UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 144 OF THE BUSINESS BOARD

October 11, 2005

To the Governing Council,
University of Toronto.

Your Board reports that it met on Tuesday, October 11, 2005 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Jacqueline C. Orange (In the Chair)
Mr. Richard Nunn, Vice-Chair
Professor C. David Naylor, President
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Mr. Husain Aboghodieh
Ms Dominique Barker
Mr. Donald A. Burwash
Dr. Alice Dong
Ms Mary Anne Elliott
Mr. Ran Goel
Dr. Gerald Halbert
Professor Glen A. Jones
Ms Paulette L. Kennedy
Mr. Gerald A. Lokash
Mr. Timothy Reid
Ms Marvi H. Ricker
Professor Arthur S. Ripstein
Ms B. Elizabeth Vosburgh
Mr. Robert S. Weiss

Professor John R. G. Challis, Vice-President- Research and Associate Provost
Ms Rivi Frankle, Acting Vice-President, and Chief Advancement Officer
Mr. John Bisanti, Chief Capital Projects Officer
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources
Ms Elizabeth Sisam, Assistant Vice-President, Space and Facilities Planning
Mr. Ron Swail, Assistant Vice-President, Facilities and Services

Secretariat:

Mr. Neil Dobbs
Mr. Andrew O. P. Drummond
Mr. Henry Mulhall

Regrets:

Mr. Brian Davis
Ms Susan Eng
Ms Kim McLean
Mr. George E. Myhal
Mr. Roger P. Parkinson
The Honourable David R. Peterson

In Attendance:

Mr. Don Beaton, Director, Real Estate
Mr. Felix P. Chee, President and Chief Executive Officer, University of Toronto Asset Management Corporation

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In Attendance (Cont'd)

Ms Karen J. Coll, Managing Director, Public Investments, University of Toronto Asset Management Corporation
Dr. Chris Cunningham, Special Advisor to the President
Ms Mary Jane Dundas, Special Assistant to the Vice-President, Human Resources and Equity
Mr. John T. Hsu, Managing Director, Risk Management and Operations, University of Toronto Asset Management Corporation
Mr. Hal Koblin, Special Adviser to the Vice-President and Chief Advancement Officer
Dr. Jeanne Li, Special Assistant to the Vice-President, Business Affairs
Professor Emeritus Ronald D. Venter, Acting Executive Director, University of Toronto Innovations Foundation

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

1. Reports of the Previous Meetings

Report Number 142 (June 23, 2005) was approved. Report Number 143 (September 14, 2005) was amended to begin it with the following words; "Your Board reports that it *held a special meeting* on Wednesday, September 14, 2005. . ." Specifying that this was a special meeting would be helpful in future references to the report. Report Number 143 (September 14, 2005), as amended, was approved.

2. President's Remarks

The President thanked members for their service on the Business Board, which represented an essential role in the University. The University's administration learned a great deal from members, and it was very grateful for their service. The President said that he was represented on the Board by a very strong team of Vice-Presidents. While the President hoped to attend a number of Board meetings, members could be sure that he and Vice-Presidents had discussed all issues that would come before the Board and that the President supported fully the positions being taken by his Vice-Presidents. He urged members with any concerns to be in touch with the appropriate Vice-President or the Chair, who would ensure that the matter was given attention. The President would also be pleased to discuss issues with members. Again, he thanked members for their highly valued service on the Board.

ITEMS 3 TO 6 WERE CONSIDERED IN CLOSED SESSION.

3. Property: 210 Simcoe Street – Sale

The Chair reported that the Board had been asked to consider the proposed sale of the property at 210 Simcoe Street in closed session because of a clause in the agreement requiring confidentiality of the terms of the sale.

3. Property: 210 Simcoe Street – Sale (Cont'd)

Mr. Bisanti said that the property was a parking garage that had been acquired with the purchase of the office building at 500 University Avenue, which building currently housed a number of units in the Faculty of Medicine. The garage was located at some distance from the building and was used by only a few members of the University. The Governing Council had in June 2005 declared the property to be surplus to the University's academic needs. Mr. Bisanti assured the Board that the sale was being made at arm's length to a party completely unrelated to the University or any member of the University. The purchaser was the highest of six bidders for the property and the sale price was somewhat above its appraised value. While it was likely that the purchaser would have to seek rezoning in order to proceed with plans for the property, the purchase and sale agreement was not conditional on rezoning.

The matter was discussed further and the sale of the property APPROVED.

4. Human Resources: Report on Collective Agreements

Professor Hildyard reported on the status of the University's negotiations and settlements with various union groups and on the progress of the salary-determination process with the Faculty Association.

5. University of Toronto Schools: Revised Affiliation Agreement – Report on Negotiations

Professor Hildyard and Ms Riggall reported on the progress of the University's negotiations with the University of Toronto Schools (U.T.S.) to reach a new affiliation agreement. In the course of the report, Ms Riggall commented on the status of undertakings concerning U.T.S. financial reporting to the Governing Council.

6. Quarterly Report on Gifts and Pledges over $250,000, May 1 –July 31, 2005

The Board received the Quarterly Report on Gifts and Pledges over $250,000 for the period May 1 – July 31, 2005. The Chair noted that the report was made pursuant to the 1998 *Provost's Guidelines on Donations*. The report was presented to both the Academic Board and Business Board for information. The objective of the report was to enable monitoring to ensure that major gifts were consistent with the University's fundamental principles: that they did not imperil the "integrity, autonomy and academic freedom" of the University, and that gifts were consistent with academic priorities and did not steer the University's teaching and research to non-priority areas. The report also assisted the Business Board to carry out its responsibility for monitoring the University's advancement program. The report was a confidential one, made in closed session, to protect the privacy of the donors. Where they had agreed to their gifts being made public, the gifts were announced publicly in an appropriate manner.

THE BOARD MOVED INTO OPEN SESSION

7. Chair's Remarks

The Chair welcomed members to the first regular meeting of the Business Board for 2005-06. Because the Board had held its orientation session and one special meeting, neither introductions nor the usual summary of the ground rules was necessary. The Chair directed members' attention to the "Frequently Asked Questions" document, which put down on paper some of the procedural information covered in the orientation and added to it. The "Frequently Asked Questions" supplemented orientation materials and questions, and the Chair complimented the Office of the Governing Council for its initiative in preparing the document for several of the Boards and Committees. The Chair stated her continued intention to focus the Board's work on the overall strategic view of the University's financial picture. As the year went by, the Vice-Presidents would be asked to provide the context necessary to keep the focus on the "big picture" as the Board considered various initiatives that came forward.

