



BOARD OF GOVERNORS
Audit & Finance Committee

Minutes of the Public Session of the Meeting of November 23, 2022
2:00 p.m. to 3:26 p.m. via Videoconference

Members: Carla Carmichael (Chair), Roger Thompson (Vice-Chair), Laura Elliott, Thorsten Koseck, Dale MacMillan, Steven Murphy

Regrets: Mitch Frazer, Kim Slade

Staff: Sarah Cantrell, Krista Hester, Les Jacobs, Lori Livingston, Brad MacIsaac, Kimberley McCartney, Pamela Onsiong, Lauren Turner

1. Call to Order

The Chair called the meeting to order at 2:00 p.m. and read aloud the land acknowledgement.

2. Agenda

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

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair thanked everyone for meeting today, saying that she is honoured to be the new Audit and Finance Committee Chair. She thanked Roger Thompson for his support as Vice-Chair and Laura Elliott as the former Committee Chair. The Chair stated that she is impressed with the leadership and staff at the University. She closed by welcoming K. McCartney, new Assistant University Secretary, L. Turner, University Secretary, and thanking K. Hester for serving as Interim Secretary.

Les Jacobs joined the meeting.

5. President's Remarks

The President reflected on the excellent fall semester and the happiness felt around campus as people return in person. He commented on the financial pressures on higher education, particularly the tuition and grant freezes by the government. He shared that Ontario Tech is

collaborating with the Council of Ontario Universities (COU) and exploring other initiatives to provide options to the government in this regard.

6. Annual Terms of Reference Review

The University Secretary presented the Committee's Terms of Reference, noting that an annual review is a good governance practice. No revisions to the Terms of Reference were requested by the Committee.

7. Finance:

7.1 Strategic Discussion: Budget Assumptions

The Strategic Discussion on Budget Assumptions was led by B. Maclsaac, S. Cantrell and L. Livingston. It was noted that the paper was presented to Academic Council on November 22, 2022. The Committee was asked by the Committee Chair to consider whether or not the assumptions presented are valid and reasonable; and aligned with the University's priority areas and objectives.

It was highlighted for the Committee that the budget assumptions are aligned to the four strategic pillars and the 2023-2024 priorities. Tuition is currently at \$1.5M under budget attributable to \$3M loss of international tuition due to processing delays at Immigration, Refugees and Citizenship Canada (IRCC) offset by \$1.5M increase in domestic tuition. It was reported that grant and other revenue is up \$4M, but not flexible – the funds have discrete expenses to which they must be allocated and cannot be used for general operational expenses. With respect to enrolment, the IRCC delays continued to impact the University's international student numbers. The enrolment projections presented in the budget assumption are conservative and based on pre-COVID-19 retention rates as retention rates were artificially high during the pandemic. The Committee was advised that universities, including Ontario Tech, are advocating for a relaxation or lift of the tuition freeze. Every 1% in tuition increase would equate to approximately \$500k in gross revenue. B. Maclsaac noted for the committee that labour costs are expected to increase by about \$8M in 2023/2024 and that no inflationary increases are assumed in the budget. He advised the Committee that the final budget, which management is expecting to be balanced, will be presented to the Audit and Finance Committee in April 2023.

The Committee then discussed the University's progress towards its target international student enrolment. It was noted that the IRCC delays this year slowed progress towards target. In response to a question, S. Cantrell advised that the University intends to pursue a higher enrolment corridor in the next Strategic Mandate Agreement (SMA) with the Ministry.

In response to a question about deferred maintenance, B. Maclsaac advised the Committee that a paper presented last October indicated deferred maintenance costs would reach \$40M by 2045. The University invests approximately \$2M in facilities renewal each year. He acknowledged that a higher percentage of funds set aside for deferred maintenance would be desirable, but does not fit in the budget.

In response to a question about student retention, the Provost advised the Committee that a report will be tracking to the Strategy and Planning Committee in January and then the Board of Governors in March. She shared with the Committee that a multi-prong approach has been taken to retention, including extending the hours and formats of academic advising, the learning

enhanced program for students in difficulty and the Teaching and Learning Centre that supports students with adapting to university life.

A discussion then ensued on inflation and the process for approving requests for additional budgetary funds. B. Maclsaac discussed the budget approvals process, describing the Budget Working Group, and the importance of alignment with strategic priorities. With respect to inflation, he acknowledged that it is a risk, particularly as pressure is put on operational expenses, many of which are nearing their bottom lines.

7.1 Second Quarter Financial Reports

P. Onsiang presented the Second Quarter Financial Reports, noting that the University is trending to budget with an anticipated surplus of \$700k – just under the \$1M surplus that was approved in the budget. She advised the Committee that inflation is not impacting current year finances significantly because nearly 75% of the University's expenses are tied to contracts already factored into the budget. Similarly, the University's debts are governed by agreements and repayment schedules and therefore not fluctuating with inflation. Finally, she drew the Committee's attention to capital investments, which are \$4M over budget, but more than 50% funded by external grants. Some costs, e.g. \$500k in IT equipment, were procured last fiscal but only received and expensed in the current year due to supply chain delays.

7.3 Moody's Change in Practice

B. Maclsaac updated the Committee on a change to the look and feel of Moody's reporting, which now includes Environmental, Social and Governance considerations. He noted that credit agencies meet annually with the University, hear about strategy, financials, capital and research. He advised the University's credit rating for the year will be presented to the Committee in February.

8. Investment Oversight – Quarterly Review

B. Maclsaac presented the Quarterly Review of Investments, noting that the investment manager, PH&N, attends Committee twice yearly. He advised that the University is currently under the five year desired rate of return largely due to market volatility. For example, in March the University's rate of return was 7.1%, which exceeded the desired rate of return of 6%, but has since declined. He advised that mitigation efforts are underway with PH&N.

9. Risk Management Update

Jackie Dupuis joined the meeting.

B. Maclsaac gave a brief overview of the efforts over the summer to revise risk reporting to the Board of Governors. He advised the Committee that Jackie Dupuis, Director, Risk Management, will be presenting the report to ensure its independence.

J. Dupuis thanked L. Elliott, C. Carmichael and D. Reiner for their input on the revised Risk report. She noted that the report groups risks into four categories aligned with the Risk Management Policy. She drew the Committee's attention to the dashboard presentation of risk, which provides specific updates, position on the University's risk registers, and a trend direction since the last quarter's report. J. Dupuis highlighted key operational strategic risks as well as the increased risk to talent management and employee health and wellness.

The Committee Chair commented on the various key aspects of risk reporting: identification, rating, mitigation, tracking, and assessment of acceptability of residual risk. She advised the Committee that the leadership team is seeking input on the revised risk reporting format. Support from the Committee was expressed for the report's conciseness as well as the use of colour-coding and trend directions. In response to a question, J. Dupuis advised that a one-picture dashboard could be included in the annual risk report. In response to a further question, J. Dupuis indicated that the assessment of the efficacy of mitigation plans is a work in progress for the University.

Jackie Dupuis left the meeting.

10. Consent Agenda

- 10.1 Minutes of the Public Session of the Audit and Finance Committee Meeting of June 15, 2022**
- 10.2 University Driving Policy**
- 10.3 Freedom of Expression Annual Report**

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

11. Adjournment (M)

There being no other business, upon a motion duly made by D. MacMillan, the meeting adjourned at 3:26 p.m.

Lauren Turner, University Secretary