UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 157 OF THE BUSINESS BOARD

May 7, 2007

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, May 7, 2007 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
Mr. Donald A. Burwash
Dr. Alice Dong
Ms Mary Anne Elliott
Ms Susan Eng
Dr. Gerald Halbert
Professor Glen A. Jones
Mr. Raj Kothari
Mr. Gerald A. Lokash
Mr. Geoffrey Matus
Dr. Gary P. Mooney
Mr. David Oxtoby
Professor Arthur S. Ripstein
Mr. Stephen C. Smith
Ms B. Elizabeth Vosburgh
Mr. Robert S. Weiss

Professor Vivek Goel, Vice-President and Provost
Professor Jonathan Freedman, Interim Vice-President and Principal, University of Toronto at Scarborough
Ms Rivi Frankle, Interim Vice-President, And Chief Advancement Officer
Ms Judith Wolfson, Vice-President, University Relations
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, Campus and Facilities Planning
Professor Safwat Zaky, Vice-Provost, Planning and Budget
Mr. Nick Zouravlioff, Acting Chief Capital Projects Officer

Secretariat:

Mr. Neil Dobbs
Mr. Henry Mulhall

Regrets:

Mr. P. C. Choo
Mr. Robin Goodfellow
Ms Kate Hilton
Ms Paulette L. Kennedy
Mr. George E. Myhal
Dr. C. David Naylor
Ms Marvi H. Ricker
Ms Estefania Toledo
Mr. W. David Wilson

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In Attendance:

Dr. Tim McTiernan, Assistant Vice-President, Research
Mr. Chris Caners, Sustainability Coordinator, Sustainability Office
Dr. Sara-Jane Finlay, Director, Academic Human Resources
Ms Sally Garner, Senior Manager, Long-Range Budget Planning, Office of the Vice-Provost, Planning and Budget
Dr. Anthony Gray, Special Advisor to the President
Mr. Peter Nichol, Director, Office of Environmental Health and Safety
Ms Kate Lawton, Employment Equity Officer
Professor Beth Savan, Centre for Environment; Co-Chair, Environmental Protection Advisory Committee; Director, Sustainability Office

ITEM 2 RECORDS THE BOARD'S CONCURRENCE WITH AN ACADEMIC BOARD RECOMMENDATION TO THE GOVERNING COUNCIL FOR APPROVAL.

ITEMS 3 CONTAINS A RECOMMENDATION TO THE GOVERNING COUNCIL FOR APPROVAL.

1. Report of the Previous Meeting - Report Number 156 – April 11, 2007

The Secretary noted that there was need to correct Report Number 156, page 19, item 6, "Investments: University of Toronto Asset Management Corporation, Annual Report, 2006." In the second paragraph from the bottom of page 19, entitled "actual return compared to target return," the third line was corrected to read, "achieve the target return of C.P.I. plus 4% . . ." Report Number 156 (April 11, 2007), as corrected, was approved.

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08

(a) Presentation by the Vice-President and Provost

Professor Goel presented the proposed Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08. He noted that this was the first budget prepared under the University's new approach to budgeting. While members would not notice a large amount of change in the budget at the governance level, there had been considerable change in the individual budget units, and the outcome of using the new budget model would become very evident in future years. The proposal included a new long-term budget framework as well as a budget for 2007-08. Both the Federal and Provincial Governments had brought down their budgets after the University's budget had been drafted. The impact of the Federal and Provincial Budgets would not be great, but there would be some impact, which Professor Goel would discuss later in his presentation. The process of preparing the budget involved making assumptions about both revenues and expenses, and the Business Board had a significant role in making a judgement about the prudence of those assumptions.

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(a) Presentation by the Vice-President and Provost (Cont'd)

The highlights of Professor Goel's presentation included the following.

- **Revenue assumptions: Provincial funding**. The key assumption used with respect to Provincial funding was that there would be no change beyond current commitments. There would be no additional funding to take inflation into account. That differed from previous budgets, which had included an assumption of growth in funding to match the increase in the Consumer Price Index. Such funding growth had not taken place. On the contrary, the real (after-inflation) value of the operating grant per student had declined by about 25% over the past 25 years. Any funding increases had been tied to specific purposes including enrolment growth, accessibility, and quality improvements. Even the quality-improvement funds had not been received in the manner expected. There was in the current budget no assumption for the provision of further funding for quality improvements.

  Professor Goel stressed that while the budget prudently did not assume increased Provincial funding, the University certainly expected and advocated such increased public funding. In its absence, the University of Toronto and the other universities across the Province would face very serious problems. The change was that the budget was not being used as a tool of advocacy; rather the new Vice-President, University Relations would pursue the University's advocacy efforts using other means.

  The budget did assume full average funding for undergraduate enrolment growth. Student demand for university places was far in excess of the Province's projections, and it was not clear how that demand would be met, particularly in the greater Toronto area. The budget also assumed that the Province would, as set out in its *Reaching Higher* plan, provide funding for graduate enrolment growth to the extent planned by the University's academic divisions.

- **Revenue assumptions: Tuition fees**. Tuition fee increases for 2007-08 had been approved by the Governing Council. The average increase was 4.28% for domestic students and 5% for international students, and it was assumed that tuition-fee increases would follow a similar pattern for the later years of the budget plan.

- **Revenue assumptions: Enrolment**. It was assumed, over the five years of the budget plan, that domestic undergraduate enrolment would decline by 2,500 full-time-equivalent students, partially offset by an increase of 1,500 international undergraduate students. The net decline would be 1,000 undergraduate students, primarily Arts and Science students on the St. George campus. On the other hand, graduate enrolment was projected to increase by 4,500 students.

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(a) Presentation by the Vice-President and Provost (Cont'd)

- **Total revenue**. From 1998-99 to 2007-08, there had been growth in the Province of Ontario's operating grant, but that growth had been primarily the result of a significant increase in undergraduate enrolment. There had been relatively little growth in the value of the grant per student, and expressed in real (after-inflation) terms, the value of the per-student grant had actually declined. There had been an increase in the proportion of the University's operating funding from tuition fees and from other sources including the Canada Research Chairs program, federal grants for the indirect costs of federally funded research, the payout from the endowment, expendable gifts, and funding from external agencies. The University had been working hard to diversify the sources of its revenue. While that had been valuable, it had also increased the diversity of the risks to which the University was subject, for example the risks associated with securities-market performance with respect to endowment and other investment earnings. With the projected decline in undergraduate enrolment, the basic operating funding from the Province would likely decline, especially in the assumed absence of funding increases to provide for inflation. While revenue would increase with the increased enrolment of graduate students, there were significant costs associated with graduate student enrolment increases, in particular, the cost of funding packages for doctoral-stream students.

- **Expense projections**. The budget did project some increases in University-wide costs. The increases contained in the budget plan after 2007-08 were for modeling purposes only. The funding for shared services and the budget plans of the academic divisions would be subject to a new review process. In addition, if revenue did not increase, there would be need to apply even stricter cost-containment measures with respect to shared services to ensure that a reasonable proportion of the budget remained available for the support of academic programs.

