

THE GOVERNING COUNCIL
REPORT NUMBER 89 OF
THE PLANNING AND BUDGET COMMITTEE

May 13, 2003

To the Academic Board,
University of Toronto.

Your Committee reports that it met on Tuesday, May 13, 2003, 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present

Professor Susan Horton (in the Chair)
Professor Shirley Neuman, Vice-President
and Provost
Professor Derek McCammond, Vice-
Provost, Planning and Budget
Professor Philip H. Byer
Professor Paul J. Halpern
Professor Edith Hillan
Professor Bruce Kidd
Ms. Karen Lewis
Professor Ian McDonald
Mr. Colm Murphy
Professor Ian Orchard
Mr. Josh Paterson
Mr. Timothy Reid
Professor Pekka Sinervo
Mr. Nick Turk-Browne

Non-voting Assessors:

Mr. John Bisanti, Chief Capital Projects
Officer
Ms. Sheila Brown, Acting Chief Financial
Officer and Director of Financial
Services
Ms. Catherine Riggall, Assistant Vice-
President, Facilities and Services
Professor Ron Venter, Vice-Provost,
Space and Facilities Planning

Secretariat:

Mr. Neil Dobbs
Mrs. Beverley Stefureak, Secretary

Regrets:

Professor Michael Berkowitz
Mr. Felix Chee
Professor Avrum Gotlieb
Ms. Shirley Hoy

Professor John F. MacDonald
Professor David Mock
Professor J. J. Berry Smith

In Attendance:

Mr. Dan Bandurka, President, Scarborough Campus Students' Union
Ms. Christine Capewell, Manager of Business Services, University of Toronto at
Mississauga (UTM)
Mr. Ken Duncliffe, Director, Centre for Physical Education, Athletics and Recreation,
Mr. Paul Donoghue, Chief Administrative Officer, UTM
Ms. Lesley Lewis, Assistant Provost and Special Assistant to the Provost
Mr. Mark Overton, Dean of Students, UTM
Professor Edward C. Relph, Associate Principal, University of Toronto at Scarborough

ITEMS 4 5 AND 6 ARE RECOMMENDED TO THE ACADEMIC BOARD FOR
APPROVAL.

ALL OTHER ITEMS ARE REPORTED TO THE ACADEMIC BOARD FOR INFORMATION.

1. Report of the Previous Meeting

Report Number 88 of April 15, 2003 was approved.

2. Business Arising from Report of the Previous Meeting

There was no business arising from the Report of the previous meeting.

3. Senior Assessor's Report

Professor Neuman reported on progress in the collaborative efforts of the Offices of the Provost and of the Vice-President, Business Affairs to bring greater order and rigor into the capital planning process. Professor Venter and Ms. Brown were currently working to develop accurate data on the total funding required, the total debt involved and the methods of financing for the capital projects underway and under consideration. Professor Neuman expected there would be a new process presented to Principals and Deans for the implementation of capital projects. A preliminary stage would require a letter of intent so that, before a lot of work, there would be: assurances that the project fit within the academic priorities of the division; information on the opportunity cost for the proposed project in terms of what else could not go ahead; and a rigorous review of the project's financial feasibility. It was proposed that, if a project passed the first screen, a business plan and a project plan would be undertaken. The business plan would assess the risk management factor and the opportunity cost of borrowing the funds to proceed. The message was already out that the capability to borrow was not limitless, so there would be an increased need for cash in hand or readily available before a project would be approved to proceed.

Professor Neuman said that long-range budget guidelines for the next six year period were being prepared and she expected they would be ready to share with the principals and deans by mid-June. Though it was extremely difficult to estimate how the stock market might perform over the next six years, there were some indications that things would improve. That would allow for modest reallocations to be made to address priorities that would emerge out of the academic planning process and for regular maintenance of the physical facilities so that further deterioration would not occur.

Professor Neuman saw the budget challenge as one of revenue generation. She hoped that, through major commitments on the part of the Vice-President, Government and Institutional Relations, the President, and collaborative efforts on the part of each of the divisions, increased levels of public funding could be realized.

Professor Neuman said that the intense level of activity surrounding the budget preparation this spring had caused the academic planning process to slow down somewhat. Nevertheless, she hoped that the White Paper would be ready to share with the faculties and the student organizations by the end of June.

Several members applauded the work of the Provost and the Vice-President, Business Affairs in working toward a more rigorous approach to capital projects. There was shared concern, however, that the projects for approval today could be at risk given the lack of

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

clear demographical data on enrolment during the latter part of the life of the mortgages associated with the projects.

