UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 158 OF THE BUSINESS BOARD

June 21, 2007

To the Governing Council,
University of Toronto.

Your Board reports that it met on Thursday, June 21, 2007 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Jacqueline C. Orange (In the Chair)
Mr. Richard Nunn, Vice-Chair*
Dr. C. David Naylor, President
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Mr. Donald A. Burwash
Mr. P. C. Choo
Dr. Alice Dong
Ms Mary Anne Elliott
Mr. Robin Goodfellow
Dr. Gerald Halbert
Ms Kate Hilton
Professor Glen A. Jones
Ms Paulette L. Kennedy
Mr. Gerald A. Lokash
Mr. Geoffrey Matus
Dr. Gary P. Mooney
Ms Marvi H. Ricker
Professor Arthur S. Ripstein
Mr. Stephen C. Smith
Ms Estefania Toledo
Ms B. Elizabeth Vosburgh
Mr. Robert S. Weiss

Professor Vivek Goel, Vice-President and Provost
Ms Rivi Frankle, Interim Vice-President and Chief Advancement Officer
Ms Judith Wolfson, Vice-President, University Relations
Ms Sheila Brown, Chief Financial Officer
Mr. Louis R. Charpentier
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources
Ms Elizabeth Sisam, Assistant Vice-President, Campus and Facilities Planning
Professor Safwat Zaky, Vice-Provost, Planning and Budget
Mr. Nick Zouravlioff, Acting Chief Capital Projects Officer

Secretariat:

Mr. Neil Dobbs
Mr. Henry Mulhall

Regrets:

Ms Susan Eng
Mr. George E. Myhal
Mr. David Oxtoby
Mr. Larry Wasser
Mr. W. David Wilson

* Participated by telephone.

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In Attendance:

Dr. Anthony Gray, Special Advisor to the President
Professor Bruce Kidd, Dean, Faculty of Physical Education and Health
Ms Rosanne Lopers-Sweetman, Director, Strategic Initiatives and Priorities, Office of the Vice-President and Provost
Mr. Pierre G. Piché, Controller and Director of Financial Services
Ms Masha Sidorova, Co-Chair, Council on Athletics and Recreation
Ms Mae-Yu Tan, Special Projects Officer, Office of the Governing Council

1. Report of the Previous Meeting - Report Number 157 - May 7, 2007

Report Number 157 (May 7, 2007) was approved.

2. Business Arising from the Report of the Previous Meeting

Item 4 – Health and Safety: Annual Report 2006

A member recalled a question at the previous meeting concerning the regularity of meetings of the University's 45 Joint Health and Safety Committees. Ms Sass-Kortsak said that she and her colleagues were continuing to work with the Faculties and Departments to ensure that regular meetings were held. The administration was also consulting with legal counsel about the possibility of consolidating the committee structure to reduce the number of committees, with some of the committees being responsible for more than one building. Ms Sass-Kortsak would continue to monitor the matter carefully and report further to the Board at its next meeting.

THE FOLLOWING TWO ITEMS CONTAIN RECOMMENDATIONS TO THE GOVERNING COUNCIL FOR APPROVAL.

3. Financial Statements

The Chair said that the audited financial statements were before the Board for consideration and, if appropriate, recommendation to the Governing Council for approval. The remainder of the *Financial Report* was for information. A copy of the *University of Toronto Financial Report, April 30, 2007,* is attached hereto as Appendix "A".

Ms Kennedy reported that the Audit Committee had reviewed the financial statements over two meetings. On May 28, the Committee had examined the notes, and on June 20 it had completed a review of the complete statements. The internal and external auditors had been present at both meetings. The Committee had received the external auditor's audit report, which raised no issues of concern. The Committee had also reviewed the internal auditor's annual report, and it had held separate private meetings with both the external and the internal auditors, with no University staff present. The outcome was that the Committee had no concerns that would call into question the integrity of the financial statements. Mr. Pierre Piché, the Controller, had provided a detailed presentation to the Audit Committee. His presentation slides

3. Financial Statements (Cont'd)

had been placed on the table for members' information. Ms Kennedy said that Ms Brown, Mr. Piché and their staff had done an excellent job in preparing very complex financial statements – a major task completed in a remarkably short time. Their outstanding effort was clear in the final product.

Ms Brown reported that the year-end financial results were good, and better than anticipated in the financial forecast. That was the outcome of two factors. First, investment returns had been better than forecast. Second, the University had received unplanned one-time-only revenues from the Government of Ontario very close to the end of its fiscal year, and the University had not had the opportunity to spend the revenue for the purposes for which it was intended.

The Chair invited questions. There being none, the Chair commented that the absence of questions clearly reflected the Board's trust in the work of the Audit Committee in its detailed review of the statements.

On the recommendation of the Audit Committee,

YOUR BOARD RECOMMENDS

THAT the University of Toronto audited financial statements for the fiscal year ended April 30, 2007 be approved.

The Chair, on behalf of the Board, congratulated Ms Riggall, Ms Brown, Mr. Piché, Mr. Mark Britt (the Director of Internal Audit), the external auditors, and all of the members of their teams for their remarkable achievement of preparing the financial statements in time for their consideration at the June meeting of the Board. She also asked Ms Kennedy to convey the gratitude of the Board to the Audit Committee for its diligent work throughout the year, and especially for its careful review of the financial statements. The Chair said that the *Financial Report* was now public. It had initially been confidential, but with the endorsement of the statements by the Audit Committee, that classification had been removed.