- **Budget allocations**. Over two thirds (71%) of the operating budget's expense was in the academic divisions. 2% was flowed through to other institutions, including the affiliated teaching hospitals for their share of certain revenues such as Canada Research Chairs, and the federated universities for their teaching and services to the University's students. 5% was devoted to student aid. 6% was allocated to paying for occupancy costs: heating, lighting, etc. in both the academic and central administrative divisions. 5% of the budget supported central library services. 11% of the budget was devoted to other shared services including human resources, facilities and services, the various Vice-Presidential portfolios and the Governing Council Office. The actual cost of administration was about 4% of total University revenues, compared to the provincial average of about 5%, as calculated by the Council of Financial Officers of the Universities of Ontario.

- **Costs**. Budget allocations did not necessarily represent the use of those allocations. For example, all of the academic divisions provided administrative services and most

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(a) Presentation by the Vice-President and Provost (Cont'd)

provided library services. The cost of campus services for the St. George Campus were included in the allocations to shared services, whereas those costs on the Mississauga and Scarborough Campuses were included in the allocations to those academic divisions. Future budget documents would parse out those costs to make clear the division of expenses within the entire budget.

In response to a question, Professor Goel said that about three quarters of the budget was spent on compensation, with a bit more than half of that for faculty. However, it should not be assumed that the remaining spending did not support academic programs. For example, library services and the heating of classrooms, which appeared in allocations for shared services, were costs incurred to support academic operations.

- **Significant expense increases for 2007-08**. One significant new expense was an appropriation for a utility infrastructure reserve. As had been reported to the Board, a consultants' study had made clear that there would be very large items of expense for the replacement of the aging utilities infrastructure – such items as boilers for heating. To avoid a crippling expense in any particular year, the University was building up a reserve to meet such costs when they arose. There was also an increase in spending for caretaking and maintenance. In some cases, work was required to comply with statutory requirements, such as fire regulations. In addition, the level of some services such as cleaning had, with across-the-board budget reductions, simply declined to an unacceptable level. There was need to budget monies for debt service for certain St. George campus facilities that had been financed, including the Varsity Centre, the Multifaith Centre and the planned new Examination Centre. The University protected its library acquisition budget against erosion by inflation, and doing so, as well as improving the quality of certain services, required an increased budget allocation. Finally, the University would make an investment to build its University Relations and Strategic Communications portfolio.

- **Overview of revenue and expense**. Professor Goel displayed histograms showing the University's revenues from 1998-99 projected to the end of the proposed budget plan in 2011-12 and showing projected expense in the absence of cost-containment measures. In the absence of cost-containment measures, there would have been a substantial gap in each year, which would continue to grow. However, cost-containment measures had been applied in each year and were planned for the following years. Nonetheless, the University had run small deficits in each year since 1998-9, with the exception of 2003-04, when the year's budget had been balanced. The accumulation of those deficits had, been projected to be nearly $80-million. It was planned to reduce that cumulative deficit to the permissible level of 1.5% of operating revenue by balancing the budget over each of the five years of the budget plan, including an allocation each year devoted to reducing the cumulative deficit. The expense reduction necessary to achieve a balanced budget

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(a) Presentation by the Vice-President and Provost (Cont'd)

would follow a 5% across-the-board budget reduction for the 2006-07 year and a 3% reduction in 2005-06. A total of $200-million of projected spending had been removed from the budget over the past ten years.

- **Budget impact, 2007-08**. It was projected that revenue would increase by $40.2-million and expense, apart from compensation, would increase by $31.1-million, providing net new revenue of $9.1-million. However, there would be need to allocate an estimated $26.3-million to cover the cost of compensation increases in the academic divisions. As a result, there would be need to implement expense-containment measures amounting to $17.3-million, which would, in terms of the old budget model, represent 3% of the relevant base budget (i.e. items in the budget that could be reduced). Cost-containment measures were, however, no longer applied across the board. Rather, the $17.3-million would be distributed proportionally between University-wide services and the academic divisions, with every unit taking a share based on its patterns of revenue and expense. The divisions would determine internally how they would manage their share of the needed cost containment. A $4-million share of containment measures would be applied to the University-wide service divisions. In future years, a systematic review process would determine appropriate allocations to those divisions.

  In response to a question, Professor Goel said that the $17.3-million in cost-containment measures excluded the $11.2-million required to reduce the cumulative deficit to the permissible level at the end of the proposed new planning cycle. That amount would be included as an additional operating expense for all five years of the long-term budget plan. That was similar to previous steps to reduce the cumulative deficit, in which budget units were required to take one-time-only measures.

- **New long-range budget-guideline cycle**. The current long-range budget cycle was scheduled to end in 2009-10. Governing Council policy required that the operating budget be balanced each year, with a permissible variation of a 1.5%-of-revenue deficit or surplus. For the past twenty years, approximately, the University had used long-range budget cycles. By approval of long-range budget guidelines, the Governing Council had permitted a departure from the 1.5% deficit limit so long as the budget plan would, by the end of the planning period, return the operating budget to balance and reduce the cumulative deficit to the permissible 1.5% of operating revenue. With the current long-range budget guidelines, the University would be required to move to a balanced budget, which it planned in any event for 2007-08, and it would be required to reduce the cumulative deficit to 1.5% of revenue by April 30, 2010.

  Professor Goel proposed that the University begin a new long-range budget cycle from 2007-08 to 2011-12. The primary reason for the proposal was the implementation of the new budget model beginning in 2007-08. That model required each budget unit to

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(a) Presentation by the Vice-President and Provost (Cont'd)

prepare a five-year plan. It would be confusing to have the divisions preparing plans running to 2011-12 while the overall long-term budget guidelines ran only to 2009-10. Under the new budget model, it was proposed that the budget cycles be rolling five-year cycles, with one year added to the long-term plan each year. The proposal for rolling five-year budget planning cycles would be put forward for approval with the budget proposal in one year's time. There was, under the new model, no longer an appetite for incurring deficits. Under the previous model, each budget unit had its own spending allocations, but the deficits appeared to be carried and repaid elsewhere. Under the new model, the responsibility of each unit for any deficit was far more transparent. The University's actual experience with fixed budget planning cycles had been that there had been significant deficits incurred in the early years in the hope that new revenues would materialize. If such revenue increases did not appear, there was need for very deep cost-containment measures.

The second reason for proposing a new long-range budget planning cycle was the very significant uncertainty regarding future revenues. Elections were anticipated at both the federal and provincial level. Therefore prudence was essential, particularly in avoiding deficits in the early years of the proposed new planning period.

The third reason for the proposal to begin a new cycle was the anticipated cumulative deficit of $80-million at the end of the fiscal year on April 30, 2007. With the current long-range cycle, it would be necessary to reduce the cumulative deficit to 1.5% of operating revenue by April 30, 2010. That would require payments of about $20-million per year in addition to the other reductions necessary to reach a balanced annual budget. Beginning a new budget cycle would permit the spreading out of the repayment over two more years, requiring annual repayments of $11.2-million per year to bring the cumulative deficit to the permissible level.

