DRAFT

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 190 OF THE BUSINESS BOARD

June 16, 2011

To the Governing Council,
University of Toronto.

Your Board reports that it met on Thursday, June 16, 2011 at 5:00 p.m. in the Council Chamber, Simcoe Hall. Ms Hoy was in the Chair for items 1 – 8. Mr. Wilson was in the Chair for the items thereafter. The following members were present:

Mr. W. David Wilson, Chair
Ms Shirley Hoy, Vice-Chair
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Mr. P. C. Choo
Mr. Jeff Collins
Mr. Kent Kuran
Mr. Gary P. Mooney
Mr. Tim Reid
Mr. Olivier Sorin
Mr. W. John Switzer

Mr. David Palmer, Vice-President, Advancement
Ms Sheila Brown, Chief Financial Officer
Ms Sally Garner, Executive Director, Planning and Budget
Professor Scott Mabury, Vice-Provost, Academic Operations
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources

Mr. Neil Dobbs, Secretary

Regrets:

Mr. William Crothers
Ms Mary Anne Elliott
Mr. J. Mark Gardhouse
Mr. Steve (Suresh) Gupta
Ms Paulette L. Kennedy
Mr. George E. Myhal
Ms Deborah Ovsenny
Professor Arthur S. Ripstein
Ms Melinda Rogers
Mr. Howard Shearer
Ms Penny Somerville
Professor Janice Gross Stein
Ms B. Elizabeth Vosburgh

In Attendance:

Ms Gillian Morrison, Assistant Vice-President, Divisional Relations and Campaigns
Mr. Tad Brown, Counsel, Business Affairs and Advancement
Mr. Bruce Dodds, Director, Utilities, Facilities and Services Department
Dr. Anthony Gray, Special Advisor to the President
Mr. Pierre G. Piché, Controller and Director of Financial Services

ITEMS 2, 3 AND 9 CONTAIN RECOMMENDATIONS TO THE GOVERNING COUNCIL FOR APPROVAL. OTHER ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

1. Report of the Previous Meeting

Report Number 189 (May 4, 2011) was approved.

2. Financial Statements, 2010-11

Mr. Switzer said that the Audit Committee had reviewed the financial statements in a two-part process. At its May meeting, the Committee had reviewed draft notes to the statements. At its meeting on June 15, the Committee had reviewed the full statements, and it now recommended them to the Board for endorsement and recommendation to the Governing Council for approval. The external auditors had been present at both meetings, and they had provided a clean audit opinion on the financial statements. The auditors had reviewed their audit process and the special matters that had arisen during the audit. As part of the June 15 meeting, the Committee had met privately with the external auditors, with no member of the administration present, to enable them to raise any issues that the auditors might wish to bring to the attention of the Committee privately. There had been no such issues. The Audit Committee was satisfied that the financial statements present fairly the financial position of the University and the financial results of its operations for 2010-11. The Committee was therefore pleased to recommend them for approval.

Ms Brown presented the highlights of the financial statements.

- **Financial result for 2010-11**. Both revenues and expenses amounted to about $2.3-billion. The outcome was a positive net income of $7.2-million for the year.

- **Revenues**. Well over half of revenues were provided by student fees and government grants. Investment income was the element of revenue that was subject to most variation from year to year. In years when investment income was good, such as 2010-11, the outcome tended to be a net income on the year. When investment income was not good, the outcome tended to be a deficit on the year. The positive net income had been the outcome of investment income of $135.6-million for the year.

- **Expenses**. The largest share of expense - well over half - was on salaries and benefits. The benefits expense was recorded on a cost basis rather than a cash basis. The apparent increase in that area of expense had been the result of a reduction in the interest rate used to determine the present value of employee future benefits. There had been no increase in the benefits programs themselves.

- **Comparison to forecast**. In January, Ms Brown had forecasted that the year’s financial result would be a loss of $69-million, rather than the actual net income of $7.2-million. The better-than-forecast result had been the outcome of spending that had not taken place. Under the new budget model, divisions were responsible for providing for such costs as annual increases in the cost of salaries and benefits, and they had been very prudent in their spending in order to build up reserves to deal with future expense increases.

