

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

**REPORT NUMBER 144 OF THE PLANNING AND BUDGET COMMITTEE
May 18, 2011**

To the Academic Board,
University of Toronto

Your Committee reports that it held a meeting on Wednesday, May 18, 2011 at 4:10 p.m. in the Council Chamber, Simcoe Hall, at which the following were present:

Professor Elizabeth Cowper (In the Chair)
Professor Cheryl Misak, Vice-President and
Provost

Ms Catherine J. Riggall, Vice-President,
Business Affairs

Professor Scott Mabury, Vice-Provost,
Academic Operations

Mr. Ken Davy

Professor Meric Gertler

Dr. Chris Koenig-Wooyard

Professor Henry Mann

Professor Douglas McDougall

Ms Natalie Melton

Ms Carole Moore

Dr. Susan Rappolt

Ms Lynn Snowden

Mr. John W. Switzer

Non-voting Assessors:

Ms Sally Garner, Executive Director, Planning
and Budget

Secretariat:

Mr. Anwar Kazimi, Secretary

Regrets:

Professor Parth Markand Bhatt

Professor Philip H. Byer

Professor Miriam Diamond

Mr. Shaun Datt

Dr. Avrum Gotlieb

Professor Christina E. Kramer

Dr. Jim Yuan Lai

In Attendance:

Ms Maria Pilar-Galvez, member-elect of the Governing Council

Mr. Ron Swail, Assistant Vice-President, Facilities and Services

Mr. Bruce Dodds, Director of Utilities, Facilities and Services

Ms Sheree Drummond, Assistant Provost

Professor Ito Peng, Associate Dean, Interdisciplinary & International Affairs, Faculty of Arts and Science

Professor Janice Stein, Director, Munk School of Global Affairs

Ms Mae-Yu Tan, Assistant Secretary of the Governing Council

ITEMS 4 AND 5 ARE RECOMMENDED TO THE ACADEMIC BOARD FOR APPROVAL. ALL OTHER ITEMS ARE REPORTED FOR INFORMATION.

Professor Cowper conveyed the regrets of Dr. Gotlieb and Professor Diamond who were unable to attend the meeting.

1. Report of the Previous Meeting (April 6, 2011)

Report Number 143 (April 6, 2011) was approved.

2. Business Arising from the Report of the Previous Meeting

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

3. Report of the Senior Assessor

Professor Misak had no matters to report to the Committee.

4. Faculty of Arts and Science (FAS): Proposal to change status of the Munk School of Global Affairs from Extra-Department Unit-B (EDU:B) to Extra-Departmental Unit-A (EDU:A)

Ms Garner said that the proposed change in the status of the Munk School of Global Affairs from an Extra-Departmental Unit B (EDU:B) to an Extra-Department Unit A (EDU:A) effective July 1, 2011, would be a natural evolution of the Munk Centre, now the Munk School of Global Affairs. The change in status would allow the School to hold majority faculty appointments. The School had demonstrated the primary characteristic of an EDU A it was well established, and had attained a critical mass of interdisciplinary scholarship. The proposal had been developed in consultation with faculty and students associated with the School. The Dean of the Faculty of Arts and Science, the Dean of the School of Graduate Studies, and the Dean of Arts of Trinity College had extended their support for the proposal; as had the Faculty of Arts and Science Council and the Munk School Council. Ms Garner said that there were no implications for the current faculty appointments at the School, and that there would be no University wide budget implications with the proposal.

In the discussion that followed, Professor Misak said that the School had long outgrown its EDU B status and had achieved national and international prominence.

Invited to address the Committee, Professor Peng reiterated the comments made earlier by the Professor Misak and added that like the Munk School of Global Affairs, the Women and Gender Studies Institute at the Faculty of Arts and Science had also changed its status from an EDU:B to an EDU:A in 2005 as a result of that Institute's natural maturation. The Munk School's success in establishing itself as a leading centre on global issues merited the proposal for a change in its status from an EDU:B to an EDU:A. Professor Stein thanked Professor Misak for bringing forward the proposal and informed the Committee that the School had directly admitted its first class for the 2011-12 academic year. The proposed change in status was positive initiative that was being presented at a very opportune time.

4. Faculty of Arts and Science (FAS): Proposal to change status of the Munk School of Global Affairs from Extra-Department Unit-B (EDU: B) to Extra-Departmental Unit-A (EDU: A) (cont'd)

In response to a question from a member, Professor Stein and Professor Misak said that even though an EDU:A could hire faculty on its own, there was a clear recognition that the School was firmly anchored at the University and as such it would continue to hire cross-appointed faculty from across the University based on its identified needs and priorities.

