St. Paul’s University College  
Board of Governors Meeting Agenda  
Thursday, June 16, 2022  
STP 256/Zoom | 7:00 – 8:30 PM

1. Opening Remarks of the Chair  
   a. New student representative – Shreya Rao  

2. Approval of the Agenda  

3. Conflict of Interest Declaration, if any  

4. Approval of the minutes of the April 14, 2022 BOG meeting*  

5. Business Arising from April 14, 2022 BOG meeting  

6. Principal’s Report* - Myers  

7. Report of the Building & Property Committee  
   a. Outdoor facilities PLAN student reports*  

8. Report of the Audit Committee – Casello  

9. Report of the Finance & Investment Committee  
   a. Investment Report* – Mann  

10. Report of the Governance Committee  
    a. Staff and student membership – Salvini  
    b. Nomination for a Friend of the College – Myers  

11. Report of the Executive Committee  
    a. Executive Committee Minutes of March 31, 2022*  
    b. Bakery Proposal* - Myers  

12. Other Business  
    a. Tracing Laurentian’s Path (Alex Usher)* - Myers  

13. In-Camera Session with Board members  

14. Adjournment  

*Denotes material included with agenda  **Denotes material distributed at meeting
Notice of Motions

1. Motion to approve the Agenda.
2. Motion to approve the minutes of the Board of Governors Meeting of April 14, 2022.
3. Motion to amend the authorization previously adopted to nominate Jon MacNaughton as a ‘Friend of the College’ by adding Ryan Lynch as a nomination.
4. Motion to move In-Camera with Board members.
5. Motion to adjourn the meeting.
Minutes of the St. Paul's University College Board of Governors Meeting
Thursday, April 14, 2022 | 7:00 – 8:30 p.m.

ATTENDEES: John Abraham, Rob Greene, Charlene Hone (non-voting), Linda Jussaume, Tracy Mann, Rick Myers, Tracy Primeau, David Romagnoli, Julia Salvini, Don Shilton, Brad Siim (Chair), Banuja Sivarasah, Bill Watson

REGRETS: Jeff Casello, Gary Foerster, Katherine Fouzie, Michaëlle Jean, Uche Onuora

GUESTS: Stephanie Horsburgh, Mike Steinmann

1. Siim welcomed everyone to the first hybrid board meeting. Myers introduced new staff representative: Stephanie Horsburgh.

2. **Motion to approve the agenda as presented. (Shilton/Primeau-Carried)**

3. Board members were asked to declare any conflicts of interest they might have in relation to the items on the agenda.

   Mann declared that her son is living in residence at St. Paul’s, and she is presenting the budget.

4. **Motion to approve the minutes of the Board of Governors Meeting of February 17, 2022 as presented (Mann/Shilton-Carried)**

5. Business Arising from February 17, 2022 Board of Governors Meeting – none.


   Update on item 1.1. The Ring Ceremony has been rescheduled to June 14 at 10 AM due to Chancellor’s availability.

   External Relations. Contract is currently under negotiation with a candidate. The candidate is exceptional and has significant experience working with national organizations.

   WISC Director search is still ongoing. A candidate is meeting with faculty and students next week.

   There has been some improvement in how we are represented on the UW housing website. In the meantime, our partners (particularly WiE and ENV) have gone out of their way to inform students about our partnership.

7. Report of the Building and Property Committee. UW has made a commitment to improve ventilation by upgrading to MERV 13 filters for all classrooms. This requirement only directly impacts STP 105 because of our agreement with UW on their use of the room. Peter Pillsworth discovered an alternative system that met UW standards and is actually more efficient using UV technology. The new system covers all public spaces.
The committee performed an annual review of our long-term capital plan. The plan demonstrates that we have both a strategy for the upkeep of our facilities and that our physical plant is well cared for and funded through our capital fund.


   a. Motion to approve the revisions to A and B policies as presented. (Myers/Abraham-Carried)

   b. Motion to approve the revised E5 – Vacation Policy as presented. (Myers/Salvini-Carried)

      Up to this point employees took vacation using credits earned from the previous year. The revamped policy allows employees to take vacation as earned.

   c. Motion to approve W8 – Disconnecting From Work policy as presented. (Myers/Shilton-Carried)

      This policy is a requirement from the provincial government for all employers with 25 or more employees.


   a. Investment Report. Investments haven’t been as fruitful in 2022. However, this report shows improvement even from a few weeks ago. Despite rising interest rates, our portfolio is actually quite strong. The F&I Committee agreed to have a conversation about potentially looking at a policy associated with climate change. Other universities have signed on a template for constructing this policy.

   b. 2021-2022 financial results. We are now projecting a net income of around $130K – attributable to higher occupancy, continuation of CEWS program into August, and cost control measures by management team. Better than expected performance in the operating budget has allowed us to make our normal transfer to the capital account (1.5% of the value of the buildings) which was not included in the April 2021 budget.

   c. Budgeting in 2022-2023 for a $39K gain. We are trying to set realistic occupancy considerations and don’t anticipate that COVID will have much of an impact. Potential implications of inflation (although most expenses are fairly fixed, but some food costs and facility costs could have an impact). Increased interest rates will have limited to positive results.

To create the budget we make two key assumptions: 1) residence fees and 2) occupancy rates. We look at competitors to see what they are charging for similar accommodations. We feel we can offer a premium experience given our proximity to UW and the recent renovation that was completed. In 2022 there will be a 3.3% increase for our undergraduate rooms and a 2% increase for the graduate building. Guest rooms will be modestly increasing as well. Anticipating 96% occupancy in the fall (13 students under full capacity); 82% occupancy in the winter (but we expect to be higher). LLCs
assist with occupancy in the spring. We expect the graduate building to be at 84% occupancy.

We have only budgeted for summer conferences that have been confirmed.

The budget includes a 1% COLA increase for staff plus merit increase (~$94K cost).

**Motion to approve the 2022-2023 Fees Proposal. (Mann/Shilton-Carried)**

**Motion to approve the 2022-2023 Budget Proposal. (Mann/Primeau-Carried)**

10. Minutes from the Executive Committee meeting on February 3, 2022 were provided for information.

   a. **Motion to approve Peter Frick’s request for a sabbatical leave from July 1 to December 31, 2022. (Myers/Mann-Carried)**

   Peter Frick is entitled to a sabbatical leave, and it has been approved by the Academic Council.

12. **Motion to approve Jon MacNaughton as the 2022 nomination for ‘Friend of the College’. (Myers/Primeau-Carried)**

   The ‘Friend of the College’ is an opportunity to recognize and thank people who have been helpful to the College who are not alumni or staff. The committee would like to bring forward Jon MacNaughton (RBC) for nomination (a former board member). Ryan Lynch now manages our investment portfolio for no charge at the direction of Jon.

   If Jon accepts the nomination, he will be honoured at the Stanley Knowles dinner/lecture event later this year.

   **Action: Siim and Myers will speak with Jon to see if he will accept the nomination.**


14. **Motion to move In-Camera with Board members. (Watson/Jussaume-Carried)**

    Horsburgh and Steinmann departed.