2. Financial Statements, 2010-11 (Cont'd)

- **Assets, liabilities and net assets**. The University's assets amounted to $4.6-billion. Its liabilities were $2.7-billion. The liabilities were of two kinds. The first kind was deferred contributions of $1.4-billion – which represented (a) restricted funds that had been received but not yet spent on the purposes for which they were received and (b) those received and spent on capital assets (which would be amortized over time). The second kind was the more traditional liability items such as the long-term debt. The outcome was net assets of $1.9-billion, an increase from $1.8-billion the previous year.

- **Components of the net assets**. The most substantial component of the net assets was the endowment, amounting to $1.5-billion, an increase from $1.4-billion the previous year. The investment return on the endowment funds of 9.9% had enabled the University to make the full payout from the endowment, and it had enabled the University to add to the monies set aside to preserve the capital value of the endowment funds against erosion by inflation. The amount added to the endowment for capital preservation had not yet enabled the University to restore the endowment funds to the value required to offset inflation completely, but progress had been made.

  The second component of the net assets was internally restricted funds of $91-million - a decline from $136-million the previous year. The internally restricted funds included two components. The first was cash in various reserves, which had increased to $531-million. That amount was offset by the second component, the non-cash liability for employee future benefits, amounting to $440-million.

  The third component of the net assets was the investment in capital assets. That $440-million amount represented University monies spent on capital projects, which was reduced over time as the capital assets were amortized.

  The final component of the net assets was the $174-million of unrestricted deficit. That amount represented internal borrowing to finance certain capital projects. That borrowing would be repaid over time by the divisions that had borrowed for their projects.

- **Change in net assets**. The $96-million increase in the University's net assets to $1.9-billion was the outcome of four factors. The first was the year's net income of $7.2-million. The additional three factors were items that did not arise from the income statement but were recorded directly on the balance sheet. The largest factor was the $64.2-million investment gain on externally restricted endowments above and beyond the earnings that were paid out. In addition, there was $21.4-million of externally restricted donations to the endowment and $3.6-million of externally restricted grants to the endowment from the Government of Ontario.

- **Borrowing**. The University's maximum external borrowing capacity was defined by the Borrowing Strategy as 40% of net assets averaged over the previous five years. The borrowing capacity for 2011-12 was $771.3-million, virtually unchanged from 2010-11.

2. Financial Statements, 2010-11 (Cont'd)

Ms Brown concluded that the University's financial results overall represented a good-news story. Focusing on the operating fund alone, the news was similarly good. Revenues had increased substantially year over year. Although that increase was largely matched by an increase in expense, the outcome was the elimination of the cumulative deficit in the operating fund of $2.1-million and the achievement of a surplus of $5.4-million.

Among the matters that arose in discussion were the following.

(a) Salary and benefit expense. A member observed that expenses had increased by 6.9%. He asked what proportion of that increase was attributable to increased spending on salaries and benefits. He was concerned to ensure that the University was paying sufficient salaries to attract the best possible faculty to teach the University's students. He asked how the University ranked in salaries and benefits compared to other institutions.

Ms Brown replied that the total expense for salaries for 2010-11 had been $1.08-billion, an increase of $74-million. The total expense for benefits had been $377.9-million, an increase of $66.3-million. The expense for benefits, however, consisted of two elements. The cash cost of benefits had been $99.6-million. The larger element was the $278.3-million expense for employee future benefits. That amount had increased substantially in recent years with the reduction in the interest rate, which was used to discount the cost of the future benefits to their present value. The $278.3-million cost in 2010-11 had been $214.4-million in 2009-10 and $149.6-million in 2008-09.

Professor Hildyard said that the level of salaries paid to faculty members at the University of Toronto was the highest in Canada. In the view of many, they were higher than those paid at many peer universities in the United States and were amongst the highest paid at publicly funded universities globally. Salaries paid to other staff members were competitive with those paid to comparable employees in the greater Toronto area.

(b) Statement of administrative responsibility. A member observed that the statement of administrative responsibility, signed by the President and the Vice-President, Business Affairs, included the following statement. "The majority of the members of the Audit Committee are not officers or employees of the University . . . The auditors have full access to the Audit Committee with and without the presence of the administration." The member understood that one voting member of the Audit Committee – a faculty member with expertise in accounting – was an employee of the University. The member urged for the sake of clarity that the Statement of Administrative Responsibility make that fact clear. He reiterated his view that the faculty member should be a non-voting member of the Committee who would not be eligible to serve as Chair or Vice-Chair. He also urged that the auditors have access to the Audit Committee without any employee of the University present, including that faculty member. He asked that the matters be referred to the Implementation Committee for the Report of the Task Force on Governance.
Mr. Switzer, who served on the Task Force, assured the member that the matter would be drawn to the attention of the Task Force (which would also be asked to consider the role of the Audit Committee in the review of reports on risk management and to consider the Audit Committee's reporting on its work in the area).

