

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL
REPORT NUMBER 67 OF
THE PLANNING AND BUDGET COMMITTEE

January 23, 2001

To the Academic Board,
University of Toronto.

Your Committee reports that it met on Tuesday, January 23, 2001 at 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 Derek McCammond,
Vice-Provost, Planning and Budget
Mr. Muhammad Ahmad
Professor Carl Amrhein
Professor W. Raymond Cummins
Mr. Brian Davis
Professor Avrum I. Gotlieb
Professor Angela Hildyard
Professor Susan Horton
Professor Bruce Kidd
Professor Robert H. McNutt

Mr. Fayez A. Quereshy
Professor Nancy Reid
Professor Fred Wilson

Non-Voting Assessors:

Professor Heather Munroe-Blum, Vice-
President Research and International
Relations
Professor Carolyn Tuohy, Deputy Provost

Secretariat:

Mr. Neil Dobbs
Ms Susan Girard

Regrets:

Mr. Brian C. Burchell
Professor Michael G. Finlayson
Mr. Ljupco Gjorgjinski

Professor Kenneth Sevcik
Ms Wendy Talfourd-Jones
Professor Linda Wilson-Pauwels

In Attendance:

Mr. Louis R. Charpentier, Secretary of the Governing Council
Dr. Beata FitzPatrick, Assistant Provost
Professor Rhonda Love, President, University of Toronto Faculty Association
Dr. Peter Munsche, Assistant Vice-President - Technology Transfer
Professor Helene Polatajko, Chair, Department of Occupational Therapy
Professor Molly Verrier, Chair, Department of Physical Therapy
Professor Catharine Whiteside, Associate Dean - Inter-Faculty and Graduate Affairs, Faculty
of Medicine

THE MEETING WAS HELD IN OPEN SESSION.

ITEMS 4 TO 7 ARE RECOMMENDED FOR APPROVAL.

1. Reports of the Previous Meetings

Report Number 65 (November 14, 2000) was approved.

Report Number 66 (December 12, 2000) was approved.

2. Business Arising from the Previous Meetings

There was no business arising.

3. Senior Assessor's Report

(a) ***Budget Report 2001-02.*** Professor Sedra reported that the budget process had begun and he hoped to be able to bring the Budget Report for 2001-02 to the Governing Council meeting on April 26. Unfortunately, the provincial government announcement of operating grant funding, a major component in the budget model, was not expected until later in the Spring. Also, the federal government's intention with respect to the funding of the indirect costs of research was still unknown. The budget would be prepared on the best information and assumptions available. Professor Sedra informed the Committee that the overall budget picture was grim since none of the items that the University had been counting on had yet come to fruition. The University believed that any new provincial funding would be tied to enrolment expansion and would not be available for quality improvement. Inflation continued to rise. The tuition fee schedule, which was within the jurisdiction of the Business Board, would contain few surprises as it continued to follow the direction established in the policy. When asked to expand his comments on the general budget outlook, Professor Sedra noted that there might well be new funding but it would be provided for new students. In terms of the University's general financial position, it had not improved over the last year.

In response to a member's question, the Chair outlined the Committee's role in considering the budget. The budget normally covered a one-year period. The Committee first considered the assumptions on which the budget would be modeled. It then reviewed the list of contractual obligations and policy commitments or the C.O.P.C. list. Finally, the finished budget was presented for debate and with a request that it be recommended for approval.

(b) ***Budget Guidelines.*** In the Fall, 2001, preparation would begin on the Long-Range Planning and Budgeting Guidelines for the period 2002-2008. Six-year guidelines had been approved by Governing Council since 1990, each one overlapping the last two years of the previous period. Consultation was a major part of the process and the draft document would be brought to this Committee for discussion and input before a final draft was recommended for approval.

(c) ***Canada Research Chairs Program.*** Professor Sedra remarked that this program was one of the few bright spots in the past year. Later on the agenda, the Committee would consider allocations from the Canada Research Chair Fund. He hoped the presentation would make the allocation process clear. The University had been awarded a further 20 chairs but it planned to keep them in reserve for new cluster areas that might emerge in the later years of the five-year program.

