UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 146 OF THE BUSINESS BOARD

January 16, 2006

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, January 16, 2006 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Jacqueline C. Orange (In the Chair)
Mr. Richard Nunn, Vice-Chair
Ms Rose M. Patten, Chair of the Governing Council
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Ms Dominique Barker
Mr. Donald A. Burwash
Mr. Brian Davis
Dr. Alice Dong
Ms Mary Anne Elliott
Mr. Ran Goel
Professor Glen A. Jones
Ms Paulette L. Kennedy
Ms Kim McLean
Mr. George E. Myhal
Mr. Roger P. Parkinson
The Honourable David R. Peterson
Mr. Timothy Reid
Ms Marvi H. Ricker
Professor Arthur S. Ripstein
Ms B. Elizabeth Vosburgh

Professor John R. G. Challis, Vice-President, Research and Associate Provost
Ms Rivi Frankle, Interim Vice-President, and Chief Advancement Officer
Professor Vivek Goel, Vice-President and Provost
Mr. John Bisanti, Chief Capital Projects Officer
Ms Sheila Brown, Chief Financial Officer
Mr. Louis R. Charpentier, Secretary of the Governing Council
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources
Ms Elizabeth Sisam, Assistant Vice-President, Space and Facilities Planning
Mr. Ron Swail, Assistant Vice-President, Facilities and Services
Professor Safwat Zaky, Vice-Provost, Planning and Budget

Secretariat:

Mr. Neil Dobbs
Mr. Henry Mulhall

Regrets:

Mr. Husain Aboghodieh
Ms Susan Eng
Dr. Gerald Halbert
Mr. Gerald A. Lokash
Mr. Geoffrey Matus
Mr. Robert S. Weiss

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In Attendance:

Ms Mary Jane Dundas, Special Assistant to the Vice-President, Human Resources and Equity
Dr. Jeanne Li, Special Assistant to the Vice-President, Business Affairs
Mr. Paul McCann, Assistant Dean (Students), Faculty Secretary and Director of Human Resources in the Faculty of Arts and Science
Ms Jean Robertson, Director of the Human Resources, Office for the Professional Faculties - South

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

1. Report of the Previous Meeting

Report Number 145 (November 28, 2005) was approved.

2. Business Arising from the Report of the Previous Meeting

Report 144, Item 3 - Annual Report of the Vice-President, Research and Associate Provost

The Chair recalled that in the discussion of the annual report of the Vice-President, Research and Associate Provost, a member had suggested that the administration distribute questions and talking points on the University's research-support needs. That information could be used to assist members in making the University's case during the current federal election campaign. Professor Goel had kindly undertaken to ensure that the information was made available, and it had been distributed to members electronically the previous week.

3. Senior Salary Committee: Annual Report

The Chair said that the report of the Senior Salary Committee was an annual accountability report. While the Board should make clear any concerns, the report was otherwise for information and no Board action was required.

Ms Patten reminded members that the Senior Salary Committee was established by the *Policy on Appointments and Remuneration*. The Committee was responsible for assuring the Governing Council of the appropriateness of compensation programs for individuals who were remunerated above a set level. As well, the Committee was to give assurance that decisions about compensation had been consistent with policy and practice. In order to ensure appropriately independent oversight, the Committee comprised only lay members of the Governing Council and the Business Board. The only exception was, naturally, the President, who was responsible for bringing forward recommendations to the Committee. He was a full voting member. In some cases, the Committee approved recommendations for individuals; in others, it received detailed reports on compensation decisions within approved programs. Ms Patten was pleased with the consistently strong commitment to full disclosure and good governance demonstrated by the President, the Vice-President and Provost, and the Vice-President, Human Resources and Equity

3. Senior Salary Committee: Annual Report (Cont'd)

in bringing forward recommendations and reports that provided context for the Committee, and that allowed it to have full and frank discussions of the matters on its agenda. The Committee also played an advisory role with the President and the Vice-Presidents on matters of compensation.

