BOARD OF GOVERNORS
Audit & Finance Committee

April 11, 2024
2:00 p.m. to 5:30 p.m.
Videoconference
+1 +1 647-735-2220 PIN: 493 601 420#

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

Staff: Kirstie Ayotte, Jackie Dupuis, Sara Gottlieb, Krista Hester, Lori Livingston, Brad MacIsaac, Pamela Onsiong, Lauren Turner

AGENDA

No.	Topic	Lead	Allocated Time	Suggested Start Time
	PUBLIC SESSION			
1	**Call to Order**	Chair	5	2:00 p.m.
2	**Agenda (M)**			
3	**Conflict of Interest Declaration**			
4	**Chair's Remarks**	Chair	5	2:05 p.m.
5	**President's Remarks**	Steven Murphy	10	2:10 p.m.
6	**Finance**			
6.1	Approval of 2024-2027 Budget* (M)	L. Livingston/ B. MacIsaac	60	2:20 p.m.
6.2	Budget Allocation Model* (I)	S. Thrush/ B. MacIsaac	20	3:20 p.m.
7	**Investment Oversight – Endowment Disbursement* (M)**	Brad MacIsaac	5	3:40 p.m.
8	**Policy* (M)**			
8.1	Debt Policy	Brad MacIsaac	15	3:45 p.m.
8.2	Capital Policy			

D – Discussion M – Motion P – Presentation U – Update * Documents attached

8.3	Signing Authority and Contracts Policy			
9	**Consent Agenda (M):**	Chair	5	4:00 p.m.
9.1	Minutes of Public Session of A&F Meeting of February 15, 2024*			
9.2	Credit Rating Update*			
10	**Adjournment (M)**	Chair		4:05 p.m.
BREAK – 10 minutes				
NON-PUBLIC SESSION **(material not publicly available)**				
11	**Call to Order**	Chair	5	4:15 p.m.
12	**Conflict of Interest Declaration**			
13	**President's Remarks**	Steven Murphy	10	4:20 p.m.
14	**Confidential Budget Items (I)**	L. Livingston/ B. MacIsaac	10	4:30 p.m.
15	**Risk Management: Enterprise Risks* (M)**	Jackie Dupuis & Brad MacIsaac	30	4:40 p.m.
16	**Consent Agenda (M):**	Chair	5	5:10 p.m.
16.1	Minutes of Non-Public Session of A&F Meeting of February 15, 2024* (M)			
16.2	2023-2024 Work Plan* (I)			
16.3	A&F Committee Action Points			
17	***In Camera* Session (M)**		10	5:15 p.m.
18	**Termination (M)**			5:25 p.m.

D – Discussion M – Motion P – Presentation U – Update * Documents attached

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☒
Non-Public	☐	**Discussion/Direction**	☐
		Information	☐

TO: **Audit & Finance Committee (A&F)**

DATE: **April 11, 2024**

PRESENTED BY: **Brad MacIsaac, Vice President Administration**

SUBJECT: **Multi Year Budget 2024-27 Approval**

COMMITTEE MANDATE:

The committee is responsible for governing and managing the affairs of the university, which includes the responsibility of approving the annual budget of the university and to monitor its implementation.

We are seeking approval for a balanced 2024-2025 budget and the current investment plan in principle for the preceding two years.

BACKGROUND/CONTEXT & RATIONALE:

As highlighted in the Fiscal Blueprint presented Fall 2024, this current financial context requires ongoing discipline to address budget pressures while targeting resources to invest in our 2023–2028 Integrated Academic Research Plan (IARP). The current budget planning environment remains difficult to balance given the government policies related to tuition and grant that has only been made more difficult due to the recently released cap on international study permits. At the start of February, when the budget was set, the university had no formal guidelines on any of these items.

This document provides an overview of the university's 2024-2025 rolling **$244M consolidated budget** and outlines the fiscal tensions we face resulting from multiple competing demands. From a revenue perspective, the **increase over the prior year budget is $19M** ($12M over the 2023-2024 year-end forecast). The largest contributors to this increase are:

- $10.1M enrolment (about $8.1M domestic and co-op tuition, $2M international tuition).
- $2M grants (assumed increase from Blue-Ribbon Panel advocacy).
- $2.3M ancillary ($1.3M support services, $1M deferred IT revenues for project).
- $4M other ($1M Brilliant Catalyst contracts, $1M in interest income, $1M commercial).

From an expense perspective, almost 45% of the new revenues are committed to restricted/targeted allocations (e.g. government mandated financial aid, cost of goods sold to correspond with increased commercial revenues, industry contracts). The major investments include:

- $10.5M investment in people ($6.5M for current employee contracts, $1.5M for new faculty and staff and $2.5M for sessional instructors and teaching assistants).
- $2.0M for student experience and financial aid.
- $1.5M for research.
- $1.1M for Capital infrastructure (note this is $8.4M with base).

While 2024-2025 presents a balanced budget, it has been accomplished by using a portion of the reserves and does not set aside the reserves required for future years. The assumed salary increased based on current ratios and estimated contracts leads to a deficit budget in future years. Leadership will continue to explore ways to bring this into a surplus position in order to invest in our priorities and future viability.

Discussions:

We are asking if the committee is comfortable with the balanced approach leadership is taken in setting the budget in these complex times. It is important to note the investments being made to move forward the strategic priorities while balancing the long-term sustainability of the institution.

While this budget continues to move us forward on our mission and priorities there are number of areas that were not funded to the levels we would like. A desired outcome of the budget presentations is to ensure members are aware of, and comfortable with, the risks and risk mitigation strategies related most specifically to enrolment, capital renewal and future reserves.

MOTION:

Pursuant to the recommendation of management, that the Audit and Finance Committee recommends to the Board of Governors approval of the 2023-2024 budget and approval in principle of the budgetary projections for 2024-2025 and 2025-2026.

SUPPORTING REFERENCE MATERIALS:

2024-27 Budget Paper
2024-27 Operating Budget PowerPoint presentation

ONTARIO TECH UNIVERSITY'S 2024-2027 Multi-Year Rolling Budget

Budget Working Group, March 2024

Introduction

Funding of institutions of higher education in Ontario has long relied on direct government funding (i.e., institutional grants) for instruction, investments, and research combined with contributions from students in the form of tuition and ancillary fees. These sources of funding have long been regulated by provincial government policies yet, in the **past**, the grant was routinely linked to total student numbers and would as a result grow as student numbers increased. Similarly, with multi-year tuition frameworks which outlined annual allowable tuition increases over three-to-four-year periods, universities were able to predict their tuition revenues and therefore prepare annual budget forecasts with some certainty and confidence.

This is no longer the case. At **present**, Ontario universities continue to be negatively impacted by the provincial government's imposition of a 10% domestic tuition cut in 2019, followed since then by a year-over-year domestic tuition freeze. This, in combination with the more than 30% decline in provincial grants for Ontario post-secondary schools since 2006-2007, leaves us struggling to adequately fund all priorities in year and unable to accurately predict our future revenues. This situation is made more complex by high inflation rates, the introduction of performance-based funding conditions which may negatively impact the grant portion of our revenues, and the recent announcement by the federal government of a cap on international undergraduate study permits. In contrast, what we can predict is that our expenses are outpacing our static revenue sources. As highlighted in the Fiscal Blueprint presented in Fall 2023, this current financial context requires us to address existing budgetary pressures. This includes diverting funds which should be set aside for known future costs including deferred maintenance and IT system upgrades to support the creation of annual balanced budgets.

Many of our peer universities provincially and nationally are similarly working to address the same issues. However, our unique composition (i.e., small size, existing cost structures, lack of adequate reserves, and absence of significant endowment funds) puts us at a higher level of financial risk. At this time, we are more vulnerable than other universities to policy changes because our current budget margin is razor thin and our ability to absorb shifts in our main revenue sources with our existing fixed costs is limited.

Looking to the **future** and the longer term, at the time of writing this paper, the provincial government has given us no firm indication of their response to the Blue Ribbon Panel's recommendations. As you will see illustrated in this paper, without additional revenues from grant and tuition sources, our fiscal situation in future years becomes increasingly more precarious. In addition, as our costs grow, and traditional revenue sources remain fixed, our spending power will continue to decline. As of today, while we are proposing a balanced budget for 2024-2025, looking forward there are no guarantees that we will be able to do the same in the out years, let alone keep the university in a fiscally sustainable position, unless we take action now.

The 2023–2028 Integrated Academic Research Plan (IARP) marked a continued commitment to our four strategic priority areas (i.e., Learning Re-imagined, Creating a Sticky Campus, Tech with a Conscience and Partnerships) in combination with a clear pledge to pursue enrolment growth to increase our revenues. Staying fixed on these priorities has ensured that our investments are strategic in nature and continuing to contribute to Ontario Tech differentiating itself from our competitors as a great place to learn, work, and play. This has led to our growing brand recognition and reputation which in turn is yielding high application numbers from both domestic and international sources. This is important as we have long known that a focus on enrolment growth will help to insulate us to some degree from immediate fiscal challenges.

In addition to growing revenues through enrolment growth, and finding new revenue sources to fund priority areas, we are also taking proactive steps right now to control our expenses through finding efficiencies and controlling our spending. For example, upgrading our IT systems and software platforms will support improvements in administrative processes, allowing our staff to focus on the key aspects of their jobs rather than trivial and often burdensome manual administrative tasks. We have also asked financial managers to prioritize investments in student, academic and research supports while carefully considering and managing impacts on their teams' workloads. This includes being constantly mindful of expenses and identifying opportunities for cross-department efficiencies (e.g., bulk purchasing practices). These proactive measures align with our ongoing prudent and fiscally responsible approach to finance, and our continued focus on operational excellence. By doing this, our goal is to reduce the need for reactive cuts in the future.

To accomplish this, key revenue and expense assumptions have been developed. The revenue assumptions are supported by multi-year enrolment growth projections. On the flip side, expense assumptions take into account increases in overall labour costs, as well as the need for further investments in student support and financial aid, and our IT and capital infrastructure.

Revenue Assumptions

Ontario Tech's estimated operating revenues for 2024-2025 total $244.2M, the sources of which are depicted in **Figure 1**. These are estimated based on the following assumptions.

Enrolment Growth: For the third consecutive year, Ontario Tech has seen remarkable increases in new student applications. These increases far exceed the system average for both domestic and international student demand. Ontario Tech created a plan in 2019 to increase the proportion of overall enrolment numbers represented by international students from about 7% to be closer in line with the Ontario system average of 18%. After investing in international recruitment and the corresponding and necessary student supports, we anticipate that international student enrolments will be about 10% of the total student body in the next fiscal year (**Figure 2**). Overall, it is estimated that $10.1M in additional enrolment revenues (i.e., $8.1M domestic and co-op tuition, $2M international tuition) will be realized.

However, on the heels of the strong application performance in late January, the federal government announced a plan to cap international student study permits. This will have a direct negative impact and we expect a reduction in new international undergraduate student enrolment by at least 25% from last year. To put this into budget context, our new assumption is about 100 fewer international undergraduate students that could translate to a decrease of more than $3.5M in net tuition revenue. While there is an opportunity to offset this by focusing on increasing international student enrolment in course-based master's programs, an unintended consequence of widespread media coverage of the federal government's cap on international study permits is the perception that 'Canada is closed' to new international students. Between this perception, which will lead to fewer international student applications, and processing delays associated with new attestation and other bureaucratic processes, there is a chance the negative effect could be even larger than anticipated.

Grants: Although we have not yet received confirmation of additional funding flowing in response to the Blue Ribbon Panel's recommendations, the assumption is being made that a modest amount of one time funding of approximately $2M (which represents about a 3% increase to our operating grant) will be realized.

Ancillary Fees: About $1.3M of additional ancillary fee revenues, associated with enrolment growth, and $1M of prior years' deferred revenue from Technology Enhanced Learning fees will contribute a total of $2.3M in additional revenues to the 2024-2025 operating budget.

Other: Approximately $4M in additional revenues will be realized from other sources (e.g., Brilliant Catalyst contracts, interest income, commercial services).

Figure 1. Estimated 2024-2025 Operating Revenue ($244.2M)

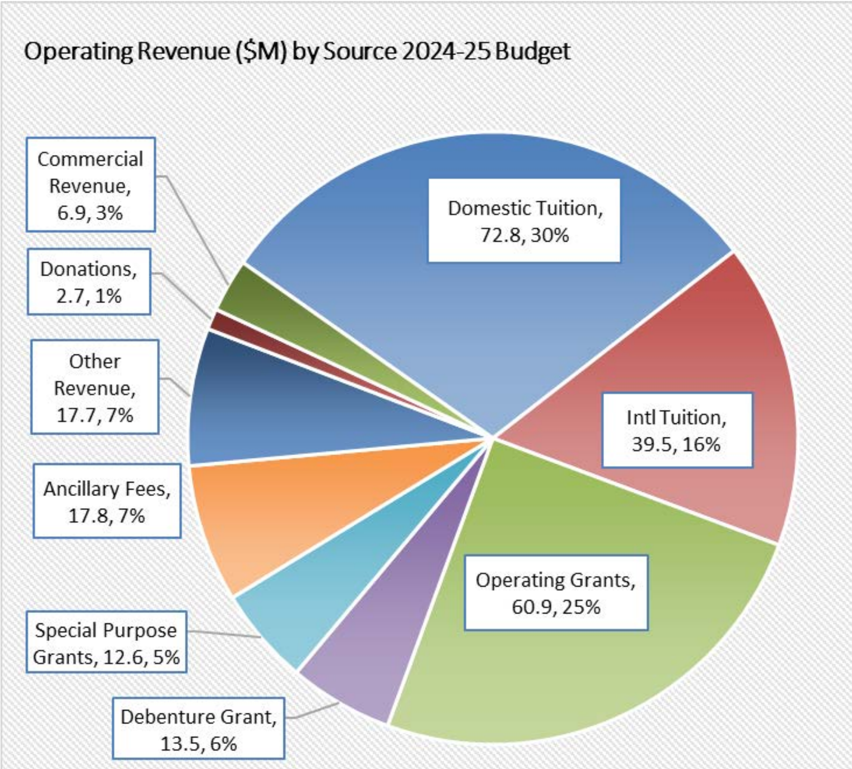
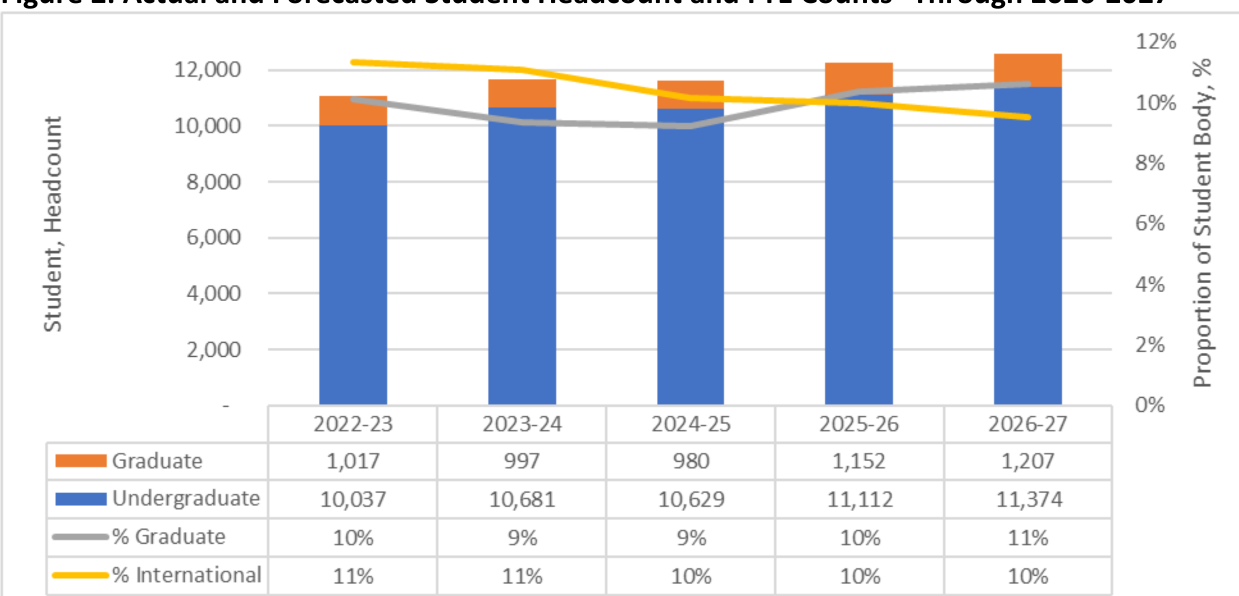


Figure 2: Actual and Forecasted Student Headcount and FTE Counts[1] Through 2026-2027



Student FTEs	2022-23	2023-24	2024-25	2025-26	2026-27
Undergraduate	8,711	9,398	9,559	9,966	10,163
Graduate	795	790	828	998	1,024
% Graduate	9%	8%	9%	10%	10%
% International	11%	11%	11%	11%	11%
Total Actual & *Projected*	9,507	10,189	*10,387*	*10,964*	*11,187*
Budget FTEs	9,389	9,491	10,387	10,964	11,187

[1] Student enrolment is reported as full-time equivalents (FTEs).

Expense Assumptions

Ontario Tech's estimated expenses for 2024-2025 total $241.7M. These are illustrated in **Figure 3**. These are estimated based on the following assumptions:

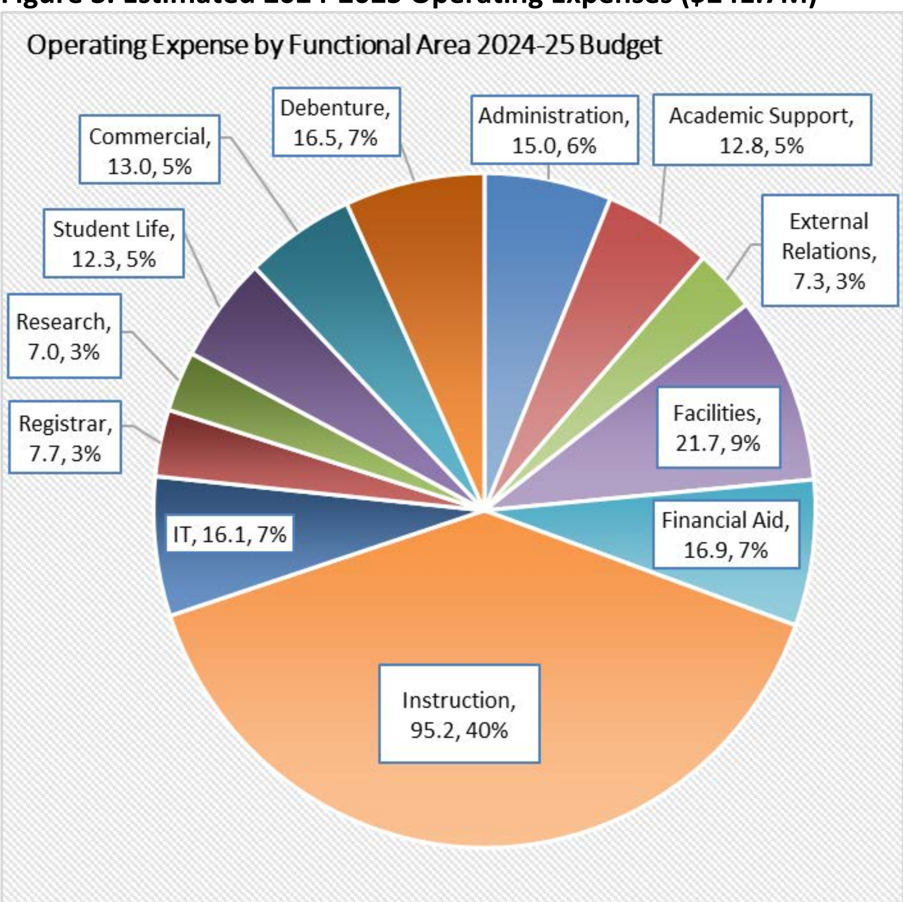
Labour: Labour costs represent the overwhelming majority of our annual expense budget, and the largest increase in our total expenses in comparison to last year. This total increase of about $10.5M (year over year view in **Figure 5**) includes $6.5M to cover existing contractual commitments to salary and benefit increases, $1.5M for new faculty and staff, and $2.5M for additional sessional instructors and teaching assistant support.

Student Experience and Student Financial Aid: An additional $2.0M will be invested to support our students (i.e., $1.5M, mainly funded by ancillary fees, to support the student experience and $0.5M in financial aid).

Research: While most of the direct research funding (e.g., from the Tri-Agencies and other funding sources) goes into restricted faculty accounts, the operating budget increase includes an additional $1.5M of which two-thirds is covered by direct revenue (i.e., $500K for start-up funds, $500K for equipment related to advancing the energy research agenda, and $500K to fulfil Brilliant Catalyst contracts).

Capital Infrastructure: An additional $1.1M will be invested in new assets and repairs to our IT and facilities infrastructure. Combined with the current base (which is mainly offset by grants), this brings the total capital investments to about $8.4M).

Figure 3. Estimated 2024-2025 Operating Expenses ($241.7M)



Pulling All of These Assumptions Together

The aforementioned assumptions collectively support the realization of a balanced budget for 2024-2025 using a conservative budgeting approach with an estimated $19.0M in additional revenues offsetting an estimated $14M in net new expenses in 2024-2025 and $5M of planned reserves for future requirements. Total new investments are $23M when including the impact of repurposing prior year one-time only project funds. The assumptions are conservative in nature, leading us to suggest that there is low to moderate risk associated with the 2024-2025 budget projection.

While there is higher degree of risk associated with some of the revenue assumptions (i.e., enrolment, anticipated increase to the operating grant as a result of the Blue Ribbon panel recommendations, inflation), these are counterbalanced by the setting aside of a $2.4M contingency funds to protect against some of the unknowns at this point in time.

2024-2025 Estimated Consolidated Operating Budget

Considering the aforementioned assumptions, the 2024-2025 Estimated Consolidated Operating Budget totals **$244.2M.** This is 92% of the university total budget which also includes restricted funds ($15.4M or 6% for research and $4.2M or 2% for restricted donations).

An Operating Budget is a complex entity. Therefore it is, in turn, further broken down into a series of funds which are each aligned with a primary function (**Figure 4**).

Figure 4. The 2024-2025 Estimated Consolidated Operating Statement

	Operating Budget	Purchased Services	Operating-REV	Ancillary Fee Budget	Infrastructure Capital	Commercial Services	2024-25 Proposed Budget
Revenues							
Operating Grants	60,907	-	-	-	13,500	-	**74,407**
Other Grants	7,384	-	2,472	221	2,490	-	**12,567**
Tuition	100,650	-	11,584	-	-	-	**112,234**
Student Ancillary Fees	1,619	1,481	137	12,375	2,154	496	**18,261**
Donations	538	-	2,034	122	-	8	**2,702**
Other Revenue	5,834	220	11,106	574	-	6,349	**24,084**
Total Operating Revenues	**176,933**	**1,701**	**27,332**	**13,292**	**18,144**	**6,853**	**244,255**
Base Expenditures							
FT Labour	(103,719)	(7,645)	(6,156)	(6,212)	-	(1,438)	**(130,170)**
PT Labour	(11,795)	(197)	(4,512)	(1,488)	-	(412)	**(18,403)**
OPEX	(28,960)	(7,541)	(15,164)	(2,732)	(16,501)	(4,331)	**(75,229)**
CAPITAL	(106)	-	(9)	-	(4,644)	-	**(4,759)**
Approved Base Expenditures	**(144,581)**	**(15,383)**	**(25,840)**	**(10,431)**	**(21,145)**	**(6,181)**	**(228,561)**
Budget Surplus/(Deficit) before Asks	**32,353**	**(13,682)**	**1,492**	**2,861**	**(3,001)**	**671**	**15,694**
Recommendations	-	-	-	-	-	-	**-**
Base Recommendations	(7,951)	(416)	(1,402)	(64)	-	(335)	**(5,168)**
OTO Recommendations	(3,697)	-	32	(543)	-	(50)	**(4,258)**
Capital Recommendations	(1,085)	-	(181)	(2,390)	-	(10)	**(3,666)**
Total Net New Recommendations	**(12,733)**	**(416)**	**(1,552)**	**(2,996)**	**-**	**(395)**	**(13,092)**
Total Expenditures	**(157,314)**	**(15,798)**	**(27,392)**	**(13,427)**	**(21,145)**	**(6,577)**	**(241,653)**
Total CY Budget Surplus/(Deficit)	**19,620**	**(14,098)**	**(60)**	**(135)**	**(3,001)**	**276**	**2,602**
Funded through PY restricted reserves	-	-	-	373	-	-	**373**
Risk Contingency Fund	2,443	-	-	-	-	-	**2,443**
Total Budget Surplus/(Deficit)	**22,062**	**(14,098)**	**(60)**	**238**	**(3,001)**	**276**	**5,418**

2024-2027 Estimated Multi-Year Consolidated Operating Budget

As mentioned in the introduction to this paper, our fiscal situation in future years becomes increasingly more precarious (**Figure 5**). As our costs grow and traditional revenue sources remain fixed, our spending power will continue to decline. It is important to reiterate while we are proposing a close to balanced budget for 2024-2025, there are no guarantees that we will be able to do the same going forward, let alone keep the university in a fiscally sustainable position, unless we act now. As can be gleaned from the data presented herein, if we do not continue to grow or realize additional funding from government, and we cannot contain our costs, these projected budget deficits will become our reality. Our estimated budgets moreover, will be characterized by increased risk, moving from our currently low to moderate risk budget position into high risk territory.

Multi-year budgeting requires universities to take a longer-term perspective when making decisions to undertake new initiatives, and to fund existing programs and services over several years. Positive aspects of multi-year planning include improved long-term planning by providing assurances to units about service delivery, and greater emphasis on program evaluation and monitoring by giving time to implement and review. University budgets are best set after the winter term begins because there is a better indication of the current student enrolment patterns, the new student application data and, normally, the government's direction on tuition. Further, it includes the ability to provide some stability in planning, greater transparency on revenue and expense strategies, and a longer time horizon for identifying and managing risks. As our largest expense is our investment in employees, the multi-year budgeting process provides more time for the hiring process.

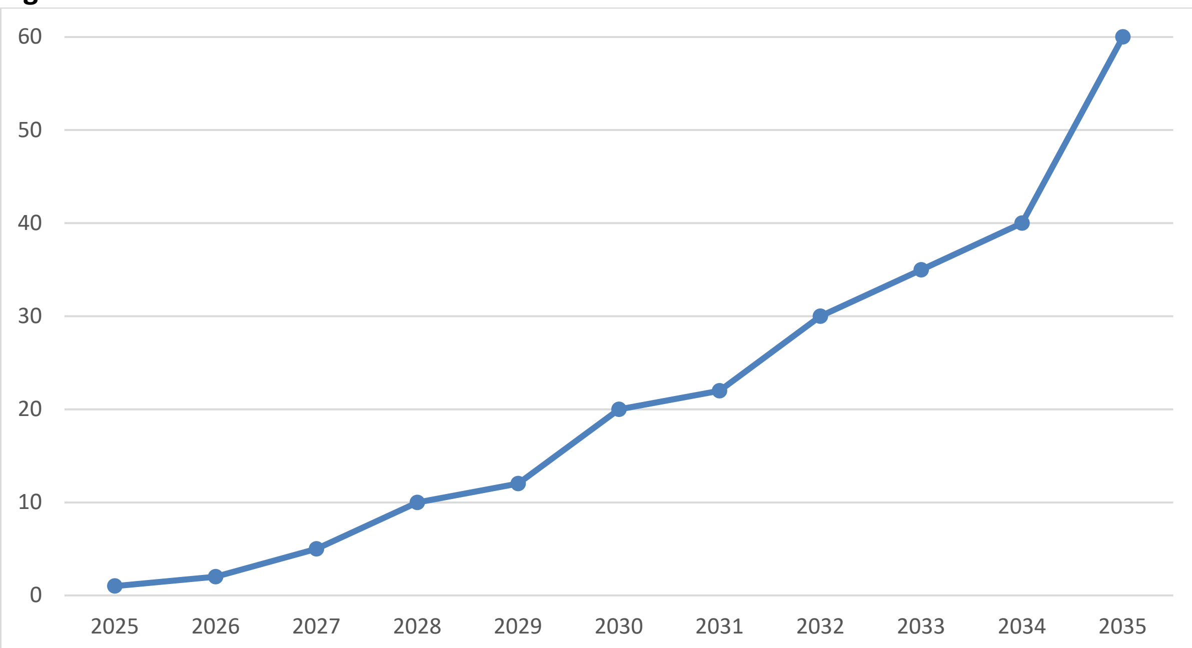
As we plan for the 2024-2025 budget year, and the subsequent two years, the budget assumptions focus on growth in student numbers and hence greater enrolment revenues plus other incremental revenues, offset by costs associated with supporting growth in student numbers. The future years demonstrate the impact of the current year's decisions on future year budgets. They also include some nominal assumptions for labour and operating contractual increases. With inadequate revenue increases anticipated from government until a formal announcement, most of the out-year expenses focus on supporting growth through faculty and staff hires, increased utility costs, and capital repairs.