Professor Goel noted that year-end work was proceeding on the financial statements, and it appeared that there might be some positive variances, with the result that the cumulative deficit might be slightly below the current projection of $80-million. With a total operating budget of $1.2-billion, the difference was a small one proportionately, and the University continued to complete each year reasonably close to its budget.

Professor Goel stressed the matter of repayment of the cumulative deficit over three or five years was one that the Board should regard as a lesser one, from the point of view of fiscal responsibility, than the very positive undertaking to plan a balanced operating budget each year. A balanced annual budget would be the outcome of work in all of the academic divisions, which would be required to balance their operating budgets each year.

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(a) Presentation by the Vice-President and Provost (Cont'd)

- **Federal budget: effect on the University**. The Government of Canada had, in its 2007 budget, undertaken to fund 1,000 additional graduate scholarships. That would be very important to the University because they would be allocated competitively, and this University's students had tended to fare well in competitions. When a doctoral-stream graduate student was funded by an external source, that spared the University some or all of the cost of implementing its policy of providing a full funding package for that student.

  The federal budget also provided an additional $800-million per year for the transfer to the Provinces to support post-secondary education, beginning in 2008-09. That amount would be adjusted each year to provide for inflation. The Government of Canada wished to develop an accountability framework for the transfer, and the University was concerned that it would take some substantial time for that framework to be worked out.

  The federal government had also undertaken to increase its funding for the federal research-granting councils by $85-million per year and to provide an additional $15-million per year to cover the indirect costs of research. It would also provide a further five years of funding for the Canada Foundation for Innovation, beginning with $70-million for 2008-09.

- **Provincial budget: effect on the University**. The Government of Ontario had allocated $200-million of one-time-only funding to assist the universities to deal with cost pressures. The University of Toronto could expect about $40-million of that amount. It was important that the Government had recognized the cost pressures facing the universities, but the additional funding was one-time-only. It was therefore essential that the University continue its advocacy for base funding increases to enable it to deal with its cost pressures on a long-term basis. It was interesting to note that the $40-million amount was approximately equal to the amount that the University might reasonably expect to receive as its share of the $800-million increase in the federal transfer for post-secondary education, and it was again essential that the University strongly advocate that the new federal funding provide incremental support.

  Professor Goel said that members would no doubt ask if the $40-million of additional revenue for cost pressures should not simply be used to pay down the cumulative $80-million deficit. Doing so would reduce the pressure to take cost-containment measures over the five years of the plan. Professor Goel had not, however, recommended proceeding in that way. The individual divisions were facing severe pressures. After making expense reductions of 5% in 2006-07, they would face further reductions of up to 6% in 2007-08. The University would, therefore, allocate a share of the $40-million to each division and allow it to take the steps best in its particular circumstances to deal with the cost pressures it faced. Some divisions would no doubt use the full amount of the incremental funding to pay down their share of the cumulative deficit. But others, faced

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(a) Presentation by the Vice-President and Provost (Cont'd)

with severe immediate pressures, would the use the incremental funding to deal with them in an orderly way.

- **Future budget situation**. The real financial issue facing the University was that the rate of increase in its revenue had not for many years kept pace with the growth in its expenses. Over the past few years, the increase in revenues, after taking into account that portion of funding that had been required simply to provide for increased enrolment, had been about 2% per year. On the other hand, expenses had increased by about 4% per year. Among the costs that had grown more rapidly than revenues were salaries and benefits and utilities costs. In addition, in many cases, new sources of revenue had entailed very significant costs of meeting regulatory and accountability requirements. Meeting those requirements meant spending a great deal of staff time. Ms Riggall was currently preparing an inventory and costing of the incremental compliance costs. One example: the provision of funding for a special purpose amounting to between $100,000 and $200,000 required agreement to the provisions of a detailed legal agreement of between 20 and 30 pages in length. The addition of accountability requirements was understandable; the Province was responding to pressure from the Provincial Auditor and others. Nonetheless, the consequence was a substantial incremental cost to the University and other recipients.

  It was true that the gap between the growth in funding and the growth in expense had existed for many, many years. At the University of Toronto, the effect had been partially masked by increased revenue arising from enrolment growth, deficit budgets, and the availability of new sources of revenue, especially federal spending on research. At the University of Toronto, there was little appetite for further enrolment growth. Nor was there any appetite to continue deficit financing. Therefore, there was real concern about the financial sustainability of the University, absent substantial new investments or innovations to improve efficiency while maintaining quality.

Professor Goel said that the new budget model would help the University to deal with its very real financial concerns. It would help to focus the attention of the academic leadership on these financial matters, it would provide for more informed decision-making based on academic priorities, and it would provide better information for governance. Professor Goel concluded that the proposed budget plan was a fiscally prudent one that was conservative in its projections of future revenue and realistic in forecasting future expenses.

(b) President's Assessment of the Budget

The Chair recalled that the Board traditionally asked the President: (a) to state his view with respect to the financial prudence of the budget framework, and (b) to provide his assessment of the major elements of risk in the budget. The President unfortunately had a longstanding

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(b) President's Assessment of the Budget (Cont'd)

medical appointment that would prevent his attending today. He had therefore asked the Chair to convey his regrets and his very strong support for the direction of the budget and the associated long-range guidelines. The President had prepared a statement which the Chair read to the Board.

- **Prudence of the budget**. The President regarded the budget a very prudent one. Apart from the funding that had been explicitly committed by the government through 2008-09, the budget presupposed no growth in per-student funding over the next five years. The budget also assumed no growth in revenue from non-endowed benefactions or from commercialization and technology transfer, although the University was actively pursuing opportunities on both fronts. Nor did the budget assume any improvement in the federal government's position on the indirect costs of research, despite its repeated commitment to address the problem. Because a provincial election was scheduled and a federal election was anticipated, the budget's caution about government funding was appropriate.

The President's statement assessed two areas of inherent risk - risk from unanticipated cost overruns; and risk from unexpected revenue shortfalls – which the budget managed effectively.

- **Expense risk: Utilities**. Utility costs were notoriously difficult to predict. They reflected oil prices, electricity costs, and variations in weather conditions. The University consulted widely on projected utility costs and the budget assumed an annual 3% increase in utility costs over the next four years, which the President thought was defensible. Because of a mild winter, utility expenses for 2006-07 had been much lower than anticipated and the University had been able to put the money it saved directly into the Utilities Infrastructure Reserve. That Reserve was a new fund, born of the realization that the University's utilities infrastructure was aging and that the best way of handling a future failure was to create a contingency fund. The new budget model included a commitment to building the Reserve over the next three years.

- **Expense risk: Wages and salaries**. High wage or salary settlements were another source of potential cost overruns. The University aimed to pay competitive wages and salaries, and it relied in turn on reasonable behaviour on the part of all the representatives of bargaining units. The President hoped that settlements of all kinds were, and would continue to be, informed by a collective understanding of the institution's financial situation.

