



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

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**Minutes of the Public Session of the Meeting of Friday, June 19, 2020**  
9:00 a.m. to 10:55 a.m., Videoconference

**Members:** Nigel Allen (Chair), Doug Allingham, Stephanie Chow, Laura Elliott, Mitch Frazer, Dale MacMillan, Steven Murphy, Dietmar Reiner

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

**Guests:** Shay Babb, Jackie Dupuis, Mike Eklund, Barb Hamilton, Christine McLaughlin, Elita Partosoedarso, Bobbi-Jean White (KPMG)

**1. Call to Order**

The Chair called the meeting to order at 9:00 a.m.

**2. Agenda**

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

**3. Conflict of Interest Declaration**

There was none.

**4. Chair's Remarks**

The Chair kept his remarks brief. He noted it was his last meeting as Chair of the committee as his term on the Board comes to an end. He shared that his time on the Board seemed to go by very quickly and he enjoyed being part of this committee. He remarked that the committee will be in good hands as L. Elliott succeeds him as committee Chair.

## **5. Community Reports/Presentations**

### **5.1 Budget & Budget Process**

M. Eklund delivered a presentation on the budget process. He discussed concerns about the level of consultation in the budget process this year as compared to other years. He also noted a history of surpluses over the past ten years and a pattern of additional revenue, expenses being reduced, and surpluses being allocated to capital reserves. M. Eklund discussed the \$18M shortfall for the new building project when it was approved by the Board in November 2019 and his perception that this was a risky undertaking.

In terms of the current year, M. Eklund observed that consultation with the university community has been sparse and that in previous years, it was a more robust process. The university is looking at a shortfall because of anticipated reduced enrolment. He commented that a deficit budget seems appropriate in light of the global crisis. M. Eklund acknowledged that we are in a global crisis but it is a temporary one and we will get through it. He noted that there are funds available to support students, faculty and staff.

M. Eklund stated that the university's core mission is to support our students. They are learning of layoffs and a reduction in sessional instructors. It is important to find ways to leverage our strengths to advance our core mission. He thanked the committee for their time and invited questions.

A member asked what M. Eklund would propose as an alternative to deal with the anticipated budget deficit. M. Eklund responded that he appreciates the fact that the administration is putting forward a deficit budget model and suggested that investing in the core mission of the institution now would be the best way to improve student enrolment and to ensure we provide an excellent education to our students. In order to build this year, M. Eklund suggested investing in faculty and teaching supports to ensure we can deliver the best service to our students.

## **6. President's Remarks**

### **6.1 Pandemic Update**

The President confirmed that the senior leadership continues to work to manage the fiscal situation, which is their top priority. He discussed the costs associated with dealing with the pandemic and with the transition to online learning. The university is anticipating decreased enrolment over the summer and continuing into the fall and winter. This creates a difficult fiscal situation. The smaller incoming cohort will result in fundamental structural issues. He commended the university community for coming together to support the university during this time.

The President discussed the opportunities coming out of the pandemic to accelerate the sector. The key question is whether universities can sustain their technological

advancements made during this time. He noted that Ontario Tech is a university that has always had technology as a foundation, as it is built into our name and our Act.

The President anticipated that it would likely be 2021-22 before there is any semblance of normalcy returning to our sector. Hopefully, we will be able to learn from a full calendar year of being online. This will provide faculty with an opportunity to learn what aspects of online learning to keep in their courses. The President would definitely prefer to be back on campus. He discussed thinking about lifelong learners as a means of increasing revenues. It will also be helpful to continue to look at micro credentials and offer them in a variety of ways.

The President remarked that given the current storm clouds, it is important to let the university community know that he sees a bright future for the institution. While other universities are calling for a blended learning strategy, we are not seeing the same quality of blended learning as that offered at Ontario Tech. We will be able to offer the vast majority of our curriculum online, which will put us in a position to differentiate ourselves and come out stronger from COVID-19. We have a system that can easily adapt to online learning. It is important to make our systems robust in terms of our online presence.

