD OF GOVERNORS
Audit & Finance Committee

Minutes of the Public Session of the Meeting of Wednesday, June 16, 2021
1:00 p.m. to 2:25 p.m., Videoconference

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

Staff: Jamie Bruno, Becky Dinwoodie, Cheryl Foy, Barb Hamilton, Les Jacobs, Lori Livingston, Brad MacIsaac, Susan McGovern, Pamela Onsiong

Guests: Shay Babb, Chelsea Bauer, Jackie Dupuis, Mike Eklund, Namdar Saniei, Niall O'Halloran, Bobbi-Jean White

1. Call to Order

The Chair called the meeting to order at 1:01 p.m.

2. Agenda

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

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair thanked everyone for participating in today's meeting. She welcomed D. Ellis to his first committee meeting and shared that she is looking forward to his contributions. The Chair noted that it is difficult to believe that it is the final committee meeting of the Board year. She thanked everyone for all of their work this year, particularly because it has been a challenging year for everyone.

The Chair updated the committee on a proposal coming forward from the Governance, Nominations and Human Resources Committee (GNHR). GNHR conducted a review of the Board's committee structure and at their last meeting, GNHR recommended merging the Investment and Audit & Finance Committees. The restructuring will be coming forward to the Board for approval at next week's AGM. The Investment Committee is a subcommittee of the Audit & Finance Committee and must bring recommendations to the Audit & Finance Committee for approval. This often leads to a duplication of discussions and efforts with respect to the university's endowment investment and disbursement of endowment funds, which may result in committee members becoming mired in details instead of playing a more strategic oversight role. The merger of the committees will help streamline the Board's committee and meeting structure. The restructuring will also assist with more timely decision-making with respect to the university's investment portfolio, as the investment manager's recommendations would be presented directly to the Audit & Finance Committee for approval.

5. President's Remarks

The President thanked the Chair for her leadership of the committee throughout the most challenging year financially in the history of the institution. He also thanked B. MacIsaac, P. Onsiong, and the finance team. The President reminded the committee that a year ago, the university was faced with a bleak picture of student choices coming out of the situation of the pandemic. He thanked the senior leadership team, who took swift action to ensure the university was sustainable during the pandemic.

The President emphasized the importance of having reserve funds to count on during difficult times. He noted that the university has had to rely on those reserve funds over the past year and must now focus on rebuilding the reserves. The President emphasized the importance of continuing to save for investment in IT, student recruitment, and other strategic priorities. Across the sector, reserves are one of the least understood part of the budgeting process. It is important to set aside funds for deferred maintenance and this will be a focus for the upcoming year. The President responded to questions from the committee.

The Chair agreed that it has been a challenging couple of years. As things open up, the environment is changing and the financial health of the university is extremely important. D. Reiner commended the President and senior leadership team for maintaining a focus on the fiscal sustainability of the university.

6. Finance

6.1 Fourth Quarter Financial Reports

P. Onsiong provided an overview of the fourth quarter financial reports. She walked through a one-page summary with the committee. P. Onsiong discussed the reasons for the unanticipated surplus of $8.4m, which included COVID relief funding and additional tuition revenue.

P. Onsiong explained the downside of $2m of bad debt expense recognized during the year. She noted that the university invested $21m in the new building (funded out of reserves and a contribution from the Student Union). P. Onsiong also reviewed the reconciliation to the year end GAAP financial statements.

P. Onsiong responded to questions and comments from committee members, which included:

- COVID relief grants – are there any conditions attached to the grants (e.g. funds need to be spent on student support over a certain time frame)?
    - P. Onsiong confirmed that the funding was unexpected and is intended to cover COVID-related expenses between June 2020 and June 2021; $2.5m of the $4.8m was recognized to cover expenses and the remaining amount is being deferred.

- Is it fair to assume that moving forward we should not be factoring in COVID support grants?
  - P. Onsiong confirmed that this funding has not been included in the budget as we cannot rely on those funds.
- Is there such a thing as too much of a surplus in a fiscal year?
  - P. Onsiong discussed the robust forecasting process conducted throughout the year; the units do a good job of forecasting; we had a projected surplus of $4m and then the additional funds from government came through just before fiscal year end.
  - P. Onsiong explained the reason for the additional tuition fees.
  - In a normal year, if there is significant surplus, it could be indicative of a problem (e.g. under spending).
  - B. MacIsaac added that rule of thumb is that management would look closely at a surplus if it was above an unplanned 3% of the budget.
- Would a surplus have any negative effect on provincial funding or donations?
  - S. Murphy clarified that as the Ministry is analyzing the finances of each institution given recent events, it would be perceived as a positive that the university has a surplus; we have not achieved a steady-state point and he expects that it will still take a year or two to stabilize.
  - S. Murphy clarified that when the Ministry examines the financials of a university, one of the key indicators would be the size of an institution's endowment – the university's endowment is at $32m and other institutions would be in the range of hundreds of millions – the Ministry looks at the big picture.
- Given we landed in a surplus situation for this fiscal year and did not use the entire amount of COVID relief funds, is there any risk of a claw-back of those funds?
  - P. Onsiong confirmed that there is no risk of a claw-back.

