

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 115 OF THE BUSINESS BOARD

November 19, 2001

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, November 19, 2001 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Amir Shalaby (In the Chair)
Ms Wendy M. Cecil, Chairman
of the Governing Council
Dr. Thomas H. Simpson, Vice-Chair
of the Governing Council
Professor Robert J. Birgeneau, President
Mr. Felix P. Chee, Vice-President -
Business Affairs
Professor Angela Hildyard,
Vice-President - Human Resources
Ms Mary Anne V. Chambers
Professor W. Raymond Cummins
Mr. Brian Davis
Dr. Claude S. Davis
Ms Susan Eng
Mr. Paul V. Godfrey
Mr. David Keeling
Professor Brian A. Langille
Mr. Gerald A. Lokash
Mr. Frank MacGrath
Mr. Andrew Morgan
Mr. George E. Myhal
Professor Heather Munroe-Blum
Mr. Richard Nunn
Ms Jacqueline C. Orange

The Hon. David R. Peterson
Ms Carol Stephenson
Mr. Robert S. Weiss

Dr. Jon S. Dellandrea, Vice-President
and Chief Advancement Officer
Dr. Sheldon Levy, Vice-President -
Government and Institutional
Relations
Professor Adel S. Sedra, Vice-President
and Provost
Mr. Louis R. Charpentier, Secretary of the
Governing Council
Professor Derek McCammond,
Vice-Provost, Planning and Budget
Miss Janice Oliver, Assistant Vice-
President, Operations and Services
Professor Ronald D. Venter, Vice-Provost,
Space and Facilities Planning

Secretariat:

Mr. Neil Dobbs
Mrs. Beverley Stefureak

Regrets:

Mr. H. Garfield Emerson
Ms Françoise Ko
Mr. Martin Offman

Mr. Roger P. Parkinson
Ms Rose M. Patten
Mr. John H. Tory

In Attendance:

Professor Ian R. McDonald, member, the Governing Council
Dr. Beata FitzPatrick, Director of the Office of the President and Assistant Vice-President
Ms Rivi Frankle, Assistant Vice-President, Alumni and Development
Dr. George Adams, President and Chief Executive Officer, University of Toronto
Innovations Foundation
Mr. Don Beaton, Director, Real Estate
Ms Sheila Brown, Controller and Director of Financial Services
Professor David Clandfield, Principal, New College
Mr. Paul Donoghue, Chief Administrative Officer, University of Toronto at Mississauga
Professor Wayne Hindmarsh, Dean, Faculty of Pharmacy

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In Attendance (Cont'd)

Ms Laurie M. Lawson, Managing Director, Asset Allocation and Special Asset Classes,
University of Toronto Asset Management Corporation
Mr. Donald W. Lindsey, President and Chief Executive Officer, University of Toronto
Asset Management Corporation
Professor George Luste, Vice-President - Salaries, Benefits and Pensions, University of
Toronto Faculty Association
Mr. Brian Marshall, Director of Human Resources
Ms Gayle Murray, Executive Assistant to the Vice-President and Employee Relations
Coordinator, Office of the Vice-President - Human Resources
Professor David Naylor, Dean, Faculty of Medicine
Professor Ted Relph, Associate Principal, Campus Development, University of Toronto
at Scarborough
Mr. Allan Shapira, Hewitt Associates
Ms Deborah Simon-Edwards, Executive Assistant to the Vice-President - Business Affairs
Mr. Sundeep Singh, President, Scarborough Campus Students' Council
Mr. Chris Sparks, Director, Business Services, New College
Professor Jake Thiessen, Associate Dean, Faculty of Pharmacy

ITEM 2 IS RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL.

1. Chair's Remarks

On behalf of the Board, the Chair welcomed Mr. Felix Chee, who had become Vice-President - Business Affairs on October 15, 2001. Mr. Chee was the Board's new senior assessor. Mr. Chee had come to the University from Manulife Financial Services, where he had been Executive Vice-President and Chief Investment Officer. The President added his welcome. He and all of the members of the University's leadership team were very pleased to have Mr. Chee join the team. His sophistication and expertise in business matters had already made a considerable impact.

