UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 139 OF THE PLANNING AND BUDGET COMMITTEE

November 10, 2010

To the Academic Board,
University of Toronto

Your Committee reports that it held a meeting on Wednesday, November 10, 2010 at 4:10 p.m. in the Council Chamber, Simcoe Hall, at which the following were present:

Dr. Avrum Gotlieb (In the Chair)
Professor Cheryl Misak, Vice-President and Provost
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Scott Mabury, Vice-Provost, Academic Operations
Professor Philip H. Byer
Professor Elizabeth Cowper
Mr. Ken Davy
Professor Meric S. Gertler
Professor Christina E. Kramer
Professor Henry Mann
Ms Natalie Melton
Ms Carole Moore
Dr. Susan Rappolt
Ms Lynn Snowden
Mr. W. John Switzer

Non-voting Assessors:
Ms Elizabeth Sisam, Assistant Vice-President, Campus and Facilities Planning
Ms Sally Garner, Executive Director, Planning and Budget

Secretariat:
Mr. Anwar Kazimi, Secretary
Mr. Neil Dobbs, Deputy Secretary of the Governing Council

Regrets:
Professor Parth Markand Bhatt
Mr. Shaun Datt
Professor Miriam Diamond
Dr. Chris Koenig-Woodyard
Dr. Jim Yuan Lai
Professor Douglas McDougall

In Attendance:
Mr. Julian Binks, Director, Planning and Estimating, Capital Projects, Real Estate Operations
Mr. John Calvin, Manager, Data Centres, Information and Technology Services
Ms Sheree Drummond, Assistant Provost
Mr. Patrick Hopewell, Director, Enterprise Infrastructure Solutions, Information and Technology Services

ITEM 6 IS RECOMMENDED TO THE ACADEMIC BOARD FOR APPROVAL. ALL OTHER ITEMS ARE REPORTED FOR INFORMATION.

1. Chair's Welcoming Remarks

The Chair welcomed members and guests to the meeting.

2. Report of the Previous Meeting (September 20, 2010)

Report Number 138 (September 20, 2010) was approved.

3. Business Arising from the Report of the Previous Meeting

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

4. Senior Assessor's Report

Professor Misak provided members with an update on the University of Toronto Faculty Association (UTFA) arbitration award for faculty and librarians for the period July 1, 2009 to June 30, 2011.

The provincial government had asked all public sector organizations to voluntarily exhibit wage restraint, with no across the board (ATB) increases in two of the following five years, including 2010-11. The government had, however, not legislated this wage restraint. Instead, it had expected employers and employees to work together towards the objective of a zero wage increase. Based on the provincial government's directive, the University had argued for no ATB increases. UTFA had, in turn, asked for wage increases and other enhancements that would have cost the University in excess of twenty per cent over the two years. The arbitrator, Mr. Martin Teplitsky, had awarded increases that amounted to nearly 2.5 per cent per year. In Mr. Teplitsky's opinion, he was not bound by the wishes of the province and there was no legislation on wage restraint in place. The University had already made 1.9 per cent merit payments (PTR) for the period July 1, 2009 to June 30, 2010, and the normal PTR for 2010-11 had been included in the arbitrator's award.

Professor Misak said that the arbitration award would place a significant burden on the divisions as salaries and benefits constituted the bulk of their operating costs. The divisions had calculated their budgets based on the rate of inflation and the state of the economy. Many had, therefore, not put aside sufficient funds to cover the cost of the arbitration award. The University was working with divisions to ensure that the cost of salaries and benefits would be covered. Consequently, the University faced difficult budgetary decisions in following months.

The University and the UTFA were to commence bargaining for the period beginning July 1, 2011 onwards almost immediately. The University hoped to get zero ATB increases in the coming years and was working hard towards that conclusion. The cost of the arbitration award and the need to make special payments into the pension plan meant that the University had to engage in fiscal austerity measures and revenue enhancements for a period of at least three years. Budget review meetings had begun. It was clear that the ability to cope with the fiscal realities varied across faculties and divisions. Following the conclusion of the budget review, the University would move into the budget cycle.