Figure 5. 2023-2026 Estimated Operating Budgets

	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
FTEs	*9,389*	*9,491*	*10,387*	*10,964*	*11,187*
Domestic Tuition	60,875	64,670	72,774	79,562	83,782
Intl Tuition	33,844	37,539	39,460	43,310	43,063
Grants	82,227	84,876	86,974	87,730	88,252
Ancillary Fees	14,081	15,424	17,765	16,891	17,932
Other Revenue	4,940	14,539	17,735	17,522	18,348
Donations	1,784	2,336	2,694	2,115	2,136
Commercial Revenue	12,095	5,932	6,853	7,214	7,578
Total Revenue	**$ 209,847**	**$ 225,315**	**$ 244,255**	**$ 254,344**	**$ 261,091**
FT Labour	(113,301)	(122,938)	(130,944)	(144,098)	(154,801)
PT Labour	(18,766)	(21,995)	(24,359)	(22,377)	(23,190)
OPEX	(71,749)	(74,902)	(77,926)	(79,157)	(80,127)
CAPITAL	(9,761)	(7,512)	(8,425)	(7,973)	(7,289)
Total Expenses	**$ (213,576)**	**$ (227,346)**	**$ (241,653)**	**$ (253,605)**	**$ (265,407)**
PY Reserve Utilization	4,782	2,031	*373*	-	-
Risk Contingency Fund			2,443	2,543	2,611
Net Surplus/(Deficit)	**$ 1,053**	**$ 0**	**$ 5,418**	**$ 3,282**	**$ (1,706)**
Reserve Target (3% of total Tuition/Grant)			*(5,976)*	*(6,318)*	*(6,453)*
Net Surplus/(Deficit) with Reserve	**$ 1,053**	**$ 0**	**$ (559)**	**$ (3,036)**	**$ (8,158)**

We have achieved an estimated balanced budget for 2024-2025 which includes setting aside over $5M per year for future deferred maintenance costs and/or new capital investments. To elaborate on this, the facilities portfolio alone at Ontario Tech includes 23 buildings encompassing more than 1.2M gross square feet of building space, with an estimated Current Replacement Value of $347M. Based on the paper entitled *In Committing to the Cost of Ownership: Maintenance and Repair of Public Buildings*, the annual capital renewal should be 0.5-1.5% maintenance (i.e., $1.7–$5.2M) and 1.5-2.5% savings (i.e., $5.2–$8.7M) of the current replacement value. If we continue to invest a meager $1.8M per year on projects to repair and/or replace infrastructure, by 2030, the accumulated deferred maintenance costs alone will exceed $20M. These costs, moreover, will continue to grow at a more rapid pace thereafter (**Figure 6**).

Figure 6. Cumulative Deferred Maintenance



In addition to deferred maintenance, we must also save for other items such as enrolment fluctuations, unplanned external challenges (e.g., continued freezes on tuition and grants), and large-scale strategic priorities. As we look to the outyears, it is important to note that salary increases alone will continue to outpace revenue growth unless there are changes in government policies combined with continued enrolment growth above what is in our current scenario. Over the past five years the university has made cuts and reallocations to focus on its priorities, leaving little room for future strategic investments if no new net funding is realized. This forecast is presented as one possible scenario but also to message that we cannot continue to "cut" our way out of our current fiscal situation.

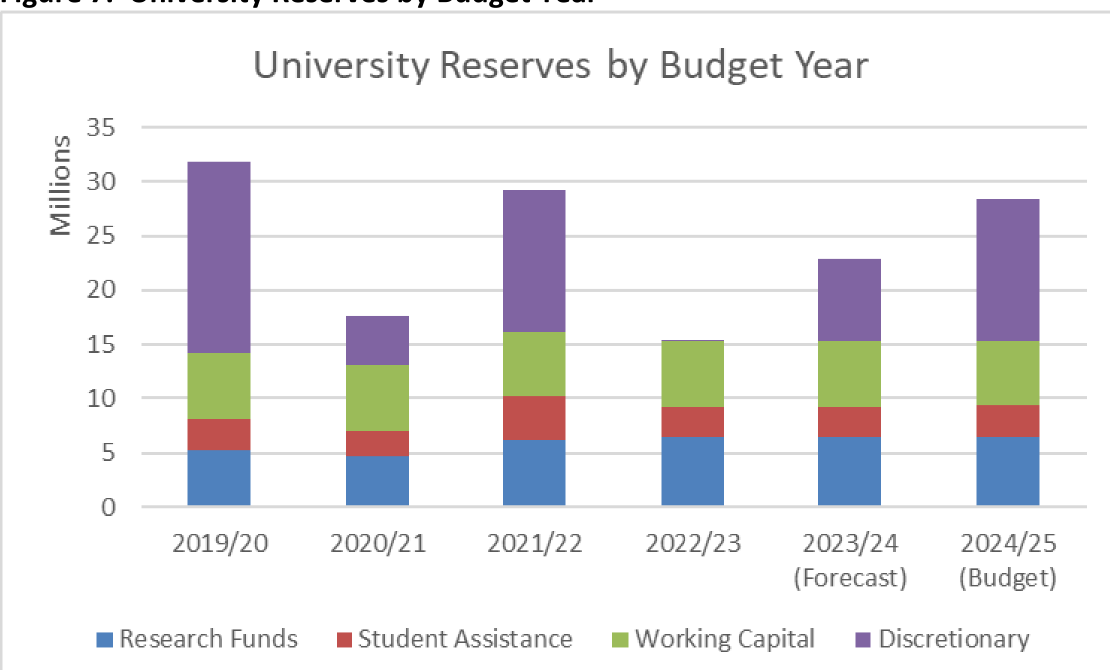
Simply put, the university must focus on further student growth to fund key strategic differentiators and cover general costs. We will maximize the amount we can increase fees while also continuing to strongly advocate for improved government grants. However, while this budget table reflects revenue from growth, it does not do the same for the funds required to create more space to support this growth. The assumption is that this will come from government investment, philanthropic donors, and other development opportunities. As discussed at the May 2022 Board of Governors Strategy and Planning Committee meeting, we will continue to engage in conversations with interested development partners to explore opportunities for mutually beneficial capital projects on our lands. To fund future projects, and to protect our financial future, we must begin to establish reserves.

Reserves

Although there are many competing short-term demands in budget planning, the community must understand the university's need to build reserves for unplanned and planned future needs and have general guidelines on how much to manage future expenditures. We need to move away from budget overruns and formalize contingency management. When and if the opportunity presents itself, we also need to be setting aside one-time-only revenues to stabilize our budget over the multi-year period. At the Board's Audit and Finance Committee meeting in November 2021, the Financial Sustainability and Reserves were discussed and outlined that these monies will be used for planned future investments in large-scale repairs/replacements, the creation of a strategic pot for new priorities/equipment/infrastructure, and operating contingencies to offset unplanned negative external budget impacts.

The university's current reserves position (**Figure 7**) (as of March 31, 2023) are outlined in Note 21 of the 2023 Annual Financial Statements. This represents operating funds set aside for specific purposes such as capital projects, research funds, academic priorities, digital infrastructure, and future student initiatives and excludes sponsored research and directed donations, which are treated as deferred contributions. Approximately 50% ($13.2M) of the 2023-2024 forecasted reserves are linked to contractual obligations (e.g. faculty start-up funds). In addition, a working capital reserve of $6.0M (22.2% of total reserves) has been set aside as a Ministry of Colleges and Universities requirement to stabilize the university's financial position, leaving approximately $7.7M (28% of total reserves) for discretionary projects.

Figure 7. University Reserves by Budget Year



Managing Key Budget Risks

The university continues to take a proactive approach to risk mitigation and maintains a focus on long-term strategic planning and decision making to sustain financial responsibility. Looking holistically at all potential positive and negative impacts to the budget, we reiterate that this as a low to moderate risk budget based on the likelihood and consequences of the major items. Our key budget risks and mitigation strategies, where applicable, include the following.

- **Achieving enrolment targets**: This is a continued risk, but the university has normally realized enrolments within ±2% of its annual estimates. Recently emerging government policies on international student enrolment caps present a significant challenge for us this year and particularly so as we have yet to be notified of our international student allocation number. In response, we have reduced the amount of expected revenues associated with international student growth based on best assumptions and planned for a $3M contingency fund.

- **Maintaining academic quality and student success:** Our investments in student well-being and academic success supports continue to grow, but the diversity of our students and their expanding needs outpace the investment. By taking a values-based approach, we are attempting to invest in high impact initiatives while also trying to respect the individuality of each of our community members. This is why we have chosen to invest more dollars to support additional faculty, staff, and student teaching assistant supports and resources. At this time, we assume a need to grow over 600 students a year just to cover annual salary increases for current employees.

- **Financial indicators**: At this time the university is rated lower by credit agencies than our sister institutions based on: (i) Liquidity (ii) Sustainability (iii) Performance which impacts borrowing rates and review by other external parties. Based on industry standards, Ontario Tech's credit rating ismedium risk. However, adjusting the sustainability ratios to account for debenture funding from the province, the university is within our target ratios. With a balanced budget and with funds set aside for reserves in 2024/2025, we anticipate the University's ratios to remain stable.

- **Aging equipment:** One of the first budget areas to be reduced over the last few years was the repair and replacement of equipment. The chances of equipment failure only increase as the equipment ages. While we had planned last year to increase in-year spending for capital renewal and return to increasing our planned reserves for future needs, we have chosen to continue to invest in our people and delay these investments. With that said, there are three larger pieces of equipment that are past end of life, which we are monitoring closely and spending funds on regular maintenance to maintain. We have a general contingency in place to mitigate emergency repairs. This equates to about $1.5M risk; however, the larger concern is the impact on business continuity if any of these pieces of equipment fail.

Summary

When the Fiscal Blueprint paper was penned in Fall 2023, there was cautious optimism that the provincial government would respond to the Blue Ribbon Panel's recommendations to support the future of the higher education sector in Ontario. At best we could have hoped that they would accept all of the Panel's recommendations. At worst, in contrast, was a concern that they would not respond at all As of the date of setting this budget, we do not have any further indications from the provincial government on either their immediate or future intentions. However, a continued tuition freeze seems inevitable. This has constrained our ability to plan and set a budget. Our current efforts, moreover, have been further complicated by the federal government's recent imposition of an unexpected cap on international student study permits.

While we have presented a balanced budget for 2024-2025, without any degree of certainty on the aforementioned matters our ability to do so in the immediate future remains uncertain. Government funding would help to alleviate the situation, but there are no guarantees on how much or when such funding will be realized. Continuing to be focused on finding efficiencies is also important, yet as time goes by, the opportunities to find such efficiencies will become increasingly difficult and potentially problematic if they begin to compromise the academic enterprise. In the interim, we must stay wholly focused on our differentiated growth agenda as outlined in the 2023-2028 IARP to not only continue to grow our student numbers, but also to provide us with the funds necessary to support said growth as well our aspirations to continue to excel and differentiate Ontario Tech in terms of our research and our commitment to our local partners and community stakeholders.

What is clear at this point in time is that our budgetary challenges will continue for some time to come and the rainy day that we have been trying to avoid is just around the corner. To suggest or pretend otherwise would be irresponsible. To this end, if additional currently unaccounted for revenues are realized from government or other sources, what is apparent is that we must commit to placing such funds into reserves to cushion the uncertainty of our fiscal future.

To date, we have made good decisions, and it is these decisions that are affording us the opportunity to present a balanced budget going into 2024-2025. Going forward, we will continue to make the decisions – no matter how difficult - that need to be made in order to protect Ontario Tech's future.

Appendix A – Fiscal Blueprint Consultation Sessions Q&A

International students have grown from about 7% of the total student population in 2017 to about 11% of the same in 2022. This represents a 4% increase over this multiyear period, yet we expect to achieve 18% in the short term. How do we expect to realize above trend growth rates in international recruitment? Does the demand exist? How does the recent Federal announcement impact this plan?

We started our internationalization plan in 2019 by connecting with external agents. After Year 1, we almost doubled our intake with over 200 new students. The growth plan assumes approximately 350 new undergraduate international students a year followed by the flow-through as they progress in subsequent years. These small numbers are not an unrealistic growth trend. It is important to note that this growth plan only brings us to the Ontario university average percentage, so we are not disproportionately large.

The risk of growing international enrolment may be the largest uncertainty in the budget assumptions. The recent federal announcement on capped offers will impact us but we do not know to what extent yet. It is important to note that the long-term vision has not altered. The current policy refers to a two year pause and we will be ready to attract more when/ if we can in the future.

We mitigate these risks in a few ways. For example: when recruiting, we have a very diverse mix of incoming students, for in-year planning we are conservative with the number of international students planned to attend (assumed 25% less), and we have shifted our focus to course based masters to offsets the undergraduate losses.

Budget decisions always look different depending on perspective, but I thought I'd flag you to a general perspective that some areas that are direct support to student and teaching needs look like they are being `squeezed' while other areas appear not to be. Can you elaborate on how we are improving the teaching focus if: conditions in classrooms have declined, student advisory services seem to be reduced, TA allocation have been reduced and space for student interface have been converted to other functions.

While we have invested $14M more into priority areas this question outlines how hard it is to keep up the quality of service and how each person perceives it.

- We are investing over $8M in capital upgrades but much of the is behind the scenes such as the $1.2M required to replace a boiler. We have about $250K that is going into furniture replacement. We will do a full review this summer of each classroom and prioritize health and safety concerns.

- Student advisory and TA allocations have increased each of the past three years. However, as noted in the paper much of this increase is covering mandatory wage increases. We have converted $2.5M PT funds to base so faculties can better plan for sessional and TAships in the future.

There appears to be more investment in the areas outside of the core teaching and research areas. Is this true?

The budget working group closely monitors this. The percentage of funds being directed to "instruction" as defined by the Council of Ontario Universities has been consistent over the past 5 years. This is increasing difficult to do as the increased revenue is coming tied to specific requirements such as ancillary fees going to health services, contracts going to Brilliant Catalyst, and donor awards going to financial aid.

Investment re: Sticky Campus. The Ontario Tech Student Union has heard complaints from students about this, such as the hours of the cafeteria. Some classes go until 9 p.m. but the cafeteria closes at 4 p.m. Will this change?

Our goal for ancillary services is to make a little profit so we can save for future repairs/investments. Moving into next year we are going to reallocate $500K from other commercial services to extend the hours, add two new locations and renovate in hopes this will bring the unit back to break-even while providing the service required.

I have been experiencing technical difficulties in the classrooms due to system disruption cables being disconnected or damaged equipment. While the AV team provides support quickly throughout the year, troubleshooting and waiting for replacement parts takes away from lecture time. Can the university monitor how these rooms are used as well as ways to prevent the system from being disrupted so that lecture time is not affected?

We are entering year 2 of a 3-year plan to replacement most podiums to make them more accessible and hope to solve some of the wiring concerns. This includes over $300K investment from the capital base. We will try to educate more on connecting various technologies to the podium and proper space. We are also starting a multi-year.

When looking at the investment the university should explore hiring an indigenous elder and review the amount this role is paid.

The university has started to explore this option. For 2024, the consultations with the Indigenous Advisory Committee led to a reallocation of funds in order to hire a dedicated Director position.

Please provide us with the University's plan to fund graduate students in research programs (including tuition decrease for international students and any scholarships offered by the university).

In addition to freezing tuition, the university is in year three of rolling out the Graduate International Support Fund which in stead state will provide over $1.5M to offset international student tuition.

How do we think about physical space capacity, and capacity by department? This question is in context of current growth projections, and the aspiration to be a 20,000-student university. Do we have the infrastructure to support 20,000 students and is this aspiration built into the infrastructure plans?

Yes, this aspiration drives the infrastructure plans. The university has created its space principles based on the Council of Ontario Universities'(COU) standards that may be seen as a target to be achieved, a minimum to be met, a maximum not to be exceeded, an optimum to strive for, or a guideline to be used as a benchmark.

We do not currently have the infrastructure to support this growth. When we talk about saving more than $5M for deferred maintenance and future capital plans, this covers about a third of our medium-term needs. As noted in the space townhall at minimum we are estimating the need for 300,000 gross square feet of core academic space to accommodate 15,000 students if we do not change our current offerings. In 2022 dollars that is about $210M.

In our previous meetings it was stated that differentiated revenue is critical for the university's bottom line moving forward. When we develop innovative new programming, expecting resources to follow our

revenue generation, how much revenue needs to go towards the university bottom line before it can flow back to resources? Is there a level of program profitability we should aim for to ensure sustainability?

The expectation is that units should be making a 30% return on investment noting that most of that is re-invested back into new initiatives. For commercial services and revenue generating units there is a 5% overhead plus space charge. The university invests start up funds into new projects through recruitment, advertising and provost strategic priority funds which equates to over $1M a year.

2023-26 Draft Operating Budget:

Academic Council and Audit & Finance Committee
April 2024

Lori Livingston, Provost and Vice-President, Academic
Sarah Cantrell, AVP Planning and Strategic Analysis
Brad MacIsaac, Vice-President Administration

Ontario Universities Funding Landscape

Past (PREDICTABLE, STABLE)

- Multi-year Tuition Frameworks
- Institutional grant linked to student numbers

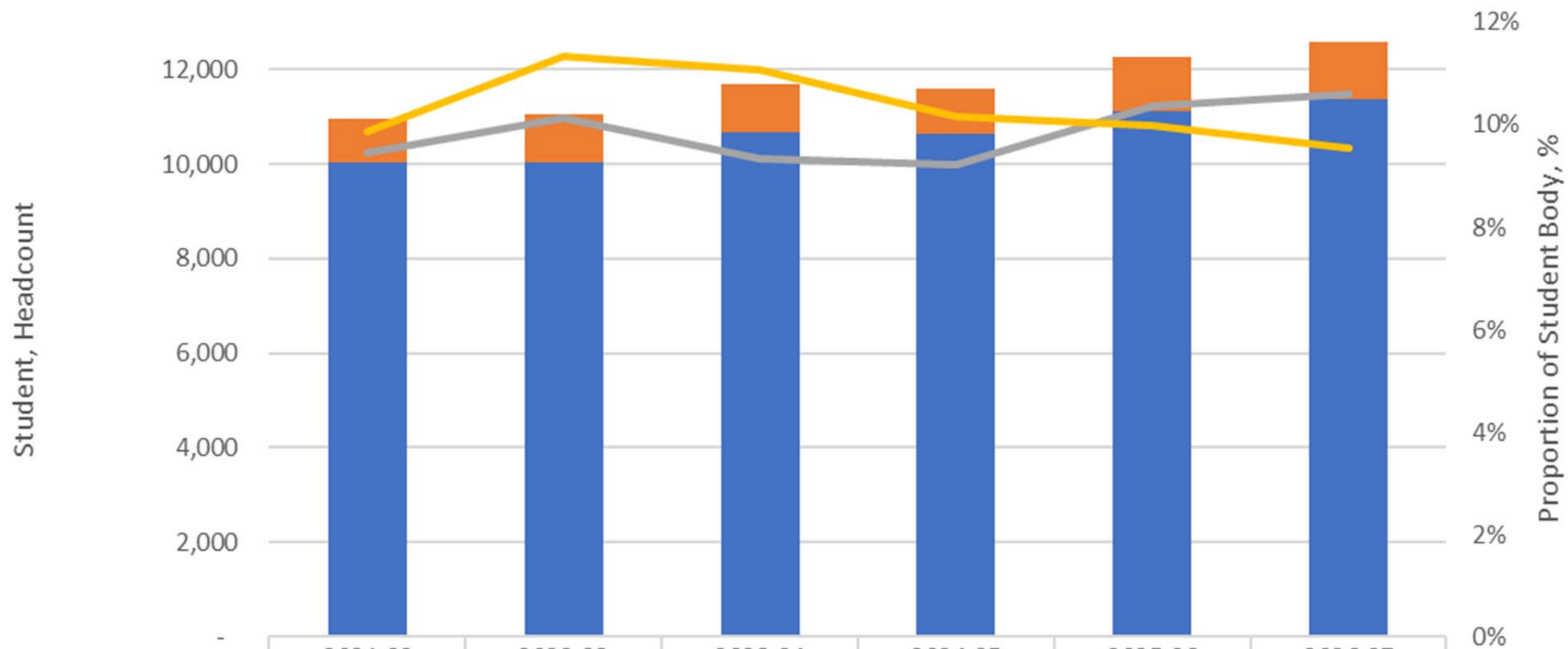
Present

- Tuition frozen at 2018 levels
- 30% decline in institutional grants since 2006-2007
- High inflation rates
- Performance-based funding linked to SMA agreements
- International student study permit caps

Future (UNPREDICTABLE, PRECARIOUS)

- Static tuition fees
- Static institutional grants

Forecasted Student Enrolment



	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Graduate	947	1,017	997	980	1,152	1,207
Undergraduate	10,022	10,037	10,681	10,629	11,112	11,374
% Graduate	9%	10%	9%	9%	10%	11%
% International	10%	11%	11%	10%	10%	10%

Budget Accounting Summary

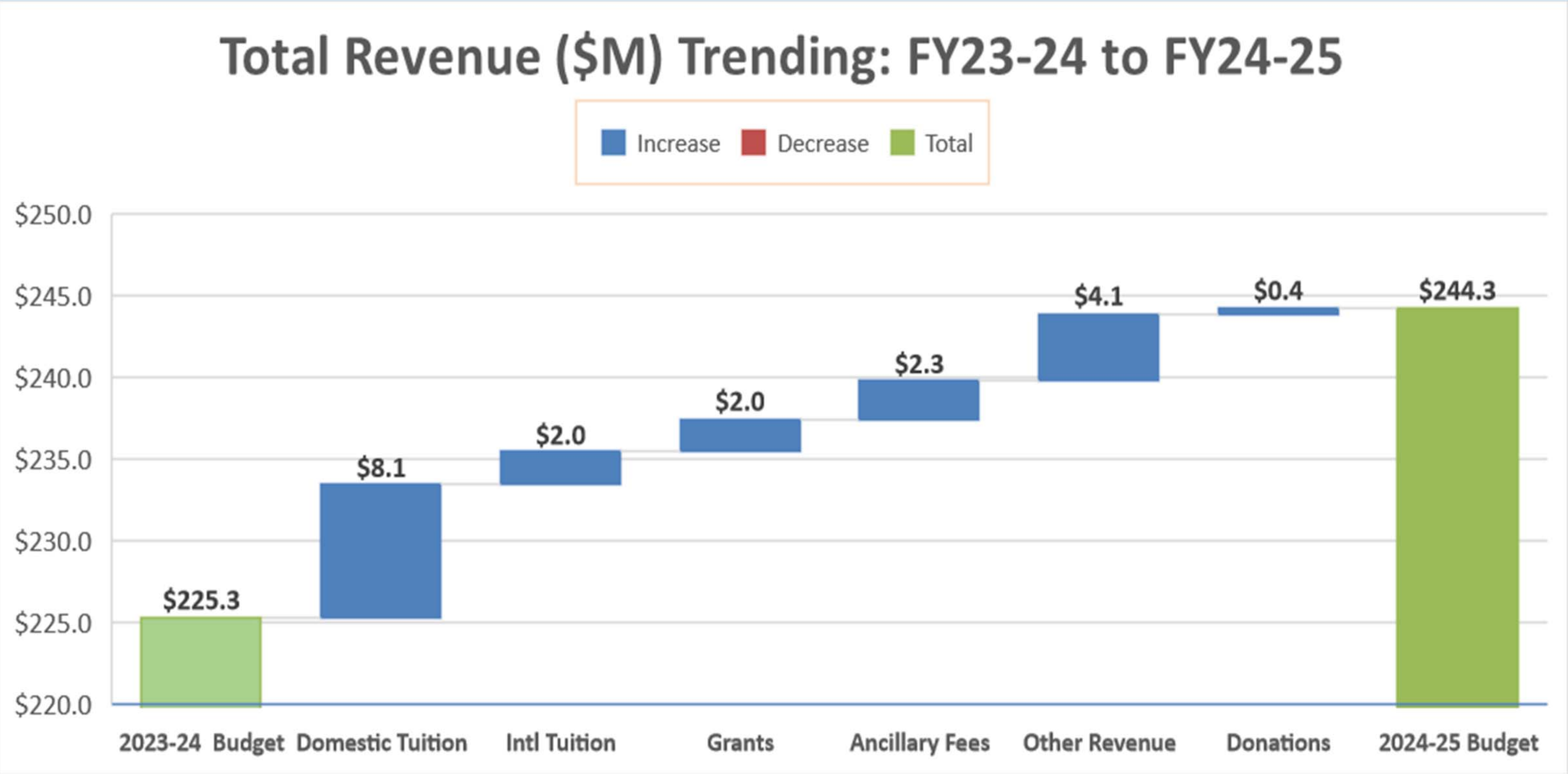
- Consolidated operating budget is prepared on a “modified-cash” basis, v/s the year-end published financial statements that are prepared on Generally Accepted Accounting Principles

- Presentation does not include items such as:
  - amortization on capital assets and grants
  - Investment income
  - restricted funds ($15.4M or research and $4.2M or 2% for donations).

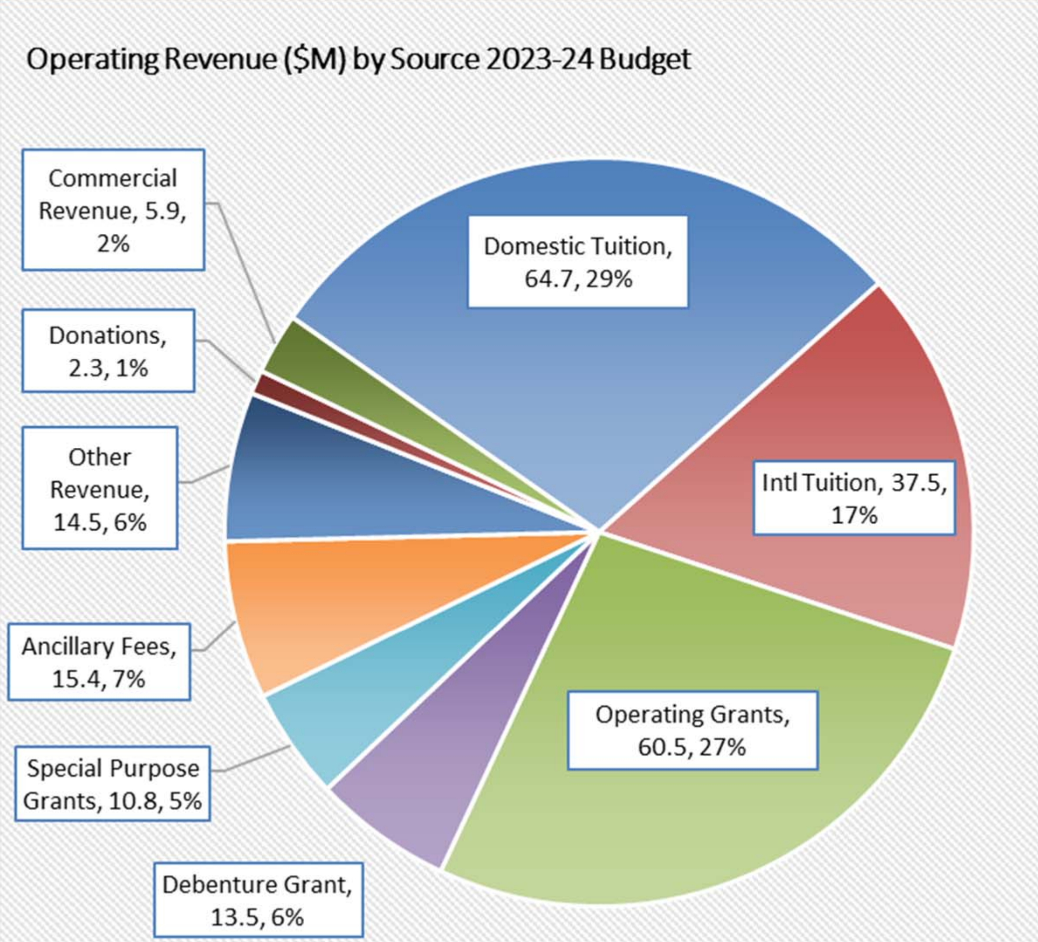
2024 – 2025 Budget Summary

	Operating Budget	Purchased Services	Operating-REV	Ancillary Fee Budget	Infrastructure Capital	Commercial Services	2024-25 Proposed Budget
Revenues							
Operating Grants	60,907	-	-	-	13,500	-	74,407
Other Grants	7,384	-	2,472	221	2,490	-	12,567
Tuition	100,650	-	11,584	-	-	-	112,234
Student Ancillary Fees	1,619	1,481	137	12,375	2,154	496	18,261
Donations	538	-	2,034	122	-	8	2,702
Other Revenue	5,834	220	11,106	574	-	6,349	24,084
Total Operating Revenues	176,933	1,701	27,332	13,292	18,144	6,853	244,255
Base Expenditures							
FT Labour	(103,719)	(7,645)	(6,156)	(6,212)	-	(1,438)	(130,170)
PT Labour	(11,795)	(197)	(4,512)	(1,488)	-	(412)	(18,403)
OPEX	(28,960)	(7,541)	(15,164)	(2,732)	(16,501)	(4,331)	(75,229)
CAPITAL	(106)	-	(9)	-	(4,644)	-	(4,759)
Approved Base Expenditures	(144,581)	(15,383)	(25,840)	(10,431)	(21,145)	(6,181)	(228,561)
Budget Surplus/(Deficit) before Asks	32,353	(13,682)	1,492	2,861	(3,001)	671	15,694
Recommendations	-	-	-	-	-	-	-
Base Recommendations	(7,951)	(416)	(1,402)	(64)	-	(335)	(5,168)
OTO Recommendations	(3,697)	-	32	(543)	-	(50)	(4,258)
Capital Recommendations	(1,085)	-	(181)	(2,390)	-	(10)	(3,666)
Total Net New Recommendations	(12,733)	(416)	(1,552)	(2,996)	-	(395)	(13,092)
Total Expenditures	(157,314)	(15,798)	(27,392)	(13,427)	(21,145)	(6,577)	(241,653)
Total CY Budget Surplus/(Deficit)	19,620	(14,098)	(60)	(135)	(3,001)	276	2,602
Funded through PY restricted reserves	-	-	-	373	-	-	373
Risk Contingency Fund	2,443	-	-	-	-	-	2,443
Total Budget Surplus/(Deficit)	22,062	(14,098)	(60)	238	(3,001)	276	5,418