Ms Patten said that the Annual Report covered the Committee's activities in the academic year 2004-2005. There was nothing unusual to draw to the Board's attention in terms of the Committee's normal business: the decisions it had made and the accountability reports it had received from the President and the administration. The Committee had made progress in its project to prepare an improved compensation framework for senior executives, ensuring that the framework was principled, comprehensive and current. The Interim President, the Honourable Frank Iacobucci, had worked with the Vice-President, Human Resources and Equity to develop a set of guiding principles and an action plan for the development of a policy. With President Naylor settling into office, Ms Patten anticipated that the initiative would continue to move forward.

Two matters arose in discussion.

(a) Data on evaluations of faculty and staff in the senior salary group. A member suggested that future reports contain information on the proportion of members of the senior salary categories that had been assigned the various performance ratings: superior, surpasses expectations, achieves expectations, below expectations, etc. Ms Patten asked the Secretary of the Governing Council to draw the suggestion to the attention of the Senior Salary Committee.

(b) Compensation framework for faculty. In response to a member's question, Professor Goel said that the Senior Salary Committee's work on a new compensation framework for faculty would initially apply only to the President, Vice-Presidents and other senior members of the central administration. He expected to extend this subsequently to Principals and Deans. The general compensation framework for faculty emerged from negotiations with the Faculty Association.

4. Vice-President, Human Resources and Equity: Annual Report, 2004-05

Professor Hildyard presented selected highlights from her annual report for 2004-05.

- **An employer of choice**. The University had been named one of the top 100 employers in Canada – the first University to be so named - and one of the top ten family-friendly employers. This was a tribute to the work of Ms Sass-Kortsak and her colleagues in the Human Resources Department, and Professor Goel and his colleagues in the Provost's Office, who had worked to develop the kinds of policies that had been rated so highly. The achievement of this high rating had been the outcome of the University's policies, however, and not necessarily of employees' feelings about their work situation. The

4. Vice-President, Human Resources and Equity: Annual Report, 2004-05 (Cont'd)

University would, therefore, survey all administrative staff in April to determine their views about their workplace.

One initiative had been the development of an updated Orientation Guide for new faculty and staff. That initiative had been led by Ms Jean Robertson, Director of the Human Resources Office for the Professional Faculties – South.

A second, and very major thrust, during the year would be in the area of career development for administrative staff. A commitment to career development had been included in the collective agreements negotiated with the University's unions, and Professor Hildyard regarded the area as a key focus for her division. To facilitate that effort, the organizational development function had been combined with the staff development function.

- **Policies and practices to support the University's academic aspirations – working with the academic divisions**. The University, in agreement with the Faculty Association, had established new retirement options for faculty and librarians, eliminating mandatory retirement and providing options for early retirement, phased retirement and postponed retirement, as well as providing new ways for retired faculty members to retain their connection with the University. The new provisions would enhance the University's ability to retain and attract outstanding senior scholars. On June 30, 2006, 24 members of the teaching staff and librarians had opted to take normal retirement, 28 phased retirement, 26 postponed retirement and 5 early retirement. A further 45 faculty members and librarians had opted to retire under the previous Voluntary Early Academic Retirement Program. The outcome was reassuring and as anticipated. Not everyone who was eligible for postponed retirement had chosen that option; that fact was very beneficial for academic planning.

  The University had reached a first collective agreement with the union representing stipendiary instructors, which maintained hiring and advancement criteria that were essential to the University's academic mission. While the agreement had been negotiated centrally, the University's negotiating team had relied heavily on advice from steering committees established in the divisions, and the University relied on the divisions to implement the collective agreement. The divisional human-resources officers, such as Mr. Paul McCann, Assistant Dean and Director of Human Resources in the Faculty of Arts and Science, were doing an outstanding job.

- **Labour relations: challenges of a multi-union environment**. To deal with the challenges of operating in an environment in which staff members were represented by numerous different unions, the University would seek to employ an interest-based approach - identifying areas of concern to all staff members and seeking solutions – rather than an adversarial approach. The challenge would be, however, that the various unions did have certain unique needs and interests, and all compared the provisions of their own

4. Vice-President, Human Resources and Equity: Annual Report, 2004-05 (Cont'd)

agreements with those of the other unions, seeking to avoid any perception of disadvantage to their members.