- **Expense risk: Calamitous developments**. Calamitous developments had the potential to alter the University's financial situation dramatically. The Utility Infrastructure

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(b) President's Assessment of the Budget (Cont'd)

Reserve was being developed in part to meet unexpected infrastructure calamities, for example a boiler malfunction. In addition, the University maintained a strong suite of insurance coverage and contingency funds to respond to the usual and customary kinds of unexpected costs. For example, the University maintained insurance or set-asides for health and safety expenses, legal fees, and contractual obligations and policy commitments.

- **Expense risk: Borrowing costs**. Currently, long-term interest rates remained favourable, but there was always a risk associated with borrowing. The University had worked hard to maintain its strong "AA" credit rating and to avoid undue changes that would bring about increases in its future borrowing costs. Nothing in the Budget or Guidelines jeopardized the University's position.

- **Revenue risk: Enrolment and tuition**. The Budget made few assumptions about revenue growth and therefore minimized the risks associated with missing revenue targets. The Budget and Guidelines assumed that the Provincial framework governing tuition fees would persist. There was some uncertainty associated with that assumption in view of the approaching or anticipated elections at both the provincial and federal levels, but the assumption was a reasonable one. The Budget and Guidelines assumed no growth in grant revenue per student (including quality funding) beyond 2008-09. The President did not expect that during an election period the government would remain silent on its funding plans for post-secondary education past 2008-09, but the Budget made no assumptions about any potential growth associated with those plans. Undergraduate enrolment was projected to decrease by 1,000 students over the planning period, the net result of a reduction in domestic undergraduate enrolment of 2,500 students and an increase in international undergraduate enrolment of 1,500 students. That rebalancing in the University's domestic and international student populations was to the educational advantage of the University. The very long-range planning exercise now underway, targeting 2030 as a horizon, would clarify the overall mix of graduate, professional, and first-entry undergraduate students that would best align with the University's mission. Tuition revenues over the same period, consequently, would be driven by modest increases in tuition fees – 4.28% for domestic students and 5% for international students per annum, set against the change in numbers for each group. Together with those goals for undergraduate enrolment, the University was planning aggressive growth in its graduate student population, adding 4,500 full-time-equivalent students to that population over the planning period.

  The President cautioned that there was some risk associated with the plan for enrolment and tuition. Given the differential tuition fees associated with each population, the revenue effect of reducing domestic enrolment was balanced by the effect of raising

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(b) President's Assessment of the Budget (Cont'd)

international student enrolment. However, while the University was very confident in its international marketing and recruitment efforts, enrolment levels among the various international student populations were subject to fluctuations in domestic and international politics. Those fluctuations might have an impact on the University's ability to meet its international student enrolment targets. The University was alive to that concern and individual enrolment decisions would be taken on a year-to-year basis and made with financial and political considerations in mind.

- **Risk: Pension and endowment funds**. Conservative, cautious and prudent reasoning governed the Budget's conclusions and assumptions concerning the pension and endowment funds. Pension deficit amortization remained at the 2006-07 level of $27.3-million per year. That amount included the pension deficit amortization for both academic and administrative divisions, and it would meet the University's commitments as planned and on schedule. The Budget also used conservative estimates of revenue from investments and the endowment. In addition, the endowment pay-out rate could be adjusted from time to time to accommodate fluctuations. The University would continue to study conditions and to evaluate its position.

The President concluded his review of the risks in the Budget and the Long Term Budget Guidelines by stating that he found nothing unreasonable in them, and he was persuaded by their caution and prudence. He offered his unconditional support.

The President concluded his statement with his observations on the proposed long-range budget cycle framework contemplated by the new budget model. There were several compelling reasons to depart from past practice and to begin a new five-year budget cycle with the 2007-08 Budget. He highlight two. First, the new budget model was itself a departure from past practice. The University was asking its academic leaders and their professional staffs to prepare multi-year budget plans informed by revenue and cost projections based on the new model. It would be appropriate, under those conditions, particularly with the renewed focus on fiscal responsibility, to begin a new budgetary cycle with the adoption of the new budget model. Second, the cumulative operating deficit was now $80-million. That was the amount on the books attributable to operating deficits in the recent past. What the budget proposed was a series of balanced annual budgets, including provision to clear that cumulative shortfall over the course of the next five years. It was both prudent and essential to the University's academic mission to reduce the deficit in manageable steps rather than in larger jumps that could do harm to the fabric of the institution. Without beginning a new budgetary cycle – a sensible move in its own right – the University would have to move more rapidly than made sense given the multiple reductions to base budgets and one-time expenditure control measures that divisions had been forced to manage in recent years. The President stressed that the University had not been forced into this position through poor planning or through a failure to meet expressed targets. On the contrary,

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(b) President's Assessment of the Budget (Cont'd)

the University had generally been very successful in meeting its projected deficit and surplus targets. The planned deficit for this year was between $64-million and $65-million. It was only when the provincial government redirected funds away from quality enhancement funding to meet system-wide enrolment pressures that the University of Toronto found itself with the current deficit. A number of other institutions were also adversely affected by those changes. The University was firm in its resolve not only to avoid further deficits but to bring the cumulative deficit back down to the prescribed level, and the President was confident that it would succeed in doing so. Overall, the 2007-08 Budget and the Long Range Budget Guidelines embodied the University's continuing commitment to fiscal responsibility and academic excellence, and they had the President's unreserved endorsement.

(c) Chair's Remarks on the Role of the Business Board

The Chair said that the Budget document was considered by both the Academic Board and the Business Board before it was forwarded to the Governing Council for approval. The Governing Council system sought to provide for both (a) academic self-governance within the University and (b) accountability to external stakeholders, including the taxpayers and benefactors. The Academic Board was the source of academic self-governance. It was responsible for the selection of priorities and the allocation of resources contained in the budget documents. Its Planning and Budget Committee had reviewed the budget in detail and had recommended it to the Academic Board. That Board had in turn recommended approval to the Governing Council. The Business Board was the source of accountability and advice about financial matters. It was asked to concur with the recommendation of the Academic Board that the Budget be approved. The Business Board's duty was to satisfy itself that the budget framework was achievable and financially prudent – that the University could accept the budgeted cumulative deficit, achieve an annual balanced budget as planned and, by the end of the new planning period on April 30, 2012, reduce the cumulative deficit to the policy limit of 1.5% of operating revenue. The Board should also satisfy itself that the budget assumptions were realistic, and that the level of risk in the budget was acceptable.

(d) Questions and Discussion

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

(i) Cost of adopting a new long-range budget guideline cycle. A member asked the cost of adopting a new long-range budget cycle and therefore delaying by two years the completion of the reduction of the cumulative operating deficit to 1.5% of operating revenues. Professor Goel replied that there was sufficient money in the University's cash float that it was not necessary to borrow money to cover the deficit. The cost was the opportunity cost of not having the cash to invest in the Expendable Funds Investment Pool, which earned a short-term rate of interest.

