

**UNIVERSITY OF TORONTO**  
**THE GOVERNING COUNCIL**  
**REPORT NUMBER 68 OF**  
**THE PLANNING AND BUDGET COMMITTEE**

**February 27, 2001**

To the Academic Board,  
University of Toronto.

Your Committee reports that it met on Tuesday, February 27, 2001, 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Professor David Mock (In the Chair)  
Professor Ronald D. Venter (Vice-Chair)  
Professor Adel S. Sedra, Vice-President and  
Provost  
Professor Michael Finlayson, Vice-  
President, Administration and Human  
Resources  
Professor Derek McCammond,  
Vice-Provost, Planning and Budget  
Mr. Muhammad Basil Ahmad  
Professor Carl Amrhein  
Professor W. Raymond Cummins  
Mr. Ljupco Gjorgjinski  
Professor Avrum I. Gotlieb  
Professor Angela Hildyard  
Professor Susan Horton  
Professor Bruce Kidd

Professor Robert H. McNutt  
Mr. Fayez A. Quereshy  
Professor Fred Wilson  
Professor Linda Wilson-Pauwels

Non-Voting Assessors:

Ms. Sheila Brown, Acting Chief Financial  
Officer  
Professor Carolyn Tuohy, Deputy Provost

Secretariat:

Mrs. Beverley Stefureak  
Ms. Margaret McKone

**Regrets:**

Mr. Brian C. Burchell  
Mr. Brian Davis  
Professor Nancy Reid  
Ms Wendy Talfourd-Jones

**In Attendance:**

Mr. Louis R. Charpentier, Secretary of the Governing Council  
Mr. Neil Dobbs, Deputy Secretary of the Governing Council  
Dr. Beata FitzPatrick, Assistant Provost  
Ms. Manon LePaven, President, Association of Part-time Undergraduate Students

THE MEETING WAS HELD IN OPEN SESSION.

ITEMS 5 AND 6 ARE RECOMMENDED FOR APPROVAL.

The Chair congratulated Professor Ron Venter on his appointment as Vice-Provost, Space and Facilities Planning and indicated that this would be his last meeting as Vice-Chair and member of the Committee. Professor Avrum Gotlieb was welcomed as the incoming Vice-Chair.

**1. Report of Previous Meeting**

Report Number 67 (January 23, 2001) was approved.

**2. Business Arising from the Report of the Previous Meeting**

There was no business arising from the previous meeting.

**3. Senior Assessor's Report**

Professor Sedra reported on the 2001-02 budget process, noting that item 4 of this meeting would deal in depth with the first step -- guidelines and assumptions on which the budget was constructed. He reminded members that these were within a six-year long-range framework in which the University would soon complete the third year.

He reported, as had been reported to the Business Board, that the news for the year ending April 30 was positive. The expected deficit was very close to what was predicted and was well within the limit set by the Governing Council. By the end of the six-year period, it was predicted the budget would be balanced. Accumulated debt by 2003-04 had been predicted to be no greater than one and one-half per cent of operating revenue and it looked promising in terms of being able to achieve that.

The outlook for next year was not as positive, in large part due to rapidly escalating energy costs and dramatic increases in the per year costs of benefits, and to inflationary increases in all areas. Unless mitigating measures were undertaken, an \$11 million to \$12 million deficit was expected for the period ending April 30, 2002. The breakdown of this anticipated deficit, as well as strategies to prevent it, would be presented to the next meeting of the Committee. Any decisions would have to be made in the absence of complete information on revenue because announcements on Government grants were not expected until May. The budget was being built on the assumption that there would be a 2% increase in annual base funding, which would relate to enrolment expansion. This was a significant item for the Mississauga and Scarborough campuses and, if it unfolded as expected, would have a major effect on budget planning.

The administration had decided to proceed with the budget for 2001-02 using the best information available, intending to work during the summer and fall, as clarity develops, on a new six-year plan for 2002-08. As with the last long-range plan, this would result in a two-year overlap. The new plan, with detailed guidelines taking into account both good and bad assumptions, would be presented to Planning and Budget for examination this fall.

**4. Budget Report 2001-02: Update of Budget Guidelines and Assumptions**

The Chair said that updated Budget Guidelines and Assumptions came to this Committee annually for review and information. These formed the basis for the development of the operating budget which would be presented over the next two meetings.

#### **4. Budget Report 2001-02: Update of Budget Guidelines and Assumptions (cont'd)**

Professor McCammond introduced “Long-Range Budget Guidelines and Projections 1998-2004, An Update, February 2001” (attached as Appendix “A”), noting that this was the first step in bringing the budget through governance. Working through the document, Professor McCammond particularly noted the following.

