



BOARD OF GOVERNORS

Audit & Finance Committee

Minutes of the Public Session of the Meeting of April 11, 2024 2:01 – 3:58 p.m., videoconference

Members: Carla Carmichael (Chair), Laura Elliott, Dale MacMillan, Steven Murphy

Regrets: Mitch Frazer, Kim Slade, Roger Thompson

Staff: Kirstie Ayotte, Jamie Bruno, Jacquelyn Dupuis, Sara Gottlieb, Barbara Hamilton, Krista Hester, Lori Livingston, Brad MacIsaac, Sarah Thrush,

Guests: Dwight Thompson (guest governor), Chelsea Bauer, Mikael Eklund

1. Call to Order

The Chair called the meeting to order at 2:01 p.m. and read aloud the land acknowledgment.

2. Agenda

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

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair welcomed everyone to the Audit & Finance (A&F) meeting and began by regretfully informing the group of Roger Thompson's resignation from the Board. She highlighted his valuable contributions and insight over the years and expressed appreciation for his knowledge and insight noting his presence will be missed. She noted the fullness of the agenda today, and the importance of the budget discussion.

5. President's Remarks

The President provided an overview of the current financial landscape, emphasizing government funding and the impact of tuition freezes. He highlighted that tuition would

remain frozen for another three years, following a previous cut and subsequent freeze in 2019. He cautioned against relying solely on tuition due to its fixed nature, and noted that while the proposed new government grants may seem substantial, they become less significant when divided over three years and among numerous institutions. Additionally, he discussed the uncertainty regarding international student intake, noting that the government has permitted the University to admit the same number of students as last year, with no allowance for growth. Despite this limitation, efforts will be made to maintain intake levels from the previous year, however, the recruitment cycle has been disrupted by delays, presenting challenges in filling international student spaces. He then noted the end of the semester and academic year and highlighted recent celebrations of student athletes' achievements and teaching excellence. Despite uncertainties, he expressed confidence in the University's value proposition and ability to navigate challenges ahead.

In response to a question regarding the immigration process for international students once they have been accepted, and if the acceptance is for the full duration of their degree program, B. MacIsaac confirmed the permit is usually for the full duration of the program, assuming the student maintains full-time enrollment. Another inquiry was made about the influence of attrition rates on the intake of international students. S. Thrush clarified that non-converted students are lost from the potential pool, highlighting the importance of optimizing conversion rates by carefully evaluating offers to prospective students.

6. Finance

6.1. Approval of the 2024-2027 Budget

The Committee Chair provided opening remarks on the 2024-2027 Budget, noting the sector is being challenged with rapid changes and uncertainties. She reiterated the importance of keeping abreast of the information and asking questions.

L. Livingston highlighted the current unpredictability in the fiscal environment, contrasting it with a previously stable system. She noted the challenges that the President outlined previously in his remarks and emphasized the daily emergence of new challenges, making the future fiscal landscape unclear. As a result, she highlighted a shift in budgeting approach towards ensuring fiscal sustainability.

S. Thrush began the Budget presentation noting the enrollment plan is conservatively optimistic and that it assumes meeting domestic intake targets while adjusting international targets due to expected caps. Delays in program approvals and increased competition, especially for international students, directly impacts domestic applications. She noted that the plan projects growth in student numbers from 2023 to 2026, while carefully managing risks to balance goals with challenges.

B. MacIsaac delivered a comprehensive overview of the 2024-2027 budget, highlighting the University's use of a modified cash basis for financial presentations noting that the presentation omitted items such as amortization and investment

income. He continued by emphasizing the exclusion of restricted funds, particularly the significant research enterprise budgeted for next year and recognized enrollment targets are just estimates that could be more than three percent off in any given year. The presentation offered a consolidated perspective, detailing the allocation of ancillary fees and operating budgets with a focus on much of the budget being committed to base expenditures.

B. Maclsaac highlighted the creation of a risk contingency fund to accommodate potential revenue growth, pointing out the revenue-boosting role of tuition through additional students. However, he also acknowledged a potential decline in international tuition if they cannot obtain study permits. He completed his report by noting the current shortfall in setting aside planned reserves for future large expenses and projected the impact of current decisions on future finances. He addressed misconceptions about university reserves and highlighted the need for reserves to cover a number of items such as required maintenance costs. Financial indicators underscore the need to bolster reserves to mitigate risk and maintain autonomy.

L. Livingston thanked B. Maclsaac and S. Thrush for the presentation and, moving forward, noted that the focus is on maintaining a growth strategy while actively and aggressively pursuing all available funding opportunities.