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(d) Questions and Discussion (Cont'd)

(ii) Policy limiting the deficit. A member, referring to the intention to run balanced annual budgets through the proposed new long-term budget cycle, asked if there was a formal policy limiting the deficit to 1.5% of revenues and, if so, whether it was intended to revise that policy. Professor Goel replied that the policy, which limited both any cumulative operating surplus or deficit, remained in place, but the Governing Council had permitted exceptions to the policy through its approval of a series of long-range budget guidelines permitting a larger deficit. That had been done to facilitate the long-range budget planning process. In fact, in only one year in the past twenty years had the University balanced its annual operating budget. In the past, new long-range cycles had been initiated before the conclusion of the current cycle, again to facilitate long-range planning. In the earlier cases, the new long-range plans tended to run deficits in the early years. In this case, there was an undertaking to plan annual balanced budget throughout the long-range budget planning period. In return, the new plan would allow for two additional years to pay down the current cumulative deficit to the permissible limit of 1.5% of revenues.

(iii) Capital project cash flow. Referring to the table dealing with capital project cash flow, a member observed that about $83-million of new capital financed by University sources (i.e. not funded by government or by donors) would be required for capital projects in 2007-08. Would the debt service on that amount represent new charges against the operating budget? The member noted that University-financed capital requirements after 2007-08 were projected to decline to about $12-million. Would that provide some relief to the operating budget in future years, all other things remaining equal? Professor Goel replied that of the $83-million of University-funded or financed expenditure for capital projects in 2007-08, the debt service on about $27-million would be provided by revenues generated by the ancillary operations or by student levies. The remaining $56-million would be the responsibility of the operating budget. Some of that amount was one-time-only funding and the remainder would be financed and amortized over time. As the debt was amortized, either there would be relief to the operating budget or the debt-service capacity would be used to permit the completion of other projects. The ancillary operations would pay down the mortgages on their new facilities (residences or parking structures) over time.

(iv) Student financial support. A member asked about the reason for continuing the student financial support guarantee at a time of such great financial constraint. In particular, he observed that the incremental revenue to be derived from the projected increase in graduate enrolment would not provide substantial budget relief because of the cost of guaranteed funding packages for doctoral-stream graduate students. Professor Goel replied that the student support guarantee had been a product of the mid-1990s when the University had initiated substantial increases in tuition fees. It had been agreed with students and with the provincial government that the increase in tuition fees would not be allowed to impede accessibility to the University for needy but otherwise qualified students. An accessibility guarantee was now a Government of Ontario requirement. The University of Toronto devoted about 5% of its operating budget to student aid

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(d) Questions and Discussion (Cont'd)

– a proportion double the average at other Ontario universities. That reflected in part the fact that a large majority of University of Toronto students came from the greater Toronto area. Other Ontario universities served populations with a significantly lower proportion of needy students. The University's advocacy efforts should request further support in the light of the population this University served.

With respect to guaranteed funding packages for graduate students, one key objective was to allow the University to compete for the top graduate students internationally. The quality of graduate students was very important to the success of the University. There had also, before the guaranteed fund packages, been considerable concern about graduate student need. In particular, there had been concern that the average time to completion of the Ph.D. had been too long because of the need of many students to work. The University of Toronto program was far more extensive than that of many other Canadian institutions, and thus it was costly. It was legitimate to question the level of funding provided and the proportion of the graduate population covered. With continued expansion of graduate enrolment, it would be important to give serious consideration to the trade-offs and to ensure that external sources such as grants and scholarships provided the bulk of the funding.

(v) Faculty/student ratios. A member observed that it would be very helpful to understanding the budget plan to have a forecast of the faculty/student ratio included in the projections. Professor Goel agreed that the faculty/student ratio was important information. The extent of the University's budget problems had in fact been masked by the increase in the faculty/student ratio over the years. While the University had added to its faculty, it had not done so at the same rate it had added to its undergraduate enrolment. If increases in expenses were not matched by at least comparable increases in revenue, the situation would continue to deteriorate.

(vi) Possibility of fundamental changes to relieve budget pressures. A member observed that the proposed long-term budget plan stressed the difficulty of dealing with budget pressures. With over 70% of the budget devoted to salaries and benefits, only 30% could realistically be subject to expense reduction measures, and taking such measures could place the University's buildings and operations at risk. The budget plan appeared to assume the University's continuing to carry out its operations in the same way as before. How could the University make fundamental changes to avoid continuing cost pressures? Professor Goel agreed that the University's budget planning had for many years stressed the same theme: the inadequacy of resources to meet cost pressures. The University had survived over the years by constantly reinventing how it did things. One way in recent years had been the increase in the faculty/student ratio. While faculty members might well view this as an increase in workload, it could also be seen from the Business Board's perspective as an increase in efficiency. The University's problem was how to be sure that the increase in the faculty/student ratio did not reduce the quality of students' education, and the University had been working successfully in dealing with that challenge. One means was the increasing use of technology. Another means

2. Long Range Budget Guidelines, 2007-08 to 2011-12, and Budget, 2007-08 (Cont'd)

(d) Questions and Discussion (Cont'd)

was the change in the mix of methods of course delivery. For example, the University of Toronto at Scarborough had recently built large classrooms, allowing lecture classes to become larger, which would not result in a loss of quality, while at the same time freeing faculty resources to ensure that more students had at least some experience in a small class setting. At the same time, the larger lecture classes had been delivered by the best lecturers, assisted by more and better trained teaching assistants. The University was constantly looking for ways to improve delivery of its teaching and would continue to do so. The new budget model would facilitate the quest for improvements by enabling the budget units to plan in a more rational way rather than having to deal each year with across-the-board reductions. For example, the University was incurring some one-time-only costs to enable the Library to improve its services. Similarly, the University was incurring one-time-only costs to improve aspects of its infrastructure that would lead to long-term energy savings. It was essential that the budget system give the heads of budget units incentives to make investments. Before the current budget model, there were often different budgets for investments and for the operations that would glean the savings arising from those investments.

(vii) Additional Provincial funding to assist with cost pressures. A member asked about the $40-million of one-time-only funding from the Province to assist the universities to meet cost pressures. How would the funds be applied and what would be their impact? Professor Goel replied that the grant was unconditional – a very rare occurrence. The monies would be distributed proportionately to the academic divisions to be applied as required. The needs of the academic units were very different. For example, some divisions were planning to expand their graduate enrolment substantially while others were planning to maintain their current enrolment. The decisions on the application of the funding would not be dictated by the central administration but would be made by the people closest to the situation in each division. They would report on their use of the funds to the Vice-President and Provost.

(e) Recommendation

On the recommendation of the Vice-President and Provost,

YOUR BOARD CONCURS

With the recommendation of the Academic Board

THAT the "University of Toronto Long Range Budget Guidelines, 2007-08 to 2011-12" dated April 16, 2007, including the 2007-08 Budget, be approved.

