THE UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 131 OF THE BUSINESS BOARD

January 19, 2004

To the Governing Council,
University of Toronto

Your Board reports that it met on Monday, January 19, 2004 at 5:00 pm in the Council Chamber, Simcoe Hall, with the following members present:

Ms. Jacqueline C. Orange (In the Chair)
Mr. John F. (Jack) Petch, Vice-Chair
Dr. Thomas H. Simpson, Chair of the Governing Council
Ms. Rose M. Patten, Vice-Chair of the Governing Council
Professor Robert J. Birgeneau, President
Ms. Cathy Riggall, Acting Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Ms. Dominique Barker
Mr. Donald A. Burwash
Mr. Bruce G. Cameron
Dr. Claude S. Davis
Ms. Mary Anne Elliott
Ms. Susan Eng
Dr. Paul V. Godfrey
Mr. Gerald A. Lokash
Ms. Karen Lewis
Ms. Kim McLean
Mr. George E. Myhal
Dr. John P. Nestor
Mr. Richard Nunn
Mr. Roger P. Parkinson
Professor Arthur S. Ripstein
Mrs. Susan M. Scace
Mr. Amir Shalaby
Professor Jake J. Thiessen
Mr. Robert S. Weiss

Mr. John Bisanti, Chief Capital Projects Officer
Ms. Sheila Brown, Controller and Director of Financial Services
Dr. Jon Dellandrea, Vice-President and Chief Advancement Officer
Professor Shirley Neuman, Vice-President and Provost
Professor Ian Orchard, Vice-President and Principal, University of Toronto at Mississauga
Professor Ronald Venter, Vice-Provost, Space and Facilities Planning
Professor Safwat Zaky, Vice-Provost, Planning and Budget

Secretariat:

Mr. Neil Dobbs
Mrs. Beverley Stefureak

Regrets:
Dr. Alice Dong
Mr. Timothy Reid

In Attendance:
Mr. Felix Chee, Chief Executive Officer, University of Toronto Asset Management Corporation
Mr. Ken Duncliffe, Director, Centre for Physical Education, Athletics and Recreation, University of Toronto at Mississauga (UTM)
Ms. Rivi Frankle, Assistant Vice-President, Alumni and Development
Professor George Luste, President, University of Toronto Faculty Association
Ms. Paulette Kennedy, Member of the Audit Committee
Mr. Ashley Morton, President, Students' Administrative Council (SAC)
Mr. Mark Overton, Dean of Students, UTM
Mr. David Oxtoby, Member of the Audit Committee
Professor Paul Perron, Principal, University College

In Attendance: (cont'd)
Professor Edward Relph, Associate Principal, Campus Development, University of Toronto at Scarborough
Mr. Allan Shapira, Hewitt Associates
Mr. Howard Tam, Vice-President, Student Affairs, SAC

ON MOTION DULY MOVED AND SECONDED, THE BOARD MOVED *IN CAMERA*.

1. Property Matter

Professor Birgeneau, Dr. Dellandrea and Mr. Chee briefed members on a property matter that was under negotiation. Depending on the outcome, the matter might be brought to the Board for approval at a later date.

2. Closed Session Reports

Professor Birgeneau reported on personnel changes, indicating that more information would be following at later meetings.

ON MOTION DULY MOVED AND SECONDED, THE BOARD MOVED INTO CLOSED SESSION.

Professor Hildyard reported on the status of CUPE's application to represent stipendiary instructors.

ON MOTION DULY MOVED AND SECONDED, THE BOARD MOVED INTO OPEN SESSION.

3. Reports of Previous Meetings

Report Number 129 of November 10, 2003 and Report Number 130 of November 27, 2003, including the Confidential Report of the Closed Session, were approved.

4. Business Arising from the Reports of the Previous Meetings

There was no business arising from the reports of the previous meetings.

