

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL
REPORT NUMBER 337 OF
THE EXECUTIVE COMMITTEE

Thursday, June 28, 2001

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Thursday, June 28, 2001 at 3:00 p.m. in the Board Room, Simcoe Hall, with the following members present:

Ms Wendy M. Cecil-Cockwell (In the Chair)	
Mrs. Mary Anne V. Chambers, Vice-Chair	
Dr. Robert J. Birgeneau, President	Non-Voting Member:
Ms Jennifer Carson	
Professor W. Raymond Cummins	Mr. Louis R. Charpentier
Professor Vivek Goel	
Professor Brian Langille	
Mr. Gerald A. Lokash	Secretariat:
Dr. John P. Nestor	
Dr. Joseph L. Rotman	Ms Susan Girard
Mrs. Susan M. Scace	Ms Cristina Oke

Regrets:

Mr. Brian Davis
Ms Naana Afua Jumah
Mr. John Tory

In Attendance:

Mr. Amir Shalaby, Chair, Business Board
Professor Adel Sedra, Vice-President and Provost

The Chairman noted that consideration of items 1 and 2 would take place *in camera*, pursuant to section 28 (e) and 33 of *By-law Number 2*.

Add to the Agenda

On a motion duly moved and seconded, a motion concerning amendments to the signing authority delegated to members of the senior administration was added to the agenda as item 5(d).

1. Senior Appointments

The Executive Committee considered five recommendations from the President concerning senior appointments.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration

Five recommendations from the President concerning senior appointments.

YOUR COMMITTEE APPROVED

THAT pursuant to section 38 of *By-law Number 2*, the senior appointments be considered by the Governing Council *in camera*.

2. Governing Council: Members' Committee Assignments, 2001-2002

A member asked how the co-opted members of the various boards and committees were chosen. The Secretary explained that the members were recommended by a Striking Committee, established for each Board. From the nominations received, names were proposed based on a wide representation of colleges, faculties, gender, and full-time/part-time status. The nominees' interests and experience as detailed in their letters of application were also factors. The Striking Committee's recommendations were then considered by the Boards for approval.

In response to a question, it was noted that the members of the Striking Committee for the Academic Board were approved by the Agenda Committee of the Board in September of each year.

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

THAT the Board and Committee Assignments for 2001-2002, as described in the chart dated June 26, 2001, a copy of which is attached hereto as Appendix "A", be approved.

3. Report of the Previous Meeting

Report Number 336 of the Executive Committee meeting held on June 18, 2001, was approved.

4. Business Arising from the Report of the Previous Meeting

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

5. Items for Endorsement and Forwarding to the Governing Council**(a) Audited Financial Statements for the Year Ended April 30, 2001**

Mr. Shalaby reported that the members of the Audit Committee had reviewed the financial statements over two meetings, with the external auditors present. The Committee concluded that the statements provided a full and fair disclosure of the University's finances. He referred to three highlights of the year's financial results:

1. The deficit for the year was \$11.7-million, bringing the cumulative deficit to \$19.3-million. This was clearly a manageable amount for an operation with annual revenues in excess of \$1-billion. And, it was important to remember that this was not a cash deficit. There were funds committed for specific purposes, but not yet spent. So, the University was not going to the bank to borrow operating cash.
2. The results in the operating fund - the major fund that is allocated in the Budget Report every year - were as follows: the deficit on the year's operations was \$5.8-million compared to the planned \$5.4-million in the Budget Report approved one year ago. That brought the cumulative operating fund deficit to \$11.1-million, which was under the benchmark of 1.5% of operating revenue.
3. Despite very poor capital markets, the endowment stood at \$1.176-billion at the end of the fiscal year, up marginally from \$1.171-billion. There had been a small increase because the investments in the endowment fund had lost less than the general markets, and because there had been new contributions. The payout from the endowment was about 5% each year. Because the endowment fund had had a small loss, the University had had to use \$57.6-million of the money previously set aside for capital preservation. In 1999-2000, \$92.4-million had been set aside in a year when the markets had been very strong, so the endowment remained in good shape.

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 statement for the fiscal year ended April 30, 2001 be approved.

A member asked about the policy which limited the deficit to 1.5 percent of the budget and whether the administration had considered asking Governing Council to revise it. Professor Sedra noted that the policy referred to only the operating budget. He explained that the Governing Council had approved a series of rolling six-year long-range budget guidelines in which it was permissible to exceed the 1.5 percent limit in any given year provided that at the end of the period the deficit would be within the guidelines. As long as this method of planning and budgeting continued, there would be no need to amend the policy.

(b) Appointment of External Auditors for 2001-02

Mr. Shalaby noted that the Audit Committee monitored the performance of the external auditors and their independence from the administration.

5. Items for Endorsement and Forwarding to the Governing Council (cont'd)**(b) Appointment of External Auditors for 2001-02** (cont'd)

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendation

- (a) THAT Ernst & Young be re-appointed as the external auditors of the University of Toronto for the fiscal year ending April 30th, 2002;
- (b) THAT Ernst & Young be re-appointed as the external auditors of the University of Toronto pension funds for the fiscal year ending June 30th, 2002; and
- (c) THAT the members of the University of Toronto Innovations Foundation be requested to re-appoint Ernst & Young as the external auditors of the Foundation for the fiscal year ending April 30th, 2002 at a remuneration to be fixed by the Directors of the Foundation.