3. Policy on Appointments and Remuneration: Revision

Ms Patten said that the most recent substantive revision to the Policy on Appointments and Remuneration had occurred in 1999. Similar to the current proposal, the 1999 revisions were intended to enable the Committee to concentrate more on compensation programs rather than on individual compensation decisions. The proposed revisions built on the work of the Committee and the administration over the past three years intended to enhance the Committee's practices and to establish clear frameworks for compensation decisions and reporting. The carefully considered changes were built upon several principles: (a) preserving Governing Council's sole authority for the most senior appointments; (b) systematically delegating responsibility for other appointments to the Executive Committee or the Senior Salary Committee - to be renamed the Senior Appointments and Compensation Committee (SACC); (c) facilitating responsive decision-making with respect to appointments; and (d) strengthening the Committee's focus on matters of compensation policy and strategy while maintaining accountability and transparency, both for appointments and for compensation. With those principles in mind, the role of the Executive Committee with respect to suspension and removal of officers had been clarified. The roles of the Vice-President, Human Resources and Equity and the Vice-President and Provost as assessors to the Appointments and Compensation Committee had been clarified. The role of the SACC had been defined more clearly with respect to compensation programs for staff whose compensation was not determined through collective negotiations. Finally, the responsibilities of the SACC with respect to compensation policies and practices for corporations established by the University of Toronto had been defined more clearly.

Ms Patten said that the Board was being asked to recommend to the Governing Council approval of the revisions relating to the role of the current Senior Salary Committee, proposed to be re-named the Senior Appointments and Compensation Committee. The Executive Committee had primary responsibility for the overall Policy on Appointments and Remuneration, and it would be asked to recommend to the Governing Council the other revisions to that Policy. The Senior Salary Committee itself approved the Regulation that governs the details of how it operated. Under the proposed revision, the SACC would continue to have that authority. The complete proposal was included in the proposal to provide context for the Board.

A member referred to section 13(a) of the proposed revised Policy, which provided that the Vice-President and Provost and Vice-President, Human Resources and Equity would serve as non-voting assessors to the Senior Appointments and Compensation Committee. That provision stated that the Vice Presidents would be "excluded from the Committee's deliberations as appropriate." There was, however, no comparable provision to state that the President would be excluded from the Committee's deliberations when appropriate, for example during discussions of his/her compensation. Ms Patten asked the Secretary of the Governing Council to ensure that the matter was clarified in proposed policy.

The Chair said that during her four years' service on the Senior Salary Committee, she had observed its shift from consideration of individual compensation to more strategic questions. That shift was a natural and appropriate one.

Ms Patten recorded her thanks to the members of the Senior Salary Committee, including University officers and volunteer members. The work of the Committee required, and had received, clear thinking.

On the recommendation of the Senior Salary Committee,

YOUR BOARD RECOMMENDS

THAT the proposed revised terms of reference for the Senior Salary Committee, as set out in the draft revised Policy on Appointments and Remuneration dated March 7, 2007, be approved.

4. Health and Safety: Annual Report, 2006

The Chair stressed the importance of the Health and Safety Annual Report. 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*.

Ms Sass-Kortsak presented the highlights of the report. She noted that the report was a joint one from the Office of Environmental Health and Safety and the Office of Health and Well-Being Programs and Services. There was an ever-increasing focus on health and safety issues because of increasing knowledge within the University community and because of the constant increase in regulatory requirements and oversight. There had been a number of audits or inspections of University activities in the past year, and there had been signals of more to come. Several new regulations with more stringent requirements had been established over the past year. Among the highlights of the report were the following.

- **Health and safety management strategy**. The fundamental strategy was to foster a culture among academic administrators and managers that included a strong sense of ownership of health and safety issues. The University needed to continue to strengthen the knowledge and accountability of its line management with respect to health and safety matters, and the central offices would work with the Senior Management Health and Safety Committee to achieve that goal.

  In response to a member's question, Ms Sass-Kortsak said that the greatest efforts were focused on the individual trades groups, where many of the accidents took place.

- **Emphasis on training**. The University continued to place a strong emphasis on training. In the past year, a module on health and safety had been included in orientation sessions for all new employees. The University continued to develop on-line training capability, with a new module for new employees to be launched shortly and more on-line courses under development.

4. Health and Safety: Annual Report, 2006 (Cont'd)

- **Joint health and safety committees**. Each University building had a joint health and safety committee consisting of employee and management representatives. Legislation required that those committees meet regularly. That was not, unfortunately, happening in all cases. The University had conducted a survey to identify means of improving the functioning of those committees. A number of very good recommendations had emerged, and management would work with the committees to implement them over the year.

  A member asked whether the frequency of meetings of the joint health and safety committees had improved for the first quarter of 2007. How many of the 45 committee had met in the first three months of the year? Ms Sass-Kortsak undertook to obtain and provide the information.

- **Workplace accidents**. Accident frequency had been similar to that in 2005, with 54 lost-time accidents in 2006. There had been a slight increase in the number of work days lost. The University compared reasonably well to its peer group, and it had therefore received a rebate of a part of its premium from the Workplace Safety Insurance Board. The University was taking a more proactive approach to bringing accident rates down even further, focusing on sharing data more widely.

  In response to a question, Professor Hildyard and Ms Sass-Kortsak said that the rebate amounted to $918,658. Most of the amount had been retained in a fund to deal with any additional assessment that might arise for 2007 or future years. A part of the amount would be used for the completion of research into accident reduction at the University.

- **Asbestos**. The asbestos program had been very active over the year as the University responded to new, more protective regulations. The University continued to take the opportunity to remove asbestos to the extent possible in the course of renovation projects. The Facilities and Services Department had worked to conduct new surveys to pinpoint the location of asbestos, which would be helpful in planning future renovations and ensuring that work was done safely. The University was continuing to report on incidents involving asbestos and in so doing it continued to learn and improve its handling of the matter. There had been a reduction in the number of incidents involving asbestos.

- **Hazardous-waste disposal**. There had been ever increasing volumes of hazardous wastes, particularly chemicals and radioactive materials. The cost of disposal of radioactive wastes had declined to $92,000 in 2006 from $140,000 in 2005 because the University had acquired a new compactor that had reduced the number of drums to be shipped. The cost of disposal of chemical wastes had continued to increase, rising from $210,000 in 2005 to $273,000 in 2006. The University was seeking ways to contain those costs through more centralized collection and handling.

4. Health and Safety: Annual Report, 2006 (Cont'd)

- **Ministry of Labour orders**. The University had received two Ministry of Labour orders in 2006 and had complied with both.

A member suggested that future reports include a statement of priorities for the forthcoming year. That would represent valuable information for the Board and would enable the Board to make a judgement in the following year about progress towards the priority goals.