2. Financial Statements, 2010-11 (Cont'd)

On the recommendation of the Audit Committee,

YOUR BOARD RECOMMENDS

THAT the audited financial statements for the year ended April 30, 2011 be approved.

The Vice-Chair expressed her pleasure that the audited financial statements were ready for consideration by governance just six weeks after the end of the fiscal year - a particularly remarkable achievement in the light of the size and complexity of the University. On behalf of the Board, she congratulated Ms Riggall, Ms Brown, and especially Mr. Piché and his staff on that extraordinary achievement. She also thanked the members of the Audit Committee for their diligent work throughout the year, including their careful review of the financial statements.

3. External Auditors: Appointment for 2011-12

Mr. Switzer said that at its meeting the previous day, the Audit Committee had considered the appointment of external auditors for 2011-12, and it had agreed to recommend the re-appointment of Ernst & Young. The Committee had met without the auditors present to consider the matter. Both the administration and the Committee were satisfied that the firm was doing a very effective job. First, the partner in charge of the audit, Ms Martha Tory, was widely regarded as one of the leaders in Canada in the accounting of not-for-profit institutions, including universities. Second, the firm was very knowledgeable about this highly complex institution and its necessarily complex financial statements. The audit firm's knowledge base and continuity were critical. The firm had a practice of periodic rotation of the partner in charge of the audit and of members of the audit team in order to balance off continuity with objectivity. The Audit Committee was satisfied with the firm's procedures for rotation. In the fall of 2010, the Audit Committee had considered the option of the University's putting the audit out to tender. It had concluded that it would be wrong to do so, causing a great deal of cost and work for the bidders, unless there was serious reason to consider replacing the current firm. At the fall meeting, the Committee reviewed the other assignments completed by Ernst & Young for the University, and it concluded that the scope and nature of those assignments would not place at risk the firm's objectivity as auditors. At the same meeting, the Audit Committee had also reviewed the auditors' fees for the other Ontario universities for the previous year, and the Committee was satisfied that the University had been receiving very good value for money. On the basis of the quality, experience and objectivity of the firm's audit team, the Audit Committee endorsed the re-appointment of Ernst & Young.

A member questioned, as a matter of good corporate governance, the appropriateness of a reappointment without consideration from time to time of other candidates responding to a Request for Proposal. He believed that the same principle should be applied to the provision of external legal services. It was not sufficient to cite the difficulties that would arise from appointing a replacement firm. Other large organizations faced the same difficulties but still, as a matter of principle, did put to tender audit and legal services.

3. External Auditors: Appointment for 2011-12 (Cont'd)

Ms Brown replied that the University followed the guidance of the U.S. National Association of College and University Business Officers (NACUBO), an association with over 5,000 member institutions. While Canadian universities were not bound by NACUBO practices, there had been no advice rendered on the matter by the comparable Canadian organization. NACUBO had conducted a thorough review of the matter at the time of the Sarbanes/Oxley Report in the United States, which report did require regular tendering for audit services. NACUBO had then examined its advice again about four years after Sarbanes/Oxley. Its conclusion was that the university sector was a unique one, and the specialized audit services required by universities could be provided by only a very few accounting firms. Given that fact, NACUBO concluded that requesting tenders for audit services should not be required. Rather, universities should consider, at appropriate intervals of perhaps seven years or more, rotation in the partner responsible for the audit in order to ensure independence. The University of Toronto followed that advice. The most recent partner rotation had taken place about six years ago.

The member, while understanding and accepting the response, remained concerned that partner rotation would be insufficient to support proper governance principles in a situation where the audit firm had remained the same for more than twenty-five years.

On the recommendation of the Audit Committee,

YOUR BOARD RECOMMENDS

(i) THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto for the fiscal year ending April 30, 2012; and

(ii) THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto pension plans for the fiscal year ending June 30, 2012.

4. Operating Budget: New Budget Model

The Chair recalled that the operating budget was considered annually by both the Academic Board and the Business Board before it was forwarded to the Governing Council for approval. The Business Board's duty was to satisfy itself, and to assure the Governing Council, that the budget was financially responsible. In 2007-08, the University had adopted a new budget planning model, which had recently been reviewed.