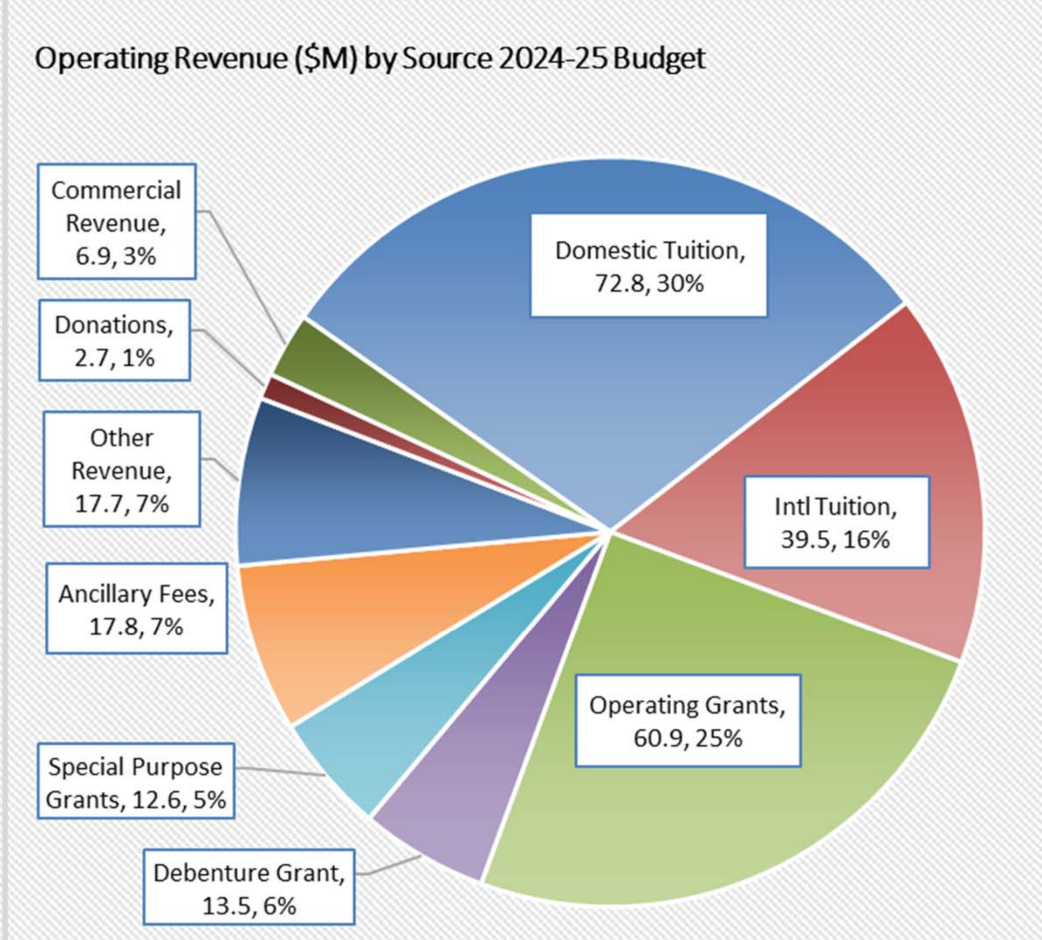
Revenue YOY Changes



Revenue Summary



Total 23/24 Revenue: $225.3M



Total 24/25 Revenue: $244.3M

Expenses: Examples of Investments by Strategic Priority

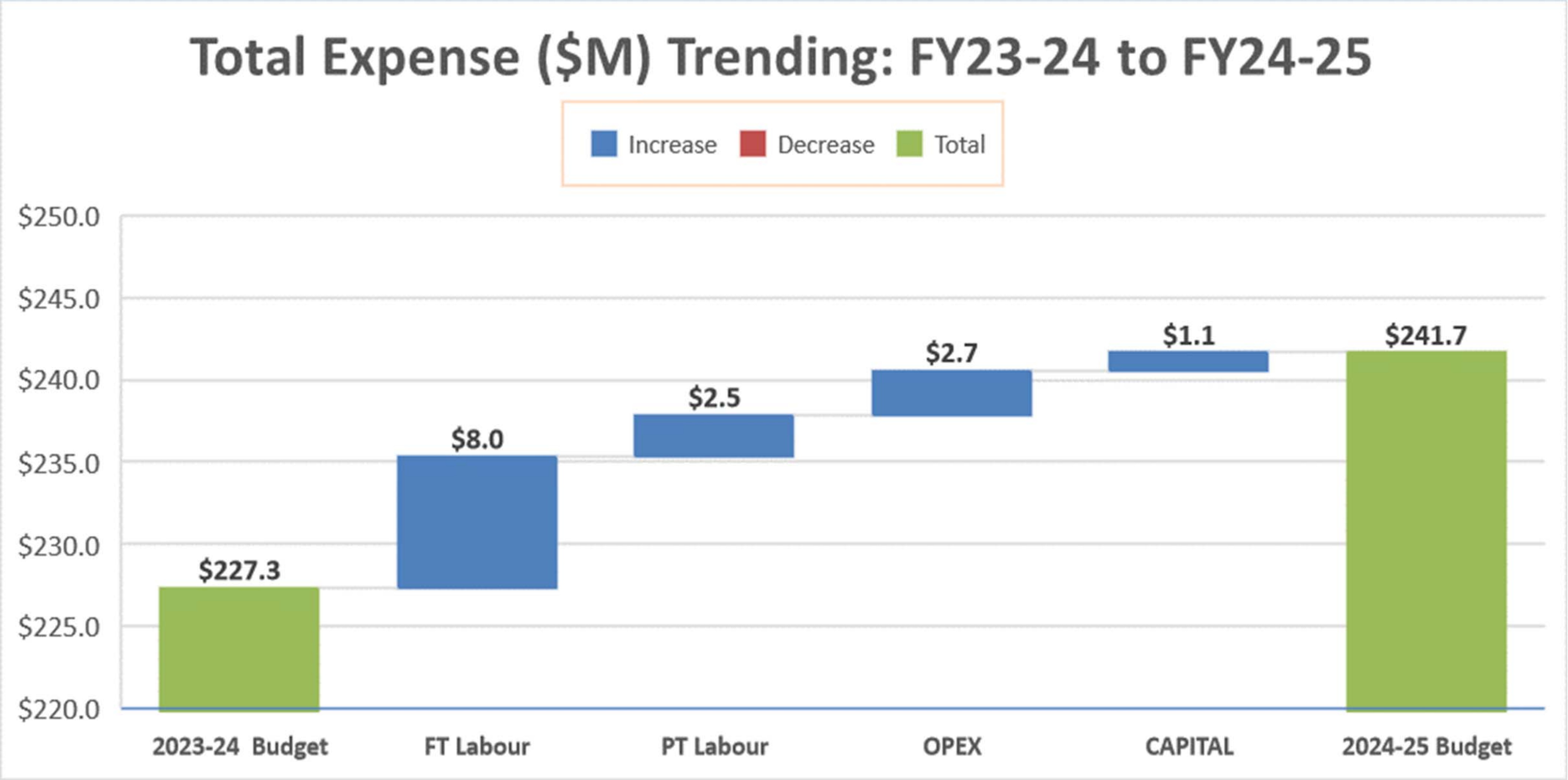
- **Labour** ~$10.5M ($6.5M existing contracts, $1.5M new 4 faculty, 4 staff and 8 revenue supported staff, $2.5M for additional sessional instructors and teaching assistant support).

- **Student Experience and Student Financial Aid:** $2.0M invested ($1.5M to support the student experience and $0.5M in financial aid).

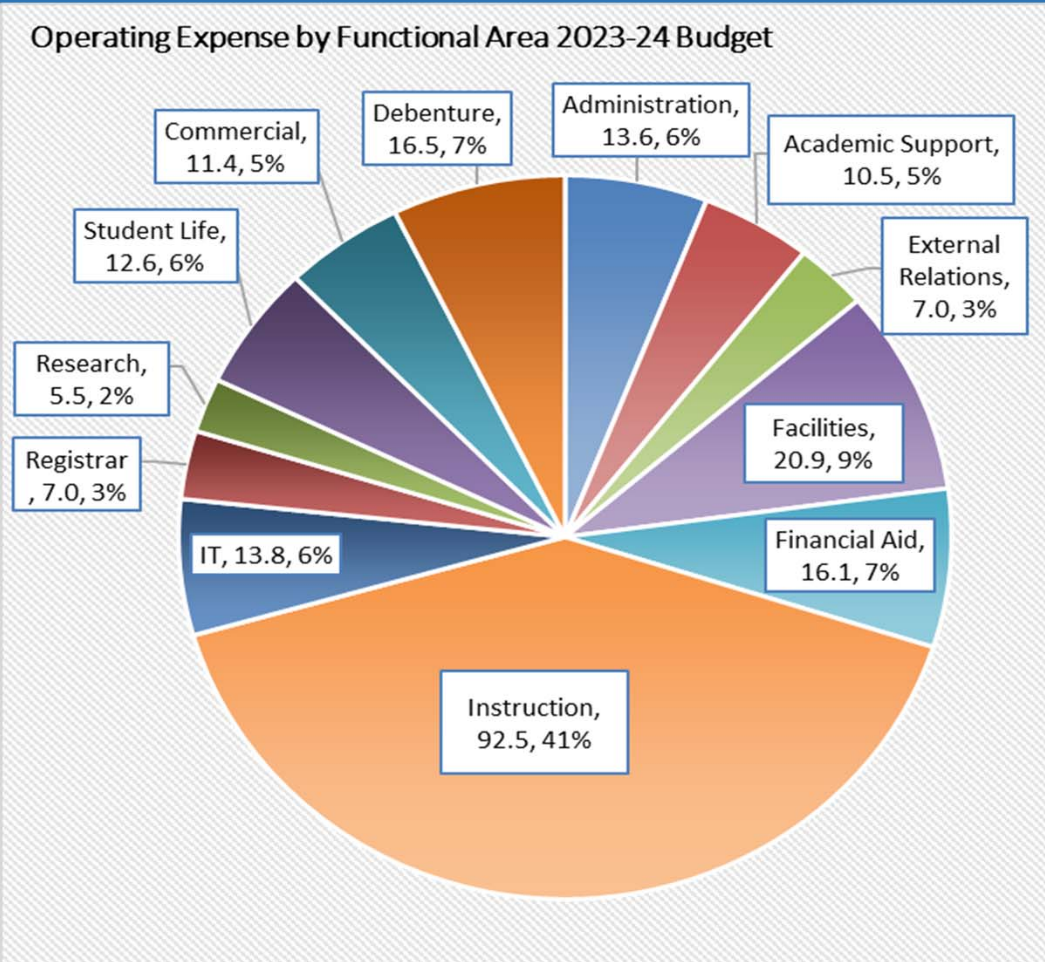
- **Research**: $1.5M ($500K for start-up funds, $500K for equipment related to advancing the energy research agenda and $500K to fulfil Brilliant Catalyst contracts).

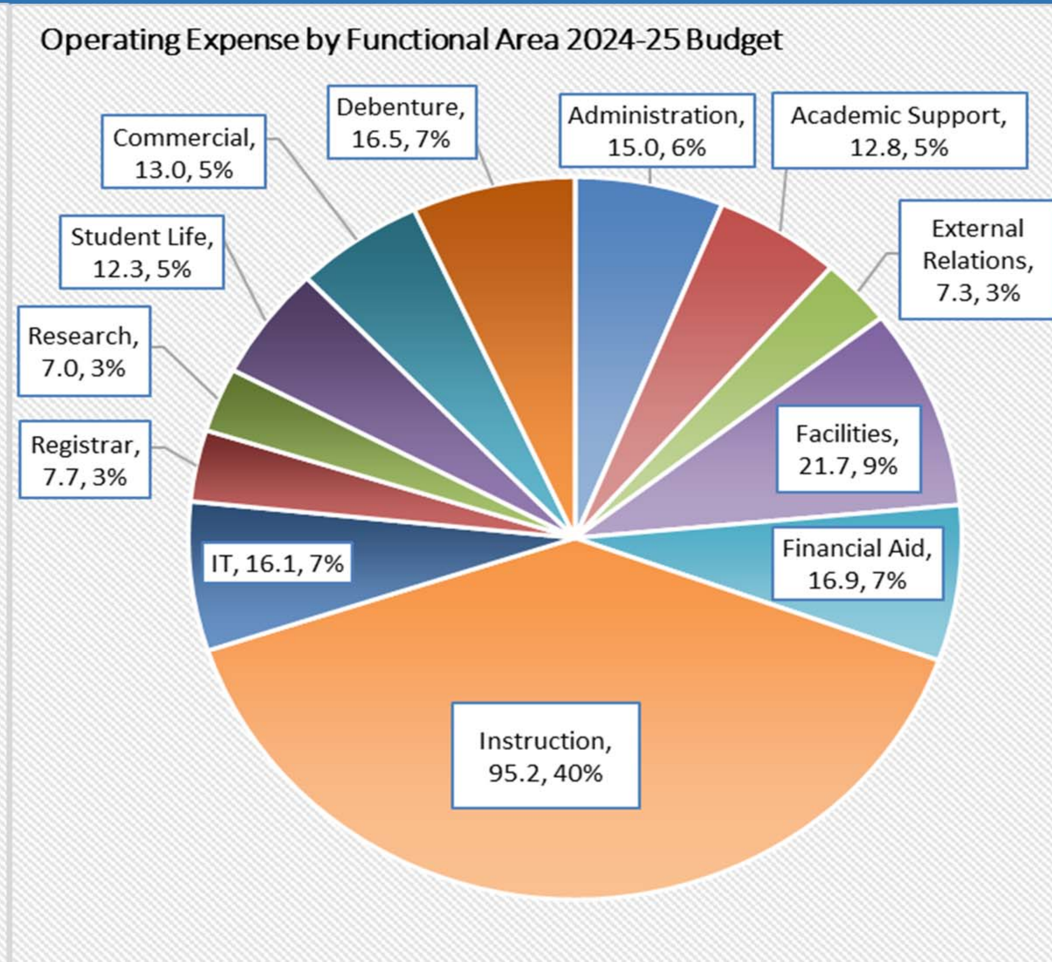
- **Capital Infrastructure:** $1.1M will be invested in new and repairs to our IT and facilities infrastructure which brings the total capital investments to about $8.4M).

Total Operating Expenses YOY Changes



Total Operating Expenses by Functional Area





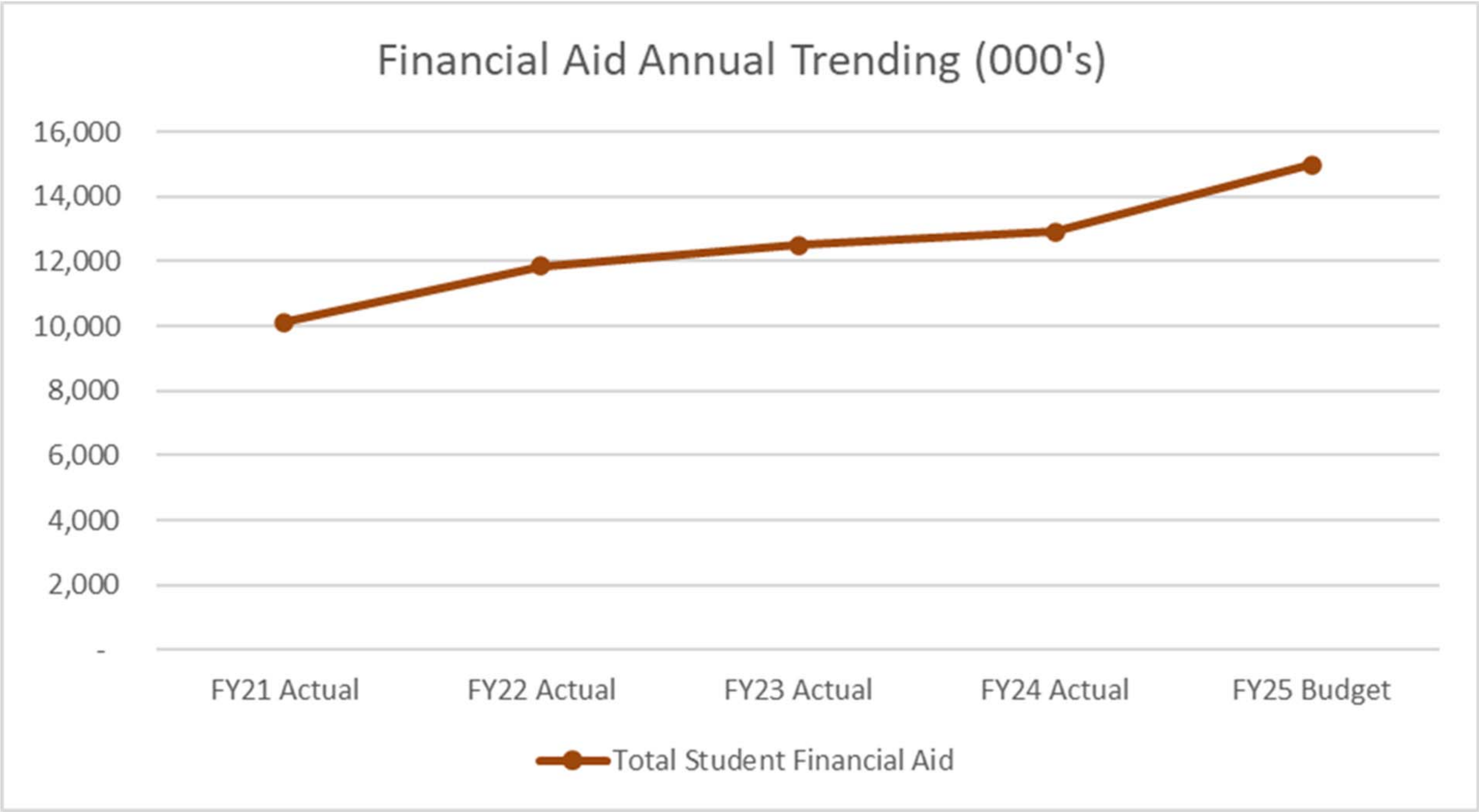
Total 23/24 Expenses: $227.3M

Total 24/25 Expenses: $241.7M

Total Operating Expenses by Category

Expense Summary	2021-22 Actual	2022-23 Actual	2023-24 Budget	2023-24 Forecast	2024-25 Budget	Variance 2024-25 Budget v 2023-24 Budget	
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	%
FT Labour	95,474	106,257	122,938	118,565	130,944	8,006	7%
PT Labour	26,209	23,232	21,995	25,091	24,359	2,364	11%
OPEX	70,999	74,421	74,902	72,894	77,926	3,024	4%
Capital	8,304	14,017	7,512	10,558	8,425	912	12%
Total Expenses	**$200,986**	**$217,927**	**$227,346**	**$227,107**	**$241,653**	**$14,306**	**6.3%**

Financial Aid Investment Trending



Capital Investments – Campus Improvements

2024-2025 Capital Project Budget Summary - Campus Improvements	
Description	**Project budget**
Accessibility - AODA Compliance	**$ 355,000**
Lab/Classroom Upgrades	$50,000
Lighting Upgrades	$120,000
Other Projects	$155,000
Deferred Maintenance	**$ 2,101,889**
UB Boiler Replacement	$1,200,000
UB Central Pumps	$380,000
Other Projects	$521,889
Equipment	**$ 71,000**
Psychology Lab Equipment Installation	$60,000
Other Projects	$11,000
Facilities Modernization	**$ 442,500**
Exterior Projects	$230,000
Interior Projects	$212,500
Major Projects	**$ 200,000**
Residence Consulting	$200,000
Renovation	**$ 183,000**
Computer Science Grad Student Space	$60,000
Logan Lab Refresh	$30,000
Other Projects	$93,000
TOTAL	**$3,353,389**

Capital Investments - IT

2024-2025 Capital Project Budget Summary - IT	
Description	**Project budget**
Software	**$89,750**
Cherwell Reporting & Version Upgrade	$89,750
Enterprise	**$1,215,088**
Banner Cloud Migration	$1,000,000
Ellucian Revitalization	$135,103
Other Projects	$79,985
Infrastructure	**$672,705**
Network Infrastructure	$254,205
Telephony Core Replacement (Phase 1)	$64,000
Cloud Server Migrations	$150,000
Other Projects	$204,500
Equipment	**$449,000**
Faculty/Staff Laptop Refresh & Server Upgrade	$245,000
Lab refresh	$160,000
Other Projects	$44,000
AODA Compliance	**$362,500**
Podium upgrade	$362,500
TOTAL	**$2,789,043**

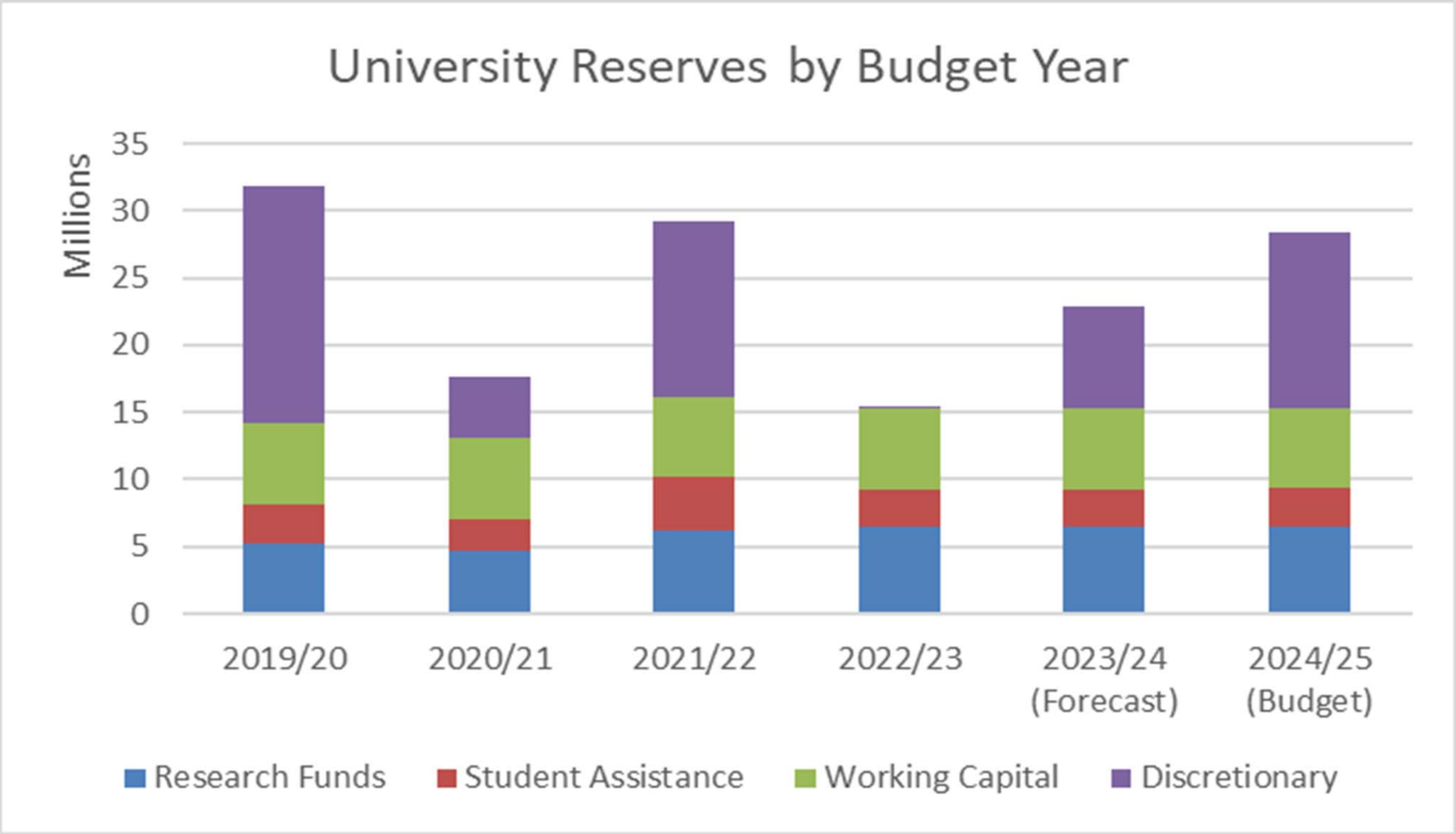
Capital Investments – Other Projects

2024-2025 Capital Project Budget Summary - Other Projects	
Description	**Project budget**
Academic Equipment	**$442,650**
Nursing Lab Equipment	$152,500
Health Sciences Lab Equipment	$110,000
Engineering Lab Equipment	$99,950
Science Lab Equipment	$71,500
Athletics	**$823,000**
FLEX Equipment Renewal	$425,000
FLEX Expansion	$250,000
Other Projects	$148,000
ACE Equipment	**$181,437**
Dyno Drives Installation	$100,000
EV Charger Project (Phase 2)	$81,437
Campus Wayfinding	**$325,000**
Building Interior Signage	$200,000
Conlin Entrance Sign	$65,000
Other Projects	$70,000
Food Services	**$10,000**
Hive Leasehold Improvements	$70,000
Research	**$500,000**
SION-Funded VPRI Capital Projects	$500,000
TOTAL	$2,282,087

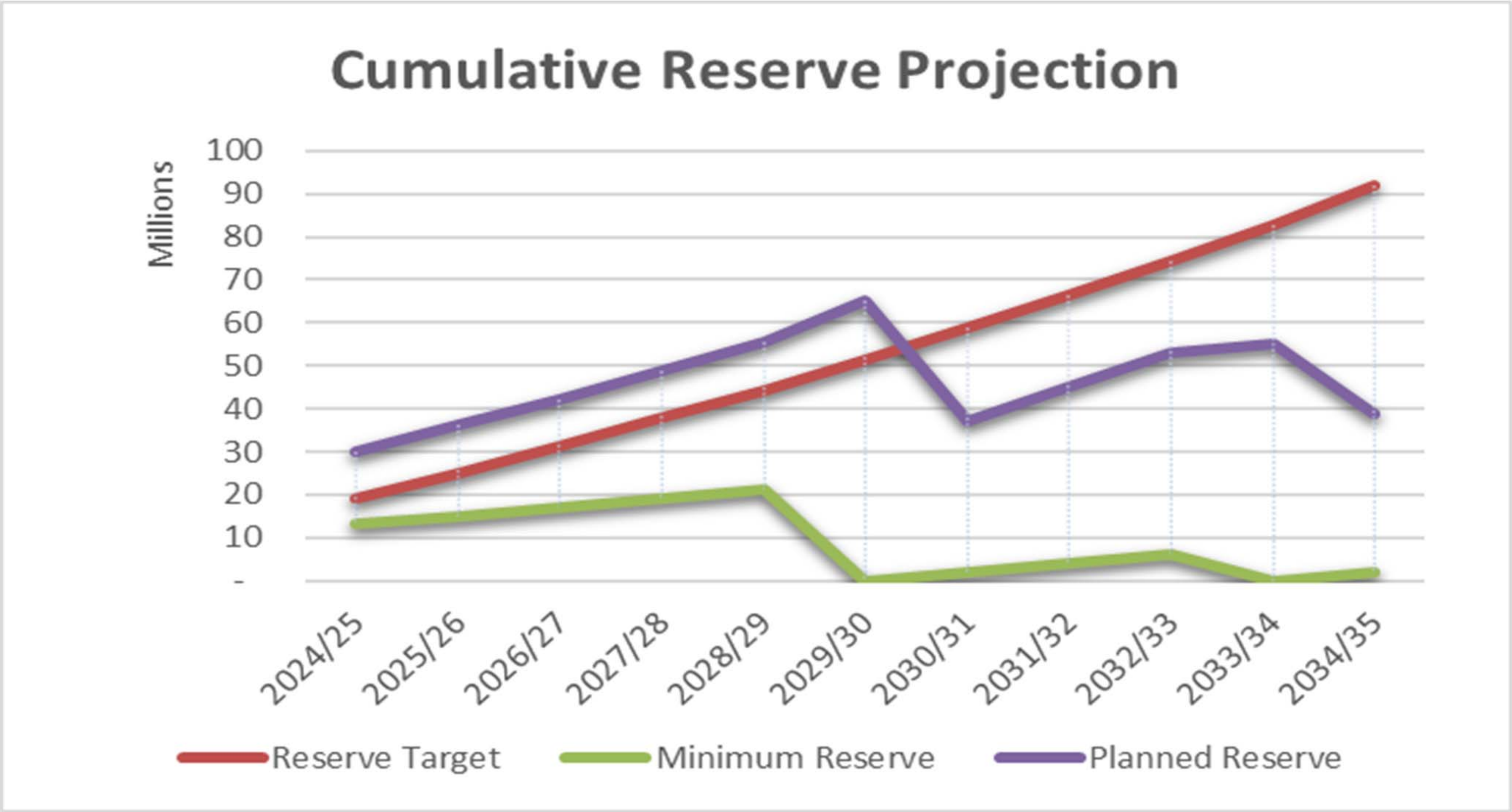
Multi-year Budget 2023 - 2026

	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
FTEs	***9,389***	***9,491***	***10,387***	***10,964***	***11,187***
Domestic Tuition	60,875	64,670	72,774	79,562	83,782
Intl Tuition	33,844	37,539	39,460	43,310	43,063
Grants	82,227	84,876	86,974	87,730	88,252
Ancillary Fees	14,081	15,424	17,765	16,891	17,932
Other Revenue	4,940	14,539	17,735	17,522	18,348
Donations	1,784	2,336	2,694	2,115	2,136
Commercial Revenue	12,095	5,932	6,853	7,214	7,578
Total Revenue	**$ 209,847**	**$ 225,315**	**$ 244,255**	**$ 254,344**	**$ 261,091**
FT Labour	(113,301)	(122,938)	(130,944)	(144,098)	(154,801)
PT Labour	(18,766)	(21,995)	(24,359)	(22,377)	(23,190)
OPEX	(71,749)	(74,902)	(77,926)	(79,157)	(80,127)
CAPITAL	(9,761)	(7,512)	(8,425)	(7,973)	(7,289)
Total Expenses	**$ (213,576)**	**$ (227,346)**	**$ (241,653)**	**$ (253,605)**	**$ (265,407)**
PY Reserve Utilization	4,782	2,031	*373*	-	-
Risk Contingency Fund			2,443	2,543	2,611
Net Surplus/(Deficit)	**$ 1,053**	**$ 0**	**$ 5,418**	**$ 3,282**	**$ (1,706)**
Reserve Target (3% of total Tuition/Grant)			*(5,976)*	*(6,318)*	*(6,453)*
Net Surplus/(Deficit) with Reserve	**$ 1,053**	**$ 0**	**$ (559)**	**$ (3,036)**	**$ (8,158)**