A member noted that the report had focused on accidents, but it did not appear to deal with stress-related problems and absence from work. Professor Hildyard replied that if an individual required leave because of stress and a claim was accepted by the Workplace Safety Insurance Board, the lost-time incident would be captured in the data in the Report to the Business Board. In the case of sick leave, where the physician's statement verified that the leave was required because of stress, the University would work to provide accommodation to assist the employee to return to work. Again, that would be captured in the data. The University's employee assistance program also provided assistance and support to employees who were working under stress but not taking time off work. Professor Hildyard recognized that workplace stress was an important issue, and she would give consideration to collecting data on the problem. A member added that stress-related absences affected the employer's rates for long-term disability insurance and also Workplace Safety Insurance Board rates, and a comparison of rates could be used to help benchmark the level of the University's problems with respect to employee stress. The member referred to the case of an employer where premiums had increased by some 30% because of stress-related problems.

5. Health and Safety: Quarterly Report on Compliance with Legal Requirements

Professor Hildyard presented the draft quarterly report on compliance with legal requirements in the area of health and safety. The draft would be updated in due course after the University had dealt with a matter on which Professor Hildyard would report at the end of the meeting, when the Board moved into closed session. Professor Hildyard reported on the occurrence of a serious accident at the Ontario Institute for Studies in Education of the University of Toronto, where an employee had fallen backwards through a frosted glass panel and had been severely cut. The accident had been investigated by the local Joint Health and Safety Committee and an excellent report had made several recommendations. Some had already been implemented and others were being actively implemented.

6. Employment Equity: Annual Report, 2005-06

The Chair noted that the Board's terms of reference made it responsible for personnel matters for administrative staff. The report had also been forwarded to the Academic Board, which monitored employment equity with respect to faculty and librarians.

Professor Hildyard presented the Employment Equity Report for the period October 1, 2005 to September 30, 2006. Among the highlights were the following.

6. Employment Equity: Annual Report, 2005-06 (Cont'd)

- **Major initiatives in 2005-06**. The University had, pursuant to a recommendation arising from the 2004 compliance review under the Federal Contractors' Program, completed a resurvey of its entire workforce, promoting participation with the slogan 'EQ ITY – we need "U" in it." That survey had for the first time included a question about membership of a sexual minority group. Responses would provide baseline data to track the employment of members of sexual minorities. The Human Resources Department had appointed an Aboriginal Initiatives Coordinator to coordinate outreach to the aboriginal community and to encourage improved representation of aboriginal people in the faculty and staff. The University was working to improve its services to provide accommodation and encourage the return to work of faculty and staff who had incurred illness or accident.

- **Academic staff**. 34% of the academic staff were women, up by 1.7% from the previous year but just below external availability of women, which was 36.2%. Members of visible minority groups were 13.9% of the academic staff compared to 13.3% external availability data. Members of aboriginal communities were 0.4% of the academic staff compared to external availability of 0.7%. Academic staff with disabilities were 2.2% of the academic staff compared with external availability of 4.1%. Members of sexual minority groups formed 5% of the academic staff. There was no external availability data.

- **Administrative staff: non-unionized employees**. Women were extremely well represented within senior positions, with women for the first time holding 50% of the most senior leadership positions at the University. Members of visible minority groups were also extremely well represented within senior positions; the proportion of members of visible minorities holding positions in the senior manager, professional and middle and other manager groups exceeded their proportion in the external availability data. Aboriginal people were not well represented, forming 0.5% of non-unionized employees. There had been a small increase in the number of people with disabilities, who formed 3.7% of the non-unionized administrative staff. Sexual minorities were well represented within senior positions. The rates of promotion for women, visible minorities, aboriginal people and people with disabilities exceeded the workforce representation of those groups, and exits for all groups except people with disabilities were lower than workforce representation.

- **Administrative staff: unionized employees**. Overall, women were well represented at all levels of unionized staff. There was a good representation of visible minorities in senior unionized positions. Aboriginal staff members, however, were represented in only a few classifications. Persons with disabilities were not well represented, but there were increases at some levels. Sexual minorities were represented in a full range of occupations. Except for persons with disabilities, new hires exceeded current representation levels. Promotion rates for all groups had been close to, or in excess of the group's representation on the University staff. Exit rates for all groups had been lower than that of the group's representation.

6. Employment Equity: Annual Report, 2005-06 (Cont'd)

- **Current initiatives**. The Human Resources Department would disseminate the results of the recent faculty and staff experience survey, both University-wide and to individual divisions and employee groups. The results would be available to assist divisions to identify areas for improvement and development of initiatives. One area requiring work would be dealing with workload-related stress. The University would continue to focus on programs to provide accommodation to employees who had suffered accident or illness to assist them in returning to work. That had been an area where there had been some notable successes. Initiatives with respect to recruitment and retention of aboriginal employees would continue. The position of Human Resources Aboriginal Initiatives Coordinator would be continued, notwithstanding the end of external funding, so that the Coordinator could continue with outreach to the aboriginal communities. The University would continue and enhance support for academic leaders to assist them in achieving equity objectives. An on-line faculty recruitment tool would be initiated on a pilot basis to facilitate proactive recruitment of members of the designated groups. A new leadership development program would be offered to administrative staff to encourage individuals from the designated groups to prepare for leadership roles.

In the course of discussion, two members praised the quality of the report and of the University's success in achieving several of its equity goals and even exceeding them in some cases. The recent appointment of three women to be deans of leading professional faculties had been particularly commendable. The University of Toronto certainly had good results in comparison with many other institutions. The following specific matters arose in the discussion of the report.

(a) Objectives. A member asked whether the University might increase its equity targets to achieve employment of members of the designated groups that was greater than their external availability in order to excel in this area. Professor Hildyard replied that the University had not considered doing so. However, it might reasonably strive for representation that reflected the diversity for the University's student body, which consisted of more than 50% women and members of visible minorities. The objective could be to provide more role models for students. Professor Goel said that the University should continue to focus its efforts on improving the external pool to broaden it as much as possible so that members of the designated groups could be better represented without straying from the principle of hiring the best person. Efforts to broaden the pool of candidates would be particularly helpful in some academic disciplines. The University did not hire to fill quotas. The member observed that the availability data could too readily be used as an excuse not to hire members of the designated groups. She would therefore urge consideration of expanding equity objectives to have the makeup of faculty and staff reflect the student body. Professor Hildyard replied that one important step would be to work with graduate students who were members of the designated groups to encourage and assist them to pursue careers in the University.

(b) Exit interviews. A member suggested that future reports analyze the results of exit interviews, which could yield very rich data.

6. Employment Equity: Annual Report, 2005-06 (Cont'd)

(c) Segmented data. A member urged that future reports include more segmented data particularly with respect to women employees. The experience of women who were members of visible minorities could be quite different from that of other women.

7. University of Toronto Innovations Foundation: Report on Wind-up and Ratification of By-Law Amendment

Ms Riggall recalled that the Innovations Foundation had been disestablished as an ancillary operation of the University and its business brought into the University within the portfolio of the Vice-President, Research and Associate Provost. There was now need for one further action on the part of the Business Board to enable the final wind-up of the corporation: the Business Board's approval and ratification of certain By-Law changes made by the Innovations Foundation Board on April 10, 2007.