5. Financial Situation of the University: Background Briefing, Part III, Pension Funds

In keeping with the Chair's intention to keep the Board focused on major, long-range, strategic issues, Ms. Brown had agreed to provide the third in a series of briefings on the University's overall financial situation. Ms. Brown used a PowerPoint presentation (attached hereto as Appendix "A") to speak to Pension and Other Benefits, opening with a brief summary of the topics that had been addressed at other meetings and those that would be covered in later meetings. She reminded members of the three defined benefit plans that provided pension benefits to current and future pensioners and reviewed the investment strategy for the registered and unregistered plans. The funding mechanism for the plans was designed so that contributions to the plans plus investment income over time would provide sufficient funds to pay pension benefits. Slides graphed the participation as at June 30 in the two registered plans and one unregistered plan and the liabilities, the total assets at market value and accounting surplus (deficit) of each plan as at April 30, 2003. Ms. Brown reviewed the factors that had contributed to the market deficit in the U. of T. Registered Pension Plan (RPP) and the Supplemental Retirement Arrangement (SRA), and spoke to the impact on the financial statements that arose as a result. Clearly, the University would have to address the deficit in the pension plan, and proposals under the following item were designed to do that.

5. Financial Situation of the University: Background Briefing, Part III, Pension Funds (cont'd)

A member asked if the University was bound into a defined contribution pension plan. Ms. Brown responded that the type of pension plan was a matter of negotiation with staff and faculty.

A member asked what percentage of employees were members of the SRA. Ms. Brown responded that the SRA included all staff and faculty with an annual salary of more than about $102,000. This totaled approximately 800 members. Of the $309 million deficit, the SRA accounted for about $17 million. The member commented that the number of participants was unusually high, given that in the private sector this benefit extended only to CEOs and other very senior executives.

6. Pension Funding Strategy

Ms. Brown reviewed the recent history and financial status of the pension plans, as well as the current pension funding strategy, all of which had been detailed in her memoranda of January 12, 2004.

The proposed strategy focused on only the University's main pension plan and the SRA and the key principle was to approach the two plans in an integrated manner. It was important to maintain solvency of the RPP, which was determined by calculating the status of the plan as if it were to be wound up. If the solvency ratio were less than 1:0, then the University would be required to fund the unfounded plan liabilities over a period of five years rather than fifteen. In determining strategy, it was imperative that the promise to members to maintain pensions be kept; that sufficient funds be placed into the plans to meet that promise; that the solvency ratio of the RPP be maintained so as to allow for the 15-year amortization; and that all of the above be accomplished in a predictable manner.

The proposed strategy going forward would achieve those objectives, putting in place a funding mechanism to amortize deficits in both plans over the 15-year period permitted under pension regulations and to do so using a smoothed approach that was both prudent and predictable.

In response to a question about the relationship between the status of the pension plans and the number of employees, Ms. Brown said that as employees were hired, others retired, but overall the level of salary and benefits was figured into the strategy.

Professor Luste had requested permission to speak and was invited to do so. He circulated a letter to the Business Board posing six questions which he hoped could be answered. He recalled that he had been concerned about the RPP when he had joined the University in 1971, and those concerns now seemed to him to be justified. He noted that the defined benefit concept as it operated at the University of Toronto was different than in the private sector. In his view, employees bore the risk of pension deficits because increased funding for pensions was taken from the income that would otherwise be available for salaries and other benefits. This was not legitimate. Further, it appeared to him that the University had contributed very little money into the RPP over the past fifteen years, the result of which was that approximately $900 million had not gone into the fund and now had to be found.

Given the time limitation, Professor Luste focused on questions 4 and 6 from his letter. He noted that prior to 1998, RPP expenses had been under $3 million a year. In each of the past two years, they had been well over $10 million per year. Could these be reduced to 1998 levels and what could members expect in the future? Secondly many members believed that the

6. Pension Funding Strategy (cont'd)

assumption of 7% return going forward was overly optimistic and that it should be less. He asked what the impact would be if the return were to be assumed at 6.5%?

Ms. Brown responded to the first question by stating that the pension plan expenses were a combination of several factors including the fees charged by the external investment managers and custodians, UTAM's costs and the University's investment management fee. There was a review of the external investment managers' fees underway to determine if the University was receiving good value. Every effort was made to keep fees low.

