



BOARD OF GOVERNORS

Audit & Finance Committee

Minutes of the Public Session of the Meeting of February 15, 2024 2:00 – 3:14 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, Disha Gupta, Barbara Hamilton, Krista Hester, Lori Livingston, Brad MacIsaac, Pamela Onsiong, Sarah Thrush, Lauren Turner

Guests: Dwight Thompson, guest governor

1. Call to Order

The Chair called the meeting to order at 2:00 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 first meeting of the Audit & Finance (A&F) meeting of 2024.

5. President's Remarks

The President noted a number of good news updates pertaining to Ontario Tech including that the University ranked as the most research-intensive small university in Canada; he thanked the various internal stakeholders for their efforts inclusive of the faculty and the Research Office. He also shared an update on the 7.6% increase in

applications this year resulting in a cumulative 73% jump in applications over the last three years.

The President then moved on to provide an update that the provincial government's response on the Blue-Ribbon Panel was anticipated this month which might now be expected early next month.

The President provided an update on the federal government's announcement placing a cap on international students. He expressed concern about the harm that this causes to Canada's reputation amongst international students. He made a remark that the University is perceiving this update as an important issue despite not being a University heavily reliant on international students. He advised that the provincial and federal governments are meeting and the University's government relations unit has been actively engaging with, and monitoring this issue. He advised that this development underscores the importance of the University's differentiated growth strategy and noted that the University is already attentive and responsive to labour market needs.

The President briefly noted a couple of positive updates on the sports front to keep the Committee informed on how sports is fostering collective identity and shared inspiration among students.

The Committee expressed support for the President and the leadership team and commended efforts to position the University well for the future. In response to a question, the President clarified that the provincial government has not yet provided their official response on the international student cap. In response to a further question, B. Maclsaac confirmed that the cap does not impact this year's budget.

6. Strategic Discussion: Campus Master Plan – Update and Discussion

B. Maclsaac opened the Strategic Discussion with an overview of the differentiated growth plan, its connection with the Campus Master Plan, and the driving force of the Integrated Academic-Research Plan (IARP) which outlines a vision of significant differentiated enrolment growth to 18,000 students by 2030. He carried the discussion forward in two parts, one pertaining to growth in academic buildings and the other detailing the growth in student support.

B. Maclsaac briefly discussed the historical overview of the growth that took place over the years and shared that at present the University campus has 23 buildings over 1.2 million gross square feet of building space with approximate replacement value of over \$374 million in a span of 20 years.

B. Maclsaac then presented a general formula for space needs, noting that more specific data will be presented as plans progress. He explained that using the general formula, there would be a need for space of 300,000 gross square feet for growth from 11,000 to 15,000 traditional students.

He then drew Committee members' attention to the consultations on space planning that have taken place at the University. He highlighted the connection between budget planning and space allocation. He also noted that the COU space standard formula used across universities Ontario is under review; he is a member of the reviewing group.

B. Maclsaac then briefly discussed the 2011 Campus Master Plan and the 2015 Campus Master Plan created jointly with Durham College as being the guiding forces for the growth plan and detailed the phasing plan in place for the next 30+ years which showcases the growth we can attain over a particular stretch of Simcoe Street North. He highlighted that the major asset our University has is the possession of land to grow.

Using the general example of the eventual need for 300,000 gross square feet at approximately \$700/square foot, which amounts to a total investment of \$210 million, B. Maclsaac discussed potential timelines and phasing. He went on to discuss the potential plan considering bifurcation of the space needed into phases, considering 100,000 gross square feet at a given time with investment of \$70 million. For planning purposes, he explained that even if the University obtains 50% of the amount through advancement or government support, the 50% balance would have to be viewed as operating cost. He noted that a 25 year term mortgage on \$35 million would average about \$2.5 million in annual mortgage payments with an additional \$1 million for utilities, security, cleaning etc., resulting in a cost of \$3.5 million per year for 100,000 gross square feet of space.

As it won't be possible to immediately embark on constructing new buildings, B. Maclsaac explained that the University is currently reviewing its current space use. He also noted that the University is considering growth by optimally using the current space before expanding space.

