



BOARD OF GOVERNORS
AUDIT & FINANCE COMMITTEE

MINUTES OF THE MEETING OF NOVEMBER 20, 2019
PUBLIC SESSION
2:00 p.m. – 3:50 p.m., ERC 3023

Attendees: Nigel Allen (Chair), Stephanie Chow (*via teleconference*), Steven Murphy, Dietmar Reiner

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

Regrets: Doug Allingham, Dale MacMillan

Guests: Chelsea Bauer (FA), Bobbi-Jean White and Reagen Travers (KPMG)

PUBLIC SESSION

1. Call to Order

The Chair called the meeting to order at 2:00 p.m.

2. Agenda

S. Chow requested the addition of a non-public Investment Committee update as agenda item 17.

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

3. Conflict of Interest Declaration

There was none.

4. Chair's Remarks

The Chair welcomed everyone to the first official committee meeting of the 2019-2020 Board year. He noted that the committee meetings this year would be held by videoconference and the Board meetings would be held in person. The Governance, Nominations and Human Resources Committee will be seeking governors' feedback on the transition to videoconference meetings later in the year. He welcomed guests to the meeting.

5. President's Remarks

The President shared that it has been a great kick off to the academic year. The community returned to a newly branded campus, which has been positively received by the internal and external communities. Sticky campus initiatives are in full swing. The President gave a special mention to the university's women's lacrosse team, who hosted the OUA Championships and played extremely well. The games were well attended by faculty, staff and students. He also noted several governors attended the annual Campus Cup soccer match with Durham College. The basketball seasons are also underway. Despite the youth of the teams, they are playing competitively.

The President discussed his recent attendance at the Ontario Economic Summit, where he had the opportunity to speak with the new Minister of Colleges and Universities. He also reported on his recent trip to Dublin, where he focused on strengthening partnerships and looking to capitalizing on the university's work in the energy sector.

6. Finance

6.1 Second Quarter Financial Reports

P. Onsiong reviewed the second quarter financial reports. Several of the highlights included:

- net addition of \$22m in capital assets (Moving Ground Plane \$5.1m, new building \$5.3m, basketball change rooms \$1.3m, \$4.5m major equipment and FF&E, \$3.8m building and lab renovations and net \$2.0m computer equipment and laptops);
- accounts payable and accrued liabilities increased \$3.3m due to timing of recording and payment of invoices (\$1.8m in trade payables including construction invoices, \$0.7m of student ancillary fees billed to students on behalf of third parties, and other immaterial variances);
- paid down \$6.7m debt over last 12 months; and
- net deficit of \$8.7m at end of second quarter – typical because of relatively higher start up costs and due to increase in salary and benefits.

P. Onsiong explained that the university's financial metrics appear less favourable than in prior years because the university is using capital reserves for building and the tension between revenue and expenses. There was a discussion as to by increasing international student enrolment, the ratios would improve. P. Onsiong also reviewed the 2019-2020 operating forecast summary. She advised that the forecast surplus on a generally accepted accounting principle basis, after adjusting for non cash transactions and for items that are not included in the budget, is \$1.3m. P. Onsiong and B. MacIsaac responded to questions from the committee. The Chair thanked P. Onsiong for the through notes in the financial statements.

6.2 2019-2020 Enrolment

B. MacIsaac provided an enrolment update. On day 10, the university had a total of 10,500 students (about 50 higher than last year). He discussed the students' ability to opt out of ancillary fees. By day 10, about 5% of the university's students opted out of the specified ancillary fees. Other institutions are experiencing rates of approximately

20-30% of students opting out. There is only a small difference between the number of undergraduate and graduate students opting out. The university worked closely with the Student Union (SU) to develop a strategy relating to the ancillary fees. B. Maclsaac responded to questions. The committee discussed whether any contingency had been planned for a possible increase in students opting out. B. Maclsaac advised that they are using a 25% opt out rate for planning purposes. He also advised that the SU has been actively promoting the initiatives being provided by the SU and student societies.