With respect to the question related to the assumption of return, she noted that 7% was nominal. The real rate of return (after inflation) was 4% with a risk tolerance of 10% standard deviation, which meant that two-thirds of the time the actual return was expected to vary between -3% to +17%. She noted that the assumption was based on the long term and was reviewed on an annual basis. At this point, 7% was considered appropriate. Investment policies were in place as were instructions to the University of Toronto Asset Management Corporation to deliver returns that supported 7%.

Mr. Shapira added that the key assumption was the difference between inflation and the nominal rate of return because the inflation assumption affected both the assets and the liability, which was three-quarters indexed to inflation. The only effect of a change in inflation on the surplus or deficit would be an amount equal to one-quarter of the increase in the liability. If, therefore, the assumed nominal rate of return were to be reduced to 6.5% and the assumed rate of inflation at the same time reduced from 3% to 2.5%, the effect would be a small one.

A member asked if the second graph on the final page of the proposal, which showed the operating budget required to implement the strategy until 2010, was consistent with the University's financial outlook. Professor Neuman confirmed that the Long-Range Budget Guidelines, which would be going to the Planning and Budget Committee in early March, were consistent with what was presented in this proposal.

A member noted that it was important that funds saved during the contribution holiday, which had been available for other academic purposes, no longer would be. Ms. Brown agreed, adding that some of these funds had been used to create and fund the SRA.

On motion duly moved and seconded,

YOUR BOARD APPROVED

THAT the proposed Pension Funding Strategy contained in the nine recommendations in Ms. Brown's memorandum to the Business Board dated January 12, 2004 (attached hereto as Appendix "C") be approved.

7. Investments: Performance Benchmarks

Ms. Brown, referring to her memorandum of January 7, 2004, recalled that last spring the Business Board had specified an investment return objective and the risk tolerance and had delegated to UTAM the development of an appropriate asset mix to meet those objectives. The asset mix had been determined and the administration could now propose the benchmarks, which had been approved by the UTAM Board in October 2003 and had been in place there since October 1, 2003.

Mr. Chee was invited to add comments. He noted that members were asked to approve the revised Schedule C to the service agreement between the University and UTAM, which was

7. Investments: Performance Benchmarks (cont'd)

detailed in Attachment 1 to Ms. Brown's memorandum. The proposed benchmarks were presented in two blocks: one that covered the Long-Term Capital Appreciation Pool (LTCAP) and the Pension Fund Master Trust, and the other for the Expendable Funds Investment Pool (EFIP). To manage foreign exchange, there were also benchmarks for hedge ratios.

Mr. Chee indicated that questions had arisen about why U.S. Equities were benchmarked to the Russell 3000 Index rather than the S&P 500 Index. This was because the Russell 3000 represented a greater spectrum of stocks and had tended to outperform the S&P 500 by one or two percentage points per year, setting the bar higher for UTAM performance. Private equities used the Russell 3000 Index plus 5% as the benchmark based on the logic that, if the University's funds were going to be invested in private equity investments, then it should be expected that the return would be higher than from publicly traded companies.

Referring to Attachments 1 and 2, Mr. Chee said there had been ongoing discussion about introducing the peer universe comparison. It had been included to give the ability to compare the University's funds against what other funds had done. Specific return targets had been established for the EFIP. The context for these were numbers established at the end of 2002 when the policy had been revised to provide for stability in investment returns. The numbers shown in the composite market index benchmark had emerged from notional interest rate projections at that time. On foreign exchange, formerly the benchmark for hedging all foreign currency investments had been 50%. UTAM had revised this and the percentage was now different for different asset classes.

A member asked how Mr. Chee would describe these targets. Mr. Chee responded that they were standard, meant neither to be aggressive nor non-aggressive. The benchmarks were a standard set which indicated that any external active manager with whom UTAM invested would be expected to produce returns that exceeded these benchmarks. In other words, passive management should achieve these benchmarks; active management should exceed them.