(d) ***Expansion Plans.*** The Faculty of Nursing had been pursuing plans to expand its enrolment. It was about to make a formal proposal to the provincial government to expand both the graduate and second-entry programs. If the full funding materialized, it would be a wonderful opportunity for the Faculty to strengthen its excellent programs.

3. Senior Assessor's Report (cont'd)

The Faculty of Pharmacy was continuing with its plans to double enrolment in the Bachelor's program. The preliminary work had been completed and a formal proposal would be submitted to the provincial government. The Committee would see the Faculty's plan.

A member understood the University's position to be that it would not expand its enrolment without the provision of the necessary capital funding. Professor Sedra explained that 4,000 of the University's proposed 9,000 student increase had already been supported through allocations from the SuperBuild Fund. Comparable support was required for the remaining 5,000 students, although not necessarily through the SuperBuild competition. There might be other creative ways to provide the support. He believed that because the provincial government was committed to increasing the number of places available for new students, it would work to solve the capital funding problem. Operating funds for the new students would be far more difficult to find.

(e) Indirect Research Costs. Professor Munroe-Blum said the University hoped that the federal government would provide funding to cover the indirect costs of research. However, there was uncertainty about the timing of any possible announcement. Because of the election, there had been a pre-election budget, disrupting the usual Spring budget cycle. The next federal budget might not be presented until the Fall. The only possible window for an announcement was the forthcoming throne speech.

A member asked whether the provincial government might reduce its indirect research funding if the federal government provided funding for indirect research costs. Professor Munroe-Blum responded that when the provincial government had announced its intention to fund the indirect costs of research, it had challenged the federal government to do the same.

On a related issue, a member asked about support for the libraries, which was, in effect, support for research in the humanities. Professor Munroe-Blum said that partial support was provided through allocations from the Canada Foundation for Innovation. She reported that there was a new federal infrastructure program, and it might be possible to make a case that library facilities would provide broad public benefit to the City, the Greater Toronto Area and the province. The program was, however, at an early stage.

A member asked about the deferred maintenance costs. Professor Sedra noted that there had been some discussion of a significant increase in the facilities renewal fund, but that had yet to materialize. The current funding was less than the University had hoped it would be. With respect to the total cost of deferred maintenance projects, Professor McCammond said that it varied depending on the degree of urgency of the work to be done. It was somewhere in the region of \$127 million.

4. Enrolment Growth Fund and Academic Priorities Fund Allocations: St. George and Mississauga Campuses

Professor McCammond recalled that late last Fall the Committee had recommended approval of allocations to the Faculty of Applied Science and Engineering and the Faculty of Arts and Science from the Enrolment Growth Fund in support of the Access to Opportunities Program (ATOP) expansion in engineering programs. The proposed allocations now before the Committee were directed to the Faculty of Arts and Science and the University of Toronto at Mississauga in support of ATOP expansion in computer science programs. He noted a slight difference in the recommendations in that a concurrent allocation was also being proposed from the Academic Priorities Fund. The difference was due to the timing of the increase in the computer science program tuition fee as compared to that for the engineering programs. The computer science fee increase had been approved later, and the funds from the increase in the

4. Enrolment Growth Fund and Academic Priorities Fund Allocations: St. George and Mississauga Campuses (cont'd)

fee had flowed to the Academic Priorities Fund. That funding was now being allocated. Professor McCammond noted that the allocations were contingent upon the divisions' meeting their increased enrolment targets. He drew members' attention to the table on the last page of his memorandum, a copy of which is attached hereto as Appendix "A". It showed how the funding was to be spent. Finally, there was an allocation to the Facilities and Services division for operating costs associated with the Bahen Centre for Information Technology arising from the Faculty of Arts and Science enrolment growth; a similar allocation relating to the operating costs arising from the Faculty of Applied Science and Engineering enrolment growth had been made in the Fall.

