



BOARD OF GOVERNORS

Audit & Finance Committee

Minutes of the Public Session of the Meeting of November 23, 2023 2:00 – 3:30 p.m., videoconference

- Members:** Carla Carmichael (Chair), Roger Thompson (Vice-Chair), Laura Elliott, Mitch Frazer, Kathy Hao, Dale MacMillan, Kim Slade, Steven Murphy,
- Staff:** Jamie Bruno, Jacquelyn Dupuis, Sara Gottlieb, Barbara Hamilton, Krista Hester, Lori Livingston, Brad MacIsaac, Kimberley McCartney, Pamela Onsiong, Sarah Thrush, Lauren Turner
- Guests:** Gaurav Singh and Dwight Thompson, guest governors; Bobbi-Jean White, KPMG

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 R. Thompson 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 Committee (A&F) of the year. She welcomed guests.

5. President's Remarks

The President provided A&F with an update on his recent trip to southeast Asia, highlighting opportunities for Ontario Tech in nuclear energy and artificial intelligence (AI). He then provided an update on the Blue-Ribbon Panel report, noting that it is now

up to the provincial government to decide which recommendations, if any, it will implement. The findings of the report make it clear, however, that there won't be a new financial model implemented for the post-secondary sector. The President then discussed the growth strategy, underscoring its importance for Ontario Tech and reminding the Committee that it is embedded in the Integrated Academic-Research Plan (IARP). In response to a question about the government's emphasis on universities finding efficiencies, the President confirmed that efforts are being made to underscore the work the university has done in this regard. He also noted that while the University is always open to more efficiency practices, the financial situation remains unsustainable. Across the post-secondary sector, certainty is needed with respect to tuition and funding; answers promised by the provincial government for the fall have yet to materialize. The significant deficits recently disclosed by a number of universities emphasize this need. In response to a question about Ontario Tech's mix of domestic and international students, the President advised that the University remains well below the system average at 11% international enrolment. He stressed the importance of drawing from diverse countries, which was part of the impetus for his recent trip to Asia.

6. Annual Terms of Reference Review

The University Secretary presented A&F's terms of reference for annual review. No amendments were requested by the Committee. In response to a question, the University Secretary confirmed that the appointments of new governors to committees and succession planning were discussed at the October Governance, Nominations and Human Resources Committee meeting.

7. Finance

7.1 Strategic Discussion: Budget Assumptions

B. Maclsaac presented the Budget Assumptions, reminding A&F that this is an annual exercise that sets the stage for the presentation of the budget in April. He then provided an overview of the state of the University's finances at the close of Q2 in October, highlighting a revenue surplus of \$4.5 million with a trend towards a \$3.4-\$4 million surplus at year end. He reminded the Committee that the University strives for at least \$4 million per year in surplus for future maintenance and deferred capital projects.

S. Thrush then discussed enrolment growth scenarios, noting that the University has based its modelling primarily on a conservative scenario. She highlighted a 5% increase in undergraduate intake and 3% growth in domestic enrolment required to see the flow-throughs modelled for 2024/2025 to 2026/2027. Other noteworthy targets include moving from 9% to 10% graduate enrolment and increasing international enrolment from 11% to 12-13%.

B. Maclsaac then spoke to expenses, drawing the Committee's attention to \$12 million in increased revenue that is matched by labour costs, which are set to rise 3.3% next

year. Other noteworthy expenses included a \$1 million for the Provost's priorities, the majority of which will drive the differentiated growth agenda; \$1 million from largely restricted revenues that will be allocated to specific activities (e.g. cooperative education); and \$1 million for capital renewal that has historically been drawn upon for other initiatives. He noted that some equipment that is at end of life and at high risk for failure have been flagged high priority for budgetary allocation. On the whole, the budget runs a structural deficit due to increasing labour costs without any relief to tuition or grant funding, thus driving the need for differentiated growth. The University is, despite these challenges, striving to present a balanced budget in April.

Jacquelyn Dupuis joined the meeting.