A member asked if the compensation of managers at UTAM was tied to achieving the benchmarks. Mr. Chee responded that it was tied to exceeding them. There was further discussion about who in the administration had proposed these benchmarks and if there was a conflict of interest in the way this had evolved. Mr. Chee responded that the UTAM Board had been charged with ensuring that their investment practices were such that returns met the University's stated objectives. When looking at the asset mix or at benchmarks, UTAM had to be concerned with what would deliver the desired results. It was the responsibility of the UTAM Board to ensure that the University's interests as a client were protected. At the University, it was the responsibility of the Vice-President, Business Affairs to make recommendations to the Business Board.

The Chair asked if the benchmarks would change on an annual basis. Mr. Chee responded that UTAM would be having the discussion on an annual basis. This Board should be having a discussion on an annual basis about whether the desired return and the risk tolerance should remain the same. If those objectives remained the same, then the asset mix would likely remain the same or similar and the benchmarks would then remain valid. In summary, these factors should be reviewed, but may not change, annually.

To a further question about when each year the Board should expect to see these, Mr. Chee stated that the discourse should occur before the end of the University's fiscal year – so, at about this time.

On motion duly moved and seconded,

7. Investments: Performance Benchmarks (cont'd)

YOUR BOARD APPROVED

THE revised Schedule C to the Amended and Restated UTAM Service and Personnel Agreement between the Governing Council of the University of Toronto and the University of Toronto Asset Management Corporation, containing the performance benchmarks for the Long-Term Capital Appreciation Pool, the Pension Fund Master Trust and the Expendable Funds Investment Pool, a copy of which Schedule is attached hereto as Appendix "D".

8. Health and Safety Policy: Revision

The Chair informed members that the Occupational Health and Safety Act made officers of the University and members of the Governing Council personally liable in the case of any failure of due diligence to carry out responsibilities in the area of Health and Safety. Therefore, the policy was before the Board for recommendation of approval by the Governing Council.

Ms. Sass-Kortsak was unable to be at the meeting and, on her behalf, Professor Hildyard spoke to the proposed revision of the University of Toronto Health and Safety Policy which had been distributed under cover of Ms. Sass-Korstak's memorandum of January 9, 2004 (attached hereto as Appendix "B"). Professor Hildyard explained that the objective of the revisions to the policy was to emphasize the importance of close cooperation between University management and employees, joint health and safety committees, and other members of the University community to promote a safe workplace through the implementation of policy and associated legislation. Responsibilities of contractors, tenants and visitors for policy and legislative compliance had been made more explicit. Extensive consultation with all areas of the University, and particularly with the various Joint Occupational Health and Safety Committees, had produced the revised policy that was before the Board for recommendation to Governing Council.

A member noted that the policy might be strengthened if the word "responsibility" were replaced with "accountability". Professor Hildyard indicated that this was a policy that had legal implications for members of Governing Council and, so, it had been reviewed carefully by the University's legal counsel. Provided there were no objections to the change from legal counsel, she would be happy to make that amendment before the Governing Council considered the policy.

On motion duly moved and seconded,

YOUR BOARD RECOMMENDS

THAT the proposed revised Health and Safety Policy be approved, replacing the policy approved by the Governing Council on June 23, 1993.

9. Capital Projects

Mr. Bisanti's PowerPoint presentation, used for the next four items, is attached hereto as Appendix "E".

a. Capital Plan Update

Mr. Bisanti summarized the Capital Plan as of December 31 and spoke to the key changes that had taken place since the Board's November meeting. The December 31, 2003 Capital Plan totaled $957.97 million, $336.13 of which was funded and $621.84 of which required borrowed funds.

9. Capital Projects (cont'd)
a. Capital Plan Update (cont'd)

Ms. Brown reviewed the borrowing principles in the context of both internal and external capacity, which translated into an external borrowing capacity of approximately $420 million and internal borrowing capacity of approximately $200 million. Existing borrowing to date totaled $416.7 million, in the form of two debentures at $160 million and $200 million respectively and miscellaneous pre-existing loans amounting to $56.7 million.