On the recommendation of the Vice-President and Provost,

YOUR COMMITTEE RECOMMENDS

THAT the following allocations from the Enrolment Growth Fund be approved, subject to the divisions' meeting their increased enrolment targets:

1. To the Faculty of Arts and Science for expenses associated with ATOP expansion in computer science programs: \$2,460,453 in base funding.
2. To the University of Toronto at Mississauga for expenses associated with ATOP expansion in computer science programs: \$195,307 in base funding.
3. To Facilities and Services for operating costs associated with the Bahen Centre for Information Technology: \$306,000 in base funding.

THAT the following allocations from the Academic Priorities Fund be approved, subject to the divisions' meeting their increased enrolment targets:

1. To the Faculty of Arts for expenses associated with ATOP expansion in computer science programs: \$706,927 in base funding.
2. To the University of Toronto at Mississauga for expenses associated with ATOP expansion in computer science programs: \$116,921 in base funding.

The Chair reported that the motion had been carried unanimously.

5. Canada Research Chairs Fund: Allocations

The Chair recalled that in June, 2000, the Committee had considered a proposal to determine the principles under which the funding received through the Canada Research Chairs Program (C.R.C.) would be allocated within the University. *The Framework for Allocating Canada Research Chairs* had been approved by Governing Council in June. This was the first allocation to come to this Committee under that *Framework*.

Professor Sedra explained the allocations using a powerpoint presentation, a copy of which is attached hereto as Appendix "B".

Professor Sedra noted that there were two pools of C.R.C. chairs, one for the Faculty of Medicine and the affiliated teaching hospitals and research institutes, and one for the remainder of the University. The 121 chairs in the latter group were being considered at this meeting. The 20 additional chairs that had been recently assigned to the University were not

5. Canada Research Chairs Fund: Allocations (cont'd)

included. Under the *Framework*, the 121 chairs in the non-Medicine group consisted of 60 Tier I and 61 Tier II chairs for a total of \$18.2 million from the Program, to be received annually at steady state. The cost of the chairs to the University, including salary and benefits, research supplement, cluster support and University-wide costs totaled \$26 million. There was a shortfall of \$7.8 million annually at steady state. The sum would be recovered from salaries and benefits of internally awarded chairs (\$5.3 million) and from the \$65,000 plus benefits from 32 unfilled funded positions (\$2.5 million). He emphasized that without awarding some chairs to internal positions, the Program would not be financially viable. The net addition to complement was 50 chairs.

In the first year of the Program, 17 chairs had been approved - 12 at the Tier I level and five at the Tier II level. Fourteen chairs were awarded to internal positions. The C.R.C. Program had provided \$2.9 million, \$1.8 million had been recovered from internal positions, and a further \$0.1 million from one unfilled funded position for a total revenue of \$4.8 million. Actual expenses for the first 17 chairs were \$3.7 million - \$2.3 million for salary and benefits, \$0.2 million for research supplements, \$0.9 million for cluster support and \$0.3 million for University indirect costs. This left \$1.1 million unallocated and it was this "surplus" that would be needed in the Canada Research Chair Fund (C.R.C.F.) in subsequent years when more chairs would be awarded to external candidates and the recovery of salary and benefits from internally-awarded chairs would be much reduced. Professor Sedra reminded the Committee that the C.R.C. funding was given to the University, not to the chairholder; the funds were held centrally in the C.R.C.F. His presentation also included examples of how the different costs associated with internal versus external appointments affected the C.R.C.F. These examples are part of Appendix "B".

A member asked how the cluster support was allocated to the different units in a multidisciplinary cluster. Professor Sedra responded that this had been part of the discussions that had taken place the past Summer with division heads when the clusters were proposed. The member suggested that a schedule for the process that would be followed in the next few years would be very helpful. Professor Sedra indicated that it would be part of the phasing-in document that would be distributed shortly. Professor Tuohy added that the Principals and Deans were being consulted on the phasing-in process. The number of chairs to be awarded each year had been set.

A member asked how the level of support was established when some clusters had only one chair. Professor Sedra responded that it was based on the proposals submitted and the availability of funding. He noted that the cluster support would be allocated to the chairholders' departments to fund administrative and technical support being provided to the chair and to help support graduate students.