2. Report of the Previous Meeting

Report Number 114 (October 9, 2001) was approved.

3. Business Arising from the Report of the Previous Meeting

(a) Consultative Groups

The Chair invited members of the Board to volunteer for service on one of four consultative groups. Members of those groups would become more familiar with the issues that would come before the Board and could serve as a resource both to the administration and to other Board members. As such, the Board would have the opportunity to refer to them when the particular issues arose at meetings. The consultative groups would initially be formed in the following four policy areas:

- Capital Development Strategy
- Investment Policy
- Pensions and Benefits - Strategic Planning
- Tuition Fees and Student Financial Support Policy

REPORT NUMBER 115 OF THE BUSINESS BOARD - November 19, 2001**3. Business Arising from the Report of the Previous Meeting (Cont'd)****(a) Consultative Groups (Cont'd)**

The groups would be in addition to others such as the informal group advising Dr. Levy on government-relations matters. A sign-up sheet was circulated, and the Secretary was asked to be in touch with members who were not in attendance to invite them to volunteer.

(b) Parking Garage under the planned University of Toronto at Mississauga Centre for Communication, Culture and Information Technology

The Chair recalled that in the discussion of the proposed new parking garage at the University of Toronto at Mississauga, a member had asked about the consequences of the elimination of the contribution currently made by the Mississauga parking ancillary to the campus's operating budget. The Chair reported that the member, Dr. Levy and Principal McNutt had discussed the matter and come to an understanding.

(c) Disaster Recovery / Business Resumption Plan

The Chair recalled that there had, at the previous meeting, been some discussion of the question of a disaster-recovery or business-resumption plan. He reported that the Audit Committee would receive a broad risk-assessment report at its next meeting on November 28, and the matter would appear on the Business Board's agenda for the meeting of January 21, 2002.

4. Pension Plans: Annual Stewardship Report

Mr. Weiss reported that the Audit Committee, at its meeting of November 7, 2001, had reviewed the annual stewardship report on the University's three retirement plans: the main pension plan, the pension plan for pre-merger employees of the Ontario Institute for Studies in Education (OISE/U.T.), and the Supplementary Retirement Arrangement (S.R.A.). The actuary, the Controller, the external auditors, the President of the University of Toronto Asset Management Corporation (UTAM), and UTAM's Managing Director, Asset Allocation and Special Asset Classes, were present for the Audit Committee's discussion. The Audit Committee's primary duty in reviewing the report was a stewardship duty - to ensure that the pension arrangements were in sound financial shape. The investment returns of the pension funds formed an important element in the plans' well-being, but the Board would receive UTAM's annual report in the spring, and that report should be the occasion for the Board's primary review of investment performance.

Mr. Weiss reported that as at the July 1, 2001 valuation date, both the main plan and the OISE/U.T. plan remained in a substantial surplus position, in spite of fifteen months of declining equity markets and in spite of the contribution holiday taken by both the University and - until June 30 - its employees (when they resumed contributions at half of the usual rate). In the main University plan, the actuarial surplus (before the surplus reserve) had declined from \$392-million to \$338-million. In the OISE/U.T. plan, the actuarial surplus had declined from \$31.5-million to \$29.8-million. Mr. Weiss noted that all new University staff, including those who worked at OISE/U.T., now joined the main plan. The OISE/U.T. plan would serve only employees who began work with OISE before the merger. Mr. Weiss noted that the actuarial surplus was determined using an averaging mechanism that reduced the effect of the short-term rises and declines of the securities markets. Because of the declines in the stock markets, the market value of the main pension plan's assets was \$45-million less than the actuarial value - determined after

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application of the averaging formula. In spite of recent improvements, world stock markets remained below their July 1 level; therefore there would at the present time be a larger difference between the market and actuarial values. The Audit Committee had, nonetheless, been assured that the plan remained in very sound financial shape, and the actuaries' long-term view was clearly the appropriate one to use in considering the health of pension plans.