In summary, Ms. Brown stated that as capital moved over time, so did borrowing capacity. It was possible that the external borrowing capacity could expand somewhat; the internal borrowing capacity of $200 million was less likely to move. If it were to move downward, the University would need to refinance that part of internal borrowing from external resources.

Professor Neuman spoke briefly, looking forward. Over the past sixteen months a lot of work by the offices of the Vice-President, Business Affairs and the Provost had gone into establishing a capital projects database. The result allowed for the regular updates of the Capital Plan that came to this Board. Capital financing was complex; the reality that funding came from a variety of sources – Canada Foundation for Innovation, Ontario Innovations Trust, SuperBuild and donors – made it neither easy nor feasible to back out of a commitment to a particular capital project. The University had now reached the limit of what it could borrow. Challenges moving forward would require: pruning dramatically the wish list of capital projects; being vigilant that divisions that were taking on the responsibility for these loans would not face the need to drastically reduce expenditures; and, ensuring that mortgages did not put unbearable pressure on the academic mission. In summary, she said that there were some buildings where there was no choice but to go forward. However, the University would have to reconsider some commitments. The capital activity would need to slow down until borrowing capacity increased.

The Chair congratulated Mr. Chee, Mr. Bisanti, Professor Neuman, and Professor Venter for their cooperative efforts in keeping the Business Board well informed.

b. University of Toronto at Mississauga: Wellness Centre

Mr. Bisanti spoke to slides which highlighted his memorandum of January 8, 2004, showed computer modeling of the project and summarized the project costs and funding. He reported that the Design Review Committee had discussed this project twice. Generally, the proposed design had been well received. There had been some feedback that had resulted in minor changes to the design.

A member asked why the students' portion of the funding had increased from $14 million to $16 million. Professor Venter responded that this had been the result of student initiative to extend the project. The changed scope and design had increased the overall cost while the University's contribution had been capped at half the original estimate.

Noting that the mortgage repayment was contingent on student fees, a member asked if this source of funding was vulnerable to future Quality of Student Services (QSS) decisions. Professor Orchard replied. Advice on student services fees was provided annually through the senior assessor to the University Affairs Board. A change to this fee supporting this mortgage would need to be approved first by QSS and then, acting on the advice of QSS through the administration, by the University Affairs Board. Having assessed the risk to the University, it was unlikely the recommendation would reach the Board and, if it did, that the Board would approve it.

9. Capital Projects (cont'd)
b. University of Toronto at Mississauga: Wellness Centre (cont'd)

A member asked what the mortgage rate would be. Ms. Brown replied that the business plan was modeled on 8% but that the actual rate would be based on market rate at the time the mortgage was established.

On motion duly moved and seconded,

YOUR BOARD APPROVED

THAT the Vice-President, Business Affairs be authorized to expend up to $24,500,000 for the design and construction of the Wellness Centre at UTM with funding as follows:

(i) A capped contribution of $7,000,000 from the University of Toronto, in the form of borrowing to be repaid from the University's operating funds, for the 50 cent match on each dollar raised through the student fee,
(ii) A one-time-only contribution of $1,000,000 from the University of Toronto at Mississauga,
(iii) A $500,000 contribution to be secured from fund raising at the University of Toronto at Mississauga, and
(iv) A mortgage to be amortized over a period of approximately 25 years for $16,000,000, with payments forthcoming from the planned student fee income. Student fee income will continue until such time as the mortgage is fully paid.

c. University of Toronto at Scarborough: Science Laboratory Upgrades, Phase I

Mr. Bisanti briefly highlighted his memorandum of January 5, 2004 detailing the urgent need for this project, its costs and its funding.

A member asked if this project would cause the University to exceed its borrowing capacity. Ms. Brown responded that this was one of those projects which would be financed out of the approximately $55 million of Enrolment Growth Funds which had already been allocated for capital expansion to meet anticipated enrolment growth primarily at the east and west campuses. It had been one of the group of projects for which $621 million of borrowing had already been planned, and, thus, it did not use further capacity. Professor Neuman added that this was a critical project for the academic well being of the University of Toronto at Scarborough, which had the lowest space capacity among the three campuses to support anticipated growth.