In the course of her remarks, the Chair thanked Mr. Weiss for assuming the Chair for the special meeting held on September 14, 2005, when both the Chair and the Vice-Chair had been out of Toronto.

8. *Ontarians with Disabilities Act*: University of Toronto Accessibility Plan, 2005-06

The Chair noted that the Accessibility Plan was submitted annually for Governing Council approval on the recommendation of the Planning and Budget Committee and the Academic Board. It came to the Business Board for information because of this Board's responsibility for human-resources matters.

Professor Hildyard said that this was the third year in which the University had prepared an accessibility plan pursuant to the *Ontarians with Disabilities Act* (the O.D.A.) The approach to the plan built on the Stepping UP academic plan, which stressed accessibility and equity. It was wholly consistent with the University's 2004 *Statement of Commitment Regarding Persons with Disabilities*. The process of developing the plan had been a very consultative and inclusive one. The O.D.A. Planning Committee consisted of almost sixty individuals from all parts of the University, including some with visible and invisible disabilities. It also included a number of people with professional expertise, both from within the University and from outside of it.

Professor Hildyard said that, although implementation of an accessibility plan was a Provincial legislative requirement, no additional resources were being provided by the Province. With respect to capital costs, accessibility features and their cost were built into all capital projects – both new construction and renovations. In addition, there had been some re-allocation of current resources. For example, a program had been implemented to assist individuals who had suffered an accident or illness to return to work earlier. However, the cost of that program was less than the combined cost of sick leave and/or disability payments to those individuals plus the cost of replacement employees. Therefore, the University was saving money on a net basis. In addition, the work required to achieve accessibility was simply being built into the on-going work of all University faculty and staff. For example, achievement in promoting equity and

8. *Ontarians with Disabilities Act*: University of Toronto Accessibility Plan, 2005-06 (Cont'd)

accessibility was now an element in the performance evaluation of all members of the professional / managerial staff.

Professor Hildyard outlined the University's key accomplishments in its implementation of its 2004-05 accessibility plan.

- **Access Centre**. The University had established a student-run access centre. The centre included offices and a drop-in facility for students with disabilities. It had also established a virtual space that provided information about services and resources and also an opportunity for safe, on-line discussion among students with disabilities. The centre had been funded for five years by a levy paid by all full-time students.

- **Procurement guidelines**. The University had developed appropriate standards to ensure the availability of accessible information-technology and other equipment.

- **Parking**. The University had, on all of its campus, reviewed and made necessary improvements concerning: the number and location of parking spaces for people with disabilities, availability of permits, signage to direct visitors to those parking spaces, and access to buildings from those parking places.

- **Mental health issues**. The University had established a major focus on assisting people with mental-health disabilities. Such a focus was very much to the benefit of the University as well as the people with mental disabilities. For example, the cost of lost work-time caused by employee depression was a significant cost that was being reduced.

Professor Hildyard concluded that she was very pleased with the progress made in the accessibility initiatives for 2004-05.

Professor Hildyard then outlined highlights of the accessibility plan for 2005-06. That plan would include a focus on the connections between disabilities and other equity issues. It was often the case that an individual with a disability was also a member of a designated group under the University's equity policies. The University would develop an inventory of mental health services available on campus. While there was a good range of resources, services and programs available, it was important to have an inventory of them (a) to assist potential users and (b) to identify any gaps that might remain. The University would review the effectiveness of its dispute-resolution mechanisms related to disabilities issues. While those processes were probably entirely satisfactory, the analysis would determine the need for any improvements. Overall the plan had identified forty-eight initiatives for 2005-06, including seventeen new ones.

Professor Hildyard noted that the current legislation had been replaced by the ***Accessibility of Ontarians with Disabilities Act*** (***AODA***), which had received Royal Assent in

8. *Ontarians with Disabilities Act*: University of Toronto Accessibility Plan, 2005-06 (Cont'd)

June, 2005. The planning requirements of the 2001 ***ODA Act*** were still applicable until they were replaced by standards in the new ***Act***. There would be a deadline of 2020 to implement those new standards. While those new standards had not yet been determined, Professor Hildyard was confident, on the basis of all information to date, that the University was well positioned to meet them.

9. Investments: Semi-Annual Update on Investment Performance

The Chair said that the terms of reference stated that the Board was responsible for the "review of annual reports on investment performance, or more frequent reports as the Board may from time to time determine." Because of the importance of investment returns to the University's financial well-being, the Chair had requested that a semi-annual report on investment performance to June 30 be provided in addition to the usual annual report from the University of Toronto Asset Management Corporation.

Mr. Chee presented the report.

- **Market environment and UTAM investment posture**. The securities markets were "muddling through," with no discernable direction, moving up in some months and then back down in others. A key feature of the current market environment was the significant inflation in energy prices, which accounted for the relative strength of the Canadian equity market, where energy stocks had come to have a heavy weight. For the year to June 30, the Standard and Poor's 500 Index of large U.S. corporations had lost 0.81%, the Morgan Stanley Europe / Australasia / Far East (EAFE) Index had gained only 1.36%, but the energy-heavy Toronto Stock Exchange Index had gained 8.1%. One major surprise had been a gain in Canadian bonds of 5.6% for the year to June 30. Contrary to the expectations of many, interest rates had remained relatively low, with the result that there had been no decline in the price of existing bond issues that would have accompanied the issue of new bonds at higher rates. The market was threatened with event risk – such things as the occurrence of catastrophic hurricanes or geopolitical crises. Mr. Chee anticipated that at some stage, one such event would set off a major correction in the securities markets. Therefore, UTAM's focus – as noted in its annual report – remained defensive. UTAM was concentrating on the preservation of capital and the achievement of the rate of return required by the University's funds, within the stated risk parameters. It was not reaching for the highest possible return –something that would require too much risk in current market conditions.

- **Assets under management** overall had increased by almost 9%, with the market value of the Long-Term Capital Appreciation Pool (L.T.CAP) – the investment vehicle for the endowment funds and the fund backing the Supplemental Retirement Arrangement – having increased by 12.5% to $1.6-billion and the market value of the pension fund

9. Investments: Semi-Annual Update on Investment Performance (Cont'd)

having increased by 9.7% to $2.4-billion, both as at June 30, 2005. In contrast, the value of the Expendable Funds Investment Pool (EFIP) had declined by 8.5% to just under $360-million as the University had drawn down funds. The EFIP was a highly seasonal portfolio, ranging in value from as high as $600-million to less than half that amount. Members might recall that the previous report had referred to EFIP I and EFIP II, with the latter pool having been used to make temporary investments from the proceeds of the University's debenture issue until the money was required for capital projects and other purposes such as matching certain gifts to the endowment. The proceeds of the second debenture issue had now been largely used, and EFIP II had been closed.