15. **Motion to adjourn at 8:37 p.m. (Myers-Carried)**
Notice of Motions Passed:

Meeting of the Board of Governors on April 14, 2022

1. Motion to approve the agenda as presented. (Shilton/Primeau-Carried)

2. Motion to approve the minutes of the Board of Governors Meeting of February 17, 2022 as presented (Mann/Shilton-Carried)

3. Motion to approve the revisions to A and B policies as presented. (Myers/Abraham-Carried)

4. Motion to approve the revised E5 – Vacation Policy as presented. (Myers/Salvini-Carried)

5. Motion to approve W8 – Disconnecting From Work policy as presented. (Myers/Shilton-Carried)

6. Motion to approve the 2022-2023 Fees Proposal. (Mann/Shilton-Carried)

7. Motion to approve the 2022-2023 Budget Proposal. (Mann/Primeau-Carried)

8. Motion to approve Peter Frick’s request for a sabbatical leave from July 1 to December 31, 2022. (Myers/Mann-Carried)

9. Motion to approve John McNaughton as the 2022 nomination for ‘Friend of the College’. (Myers/Primeau-Carried)

10. Motion to move In-Camera with Board members. (Watson/Jussaume-Carried)

11. Motion to adjourn at 8:37 p.m. (Myers-Carried)

Approved without amendments by the St. Paul’s University College Board of Governors on June 16, 2022.

Signed, ______________________________ Secretary of the Board       Date: _____________________

Signed, ______________________________ Chair of the Board         Date: _____________________

______________________________
Principal’s Report to the Board

June 2022

Our College is fortunate to have substantial and attractive greenspace, particularly in the area stretching down to Laurel Creek. Generally speaking, we have not done much to develop our greenspace. We built the ceremonial firegrounds four years ago and recently added some outdoor seating in the front courtyard and just outside of the former chapel. If one looks at Conrad Grebel next door, a different approach is evident. Over the years, Grebel has installed a basketball court, a beach volleyball court, a campfire circle, a circle of porch-swings and a variety of other outdoor seating areas. These facilities create opportunities for students (and staff) to engage together in recreational activity that helps to build the kind of community spirit that is vital to a healthy college.

We believe that St. Paul’s should imitate Grebel’s lead in this respect. Rather than proceed with random initiatives, however, we think the addition of outdoor facilities has to be governed by a comprehensive long-term plan. To launch our thinking in this respect, we reached out to UW’s Planning program, where graduating students complete a “senior project” in which teams of 5-6 students act as planning consultants for a hypothetical project. We arranged to have two student teams assigned to develop an outdoor development plan for our College. They were provided with the results of a survey we conducted with residents to ascertain what sorts of things they would be inclined to use (or not). We also provided them with detailed campus maps, divided into three sectors: the “Green” that runs down the Laurel Creek; the narrow strip of lawn north of the Graduate Building (facing St. Jerome’s); and the strip of green space between the West Wing and the Westmount Parking area. We asked each team to provide us with a plan that could be implemented over a ten-year period, as resources permit. The notional budget for the project was set at $1 million.

The two reports from the student groups have been included in the Board package. I have requested that we take some time at the June 16th meeting to obtain feedback and suggestions from Board members. Staff have already had a meeting to discuss the reports and share their own ideas. We will ask the Board Building and Property Committee to work on this file and will share with them the input received from staff, students and Board members.

And now, please allow me to provide you with the customary summary of key developments at the College in the seven weeks since our last meeting, as well as the year-end Sustainability Report.
1. **Academics**

1.1 **Social Entrepreneurship Minor** The College invests significant amounts of money each year in social entrepreneurship education through its *GreenHouse* programming. It is sometimes lamented that this programming is not academic and does not help us meeting our teaching targets under the Equity Agreement. In order to address that objection, and to better leverage the money we invest in *GreenHouse*, we are developing a proposal to offer a Minor in Social Entrepreneurship. The current proposal draws on existing GreenHouse programming for two courses and adds three new courses that can be delivered by in-house staff at very little cost. The remaining courses will be drawn from existing offerings in UW’s *Arts and Business* program.

1.2 **African Development University** Our Chancellor, Madame Jean, also serves as the Chancellor of a new institution in Niger, the African Development University. Members of our faculty recently met with the President of ADU to explore opportunities for mutually beneficial collaboration in areas such as social entrepreneurship and international development. A second meeting will take place on June 14 when the President of ADU comes to campus for the Ring Ceremony for graduates in International Development. He will be meeting as well with the leadership of the other colleges who have also expressed strong interest in collaborating with ADU.

2. **Finance and Administration**

2.1 **Fall Occupancy (Undergraduate)** The June “residence ranking” process yielded disappointing numbers this year. Overall, the University reached only 90% of its target. Our share of the applicant pool was down from 4.8% to 4.3% -- probably because of the way the ranking form hid the Living Learning Communities (which are the key to our occupancy strategy). We ended up with 241 students ranking us first rather than the 270 we would like but with our very large contingent of returning students (50+), we are confident we’ll hit our budget targets.

2.2 **Fall Occupancy (Graduate)** The Graduate Building will be at 100% occupancy in September.

2.3 **Bakery** One of the factors that led us to hire Brown’s for our food services was their commitment to make everything in-house from scratch – including baked goods. Unfortunately, we found that our 1962 kitchen was simply too cramped to install the necessary equipment. Brown’s proposed converting the defunct coffee bar outside of Lecture Hall 105 into a bakery space. Work on that project began at the end of May. We anticipate having the bakery operational for the students’ return in September. All breads, desserts and other baked goods will then be prepared in-house.
2.4 **New Chef**  
Brown’s original chef left the organization for a position in her home community in April. *Karl Lekavy*, began two weeks ago as the new chef and is doing a terrific job. He comes to us with a good deal of restaurant experience – most recently at the Crowsfoot Smokehouse.

2.5 **Financial Forecast**  
At this point, our overall forecast is tracking to budget. On the positive side, we have higher than budgeted occupancy in the residences for the Spring Term. We are also realizing some savings on unoccupied staff positions. On the negative side, food spending may exceed budget and two larger conferences that were expected to use the residence in late August have converted to a virtual format.

3. **External Relations**

3.1 **Events**  
Board members are welcome to attend the College’s Ring Ceremony for graduates of the International Development Program on Tuesday, June 14th at 11:00 am in Alumni Hall. No reservations are required. The College Golf Tournament will be taking place on Friday, August 26th. Julia Salvini and Tracy Primeau have agreed to be MCs at the lunch afterward. Finally, all Board members and their spouses will be invited to the Stanley Knowles Dinner and Lecture on Saturday, September 24. The dinner will be at Fed Hall at 6:00, following a launch for the new College brand at 5:00 pm in Alumni Hall. We hope to see all of you there!

3.2 **College Rebranding**  
The ad hoc Naming Committee, supplemented by representatives from faculty, students and staff, has been working to arrive at a recommended logo/wordmark for the College. We are currently down to two alternatives and hope to reach consensus in the next week.

3.3 **Funding Applications**  
We have submitted a substantial funding application to the SUNCOR Foundation for the Indigenous Entrepreneurship initiative. SUNCOR is one of those funders that has a rule stipulating that it accepts only one application per institution. There was some ambiguity in their mind as to whether St. Paul’s is separate from the University of Waterloo. In the end, they have agreed to receive both our application and one from a faculty at UW but they have determined that if both are accepted, we will have to split the maximum allocation per university ($250,000 per annum).