Mr. Weiss recalled that in 1997, the University had initiated a Supplemental Retirement Arrangement for faculty members and others whose salaries were above the pensionable maximum. The University had decided at that time, as a matter of prudence, to set aside money to match its obligation under the S.R.A. Because of the surplus in the two registered plans, the University had been able to devote a significant portion of its pension benefits budget to the S.R.A., investing that money in the Long-Term Capital Appreciation Pool - the investment vehicle used for the University's endowments. As at July 1, 2001, the accrued liability for the S.R.A. was \$117-million, with \$82-million in the special fund set aside to match the S.R.A. liability. As at July 1, there was therefore the need to accumulate \$35-million more to match the S.R.A. liability fully. This was consistent with the original plan to build up the necessary funds to match the S.R.A liability over a number of years.

Mr. Weiss said that the financial statements for the two registered plans had to be approved by the Business Board for their submission to the Financial Services Commission of Ontario.

Mr. Chee reinforced the point that the pension plans were in good financial condition. He stressed that it was important to look past the temporary fluctuations in the markets. Indeed, some markets had already regained 25% since their decline of September 11, 2001. More importantly, the actuarial valuation, using appropriate long-term methodology, demonstrated that there were sufficient assets in the plans to support their liabilities, with a significant surplus.

An extensive discussion took place on two topics. **(a) Increased costs** for pension fund management had been largely the outcome of: the shift of a portion of the funds from passive to active management and (to gain diversification) from domestic to foreign investments; the decline of the Canadian dollar (with certain fees being charged in U.S. dollars); and upfront fees for new private-equity investments. The dollar cost was unlikely to decline, but the cost as a proportion of assets would decline over time. The member asked that the cost as a proportion of assets be provided in future reports. **(b) Investment performance** was ahead of the composite benchmark of securities indices. It was below that of the median fund in a broadly used Canadian performance measurement service because that service did not provide an appropriate comparison. The University's fund was far more internationally diversified than other Canadian funds and maintained no portion in cash. It would tend to outperform in good markets and over the long term but underperform in poor markets. Mr. Chee and Mr. Lindsey were seeking an appropriate comparative measurement universe.

On the recommendation of the Audit Committee,

YOUR BOARD APPROVED

- (a) The audited financial statements of the University of Toronto Pension Plan, June 30, 2001, a copy of which is attached to Report Number 62 of the Audit Committee as Appendix "C"; and

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4. Pension Plans: Annual Stewardship Report (Cont'd)

- (b) The audited financial statements of the University of Toronto Pension Plan for Ontario Institute for Studies in Education/University of Toronto Employees, June 30, 2001, a copy of which is attached to Report Number 62 of the Audit Committee as Appendix "D".

5. Investment Policies

Mr. Chee said that the investment policies included a provision requiring that they be reviewed annually by the Business Board. Most of the changes proposed for the current review were clean-ups rather than matters of substance. The most significant change was an increase in the proportion of the bond allocation to be in long-term bonds. The benchmark in the policy included, and would continue to include, a bond weighting of 40%. In the current policy, that component was broken down into a 30% weighting in the Scotia Capital Markets Bond Universe Index and a 10% weighting in the Scotia Capital Long-Term Bond Index. It was proposed that the benchmark be revised to a 24% weighting in the Universe Index and a 16% weighting in the Long-Term Bond Index. That longer average term would provide a better match for the pension plans' liabilities.

The Chair noted that there had been a small correction to both policies. The correction appeared on page 6 of the Pension Fund Investment Policy, under item 3.3, Portfolio Diversification. At the bottom of the page, the minimum, normal and maximum proportion of the equity components of the fund were shown. For category (d), private equity and real estate, the normal proportion was shown as "--". That should be replaced with the words "not specified." The intention of the correction was to make it clear that the normal proportion was unspecified and not zero. An identical change had been made on page 6 of the University Funds Investment Policy.

A full discussion took place, which included the following topics: (a) use of hedge funds; (b) currency hedging; (c) the general tenor of the investment policies; (d) use of active and passive management; (e) the evaluation of the risk involved in using various new investment instruments. (A separate record of that discussion is attached hereto as Appendix "C".)