Reserves – Current State



Reserves – Future Projections



Cash Flow

ONTARIO TECH UNIVERSITY - CASH FLOW FORECAST

QUARTERLY CASH FLOW (in thousands)		Apr - Jun 2024 (Q1)	Jul - Sep 2024 (Q2)	Oct - Dec 2024 (Q3)	Jan - Mar 2025 (Q4)	Total for the year
Operating Beginning Cash Balance	A	**$ 44,143**	**$ 25,577**	**$ 52,199**	**$ 25,923**	**$ 44,143**
Operating Inflows						
Tuition		15,038	59,732	6,314	47,878	128,962
Grants		17,015	17,933	19,222	20,095	74,265
Other Revenues		4,107	3,008	2,955	3,436	13,506
Debenture		6,750	-	6,750	0	13,500
Transfers from other accounts		3,453	3,525	4,487	4,293	15,758
Total Operating Inflows	B	**46,363**	**84,198**	**39,728**	**75,702**	**245,991**
Operating Outflows						
Payroll		(35,883)	(39,856)	(37,716)	(37,469)	(150,924)
Capital expenditures		(2,590)	(1,467)	(1,800)	(2,374)	(8,231)
Net payment to Durham College for purchased services		(4,800)	(3,300)	(3,300)	(3,300)	(14,700)
Operating expenses		(13,406)	(12,953)	(14,938)	(13,322)	(54,619)
Debenture		(8,250)	0	(8,250)	0	(16,500)
Total Operating Outflows	C	**(64,929)**	**(57,576)**	**(66,004)**	**(56,465)**	**(244,974)**
Net Monthly Operating Cash Flows	D = B - C	**(18,566)**	**26,622**	**(26,276)**	**19,237**	**1,017**
Total Operating Cash Available	E = A + D	**25,577**	**52,199**	**25,923**	**45,160**	**45,160**
Operating Short-Term Investments	F	**17,130**	**17,390**	**17,650**	**17,845**	**17,845**
Other Internally & Externally Cash Balances	G	**27,129**	**27,600**	**28,477**	**31,759**	**31,759**
Total Consolidated Cash Position	H = E + F + G	**$ 69,836**	**$ 97,189**	**$ 72,050**	**$ 94,764**	**$ 94,764**

Commercial Services Summary

($000s)	22/23 Actuals	23/24 Budget	23/24 Forecast	24/25 Budget	25/26 Budget	26/27 Budget	27/28 Budget
TOTAL							
Revenue	5,357	5,932	5,736	6,320	6,861	7,183	7,517
Labour Cost	(1,288)	(1,447)	(1,606)	(1,617)	(1,698)	(1,782)	(1,870)
Operating Cost	(4,075)	(3,878)	(3,895)	(4,306)	(4,334)	(4,401)	(4,905)
Net Surplus/(Deficit)	**$ (6)**	**$ 607**	**$ 235**	**$ 396**	**$ 828**	**$ 1,000**	**$ 742**
Bookstore							
Revenue	40	40	36	40	35	35	30
Labour Cost	0	0	0	0	0	0	0
Operating Cost	17	0	0	0	0	0	0
Net Surplus/(Deficit)	**$ 57**	**$ 40**	**$ 36**	**$ 40**	**$ 35**	**$ 35**	**$ 30**
Parking							
Revenue	1,324	1,364	1,367	1,364	1,416	1,416	1,469
Labour Cost	(43)	(44)	(42)	(34)	(35)	(36)	(37)
Operating Cost	(332)	(325)	(225)	(491)	(178)	(195)	(212)
Net Surplus/(Deficit)	**$ 948**	**$ 995**	**$ 1,099**	**$ 840**	**$ 1,202**	**$ 1,185**	**$ 1,220**
Food Services							
Revenue	1,513	2,381	1,823	2,119	2,225	2,336	2,453
Labour Cost	(286)	(274)	(283)	(291)	(306)	(321)	(337)
Operating Cost	(2,146)	(2,317)	(2,294)	(2,351)	(2,468)	(2,592)	(2,721)
Net Surplus/(Deficit)	**$ (919)**	**$ (210)**	**$ (754)**	**$ (523)**	**$ (549)**	**$ (577)**	**$ (605)**
Regent							
Revenue	718	551	861	839	881	925	971
Labour Cost	(484)	(413)	(539)	(543)	(570)	(598)	(628)
Operating Cost	(221)	(143)	(302)	(280)	(294)	(309)	(324)
Net Surplus/(Deficit)	**$ 12**	**$ (5)**	**$ 20**	**$ 16**	**$ 17**	**$ 18**	**$ 19**
Campus Fieldhouse & Ice Centre							
Revenue	1,763	1,596	1,649	1,958	2,304	2,471	2,595
Labour Cost	(475)	(716)	(742)	(750)	(787)	(827)	(868)
Operating Cost	(1,393)	(1,093)	(1,073)	(1,185)	(1,394)	(1,306)	(1,647)
Net Surplus/(Deficit)	**$ (104)**	**$ (214)**	**$ (166)**	**$ 23**	**$ 123**	**$ 338**	**$ 79**

Budget Risk/ Risk Mitigation

- **Achieving enrolment targets**: the university is normally realized enrolments within ±2% of its annual estimates. Recently emerging government policies on international student enrolment caps present a significant challenge for us this year and particularly

- **Maintaining academic quality and student success:** Our investments in student well-being and academic success supports continue to grow, but the diversity of our students and their expanding needs outpace the investment. By taking a values-based approach, we are attempting to invest in high impact initiatives while also trying to respect the individuality of each of our community members.

- **Financial indicators**: At this time the university is rated lower by credit agencies than our sister institutions based on: (i) Liquidity (ii) Sustainability (iii) Performance which impacts borrowing rates and review by other external parties.

- **Aging equipment:** One of the first budget areas to be reduced over the last few years was the repair and replacement of equipment. The chances of equipment failure only increase as the equipment ages.

Looking Forward …..

- **Continued focus on our "Differentiated growth" strategy, other forms of revenue generation (e.g., philanthropy)**

- **Create reserves to cushion the uncertainty of our fiscal future**

MOTION

Using the best available information the following motion is proposed:

Pursuant to the recommendation of management, that A&F recommends to the BoG approval of the 2024-2025 budget and approval in principle of the budgetary projections for 2025-2027.

Questions??

Committee Report

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☒
		Information	☐

TO: **Board Audit and Finance**

DATE: **April 11, 2024**

PRESENTED BY: **Lori Livingston, Provost and Vice-President Academic**
Brad MacIsaac, Vice President Administration
Sarah Thrush, AVP Planning and Strategic Analysis

SUBJECT: **Activity Based Budget Allocation Model**

BACKGROUND/CONTEXT & RATIONALE:

Activity Based-Budgeting (ABB) is a budget model that provides transparency around the key drivers of the operating budget through attribution of direct and indirect revenue and costs of Faculties and units that generate the activity.

As part of supporting the differentiated growth strategy, the university is using the ABB methodology to help ***inform*** budget allocation decisions at the university while at the same time increasing the broader campus community's knowledge of the revenue and cost drivers linked to activity. The university is not implementing the ABB model, rather it is the intention to use the ABB model to provide incentives to Faculties and units to generate revenue and manage costs more effectively and create a better understanding of subsidizations within the university.

As part of a broader community consultation, the purpose of providing details of the ABB model is to illustrate the main components of the model on the revenue and cost side as well as highlight underlying methodology of the various elements of the model. The model shows how enrolment is attributed to Faculties, how the revenue flows in from specific grants and how service teaching is credited as well as the internal subsidizations needed to cover current costs within Faculties. The transparency provided by the ABB model addresses the 2022 Auditor General report to bring greater transparency of revenue and costs by unit to Academic Council and the Board.

We look forward to the discussion with Audit and Finance on the ABB model and methodologies.

Important note: The ABB model revenues and costs are not intended to reconcile with the University's consolidated budget. For example, externally restricted revenue such as research, philanthropy and Commercial Services are not included in the ABB model. These sources of revenue are operating under contractual obligations (research revenue) or as cost recovery or revenue generating centers where revenue will remain within commercial services.

CONSULTATION:
Academic Council, SLT, SAT, Community sessions, Joint Committee, Faculty Council meetings and presentations to administrative units throughout the months of January, February and March 2024.

SUPPORTING REFERENCE MATERIALS:

ABB Faculty Council Presentations February and March 2024.pdf

Looking Ahead
Activity-Based Budgeting: Informing University Budget Allocations
Faculty Council Presentations – February/March 2024

Purpose of Community Sessions

- Define Activity-Based Budgeting (ABB)
- Outline the Guiding Principles for ABB
- Outline how will ABB **inform** University budget Allocations
- Provide transparency in budget allocation methodologies and processes

What is Activity-Based Budgeting?

Activity Based-Budgeting (ABB) is a budget resource allocation model

- ABB attributes direct and indirect revenues to units and Faculties that generate them through revenue drivers
  - In other words, ABB attributes revenue to the unit or Faculty where the ‘activity’ is generated
    - ✓ For Faculties revenue drivers are predominately student tuition and government grants
    - ✓ For units revenue drivers could be application fees, special grants etc.

- ABB attributes direct and indirect costs to units and Faculties based on cost drivers for their actual or proportionate share of university costs
  - Space, HR, Finance, Research etc.

Guiding Principles for ABB at Ontario Tech

Principles

- Support university priorities
  - Model will be used to inform resource allocations and strategic decisions
- Transparent
  - Revenue and cost drivers are understood
- Incentivize revenue generation and cost containment initiatives
- Provide predictability in planning
- Create better understanding of subsidizations and costs

Illustrating ABB

- ABB focuses on University's Operating budget
- Illustrating Details of Budget Allocation model using **2023-24** enrolment **projections** and **budgets**
- Assumptions:
  - 2023-24 enrolment and revenue targets achieved.
- Data sources noted cited
  - Annual model will use **official count** dates to calculate student and FTE amounts

Please note that the numbers used in the following slides are not final. The numbers are intended to illustrate revenue and cost calculations for discussion purposes only.

Overview: Budget Model Components

Three main components:

Revenue

- Domestic Tuition/Fees
- International Tuition/Fees
- Government Operation Grants
- Government Other Grants
- Service Teaching Adjustments
- Other Revenue

Support Unit Allocations (costs)

- Based on support unit direct function the allocation of costs are distributed to each Faculty.

Adjustments

- Faculty Budget
- Strategic Tax
- Strategic Allocation

Note: All externally restricted revenue such as research, philanthropy and Commercial Services are not included in the ABB model. These sources of revenue are operating under contractual obligations (research revenue) or as cost recovery or revenue generating centers where revenue will remain within commercial services.

Revenues: Domestic and International Tuition Fees

	Tuition					
Faculty	**UG Domestic**	**UG International**	**GR Domestic**	**GR International**	**Subtotal Tuition**	**TSA obligation**
Faculty of Business and Information Technology	$ 14,137,184	$ 7,328,529	$ 590,385	$ 1,706,903	$ 23,763,001	$ 1,888,387
Faculty of Education	$ 3,587,011	$ 30,655	$ 731,680	$ -	$ 4,349,346	$ 433,279
Faculty of Engineering and Applied Science	$ 15,415,504	$ 10,707,880	$ 540,187	$ 5,524,053	$ 32,187,624	$ 2,342,238
Faculty of Health Sciences	$ 10,581,121	$ 2,092,414	$ 366,916	$ 71,106	$ 13,111,557	$ 1,194,326
Faculty of Science	$ 7,859,342	$ 6,833,977	$ 660,548	$ 708,860	$ 16,062,727	$ 1,198,960
Faculty of Social Science and Humanities	$ 6,303,865	$ 1,486,528	$ 344,744	$ 99,440	$ 8,234,577	$ 737,815
Undeclared	$ 142,584	$ 69,485	$ 2,953	$ -	$ 215,022	$ 17,750
	$ 58,026,611	**$ 28,549,468**	**$ 3,237,413**	**$ 8,110,362**	**$ 97,923,854**	**$ 7,812,755**

Note: Tuition Set Aside (TSA) obligation is noted to provide transparency on the amount required to put into student awards. TSA obligation is within the $97.9 and is removed as part of the support unit allocation/cost.

Source: OIRA Enrolment Forecast Model

Revenues: Government Grants

Grant allocation principle: Government grant is initially allocated to Faculties in the same manner that MCU uses calculate the university's enrolment corridor. Then adjusted based on actual enrolment performance (+/- 2016-17 levels where funds are available).

- Faculties that meet WGU counts will maintain their government grant as allocated in 2016-17 (UG) and 2019-20 (GR)

- Faculties that miss their WGU count will have that amount removed from their allocation on an annual basis.
- If this number is missed for 3 consecutive years the grant will be permanently removed from the base for that Faculty.

- Faculties that exceed WGU counts will be eligible to gain WGU funding from Faculty's that miss their counts

Using slip year official WGUs claimed to Ministry

Government Grant – Corridor Attribution

The enrolment corridor and associated funding was implemented for all Ontario institutions using 2016-17 enrolments (plus 2019 grad adjustments) to determine the funding level (midpoint). Enrolment commitments for all universities are outlined in their respective Strategic Management Agreements (SMAs) with MCU.

Corridor funding is allocated based on the number of Weighted Grant Units (WGUs) generated by majors and their enrolments in a Faculty.

Faculty	UG WGUs at Corridor Roll (2016-17)	GR Masters WGUs at Corridor Roll (2019-20)	GR PhD WGUs at Corridor Roll (2019-20)	Total	Corridor Revenue Allocation
Faculty of Business and Information Technology	3,317	73		3,390	$ 10,225,638
Faculty of Education	582	300		882	$ 2,660,595
Faculty of Engineering and Applied Science	4,790	418	314	5,521	$ 16,653,211
Faculty of Health Sciences	2,824	290	45	3,159	$ 9,528,739
Faculty of Science	2,046	302	280	2,628	$ 7,927,365
Faculty of Social Science and Humanities	2,622	129	211	2,962	$ 8,934,633
Undeclared	47			47	$ 141,159
	16,229	1,511	850	18,590	$ 56,071,341

Note: Nursing Grant is funded outside of the corridor model and is not included in the above table.

Source: Ministry Funding Model Workbook

Government Grant Allocation: Corridor Performance + Other

Faculty	Grant
Faculty of Business and Information Technology	$ 11,072,784
Faculty of Education	$ 4,204,476
Faculty of Engineering and Applied Science	$ 14,468,922
Faculty of Health Sciences	$ 15,308,595
Faculty of Science	$ 9,841,373
Faculty of Social Science and Humanities	$ 7,181,345
Undeclared	$ 94,861
	$ 62,172,355

Note 1: Nursing collaborative grant has been included
Note 2: Includes enrolment adjustments based on performance +/- 2016-17 levels

Source: Using slip year official WGUs claimed to Ministry

Faculty Direct Revenue

Faculty specific revenue is flowed directly to the Faculty.

Examples of Faculty Direct Revenue:

- CPA donations
- Internship Fees
- Practicum Fees
- Mask/Lab supply fees
- OPG Donation
- Donations and Grants for Engineering Outreach

Faculty	Faculty Direct
Faculty of Business and Information Technology	$ 167,900
Faculty of Education	$ 109,800
Faculty of Engineering and Applied Science	$ 1,245,000
Faculty of Health Sciences	$ 1,257,268
Faculty of Science	$ -
Faculty of Social Science and Humanities	$ 77,544
Undeclared	$ -
	$ 2,857,512

Source: Finance budget submissions

Revenue Subtotal

Revenue	Tuition						
Faculty	UG Domestic	UG International	GR Domestic	GR International	Grant	Faculty Direct	Revenue SubTotal
Faculty of Business and Information Technology	$ 14,137,184	$ 7,328,529	$ 590,385	$ 1,706,903	$ 11,072,784	$ 167,900	$ 35,003,686
Faculty of Education	$ 3,587,011	$ 30,655	$ 731,680	$ -	$ 4,204,476	$ 109,800	$ 8,663,622
Faculty of Engineering and Applied Science	$ 15,415,504	$ 10,707,880	$ 540,187	$ 5,524,053	$ 14,468,922	$ 1,245,000	$ 47,901,546
Faculty of Health Sciences	$ 10,581,121	$ 2,092,414	$ 366,916	$ 71,106	$ 15,308,595	$ 1,257,268	$ 29,677,420
Faculty of Science	$ 7,859,342	$ 6,833,977	$ 660,548	$ 708,860	$ 9,841,373	$ -	$ 25,904,100
Faculty of Social Science and Humanities	$ 6,303,865	$ 1,486,528	$ 344,744	$ 99,440	$ 7,181,345	$ 77,544	$ 15,493,466
Undeclared	$ 142,584	$ 69,485	$ 2,953	$ -	$ 94,861	$ -	$ 309,883
	$ 58,026,611	**$ 28,549,468**	**$ 3,237,413**	**$ 8,110,362**	**$ 62,172,355**	**$ 2,857,512**	**$ 162,953,721**

Service Teaching Adjustment Methodology

Service Teaching Principles: Credit Faculties for the teaching they perform for other Faculty's students

Calculate based on credit hours taught.

- Credit hours of all students taking courses outside of their home faculty are combined

- 90% of the average domestic home tuition per credit hour of the student is used as the transfer amount
- International tuition difference remains within the home Faculty.

- Net difference of revenue from courses taken vs those provided is transferred to Faculty providing the service course.

Service Teaching – Revenue Adjustment Credit Hours

Credit hours being taught outside of home Faculty

	Home Faculty						
Teaching Faculty	**Business & Information Tech**	**Education**	**Engineering & Applied Science**	**Health Sciences**	**Science**	**Social Science and Humanities**	**Grand Total**
Faculty of Business and Information Technology			534	204	1,230	111	2,079
Faculty of Education	231		3	54	30	99	417
Faculty of Engineering and Applied Science	9			3	36	3	51
Faculty of Health Sciences	15		30		60	36	141
Faculty of Science	912		14,886	3,231		1,329	20,358
Faculty of Social Science and Humanities	4,587	12	6,069	5,271	4,431		20,370
	5,754	**12**	**21,522**	**8,763**	**5,787**	**1,578**	**43,416**

Tuition Rates used

	Business & Information Tech	Education	Engineering & Applied Science	Health Sciences	Science	Social Science and Humanities
Average Domestic Tuition Rate	$ 8,581.00	$ 5,940.00	$ 9,458.00	$ 5,940.00	$ 6,182.00	$ 5,940.00
Amount per [illegible] credit hour	$ 286.03	$ 198.00	$ 315.27	$ 198.00	$ 206.07	$ 198.00
Transfer amount (90% of CH rate)	**$ 257.43**	**$ 178.20**	**$ 283.74**	**$ 178.20**	**$ 185.46**	**$ 178.20**

Service Teaching – Revenue Adjustment Dollars

	Home Faculty						
Teaching Faculty	Business & Information Tech	Education	Engineering & Applied Science	Health Sciences	Science	Social Science and Humanities	Grand Total
Faculty of Business and Information Technology	$ -	$ -	$ 151,517	$ 36,353	$ 228,116	$ 19,780	$ 435,766
Faculty of Education	$ 59,466	$ -	$ 851	$ 9,623	$ 5,564	$ 17,642	$ 93,146
Faculty of Engineering and Applied Science	$ 2,317	$ -	$ -	$ 535	$ 6,677	$ 535	$ 10,063
Faculty of Health Sciences	$ 3,861	$ -	$ 8,512	$ -	$ 11,128	$ 6,415	$ 29,916
Faculty of Science	$ 234,776	$ -	$ 4,223,754	$ 575,764	$ -	$ 236,828	$ 5,271,122
Faculty of Social Science and Humanities	$ 1,180,831	$ 2,138	$ 1,722,018	$ 939,292	$ 821,773	$ -	$ 4,666,053
	$ 1,481,252	$ 2,138	$ 6,106,652	$ 1,561,567	$ 1,073,257	$ 281,200	$ 10,506,066

Faculty	Service Teaching Adjustments
Faculty of Business and Information Technology	-$ 1,045,486
Faculty of Education	$ 91,008
Faculty of Engineering and Applied Science	-$ 6,096,590
Faculty of Health Sciences	-$ 1,531,650
Faculty of Science	$ 4,197,865
Faculty of Social Science and Humanities	$ 4,384,854
Undeclared	

Example: FBIT Service Teaching
Incoming: +$435,766
Outgoing: -$1,481,252

Net Adjustment: -$1,045,486

Total Revenue Summary

Revenue	Tuition								
Faculty	UG Domestic	UG International	GR Domestic	GR International	Grant	Faculty Direct	Revenue SubTotal	Service Teaching Adjustments	Revenue Total
Faculty of Business and Information Technology	$ 14,137,184	$ 7,328,529	$ 590,385	$ 1,706,903	$ 11,072,784	$ 167,900	$ 35,003,686	-$ 1,022,473	$ 33,981,213
Faculty of Education	$ 3,587,011	$ 30,655	$ 731,680	$ -	$ 4,204,476	$ 109,800	$ 8,663,622	$ 90,057	$ 8,753,678
Faculty of Engineering and Applied Science	$ 15,415,504	$ 10,707,880	$ 540,187	$ 5,524,053	$ 14,468,922	$ 1,245,000	$ 47,901,546	-$ 6,018,144	$ 41,883,402
Faculty of Health Sciences	$ 10,581,121	$ 2,092,414	$ 366,916	$ 71,106	$ 15,308,595	$ 1,257,268	$ 29,677,420	-$ 1,550,161	$ 28,127,259
Faculty of Science	$ 7,859,342	$ 6,833,977	$ 660,548	$ 708,860	$ 9,841,373	$ -	$ 25,904,100	$ 4,151,492	$ 30,055,592
Faculty of Social Science and Humanities	$ 6,303,865	$ 1,486,528	$ 344,744	$ 99,440	$ 7,181,345	$ 77,544	$ 15,493,466	$ 4,349,228	$ 19,842,694
Undeclared	$ 142,584	$ 69,485	$ 2,953	$ -	$ 94,861	$ -	$ 309,883		$ 309,883
	$ 58,026,611	**$ 28,549,468**	**$ 3,237,413**	**$ 8,110,362**	**$ 62,172,355**	**$ 2,857,512**	**$ 162,953,721**	**$ -**	**$ 162,953,721**

Support Unit Allocations - Costs

Based on the Support Unit's direct function a measure, or driver, is used to allocate the net revenue or expenses to each Faculty.

Bin	Driver
Student Bin	Student FTEs
Faculty Staff Bin	Continuing Faculty FTEs
Occupancy Bin	NASMs
Research Bin	TTT FTEs
Central Bin	Revenue

Student Bin (Student FTEs)
Business Operations (30%)
Communications & Marketing (70%)
ITS Media Services
School of Graduate and Post Doctoral Studies
Library Services (80%)
IT (other than TELE)

Faculty Staff Bin (Continuing Staff FTEs)
Business Operations (70%)
Communications & Marketing (30%)
Administrative Computing
Telecommunications
Teaching & Learning
Library Services (20%)
Human Resources
ITP Contributions - Faculty

Occupancy Bin (NASMs)
Debenture
OCIS
ACE (FEAS portion)
Facilities Management

Central Bin (Revenue)
Board of Governors
Presidents Office
Finance & Admin - VP
External Relations
Advancement
Alumni
IT Services - Admin Office
Office of the Provost
Institutional Research & Analysis
Academic Affairs (Provost)
VP HR and Services

Research Bin (TTT FTE)
Finance & Admin-Research
Research, Innovation & Int'l
International Office Research Services

What is being allocated?

- All revenue directed to the support units is taken into account (fees, grants, etc.)
- All expenses from the support units (salaries, operating)
- The **net expenses** are used in the allocation within the model

	Student Bin	TSA and Awards	Faculty Staff Bin	Occupancy Bin	Research Bin	Central Bin
Revenue	$ 14,323,150	$ 10,296,361	$ 123,121	$ 17,316,615	$ 2,198,327	$ 6,263,856
Expenses	$ (39,285,395)	$ (11,594,516)	$ (8,600,353)	$ (35,320,197)	$ (7,493,416)	$ (22,074,346)
Net Expenses	$ (24,962,246)	$ (1,298,155)	$ (8,477,232)	$ (18,003,582)	$ (5,295,089)	$ (15,810,490)

Occupancy Space

Total NASMs = Student NASMs + Dedicated NASMs + General NASMs

- **Student NASMs** – UG labs and classroom space
  - UG Labs – based on proportional share of students from Faculties teaching in UG labs
  - UG classrooms – based on proportional share of students from Faculties teaching lectures **plus** students taking tutorials
    - Lectures are based on teaching Faculty, tutorial use is based on home Faculty
  - Data from official USER file

- **Dedicated NASMs** – Assigned offices and Research Labs
  - Directly from OCIS data based on assigned rooms

- **General NASMs** – all other space within the institution
  - Based on proportion of all students (e.g. your Faculty has 20% of the students then 20% of the general space is allocated)
  - Data from official USER file

Support Bin/Unit Cost Allocations

Cost Bins For Service Unit Allocation							
Faculty	Student Bin	TSA and Awards	Faculty Staff Bin	Occupancy Bin	Research Bin	Central Bin	Cost Bin Total
Faculty of Business and Information Technology	$ (5,243,025)	$ (272,864)	$ (1,604,886)	$ (3,280,334)	$ (1,058,846)	$ (3,294,775)	$ (14,754,729)
Faculty of Education	$ (1,812,457)	$ (30,176)	$ (504,442)	$ (1,066,896)	$ (310,514)	$ (849,413)	$ (4,573,899)
Faculty of Engineering and Applied Science	$ (5,621,047)	$ (427,281)	$ (2,168,228)	$ (4,986,090)	$ (1,331,514)	$ (4,056,102)	$ (18,590,262)
Faculty of Health Sciences	$ (4,986,866)	$ (156,048)	$ (1,358,037)	$ (3,148,468)	$ (813,703)	$ (2,730,827)	$ (13,193,950)
Faculty of Science	$ (3,839,448)	$ (170,504)	$ (1,577,057)	$ (3,432,557)	$ (922,082)	$ (2,920,626)	$ (12,862,273)
Faculty of Social Science and Humanities	$ (3,348,550)	$ (241,281)	$ (1,264,582)	$ (2,089,237)	$ (858,431)	$ (1,928,682)	$ (9,730,763)
Undeclared	$ (110,853)	$ -	$ -	$ -	$ -	$ (30,066)	$ (140,919)
	$ (24,962,246)	**$ (1,298,155)**	**$ (8,477,232)**	**$ (18,003,582)**	**$ (5,295,089)**	**$ (15,810,490)**	**$ (73,846,794)**

Adjustments

- The amount set in budget for the year is stated for each Faculty.
- **Strategic** pot is created to allocate towards University priorities
  - For the purpose of this illustration, the strategic pot % balances negative Faculty budgets
    - Equals 8.5% of the total Faculty revenue (with service teaching accounted for).