In response to a member's question, Professor Goel said that the operating budget provided for $3-million per year of on-going funding in support of the technology-transfer and related functions that had formerly been performed by the Innovations Foundation. If those activities were to succeed in generating substantial incremental income for the University, that would be regarded as a bonus to the operating budget. The budget did not project revenue to recover the cost of the operations.

On the recommendation of the Vice-President, Business Affairs

YOUR BOARD APPROVED AND RATIFIED

The following amendments to By-Law Number 1 of the University of Toronto Innovations Foundation, effective as of April 10, 2007:

THAT clause 3 of By-Law Number 1 be amended to read as follows:

> The number of directors of the Foundation is hereby decreased from fourteen to seven, and the affairs of the Foundation shall be managed by a board of seven directors, each of whom at the time of his or her election or within ten days thereafter and throughout his or her term of office shall be a member of the Foundation; and

7. University of Toronto Innovations Foundation: Report on Wind-up and Ratification of By-Law Amendment (Cont'd)

> THAT the first sentence of clause 8 of By-Law Number 1 be amended to read as follows:
>
>> Six directors, of whom at least one shall not be an employee of the Foundation or member of the teaching staff or the administrative staff of the University, shall constitute a quorum for the transaction of business at any meeting.

8. Capital Projects Report as at April 30, 2007

The Board received for information the Capital Projects Report as at April 30, 2007.

9. Capital Project Closure Report as at April 20, 2007

The Board received for information the Capital Project Closure Report as at April 20, 2007.

10. Borrowing: Status Report to April 30, 2007

The Board received for information the Status Report on Borrowing as at April 30, 2007.

11. Environmental Protection Advisory Committee and Sustainability Office Annual Reports, 2007

Ms Sisam said that the Sustainability Office reported jointly to the Office of the Vice-President and Provost and the Office of the Vice-President, Business Affairs. Its mandate was to achieve energy conservation. It was under the extraordinary leadership of Professor Beth Savan and it included an energetic group of students from across the three campuses. It worked with Facilities and Services and other operational staff and faculty on research projects that would ultimately lead to operational savings.

Professor Beth Savan presented the annual report of the Sustainability Office.

- **Mission and work of the Office**. The mission of the Office was to create a culture of sustainability at the University that would be reflected in its functions and operations. The Office's operations had already brought about tangible environmental, economic and social benefits. The outcome of the Office's work would be a continued reduction in energy use and greenhouse gas emissions and a reduced cost to the University. The work of the Office was also bringing about increased engagement by the students and building an increased sense of community among them.

11. Environmental Protection Advisory Committee and Sustainability Office Annual Reports, 2007

- **Tri-campus approaches**. There were unique approaches to sustainability with unique environments, issues and organizations at each campus. The first sustainability office to be established had been the Environmental Affairs Office at the University of Toronto at Mississauga in 2004. The St. George Sustainability Office had been established in November 2004 and a comparable office was currently being established at the University of Toronto at Scarborough. The primary resources of the offices were the people participating: faculty with research interests in environment, staff with operational responsibilities, and students, who contributed ideas and an enormous amount of energy. The work of the offices combined teaching, research and practical application. The offices had received outstanding support from all senior officers of the University, and for the first time the offices were being supported by an on-going operating budget appropriation. This work had received and continued to receive generous grant support from several external partners. Supporters had included the Toronto Atmospheric Fund, the Better Buildings Partnership, the Government of Canada, the Toronto Hydro Corporation and the TD Friends of the Environment Foundation.

- **Measurements**. The accurate measurement of emissions and resource use on campus was fundamental to the success of sustainability initiatives. An interactive greenhouse gas inventory (for all campuses) and a UTM and St. George Campus Sustainability Assessment Framework had found that there had been an increase in resource use and emissions for heating and more rapid growth in the use of electricity since the establishment of the Kyoto baseline in 1990. A tri-campus energy plan was in development to control and reduce energy use.

- **Achievements: retrofits**. There had been a number of notable achievements in the form of very aggressive lighting and chiller retrofit projects and the co-generation project in the 1990s, and there were further retrofit projects now underway. The Sustainability Office hoped to accelerate that process and to look for other opportunities, perhaps bundling projects across all three campuses. A recent success was a washroom upgrade at the Ontario Institute for Studies in Education building. Washrooms would use significantly less water, and savings would pay back the cost of the project in 2½ years.

- **Achievements: transportation**. Again work was underway to develop baseline data on energy use for transportation. There had been a number of initiatives to promote less reliance on single-occupancy vehicle transportation and greater use of public transit and active modes of transportation such as cycling.

- **Achievements: Research and engagement**. Many of the Office's greatest successes had begun with student research projects. The Rewire project on the St. George Campus had reached over 3,000 students and staff leading to behaviour change and a 6% - 12% reduction in their use of electricity. The ReSource project was under development to

11. Environmental Protection Advisory Committee and Sustainability Office Annual Reports, 2007

promote a reduction in paper consumption. The Bikechain project on the St. George Campus provided workshops on bicycle use and repair facilities for bicycles with the aim of promoting the use of bicycle transportation. Other transportation initiatives were underway. At UTSC, a stormwater management pilot project was underway; it would filter pollutants from runoff. Over 230 students had been engaged in the GreenStar program at UTM. Professor Savan concluded by thanking the student participants for their outstanding initiatives.

On behalf of the Board, the Chair thanked Professor Savan and the students present, and she asked them to convey to the other participants the Board's thanks for their remarkable efforts and achievements. Professor Savan noted that it often required an initial but one-time-only investment to generate an on-going return, both in the form of operating savings and in the form of the benefits to students from their experience in working on the projects described in the report.

12. Design Review Committee: Annual Report

It was AGREED to defer consideration of the Annual Report of the Design Review Committee to the next meeting to enable the Board to have more time to review the item.

13. Date of Next Meeting

The Chair said that there would be no need for a meeting on the reserve date of Tuesday, June 5, 2007. The next regular meeting – the final meeting of the academic year - was scheduled for **Thursday**, **June 21, 2007** at 5:00 p.m. That meeting would, among other things, consider the report of the Audit Committee on the audited financial statements for 2006-07.

14. Other Business

Royal Ontario Museum McLaughlin Planetarium Site

Professor Goel referred to news reports making assertions concerning the University's position on the Royal Ontario Museum's proposed development on the site of the McLaughlin Planetarium. He stated that the University had always been and remained prepared to enter into negotiations with the Museum with respect to the site. The University had advanced the idea of joint planning for the entire precinct including the Planetarium, which was adjacent to the University's Faculty of Law and Faculty of Music. Indeed, the vehicular right of way to the Museum was over the University's parking lot, and the University would wish to discuss with the Museum any plans for future development. There had been no formal discussions since the Museum's decision to abandon the plan to develop a very tall condominium apartment building on the site, but the University was prepared to enter into discussions that would take a larger view of the entire site.

THE BOARD MOVED INTO CLOSED SESSION.

15. Closed Session Reports

Professor Hildyard briefed the Board on a health and safety matter.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:20 p.m.

Secretary	Chair

May 22, 2007

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