On the recommendation of the Vice-President - Business Affairs,

YOUR BOARD APPROVED

The proposed Pension Fund Master Trust Investment Policy (Statement of Investment Policies and Goals), a copy of which is attached hereto as Appendix "A", and the proposed University Funds Investment Policy, a copy of which is attached hereto as Appendix "B", replacing the previous policies approved on November 20, 2000.

6. University of Toronto Asset Management Corporation: Amended Service Agreement between UTAM and the University

The Chair said that the proposed revision of the Service Agreement between the University and the University of Toronto Asset Management Corporation had been withdrawn from the agenda for the current meeting.

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7. Capital Projects: Capital Projects Report

The Chair reminded members that the regular Capital Projects Report was presented for information, to provide context for the Board's consideration of the capital projects on its agenda. Subsequent reports would be richer in the information provided. They would include a new column, showing any funding gap for each project, where that project relied on borrowing (except for self-funded projects such as residences or parking garages) or where the project relied on fundraising that had not yet been committed or received.

Later in the meeting, a member requested that the Capital Projects Report also include information on factors that changed the level of financial risk with respect to each project. Mr. Chee replied that his objective was to have greater discipline in the capital process, to present each project within the overall program, to move toward a centralized contingency fund to allow for tighter control on individual projects, and to ensure that all decision-making was connected back to the priorities in the academic plan. Moving in the absence of an overall program tended to cause delays and cost increases. Members applauded that approach.

8. Capital Project: New College Residence Expansion

Miss Oliver said that New College planned to build a dormitory-style residence, consistent with its existing Wetmore and Wilson Halls. The residence would accommodate 277 undergraduate students as well as seven dons and the residence-life coordinator. The outcome would be total accommodation for 850 students at New College. The proposed building would contain other facilities including ten faculty offices, student club rooms and a tiered multi-purpose room to accommodate lectures, performances, examinations and other events. The faculty offices would be funded separately by the Faculty of Arts and Science rather than by residence fees. Because of the effect of the building on adjacent areas, the landscape plan included a new patio area for the Faculty Club and a new access-way from the Graduate Students' Union building through to Willcocks Street. Construction costs had increased because of design modifications, higher-than-anticipated inflation in construction costs, unforeseen site conditions, and the addition of sprinklers.

Discussion focused on the following matters. **(a) Policy on residence rate increases.** Each college set its own rates as required to meet residence costs, but it took into account rates elsewhere in the University and off-campus. **(b) The proposed subsidy.** Over the past two years, construction costs had outstripped realistic rate increases. Therefore, to provide the residence spaces necessary to allow enrolment expansion, it had been necessary to provide a subsidy to this project (and some others) from the Academic Priorities Fund, modifying the usual policy governing ancillary operations - delaying the requirement that the operation break even and that it set aside a reserve for capital renewal. This represented a sensible departure from the usual policy and not an abandonment of it. **(c) Policy on costs of residence construction.** There was no policy establishing upper and lower limits for cost per bed, but the University required adherence to particular space and design standards. Cost variances arose because of location and site factors specific to the project. **(d) Provincial capital funding for expansion.** A member observed that adequate provincial funding for the University's expansion of its academic facilities would reduce the level of risk of the construction program as a whole.

The Chair noted that the Board's approval assumed that the residence rate increases contained in the business plan would be approved annually by the University Affairs Board. The Chair had discussed the matter with the Chair of the University Affairs Board who understood that the rates would have to support the business plan.

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8. Capital Project: New College Residence Expansion (Cont'd)

On the recommendation of the Vice-President - Business Affairs,

Subject to the understanding that the rates of the New College Residence Ancillary Operation will be increased sufficiently to ensure that the operation continues to recover its own costs,

YOUR BOARD APPROVED

THAT the Vice-President - Business Affairs

- (i) be authorized to execute the New College Student Residence Expansion project at a cost not to exceed \$23.4-million; and
- (ii) to arrange such interim and long-term financing as required.