Adjustments			
Faculty	**Faculty Loaded Budget**	**Strategic Pot**	**Adjustments Total**
Faculty of Business and Information Technology	$ 15,878,044	$ 2,886,447	$ 18,764,491
Faculty of Education	$ 6,032,890	$ 744,143	$ 6,777,033
Faculty of Engineering and Applied Science	$ 21,720,127	$ 3,553,421	$ 25,273,548
Faculty of Health Sciences	$ 16,785,865	$ 2,392,390	$ 19,178,255
Faculty of Science	$ 16,035,780	$ 2,558,667	$ 18,594,447
Faculty of Social Science and Humanities	$ 12,185,293	$ 1,689,657	$ 13,874,950
Undeclared	$ -	$ 26,340	$ 26,340
	$ 88,637,999	**$ 13,851,066**	**$ 102,489,065**

Faculty Allocation Summary – 2023-24 Example

Faculty	Revenue Total	Faculty Budget	Cost Bin Total	Faculty Allocation Subtotal	Strategic Tax	Strategic Allocation	Total
Faculty of Business and Information Technology	$ 33,958,199	$ 15,878,044	-$ 14,721,298	$ 3,358,857	$ 2,886,447		$ 472,410
Faculty of Education	$ 8,754,629	$ 6,032,890	-$ 4,570,201	-$ 1,848,462	$ 744,143	$ 2,592,606	$ 0
Faculty of Engineering and Applied Science	$ 41,804,956	$ 21,720,127	-$ 18,537,912	$ 1,546,917	$ 3,553,421	$ 2,006,504	-$ 0
Faculty of Health Sciences	$ 28,145,769	$ 16,785,865	-$ 13,174,831	-$ 1,814,926	$ 2,392,390	$ 4,207,317	$ 0
Faculty of Science	$ 30,101,965	$ 16,035,780	-$ 12,841,383	$ 1,224,801	$ 2,558,667	$ 1,333,866	$ 0
Faculty of Social Science and Humanities	$ 19,878,320	$ 12,185,293	-$ 9,701,202	-$ 2,008,175	$ 1,689,657	$ 3,697,832	-$ 0
Undeclared	$ 309,883	$ -	-$ 140,919	$ 168,964	$ 26,340		
	$ 162,953,721	**$ 88,637,999**	**-$ 73,687,746**	**$ 627,976**	**$ 13,851,066**	**$13,838,125**	**$ 472,411**
					Allocation	$ 13,851,066	
				Allocation Remaining		**$ 12,941**	

Faculty	Revenue Total	Faculty Loaded	Cost Bin Total	Faculty Allocation Subtotal	Strategic Tax	Strategic Allocation	Total
Faculty of Business and Information Technology	21%	18%	20%		21%	0%	
Faculty of Education	5%	7%	6%		5%	19%	
Faculty of Engineering and Applied Science	26%	25%	25%		26%	14%	
Faculty of Health Sciences	17%	19%	18%		17%	30%	
Faculty of Science	18%	18%	17%		18%	10%	
Faculty of Social Science and Humanities	12%	14%	13%		12%	27%	
Undeclared	0%	0%	0%		0%	0%	
	100%	**100%**	**100%**		**100%**	**100%**	

Questions, Comments, Discussion

Ontario Tech UNIVERSITY

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☒
Non-Public	☐	**Discussion/Direction**	☐
		Information	☐

TO: **Audit & Finance Committee**

DATE: **April 11, 2024**

PRESENTED BY: **Brad MacIsaac, VP Administration**

SUBJECT: **Annual Endowment Disbursement**

COMMITTEE MANDATE:

The Audit and Finance Committee is responsible for overseeing the financial affairs of the University with respect to all budget approval and investment of the university's endowment funds to ensure that appropriate financial controls are in place.

This memo is seeking A&F's recommendation of a maximum spending level from the Endowment fund for fiscal year 2024-25.

BACKGROUND/CONTEXT & RATIONALE:

Ontario Tech's Endowment consists of funds, largely donations secured through Advancement, which are set aside permanently with a portion of investment returns used to support specific student awards as directed by the Donor. Part of Ontario Tech's endowment philosophy includes 'capital preservation' (i.e. adjusting the capital value by inflation) so as to preserve the inflation adjust value of the fund. Effective oversight requires analyzing the contradictory goals of maintaining a target spending rate and preserving the real value of the fund while operating in an environment of unpredictable shifts in markets.

In general, donor agreements set out a disbursement expectation of the inflation adjusted principal (original donation). Ontario Tech assumes the long-term sustainability is supported by establishing a disbursement rate of approximately 3-5% based on a variety of market reports. Over time, the value of the portfolio has experienced significant growth both from new donations and market increases. A summary of the current portfolio cumulative balances (as at March 31) are as follows (all numbers in 000's):

Endowed balance as at March 31 ('000s)		2021 Actual	2022 Actual	2023 Actual	2024 Forecast	2025 Proposed
Donations (Principal Value)	A	$ 18,721	$ 19,158	$ 19,800	$ 20,203	$ 20,607
Realized Income (ii)	B	9,760	10,608	11,488	12,650	13,531
Awards disbursed from endowed	C	(4,131)	(4,849)	(5,356)	(6,003)	(6,793)
Total adjusted base cost	D=A+B+C	24,350	24,916	25,932	26,851	27,345
Market Value	E	31,771	33,123	33,271	35,693	
Unrealised Gains available for disbursement	F=E-D	$ 7,421	$ 8,206	$ 7,339	$ 8,842	
Awards disbursed from unrestricted expendable				$ (140)	$ (93)	

Key facts:

i. There are currently 134 specific endowed funds.
ii. Realized income net of fees (i.e. interest, dividends, realized gains) has averaged 4.5% since 2004.
iii. Global markets witnessed a comeback in 2023 in the bond and equity markets, driven by a strong economy and the perceived end of interest rate hikes. Therefore, unrealized gains have increased over the prior year.
iv. Some of the newer endowment funds have not generated sufficient investment income and capital gains to support the endowed disbursements. The disbursements for these Funds are being partially funded by unrestricted expendable sources ($140k in 2022/23 and $93k in 2023/24).

The university's Endowment Committee consists of representatives from Finance, Advancement and Financial Aid.

Due to increased donations and a stable portfolio, Ontario Tech has been able to increase disbursements over the last few years. With our students facing a cost-of-living crisis, the Committee notes that it is even more critical than ever to provide support.

Based on a review of the portfolio performance and allowing for a capital preservation of 3.8% (average inflation rates over the last 4 years), the Committee recommends a maximum disbursement of $790k from the endowment fund which would allow support of 460 students whilst still preserving the capital of the fund.

Disbursement amounts and number of awards have been as follows:

Disbursement Year	No of awards disbursed	Amount ($'000's)	Distribution %[1]
2020	277	$493	2.7%
2021	409	$711	3.8%
2022	409	$718	3.5%
2023	359	$647	3.5%
2024 Forecast	443	$740	3.3%
2025 Proposed	460	$790	3.5%

[1] Presents distributions as a percentage of inflation adjusted donations

The Committee continues to review the performance of the endowment fund and the ability of the University to continue to disburse awards to students in the future, including the disbursement of a portion of the unrealized gains on the fund.

MOTION:

That the Audit and Finance 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.

SUPPORTING REFERENCE MATERIALS:

N/A

COMMITTEE REPORT

SESSION:	**ACTION REQUESTED:**
Public ☒	**Decision** ☒
Non-Public ☐	**Discussion/Direction** ☐
	Information ☐

TO: **Audit & Finance Committee**

DATE: **April 11, 2024**

PRESENTED BY: **Pamela Onsiong**

SLT LEAD: **Brad MacIsaac**

SUBJECT: **Debt Management Policy**

MANDATE:
Under the University's Act, section 9 (1), the Board of Governors has the power: "to establish academic, research, service and institutional policies and plans and to control the manner in which they are implemented". The university's Policy Framework is a key institutional policy that delegates the Board's power, establishing categories of policy instruments with distinct approval pathways.

Under the Policy Framework, the Board of Governors is the approval authority for the Debt Management Policy and Audit and Finance Committee is the deliberative body.

We are submitting this report and proposed Policy for Audit and Finance Committee's consideration.

BACKGROUND/CONTEXT & RATIONALE:

The University invests in capital infrastructure that are fundamental to achieving the University's mission as a higher education institution. Since capital projects will require a combination of financing sources, including grants and deferred contributions, internal reserves and external debt, debt is considered a perpetual component of the University's financial structure.

The University currently has a set of debt guidelines which it has complied with since 2016/17 as part of its due diligence and focus on minimizing risk and reducing its cost of capital. We are now formalizing these guidelines with this new Debt Management Policy. This policy will provide a framework for all University's external borrowing and leave the University assuming debt at levels that continue to promote its financial operations and sustainability.

OVERVIEW:

The University has a significant level of debt on its books, attributable to a $220.0M series of debentures which were issued by the University in October 2004 shortly after the university was first established in 2002. The proceeds of this debt issuance were used to finance capital projects including the construction of three academic buildings, a library and related infrastructure.

Since August 2011, 80% of this debenture debt (i.e. $13.5M of the $16.5M annual debt repayment) has been funded through a special grant from the Province. This grant will continue until the maturity of the debentures in October 2034.

In this policy, the University has established guidelines regarding the optimal amount of outstanding debts through the monitoring of the University's financial sustainability or debt ratios. These ratios are derived from the University's audited financial statements and notes, and for management reporting, are **adjusted** to account for the grant funding that is earmarked to service existing University debt.

All new debts must comply with the University's outstanding debt covenants, and such compliance must be documented as part of the Board-approved motion and documentation to apply for and the use of external debt.

Compliance with this policy will ensure consistent and transparent capital debt management. It is also intended to hold the University in good stead as it looks to reduce its cost of capital and its associated risks.

COMPLIANCE WITH POLICY/LEGISLATION:

The proposed policy and procedures comply with generally accepted accounting principles (GAAP) for not-for-profit organizations.

MOTION FOR CONSIDERATION:

That the Audit and Finance Committee recommends the approval of the Debt Management Policy by the Board of Governors as presented.

CONSULTATION AND NEXT STEPS:
Presented to:

- ✓ Policy Advisory Committee – Policy Assessment (February 2, 2024)
- ✓ Academic Council – Consultation (March 26, 2024)
- ✓ Administrative Leadership Team – Consultation (April 9, 2024)
- ✓ University on-line Consultation (March 18 – 29, 2024)
- Audit and Finance Committee – Policy Deliberation (April 11, 2024)
- Board of Governors – Policy Approval (April 18, 2024)

SUPPORTING REFERENCE MATERIALS:

- Draft Debt Management Policy

Item	xxx
Framework Category	Legal, Compliance and Governance
App	rnors
Poli	, n
Approval Date	DRAFT FOR APPROVAL
Review Date	
Supersedes	N/A

DEBT MANAGEMENT POLICY

PURPOSE

1. The purpose of this policy is to assist the University in ensuring that debt is used strategically to support the University in achieving its mission. It will increase transparency by creating alignment between use of proceeds and debt issuance, setting out the responsibilities for the approval and reporting of debt and establishing maximum limits on the amount of total external debt.

DEFINITIONS

2. For the purposes of this Policy the following definitions apply:

“Bridge Financing” means short-term or interim financing of a project until such time that permanent financing is obtained.

“Capital projects” means investments in capital assets equal to or in excess of $4.0M and which require Board of Governors approval.

“Debenture” means debt financial instruments issued by the University in October 2004, the proceeds of which were used to finance the original construction of the University.

“Derivative product” means a type of financial contract whose value is derived upon the value of an underlying asset.

“**Expendable Net Assets**” means internally restricted and unrestricted net assets.

“External debt” means the portion of a capital project that is funded by external borrowing, including commercial banks. External debt, including principal and interest, is usually paid in instalments over the term of the debt, and is included as a priority expense in the annual budget cycle.

“**Financial sustainability ratios**” means a set of metrics that measure the University’s debt capacity and debt affordability.

"Grants and deferred contributions" means funds received from the Ministry or other granting agencies to cover specific capital projects. These grants are treated as deferred contributions and amortized using the same useful lives as the asset investment.

"Internal Reserves" means reserves arising out of operating surplus that have been approved by the Board of Governors to be internally restricted for specific projects.

"Performance and Liquidity ratios" means financial ratios that track the trends in the University's net earnings and its financial strength and flexibility.

SCOPE AND AUTHORITY

3. Investments in capital infrastructure are fundamental to achieving the University's mission as a higher education institution. Since capital projects will require a combination of financing sources, including grants and deferred contributions, philanthropy, internal reserves and external debt, debt is considered a perpetual component of the University's financial structure.

4. This Policy sets out the general philosophy for use of debt by the University and introduces specific financial metrics to assess overall debt capacity and debt affordability. As the University evaluates future projects in conjunction with its annual operating budgets, the goals and principles outlined in this debt policy will be reflected in these decisions.

5. The Vice-President Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.

POLICY

The objective of the Policy is to optimize the strategic use of debt and to manage the overall cost of capital and debt while limiting the level of risk as determined by the University's risk appetite, as set out in the Risk Management Policy. Debt options, e.g. bridge financing, derivative products, long term fixed and variable rate debt, will all be considered to achieve the goal of risk reduction and reduced cost of capital.

6. General

6.1. Borrowing will only occur following the approval of the project by the Board of Governors. Such approval shall be subject to review of a written business case, which includes the total anticipated cost of the project and source(s) of funding for the project.

6.2. The need for external debt is reviewed and informed by the Campus Master Plan and strategic projects as approved by the President and Vice Presidents.

External debt calls will be led by the Executive Director, Financial Planning and Reporting under the direction of the Vice President, Administration.

6.3. In determining different debt strategies and instruments, the University will assess its financial position, including its assets, liabilities and unrestricted cash flow, market conditions and impact on the University's adjusted financial ratios.

6.4. The University will manage its overall and any new debt obligations in a manner to maintain or improve the University's credit rating.

7. Establishment of Financial Sustainability Ratios

7.1. The University has established guidelines regarding the optimal amount of outstanding debt through monitoring of the University's financial sustainability ratios. These ratios measure the University's balance sheet resources and annual operations to determine debt capacity and debt affordability. Ratios are derived from the University's financial statements and notes, and are subject to annual reviews by Finance Management and the University's Audit and Finance Committee.

Financial ratios will be adjusted to account for grant funding that is earmarked to service existing University debt. These ratios are defined as:

Ratio 1 – Viability: **Expendable Net Assets-to-Debt Ratio**: this ratio measures **debt capacity.** It determines University balance sheet leverage by comparing expendable net assets to outstanding debt obligations.

Ontario Tech has established a viability ratio of 50%, or 0.5x (times) coverage. This indicates that the University has unrestricted and internally restricted financial resources to cover 50% of its adjusted debt.

Ratio 2 – Affordability: Interest Burden: this ratio determines **debt affordability** as it quantifies the maximum percentage of expenses (excluding amortization of capital assets) dedicated to repaying the University's current debt burden.

Ontario Tech has established a threshold of less than 4.0% of adjusted operating expenses to ensure sufficient funding for interest repayments is available.

Ratio 3 – Affordability: Debt to Revenue: this ratio divides total University debt by the total revenue and reflects the University's ability to manage its debt repayments.

Ontario Tech has established a threshold for debt to revenue of less than 50% which puts the University in a position to handle unforeseen expenses.

7.2. The evaluation of proposed projects will take into consideration their impact on these ratios over time.

7.3. Where the debt ratios do not meet the established targets, management will undertake a more comprehensive review, including the review of other ratios such as the University's performance and liquidity ratios, and provide a report with recommendations to the Board of Governors. This report will include an action plan on how the debt will be brought back to within the target range.

8. Annual Debt Obligations, Compliance and Reporting

8.1. During the University's annual operating budget process, management will incorporate the source of funding for interest and principal payments associated with outstanding debt. The University will fund payments through a combination of provincial grant funding (for the repayment of its debenture debt), and operating funds, exclusive of operating grants.

8.2. All new debt must comply with the University's outstanding debt covenants, and such compliance must be documented as part of the Board-approved motion and documentation to apply for and use external debt.

8.3. Debt ratios will be reviewed at the June Audit and Finance Committee, as part of the year-end review of the University's audited financial statements and financial ratios.

MONITORING AND REVIEW

9. This Debt Management Policy will be reviewed as necessary and at least every three years. The Vice-President, Administration, or successor thereof, is responsible to monitor and review this Policy.

RELATED POLICIES, PROCEDURES & DOCUMENTS

10. Contract Management Policy

Signing Authority Policy

Expenditure Signing Authority Procedures

Naming of Physical University Assets Policy

Gift Acceptance Policy

Gift Registry Procedures

Capital Asset Guidelines

Risk Management Policy

Item	xxx
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	Vice-President, Administration
Approval Date	DRAFT FOR APPROVAL
Review Date	
Supersedes	N/A

DEBT MANAGEMENT POLICY

PURPOSE

1. The purpose of this policy is to assist the University in ensuring that debt is used strategically to support the University in achieving its mission. It will increase transparency by creating alignment between use of proceeds and debt issuance, setting out the responsibilities for the approval and reporting of debt and establishing maximum limits on the amount of total external debt.

DEFINITIONS

2. For the purposes of this Policy the following definitions apply:

"Bridge Financing" means short-term or interim financing of a project until such time that permanent financing is obtained.

"Capital projects" means investments in capital assets equal to or in excess of $4.0M and which require Board of Governors approval.

"Debenture" means debt financial instruments issued by the University in October 2004, the proceeds of which were used to finance the original construction of the University.

"Derivative product" means a type of financial contract whose value is derived upon the value of an underlying asset.

"**Expendable Net Assets**" means internally restricted and unrestricted net assets.

"External debt" means the portion of a capital project that is funded by external borrowing, including commercial banks. External debt, including principal and interest, is usually paid in instalments over the term of the debt, and is included as a priority expense in the annual budget cycle.

"**Financial sustainability ratios**" means a set of metrics that measure the University's debt capacity and debt affordability.

"Grants and deferred contributions" means funds received from the Ministry or other granting agencies to cover specific capital projects. These grants are treated as deferred contributions and amortized using the same useful lives as the asset investment.

"Internal Reserves" means reserves arising out of operating surplus that have been approved by the Board of Governors to be internally restricted for specific projects.

"Performance and Liquidity ratios" means financial ratios that track the trends in the University's net earnings and its financial strength and flexibility.

SCOPE AND AUTHORITY

3. Investments in capital infrastructure are fundamental to achieving the University's mission as a higher education institution. Since capital projects will require a combination of financing sources, including grants and deferred contributions, philanthropy, internal reserves and external debt, debt is considered a perpetual component of the University's financial structure.

4. This Policy sets out the general philosophy for use of debt by the University and introduces specific financial metrics to assess overall debt capacity and debt affordability. As the University evaluates future projects in conjunction with its annual operating budgets, the goals and principles outlined in this debt policy will be reflected in these decisions.

5. The Vice-President Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.

POLICY

The objective of the Policy is to optimize the strategic use of debt and to manage the overall cost of capital and debt while limiting the level of risk as determined by the University's risk appetite, as set out in the Risk Management Policy. Debt options, e.g. bridge financing, derivative products, long term fixed and variable rate debt, will all be considered to achieve the goal of risk reduction and reduced cost of capital.

6. General

6.1. Borrowing will only occur following the approval of the project by the Board of Governors. Such approval shall be subject to review of a written business case, which includes the total anticipated cost of the project and source(s) of funding for the project.

6.2. The need for external debt is reviewed and informed by the Campus Master Plan and strategic projects as approved by the President and Vice Presidents. External debt calls will be led by the Executive Director, Financial Planning and Reporting under the direction of the Vice President, Administration.

6.3. In determining different debt strategies and instruments, the University will assess its financial position, including its assets, liabilities and unrestricted cash flow, market conditions and impact on the University's adjusted financial ratios.

6.4. The University will manage its overall and any new debt obligations in a manner to maintain or improve the University's credit rating.

7. Establishment of Financial Sustainability Ratios

7.1. The University has established guidelines regarding the optimal amount of outstanding debt through monitoring of the University's financial sustainability ratios. These ratios measure the University's balance sheet resources and annual operations to determine debt capacity and debt affordability. Ratios are derived from the University's financial statements and notes, and are subject to annual reviews by Finance Management and the University's Audit and Finance Committee.

Financial ratios will be adjusted to account for grant funding that is earmarked to service existing University debt. These ratios are defined as:

Ratio 1 – Viability: **Expendable Net Assets-to-Debt Ratio**: this ratio measures **debt capacity.** It determines University balance sheet leverage by comparing expendable net assets to outstanding debt obligations.

Ontario Tech has established a viability ratio of 50%, or 0.5x (times) coverage. This indicates that the University has unrestricted and internally restricted financial resources to cover 50% of its adjusted debt.

Ratio 2 – Affordability: Interest Burden: this ratio determines **debt affordability** as it quantifies the maximum percentage of expenses (excluding amortization of capital assets) dedicated to repaying the University's current debt burden.

Ontario Tech has established a threshold of less than 4.0% of adjusted operating expenses to ensure sufficient funding for interest repayments is available.

Ratio 3 – Affordability: Debt to Revenue: this ratio divides total University debt by the total revenue and reflects the University's ability to manage its debt repayments.

Ontario Tech has established a threshold for debt to revenue of less than 50% which puts the University in a position to handle unforeseen expenses.

7.2. The evaluation of proposed projects will take into consideration their impact on these ratios over time.

7.3. Where the debt ratios do not meet the established targets, management will undertake a more comprehensive review, including the review of other ratios such as the University's performance and liquidity ratios, and provide a report with recommendations to the Board of Governors. This report will include an action plan on how the debt will be brought back to within the target range.

8. Annual Debt Obligations, Compliance and Reporting

8.1. During the University's annual operating budget process, management will incorporate the source of funding for interest and principal payments associated with outstanding debt. The University will fund payments through a combination of provincial grant funding (for the repayment of its debenture debt), and operating funds, exclusive of operating grants.

8.2. All new debt must comply with the University's outstanding debt covenants, and such compliance must be documented as part of the Board-approved motion and documentation to apply for and use external debt.

8.3. Debt ratios will be reviewed at the June Audit and Finance Committee, as part of the year-end review of the University's audited financial statements and financial ratios.

MONITORING AND REVIEW

9. This Debt Management Policy will be reviewed as necessary and at least every three years. The Vice-President, Administration, or successor thereof, is responsible to monitor and review this Policy.

RELATED POLICIES, PROCEDURES & DOCUMENTS

10. Contract Management Policy

Signing Authority Policy

Expenditure Signing Authority Procedures

Naming of Physical University Assets Policy

Gift Acceptance Policy

Gift Registry Procedures

Capital Asset Guidelines

Risk Management Policy

OntarioTech UNIVERSITY

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☒
Non-Public	☐	**Discussion/Direction**	☐
		Information	☐

TO: **Audit & Finance Committee**

DATE: **April 11, 2024**

PRESENTED BY: **Brad MacIsaac**

SUBJECT: **Capital Projects Policy**

MANDATE:
Under the University's Act, section 9 (1), the Board of Governors has the power: "to establish academic, research, service and institutional policies and plans and to control the manner in which they are implemented". The university's Policy Framework is a key institutional policy that delegates the Board's power, establishing categories of policy instruments with distinct approval pathways.

Under the Policy Framework, the Board of Governors is the approval authority for the Capital Projects Policy and Audit and Finance Committee is the deliberative body.

We are submitting this report and proposed Policy for Audit and Finance Committee's consideration.

BACKGROUND/CONTEXT & RATIONALE:
The University invests in capital infrastructure that are fundamental to achieving the University's mission as a higher education institution. The objective of this policy is to support the development of Ontario Tech's infrastructure by ensuring a best practice approach to planning, design, and implementation with consideration of the value and risk associated with investment. This policy puts in writing the general practice Ontario Tech has in place noting we will be moving to greater transparency by developing a five-year rolling Asset Management Plan.

The University's approach to planning is to invest in a comprehensive long-term Campus Master Plan and to systematically establish medium term Asset Management Plans that set out specific Capital Projects to be designed and built in such a way as to meet present and future needs of the

University community. The University shall permit or undertake projects in consideration of, among other things, the Integrated Academic Research Plan and Campus Master Plan and the source and availability of funds.

COMPLIANCE WITH POLICY/LEGISLATION:
This is not legally mandated.

CONSULTATION AND NEXT STEPS:
Presented to:

- ✓ Policy Advisory Committee – Policy Assessment (February 2, 2024)
- ✓ Academic Council – Consultation (March 26, 2024)
- ✓ Administrative Leadership Team – Consultation (April 9, 2024)
- ✓ University on-line Consultation (March 18 – 29, 2024)
- Audit and Finance Committee – Policy Deliberation (April 11, 2024)
- Board of Governors – Policy Approval (April 18, 2024)

MOTION FOR CONSIDERATION:
That the Audit and Finance Committee recommends the approval of the Capital Projects Policy by the Board of Governors as presented.

SUPPORTING REFERENCE MATERIALS:
Draft Policy

Item	xxx
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	Vice-President, Administration
Approval Date	DRAFt FOR REVIEW
Review Date	
Supersedes	N/A

CAPITAL PROJECTS POLICY

PURPOSE

1. The objective of this policy is to support the development of Ontario Tech's infrastructure by ensuring a best practice approach to planning, design, and implementation with consideration of the value and risk associated with investment. The purpose of this policy is to set forth the principles and the people involved in authorizing Capital Projects. It is intended to (a.) ensure an institutionally integrated, consistent, and transparent process for evaluating and making strategic decisions on the prioritization of Capital Projects, and (b.) provide an appropriate level of governance oversight.

DEFINITIONS

2. For the purposes of this Policy the following definitions apply:

"Asset Management Plan" means a tactical plan that sets out the Capital Projects and Facilities Renewals to which the University has assigned priority for a specified period and that require one or more funding sources. This includes all fixtures, equipment and infrastructure be it new, repair, maintenance and/or replacement to deliver the standard of service required by the University.

"Campus Master Plan" means a plan that establishes a vision and framework to guide how and where the University campus will physically change in support of the University's Integrated Academic Research Plan.

"Capital Planning Process" means the process by which Capital Projects are assessed, prioritized, approved, and implemented. The planning process informs the budget and Asset Management Plan.

“Capital Project” means a project that helps improve or augment university facilities. Capital Projects include, but are not limited to, new facility/infrastructure, an expansion or renovation of an existing facility/infrastructure, leasehold improvements, roads, or the acquisition of land or other real property.

“Facilities Renewal” also referred to as deferred maintenance, means capital expenditures that are required to preserve University facilities’ functionality over their useful life.

“Funding Sources” means actual or committed sources of funding (including, but not limited to, fundraising pledges or targets, contributions from future years’ budgets or debt financing) to support a Capital Project.

“Major Capital Projects” shall mean construction or renovations, including related goods and services, which are budgeted to cost $4,000,000 or more.

“Minor Capital Projects” shall mean construction or renovations, including related goods and services, which are budgeted to cost under $4,000,000.

“Project Charter” is a formal document that describes the full scope of a project to create a shared understanding of its goals, objectives and resource requirements before the project is started.

“Project Sponsor” means the person who has signing level authority according to the University policies and procedures and is responsible for endorsing the project as a valued investment of organizational resources. The sponsor is responsible for defining the scope of the project and accurately defining the success criteria.

SCOPE AND AUTHORITY

This Policy sets out the general philosophy for capital planning at the University and introduces specific process to assess the overall plan. This policy is applicable to all Ontario Tech Capital Projects.

The Vice-President Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.

POLICY

3. General

The University’s approach to planning is to invest in a comprehensive long-term Campus Master Plan and to systematically establish medium term Asset Management Plans that set out specific Capital Projects to be designed and built in such a way as to meet present and future needs of the University community. The University shall permit or undertake projects in consideration of, among other things, the Integrated Academic Research Plan and Campus Master Plan and the source and availability of funds.

3.1. Capital Projects may be identified through a number of avenues including but not restricted to:

- **a)** The capital planning and budget setting process
- **b)** Special funding opportunities
- **c)** Research activities
- **d)** Unit initiatives
- **e)** Deferred maintenance programs

3.2. All Capital Projects must have a Project Sponsor. Minor Capital Projects must have the sponsorship at a minimum of the signing authority level established in the Signing Authority Procedure. Major Capital Projects must have the sponsorship of a Vice-President and a Business Case must be approved by the Board of Governors.

4. Campus Master Plan

4.1. The University normally undertakes a Campus Master Plan Review on a five (5) year cycle. The review will be chaired by the Vice President, Administration and will involve community input from students, faculty, staff and other stakeholders.

4.2. The Campus Master Plan will guide the University by establishing fundamental campus planning principles. Due to the University's north campus co-location with Durham College, planning involving real estate or facilities owned by Durham College will be done in collaboration with Durham College.

4.3. A Campus Master Plan may inform prioritization and development of Capital Projects but does not include approval of the Capital Projects or the budgets.

4.4. At the completion of each review process, the Board of Governors shall approve each Campus Master Plan.

5. Asset Management Plan

5.1. An Asset Management Plan is prepared and implemented by the Office of Campus Infrastructure and Sustainability (OCIS) or its successor. It is a rolling plan, normally adopted for five-year periods, to reflect progress made and new or updated priorities.

5.2. An Asset Management Plan will include a prioritized list of all Capital Projects and Facility Renewals that are expected to be in the planning and/or implementation stage during the period of the Asset Management Plan.

6. Capital Projects

6.1. Capital Projects are initiated in response to a variety of needs and opportunities. These can include, but are not limited to, academic and support needs, legislative or health and safety requirements, grant and partnership opportunities, and maintaining property quality levels.

6.2. The Capital Planning Process will be initiated annually by the beginning of the fall semester for assessment and prioritization, and to be considered for approval as part of the budget development cycle. Normally projects will require at least 18 months lead time for review, permitting and implementation.

6.3. All Project Charters will be approved by the relevant Project Sponsor to move to the cost estimate stage.

6.4. OCIS will prepare an estimated cost for each Capital Project. Capital Project costs are developed throughout the life of a Capital Project and will be informed by conceptual design and/or engineering reports, schematic design, and other work completed for the Capital Project.

6.5. Facilities Renewal is a subset of the Asset Management Plan and is prepared by OCIS. Facility Renewal is important to maintain a healthy, safe, sustainable and inspiring physical environment to support the academic mission of the University. It is part of the Capital Planning Process and is a consideration in the scope of all Capital Projects and capital budgets.

6.6. Once the Capital Project has a Project Charter and estimated cost, the Vice President, Administration will coordinate the prioritization through normal budget approval process.

6.7. At the completion of a Capital Project, a Project Completion Report will be prepared by OCIS and will include the final Capital Project Cost. A Project Completion Report will be provided as information to the relevant Project Sponsor.

6.8. For Major Capital Projects, the Strategy and Planning Committee will receive summary reports from the Vice President, Administration at regular intervals during the duration of the project.

MONITORING AND REVIEW

7. This Capital Policy will be reviewed as necessary and at least every three years. The Vice-President, Administration, or successor thereof, is responsible to monitor and review this Policy.