There continued to be increased investment income for the operating fund, realized as a result of the more aggressive investment strategy adopted by the University of Toronto Asset Management Corporation (UTAM). The positive difference between previously projected and actual revenue resulting from investing a larger portion of the Expendable Funds Investment Pool (EFIP) in long-term investments would be used to create an endowment for graduate student aid. In response to questions, members were assured that, on average, the investments for the operating fund continued to do well despite the tumbling market. In the event that the difference between predicted rate and actual rate of return was negative, the shortfall would not be taken out of the graduate student endowment.

No assumptions had been made on enrolment related to the double cohort. Full average funding was assumed for increased BEd and MD enrolment. The undergraduate enrolment increase under the Access to Opportunities Program (ATOP) had met its intake target and flow-through was assumed to reach the steady state. Discussions were taking place concerning increases to second-entry programs in Nursing and Pharmacy. Responding to questions, Professor McCammond said that application data reflected a 1% increase in first choice applicants. Professor Sedra added that, although the number of medical places in the Province had been increased by 40, it was anticipated that the University would take only its share of those, which was 13.

Professor McCammond provided the numbers missing in the update to Graduate Enrolment and Support. The budget for graduate student support was expected to increase by \$3.8 million in 2001-02 and \$11.8 million in 2003-04 over the current year's increase of \$2.7 million. A member asked if \$2.7 million this year was due to savings from the teaching assistants' strike. Professor Amrhein, speaking from the perspective of the Faculty of Arts and Science, said that there had been no savings but rather a loss. Professor Sedra confirmed that the support to graduate students had no budgetary link to the funding for teaching assistants and the strike had not affected the numbers shown in this section. Increased funding for graduate students had been distributed last year as a one-time allocation to divisions, but it would be allocated as an addition to base funding this year.

Referring to the graph in Figure 1 of Appendix “A”, Professor McCammond explained that the five-year moving average enrolment measured in Basic Income Units (BIUs) was expected to bottom out next year just above the mid-point of the corridor, thus assuring secure funding from enrolment-based government grants. The University hoped that any dramatic enrolment expansion would be accompanied by changed Government policy before the double cohort surge in 2003-04. In response to a member's question, Professor McCammond and Professor Sedra explained the longer-term strategy underlying enrolment growth.

Professor McCammond explained the assumptions relating to domestic tuition fees, referring to Note 1 of Appendix “A” for details. There were two exceptions to a proposed 5% increase for continuing students in deregulated programs. One was in the MBA where a series of increases were projected over the next several years; the other was for the LLB where the increase was to \$12,000. He noted that assumptions for March 2000 required an update. The recommendation of the task force that post-graduate medical trainees pay zero tuition was in place and would continue.

A member asked why fees in some deregulated programs were beyond 5%. Professor Sedra and Professor McCammond replied that the factors in the decision were many and would be

**4. Budget Report 2001-02: Update of Budget Guidelines and Assumptions (cont'd)**

presented in detail to the Business Board. One consideration was that program costs were escalating due to higher salary costs in areas such as Law, Management, Computer Science and some Engineering programs.

In the absence of a Government announcement, a 2% annual increase in operating grant revenue was assumed through to 2003-04. The University would also receive an increase of \$0.7 million from the Research Performance Fund which was now distributed on the basis of total, rather than just undergraduate, enrolment. A changed format for Ontario Graduate Scholarships required that funds now be distributed by the universities. Total funding per student had increased to \$15,000, \$5,000 of which was paid by the University.

Professor McCammond updated the entry on Matching Strategy for Endowed Chairs, to note that 116 Endowed Adjustment Fund (EAF) matched-chair agreements had been completed.

Student Aid for 2000-01 was \$74.5 million and was projected to increase for 2001-02 to \$84.1 million, and then to a steady state of \$101.7 million. A member raised the concern that the University's student aid was primarily distributed through the University of Toronto Advanced Planning for Student (UTAPS) program. To qualify for UTAPS, a student had to be eligible under the Ontario Student Assistance Program (OSAP). This left a considerable cohort of students, who could benefit from financial assistance, unqualified to receive any. The Committee was being asked to accept a forecast of student aid for the next three years based on principle and policy that he considered flawed. He thought a strong message should be sent to the administration that the assumptions on which the student aid budget was based should be changed to provide for a more equitable distribution of those funds.

The Chair noted that this would require a change in policy that was beyond the mandate of this Committee. However, the key administrators involved in drafting policy changes were part of this discussion and would take his comments under advisement.

Professor McCammond reported that a re-negotiation of corridor funding arrangements with the Toronto School of Theology would have a positive effect of \$0.125 million on the University budget. The School had been aware for several years that a funding adjustment was likely. The decrease in enrolment at the School had not had an impact on the University's government funding because the University had remained above the bottom of its enrolment corridor.