On motion duly moved, seconded, and carried,

YOUR COMMITTEE RECOMMENDS

THAT the status of the Munk School of Global Affairs be changed from an Extra-Departmental Unit: B (EDU:B) to Extra-Department Unit: A (EDU:A) effective July 1, 2011.

Documentation is attached hereto as [Appendix "A"](#).

5. Capital Project: Project Planning Report for the Fuel Train on the St. George Campus

Ms Riggall provided the Committee with background on the University's utilities operations. The University generated approximately 84 per cent of its electricity requirement at the St. George campus. In addition to this, the University maintained its own cooling and steam-generation infrastructure. The boilers in the steam plant on the St. George campus were large and old. The steam plant ran on a fuel system that required the fuel to be moved from storage to the engine by the means of a fuel train. A few years previously, there had been a review of the University's infrastructure, and the need to replace the old equipment that constituted the fuel train had been identified. With the objective of replacing old and obsolete infrastructure without compromising the annual budget, an infrastructure renewal fund had been established. An amount from this fund would be used to replace the fuel train.

Invited to comment, Mr. Dodds said most buildings on the St. George campus, including those belonging to the federated universities and external customers, were heated through the Central Steam Plant. The boiler controls of the Central Steam Plant were obsolete and it was difficult to obtain replacement parts. The Technical and Safety Standards Authority (TSSA) had found the University's equipment to be non-compliant. The University had negotiated a four-year period with the TSSA to replace the non-compliant equipment, but it intended to do so over a three-year period.

A member asked whether any thoughts had been given to upgrading the system with greener technology. The member also sought information on demand for steam from outside users. Mr. Dodds replied that a consequence of the replacement of the boiler controls would be an increase in efficiency. This premier district energy system was among the oldest in the country and had served the University well. A change in the Central Plant System could be leveraged to obtain maximum efficiency across the campus. Moreover, the replacement of the boiler would result in the use of fewer pieces of equipment. Mr. Dodds said the Royal Ontario Museum (ROM), the Gardiner Museum, and the Ontario Power Generation building at 700 University Avenue were among some of the University's steady clients for steam. In fact, the demand had increased with the addition of a new wing at the ROM. For some of the external clients, it was perhaps more cost-effective to purchase their steam requirement from the University than to incur capital expenditure by installing their equipment.

5. Capital Project: Project Planning Report for the Fuel Train on the St. George Campus (cont'd)

On motion duly moved, seconded, and carried,

YOUR COMMITTEE RECOMMENDS

THAT the project to replace the fuel train and boiler controls at the Central Steam Plant on the St. George campus be approved, at a total cost not to exceed \$6.138 million, phased over three years with funding from the utilities infrastructure renewal fund.

Documentation is attached hereto as [Appendix "B"](#).

6. Report on the Review of the New Budget Model

Professor Cowper invited Ms Garner to make a presentation on the [Review of the University's New Budget Model \(NBM\)](#). A copy of Ms Garner's [presentation](#) is appended to the report.

Ms Garner said that in 2006-07 the University had adopted a NBM for budget allocations, with the full transition of the model occurring in 2007-08. At the time of implementation, it had been agreed that there would be a review after three years. The Provost had requested a review of the methodologies and the related planning processes of the NBM; a Review Committee was established towards this goal.

The objectives of the Review Committee were:

1. Assess the adherence to the principles outlined by the original Budget Review Task Force
2. Appraise the strengths and challenges of the NBM
3. Assess the incentives and disincentives of the NBM

Principles outlined by the Budget Review Task Force

- The University and all its divisions should follow a policy in which major divisional revenues and costs are delineated and transparent to the central administration, the divisions, and governance.
- The administrative costs associated with the implementation of a NBM should not exceed, and ideally be less than, current costs
- Budget allocations should provide incentives for initiatives that generate new revenues and/or lead to savings in the University's operating costs.
- Divisions should strive to generate revenues to cover division-specific operating and overhead costs, as well as a pro rata share of core services and an equitable share of common facilities regarded as university-wide costs. This was to be based on the recognition that revenue and expense cannot and should not always be balanced at the level of the program or division.
- The assignment of revenues and costs must be done in a fashion that encourages and supports inter-divisional activity at all levels of teaching and research, rather than reinforcing in the creation or maintenance of a set of isolated academic units.
- Divisions are accountable for ensuring compliance with statutory obligations and University policies.

6. Report on the Review of the New Budget Model (cont'd)

Strengths and Challenges of the NBM

The Committee noted the following key strengths of the NBM:

- Greater engagement by all stakeholders – senior administration, faculty, students, staff, and governors;
- Enhanced transparency for all stakeholders – senior administration, faculty, students, and governors;
- Clearer incentives for academic and shared-service divisions to align budget decisions (revenues and costs) with academic goals as well as across divisions;
- Improved quality and quantity of information presented in a framework for multi-year planning and decision making, advocacy and accountability;
- Increased awareness of risk areas, leading to improved risk management.

