

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL
REPORT NUMBER 376 OF
THE EXECUTIVE COMMITTEE

Thursday June 24, 2004

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Thursday, June 24, 2004 at 3:00 p.m. in the Boardroom, Simcoe Hall, with the following members present:

Dr. Thomas Simpson (In the Chair)

Professor Robert J. Birgeneau, President

Dr. Robert Bennett

Professor Philip H. Byer

Ms Susan Eng

Mr. Michael Foderick

Ms Françoise Ko

Professor Michael Marrus

Professor Ian McDonald

Ms Rose Patten

Mr. John F. (Jack) Petch

Mrs. Susan M. Scace

Secretariat:

Ms Susan Girard

Regrets:

Ms Karen Lewis

Dr. Joseph Rotman

Non-Voting Member:

Mr. Louis R. Charpentier

In Attendance:

Professor W. Raymond Cummins, Chair, Academic Board and member of the Governing Council

Ms Jacqueline Orange, Chair, Business Board and member of the Governing Council

Professor Vivek Goel, Vice-President and Provost and member of the Governing Council

Ms Catherine Riggall, Interim Vice-President, Business Affairs

Dr. Beata FitzPatrick, Assistant Vice-President and Director, Office of the President

Add to the Agenda

With members' permission, the Chair added to the agenda recommendations for two senior appointments, to be considered before the external appointments.

1. Senior Appointments

On motion duly moved and seconded,

IT WAS RESOLVED

THAT, pursuant to sections 28 (e) and 33 of By-Law Number 2, consideration of items 1 and 2 take place *in camera*, with the Board Chairs admitted to facilitate the work of the Committee.

(a) Deputy Provost

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

To Governing Council for consideration

The recommendation for a senior appointment contained in the memorandum from the President dated June 23, 2004.

On motion duly moved and seconded,

YOUR COMMITTEE APPROVED

THAT, pursuant to Section 38 of *By-Law Number 2*, the recommendation be considered by the Governing Council *in camera*.

(b) Vice-Provost, Academic

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

To Governing Council for consideration

The recommendations for a new position and a senior appointment contained in the memorandum from the President dated June 23, 2004.

On motion duly moved and seconded,

YOUR COMMITTEE APPROVED

THAT, pursuant to Section 38 of *By-Law Number 2*, the recommendations be considered by the Governing Council *in camera*.

2. External Appointment – Connaught Committee

On motion duly moved and seconded,

YOUR COMMITTEE APPROVED

THAT Professor Melba Cuddy-Keane and Professor Scott Mabury be appointed to the Connaught Committee for a three-year term effective July 1, 2004 and continuing until June 30, 2007.

THE COMMITTEE RETURNED TO CLOSED SESSION.

3. Report of the Previous Meeting

Report Number 375 of the Executive Committee meeting held on June 14, 2004 was approved.

4. Business Arising from the Report of the Previous Meeting

Item 13: Special Committee to Review the Election of Alumni Governors and the Chancellor

The Chair noted that there were two items of business arising from the *in camera* discussion of the draft Report of the Special Committee on the Election of Alumni Governors and the Chancellor. There was a request for information on the election of alumni at other universities and on the consultation process of the Special Committee. Documentation had been provided to alumni governors, and a copy had been placed on the table for the Executive Committee.

Item 8: Business Arising – The Varsity Stadium Proposal

A member commented that in the discussion of this item on page 4, the ‘language of inevitability’ used by the Argonauts in their advertisements was noted. He wondered whether the University was also tending toward using the same language. He suggested that the University would be well advised to wait until there was a letter of agreement concerning the project. Another member agreed, citing the problems that had arisen as a result of an earlier agreement for the Varsity site that had not materialized. A third member, while noting that the words had already been spoken, suggested that the University’s statements be expanded to include a number of positive aspects of the project such as the opportunity for a new public space for University and community use. She would stress the consultations to take place over the summer before a final decision would be made by the University’s governance process in the fall.

The President stated that the reason consideration of a proposal would occur in the fall was to use the summer to engage in extensive consultation. Ms Riggall noted that community meetings had been scheduled every two weeks and that two meetings with the stadium’s neighbouring faculties and divisions had been set up.

A member noted that this proposal was a serious and complex one and he was concerned that governors had appropriate time to consider all the details. One meeting of each board or committee for discussion of a major proposal with long-term consequences might not be sufficient and he hoped that an appropriate amount of time to deal with this matter would be set aside. Professor Goel commented that the administration was aware

4. Business Arising from the Report of the Previous Meeting (cont'd)

of the complexities and had already held preliminary briefings with a number of boards and committees of the Governing Council. The President added that there had been extensive consultation with the principals and deans.

The member who had raised this matter said that he would prefer to have more of the details of the proposal on paper. He had learned today that the Argonauts had engaged an architect. He asked what the architect was designing and whether there had been a competition for choosing the architect. He understood that at a meeting of the principals and deans, the Dean of the Faculty of Architecture, Landscape, and Design had raised a number of points of concern about the project and he asked if these were being addressed.

Ms Riggall indicated that the parties had not finished negotiating a letter of intent. A number of points had been agreed to by Mr. Bisanti and Mr. Chee earlier in the process. The Argonauts were eager to proceed and had hired an architect on a speculative basis and whose expenses they would pay. The University had also been considering architectural firms, particularly two that had experience building stadiums. Diamond Schmidt had been considered to design the public spaces. The Chair noted that there was a process for architect selection and that it was not a governance issue. Another member commented that governors would be interested in the design of the new stadium. She said that an external organization should not drive the University's vision of its facilities. Professor Goel re-iterated that a great deal of consultation still needed to be held within the University, with the stadium's University neighbours and with the community. There was no need to conclude that the architect that had been hired would be the architect to build the stadium.