Before his presentation to the Board (item 5 below), the President added his thanks to the financial team. He said that working with the University's highly professional financial staff was a genuine pleasure, and their efficient and effective work allowed the President to concentrate his focus on the academic mission of the University.

4. External Auditors: Appointment for 2007- 08

Ms Kennedy presented the proposal for the appointment of the external auditors, a copy of which is attached hereto at Appendix "B". She reported that the external auditors attended all meetings of the Audit Committee. To avoid the risk of too close a relationship between management and the auditors, Ernst & Young periodically changed the partner responsible for the University's audit. In 2005, Ms Martha Tory, a specialist in accounting in the not-for-profit sector, had been assigned to the University's account. Both the administration and the Committee were satisfied that the external auditors are doing their job well.

Questions and discussion focused on the following topics.

(a) Ernst & Young. In response to questions, Ms Brown said that Ernst & Young had been the University's external auditors for many years. The partner in charge of the audit was rotated regularly, and the current partner had assumed responsibility for the audit three years ago. In addition to the annual consideration of the audit firm in connection with its appointment by the Governing Council, the University's Purchasing Policy required a comprehensive review of all on-going consulting services at least every five years. In the case of audit services, the Controller consulted with all significant users of audit services to determine their level of satisfaction and determined whether the provision of those services should be put out to tender. Following the review of audit services, it had been concluded that there was no need for tenders or a request for proposals.

(b) Audit hours. In response to questions, Ms Brown and Mr. Piché said that the external auditors submitted an annual engagement letter to the Audit Committee which specified, among other things, the audit fee and the number of hours to be spent on the audit. The number of hours as well as the fee were the subject of negotiation each year. Mr. Piché monitored the audit to ensure that the external auditors delivered the services, including the number of hours, stated in the engagement letter. Ms Brown noted that the Audit Committee reviewed the audit fee, it received an annual report on all fees charged by Ernst & Young for work performed for the University other than the audit, and it also received a report prepared by the Council of Ontario Universities on the fees paid by all Ontario universities to their audit firms for their audits and other services provided by the audit firm.

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, 2008; 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, 2008.

THE FOLLOWING ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

5. Toward 2030: Planning for a Third Century of Success at the University of Toronto - Presentation by the President

The President observed that he had presented different versions of this long-term vision exercise to the other Boards of the Governing Council, but he would highlight the financial aspects in this presentation to the Business Board. The University's revenues had grown in recent years, driven by: strong research support from the federal government, unprecedented enrolment growth, the deregulation and re-regulation of tuition fees, and new levels of support from the University's friends and benefactors, which had amounted to $163.6-million in 2006-07. Nonetheless, the University continued to struggle to balance its books, to provide an excellent experience for its students, and to provide an excellent quality of working life for its employees. Student to faculty ratios had increased, and faculty and staff were being required to cope with an increasing workload to teach and provide services to a much larger number of students.

The President said that the intention of the *Toward 2030* initiative was to articulate audacious goals - for a much longer term than usual. 2030 had been selected as the date for the exercise in part because of its proximity to 2027, the end of the University's second century. The year 2030 would also be beyond the end of the working life of most current faculty and staff. A plan to that date would therefore reduce the participants' natural tendency to focus on their own interests and would draw on people's best judgement concerning the well-being of the University as a whole. The aim of the exercise was to spark creativity in thinking about the University's future, to promote debate and to reach broad agreement on the longer term projection for the University' future. One thing was clear: the University would need improved funding to achieve its goals. It was at present an "A+" institution with global reach operating on a "C-" budget.

The highlights of the President's presentation included the following.

- **Enrolment: history and current context**. The University had been in a period of startling enrolment growth, with its student population having grown by 35% over the past ten years and by 50% over the past twenty years. Since 1997, the enrolment at the Mississauga campus had grown by 70%, at the Scarborough campus by 96% and at the St. George Campus by 23%. Over the same period, enrolment in professional master's degree programs had almost doubled, and enrolment in doctoral programs had increased by 30%. There had been a double exponential growth function. The University of Toronto could not continue to grow at that rate. It was, however, projected that the demand for university places in the greater Toronto area would continue to rise through 2031.

  Ten years ago, some members of the University had proposed that the University not increase its enrolment further. Others took the view that there was need for growth only

5. Toward 2030: Planning for a Third Century of Success at the University of Toronto - Presentation by the President (Cont'd)

on the Mississauga and Scarborough campuses to enable them to reach an optimal scale of operations. There might be growth on the St. George Campus, but it should be moderate and undertaken only to give UTSC and UTM time to expand. Then, enrolment on the St. George Campus should be reduced.

In fact, the University had grown a great deal. The resulting increase in cash flows had enabled the University to put off making even larger budget reductions. However, the increase in enrolment to increase revenue was very much like a greyhound's chasing and never catching a mechanical rabbit because increases in per-student funding had not matched inflation. Therefore, continued growth in many ways contributed to the University's challenges, and increased cash flow only put off the necessary structural changes. The University's growth had taken it to the point where diseconomies of scale had set in.

The University would, however, be asked to grow further. While the population of 18-24 year olds in Ontario outside of the greater Toronto area would, after the baby-boom "Echo Generation" passed through that age range, gradually decline, that decline would likely be offset by a continuing increase in the participation rate for university studies. More importantly, the 18-24 year old age range in the greater Toronto area was projected to grow by 24% between 2005 and 2030, fueled by immigration. It was entirely likely that the children of immigrants would continue to make every effort to seize the opportunities offered by higher education – and particularly higher education offered in the greater Toronto area.