4. **GreenHouse**

4.1 **Spring Term Enrolments**  
GreenHouse is supporting 24 students over the Spring 2022 term. The breakdown of new students is as follows: 9 Social Innovators in Training, 15 Workplace Innovation Program
4.2 The Trading Post  
Some of the programming for the new Indigenous Entrepreneurship will be experiential in nature, modelled on the “workplace innovation” programming delivered by GreenHouse. In thinking about how to deliver the new programming, we concluded it would be best to launch an Indigenous counter-part to GreenHouse, an incubator that we will call The Trading Post. In addition to delivering programming for the academic program, it will also provide entrepreneurship coaching for any Indigenous students interested in planning or launching a venture. The Trading Post will operate out of the same space as GreenHouse.

4.3 Impact Report  
GreenHouse released its first Impact Report recognizing the achievements of 25 cohorts of youth innovators. The Impact Report provides a summary of GreenHouse’s impact to date, honours some recent alumni achievements, and recaps the most recent Social Impact Showcase. A special thank-you to our public relations intern Ana, from Conestoga College, who led the creation of this report. You can read the report here: https://uwaterloo.ca/stpauls/sites/ca.stpauls/files/uploads/files/greenhouse_impact_report_-_may_2022.pdf

4.4 Participation in Conferences and Events

- 11th Annual Deshpande Symposium on Innovation and Entrepreneurship in Higher Education (June 15-17, Cleveland, OH). Tania has been invited by Venture for Canada to participate in a panel discussion that addresses the questions: Which behaviours adopted during the COVID-19 pandemic do we hope to stick to in entrepreneurial ecosystems? What needs to return for us to boost entrepreneurship?
- The Future of Sustainable Transportation (May 24, 2022), GreenHouse recently co-hosted a discovery lab focused on sustainable transportation with the Faculty of Environment and the Region of Waterloo. 40+ students, elected officials, community advocates, and municipal staff members collaborated on a vision for sustainable transportation in Waterloo Region to advance SDG 11, Sustainable Cities and Communities.
- Collegiate Way International 2022 online conference – Collegiate Community in a Changing World (hosted by Trent University). How might a small university college contribute to an innovation powerhouse? Presented by Rick and Tania

4.5 Accolades

- Katie Heggtveit was awarded the Ontario Medal for Good Citizenship. Congratulations Katie! This medal is the second-highest award that can be given to civilians in Ontario and recognizes those that have made a lasting and impactful mark on their community. Learn more about the Ontario Medal for Good Citizenship here: https://news.ontario.ca/en/backgrounder/1002035/ontario-medal-for-good-citizenship-recipients
- GreenHouse alumna Aileen Agada was one of 54 nominees celebrated at the 2022 Women of Diversity Summit and Awards on May 7th at a gala event hosted by
Afropolitan. Although Aileen did not go home with the Entrepreneurship Award she was in excellent company of 17 other nominated entrepreneurs. Learn more about this event here: https://afropolitan.ca/2022-wod-nominees

5. Residence

5.1 Ukrainian Students The College is hosting 34 students from Ukraine for the summer. These are all students who focus on Artificial Intelligence. Some are completing their undergraduate degree and other are Masters students. UW is providing the students with mentoring and independent study to assist them in completing their degrees. It’s probably safe to say that we landed this opportunity thanks to our good work with the Indonesian students last year and with the Women-in-Engineering LLC.

5.2 Spring Activities Our spring community is very vibrant, particularly with the introduction of the Ukraine students. They are very excited to be here and participate fully in activities and events. Elizabeth Fletcher and Beth Grant have done a great job supporting their transition. We are also preparing for the Catalyst Summer program which will resume since it was paused in 2020 due to COVID. We expect 3 cohorts of high school students to participate. Stephanie Horsburgh has worked very hard to re-engage with our partners in Engineering Outreach and we are excited to resume the program.

5.3 Environment Mentorship Program Steve Prentice has developed a partnership with the Faculty of Environment to coordinate the implementation of a faculty-wide mentorship program for all first-year ENV students. The program will run alongside our ENV Living Learning Community for the first 6 weeks and will provide an opportunity for all first-year ENV students to engage with St. Paul’s, regardless of where they are living.

5.4 Bell Let’s Talk Grant The Residence Life Team is applying to the Let’s Talk foundation for funding to deliver a wellness program (with an emphasis on mental wellness) through our Living Learning Communities. This is a relatively innovative approach but it makes sense when one considers that academic stresses are one of the main challenges for student mental health. We believe that this initiative has the potential to dramatically change the way we run our LLCs and to make us recognized innovators in the student mental health space.

6. Waterloo Indigenous Student Centre

6.1 Director Search Over the past year, we have attempted to find a replacement for Lori Campbell who, like Lori, could both direct the WISC and oversee our Indigenous Studies Minor. While we have been very close to success on several occasions, we have not managed to find the right candidate for the position. To ensure stability at the WISC, we have simplified the search by removing the academic component from the position. The search committee will be interviewing three candidates later this month.
Year-End Sustainability Report

Under the College’s new Sustainability Policy, the Administration provides a year-end report to the Board at its June meeting. The following report has been prepared by our Facilities Manager, Peter Pillsworth.

1. The Green Team came to Rick and Peter with the recommendation to put timers in the hallways of the residence floors on the Green Wing to reduce the amount of electricity being used and to reduce the amount of light in the hallways during the night. The timers were installed on Lower, 2nd (because of the hotel guest rooms), 3rd, 4th, 5th, 6th, and 7th.

2. We are continuing to enter the electricity, natural gas, and water usage in a spreadsheet to compare year over year for our internal tracking purposes. This information is also used to report our utilities usage to SWR (through their software) and through the ENERGY STAR portfolio for provincial reporting requirements.

3. We have been having leaking issues with the Grad roof by the elevator shaft randomly for several years. It has been determined that the cause is incorrect sloping of the roof which does not allow the water in that area to drain properly. Because the roof is coming up to 20 years old and the pricing of roofing is expected to increase by 30% next year, it has been decided that it makes the most sense to replace the entire roof rather than just fix the problem area. In an effort to do what’s best for the environment and energy efficiency, we are currently exploring the feasibility of installing a white roof rather than a grey roof. This would reduce the heat absorption during the summer which would keep the building cooler so that the HVAC would not have to run as hard or as often. We are also looking at the possibility of installing “blue roof” technology through Enviro-Stewards in Elmira. This technology allows us to capture the rainwater on the roof and use the water. For the Grad building, we would be specifically looking at using the water for the laundry facilities. On the other sections of the building, we could use this water for toilets and/or laundry. The technology also controls the release of the water on the roof to prevent the drainage system from being overloaded during a heavy rainfall.

4. With the age of the original sections of the building, the question of the condition and efficiency of the windows has come up on several occasions. Several years ago, we had Bender Maintenance come and apply new caulking on the exterior of the windows and replace the worn-out weather stripping. This past April, we hired Pretium Engineering out of Breslau to come and do a building condition assessment. The windows have a date stamp of 1992 inside the glass and it is recommended that they be replaced within the next five years or so with more energy efficient units. However, because we have not experienced any issues with the existing windows, for now, we can focus on replacing any that have a visible break in the seal.

Respectfully,

Dr. Richard Myers
Principal
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* Market Index is comprised of 25% S&P/TSX Composite, 25% S&P 500 Index, 50% Dex Bond Universe
Executive Committee Meeting
Minutes of Thursday, March 31, 2022
8:30 AM – 9:30 AM
Conducted via Zoom

ATTENDEES: Gary Foerster, Charlene Hone (non-voting), Tracy Mann, Richard Myers, Julia Salvini
REGRETS: Brad Siim (Chair)

1. Salvini welcomed members to the meeting.

2. The meeting agenda was approved as presented (Mann/Foerster-Carried)

3. Committee members were asked to declare any conflicts of interest they may have in relation to the items on the agenda: no conflicts were declared.