- **Equity and diversity**. Professor Hildyard and the University's equity officers had reported to the University Affairs Board in November, and Professor Hildyard would report again to the Business Board in March on employment equity. The University had worked very hard on equity issues, seeking particularly to assist members of the University who had needs that intersected the work of different equity officers. Professor Hildyard planned to improve the annual report to the University Affairs Board on equity issues and to include the executive summary of that report in her annual report to the Business Board.

- **Health and Safety**. Professor Hildyard would present the annual report on health and safety to the Business Board at its May meeting. The University was seeking to move from a more reactive to a more proactive approach to establish the right working environment for faculty, students and staff. The University had recently appointed a new Director for the Office of Environmental Health and Safety who would implement a strategic planning process and an enhanced program of training and development, both emphasizing greater proactivity in this area.

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

(a) Effect of postponed retirements on the pension plan. In response to a member's questions, Professor Hildyard said that the University anticipated that postponed retirements would be cost-neutral to the pension plan. While additional years of service beyond the previous retirement age would require increased pensions for the individuals, those pensions would be paid for fewer years. In addition, the individuals would continue to make contributions to the pension plan and the pension fund would gain from investment earnings on the foregone pension payments. Finally, for some individuals, the pension cap of $150,000 would limit the increases in their pensions arising from further years of work.

(b) Salary-increase data. A member suggested that future reports contain data reporting not only across-the-board salary increases for various groups for the year of the report but also for a number of previous years and comparing those increases to benchmarks such as increases in the Consumer Price Index, increases at other universities, and increases in the broader public sector and the private sector. Professor Hildyard took the suggestion under advisement.

The Chair congratulated Professor Hildyard, other members of the Human Resources team and others in the University for their signal achievement in having the University of Toronto named as one of the top 100 employers in Canada, and for being the first University to be so named.

5. Financial Forecast, 2005-06

Ms Brown said that the financial forecast contained two main elements. The first was the forecast for all University funds (the operating fund, the capital fund, the restricted funds and the ancillary operations fund) presented on an accrual basis. That part of the forecast provided full information on the key elements of the University's net assets. The second major element was the operating fund forecast, presented on a cash basis, comparing revenues and expenses to those projected in the operating budget. She stressed that the forecast was a preliminary one, based on incomplete information. The University knew its enrolment as at the official count date of November 1. It did not know the final government operating grants to be based on that enrolment. There were several other areas of uncertainty. First, the University did not know the Government of Ontario's policy on tuition fees. The announced two-year freeze on fees would end with the 2005-06 year, but it was unclear what limitations, if any, would replace the freeze. Second, faculty salaries and benefits for 2005-06 had not been determined. The forthcoming arbitration ruling would be retroactive to July 1, 2005. The financial forecast now before the Board had assumed the budgeted level of salary increase. Third, there had been no settlement with the union representing the University's teaching assistants. Fourth, there were no definitive spending forecasts from the divisions. The forecast had assumed that the divisions would spend their full appropriations for the year and that they would not increase or reduce their allocations carried forward from the previous year. The highlights of the forecast were as follows.

- **Net loss**. It was forecasted that the University would finish the year with a net loss of \$17.4-million on projected revenues of \$1.7-billion, compared to the previous year's net income of \$41.2-million. The largest difference was last year's unanticipated, one-time year-end Government of Ontario grant of \$26.0-million for deferred maintenance work. Apart from last year's extraordinary item, revenues for the year were projected to increase by \$71.5-million, primarily because of increases in government grants and tuition fees, arising in significant part from increased enrolment. Expenses were, however, forecasted to increase even more by \$104.1-million. The largest element of the increased expense was for salaries and benefits, reflecting the increase in faculty and staff needed to service the enrolment growth and reflecting also increases in salary levels and benefit costs. That included a \$15-million increase in pension expense.

- **Net assets** were projected to improve by \$58.8-million to \$1.694-billion. The largest element of net assets was the endowment, projected to be \$1.520 billion, with the growth coming from a projected \$40.6-million of donations and grants to the endowment and a \$35.6-million investment gain on the externally restricted endowments (which gain was not included in investment revenue). That improvement was offset by the \$17.4-million projected net loss.