RELATED POLICIES, PROCEDURES & DOCUMENTS

8. Contract Management Policy

Signing Authority Policy

Expenditure Signing Authority Procedures

Debt Management Policy

Naming of Physical University Assets Policy

Risk Management Policy

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☒
Non-Public	☐	**Discussion/Direction**	☐
		Information	☐

TO: **Audit & Finance Committee**

DATE: **April 11, 2024**

PRESENTED BY: **Brad MacIsaac and Sara Gottlieb**

SUBJECT: **Consolidated Contract Management and Signing Authority Policy & Procedures**

MANDATE:
Under the University's Act, section 9(1), the Board of Governors has the power to establish academic, research, service and institutional policies and plans to control the manner in which they are implemented. The University's Policy Framework is a key institutional policy that delegates the Board's power, establishing categories of policy instruments with distinct approval pathways.

Under the Policy Framework, the Board of Governors is the approval authority for the Contract Management and Signing Authority Policy, on the recommendation of the Audit and Finance Committee. The Audit and Finance Committee is the approval authority for the related Procedures.

We are submitting this report and proposed amended Policy and Procedures for Audit and Finance Committee's consideration.

BACKGROUND/CONTEXT & RATIONALE:

In June 2021, the Board of Governors approved a revised Signing Authority Policy and two supporting Procedures. In February 2023, a substantive amendment to the Expenditure Signing

Authority Procedures was approved. The related Contract Management Policy has not been reviewed since it was approved by the Board in 2016.

As part of an effort to consolidate and simplify the University's policy library, the Office of the General Counsel and Finance Department have undertaken to revise and merge the Contract Management Policy, Signing Authority Policy and related procedures. The proposed drafts combine the following policy instruments into a single combined policy (Contracts Management and Signing Authority Policy) and a single combined procedure (Signing Authority Procedure):

- Contract Management Policy
- Signing Authority Policy
- Expenditure Signing Authority Procedures
- Legal Commitments Signing Authority Procedures

Most of the direction in the policy instruments remains substantively the same, with some important exceptions set out in the table below.

SUBSTANTIVE AMENDMENTS TO THE PROCEDURE:

Current Procedure	Revised Procedure
Two step approval process for expenditures and financial contracts 1. Individuals involved known as "First Approver" and "Second Approver" **2.** First approver determined by a chart.	**Two step approval process for expenditures and financial contracts** 1. Individuals involved known as "Requester" and "Signing Authority" 2. Requester is designated by the Signing Authority. Expanded the responsibilities of the Requester to include: "Ensures that Legal Review has been completed (if applicable); Ensures that all non-monetary commitments have been reviewed by applicable Functional Approval Authorities; complies with procedures and Sponsor/donor terms and conditions". **3.** Where the value of a contract is sufficiently high, a VP will serve as the Requester.
Non-monetary commitments	**Non-monetary commitments**

1. Non-monetary commitments require a first and second approver.	1. Added a definition of the "Functional Approval Authority": a member of SLT with delegated responsibility to review and approve non-monetary commitments. 2. Non-monetary commitments require only a single approval. 3. Clarified that when a contract has approval requirements based on its Value in addition to non-monetary commitments, the Functional Approval Authority will approve first, and the Signing Authority will give final approval. The Requester is responsible for ensuring that the Functional Approval Authority has approved.
Delegation of Signing Authority 1. Only the Legal Commitments Signing Authority Procedure clarified that the delegator remains responsible for agreements signed under their delegated authority.	**Delegation of Signing Authority** 1. "The delegator is responsible for agreements signed under their delegated authority" now applies to both financial contracts and non-monetary contracts.
	Revisions to Appendix A 1. Added information regarding Board requirements for incoming funds to Appendix A. 2. Added incoming funds to signing authority Chart in A.2. 3. Revised Approval level chart in Appendix A, leaving off Board approval levels (they are covered in the Board section). 4. Clarified that positions listed in A.2 also include equivalent positions. Equivalency of positions will be determined based on the level of authority of a position within the university, regardless of title, guided

	by the assessed job evaluation of a given position.
	Revisions to Appendix B 1. Removed First Approver information. 2. Changed approval authority for granting a license to university branding elements to President to reflect current organizational structure. 3. Added non-disclosure agreements as a contract type.

COMPLIANCE WITH POLICY/LEGISLATION:

This amendment will maintain existing processes while making it easier to identify signing authorities to ensure a clear, transparent process that allows for the highest standard of governance.

CONSULTATION AND NEXT STEPS:

Presented to:

- ✓ Policy Advisory Committee – Policy Assessment (February 2, 2024)
- ✓ Academic Council – Consultation (March 26, 2024)
- ✓ Administrative Leadership Team – Consultation (April 9, 2024)
- ✓ University on-line Consultation (March 18 – 29, 2024)
- Audit and Finance Committee – Policy Deliberation (April 11, 2024)
- Board of Governors – Policy Approval (April 18, 2024)

MOTION FOR CONSIDERATION:

That 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.

SUPPORTING REFERENCE MATERIALS:

Revised Policy & Procedures

Current Policy & Procedures black-lined (for reference only)

Classification number	LCG 1120
Framework category	Legal, Compliance and Governance
Approving authority	Board of Governors
Policy owner	General Counsel
Approval date	DRAFT FOR APPROVAL
Review date	April 2019
Last updated	Editorial Amendments, February 18, 2020

CONTRACT MANAGEMENT AND SIGNING AUTHORITY POLICY

PURPOSE

1. This Policy supports Contract Management at the University and will guide the development and implementation of Contracts. This Policy is intended to ensure:

- that there is sound stewardship of the University's resources and assets through a University-wide framework of Contract signing authority and delegation of that authority where appropriate,
- that risk management processes are in place to support effective and informed decision-making,
- that roles and responsibilities are clarified so that administrators and others can manage their respective areas of responsibility effectively, efficiently and transparently,

Every individual signing a Contract on behalf of the University must understand that, in doing so, the individual is binding the University, not a department, a Faculty or an administrative unit.

DEFINITIONS

2. For the purposes of this Policy the following definitions apply:

“Budget Holder” means the individual(s) who are responsible for individual budgets at various departmental levels across the University.

“Budget Representative” means the individual(s) who are authorized by the Budget Holder to submit or approve expenses within an individual department level.

“Contract” means any document, or other evidence, of an intention to establish a binding legal relationship between the University and one or more third parties.

“Contract Implementer” (“CI”) means the individual or department that initiates a Contract, receives a good, service, or other benefit, pursuant to the Contract, and/or is responsible for meeting obligations under the Contract. A Contract may have multiple CIs, and one will be designated by the Signing Authority to serve as Requester.

“Contract Life Cycle” is the period of time commencing upon initiation of a Contract and ending the day after all University obligations have been fulfilled or expired.

“Contract Management” means the set of activities required to properly manage contractual commitments to and from third parties and includes the management of pre-Contract diligence, negotiation, and implementation activities.

“Expenditure” means all amounts disbursed from the University, including amounts pursuant to a Financial Contract.

“Financial Contract” means any document, process, or any other evidence that records an intention to establish a monetary obligation between the University and one or more third party (e.g. the procurement of goods and services through a purchase order, or a grant or gift agreement for incoming funds).

“Functional Approval Authority” means a member of SLT with delegated responsibility to review and approve Non-monetary Contracts and non-monetary commitments.

“Legal Review” means a review of a draft Contract by General Counsel or delegate to ensure:

- The Contract Implementer is made aware of the risks and obligations associated with a Contract prior to signing;
- The terms of the Contract will not subject the University to an unacceptable level of liability or risk; and
- The Contract does not contain unacceptable legal commitments.

"Non-monetary Contracts" means a Contract with no Value, such as an academic agreement, the establishment of a partnership or similar arrangement, or an employment agreement.

"Requester" means a responsible individual designated by a Signing Authority, normally a Budget Holder or Budget Representative, with authority to assess whether the commitment meets the objectives of the University, and ensure that the commitment complies with all University policies.

"Signing Authority" means the individual(s) with direct or delegated authority to approve a Contract in accordance with the Signing Authority Procedure and sign the agreement on behalf of the University.

"Sponsor" means the provider of funds for research activities, including both external and internal sources.

SCOPE AND AUTHORITY

3. This Policy applies to all Contracts.

4. The Vice-President, Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy, in consultation with the General Counsel.

POLICY

5. Under the University of Ontario Institute of Technology Act, 2002, the Board may delegate to the President, Vice-Presidents, or other employees of the University signing authority and responsibility for matters necessary for the University's day-to-day operations.

6. Contracts will be in writing and signed by the Signing Authority or permitted delegate as provided in sections 8, 9 and 10 below.

7. All Contracts are to be entered into in the legal name of the University of Ontario Institute of Technology.

8. The President is authorized to execute any Contract on behalf of the University except in the following circumstances:

- **8.1.** Where the President's authority to deal with the subject matter of the Contract is limited by Board by-law, resolution or policy; or
- **8.2.** Where the authority to execute the Contract has been specifically delegated in another Board by-law, resolution or policy.

9. The President may delegate this signing authority to other University employees but will remain accountable to the Board of Governors for all Contracts executed by such delegates. The nature and scope of such delegation from the President, including approval requirements, will be set out in procedures issued by the President.

10. The President and Vice-Presidents may sub-delegate temporarily the signing authority given to them under any Board by-law, resolution or policy for the duration of any absences from the University, or permanently according to criteria set out in the procedures issued by the President. Holders of restricted funds (research, endowment spending and other trust funds) may temporarily delegate signing authority.

    10.1. Signing authority is conferred upon Vice-Presidents, Deans, Chairs or Directors of Faculties/Departments to make expenditures within the amounts and scope of the accounts allotted to them in the University's operating budget through publication of the operating budget (with the exclusion of the Series 'A' Debenture), as approved by the Board of Governors of the University.

11. Individuals who are not designated as a Signing Authority under this Policy or the associated Procedures, and do not have a written delegation of authority, are not authorized to sign a Contract on behalf of the university.

12. The Vice-President, Administration is responsible for establishing and overseeing the application of procedures for effective financial management and control to enable senior administrators and others with financial responsibility to execute their responsibilities appropriately. Procedures are set out in the Signing Authority and Approval of Expenditures Procedures.

13. **Contract Management**

    13.1. The Signing Authority will be responsible for ensuring that all Contracts they execute comply with policies and procedures relating to the negotiation, review and execution of Contracts.

    13.2. Contracts will be developed and managed in accordance with applicable University policies and procedures.

    13.3. Contracts will be in writing and signed by the Signing Authority or permitted delegate.

    13.4. Each Contract will have at least one designated Contract Implementer assigned by the Signing Authority.

a) A Contract Implementer may manage a Contract above their Signing Authority limit, and fill the role of the Requester under associated procedures, however the Contract Implementer cannot sign Contracts or approve an Expenditure on items with a Value that exceeds their financial authority as set out in section A.2 of the associated Procedures.

b) Where a Contract Implementer is not assigned, the Signing Authority becomes the Contract Implementer for the purposes of this Policy.

14. Responsibilities and Accountabilities

14.1. The Signing Authority has overall responsibility for Contract Management within their organizational area. Specifically, the Signing Authority is responsible for:

a) Establishing the goals, objectives and/or requirements giving rise to a potential Contract;

b) Verifying that entering into a Contract is the best path to the fulfilment of the goals, objectives or requirements identified;

c) Assigning a Contract Implementer and providing direction to the Contract Implementer throughout the Contract Life Cycle;

d) Assessing the potential risk associated with the Contract in order to:

- Identify risks that will need to be mitigated in the Contract or otherwise; and
- Determine whether the potential benefits and/or liabilities are reasonable given the purpose of the Contract.

e) Identifying and completing any diligence required, including seeking approval from any applicable Functional Approval Authority;

f) Negotiating the terms and conditions of the Contract to ensure it is favourable to the University and meets the identified objectives;

g) Determining if the Contract Implementer is able to meet the obligations within the terms of the Contract and that the other party(ies) is/are reasonably likely to meet their obligations;

h) Using the Legal Review of Contracts Procedures, identifying whether a Legal Review is required and ensuring that it has been obtained prior to the Contract being approved;

i) Ensuring the Contract complies with University policies and procedures, relevant legislation and applicable Sponsor terms and conditions; and

j) Managing the execution and administration of the Contract to ensure all obligations under the Contract are effectively met.

k) Ensuring that other affected parties at the University are aware of the Contract and the impact it will have upon their work.

15. Contract Approval and Execution

15.1. The Signing Authority will approve the content of all Contracts prior to executing the Contract on behalf of the University.

MONITORING AND REVIEW

16. This Policy will be reviewed as necessary and at least every three years. The Vice-President, Administration, or successor thereof, is responsible to monitor and review this Policy.

RELEVANT LEGISLATION

17. University of Ontario Institution of Technology Act, 2002, S.O. 2002, Chapter 8, Schedule O, as amended from time to time.

RELATED POLICIES, PROCEDURES AND DOCUMENTS

18. Signing Authority and Approval of Expenditures Procedures

Legal Review of Contracts Procedure

Policy on the Internal Use of Research Funds

Procurement Policy and Procedures

Expenses Policy and Procedures

Gift Acceptance Policy

Conflict of Interest in Research Policy

Ethical Conduct Policy

Procedure to Address Conflicts of Interest

Intellectual Property Policy

Policy and Procedures on the Over-Expenditure of Research Funds

Classification Number	LCG 1132.01
Parent Policy	Contract Management and Signing Authority Policy
Framework Category	Legal, Compliance and Governance
Approving Authority	Audit & Finance Committee
Policy Owner	Vice President, Administration
Approval Date	DRAFT FOR REVIEW
Review Date	
Supersedes	Expenditure Signing Authority Procedures (June 16, 2021) and Legal Commitments Signing Authority Procedures (June 16, 2021) Expenditure Signing Authority Procedures amendment history: Substantive Amendment, Board approved December 1, 2022; Editorial Amendments, February 18, 2020; Interim Amendment Approved by Board of Governors, November 29, 2018; Signing Authority Registry and Approval Procedures, December 2008

SIGNING AUTHORITY AND APPROVAL OF EXPENDITURES PROCEDURES

PURPOSE

1. The purpose of this Procedure is to establish the framework for delegation of Signing Authority to approve the Expenditure of university funds and to sign Contracts that bind the university to legal commitments. This procedure will establish a consistent university-wide framework to enable sound fiscal management and responsibility regarding university resources.

DEFINITIONS

2. For the purposes of these Procedures the following definitions apply:

"Budget Holder" means the individual(s) who are responsible for individual budgets at various departmental levels across the University.

“Budget Representative” means the individual(s) who are authorized by the Budget Holder to submit or approve expenses within an individual department level.

“Contract” means any document that establishes, or any other evidence of, an intention to establish a binding legal relationship between the University and one or more third parties.

“Expenditure” means all amounts disbursed from the University, including amounts pursuant to a Financial Contract.

“Contract Authority” means the individual(s) with direct or delegated authority to approve and sign a non-monetary commitment on behalf of the university in accordance with this Procedure. For Financial Contracts that include non-monetary commitments, the Signing Authority is the Contract Authority.

“Financial Contract” means any document, process or other evidence that records an intention to establish a monetary obligation between the University and one or more third party (e.g. the procurement of goods and services through a purchase order, or a grant or gift agreement for incoming funds).

“Functional Approval Authority” means a member of SLT with delegated responsibility to review and approve Non-monetary Contracts and non-monetary commitments.

“Legal Review” means a review of a draft Contract by the University General Counsel or delegate to ensure that:

- The Requester and Signing Authority are made aware of the risks and obligations associated with a Contract prior to signing;
- The terms of the Contract will not subject the University to an unacceptable level of liability or risk; and
- The Contract does not contain unacceptable legal commitments.

“Non-monetary Contracts” means a Contract with no Value, such as an academic agreement, the establishment of a partnership or similar arrangement, or an employment agreement.

“Requester” means a responsible individual designated by a Signing Authority (normally a Budget Holder or Budget Representative) with authority to assess whether the Contract meets the objectives of the University, and ensure that the Contract complies with all University policies.

"Research Funds" means funds provided by a Sponsor, held in trust and administered by the University to pay for expenses incurred in support of research at the University, including:

- Internal Research Funds; and
- Funds awarded through external Sponsors.

"Responsible Unit" means the unit that must ensure that an official copy of the documentation supporting the Expenditure or Contract is retained in compliance with the University's Records Management Policy.

"Signing Authority" means the individual(s) with direct or delegated authority to approve a Contract in accordance with these Procedures and sign the agreement on behalf of the University.

"Settlement Agreement" means minutes of settlement, or an agreement involving or arising from legal action, litigation, insurance claims, grievances, employment matters, or matters in front of judicial or quasi-judicial tribunals.

"Sponsor" means the provider of funds for University activities, including both external and internal sources.

"University Brand" means any Intellectual Property elements that the university uses as part of its brand identity, including the use of the University's name and trademark or other brand assets.

"University Member" means any individual who is:

- Employed by the University or holding an appointment with the University, including paid, unpaid and/or honorific appointments (**"Employee"**);
- Registered as a Student; and/or
- Otherwise subject to University policies by virtue of the requirements of a specific policy (e.g. Booking and Use of University Space) and/or the terms of an agreement or contract.

"Value" means the total value of a Contract (cash and in-kind consideration) over the life of the contract in Canadian dollars.

SCOPE AND AUTHORITY

3. This Procedure applies to all Expenditures, Financial Contracts and Non-monetary Contracts, and extends to all University Members.

4. The Vice President, Administration or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy, in consultation with the General Counsel, or successor thereof.

PROCEDURES

5. Source of funds for Expenditures

5.1. General Operating Funds and Capital Items

Publication of the operating budget, as approved by the Board of Governors of the University, confers authority upon Budget Holders to make Expenditures within the amounts and scope of the accounts allotted to them in the budget and in accordance with University policies and procedures.

Authorization is granted to the Budget Holder to expend or release funds. The Budget Holder must ensure that the Expenditures are necessary for university operations and are in compliance with university policies and procedures. Any excess of the budgeted allocations that is not pre-approved by the relevant Dean/ VP becomes the responsibility of the Faculty/Department.

5.2. Research Funds

Authorization is granted to the Principal Investigator (PI) to expend or release Research Funds, subject to further approval by their Dean (or in the case of Research Funds managed by administrative staff, the administrative staff member's supervisor with sufficient approval level as set out in Appendix A.2.).

The PI must ensure that the Expenditures are required for, and are in compliance with, university policies and procedures in addition to any other externally imposed terms and conditions. Any Expenditure that may be deemed ineligible or inappropriate becomes the responsibility of the PI.

While PIs have authority to release Research Funds as noted above, they do not have authority to sign a Contract that binds the University.

6. Expenditure Submission and Internal Control Process

6.1. Approval of Expenditures, including expenditures pursuant to Financial Contracts requires a two-step approval process. This dual approval process exists to ensure sound financial management by segregating duties and is intended to:

- Review compliance with university policies and procedures and, if applicable, Sponsor/donor terms and conditions;

- Ensure the appropriate supporting documentation is attached or available (on file, etc.);
- Confirm the authorization signature (signature verification);
- Ensure funds are available within the allocated budget amounts; and
- Verify correct account coding and ensure Expenditure commitment does not exceed project/grant end date (if applicable).

6.2. Appendix A sets out who can approve the Expenditure, based upon its Value. The Requester may be any Budget Representative assigned by the Budget Holder.

6.3. Purchase order invoices require one signature to acknowledge receipt of materials since the Expenditure has had dual approval through the procurement process.

7. Expenditure approval functions and responsibility

7.1. **STEP 1:** The Requester performs the following functions:

a) Assesses whether the Expenditure meets the objectives of the University;

b) Ensures that the Expenditure complies with all University policies, procedures and Sponsor/donor terms and conditions;

c) Ensures that sufficient funding exists, or will exist, to support the Expenditure; and

d) Confirms the authorization signature (signature verification).

7.2. **STEP 2:** The Signing Authority performs the following functions:

a) A review of the Requester's assessment as set out above; and

b) Ensures that the Expenditure is appropriate and necessary for University operations, and in the case of research that it is relevant.

7.3. Where a specific unit does not have an appropriate Requester, the review above may be provided by a Signing Authority and final approval by their one-over-one.

8. Approval of Financial Contracts

8.1. The approval of a Financial Contract requires a two-step approval process intended to:

- Review compliance with university policies and procedures and, if applicable, Sponsor/donor terms and conditions;
- Ensure the appropriate supporting documentation is attached or available (on file, etc.);
- Confirm the authorization signature (signature verification);
- Ensure funds are available within the allocated budget amounts; and
- Verify correct account coding and ensure Expenditure commitment does not exceed project/grant end date (if applicable).

8.2. <u>**STEP 1:**</u> The Requester performs the following functions:

a) Assesses whether the Expenditure meets the objectives of the University;

b) Ensures that Legal Review has been completed (if applicable);

c) Ensures that all non-monetary commitments have been reviewed and approved by applicable Functional Approval Authorities set out in Appendix B;

d) Ensures that the Expenditure complies with all University policies, procedures and Sponsor/donor terms and conditions;

e) Ensures that sufficient funding exists, or will exist, to support the Expenditure; and

f) Confirms the authorization signature (signature verification).

8.3. <u>**STEP 2:**</u> The Signing Authority performs the following functions:

a) A review of the Requester's assessment as set out above.

b) Ensures that the Expenditure is appropriate and necessary for University operations, and in the case of research that it is relevant.

c) Signing the Contract to bind the University.

8.4. Appendix A sets out who may act as the Signing Authority, based upon the value of the Contract. A Signing Authority will designate a Requester to conduct due diligence before a Contract is brought forward for approval.

8.5. Where a specific unit does not have an appropriate Requester, the review above may be provided by a Signing Authority and final approval by their one-over-one.

9. **Approval of Non-Monetary Contracts**

9.1. Where Contracts include only non-monetary commitments, such as academic agreements, the establishment of partnerships or similar arrangements, transfer or acquisition of intellectual property rights, employment agreements and non-disclosure agreements, they are subject to approval by, and will be signed on behalf of the University by the Functional Approval Authority listed in Appendix B, or their delegate.

9.2. When a contract contains elements that require approval based both upon monetary value as well as non-monetary commitments, all approval requirements enclosed in the attached Appendices A and B must be satisfied, including that the Contract must be executed by the Signing Authority indicated in Appendix A.

10. **Delegation of Signing Authority and Functional Approval Authority**

10.1. Budget Holders and Signing Authorities are permitted to temporarily delegate their signing authority to other individuals within their Faculty/Department. All Delegation of Authority must be in writing and retained in accordance with the Records Classification and Retention Schedule.

10.2. Functional Approval Authorities are permitted to temporarily delegate their signing authority to other individuals within their Faculty/Department. All Delegation of Authority must be in writing and retained in accordance with the Records Classification and Retention Schedule.

10.3. The delegate will provide the delegator with an executed copy of any and all documents signed under the written delegated authority. The delegator is responsible for agreements signed under their delegated authority.

10.4. Signing Authority for Research funds can only be delegated to individuals who have the ability to attest to the relevance of the Expenditure.

MONITORING AND REVIEW

11. The Procedures and associated rates and schedules will be reviewed as necessary and at least every three years, and may be adjusted as required by University policies and broader regulatory requirements. The Vice-President, Administration is responsible to monitor and review this policy.

RELATED LEGISLATION

12. University of Ontario Institution of Technology Act, 2002, S.O. 2002, Chapter 8, Schedule O, as amended from time to time.

RELATED POLICIES, PROCEDURES AND DOCUMENTS

13. Contract Management and Signing Authority Policy

Legal Review of Contracts Procedure

Policy on the Internal Use of Research Funds

Procurement Policy and Procedures

Expenses Policy and Procedures

Investment Policy

Gift Acceptance Policy

Policy on Senior Academic Administrative Appointments Policy

Associate Provost Appointment and Renewal Procedures

Provost and Vice-President, Academic Appointment and Renewal Procedures

Vice-President Responsible for Research Appointment and Renewal Procedures

Faculty Dean Appointment and Renewal Procedures

Dean of Graduate Studies Appointment and Renewal Procedures

APPENDIX A: FINANCIAL CONTRACTS SIGNING AUTHORITY REGISTRY

A.1 Board of Governors

The following Contracts require the signature of both the President and the Chair of the Board of Governors following approval by the Board of Governors:

- **a)** Any Expenditure or Financial Contract with a face value in excess of $4 million outgoing or $10 million incoming,
- **b)** Banking agreements (resolutions, capital borrowings, guarantees or credit facilities),
- **c)** Appointment of external auditors,
- **d)** Sale or acquisition of real property, including any major renovation or construction projects[i].

[i] Appointment of External Auditors, Banking agreements, and the Purchase or Sale of Real Property require, in addition to the above, require approval of the Vice-President, Administration.

A.2 Financial Contracts and Expenditures

Expenditures under $10,000

Expenditures that are not pursuant to a Contract with a Value equal to or less than $10,000 require only one approver, which can be any Budget Holder or Budget Representative.

Expenditures over $10,000 and Financial Contracts

The following table sets out the Signing Authority for various positions in the University. The table applies to Expenditures with a value greater than $10,000 and to Financial Contracts. Where the Value of a Contract is greater than Level 3, the Requester will be a Vice-President. For research Expenditures, see paragraph A.3. For Settlement Agreements, see A.4. For exceptions for contracts with incoming funds, see A.5.

Level	Position	Approval Level (Expenditure)	Approval Level (Incoming)
1	Manager, Associate Dean, Associate Registrar, or equivalent*	0-$100,000	0-$100,000
2	Director, Executive Director, AVP, Registrar, Dean, or equivalent*	0-$250,000	0-$250,000
3	Vice-President, Provost, General Counsel, or equivalent*	0-$2,000,000	0-$4,000,000

4	President	0-$4,000,000	0-$10,000,000

*equivalency of positions will be determined based on the level of authority of a position within the university. A determination will be made by the Policy Owner, or delegate, in consultation with Human Resources.

A.3 Research – Expenditure of Research Funds

All Expenditures and Contracts funded by Research Funds (i.e. research funds from external or internal sources) require approval by the fund-holder or Principal Investigator, and their Dean. For the purposes of this Procedure, the Principle Investigator serves as the Requester and the Dean as the Signing Authority. All Expenditures or Contracts will be within the budget of the particular research fund. Where the expenditure exceeds the Dean's authority, the Signing Authority is determined according to the table below.

Position	**Approval Level**
Dean	0-$250,000
Vice-President, Research and Innovation	$250,000-$2,000,000
President	$2,000,000-$4,000,000

A.4 Settlement Agreements

All Settlement Agreements will be reviewed by the General Counsel, or their delegate before approval. Where the review of the Settlement Agreement indicates that the agreement presents a substantial risk to the University that cannot be mitigated through revision or negotiation, additional approval will be required from the President or Board of Governors. Otherwise the following approval authorities apply:

Position	**Approval Level**
General Counsel	Up to $2M
President	$2M to $4M
Board of Governors, in accordance with section A.2	$4M or greater

A.5 Contracts that include incoming funds

The following tables set out specific types of Contracts that include incoming funds where specific approval authorities exist that are exceptions to the table in A.2 above.

1. **Government Transfer Payment Agreements**

Position	Approval Level
President	Any Value
Determined by Signing Authority set out in A.2	Between $0 and $4M

2. **Gift Agreements**

The Vice-President, Advancement will be the Requester if the value exceeds $4M.

Position	Approval Level
Vice-President, Advancement (or designate)	Up to $4M
President (Second Approver)	Between $4M and $10M
Board of Governors (Second Approver)	Greater than $10M

3. **Research: Applications and proposals for incoming research funding**

Position	Approval Level
Vice-President, Research and Innovation	Any Value
Executive Director, Office of Research Services.	Up to $1M

Any research agreements that result from applications and proposals for incoming research funding will be subject to approval by the Vice-President, Research and Innovation or by their delegate with sufficient authority for the Value as set out in A.2 above. Agreements with a Value exceeding the Vice-President, Research's approval level under section A.2 will be approved in accordance with section A.2.

APPENDIX B: NON-MONETARY SIGNING AUTHORITY REGISTRY

B.1 Functional Approval Authority for Non-Monetary Contracts

This section addresses non-monetary commitments that may form part of Contracts. These commitments may form part of Financial Contracts, or the Value of the Contract may be nominal, or non-existent. Functional Approval Authorities have delegated responsibility for approving contracts that fall within their area of assigned responsibility, subject to the Value thresholds set out in Appendix A. Functional Approval Authorities may establish administrative processes to follow when seeking approval for Contracts in their area of responsibility. These processes may include a written delegation of authority for functional approval.

1. **Academic Agreements**

Type of Contract	Functional Approval Authority
a) Articulation agreements, educational partnerships and international agreements	• Provost and Vice-President, Academic
b) Inter-institutional collaboration agreements, including work-integrated learning (co-op, internships, practicum, service learning)	• Provost and Vice-President, Academic
c) Inter-institutional research collaboration agreements	• Vice-President, Research and Innovation
d) Non-degree programs or courses	• Approved in accordance with the applicable policy
e) Mobility Exchanges	• Provost and Vice-President, Academic
f) Course Capstones	• Dean

2. **Employment Agreements**

Type of Contract	Functional Approval Authority
a) Collective agreement mandates	• Governance, Nominations and Human Resources Committee of the Board in accordance with the committee's Terms of Reference.
b) Collective agreements	• University's bargaining team, as delegated by GNHR in accordance with the committee's Terms of Reference.

c) President (hiring and related contracts)	• Chair of the Board of Governors
d) Senior Executive (hiring and related contracts) (e.g. Vice-President, Dean)[1]	• President
e) Positions in the approved budget	• At a minimum the position's manager

3. Intellectual Property

Type of Contract	**Functional Approval Authority**
a) Licensing commercially available intellectual property	• Governed by the table in A.2
b) Standalone teaching and learning intellectual property agreements	• Provost and Vice-President, Academic
c) Research funding or partnership agreements that grant non-standard IP rights	• Vice-President, Research and Innovation
d) Granting a license to university Branding elements	• President
e) Licensing of IP that is not commercially available or granting a license to University-owned IP	• Responsible Vice-President

4. Legal and Privacy

Type of Contract	**Functional Approval Authority**
a) Regulatory Licenses (for example, the sale of liquor)	• Applicable Executive Compliance Lead under the Compliance Policy
b) Release of confidential records, documents or information	• Chief Privacy Officer, or delegate, in accordance with the University's Access to Information and Privacy Policy.

