

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 139 OF THE BUSINESS BOARD

February 28, 2005

To the Governing Council,  
University of Toronto.

Your Board reports that it met on Monday, February 28, 2005 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Richard Nunn, (In the Chair)  
The Honourable Frank Iacobucci,  
Interim President  
Professor Angela Hildyard,  
Vice-President, Human Resources  
and Equity  
Ms Dominique Barker  
Mr. Donald A. Burwash  
Mr. Brian Davis  
Ms Susan Eng  
Ms Françoise Dolcinea E. Ko  
Ms Kim McLean  
Mr. George E. Myhal  
Mr. Roger P. Parkinson  
Mr. Timothy Reid  
Professor Arthur S. Ripstein  
Mr. Robert S. Weiss

Professor Vivek Goel, Vice-President  
and Provost  
Professor Carolyn H. Tuohy,  
Vice-President, Government and  
Institutional Relations  
Mr. John Bisanti, Chief Capital Projects  
Officer  
Ms Sheila Brown, Chief  
Financial Officer  
Ms Rivi Frankle, Assistant Vice-President,  
University Advancement  
Professor Ronald D. Venter, Vice-Provost,  
Space and Facilities Planning  
Professor Safwat Zaky, Vice-Provost,  
Planning and Budget

Secretariat:

Mr. Neil Dobbs  
Mr. Andrew Drummond

Regrets:

Dr. Claude S. Davis  
Dr. Alice Dong  
Ms Mary Anne Elliott  
Dr. Paul V. Godfrey  
Dr. Gerald Halbert  
Mr. Gerald A. Lokash  
Dr. John P. Nestor

Ms Jacqueline C. Orange  
The Honourable David R. Peterson  
Mr. Andrew Pinto  
Ms Marvi H. Ricker  
Ms Catherine J. Riggall  
Professor Jake J. Thiessen

In Attendance:

Ms Sheree Drummond, Assistant Provost  
Professor David Farrar, Deputy Provost and Vice-Provost, Students

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In Attendance (Cont'd)

Ms Elizabeth Finney, Director of Government Liaison, Office of the Vice-President,  
Government and Institutional Relations and the Office of the Vice-President, Research and  
Associate Provost

Dr. Beata FitzPatrick, Director of the Office of the President and Assistant Vice-President

Ms Myra Lefkowitz, Manager, Health and Well-Being Programs and Services

Ms Anne Lewis, Manager, Student Accounts

Mr. Chris McNeill, Director, Office of Environmental Health and Safety

Ms Rosie Parnass, Quality of Work Life Advisor and Special Assistant to the Vice-President,  
Office of the Vice-President - Human Resources and Equity

Mr. Howard Tam, Vice-President, University Affairs, Students' Administrative Council

ITEMS 2 AND 3 CONTAIN RECOMMENDATIONS TO THE GOVERNING  
COUNCIL FOR APPROVAL.

**1. Report of the Previous Meeting**

Report Number 138 (January 17, 2005) was approved.

**2. Tuition Fees, 2005-06**

**a. Enrolment Report, 2004-05**

**b. Student Financial Support: Report of the Vice-Provost, Students, 2003-04**

Professor Goel informed the Board that the two above-noted reports were presented for information to assist the Board in its deliberations on the tuition fee schedules, and that during discussion he would be happy to answer any questions members might have about them. He noted for the record that the Enrolment Report had almost exactly matched the projections that had been made. In addition, the Committee on Academic Policy and Programs had expressed its satisfaction that the University was meeting its commitment that no student should be denied access to the University solely on financial grounds.

**c. Tuition Fee Schedule for Publicly Funded Programs**

The Chair then invited Professor Goel to make a presentation on the administration's proposal for the tuition schedule for publicly funded programs. Professor Goel informed the Board that the freeze on tuition for domestic students, mandated by the Government of Ontario, continued to be in place for 2005-2006. The freeze did not apply, however, to international students. In 2004, the first part of a phased approach to the increase of international student tuition had been approved. The second phase, which had been presented for information in 2004, was presented to the Board for approval within the schedule before members.

Professor Goel informed the Board that the past practice for calculating international student tuition approximated the sum of the government grant that would be provided for a

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domestic student plus the level of domestic tuition. (International students did not produce any revenue from the government grant.) He noted, however, that the University held the opinion, which had been validated by the report of the Rae Review of Postsecondary Education, that the government was not providing sufficient funds for the education of domestic students. As a result, the approach extended the underfunding to international students. The new schedule remedied the deficiency in the formula by approximating international student tuition as the sum of the government grant at the national average plus the level of domestic tuition.

Professor Goel noted that the increase was not calculated the same way for doctoral students for whom the increase proposed was much smaller. Because the University would maintain the guaranteed funding packages for international doctoral students, any increased revenue from higher tuition fees would have to be offset by higher funding for the doctoral-stream students. He stressed that a high level of international exchange of scholarly activity at the doctoral level was an essential feature of doctoral programs. He further noted that the proposed increase would not apply to international students currently at the University, who would, like domestic students, benefit from the fee level guarantee that over the normal period of their programs, their tuition would not rise at a level greater than 5% *per annum*.

With the increase, costs would still be competitive with peer institutions within Canada, and well below costs for peer institutions in the United States. The increase would place fees for the University of Toronto below the highest fees charged by members in the 'Group of Ten' Universities (G10) for programs in the arts and sciences and would be roughly in the middle of fees charged for Engineering programs. Doctoral fees would continue to be in the lower half of fees charged at G10 Universities. In comparison with institutions in the United States, the increased fees would be significantly below the median charged by member Universities of the Association of American Universities (AAU).