- **Operating fund**. It was forecasted that the cumulative deficit in the operating fund would grow to \$61.1-million at April 30, 2006, which was \$5.8-million higher than the budgeted cumulative deficit of \$55.3-million. In the University's long-range budget plan, it was projected that the 2005-06 year would be that with the highest cumulative deficit. Following a series of 2% base-budget reductions in the earlier years of the budget plan, it

5. Financial Forecast, 2005-06 (Cont'd)

was planned that the base operating budget for 2006-07 would be reduced by 5%, with smaller reductions and one-time-only budget reductions in the remaining years of the plan. The increase in the deficit above budget was the outcome of a number of factors; one of the largest was the $5-million increase in the cost for utilities.

Among the matters that arose in discussion were the following.

(a) Financial effect of enrolment growth. A member expressed surprise and concern that with enrolment growth, expenditures – not even including capital expenditures – had increased more rapidly than revenues, causing an increase in the cumulative deficit. Ms Brown replied that it was anticipated that the increase in revenue would be sufficient over time to cover the increase in costs driven by the University's higher enrolment. The University would employ cost-containment measures as required to reduce costs to match revenues.

(b) Provincial Government financing for new buildings. A member observed that the Government of Ontario had established a new policy on financing public-sector infrastructure projects. The University had been proactive in adding to its facilities to accommodate enrolment growth, using up a large proportion of its borrowing capacity, whereas other institutions had been much less proactive. What would be the outcome with respect to the University's eligibility for Government financing under the new policy? Ms Riggall replied that in general the implication of the new Government policy was that the University of Toronto would find it more difficult to gain access to government financing than would other universities that had waited to expand their facilities. The Government planned to assist municipalities and universities with infrastructure loans by making the principal and interest payments on the institutions' loans for approved projects. The Government would not, however, guarantee those loans. That would require the institutions to assume the risk of a change of Government policy that might occur in unforeseen circumstances or in the case of a change of Government. Because the new public funding would come in the form of non-guaranteed loans rather than grants, the University of Toronto would now face the challenge of deciding either to cut back on its capital plan or to borrow beyond its current policy maximum of 40% of net assets. While Ms Riggall and
Ms Brown would, later in the week, be meeting with representatives of the Ontario Strategic Infrastructure Financing Authority (OSIFA), there was little doubt that the new Government approach would represent a negative development for the University.

(c) Divisional spending forecasts. A member expressed concern that divisional spending forecasts had not been available for inclusion the report now before the Board. That information would have been of considerable assistance to the Board. Had the divisions missed reporting deadlines? Was there any risk arising from the failure to have this information reflected in the forecast? Ms Brown replied that she had requested the reports by the middle of January. The information did not affect the operating budget forecast (cash basis). If divisions would spend less than their year's appropriation, they were entitled to carry the unspent amount forward to their next year's budget. They were largely unable to spend more than their budgets except by using carryforward funds from the previous year. The outcome of divisions' spending down or

5. Financial Forecast, 2005-06 (Cont'd)

increasing their carryforward balances would be reflected in the balance sheet line recording internally restricted net assets. If the divisions spent less than their allocations, the net loss for the year would be less than the projected $17.4-million, everything else remaining the same, but the reduced amount would remain in the divisions' budgets and would not be available for re-allocation in the 2006-07 budget. Ms Brown agreed that it would be useful to have the information before the presentation of the first financial forecast to the Board, but it had been the University's experience that information provided at too early a date proved to be less reliable than information provided when divisions were a bit further into the fiscal year. Professor Goel stressed that divisional expense did not move very far from budget. By far the largest element of the expenditures in the academic divisions was salaries, which could vary from budget in the event of vacancies, but the variation was small. The major elements of variance in the budget were central costs such as utility costs or library costs (which varied with changes in the value of the Canadian dollar).

(d) Potential for utility cost savings. A member observed that the era of inexpensive energy was over. He asked whether the University planned to make investments in energy conservation and other energy savings projects to reduce expenditures, if necessary borrowing funds at this time to be repaid with the savings generated by those projects. There were opportunities for very large savings. Ms Riggall replied that the University was engaged in planning just such a program, and she anticipated that several utilities-infrastructure projects would be brought to the Board later in the year.