6.3 Budget Assumptions, Targets & Outcomes

B. Maclsaac reminded the committee of the implementation of 2- year budgeting process. He reviewed the key 2020-21 budget assumptions, which were set out in the accompanying presentation included in the meeting material. He advised that the university has retained student recruitment agencies in China and India. The committee discussed the targets set for international students. B. Maclsaac confirmed that the targets were pressure tested. There was also a discussion about how a decrease in enrolment would affect planning for the new building. P. Onsiong presented the draft high-level operating budget for 2020-2021. The goal is to achieve a balanced budget to present in April. The university is exploring options for savings and potential reductions. L. Livingston discussed the fiscal constraints. The university community is aware that we are working within a constrained fiscal environment. Budget holders were already asked to implement a 2-year budget cut strategy. There is concern about morale. One possibility will be to reduce professional development and travel expenses by 50% across the board (including senior administrators).

(L. Jacobs joined at 2:55 p.m.)

There was a discussion regarding strategic hiring. When the university introduces a new program, it is initially implemented with existing resources and then needs are re-evaluated. The university is not hiring in anticipation of demand.

7. Investment Committee Oversight

7.1 Quarterly Report

S. Chow delivered the quarterly investment report. She advised that the portfolio is currently valued at \$27m and the cash account is at \$432,000. The portfolio's performance was slightly behind benchmark for the quarter. She reported that there was a turn around in the Market Neutral Fund's performance in September and October.

8. Project Updates

8.1 New Building

B. Maclsaac provided a progress update on the new building project. Those attending the meeting in person would have noticed the crane is now onsite. The next noticeable milestone will be in January, when the first floor pillars will be up.

8.2 ACE Enhancement

B. MacIsaac reported that the building extension stage of the project was complete. There was only a slight delay due to union strikes; however, there was no negative impact on project timing or the work of ACE. The work on the integration of the moving ground plane (MGP) is underway. B. MacIsaac provided an overview of the history of the MGP project, which started in 2011-2012. The initial funding requests were made many years ago, which resulted in a gap between the time the project was submitted for FedDev funding and when it was approved. B. MacIsaac explained the forecasted increase of the project cost. In addition to an increase of \$575,000 for the project, a contingency of \$215,000 (2% of the total of the project) was also requested. B. MacIsaac responded to questions from the committee. The committee discussed the forecasted cost overrun, as well as the reasons for the change in projected project cost.

(O. Petrie joined at 3:00 p.m.)

Upon a motion duly made by N. Allen and seconded by D. Reiner, the Audit and Finance Committee approved the following motion:

WHEREAS the university's ACE Enhancement Project (AEP) is being funded through FedDev Ontario (up to \$9.465M), a provincial grant (\$1.5M), a contribution from Magna (\$1M), and the remainder from the institution unless other gifts are received;

WHEREAS the AEP is being conducted in two stages and the first stage of modifications of the ACE building to accommodate the installation of the moving ground plane (MGP) is complete;

WHEREAS the second stage of the AEP has begun, which involves the integration of the MGP into ACE's current technical systems and is targeted for completion by March 31, 2020;

WHEREAS on November 29, 2018, the Board of Governors approved the award of the ACE Building modification contract in an amount not to exceed \$4.1M and multiple MGP integration contracts in a sum not to exceed \$10.4M;

WHEREAS on February 20, 2019 A&F was presented with an information update that the forecast costs to completion are \$14.86M, which have increased \$360K from last report. The increase was based on initial quotes received for MGP Integration component, where inflation, tariffs, and obsolete controls on MGP have increased costs;

WHEREAS all contract quotes are now complete; however, there is no additional contingency in the budget;

AND WHEREAS the recommendation of management is to establish a two percent reserve or \$215,000;

NOW THEREFORE, pursuant to the recommendation of management, the Audit and Finance Committee hereby recommends:

- that the Board of Governors approves increasing the sum of the multiple MGP integration contracts by \$575,000 to a total of \$10.975M; and*

- *that the Board of Governors authorizes and directs the President and/or the Chief Financial Officer, for and in the name of the university, to execute and deliver (under the corporate seal or otherwise) all such other documents and do all such other acts as may be necessary or desirable to give effect to this resolution."*

(P. Bignell joined at 3:11 p.m.)