4. Executive Committee minutes from February 3, 2022 were approved as presented (Myers/Foerster-Carried)

5. Draft Board minutes from February 17, 2022 were included for information.
   a. Add ‘Madame Jean’ to first line in Item #7.

6. Motion to approve the agenda for the April 14, 2022 Board of Governors Meeting as presented (Mann/Myers-Carried)
   a. Add nomination for ‘Friend of the College’ as Item #12.

7. Other Business.

8. Meeting adjourned at 8:38 AM (Mann-Carried)
Briefing Note: Bakery Project

Background

When the College engaged Brown’s Fine Foods to take over the food service contract, the main attraction of the company was their commitment to prepare everything onsite from scratch—including bread and other baked goods. Unfortunately, it seems that the space limitations of our kitchen are making it impossible to do baking on the scale we were expecting.

The kitchen we have is not significantly different from what was built in 1962 to serve about one-third of the students we currently host. Because it is located underground, there is no practical opportunity to expand it.

Brown’s has identified an interesting alternative. When the College constructed the North Wing, it built a small coffee kiosk into the lobby outside of Lecture Hall 105. The kiosk operated as Watson’s Mug for a number of years but it was losing approximately $20k annually because Chartwell’s had to keep a full-time employee there to sell what amounted to $20k of product. We closed that operation about three years ago.

Brown’s has suggested that we expand the kiosk to create a bakery space. A dedicated staff person there could sell coffee and baked goods ($20k in revenue) and the in-house bakery would save us about $20k on the purchase of baked goods from external suppliers. So there would be no net cost to the College and as a bonus (the icing on the cake?) the students get fresh, home-baked bread and desserts!

Costs

The total cost of the project is estimated to be approximately $140k. This includes some demolition, construction of a new wall, plumbing, electrical, millwork and baking equipment. That’s actually an extremely cost-effective expansion of an under-sized kitchen.

Financing

We currently have approximately $120k of unallocated funds available in the Development Fund that can be put toward this project. (This is essentially income that has been earned on the Development Fund over the past few years of strong investment returns.) The remaining portion of the project costs can be covered from this year’s capital maintenance fund.

R. Myers
May 3, 2022
Tracing Laurentian’s Path Part 1: The Building Spree

January 17, 2022 | Alex Usher

Morning all. It’s been just over a year since the Laurentian University President and Board of Governors made the decision to declare insolvency. Largely because of the institution’s decision to maintain radio silence with its own community and with journalists it doesn’t feel it can handle, there are major aspects to this story where we still do not have a complete picture of what happened, either in the long term (how did Laurentian get into this pickle) or the short-term (what were the specific steps in 2020-21 that led to seeking CCAA protection and – crucially – were there any alternatives?). I spent a good part of the holidays going back through the public record to try to work out some of this stuff. What you’re going to read for the next four days are the fruits of that effort. Today’s effort looks at the story of Laurentian’s mid-decade construction spree, tomorrow’s will take us through the key events between the building spree and the arrival of COVID, Wednesday’s will look at the ten months leading up to the Insolvency announcement, and Thursday will look at what we can learn from all of this and what Laurentian’s way forward will be.

Laurentian long had trouble balancing its budgets. Figure 1 is the institution’s total revenue minus total expenditures for the past 15 years (the 08-09 figure is pretty eye-popping – something that happens when a generous new faculty agreement kicks in in the same year as a global financial crisis).

Figure 1: Laurentian University’s Revenue Minus Expenses, (in unadjusted millions of $s), Fiscal Years Ending 2006-2020, in millions.
You should take two things from Figure 1. First, and most obviously, sustainability was not Laurentian’s strong suit, and literally no one on campus should have been in any doubt that the institution was in serious trouble heading into COVID. But if you look more closely, you can also see why Laurentian might have thought it had turned the corner around 2012-3 and was in a position to dream a bit larger. And that’s exactly what leadership did:

- They gave its student residences a serious renovation: a good investment since demographic trends showed clearly the university was going to need to attract a growing number of students from outside the Sudbury area to survive. This cost $7.7 million and was completed in mid-2012.
- They built a new and quite glorious building in downtown Sudbury for its school of architecture. Cost: $42.6 million, later defrayed by $10 million through a donation from Ron and Cheryl McEwen.
- There was a $50 million program of renovation and building (250,000 sq. ft of the former and 20,000 sq feet of the ladder, where the latter was largely for a new student centre and the also glorious Indigenous Sharing and Learning Centre), simply known as “Campus Modernization.” Some of this cost was offset through donations and dedicated student fees.
- They built a massive (47,000 sq ft) new addition to the Engineering Building at a cost of $30.3 million.
- **Pay attention to this one:** they built a Cardiovascular/Metabolic lab which initially was supposed to cost $5 million (later rising to $6 million) more or less specifically to house the research unit of the university’s new VP Research, Rui Wang.

And remember, it did this at a time when the unrestricted operating deficit at the end of fiscal 2014 was $8.2 million – but, as Figure 1 shows, things appeared to be getting better.

One needs to get deep into the financials to understand what was going on, but there are two key points that became crucial in early 2021. The first is that not all of this construction was covered by long-term debt, and the second is that the long-term debt was all unsecured, because a) the banks assumed the university was implicitly guaranteed by the provincial government and b) what's the point in having the option to re-possess **part** of an Engineering building (for example) when it would have almost no value to anyone other than the university itself?
As Figure 2 shows, the long-term debt would eventually reach its peak in the 2016-17 fiscal year, at just shy of $102 million dollars. When people talk about Laurentian having gone on a construction binge, this is usually what is brought to mind. Laurentian was paying well over prime on these loans: different loans had different effective rates, but the blended rate on the whole debt was about 4.5%, well above prime. This may sound a foolish waste of money, but it’s a pattern seen across many Ontario universities; U of T’s blended rate on its $710 million or so of long-term unsecured debt is actually slightly higher, at 5.26%. The bet universities are making is that locking on these rates will save them money in the long run (the maturities on these loans are all 15-25 years in the future). In any case, actual annual payments on these debts were never more than $3.5 million, or, put another way, never more than 2% of university expenditures.

Figure 2: Laurentian’s Long-term debt (in unadjusted millions of $s), fiscal years ending 2006-2020

But the real action was in the stuff not covered by long-term debt. These were covered by “internal financing”. Apparently, the university had always done this in a small way, but never for more than $2 million in a year. In the years after 2015, this sum raced up to over $20 million. About a third of the Campus Modernization ($17 million) project was financed this way, as was the entirety of the Cardiovascular/Metabolic Lab ($6 million) and sundry amounts for other projects. Essentially, the university was lending to itself for these sums.

But from what funds?