9. Capital Project: University of Toronto at Mississauga Residences, Phase 7

Miss Oliver's memorandum of November 19, 2001 outlined a proposal for Phase 7 of the student residences at the University of Toronto at Mississauga (UTM). UTM had enjoyed great success with its residence program. Phases 1 to 5 were townhouse style residences and Phase 6 had provided suites, as would Phase 7. The new phase would include 44 four-bedroom suites, 4 three-bedroom suites for special-needs students, 2 suites for dons and one for a residence manager. The project would include study/tutorial rooms, a meeting room and other facilities. The design incorporated the Five Minute Walk and would not have a negative impact on the adjacent, ecologically sensitive area. UTM's residence program had been so successful that it would not require a subsidy to maintain rates at an acceptable level.

A member asked why the rate for the 25-year mortgage was 8% while the University's cost of borrowing by means of the recent debenture issue was only 6.78%. Ms Brown said that the proceeds of the debenture would not be sufficient to finance all projects, and the actual interest rate for this project might prove to be higher or lower. The projected rate of 8% in the business plan was a conservative estimate.

On the recommendation of the Vice-President - Business Affairs,

Subject to the understanding that the rates of the University of Toronto at Mississauga Residence Ancillary Operation will be increased sufficiently to ensure that the operation continues to recover its own costs,

YOUR BOARD APPROVED

THAT the Vice-President - Business Affairs

- (i) be authorized to execute University of Toronto at Mississauga Residences, Phase 7, project at a cost not to exceed \$14.6-million; and

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- (ii) to arrange such interim and long-term financing as required.

REPORT NUMBER 115 OF THE BUSINESS BOARD - November 19, 2001**10. Capital Projects: University of Toronto at Scarborough: Classroom / Arts Building, and University of Toronto at Scarborough: Management Building**

Miss Oliver said that this was a two-part proposal: one for a Classroom/Arts Building and the other for a Management Building at the University of Toronto at Scarborough (UTSC). In both, the proposed action was subject to (a) Governing Council approval in principle of the projects, and (b) the provision of sufficient Government capital funding. If those conditions were met, the Business Board's approval of appropriations for design fees and site-development work would enable the project to move forward quickly - as required to accommodate the planned enrolment expansion at UTSC. Mr. Chee added that these projects were driven by the Academic Plan and it was important to be able to proceed expeditiously with them.

A member asked the total capital requirements to meet the projected enrolment expansion. Professor Sedra responded that these two buildings, together with a proposed Science Building and the previously approved Academic Resource Centre, would meet the needs for the expected 50% enrolment expansion at UTSC. In response to another question, Dr. Levy said that discussions with the Government of Ontario had requested 50% funding from that source - the usual proportion that had been provided for other capital projects by the Ontario SuperBuild Growth Fund.

On the recommendation of the Vice-President - Business Affairs,

Subject to:

- (i) Governing Council approval of the Project Planning Reports for the University of Toronto at Scarborough Classroom / Arts Building and the University of Toronto at Scarborough Management Building; and
- (ii) the commitment of public funding in an amount deemed adequate by both the Chair of the Business Board and the Vice-President - Business Affairs,

YOUR BOARD APPROVED

THAT the Vice-President - Business Affairs be authorized to expend up to \$1.0-million for the design and site-development work related to the construction of the UTSC Classroom / Arts Building and up to \$1.0-million for the design and site-development work related to the construction of the UTSC Management Building.

11. Capital Project: University of Toronto at Scarborough: Student Centre

Miss Oliver said that the proposal for the UTSC student centre had been a student initiative resulting in a referendum that approved a student levy to fund much of the cost. One half of the proceeds of the levy would be matched by the University, which would also add a \$1-million allocation from the University Infrastructure Investment Fund. Funding would be completed by an anticipated \$1-million from fundraising as well as interest earnings on the levy, the matching and the U.I.I.F. funds before they were required for construction. The planned centre would include space for the UTSC student government, student clubs and lounges, and a

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11. Capital Project: University of Toronto at Scarborough: Student Centre (Cont'd)

multi-faith centre, as well as space for a convenience store, the UTSC Student Affairs Office and its Health and Wellness Centre. The administration applauded the student initiative and wanted to fast-track the project to allow for an August 2004 completion of this much needed facility. Miss Oliver therefore proposed approval of the appropriation of \$1-million for design and site-development work.