(e) Action in response to the forecast. A member asked about the administration's response to the forecast. Was any action planned for the current budget year? Professor Goel replied that the $5.8-million variance in the deficit in a $1.2-billion operating budget was a small one – about one half of one percent. The variance was especially small in a period of significant uncertainty. While the forecasted cumulative deficit of $61.1-million appeared to be a high one, the six-year budget plan had projected the highest deficit for this year, which was to be followed by a year with a five percent base-budget reduction. Given the significant uncertainty about the University's revenues going forward, the administration did not plan to take any further steps in the current budget year. The Government of Ontario's two-year tuition freeze would end in the current year, but the Government had given no indication of what, if anything, would replace that freeze. The University did not know with certainty its final operating grant allocation even for the current budget year. Similarly, the University's share of the allocation for graduate enrolment expansion had not been determined. Finally, while the Government of Canada had promised a major increase in support for the indirect costs of research, that matter was uncertain given the fall of the Government and the forthcoming federal election. Finally, there was considerable uncertainty concerning the cost of salaries, with the outcome of the arbitration with the Faculty Association and bargaining with the union representing the teaching assistants both unknown. With those uncertainties, it would not be prudent to take steps for the current budget year. The University hoped that the issues would be resolved in the near future. If they were not, the University would have to proceed with its budget planning for 2006-07 on the basis of its best information about the likely outcomes.

5. Financial Forecast, 2005-06 (Cont'd)

In response to a question, Professor Goel said that the projected 5% budget reduction for 2006-07 was not new. It had been included in the long-range budget plan established in 2004. With the favourable Government announcements in May 2005, the University had hoped to be able to back off from so large a reduction, but Professor Goel was now more pessimistic about that possibility, and divisions had been advised to plan for the full 5% base-budget reduction. He was, however, awaiting further Government announcements.

(f) Pension liability. In response to a member's question, Ms Brown said that the pension liability was projected to decline over time. She noted that the projection of the pension liability differed in the University's financial statements and in the actuarial report. For purposes of the financial statements, the University was required to discount the ultimate liability for the plan into its present value using current long-term bond rates. With the current low rates, the discount to present value led to a larger pension liability. In the actuarial assessment, expected long-term rates were used in discounting the ultimate liability to its present value. With projected long-term rates higher than current rates, the actuarial liability was a smaller one. With respect to the assets to balance the pension liability, the level of risk in pension fund investments had been reduced. In addition, the University was following its Pension Strategy, which called for full employer current-service contributions each year as well as an annual $26.5-million special payment. With the Pension Strategy, the low-risk investment strategy and the anticipated increase in long-term bond rates to more usual levels, it was projected that the accrued liability in the combination of the three pension plans would be eliminated by 2016.

(g) Report format. A member suggested that for future reports, Ms Brown add a column to page 2, the "Forecasted Statement of Operations and Changes in Deficit," to show the percent change in each line of revenues, expenses, etc. between the totals for the previous year and those forecasted for the current year. Ms Brown responded that the idea was a good one, which she would incorporate in future years' reports.

6. Deferred Maintenance: Annual Report for 2005

Ms Riggall recalled that her original annual report on deferred maintenance, presented to the Business Board in March 2003, had been entitled *Crumbling Foundations*. While the foundations of the University's buildings were still crumbling, they were now doing so at a less alarming rate.

Mr. Swail said that the five-year project to assess the condition of all buildings at the University of Toronto and at other Ontario universities had now been completed. The information provided in the annual report on deferred maintenance was now based entirely on actual assessments rather than including some theoretical estimates. The estimated deferred maintenance liability was now $286-million. That number was a conservative one, which did not include the cost of deferred maintenance on the University's utilities infrastructure. There were problems in the utilities infrastructure on all three campuses that would require attention, and the University was working on plans to address those problems. The extent of the Ontario