Professor Goel reminded members that, contrary to claims that increasing cost would drive down demand, the administration was projecting that demand among international students would increase. Experience here and at the Universities of British Columbia and Alberta, each of which had raised international student tuition significantly, had demonstrated that tuition levels did not have a negative effect on demand. Rather, those institutions had used additional resources gained to improve both recruitment efforts and programming for international students. Indeed, the plan for international students projected the creation of international admission scholarships that would be awarded on the bases of academic achievement and need and the hiring of a specialist in international recruitment. Furthermore, the University planned to identify potential sources of excellent students from underrepresented countries, such as through the United World College system. In addition, the University also would be able to use the model of Foundations, like those in Hong Kong and Singapore, to raise money for scholarships and needs-based aid to students from those areas and apply this model in other countries.

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Although as a condition of providing a visa, the federal government required students to demonstrate the ability to pay for costs, the University would continue to provide emergency aid where possible. For example, students whose families' livelihoods were impaired by the devastation of the recent tsunami in south and southeast Asia had been eligible for aid on an emergency basis.

During discussion, a member asked what proportion of the additional fees raised would flow back to students in the form of bursaries and scholarships. Professor Goel responded that the administration had rejected a strict formulaic approach, preferring instead to define needs and allocate budgets through the normal governance processes. Funds for recruitment would be allocated similarly. The member then asked if the largest part of the increased revenue would go to fund needs-based bursaries. Professor Goel answered that most of the increased funds would go to cover currently unfunded costs.

A member then observed that, in his opinion, recruitment should be heavily emphasized, and the administration should consider further significant increases to international tuition (even doubling it) in order to place the level closer to that of peer universities in the United States such as Michigan and the University of California at Berkeley. To do so, he said, would signal the University's seriousness in attempting to achieve its mission as an internationally significant public teaching and research University able to compete with those peer universities.

A member noted that the freeze for domestic students, while it was in place for the 2005-2006 academic year, could well be lifted following that point. She stated that, in her opinion, the administration had not been effective in persuading students and the public at large that the quality of education received for the tuition paid was extremely high. The dominant impression was that the University of Toronto was an inaccessible institution. She felt that the University needed to approach the issue, both in its public pronouncements and in its advocacy to governments, in a clear, obvious and consistent manner.

Professor Goel stated that, in his opinion, the University's messages were clearly articulated, and its submissions to the Rae Review of Postsecondary Education had been consistent. He noted that there remained some uncertainties regarding the implementation of the recommendations of the Rae Review. To articulate a position on tuition fees and other financial matters based on the Rae recommendations would be premature at least until the provincial budget had been presented, which was expected in mid- to late-April. He noted that the proportion of students whose parental income was below the GTA median had risen from 38% to 49%, and that to have (approximately) half the student body reporting parental income below the median for the locality was extremely significant. The President stated that he felt that the foundations of the University of Toronto's policies on tuition, financial aid, and quality were well laid, and that many of the major positions adopted by the University of Toronto and submitted to the Rae Review had been accepted. He stated the need to promote a broader

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understanding of the levels of private and social benefits of postsecondary education. The University was a public institution and it had to balance its responsibility not to charge the maximum fees the market would bear with the need to obtain sufficient revenue to fulfill its mandate.

A member stated that she agreed with the idea of specific recruitment efforts for international students, and she asked what special measures might be taken to improve retention of the same students, given special needs that might not apply to domestic students. Professor Farrar responded that he and his staff were examining the issues that would require attention. He concurred that international students did have special needs. More tended to suffer issues of isolation and culture shock than domestic students did. He indicated his strong desire to have input in designing programs from international students directly, but he noted that planning had not reached the stage that membership on a recruitment advisory council had been established. The member then asked if the annual report to governance on Student Financial Support could, in future years, include information on the proportion of international students requiring additional support. Professor Farrar and Professor Goel responded that it would be possible to include more data in the report. Professor Farrar noted that international student visas allowed international students to obtain employment, but only from the University itself, but that the restrictions on employment were the subject of considerable advocacy at the federal level from many universities. The member then asked if it would be possible to use scholarships as an element of international aid. Professor Goel responded that the Associate Vice-President, International Research and Development, was developing an overall international strategy which would help to identify opportunities for the University to pursue.

A member queried whether a better approach might be to seek alliances with universities in other countries and concentrate on joint efforts, rather than hosting students in Canada. Professor Goel noted that numerous efforts, for example, the global MBA offered by the Rotman School of Management, or several programs in development at the University of Toronto at Scarborough, were part of the significant inventory of the University's international efforts. However, part of the value of international students was that their presence enhanced the academic and social experience of domestic students. The University did feel, however, that it should be examining opportunities to improve and expand collaborations in other countries.

A member noted that when allocations were made, clear categorization of funds for student services and special services for international students would be required. He reiterated his strong desire that the University work with the Canadian International Development Agency (CIDA) to identify specific opportunities for international involvement.

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**2. Tuition Fees, 2005-06 (Cont'd)**

**c. Tuition Fee Schedule for Publicly Funded Programs (Cont'd)**

On the recommendation of the Vice-President and Provost,

YOUR BOARD RECOMMENDS

THAT the proposed tuition fee schedules for publicly funded programs for 2005-06, which are Appendices "B" and "C" to Professor Goel's February 14, 2005 memorandum to the Business Board, a copy of which is attachment "1" hereto, be approved.

