

FOR APPROVAL

PUBLIC

OPEN SESSION

TO: Business Board

SPONSOR: David Palmer, Vice-President Advancement
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PRESENTERS: Same as above
CONTACT INFO:

DATE: June 14, 2023 for June 20, 2023

AGENDA ITEM: 7(b)

ITEM IDENTIFICATION:

Guidelines on Fund Raising Strategy and Programs at the University of Toronto

JURISDICTIONAL INFORMATION:

The terms of reference of the Business Board, section 5.5(b), give the Board responsibility for "approval of strategies and policies concerning the general conduct of fundraising."

GOVERNANCE PATH:

1. Business Board [For Approval] (June 20, 2023)

PREVIOUS ACTION TAKEN:

At its meeting of May 5, 2003, the Business Board approved the *Guidelines on Fund Raising Strategy and Programs at the University of Toronto* which consolidated and updated two outdated policies entitled "Setting Priorities for Raising Private Funds" and "Policy Statement on Fundraising Strategy" which had been previously approved by the Business Board on April 17, 1995.

HIGHLIGHTS:

- The University had first adopted a set of advancement reinvestment charges in the 1990s and 2000s to help support the University's ambitious plans for fundraising growth and advancement activity for the Great Minds Campaign. These included a levy of 0.5% on the endowment fund and interest-generating holdbacks on donations. These charges helped enable the successful growth of the University's fundraising results through

investment in additional fundraising staff and programs. As a result of an extended environment of low interest rates which diminished the effectiveness of the holdbacks and the University's strong financial position at that time which allowed the advancement program to continue to be funded at that level through operating funds, these charges were eliminated in 2007.

- Currently advancement activity is funded entirely through Divisional operating budgets and the existing DUA shared services budget model. The costs are funded from general operating reserves.
- The University has prepared a detailed plan called Advancement 2025 that sets out the required divisional and DUA investments necessary to achieve the Defy Gravity \$4 billion campaign goal. Using peer-reviewed comparative data from institutions typically raising \$400 million or more annually, Advancement 2025 identified an evidence-based path to lift our annual fundraising performance from a five-year average of \$241 million at the conclusion of the previous Boundless campaign, to an average of \$400 million+/year required to meet the goals of our current campaign, Defy Gravity. The Advancement 2025 plan also identifies a significant gap at U of T in the number of front-line fundraising roles required to reach these goals and outlines a plan to close that gap with strategic and specialized resources in both the Divisions and the DUA.
- The scale of investment required for Advancement 2025, as a key enabler of our growth strategy and to achieve the \$4 billion campaign goal, is approximately \$10 million to \$11 million in incremental annual expenditures on University-wide fundraising capacity. This level of investment is required to support our ambitious growth plan which will in turn secure support for the very broad range of academic plans and aspirations across the University's three campuses.
- This level of budget investment is not dissimilar to the additional budgetary investments made in University-wide advancement programs during the course of the Boundless campaign. Those investments produced a gain of approximately \$136 million in annual fundraising results (from our pre-Boundless \$105 million average to the five-year average of \$241 million at the end of Boundless). This represents a significant ROI of more than 10 to 1.
- In Fiscal Year 2021-22, the Provost committed OTO funding from the University Fund for major gift officers in divisions as outlined in the Advancement 2025 plan. The UF allocation has provided funding for half the cost of new positions in divisions up to \$1.7 million per year for up to three years.
- The University is proposing to reintroduce advancement reinvestment charges, through the Advancement Investment Model (AIM), as a predictable source of income that supports strategic and scalable investment in fundraising capacity called for by the Advancement 2025 plan. These charges will support the University's ambitious plans to grow its annual fundraising results to \$400 million per year. They will be shared roughly

equally between the Divisions and DUA and will be applied to fund growth in base advancement budgets and not as an offset to existing advancement budgets.

- The proposed Advancement Investment Model is informed by best practice in common use in major Canadian and U.S. public and private institutions, by advice from our campaign counsel GG+A, and by our own past experience.
- The Advancement Investment Model has been endorsed by the Campaign Steering Committee of lead volunteers and donors, and by the Principals and Deans Advancement Advisory Group, following extensive individual and group consultations with members of both groups in 2020, 2021, and 2022. This proposal has the full support of the President, Provost and Chief Financial Officer.
- The Advancement Investment Model will include a charge on all expendable gifts to be applied at the time of receipt. The expendable charge will be set at 2% per expendable gift with a cap of no more than \$100,000 charged per gift. The charge will be introduced as of May 1, 2024, and will be applied only on new expendable gifts and pledges made after that date.
- In tandem with this action, an annual levy on the endowment fund will also be reintroduced. A separate amendment to the *Long-Term Capital Appreciation Pool Policy* will be required to enable this new approach to supporting the costs of the University-wide advancement program. This levy will be set at 6.5% on the annual payout from the endowment fund. Based on a 4% payout, this equates to a levy of 0.25% of the endowment market value applied annually with a cap of \$25,000 per fund. This charge will be introduced as of April 30, 2024, and will apply to all endowments.
- In a time of competing budget requirements, increasing financial pressures, and growing appetite for fundraising in support of ambitious academic priorities, the re-introduction of Advancement Investment Model charges will help support our growth strategy through 2025 and beyond, providing a model that will scale with our success and eventually enable strategic reinvestment in future requirements not anticipated by Advancement 2025.
- The proposed introduction of these advancement investment model charges are in alignment with common industry best practices and are expected to generate a significant return of 7x to 10x in new dollars raised for every dollar invested.
- It will also support excellence in receiving, managing, and stewarding major gifts and ensuring the impact of these gifts are maximized for the benefit of U of T's beneficiaries and stakeholders.
- After approval from Business Board and before implementation, there will be a comprehensive communications rollout plan to donors, campaign volunteers and University stakeholder audiences.