6. Deferred Maintenance: Annual Report for 2005 (Cont'd)

universities' deferred maintenance problem was measured using a facilities condition index (F.C.I.), determined by dividing the amount of deferred maintenance for each building by its current replacement cost. Buildings with an F.C.I of ten or more (or institutions with an average F.C.I. of ten or more) were deemed to be in bad condition, and those with an F.C.I. of less than five in good to excellent condition. The average F.C.I. for the University of Toronto was 10.9, compared to the average F.C.I. for all Ontario universities of 10.3. The outcomes differed considerably among the University's three campuses, with the average F.C.I. on the St. George Campus being 12.6, that at the University of Toronto at Scarborough (U.T.S.C.) 4.7, and that at the University of Toronto at Mississauga (U.T.M.) 4.0. The estimate of deferred maintenance at U.T.S.C. was for the first time based on actual assessments rather than theoretical estimates. All deferred maintenance items had been classed into priorities from 1 to 5, with priority 1 projects needing attention within the next year. Of the category 1 projects, 98% were on the St. George Campus.

Mr. Swail said that the good news was that the issue of deferred maintenance had been receiving considerable attention both within the University and externally. The Government of Ontario, at the end of its 2004-05 fiscal year, had provided significant one-time funding of $26-million to the University to deal with the problem. That funding had been put to very good use. The University was also providing funding in its operating budget for maintenance work. It was estimated that the University would have to spend at least $13-million on this work in order to keep the Facilities Condition Index from deteriorating and to contain the risk of interruptions to the University's academic operations. With respect to the utilities infrastructure, the University would by the middle of 2006 have completed its survey of deferred maintenance, the results of which would be included in future reports. Mr. Swail noted that the report included all academic and administrative buildings but not buildings such as student residences and parking garages that were used by the ancillary operations.

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

(a) Dealing with priority 1 needs. A member observed that priority 1 needs, requiring attention within the next year, would cost more than $75-million, but the operating budget provided only $13-million per year. How did the administration reconcile those figures? Ms Riggall and Mr. Swail agreed that the funding did not meet the identified high-priority needs. On the other hand, it would be difficult to complete all of the priority 1 projects in one year. It was particularly difficult to plan to deal with the problem without knowing the amount of funding that would be made available from year to year. Consistency in funding would be a great help in dealing with the outstanding problems. At the present time, in the absence of the full amount of funding needed, the University had to select and deal with the most pressing needs.

(b) Availability of special funding. A member asked whether the deferred maintenance problem might be mitigated by the use of special designated funding to assist in dealing with such issues as accessibility or health and safety. Mr. Swail replied that while the Government had imposed requirements in those areas, it had not provided special funding to address the needs.

6. Deferred Maintenance: Annual Report for 2005 (Cont'd)

(c) Extent of the problem. Two members suggested that the estimate of the deferred maintenance liability at $286-million was far too low. It omitted such items as the cost of deferred maintenance for infrastructure, costs for environmental clean-ups, costs for deferred maintenance in affiliated institutions and ancillary operations, and soft costs. One member suggested that $400-million would be a more reasonable estimate.

The Chair asked whether a more complete overview could be provided, including such costs as infrastructure maintenance and environmental needs. Ms Riggall replied that a report on the utilities infrastructure would be coming forward later in the year, and it would include some environmental matters such as removal of chlorofluorocarbons from cooling units.

(d) Deferred maintenance in ancillary operations. Ms Riggall, Mr. Swail and Ms Brown commented on deferred maintenance in the ancillary operations. Those operations were not supported by public funding but were required to recover their own costs, including their capital costs. They were required to develop reserves for maintenance of their facilities and to include the cost of doing so in the pricing for their services. In some cases, such as Hart House and some of the student residences, estimates of maintenance needs had been based on twenty-five year engineering studies. Because the ancillary operations had been making this provision for some years, their facilities, taken as a group, were in better condition than the University's academic and other operational buildings overall.

(e) Cost of environmental aspects. In response to questions, Ms Riggall and Mr. Swail said that about $1-million per year was being spent on asbestos removal, with removal being completed when necessary (when asbestos-containing materials in buildings became friable and could be released into the air) or as part of the renovation of buildings. The complete removal of asbestos could take up to thirty-five years. Other hazardous materials such as chlorofluorocarbons would be dealt with as part of the planned utilities infrastructure renewal.