- **Enrolment: accessibility, quality and affordability**. As the pressure for university places in Toronto institutions continued to grow, the University of Toronto would be forced to make very difficult choices among the competing imperatives of accessibility, quality and affordability. While the University had done very well to date in managing its growth, serious challenges remained. The University's results from the U.S.-based National Survey of Student Engagement (NSSE) showed that there were students who were disaffected by certain aspects of their experience at the University of Toronto. The University had been successful in maintaining accessibility through the award of bursaries to needy students, supported by endowment funds and by the recycling of a portion of the revenue from tuition increases.

- **Enrolment: limits to growth**. On the present trajectory, the University could reach a point where the opportunity to earn a University of Toronto degree would not be available to all. The President intended that the University would continue to ensure access to all who met its academic standards, regardless of their financial resources. However, there were other fundamental limits to the further expansion of the University to meet the anticipated increases in demand for places. The University's physical capacity limited

5. Toward 2030: Planning for a Third Century of Success at the University of Toronto - Presentation by the President (Cont'd)

growth, and indeed a clear plan for the future was required before the University could reasonably implement its real-estate strategy. The St. George Campus had already become crowded, and it would probably be advisable not to plan to add to its enrolment. It was already a very large campus, exceeded in its population by only one other campus in the U.S. and Canada – Ohio State, which was only slightly larger. On the contrary, it might be best to plan to reduce St. George campus enrolment somewhat. There had been benefits to the growth of the Mississauga and Scarborough campuses and there would be benefits to some further growth. There were efficiencies to be derived from growth past a student population of 10,000. While some further growth would therefore be advantageous, growth to a population of 20,000 could perhaps cause those campuses to lose their character. Overall, adding 10,000 students to the enrolment of the Mississauga and Scarborough campuses together and reducing the enrolment on the St. George Campus somewhat would likely be of great benefit to the University. But that level of growth would fall far short of the demand for places expected in the Toronto area.

- **New models to accommodate enrolment growth**. The University could consider promoting various options to deal with the pressure to accommodate increased enrolments in the greater Toronto area. First, the University could consider the development of a fourth campus. It was not clear, however, whether such an approach would find support in the University community. Second, the University could dramatically expand its enrolment on its current campuses. That would, however, lead to further crowding and potentially to a change in the character of the Scarborough and Mississauga campuses. Third, the University could urge the establishment of a new university in the area on the model of the University of the Ontario Institute of Technology in Oshawa. Oakville or Markham might be an appropriate site. Governments might well find such an option to be attractive, providing high visibility to a government initiative. The problem with such a solution would be the risk that the cost of operating a new institution would lead to the further reduction in the real value of the funding to Ontario's current institutions. The establishment of a new institution with a differentiated role could, however, be advantageous to the system. An existing College of Applied Arts and Technology could be given an enhanced mandate and become a polytechnic university, offering a four-year degree, perhaps in partnership with York University or Ryerson. The new institution itself would presumably offer only undergraduate programs. The University of Toronto would focus more on offering graduate programs.

- **Financial model**. The President stressed the importance of having some new financial model. The alternative of the University's continuing to try to grow its way out of its difficulties and financial limitations would continue to put pressure on the quality of the student experience and faculty and staff work life. Per-student funding of post-secondary education in Ontario was least among the provinces – and 30% lower than the national

5. Toward 2030: Planning for a Third Century of Success at the University of Toronto - Presentation by the President (Cont'd)

average. The outcome had been a student/faculty ratio higher than at institutions in other provinces and lower scores on many elements of the National Survey of Student Experience than those of institutions in other provinces and in the U.S. public universities.

A new financial model might well depend on the role of tuition fees. For example, at the University of Virginia, there had been severe restraint on the level of public funding, but the Government had permitted the University flexibility to increase their tuition fees, provided that accessibility commitments were maintained. A second possibility was Government action to have different mixes of quality and accessibility at different institutions, combined with accountability to ensure that each institution was fulfilling its particular mandate.

The President said that it was indisputable that the University of Toronto was currently at a very large competitive disadvantage. In 2005-06, the University's per-student funding in U.S. dollars was $22,600, compared to the mean funding for public universities in the Association of American Universities (A.A.U.) of $55,700. The A.A.U. mean per-student funding for the private institutions was $269,200. The President noted that, notwithstanding the enormous disadvantage, the University of Toronto outperformed all of the A.A.U. publicly funded institutions, and all but one of the private institutions, in terms of the number of publications. That achievement, he stressed, came at a price in terms of the quality of the working lives of University of Toronto faculty and staff and the quality of its students' experience. He also noted that the achievement was a reflection of the quality of the University's faculty, staff and students, of Canada's culture and work ethic, and of the value Canadians placed on excellence.

- **Possible futures**. The President noted that 80% of the University's enrolment consisted of undergraduate students, with only 20% being graduate students. That was clearly out of line with leading research-intensive peer institutions. While most public institutions were predominantly undergraduate, the private institutions overwhelmingly had a greater graduate focus than the University of Toronto – most with less than 50% undergraduate enrolment and only one with 70% undergraduate enrolment. Among the options to guide the University's long term planning were the following. The University of California system was deliberately differentiated, with its campuses having a particular emphasis on research and graduate education, as contrasted to the California state system. Ontario had not, however, adopted such a differentiated system, and it was probably too late at this time to do so. Beijing University also provided an interesting model. That University had an equal number of undergraduate and graduate students, and a faculty of 4,000 full and associate professors for an enrolment of 30,000 students, providing an excellent student to faculty ratio. In that case, government authorities had again made a deliberate decision to have a differentiated system, but there was a pyramidal rather than a two-

5. Toward 2030: Planning for a Third Century of Success at the University of Toronto - Presentation by the President (Cont'd)

tiered system as in California. The University of Melbourne had in its planning made a deliberate decision to focus on the training of graduate students and international students, while the University of Oxford had decided to focus to a greater degree on professional graduate programs. Both institutions demonstrated how enrolment and program planning could be used to enable an institution to define its own future.