**d. Tuition Fee Schedule for Self-Funded Programs**

The Provost briefly summarized the tuition schedule for self-funded programs. During discussion, a member asked if the visiting student course fee for students in the MD program was comparable to that charged by other Canadian universities. Professor Goel responded that he understood this was the case.

On the recommendation of the Vice-President and Provost,

YOUR BOARD RECOMMENDS

THAT the proposed tuition fee schedule for self-funded programs for 2005-06, which is Table 1 of Professor Goel's February 14, 2005 memorandum to the Business Board, a copy of which is attachment "2" hereto, be approved.

**3. Vice-President, Government and Institutional Relations: Annual Report on Government Relations – Interim Presentation**

The Chair said that the Business Board, according to section 5.6 of its terms of reference, was responsible for governance oversight of the University's relations with the external community, and it was charged to review an annual report on government-relations activities. Owing to the pressure of time on the agenda, Professor Tuohy would at this time concentrate her remarks on (a) the Honourable Bob Rae's report on his review of higher education in Ontario, and (b) the lead-up to the Government of Ontario's spring budget.

Professor Tuohy said that she looked forward to making her full annual report at the May meeting. It was very important at this time to consider the outcome of the Rae review, which was a very good one. The Rae recommendations were comprehensive and balanced and were consistent with the University of Toronto's central positions. Professor Tuohy outlined some of the key recommendations and compared them with the University's own views.

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**3. Vice-President, Government and Institutional Relations: Annual Report on Government Relations – Interim Presentation (Cont'd)**

- **Base operating funding.** The University had recommended that the Government of Ontario raise public funding for the Province's universities to the national average. That would require an additional commitment of \$1.5-billion per year. The University of Toronto's share would give the University about two-thirds of the amount of funding it should receive to support its mission to be among the world's best public teaching and research universities. The Rae recommendation was a "stretch target," which would over the long term bring the per-student revenue for Ontario institutions from all sources up to the level of public institutions in peer jurisdictions in North America. That would require that the post-secondary institutions receive \$2.2-billion more in revenues than they received at this time. Recognizing constraints of the Government's ability to provide this funding, Mr. Rae recommended an additional \$1.3-billion of Government funding to institutions by 2007-08. That included some funding that the University was already anticipating in its budget planning.
- **Reform of student assistance.** The University had advocated the reform of student assistance as an essential step. The reforms should make more students from middle-income families eligible for assistance, and they should make student debt more manageable through a combination of debt relief and a repayment mechanism that were both linked to the graduate's income. The Rae report contained extensive recommendations concerning the system of student assistance, which was described as "broken." There should be an up-front grant to cover the tuition fees of low-income students to end the disincentive for such students even to consider attending a post-secondary institution. The report recommended increasing eligibility for the student assistance program by revising the need-assessment process to reduce the expected parental contribution. The report also recommended integrating the provincial student-assistance program with institutional funding for needy students through tuition-fee subsidies for amounts beyond government loans and grants. The Rae report recommended that the Province work with the federal government on a loan-repayment option that would be geared to income and administered through payroll deduction. To fund those recommendations, the report proposed the investment of a further \$300-million per year in base funding.
- **Capital funding.** The University had stated that funding from the Ontario SuperBuild Program, while very welcome, had been insufficient to accommodate the University's growth, and it had been forced to take on a great deal of debt. It had also built up, at a conservative estimate, a backlog of \$315-million of deferred maintenance needs. The University would require base funding of \$6-million per year to maintain its facilities and prevent a further accumulation of deferred maintenance. The Rae report recommended capital funding of \$300-million per year for each of the next ten years for new construction at all colleges and universities. The report also recommended the provision of \$200-million per year for the next three years for critical repair work.

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- **Other major points of convergence.** The Rae report had recommended multi-year funding allocations within the framework of multi-year accountability agreements – a fundamental basis for the relationship between the Government and each autonomous institution. Each institution would determine its own tuition fees within an overall regulatory framework that would hold each institution responsible to ensure accessibility. The report recognized the need to expand graduate enrolment, which should take place at institutions that could demonstrate quality and the capacity to support graduate students. The recommended incremental base funding needed to achieve that goal was \$180-million per year. That funding would be provided in response to successful proposals rather than allocated on the basis of a formula. Finally, the report recommended that the Ontario Student Opportunity Trust Fund be made permanent, with \$50-million per year of base funding provided to post-secondary institutions to match donations to endowments to fund need-based student awards.

Professor Tuohy concluded that, while the University would have preferred the “stretch target” for additional funding to be the actual target, the Rae report represented a very positive development. There were, however, issues concerning how some of the recommendations might be implemented. The “devil was in the details.” The proposal to establish a new legislative framework was not sketched out in any detail. It was clear that the legislation was not intended to replace the statutes, like the University of Toronto Act, establishing each institution. It was also clear that the framework would include a provision to require accessibility to each institution. However, there were cautionary tales in Ontario regarding framework legislation for the health sector and in other jurisdictions regarding general legislation governing university systems. It was also not clear how the government would arrive at the proposed agreements for multi-year funding in return for steps to establish accountability. The process to establish the proposed Council on Higher Education, its mandate and its membership were also not specified. The University had recommended an expert body to provide advice on such things as performance measures. Similarly, the process to establish the proposed Ontario Research Council, and its mandate, scope and membership were not specified. There were many details left to be worked out in the integration of government and institutional student aid. Finally, while the Rae report had recommended the immediate allocation of an additional \$1.3-billion in base funding to the post-secondary system by 2007-08, it was not specified how that amount would be divided between the university system and the colleges of applied arts and technology.