In response to a question, Professor Neuman stated that $80 million in increased revenue would relieve some of the pressure in the capital program wherein tradeoffs were becoming increasingly necessary and difficult.

A member asked how decisions were made to move projects from a lower to a higher priority and if there would be objective factors whereby the Board could be informed as to the project's priority? For example, would a ratio of students per residence bed or square feet per student be indicative of priority? Would it be helpful to know if a project would provide service to all three campuses? Professor Neuman indicated that such measurements were difficult. Rationalization of facilities by campus was not effective because, as was the case with science laboratories, duplication was necessary due to the requirement for course delivery on more than one campus. In terms of ratios, it would be a challenge to determine fairly how to establish parity among the campuses. The simple division of square footage by students was complicated by factors such as research intensity. Ideally, UTSC and UTM should have parity in space and

9. Capital Projects (cont'd)
c. University of Toronto at Scarborough: Science Laboratory Upgrades, Phase I (cont'd)

residences, but even if one could determine what that might mean, it was unlikely to happen in the near future because of the cost. Unfortunately, a lot of the University's debt was tied up in residences that may now turn out to be disproportionately distributed. UTSC and UTM wanted and would need more residence spaces but, if no alternatives to borrowing the funds were found, it would not be possible to meet that demand.

On motion duly moved and seconded,

YOUR BOARD APPROVED

Subject to Governing Council approval of the project in principle,

THAT the Vice-President, Business Affairs be authorized:

(i) to execute the proposed Science Laboratory Upgrades at UTSC at a cost not to exceed $4,300,000 with the funding sources as follows:

a. $1,830,000 allocation from the Provincial Government *(Previously SuperBuild 2002)*; and

b. $2,470,000 mortgage to be repaid from UTSC Enrolment Growth Funds over a period of 20 years.

(ii) to arrange such interim and long-term financing as required from either internal or external sources.

d. University College: Morrison Hall

Mr. Bisanti reviewed the history of site choices and governance approvals for this project. It had previously been approved at a total cost of $24 million, on the basis of an estimate from an external project manager. When the tenders came in, costs ranged above that amount by 19.4% to 34.5%. This had never happened to the University before and it had occurred without any prior indication that the estimate was drastically out of line. The administration had undertaken a cost-cutting review, but it had been able to identify only minor ways in which the cost could be reduced. Cost saving modifications to the exterior were not feasible because of design limitations imposed within the City of Toronto building approval; interior modifications were not possible without reducing the revenue-generating capacity that was necessary to service the mortgage. Of the approximately $500,000 savings identified in the review, most were negated by meeting the request of the major donor that air conditioning be installed in the Ferguson Dining Hall to permit multi-season accessibility to that space.

Mr. Bisanti informed the Board that, while the previous two projects fell within the borrowing capacity of the University, this one would exceed it by $2.46 million.

A member noted the difficulty into which this proposal placed the Board. The fundraising for the project had been very successful and it seemed that the project was critical to University College. However, approving the project would violate several important principles. The cost per bed was very high and the project pushed the borrowing capacity beyond what the Board had previously accepted.

9. Capital Projects (cont'd)
d. University College: Morrison Hall (cont'd)

Professor Perron was invited to speak. He confirmed that the project was critically important to University College. It had created an enormous interest among alumni. There was no question that the new residence had been the catalyst in the College's successful fund-raising, which had provided $30 million in support for various purposes since 1996. Further, the project should not be seen in isolation as providing new beds. Professor Perron believed that the ancillary could break even the first year and then make money in succeeding years. The additional revenue would be well used for transforming and upgrading other residences.

Professor Neuman recalled that about a year ago this proposal had been conditional on raising $10 million from donors. There were now many donors committed to the project and, in her view, it would be costly in terms of donor goodwill if the project were not to proceed.

A member asked how pledges might affect the borrowing capacity. Ms. Brown responded that, over time, there could be an effect. She noted that, to date, only one project had been closed off without full receipt of projected donations. This was the Bahen Centre for Information Technology and slightly more than a half million in expected donations had not been realized. The terms of the donation, e.g. the number of years over which it would be received, determined how it factored into the financing.