Professor Neuman indicated that current projections on university participation indicated that enrolments would increase steadily over the next 10 to 15 years. The University continued to be the university of choice and the City of Toronto continued to be a primary destination for immigrants to Canada. In addition, demographical intelligence predicted increasing numbers of mature applicants to universities. Given all these factors, she was confident that there would be no risk to maintaining the enrolment necessary to support these mortgages.

A member asked if there was a plan to address deferred maintenance. Professor Neuman indicated that there was no master plan, but that there was every intent to address this as part of the revenue generation issue. She believed that there would need to be an understanding with the Government of the importance of this problem. She noted, too, that as renovations were planned, connected items of deferred maintenance would be addressed. These could be funded by external research support (e.g. funding from the Canada Foundation for Innovation) as renovation projects were undertaken. She recalled that the upgrade and expansion of the Lash Miller laboratories, which had been considered at this Committee's last meeting, had generated the need to attend to an item of deferred maintenance, which had been addressed out of the Facilities Renewal Fund. Generally, the approach taken was to identify critical safety issues and address them, and to do preventative maintenance regularly to keep the problem from getting worse.

4. Capital Project: University of Toronto at Mississauga – Wellness Centre

The Chair welcomed Mr. Overton, Mr. Duncliffe, Mr. Donoghue and Ms. Capewell for this item.

Professor Venter reviewed his memorandum dated April 29, 2003, summarizing the project planning report for this capital project, and its attachments. (Attached hereto as Appendix "A".)

Professor Orchard was invited to comment. He pointed out the urgent need for this project as the University of Toronto at Mississauga expanded to its projected enrolment target of 11,500 by 2007. He recognized the critical and strong support from leadership within the student body at UTM in bringing the project forward. He commended, too, the leadership of the University for its far-sightedness in providing matching funds. In closing, he expressed appreciation for the administrative team and the student leadership at UTM, and looked forward to a wonderful new student facility in the near future.

A member asked if there had been a referendum to support this project. Professor Orchard explained that this student levy had been proposed under the process outlined in the *Memorandum of Understanding Between the University of Toronto, the Students' Administrative Council, the Graduate Students' Union and the Association of Part-time Undergraduate Students for a Long-Term Protocol on the Increase or Introduction of Compulsory Non-Tuition Related Fees*. Under the terms of the *Protocol*, the appropriate governing body of students [in this case the Quality Student Services (QSS) Committee] had the right to approve a fee proposal without a referendum, provided that a majority of students on the Committee supported the proposal. The process then required governance

4. Capital Project: University of Toronto at Mississauga – Wellness Centre (cont'd)

approval and the University Affairs Board had that responsibility on behalf of the Governing Council.

Several members spoke in support of the concept outlined in the proposal but also expressed concern about a sizeable long-term mortgage which was dependent on enrolment growth over an extended period of time and steady state enrolment more than 10 to 25 years hence. If the enrolment were to dwindle, where would UTM look for the revenue necessary to finance the mortgage? Professor Orchard considered this a hypothetical question, given the environment of fiscal prudence at UTM, the track record of the financial administration there and the conservative financial model on which this project had been based. UTM was committed to the enrolment expansion on which the revenue for the project was predicated, and it was hiring faculty and constructing buildings based on that commitment. He had every confidence that the student enrolment would materialize and that this mortgage could be financed as outlined.

A member asked about the source of the \$7 million match from the University and was told that this amount had been allocated from the University Infrastructure Investment Fund some time ago. It appeared as such on the updates of the Capital Plan that were shared regularly with the Business Board and this Committee. To further questions, Professor Neuman and Professor Orchard confirmed that UTM was fully committed to Phase 2 enrolment expansion

A member noted that UTM had made a commitment to be fully responsible for any cost overruns but he objected to the notion that this could be considered not to be a central problem. Professor Neuman indicated that there were excellent reasons why projects were managed in this way. When a division had to back up any shortfall, they were likely to be more rigorous in their fundraising and more prudent in their decisions about specific elements of the project. She believed that this kind of project management made for the best cost containment. Further, while she agreed that it was University money, Professor Neuman noted that this was revenue that was allocated to units on the basis of the work they did. UTM had committed to teaching many more students and it was a legitimate use of the funds derived thereby from tuition revenue to build a facility for the use of students.

There was further discussion about perceived risk to this project and about why it was necessary for approval to proceed at this time. In particular, when would the QSS consider the increased fee. Professor Orchard indicated that a wording nuance around the levy had emerged which required clarification with the QSS, student members of which were currently not on campus. It was the nature of UTM to be consultative with the students and it was, therefore, important to wait until they could be informed and appropriately consulted. However, it was critical that this project get underway. Students generally were asking how soon the facility could be ready, and if the project were held up until the fall meeting of the Planning and Budget Committee several months would be lost. The arrangement proposed today, advancing \$0.5 million until QSS approval of the increased levy amount could be achieved, would allow design work to get underway immediately upon Governing Council approval.