B. Maclsaac moved on to the second leg of his presentation by discussing a recognized need for student support including expanded student housing and other services. He advised that at this time, the University's preference is for a public-private partnership (P3) with private partners designing, building, and financing a new residence that the University will operate. Land would be retained on a long-term lease.

B. Maclsaac further noted the primary objective of this project would be to support the academic mission with a financially feasible plan. He explained that the University regards a public-private partnership for a residence as beneficial as it shifts risk, meets housing demands, and presents an opportunity that does not demand capital the University does not have while ensuring that there is university input despite private parties' involvement. He highlighted that the building plan being considered with the presence of more communal places, it would have about a 45 year return on investment. He ended the presentation by briefly detailing the general description of the agreement terms to be reviewed moving forward and mentioned all the different entities involved in the planning.

A discussion of the presentation then ensued. In response to a concern about maintenance and renegotiation of public-private partnerships and an inquiry regarding self sustaining efforts such as designing zero net buildings, B. Maclsaac clarified that the project already outlines the University's minimum standards requiring the partners to work at net zero and further acknowledged that the team is being mindful about concerns that arise with public-private partnerships. In response to a question about other universities pursuing similar models in Ontario, B. Maclsaac confirmed that other universities have adapted similar models and the University has taken advantage of learning from their experiences. In response to a different question, B. Maclsaac clarified that in reference to operational aspect, the University is looking to hand it over to the developer to minimize risks while requiring integration with certain key operational aspects of the University such as security. In response to a question, B. Maclsaac advised that while the University does not have benchmarking data for the ratio of housing to students provided by other universities, the results of a student survey on the subject could be brought to the Committee for information. In response to a final comment, B. Maclsaac confirmed that the Committee will be kept informed of the major components of any future P3 agreement and that the support of relevant experts will be provided as needed. He also informed the Committee that a policy describing the long term vision Campus Master Plan, five year asset management plan and annual review of capital asks will be shared in the next meeting.

7. Finance

7.1 Third Quarter Financial Reports

P. Onsiong presented the year end forecast and highlighted that there are movements in the various revenue and expense categories in comparison to last quarter but acknowledged that the year-end forecast has not changed significantly from what was last reported to the Committee. She noted the University is projecting a \$3.5 million surplus. If the balance of the year is stable, the surplus will be added to the University's reserves.

Speaking to forecast variances, P. Onsiong discussed that against the original budget, revenue is favorable \$4.8 million and 50% of it relates to the increase in interest revenues. She acknowledged that this increase is not permanent; interest rates are projected to decline in Q2 of this calendar year. Turning to expenses, P. Onsiong recognized the University has had savings and went on to discuss the additional \$2.8 million investment of capital, noting that 75% of this investment is funded through increases in donations and grants.

P. Onsiong closed by briefly discussing the GAAP financial statements, drawing the Committee's attention to the accounting treatment of the surplus of funds in revenue generating units. Historically, surplus in these units has been deferred and recognized as revenue in the year expenses are incurred. As surpluses increase, only a portion qualify for deferral; the balance will be taken into income thereby increasing the surplus position from a GAAP perspective. A recommendation will be made annually to the Board to reserve the surplus for the use of the units in future years.

The Committee Chair supported the approach, noting that such revenue would be appropriately segregated from general operating funds.

7.2 2024-2025 Tuition and Ancillary Fees

S. Thrush presented the proposed 2024-2025 Tuition Fees for A&F approval. She highlighted how the University faced complexities over the year and noted that the proposal takes into consideration the lack of decision by the Province with respect to the recommendations of the Blue-Ribbon Panel.

S. Thrush explained that for domestic undergraduate tuition, a range of 0-5% is proposed. This allows flexibility should the recommendations of the Blue-Ribbon Panel be implemented. She shared that the proposal also accounts for the tuition anomaly decision by the Ministry allowing the University to increase tuition in three programs, engineering, commerce and computer science up to a 7.5% increase until the average targets set by the Ministry are reached.