For the purposes of modeling, 2% across-the-board increases were assumed following the expiry of existing compensation agreement. If compensation agreements in fact exceeded 2%, each additional 0.1% would result in a further base budget reduction of about 0.09%.

The update on employer benefits costs revealed significant increases, largely due to a 25% increase in the cost of extended health care and an increased cohort of pensioners resulting in much higher cost for pensioners' benefits. Professor McCammond drew attention to the final paragraph of section 20 which indicated that the balance of funds available from the current-service pension cost, normally flowing into the University Infrastructure Investment Fund (UIIF), would be used in 2002-03 for approved matching endowment programs.

Professor McCammond confirmed that predictions for energy costs included those estimated for increased space and were based on the assumption that the rates would not continue to increase. Likewise, relief could not be expected since the University had been protected to some extent by long-term contracts from the full effect of market increases. A task force

would be looking into cost containment for energy, and Professor Sedra noted that the Council of Ontario Universities (COU) would be compiling data on increased energy costs with a view

#### **4. Budget Report 2001-02: Update of Budget Guidelines and Assumptions (cont'd)**

to requesting from the Government at least a one-time grant to assist universities with this unexpected expense.

With reference to Infrastructure Funds, Professor McCammond said that \$30 million would be borrowed to shore up the UIIF for various capital commitments within the planning period. Principal and interest on this borrowing would be a charge to the operating budget.

Responding to a question for clarification on the use of revenues from increased tuition fees, Professor McCammond said that 30% went directly into student aid. In the deregulated programs, there was an additional provision for the revenue from the fee increases in excess of the percentage fee increase for the regulated programs. In those programs, 65% of the remaining 70% went into the Academic Priorities Fund (APF) and was available for distribution to academic divisions for program improvement and quality enhancement, based on plans submitted by the Deans. A member expressed concern that a student in any division paying the increased tuition may not see a return back to that division. Professor Sedra indicated that there was, in fact, a strong correlation, based on divisional requests and plans. He gave as an example the Faculty of Arts and Science, where there had been significant tuition-fee increases in Computer Science and Commerce and where equally significant allocations from the APF had been awarded during the last round.

A member questioned why this item was not for approval by this Committee. The Chair explained that the updated guidelines and assumptions were brought for information annually to ensure that the Committee had the opportunity to provide advice to the administration on the principles guiding budget development. The Committee would vote on the budget when it was presented, and it had the option at that time to refer back or reject the budget if advice offered now had not been considered. Information making up the updated assumptions was developed by staff and committees with the requisite knowledge and expertise.

A member asked how this Committee could make a recommendation to the Business Board with respect to tuition fees. The Secretary of the Governing Council said that information/advice presented at this body could be taken through the assessors to Business Board and further that members of the Business Board received the reports of Planning and Budget Committee. Asked specifically about how changes to student financial aid policy could be initiated, Mr. Charpentier said that such changes would be brought to the Committee on Academic Policy and Programs by that Committee's assessors.

#### **5. Capital Project: Sidney Smith Hall – Patio Enclosure – Users' Committee Report**

Professor McCammond also referred to item 6 and indicated that the two proposed capital projects for Sidney Smith Hall were brought to the same meeting because the designs should not be independent.

The patio enclosure project envisioned enclosure of the east and west patios, respectful of the architecture in material palette and proportions, for the purposes of providing in the eastern area food services, comfortable student seating and tables that could be booked for student groups, and in the western area additional quiet study space, some with power capability for computer connection. Wireless connectivity would be considered.

The cost estimate for each area was \$1.647 million. There was \$400,000 available from ancillaries for the east patio provided the enclosure included a new food-service facility. Other funding had not been identified and this proposal was therefore for approval in principle.

On the recommendation of the Vice-President and Provost,

**5. Capital Project: Sidney Smith Hall – Patio Enclosure – Users’ Committee Report**  
(cont’d)

**YOUR COMMITTEE RECOMMENDS**

- (i) THAT the Users’ Committee Report for the Sidney Smith Hall Patio Enclosure (attached as Appendix “B”) be approved in principle to accommodate student activities including food facilities, lounge space, study space and club space;
- (ii) THAT the project scope as described in the Users’ Committee Report be approved, at a total cost of \$1,647,000 including furnishings for the east enclosure (\$400,000 to be from ancillary services contingent upon a new food service being present) and an equal cost for the west enclosure; and,
- (iii) THAT the project be recommended for implementation at such time as funding has been identified and becomes available.

The Chair reported that the motion had been carried unanimously.