Other members supported Professor Orchard's view of the urgency of this project, primarily in terms of the positive impact a completed facility would have on the quality of

4. Capital Project: University of Toronto at Mississauga – Wellness Centre (cont'd)

student life at UTM. However, they asked for further explanation of the risk assessment. Ms. Brown was invited to comment. She indicated that this project had initially been assigned a medium risk ranking because of the variety of the funding sources and the risk associated with each. However, assurances from UTM that they would guarantee the major source of funds lowered the risk considerably.

Several members asked about the approval of the levy. Professor Orchard indicated that the \$25 fee had been approved by both QSS and UAB last April and the assessment had begun in the fall of 2002. There were concerns about the wording and the timing of the increased fees, but the \$150 had been conceptually approved by QSS. He would be meeting with the QSS this upcoming academic year to get these questions clarified and to address the issues of the language of the *Protocol*.

A member expressed uneasiness about considering all three projects today in the absence of the context to which the Provost had alluded in the senior assessor's report. In considering the risk factors, he wondered if UTM had any other commitments of this nature. If this project were approved, would the University allow UTM to make commitments to any similar projects in the foreseeable future? Was there a policy on the limit of debt that could be placed on divisions and, if not, should there be? Did the University have a limit on the percentage of an internally funded mortgage?

Professor Orchard responded that he did not believe UTM was over committed. A residence was to open in 2003 and the Communication, Culture and Information Technology building was to open in 2004. Both were on schedule and within budget. UTM had taken ownership of this athletics facility so it could ensure that both schedule and budget would meet the University's satisfaction.

Professor Neuman answered that, with respect to guiding policies, universities did not work well on the model of one policy to address all situations. However, there were many checks and balances to ensure that divisions stayed within appropriate limits. Deans and Principals met regularly with her and their budgets were reviewed carefully. She was convinced they could meet their commitments.

A member who had met with QSS at the time this project had been considered told of the overwhelming feeling among the students that they should vote in favour of it. This represented a huge commitment on the part of the students to a legacy for many generations beyond them. He saw the risk as small; the fundraising commitment was small and he believed that, even under the Provost's new capital guidelines, this project was appropriate and posed minimal risk to the University.

A member noted that in the intervening years between the University's promise to a match of \$0.50 on the dollar and the centre's opening, there would be growth that would bring increased revenue to the University. Had there been any contemplation of a reduction in the student levy and an increased University contribution? Professor Orchard replied that UTM was comfortable with the level of University contribution. The rise to an increased total cost had been because of additional elements that the students wanted. The project could have been scaled back to \$21 million but the students did not want this to occur.

4. Capital Project: University of Toronto at Mississauga – Wellness Centre
(cont'd)

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

1. THAT the Project Planning Report to establish the Wellness Centre at the University of Toronto at Mississauga be approved in principle.
2. THAT the project scope for the Wellness Centre at UTM comprising a total of 4,810 nasm, of which 490 nasm are renovations to existing space, for a net increase of 6,700 gsm be approved.
3. THAT the funding arrangements for the Wellness Centre at UTM be approved at an estimated total project cost of \$23,500,000 to \$24,500,000 with funding as follows:
 - (i) A capped contribution of \$7,000,000 from the University of Toronto for the 50 cent match on each dollar raised through the student levy support,
 - (ii) A one-time-only contribution of \$1,000,000 from the University of Toronto at Mississauga,
 - (iii) A \$500,000 contribution to be secured from fund raising at the University of Toronto at Mississauga [UTM], and
 - (iv) A mortgage to be amortized over a period of approximately 25 years in the range of \$15,000,000 to \$16,000,000, with payments forthcoming from the planned student levy income. Student levy income would continue until such time as the mortgage was fully paid.

5. Capital Project: University of Toronto at Scarborough, Student Centre – Change of Scope

The Chair welcomed Professor Relph and Mr. Bandurka to the meeting for this item.

Professor Venter reviewed his memorandum of April 29 and its attachments (attached hereto as Appendix “B”).

A member asked about the likelihood of a contribution to the funding for this project from the food services provider. Professor Venter indicated that there was a separate project committee working on extensive renovation to food services over the entire campus at UTSC and Aramark, which was the food services contractor, would be contributing to those renovations and expansion. Professor Relph added that food services in the Student Centre would be managed by the student government. Aramark was offered the opportunity to participate and had chosen not to.