The Chair added his congratulations to the UTSC students for this initiative and recognized the leadership of the President of the Scarborough Campus Students' Council, Mr. Sundeep Singh.

On the recommendation of the Vice-President - Business Affairs,

Subject to Governing Council approval of the Project Planning Report for the University of Toronto at Scarborough Student Centre,

YOUR BOARD APPROVED

THAT the Vice-President - Business Affairs be authorized to expend up to \$1.0-million for the design and site-development work related to the construction of the UTSC Student Centre.

12. Capital Project: Faculty of Pharmacy, Leslie L. Dan Pharmacy Building

Miss Oliver reviewed her memorandum of November 19, 2001. The Faculty of Pharmacy was the only one in Ontario. In response to the significant demand for places, the Faculty was planning to double its enrolment. It was currently located in a building that was 40 years old and not large enough for its needs. The proposed new building, a \$70-million, state-of-the-art research and teaching facility, would relocate the Faculty into the Health Sciences sector at a prominent site on the northwest corner of College Street and Queen's Park Crescent. A large grant had been awarded under the Ontario SuperBuild program, and the proposed building had attracted a number of major donation pledges, including that from the lead donor, Mr. Leslie L. Dan. While there was a shortfall of \$17.36-million, Dean Hindmarsh was confident that the gap would be closed before construction commenced. Ms Oliver therefore requested approval of an appropriation of \$10-million to proceed with design and site-development work.

Professor Sedra added: that the enrolment expansion from 120 to 240 students would receive full average operating funding from the province; that the Faculties of Pharmacy and Medicine had formed the Institute for Drug Research to offer a proposed Bachelor of Pharmaceutical Science degree program distinct from the Bachelor of Pharmacy; that Pharmacy was a high-priority Faculty for the University; and that, since the proposal had been drafted, a further \$5-million donation had been received, reducing the funding shortfall to \$12.36-million.

Dean Hindmarsh added that the Faculty - the only one in Ontario - now trained fewer than 30% of the pharmacists in the Province, that it should train at least 50%, and that, with over 700 applicants annually, he saw no difficulty with achieving the targeted expansion. There was a shortfall of some 2,000 pharmacists in Canada, a number that would only grow with the general aging of the population.

REPORT NUMBER 115 OF THE BUSINESS BOARD - November 19, 2001**12. Capital Project: Faculty of Pharmacy, Leslie L. Dan Pharmacy Building (Cont'd)**

In the discussion that followed, there were questions and comments with respect to: the risk associated with the funding shortfall; the risk with respect to news reports from Queen's Park signaling Provincial cutbacks; and the risk associated with donor pledges. Mr. Chee, Professor Sedra, Dr. Dellandrea, Dr. Levy and Dean Hindmarsh responded. There was always an element of risk in a project that was not fully funded. However, this building was a very important strategic initiative that ranked high in the University's capital priorities. There would be a high cost to delay. The Provincial contribution from the SuperBuild Growth Fund had already been received, and the University's experience with pledge-fulfillment has been very good. There was no concern whatever that the major pledges would not be fulfilled. A number of other potential donors had indicated their interest in supporting the building and having the benefit of the naming opportunities it would provide. There was sufficient funding in place for the building to proceed even if no further money were forthcoming. Pharmacy was doubling in size and that would generate a substantial amount of additional operating funding from Provincial grants and student fees. While the University was confident that the increased operating revenue would not be needed to pay a part of the cost of the building, the funding from that source could be regarded as the failsafe. A member observed that it was important to proceed with the site development for the Pharmacy Building in part because it would share basic services with the adjacent Centre for Cellular and Biomolecular Research. In response to a question, Miss Oliver said that the \$10-million amount requested included a part of the cost of the utilities service upgrading to that sector of the campus, as well as a portion of the cost for replacing the greenhouses currently located on the site. The cost of professional fees was \$7.4-million.

On the recommendation of the Vice-President - Business Affairs,

Subject to Governing Council approval of the Project Planning Report for the Leslie L. Dan Pharmacy Building,

YOUR BOARD APPROVED

THAT the Vice-President - Business Affairs be authorized to expend up to \$10.0-million for the design and site-development work related to the construction of Leslie L. Dan Pharmacy Building.