(c) Indemnification for Directors of McClelland & Stewart Ltd.

Mr. Shalaby explained that the University indemnified the directors who served on the Boards of its incorporated business ancillary operations: the University of Toronto Asset Management Corporation (UTAM), the Innovations Foundation and the University of Toronto Press. The Business Board proposed that the same indemnification be granted to the five people the University nominated as Directors of McClelland & Stewart. The indemnification would supplement the directors' and officers' liability insurance coverage carried by the University.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendation

THAT except in respect of an action by McClelland and Stewart Ltd. to procure a judgment in its favour, the University will indemnify and save harmless the five directors of McClelland and Stewart Ltd. nominated by the University of Toronto for election to the Board of the company pursuant to clause 2.01 of the Unanimous Shareholders Agreement between the Governing Council of the University of Toronto, McClelland & Stewart Ltd., Random House of Canada Ltd. and First Plazas Inc., and those directors' heirs, executors and administrators and the estate and effects of each of them respectively, from time to time and at all times, from and against all costs, charges and expenses whatsoever (including amounts paid to settle an action or satisfy a judgement and fines and other monetary penalties) that such a person sustains or incurs in or about any civil, criminal or administrative action, suit or proceeding that is brought, commenced or prosecuted against him or her, for or in respect of any act, deed, matter or thing whatsoever, made done or permitted by him or her, in or about the execution of the duties of his or her office, except such costs, charges or expenses as are occasioned by his or her own willful neglect or willful default and except to the extent that any such person is indemnified

5. Items for Endorsement and Forwarding to the Governing Council (cont'd)**(c) Indemnification for Directors of McClelland & Stewart Ltd.** (cont'd)

under a policy or contract of insurance or indemnity with respect to any such costs, charges or expenses.

(d) Signing Authority: Revisions

The Secretary noted that as a result of the new senior appointments being recommended effective July 1, 2001, there would be a need to make amendments to resolutions of the Governing Council and its boards and committee to provide signing authority to the members of the newly restructured senior administration.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendation

- (i) THAT authority granted by resolutions of the Governing Council and its boards and committees to the Vice-President - Administration and Human Resources be transferred to the Vice-President - Business Affairs, the Vice-President - Human Resources, or other senior officer reporting directly to the President, including for an interim period to an Acting Vice-President, the recipient of that authority to be determined by the President, with the transfer of that authority taking place at a date to be determined by the President.
- (ii) THAT authority granted by resolutions of the Governing Council and its boards and committees to the Chief Financial Officer be transferred to the Vice-President - Business Affairs or other senior officer reporting directly to the President, including for an interim period an Acting Vice-President, if such transfer is determined by the President to be appropriate, with the transfer being made to the officer determined by the President and with the transfer taking effect on a date determined by the President.

6. Report of the President

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

In response to a question about the provincial budget, the President explained that this University's biggest concern was the lack of an inflation provision. The administration would continue to press this matter at Queen's Park. The Council of Ontario Universities (COU), as a group, had been more concerned about obtaining full funding for the currently unfunded students its members had enrolled. Lobbying for the cost of inflation was of lesser importance at C.O.U.

7. Date of Next Meeting

The Chairman reminded members of the next regular meeting on Tuesday, September 10, 2001, at 5:00 p.m.

8. Other Business**(a) Speaking Requests**

The Chairman noted that she had received a request from Mr. Jorge Sousa, President, Graduate Students' Union, to address Council on an item in Report Number 113 of the Business Board under item 8, Reports for Information. Mr. Sousa also wished to address Council on the activities of the G.S.U. over the past year. The Chairman had agreed to these requests and Mr. Sousa would speak under Other Business for five minutes.

(b) Notice of Motion

The Secretary reported that a member of Governing Council had given notice of motion concerning ethical investments. This matter had been addressed at the Business Board. The Chair of the Board had ruled that the member's motion not be added to the agenda and subsequently the member had failed to have the topic placed on the agenda by the required two thirds support of members of the Board. The member felt strongly that this matter should be addressed by the Governing Council. The Secretary advised that it would be unusual for the Executive Committee to overrule the Business Board on a matter within its jurisdiction.

A member noted that the Policy on Social and Political Issues With Respect to University Investment was within the jurisdiction of the University Affairs Board. The Secretary agreed but said that it was not clear what the member wished to do and consequently the matter of jurisdiction was also unclear.

It was decided not to place the notice of motion on the Governing Council agenda.

(c) Governing Council Elections: Appeal

The Secretary reported that the appeal on the Election Guidelines had been upheld. He undertook to circulate the decision to members of Governing Council.

A member commended the staff of the Governing Council Secretariat for their professionalism in handling this matter.

(d) Chairman's Remarks

The Chairman thanked the members of the Committee for their support throughout the year. She had appreciated their commitment and thoughtful consideration of the matters before the Committee. She wished Ms Carson and Ms Jumah success in their future endeavours as they left Governing Council. She extended the Committee's best wishes to Professor Goel as he began his new career as Vice-Provost - Faculty. Mr. Davis and Mr. Tory were also leaving the Committee to take up new assignments on Governing Council. In closing, she thanked Ms Chambers for her support and advice as Vice-Chair over the past three years. Ms Chambers' contribution had been invaluable.

The meeting adjourned 4:05 p.m.

Secretary

Chairman

July 5, 2001