On the recommendation of the Vice-President and Provost,

YOUR COMMITTEE RECOMMENDS

THAT \$3.4 million be allocated from the Canada Research Chairs Fund to cover the salaries and benefits, research allowance and cluster support for the first 17 chair holders approved in the September 2000 C.R.C. competition, as described in Professor Sedra's memorandum to the Committee dated January 16th, 2001, a copy of which is attached hereto as Appendix "C".

The Chair reported that the motion had been carried unanimously.

6. School of Graduate Studies: New Master of Science Programs in Physical Therapy and in Occupational Therapy
Faculty of Medicine: Suspension of Enrolment in the Bachelor of Science Programs in Physical Therapy and in Occupational Therapy

The Chair noted that these two new degree programs had been recommended for approval by the Committee on Academic Policy and Programs. This Committee was asked to review the resource implications. He welcomed three guests to the meeting: Professor Molly Verrier, Chair, Department of Physical Therapy, Professor Helene Polatajko, Chair, Department of Occupational Therapy and Professor Catharine Whiteside, Associate Dean - Inter-Faculty and Graduate Affairs, Faculty of Medicine.

Professor McCammond explained that the proposals called for two new professional master's degree programs to replace the two current programs at the bachelor's level. This move was necessary to keep the graduates of these programs competitive with other universities' programs that had already moved to the graduate level. This change was part of the Faculty of Medicine's academic plan to strengthen the rehabilitation sector. It would consist of only graduate level programs and top-quality research. There would be slightly fewer students enrolled in the master's programs than there were in the bachelor's programs to enable the new programs to be initially delivered using current resources. Although the master's programs would produce an increase in the number of basic income units (B.I.U.s), there would not be an increase in operating grants because of the University's position in the funding corridor. The tuition fee revenue for fewer master's students would be less, about \$75,000 for both programs.

A member asked whether notice had been given concerning the phasing out of the bachelor's programs. Professor McCammond indicated that students currently in the program would be allowed to complete it. An indication of the anticipated move to the professional master's program was included in the advertising for the September 2001 session. The administration believed there was a risk that students would not apply to this University if the programs remained at the bachelor's level. Professor Verrier confirmed that the target community had known for the past two years that this move was being contemplated. The departments had conducted an admissions survey and had determined that many students did not apply to the current programs because they were not master's programs. Professor Polatajko reported that the programs at University of Western Ontario and McMaster University were master's level. Toronto would be the third one to change, and the University of Ottawa was expected to follow shortly. She said that most of the students currently in the bachelor's program entered with another bachelor's degree. Professor Whiteside explained that the plan was to double enrolment in the professional programs over a five-year period. Enrolment was being reduced at the establishment of the programs because of resource and space constraints. If the program received full B.I.U. support it would proceed to expand. Professor Sedra further clarified that the funding question was tied to enrolment expansion. At the moment, new enrolment above the University's set corridor mid-point would receive no B.I.U. funding. This was being discussed at the present time with the government as part of the enrolment expansion issue. The Council of Ontario Universities was preparing a proposal that all B.I.U.s be funded. If the corridor shifted, the University would receive funding for both the Pharmacy and the O.T./P.T. enrolment expansion. He expected the situation to be clearer in eight weeks' time. The member expressed his concern that in the absence of government funding, increased tuition fees might be used to support the programs. Professor Sedra said that the master's programs could be not offered based only on tuition fee revenue.

In response to a question, the Chair noted that these programs were professional master's programs.

6. **School of Graduate Studies: New Master of Science Programs in Physical Therapy and in Occupational Therapy**
Faculty of Medicine: Suspension of Enrolment in the Bachelor of Science Programs in Physical Therapy and in Occupational Therapy (cont'd)

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

YOUR COMMITTEE RECOMMENDS

THAT the proposals for Master of Science programs in Physical Therapy and in Occupational Therapy be approved, effective July 1, 2001.

THAT the suspension of enrolment in the current Bachelor of Science programs in physical therapy and in occupational therapy be approved, effective July 1, 2001.

Documentation is attached hereto as Appendix "D".

7. **Medical and Related Sciences Discovery District: Proposal**

The Chair stated that the Planning and Budget Committee was responsible for making recommendations concerning the use of University resources (in this case, the proposed use of royalties and sale of equity in "spin-off" companies to pay off borrowing charges and the debt). The Chair reported that Professor Munroe-Blum had made a presentation to the recent meeting of the Business Board, which had informally supported the proposal. Subject to the Planning and Budget Committee's support, the proposal would be considered by both the Academic Board and the Business Board and (with their support) forwarded to the Governing Council.

Professor Munroe-Blum said that the proposal was a unique one - certainly the first of its kind to be brought to the Governing Council of the University of Toronto. The objective of this exciting proposal was to create, adjacent to the St. George Campus but not on it, a transformative, state-of-the art, large-scale centre for innovation in the health sciences and the broad range of related sciences. The entire initiative was being driven by a not-for-profit corporation. The highlights of Professor Munroe-Blum's presentation were as follows. A copy of her slide presentation is attached hereto as Appendix "E".

- **What is MARS?** The Medical and Related Sciences (MARS) Discovery District would be a new innovation cluster complex, serving as a convergence point to facilitate and commercialize research conducted at the University and its affiliated teaching hospitals and by the private sector. The MARS corporation would work with a private-sector developer or consortium to build the Discovery District on the south side of College Street between University Avenue and Elizabeth Street (one block east of University Avenue), adjacent to the University Health Network, previously called the Toronto General Hospital. This would be the first technology park located in the centre of a major city on a subway line. It would take advantage of the unique confluence of a major research University and four of its major affiliated hospitals. In the same area was not only the University's Faculty of Medicine but also its Faculty of Applied Science and Engineering, its Departments of Chemistry, Physics, Mathematics, and Computer Science, with the Fields Institute for Mathematical Sciences, the Faculty of Law and the Rotman School of Management all nearby. That represented a remarkable convergence of the disciplines that drove innovation in medical science.

The MARS district would serve as an innovation engine for the Greater Toronto Area, Ontario, and indeed Canada. While there were many such research and development areas around the world, there was none in Canada. Professor Munroe-Blum sensed that the development of an innovation district in the medical and related sciences would

7. Medical and Related Sciences Discovery District: Proposal (cont'd)

have to take place at this time and in Toronto, or it would not take place at all, and Canada would miss the opportunity to be a leading centre for innovation in the medical and related sciences.

The MARS not-for-profit corporation was being led by several top Canadian business and academic leaders for whom members of the University had enormous respect. They included President Emeritus John Evans, Governing Council members Paul Godfrey and Joseph Rotman, Dr. Calvin R. Stiller (Chairman and Chief Executive Officer of the Canadian Medical Discoveries Fund, Inc.) and Dr. Howard Alper (Vice-Rector - Research at the University of Ottawa).

- **What was the University being asked to do?** The University was being asked to contribute \$5-million towards the purchase of the land for the planned Discovery District. The University's investment, along with unencumbered donations from benefactors, would purchase the property upon which the Discovery District would be established. The University was also being asked to participate in the management of the MARS not-for-profit corporation, which would own the Discovery District, by appointing two members to its Board of Directors. Finally, the University was being asked to build on its previous entrepreneurial technology-transfer activities, along with those of the teaching hospitals.
- **Potential benefits.** The MARS vision was highly complementary to the University's academic mission and its long-range plans. It would be very attractive to many faculty members from a broad range of academic and scientific fields, and it would enhance the University's efforts to recruit and retain top faculty in a highly competitive environment. It would provide increased opportunities for the University's researchers, including collaborations and facilities. It would also provide researchers with increased interaction with individuals, organizations and businesses that supported research, education and training. It would provide student internships and research opportunities as well as employment opportunities for graduates.

Very importantly, the University's contribution to the establishment of the MARS Discovery District would demonstrate a commitment to achieving broad public benefits. The establishment of the MARS Discovery District would ensure the use of this property in the public interest rather than for solely private purposes such as condominium apartments. A part of the facility could potentially be used to meet the University's future space needs. The University, as a result of its contribution, would have the opportunity to participate in the determination of the future use of the land.