Internal net assets were negative because of years of deficits (almost $20 million by April 2020). And the answer is that the university seems to have been spending various parts of its piggy bank for things like pensions, future benefits liabilities, research grants, etc., and calling it a “loan”. You can see how bad things got just by looking at their cash/short-term investment position on April 30 each year. On average, for the last five fiscals for which there is data, cash was equal to about 3% of total expenditures. Adjusted for revenues, if you look at universities with under 10,000 students across Ontario, Laurentian was holding cash balances of about half to one-third of the Ontario norm.
Eventually the cash crunch got too much. Laurentian began to look to the banks for lines of credit, and received two: one from Desjardins for $26 million, and another from the Royal Bank for $5 million. Basically, the institution was having trouble staying liquid through the entire year based on its own resources, particularly during the eight-month gap between students' January and September tuition payments. So, it would draw on that line of credit in, say, February, and then pay it down each fall. Naturally, these sums showed up on each April 30 financial statements. But, weirdly, they would show up as "repayments" on internal findings (see note 12 in the 2019-20 Financial Statement). So to understand the real situation you have to portray both the internal financing and the lines of credit, as below in Figure 4.
Here’s the takeaway from all of this: Laurentian was in trouble in the late oughts. By the early 10s, it had righted the ship somewhat and begun making large investments in new research facilities, student housing and overall renovations. It should have been clear to the Board and anyone else watching closely (this includes the union, which had an ex-officio non-voting seat on the Board) that the university was sailing very, very close to the wind. As Figure 5 shows, in 2013 the institutions’ current liabilities and deferred contributions combined were at least in touching distance of its current assets. But that position deteriorated rapidly over the next five years. From 2014 onwards, the institution was increasingly exposed financially, and while it made progress on its long-term debt, on the short-term liquidity front it was still vulnerable to external shocks.

**Figure 5: Laurentian Key Financials, 2006-2020**

Tomorrow, we will look at those shocks in detail.
Tracing Laurentian’s Path Part 2: External Shocks

Jan 18, 2022 | Alex Usher

Tracing Laurentian's Path Part 2: External Shocks

Broader speaking, four external shocks contributed to Laurentian’s downfall. First, the Barrie Campus and the costs associated with that experiment; second, the loss of 140 Saudi students in the summer of 2018 following the Canada-Saudi Twitter spat; third, the province’s decision to cut tuition by 10% in early 2019; and fourth, COVID. I’ll add a fifth which was technically not a financial shock but certainly a waste of money. Let’s go through each of these.

The Barrie Campus

Laurentian opened operations in Barrie in 2002 and gradually expanded the number of programs offered there. The government put a moratorium on new programs in 2010, basically as a way of stopping Laurentian from setting up a de facto second campus by stealth. The university did make a big pitch to create a full stand-alone campus, underlining the point that at the time it was the largest community in Canada which lacked a campus of its own. When the Wynne government turned down Laurentian’s request for financial support for expansion to a full campus in 2015, Laurentian pulled the plug on the campus, which then housed 500-600 students.

There is no hard data available – publicly at any rate – on how much the Barrie operations cost, or how many people actually worked there, so it’s hard to work out what kind of financial loss this represented. One line of argument is that leaving Barrie cost money because the institution lost students but had to keep the tenured staff it had hired to work there. But with such small numbers, it seems unlikely the campus was working at break-even anyway, so maybe this move saved money. In any case over the long run the ratio between total students and total staff is largely unchanged (see Figure 1 below), so I call this one a wash.

Figure 1: Student Enrolment and FT Faculty, 2012-13 to 2019-20
The Saudi Situation

One of Laurentian’s key weaknesses in the run-up to 2021 was its chronic inability to attract international students. Bluntly, the Ontario system of funding higher education system incentivizes taking international students and Laurentian was an institution that never seemed to get the message.

That aside, one of the curious things about Laurentian was that unlike other institutions, it was not over-reliant on China or India. Instead, it was reliant on Saudi Arabia, which was a capricious place on which to depend on international students, as a few Canadian universities could have told you prior to 2018. Back in 2014, when the Saudis began putting controls on the King Abdullah Scholarships, the Saudis essentially blocked their students from attending any Atlantic universities other than Dalhousie. This was a big blow for Cape Breton University in particular, which at the time had something like 40% of its international students coming from the Kingdom (they bounced back by going big on India). Figure 2 shows the effect of the Saudi decision.

Figure 2: Top Five International Source Countries for International Students, Laurentian University, 2012-13 to 2019-20
How big the Saudi effect was depends on your counterfactual. At a minimum, with tuition fees running between $25-$36,000 depending on the program, a loss of 140 students means something like a $4 million one-time-hit for the 2018-19 budget (which, on its own, would have turned that year’s deficit into a balanced budget). Arguably, it had no multi-year effect because total international student numbers rebounded to 2017-18 levels in 2019-20. On the other hand, one could claim that this was a permanent $4 million reduction in income because that extra 130 students who arrived in 2019-20 might have arrived even if the Saudis had stayed (I have my doubts, but it’s possible), in which case the damage is $4M per year, or anything up to $12M across the 18-19, 19-20 and 20-21 fiscals.

The 10% Tuition Reduction

In January 2019, the Ontario government decided to paper over a roughly $1 billion cut in student financial assistance by declaring a 10% reduction in domestic tuition fees for 2019-20, and a two-year freeze thereafter (in theory, this freeze ends in Fall 2022, although I have a feeling that’s unlikely in a pre-election year). As I observed, this measure was always going to hurt institutions with mostly domestic students more than it hurt institutions with a lot of international students. In Laurentian’s case, it was about a $4 million hit from a static baseline (the school took in roughly $55 million/year, of which, very roughly $40 million came from domestic students). In practice, Laurentian only saw a loss of about $2.35 million in tuition revenue in 2019-20, because revenue from international students ticked up a bit (see above) – and of course the university did receive $5.5 million in one-time compensation money from the government’s Northern Tuition Sustainability Fund (a hastily-conceived sop to northern institutions put together once it was pointed out to then-Finance Minister Vic Fedeli that his own hometown university of Nipissing would be among the worst-hit by the tuition policy). Taking all this into consideration, under the reasonable counterfactual where Laurentian increased fees by 3% in both 2019-20 and 2020-21, Laurentian probably did not suffer an income reduction during 2019-20 but faced a $5.4 million loss in 2020-21.

COVID

Laurentian was the first public university in Canada to close its campus in reaction to COVID. On March 11th, 2021, after the first case was noticed on campus (it was related to
a mining convention in Ontario, which was one of the country's earliest major spreader events), the institution decided to move to teaching at a distance.

Almost immediately, the consequences of this decision came into view. According to Laurentian's 2019-20 financial report, the impact of this decision for March alone was about $5.9 million. Most of this had to do with the collapse in equity values in March 2020, which apparently forced the institution to pay for scholarships out of operating grants instead of the suddenly-depleted endowment funding and the sudden loss of revenue from residents. (The scholarship payment doesn’t make a lot of sense to me because presumably the scholarships had already been awarded prior to COVID hitting, but who knows).

That Fifth Thing

I told you there would be a fifth piece, and it’s this. Remember the $6-million lab the university built for its new VP Research, the one paid for entirely with “internal borrowing” (i.e., in effect by either a line of credit or cannibalizing short-term revenue)? Well, that VP Research, Rui Wang, left suddenly and somewhat mysteriously in order to take what was almost certainly a less important job at York University (deputy provost, Markham Campus, though he has since been promoted to Dean of Science). Since his departure, that lab has essentially been left inactive. $6 million down the drain. I am not sure where, if anywhere, that fault can be laid in this matter, but it is just another among many hits that the institution took in the years leading up to 2020.