S. Thrush also noted the recommendation of a 5% increase in undergraduate domestic out-of-province tuition, the maximum allowed limit as per the current tuition framework. She noted that for undergraduate international programs, the University will continue recommending a 5% increase while committing to the students that the University will not increase it more than 5% per year during the life of their program.

S. Thrush explained that for both graduate domestic and international research-based Masters and PhD programs, the recommendation is a freeze and a 0% increase in tuition despite possible flexibility within the new tuition fee framework. She shared that for the graduate domestic professional/course based Masters Program, the proposal is 0-5% increase while for graduate international professional/course based Masters Program there would be a 5% increase.

S. Thrush shared that the University continues to increase its commitment to scholarships and bursaries to provide greater financial support to undergraduate and graduate students year over year.

In response to a question, S. Thrush confirmed that the University is prepared to adjust the tuition fee based on the Ministry's approval and will ensure that students are aware about the possibility of such incremental changes. In response to a question about the competitiveness of Ontario Tech's tuition levels, S. Thrush confirmed they are below sector averages based on the COU 2023 tuition fee survey.

Upon a motion duly made by L. Elliott and seconded by D. MacMillan, the Audit and Finance Committee recommended the 2024-2025 tuition fees, as presented, for approval by the Board of Governors.

B. Maclsaac then presented the proposed 2024-2025 Ancillary Fees for A&F's approval. He described the process by which ancillary fees are set and the three student and three administrator committee that reviews them. He advised that the

administration is permitted to increase ancillary fees by the same rate as the Consumer Price Index (CPI) which was 3.8% this year and the recommended average fee increase is within those parameters.

Upon a motion duly made by S. Murphy and seconded by L. Elliott, the Audit and Finance Committee recommended the 2024-2025 ancillary fees, as presented, for approval by the Board of Governors.

8. Investment Oversight – Semi-Annual Investment Portfolio Report

B. Maclsaac presented the Semi-Annual Investment Portfolio Report. He drew the Committee's attention to the portfolio balance of \$35 million on December 31, 2023.

He noted that the University's 5-year performance is at 6.8% which is above the short-term target of 6% returns. He advised that the 5-year and long-term ranges are on target and the University's asset mix is compliant with the Statement of Investment Policies.

In response to a question about performance against expectation, B. Maclsaac clarified that in the last couple of years the University has been performing under the benchmark whereas from the viewpoint since inception, it is over benchmark. He added that the University is working with PH&N to address underperformance concerns.

9. Risk – Interim Risk Management Update

J. Dupuis presented the Interim Risk Management Update, advising the Committee that overall the University continues to manage risk. She shared a number of positive developments and ongoing initiatives highlighting the strength of the University's resilience.

J. Dupuis discussed the risk of the emerging global climate, noting that the University has been selected to participate in a Climate Change Vulnerability Assessment being led by CURIE. This assessment is based on data being tracked from several years and insight from these discussions will assist in forming strategies to safeguard campus infrastructure and help minimize physical risk in financial exposure.

J. Dupuis shared some progress on the University's enhancement of its cyber defenses. She noted that post survey analysis by the University's new cyber insurer, the University has achieved a silver rating which denotes that the financial sustainability against cyber threats has been enhanced and highlights the dedication to maintain robust cyber defense. She reported on some benchmarking data and shared that work is underway to establish key risk indicators for baseline and comparison. J. Dupuis briefly noted the Committee that another tabletop exercise is planned, led by CrowdStrike in collaboration with Durham College and key internal stakeholders.

J. Dupuis closed by discussing external factors that impact the University's financial sustainability, including uncertainty across the higher education sector. She noted that aligning efforts with emerging circumstances and integrating them into planning is an ongoing focal point for the University. She closed by noting that the University continues to align risk management to the Integrated Academic-Research Plan.

In response to a question, J. Dupuis clarified that CURIE's vulnerability assessment for climate is due to take place in May 2024 but that its survey has already been completed.

10. Consent Agenda

10.1. Minutes of Public Session of A&F Meeting of November 23, 2023

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

11. Adjournment

There being no other business, upon a motion duly made by D. MacMillan, the meeting adjourned at 3:14 p.m.

Lauren Turner, University Secretary