Professor Tuohy outlined a number of key messages the University wished to convey in its advocacy leading up to the Ontario budget, which was expected in mid- or late-April. Most important was that the Province make a multi-year commitment to increase funding, as recommended by the Rae review, by at least \$1.3-billion per year by 2007-08. Professor Tuohy was concerned that the Government might seek to appear to be implementing this recommendation by making a longer term commitment beyond its current mandate, but no government could bind a future government to fulfill an undertaking of that nature. It was also very important that the Government move on all of the key Rae recommendations as a coherent



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group and not engage in “cherry picking.” The recommendations would bring about the needed improvements in post-secondary education only if they were adopted as a whole: the increase in base operating funding to improve quality, the improvements in student assistance, the needed increase in graduate enrolment, new capital funding, and the tuition fee freeze to remain in effect for 2005-06 but not beyond.

Professor Tuohy said that it would be important for the University and its friends to make their advocacy efforts not only at the provincial level but also at the federal level. The Government of Canada provided money to the provinces to assist post-secondary education through the Canada Social Transfer. While some had advocated that a given proportion of the transfer be dedicated to post-secondary education to end the erosion of that proportion, that approach might not be the best one. Rather, it might be best to encourage the Government of Canada to enhance its direct support of the universities within its mandate to support research. The federal government should be urged to improve its support of graduate education as a means to supporting research and to provide more funding of the indirect or overhead costs of research. With respect to student aid, the federal government was responsible for the Canada Student Loan part of the student assistance program. It should be pressed to improve the support provided by its portion of that program, and also to look into income-contingent loan repayment and, where appropriate, debt relief. While it was important to press the Government of Canada for those improvements, it was also essential to oppose any step by the Province of Ontario to make its actions contingent on federal partnership.

In the longer term, after the advocacy related to the Ontario budget, Professor Tuohy said advocacy efforts should focus on two areas: the federal partnership to support higher education and, at the Provincial level, implementation of the reforms arising from the Rae review: student-aid reform; revisions to simplify the funding formula; the proposed legislative framework and establishment of the Council on Higher Education; the development of system-wide accountability and performance measures; and the allocation of funding increases between the university system and the colleges (if that matter was not included in the budget). At the University of Toronto, it would be important to continue with the development of multi-year budget plans to achieve and demonstrate real improvement in the education it was offering to Ontarians and to demonstrate accountability for the anticipated improvements to the support the University and its students would receive.

The following matters arose in questions and discussion.

**(a) Federal government support of research overhead costs.** In response to a question, Professor Tuohy said the University had been pleased that the Government of Canada had, in its recent budget, increased the amount designated for support of the indirect costs of federally funded research from \$245-million to \$260-million. That action demonstrated that the Government had not lost sight of that important need. Unfortunately, because of an increase in the amount of funded university research, the higher amount would represent a lower proportion of cost recovery.

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**(b) Research Council.** In response to a member's observation, the President noted that the recommendation to establish an Ontario research council to "advise on and coordinate research priorities and, allocate provincial funding in line with these priorities . . ." had been a surprise recommendation. It was not clear how the proposed council would operate to coordinate research priorities.

**(c) Council on Higher Education.** The President observed that he was pleased that the proposed Council on Higher Education was not to be a political body but rather an expert body advising on such issues as performance measures and carrying out research on best practices to provide the basis for institutional accountability.

**(d) System funding.** In response to a question, Professor Goel observed that even the "stretch target" of \$2.2-billion of additional funding, because it was for both universities and colleges, would not bring funding for the University of Toronto and the other research universities to the level of public support of their peers. A member referred to table 1 in Professor Tuohy's report, showing the sources of all of the University's \$1.6-billion of revenue for 2002-03. He asked what amount of revenue would be required to bring the University to where it should be. Professor Goel replied that the University's revenue would have to be approximately \$3-billion to bring the University to the median of its peers in the Association of American Universities (A.A.U.). The member inferred that the amount needed to enable the University to compete with the top A.A.U. public universities like Berkeley or Michigan would then be in the area of \$4-billion. The President observed that other jurisdictions such as Alberta were moving to increase their support for post-secondary education.

**(e) Accountability for accessibility.** In response to a question, Professor Tuohy said that the proposed legislative framework would make each institution, in return for appropriate government funding, accountable for ensuring accessibility to academically qualified students. The University of Toronto had, in any event, been preparing annual reports for some time on student financial support and accessibility in general and on accessibility for various groups of students to demonstrate fulfillment of its Policy on Student Financial Support.

**(f) Public support.** A member recalled the comments made by a member of the Governing Council who was a past-Premier of Ontario, stressing the importance of building public support for the University's positions as a key element of winning Government support. The member hoped that community relations was a key component of the University's government-relations efforts. The need to reach into the community was of great importance in general and in the periods leading up to elections in particular.

In the course of discussion, a member congratulated the President, Professor Tuohy and their colleagues for their work leading to the Rae report. It was clear that there were many points of convergence between the positions advocated by the University and the recommendations of the report, a fact that reflected on the significant effort and skill of the University officers working on the matter.

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Professor Hildyard noted that the Employment Equity Report had been changing over recent years to place a greater emphasis on the analysis of trends and on the provision of information on initiatives. She outlined some of the highlights of the report.

- **Federal contractors' audit.** The University had recently undergone an audit under the Federal Contractors' Program and had been found in full compliance. She noted that some other universities had not enjoyed so favourable an outcome and had been required to take additional steps to comply with the terms of the Program. The University would be conducting a new survey of all employees pursuant to the Program's requirements. That would be a challenging, time-consuming task because of the expectation of a very high return rate of 98% - 99%.
- **Academic appointments: women.** There had been an overall increase in the proportion of women faculty since 1996. There were, however, two areas of concern that would be a focus of on-going attention. First, the trend in the proportion of women in recent hires had been declining somewhat. Second, women were more heavily represented in the teaching-stream faculty than in the tenure stream.
- **Academic appointments: visible minorities.** Again, there had been an overall increase in the proportion of visible-minority faculty. There had, however, been a small decline in the proportion of offers of academic appointments accepted by members of visible minorities. Professor Hildyard speculated that the decline might have been caused by the fact that such individuals were in high demand. The University would, however, focus on finding out the reasons for the decline in the rate of acceptance of its offers.
- **Academic appointments: aboriginal persons and persons with a disability.** Both aboriginal Canadians and people with a disability continued to be under-represented on the University's faculty.
- **Administrative appointments.** Women and members of visible-minority groups were well represented in all categories of the University's administrative staff. Aboriginal people were well represented in the staff overall, but they represented a lower proportion among professional and managerial staff. There was need to work on ensuring access to promotional opportunities for aboriginal staff members. People with disabilities continued to be under-represented.
- **Key initiatives for 2005.** A number of initiatives would be undertaken in addition to the on-going efforts to ensure employment equity. Professor Hildyard anticipated that the new survey of all employees would show that the University included more people with disabilities and more aboriginal Canadians than currently recorded because the acceptance of employment-equity initiatives would encourage more people to disclose their membership of those groups. There would be an enhanced focus on recruiting

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faculty members from all of the designated groups. There would be a similarly enhanced focus on recruiting staff members from the designated groups, in particular aboriginal staff and people with a disability. A new staff position had been established to assist in that initiative. There would be an enhanced focus on faculty retention issues and on professional development for academic administrators to assist them in initiating proactive efforts in their searches to recruit members of designated groups and to establish a positive environment for those faculty members. Planning for that effort had included the initiation of discussions with First Nations House about faculty recruitment and retention. Finally, the University would introduce exit interviews to determine why members of the designated groups had decided to leave the University. It was important to ensure that the reason was not a negative experience as a member of a designated group.

A member asked about **retention** of faculty and staff. What were the retention rates? Were they good or bad relative to peer institutions? Given the high cost of recruitment, it was important from a business as well as an academic perspective to retain good faculty and staff. Professor Goel replied that the University did not have good comparative data on retention. His impression was that turnover among academic staff at the University of Toronto was probably higher than at many other Ontario universities simply because the high quality of the faculty made them attractive subjects for offers from other institutions. He noted that academic retention was closely and inversely correlated with the strength of the U.S. economy. When the U.S. economy was strong, support for universities increased, and those universities were then in a better financial position to make attractive offers to University of Toronto faculty. Professor Goel's impression was that retention rates at the University of Toronto were probably closer to those at other leading Canadian universities such as McGill or the University of British Columbia than the Ontario universities in general. He undertook to look into the possibility of having the G10 group of major Canadian universities commence the collection of data on faculty retention. Professor Hildyard reported that the turnover rate among administrative staff was very low.

**5. Health and Safety: Annual Report, 2004**

The Chair stated that it was very important that the Board give careful attention to this report. Members should be aware that University officers and Board members could be held personally liable for any failure to exercise due diligence in ensuring that the University was carrying out its responsibilities under the *Occupational Health and Safety Act*.

Professor Hildyard said that she and her colleagues were being more proactive with respect to new initiatives. Pilot projects included: better training in areas with higher accident rates; a focus on health promotion with a number of open houses, workshops and other special events; an asbestos surveillance program; and a medical surveillance program for researchers in a level III laboratory. The number of training courses in the area and the number of staff participating in them had increased. More courses were being offered with web-based modules

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to make the courses more accessible to staff members and to enable staff members who had already completed the courses to update their knowledge.

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The Chair asked Professor Hildyard whether she was aware of any gaps in the University's due-diligence in carrying out its responsibility for health and safety that could place members of the Board in default of their obligations under the *Occupational Health and Safety Act*. Professor Hildyard replied that she knew of no such gaps.

A member suggested that the Vice-President be asked to provide on a regular basis written certification that to the best of her knowledge the University was in full compliance with respect to all legal requirements in the health and safety area. The Chair asked Professor Hildyard to take the matter under advisement and to respond at the next meeting.

**6. Capital Projects Report**

The Board received for information the regular report prepared by Professor Venter on the status of the capital plan as at January 31, 2005.

**7. Capital Project: University of Toronto at Scarborough: Electrical and Mechanical Infrastructure Upgrades, Phase 3 – Cooling Towers**

The Chair said that, at its meeting of February 10, 2005, the Governing Council, on the recommendation of the Planning and Budget Committee and the Academic Board, had approved in principle phase III of the University of Toronto at Scarborough (UTSC) project to upgrade its electrical and mechanical infrastructure at a total cost of \$2,515,000. The Council had also approved the sources of funding as listed on the Business Board's agenda. The Board was now being asked to authorize the administration to execute the project and to arrange any required financing.

Mr. Bisanti said that the proposal to replace and expand the cooling towers at the University of Toronto at Scarborough (UTSC) was part of an on-going, multi-phase plan for electrical and mechanical infrastructure upgrades. His memorandum had listed a number of recent, related infrastructure-renewal projects, each costing less than \$2-million and funded under administrative authority. The proposed cooling towers would replace the current towers and provide additional capacity for the new facilities completed and planned at UTSC. The project was an essential part of the projected \$17.4-million program at UTSC to deal with infrastructure needs. The proposed project would bring UTSC near to the half-way point in its program of infrastructure upgrades.

Discussion focused on the following matters.

**(a) Opportunity cost.** A member noted that all three proposals on the current agenda involved the funding of the full or partial cost of capital projects with operating funds. Professor Goel replied that it would be highly desirable not to have to resort to operating funds to complete capital projects. If there were adequate public funding for capital projects, the divisions would devote the monies being proposed for capital projects to other academic priorities. In the absence

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of adequate capital funding, it had been necessary to defer those other academic priorities to meet urgent capital needs. At UTSC, for example, a failure of the heating system had recently forced the postponement and re-scheduling of a number of examinations. It was necessary to ensure that no future infrastructure failure caused a serious impact on the student experience at the University.

**(b) Budgeting for capital projects funded by operating monies.** A member said that he thought money approved in the operating budget should be used for operations and that money in the capital budget should be used for capital projects. He suggested that the Audit Committee consider the propriety of using money from the operating budget for capital projects. If it was necessary to use a part of the revenue from the government operating grant and tuition fees for capital purposes, that use should be budgeted in the usual manner.

Ms Brown replied that such a procedure was required for the ancillary operations, which budgeted part of their revenue stream for capital purposes. In the case of other University operations, however, there was no source of regular revenue apart from that intended to fund operations. To complete capital projects, the University had to rely on occasional targeted grants for specific projects as well as donations and borrowing. Where it was necessary and possible to use operating funds to allow a project to proceed, the decision to do so was best made not in a central budgeting exercise but by the relevant division, which would benefit from the capital project and which would act to free up the funds for it. The divisions were in the best position to make trade-offs between operating and capital needs. Professor Goel agreed that it was much preferable for divisions to make those decisions. The only alternative would be to remove operating funds from all divisions and to make central allocations to meet capital needs, with all divisions being required to sacrifice academic priorities to meet the capital needs of other divisions. It was much better to have decision-making and financial responsibility in the hands of the divisions that would benefit.

A member asked whether the operating funds for this and other capital projects would at some point be replaced. Or were those funds lost to the operating fund irrevocably? Did all divisions have available funds that could be devoted to capital projects? If so, what proportion of their budgets was so available? It seemed odd for divisions to complain that they had a shortfall of operating funds and still to have monies available for capital purposes. This made it appear as though there were built-in surpluses in some divisional budgets. Professor Goel replied that the funds taken from the operating budget for capital purposes would not be replaced. On the other hand, the completion of some projects did bring about operating efficiencies that would reduce future operating costs, for example for utilities or for renting space off campus. There were, therefore, some trade-offs. The source of operating funds for capital purposes was often monies that had been appropriated to divisions that had been unspent at the end of a fiscal year and carried forward to the next year. Carry-forward funds might arise from such sources as funding for enrolment expansion provided to a division that had not, for example, been able to recruit the planned number of new faculty in a given year. In some cases, divisions in urgent need of

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capital funds intentionally left positions vacant for a year or more to build up the carry-forward funds



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required to meet urgent capital needs. There was no specific proportion of carry-forward funds for the divisions; their financial position at the fiscal year end varied considerably. The amounts were reported in the Supplementary Financial Report and the divisions were required to present a plan for their effective use.

Professor Goel stressed that the carry-forward funds were one-time-only funds that could not be used to fund on-going, base-budget commitments. The use of operating funds for capital needs did come at a cost to the division's academic programs, but in the absence of adequate capital funding such trade-offs became necessary. There was no built-in surplus in divisional budgets. On the contrary, the University faced a structural deficit, and the divisions were required to plan for on-going reductions because revenues from Government grants, tuition fees and other sources had over many years failed to keep up with inflation and especially with the increasing cost of salaries and benefits. While reductions in on-going, base-budget expenditures had been required for many years, in any particular year in any particular division, there might be a planned or unplanned situation where all budgeted monies were not spent, leading to a carry-forward amount available for one-time-only purposes, including capital projects. It had been the University's practice to allow divisions to identify priorities for such monies. The alternative would be to claw back those funds, which would lead divisions to making year-end expenditures without regard to planning priorities. However, when faculty were recruited in future years, for example, the availability of the carry-forward funds would end.

A member agreed that it was not wrong for the divisions to make decisions concerning the use of funds for capital purposes, but he thought it would be appropriate for such funds to be clearly identified as capital funds. Failing to do so would distort the picture of the University's costs to carry out its operations. Ms Brown replied that the funds expended for capital purposes were reported in the capital fund in the Supplementary Financial Report. Professor Goel stressed again that the operating monies used for capital purposes were one-time-only monies that could not be included in the base budget to fund on-going costs. He assured the Board that the divisions would much prefer to have adequate, designated capital funding, but such funding had not been forthcoming in adequate amounts.

**(d) Capital projects funded by operating monies: inter-divisional equity.** A member remarked that some divisions were fortunate enough to be well accommodated in good, new buildings and to have no need to take such actions as deferring academic appointments to free up money for capital purposes. Other divisions were not in so favourable a position. That situation appeared to create an inequity among divisions, and it might impede co-operation among them. While the member appreciated that divisions were in a good position to make the needed trade-offs, she was concerned about the equity of such a situation and its effect on co-operation among divisions. Professor Goel replied that Professor Zaky was chairing a review of the budget process aimed at enhancing its contribution to the academic planning process. The outcome of that review, which would be reported to the Business Board, could give consideration to the member's concern.

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(c) **Accounting for capital projects funded by operating monies.** A member was concerned that expenditures, using operating funds, were being reported as capital expenditures and therefore capitalized in the financial statements, with the expenditure being amortized over many years. The effect would be to overstate net income in the operating fund in the year of the expenditure.

Another member recognized the concern, but he was willing to accept the accounting in order to enable divisions to make decisions to use operating funds for capital purposes where it made sense to do so. The accounting concern should not be allowed to impede good decision-making.

Ms Brown replied that the annual operating budget was drawn up on a cash basis. The allocations in the budget were all cash allocations and were approved as such. The operating budget included no allocation for depreciation or amortization of capital expense and included no other accounting entries. It was not audited. The financial statements, prepared according to generally accepted accounting principles, contained the full range of accounting entries including depreciation. They reported on actual rather than budgeted expense, quite independently of the budget. The financial statements were audited. As it happened, the amount of operating money spent on capital projects in recent years came very close to the amount recorded as an expense for depreciation, but that was purely coincidental. Ms Brown stressed that the University's financial statements reported on total revenue and expense and total assets and liabilities. The University chose to manage its financial operations in four separate funds: the operating fund, the capital fund, restricted funds and the ancillary-operations fund. Doing so assisted in maintaining accountability for the use of the funds, but the audited financial statements dealt only with the University's operations and financial position as a whole.

(d) **Provision for financing.** A member observed that the recommendation included a provision enabling the Vice-President, Business Affairs "to arrange such interim and long-term financing as required from either internal or external sources." He asked the reason for the provision, given that the full cost of the project was to be borne by the operating budget. Ms Brown and Professor Goel replied that the clause was a standard one. In this case, no long-term financing was required; in others such financing was needed. In this case, the project would be commenced, materials ordered and suppliers paid as appropriate. The operating funds from the 2004-05 budget were now in hand, and those from the 2005-06 budget would flow in the usual way. There might be need to pay suppliers in advance of that flow of operating funds. If so, the administration would be authorized to finance the cost and would do so from the short-term funds in the Expendable Funds Investment Pool. Where appropriate, projects were assessed the financing cost.

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**7. Capital Project: University of Toronto at Scarborough: Electrical and Mechanical Infrastructure Upgrades, Phase 3 – Cooling Towers (Cont'd)**

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

YOUR BOARD APPROVED

THAT the Vice-President, Business Affairs be authorized:

(i) to execute the University of Toronto at Scarborough Electrical and Mechanical Infrastructure Upgrades, Phase 3 – Cooling Towers project at a cost not to exceed \$2,515,000 to be funded from the following approved sources:

(a) University of Toronto at Scarborough operating budget for 2004-05	\$1,218,166
(b) University of Toronto at Scarborough operating budget for 2005-06	500,000
(c) Deferred Maintenance Funds allocation to the University of Toronto at Scarborough for 2005-06	596,834
(d) Facilities Renewal Program allocation for 2005-06	200,000

and

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

**8. Capital Project: Centre for Biological Timing and Cognition**

The Chair said that the Governing Council, at its meeting of December 16, 2004, had approved this project in principle at a cost of \$13,161,000, with the funding sources shown on the Business Board agenda. Again, the Board was being asked to approve the execution and any necessary financing for the project.

Mr. Bisanti said that the Board, at its meeting of November 8, 2004, had approved the spending of \$1.5-million for design work on this project, and that work was now underway. He requested approval for the expenditure for the full cost of the project to advance it to its conclusion.

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**8. Capital Project: Centre for Biological Timing and Cognition (Cont'd)**

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

YOUR BOARD APPROVED

THAT the Vice-President, Business Affairs be authorized:

(i) to execute the Centre for Biological Cognition and Timing project at a cost not to exceed \$13,161,000 to be funded from the following approved sources:

(a) Faculty of Arts and Science operating funds	\$2,466,725.00
(b) Canada Foundation for Innovation	5,347,137.50
(c) Ontario Innovation Trust and the Ontario Ministry of Economic Development and Trade	5,347,137.50

and

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

**9. Capital Project: Department of Mathematics, Phase I**

The Chair recalled that the Governing Council, at its meeting of December 16, 2004, had approved this project in principle at a cost of \$5,680,000, with the funding to be provided by the Faculty of Arts and Science. Again, the Board was being asked to approve execution and any interim financing for the project.

Mr. Bisanti recalled that the Board, at its meeting of November 8, 2004, had reviewed the project and approved the expenditure of \$800,000 for design work. That work was well underway and the project had been put out to tender. The aim was to complete the project by August 2005 to enable the Department of Economics to use the space on a temporary basis while the renovation of the Economics Building proceeded.

A member observed that this was a case where the full cost of a major capital project was being funded by operating funds rather than a capital budget. He was again concerned that a division was making budget reductions to deal with an ostensible budget shortfall, but it was able to find sufficient monies to fund a major capital project. This use of operating funds beyond capital allocations was a source of capital spending which, like borrowing, should be watched and controlled. Another member, observing the use of operating funds for three projects on the current agenda alone, urged that the Board monitor such spending on an on-going basis.