- **Funding possible futures**. In seeking the funding for its future plans, the University could consider seeking various sources of funding. It could, first, rely more on tuition fees. Its ability to do so would be constrained by its ability to generate additional sources of funding for bursaries to assist needy students to pay those higher fees. In that context, the President reemphasized the University's commitment to accessibility. Second, the University could advocate German-style funding options. In Germany, the government had chosen to provide the higher level of financial support necessary to enable selected leading institutions in that country to compete internationally. Third, the University could seek increased philanthropic support. Such support was critically valuable and the University had enjoyed great success in its fundraising, but there were limits to the support that could be generated from that source. While the amounts raised were considerable, benefactors frequently wished to focus their contributions on the endowment, which provided essential long-term support but would not provide sufficient immediate support to enable the University to achieve its goals for 2030. The University could seek to increase its revenue from the commercialization of the intellectual property developed by its faculty. The University had been successful in that enterprise, with revenue generated second only to the University of British Columbia in Canada, but still more could be achieved. For example, the University of British Columbia, had generated $15-million and $16-million. However, unless the University was fortunate to have a share of the rights to an invention that became the basis of a major line of business, the amounts earned would not be transformative.

The President commented on the process for consideration of the *Towards 2030* plan. The current phase was the distribution and consultation phase, and the President hoped to generate debate and to receive a great deal of advice. In the fall, working groups would deal with each of the core issues. Each issue had an effect on the others, and decisions about enrolment would affect all of them. The outcome of the consultations and working groups would be a document synthesizing possible futures and a series of recommendations. The President did not anticipate that the outcome would be a simple blueprint, but rather a preferred option among a range of options. That would in turn lead to discussions about advocacy efforts, fundraising efforts and internal decision-making.

A member urged the President to engage people from outside of the University in the planning process in order to avoid a situation of "preaching to the converted" in developing and seeking support for the University's plans. The President agreed. He replied that when the

5. Toward 2030: Planning for a Third Century of Success at the University of Toronto - Presentation by the President (Cont'd)

document was rolled out internally, he would ensure that it was drawn to the attention of a wide range of decision-makers including all levels of government: provincial, federal and the Toronto and Mississauga municipal governments. He would also draw the document to the attention of business leaders, who currently tended to take the work of the universities for granted. The economy, however, clearly required highly trained personnel as well as the products of research that could lead to innovation. The University had to make clear its key role. It also would have to reinvent itself to some extent in order to take risks in the promotion of innovation. It would also be essential for the University to make its case to the general public. Most Ontarians were simply not aware that their post-secondary institutions received 30% less funding than the national average.

6. Borrowing Strategy: Annual Status Report to April 30, 2007

The Chair observed that this annual report was for information only, but the Board should satisfy itself with respect to the status of the borrowing strategy and the Long-Term Borrowing Pool. In particular, it should be satisfied that the University would be able to continue to service its debt and to repay its debentures at their maturity dates.

Ms Brown recalled that the Board had in January, in connection with the review of the Capital Plan and the Real Estate Strategy, received a review of the Borrowing Strategy, including projections to 2010. That review had concluded that the current strategy was financially prudent and provided sufficient capacity to meet the University's needs going forward. At each meeting, the Board received a status report on the University's borrowing, providing the University's current borrowing capacity (as defined by the Borrowing Strategy), the amount of borrowing allocated to finance capital projects and certain other purposes, and the amount of capacity still available. This annual report provided an update of the regular reports and also provided information on the University's Long-Term Borrowing Pool, the vehicle being used to accumulate and invest funds for repayment of the debentures at their maturity. Monies to finance capital projects, both from external and internal borrowing, were provided by an internal loan program to divisions, which made regular principal and interest payments to the Long-Term Borrowing Pool. The balance in that Pool as at April 30, 2007 was $40.4-million.

In response to a member's question, Ms Brown said that internal loans were usually amortized over twenty years whereas the term of one of the debentures was thirty years and the term of three of the debentures was forty years. Therefore, monies repaid from earlier internal loans could be reused to finance other projects at some point in the future.

7. Investments: Pension Fund Master Trust Investment Policy: Annual Review

The Chair said that the *Pension Benefits Act (Ontario)* required that a pension plan's *Statement of Investment Policies and Procedures* (SIPP) be reviewed annually. The University of Toronto's *Statement of Investment Policies and Procedures* included three documents:

7. Investments: Pension Fund Master Trust Investment Policy: Annual Review (Cont'd)

The *University of Toronto Pension Fund Master Trust Investment Policy;* relevant excerpts from the Amended and Restated Service Agreement between the Governing Council and the University of Toronto Asset Management Corporation (UTAM); and the UTAM *Pension Fund Master Trust Investment Policy*. A copy of those documents is attached hereto as Appendix "C". The University's *Statement* set out a target return of 4% above inflation and a 10% risk tolerance for the pension fund, both averaged over ten years. By approving the proposed combined *Statement of Investment Policies and Procedures*, the Business Board would be stating its trust in the UTAM Board to determine investment strategy for the pension funds. As noted in the cover sheet, elements of the *Statement of Investment Policies and Procedures* were being reviewed, and revisions would be brought to the Board in December. At this time, the Business Board was being asked to approve this *Policy* in order to be in compliance with the *Pension Benefits Act.* Therefore, the Chair asked that members focus only on questions for clarification during the discussion of this item.