[1] Appointment of Senior Academic Positions will be done in accordance with the Policy on Senior Academic Administrative Appointments and applicable procedure.

c) Non-disclosure agreements (research context)	• Vice-President, Research and Innovation, or delegate
d) Non-disclosure agreements (other than research)	• General Counsel, or delegate

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. MacIsaac confirmed that the cap does not impact this year's budget.

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

B. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac discussed potential timelines and phasing. He went on 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☐
		Information	☒

TO: **Audit & Finance Committee**

DATE: **April 11, 2024**

PRESENTED BY: **Brad MacIsaac, VP Administration**

SUBJECT: **Ontario Tech Credit Rating**

COMMITTEE/BOARD MANDATE:
The committee is responsible for overseeing the financial affairs of the university with respect to all financial reporting/ internal control functions, budget approvals, risk management and other internal/ external audit functions at the university.

We are providing this report to the committee to assist with the fulfilment of the committee's financial oversight mandate, and as required by the covenants in the university's debenture.

BACKGROUND/CONTEXT & RATIONALE:

Ontario Tech has issued debt (debentures) initially valued at $220M. Covenants in the First Supplemental Indenture Agreement require annual credit ratings from two credit rating agencies. The University uses Dominion Bond Rating Services (DBRS) and Moody's Investor Service.

This report provides an update on Ontario Tech credit ratings, which were issued in January 30, 2024 (Moody's) and December 14, 2023 (DBRS).

DBRS has upgraded the university to A from A (low) while Moody's has remained stable at A1. Both are considered "low credit risk".

Although Ontario Tech ratings have trended positively over the past five years, our credit rating remains at the low end of the range in our sector. This is due to high debt to student levels which are a consequence of the Provincial choice to have Ontario Tech fund its own initial infrastructure costs.

In reaffirming their ratings, both agencies acknowledged Ontario Tech's positive operating results while highlighting the pressures caused by flat government grants and frozen tuition framework. Neither noted concerns with the declining reserves as we were clear on our plans for internally financed large capital projects instead of taking on new debt. Moody's noted the university has been successful in the past with similar financing strategies, with the goal of replenishing reserves following internal draws.

IMPLICATIONS:
Credit ratings assess a debtor's ability to pay back debt by making timely interest payments and the likelihood of default. It affects the interest rate that a security pays out, with higher ratings leading to lower interest rates. A credit rating also facilitates the trading of securities on a secondary market. For Ontario Tech, an improved credit rating would result in lower borrowing costs on future debts.

NEXT STEPS:
Continue working with DBRS and Moody's to provide information, highlight Ontario Tech's operational improvements, and to ensure our credit rating accurately reflects the university's fiscal position.

SUPPORTING REFERENCE MATERIALS:

Moody's Credit Opinion

DBRS Rating Report

MOODY'S INVESTORS SERVICE

CREDIT OPINION
30 January 2024

Update

Send Your Feedback

RATINGS

University of Ontario Institute of Technology

Domicile	Ontario, Canada
Long Term Rating	A1
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Adam Hardi, CFA +1.416.214.3636
Vice President-Senior Analyst
adam.hardi@moodys.com

Seun Ayo-Elijah, CFA +1.416.214.3062
Lead Ratings Associate
seun.ayo-elijah@moodys.com

Michael Yake +1.416.214.3865
Associate Managing Director
michael.yake@moodys.com

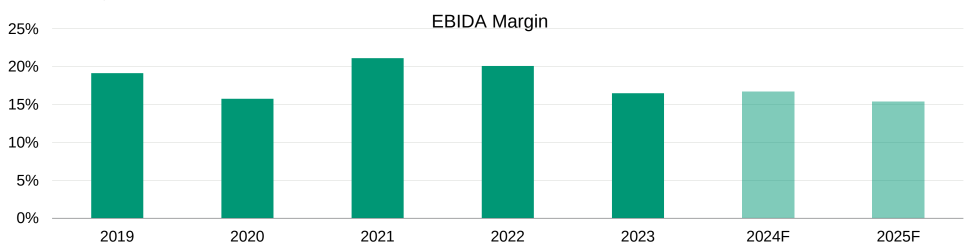
University of Ontario Institute of Technology (Canada)

Update to credit analysis

Summary

The credit profile of the University of Ontario Institute of Technology (Ontario Tech, A1 stable) reflects strong operating results including high EBIDA margins and gradually rising enrolment levels. Provincial debt subsidies support debt affordability which is coupled with solid levels of liquidity from cash and investments. Credit pressures arise from operating constraints given inflationary pressures on salaries and other expenses and the extension of the freeze on domestic tuition fees by the Province of Ontario (Aa3 positive), which follows several years of freezes and a fee reduction. The university's strategic position is also impacted by a less recognized brand than larger peers and low revenue diversification.

Exhibit 1
EBIDA margins will remain strong but below historical levels reflecting ongoing fiscal pressures
Year ending March 31



Sources: Ontario Tech and Moody's Investors Service

Credit strengths

» Strong debt affordability benefits from provincial debt service subsidies

» Solid levels of liquidity from growing levels of cash and investments

» Improving enrolment numbers including growing share of international students support revenue growth

Credit challenges

» Fiscal pressures from elevated inflation and provincial funding constraints

» Less recognized brand than peers and constraints in upgrading physical infrastructure

» Low revenue diversification and limited fundraising capacity

Rating outlook

The stable outlook reflects our view that the university will maintain solid wealth levels and strong cash flow along with good brand and strategic positioning that will attract healthy student demand. An increasing share of international students will enable the university to offset revenue pressures including constrained provincial funding and limits on domestic fee increases.

Factors that could lead to an upgrade

The rating could be upgraded if cash and investment levels rose materially, leading to improving coverage and leverage metrics, or if easing provincial restrictions resulted in higher revenue generation capacity.

Factors that could lead to a downgrade

A significant weakening in operating results as a result of lower enrolment levels or weaker expenditure controls, leading to operating shortfalls, would put downward pressure on the rating. Declining liquidity levels leading to lower leverage and expense coverage metrics would also result in downward pressure on the rating.

Key indicators

Exhibit 2

Ontario Tech University

Year ending March 31

Key Indicators	2020	2021	2022	2023	2024F	2025F
Operating revenue (CAD million)[1]	190.9	189.5	203.6	210.8	219.8	223.5
EBIDA margin (%)	15.7	21.1	20.1	16.5	16.7	15.4
Total cash and investments (CAD million)	75.5	84.9	119.2	111.6	115.4	113.5
Total cash & investments to Total adjusted debt (x)	0.4	0.4	0.6	0.6	0.6	0.6
Total cash & investments to operating expenses (x)	0.4	0.5	0.6	0.5	0.5	0.5
Annual debt service coverage (x)	1.5	2.0	1.9	1.6	1.7	1.5

Revenue is net of scholarship expenses

Sources: Ontario Tech and Moody's Investors Service

Detailed credit considerations

The credit profile of Ontario Tech, as expressed in its A1 stable rating, combines (1) a BCA of a3, and (2) a high likelihood of extraordinary support coming from the Province of Ontario (Aa3 positive) in the event that the university faced acute liquidity stress.

Baseline credit assessment

Strong debt affordability supported by provincial debt service subsidies

Ontario Tech maintains strong debt affordability with key debt metrics comparing favourably among Moody's rated peers. Annual debt service coverage has averaged 1.8x over the last five years, and we project similar levels in fiscal years 2023-24 and 2024-25 given no new debt issuances during the period.

Debt affordability is further supported by CAD13.5 million annual debt service subsidies from the Province of Ontario for the university's 2004 debenture. The province's debt service subsidies significantly eases the financial impact of the debt burden on the university. The Durham College of Applied Arts and Technology provides a guarantee to Ontario Tech's 2034 debenture, providing additional credit support to debenture holders.

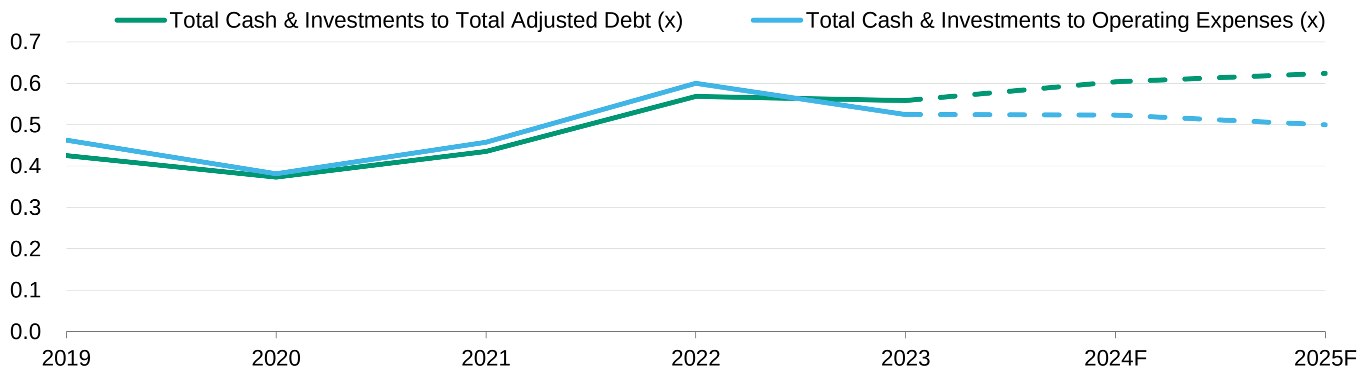
The university's total adjusted debt includes CAD137.1 million book value (at March 31, 2023) senior unsecured debenture maturing in 2034, CAD27.3 million present value of its long-term capital lease obligations for buildings in downtown Oshawa, CAD21.7 interest rate swap liability, CAD6.8 million in Moody's-adjusted operating leases and CAD6.9 million in other long term debt relating to leasehold improvements, equipment financing and a secured loan for a property in downtown Oshawa. These balances will continue to amortize annually.

Solid levels of liquidity from growing levels of cash and investments

Ontario Tech maintains solid and improving levels of wealth and liquidity from cash and investments, supported by positive operating margins and prudent fiscal management. Adjusted total cash and investments, including endowments, stood at CAD111.6 million at March 31, 2023, and provided 0.6x coverage of total adjusted debt and 0.5x coverage of operating expenses, levels that are in line with the university's small/mid-sized peers. For 2023-24 and 2024-25 we expect that cash and investments will not change materially from recent levels as the university does not anticipate using reserves to support its operations, although rising expenses will result in a modest decline in the coverage of operating expenses.

Exhibit 3

Liquidity provides sufficient coverage of debt and expenditures
Year ending March 31



Sources: Ontario Tech and Moody's Investors Service

The liquidity portfolio including reserves will continue to support the university's efforts in making moderate, internally financed investments in campus infrastructure, and provides a buffer against fiscal challenges from provincial tuition constraints.

The internally financed investments include capital projects financed through reserves instead of taking on new debt, and the university has been successful in the past with similar financing strategies, with the goal of replenishing reserves following internal draws. In our view the liquidity profile will continue to support the university's efforts in making similar investments in campus infrastructure. The university also maintains a CAD17 million operating line of credit which remains undrawn.

Improving enrolment numbers including growing share of international students support revenue growth

Ontario Tech continues to benefit from an upward trajectory in student enrollment, in contrast to some of its peers, as it effectively executes its strategic plans to attract both domestic and international students. This trend holds even in the face of escalating competition among Ontario-based universities. Domestic enrolment growth coupled with rising international student demand – supported by favourable federal policies - have contributed to solid enrolment numbers. FTE student enrolment was 9,556 in 2022-23, a 6.5% cumulative growth over the last four years, with continued strong enrolment demand in 2023-24 as evidenced by a 20% increase in applications for the year.

While the university has a less recognized name than its larger, more established peers, it has carved out a niche market position as a career-oriented institution focused on engineering and applied sciences in the Greater Toronto Area, and benefits from its recent rebranding efforts. The university´s focus is heavily weighted on undergraduate students, with graduate students representing only 8.7% of FTE students in 2022-23, although the share of graduate students which typically represent higher revenue students continues to slowly increase.

While in the past the university has been less aggressive in recruiting international students than other Canadian universities, its long-term strategic plan includes growing the international student population to be closer to the Canadian sector average of 20% over the next few years. Since international student fee increases are not subject to provincial constraints, enrolment growth would be favourable for revenue generation and will support Ontario Tech's strong EBIDA margins, which we expect will fluctuate between 15% and 17% over the next two years, reflecting strong operations although modestly weaker than historical levels. . While we continue to view the university's enrolment growth plan as ambitious, the relative share of international students already increased to 12.2%

in 2022-23 from 7.2% in 2019-20. The lower current share of international students allows the university to capitalize on faster international enrolment growth than peer universities.

Ontario Tech also has strong partnerships with a number of academic institutions in Ontario which benefits student demand, particularly with Durham College with provides diploma-to-degree opportunities between the two institutions. Ontario Tech also has joint programs with several institutions including Trent University, which has a campus in Oshawa, as well as with Seneca College, which has campuses located in the Greater Toronto Area.

The university is also an increasingly attractive space for research, with increased commitments from the federal and provincial governments including higher levels of Tri-Council funding and provincial funding for intellectual property and electric and autonomous vehicle research continues to support the growth in research grants. Ontario Tech's Project Arrow, an all-Canadian concept electric vehicle, has also gained both national and international recognition. In addition, partnerships with several large corporations in the region for in-kind research collaborations including for the university's climatic wind tunnel, while they do not contribute to revenues, enhance the university's research profile and reputation.

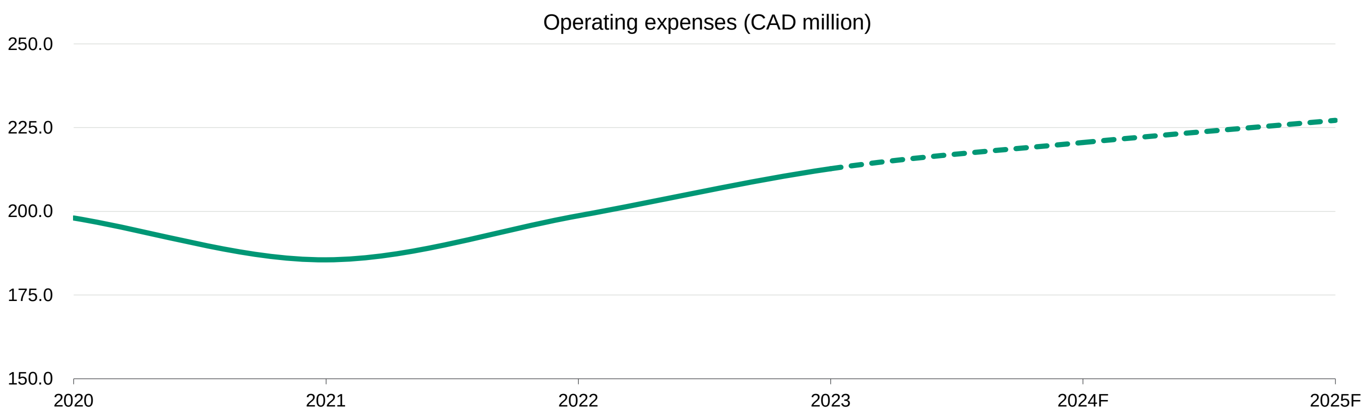
Fiscal pressures from elevated inflation and provincial funding constraints

The university faces cost escalation pressures from rising salaries and benefits which currently make up nearly 60% of total expenses, and therefore represent a key driver of expense increases. In the current still elevated inflationary environment, Ontario Tech – similar to peers - could see upward pressure on expenses as expiring collective agreements are renewed and unionized workers expect higher salary increases.

Exhibit 4

Operating expenses will continue to rise reflecting inflationary and other cost pressures

Year ending March 31



Sources: Ontario Tech and Moody's Investors Service

Provincially mandated freezes in domestic tuition rates also contribute to operating pressures. The provincial government continues to mandate a freeze in domestic tuition rates for 2023-24 which already follows three years of similar freezes on top of a mandated 10% fee reduction in 2019-20. The mandated restrictions weaken Ontario Tech's ability to generate revenue from tuition or to offset other revenue or expense pressures. Additionally, although currently deferred due to the pandemic to 2024-25, the province expects to transition its operating grants to reflect a greater emphasis on performance metrics, which could create volatility in government grants in the future.

Although Ontario Tech does not currently expect operating losses in 2023-24 and 2024-25, the accumulation of pressures could result in deficits starting in 2025-26. The university is looking to address pressures through a combination of enrolment growth and deferral of non-critical expenses. A reversal in the province's decision on domestic tuition fee freezes would also result in revenue increases.

Less recognized brand than peers and constraints in upgrading physical infrastructure

The university's rebranding exercise to Ontario Tech University (from the University of Ontario Institute of Technology) has helped avoid some of the negative pressures on enrolment experienced in recent years by several peers. However, despite the noted improvements in its name recognition following the rebranding exercise, the university will remain limited by its small size and weaker overall brand than its larger, more recognized peers.

The ability to increase revenues is also partly constrained by limited available space and resources to expand its physical infrastructure, limiting necessary reinvestment in infrastructure and a key constraint in the university's financial policy and strategy. At the same time, the pandemic has accelerated Ontario Tech's ongoing efforts to retrofit existing buildings to meet the demands of combining in-person teaching with digital and online technology, which will put further strain on capital needs. However, the university has implemented a flexible work arrangement for some of its staff which will alleviate part of the demand for office space.

Low revenue diversification and limited fundraising capacity

Ontario Tech receives approximately 80% of its revenues from two primary sources: provincial operating grants, and tuition fees. As a result, the university's revenues have low diversification from other sources, including from donations and investment income. As a result, the university's ability to meaningfully increase revenues from other sources over the next 3-4 years will be limited.

Relative to its more established peers, Ontario Tech has limited ability to raise significant fundraising revenue, as it does not yet have a large alumni and donor pool to draw donations from. The lack of significant fundraising capacity limits the growth in endowment balances, and reflects the university's weaker brand name and strategic position relative to peers and a greater reliance on other revenue sources to fund initiatives. While the endowment portfolio grew in 2022-23 to CAD25.9 million, it remains small relative to most peers.

The university's expects to launch a new campaign tagged 'Tech with a Conscience' in Spring 2024. This upcoming campaign will be its most ambitious to date with a fundraising target of CAD260 million. As a result, we expect to see some growth in donation revenues over the next several years. This campaign will also support the university's drive to reduce its reliance on tuition, grants and ancillary revenues which currently account for over 80% of revenues.

Extraordinary support considerations

Moody's assigns a 'high' likelihood of extraordinary support provided by the Province of Ontario in the event that the university faced acute liquidity stress. Durham College of Applied Arts and Technology provides a guarantee to Ontario Tech's 2004 senior unsecured debenture. As colleges in Ontario face stronger regulation than universities, and are therefore closer to the province, the guarantee provides for a stronger level of extraordinary support for Ontario Tech, if the university were to face acute liquidity pressure, than other universities in the province.

ESG considerations

University of Ontario Institute of Technology's ESG credit impact score is CIS-3

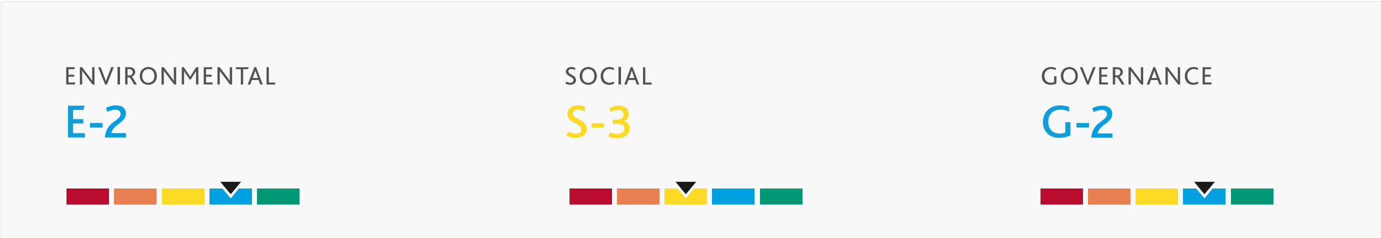
Exhibit 5
ESG credit impact score

ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

Source: Moody's Investors Service

Ontario Tech's **CIS-3** Credit Impact Score primarily reflects moderately negative ESG risks stemming from social factors including a decline in the university age domestic population in Ontario and the university's exposure to government tuition setting policies which limits increases in domestic student fees.

Exhibit 6
ESG issuer profile scores



Source: Moody's Investors Service

Environmental

The **E-2** issuer profile score (IPS) reflects the university's limited exposure to environmental risks. The university is not subject to material environmental risks. While it owns land and buildings which may be subject to environmental risks (e.g., asbestos in older buildings or clean-up following construction), these risks are modest and the university proactively manages them through its operations and facilities maintenance.

Social

The **S-3** IPS reflects pressures Ontario Tech faces from a decline in the university age domestic population in Ontario which places some downward pressure on demand. In addition, physical infrastructure constraints and budget constraints limit the number of provincially funded students. Provincial funding policies designed to address affordability, both on tuition setting and support to students, also present moderate risks.

Governance

The **G-2** IPS reflects an organizational structure is typical of Canadian universities, allowing for ease of funding from the provincial government as well as funding allocations between the university's departments. Each faculty is responsible for developing its own budget and adhering to self-imposed revenue and expense targets. Governance is strong with prudent oversight from the Academic Council and Board of Governors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned BCA of a3 is in line with the scorecard indicated outcome. For details of our rating approach, please refer to the Higher Education (August 2021) and Government-Related Issuers (February 2024) methodologies.

Exhibit 7

Ontario Tech University
(at March 31, 2023)

Scorecard Factors and Sub-factors		Value	Score
Factor 1:	**Scale (15%)**		
	Adjusted Operating Revenue (USD Million)	159	A
Factor 2:	**Market Profile (20%)**		
	Brand and Strategic Positioning	Baa	Baa
	Operating Environment	A	A
Factor 3:	**Operating Performance (10%)**		
	EBIDA Margin	16%	Aa
Factor 4:	**Financial Resources and Liquidity (25%)**		
	Total Cash and Investments (USD Million)	82	A
	Total Cash and Investments to Operating Expenses	0.5	A
Factor 5:	**Leverage and coverage (20%)**		
	Total Cash and Investments to Total Adjusted Debt	0.6	A
	Annual Debt Service Coverage	1.6	A
Factor 6:	**Financial Policy and Strategy (10%)**		
	Financial Policy and Strategy	Baa	Baa
	Scorecard-Indicated Outcome		a3
	Assigned BCA		a3

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.
For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.
Source: Moody's Investors Service

Ratings

Exhibit 8

Category	Moody's Rating
UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY	
Outlook	Stable
Baseline Credit Assessment	a3
Bkd Senior Unsecured -Dom Curr	A1

Source: Moody's Investors Service

REPORT NUMBER 1392563

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE

Rating Report
University of Ontario Institute of Technology

DBRS Morningstar
December 14, 2023

Contents

Cheryl Saldanha, CFA
Assistant Vice President, Public Finance
Global Sovereign Ratings
+1 416 597-7455
cheryl.saldanha@dbrsmorningstar.com

Aditi Joshi
Vice President, Public Finance
Global Sovereign Ratings
+1 416 597-7343
aditi.joshi@dbrsmorningstar.com

Thomas R. Torgerson
Managing Director
Global Fundamental Ratings
+1 212 806-3218
thomas.torgerson@dbrsmorningstar.com

Credit Ratings

Debt	Credit Rating	Credit Rating Action	Trend
Issuer Rating	A	Upgraded/Trend Change	Stable
Series A Senior Unsecured Debentures	A	Upgraded/Trend Change	Stable

Credit Rating Update

On November 30, 2023, DBRS Limited (DBRS Morningstar) upgraded the University of Ontario Institute of Technology's (the University or Ontario Tech) Issuer Rating and Series A Senior Unsecured Debentures (the Debentures) credit rating to "A" from A (low). Concurrently, DBRS Morningstar changed the trends to Stable.

The University was placed on a Positive trend on June 16, 2023, following the Province of Ontario's (Ontario or the Province; rated AA (low) with a Positive trend by DBRS Morningstar) trend change, and DBRS Morningstar's expectation of continued enrolment growth and declining debt for Ontario Tech. At that time, DBRS Morningstar indicated that Ontario's trend change was modestly credit positive for universities; however, any credit rating actions are likely to be linked to changes in multiple critical credit rating and financial risk assessment factors rather than just the funding government's credit rating alone. The upgrade reflects improvements in the University's financial risk assessment stemming from positive operating results and an improved debt and enrolment outlook.

The credit ratings are also supported by a gradually improving academic profile; ongoing student demand for its science, technology, engineering, and mathematics (STEM) program offerings. DBRS Morningstar notes that the current operating environment, given constrained funding and tuition frameworks, remains a challenge for all public universities in Ontario.

Ontario Tech reported a surplus of $2.6 million in 2022–23 (compared with a surplus of $12.4 million in 2021–22) as revenue benefitted from enrolment growth, higher on-campus activity, and a high interest rate environment, which supported investment income. Total expenses increased 8.7% from the previous year and include a noncash loss on the termination of a capital lease.

The University is forecasting a surplus in 2023–24 versus the original balanced budget. Total enrolment is favourable against target, with strong domestic enrolment that was higher than budgeted. International student demand remains strong; although, visa issues prevented many international students from arriving in Canada, resulting in negative variance from budget (six months ended

September 30, 2023). The ongoing freeze on domestic tuition fee increases and intense competition for domestic students could pressure the outlook for domestic enrolment in the coming years.

DBRS Morningstar's debt forecast has improved since the time of the previous review, with the debt-per-full-time-equivalent (FTE) ratio expected to fall to less than $19,000 per FTE following an improved enrolment outlook. DBRS Morningstar estimates debt will remain elevated through the near to medium term, before gradually declining thereafter as existing debt amortizes. Although DBRS Morningstar views Ontario Tech's debt burden as elevated among Ontario universities, it acknowledges the unique circumstances surrounding the debt, reflecting a policy decision made by the Province at the time of establishing the University. While the legal obligation rests with the University and provincial grants flow through Ontario Tech, only about one-fifth of the debenture debt is serviced through general operations of the University.

DBRS Morningstar could lower the credit ratings if there is a significant and sustained deterioration in operating outlook and, thereby, the University's financial risk assessment.

Following the latest credit ratings upgrade, a subsequent positive credit rating action is unlikely in the near term, especially given the challenging outlook for the sector. However, a positive credit rating action could result from sustained improvement in financial risk assessment metrics and an improvement in DBRS Morningstar's assessment of one or more critical credit rating factors.

Financial Information

	For the year ended March 31				
	2023	**2022**	**2021**	**2020**	**2019**
Operating result (adjusted, CAD millions)	2.6[1]	12.4	15.1	(2.6)	6.9
Debt per FTE (CAD)	20,197	21,342	19,898	21,796	22,682
Expendable resources to debt (%)	23.0	25.1	11.4	11.3	17.3
Interest coverage ratio (times)	2.5	3.0	2.7	2.0	2.5
Surplus-to-revenue (five-year rolling average) (%)	3.1	4.4	4.5	3.4	4.5

1 Includes a one-time charge related to the termination of a capital lease.

Issuer Description

Ontario Tech is in Oshawa, Ontario, and provides career-oriented university programs and transitional programs to enable college graduates to complete university degrees. The University was established in 2002 and has an enrolment of more than 9,500 FTEs. Ontario Tech has developed a strong reputation for its STEM programming and industry partnerships.

Credit Rating Considerations

Strengths

1. Established reputation

Ontario Tech has grown rapidly since its establishment in the early 2000s and has developed a strong reputation in several high-demand, engineering- and technology-related fields. The University ranks reasonably well in Canada for a small university and is well established in the Durham Region (Oshawa). Ontario Tech's name recognition remains limited outside the Greater Toronto Area (GTA) but is improving with a growing alumni base and improved branding/visibility.

2. Provincial support

Universities are stable institutions and a critical component of the public sector. Access to high-quality postsecondary education remains a priority for the Province. As such, universities in Ontario and across Canada benefit from stable and consistent revenue sources. Government grants and tuition fees typically account for around 83% of revenue for Ontario Tech.

3. Effective financial management practices

Financial management practices have improved significantly over the past several years. The University has developed effective budget and planning processes, has improved internal and external reporting, and continues to make its operations more effective and cost efficient.

4. Defined contribution pension plan

Ontario Tech has a defined contribution pension plan, which alleviates the risk of meeting future benefit payments for retired employees. Defined benefit plans represent the prevailing standard for Canadian universities.

Challenges

1. Constrained policy environment and limited control of revenue

Canadian universities have limited control over their main revenue sources—tuition fees and government grants. The Province imposed a 10% reduction on tuition fees for domestic students in regulated programs for 2019–20 and has effectively frozen domestic tuition since that year. Core operating grants have remained flat since 2017–18. This limits the University's ability to increase revenue to meet rising costs.