The Committee noted the following challenges of the NBM:

- The NBM was an important tool in planning for resource allocation. Even so, the heightened focus on revenues and costs demanded that the University leaders remained vigilant in ensuring that academic planning remained the primary factor driving decisions.
- Under the NBM, the academic divisions were exposed in a more varied fashion to the fluctuations in the institutional budget and external economic factors. There was a need for the institution as a whole to remain attentive to risk factors.
- Divisions worked with the centre on planning; there was little formal or explicit inter-divisional planning to harmonize initiatives. This, in turn, placed additional onus on the central hub to propagate potential divisional budgetary integration. Improved inter-divisional processes were required to be considered as the model continued to evolve.
- In order to leverage the model and related planning processes to maximum advantage, a more highly sophisticated skill set was required of senior administrators in divisions and at the centre.

Review of NBM and Related Planning Processes

1. The annual review meetings with the Provost and the President were found to be beneficial to the divisions. The information obtained was timely and of value to the divisions and the centre.
2. Shared-service divisions preferred to see a more inclusive approach where their budget plans were developed in an integrated way with other shared-service divisions.
3. The Committee cautioned against the development of differential service levels across divisions, based on the ability to pay.
4. It was recommended that consideration be given to the formalized “middle table” structure that had been originally envisioned by the Task Force.

For long-term planning:

1. The Committee recommended that the consideration of tri-campus needs be fully included when cost allocations for information technology costs were considered.
2. The Committee recommended that a working group be established to review the services of and costs of human resources services for Professional Faculties South (PFS) and Professional Faculties North (PFN).
3. The Committee recommended on a comprehensive review of the budgetary aspects of tri-campus central and divisional libraries.

6. Report on the Review of the New Budget Model (cont'd)

Discussion

Ms Garner highlighted the changes, with examples, in the approach of divisions in terms of space costs, graduate student support, and summer enrolment strategy, as a result of the incentives provided by the NBM.

In the discussion that followed, Professor Misak said that the NBM at the University had been examined by other institutions across the country. Professor Mabury and Ms Garner had been invited to other universities to present workshops on the NBM as more institutions looked to adopt this model. Professor Misak said that the NBM would be examined and reviewed on a regular basis. The review process had been consultative and all stakeholders would adapt to changes.

A member enquired if there was a process in place to train staff who required more sophisticated skills to operate in the NBM environment. Ms Garner replied that the development of skill sets required by staff across divisions would be a continuously evolving process. Divisions relied predominantly on Planning and Budget for training. With staff turnover, divisions could look to bridge the skills required for the NBM.

A member commended the administration for the process, and termed it an example of best practice in budgeting. He noted that there was a framework in place to revisit the NBM in a collaborative fashion. He added that a real testament to the success of the model NBM since its inception was the accountable manner in which the centre had assisted the decentralized units within the University in dealing with fiscal constraints. The member urged the administration to provide more analytical tools and data to units to enable them to make informed decisions. Professor Misak replied that divisional budget review meetings had been used optimally to analyze data to set future goals and objectives.

Professor Mabury said that the NBM exemplified the success of empowering the right people with the tools to create something for which they would be responsible. He added that in his view the architects of the NBM got it right and he highlighted the boldness and the transparency of the model.

7. Date of the Next Meeting

The Chair advised members that this was the final meeting of the Planning and Budget Committee for the current governance year. Meeting dates for 2011-12 would be posted on the Governing Council website in July 2011.

8. Other Business

(a) Thank you

On behalf of Dr. Gotlieb, Professor Diamond and herself, Professor Cowper thanked all members of the Committee for their contributions over the past year, especially that of the assessors and members of the Agenda Planning Group. Professor Cowper expressed special gratitude to Ms Elizabeth Sisam, Assistant Vice-President, Campus and Facilities Planning , and stated that the Committee had greatly benefitted from her input, diligence, and commitment over the years. The work of the Committee was crucial to the governance of the University, and members' efforts were much appreciated by the Governing Council.

(b) Committee Membership for 2011-12

Professor Cowper noted that Governing Council membership of the Committees for 2011-12 would be considered for approval by the Governing Council at its May 19, 2011 meeting at the University of Toronto Mississauga. Non-Governing Council membership would be considered by the Academic Board at its meeting on June 1, 2011. All members of the Committee for 2010-11 would receive information about the Committee during the summer. The Chair wished members a safe and restful summer.

The meeting adjourned at 5:00 p.m.

Secretary

Chair

May 26, 2011