Ms Riggall said that the University had been conducting a review of UTAM over the past year. The outcome of that review would be taken to the UTAM Board and then presented to the Business Board in the fall. One outcome of the review would be that reports and proposals concerning investments would be brought to the Business Board in a new form and with new timing that made more sense. In the future, the annual report on the pension funds and the proposals for the investment policies would be brought to the Board at its December meeting. That would include a new version of the proposed *Statement* now before the Board. It was for that reason that Ms Riggall was recommending approval of this *Statement* on an interim basis.

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

YOUR BOARD RESOLVED

(a) THAT the proposed University of Toronto *Pension Fund Master Trust Investment Policy*, a copy of which is included in Appendix "C" hereto as attachment 1, be approved; and

(b) THAT, taken together, (i) the proposed University of Toronto *Pension Fund Master Trust Investment Policy*, (ii) the University of Toronto Asset Management Corporation *Pension Fund Master Trust Investment Policy*, a copy of which is attached to Appendix "C" hereto as attachment 3, and (iii) the Amended and Restated Service and UTAM Personnel Agreement made as of the 14th Day of May, 2003, including the amended Schedule C approved by the Business Board on April 4, 2005, be approved as the University of Toronto's *Pension Fund Master Trust Statement of Investment Policies and Procedures*, replacing those documents approved by the Business Board on March 27, 2006.

8. Investments: University Funds Investment Policy: Revision

Ms Riggall said that the *University Funds Investment Policy* dealt with the investment of: (a) the Long-Term Capital Appreciation Pool (the L.T.CAP, the investment vehicle for the University's endowed funds and the fund set aside for the Supplemental Retirement Arrangement), (b) the Expendable Funds Investment Pool (the EFIP), and (c) certain specifically invested trust funds that could not be pooled for investment purposes. The proposed Policy had been simplified somewhat, but key elements of the Policy - such as the L.T.CAP policy of the 4% real-return expectation and the 10% risk tolerance - had been the same for the past three years. The Policy was before the Board only because of a requirement that it be reviewed annually and either confirmed or amended. It was proposed to eliminate that requirement on the understanding that the Policy would continue to be reviewed annually by the administration, and it would be brought to the Board only if the administration recommended changes.

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

YOUR BOARD APPROVED

The proposed *University Funds Investment Policy* dated June 21, 2007, a copy of which is attached hereto as Appendix "D", replacing the *Policy* approved by the Business Board on March 27, 2006.

9. Art Centre: Terms of Reference – Revision

Professor Goel said that the University had an extensive art collection including all manner of works of art (including paintings, prints, portraits of record, and works in electronic media) that had been donated to the University or acquired. Those works of art were displayed in several galleries. The University of Toronto Art Centre, located in University College, was overseen by a Board which currently had certain responsibilities for art collections or galleries elsewhere, over which it did not have jurisdiction. Those other galleries were located at Hart House; the University of Toronto at Mississauga; the University of Toronto at Scarborough; the Faculty of Architecture, Landscape, and Design; the Thomas Fisher Rare Books Library; the Faculty Club and the federated universities. It was proposed to revise the terms of reference of the University of Toronto Art Centre Board to make it responsible solely for providing advice on strategy, policy and planning for that Centre. A separate University Art Committee would advise on broader policy matters concerning works of art including policies for acquisition, de-accessioning, conservation, security, and so on. That Committee consisted of the heads of the units with art collections or their designates. It was to be chaired by the Vice-President and Provost or designate.

Professor Goel pointed out that, under the proposed new Terms of Reference, the members of the Art Centre Board would be appointed by the President on the recommendation of a nominating committee consisting of the Chair of the Board, the Vice-President and Provost, and the Principal of University College. Previously, each of those officers appointed one third of

9. Art Centre: Terms of Reference – Revision (Cont'd)

the members. The role of the Board would be clarified to separate governance and administrative responsibilities. The terms of reference were in line with the *Provost's Statement on the Role of Advisory Bodies*.

Professor Goel responded to questions on the following subjects.

(a) University Art Committee. The University Art Committee would assume responsibility for advising on broader policy matters beyond the University Art Centre. The Art Committee had existed previously, but it had not been appropriately structured and it had not been functioning in recent years. It was presently meant to be chaired by the Director of the University Art Centre and consisted of, among others, the heads of University divisions with art collections. It was described as advisory to the President, the Board of the University Art Centre, the Director of the University Art Centre and the University Art Curator.

(b) Curatorial staff. Professor Goel said that each of the various galleries had directors or curators. They would form a working group who would cooperate on formulating policy proposals, and the individuals would serve as assessors to the University Art Committee.

(c) Acquisitions. Professor Goel said that while the University Art Committee would propose policies concerning acquisitions, each of the galleries had its process for decisions with respect to the acquisition of works of art. The funds available for that purpose were very limited, and most new acquisitions were donated.

On the recommendation of the Vice-President and Provost,

YOUR BOARD APPROVED

The proposed Terms of Reference for the University of Toronto Art Centre Board, a copy of which is attached hereto as Appendix "E", replacing the Terms of Reference – University of Toronto Art Centre Board, as originally approved by the Business Board on January 15, 2001.