(D. MacMillan left at 1:32 p.m.)

7. Investment Committee Oversight
7.1 Quarterly Report

S. Chow delivered the Investment Committee report. She reported that the committee met on June 2 to review the fourth quarter results. The investment portfolio is at approximately $32m and the cash account is sitting at just over $354,000. Over the past 3 years, the portfolio performed 0.5 behind the benchmark and over the past 5 years, performed 0.5 ahead of the benchmark. S. Chow informed the committee that the Investment Manager explained that the indicators show that the U.S. has transitioned firmly into the "early cycle" of the business cycle and the portfolio is structured for this stage of the business cycle.

7.2 Amendments to Statement of Investment Policies (SIP)

S. Chow provided an overview of the discussions of the Investment Committee that led to the proposed amendments to the SIP. She reviewed the key changes to the SIP for the consideration by the committee. She noted that the changes will provide the Investment Manager with greater flexibility.

S. Chow suggested moving the global equities proportion from section 6.4 to section 6.1. She noted that this is not intended to be a mandated range but is meant to be more of a comment. She clarified that global equities have historically ranged from 55-65%. S. Chow explained that if investments fall outside of the range, the Investment Manager would bring that to the committee's attention.

Upon a motion duly made by S. Chow and seconded by D. Reiner, pursuant to the recommendation of the Investment Committee, the Audit & Finance Committee recommended the proposed amendments to the Statement of Investment Policies, as amended, for approval by the Board of Governors.

8. Project Updates – questions only

B. MacIsaac responded to questions from the committee. There was a discussion regarding the commercial revenue impact that the ACE Enhancement Project has had on the facility and whether any consideration has been given to compressing the timeline to finish earlier. B. MacIsaac confirmed that the project timeline has been optimized and was extended in order to complete functional testing. He also advised that he is confident that the project will be completed on budget as all subcontracts have been awarded.

9. Risk, Compliance & Policy
9.1 Financial Control Policies:
(a) Signing Authority Policy
(b) Expenditure Signing Authority Procedure
(c) Legal Commitments Signing Authority Procedure

C. Foy thanked N. O'Halloran for leading this project, which has been years of work. The process was started when the Board asked us to clarify our signing policy in 2017. Work has been done to include all types of contracts, even those without dollar values, and to categorize those documents in a signing framework. She emphasized that this is a good news story. C. Foy noted that it is a simple Signing Authority Policy, which sits atop the procedures. She discussed the extensive consultation process. The last consultation was with Academic Council and their comments have been included in the accompanying report.

B. MacIsaac provided an overview of the Expenditure Signing Authority Procedure, which now distinguishes between money coming in and money being paid out. He advised that anything over $50,000 must be presented to a VP for sign off. Further, with a growing research portfolio, Deans now have signing authority up to $250,000.

The committee had a robust discussion of the policy documents, which included the following questions and comments:

- Is the process managed through software or is it paper based?
  - B. MacIsaac advised that on the expense side, it is managed through software.
  - On the contracts side, C. Foy advised that that it is a mix (e.g. Minutes of Settlement are manually managed).

    - B. MacIsaac added that they are examining different packages that can be managed through Adobe or Docusign (banking documents still require wet signatures).
- D. Reiner commented that he likes the simple tables included in the policy instruments.
- Would an annual audit look at compliance with the policy and procedures?
    - C. Foy confirmed that it would.
- Are universities subject to audits by the Ontario Auditor General?
    - C. Foy will confirm and report back.

C. Foy added that there are complementary legal review policy documents that sit alongside these policy documents.

(D. MacMillan joined at 1:58 p.m.)

Upon a motion duly made by D. Ellis and seconded by R. Thompson, the Audit and Finance Committee approved the Expenses Signing Authority Procedure and Legal Commitment Signing Authority Procedure and recommended the approval of the Signing Authority Policy by the Board of Governors as presented.