4. **Senior Assessor's Report** (cont'd)

Media reports indicated that an arbitration ruling in another public sector entity had awarded a wage increase, against the wishes of the provincial government. The same reports suggested that the government was not willing to pay the cost of the salary and benefit increases and was considering withholding the transfer payments in an amount equal to the salary and benefit increases. Professor Misak said that such a decision by the government, along with the cost of the arbitration award, would have a major bearing on the University's budget.

In response to questions from a member, Professor Misak clarified that in the past, the PTR payments had been mostly self-funded – the difference in wages between those who retired and those who were hired covered the cost. As mandatory retirement was no longer in place, and because of other reasons, PTR was not as self-funded as before. With regard to the issue of transfer payments, there was a lack of clarity and that clarity would be sought. Under the University's new budget model, increases in compensation costs were absorbed by individual faculties. Ms Riggall added that even though there was some small amount of borrowing capacity below the University's debt ceiling, it could be required to deal with the large deficit in the pension plan. The University proposed cost saving mechanisms and had put these forward to Principals, Deans, and to UTFA. Professor Mabury said that the arbitration awarded would cost the University an additional amount of approximately $20 million per year, beyond PTR payments.

5. Presentation on Pension Plan Matters

The Chair invited Ms Riggall to make a presentation on the state of the University's pension plan. A copy of Ms Riggall's presentation is appended to this report.

In the discussion that followed, Professor Misak advised a member that the ongoing budget review meetings would address the issue of how the state of the pension plan would affect the budgets of departments and faculties. Ms Riggall clarified that special payments of $27 million per year made by the University to cover the funding shortfall could need to increase by an additional $50 million per year. The actual amount to be funded from the operating budget would be dependent on the degree to which the various employee groups agree to increase employee contribution levels. The solvency measure was originally used by the Financial Services Commission of Ontario (FSCO) to determine whether the pension plan of an institution was solvent. If an institution fell under a certain solvency threshold, it was required to make larger payments into the plan at an accelerated rate. This was done on the premise that the plan would be funded in the eventuality of that institution closing down its operations. The universities had established a task force to lobby the government for a more flexible solvency requirement on the basis that the universities were not going to close down. Moreover, the revenue to the universities was controlled by the government. In the absence of the permission to increase tuition fees and limited grants, universities would not be able to meet the requirements of the solvency test. Other governments had agreed to solvency exemptions for universities. After the filing of its report with FSCO in 2011, the University would have three years to present a plan to address its pension shortfall. If the plan were to be approved by FSCO, the University would be allowed ten years to make up the shortfall in its pension plan. In case the plan was not approved by FSCO, the University would be allowed only five years to make the required adjustments to its pension plan – effectively the University would have eight years to address the pension shortfall in such a scenario. The timing and amount of funding would be dependent on many factors including the cost of borrowing.

5. Presentation on Pension Plan Matters (cont'd)

Professor Misak added that the state of the pension plan would be presented to the University community once the budget for 2011 was presented. Pension plan shortfall pressure would have to be mitigated from University funds, including those set aside for direct student related activities. The University would welcome support from students in its efforts to lobby the government on the solvency issue. Professor Misak concluded by saying that she would put forward the matter with the Undergraduate Students Advisory Board.

6. Capital Project: Project Planning Report for the University of Toronto St. George Campus Data Centre Renewal

Ms. Sisam said that the University's Data Centre had been moved to the McLennan Physics Laboratories building after the initial data centre was destroyed by a fire in the Sandford Fleming building in 1977. During the thirty-three years since that time, the University's computing requirements had grown significantly resulting in inadequate power and cooling capabilities. Cooling for the computer area was provided from equipment above the facility and leaks from overhead had resulted in service outages.

The Project Planning committee considered several options. Economic viability was analyzed when the options of off-campus location, co-location, and renovation of the existing facility were explored. When the committee considered the off campus location of the servers, it emerged that much of the dated equipment would not survive the move. The estimated cost of replacing the equipment vulnerable to relocation was more than $10 million. A member had queried the possibility of a third party hosting of the services of the Data Centre. However, the renewal of the existing space, as outlined in the proposal, remained the more suitable option.