- **Protection of the University's investment.** In most general terms, the University would be in a good position to protect its interests because of its holding one fifth of the seats on the Board, amounting to two seats on the initial ten-person Board. If the MARS corporation was not successful in acquiring the College Street property, 95% of the University's contribution would be returned. If the MARS corporation was successful in acquiring the property but was unable to conclude an arrangement with a developer, then no less than 90% of University's contribution would be returned. Finally, if the land was acquired and then sold, the University would receive back its full contribution plus interest. The University's interest would also be served by having this important innovation directly adjacent to the St. George Campus but not on the campus.

7. Medical and Related Sciences Discovery District: Proposal (cont'd)

Professor Munroe-Blum said that the University would borrow the \$5-million amount of the proposed contribution. The interest and principal would be repaid from the University's share of its revenue from technology transfer, both royalties and realizations from equity holdings. Professor Munroe-Blum stressed that she was referring solely to the share of such revenue that normally accrued to the University-wide operating budget. There would be no impairment of the normal flow of royalty income to faculty researchers or their Departments and Faculties. Repayment of this loan would be the first call on the central stream of revenue. While Professor Munroe-Blum anticipated that the development of the products of University research in the MARS Discovery District would provide financial benefits in the future, no such benefits were being assumed. Rather, repayment was to be based on the current flow of royalties and equity realizations.

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

(a) Cost of the land and payment for it. In response to questions, Professor Munroe-Blum said that the cost of the land was not yet known; the bidding process was currently underway. Its estimated value was between \$20-million and \$35-million. In addition to the University's proposed \$5-million contribution, several benefactors had pledged substantial gifts. Monies from the governmental infrastructure funding programs could not be used for the purchase of the land. She guessed that while the repayment of the University's loan would occur in the next few years, the realization of potential financial benefits would require between ten and fifteen years. While the total current flow of royalties amounted to about \$2-million per year, only one quarter of that amount represented general income for the University-wide operating budget. The remainder was paid to the faculty member holding the patent and to that person's Faculty and Department. In response to a member's question, Professor Sedra said that the University's share of royalty revenue was currently regarded as general University income and was allocated through the usual budget process.

A member suggested consideration of borrowing the \$5-million from the University's endowment. Professor Sedra replied that all of the University's endowment assets, as well as its pension fund, were now managed by a separate ancillary corporation, the University of Toronto Asset Management Corporation (UTAM). That corporation had a highly qualified professional staff and an independent Board of Directors consisting of leaders from the investment community. UTAM was charged to make investments that would provide the highest possible rate of return on the University's assets consistent with an appropriate level of risk. To enable UTAM to achieve that goal, it was important to keep the investment process and its goals separate from the operating budget.

(b) Development of the MARS District. In response to a question, Professor Munroe-Blum said that the MARS non-profit corporation would seek to acquire the land and then negotiate an arrangement with a developer or consortium of developers to build a facility on the land. The MARS corporation would in turn rent space to spin-off companies, research incubator companies and other companies intended to service the needs of spin-off companies. MARS' ownership of the land would ensure that it was used for that purpose. Other tenants might include such public agencies as Genome Canada. Indeed, the University itself might well be a tenant, especially on a "swing-space" basis in the early years before the facility was filled. The University might use the MARS facility as staging space during the construction or renovation of University buildings. If it did so, it would receive preferred rental rates. In response to a question, Professor Munroe-Blum said that it was envisioned that the MARS corporation might from time to time accept equity in promising, but cash-strapped, start-up companies in lieu of rent. Similarly, if the MARS corporation became able, after some years, to do so, it might also make some cash investments in tenant companies in return for equity.

7. Medical and Related Sciences Discovery District: Proposal (cont'd)

(c) University participation. In response to questions, Professor Munroe-Blum said that while a major focus of the MARS District would be on the medical sciences, and while the affiliated teaching hospitals would contribute significantly to the intellectual property that would be developed, she anticipated very broad scientific participation, involving a balance across the sciences including such disciplines as Chemistry, Physics, Computer Science, and Materials Science as well as the social sciences. There was at this time a substantial convergence of many scientific disciplines in the investigation of biological processes and disease, and the University of Toronto had considerable collective strength in those scientific areas. The Rotman School of Management was very interested in the project, as was the Faculty of Law, given that law relating to intellectual property was an area of growing importance. There were opportunities for commercialization of developments in many fields. The co-location of research in those fields, a range of small companies developing the products of research, incubator companies, venture-capital financing groups, and legal specialists would be very important, allowing colleagues from many disciplines to work together in an effort to realize returns from their scientific and scholarly work. The MARS project would be ideal for such colleagues. They would have a solution to frequent problems: running out of space as the development of their ideas gained momentum, running into problems locating sources of capital, and lacking expertise in the business and legal aspects of their spin-off companies.

(d) University influence in the management of the MARS Discovery District.

A member asked how the University could influence the activities of the MARS corporation. Professor Monroe-Blum replied that the University would appoint two of the ten members of the Board. In addition, however, a number of the other members were good friends of the University and the teaching hospitals. It would not be appropriate for the University itself to operate MARS as a business. It would also be inappropriate for MARS to operate as a purely private corporation. The outcome was a co-governance arrangement.

(e) Specific terms and conditions. A member referred to the President's letter of December 4, 2000 to Dr. Evans setting out certain terms and conditions for the University's proposed donation. He asked whether those terms and conditions had been accepted. Professor Munroe-Blum replied that the specific elements were still under negotiation. Certain elements had been agreed, including the University's appointing two of the ten directors of the MARS corporation, or 20% of the directors if the size of the MARS Board were to be increased. In other cases, details could not yet be determined. For example, MARS was not yet in a position to provide any assurances to the University about the level of availability of space, given that its business plan was not yet complete. Invited to speak, Professor Love asked whether the University considered the terms and conditions in the President's letter to be sufficient. That letter referred to the terms and conditions as "including" those listed. Were there others? Professor Munroe-Blum replied that the listed terms and conditions were considered to be sufficient. Dr. Munsche said that the University was negotiating the specific terms and conditions based on those stated in the President's letter. There might, however, be other terms and conditions added, consistent with those included in the President's letter. For example, the President's letter had specified that the University should have two seats on the MARS Board of Directors. The negotiations had achieved the additional provision that the University's representation would remain at least 20% of the Board if the Board were to be expanded. A member proposed, and it was agreed, that the Committee's recommendation of the proposed donation be made subject to the final agreement's being essentially consistent with the terms and conditions set out the President's letter to Dr. Evans.

(f) Precedent of contributing to another not-for-profit organization. A member asked how the University would respond if approval of the proposal led to requests for funding from other related organizations. Professor Sedra replied that this situation was *sui generis*; the

7. Medical and Related Sciences Discovery District: Proposal (cont'd)

University was not in general a philanthropic organization. Professor Munroe-Blum agreed that this situation was unique. The University's \$5-million contribution would provide enormous leverage, with other benefactors contributing to the land purchase and a private developer building a facility that would be so helpful to many members of University's faculty and students. There would be no further financial contribution requested to support the MARS corporation. If MARS proved to be very successful, it might well establish other locations, but it would not receive further aid from the University.

(g) Role of other institutions. A member noted that the Vice-Rector of the University of Ottawa was a director of the MARS corporation. Would that University or other institutions play a role? Another member asked if other institutions had been invited to participate alongside the University of Toronto. Professor Munroe-Blum replied in the negative. She had proposed the appointment of the Vice-Rector of the University of Ottawa to provide a second university voice on the Board. He was a distinguished scientist with a great deal of experience in research policy and in government relations. The MARS group had, early on, approached the downtown teaching hospitals, but they had declined to participate in the land purchase. They would of course be supportive of the entire initiative, which would provide entrepreneurial scientists in their research institutes with assistance in commercially developing their discoveries. No other public institutions had been approached. Both levels of Government would participate through assistance with operations but not with the acquisition of the property.

(h) Relationship to the proposed Centre for Cellular and Biomolecular Research. A member recalled that the Committee had, at its previous meeting, proposed the construction of a new Centre for Cellular and Biomolecular Research (C.C.B.R.) very nearby the site of the proposed MARS Discovery District. Professor Munroe-Blum and Dean Amrhein replied that the C.C.B.R. would be a University of Toronto building occupied by the University's employees to carry out pure curiosity-driven research. The proposed MARS facility would not be owned by the University. It would provide space and assistance to the University's faculty and others who wished to develop the outcome of their curiosity-driven research - their intellectual property - for commercial purposes. For University faculty who used the MARS facility, the usual policies and protocols concerning technology transfer would continue to apply. The two facilities would have in common the convergence of scientists from various fields to pursue medical and broadly related research. A member commented that the availability of the MARS facility would make for a clear demarcation, with faculty members pursuing their curiosity-based research on campus and then moving off campus to develop their intellectual property.

(i) Royalties. In response to a question, Professor Sedra and Professor Munroe-Blum said that the distribution of royalties earned from the intellectual property of the University's faculty would not be changed as the result of a decision to develop the intellectual property in the MARS Discovery District. All normal University policies would remain in effect. The Chair, Professor Sedra and Dean Amrhein said that at the present time, faculty members who wished to start up companies to develop their intellectual property often had to do so far from campus. Indeed some decided to leave the University and move to research parks in the United States. The availability of the MARS facility would be instrumental in retaining entrepreneurial faculty members for the University.

(j) Alternative location. A member observed that the motion on the floor proposed the donation to "acquire strategically located lands at or close to the intersection of University Avenue and College Street." Did that wording imply that there was an alternative site in mind? Professor Munroe-Blum replied that the only other site that would be acceptable to the

7. Medical and Related Sciences Discovery District: Proposal (cont'd)

University was across the street from the primary site, located on the north side of College Street on land currently owned by the Sunnybrook and Women's Health Sciences Centre.

In the course of discussion, a number of members indicated their strong support for the proposal.

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

YOUR COMMITTEE RECOMMENDS

Subject to the final agreement between the University and the MARS Discovery District being essentially consistent with the terms and conditions set out on the second page of Professor Robert J. Birgeneau's letter of December 4, 2000 to Dr. John R. Evans,

THAT the University contribute \$5 million to the Medical and Related Sciences (MARS) Discovery District, a not-for-profit organization, to be used to acquire strategically located lands at or close to the intersection of University Avenue and College Street for development into multiple use, multi-technology facilities complementary to the academic mission of the University, borrowing the funds to do so, and

THAT, effective the date of the financing of the gift, the University's net revenues from (a) royalties and (b) the sale of equity in "spin-off" companies be applied against the borrowing charges and the repayment of the debt.

The Chair reported that the motion had been carried unanimously.

Documentation is attached hereto as Appendix "F".

8. University of Toronto at Scarborough: Co-operative Programs in Public Policy and in International Studies - Resource Implications

The Chair noted that the Committee on Academic Policy and Programs had considered the academic aspects of these two programs which were part of the curriculum changes for University of Toronto at Scarborough (U.T.Sc.) for next year. This Committee's responsibility was to look at the resource implications.

Professor McCammond reported that U.T.Sc. had made an allocation in support of the program and that the placement-related costs would be recovered through the co-op fee. There would be no resource implications for the University's budget and the item was, therefore, reported for information.

9. Capital Project: Users' Committee for the University of Toronto at Mississauga Centre for Applied Biosciences and Biotechnology – Terms of Reference

The Chair reminded members that the University's *Policy on the Steps in the Approval of Capital Projects* required that the terms of reference of users' committees be reported for information to the Committee.

Professor McCammond reported that this proposed project had been awarded grant funding from the Canada Foundation for Innovation. The project would combine new and renovated space.

10. Date of Next Meeting

The Chair reminded members that the next regular meeting of the Committee was scheduled for Tuesday, February 27, 2001 at 5:00 p.m.

The meeting adjourned at 6:45 p.m.

Secretary

February 1, 2001

Chair