A member asked about the implications of a high-rise building in a low-rise area. Mr. Bisanti replied that there had been extensive consultations on the design of this project, both with the community and with the City of Toronto. This was a unique solution to the unique situation of having a very limited footprint, and there had been much thought given to placing the building as effectively as possible.

A member said that she would be voting in favour. However, the record should show that approval was given under extenuating circumstances and with the recognition that this project was an exception that did not fall entirely within the guidelines that the Board had established. Principles of design, cost per bed, and borrowing capacity guidelines, though not hard and fast, may in this project each have been violated to some degree. However, she believed that there was agreement among members that, in this very unusual case, the approval to proceed must be given. The Board agreed that this report record its view that the execution of this project was approved only with reservations, given its need for additional borrowing that exceeded the previously defined borrowing capacity, and that execution of the project was approved only under extenuating circumstances.

A member suggested that in considering future student residence projects, the Board take into account not only the cost per bed but also the mortgage cost per bed.

The Chair added that it might have been helpful to know if this residence was likely to be full from the beginning. In future, the Board might be interested in a report on vacancy rates and student demand for residence beds from a campus-wide rather than a college-by-college approach.

On motion duly moved and seconded,

YOUR BOARD APPROVED

Subject to Governing Council approval of the proposal to increase the cost and revise the sources of funding for the project, and

9. Capital Projects (cont'd)
d. University College: Morrison Hall (cont'd)

Subject to the understanding that the rates of the University College residence ancillary operation are increased sufficiently to ensure that the operation continues to recover its own costs.

THAT the Vice-President, Business Affairs be authorized:

i. to execute the revised University College Residence project at a cost not to exceed $28,000,000 with the funding sources as follows:

(i) $10,000,000 from donations received and pledged from externally secured contributions;
(ii) $1,500,000 to be secured from additional external fund-raising by University College;
(iii) $1,485,000 contribution from the UC residence ancillary;
(iv) $800,000 contribution from the UC food service ancillary;
(v) $50,000 allocation from the University Investment Infrastructure Fund in support of space for the Drama Program; and
(vi) A mortgage to be amortized over a period of 25 years in the amount of $14,165,000 with payments forthcoming from residence revenues and the UC ancillary.

ii. to arrange such interim and long-term financing as required from either internal or external sources.

10. Financial Forecast

Given the late hour, the Chair indicated that members should forward any questions they had about the financial forecast documentation to Ms. Sheila Brown. She was happy to note that the forecast did not seem as grim as it had been last year at this time.

11. University of Toronto Innovations Foundation – Annual Report and Financial Statements, 2002-03

The Chair noted that this was a consent agenda item and no questions had been received prior to meeting time. She had attended the meeting of the Audit Committee and could report that there had been a good discussion leading to the acceptance of the Annual Report and Financial Statements of the University of Toronto Innovations Foundation.

On motion duly moved and seconded

YOUR BOARD ACCEPTED

THE annual report and financial statements of the University of Toronto Innovations Foundation for the year ended April 20th, 2003, copies of which are attached to Report Number 71 of the Audit Committee as Appendix "A".

12. Other Reports for Information

The Chair noted that the following reports were for the information of the Board. Questions on any of the items were to be directed to the sponsor or the Secretary. No questions had been received on any of the four items.

a. **Vice-President, Research and Associate Provost: Annual Report, 2002-03 and Plan for 2003-04**

b. **Environmental Protection Policy: Annual Report on Implementation**

c. **Report on Gifts and Pledges over $250,000, August 1 to October 31, 2003**

d. **Report Number 71 of the Audit Committee – November 26, 2003**

13. ` Reports of the Administrative Assessors

There were no further reports from administrative assessors.

14. Date of Next Meeting

The Chair reminded members that the next meeting was scheduled for Monday, March 1, 2004 commencing at 5:00 p.m. in the Council Chamber.

15. Other Business

There was no other business.

The meeting adjourned at 7:55 p.m.

Recording Secretary   Chair

February 4, 2004