9.2 Annual Risk Management Report

C. Foy remarked that this report is also a good news item. At the outset of the risk management framework development seven years ago, she attended a conference where a presenter stated that the establishment of a risk management culture is a 15-20-year process. The Risk Management Report is focused on the key indicia of a risk management culture and this year, they observed evidence of a risk management culture at the university. A committee member commented that as a Board, they are observing risk being considered at the strategic level.

C. Foy reported that on the operational side, they have built a strong risk management foundation and continued attention to that is important. On the strategic side, the university has made good progress. C. Foy advised that next year, the focus will be on developing a dashboard for operational risks and the committee will be consulted as part of the process. A dashboard will help demonstrate to the Board that the university is continuing to manage operational risks and will help move committee and Board discussions onto strategic and foundational risks. C. Foy advised that the pandemic has allowed us to see our risk culture in action and to build upon it. She thanked the President for setting the tone at the top. She also thanked Jackie Dupuis for all of her work.

The Chair thanked C. Foy and the senior leadership team for all of their work in this area. The Chair commented that the report is very helpful to her work as a Board member. She congratulated the Risk Management Team for the great progress that has been made. D. Reiner also congratulated the team for the great work being done to drive the risk culture forward. He also remarked that eventually developing a dashboard that includes operational and key strategic risks would be a great tool for the Board to use to keep an eye on the university's risk profile.

R. Thompson echoed the other members' comments and added that his organization focuses on: cultural risk, cybersecurity, and reputation. C. Foy confirmed that cultural risk is included among the university's strategic risks and reputation inherent in a number of risks. There was a discussion regarding whether there are external reporting requirements on risk. S. Murphy confirmed that the auditors have good discussions with him about risk during the annual audit process. Further, there may be external risk reporting requirements on specific projects, but not an overall reporting requirement.

10. Consent Agenda:

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

10.1 Minutes of Public Session of Meeting of April 14, 2021
10.2 Annual Board Report

The Chair congratulated the committee on the work accomplished this year, as set out in the annual board report.

11. For Information:
11.1 Annual Reports:

- **Insurance**
- **Compliance**
- **Policy**
- **Privacy**

12. Other Business

13. Adjournment

There being no other business, upon a motion duly made by D. Reiner, the public session adjourned at 2:16 p.m.

Becky Dinwoodie, Secretary

OntarioTech UNIVERSITY

BOARD OF GOVERNORS
Investment Committee

Minutes of the Public Session of the Meeting of June 2, 2021
12:20 p.m. – 1:30 p.m., Videoconference

Members: Stephanie Chow (Chair), Mitch Frazer, Kathy Hao, Ferdinand Jones, Thorsten Koseck, Mark Neville, Dietmar Reiner, Maria Saros, Kim Slade, Steven Murphy

Staff: Becky Dinwoodie, Cheryl Foy, Barb Hamilton, Brad MacIsaac

Guests: Leila Fiouzi & Jacinta O'Connor (PH&N)

9. Call to Order

The Chair called the public session to order at 12:21 p.m.

10. Conflict of Interest Declaration

None.

11. Chair's Remarks

The Chair shared that she hopes everyone is keeping safe. It is encouraging to see the number of COVID cases dropping and the vaccine continuing to be rolled out. The Chair encouraged everyone to remain vigilant and to continue to follow the public health protocols.

12. President's Remarks

The President thanked the committee for their ongoing commitment to good governance. As we think about the sustainability of institutions, having robust endowments is key. The cash account is used to disburse scholarships to our students. Scholarships have never been more needed, as students struggle to find meaningful summer employment during the pandemic. Having learned many lessons during the pandemic, the President has observed that those students who step up on campus are also going above and beyond to contribute to the community during the pandemic. The President shared the story of Hamayal Choudhry, who created a bionic arm powered by AI and is being made available for less than $1000. H. Choudhry was hampered when looking for people to back the venture. The President noted that it is important to think about using funds to incentivize tech with a conscience and sticky campus initiatives. It is one thing to award students who are joining the university, but it is also important to reward students who excel in academics and those who are contributing to society through innovations exemplifying tech with a conscience. The Chair remarked that it is always helpful to the Board to hear about the university's entrepreneurial students and to consider how the Board can help support them.

13. Investment Review

13.1 Fourth Quarter Investment Review

L. Fiouzi reviewed the fourth quarter investment results with the committee. She highlighted the following:

- One year return of 18% - the equity markets have done very well over the past year;
- Performance of 3.7% over the last 3 month period;
- 5-year return is above the absolute return hurdle of 6% by reaching 8.9%;
- Fees are 44 basis points – no embedded fees – even after fees, the portfolio has performed ahead of market;
- The benchmark is an exact replica of the portfolio that reflects the broad market;
- Reviewed where we are in the business cycle per economist's estimates – in early cycle environment – knowing we are in this stage, expect rates to remain low for up to 1-2 years and tends to be conducive to good performance from growth companies;
- Small cap Canadian equity exposure added a few months ago – discussed the differences between now and end of 2019; and
- Small allocation to short term bonds – temporary – underweight mortgages and while waiting in queue, added to short term bonds.

