

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL

REPORT NUMBER 364 OF THE EXECUTIVE COMMITTEE

Thursday, June 26, 2003

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Thursday, June 26, 2003 at 3:00 p.m. in the Board Room, Simcoe Hall, with the following members present:

Dr. Thomas H. Simpson (In the Chair)
Ms Rose M. Patten
Professor Robert J. Birgeneau, President
Dr. Robert M. Bennett
Mr. Brian Davis
Ms Susan Eng
Dr. Shari Graham Fell
Professor Ian R. McDonald
Mr. David Melville
Mr. Sean Mullin
Mrs. Susan M. Scace

Non-Voting Member:

Mr. Louis R. Charpentier

Regrets:

Professor David J.A. Jenkins
Professor Brian A. Langille
Dr. Joseph L. Rotman

Secretariat:

Ms Susan Girard

In Attendance:

Professor W. Raymond Cummins, Chair, Academic Board and Member of the Governing Council
Dr. John P. Nestor, Chair, University Affairs Board and Member of the Governing Council
Professor Shirley Neuman, Vice-President and Provost and Member of the Governing Council
Mr. Amir Shalaby, Chair, Business Board and Member of the Governing Council
Mr. Felix Chee, Vice-President, Business Affairs
Dr. Beata FitzPatrick, Assistant Vice-President and Director, Office of the President

Vary the Agenda

The Chair drew attention to documentation that had been placed on the table concerning a senior appointment. With members' permission, he added this matter to the agenda after the first item of business.

THE COMMITTEE MOVED *IN CAMERA*.

1. External Appointment: Hart House

On motion duly moved and seconded,

YOUR COMMITTEE APPROVED

THAT Dr. Robert Bennett be re-appointed to the Hart House Board of Stewards for a one-year term, July 1, 2003 to June 30, 2004.

1. External Appointment: Hart House (cont'd)

THAT Mr. James Myers be re-appointed to the Hart House Finance Committee for a one-year term, July 1, 2003 to June 30, 2004.

2. Senior Appointment

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

THAT the Executive Committee endorse and forward to the Governing Council the recommendation contained in the Memorandum from the Vice-President, Human Resources dated June 24, 2003.

On motion duly moved and seconded,

YOUR COMMITTEE APPROVED

THAT, pursuant to Section 38 of *By-Law Number 2*, the recommendation for the additional Board and Committee assignments for 2003-04 be considered by the Governing Council *in camera*.

THE GOVERNING COUNCIL RETURNED TO CLOSED SESSION.

3. Report of the Previous Meeting

Report Number 363 of the Executive Committee meeting held on June 16, 2003 was distributed at the meeting. The Report was approved.

4. Business Arising from the Report of the Previous Meeting

There were no items of Business Arising.

5. Minutes of the Governing Council Meetings held on May 29, 2003

The Chair noted that the minutes of the Governing Council meeting held on May 29, 2003 were circulated earlier in the day. There were no questions.

6. Report of the President

The President said that he would give his report at the Governing Council meeting.

7. Policy on Approval and Execution of Contracts and Documents: Proposed Revision

At the Chair's request, the Secretary presented this item. As indicated in the covering memorandum, the proposed revisions were intended to update the position titles of signing officers to add the position titles of Deputy Provost and Chief Financial Officer and replace Director, Project Management, Design and Construction with Director, Capital Projects. A new provision would also allow non-substantive revisions reflecting changes to the titles of positions in the resolution, deletions of positions in the resolution, and addition of positions comparable to those included in the resolution to be made by the President and the Secretary of

7. Policy on Approval and Execution of Contracts and Documents: Proposed Revision
(cont'd)

Governing Council. Mr. Charpentier noted that such changes would be reported to the Executive Committee of the Governing Council for information.

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

THAT the proposed revisions to the Policy on Approval and Execution of Contracts and Documents, as outlined in the Appendix of the Memorandum from the Secretary of the Governing Council dated June 23, 2003, a copy of which is attached hereto as Appendix "A", be recommended to the Governing Council for approval.

8. Items for Endorsement and Forwarding to the Governing Council**(a) Arising from Report Number 127 of the Business Board – June 19, 2003****Item 3: Audited Financial Statements**

Mr. Shalaby noted that once again the availability of the year-end statements within two months of the year end was a remarkable achievement and he congratulated all those who helped make that possible. He reported that Mr. Weiss and his colleagues on the Audit Committee had reviewed the financial statements over two meetings, with the external auditors present on both occasions. The auditors' report was unqualified, and the Committee had also met privately with the external auditors with no University staff present. The Audit Committee had been satisfied with the conduct of the audit and the independence of the auditors. The Committee had concluded that the statements provided a full and fair disclosure of the University's finances.

A member asked whether the financial statements included the University of Toronto Assets Management Corporation (UTAM). Mr. Shalaby responded that the statements included results of the performance of the investments and the pension plan, but not UTAM *per se*. He noted that the Business Board had received a full report from UTAM on its activities.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendation

THAT the University of Toronto audited financial statements for the fiscal year ended April 30th, 2003 be approved.