The President also discussed the great things happening at the university, including:

- Brilliant Energy Institute – biggest area of emphasis in the university; people working on it from the majority of Faculties; recent meeting included CEOs from organizations across the sector and addressed the lack of a coherent energy strategy in Canada; it was a very positive meeting and there is great enthusiasm for the initiative.
- Wastewater project – the President commended the Board Chair for his support of this project; it will be run in the Durham Region with the cooperation of Durham Region and Durham Health Authority; will be examining wastewater in Durham sewage system, which will provide an excellent snapshot in real time of how much of the virus is in the community on a per capita basis without having to do individual testing.

## **7. Finance**

### **7.1 2020-2021 Budget**

L. Livingston and A. Gallagher delivered the budget presentation, which was included in the meeting material. L. Livingston advised that the recommendations are being made using a principled approach. A. Gallagher reviewed the Scenario A Plan, which is the most favorable scenario. The team is continuing to work to reduce the anticipated deficit while minimizing the impact on staff. A. Gallagher advised that currently 33% of the university's staff have been impacted.

L. Livingston noted that they are also focused on the university's strategic risks and mitigating them. She discussed the communications plan and town halls related to COVID and budget planning.

They responded to questions from the committee members. A member commented that it is a challenging time to be a CFO and they appreciate the thoughtfulness of the development of the budget and the strategic focus. There was a discussion regarding the risks associated with additional costs related to the pandemic (e.g. PPE) and how the university is working to mitigate those costs. A member also asked about whether additional measures might be required for cybersecurity in the future. It was confirmed that the university has cybersecurity insurance in place and examples were provided of recent cybersecurity prevention efforts (e.g. identifying external e-mails as coming from an external source and two step authentication). There was also discussion regarding budget efficiencies (e.g. savings associated with buildings being closed).

L. Livingston clarified that they were seeking conditional approval of the budget at that time and they would have a better sense of enrolment in September, as well as a better idea of cost escalations. A member noted that it is never good to be in a deficit position and if they can hold the deficit at \$2.1M, that would be very good. A. Gallagher commented that the Board is being asked to approve the budget in a fluid environment and the budget will continue to be revisited as they go along.

*WHEREAS management presented a proposed unbalanced budget in February 2020 based on the forecast at that time;*

*WHEREAS the COVID-19 pandemic necessitated the effective closure of most of the university's physical operations, with the focus shifting to online program delivery and remote working for substantially all faculty and staff, as of March 13, 2020;*

*WHEREAS the budget has been prepared based on a forecast using the best information available at this time;*

*WHEREAS there is additional risk to the budget this year because of the economic uncertainty precipitated by the COVID-19 pandemic;*

*NOW THEREFORE, upon a motion duly made by D. Reiner and seconded by D. MacMillan, pursuant to the recommendation of management, the Audit and Finance Committee unanimously recommended:*

- *that the Board of Governors approves the 2020-2021 budget, as presented; and*
- *that management meet with the Chair of the Audit and Finance Committee in August and September 2020 to conduct further budget reviews.*

## **7.2 Fourth Quarter Financial Reports**

P. Onsiong reviewed the fourth quarter financial reports with the committee.

## **8. Investment Committee Oversight**

### **8.1 Quarterly Report**

S. Chow delivered the Investment Committee's quarterly report. She discussed the pandemic's effect on the markets. She confirmed that the Investment Manager has kept the committee informed of developments throughout this period. S. Chow reported that in the month of March, the portfolio had experienced a 7.8% decline in market value, which was ahead of the benchmark. The committee continues to maintain a long-term perspective for the portfolio. S. Chow advised that the markets started to rebound in April. She also confirmed that there were no recommended changes to the portfolio strategy at that time.

S. Chow advised that the Investment Committee received the annual ESG report at their last meeting. An ESG strategy helps mitigate risk to the portfolio through active stewardship, gender diversity on boards, and active shareholder engagement. She also advised that the committee is continuing to review the direct real estate investment strategy and that the proposed changes fall within the SIP and Asset Class Management Strategy.