13. Capital Project: Faculty of Medicine, 500 University Avenue Renovations - Phase 1

Miss Oliver recalled that the building at 500 University Avenue had been purchased at a cost of \$15.4-million to provide the opportunity for the Faculty of Medicine to bring together the rehabilitation sector by co-locating the Departments of Occupational Therapy, Physical Therapy, and Speech/Language Pathology and the Graduate Department of Rehabilitation Science. That would facilitate the achievement of significant synergies. Following the purchase of the building, \$700,000 had been approved to enable an initial review of the property and to relocate the Faculty of Medicine's Continuing Education unit into the premises. This had been followed by a great deal of planning to meet the needs of the departments. The estimated cost of Phase 1 of the renovation was \$11.1-million, which included accessibility retrofitting and a mechanical/electrical upgrading. Funding would be provided by the University Infrastructure Investment Fund in the form of a loan to the Faculty of Medicine over a term of 15 years.

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Miss Oliver requested approval of the full cost at this time so that sequential tendering could be carried out without delay. It would be critical to complete the relocation in time for the commencement of classes in September 2002.

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At the invitation of the Chair, Dean Naylor added that rehabilitation sciences would become increasingly important over the next 20 to 30 years in light of the aging population. These departments had been in the “academic shade” for some time. The current facilities were very poor. The professional programs had recently become graduate-level programs. They had excellent leadership and were recruiting excellent students. It was increasingly important to provide them with the same level of support as other departments in the Faculty. The new facility was in a very good location, nearby the Toronto Rehabilitation Institute. A new agreement with the Bloorview MacMillan Centre would provide further clinical training opportunities. With respect to the financial terms, the repayment schedule for the U.I.I.F. loan was an onerous one but not unmanageable. More important, one potential leadership donor had been identified, the building was an attractive one from the point of view of a naming opportunity, and the programs had many loyal alumni. There was also some possibility of funding for research components from the Canada Foundation for Innovation. The Faculty therefore hoped to be able to retire the loan quickly.

In response to a question, Professor Venter explained that Phase 1 related to only seven floors. The other floors were leased to tenants up to and including 2010. That had the advantage of giving the departments time to gather additional funding for further renovations.

On the recommendation of the Vice-President - Business Affairs,

YOUR BOARD APPROVED

THAT the Vice-President - Business Affairs

- (i) be authorized to execute Phase 1 of the 500 University Avenue renovation project at a cost not to exceed \$11.123-million; and
- (ii) to arrange such interim and long-term financing as required.

14. Capital Project: Bahen Centre for Information Technology: Increased Appropriation

Miss Oliver informed the Board that notwithstanding the very similar estimates provided by the construction manager, PCL, and the cost estimator, the cost of the Bahen Centre for Information Technology would be \$3.4-million over the estimate. The scope and complexity of the project were such that for six or seven elements, only a limited number of sub-contractors had submitted tenders and the price had come in over the planned amount. The additional \$3.4-million cost was more than covered by the interest earned on the project funding to this point. Miss Oliver requested authorization to increase the expenditures for this project, using the additional interest.

In response to questions, Miss Oliver said the interest earnings would otherwise have been used to reduce the loan to cover the funding gap for the project, which would, in the absence of further donations, be paid by a loan taken out by the two user departments. The accumulated interest had been the result of a more sluggish than expected payment flow for the project. Miss Oliver anticipated that the project could be completed within the new appropriation; there was \$2.5-million remaining in what had been an \$8-million contingency budget for the project.

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14. Capital Project: Bahen Centre for Information Technology: Increased Appropriation
(Cont'd)

On the recommendation of the Vice-President - Business Affairs,

YOUR BOARD APPROVED

THAT the Vice-President - Business Affairs be authorized to expend an additional \$3.428-million to cover the cost of construction of the Bahen Centre for Information Technology and to fund this additional expenditure from interest earned on funds received to date.

15. Research and International Relations: Annual Report of the Vice-President 2000-01

Professor Munroe-Blum presented her annual report for 2000-01 and the highlights her plan for 2001-02. A copy of her presentation is attached hereto as Appendix "D".