Item 4: Appointment of External Auditors for 2003-04

Mr. Shalaby noted that the Audit Committee had reviewed the work of the external auditors and had recommended their re-appointment and the Business Board had accepted that recommendation.

The Audit Committee, as part of its annual cycle of business, reviewed Ernst & Young's consulting assignments for the University to ensure that their extent and nature did not endanger the objectivity of the audit. That Committee also reviewed audit fees, both here

8. Items for Endorsement and Forwarding to the Governing Council (cont'd)**(a) Arising from Report Number 127 of the Business Board – June 19, 2003 (cont'd)**

and at other Ontario universities, to ensure both that the University was not overpaying and that it was obtaining an appropriately high level of audit services.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendations

- (i) THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto for the fiscal year ending April 30, 2004;
- (ii) THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto pension funds for the fiscal year ending June 30, 2004; and
- (iii) THAT the members of the University of Toronto Innovations Foundation be requested to appoint Ernst & Young LLP as the external auditors of the Foundation for the fiscal year ending April 30th, 2004 at a remuneration to be fixed by the Directors of the Foundation.

Item 6: Capital Borrowing for Current Capital Plan and Other Requirements

The Chair explained that this matter was being considered by the Executive Committee and the Governing Council pursuant to By-law Number 2, section 31(d)(i), which allowed a matter which was major in significance for the University and for which a Board or Committee had delegated authority to act on behalf of the Council, to be submitted to Council for final approval.

Mr. Shalaby reported that this was a proposal for consolidated borrowing, to enable the administration to seek the best possible interest rates and other terms, for the projects on the capital plan. Most of those projects had already been approved, at least to the stage of the Planning and Budget Committee, and their sources of funding, which included borrowing, had similarly been approved. Indeed, some of the projects were already completed and some borrowing had already been secured. The proposal provided the global picture for the capital plan.

Mr. Shalaby recalled that \$160 million had been borrowed on the 2001 debenture issue. It was now proposed that the University borrow a further \$200 million from external sources. Mr. Shalaby reported that Mr. Chee had advised the Business Board that the University could borrow up to about one third of its net capital without affecting its rating, and this proposal would keep total debt within that parameter. He noted that there had been a lengthy discussion of this proposal at the Board's meeting.

A member asked about the level of comfort with respect to the University's capacity to borrow such an amount. He wondered whether the University was borrowing more than other universities and if the University was becoming more like a business model. Mr. Chee responded that it was considered conservative to borrow up to 30 % of the total value of the assets and the University's were valued at \$1.2 billion. The previous debenture and bank loans totaled \$200 million leaving a further \$200 million that could be safely borrowed. The funds

8. Items for Endorsement and Forwarding to the Governing Council (cont'd)**(a) Arising from Report Number 127 of the Business Board – June 19, 2003 (cont'd)**

were needed for capital projects that were underway and projected. In his opinion, the borrowing proposal was within the University's capacity.

A member noted that there had been an article in a recent newspaper showing what universities had borrowed and their ratings. This University had had the highest rating. He suggested the article be circulated to the members.

Mr. Chee said that the University could borrow more but the problem would be the increased service costs and how these would be paid.

A member noted that Mr. Chee performed a dual role now that he was the President of UTAM as well as the Vice-President, Business Affairs. He was responsible both for borrowing money and investing it. She asked whether there was a conflict of interest. Mr. Chee explained that before UTAM was created, the Treasury Department would have invested the University's funds and reported to the Vice-President. Mr. Shalaby reported that at the Business Board meeting Ms Brown, the Acting Chief Financial Officer, had presented this proposal. As Chair, he had been aware of the conflict potential. Mr. Chee had moved the motion at the Board because Ms Brown was not able to do so.

The member repeated her point, noting that Mr. Chee was the head of UTAM and the Chief Financial Officer of the University. The President responded that UTAM also had a Board of Directors to whom Mr. Chee reported. Mr. Shalaby recalled that UTAM was a single purpose entity that was responsible for investing the University's funds. Before its incorporation, the University's Treasury Department had performed that function. UTAM had not been created because of conflict concerns but rather for the separation of accountability. The Business Board had trustee oversight of UTAM; UTAM's own Board dealt directly with its business.

A member noted that UTAM dealt with the University's endowment funds and the pension funds. He said that it erred on the side of being conservative.

The President invited members to inform him of their concerns regarding the potential for a conflict of interest.