(f) Adequacy of steps to deal with the deferred maintenance problem. A member, who had suggested that the extent of the problem was more in the order of $400-million, suggested that the University should actually be spending $50-million per year to deal with it. Mr. Swail replied that between $13-million and $20-million per year would represent an optimal realistic amount. Professor Goel recalled that until recent years, the estimate of the cost of deferred maintenance had been only a rough estimate and the only funding to deal with it had been from the Ontario Government's Facilities Renewal Fund. It was only in the past few years that the University had adopted a more systematic approach. The estimate of the cost of deferred maintenance was now based on specific studies, enabling the University to make a strong case for additional Government funding – a case that had led to the $26-million grant at the end of the 2004-05 fiscal year. The University had provided funding of $8-million per year in the operating budget, in addition to the regular $3-million to $4-million of funding provided through the Ontario Facilities Renewal Fund. In addition, the University had aligned facilities renewal work with efforts to deal with deferred maintenance. It made sense to deal with deferred maintenance needs as part of the University's capital planning for renovations. It would generate significant savings if priority was

6. Deferred Maintenance: Annual Report for 2005 (Cont'd)

given to renovating facilities with serious deferred maintenance needs, and those facilities had in some cases been selected (and would in future be selected) for renovation even though they might not have the highest academic priority.

Two members asked whether the Facilities Condition Index was likely to decline in the future. Was the value of work to address the deferred maintenance problem greater than the cost of the new needs that would appear each year? Ms Riggall and Mr. Swail replied that the University hoped to be able to repair problems at a faster rate than buildings would deteriorate, hence reducing the extent of the overall problem. The University had software to project various scenarios and to select repair projects that would contribute most to reducing the overall problem and improving the Facilities Condition Index. Ms Riggall stressed, however, that the most important aspect of the Index was it ability to demonstrate objectively the extent of the deferred maintenance problem and to compare the extent of the problem among institutions. The availability of hard data helped to convince the Government of Ontario of the need for additional funding to deal with the problem.

The Chair commended Ms Riggall, Mr. Swail and their colleagues on the their production of a much improved current report and their on-going work to develop more comprehensive future reports.

7. Capital Project Closures Report

The Chair noted that, for the first time on many agendas, the Board would not receive the usual Capital Projects Report. Ms Sisam had advised that there had been no changes since the previous report made to the November 28, 2005 meeting, apart from the project closures.

Mr. Bisanti reported that two projects had been closed since the previous report. The King's College Road improvement project, one of the projects in the University's Open Space Plan, had been approved in the amount of $4.6-million in 2000. The approved cost had then been increased to $5.3-million in 2002. The project had been completed at $5,229,000 – a positive variance of $71,000 from the new approved cost. The renovation of the School of Continuing Studies Building on St. George Street had been completed at a cost of $6,763,000 – a positive variance of $337,000 from the approved cost. That project had, among other things, addressed the substantial deferred maintenance problem in that building. Mr. Bisanti anticipated that several other projects, currently listed in section "B" of his report, would in the near future be formally closed and added to section "A" of the report.

8. University of Toronto Innovations Foundation: Progress Report

The Chair recalled that Ms Riggall had undertaken to keep the Board up to date on progress at the Foundation until the proposal to restructure it was brought forward. Ms Riggall reported that the appointment of two new external directors to the Foundation's Board would be considered by the Executive Committee of the Governing Council on January 26, 2006. The

8. University of Toronto Innovations Foundation: Progress Report (Cont'd)

Vice-President, Research, and Associate Provost had retained the services of an external consultant to assist in the search for a new Assistant Vice-President, Technology Transfer, and Executive Director for the Innovation's Foundation's functions, which would be merged into the Office of the Vice-President, Research. The strategic direction for the Foundation's functions had been mapped out in a plan prepared by Professor Ronald Venter, who had served as Acting Executive Director, and a project manager had been retained to manage the implementation of the transition. Ms Riggall expected to be in a position to bring a restructuring proposal to the Board at its next meeting. In response to a member's question, Ms Riggall said that the Foundation had used up about $11-million of its line of credit; a further $2-million remained available, which would enable the Foundation to carry on its work until the transfer to the University was completed.