## **9. Project Updates**

### **9.1 New Building**

B. Maclsaac provided a status update on the progress of the new building project. He advised that Eastern and the university are sharing the COVID stoppage costs in accordance with the agreement in place. He also advised that the \$700,000 contingency amount remains intact. They are looking at the project timeline over the next few months to see how physical distancing impacts the project and if there is a second wave, the timeline might be further impacted. B. Maclsaac responded to questions from the committee. In response to a question about particular project costs that would arise from the pandemic, B. Maclsaac advised that there are minimal costs associated with pandemic measures (e.g. hand sanitizer, maintenance costs).

### **9.2 ACE Enhancement**

B. Maclsaac updated the committee on the status of the ACE Enhancement project. For the most part, the physical expansion is almost complete and is anticipated to be done by September 2020. With the pandemic, there have been significant delays to the integration side of the project as international experts are currently unable to come over to work on the integration. B. Maclsaac advised that the project will likely be completed by January 2021. He noted that costs continue to go up in a number of different areas and more time is needed to determine the extent of the impact. The project has a \$14.86M budget, with the contingency bringing it to \$15.075M. B. Maclsaac advised that the budget is at risk and they are looking at ways to keep the project within budget (e.g. value engineering, strategic delays, etc.). He responded to questions from the committee:

- Any extra monitoring being done to ensure physical distancing/PPE measures being followed as one case of COVID could cause huge problems down the road?
  - Director of Risk Management doing site visits – issues were noted & an emergency meeting was called; contractors have since stepped up the protocols and site visits are ongoing.
- What are the knock-on effects of these delays?
  - Industry partnerships & contracts – effects on commercial revenues (as set out in the associated presentation).

### **9.3 Advancement Update: Land Exchange & Stone House**

#### **Land Exchange**

S. McGovern updated the committee on the land exchange with the City of Oshawa. She advised that the approximate difference in land value between the City's land and university's land was \$1.9M, the value of which will be donated to the university. The City is currently reviewing the agreement of purchase and sale and the deal will be moving forward.

#### **Stone House**

S. McGovern provided an update on the transfer of the Stone House to the university. She advised that over the last year, she and her team worked on a gift agreement with Mr. Libfeld (\$2M in total, including \$1M in student supports). Tribute Communities has gifted the property to the university and it will be called the Stone House at Ontario Tech. The intention is for the Stone House to be used for the university and the community. The Stone House has a heritage designation, as it was EP Taylor's. C. Foy informed the committee that she is awaiting comments on the heritage review and the deal should be closed in the next couple of weeks.

## **10 Compliance & Policy**

### **10.1 Policy Framework: Temporary Amendment to Consultation Path**

C. Foy presented the proposed amendments to the Policy Framework. She explained that the amendments would allow for an abbreviated consultation path as the university needs a mechanism to expedite policy changes in emergency situations. The proposed amendments set out the conditions where an abbreviated policy consultation path would be appropriate. C. Foy clarified that the changes would not affect the requirement to consult with Academic Council.

*Upon a motion duly made by D. MacMillan and seconded by S. Chow, the Audit & Finance Committee recommended the approval of the Interim Policy Framework by the Board of Governors, as presented.*

## 10.2 Ethical Conduct Policy Instruments

C. Foy provided an overview of the policy documents. She thanked B. Dinwoodie and N. O'Halloran for their work on the policy. She noted there has been a higher level of engagement from the community on these instruments. Academic Council (AC) had an engaged discussion about the policy documents at their most recent meeting and an additional special consultation session was held with AC that past Tuesday. C. Foy explained the rationale for the development of the policy. She noted that the definition of "gift" has been aligned with that of the broader public service, which is "nominal". C. Foy committed to educating the community as to what nominal means.