8.3 Campus Recreation & Wellness Centre Expansion (CRWC)

B. MacIsaac provided an update on the CRWC project, which was included in the meeting material. The project was completed on time for the inaugural basketball home games. B. MacIsaac clarified the change orders.

8.4 AVIN

L. Jacobs delivered an update on the AVIN project. He discussed the university's contributions to the project to date. The university has brought in more industry contributions than anticipated. C. Foy provided further background to the AVIN project, which is a multi-year agreement and the contributions of Spark and Durham College were anticipated to be smaller than the university's.

(L. Jacobs exited at 3:27 p.m.)

9. Risk, Compliance & Policy

9.1 Risk, Compliance & Policy Update

C. Foy delivered a risk, compliance and policy update. She reported on the addition of a compliance officer to the team and was pleased to advise good progress is being made. She advised that there are many low hanging fruit and the focus is on research compliance, and human rights. The goal is to complete a compliance manual this year. There was a discussion regarding trade compliance (controlled goods) and copyright compliance. They will also be examining the health and safety framework.

C. Foy provided a risk management update. They are four years into the risk program and there is good activity happening. The Risk Director has been meeting with risk owners to update the university's risk registers. The Director is reporting that the tone at the top is very positive and there is a high level of engagement and greater understanding of risk. The university continues to fill policy gaps.

9.2 Freedom of Expression Annual Report

L. Livingston presented the university's first annual Freedom of Expression report. She highlighted that the university received no complaints related to the implementation of the policy. She also discussed the recent release of the HEQCO Report and advised that HEQCO will provide institutions with a reporting template next year.

Policy

9.3 AODA Policy Instruments:

(a) Accessibility Policy

C. Foy presented the draft policy for the committee's consideration. The policy and related procedures are coming forward as a result of the university's compliance work and will form part of the university's AODA reporting. The university will be re-establishing the accessibility working group. C. Foy reviewed the consultation process, as well as the numerous ways that feedback on the policy documents may be provided.

Upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee recommended the Accessibility Policy, as presented, for approval by the Board of Governors.

(b) Procedures for Accommodating Employees with Disabilities

(c) Procedures for Accommodating Students with Disabilities

Upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee approved the Procedures for Accommodating Employees with Disabilities and Procedures for Accommodating Students with Disabilities, as presented.

(d) Procedure for Use of Service Animals

O. Petrie presented the procedure for approval. She explained that the procedure formalizes the university's practices with respect to service animals and provides guidance with respect to processes for service animals on campus.

Upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee approved the Procedure for the Use of a Service Animal by Students with Disabilities, as presented.

9.4 Payment Card Industry (PCI) Compliance Policy Instruments

(C. Bauer and O. Petrie left at 3:36 p.m.)

P. Bignell provided the background to the proposed PCI policy documents. The IT Team has been working with the Compliance Officer to develop the compliance program. He responded to questions from the committee.

(a) Information Security Policy

(b) PCI Sustainability Policy

Upon a motion duly made by N. Allen and seconded by S. Chow, the Audit and Finance Committee recommended the Information Security Policy and PCI Sustainability Policy, as presented, for approval by the Board of Governors.

(c) PCI Sustainability Procedure

Upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee approved the PCI Sustainability Procedures, as presented.

(R.Travers arrived at 3:47 p.m.)

10. Consent Agenda:

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

10.1 Terms of Reference Review

10.2 Minutes of Public Session of Meeting of June 10, 2019

11. Other Business

12. Adjournment

Upon a motion duly made by D. Reiner, the public session adjourned at 3:58 p.m.

Becky Dinwoodie, Secretary