Add It All Together

So, here’s the most conservative spin on the math up to March 31st, 2020. Assume the Barrie campus decision was a wash (it probably wasn’t, but we have no data, so let’s put the figure at zero). The 2018-19 year saw the University take a $4 million hit from the loss of Saudi students. The 2019-20 year saw the university take another $5.9 million hit from COVID. And the 2020-21 year was shaping up disastrously: another few million from COVID, and a $5.4 million hit from the domestic tuition cut. Take just those three things, and the 2018-2019 budget would have been balanced, the 2019-20 would have ended in an $3 million surplus, and the 2020-21 budget would probably have been in the black as well. At the end of the 19-20 fiscal, the combined value of the institution’s line of credit, the aggregate net deficit and the “internal borrowing” was about $45 million: without these shocks, they would have been just $35 million: not safe by any means, but heading in the right direction.

In sum: Laurentian was overleveraged and vulnerable in mid-2018. At the same time, it was on a path to de-leveraging. The extent to which Laurentian’s Board and management can be seen as culpable for what happened next really comes down to whether you view the subsequent events as genuinely have coming from “out of the blue.” My view is that i) COVID was a genuine black swan; ii) the timing of the loss of Saudi income was unforeseeable, but it was a volatile enough income source that it should have been hedged against and iii) though tuition cuts were a surprise, the idea that a budget-slashing Ford government would inflict pain on universities and colleges in 2019 absolutely was not: everyone in the sector – and I mean literally everyone – knew that some sort of cut was coming from the moment that government won an election in June 2018. That one just doesn’t wash.

And so, the university began hurtling towards insolvency. More tomorrow.
Laurentian was the first public university in Canada to close its campus in reaction to COVID. On March 11, after the first case was identified, the institution decided to move to teaching at a distance.

Almost immediately, the consequences of COVID came into view. The university had anticipated going into the new fiscal year with a combined $40 million in net deficits, line of credit owing, and “internal borrowing”, and now it was $45 million, with projected losses (at the time) of about $12 million. There was an expected $7 million in losses from COVID still to come, as well as a $5.4 million loss in net tuition revenue from the domestic cut without any further provincial support to balance it out. Remember that most of these deficits weren’t financed through long-term lending. In practice, they were paid by the institution cannibalizing future revenue – basically paying April’s bills with May’s income, and/or using a line of credit to get by. This prospect would have seemed extremely scary, and so at some point in March 2020, it seems that the university began to look for insolvency counsel, though this was known by almost no one at the time (it was revealed in Ontario Legislature just last month).

Laurentian’s pressures were relieved in the spring and summer of 2020, as expected COVID losses did not materialize: by January 31st, the expected deficit was down from $12-13 million to just $5.6 million (presumably, this was because the big drop in student enrolments everyone was predicting for Fall 2020 never materialized). On its own, that probably wasn’t enough improvement to save the situation. The key to pretty much everything at this point was the line of credit from Desjardins. With access to that line of credit, the institution likely would have had the liquidity to at least get to the end of the year. Without it, there was a catastrophic liquidity crunch.

We do not have a full picture of what happened to that Desjardins line of credit, because Laurentian’s affidavit is frustratingly and perhaps deliberately imprecise on the matter. What we do know is this:

- the line of credit was negotiated in 2019, and was for a maximum of $26 million at prime minus 70 basis points.
as of April 30, 2020, Laurentian owed this account $14.4 million.

it was regular practice for the university to use this line of credit to improve liquidity in the period between the two big income dumps in January and September.

The credit facility contained the following boilerplate clause, “if a material change occurs in the Borrower’s Situation after this offering of financing is accepted and the Financial Institution deems that such change increases the risk the Financial Institution may, in its sole discretion, cancel the facilities made available hereunder, refuse to disburse any facility not yet disbursed, and demand repayment of any amount not yet disbursed.” Note the wording there: those consequences are all separate: it could do one, two or all three of those things.

As of January 31, 2021, this line of credit had not been cancelled, and Laurentian owed no money to Desjardins.

At some point, Laurentian surrendered $14.4 million in cash. Did Desjardins actively call in the loan because it was worried about Laurentians financial situation? Did Laurentian repay voluntarily, assuming that it would be able to use the line again the following January, only to find that Desjardins would not re-up the loan because of concern about financial stability? In either case, why not cancel the facility? Or – the most sinister interpretation – did Laurentian repay this loan voluntarily not under the assumption it could get it back in a few months, but rather with the understanding that losing that cash would accelerate the crisis to come?

On the available evidence, this question cannot be definitely answered. But I think the fact that the eventual insolvency happened around the time of year Laurentian normally used the credit facility (i.e. after the January tuition payments were in) points to the second option: that is, Laurentian paid assuming it could use the facility again, but that Desjardins refused to disburse any new loans until Laurentian’s financial situation improved, while leaving the credit facility intact because it wanted the university’s business in the future. I can’t prove that, and I understand other interpretations are possible, but that’s where I sit until someone at Laurentian decides to tell the real story.

With credit facilities gone, there were in theory just two options left to meet the financing gap. The first was to seize major savings from the unions; something that was possible given there were negotiations with the Laurentian University Faculty Association (LUFA).

Now, to say that LUFA and the Laurentian administration did not get on is an understatement: for whatever reason (and in my experience, in terms of getting to a relationship this crappy, it takes two to tango), the two not only did not communicate very well but tended to take on antagonistic positions as a matter of course. Over the course of 2020, as the crisis gathered, the university administration was quite blunt about the possibility of insolvency at some point in 2020-21.

The union reaction was to claim – on the basis of the same documents I used to put together Monday and Tuesday’s blogs and in response to documents provided by the administration – that the university did not demonstrate that they were facing a financial crisis (for the curious, see paragraphs 96 to 124 in Dr. Colin’s affidavit here and paragraphs 124 to 137 of Dr. Haché’s affidavit here). It seems the union read the crisis through the lens of the current round of collective bargaining and the extensive number of grievances the LUFA had, and any university claim was met with demands for documentation. Some documentation was provided, but the union was never satisfied and effectively chose to deny the urgency of the claim and basically told the university that if it was genuinely in trouble, it should declare exigency and make whatever cuts were needed.
Now some people seem to think that this was evidence that the union was in fact being co-operative and accepting on this score (see the comments from when I wrote about this last year), but I think this is a deeply mistaken position. Exigency is a slow process (6 months to make decisions) and has certain conditions that make real savings difficult (e.g. it forces the university to dismiss younger, lower-paid staff before touching older, much better-paid staff), and it requires long notice periods and very large severance packages to be paid – that is to say it raises costs in the short term in order to achieve long-term efficiencies. If you have the luxury of a crisis unfolding over four or five years, it might have been appropriate. But in a crisis of liquidity like the one Laurentian faced, it would actually have massively exacerbated the problem. Exigency was never a tenable solution to this set of problems.

So, with no radical cost cuts possible and cash running short, we come to the final option: the bail out. We do not know much about the form the negotiation took, when it started, or anything like that. A leaked letter last spring implied that the university asked for $100 million for buy-outs and long-term liquidity needs (which probably implies that the university was prepared to go the exigency route until quite close to the date of eventual exigency, provided someone else was paying for it), but that the government offered only about a tenth of that, on condition a full audit was done. There may have been other numbers and conditions in play: we simply don't know.

We do know that in the end whatever was offered by the government was deemed too little by the university, which preferred to go the Companies’ Creditors Arrangement Act (CCAA) route instead. This was, in a word, momentous, because what it does is simultaneously bring forward all unsecured debt—whatever their original payment schedule was—to the present moment, and then get the creditors to bargain with the debtor for a percentage of the outstanding debt. At the time Laurentian filed for insolvency, it claimed $181 million in unsecured liability (some of consisted of some pretty iffy lawsuits and therefore won't be evaluated at par), with $91 million owed to Toronto Dominion Bank and the Royal Bank for all that construction from earlier in the decade. Since the filing, that amount has gone up to $360 million (much of which, I understand, consists of claims against Laurentian from ex-employees looking for severance and benefits they believe they were due but did not receive). Laurentian does not have this money: and indeed the more people claim as unsecured creditors, the lower the percentage of funds any individual creditor is likely to receive.