Professor Munroe-Blum responded to questions in three areas. **(a) Research collaboration with the affiliated teaching hospitals.** Some work had been completed towards a harmonization of research policies and, under the leadership of the Vice-Provost, Relations with Health Care Institutions, and the Deans, preliminary steps had been taken to consider inter-institutional planning. **(b) Funding for the indirect costs of research** was the top priority among universities in their discussions with the Government of Canada. While individual researchers were most concerned about increases in the amounts made available for research grants, the institutions themselves would, in the absence of the funding of indirect costs, have difficulty providing the infrastructure needed to support additional research projects. While the Government was, in the light of the terrorist acts of September 11, giving higher priority to defense and other security needs, the universities hoped that the Government would still be able to take some initial step towards supporting the indirect costs of the research it sponsored through the granting councils - perhaps making a commitment to full support and providing at least some of that support immediately. **(c) The University had not yet developed a policy on spin-off companies.** It currently relied on the Inventions Policy and on the Policy on Conflict of Interest for Teaching Staff, but a Task Force would be established in the current academic year to develop a policy with respect to spin-off companies involving faculty inventions.

16. University of Toronto Innovations Foundation: Annual Report and Financial Statements, 2000-01

Professor Munroe-Blum stated that she was very pleased with the work of the Innovations Foundation, under the leadership of Dr. Adams, in facilitating the transfer of University inventions to the economy. Dr. Adams said that the Foundation's results were on plan. He was pleased that the Foundation had been able, during the year, to return over \$2-million to the University, its faculty inventors and graduate students. A major challenge for the Foundation was balancing the ever-greater stream of invention disclosures with its staff resources. One means of coping with the shortage of qualified staff was the development of a program for training technology-transfer staff for the University of Toronto and other Ontario universities.

The Chair noted that one very minor correction had been made to the financial statements of the Innovations Foundation. On the balance sheet, under "liabilities and net deficit" was the line, "Long-term liabilities." Added to that line is the reference, [note 3]. The corrected page had been placed on the table.

REPORT NUMBER 115 OF THE BUSINESS BOARD - November 19, 2001

16. University of Toronto Innovations Foundation: Annual Report and Financial Statements, 2000-01 (Cont'd)

On the recommendation of the Audit Committee

YOUR BOARD ACCEPTED

The annual report and financial statements of the University of Toronto Innovations Foundation for the year ended April 30, 2001, a copy of which is attached to Report Number 62 of the Audit Committee as Appendix "A".

17. University of Toronto Press: Annual Report and Financial Statements, 2000-01

On the recommendation of the Audit Committee

YOUR BOARD ACCEPTED

The annual report and financial statements of the University of Toronto Press for the year ended April 30, 2001, a copy of which is attached to Report Number 62 of the Audit Committee as Appendix "B".

18. Vice-President and Chief Advancement Officer: Annual Report, 2000-01

The Board received for information the Annual Report of the Vice-President and Chief Advancement Officer for 2000-01. Because of the limited time on the current agenda, the annual report would appear again on the agenda of the January meeting, when Dr. Dellandrea would make a full presentation.

19. Report Number 62 of the Audit Committee - November 7, 2001

The Board received for information Report Number 62 of the Audit Committee, which had been placed on the table for the meeting. Because members would not have had the opportunity to read the report carefully, it too would be on the agenda of the January meeting.

20. Date of Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Monday, January 21, 2002 at 5:00 p.m.

THE BOARD MOVED IN CAMERA.

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21. Audit Committee: Appointment

On motion duly made and seconded,

YOUR BOARD APPROVED

THAT Mr. George Myhal be appointed to the Audit Committee for 2001-02.

22. Background Briefing: Update on Negotiations

Professor Hildyard briefed the Board on the forthcoming salary and benefit negotiations with the Faculty Association.

23. Real Estate Transaction: Update Report

Mr. Chee provided an update report with respect to a property transaction given conditional approval by the Board at its previous meeting.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:05 p.m.

Secretary

Chair

December 6, 2001