- The *Guidelines on Fund Raising Strategy and Programs at the University of Toronto* is being revised to (1) replace the referenced four-month holdback policy (which was discontinued in 2007) with the advancement reinvestment charge described above as the means of supporting costs of the University-wide advancement program on a go forward basis, and (2) update references to the current campaign and policies.

RECOMMENDATION:

Be It Resolved

THAT the proposed revisions to the *Guidelines on Fund Raising Strategy and Programs at the University of Toronto* be approved, to be effective June 20, 2023.

DOCUMENTATION PROVIDED:

- Proposed revisions *Guidelines on Fund Raising Strategy and Programs at the University of Toronto (Clean Version)*
- *Guidelines on Fund Raising Strategy and Programs at the University of Toronto (Tracked Changes)*



UNIVERSITY OF TORONTO

University of Toronto
Governing Council

Guidelines on Fund Raising Strategy
and Programs at the University of Toronto

~~March-June 20, 2004~~2023

To request an official copy of this policy, contact:

The Office of the Governing Council
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Fax: 416-978-8182

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Website: <http://www.governingcouncil.utoronto.ca/>

Guidelines on Fund Raising Strategy and Programs at the University of Toronto

The University of Toronto requires strong and continuing private support from alumni, friends, corporations and foundations to help achieve its academic objectives. Private funding is part of a resource generation strategy involving government support, tuition revenue and research funding.

The success of the \$+2.6 billion University of Toronto Boundless Campaign (~~1997-2004~~which closed on December 31, 2018) has created the platform for the continuing strength of fund raising at U of T. As it ~~prepares~~continues to build on the strong base of support through the launch of the \$4 billion Defy Gravity Campaign~~created during the Campaign~~, the Division of University Advancement will continue to hold its programs servant to the academic priorities of the University of Toronto, as defined by the academic leadership through the academic planning process and by governance. The Division will continue to be fully accountable to governance as it assists in raising the private support required to provide teaching and research programs competitive with those offered at the world's top ~~public research~~ universities.

University of Toronto Fund Raising Guidelines

- **The Division of University Advancement, along with University Divisional Advancement staff will raise the private support necessary to help fulfill the University's objectives.** The University's fund raising programs (under the leadership of the Vice-President, ~~and Chief Advancement Officer~~) will focus on raising private support for approved academic priorities. The Division of University Advancement, in consultation with the academic leadership, will set annual university-wide and divisional fundraising goals, to enable the University to plan for the realization of its academic priorities, and to provide for ongoing accountability to Business Board.
- **All fund raising programs will be fully compliant with the terms of the relevant policies and guidelines of the University of Toronto**, including (but not limited to) the Provost's Guidelines on Donations, the Provost's Guidelines ~~for~~on Use of Divisional Operating Reserves for the Purpose of Matching ProgramsNew Donor Gifts, the Provost's Statement on the Role of Advisory Bodies, the Policy on Endowed and Limited Term Chairs, Professorships, ~~Lectureships~~Distinguished Scholars and Program Initiatives, the Policy on Naming, the Policy on Capital Planning & Capital Projects, and the Policy on Student Awards.
- **All fundraising programs at the University of Toronto will be organized on a coordinated-decentralized basis, with a strict adherence to prospect clearance and coordination.** This will ensure that all academic divisions continue to have access to central fund raising expertise and services; that all fundraising efforts are carefully coordinated; and that all contacts with prospective benefactors are planned and undertaken in a manner that maximizes donor affinity to and support of the University.
- **The University will levy a uniform fee on both expendable gifts and the payout on endowed donations as the University determines is appropriate from time to time ~~continue with its four-month holdback policy in order to help offset~~support the costs of the University-wide advancement program. The fee will be determined by the Vice President, Advancement and Chief Financial Officer and approved by the President.**
- **All fund raising programs at the University of Toronto will emphasize donor stewardship** as a key prerequisite to building and maintaining strong ties with alumni and donors. The success of the University's fund raising programs in the future will be directly determined by its ability to steward its donors and strengthen alumni affinity.
- **The University will strive to attract and retain high-quality advancement staff and to emphasize the highest standards of professional achievement and accountability.** The University will provide employment conditions and training opportunities consistent with this objective, while at the same time basing continuing employment on consistent high performance, as specified through the accountability process for advancement professionals.

~~Chief Advancement Officer~~

~~February~~June 20-17, ~~2004~~2023



UNIVERSITY OF TORONTO

University of Toronto
Governing Council

Guidelines on Fund Raising Strategy
and Programs at the University of Toronto

June 20, 2023

To request an official copy of this policy, contact:

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