2. Cost pressures

Underlying cost pressures are somewhat detached from the University's revenue drivers. Canadian universities' expense bases are largely fixed and growing in the form of tenured faculty, unionized support staff, externally mandated student aid requirements, and large infrastructure footprints. In recent years, inherent cost pressures have outpaced provincially controlled revenue growth for many DBRS Morningstar-rated universities. Ontario Tech has less operational flexibility to adjust to the constrained operating environment than larger, more established universities.

3. Limited balance sheet flexibility

As a relatively small institution that has operated primarily in a constrained funding environment, Ontario Tech's balance sheet has limited financial flexibility compared with most other DBRS Morningstar-rated universities.

4. Sizable debt burden

Ontario Tech has a relatively high debt burden among DBRS Morningstar-rated Ontario universities at $20,197 per FTE; however, the debt burden and its funding are unique among Ontario universities because the amortizing Debentures, issued when the University was established, are largely serviced by restricted debt-servicing grants from the Province. Effectively, only one-fifth of Ontario Tech's debenture debt is serviced with general operations (e.g., unrestricted operating grants and tuition fees). More recently, the University added an unsecured bank loan (with fair value as at F2023 of $21.7 million).

Operating Performance

2022–23 Results

Ontario Tech reported a surplus, for a third consecutive year, of $2.6 million in 2022–23, compared with a surplus of $12.4 million in 2021–22. Excluding a $2.1 million noncash loss related to the termination of a capital lease, the University would have reported a surplus of $4.7 million.

Total adjusted revenue increased 3.9% in 2022–23 mainly driven by enrolment growth of 0.2% and ancillary revenue, which benefitted from a continued increase in on-campus activity, unrestricted donations, and higher interest rates, boosting interest income. Tuition revenue increased by 4.1% and is primarily supported by higher international enrolment growth and a year-over-year (YOY) increase in average international tuition fees. International students represented approximately 11.0% of total headcount as at YE2023. International enrolment also benefitted from the execution of targeted international recruitment efforts. Domestic enrolment decreased 0.3% over the prior year but remains within the eligible corridor. The core operating grant was unchanged in line with the current funding formula.

Total expenses increased 8.7% from the prior year owing to higher supplies and expenses, salaries and benefits, student aid, financial assistance and awards, unrealized losses on investments, and a loss on the termination of the lease of 55 Bond Street following the University's acquisition of the Regent Corporation (the lessor); the University was subsequently gifted the property by the Regent Corporation.

While still weaker than many Ontario universities, Ontario Tech's net asset position continues to improve through its efforts to strengthen the balance sheet. As at March 31, 2023, net assets were $119.1 million, a 3.0% improvement from the previous year.

2023–24 Budget and Interim Forecast

The University uses an incremental budget model and prepares its budget on a modified cash basis. The budget's scope differs somewhat from that of the audited financial statements, but variances between bottom-line results are clearly identified.

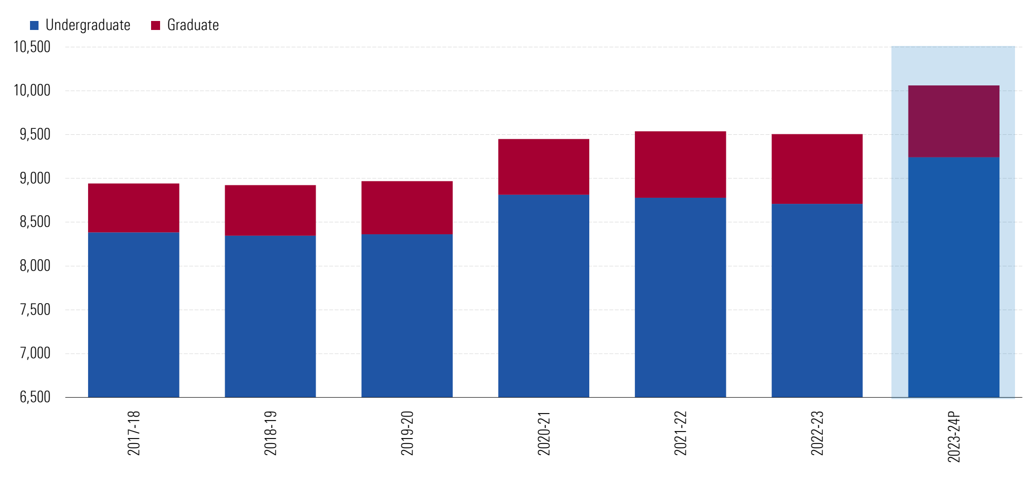
Based on the most recent financial update (six months ended September 30, 2023), Ontario Tech is forecasting a surplus in 2023–24 versus the original balanced budget. The University anticipates budgeted revenue to increase by 2% to $230.8 million relative to the previous budget. At the same time, expenses are forecast to be 1% below budget at $210.3 million.

Total enrolment increased against target. Domestic enrolment grew; however, international targets were missed as a result of ongoing visa issues, which have prevented many international students from arriving in Canada. Based on September 2023 data from Ontario Universities' Application Centre, in-province demand for Ontario Tech's undergraduate programs was strong, with 19.5% YOY growth in high school applications and 12.4% growth in confirmations. All other undergraduate applications were up by 15.0% YOY to about 3,597 and confirmations improved by 19.5%. Notwithstanding, the University expects international enrolment will rebound as travel issues are resolved and expects that more international students will begin in the winter term as visas are processed. The University increased tuition fees for international undergraduate students in line with prior years.

The provincial core operating grant is in line with the Province’s funding formula under the Strategic Mandate Agreement (SMA) with Ontario Tech. The University has previously received modest additional one-time grants to support virtual learning, student awards, Coronavirus Disease (COVID) supports (deferred from the prior year), and facilities renewal.

Some of the University's ancillary operations (such as bookstores and food services) are outsourced to external vendors. As ancillary revenue is set to gradually increase as on-campus activity resumes, any adverse impact on consolidated results in the interim should be limited.

Exhibit 1 Enrolment (FTEs)



P=Projected.
Source: DBRS Morningstar.

Operating Outlook

The University's strategy, as outlined in the 2023–28 Integrated Academic-Research Plan, identifies four areas of focus: creating a sticky campus, learning reimagined, tech with a conscience, and partnerships. To this end, Ontario Tech will provide increased supports to all stakeholders (students, staff, industry partners, etc.) to create a cohesive education framework that is focused on research and innovation, adaptability to an evolving operating environment, equity and inclusion in learning, teaching and research, and an ongoing emphasis on technological/digital integration. Some specific initiatives include faculty additions, international student recruitment initiatives, financial aid/scholarships to students, and IT upgrades and facilities revitalization.

Ontario Tech will continue to aim for balanced budgets over the near to medium term. The ongoing freeze on domestic tuition fee increases and intense competition for domestic students could pressure domestic enrolment in the coming years. On the other hand, tuition revenue from international students continues to grow as a share of total revenue (estimated at roughly 17% of total revenue in 2023–24). Furthermore, the University continues to explore innovative avenues for student outreach and nontraditional learning for international students, such as fully online microcredential programs for mature students looking to upskill while continuing to work in their native countries.

Over a longer term, the University expects the proportion of international students (as a share of total enrolment) will increase to around 15%. This target level is comparable with many other DBRS Morningstar-rated universities but well below the highs seen at some universities and colleges. At the same time, Ontario Tech anticipates the outlook for domestic enrolment should also begin to improve, with favourable demographic projections for the GTA and as the University's strategic enrolment initiatives progress.

Ontario Tech’s academic profile has improved over the past decade but has limited visibility outside the GTA. The University rebranded itself Ontario Tech University in 2019 and started to make changes to the campus to improve its attractiveness as a destination for students. The University continues to explore addition of new facilities, more student- and community-oriented spaces, and improved food services. The University's reputation as a research university continues to improve, with Ontario Tech ranking among top universities despite a relatively limited track record compared with more established university peers.

Auditor General of Ontario - 2022 Value-for-Money Audit

In 2022, the Auditor General of Ontario (AGO) completed a value-for-money audit of four Ontario universities. Below is a condensed summary of the AGO's findings for Ontario Tech:

- The University's profitability benefits from a diverse and growing international student base and it has proactively reviewed and restructured its programming in response to consistent deficits in a specific faculty.
- Ontario Tech recently established debt guidelines; however, it does not prepare a separate capital budget or a formal capital debt policy. Further, it does not present projected cash flows to the board as

part of the budget package—although Ontario Tech has indicated it monitors cash flows on a monthly basis.

- The University manages endowment and externally restricted funds using separate bank accounts and has sufficient liquid funds to cover related needs.
- The report noted that capital projects may not always have a comprehensive business case including a rigorous financial feasibility analysis presented to the board when decisions about whether or not to proceed with a financial investment (and funding sources) are being made.
- Board governance is not aligned with best practices on size, composition, and term limits. The AGO noted that the board lacks critical competencies and presidential succession planning. The AGO observed that a key internal oversight function that would provide independent assurance that internal controls are operating effectively was absent.

The University has made progress toward several of the AGO's recommendations including (1) the development of a separate capital budget, (2) presentations of projected cash flows to the board, and (3) an overhaul of the board of directors' skill matrix. The University is still working toward several other recommendations, and DBRS Morningstar will continue to monitor its progress.

Capital

Capital investment was $12.7 million in F2023, compared with $20.9 million in the prior year. The University's major projects (the Automotive Centre of Excellence Enhancement Project and a new academic and student building (Shawenjigewining Hall)) were completed in 2021–22.

During 2023–24, the University anticipates $10.0 million of capital expenditure toward IT, facilities, and equipment replacement to accommodate a flexible hybrid learning and work environment. Ontario Tech does not contemplate any major capital projects over the medium term, but it will continue to expand its presence in downtown Oshawa as it moves from leased space to University-owned properties; reimagines use of space to accommodate anticipated enrolment growth in future years; and creates a broader proportion of programming that is delivered virtually. Ontario Tech will seek to consolidate leased spaces in downtown Oshawa to develop a dedicated academic hub.

The University anticipates it will use operating reserves, donations, and grants if further capital opportunities arise. Over the longer term, however, financial sustainability and rebuilding of reserves remains a key priority for the leadership team.

Ontario Tech's deferred maintenance needs are limited because most buildings were built in the 2000s. As at F2023, the University estimated deferred maintenance of $0.5 million and an overall facilities condition index of 0.0072, which is considered very manageable. The University estimated (in November 2021) that more than 60% of the building infrastructure is in great condition. Currently, the University is developing a longer-term deferred maintenance and space management plan and will look to set aside nearly $4.0 million annually in the form of deferred maintenance reserves and capital reserves.

Debt and Liquidity

Ontario Tech's total adjusted debt was $193.0 million as at YE2023, down from $203.5 million for the prior fiscal year. On a per-student basis, this equates to roughly $20,197 per FTE and is the highest among DBRS Morningstar-rated universities. The University's debt comprises $137.1 million in amortizing Debentures, $27.3 million in capital leases, a $21.7 million unsecured loan, and $6.9 million in other long-term debt, which includes a reclassification from capital leases to other long-term debt relating to the lease termination and purchase of 55 Bond Street. Ontario Tech's debt will continue to amortize between roughly $7.0 million and $9.0 million annually.

Although DBRS Morningstar views Ontario Tech's debt burden as elevated among Ontario universities, it acknowledges the unique circumstances surrounding the debt reflecting a policy decision made by the Province at the time of establishing the University. While the legal obligation rests with the University and provincial grants flow through Ontario Tech, the Province is effectively servicing more than 80% of the Debentures. The Province provides Ontario Tech a flat $13.5 million annual restricted grant that covers more than 80% of the annual $16.5 million requirement for principal and interest. Excluding this debt would yield a debt burden of $80.8 million, or $8,457 per FTE (roughly in line with the average of DBRS Morningstar-rated Ontario universities).

The Province has provided Ontario Tech with assurances that the restricted grant will continue until the Debentures are fully repaid in 2034; although, the payments are subject to conditions and require annual legislative approval at the Province's end. Nevertheless, DBRS Morningstar is confident the Province will continue to provide the grants until the debt is retired because of the importance of postsecondary education to the provincial government, the political consequences resulting from the failure of a publicly funded and regionally important university, and the grant's relatively small size in Ontario's broader financial context. While not an immediate concern, a material reduction in the grant would challenge the University's finances and put downward pressure on the credit profile.

Debt-servicing costs remain manageable at 5.6% of total expenses. Interest coverage declined modestly to 2.5 times (x), compared with 3.0x in the prior year.

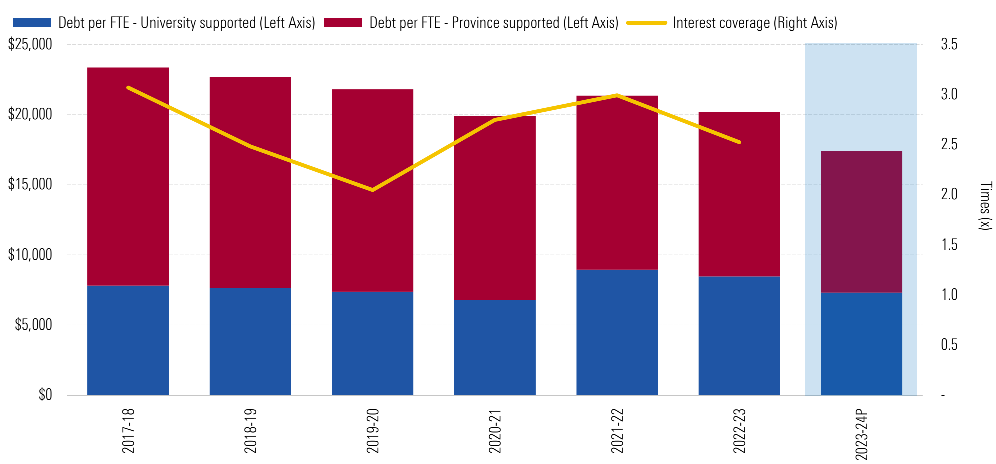
The University's balance sheet has improved significantly over the last 10 years, supported by the ongoing effort to improve operating results, accumulation of reserves, and financial management practices. Debt declined steadily over much of the past decade. Nevertheless, and consistent with the credit ratings, the University's balance sheet exhibits less flexibility relative to many other DBRS Morningstar-rated universities.

Expendable resources comprise a subset of net assets, including unrestricted net assets, most internally restricted net assets, and internally restricted endowments. DBRS Morningstar assesses Ontario Tech's expendable resources to be $44.3 million, or 23.0% of total debt outstanding at March 31, 2023. The University expects to use existing reserves to fund potential capital opportunities through the near to medium term. Over the longer term, the University anticipates expendable resources to be supported by positive operating results and as it sets aside capital reserves for future projects and prioritizes financial sustainability.

The University maintains a $17.0 million operating bank line with a major Canadian bank that was undrawn as of March 31, 2023. In September 2021, Ontario Tech also added a $25.0 million nonrevolving construction loan with a Canadian chartered bank. This arrangement involves an interest rate swap that had a fair value of $21.7 million as at F2023.

Unlike most DBRS Morningstar-rated universities, Ontario Tech does not have a defined benefit pension plan, which alleviates longer-term funding risks. Thus, the University does not report any long-term obligations associated with employee future benefits.

Exhibit 2 Debt per FTE and Interest Coverage



P=Projected.
Sources: Ontario Tech and DBRS Morningstar.

Outlook

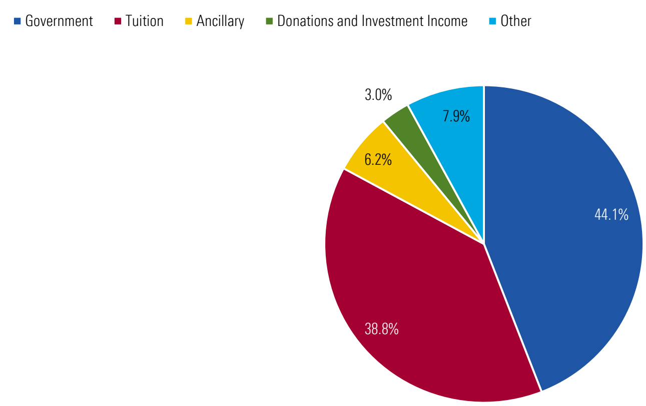
DBRS Morningstar projects the debt per FTE ratio to decline to approximately $17,407 per FTE in 2023–24 largely as a result of an improved enrolment forecast. DBRS Morningstar expects debt will gradually decline over the medium term as existing debt amortizes.

University Funding in Ontario

Canadian universities in the Province generally have three key sources of revenue for their core teaching and research activities: (1) government grants, (2) student fees, and (3) donations and investment income. For Ontario Tech, these accounted for more than 86% of total revenue in 2022–23, which is comparable with other DBRS Morningstar-rated universities.

Provincial government funding remains one of the primary sources of revenue for universities across the country; although, its relative importance remains under pressure in most provinces because of strained finances and competing priorities. Over time, this has led to a gradual shift in the relative shares of revenue provided by operating grants, which have declined, and tuition fees, which have increased.

Exhibit 3 Revenue Breakdown (2022–23)



Source: DBRS Morningstar.

Government Funding (Provincial and Federal; 44.1%)

Government funding includes operating grants, research grants, and contracts as well as capital grants. Operating grants are the most important and stable revenue source.

The Province and universities have signed SMAs that establish performance-based funding targets for the 2020–21 to 2024–25 fiscal years. This is a change from the previous enrolment-oriented funding model. SMA3 will include a set of 10 performance metrics, with funding consequences if the University does not meet the negotiated performance targets. In light of pandemic-led operating pressures and the need for funding stability, SMA3 funding has been decoupled from performance targets but will be relinked for 2023–24. DBRS Morningstar will closely follow developments as new SMAs are negotiated in spring 2024.

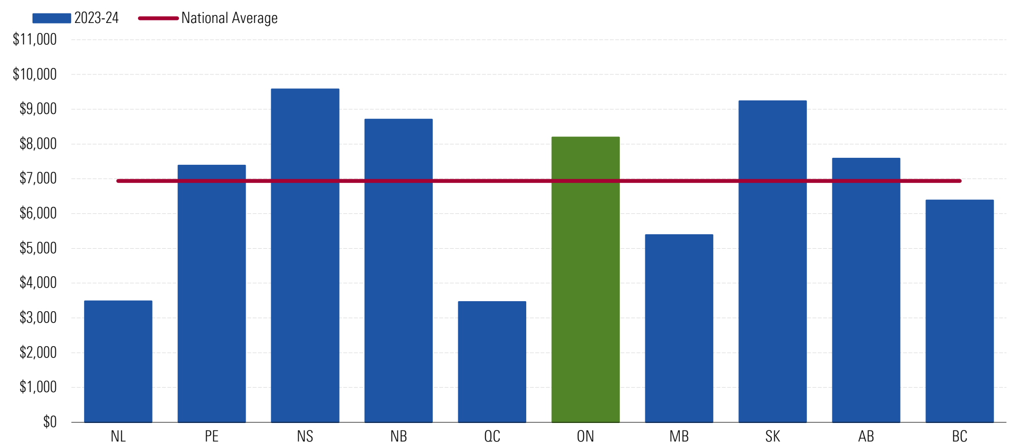
Research and capital grants are another important source of funding. The federal government typically provides 65% to 75% of all public research funding, whereas the Province provides the bulk of capital funding.

Tuition (38.8%)

On January 17, 2019, the Province announced a revised tuition fee framework for regulated domestic programs at Ontario universities and colleges. The framework required Ontario universities to reduce tuition fees for domestic funding (eligible programs) by 10% in 2019–20 and to maintain domestic-funding-eligible program tuition fees at this level for the 2020–21 academic year. Although the tuition freeze continues into the 2023–24 year, universities are allowed to increase fees up to 5% for out-of-province students and the Ministry of Colleges and Universities has allowed for tuition increases in limited programs this academic year. The University received approval to adjust its 2023–24 tuition fees for its Computer Science, Engineering, and Commerce programs.

International student fees are not regulated by the Province and are generally set to recover the full costs of international student enrolment and may also provide some offset to revenue declines from the current domestic tuition freeze.

Exhibit 4 Average Canadian Undergraduate Tuition Fees



Source: Statistics Canada.

Donations and Investment Income (3.0%)

Unrestricted donations and investment income, recognized on the statement of operations, represent a modest portion of the University's total revenue. Endowed contributions and investment income earned by the externally restricted endowments are recognized as changes in net assets and are not captured on the statement of operations until they are spent, at which point they are recorded as revenue.

As a relatively new university with a small alumni base, fundraising efforts have been modest. Ontario Tech focuses on the local community and companies in the region that have a stake in the University. The University has a 10-year, $263 million fundraising campaign under way. To date, the University has raised $53.6 million in pledges and donations.

Ontario Tech's endowment has risen steadily over the years and amounted to $25.9 million, or $2,714 per FTE as of March 31, 2023. This is relatively low in comparison with other DBRS Morningstar-rated universities.

Environmental, Social, and Governance (ESG) Credit Risk Considerations

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the following checklist.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit, please refer to the following checklist.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the following checklist.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/416784.

University of Ontario Institute of Technology

ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	N	N
	Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuerÆs financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N
	Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	N	N
	Land Impact and Biodiversity	Is there a financial risk to the issuer for failing to effectively manage land conversion, rehabilitation, land impact, or biodiversity activities?	N	N
	Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact? In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially under key IPCC climate scenarios up to a 2°C rise in temperature by 2050?	N	N
Social		**Overall:**	N	N
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N
		Do violations of rights create a potential liability that can negatively affect the issue's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights	N	N
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N
	Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		**Overall:**	N	N
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks	N	N
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
	Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Corporate / Transaction Governance	N	N
		Consolidated ESG Criteria Output:	N	N

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Statement of Operations (Adjusted)

(CAD thousands)	For the year ended March 31				
	2023	**2022**	**2021**	**2020**	**2019**
Revenue					
Student tuition fees	90,699	87,109	79,533	77,110	80,152
Other student fees	13,001	11,971	11,742	14,455	12,546
Government operating grants	65,817	70,671	67,221	64,046	63,768
Research grants	15,535	15,017	12,638	11,246	10,444
Debenture grant	13,500	13,500	13,500	13,500	13,500
Unrestricted donations	3,739	1,591	2,809	1,865	1,573
Interest income	3,176	1,130	1,132	1,586	1,520
Amortization of deferred capital contributions	8,252	9,131	9,612	9,559	9,238
Ancillary operations managed by Durham College	1,465	679	231	3,265	3,734
Other revenue	18,581	14,254	15,481	14,093	15,136
Total Revenue	**233,766**	**225,053**	**213,899**	**210,726**	**211,610**
Expenses					
Salaries and benefits	129,031	121,527	113,243	114,363	106,246
Student aid, financial assistance, and awards	15,040	14,296	12,720	12,839	12,479
Supplies and expenses	34,436	26,814	23,281	30,760	31,081
Amortization of capital assets	22,030	23,000	23,090	23,752	23,676
Interest expense	12,972	13,033	12,930	13,443	13,862
Other expenses	17,648	13,978	13,491	18,125	17,398
Total Expenses	**231,158**	**212,647**	**198,755**	**213,283**	**204,743**
Operating Surplus (Deficit), as Reported	**2,607**	**12,405**	**15,144**	**(2,557)**	**6,867**
Capital Expenditures	**12,707**	**20,885**	**29,800**	**28,535**	**16,351**

Statement of Financial Position (Adjusted)

(CAD thousands)	As at March 31				
Assets	**2023**	**2022**	**2021**	**2020**	**2019**
Cash and short-term investments	79,176	86,443	53,127	49,392	62,161
Receivables	17,907	14,719	18,002	17,727	15,901
Inventories and prepaid expenses	2,719	2,165	2,182	2,328	2,300
Long-term investments	33,435	33,523	31,947	26,137	26,809
Capital assets	398,222	403,864	405,979	396,613	392,097
Other assets	2,941	1,719	1,810	-	-
Total Assets	**534,401**	**542,433**	**513,047**	**492,197**	**499,268**
Liabilities and Net Assets					
Liabilities					
Payables and accrued liabilities	30,577	30,488	32,995	27,506	29,614
Deferred revenue	35,326	32,174	28,244	22,206	20,300
Long-term debt	165,727	168,279	151,845	158,532	164,820
Capital lease obligations	27,276	35,261	36,174	36,954	37,596
Deferred capital contributions	156,392	160,591	161,008	162,196	161,099
Total Liabilities	**415,297**	**426,793**	**410,266**	**407,395**	**413,430**
Net Assets					
Unrestricted net assets	24,924	21,776	1,230	4,504	3,264
Internally restricted net assets	19,419	29,215	20,127	17,589	31,786
Equity in capital assets	48,828	39,733	57,074	39,174	28,946
Endowment–externally restricted	25,932	24,916	24,350	23,536	21,843
Total net assets	119,103	115,640	102,781	84,803	85,839
Total Liabilities and Net Assets	**534,401**	**542,433**	**513,047**	**492,197**	**499,268**
Contingencies and Commitments					
Operating lease obligations	4,663	6,744	8,473	10,197	11,915

Calculation of Free Cash Flow (Adjusted)

(CAD thousands)	For the year ended March 31				
	2023	**2022**	**2021**	**2020**	**2019**
Operating balance as reported	2,607	12,405	15,144	(2,557)	6,867
Amortization	22,030	23,000	23,090	23,752	23,676
Other noncash adjustments	(4,870)	(9,430)	(15,637)	(7,125)	(9,981)
Cash Flow From Operations	**19,748**	**25,975**	**22,597**	**14,070**	**20,563**
Change in working capital	(549)	4,723	11,398	(2,055)	3,878
Operating Cash Flow After Working Capital	**19,218**	**30,698**	**33,995**	**12,015**	**24,441**
Net capital expenditures[1]	(8,654)	(12,172)	(22,336)	(17,879)	(8,562)
Free Cash Flow	**10,564**	**18,526**	**11,660**	**(5,864)**	**15,879**

1 Gross capital expenditures less restricted/deferred contributions for capital purposes received during the year.

Summary Statistics (Adjusted)

	For the year ended March 31				
	2023	**2022**	**2021**	**2020**	**2019**
Total Students (FTEs)	**9,556**	**9,537**	**9,449**	**8,969**	**8,924**
Undergraduate (%)	91	93	93	93	94
Graduate (%)	9	7	7	7	6
Annual change (%)	0.2	0.9	5.4	0.5	-0.2
Enrolment (Headcount)	**11,054**	**10,969**	**10,674**	**10,390**	**10,348**
Domestic (%)	89	90	93	93	94
International (%)	11	10	7	7	6
Operating Results					
Surplus (deficit; CAD thousands)	2.6	12.4	15.1	-2.6	6.9
- As % of revenue	1.1	5.5	7.1	(1.2)	3.2
- As % of revenue (five-year rolling average)	3.1	4.4	4.5	3.4	4.5
Revenue Mix					
Government funding (federal and provincial; %)	44.1	48.1	48.1	46.7	45.8
Student fees (%)	38.8	38.7	37.2	36.6	37.9
Ancillary (%)	6.2	5.6	5.6	8.4	7.7
Donations and investment income (%)	3.0	1.2	4.2	1.6	1.7
Other (%)	7.9	6.3	4.9	6.7	6.9
Debt and Liquidity					
Total long-term debt (CAD millions)	193.0	203.5	188.0	195.5	202.4
- Per FTE student (CAD)	20,197	21,342	19,898	21,796	22,682
Interest costs as share of total expense (%)	5.6	6.1	6.5	6.3	6.8
Interest coverage ratio (times)	2.5	3.0	2.6	2.0	2.5
Expendable resources (CAD millions)	44.3	51.0	21.4	22.1	35.0
As a share of long-term debt (%)	23.0	25.1	11.4	11.3	17.3
Endowments (Market Value)					
Total market value (CAD millions)	25.9	24.9	24.4	23.5	21.8
Per FTE student (CAD)	2,714	2,613	2,577	2,624	2,448
Annual change (%)	4.1	2.3	3.5	7.7	3.8

Credit Rating History

Issuer	Debt	Current	2022	2021	2020	2019	2018
University of Ontario Institute of Technology	Issuer Rating	A	A (low)	A (low)	A (low)	A (low)	A (low)
University of Ontario Institute of Technology	Series A Senior Unsecured Debentures	A	A (low)	A (low)	A (low)	A (low)	A (low)

Related Research

- *Canadian Universities Grappling With Diverse Post-Pandemic Challenges*, November 13, 2023.
- *Are Political Tensions Between Canada and India a Cause for Concern for Canadian Public Universities?*, October 17, 2023.
- *Free Tuition for Ontario's Indigenous University Students: Balancing Cost Concerns and Reconciliation*, September 29, 2023.
- *Rating Public Universities*, May 17, 2023.
- *Gender Diversity in Canadian Public Universities*, March 8, 2023.
- *First Look: University Applications in Ontario for Fall 2023*, January 24, 2023.
- *Are Public Universities in Ontario Financially Sustainable?*, December 21, 2022.

Previous Report

- University of Ontario Institute of Technology: Rating Report, December 22, 2022.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why DBRS Morningstar is the next generation of credit ratings.

Learn more at dbrsmorningstar.com.

MORNINGSTAR | DBRS

The DBRS Morningstar group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate). DBRS Morningstar does not hold an Australian financial services license. DBRS Morningstar credit ratings, and other types of credit opinions and reports, are not intended for Australian residents or entities. DBRS Morningstar does not authorize their distribution to Australian resident individuals or entities, and accepts no responsibility or liability whatsoever for the actions of third parties in this respect. For more information on regulatory registrations, recognitions and approvals of the DBRS Morningstar group of companies, please see: https://www.dbrsmorningstar.com/research/225752/highlights.pdf.

The DBRS Morningstar group of companies are wholly-owned subsidiaries of Morningstar, Inc.