C. Foy shared that AC members expressed concern about the policy conflicting with academic freedom. Accordingly, a statement has been added to affirm that the policy is not intended to conflict with academic freedom. AC also discussed concerns about the limit to the value of attending speaking engagements/panel presentations. The policy documents were updated to exclude these as exempt outside activities. C. Foy also confirmed that the Policy Office always considers how policy intersects with the Collective Agreement (CA) and additional changes were made to ensure consistency with the CA.

C. Foy discussed the complexity of developing the policy and acknowledged the assistance of L. Jacobs and the faculty community. C. Foy provided an overview of the consultation process, during which they received robust, engaged commentary. Taking the feedback into consideration, a one-year review is being recommended to assess the implementation of the policy and how it has affected the university community. She emphasized that it is important to get the policy in place and further amendments can be made down the road. C. Foy also discussed the consultation that took place with the Indigenous Centre.

C. Foy responded to questions from the committee. In response to a question about enforcement and disclosure, she noted the challenge of educating the university community with limited resources. She confirmed that the Compliance and Copyright Office will be responsible for the gift registry. They are working on an implementation plan and implementation will take time and cultural change. D. Reiner shared that OPG extended its Code of Ethics requirements into partnerships and suppliers by establishing a Supplier Code of Conduct, which sets out expectations related to business conduct. He suggested that this might be something for the university to consider in the future. There was also a suggestion to include a provision that affirms that the "silence of bystanders" is not acceptable. A question was also raised about whether any amendments to the policy documents are required in light of the recent racism issues. C. Foy advised that no changes to the Ethical Conduct policy documents are required but they are reviewing the university's Harassment and Discrimination Policy.

*Upon a motion duly made by D. Reiner and seconded by D. MacMillan, the Audit and Finance Committee recommended the Code of Ethical Conduct, as presented, for approval by the Board of Governors and approved the Gift Registry Procedures, Code of Ethical Conduct Investigation Procedures and Conflict of Interest Procedures, as presented.*

### **10.3 Annual Risk Management Report**

C. Foy presented the draft annual risk management report. She focused on the cover letter, which highlights what advancements have been made over the past year. The Department, particularly J. Dupuis, has been very involved in the COVID-19 response, including the transition to working from home and the closure of campus, as well as the planning for return to work. C. Foy advised that the pandemic preparations began in mid-February and has taken up a significant amount of time since then.

C. Foy advised that the President continues to be a strong advocate for changing toward a risk culture. She reminded the committee that it was not long ago that the budget was presented without a risk analysis, as well as capital projects. She highlighted the President's quote in the cover letter. C. Foy highlighted the continuing progress being made. She was also pleased to advise that she and J. Dupuis are recognized as leaders in the university risk management sector. They are regularly asked to present and share their risk management tools. C. Foy is looking into how these tools can be shared through OER.

Given the financial constraints the university is facing, they will carry on with one person responsible for risk, which limits the amount of progress that can be made. They will continue to focus on strategic risks and have made good progress. She confirmed that the university's finances are a key foundational risk. Cybersecurity and privacy are also key risk considerations. They are assembling a cross functional team to manage cybersecurity and implement best practices.

C. Foy advised that they continue to move the yard stick forward and reported that risk management is a vibrant activity at the university. D. Reiner congratulated C. Foy and her team on the progress made.

### **10.4 Annual Policy Review & Compliance Update**

C. Foy commented that the policy framework was implemented to provide clarity and structure to the community. She advised that policy gaps are being identified by the community and bringing them to the Office of the University Secretary & General Counsel, which is a good thing. C. Foy discussed the migration of the academic calendar into the policy framework to ensure the correct process is being followed.



**11. Consent Agenda:**

**11.1 Annual Board Report 2019-2020**

**11.2 Minutes of Public Session of Meeting of April 17, 2020**

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

**12. For Information:**

**12.1 AVIN Update**

**12.2 Annual Insurance Report**

**12.3 Ancillary Fees Update**

**13. Other Business**

**14. Adjournment**

*Upon a motion duly made by D. Reiner and seconded by S. Chow, the public session adjourned at 11:09 a.m.*

Becky Dinwoodie, Secretary