- **Investment performance relative to market benchmarks**. For the year to June 30, investment returns for the two large funds, net of all costs, had been very modestly behind their benchmarks – a composite of securities indices agreed by UTAM and the University. For the L.T.CAP, the return of 4.19% had trailed the benchmark return of 4.20%. Similarly, for the pension fund, the return of 4.83% had trailed the benchmark of 4.92%. However, performance for the three- and one-month periods ended June 30 both exceeded the benchmarks, demonstrating that returns were picking up. Mr. Chee was therefore confident that the funds would end the year ahead of their benchmarks.

  The funds were going through a major overhaul with respect to publicly traded equities and bonds. During the overhaul, a substantial portion of the assets was invested temporarily in index funds, which would, by definition and after costs, lag their benchmarks. In addition, during the transformation, a larger than usual proportion of the funds was invested in cash-equivalent investments. For example, in the previous week, about $160-million of the L.T.CAP was invested in money-market securities. Therefore, again, Mr. Chee was confident that returns would improve when the overhaul was complete and the index and cash investments were actively invested in their appropriate asset classes.

- **Performance relative to the R.B.C. Fund Universe**. For the year to June 30, the ranking of UTAM's funds relative to the R.B.C. peer universe had deteriorated. The L.T.CAP had ranked in the 75th percentile and the pension fund in the 56th percentile. The relative ranking of both Canadian equity and fixed-income investments had ranked in the top quartile. Investments in U.S. and non-North American investments had, however, ranked poorly and were therefore undergoing a major overhaul.

  Mr. Chee noted that the R.B.C. balanced-fund universe consisted largely of funds that were much smaller than the University's funds and that had a much simpler asset mix, such as 60% equities and 40% bonds with little foreign content. Such funds would perform well at this particular phase of the market. When the market changed, funds such as the University's funds, with its far greater foreign content as well as alternative

9. Investments: Semi-Annual Update on Investment Performance (Cont'd)

investments, would compare much better. Mr. Chee planned to discuss with University officers the appropriateness of the R.B.C. balanced-fund universe as the peer benchmark for the funds.

- **Performance of the L.T.CAP relative to the Cambridge Associates Endowment Fund Universe**. The performance of the L.T.CAP relative to the Cambridge Associates universe of mostly U.S. endowment funds was outstanding. For the year ended June 30, 2005, the University's L.T.CAP was the top fund among 130 endowment funds. For the five years ended June 30, it ranked as the 17th top fund among 127 endowment funds. This peer group included the endowments of such universities as California, Michigan and Princeton, but it did not include the Harvard and Yale endowments.

- **Performance of the pension fund and relative to the Cost-Effectiveness Measurement Inc. universe of defined-benefit pension plans**. This well known measurement service included most Canadian pension funds and many U.S. funds. The data showed, for years ended December 31, 2000 to 2004, the return of the University's pension fund relative to the peers in that measurement universe. For the year ended December 31, 2004, the University fund's return had ranked in the top quartile. The data also showed the value added relative to the peers by the pension fund's returns compared to passive investment of the fund's policy asset mix. The value added for the year ranked in the top decile. The percentile rank, both in terms of performance and value added, had been steadily improving. Mr. Chee noted that of all the measurement universes, the R.B.C. balanced-fund universe was the least correlated to the University's portfolios.

- **Organizational developments: staffing**. Mr. Chee had completed the restructuring of his senior management group. Ms Karen Coll, the Managing Director responsible for all public-market investments, had previously managed assets at Scotia Cassels Investment Counsel and before that at Templeton. Mr. John Hsu was the Managing Director of Risk Management and Operations – an enlargement of the role of the previous Chief Operating Officer, combining that earlier role with responsibility for risk-management. Mr. Hsu had previously been Assistant Vice-President, Risk Management at Manulife Investments, and he had previous experience on the trading floor of the Royal Bank.

- **Organizational developments: custody and performance-measurement arrangements.** The arrangements for the custody of investments had been streamlined and the performance and attribution measurement functions had been outsourced. The previous in-house performance and attribution measurement system had been a rigid one requiring a complex account structure. The outcome had been that UTAM had maintained more accounts than the much larger Ontario Teachers' Pension Plan. The number of accounts was now 50% fewer than previously, resulting in cost savings of $170,000 per year.

9. Investments: Semi-Annual Update on Investment Performance (Cont'd)

- **Organizational developments: outsourcing of all portfolio management.** Some investments had previously been managed in-house by UTAM. Management of those portfolios – fixed-income securities and index futures – had now been outsourced. UTAM lacked the economies of scale to manage assets in-house, and it had been able to obtain external management at very competitive costs, in particular fixed-income management for 3 basis points (3/100 of 1% of the value of the assets under management).

- **Absolute-return hedge-fund investments**. The re-structuring of absolute-return hedge-fund investments had been completed. UTAM previously had investments in eleven hedge funds, which had not provided adequate diversification. It had made exits from those investments, and it was now invested in eight absolute-return funds of hedge funds, which provided exposure to more than 140 underlying funds. The return objective was a money-market rate (the London Interbank Offering Rate or LIBOR) plus 450 basis points (4.5%). The objective was also to receive that return with half the volatility of traditional bond investments. In fact, those investments had recently been providing a lower return of LIBOR plus approximately 350 basis points, but the volatility of returns had been lower than that for bonds.

- **Private-market investments**. Work to make planned investments in the area of private equity and real assets was well underway. A new private-markets investment strategy had been approved by the UTAM Board. UTAM was proceeding very patiently and selectively, searching out the very best funds. There was evidence in the area of private-market investing that managers with a track record of success tended to repeat that success in future investments. That contrasted with public-market investments when managers who enjoyed success in one period did not always enjoy future success as market conditions changed. It was necessary, in UTAM's quest for quality investments, to complete a great deal of networking to obtain access to the best funds.

- **Public-markets investments**. The platforms for UTAM's public equity and fixed-income investments were, as noted earlier, undergoing a major restructuring that should lead to major improvements. The restructuring process had begun with the development of a view on the economy and the markets, had proceeded to a plan for appropriate types of investments for that view, and would now proceed to the selection of the best managers. Mr. Chee anticipated that the major restructuring would be complete by March 2006.

- **Asset-class returns**. Mr. Chee noted that UTAM's relatively high weighting of foreign equity investments had held back returns for the year to June 30, 2005. While the L.T.CAP's return on Canadian equity investments had been 10.44%, U.S. investments had lost 0.15% for that period. The Standard and Poor's 500 Index in U.S. dollars had declined marginally for the period and the U.S. dollar had lost value against the Canadian dollar.

9. Investments: Semi-Annual Update on Investment Performance (Cont'd)

The L.T.CAP's investments in non-North-American equities had a return of 0.18% for the year to date, well above the negative return on the EAFE index but less than a desirable return. As noted, the very good return on bond investments had not been anticipated. The L.T.CAP investments in conventional bonds had earned 7.16% for the period. Anticipating an increase in interest rates and therefore a decline in the value of existing bonds, UTAM had adopted a defensive stance and had kept the average duration of the bond portfolio lower than the benchmark. Because long- and mid-terms rates had not been increasing, UTAM was slowly returning its bond duration back to the benchmark.

Among the matters that arose in discussion were the following.

(a) Reporting. A member expressed his pleasure at the emphasis in the report on value added relative to the benchmarks and he urged that this emphasis be continued in future reports.

(b) Value added in foreign investments. A member asked whether the value added in foreign investments could be attributed to the returns of the portfolio managers or to UTAM's partially hedging foreign investments against declines in their currencies relative to the Canadian dollar. Mr. Chee replied that value had been added by both activities. In general, the active portfolio managers had added value. In addition, currency hedging had reduced losses arising from the recent decline in the value of most foreign currencies relative to the Canadian dollar. UTAM had changed its benchmark hedge ratios. It had previously used a benchmark of 50% hedging. More recently, it had changed the benchmark to depend on the asset class of the investment. The benchmark for equity investments remained at 50% but the benchmark for any foreign bond investments had been increased to 100% and for absolute-return hedge-fund investments 75%. The foreign investments in the Expendable Funds Investment Pool were fully hedged. The currency hedging manager had added value by hedging a greater proportion of investments than the benchmark for investments in U.S. dollars and most other foreign currencies.

(c) Level of risk in investments in the light of University debt. A member cited the Audit Committee's discussion of the University's Borrowing Strategy. Report Number 77 of the Audit Committee contained a member's observation "that the University would borrow initially up to 33% of its net assets, with the maximum of 40% [in the Borrowing Strategy] being available to deal with the possibility of an unpredictable reduction in the value of net assets arising from a problem such as a decline in the value of the University's investments." The member asked about the level of risk contained in UTAM's investment strategy. Was there a risk that the value of the investments might decline sufficiently to reduce the University's net assets to a level that would lead to its debt becoming 40% of net assets?

Mr. Chee replied that he was comfortable with the level of risk in UTAM's current investments. A decline in the value of those investments could arise from a number of factors. Rising interest rates were one possible source of a decline. The U.S. Federal Reserve was increasing rates in

9. Investments: Semi-Annual Update on Investment Performance (Cont'd)

order to control the possible bubble in real estate prices, but it was doing so in a very measured way. An economic decline was a second possible source of a fall-off in the value of securities, but Mr. Chee anticipated that a general economic recovery would continue. The third problem was "event risk" – some unforeseeable event that could cause a major market correction. One possibility was developments arising from disagreements about the valuation of China's currency. To protect the University's investments, UTAM had decided to take a conservative approach. As noted, it had been carrying a relatively high level of cash-equivalent investments. It had selected funds of absolute-return hedge funds that would preserve the value of capital. In its selection of managers and indices for equity investments, UTAM had been emphasizing larger, more stable companies, eliminating its previous bias toward smaller companies that were more likely over the long run to provide higher returns but at the cost of considerable short-term volatility. That approach, stressing the preservation of capital, was the best one to avoid the member's scenario of declining net assets leading to the University's borrowing forming too large a proportion of its net assets.

(d) Level of risk in investments in the light of the University's budget commitments. In response to the Chair's question, Mr. Chee said that he was confident that the University's investments would deliver the returns required to meet the University's budget commitments.

In the course of discussion a member congratulated UTAM management on the overall investment returns reported, which represented a clear improvement from some years earlier.

10. Ancillary Operations: University of Toronto Innovations Foundation: Proposal to Increase the Line of Credit

Ms Riggall described the circumstances giving rise to the proposal to increase the line of credit to the Innovations Foundation, pending the restructuring of its operations. The Innovations Foundation had operated for about twenty-five years in a variety of configurations. In 2002, the Foundation had submitted a business plan reflecting a more aggressive approach. It had requested debt financing to the end of 2006 to enable it to expand its operations and in so doing to generate more revenue. It had been anticipated that the Foundation's investments would pay off and that, by April 2006, it would begin to repay its debt, which would be fully repaid by 2010. The projections of costs had proven to be accurate, but the achievement of the projected revenue had been problematical. By February 2005, the Foundation's Board realized that it would not be in a position to repay the line of credit as planned. The University's Audit Committee had been charged by the Business Board to monitor the financial progress of the Foundation. During the review of the Foundation's 2004 annual report and financial statements, the Committee had asked the Acting Executive Director whether the plan was on track, and he had responded affirmatively, reflecting more optimism than the Board or Ms Riggall now believe was warranted. Many of the Foundation's investments were generating revenue but in an insufficient amount for it to achieve self-sufficiency.

10. Ancillary Operations: University of Toronto Innovations Foundation: Proposal to Increase the Line of Credit (Cont'd)

The University, in the light of the revenue shortfall, had considered its options. To do so, it had invited the former Deputy Prime Minister, the Honourable John Manley, to lead a committee to look into the operations of the Foundation and more broadly into technology-transfer at the University. The Report of the Panel on Commercialization (the Manley Committee) had recommended a change of structure. The key need was for the University's technology-transfer operation to have "steady-state financing." That is, it would be appropriate for the University to give up on the objective of having its technology-transfer operations managed as a profit-making enterprise. Success of such enterprises elsewhere had depended on one or two major inventions that generated large revenue streams, and there was only a small chance of a given University's enjoying such an invention in any time period. Rather, the University should carry out its responsibility for the commercialization of the inventions of its faculty as a regular University function and regard any profit that might be made from time to time as a bonus. The University's executive group had given very careful consideration to the Manley report over the spring and summer and had decided to recommend action on the basis of its recommendations. In order to facilitate change, the majority of the outside directors of the Foundation had resigned to make room on the Board for Vice-President and Provost Vivek Goel, Vice-President, Research, and Associate Provost John Challis, and Ms Riggall. Professor Venter had been brought in as Acting Executive Director to manage the operation while the University restructured it.

Ms Riggall stressed that it was important not to send the message that the University had backed down from its commitment to knowledge transfer but that it was moving to make that process more effective. That would require the closer integration of technology-transfer activities with the University. One option under consideration was the winding up of the Innovations Foundation as a separate corporation and the merger of its operations and staff with those of the Vice-President, Research, and Associate Provost. The current staff of the Innovations Foundation would continue their work but in the new organizational arrangement as University employees.

Ms Riggall said that it was important not to hurry the process of integration. For example, a substantial number of agreements would have to be changed. She therefore proposed an extension of the Foundation's line of credit to enable an orderly transition over the next six to ten months. During the transition period, the University would determine (a) the appropriate level of expense to be included in the budget of the Vice-President, Research, and (b) the appropriate amount of the current loan to be written off and the amount that could properly be retained on the University's books as an asset to be realized from payments arising from revenue from current royalty agreements and investments.

Discussion focused on the following topics.

(a) Merits of the proposal. While a member agreed that it was important for the University to support innovation and technology-transfer, he was not fully convinced that an increase to the

10. Ancillary Operations: University of Toronto Innovations Foundation: Proposal to Increase the Line of Credit (Cont'd)

Innovations Foundation's line of credit was an appropriate way to proceed. Was there a risk that the University would be throwing good money after bad? Was it appropriate to finance a continuation of the same rate of expenditure as the present one?

Ms Riggall replied that the objective was to keep in place the current staff of twenty-seven and to cover certain one-time-only expenses, in particular the cost of the move to the MaRS building. Professor Venter would do everything possible to control costs, but the proposed amount was that required to maintain the operation until the spring, when new organizational arrangements could be put into place. Ms Riggall noted that the current $200,000 monthly cost of the operation was a net cost, after revenues.

Invited to speak, Professor Venter said that putting the Foundation's work on a new footing would not be an easy task, and making sharp changes at this point would be more harmful than helpful. Excellent people were the life-blood of a technology-transfer operation, and it was important to retain the very good people now in place and to retain the momentum currently surrounding their work on commercializing intellectual property. Every effort would be made at the same time to control costs. A key step would be integration of the work of the Foundation with that of the Office of the Vice-President, Research and Associate Provost, with clean reporting lines. The outcome should be an efficient and viable operation at a reduced cost. The Foundation's work was at the present time dominated by inventions in the life sciences, and those in the physical sciences and information technology were lagging. It would take a certain gestation period to encourage more disclosures and technology-transfer activity in the latter areas. The move to new offices in MaRS should also be a great help to the Foundation's work.

(b) Conditions on the additional line of credit. A member asked whether any conditions would be placed on the use of the additional amount to ensure that it was used in a manner that would foster the recovery of the further investment by the University. Ms Riggall replied that she did not recommend that there be any conditions. It would be unrealistic for the Board to regard the additional amount as an investment with a likelihood of profit. It was rather funding, in the format of additional credit, that would be necessary to maintain a core operation of the University until the operation could be restructured and integrated into the University's own operations.

(c) Experience elsewhere. A member observed that technology-transfer operations at some universities had been profitable. Ms Riggall replied that success had usually been the outcome of one very profitable piece of intellectual property, which had generated an extraordinary stream of royalty revenue. It was not possible to rely on such an outcome.

(d) Reporting. A member said that, in his experience, money-losing operations that were in need of further funding were more prone to decline than to improve. He suggested that the Board

10. Ancillary Operations: University of Toronto Innovations Foundation: Proposal to Increase the Line of Credit (Cont'd)

receive frequent, perhaps quarterly, reports to ensure that any necessary steps were being taken to mitigate the risk of further losses.

Ms Riggall replied that she would be pleased to report to each Board meeting. She stressed, however, that it would be necessary to continue the work being carried out by the Foundation and to incur the cost of doing so, whether that took place within the framework of the current ancillary operation or within the framework of the University's operating budget. The University should no longer anticipate that the full cost, or the largest part of the cost, of the operation would be recovered.

The member said that his concern in requesting regular reporting was avoiding a further decline in the situation and further losses. Another member agreed that it would be valuable for the Business Board to monitor monthly net expense.

(e) Foundation Board operations. In response to questions, Ms Riggall said that the external directors who had served on the Foundation's Board had been highly reputable people with very good experience in technology-transfer who had added a great deal of value by providing guidance and ideas on marketing various items of intellectual property. They had not been asked to oversee day-to-day operations or provided with the information necessary to do so. The Board had met quarterly and had recently been required to deal with a number of specific issues, in particular the departure of the previous President and Chief Executive Officer. The Board had recognized early in the calendar year that the Foundation would not be able to achieve its financial plan and had drawn that to the University's attention. Four of the previous directors continued to serve: Dr. Richard Owens, who was Chair of the Board, and Mr. Gary Goldberg, the past-Chair, Arts and Science Dean Pekka Sinervo, and Mr. Felix Chee. The other directors were University officers: Vice-President and Provost Vivek Goel, Vice-President, Research and Associate Provost John Challis, Ms Riggall, and Professor Ronald Venter. The objective had been to facilitate more frequent board meetings and faster decisions and to emphasize the University's perspective during the transitional period. In response to a question, Ms Riggall said that she expected that the Board would hold regular, monthly meetings and additional special meetings as required.

(f) Suggestion for external experts to assist with the turnaround. A member suggested that the University consider bringing in outside experts to assist with the turnaround. Ms Riggall and Professor Challis replied that a number of outstanding individuals from outside the University had played a key role in the work of the Panel of Commercialization (the Manley Committee). In addition to the Honourable John Manley, they included Bernard Bressler from the University of British Columbia, Katherine Ku from the Stanford University Office of Technology Licensing, and Susan Smith from the Royal Bank. In addition, advice from outside experts would be sought in the search for a new Executive Director of the Innovations Foundation, and indeed any advice from members of the Business Board would be welcome. Apart from that, Ms Riggall and Professor Challis did not plan to bring in further outside expertise at this time.

10. Ancillary Operations: University of Toronto Innovations Foundation: Proposal to Increase the Line of Credit (Cont'd)

(g) Manley Report. In response to a member's question, Professor Challis said that the Report of the Panel on Commercialization (the Manley Report) had been very valuable. It asked what the primary role of the Innovations Foundation should be – to foster a culture of disclosure or to make a profit – and it had concluded that the former role was the appropriate one. The previous plan to have a separate corporation that would recover its costs and even generate a profit from technology-transfer was a reasonable one at the time, but times had changed. While the experiment had been a worthwhile one, the optimism concerning the level of revenue likely to be generated had not been borne out. Professor Challis concluded that the current objective was that recommended by the Manley Report – to capture disclosure opportunities. The recent move to the MaRS environment would, he hoped, generate further interest in the services the Foundation could perform.

The Chair concluded that the Board had generally agreed that it would be appropriate that the Board: (a) receive, at each Business Board meeting, reports on the progress of the Foundation; and that it (b) receive information, and have the opportunity to provide advice, concerning the strategic direction for future technology-transfer activities at the University, even before the engagement of the next Executive Director for the Foundation. She would regard the Board's approval of the recommendation conditional on such reporting / information.

On the recommendation of the Vice-President, Business Affairs,

YOUR BOARD APPROVED

THAT the University of Toronto Innovations Foundation line of credit be increased by up to $2-million from $11-million to $13-million to cover the shortfall anticipated during the restructuring period.

11. Capital Program Report

Ms Sisam presented the Capital Program Report. It was based on the University's capital plan for 2004-10, which the University was in the process of revising.

- **Classification of projects in the capital plan**. Projects were placed in one of three classifications, described by the colour of the headings for the three groups of projects that appeared in colour versions of the report.

- **Current or "gold" projects** (which appeared under gold-coloured headings in the colour versions of the capital plan) were projects that had been approved by the Governing Council. Funding had been committed, and the projects themselves were in the final planning stages or were being implemented. In some cases, the items were property

11. Capital Program Report (Cont'd)

acquisitions. In some cases, the projects had been completed and, at an appropriate stage, the books would be closed on them. A report on closed projects appeared later on the agenda.

- **Short-term or "claret" projects** were those that had been assigned a very high priority, had completed project planning reports, but did not yet have complete committed funding. They were not yet at the point of implementation.

- **Long-Term or "blue" projects** were very important projects to the University, but they still required a great deal of staff work to complete project planning reports, in some cases to secure sites, and to identify sources of funding. By virtue of their inclusion in the capital plan, however, those projects had a high priority for the additional staff work necessary. Because the detailed planning for those projects had not yet been completed, the project costs were only order-of-magnitude estimates. Costs and funding sources would be clarified as more work was completed.

- **Summary data**. The top sheet of the report specified the total cost of the "gold" projects, the funding available from all sources, the borrowing required, and any gap. Internal loans would be repaid by the University Infrastructure Investment Fund, the Enrolment Growth Fund, the division occupying the building, the proceeds of student levies and the revenues of the relevant ancillary operations (for student residences and parking facilities).

  In addition to the borrowing required for the current capital plan, there were a number of other borrowing requirements shown in the summary data. The other requirements included borrowing: to cover previous allocations from the University Infrastructure Investment Fund; to provide matching funds for certain past and future contributions to the endowments; to build projects to be funded through the enrolment growth fund, and to provide future allocations from the University Infrastructure Investment Fund for projects costing under $2-million and therefore not included in the capital plan. The total cost of the capital plan plus the other borrowing requirements stood at about $1,080.6-million. Funding available was $382.5-million, leaving a borrowing requirement of $695.2-milllion.

- **Current or gold projects: detail**. The second page of the report showed, in section 1a, the concluded capital projects that had not yet been closed and removed from the plan. They might, for example, be awaiting the end of the warranty period or might have deficiencies that were being addressed. One of those projects was the recently purchased office building at 500 University Avenue, which accommodated certain units in the Faculty of Medicine. The just-approved sale of the parking garage on Simcoe Street, which was acquired along with the 500 University Avenue building, would contribute to a reduction of the debt incurred to make that purchase. The projects in section 1b were

11. Capital Program Report (Cont'd)

current or "gold" projects under construction or in the process of being acquired. Those in section 1c were at the pre-tender or tender stage. As current or gold projects progressed, they would be moved up to the appropriate sub-section and would eventually be closed. Similarly, the projects in the short-term or "claret" part of the report would be moved up to the current or "gold" section as the funding was secured that would allow them to proceed. For example, the Varsity Centre and Multi-Faith Centre projects had recently been approved and funding / financing identified, and they would, by the next report, have moved from the short-term or "claret" section to the current or "gold" section.

- **Closed projects**. The final page of the report showed projects on which the accounts had been closed. The report on closed projects, which followed on the agenda, would deal with six of them.

Ms Sisam said that she would present an updated report at the Board's next meeting, showing more detail with respect to borrowing. The Chair noted that the reports distributed to members were not, for reason of cost, reproduced in colour, and Ms Sisam kindly agreed to add the words "gold," "claret," and "blue" to the headings where appropriate. The Chair noted that because this was the first presentation of the report for the academic year, she had requested a more detailed presentation than usual. She would at future meetings ask Ms Sisam to highlight only changes.

12. Capital Project: University of Toronto at Scarborough Electrical and Mechanical Infrastructure Upgrades Phase 4 - New Chiller

Mr. Bisanti said that the proposed purchase and installation of a new chiller at the University of Toronto at Scarborough (UTSC) was a good-news story in that there would be no need to borrow money to complete the project. This was the fourth phase of a major project to deal with all of the infrastructure needs – mechanical and electrical - of UTSC in connection with the major expansion of that campus. The first two phases had consisted of smaller projects, approved by the Accommodation and Facilities Directorate. The third phase, involving a new cooling tower, had been approved by the Board at a cost of just over $2-million. This fourth phase would involve a new chiller at a total project cost of $2.919-million, funded by deferred maintenance funds allocated to UTSC for 2005-06 and 2006-07 along with a Facilities Renewal Program allocation of $200,000. Although the new chiller would not be installed until the 2006-07 fiscal year, approval was required at this time because of the long lead time required for ordering so large a chiller.

12. Capital Project: University of Toronto at Scarborough Electrical and Mechanical Infrastructure Upgrades Phase 4 - New Chiller (Cont'd)

On the recommendation of the Vice-President, Business Affairs,

YOUR BOARD APPROVED

Subject to Governing Council approval in principle of the project,

THAT the Vice-President, Business Affairs be authorized to execute the University of Toronto at Scarborough Electrical and Mechanical Infrastructure Upgrades Phase 4 - New Chiller project at a total project cost not to exceed $2,919,000, with funding from the following sources:

i) Deferred Maintenance Funds allocation to UTSC in 2005-06 in the amount of $1,204,809,
ii) Facilities Renewal Program allocation 2006-07 in the amount of $200,000, and
iii) Deferred Maintenance Funds allocation to UTSC in 2006-07 in the amount of $1,514,191.