L. Fiouzi responded to questions from the committee, which included:

- What are they seeing in the bond market? Is there any innovation happening that the committee should know about in the fixed asset market?
  - L. Fiouzi advised that the innovation in the bond market is the Core Plus Bonds; until about 5 years ago, the majority of large institutional investors only focused on domestic investment grade bonds; in a low yield environment, that is a difficult value proposition; they need to be tactical in bond markets because when there is a ripple, it can flow through quickly and it is more difficult to offload a high yield bond; accordingly, Core Plus Bonds have been a big innovation for investors.
- In the context of a rising rate environment, how does the asset mix position us?
  - L. Fiouzi commented that at this point, they think we are in a better place with bonds than compared to January as they are already seeing yields pick up; she discussed the historic performance of bonds in a rising rate environment; the best bonds have been corporate and high yield bonds; the

benefit of having a Core Plus strategy is that it has good exposure to corporate and high yield bonds; L. Fiouzi advised that the portfolio is well-positioned at this stage of the business cycle.

L. Fiouzi also discussed inflation. Over the longer term, structural forces will drive down inflation. Historically, at this stage in the market cycle, capital markets have generally had some volatility. Although earnings are coming in strong, any piece of bad news can impact the response in the markets, as it is a function of investor behaviour.

13.2 Strategic Discussion: Future Investments Strategy

The Chair provided an overview of the report included in the material. The committee reviewed the proposed changes to the Statement of Investment Policies (SIP), which would incorporate the Asset Class Management Strategy(ACMS) into the SIP. By removing the specific names of assets, PH&N will have increased flexibility.

The committee had an engaged discussion of the proposed changes, which included the following questions and comments:

- Request for clarification in the table – the range for alternatives is 0-20% and s. 6.5 provides that illiquid assets shall be limited to no more than 15%;
    - B. MacIsaac clarified that the initial range was 0-15%, which was then increased to 20% and the corresponding change needs to be made to s. 6.5 – this will be corrected.
- Is the strategic target for US equities sufficient given the US equity market is so large?
    - L. Fiouzi advised that global equity strategies reflect the proportion of US equities to global – she explained that they could be agnostic with respect to global equities and give the investment manager freedom with respect to global equities; if they want to increase exposure to US equities, would then force Canadian investors to have less than 3% investment in Canadian equities; if the committee wants to increase exposure to US equities, then they would consider reducing Canadian equities.
    - B. MacIsaac noted that it is a guideline – “normally” allows management to monitor the proportion of US equities.
- Suggestion was made to allow for greater US exposure in the SIP so that the Board would not have to revise the SIP in future.
    - L. Fiouzi advised that the best practice is to look globally – if the committee feels strongly about it, it can be done, but PH&N would not recommend it.

- There was a discussion regarding the range for alternatives and the type of education that would be provided to the committee when considering an alternative investment.
    - L. Fiouzi advised that not all alternative investments are inherently risky – the direct real estate investment is not considered to be a particularly risky strategy – the risk is associated with the illiquidity of the asset.
- There was a discussion regarding the risk level of the real estate class of investments.
- L. Fiouzi advised that the Canadian real estate market is one of the more stable as many of the holders are institutions (e.g. pension plan), which is not the case in other markets; there are assets that are not going to maintain the same level of valuation; with offices, there is the tug and pull of flexible arrangements (while less offices will be required, more space will be required due to distancing protocols – it is not as cut and dry as people think); the message being delivered is that the office is not going away (e.g. RBC communicating must live within commuting distance of the office)
- Is there anything in terms of risk exposure that the committee should be thinking about?
    - L. Fiouzi responded that given where the equity market valuations are and the stage of cycle we are in, the returns from equity markets are anticipated to be less than usual. With the university's return hurdle, it would be difficult to reduce the amount of equities.
- The references to Investment Committee must be removed from sections 8.3 and 10.0.

Upon a motion duly made by D. Reiner and seconded by K. Slade, the Investment Committee recommended the proposed amendments to the Statement of Investment Policies, as amended, for approval by the Board of Governors.

13.3 Annual Board Report

B. Dinwoodie presented the annual Board report for review by the committee. The Chair thanked all the members for their work done throughout the year.

