

THE GOVERNING COUNCIL
REPORT NUMBER 84 OF
THE PLANNING AND BUDGET COMMITTEE

January 10, 2003

To the Academic Board,
University of Toronto.

Your Committee reports that it met on Friday, January 10, 12:00 noon in the Council Chamber, Simcoe Hall, with the following members present

Professor Avrum Gotlieb (in the Chair)
Professor Susan Horton, Vice-Chair
Professor Shirley Neuman, Vice-President
and Provost
Mr. Felix Chee, Vice-President, Business
Affairs
Professor Derek McCammond, Vice-
Provost, Planning and Budget
Professor Carl Amrhein
Professor Michael Berkowitz
Professor Philip H. Byer
Professor Paul J. Halpern
Professor Edith Hillan
Professor Bruce Kidd
Ms Karen Lewis
Professor John F. MacDonald
Professor David Mock
Mr. Timothy Reid
Professor J. J. Berry Smith
Mr. Nick Turk-Browne

Non-voting Assessors:

Mr. John Bisanti, Chief Capital Projects
Officer
Ms. Sheila Brown, Controller and Director
of Financial Services
Dr. Sheldon Levy, Vice-President,
Government and Institutional
Relations
Ms. Catherine Riggall, Assistant Vice-
President, Facilities and Services
Professor Ron Venter, Vice-Provost,
Space and Facilities Planning

Secretariat:

Ms. Cristina Oke
Mr. Neil Dobbs
Mrs. Beverley Stefureak, Secretary

Regrets:

Ms. Shirley Hoy
Professor Ian McDonald
Mr. Colm Murphy
Mr. Joshua Paterson
Professor Ian Orchard

In Attendance:

Ms. Lesley Lewis, Interim Assistant Provost
Professor Edward Relph, Associate Principal Campus Development, UTSC

ITEMS 4 and 5 ARE RECOMMENDED TO THE ACADEMIC BOARD FOR APPROVAL.

ALL OTHER ITEMS ARE REPORTED TO THE ACADEMIC BOARD FOR INFORMATION.

1. Report of the Previous Meeting

Report Number 83 of October 15, 2002 was approved.

2. Business Arising from Report of the Previous Meeting

There was no business arising from the Report of the previous meeting.

3. Senior Assessor's Report

In light of the extensive reports that she would soon be bringing forward, Professor Neuman said that her report would be brief. The academic planning process, which would ultimately come to governance through this Committee, had moved forward considerably since the Committee last met in October. She informed the members that the four green papers would be available both on the Provost's website and in a special issue of *The Bulletin* on January 13. A series of town hall meetings had been scheduled, the first of which would occur this afternoon. In an effort to maximize the opportunity for members of the community to attend these meetings, locations had been scheduled at all three campuses and in the colleges. It was hoped the latter would attract high participation by students. Professor Neuman indicated that an interactive web site also had been established. Comments from all of these sources would feed into the draft white paper for the end of March, with the hope that the final academic plan would come through governance during the months of May and June.

Professor Neuman informed the Committee that, during a visit to campus in December, the Minister of Training, Colleges and Universities had announced a new round of SuperBuild funding. While details were scant, Minister Cunningham had indicated that the Government would hope to create 16,000 additional student spaces in the system. The University of Toronto was anticipating a substantial SuperBuild grant based on clear signals from the Government that the funding would flow to universities on the basis of assessed space shortage, that among the universities it would be differentially distributed, and, in particular, that favourable consideration would be given to those universities that had been willing to accommodate substantial numbers of the new students. The Government's analysis of the data in that regard had indicated that the University of Toronto was low on space relative to students accepted. Proposals would be accepted only for academic space designated for undergraduate students and the administration was preparing a proposal within those limitations. Though the proposal would address some needs at the St. George campus, by and large it would target needs at the University of Toronto at Mississauga and the University of Toronto at Scarborough.

Intensive work was underway to develop the 2003-04 budget. Challenges known in the fall have become more serious because of the continued poor market performance. The budget for 2003-04 would not assume overly positive market returns nor would it assume an inflationary adjustment in operating grants, though there were some indications that the latter may be forthcoming sometime soon. With the projection of a \$20 billion federal budget surplus and other signals from the federal government, the administration was confident about the indirect costs for research being moved into base funding this year. Nevertheless, there would be budget challenges for the next several years. Professor Neuman was working with the Vice-President, Business Affairs and colleagues in both portfolios to develop a capital budget for the first time, which would clearly reflect the financing costs on the capital debt. They were also hoping to present integrated financial

3. Senior Assessor's Report (cont'd)

information wherein the operating budget, the capital budget and the financial statements could be reviewed together.

A member questioned what impact the faculty salary settlement had on the operating budget. Professor Neuman responded that it had none because the settlement was exactly in line with what had been budgeted.

Given the conservative assumptions for revenue, the need for operating budget cutbacks and the compacted time frame in which decisions for 2003-04 had to be made, a member wondered if there would be a need for differential cuts. Professor Neuman responded that the deans had been informed of the serious budget situation in early October and the likelihood of a 4% to 5% cutback. Though it would be difficult, she hoped still to achieve the objective of having the academic plan drive the budget. The administration was currently looking at a variety of budget models to determine if the model would need to change in the context of the academic plan. The administration was also examining how to handle the gap between investment return and payout on endowment and whether the impact of this gap should be borne by the entire University or by those who had enjoyed the benefits of this income in recent years.

In response to another question, Professor Neuman said that this financial climate was likely to be with the University for the next few years. One possibility for managing in the short term would be to have a series of annual one-time-only cutbacks, in the hope that that the revenue would improve before cuts to base budgets were necessary.

4. Capital Project: Change of Scope: Southeast Infrastructure Upgrade: Electrical Substation and Chiller

A memorandum from Professor Venter (attached hereto as Appendix "A") outlined the proposed change to the means by which electricity would be supplied for the capital expansion underway in the southeast sector of the St. George campus. In response to questions, Professor Venter assured members that all options had been considered carefully to reach the conclusion outlined in the memorandum and proposed in the motion. The recently acquired buildings in the McCaul Street area were already fully serviced and did not figure into this decision. In the event, however, that there were a future need to increase the electrical supply to the southeast part of the campus, that would present no problem as a result of this proposal. In response to a further question, Ms. Riggall indicated that deregulation of hydro supply in Ontario was not a factor to be considered in this regard because, in all cases whether through direct connection or substation-supplied, the University had to purchase the power from the electricity markets.

There was some discussion about the possibility of interrupting or slowing down the capital projects related to this sector. Professor Neuman responded that these were projects for which funding had already been secured and it was not possible not to proceed with these now for a number of reasons, not the least of which were commitments to the donors and funding agencies. She assured members, in response to a comment, that it was now a principle of capital construction that base budget operating costs were included in the capital project cost estimates.

4. Capital Project: Change of Scope: Southeast Infrastructure Upgrade: Electrical Substation and Chiller (cont'd)

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

1. THAT the scope pertaining to the electrical power provision of the original project be modified as indicated to provide for a direct electrical connection to Toronto Hydro in preference to the construction of the Southeast Substation as planned. No change in scope of the chiller component of the project is planned.
2. THAT the allocation from the Centre for Cellular and Biomolecular Research [CCBR], and the Leslie L. Dan Pharmacy Building capital project budgets be maintained at that previously approved.

5. Capital Project: University of Toronto at Scarborough, Parking Expansion and Right-of-Way Improvements – Project Committee Report

At the invitation of the Chair, Professor Venter reviewed his memorandum of December 17, 2002 outlining the proposal for approval in principle of the Project Committee Report for the University of Toronto at Scarborough, Parking Extension and Right-of-Way Improvement (attached hereto as Appendix “B”). Professor Venter tabled a letter from President Johnston of Centennial College to Principal Thompson of UTSC confirming *Excerpt from Report Number 84 of the Planning and Budget Committee, January 10, 2003*

agreement to the conditions under which this would proceed. Professor Venter informed members of a small change to the wording of the motion, which was to replace “with the Centennial Lease agreement” in 2.iv with “with an agreement with Centennial College”.

There were questions about locking this land into a designation for parking for twenty-five years and about the assumptions that the revenue could support the mortgage. Professor Venter and Mr. Bisanti responded to the first by indicating that, because of soil remediation concerns, parking was an appropriate use for this land. In fact, the UTSC Master Plan had designated this for surface use only with other sites off Ellesmere Road identified as suitable for expansion of the campus buildings. Ms. Brown responded to the latter question, saying that extensive business modeling had been done, based on the best knowledge currently available. Even looking at worst-case scenarios, this was a sound model. Enrolment assumptions supported the model and allowances had been included for future major maintenance.

Finally, Professor Venter noted that a large number of trees would be removed, most of which were small seedlings. By and large, the mature trees in the area were in a diseased state. The very few that were not would be preserved.

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

1. THAT the Project Committee Report for the Expanded and Renovated Outer Parking Facilities at the University of Toronto at Scarborough, to allow for the provision of
- 5. Capital Project: University of Toronto at Scarborough, Parking Expansion and Right-of-Way Improvements – Project Committee Report (cont'd)**
- a total of 2,399 parking spaces and Right-of-Way Improvements, be approved in principle;
2. THAT the project cost of \$10,150,000 be approved, with the funding sources for the Outer Parking Facilities and the Right-of-Way Improvements to be as follows:
- For the Outer Parking Facilities,
- (i) UTSC Parking Ancillary allocation of \$232,000,
 - (ii) Contribution identified within the Academic Resource Centre project of \$184,000,
 - (iii) Financing of a mortgage in the amount of \$7,797,953 to be repaid from parking fee revenues over a 25-year amortization period at 8% per annum.
- For the Right-of-Way Improvements,
- (iv) Contribution from Centennial College for \$790,000 to support right-of-way improvements consistent with an agreement with Centennial College;
 - (v) Contribution from UTSC of \$1,110,000 derived from the funds received from the Centennial College SuperBuild Lease Agreement.

6. Capital Project: Project Planning Committee - Renovation within the Banting Building – Terms of Reference and Membership

This item had been circulated for information. Professor Venter noted two minor changes in his memorandum of November 26. First in the Committee Membership, “LMPB” should be amended to read “LMP”, and the final sentence of the terms of reference should indicate that the report of the Project Committee would be received by April 2003 rather than December 2002.

7. Other Business

There was no other business.

8. Date of the Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Tuesday, January 28, 2003 in the Council Chamber.

The meeting adjourned at 1:05 p.m.

Secretary

Chair