13. Capital Projects: Project Closure Report

Mr. Bisanti said that the new Project Closure Report carried on from Ms Sisam's Capital Program Report, listing projects on the current capital plan that had been officially closed. The projects listed in section "A", entitled "completed and closed," had no lingering issues. Those in section "B" were completed, and Mr. Bisanti hoped to be able to close them in the next few months. The projects in section "C" were still under construction. Mr. Bisanti anticipated that section "A" would expand over time. The report reflected a disciplined approach, with the building area (expressed in terms of net assignable square metres or NASM) shown as it was at the time of the original approval of the project and upon completion, and the occupancy date as first planned and actual. Columns 7 – 9 showed the cost of the project at the time of the original approval, the cost after any additional approvals of changes in scope and / or cost, and the final cost of the project. The cost in column 8 – "the final approved budget" - included any increases approved by either the Business Board or (for increases less than 10% or $2-million) by the Vice-President, Business Affairs. The variance in cost shown in column 10 was that between the originally approved cost and the actual, final cost. Notes explained any factors important to understanding the reported data. The next iteration of the report would include information that was now missing in sections "B" and "C", making the report a very useful reference document.

In response to questions, Mr. Bisanti said that the first to seventh floors of the Donnelly Centre for Cellular and Biomolecular Research were now partly occupied, with work proceeding on the floors that were originally to have been only roughed in. The Leslie Dan Pharmacy Building was on track to be ready for occupancy in December 2005. The project was on budget.

13. Capital Projects: Project Closure Report (Cont'd)

The Chair expressed her gratitude for the report. It was a critical report to achieving good accountability for capital projects.

14. Vice-President and Chief Advancement Officer - Annual Report, 2004-05

Ms Frankle presented the highlights of the annual report of the Division of University Advancement. She compared the Division's performance during 2004-05 to its objectives for the year, and she outlined the Division's objectives for 2005-06.

- **Fundraising financial objective**. A decade ago, the University was receiving donations amounting to about $20-million per year. Its objective, upon the completion of the recent Campaign, was to increase its annual donations to between $80-million and $100-million per year. 2004-05 was the first full year following completion of the Campaign, and total support amounted to $85-million, including more than $74 million in cash gifts and pledges and $10-million in gifts in kind. It was therefore apparent that there remained a great deal of goodwill towards the University and a great deal of support for its work.

- **Donor stewardship, cultivation and solicitation**. Given the high level of goodwill, it was essential that the University maintain a high level of stewardship of its benefactors who had donated over $100,000 to the recent Campaign. The University had mailed out over 1,000 donor financial reports, advising donors of the outcomes of their gifts and of the current value of the endowments they had established. The University had identified 400 potential benefactors of gifts over $1-million who could be approached during the course of the new campaign. It had made a substantial investment in the annual fund, establishing the largest university call centre in North America at the Chestnut Street Residence, with sixty calling stations. It had been in use for three months with promising returns. The Division had been working to manage the transition from former Vice-President Jon Dellandrea, with 26 donor events taking place between June 1 and June 30, 2005. The Division had also been working to develop and implement a strategy with respect to individual donors with whom Dr. Dellandrea had been the University's primary contact.

- **Communications strategy, marketing and promotion**. During the 2004-05 year, the University had completed a review of its communications operations – a review supported by the Division of University Advancement. The recommendations of that review were currently with the President for consideration. The Division had supported the University's advocacy during the Rae review and during the process leading up to the Ontario budget. It had worked with the Office of the Vice-President, Research and Associate Provost and the academic divisions to publicize the University's academic achievements. Examples included a weekly, one-hour radio program on the student radio station, CIUT, on research initiatives, and advertisements highlighting research accomplishments in the magazine *Nature* and in *The Hill Times*, a weekly newspaper read

14. Vice-President and Chief Advancement Officer - Annual Report, 2004-05 (Cont'd)

by federal politicians and public servants. The Division had initiated a process to develop a new visual identity for the University, involving its crest and word marks. Ms Frankle anticipated that the results of this process would be seen in about a month's time.

- **Fundraising case centred on the Stepping UP academic plan and the resulting academic plan**. The Division had successfully executed a communications program for the Stepping UP academic plan, with stories in the University of Toronto Magazine, the Bulletin and on the web. It had been engaged in on-going work with the leaders of the academic divisions to identify fundable priorities and to build the case that could be made to potential benefactors – the basis of the next fundraising campaign.

- **Alumni affairs**. The Division had continued its support for alumni groups and it had continued to enhance programs and services for the University's alumni. For example, more that 70 alumni and student recruitment related events had been held outside of the greater Toronto area in 2004-05. "U of T Bound" send-off events for newly admitted students and their parents had been hosted by alumni in Boston, New York City and Washington D.C. Highly successful "shaker" events had been held, concentrating on younger alumni. The University was sending monthly newsletters by e-mail to 76,000 alumni, for whom the University had current e-mail addresses. The Division had actively recognized the outstanding work of alumni volunteers and other friends through the presentation of 93 Arbor Awards during the year. It had also recognized the outstanding volunteer work of students through the bestowal of 160 Cressy awards. The Division had continued its support of the very valuable work of the University of Toronto Alumni Association. It had also continued its support of the President's International Alumni Council, which had held its second assembly during the year. The Division had encouraged alumni advocacy on behalf of the University's positions in the Rae review process and in the consultations leading up to the Ontario budget. Alumni advocacy had proven to be of great value. Between 50,000 and 60,000 client accounts had been established in the University's various affinity programs, sponsorships, tours, etc.

- **Preparation for the next campaign**. The Division had reviewed various financial and operational arrangements to prepare for the next campaign and it had established a budget framework for the next three years. It had recommended updates to various advancement policies.

- **Highlights of plans for 2005-06**. The Division would continue to work to meet its fundraising objectives and to prepare for the next campaign. It would work to increase the level of involvement of divisional leaders in campaign planning. It would also work to co-ordinate the central advancement operations with the 29 divisional operations – some staffed by one or more full-time staff and some by staff working on advancement functions part time. The Division was examining its alumni relations efforts. It had engaged a consultant who had served for twenty-five years as director of alumni affairs at Princeton University, and it planned to establish a five-year plan for alumni affairs.

14. Vice-President and Chief Advancement Officer - Annual Report, 2004-05 (Cont'd)

- Finally, the Division would work to institute an enhanced University communications / public affairs function, subject to its retaining responsibility for the area following the review of those functions. Ms Frankle hoped that the outcome would be known in the near future.

Two matters arose in questions and discussion.

(a) Objectives for 2005-06. A member asked whether the Division's objectives for 2005-06 formed, or should form, a recommendation to the Board and the Governing Council for approval. He noted that the Division included in its objectives both (i) the effort to raise between $80-million and $100-million per year, and (ii) the plan to work with divisional alumni groups to promote stronger and more meaningful relationships between the University and its alumni. Which of those objectives represented the Division's core mission? It was difficult to have two core missions. Where could members of the Governing Council have a discussion of this question? He suggested that Ms Frankle might wish to undertake some research on this question and return to a later meeting with a response.