A discussion then ensued on the proposed budget. In response to several questions, B. Maclsaac clarified the distinction between testing and monitoring assumptions, noting that testing occurs before implementing new models and monitoring will involve ongoing assessment and adjustment based on real-time data. He highlighted key dates in the enrollment cycle such as registration windows for different cohorts and the monitoring process that allows the budget working group to gauge enrollment consistency.

The group also emphasized the uncertainty surrounding government funding levels and the importance of updating budget projections based on changes in grant allocations. B. Maclsaac noted regular bi-weekly meetings of the budget working group where they review recent developments and adjust plans accordingly.

S. Thrush expanded on the discussion by elaborating on the sensitivity analysis conducted during enrollment planning, which assesses factors like enrollment caps and intake strategy changes on revenue projections, identifying areas of variability helps the budget working group make decisions to mitigate risks and optimize revenue.

In response to a question regarding process for reserve allocation, B. Maclsaac advised the budget working group reviews all requests, with anything over four million dollars requiring approval from the Board Audit & Finance Committee.

S. Thrush responded to a question regarding Ministry approvals for new programs by pointing out the coordination required to manage the time needed to allow for both the university's academic approval processes and the Ministry's review and approval prior

to launching new programs. Revenue projections are based on estimated enrollments of program and there are several checks and balances in place, including academic governance processes and resource requirements for faculty to ensure the success of new programs.

Upon a motion duly made by D. MacMillan and seconded by L. Elliott, pursuant to the recommendation of management, that the Audit & Finance Committee recommends to the Board of Governors approval of the 2024-2025 budget and approval in principle of the budgetary projections for 2025-2026 and 2026-2027.

6.2. Budget Allocation Model

S. Thrush detailed efforts to enhance understanding of revenue and cost drivers within the university's operating budget through the activity-based budgeting (ABB) model at the faculty levels. ABB facilitates the alignment of funding with program costs and priorities, as well as providing an understanding of the financial implications of enrollment changes. The model encompasses operating revenue sources such as tuition, fees, grants, and service teaching adjustments that promote interdisciplinary collaboration. She discussed the distribution of revenues and costs across faculties, noting the primary objective is to initiate conversations, optimize resource allocation and to better understand the impact of enrollment shifts and program changes. ABB is a tool to inform budget allocation decisions and provide transparency on revenue and costs.

A fulsome discussion ensued after the presentation addressing concerns about ABB implementation. While acknowledging its benefits, caution was noted against rapid expansion into areas where the cost-benefit ratio may not be favourable and emphasized the administrative burden and challenges of comparing incomparable elements.

7. Investment Oversight – Endowment Disbursement

B. MacIsaac presented the Investment Oversight Endowment Disbursement and drew attention to more money being invested into scholarships.

Upon a motion duly made by S. Murphy and seconded by D. MacMillan, the Audit and Finance Committee, in conjunction with Strategy and Planning Committee, hereby recommends that the Board of Governors approves the disbursement of up to \$790,000 from the University's endowed fund and unrestricted expendable sources for distribution by Financial Aid in 2024-25.

8. Debt Policy

8.1. Debt Policy

B. MacIsaac presented the Debt Policy noting that this has come from the Auditor General report requesting a written guideline.

Upon a motion duly made by D. MacMillan and seconded by L. Elliott, the Audit and Finance Committee hereby recommends the Debt Management Policy as presented, for approval by the Board of Governors.

8.2. Capital Policy

B. Maclsaac presented the Capital Policy, which also follows the Auditor General's suggestion to require a formal business case for infrastructure projects over four million dollars. This formalization also includes adopting a campus master plan to be reviewed every five years.

Upon a motion duly made by S. Murphy and seconded by L. Elliott, the Audit and Finance Committee hereby recommends the Capital Policy as presented, for approval by the Board of Governors.

8.3. Signing Authority and Contracts Policy

B. Maclsaac presented the Signing Authority and Contracts Policy noting no major changes to the policies. It is a combination of four policies/procedures into two for administrative ease and some clarification on the approval tables based on feedback from users.

Upon a motion duly made by D. MacMillan and seconded by L. Elliott, the Audit & Finance Committee hereby approves the Signing Authority and Approval of Expenditures Procedures, as presented, and recommends the Contract Management and Signing Authority Policy, as presented, for approval by the Board of Governors.

9. Consent Agenda

9.1. Minutes of Public Session of A&F Meeting of February 15, 2024

9.2. Credit Rating Update

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

10. Adjournment

There being no other business, upon a motion duly made, by D. MacMillan the meeting adjourned at 3:58 p.m.

Krista Hester, Interim University Secretary