9. Health and Safety Requirements: Report on Compliance

Professor Hildyard recalled that the Canadian Nuclear Safety Commission had conducted a regulatory-compliance audit of the University's radiation safety program in December, 2005, with two teams spending three days at the University. While the University had not yet received the report on the audit, it had been advised there would be a number of directives and action notices issued.

In response to questions, Professor Hildyard, Professor Challis and Ms Sass-Kortsak said that there were over 1,000 laboratories in the University, and not all of them were in full compliance with all regulations at all times. For example, radioactive materials were required to be kept under lock and key. In some cases, the materials were safeguarded by a series of locks, with a final one on a refrigerator, but the auditors had noted that the failure to keep all levels locked at all times represented a failure of compliance. In one case, the cold room of an investigator who had a license to use radioactive materials was left briefly unlocked by students; even though no radioactive materials were present at the time, the absence of locking was regarded as a violation. There had been no violations reported concerning the disposal of radioactive materials.

10. Reports of the Administrative Assessors

President's Advisory Committee on External Relations

Ms Riggall reported on behalf of the President on the progress of the President's Advisory Committee on External Relations. The membership of the Committee had been made known widely in the University, and the Committee had met four times. It had discussed organizational arrangements and had refined a position description. The President and the Secretary of the Governing Council had interviewed, and were taking steps to retain, a leading search consultant. A call for nominations would be issued shortly. The University would be searching for a Vice-President, University Relations, who would focus on building external relationships, including government advocacy, strategic communications and international

10. Reports of the Administrative Assessors (Cont'd)

President's Advisory Committee on External Relations (Cont'd)

strategy. The new Vice-President would be responsible for ensuring appropriate integration of various elements of the University Relations portfolio that overlapped with those of the Division of University Advancement, but the President anticipated that the new Vice-President's skill set would not including fund-raising per se. The University would seek an individual with background in government-relations and communications as well as a comfort-level with change-management and restructuring. A tentative long list of excellent candidates had already been generated, and the President expected the list to grow.

The Chair noted that she had requested the update on this aspect of the University's external relations. The Board had recently received the annual report of the Interim Vice-President and Chief Advancement Officer, and Ms Frankle would provide a semi-annual report at a future meeting. The report the Board had just received represented an update of the major project underway with respect to the other aspects of external relations. The Chair noted that she served on the President's Advisory Committee on External Relations.

In response to questions, Professor Goel said that the communications function to be located in the office of the new Vice-President, University Relations would be strategic communications – a new function aimed at primarily external audiences and designed both to enhance the University's advocacy of its cause and to help the University formulate public responses to unusual events. The portfolio would include government relations, international relations, and community relations, in particular with the municipal authorities and communities in Toronto, Mississauga and Scarborough. Other communications functions, including internal and external news services and marketing, were currently located in the Advancement portfolio. No decision had been made at this time concerning the future location of those functions. The Advancement portfolio also included alumni relations, and there was at this stage no plan to move that responsibility. The Chair noted that the matrix of responsibilities and the inter-relations between the portfolios would be developed at a later stage.

11. Date of Next Meeting

The Chair reminded members of the session to discuss the paper prepared by Mr. Ran Goel and his colleagues in the Faculty of Law entitled "Exercising Ownership: Responsible Investing at the University of Toronto". That session would be held in the Council Chamber on Wednesday, February 1 at 12:15 p.m. The next regular meeting of the Board was scheduled for Monday, February 27, 2006 at 5:00 p.m.

THE BOARD MOVED INTO CLOSED SESSION.

12. Report on Gifts and Pledges over $250,000, August 1 to October 31, 2005

The Board received, for information, the Report on Gifts and Pledges over $250,000 for the period August 1 to October 31, 2005.

13. Closed Session Reports

Professor Hildyard and Ms Riggall reported with respect to on-going discussions with the University of Toronto Schools. Professor Hildyard reported on negotiations with the union representing the University's teaching assistants and on the status of arbitration with the Faculty Association.

THE BOARD RETURNED TO OPEN SESSION.

The Board adjourned at 6:45 p.m.

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Secretary Chair

February 6, 2006

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