Ms Frankle replied that Interim President Iacobucci had initiated a review of the Division – a procedure that usually accompanied the end of the term of a Vice-President and preceded a search for a new Vice-President. Among other things, that report did stress two primary objectives: fundraising and alumni relations. It did not give priority to one of them. Ms Frankle recognized that the Division and the University had spent a great deal of energy on the recently completed fundraising Campaign, and consequently that it might have appeared to have given a lower priority to alumni affairs. She did not think that had been the case. For the future, the Division planned to give a high priority to both objectives and to maintain a balance of efforts between them. The renewed commitment to alumni relations was reflected in the decision to engage the former director of alumni affairs at Princeton as a consultant and to produce a five-year plan for alumni relations.

The member said that he did not agree with the proposed strategy. Cultivating alumni involvement should be the higher priority, and success in that endeavour would in the long run lead to more success in fundraising.

The Chair observed that the Board received the Division's annual report for information. It could, however, make its view clear if the Board as a whole had concerns about any aspect(s) of the report. Normally, Board approval was required only for policy matters and for general plans and priorities for fundraising campaigns.

(b) Report on the review of the Division of University Advancement. A member referred to the recent review of the Division of University Advancement, and he asked whether the report of that review had been or would be distributed to members of the Board and the Governing Council. The Vice-Chair, who had been a member of the review committee, replied that the

14. Vice-President and Chief Advancement Officer - Annual Report, 2004-05 (Cont'd)

report had been provided to the President. It had originally been intended that the outcome of the review would help to inform the search for a new Vice-President and Chief Advancement Officer. However, a new President had been appointed who planned to give further thought to the organization of the senior administration with respect to responsibility for various functions including communications and public affairs. Therefore, the review report would presumably provide input to the President in his consideration of those organizational matters. The Vice-Chair stressed that the report had included no firm conclusions on organizational matters.

15. Health and Safety Requirements: Report on Compliance

The Chair stated that, given that Board members could be held personally liable for any failure to carry out due diligence to ensure conformity to health and safety requirements, this quarterly report was of particular importance.

Ms Sass-Kortsak reported that since May, 2005 there had been no new Ministry of Labour orders issued against the University and all previously outstanding orders had been complied with. On September 1, 2005, three orders involving improper handling of asbestos materials had been issued against a general contractor and a subcontractor performing work on behalf of the University at Varsity Stadium. There had been no orders issued against the University with respect to this incident. The University had therefore reviewed its procedures with respect to the application of the Asbestos Control Program to contractors working at the University, and the Ministry was content with the overall outcome. The University was continuing to respond to recommendations made in January, 2005 as a result of a security audit by the Canadian Nuclear Safety Commission. The Commission was satisfied with the University's response to date. The University had been fined $500 with respect to a minor violation under the Environmental Protection Act and the Ozone-Depleting Substances Regulations. The violation had been a procedural one involving a failure to provide an annual report regarding the use of ozone-depleting substances in a particular laboratory, and the problem had been immediately rectified. The offence was one of "strict liability" to which the defence of due diligence did not apply. Steps had been taken to ensure that such reports would be submitted on time in the future. Ms Sass-Kortsak concluded on the basis of the reports she and Professor Hildyard had received through the operation of the occupational health and safety policy, that the University was, to the best of her knowledge, in compliance with its health and safety obligations.

A member noted that the University was developing a programs to measure compliance not only with external requirements but also with internal criteria. Would it be appropriate in this case for the Internal Audit Department to test compliance with the University's health and safety policy as part of its reviews? Another member noted that internal auditors had the specialized knowledge and skills for testing compliance with internal policies and procedures. Whether or not the Department were to include health and safety matters in its auditing, the Department could assist in establishing good processes for compliance monitoring.

15. Health and Safety Requirements: Report on Compliance (Cont'd)

Ms Sass-Kortsak replied that she had not had any discussion with the Internal Audit Department, but she would welcome any assistance it might provide.

16. Approvals under Summer Executive Authority: Annual Report

The Board received for information the annual report on matters within the terms of reference of the Business Board approved by the President, with the consent of the Chair of the Governing Council, under summer executive authority. No items were approved in 2005.

17. Calendar of Business, 2005 – 06

The Board received for information its Calendar of Business for 2005-06. The Calendar showed the items planned to come before the Board in the coming year. It was subject to change. The timing might not be precise. Changes might arise for a variety of reasons, including the emergence of new priorities and issues. A consolidation of the calendars of business of all Governing Council Boards and Committees was available on the Governing Council website:

http://www.utoronto.ca/govcncl/tgc/consolidate05-06.pdf

A member referred to the "Frequently Asked Questions" document that had been distributed with the agenda package. Page 4 of that document stated that "the Board reviews annual reports in the areas of: public and community relations activities, government relations activities, institutional communications and alumni affairs." The member did not see reference to reports in all of those areas in the calendar of business. Ms Frankle replied that many of those areas were covered in the annual report the Board had just received. It was also noted that a report on government relations activities was included among the items that were "planned but not scheduled." The member recalled that Ms Frankle had advised that the University had conducted a review of its activities in the area of institutional communications. He hoped that there would be a report to the Board when the President had considered the review report and had made decisions. He hoped that the report would include information on the University's plans for dealing with broader communications and other related issues.

18. Report Number 77 of the Audit Committee – June 22, 2005

Report Number 77 of the Audit Committee (June 22, 2005) was received for information. The Business Board, at its meeting of June 23, had endorsed the Audit Committee's recommendations to approve the audited financial statements and to appoint external auditors. The recommendations had subsequently been approved by the Governing Council.

19. Reports of the Administrative Assessors

Royal Ontario Museum – Proposed Condominium Development

Ms Riggall referred to the ROM-South project, a plan by the Royal Ontario Museum to erect, on the site of the former McLaughlin Planetarium, a 46-storey condominium tower over-looking Philosophers' Walk and abutting two University buildings, Falconer Hall and the Edward Johnson Building. The Museum had submitted an application for a zoning variance to permit the plan to proceed. The University had not taken a public position on the proposal, but it had expressed concerns both to the Museum and to the City. Ms Riggall and Ms Sisam outlined the basis of the University's concerns: the height of the building, the encroachment on Philosophers' Walk and on the buildings of the Faculty of Law and the Faculty of Music, and the precedent that could be established by the approval of a major residential building in an area zoned for institutional use.

20. Date of Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Monday, November 28, 2005 at 5:00 p.m.

The meeting adjourned at 7:30 p.m.

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Secretary Chair

November 7, 2005

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