At a certain level, you can see the attractiveness of this strategy. Getting rid of all these debts at one go—presumably at pennies on the dollar, although the final deal needs to be accepted by creditors holding two-thirds of the debt—would undoubtedly make the new Laurentian more financially viable. The cost, of course, was a traumatic round of cuts, deeper than at any university in post-war Canadian history, and the seemingly hap-hazard evisceration of a number of academic programs.

How well did the Laurentian's administration and Board understand these trade-offs when it declined the government's bailout offer and chose the CCAA route? We don't know. It would be interesting, one day, to hear their stories. Because that choice is going to have ramifications for decades.

Tomorrow: questions and alternatives.
Tracing Laurentian’s Path Part 4 – Questions, Alternatives and Lessons

January 20, 2022 | Alex Usher

So, on January 31 last year Laurentian went into the CCAA process, thus bringing forward hundreds of millions of dollars in debts, and over the course of the next three months tore itself apart in the name of reaching solvency. 100-odd faculty were fired and a few dozen programs shut. It was all extremely grim. The question is: was it necessary and were there alternatives?

Working backwards from the moment of insolvency, one can ask what happened and ask counterfactuals.

1. What happened to the Desjardins money? This is key to understanding how the last few weeks before the crash played out. If the Desjardins facility was available to Laurentian but went unused, then this whole thing was avoidable and serious questions have to asked about motives. If Laurentian tried to use the facility but was turned down, then that was pretty much the moment when everything became inevitable. The only thing that could have changed things at that point was a bailout: internally, the institution was out of options.

2. Why didn’t the government come up with a better bailout offer? Excellent question. The decision not to bailout Laurentian had momentous consequences, because when the university went for CCAA protection, it suddenly became clear to the banks that the hundreds of millions of dollars they had lent to universities around the province an unsecured basis on the assumption that they were implicitly guaranteed by the provinces were suddenly at risk. This will raise borrowing cost for the entire sector, and possibly the hospital sector as well. Obviously, moral hazard will have been one excuse, but it wouldn’t have been that hard to lend the university around $35 million to get through 2021, to be recovered through deduction at source of the university’s subsequent five annual grant disbursements, in exchange for reducing expenditures of (say) $10 million per year. This would have solved the problem completely. It is unclear why this route was not taken (though to be fair, it would almost certainly have led to a lawsuit from LUFA about unfair bargaining tactics), but I bet the government –
which is now offering a $35 million anyway, only after all the pain has been inflicted – wishes it had found a better way, sooner.

3. Wasn’t exigency an option? No. Or at least not anytime in 2020, not without a big infusion of money from government. The point of exigency clauses in Canadian university collective agreements is to make it as difficult as possible for institutions to reduce costs in the short-term, but it never occurred to anyone that the alternative to exigency was insolvency protection and the mass layoffs that can go with it. My guess is that a fair number of both administrations and unions are now re-thinking how to re-work those clauses, now that this alternative is now clearer.

4. Was the cash crunch a “perfect storm”? Or was it avoidable? Yes, and yes. I mean, sure: COVID, the tuition cut, the Saudis leaving – the things a group of former Board Chairs called “a perfect storm” – were indeed the proximate causes of collapse. They were all sudden and to some degree difficult to foresee. But the structure was very precarious to begin with. People focus in the $100 million in long-term debt, but that was being managed reasonably well. It was everything else that was the problem. Deficits in eleven of the previous thirteen years. Cash reserves down to barely a couple of weeks worth of costs every April. Lines of credit used to get them through from January to September. “Internal borrowing” – that is, use of money in restricted accounts – to fund the construction of a $6 million laboratory for a VP Research who took off for Toronto with indecent haste, leaving the laboratory effectively unused. The university might have got away with it all had it not been for the “perfect storm”, but as you’ve no doubt noticed, every other institution in the country managed to survive. And the reason is that they weren’t in such desperate trouble to begin with. (It seems banal as a lesson, but “don’t let your short-term liabilities and deferred contributions vastly exceed your actual short-term assets” sure seems like the key one to emerge from all of this).

5. Was all the secrecy around the insolvency necessary? Absolutely not. And this is maybe the weirdest part of the whole process. Insolvency is an earthshaking, community-destroying event, perhaps even more so because Laurentian is a big employer in a not-very-big town. And so, the opacity and refusal to bring the community into the decision-making process not only made it look as though the university had something to hide, it cut off the institution from any communal path back to rightness. None of it was necessary.

The institution’s plight could have been made plainer back when COVID hit. Discussions could have been held in the community about alternatives. I would point you, for instance, to what is happening at Kentucky State University, an Historically Black University which has run into similar-sized trouble and is looking for a state bailout. There, no one needed to guess about the size and shape of the problem because the state did a quick audit into finances, ascertained the size and causes of the problem, and published it in advance of a legislative decision on a bailout (or, failing that, mass layoffs). While Laurentian probably would have had difficulty doing this while it had short-term debt repayable upon demand, once the Desjardins loan was paid, there was nothing to stop it doing this. The objections, presumably, were both political (the union wouldn’t have played ball, preferring to claim the whole thing was a conspiracy to blow up collective bargaining) and tactical (the lawyers and consultants Laurentian had hired would not have had as free a hand in working things out). But so what? What would the harm have been in trying?

Imagine, if you will, that Laurentian’s President Robert Haché had told the whole story to the whole community in fall 2020 and said: “folks, here’s the choice: i) insolvency and mass layoffs, or ii) all staff are going to give up 10% of their paychecks for 2021, 2022 and
2023, and agree to both a transparent method of measuring program costs and eliminating the unsustainable ones, but no layoffs. Both options suck, I know. That we have to do it at all speaks to some bad risks taken a few years ago and some short-term revenue problems that we just can’t overcome. But we need a way forward. Which way should it be?” It’s possible the faculty union in particular would have gone around claiming this was a false dichotomy, the crisis wasn’t real, etc. But so what? In which case, even if we ended up exactly where we are now, everyone would have known a) what happened and b) that they could have been part of an alternative. People would have not felt lied to, and they would have had a feeling of agency. And moving forward, that could be worth a lot.

I have no idea how this is all going to play out in the end. I believe Laurentian is not exiting the insolvency process as planned on January 31 because the claims process seems set to run on well into the spring. Until we know how much of the $360 million in claims Laurentian is facing actually needs to be paid and over what period of time, it’s hard to see what the future is. The negotiations process is super-tricky. Basically, every creditor gets one vote per dollar lent, with a 2/3 majority required for a vote. Near as I can tell, the two biggest claimants are the TD & Royal Bank, who are owed $91 million, plus the ex-employees who are claiming their severance and pension rights, both of whom would have reason to hold out for high-percentage repayment because they think the government will eventually provide a backstop.

Will they be right? Who knows? This saga, over a decade in the making, still has a ways to run. But one thing I do know is this: however Laurentian got to the point it is at now, it has been very ill-served by a lawyer-driven, secrecy-obsessed process which has denied the community not just the opportunity to decide its future collectively but also the right to even know what actually happened. It would be good for someone to conduct a public inquiry to allow all the facts to be examined, preferably one established by the Board and Senate jointly, but if not by the provincial government. We can’t learn the right lessons from this imbroglio if we don’t know what actually happened and why.