Ms Garner presented the highlights of the report on the review of the new budget model, which had been in full operation for three years. The review had been undertaken by a representative committee, including members from several academic divisions across the three campuses and from the administrative divisions. It had reached near unanimous agreement on its conclusions and recommendations. The review committee had worked over a period of nine

4. Operating Budget: New Budget Model (Cont'd)

months and had consulted widely, receiving input from the deans, among others. Its mandate was to review the strengths and weaknesses of the new budget model, the incentives and disincentives it provided to the divisions, and the adherence of the new budget model to the six key principles set out when the model had been designed. Those principles were: to provide transparency in the budget process; to provide incentives to the divisions to increase their revenues and reduce their costs; to minimize record-keeping and other budget-related costs; to maintain some cross-divisional support; to support interdivisional activity; and to ensure the maintenance of accountability.

Ms Garner said that the findings of the review were highly positive overall. There was much greater engagement by the divisions in the budget process, with much improved discussions between the Vice-President and Provost and the Deans, amongst the divisions, between the shared-service divisions and the academic divisions, among all participants in enrolment planning and finance, and so on. There was much greater transparency – all participants in the process could readily see the same revenue and cost numbers. There were clear incentives for the divisions to increase their revenues and control their costs. Decisions were being based on better information. Because divisions were responsible for their financial outcomes, they were much more aware of risk, and responsibility for risk management was being shared by the divisions and the centre.

The review had also identified certain challenges. While decisions were now being made on the basis of sound financial information, it was essential to ensure that academic priorities and sound academic planning were the primary factors driving those decisions. With the decentralization of authority to the divisions, they were being increasingly exposed to external economic factors. The divisions would therefore require support in the management of the risk that such exposure implied. Among other things, the divisions would be encouraged to ensure that reserve funds were kept in place. If necessary, the Provost held contingency funds. It was important to take action to encourage inter-divisional activity and to prevent the development of silos in each division. Finally, it was important that senior administrators in the academic divisions, particularly business officers and also registrars, have sophisticated skill sets to handle their responsibilities under the new model, and everything possible would be done to support divisional officers, to encourage the hiring of skilled administrators, and to make training available to them.

Ms Garner reported that there was substantial support from all parties for the academic planning process. All appreciated the value of the annual meetings with the deans, business officers and registrars of each division, with reporting in to the Vice-President and Provost, to work on the divisional five-year plans.

With respect to the process of planning for the shared services, there was recognition of the need to improve the process. The objective would be a more integrated process in which all participants would understand more fully how shared services were provided. That would provide the basis for recommendations from the Deans to the President on the allocation of resources for such services.

4. Operating Budget: New Budget Model (Cont'd)

The review identified three areas that were beyond its scope, but where there was need for future review. The first was the sharing of costs for information-technology services provided to the Mississauga and Scarborough campuses. The second was the sharing of costs for services provided by two of the decentralized Human Resources offices. The third was the sharing of central library costs in the light of services provided by various divisional libraries.

Ms Garner said that many divisions were using the incentives provided by the new budget model very well to maximize the resources available to the division, and she cited three examples. The Faculty of Medicine, using information available to it on space use and cost, had consolidated its space use, saving over $1-million per year. The University as a whole had benefited from that consolidation, having gained space for redeployment without the need for the construction of additional facilities. Second, a number of divisions and other academic units were working to achieve more external funding for their research-stream graduate students, freeing up funding for other uses. Third, the Mississauga and Scarborough campuses had acted to offer more courses in the summer, boosting their summer enrolment and revenue, reducing the pressure on enrolment in the fall and winter terms, and making the best use of their space and faculty complement. UTM and UTSC had doubled their revenue from summer enrolment, and the St. George Campus had implemented a similarly successful strategy, with the University tapping into a market (students from Toronto registered at other universities) much more extensively than before.

Two members complimented Ms Garner on an excellent presentation.

5. Campus Master Plans, 2011

The Chair recalled that the new Master Plans for the three campuses had been approved by the Governing Council in May. They had been placed on the Business Board agenda as a consent item to let those members of the Business Board who were not on Council know about them, and to give all members the opportunity to ask any questions that they might have arising from the Board's responsibilities. The Campus Master Plans were received for information.

6. Capital Projects Report as at April 30, 2011

The Board received for information the Report on Capital Projects Under Construction as at April 30, 2011, providing information on projects costing over $2-million, with a total budgeted cost of $227.88-million.

7. Capital Projects Closure Report: University of Toronto Mississauga Parking Structure

The Board received for information a report on the closing of the project to construct a parking structure at the University of Toronto Mississauga at a total cost of $6.735-million. That compared to an originally approved cost of $6.5-million, increased by approval of the Vice-President, Business Affairs to $6.926-million.

8. Capital Project: St. George Campus Central Steam Plant – Replacement of the Fuel Train and Boiler Controls

Ms Riggall recalled that that there was an extensive central utilities system that provided heating, lighting and cooling to most buildings on the St. George Campus. The system had proven to be highly reliable, very cost-effective, energy efficient and therefore sustainable. However, many of the boilers in the plant were very old. The Technical Standards and Safety Authority (the T.S.S.A.) was responsible for inspections to ensure that utility equipment met current Code requirements. It had advised the University of the need to replace the boiler controls and the fuel trains (the machinery for the delivery of natural gas) for all five of the boilers within the next four years. The University proposed to carry out the replacement over the next three summers, using funding that had been set aside in the Utilities Infrastructure Renewal Fund.

On motion duly made, seconded and carried,

> Subject to Governing Council approval of the project, including its funding,
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> YOUR BOARD APPROVED
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> THAT the Vice-President, Business Affairs be authorized to execute the project to replace the fuel train and boiler controls at the Central Steam Plant on the St. George campus, at a total cost not to exceed $6.138-million, phased over three years, with funding from the Utilities Infrastructure Renewal Fund.

9. Asbestos Management Policy: Update

Professor Hildyard said that the proposed amendments were intended to bring the University's asbestos policy into compliance with the changed regulation under the Ontario Occupational Health and Safety Act. She stressed that the University's procedures had always been in compliance with the regulation, and the proposed amendments were mostly editorial in nature.

On the recommendation of the Vice-President, Human Resources and Equity,

> YOUR BOARD RECOMMENDS
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> THAT the proposed updated and renamed Asbestos Management Policy, a copy of which is attached hereto as Appendix "A", be approved, replacing the Asbestos Control Policy approved by the Governing Council on June 23, 2003.

10. Borrowing: Status Report to May 31, 2011

The Board received for information the Borrowing Status Report as at May 31, 2011. That Report showed the University's maximum borrowing capacity at $973.1-million, pursuant to the University's borrowing strategy which permitted (a) external borrowing to a maximum of 40% of the value of the University's net assets averaged over the previous five years, plus (b) internal borrowing of up to $200-million. $952.6-million of borrowing had been allocated, net of $83.3-million of repayments that could be reallocated. The allocated amounts were required only as projects proceeded; therefore not all of the allocated borrowing had been executed. Actual external borrowing amounted to $524.1-million. Internal borrowing outstanding was $210.6-million. Additional and separate borrowing capacity of $150-million had been approved for the purpose of pension-plan funding, and a loan in the amount of $112.6-million had been executed for that purpose on June 1, 2011.

11. Borrowing Capacity and Status of the Long-Term Borrowing Pool to April 30, 2011

Ms Brown recalled that the Long-Term Borrowing Pool was the University sinking fund being used to accumulate money to repay the bullet debentures issued to fund capital projects. The first of those debentures would become payable in 2031. Therefore, the University remained in the fairly early stages of building that sinking fund. To date the Pool had assets of $88.7-million including unamortized issue costs (prepaid expenses) of $2.9-million. That compared to the total of principal collected to date and payable to debenture-holders on the maturity dates amounting to $91.9-million. The $3.2-million shortfall had been mainly the result of investment losses incurred in 2009, which had been reduced by positive returns in 2010 and 2011.

At the suggestion of the Chair, Ms Brown commented on forthcoming changes to accounting rules that might give cause for review of the metrics of the Borrowing Strategy. Beginning with the fiscal year ending April 30, 2013, the University would be required to adopt new accounting rules, which were the rules for private enterprises, adapted for not-for-profit organizations. The new rules would present an opportunity for the University to revalue the capital assets on its balance sheet, updating their cost to their current fair value. The administration had not yet reached a decision on whether to use that option to revalue the University's landholdings. If landholdings were to be revalued for the April 30, 2013 financial statements, it would be required that a comparative figure be provided for April 30, 2012. Therefore, to keep open the option for revaluing, the University had initiated a study to determine the land value as at May 1, 2011. One outcome of adopting that option would be an increase in the financial-statement value of the University's assets. That could, however, be accompanied by increases in liabilities.

Ms Brown recalled that the Borrowing Strategy was driven by the value of the University's net assets: the maximum amount of external borrowing was 40% of net assets averaged over the previous five years. Under the new accounting rules, there could be a significant change to the look and feel of the University's net assets. That would require a re-examination of the metrics for the Borrowing Strategy. A revised Strategy might continue to use balance-sheet metrics or it might instead be based on income-statement metrics. It might also be based on comparisons to

11. Borrowing Capacity and Status of the Long-Term Borrowing Pool to April 30, 2011 (Cont'd)

other institutions. The administration would complete its usual annual review of the Strategy in the fall and report to the Business Board in January. It was, however, unlikely that there would be sufficient information on which to base a decision until the fall of 2012. If, however, the administration was able to form a preliminary view on the outcome, Ms Brown would report at once to the Board.

The Chair noted that the Chair of the Governing Council had asked that the Board examine the matter, but only when the effect of the new accounting rules was known. There was no suggestion that the new accounting rules would be used as a basis for increasing the maximum borrowing limit.

The following matters arose in discussion.

(a) Limit on external borrowing. A member expressed concern about continuing the present metric for limiting external borrowing - 40% of net assets - particularly if the amount of the net assets were to be increased as the result of the new accounting rules. To regard such assets as land and buildings as security for, and a basis for, borrowing would not be appropriate because the University could not continue its operations if it were to forced to sell its land or buildings to repay its external borrowing. If the University were to continue to use a balance-sheet metric, it should be one based on more liquid assets. The Chair and Ms Brown agreed that the point was a good one, and it would be taken into account in considering the Borrowing Strategy under the new accounting rules.

(b) Internal borrowing. A member observed that the University had outstanding internal borrowing of $211-million, which exceeded the maximum authorized by the Borrowing Strategy, which maximum was $200-million. Was there need for the Board to consider a higher limit? The Chair recalled that the Governing Council had approved a new tranche of $200-million of external borrowing, but that borrowing had not yet been executed. The administration had decided to defer that borrowing until a favourable time. While it was troubling that the internal-borrowing limit had been exceeded, the means of remedy – further external borrowing – had been approved. The Chair urged that, unless the Board took a different view, the University make the correct business decision rather than concerning itself with the temporary exceeding of the internal-borrowing limit. Ms Brown observed that the total of external and internal borrowing, amounting to $736-million, was well below the total limit of $973-million specified in the Borrowing Strategy. She would prefer not to deal with the temporary problem by increasing the internal-borrowing limit. Another member agreed that it would be imprudent to increase the limit, which would have the effect of weakening the incentive to reduce the amount of internal borrowing. No member voiced support for changing the internal-borrowing limit.

12. Reports of the Audit Committee

Report Number 97 of the Audit Committee (March 21, 2011) and Report Number 98 of the Audit Committee (May 10, 2011) were received for information.

The Chair recalled that the recommendation for amendments to the Terms of Reference of the Audit Committee, contained in Report Number 97, had been considered by the Business Board at its May meeting. The Board had decided not to forward those recommendations on to the Governing Council. The terms of reference, and the questions raised at the Business Board, dealing with the Committee's responsibility for oversight of risk-management and dealing with the Audit Committee's membership, were currently with the Implementation Committee for the Task Force on Governance for its consideration and action.

13. Dates of Next Meetings

The Chair advised members that the Board's first regular meeting of the 2011-12 academic year had been scheduled for **Monday, September 26, 2011 at 5:00 p.m**. That meeting would be preceded by an **orientation session at 4:00 p.m.** The second meeting of the year had been scheduled for **Monday, October 24 at 5:00 p.m**. That meeting too would be preceded by an **orientation session at 4:00 p.m.** The scheduling was intended to save external members the need of a separate trip(s) to campus for the orientation sessions.

14. Other Business

(a) Business Board Evaluation Forms

The Chair thanked those members who had completed the on-line Business Board evaluation forms, and he urged members who had not yet done so to complete the form as soon as possible. Members' views were very important, and the Board would do its work better if members made their constructive suggestions known.

(b) Chair's Remarks for the Final Meeting

The Chair thanked to all members for their service over the past year. He offered special thanks to members who were concluding their terms.

- **Bill Crothers** was completing his term of highly valued service on the Governing Council and on the Business Board.

- **Kent Kuran** had been a well-informed member of the Board who had asked appropriate and pointed questions over the past year.

14. Other Business (Cont'd)

(b) Chair's Remarks for the Final Meeting (Cont'd)

- **George Myhal** had completed the statutory maximum nine years' service on the Governing Council, and he had compiled a remarkable record of leadership during those nine years – serving first as Vice-Chair and then, for eight years, as Chair of the Audit Committee.

- **Deborah Ovsenny had** served as an administrative-staff member of the Board for the past two years, bringing to the Board her good judgement and expertise as a senior member of the University's Human-Resources team.

- **Tim Reid** had also completed the statutory maximum nine years' of service on the Governing Council. Tim had contributed vigorously to the work of the Business Board for many of those years.

- **Arthur Ripstein** had completed eight years of service on the Governing Council, and he too had served on the Business Board for most of them. He would be focusing his efforts, beginning next year, on his new role as Chair of the Department of Philosophy.

- **Melinda Rogers** would continue on the Governing Council next year, but she would serve on the Academic Board as well as the Pension Committee and the Senior Appointments and Compensation Committee.

- **Olivier Sorin** had been very well informed and active member of the Governing Council over the past three years, and of the Business Board for the past two years, who had always asked questions that needed to be asked.

- **Janice Gross Stein** would continue on the Governing Council next year, but she would focus her attention on governance matters other than those under the jurisdiction of the Business Board.

(c) Thanks to Assessors

A member thanked the Board's assessors, and especially Ms Riggall, Professor Hildyard and Ms Brown, for their hard work and dedication and for the clarity of their presentations and comments to the Board. Members endorsed that view with their applause.

THE BOARD MOVED INTO CLOSED SESSION.

On motion duly made, seconded and carried, it was RESOLVED

> THAT pursuant to section 33(i) of By-Law Number 2, the Board consider items 15 and 16 in closed session and item 17 (Report of the Striking Committee) *in camera*.

15. Quarterly Report on Donations of $250,000 or More, February 1 – April 30, 2011

The Board received for information the Quarterly Report on Donations over $250,000 for the period February 1 to April 30, 2011.

16. Compensation: Merit Increases for Professional, Managerial and Confidential Staff, Advancement Staff and Research Associates

Professor Hildyard presented her proposal to implement merit increases for members of the Professional, Managerial and Confidential Staff, Advancement Staff and Research Associates, who were not represented by a collective bargaining agent and who were therefore subject to the Province’s compensation restraint legislation, which prohibited across-the-board salary increases.

The Chair reminded members that Section 27(d) of By-Law Number 2 prohibited moving, seconding, or voting on motions related to compensation by any employee of the University, or an immediate family member of any employee, except for the President and the Vice-Presidents (who were excluded from the prohibition). The By-Law provision did not exclude participation in questions and discussion.

On the recommendation of the Vice-President, Human Resources and Equity,

> YOUR BOARD APPROVED
>
> The allocation of July 1, 2011 merit increases to Confidential, Professional and Managerial, and Advancement staff and to Research Associates, as described in Professor Hildyard’s memorandum to the Business Board.

THE BOARD MOVED *IN CAMERA.*

17. Report of the Striking Committee: Co-opted Membership of the Business Board and the Audit Committee for 2011-12

After discussion, on motion duly made, seconded and carried,

YOUR BOARD APPROVED

(a) THAT Ms Catherine Riddell be appointed to the Business Board for a one-year term from July 1, 2011 to June 30, 2012; and

(b) THAT Ms Paulette Kennedy be re-appointed and Mr. Chris Thatcher be appointed to the Business Board for three-year terms from July 1, 2011 to June 30, 2014.

(c) THAT the following be appointed as co-opted members of the Audit Committee for one-year terms from July 1, 2011 to June 30, 2012:

Mr. J. Mark Gardhouse
Ms Paulette L. Kennedy
Ms Penelope Somerville
Mr. Chris Thatcher

(d) THAT Ms Paulette Kennedy be appointed Chair of the Audit Committee and Mr. Joseph Mapa Vice-Chair of the Audit Committee for one-year terms from July 1, 2011 to June 30, 2012.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 6:50 p.m.

Secretary	Chair

August 30, 2011

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