On motion duly moved and seconded,

5. Capital Project: University of Toronto at Scarborough, Student Centre – Change of Scope (cont'd)

YOUR COMMITTEE RECOMMENDS

1. THAT the addendum to Project Planning Report to establish the Student Centre at the University of Toronto at Scarborough be approved in principle.
2. THAT the project scope for the Student Centre at UTSC be approved at a total project cost of \$13,923,000 with funding as follows:
 - (i) A capped contribution of \$3,748,695 from the University of Toronto for the 50 cent match on each dollar raised through the student levy support,
 - (ii) A one-time-only contribution of \$975,000 from the University Infrastructure Investment Fund [UIIF],
 - (iii) A \$1,000,000 contribution to be secured from fund raising at the University of Toronto at Scarborough [UTSC],
 - (iv) Cash contribution in the amount of \$1,250,000 from the Student Levy support already collected, and
 - (v) A mortgage to be amortized over a period of approximately 25 years in the amount of \$6,950,000 with payments forthcoming from the planned student levy income. Student levy income will continue until such time as the mortgage is fully paid.

6. Capital Project: Faculty of Arts and Science – Sidney Smith Patio – Project Committee Report

Professor Venter summarized his memorandum of April 29, 2003 (attached hereto as Appendix “C”).

Professor Sinervo was invited to comment. He identified this as a high priority for Arts and Science that was urgently needed to address the longstanding issue of shortage of student activity and study space. He saw this project as a cost-effective way of bringing these space needs up to the minimum recommended by the Council of Ontario Universities.

A member asked if there were any long-term plans to convert the Sidney Smith Building into student space, following the movement of faculty into the Medical Arts Building. Professor Neuman answered that there was an urgent and ongoing need for faculty and graduate student space in Arts and Science. With some movement into the Medical Arts Building, this need would just begin to be addressed. Certainly the long-term plan was that Sidney Smith would continue to be used as faculty and graduate student office space for Arts and Science.

6. Capital Project: Faculty of Arts and Science – Sidney Smith Patio – Project Committee Report (cont'd)

A member asked how long it would take for the elevator to be constructed, if areas of the building would be inaccessible during the construction period, and if any would be inaccessible until the elevator was installed. Professor Venter responded that all areas of the building were currently accessible but by a longer route, that installation of the elevator would proceed when funds were available, and that there would not be an accessibility problem during the period of construction.

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

- (i) THAT the revised Project Planning Report to address the enclosure of the overhang areas on the east and west side of Sidney Smith Hall Patio be approved in principle.
- (ii) THAT the project scope to create 1200 gross square meters of student support / study space and washrooms within Sidney Smith Hall be approved at an estimated total project cost of \$3,100,000 - \$3,300,000 with full funding from the approved enrolment growth funds.
- (iii) THAT the elevator installation identified within the broader scope of this Sidney Smith Hall Patio Enclosure project be undertaken at some future date when the funds, estimated at \$885,000, are available.

7. Annual Report: Special Committee on Barrier-Free Access, Accommodation and Facilities Directorate

Professor Venter referred to his memorandum and the attachment from Ms. Addario dated May 10, 2003. This was a report for preliminary information only, with the expectation that the full report would come forward to the first meeting of the Committee this fall. Ms. Addario would be presenting items for funding to the meeting of the Accommodation and Facilities Directorate (AFD) this week. The AFD and the Students' Administrative Council Wheelchair Access Committee (SACWAC) had committed equal funds of \$70,000 annually for the next five years for a total funding envelope of \$700,000 to enhance accessibility. The Committee and the Directorate were doing the best possible with limited funds, working closely with the Chief Capital Projects Officer and ensuring that every new building included accessibility elements. Professor Venter assured the Committee that the limited funds were being allocated carefully.

8. Other Business

Echoing earlier concerns about demographics data and the need to minimize risk with respect to long-term mortgages based on student enrolment, a member asked if it would be possible to have a presentation on enrolment, demographics and information on how assumptions were arrived at.

8. Other Business (cont'd)

The Provost responded that this could be done but she questioned its value. The University was annually faced with many, many more applications than it had spaces. There was simply no challenge around the demographics, given this University's reputation and location.

As this was expected to be the last meeting of this academic year, the Chair thanked the assessors for their hard work in supporting the Committee, members for their diligence in attending meetings and preparing well for them, and members of the Governing Council Office for their support of the Committee. She wished everyone a safe and restful summer.

The meeting adjourned at 6:40 p.m.

Secretary

May 28, 2003

Chair