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4 responses to “Tracing Laurentian’s Path Part 4 –Questions, Alternatives and Lessons”

**Dr Jean Watters says:**  
*January 20, 2022 at 14:27*

Just a few words to say thank you for an excellent analysis.

[REPLY]
The Auditor General on Laurentian

April 18, 2022 | Alex Usher

Last Wednesday, the Ontario Auditor-General (AG) released a **damning interim report on the Laurentian insolvency**. Because of its interim nature – the AG does not think it likely her office will finish a full report before the Legislature is prorogued for the June election – it does not do justice to the subject. However, it does make three specific claims, which I think are hugely important and could pave the way for some key resignations at Laurentian.

For some time, I hoped that the Auditor General would shed light on two key issues: why was the university unable (unwilling?) to access the Desjardins line of credit which previously provided the university with up to $25 million in liquidity, and what happened during the negotiations with the Government of Ontario with respect to a relief package prior to the declaration of insolvency. The answers matter because they would determine whether in January the institution was insolvent and without other recourse except bankruptcy, or whether President Haché and the Board of Governors deliberately "drove the bus over the cliff", acting (or failing to act) over the course of several months in such a way as to deprive the university of choices other than insolvency. The AG says very clearly it was the latter.

Here are three claims quoted in full:

1. **Laurentian did not have to file for CCAA protection; it strategically planned and chose to take steps to file for creditor protection in the Ontario Superior Court of Justice on February 1, 2021.** As Laurentian’s financial situation grew increasingly dire, the university did not follow the normal broader public sector precedent by making comprehensive and clear efforts to seek financial assistance from the Ministry. It instead focused on advocating to elected officials and their staff, on the advice of external consultants. In August 2020, Laurentian raised the potential of CCAA to the Minister of Colleges and Universities but did not clearly define how much financial assistance was required from the province to avoid a CCAA filing. An explicit request for funding to the Ministry was not made until December 2020, at which point the ask was significant and the timeline for intervention was short. Had it sought to work earlier and more transparently with Ministry staff, had it not prematurely paid off and relinquished its line of credit in 2020, and had it...
accepted the temporary funding assistance that the province ultimately offered, Laurentian would have had sufficient time for its financial situation to be reviewed jointly with the province and a go-forward plan put in place.

2. An external law firm that was working with the university on other business first introduced the concept of the creditor-protection process in 2019 to senior administration. We believe that serious consideration of the concept lay dormant until the spring of 2020, when Laurentian made the decision to actively pursue creditor protection.

3. Guided by external lawyers, external financial consultants and government-relations specialists, the President of Laurentian and certain Board members, strategically pursued restructuring under the CCAA. This chosen path appears to have enabled Laurentian to limit the full disclosure of financial and operational information to the public and other stakeholders, such as the faculty association and the staff union. It appears that Laurentian’s external auditors were not made aware of the CCAA plans, and as such, Laurentian’s financial statements ultimately did not clearly disclose to stakeholders the university’s imminent financial risk. [AU – I’m sure KPMG appreciated this line].

The problem with the report is that it does not produce any documentary evidence to back up these claims. The AG has access to thousands of documents which we do not, and presumably she has read them and formed an opinion on them. So, the question is really: do you trust this AG to make reasonable judgements? She has a history of hatchet jobs – for instance the utterly unjustified attack on OSAP back in 2019. And there is at least one clear error in her portrayal of Laurentian’s financial position in 2021 (in this report she fixates on total debt, which as I pointed out back here was never really the problem: Laurentian had long-term debt under control, it was specifically short-term debt and short-term liabilities that did them in). Nevertheless, the case she makes for how insolvency occurred is plausible, and it’s not in contradiction with other known facts. I’m inclined to believe the gist of what she has presented, which is that Haché and co. did indeed deliberately drive the bus over the cliff.

Many in Sudbury have believed this since the beginning. For a long time, I resisted this conclusion mainly because it was not clear who because I couldn’t see whose interests this would serve (yes, I know, there are lots of conspiracy theories about cui bono – the Ford government, other university Presidents, etc. – but these are all basically fantasies about The Man). I mean, just look at it from Haché’s POV. A guy like him probably only gets one shot to be a President. Presumably he’d want a legacy, something to build, something to be proud of. What would make him drive the bus over the cliff?

Increasingly, it seems to me that in fact what happened is that sometime soon after COVID hit, Haché simply found it too difficult to imagine how he could build something at Laurentian. No doubt, he inherited a bad situation, and decisions and events in 2018-20 made it worse. And so, he (aided by outside consultants, and likely encouraged by at least a few Board members) conceived of a different kind of legacy: being the man who “saved” and “rebuilt” the university through tough medicine. But if (repeat: if) this was Haché’s intent, why carry out the “saving” part in ways that deliberately made the re-building part more difficult? Why time the insolvency to do maximum damage to your student intake? Why destroy every relationship with faculty and community through secrecy, deception, and top-down, hack-and-slash restructuring?

None of this ever made the slightest sense, which is why I was disinclined to view Haché’s motives in this light. But now I have come to the view that driving the bus over the cliff in the name of rebuilding was indeed an intentional strategy: he was just too short-sighted/incompetent to see that playing this game would make his longer-term goals
impossible. And I don’t just mean this in the sense that he saddled this institution with tens of millions of dollars in unnecessary short-term costs – lawyers, consultants, interest-rate swaps, etc. – that he probably did not foresee when he started down this path (it will be interesting, once the dust settles, to get a better sense from previous Board members how much of these costs they anticipated when Haché urged this option on them). I mean he seems not to have understood how the secrecy and deception would destroy his moral right to participate in the rebuilding, particularly once it became clear – as it did this past week – other options were available. Like a rookie chess player, his opening moves were bold, but they sabotaged his end-game.

Let’s be clear, it’s not just with respect to faculty and staff that he has a problem: it’s creditors, too. Anyone on the unsecured creditors list who read the AG’s report is unlikely to be inclined to cut Laurentian – or the court-appointed Monitor, Ernst and Young – much slack (Ernst and Young strikes me as being in a particular conflict of interest here: Monitor’s are supposed to act in creditor’s interests, and yet the AG is now saying that prior to being appointed Monitor, EY was advising the debtor to act against creditors’ interest by deliberately and unnecessarily maneuvering the institution into the CCAA process). What might have looked like a smart move to get out of debt 15 months ago now looks disastrous. This also explains why Laurentian might have tried to evade transparency for all this time: because a true picture of the institution’s (possibly mendacious) motives and actions would make subsequent dealings with creditors that much more difficult.

So now here we are. If it is true that alternatives existed, and Haché ignored them; if it is true that Haché was a naïf who got rolled by an unnamed law firm and Ernst and Young (who have since sucked out over $20 million from the organization that could have gone to other purposes), and if it is true that the whole CCAA process was a simple choice to both bilk creditors and to bust the union in the pursuit of some phantasmagorical institutional rebirth, then it’s awfully hard to see how Haché can maintain the moral right to lead the institution into its rebuilding phase.

If any of this is true, he needs to go. And the sooner the better.

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**2 responses to “The Auditor General on Laurentian”**

**Al O’Neill says:**

*April 19, 2022 at 00:55*

Overall, I agree with this, but a couple of points: