

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 141 OF THE BUSINESS BOARD

May 2, 2005

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, May 2, 2005 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Jacqueline C. Orange (In the Chair)
Ms Catherine J. Riggall, Vice- President,
Business Affairs
Professor Angela Hildyard,
Vice-President, Human Resources
and Equity
Mr. Donald A. Burwash
Mr. Brian Davis
Dr. Claude S. Davis
Dr. Alice Dong
Ms Mary Anne Elliott
Ms Susan Eng
Dr. Gerald Halbert
Ms Françoise D. E. Ko
Ms Kim McLean
Mr. George E. Myhal
Mr. Roger P. Parkinson
The Honourable David R. Peterson
Ms Marvi H. Ricker
Mr. Robert S. Weiss

Professor Carolyn Tuohy, Vice-President,
Government and Institutional Relations
Mr. John Bisanti, Chief Capital Projects
Officer
Ms Sheila Brown, Chief Financial
Officer
Ms Christina Sass-Kortsak, Assistant
Vice-President, Human Resources
Mr. Ron Swail, Assistant Vice-President,
Facilities and Services
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:

Ms Dominique Barker
Dr. Paul V. Godfrey
Mr. Gerald A. Lokash
Dr. John P. Nestor

Mr. Richard Nunn
Mr. Andrew Pinto
Mr. Timothy Reid
Professor Arthur S. Ripstein

In Attendance:

Mr. Ari Linds, Policy and Research Officer, Office of the Vice-President, Government and Institutional Relations

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

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1. Report of the Previous Meeting

Report Number 140 (April 4, 2005) was approved.

2. Business Arising from the Report of the Previous Meeting

(a) Item 2 – Budget Report – Use of Operating Funds to Support Capital Projects

The Chair recalled that Professor Goel and Ms Brown had provided initial information concerning the use of operating funds to support capital projects during their presentation of the Budget Report. They had also kindly undertaken to provide a more complete report on the matter later in the spring. That report was anticipated at the June meeting.

(b) Item 3 – Business Arising from the Report of the Previous Meeting – Item 5, Health and Safety Annual Report

The Chair reminded members of the suggestion that, in connection with the annual report on health and safety, the Vice-President, Human Resources and Equity provide written certification that, to the best of her knowledge, the University was in full compliance with all legal requirements in the area of health and safety. At the previous meeting, Professor Hildyard had reported that she was seeking advice with respect to the matter. She had since written to the Chair, as follows:

. . . since the issuance of the 2004 annual report on health and safety, any new Ministry of Labour orders in 2005, all of which are routine, have either been complied with or will shortly be complied with. Recommendations made through the Canadian Nuclear Safety Commission inspections are also in the process of being complied with.

I am aware of one new charge, under the Environmental Protection Act and the Ozone-Depleting Substances Regulations, but have been advised that there is a good defence to the charge, which is minor in any event.

Therefore, based on the reports I have received through the operation of our occupational health and safety policy, I can say that to the best of my knowledge the University is in compliance with its health and safety obligations.

The member who had raised the matter said that it was important that the Board receive on a regular basis, perhaps quarterly, a written assurance with respect to compliance with legal requirements in the area of health and safety. The matter need not be included on the Board's agenda. Professor Hildyard undertook to provide a quarterly statement.

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2. Business Arising from the Report of the Previous Meeting (Cont'd)

(c) Item 6 – Investments: University of Toronto Asset Management Corporation: Annual Report, 2004

The Chair recalled that the administration had been asked to provide advice to the Board on its comfort with respect to the cost of investment management and the value received for that cost. That report would come forward at a later date.

(d) Item 9 - Ancillary Operations: Real Estate

The Chair recalled that a member had pointed out that the real estate ancillary operation's budget for 2005-06 projected a deficit of \$426,000 before transfers. The member had asked that the administration advise the Board on the steps being planned to deal with that deficit. The Chair reported that the administration would respond in the fall, when it planned to bring forward a revision to the University's Real Estate Strategy.

3. Vice-President, Government and Institutional Relations: Annual Report on Government Relations

Professor Tuohy recalled that she had, at the November 2004 meeting, reported on the University's position in its submission to the Rae Review of Post-Secondary Education. For the February 2005 meeting, she had distributed her written annual report to the Board, and she had made a brief presentation on the outcome of the Rae review and the University's position leading to the Ontario budget, anticipated later this month. She would at this time present the highlights of the other dimensions of the February annual report, with updates to the present time. She stressed that her portfolio was not responsible for all of the University's government-relations activities. Government-relations activities were carried out by the other Vice-Presidents and by the academic divisions. The responsibilities of Professor Tuohy's portfolio were to lead the development of the University's advocacy, to facilitate and coordinate other government-related activities, and to support the President in his government-relations work. This work was essential to achieving the University's mission. Government remained the principal public guardian of post-secondary education and architects of the public-policy framework for education. Government was also the principal source of the University's resources. The Government of Ontario provided 33% of the University's revenues and the Government of Canada a further 16%. Tuition fees and other fees provided 27% of revenue, endowment earnings 3%, and other sources 21%. Professor Tuohy noted that some observers had expressed the view that the University was not lacking in resources because of its large endowment, but the income from that endowment constituted only 3% of University revenues.

Highlights of Professor Tuohy's report included the following.

- **Changing landscape.** Premier McGinty's government had been elected in Ontario in October 2003. Mayor David Miller had been elected in Toronto in November 2003.

REPORT NUMBER 141 OF THE BUSINESS BOARD – May 2, 2005**3. Vice-President, Government and Institutional Relations: Annual Report on Government Relations (Cont'd)**

Prime Minister Martin had assumed office in November 2003 and had formed a new minority government after the election of June 2004. At the University, Professor Tuohy had assumed the role of Vice-President, Government and Institutional Relations following the departure of Dr. Sheldon Levy in February 2004, and Professor Iacobucci had become interim President following the departure of President Birgeneau in September 2004.

- **Priorities for 2004-05** had been: engaging in the Rae review of post-secondary education, building relations with the new federal government, broadening the base of relations with the City of Toronto, strengthening the administrative infrastructure of the Government and Institutional Relations portfolio, and supporting the President through the transition to the new leadership.
- **Ontario government relations.** The Rae review had resulted in a strong, balanced and comprehensive report, and the University would concentrate its advocacy efforts on implementation of the Rae recommendations. The Province's budget was expected on May 11, and there was reason to believe that higher education would be a key focus. With respect to research, the Province had announced that it would, through the Ontario Innovation Trust, continue to provide provincial matching for federal funding for university-based research facilities under the Canada Foundation for Innovation. There remained an issue with respect to matching funding for hospital-based research. In addition, Ontario had announced the establishment of an Ontario Research Fund, consolidating a number of programs for funding the direct and indirect costs of research and research infrastructure.

The key priorities for the year ahead would be securing the favourable implementation of the recommendations of the Rae review: student aid reform; revisions to the funding formula; graduate enrolment planning; the legislative framework for higher education, including the establishment of the proposed Council on Higher Education; the development of system-wide accountability and performance measures; and the favourable allocation of proposed improvements in funding for universities and colleges. At the institutional level, it would be necessary to continue with the development of multi-year plans.

- **Federal government relations.** The 2004 federal budget had provided a number of improvements to federal aid to post-secondary education. It had increased funding for the federal research granting councils and funding for the indirect costs of federally funded research; and it had provided support for commercialization initiatives. It had also provided increases to Genome Canada and Sustainable Development Technology Canada. The budget had also provided improved student assistance, with an increase in Canada

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Student Loan limits, a reduction in the expected parental contribution in the needs assessment for loans, up-front grants for particularly needy students, and the Learning Bond program. The 2005 federal budget had continued the increase in funding for the federal research granting councils and for the indirect costs of research, although the increase had been less than in recent years. There was also funding for Genome Canada, the Sustainable Energy Science and Technology Strategy and the TRIUMF National Particle Physics Laboratory (the University of Toronto was an Associate Member). There was, however, no additional funding for the Canada Foundation for Innovation and very little further improvement in student aid.

The University's priorities in its federal-government relations activities for the year ahead would require dealing with a shifting political landscape as the Martin minority government faced the likelihood of an election. The University would engage in the forthcoming reviews of the Canada Research Chairs program and the Canada Foundation for Innovation. It would seek to build on the momentum of support for research and research infrastructure. It would also seek to strengthen the federal role in graduate education and it would pursue reforms in student aid.

- **Municipal government relations.** The University was continuing its efforts to build a good relationship with the Mayor of Toronto and with City Councillors and senior officials and to work effectively on the Community Liaison Committee that dealt with matters concerning the development of various sites on the St. George Campus. It had sponsored a number of campus events of interest to the City of Toronto. They included: the Research Symposium in Support of the Mayor's Panel on Community Safety held at the University of Toronto at Scarborough in June 2004, the Natural Cities Conference in June 2004, and the "If Pigs Could Fly" conversation between Mayor David Miller and Mr. Andy Barrie, sponsored by the School of Continuing Studies in January 2005. The University had participated in the "Stand UP Scarborough Campaign." It had moved the greenhouses previously located on the site of the Leslie Dan Pharmacy Building to Allan Gardens; they had become a new Children's Conservatory. The University's priority with respect to its relations with the City of Toronto would be the continued development of its comprehensive strategy for University-City relations.

The University enjoyed a very strong relationship with Mayor Hazel McCallion of Mississauga, as evidenced by the naming of the Hazel McCallion Academic Learning Centre. The City of Mississauga and the University of Toronto at Mississauga had worked together on the establishment of the Bioconvergence Centre and the Mississauga Technology Business Accelerator. The UTM was the key educational and research arm in the Healthy City Stewardship Centre initiative in Mississauga. The University's priorities with respect to its relationship with the City of Mississauga would be simply to continue to build on the excellent current relationship and to pursue current initiatives.

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

- **Portfolio infrastructure.** The Office of the Vice-President, Government and Institutional Relations had been reorganized, with that reorganization taking place within its current budget, to strengthen it for the future. Ms Elizabeth Finney had been appointed Director of Government Liaison in July 2004. Mr. Ari Linds had been appointed Policy and Research Officer in September 2004. A search was underway for a new Director of Operations and for a Financial Assistant, a position to be shared with the Office of the Governing Council. The Office was assembling a database to serve as a comprehensive resource. It would include elected members and officials at all levels of government as well as institutional partners in advocacy.
- **Website.** Professor Tuohy referred members to the Government and Institutional Relations Website, at www.gir.utoronto.ca, which provided nutshell versions of all of the University's advocacy positions as well as a variety of useful links.

Professor Tuohy concluded that it had been a privilege to serve in the central administration as Vice-President, Institutional and Government Relations.

Among the matters that arose in discussion were the following.

(a) Changes in relationship: Government of Canada. Asked to comment about the key differences that had developed in the University's government relations, Professor Tuohy said that there was an openness among senior officials to consider possibilities for the next phase of federal support for post-secondary education, in particular research, student assistance and graduate education. The University had been able to engage key ministers and civil servants in dialogue about how that could most effectively be achieved. The University's aim had been to give the federal political and official leaders a menu of opportunities they could consider for effective actions.

(b) Changes in relationship: City of Toronto. In response to the same question, Professor Tuohy said that the University had been working to put into place an infrastructure to make University decision-makers more aware of how the University could best engage with the City and its development, and to make the City decision-makers aware of how the University contributed, and could contribute further, to advancing the aims of the City.

(c) Effect on the University of the recent agreement between the Government and the New Democratic Party. A member asked about the consequences to post-secondary education of the recent agreement reached by the Liberal Government and the New Democratic Party to secure the latter Party's support for the minority Government. Professor Tuohy said that it was too early to know the effect of the agreement with respect to tuition fees. Because the regulation of University tuition fees was recognized as a provincial responsibility, it was unclear how the

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

Government of Canada could seek to eliminate or reduce increases in tuition fees. Possible avenues included efforts to place conditions on the Government of Canada's transfers to the provinces or efforts to change the student assistance programs. The University believed that the latter alternative, achieved through up-front grants to needy students, would be both more feasible and more effective in improving access.

The University was very pleased with the decision to grant work permits to students in Canada on student visas. The University had long advocated such a change. It was, however, concerned about the one-year time limit on post-graduation work permits for international graduates of universities in Montreal, Toronto and Vancouver, compared to the two-year limit for elsewhere. Again, it appeared that agreement with the provinces would be required to implement the proposal.

Professor Tuohy undertook to provide information on the University's positions that members could use in advocating those positions. A member observed that student members could play an important role in advocacy. They frequently played significant roles in political campaigns at all levels and in political activity at other times. She urged that Professor Tuohy and her colleagues use that resource. Professor Tuohy agreed. She also urged that students who would like to play a role consider working with the Centre for Community Partnerships as one very good step.

A member said that, while it was inevitable that there would be disappointments in the University's efforts to influence government, the past few years had been ones of great accomplishments. The influence of University of Toronto's reasoned positions on the recommendations in the Rae report had been extraordinary. The initiation of Federal Government support for the indirect costs of research had been another outstanding achievement.

The Chair advised the Board that Professor Tuohy would complete her service as Vice-President, Government and Institutional Relations on June 30, 2005. That would be the culmination of extraordinary administrative service to the University in positions that had included, in addition to her current role: Vice-Provost, Deputy Provost, Vice-President – Policy Development, and Interim Vice-President, Research and International Relations. The University owed Professor Tuohy a deep debt of gratitude. The Board, through its applause, expressed its gratitude to Professor Tuohy for her outstanding contributions to the University's administration.

4. Capital Projects Report

Professor Venter presented his regular Report on Capital Projects as at April 30, 2005. He said that he had revised the format of the summary page to add a line dealing with projects that had been closed. At this time, the sole such project was the Bahen Centre for Information

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Technology. The total project cost had been \$112.19-million. Internal financing of \$37.49-million had been allocated to this project, with repayment of \$18.62-million to be made from the University Infrastructure Investment Fund (funded from the operating budget) and repayment of \$18.87-million to be made by the Faculty of Arts and Science, the Faculty of Applied Science and Engineering and the Office of the Vice-President, Business Affairs. Once projects were closed, all internal loans (mortgages) were established and no funding gap could be allowed. Should any additional gifts be received for this project, those funds would be used to reduce the relevant internal loan (mortgage).

For all projects, Professor Venter pointed out that the committed borrowing requirement was \$681.443-million. Of the \$150-million increase in borrowing capacity approved by the Governing Council in June 2004, \$89.07-million remained available for allocation to the projects shown on sections 1a (completed projects with funding gaps), 1b (projects under construction or being acquired), 1c (projects at the pre-tender or tender stage) and 3a (projects moving forward with conditions).

A member requested that the report provide detailed information, rather than only a single line, on closed projects. Professor Venter agreed that future reports would identify the closed projects and the outstanding debt still being serviced, with a breakdown of the debt being serviced centrally and by the division(s) occupying the facilities.

5. Design Review Committee: Annual Report, 2003-04

Professor Venter said that the Design Review Committee continued to do sterling work. The members, appointed by the President, either had expertise in design or had an interest in design, and were representative of the three campuses of the University. The Report covered the activities of the Committee in 2003-04, the final year of the outstanding service of Dean Larry Richards of the Faculty of Architecture, Landscape, and Design. He had been replaced by the new Dean, Professor George Baird. The Terms of Reference of the Committee were attached to the Report. For the 2003-04 year, the Committee had reviewed fourteen projects, listed on page 3 of the Report. Professor Venter displayed photographs of four of the designs. The Sidney Smith Hall Patio enclosure represented a magnificent addition to student space on the St. George Campus. The space was of high quality and well located. It had given new life to Sidney Smith Hall, a building where the University was turning the corner in dealing with the deferred maintenance problem. The Athletics and Wellness Centre at the University of Toronto at Mississauga represented a great addition to the UTM campus, providing a swimming pool and other important facilities. The Design Review Committee had enthusiastically promoted the major staircase link from the entrance of the Wellness Centre onto the UTM South Building; that had proven to be an excellent design feature. The design of the phase 8 residence building at UTM had been recognized by an architectural award. The Hazel McCallion Academic Learning Centre was being built in part with funds raised by the friends of Mayor McCallion to recognize

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5. Design Review Committee: Annual Report, 2003-04 (Cont'd)

fully her significant contributions to the Mississauga community. Its fascinating design was in some ways like that of a music box with the many architectural features representing drawers opening from within the box. It was scheduled for completion in June 2006. Its opening would free space currently occupied in the South Building for laboratories, classrooms and offices.

The Chair thanked Professor Venter for the report. It was clear that the oversight of facilities design was in good hands. She asked that Professor Venter convey the Board's gratitude to the members of this hard-working Committee.

6. Capital Project Cost Benchmarking

The Chair recalled that when the Board had reviewed capital projects, members had from time to time enquired about the possibility of cost benchmarks to assist in making judgements with respect to the projects. This first, oral report should be viewed as a work in progress, with updates to be provided on the basis of experience with other projects and consultations with peer institutions.

Mr. Bisanti reiterated that this represented the first effort at a work in progress. The Capital Projects Department had maintained data and had gathered information from other universities, which it used in the report. Mr. Bisanti cautioned that comparisons could be taken only so far. No two projects were alike. Costs differed considerably for office buildings, laboratory buildings, libraries, recreation centers, and student residences. It would also be imprudent to assume that even comparable projects provided the same value for money. It was important to take into account life-cycle costing. While a particular facility might be built at a lower initial cost, it could well have a higher ultimate cost, with more money being required to operate and maintain it. The University of Toronto maintained and constantly updated its own design standards, for example, to require a particular quality of materials such as carpeting that would prove to be durable.

Mr. Bisanti commented on the process of estimating the cost of a project. The first process was elemental costing – estimating the cost of various elements of the project. The University also used cost consultants, and it made use of historical data. There were a number of key factors in driving the cost of each project. The first was its location. Because of the greater complexity of erecting buildings on a crowded, less accessible site without room for storage of equipment and materials, buildings on the St. George Campus tended to cost more than those on the Mississauga and Scarborough campuses. Construction on easily accessible green-field sites would generally cost less than infill projects, all other factors being equal. A second cost driver was the complexity of the design. For example, laboratory buildings were more expensive than purely academic buildings. Market forces at particular times also had a substantial effect. For example, steel prices had escalated significantly over the past two years and the price of roof insulation materials had recently doubled.

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An important aspect of the benchmarking exercise was the choice of appropriate comparisons. In particular, would it be appropriate to compare total project costs or purely construction costs? It was clear that only construction costs could properly be compared. The total project cost included soft costs, equipment, financing and the cost of dealing with secondary effects such as relocating users from a construction site. All of those additional costs could differ substantially from project to project, depending on circumstances. For example, the total project cost for the Terrence Donnelly Centre for Cellular and Biomolecular Research was fully 23% greater than the construction cost. The total project cost of the Leslie Dan Pharmacy Building was 45% greater than the construction cost. In the latter case, the total project cost included the relocation of the historic greenhouses from the site and the higher architectural costs intentionally incurred to achieve an exceptionally good design for a building on the highly visible Queen's Park Crescent and College Street site. The costs for construction only were more appropriately comparable. (In response to a member's question, Mr. Bisanti said that proposals to the Board for capital projects would, of course, seek authority to complete projects at the total project cost.)

Mr. Bisanti displayed a bar chart showing the cost per square foot of recently constructed academic buildings at the University of Toronto and other Ontario and Quebec post-secondary institutions. The costs were escalated to January 2005 dollars to eliminate the effect of inflation on later projects compared to earlier ones. The cost shown did not include site development, taxes, contingencies and soft costs. He noted that the lowest cost, at about \$150 per square foot, had been incurred for the construction of the Academic Resource Centre at the University of Toronto at Scarborough. That building was erected with a large open space beside it. It consisted primarily of a library facility and lecture halls. For those reasons, it had been very cost effective. On the other end of the spectrum, the planned new Centre for Biological Timing and Cognition would be the most expensive at an estimated \$400 per square foot. It was a relatively small project without the economies of scale of a larger one. The construction program would be similar to that at the Terrence Donnelly Centre for Cellular and Biomolecular Research, with laboratories and animal facilities. In addition, it would be located on a small site, shoe-horned between two buildings. Research buildings tended to be the most costly, averaging \$245 per square foot. Again in contrast, the UTSC Management Building, containing primarily classrooms and offices, had cost well under \$200 per square foot. The high cost of the Leslie Dan Pharmacy Building and the Terrence Donnelly Centre for Cellular and Biomolecular Research had also been the outcome of a decision to expend more to make a design statement on highly visible sites. Mr. Bisanti noted that the University was aiming to improve its data exchange with other universities in order to expand and enhance its information about costs for academic buildings.

Mr. Bisanti then displayed a bar-chart showing the costs to complete additions to, and renovations of, existing buildings. The most costly project was the planned addition of floors to the Rotman School of Management at about \$330 per square foot. That project had required cranes and other special expenses to add the required two floors. On the other end of the spectrum, the renovation to retrofit about 75% of the purchased office building at 500 University

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6. Capital Project Cost Benchmarking (Cont'd)

Avenue would cost only about \$75 per square foot. It was difficult to compare the costs of projects within the University with those at other universities because there were frequently special costs associated with individual projects. Mr. Bisanti added that while the average cost per square foot for new construction was \$245, the average cost of additions and renovations was \$202.

Mr. Bisanti then turned to the cost of constructing student residences, and he displayed bar charts showing the cost per square foot and the cost per bed of various projects. The most expensive residence in the group in terms of cost per square foot was one built at Queen's University at about \$220 per square foot. The Morrison Hall residence at University College was projected to cost just less than that amount. The average cost per bed of the student residences was \$53,700. At the University of Toronto at Mississauga, the Phase VII residence had cost about \$63,000 per bed. UTM would be unable to spend as much on its Phase VIII residence, and it was planned to be constructed for about \$55,000 per bed, using a less expensive design. In response to a question, Mr. Bisanti said that the University had been able to provide residence accommodation by purchasing the hotel that had become the new Chestnut Street Residence at about \$45,000 per bed.

Mr. Bisanti said that the Capital Projects Department would regularly update the data included in this report, both the University's data and that from peer institutions. It would monitor market trends, for example the inflation in materials costs and in labour costs, the latter driven by real shortages in some trades such as the mechanical trades. It would continue to review and update the University's design standards on an on-going basis, including in them appropriate new products and materials and taking advantage of experience on recent projects. The Department would make every effort to select the right contractors to bid for projects at the University. For very large projects, costing over \$40-million, only five or six contractors would be able to handle this type of construction contract. For smaller jobs, potential contractors were viewed in tiers according to the size of the projects they could handle and their demonstrated capability. It was important to select the right contractor, in part ensuring that the contractor was not too busy to complete the project well. Finally, the Department would continue to develop its benchmarking for project costs, proceeding with caution in doing so. It was important to ensure that only appropriate comparisons were made. Even for a single class of buildings such as laboratory buildings, for example, no two were the same, each having different specialized needs. The objective would be to capture the essence of the project and to provide appropriate comparisons with all new proposals.

The Chair thanked Mr. Bisanti for the report, which was a first report based on information that had been difficult to obtain. It represented an attempt to bring discipline to the Board's consideration of capital projects.

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6. Capital Project Cost Benchmarking (Cont'd)

Among the matters that arose in questions and discussion were the following:

(a) Comparisons with peer institutions in the U.S. A member asked whether the University had comparative data for peer institutions in the United States. Mr. Bisanti replied that he had discussed costs with his counterparts at Stanford University and the University of California at Berkeley. He had found that construction in California was in general much more expensive. Mr. Bisanti intended to concentrate his efforts initially on finding good comparative data from other institutions in Ontario and across Canada. He would at a later stage look into comparisons with U.S. universities. A member observed that the cost of earthquake-resistant structures might account for a part of the higher cost of construction in California.

(b) Use of data to establish guidelines. A member was pleased that the Board had received Mr. Bisanti's report, which would help it to improve its work in reviewing capital projects. She asked whether it might be possible at some point to use the data to establish guidelines to drive decisions. For example, with respect to student residences, might it be possible to establish a cost band for such projects? Doing that might enable the University to make decisions that, for example, a given residence project was too expensive to build and that the University should seek instead to buy new facilities, as it had done with the Chestnut Street Residence.

Mr. Bisanti replied that data on capital projects had proven to be very useful for the consideration of future projects. For example, experience had shown that the cost per bed for student residences at the University of Toronto at Mississauga had been \$70,000 per bed. That amount was, however, beyond UTM's financial capacity and the University's borrowing capacity for the next residence building. As a result University and UTM officers had visited universities that Mr. Bisanti knew had built residences at a lower cost, and they had found an appropriate model for an affordable project. Mr. Bisanti stressed that while it was useful to have the comparative data, various academic considerations could transcend cost criteria. For example, the University was well aware that the addition of floors to the Rotman School of Management would be substantially more expensive than other construction. Nonetheless, it was deemed to be in the best interests of the School to have the space added to its current building.

Another member observed that it was important that the University not be driven solely by cost considerations. For example, while the Graduate House Residence had been completed at a cost per bed substantially below the average, the residence was very sparse, with small rooms and bare concrete walls. The comparative data and the benchmarks could be useful not only in containing costs but in avoiding inadequate buildings that could be a future source of regret.

(c) Cost of capital projects. A member observed that the current high cost of construction was in part a function of the fact that Toronto was at the peak of the construction cycle with contractors in high demand. Might it be possible to negotiate a better price from contractors in return for assurances concerning future work at a slower part of the cycle? Mr. Bisanti replied that it had been his experience that the contractors employed by the University were seeking to

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6. Capital Project Cost Benchmarking (Cont'd)

provide reasonably priced bids. Ultimately, however, the forces of supply and demand determined the outcome. Contractors had to pay their subcontractors and suppliers, and their prices were market-driven. The University was seeking to improve relations with subcontractors, some of whom were interested in winning maintenance contracts. Mr. Bisanti noted that his review of the cost data had shown the influence of the construction cycle. For example, the Innis College residence had been built for a relatively inexpensive price because it had been built during an economic downturn. Cost during the current, very heated phase had been substantially higher. There were, however, indications that the construction market might be cooling slightly. Architecture firms, harbingers of future construction activity, were more actively seeking work and even laying off staff. The University was beginning to receive more bids on contracts.

(d) 89 Chestnut Street Residence. In response to a member's question, Ms Riggall said that the \$45,000 cost per bed cited for the Chestnut Street Residence had been derived from a calculation removing the cost of the land, the parking garage and the banquet facilities. Removal of those costs was necessary for analytical purposes to provide a reasonable comparison to the cost of constructing pure residence facilities on land already owned by the University. The cost, including the cost of the land and the non-residence facilities, was about \$75,000 per bed.

The Chair thanked Mr. Bisanti for his report and members for their contributions to the discussion. This important report would provide a basis for disciplined decision-making in the future, and receipt of the report was one of the reasons for proceeding with this meeting, notwithstanding its relatively light agenda. It was AGREED that the Board would request a report on capital-project cost benchmarking annually.

7. Date of Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Thursday, June 23, 2005 at 5:00 p.m. She anticipated that the agenda would be heavy, and she asked members to set aside two and one-half hours for it. Among the anticipated items of business were: the audited financial statements, the recommendation for the appointment of auditors, the annual report on the status of the long-range borrowing pool, the annual report on deferred maintenance, and proposals for several capital projects.

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8. Closed Session Reports

On motion duly made and seconded it was RESOLVED

THAT pursuant to section 33 of By-Law Number 2, the Board continue *in camera* to receive to a report on the relationship with the University of Toronto Schools.

Professor Hildyard briefed the Board on discussions concerning the future relationship between the University and the University of Toronto Schools.

The meeting adjourned at 6:45 p.m.

Secretary

Chair

June 14, 2005

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