Professor Goel replied that the University did engage in capital budgeting, as reflected in the capital plan and its regular updates, which were presented to the Board at each meeting (see item 6 above). However, it was not possible to plan spending to achieve the capital plan in a

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manner comparable to planning the spending of operating funds. There was too much uncertainty concerning capital funding. The University at one time had an Infrastructure Investment Fund, but even budgeting for infrastructure improvements had proven to be imperfect because it was not always possible to foresee infrastructure needs. Ms Brown added that in the private sector, companies did prepare capital budgets which included depreciation as recorded on the financial statements. It was difficult to create such a capital budget in an institution as large and diverse as the University of Toronto. Divisions often did not know much in advance what external capital funding they would receive and did not know whether they would be able to build up carry-forward funds. Those one-time-only funds often arose unexpectedly as the result of resignations or difficulties in recruiting for particular faculty positions.

Professor Goel added that the current method of using operating funds for capital projects had evolved over the past three or four years. Therefore, the administration would consider whether it was possible to separate out capital spending funded by the operating budget or the revenues of the ancillary operations. That would produce comfort that such spending was being monitored and was not causing permanent harm to the University's operations.

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

**YOUR BOARD APPROVED**

**THAT** the Vice-President, Business Affairs be authorized:

- (i) to execute the Department of Mathematics, Phase I, project at a cost not to exceed \$5,680,000 to be funded from the following approved source: Faculty of Arts and Science operating funds; and
- (ii) to arrange such interim and long-term financing as required from either internal or external sources.

**10. Administrative User Fees and Fines, 2005-06**

On the recommendation of the Vice-Provost, Planning and Budget,

**YOUR BOARD APPROVED**

- 1. **THAT** the Office of Convocation certification of degree fee be added to the Administrative User Fee Schedule;
- 2. **THAT** the Faculty of Architecture, Landscape, and Design Global Architecture Program Placement fee be added to the Administrative User Fee Schedule;

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3. THAT the Woodsworth College International Summer Program to Sussex, England (placement fee and course fee) be removed from the Administrative User Fee Schedule; and
4. THAT the Woodsworth College International Summer Program to Tell El-Masha'la (placement fee and course fee) be removed from the Administrative User Fee Schedule.

**11. Administrative User Fees and Fines, 2005-06: Items for Information**

The Board received for information the report on changes to the schedule of administrative user fees and fines, reflecting changes to the costs of services provided, and made, pursuant to the Policy on Ancillary Fees, under administrative authority.

**12. Cost-Recovery Ancillary Fees, 2005-06**

The Board received, for information, the Report on Cost-Recovery Ancillary Fees for 2005-06. Again, those fees could be adjusted under administrative authority so long as the changes related to the costs of the materials and services provided.

**13. Financial Forecast: Update**

The Chair recalled that, at the previous meeting, Ms Brown had provided a forecast of how the University would end the year financially, and he invited Ms Brown to update the forecast in the light of subsequent developments.

Ms Brown said that there had essentially been no change since the previous forecast. The official audited enrolment count as at November 1, 2004 had matched that used in the financial forecast. That count played a key role in determining the University's income from tuition fees and government operating grants. The University had not yet learned whether it would receive full average operating funding for the additional students it had enrolled in 2005-06 to accommodate the double cohort. In response to a member's questions, Ms Brown said that the amount of funding that had been included in the budget and in the previous forecast for that funding amounted to \$4-million. It was hoped that the Province would provide full or, failing that, partial funding, but if it failed to provide any funding, the projected cumulative deficit in the operating fund would increase from \$42.2-million to over \$46-million.

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**14. Date of Next Meeting**

The Chair reminded members that the next regular meeting was scheduled for Monday, Monday, April 4, 2005 at 5:00 p.m. Among the matters on that agenda would be: the 2005-06 Budget Report, the 2004 annual report of the University of Toronto Asset Management Corporation, the annual review of the investment policy for the pension funds, and the investment-performance benchmarks.

THE BOARD MOVED INTO CLOSED SESSION

**15. Closed Session Reports**

The Chair recalled that pursuant to section 6.1 of the Business Board Terms of Reference, the Board routinely moved into closed session at the end of its agenda: (a) to receive and consider reports from its assessors on matters of a confidential nature, or (b) to initiate discussion on policy matters at an early stage of development, before recommendations were brought forward for debate and approval.

Ms Brown reported and initiated discussion on options being considered for a new parking garage at the University of Toronto at Mississauga.

Professor Hildyard report on the status of negotiations with the Canadian Union of Public Employees local that represented the University's stipendiary instructors and on the status of negotiations with the Faculty Association.

**16. Striking Committee: Appointment**

The Chair said that the membership of the Business Board consisted primarily of members of the Governing Council, who were appointed by the Council. There was, however, need for the Board to appoint a small number of non-Governing Council or "co-opted" members. In addition, the Audit Committee usually included a number of co-opted members, and the Business Board appointed the Chair and Vice-Chair of the Audit Committee. The Board's current task was to appoint a representative nominating committee, called a "Striking Committee." That Committee would recommend co-opted members to the Board at the June meeting.

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**16. Striking Committee: Appointment (Cont'd)**

On motion duly made and seconded,

It was RESOLVED

THAT the following be appointed to the Business Board  
Striking Committee to recommend appointments for 2005-06:

Ms Jacqueline C. Orange (Chair)  
Mr. Richard Nunn (Lieutenant-Governor-in-Council  
appointee; Vice-Chair)  
Mr. Brian Davis (administrative staff)  
Ms Susan Eng (alumnus)  
Ms Françoise D. E. Ko (student)  
Professor Arthur S. Ripstein (teaching staff)

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:30 p.m.

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Chair

March 28, 2005