5. Report of the President

The President indicated that he would forego his report at this time as he would be reporting at Council later in the afternoon.

6. Items for Endorsement and Forwarding to the Governing Council

(Arising from the Excerpt of Report Number 135 of the Business Board – June 17, 2004)

(a) Audited Financial Statements

Ms Orange noted that George Myhal and his colleagues on the Audit Committee had reviewed the financial statements over two meetings, with the external auditors present on both occasions. The Committee had concluded that the statements provided a full and fair disclosure of the University's finances. In the operating fund, the cumulative deficit was well under 1.5% of revenue, which was the maximum operating deficit permitted by Governing Council policy at the end of a budget plan.

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 30, 2004 be approved.

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

(b) External Auditors: Appointment for 2004-05

Ms Orange reported that the Audit Committee had recommended the re-appointment of Ernst & Young as external auditors. The University's Purchasing Policy required a review of all consulting relationships approximately every five years. That review for the external auditors had been conducted this past year, and management had reported overall satisfaction with audit services.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendation

1. THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto for the fiscal year ending April 30, 2005;
2. THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto pension plans for the fiscal year ending June 30, 2005;
3. THAT the members of the University of Toronto Innovations Foundation be requested to appoint Ernst & Young as external auditors of the Foundation for the fiscal year ending April 30, 2005 at a remuneration to be fixed by the Directors of the Foundation.

(c) Capital Project and Property Matters: Borrowing Strategy

The Chair noted that this motion would normally have been dealt with at the Business Board but he considered it of major significance for the University and had used his authority under section 31(d)(i) of By-law No. 2 to send the motion forward to Governing Council for consideration.

Ms Orange explained that the objective of the Borrowing Strategy was to enable the University to proceed with the new buildings and renovations it needed, and to do so in a financially responsible way. The current policy limited borrowing to one third of capital at year-end. The new policy would base borrowing capacity on a five-year average capital rather than a volatile, single-year end-point. The *target* debt level would remain one third of capital, but it would be permissible to borrow in a range extending up to 40%. The current plan was to borrow an additional \$150-million, likely through a third debenture issue. That would bring external debt to \$565-million or 38% of average capital.

She said that the Board had been assured by Ms Riggall that the additional borrowing was unlikely to have a material, adverse impact on the University's credit rating. It had also been assured by Professor Goel that the additional debt was needed, that it was reasonable in extent, and that the additional debt service cost would be manageable from the operating budget.

A member had two comments about the proposal. He noted that the target debt level was one third of capital or 33 percent but that the recommended amount would put the debt at 38 percent. Secondly, he noted that the discussion at the Business Board had focused on points one and two in the recommendations. He asked whether the other parts of the

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

recommendations – a further delegation of authority, for example – were proper governance procedures. A member said that the percentage would drop back to the lower level as funding was accumulated to repay the debenture. The goal for the new borrowing was to mirror the current debenture issues. Ms Orange added that timing was critical in financial matters and it was important to be able to sign the agreements at a moment's notice, rather than wait for further authorizations. The delegations were consistent with policy and the Governing Council's by-law.

On motion duly moved and seconded,

YOUR COMMITTEE ENDORSED AND FORWARDED

to the Governing Council for consideration the recommendation

1. THAT the borrowing strategy as described in Ms Riggall's June 8, 2004 memorandum to the Business Board, be approved;
2. THAT the University be authorized to borrow such amount, not exceeding \$150 million, as may be determined by the senior officer of the University responsible for financial matters, as so designated by the President, in addition to the \$160 million approved by the Business Board on January 15, 2001 and the \$200 million approved by the Governing Council on June 26, 2003;
3. THAT such senior officer responsible for financial matters be authorized 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 and to negotiate, approve and execute and deliver for and on behalf of and in the name of the University, all agreements, documents, certificates and instruments, including without limitation any underwriting or agency agreement and any offering document, and to take all such other actions as such officer may determine to be necessary or desirable to give effect to such financing and offering of debt securities, the execution and delivery of any such agreements, documents, certificates or instruments, and the taking of such actions being conclusive evidence of such determination;
4. THAT such senior officer responsible for financial matters is further authorized to authorize any other officer of the University to execute and deliver, for and on behalf of and in the name of the University, such certificates, documents and instruments as may be contemplated by the principal agreements entered into with respect to such debt offering or as may be required in connection with the closing of the offering of debt securities authorized hereby;
5. THAT the borrowed funds be added to the Long-Term Borrowing Pool and invested by University of Toronto Asset Management Corporation until the funds are required for each project;

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

6. 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 or is within the approval authority of the administration;
7. THAT principal and interest repayments related to debenture borrowing be placed in the Long-Term Borrowing Pool, or other sinking fund mechanism, and, together with investment income, be used to pay periodic interest payments to lenders, to pay issue and ongoing administrative costs, with the expectation that the net sum from these additions and draw downs will be sufficient to repay the bullet debentures at maturity.
8. 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.

7. Date of the Next Meeting

The Chair noted that the next meeting was scheduled for Monday, September 13, 2004 at 4 p.m.

8. Other Business

(a) External Appointment: Hart House

In answer to a member's question, the Secretary confirmed that the appointments to the Hart House Board of Stewards and its Finance Committee would come forward for approval in the fall.

(b) Closing Remarks

The Chair thanked the members for their work on the Executive Committee this past year. He said a special word of thanks to those members who would not be returning to the Committee next year: Phil Byer, Mike Foderick, Karen Lewis, Ian McDonald, Joe Rotman, and Susan Scace. He thanked them for their insights and contributions over the past year.

A member thanked the Chair for the time he had invested and his dedication to the University.

The meeting adjourned at 3:55 p.m.

Secretary
June 25, 2004

Chair