The Data Centre occupied 618 net assignable square metres (nasm). This space was also shared with two divisions of the Faculty of Arts and Science – the Department of Physics and the Canadian Centre for Theoretical Astrophysics (CITA). In the proposed new configuration, the use of network racks would result in the release of 167 nasm. The released space could be reassigned by the Office of the Vice-President and Provost. The cost of operation indicated in the project report was high because of the cost high cost of delivering electrical power. The report recommended that use of power by the Data Centre and the Faculty of Arts and Science be metred separately. Consequently, a more accurate cost of operating the Data Centre would emerge, and the Faculty of Arts and Science would not be burdened with a disproportionate cost of power usage.

The funding sources for the project were provided in the motion. Phase 1 of the project would address risk mitigation and provide an emergency generator. Phase 2 would address capacity growth.

6. Capital Project: Project Planning Report for the University of Toronto St. George Campus Data Centre Renewal (cont'd)

Professor Mabury reiterated that rental of cost of external space made third party hosting of the Data Centre an unsuitable option. It was anticipated that the renewal of the Data Centre would result in the consolidation and virtualization of a number of its activities. Certain activities related to the Data Centre, such as student e-mail, would be outsourced to release the capacity of the Data Centre for other activities. For example, the renewed Data Centre would enhance the back-up capabilities of the servers. The estimated annual cost of the back-up data storage operations was $183,000. An external vendor had quoted $500,000 per month to provide a similar service.

The St. George campus had two dozen network systems. The renewed Data Centre would have the capability to provide virtual server service to divisions and departments which had their own networks. This, in turn, would reduce the cost of operations within those divisions and departments and, ultimately, the University. One of goals of the renewal of the Data Centre at the St. George Campus was to mirror internally the Data Centre at the University of Toronto at Scarborough. The renewed Data Centre would result in improvement of the quality of service while achieving the desired internal redundancy within faculties and divisions.

The renewal project would mitigate the risk related to temperature. In the previous two months, there had been two instances where overheating had led to a shut down of all servers. The renewal project would provide external air intake capabilities during winter months to maintain the optimum temperature required for the functioning of the equipment. In addition the Data Centre would have back-up power generators and a system in place for the gas suppression of fire.

In Professor Mabury's opinion, the renewal of the Data Centre would result in a facility that would operate more efficiently and significantly reduce shutdowns. Separate meters for the Data Centre and the Faculty of Arts and Science would allow for measurement of power usage consistent with the University's new budget model.

In the discussion that followed, a member asked whether there existed the capacity to build in a base-budget fund to address the needs of Information Technology services rather than leaving them dependent on one-time-only funding. The member asked about the cost of setting aside such funds. Professor Mabury responded that there was awareness of the need to put aside funds related to the upgrade of facilities, even as there were competing demands from other areas of the University's operations. The University's new budget model allowed for the cost of deferring maintenance and upgrades to the University's Information Technology to be measured. Approximately, $2.2 million was budgeted annually for the University-wide IT needs as outlined in the University's budget.

Professor Misak added that a goal of the project was to decommission some of the servers operating within departments and divisions of the University. An efficient and reliable central Data Centre could be used by faculties and divisions. These faculties and divisions would then save costs by phasing out their individual networks.

6. Capital Project: Project Planning Report for the University of Toronto St. George Campus Data Centre Renewal (cont'd)

In response to a question from a member, Professor Mabury said that the costs indicated were for the purchase of chillers, and back-up power generators. Mr. Hopewell added that the costs also included the installation of the air venting system and other essential equipment.

On motion duly moved, seconded, and carried,

YOUR COMMITTEE RECOMMENDS

1. That the Project Planning Report for the Renewal of the St. George Data Centre in its present location in the McLennan Physical Laboratories Building, a copy of which is attached as Appendix "A", be approved in principle.

2. That the project scope for Phase 1, as identified in the Project Planning Report, be approved at a total project cost of $5,160,100 with sources of funding as follows:

Information & Technology Services	$ 2,835,000.00
Central funding	$ 2,325,100.00
Total	$ 5,160,100.00

3. That, pending available funding, Phase 2 be brought forward to implementation through the Accommodation and Facilities Directorate in accordance with the Policy on Capital Planning and Capital Projects.

7. Date of the Next Meeting – Wednesday, January 12, 2011

The Chair reminded members that the next meeting of the Committee was scheduled for Wednesday, January 12, 2011 at 4:10 p.m. in the Council Chamber.

8. Other Business

There were no items of other business.

The meeting adjourned at 5:18 p.m.

Secretary

Chair

November 15, 2010

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