Mr. Chee explained that when the University of Toronto issued a debenture, the public could buy. If UTAM bought into the debenture, that would be a conflict of interest which was why the University did not borrow funds from itself.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendations

1. THAT the senior officer of the University responsible for financial matters, as so designated by the President, be authorized to borrow up to \$200 million, in addition to the \$160 million approved by the Business Board on January 15, 2001, and to determine, in consultation with the University's financial advisor, the most appropriate financing structure for this borrowing, including without limitation, by way of private debt placement, a public debenture issue, syndicated bank financing, or securitization;

8. Items for Endorsement and Forwarding to the Governing Council (cont'd)**(a) Arising from Report Number 127 of the Business Board – June 19, 2003 (cont'd)**

2. THAT the borrowed funds be added to the Long-Term Borrowing Pool;
3. THAT an investment strategy be developed, in consultation with the University of Toronto Asset Management Corporation to invest the borrowed funds until the funds are required for each project;
4. THAT the senior officer of the University responsible for financial matters be authorized to allocate borrowing as internal financing for spending that has been approved by the Business Board; and
5. THAT the senior officer of the University responsible for financial matters report periodically to the Business Board on the status of the Long-Term Borrowing Pool.

Item 7: Asbestos Control Policy

Mr. Shalaby said that the proposed policy was intended to make clear the University's commitment to deal with the asbestos problem. It represented the outcome of fifteen months' work by a joint task force led by Professor Angela Hildyard. She had reported to the Business Board that all parties, including all union representatives, had endorse the proposed policy.

This was a matter that was important to the University and to members of the Governing Council. Members could be held personally liable for any failure to exercise due diligence in ensuring that all reasonable care had been taken to ensure compliance with the Occupational Health and Safety Act. Professor Hildyard had assured the Business Board that she was aware of no failure to comply with the Act, in this proposal or in any other situation.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendation

THAT the proposed Asbestos Control Policy be approved.

(b) Arising from Report Number 121 of the Academic Board – June 23, 2003

**Item 1: Capital Project: University College Residence – Project Planning Report,
Change in Scope
University Infrastructure Investment Fund (UIIF): Allocation**

Professor Cummins reported that there had been no debate on this item at the Academic Board but the members of the Planning and Budget Committee had asked a number of questions about the use of the excess fee revenue, the likelihood for successful fundraising, shading effects of the building and the heritage agreement. The members had been assured by the answers they had received.

8. Items for Endorsement and Forwarding to the Governing Council (cont'd)**(b) Arising from Report Number 121 of the Academic Board – June 23, 2003 (cont'd)**

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendations

1. THAT the Revised Project Planning Report for the new University College Residence, a copy of which is attached to Report Number 121 of the Academic Board as Appendix "A", be approved in principle.
2. THAT the project scope totaling some 9329 gross square meters will allow for the construction of a residence building on the approved Site 22.
3. THAT conditions to all municipal approvals be negotiated in order to gain minor variance permissions to build on Site 22.
4. THAT the funding arrangements, including furnishings and finance costs, for the University College residence expansion be approved at an estimated cost of \$24,039,382 to \$25,539,382 with the funding as follows:
 - (i) \$8,000,000 externally secured contribution received for the UC residence expansion,
 - (ii) An additional \$2,000,000 to be secured from additional external fund-raising by University College.
 - (iii) \$1,485,000 contribution from the UC residence ancillary
 - (iv) \$800,000 contribution provided by the UC food service ancillary
 - (v) \$50,000 allocation from the University Infrastructure Investment Fund in support of space for the Drama Program.
 - (vi) A mortgage to be amortized over a period of 25 years in the range of \$11,705,000 to \$13,205,000, with payments forthcoming from residence revenues and the UC ancillary.

**Item 2: School of Graduate Studies: Graduate Department of Anatomy and Cell Biology: Disestablishment
School of Graduate Studies: MSc and PhD Programs in Anatomy and Cell Biology: Discontinuation**

Professor Cummins noted that at the Board, in response to a question about the necessity of closing the department and the programs, Dean Naylor had said that the teaching staff had already moved to other departments and the subject of cell biology was taught throughout the Faculty. The faculty in anatomy had joined those in surgery. The closing could be considered an administrative housekeeping item.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendations

1. THAT the graduate Department of Anatomy and Cell Biology be disestablished effective July 1, 2003 and,

8. Items for Endorsement and Forwarding to the Governing Council (cont'd)

(b) Arising from Report Number 121 of the Academic Board – June 23, 2003 (cont'd)

2. THAT the Master of Science and Doctor of Philosophy programs in Anatomy and Cell Biology be discontinued effective July 1, 2003.

9. Date of Next Meeting

The Chair noted that the Committee's first regular meeting of 2003-04 was scheduled for Friday September 5, 2003 at 12:00 p.m.

10. Other Business

The Chair thanked the members for their work on the Executive Committee this past year, particularly those who would not be returning to the Committee next year: Brian Davis, Shari Fell, David Jenkins, Brian Langille, David Melville and Sean Mullin. He also thanked Rose Patten for her support as Vice-Chair. He had greatly appreciated her wise counsel.

He also acknowledged the work of John Nestor as Chair of the University Affairs Board, and Amir Shalaby, as Chair of the Business Board. Although their terms as Chair had ended, Council was fortunate that it would continue to benefit from their knowledge and advice next year.

The meeting adjourned at 3:35 p.m.

Secretary
July 3, 2003

Chair