10. Capital Projects Report as at May 31, 2007

The Board received for information the Capital Projects Report as at May 31, 2007.

11. Capital Project Closure Report as at May 31, 2007

The Board received for information the Capital Projects Closure Report as at May 31, 2007.

12. Capital Project: Relocation of the Capital Projects and Facilities and Services Departments

Mr. Zouravlioff said that the proposed project would, if approved, be completed along with the new Central Examination Facility in the warehouse that had been associated with the previous Toronto District School Board headquarters on College Street (now the University Health Sciences Centre). The Capital Projects Department and the Facilities and Services Department would be located on the top floor of the current warehouse. The move of the two departments would free three floors at 215 Huron Street for occupancy by academic departments. The renovation project, in combination with the Examination Facility project, would require the installation of a new heating / ventilation / air conditioning system, the installation of elevators, and the updating of utilities. The project was planned to enable the departments to move into the new space in the summer of 2008.

Questions focused on three matters.

(a) Adequacy of the space for the two departments. A member observed that the two departments would occupy less space than at their current location. Would the new location adequately accommodate both departments both now and into the future? Mr. Zouravlioff said that the new space would be adequate. First, the location of the two departments together would permit certain efficiencies in the use of space, such as a shared reception area, conference rooms and photocopying facility. Second, the flexibility of the open-plan design would require less space than the current facilities, which consisted largely of private offices.

(b) Staffing of the two departments. In response to a member's question, Mr. Zouravlioff said that the planned move would result in saving space but would not cause lay-offs.

(c) Project cost. A member observed that one of the Board's key responsibilities was to ensure that projects were completed at a reasonable cost. He asked about the cost per square foot (or other measure) of this project. He asked also that such information be provided routinely in future proposals. Mr. Zouravlioff replied that the construction cost was estimated to be $185 per square foot and the total project cost $255 per square foot. That was well within the normal range.

12. Capital Project: Relocation of the Capital Projects and Facilities and Services Departments (Cont'd)

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

YOUR BOARD APPROVED

Subject to Governing Council approval of the project,

(i) THAT the Vice-President, Business Affairs be authorized to execute the relocation of the Capital Projects and Facilities and Services Departments to the fourth floor and first floor storage area at 255/257 McCaul Street at a total project cost not to exceed $6.0-million, with sources of funding as follows:

Borrowing	$6,000,000

(ii) THAT the Vice President, Business Affairs be authorized to arrange such interim and long-term borrowing as required either from internal or external sources.

13. Capital Project: Varsity Centre, 2007

The Chair noted that the Interim Project Planning Report for the Varsity Centre, 2007 would be considered for approval by the Governing Council on June 25. She invited the Vice-President and Provost to make a brief presentation to provide context for the Board's consideration of the recommendation to approve execution of the proposed project.

Professor Goel reported that the Interim Project Planning Report for Varsity Centre, 2007 had been endorsed by the Planning and Budget Committee and the Academic Board, and it would be before the Governing Council at its meeting of June 25. The 2005 plan had envisioned work in a number of phases. The first of them was a track and field with 5,000 spectator seats and the second involved the construction of an air–supported bubble or dome to enable the use of the Centre in the winter months. All of the work in the original two phases had been completed, with the track having just been put into place. The facility was looking very good, and it would be the site of an important track meet in three weeks' time. The third phase of the original plan was construction of a "U" shaped building to the south of the site to accommodate a 3,700 net assignable square metre athletic facility. The final phase was the renovation of Varsity Arena. As planning work proceeded, a number of difficulties had become apparent including, for example, certain needs for electrical service. It would be difficult to accommodate all of the facilities required in the "U" shaped building at the south end of the site, requiring that a part of that building overhang the track. The cost of the facility on the constricted site would have been very high. The result would have constrained the program opportunities. It had therefore been concluded that it would be highly inefficient to proceed as originally planned. At the same time, the Faculty of Law had determined that it would prefer to seek to develop its facilities on its

13. Capital Project: Varsity Centre, 2007 (Cont'd)

current site on Queen's Park Crescent, making available the site on Devonshire Place, immediately to the west of the Varsity Centre. In addition, the University was considering the need for a Student Commons, and it had found that it would be possible to accommodate both the new athletic facility and the proposed Student Commons on the Devonshire Place site. Indeed, it would be possible to achieve efficiencies by placing the athletic facility and the Student Commons on this site, where they could share such services as an entry, child-care facilities and food services. The administration was therefore recommending that the site be assigned to the Student Commons and the new athletic facility, to be called the Centre for High Performance Sport. The new Centre would include a 2,000-seat facility for basketball and volleyball; a sport medicine clinic; a sport science assessment, teaching and research facility; a strength and conditioning centre and exercise studio; multi-use change rooms; and coaches' offices.

Professor Goel described the remaining elements planned for the new Varsity Centre project. (They were no longer being described as phases; rather they would be constructed in the order that funding for them became available.) Varsity Arena would be renovated to bring the 80-year-old building up to current standards. The renovation would include enhanced dressing rooms that would (unlike the current facilities) be large enough to serve participants' needs. An entrance building to the south end of the Centre would control entry to the facility off Devonshire Place. It would also control access to the dome and to the Arena – a new access point made necessary by the addition to the Royal Conservatory of Music to the north of the Arena. The entrance building would include team rooms for football and other sports, depending on which was in season. The northeast corner of the Centre would be marked by a facility currently described as a beacon (consideration was being given to various possible new names), marking an entry to the Centre from Bloor Street. The facility would include a box office. It would be designed to fit architecturally with the new Michael Lee-Chin Crystal of the Royal Ontario Museum and the new Royal Conservatory of Music facility, and it would mark the transition to the campus along Bloor Street West. In addition, the University would complete additional work to improve Philosopher's Walk.