Upon a motion duly made by D. Reiner and seconded by M. Saros, the Investment Committee approved the Annual Board Report, as presented.

14. Consent Agenda:

14.1 Endowment Disbursement

14.2 Minutes of Public Session of Meeting of February 17, 2021

Upon a motion duly made by F. Jones and seconded by K. Hao, the Consent Agenda was approved as presented.

15. Other Business

None.

16. *In Camera* Session

The meeting went *in camera* at 12:30 p.m. and came out of *in camera* at 12:40 p.m.

17. Termination

Upon a motion duly made by M. Saros, the meeting terminated at 12:40 p.m.

Becky Dinwoodie, Secretary

REPORT

TO: **Higher Education Quality Council of Ontario (HEQCO)**

FROM: **Lori Livingston, Provost and Vice President, Academic**

DATE: **August 26, 2021**

SUBJECT: **Ontario Tech University Freedom of Expression Policy Annual Report 2021**

History

All publicly-assisted colleges and universities are required to develop an annual report on Campus Free Speech Policy implementation, post it online and submit it to the Higher Education Quality Council of Ontario (HEQCO) by September 1 each year. This report has been written in response to this annual reporting requirement.

Please find the University's responses below related to questions found on the Freedom of Speech Annual Report Template:

Section A: Institutional Policy

- Has your institution amended its free speech policy (or policy framework) since the time of your 2020 report? If so, please explain the reason for the change and provide the link to its location on your institutional website.

  The Freedom of Expression Policy was last approved in November, 2018 and has not been updated or amended since.

- Where are members of the institutional community (or guests) directed when there is a free speech related question or complaint about an event on campus? Please provide contact information.

  As outlined in the Freedom of Expression Policy, the following direction is provided:

  - **General complaints related to Freedom of Expression in University Space or the Online University Environment under this policy can be submitted to the Office of the Provost for resolution.**

  - **Complaints related to decisions made by the University under this Policy are covered by the University's Safe Disclosure Policy. In other words, a complaint that the Freedom of Expression Policy has been improperly administered would be processed under the University's Safe Disclosure Policy and would be considered by the University's General Counsel.**

  - **Complaints related to the activities of recognized student organizations are covered by the University's Policy on Recognition of Student Organizations.**
  - **Complaints regarding conduct by Employees in contravention of the Freedom of Expression Policy are covered under the following applicable policy instruments:**
    - **Harassment, violence or discrimination complaints are investigated under the Policy Against Harassment, Violence and Discrimination in the Workplace, and in accordance with any applicable collective agreements.**
    - **Other violations can be addressed by the procedures for receiving and resolving complaints in section 9.1, in accordance with any applicable collective agreements.**

- What is your institution's policy on holding events where there are security concerns? To your knowledge, were there any instances where a non-curricular event did not proceed due to security concerns or their related costs?

  All events on campus are approved through a risk management framework, which includes discussions with the Office of Security and Emergency Management as necessary. To our knowledge, there were no instances where a non-curricular event did not proceed due to these concerns.

Section B: Complaints

- Between **August 1, 2020** and **July 31, 2021**, did any member of the institutional community (or guests) make an official complaint about free speech? If yes, please provide a general description that protects the privacy of complainants.
  No
- If there has been an official complaint (or more than one):
  - What were the issues under consideration? Please identify any points of contention (e.g., security costs, safety, student unions and/or groups, operational requirements, etc.).
    NA
  - How did the institution manage the free speech complaint(s)? Was the complaint addressed using the procedures set out in the policy? How were issues resolved?
    NA

Section C: Summary Data

Please include the following summary data for any free speech-related official complaints received by the institution:

- Number of official complaints received under the free speech policy relating to curricular and non-curricular events.

  0

- Number of official complaints reviewed that did not proceed.

  0

- Number of official complaints where the institution determined that the free speech policy was not followed appropriately.

  0

- Number of official complaints under the free speech policy that resulted in the institution applying disciplinary or other institutional measures.

  0

- To your knowledge, were there any free speech complaints forwarded to Ontario Ombudsman?
  Not to our knowledge.

- To the best of your ability, please provide an estimate of the number of **non-curricular events** held at the institution between **August 1, 2020 and July 31, 2021**. Non-curricular events include, for example, invited speakers, sporting events, rallies, student life/student affairs events, conferences, etc., as opposed to regular events held as part of an academic program or course.

  Between August 1, 2020 and July 31, 2021, there were approximately 20 non-curricular events held on campus.

Should there be additional questions, please feel free to contact the Provost's office via email at provost@ontariotechu.ca.

Sincerely,

Lori A. Livingston, PhD
Provost and Vice-President, Academic