The Provost then spoke to the uncertainty in the sector and the challenges they present for budgeting. With a razor-thin surplus, budget-holders have been told to look for efficiencies. She advised that if enrolment growth exceeds expectations, additional budget allocations may be made pending budgetary availability. She highlighted cooperative education and experiential learning programs as high priorities in this regard, both being key to recruitment. B. Maclsaac closed the presentation by advising the Committee of consultation taking place with respect to the budget.

A discussion then ensued on the budget assumptions. In response to a question about inflation, B. Maclsaac advised that business areas are effectively having to reduce budgets to offset inflation. He gave library subscription costs as an example. In response to a question about ancillary revenues, B. Maclsaac advised that, in general, increases to revenues are seen to correspond to increases in expenses. This year, however, business units will be asked to conduct three-year forecasts including revenue prediction; some areas such as continuous learning are expected to see greater increases which will then be incorporated into the budget. In response to a question about student perceptions of a potential tuition increase, the Provost advised that discussions with the Ontario Tech Student Union (OTSU) and the Ontario Undergraduate Student Alliance (OUSA) were supportive of the need for an increase. An open letter to the Ministry of Colleges and Universities from OUSA supported a tuition increase provided an equal or greater increase in operating grant funds were released by the government. B. Maclsaac added that staff meet with the OTSU to walk through the budget, particularly ancillary fees and student aid; the University is also lobbying the government to review the 2019 cut and freeze of the Ontario Student Assistance Program. In response to a question, a discussion ensued about risk tolerance in the budget. B. Maclsaac confirmed that some risk is incorporated – he noted the assumption of increased international enrolment despite global turmoil. The Committee Chair suggested that staff consider incorporating an inflationary model in the final budget, noting that business areas can only find so many efficiencies to offset those costs. The discussion closed with a request for management to bring a trajectory towards having 18,000 students enrolled by 2030.

Dale MacMillan joined the meeting.

7.2 Second Quarter Financial Results

P. Onsiong presented the Second Quarter Financial Results, drawing the Committee's attention to the almost \$2 million increase in interest revenues. She advised that while the increase is not expected to be permanent, this uptick is helpful for addressing the structural deficit in the budget.

8. Investments – Amendment of Statement of Investment Policies

B. Maclsaac presented the proposed Amendment of the Statement of Investment Policies. He reminded the Committee that in June 2023, the investment fund manager presented data on private equity and private debt funds. Over the summer, management continued to review the portfolios and is now recommending that both private equity and private debt funds be added to the alternative asset class, the allocation for which remains unchanged at 25%. In response to a question about reputational risk, B. Maclsaac confirmed that at quarterly meetings, PH&N reviews environment, social and governance (ESG) standards; he committed to ensuring that investments in the new portfolios are aligned with the University's values.

Upon a motion duly made by D. MacMillan and seconded by K. Slade, pursuant to the recommendations of management and the investment manager, the Audit & Finance Committee hereby recommends the proposed amendments to the Statement of Investment Policies to the Board as presented.

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 drew A&F's attention to a few key findings in the report, starting with operational risks. She noted the large number of risks associated with the University's operations, but also advised that they are collectively within the University's risk appetite. She discussed the risk of the emerging global climate, noting that the University is proactively monitoring and has a dynamic response to support safety and well-being on campus. With respect to financial risks, she reported that financial sustainability is paramount and different scenarios are being modelled with this objective in mind. She advised that the register of strategic risks continues to be reviewed by the senior leadership team. She noted that the differentiated growth strategy will require robust processes and change management and commented on employee engagement, talent and recruitment as an anecdotal risk reported across the University. She closed by noting that while there have not been any significant incidents, the cyber risk landscape continues to evolve, including the number of threat actors and attack methods. In response to a question about the growth strategy, B. Maclsaac confirmed that a working group with a project manager has been struck to track activities and deliverables. The Committee Chair recommended that a presentation be delivered to the Board on the growth plan so that the implications and sequencing of major aspects such as enrolment, revenues, and resourcing are understood.

10. Consent Agenda

10.1. Minutes of Public Session Meeting of June 14, 2023

10.2. Endowment Policy & Procedures

Upon a motion duly made by R. Thompson 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 3:30 p.m.

Lauren Turner, University Secretary