**6. Capital Project: Sidney Smith Hall - Infill Project - Users’ Committee Report**  
**University Infrastructure Investment Fund: Allocation**

Professor McCammond said that the Users’ Committee Report had identified a critical need for office space for graduate students and faculty in the Departments of History and Political Science, and had proposed construction of additional space above the existing two-storey lobby, adjacent to existing departmental space. The proposal involved a swap with the Department of Statistics for an equivalent footprint. Professor McCammond noted that space for Statistics would be 7 offices rather than 5 as reported in the Users’ Committee Report. The new space would create faculty offices, graduate student space and a meeting room. It was proposed to proceed in two phases, the first at a cost of \$1.8 million for a meeting room, a small number of offices, and a large finished open space, the second phase for installation of partitions in that area, bringing the total cost to about \$2.2 million. The current request was for approval in principle and a recommendation to proceed with implementation of phase 1.

Members asked about the initiative for this construction and were informed that the departments in question did not have sufficient office space to accommodate existing faculty, that Sidney Smith Hall was under intense space pressures all the time, and that an overriding reason was the lack of graduate student space. Phase 1 should, at the least, provide relief for the latter.

On the recommendation of the Vice-President and Provost,

**YOUR COMMITTEE RECOMMENDS**

- (i) THAT the Users’ Committee Report for the Sidney Smith Hall Third Floor Infill Project (attached as Appendix “C”) be approved in principle;

- (ii) THAT the project scope as described in the Users' Committee Report, to construct approximately 670 gross square metres, be approved at an estimated cost of \$2,164,000;
- (iii) THAT phase 1 be recommended for implementation with funding of \$455,000 from the Faculty of Arts and Science, \$100,000 available for the construction of the seminar room, and \$1,289,000 from the University Infrastructure Investment

**6. Capital Project: Sidney Smith Hall - Infill Project - Users' Committee Report  
University Infrastructure Investment Fund: Allocation (cont'd)**

Fund, with phase 2 recommended to proceed when the source of additional funding of \$320,000 is identified; and

- (iv) THAT an allocation of \$1,289,000 from the University Infrastructure Investment Fund be approved.

The Chair reported that the motion had been carried unanimously.

**7. For information:**

**7.1 Enrolment Report**

Professor McCammond reported the good news that targets had been met or exceeded in all major first-entry and second-entry undergraduate programs. Graduate enrolment news was mixed with MBA, MEng, and MHSc exceeding targets and others not reaching what was expected. Enrolment was below what was projected in some new programs, but in almost all cases numbers were higher than last year and were expected to reach the projected steady state, though somewhat later than predicted.

Efforts had been undertaken to implement a more aggressive international recruitment program so as to increase enrolment while maintaining high admission requirements. This was showing positive results.

Doctoral-stream enrolment was below target but above that of last year. The planned increase in ATOP programs had not fully materialized partially because the target was fairly aggressive but, importantly, because faculty to attract doctoral candidates were not yet in place. Faculty recruitment was now underway to correct this.

**7.2 Capital Project: Users' Committee for One Spadina Crescent – Terms of Reference**

Professor McCammond reported that the Faculty of Arts and Science wanted to completely renovate One Spadina Crescent into the academic and administrative centre for the Department of English, the Department of Fine Art and possibly the Centre for Museum Studies. Membership and Terms of Reference of the Users' Committee were reported for information.

A member asked if there had been any discussion about safe access to the building relative to crossing a busy street and was informed that the infrastructure was in place below grade for a tunnel to provide off-street access.

In response to a question about office space for the Independent, Professor McCammond indicated that if relocation were necessary appropriate alternative space would be provided.

### **7.3 Capital Project: Users' Committee for the Faculty of Music – Terms of Reference**

The terms of reference and the membership of the Users' Committee for the Faculty of Music were brought to the Committee for information. Professor McCammond reported that the Faculty of Music required space for expansion and this Users' Committee would recommend how that could be done.

### **7.4 Academic Program Changes**

#### **7.4.1 Faculty of Applied Science and Engineering - Establishment of New Options in Engineering Science Program**

Professor McCammond reported that there were no resource implications to the proposed new options in Engineering Science Program.

#### **7.4.2 Faculty of Arts and Science - New Program in Health Studies**

Professor McCammond reported that there were no resource implications to the proposed new program in Health Studies in the Faculty of Arts and Science.

### **8. Date of Next Meeting – Tuesday, March 13, 2001 at 5:00 p.m.**

The Chair reminded members that the next regular meeting was scheduled for Tuesday, March 13, at 5:00 p.m.

### **9. Other Business**

There was no other business.

The meeting adjourned at 7:15 p.m.

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Secretary

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Chair

March 7, 2001