Professor Goel said that the operating costs for the proposed new Entrance Building and Beacon were already in the operating budget for the original Varsity Centre plan. The capital cost of the Entrance Building would be met by donations, and Professor Goel had been advised that the University would soon be in a position to announce a benefaction for this purpose. Ms Riggall noted that the construction of the Beacon project had been approved by the Accommodation and Facilities Directorate from funds provided by donations.

Professor Goel said that the total cost of the remaining components of the Varsity Centre 2007 project was approximately $70-million. The remaining components would proceed as funding became available. There would be no further borrowing for the Centre. Further consideration of the proposal for the Centre for High-Performance Sport would involve two issues: what to include in the Centre and how to pay for its capital and operating costs. It was anticipated that all of the capital costs would be met by donations or external funds. A plan for the operating costs would have to be developed prior to the final report's coming forward.

13. Capital Project: Varsity Centre, 2007 (Cont'd)

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

YOUR BOARD APPROVED

Subject to Governing Council approval of the project,

THAT the Vice-President, Business Affairs be authorized to execute the Varsity Entrance Building at a total project cost not to exceed $ 9.5 million dollars, as funding is obtained from donations.

14. Faculty of Applied Science and Engineering, Haultain Building – Hydrogen Laboratory

Mr. Zouravlioff reported that the proposal to renovate the Hydrogen Laboratory in the Haultain Building had been approved in principle under administrative authority as a project costing under $2-million. However, the construction market, particularly for highly specialized projects, had heated up considerably, and the tenders for the project had come in above that amount. The needs of researchers were such that the Department did not wish to scale back the project, and it had the funding in hand to pay the additional cost. Therefore, the proposal was maintained according to the original plan and the approval of the Business Board was now being requested.

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

YOUR BOARD APPROVED

THAT the Vice-President, Business Affairs be authorized to execute the renovation of the Faculty of Applied Science and Engineering, Haultain Building Hydrogen Lab third floor at a total project cost not to exceed $ 2.193 million dollars, with funding provided by the Faculty of Applied Science and Engineering.

15. Other Reports for Information

The Board received the following reports for information.

(a) Report Number 84 of the Audit Committee (May 28, 2007)
(b) Risk Management and Insurance: Annual Report, 2007
(c) Borrowing: Status Report to May 31, 2007

16. Reports of the Administrative Assessors

(a) Interim Vice-President and Chief Advancement Officer: Update Report

The Chair reported that Ms Frankle had kindly agreed to provide to the Board for this meeting an update report on alumni-relations activities. Because of the pressure of other items, the Board would not have time to give appropriate consideration to the report. Therefore, the slides prepared for the report had been placed on the table for members' information, but the presentation of the report would be deferred to the first meeting in the fall, when the Board would have a better opportunity to give it appropriate consideration.

(b) Report of the Design Review Committee

The Chair recalled that, again owing to the pressure of other agenda items, the Annual Report of the Design Review Committee had been deferred from the May meeting to this meeting. (Copies of the written report had been distributed with the materials for the May meeting.) Because of the length of this agenda, it had been agreed that the presentation of the report would be deferred again until the first meeting in the fall.

(c) Capital Project Execution

Ms Riggall said that members would be aware of recent disruptions in the construction trades. The outcomes had included some disruption of capital projects at the University, which would delay their completion by the projected time.

(d) Investments: University of Toronto Asset Management Corporation (UTAM)

Ms Riggall reported that Mr. Felix Chee had decided to resign his position as President and Chief Executive Officer of UTAM as of the end of December, 2007. A search for his successor had been initiated. The search committee consisted of members of the UTAM Board, including Ms Riggall, and the 2007-08 Vice-Chair of the Business Board, Mr. Geoffrey Matus.

(e) Insurance: Canadian Universities Reciprocal Insurance Exchange (CURIE)

Ms Riggall reported the University had decided within the past week not to continue as a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE) when its current term concluded at the end of December, 2007. The University would instead turn to the commercial market. With the growth of the University and with its specialized needs, it would be better able to obtain the needed insurance coverage in the commercial market at a better price.

(f) Real Estate Advisory Committee

Ms Riggall reported that the Real Estate Advisory Committee had held its first meeting earlier in the day. It consisted of Business Board member Mr. Geoffrey Matus, Mr. David Berman (Chief Executive Officer of Tricon Capital Group Inc.), Mr. E. M. Blake Hutcheson

16. Reports of the Administrative Assessors (Cont'd)

(President, CB Richard Ellis Limited), Mr. Jack Winberg (Chief Executive Officer, Rockport Group), the President, the Vice-President and Provost and Ms Riggall. The Advisory Committee, which had held its first discussion on the organization of the University's real estate strategy, promised to be an exciting group.

17. Dates of Next Meetings

(a) Business Board Orientation, Thursday, September 20, 2007, 9:00 a.m. to 12:00 noon

The Chair said that the Business Board orientation, scheduled for Thursday, September 20, 2007 from 9:00 a.m. to noon, would focus its content on the needs of in-coming members, but all members would be welcome, and all were urged to attend. Returning members as well as new ones had found the previous years' orientations to be very useful.

(b) Next Regular Meeting, Monday, October 1, 2007 at 5:00 p.m.

The Chair said that the first regular meeting for 2007-08 academic year was scheduled for Monday, October 1, 2007. The complete list of meeting dates would be distributed over the summer.

18. Other Business

(a) Chair's Remarks

The Chair thanked Mr. Richard Nunn for his work as Vice-Chair. His well-informed judgement and support had been very much appreciated. She thanked the two voting assessors, Ms Riggall and Professor Hildyard, for their service to the Board. They had been very open with the Board, bringing more matters to it at an earlier stage. That had assisted the Board in tracking those issues and having input into them before they became crises. She thanked the other assessors to the Board and the members of staff who worked with all of the assessors.

The Chair thanked all members for their service over the past year, and she especially thanked those who were concluding their terms on the Board.

- **Mr. Donald Burwash** had served for five years as a co-opted lay member of the Business Board. He had previously served as a co-opted member of the Audit Committee and of the University Affairs Board. His total of 20 years of service as a co-opted member of Governing Council Boards and Committees had set an unrivalled standard of achievement.

18. Other Business (Cont'd)

(a) Chair's Remarks (Cont'd)

- **Dr. Alice Dong** would continue as a member of the Business Board, but in a new capacity. As the new Vice-Chair of the Governing Council, she would be an *ex officio* member.

- **Mr. Robin Goodfellow** had been an eloquent advocate in governance this year, making a strong case in support of the Varsity Centre and speaking on other issues – especially those of concern to students.

- **Ms Kate Hilton** had been an administrative staff member of the Business Board and of the Committee for Honorary Degrees in 2006-07. She had also served on the President's Advisory Committee on External Relations. For 2007-08, she would be on maternity leave.

- **Professor Glen Jones** would continue on Governing Council next year, and he would serve on the Planning and Budget Committee.

- **Ms Marvi Ricker** had served on the Board for the past three years. She would be concluding her term on the Governing Council on June 30.

- **Ms Estefania Toledo** would continue on Governing Council next year, but she would be focusing her attention on the Executive Committee and the University Affairs Board.

(b) Jacqueline Orange

Ms Riggall said that Ms Jacqueline Orange was completing a remarkable four years as Chair of the Business Board. Her leadership had had a major impact on how the Board operated. She had promoted the use of off-line sessions on major issues to permit more detailed briefings and franker discussion of issues before positions had been firmed up. She had prompted the administration to bring matters to the Board in a manner that focused on their long-term strategic impact. A recent example was the Board's first integrated review of the capital program: the capital plan, the real estate strategy and the borrowing strategy. It had, moreover, been a real pleasure to work with Ms Orange as Chair. On behalf of the Board, Ms Riggall presented Ms Orange with a University of Toronto captain's chair bearing the following inscription: "Jacqueline Orange, In recognition of exemplary service and leadership as Chair of the Business Board, University of Toronto, 2003-07."

Ms Orange said that it had been a great honour to serve as Chair of so distinguished a group. She commended all members for their diligence in completing the extensive work required to prepare for and participate in meetings. Agendas had been very full. Ms Orange, the

18. Other Business (Cont'd)

(b) Jacqueline Orange (Cont'd)

Vice-Chair and the assessors had made every effort to ensure that meetings were completed within two hours, usually but not always succeeding. The Board's leadership had worked at the agenda planning meetings preceding each Board meeting to schedule items, sometimes deferring them to subsequent meetings, and to time items on each agenda to ensure appropriate consideration for each within the usual meeting time. Ms Orange was very proud of the work of the University and the Board in such matters as developing the University's debt strategy and its pension contribution strategy. The University continued to raise the bar in its financial management and accountability. She concluded that the Board was very fortunate to have Mr. Nunn and Mr. Matus to lead it going forward.

THE BOARD MOVED INTO CLOSED SESSION

19. Quarterly Report on Donations of $250,000 or More, February 1 – April 30, 2007

The Board received, for information, the Report on Gifts and Pledges over $250,000 for the period February 1 to April 30, 2007.

20. Human Resources: July 1, 2007 Salary Increase for Professional, Managerial and Confidential Staff, and English-as-a-Second Language Instructors

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

YOUR BOARD APPROVED

(a) THAT across the board increases of 2.5% effective July 1, 2007 and .5% effective January 1, 2008 be allocated to Professional, Managerial staff at PM Levels 1 to 5, Confidentials, and ESL Instructors; and that across the board increases of 3% effective July 1, 2007 be allocated to Professional, Managerial staff at PM Levels 6 to 9; and

(b) THAT the merit pool (2.0%) be continued and that 0.5% be set aside to fund the continuation of the Stepping Up Recognition Program.

21. Report of the Striking Committee: Co-opted Membership of the Business Board and the Audit Committee for 2007-08

On the recommendation of the Striking Committee,

YOUR BOARD APPROVED

(a) THAT Mr. Jim Linley be appointed to the Business Board for a one-year term from July 1, 2007 to June 30, 2008;

(b) THAT Dr. Gary P. Mooney and Mr. John Varghese be appointed to the Business Board for three-year terms from July 1, 2007 to June 30, 2010;

(c) THAT the following be appointed as co-opted members of the Audit Committee for one-year terms from July 1, 2007 to June 30, 2008:

Ms Dominique Barker
Ms Paulette L. Kennedy
Mr. Paul E. Lindblad
Mr. Gerald A. Lokash; and

(d) THAT Mr. George Myhal be re-appointed Chair of the Audit Committee and Ms Paulette Kennedy Vice-Chair of the Audit Committee for a one-year terms from July 1, 2007 to June 30, 2008.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 6:55 p.m.

Secretary   Chair

August 1, 2007

39530