



TO: **Planning and Budget Committee**

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AGENDA ITEM: 4

ITEM IDENTIFICATION

Federation Framework Agreement with the Federated Universities

JURISDICTIONAL INFORMATION

The Committee is responsible for reviewing and making recommendations concerning a broad range of planning issues and priorities. Matters within the Committee's scope have an impact on relationships amongst divisions and relationships between the University and the community at large. It has specific jurisdiction for approval, in principle, of the incorporation of associated organizations and research ancillaries. These areas of responsibility, as well as the more general functions of the Committee, include the intent and impact of the relationship with the Federated Universities.

Excerpt from the terms of reference for the Planning and Budget Committee:

4.5.2 The Committee recommends to the Academic Board for consideration templates for agreements with external bodies. Individual agreements that do not conform to the template are reviewed by the Committee for recommendation to the Academic Board and confirmation by the Executive Committee. [Agreements that conform to the template are approved by the Vice-President and Provost.]

PREVIOUS ACTION TAKEN

The relationships between the University of Toronto and the Federated Universities, including the roles of the Colleges, the Departments, and the Faculty of Arts and Science, were set out in the April 1974 *Memorandum of Understanding*, which redefined the academic role of the Colleges in the light of rationalized and shared resources among the parties. Nine years later these relationships were reviewed and restated in the *Memorandum of Agreement Regarding the Institutional Relationships of the University of Toronto and the Federated Universities in the Faculty of Arts and Science* (June 30, 1983). This Agreement was renewed on June 21, 1990. The current *Memorandum of Agreement between the University of Toronto and the Federated Universities*,¹ approved by Governing Council on December 17, 1998 (included as Appendix 4), continued the relationship and its underlying principles, and extended their scope to include similar relationships with other Faculties and Schools of the University.

¹ <http://www.governingcouncil.utoronto.ca/Assets/Policies/PDF/federate.pdf>

The University of Toronto, Victoria University, Trinity University and the University of St. Michael's College undertook a midterm review of the *Memorandum of Agreement between the University of Toronto and the Federated Universities* in 2005.² The Memorandum may be renewed for a fixed period beyond June 30, 2008 following a full review of its operations.

HIGHLIGHTS

The college system dates back to the earliest days of the University of Toronto and remains one of the university's most distinctive features today. Innis College, New College, University College, and Woodsworth College are constituent colleges that are owned and operated entirely by the University. The University of St. Michael's College, the University of Trinity College and Victoria University are universities that are federated with the University of Toronto. The federated universities represent separate legal entities with their own independent boards. They appoint their own staff and own their own buildings but their Arts and Science teaching staff, curriculum and students are an integral part of the University.³

All students in the oldest and largest faculty, the Faculty of Arts and Science, must register in a college. Several colleges are multi-faculty colleges accepting some professional students as well as students in Arts and Science.

In order to inform consideration of the *Memorandum of Agreement between the University of Toronto and the Federated Universities* (MOA) a review team was struck with a mandate to review the operations of the MOA in light of the 2005 mid-term review; to make recommendations on amendments to the MOA and changes in practices and procedures to improve implementation of the MOA; and make recommendations on renewal and term of renewal. The membership, terms of reference and process followed are contained in the Review Report, completed in July 2007.⁴ The review team invited submissions for comments from the University community (Principals, Deans, Academic Directors and Chairs memo distributed broadly and an announcement in the *Bulletin*).

The review team formed four sub-committees to review and report on issues in four broad areas outlined in the Report: Academic; Administrative, Budget and Space; Libraries; and Student Life and Registrarial Subcommittees. The sub-committees reviewed points of intersection, based on current operations, between the Federated Colleges and the University of Toronto in order to set out what is being done well and identify current and anticipated areas for improvement to be discussed. The Report contains the sub-committee recommendations for changes in practices and

² Mid-term Review of the Memorandum of Agreement Between the University of Toronto and the Federated Universities: Report of the Review Team, 2005: <http://www.provost.utoronto.ca/Assets/publication/Reports/MOAreview2005.pdf>

³ In addition to the undergraduate colleges, the University is the site of a consortium of independent theological colleges (Toronto School of Theology), which offer second entry undergraduate and graduate academic instruction in theology as well as their own individual pastoral degrees. The consortium includes Knox College, St. Augustine's, Wycliffe, Regis, Emmanuel (within Victoria College), Trinity and St. Michael's.

⁴ Review of the Memorandum of Agreement Between the University of Toronto and the Federated Universities: Report of the Review Team, July 2007: <http://www.provost.utoronto.ca/Assets/publication/Reports/MOAreview2007.pdf>

procedures to improve the operations between the Federated Colleges and the University of Toronto.

The review team considered both the specific recommendations of each sub-committee as well as the overall framework of the MOA. The Report re-affirmed the importance and value of the relationship between the University and the Federated Universities. The relationship is working well, particularly from an academic perspective. The communication and co-ordination between the offices of the University of Toronto and the Federated Universities is positive and fruitful. Relations among the officers of the institutions continue to be excellent. As per the conclusion of the 2005 Mid-Term Review, the fundamental purposes of the MOA are generally being fulfilled.

The Report highlighted that the MOA includes sections that relate to the nature and role of the St. George Colleges, including provisions that apply in whole or in part to both the Federated and Constituent Colleges. Given the current practices among the University, Federated Universities, Faculty of Arts and Science and the Constituent Colleges, the Report recommended that the MOA should be split into separate component documents reflecting the different purposes it serves. This would provide clarity regarding the relationships and roles of the Colleges with the University. The Report recommended three components: A federation agreement with each Federated University; a statement on the role of colleges that outlines the role that all colleges, constituent and federated, play in student life and academic programs as well as outlining rights, responsibilities and accountabilities; and operating agreements with each federated university with regards to services, accountability reporting and funding.

The Review Report highlighted that a key objective going forward for all the parties was to develop a method for predictably allocating resources. The Report outlines the purpose and history of the Block Grant that is provided to the Federated Universities by the University of Toronto under the MOA, noting that the grant formula has been reviewed several times with subsequent adjustments to it. The current method of allocating the block grant is labour intensive in terms of gathering information and is subject to annual fluctuations. The Report concluded that it would be better to have a method of allocation that leads to greater predictability and stability.

Accordingly, the Administrative, Budget and Space Subcommittee identified the objectives to be served by Block Grant Funding. They examined and outlined the current model along with two alternative approaches, detailing the advantages and drawbacks of each. The Report recommended the preferred model that provides a more meaningful link to the services provided. As per the recommendations of the Report, the Vice-Provost Planning and Budget, the Federated College bursars, and the Faculty of Arts and Science chief financial officer formed a working group for the developing a framework that is based on a simplified methodology that does not require detailed examination of expenditures either at the University of Toronto or at the Federated Universities. The working group developed a process of proposing for each bin/section definition of the scope, cost driver(s), unit costs/drivers, and an annual escalation factor. A predictable annual escalation factor has been developed that takes advantage, where possible, of the aggregated cost information that is now available under the University's new budget model. The methodology is straightforward and uses transparent data that are readily available. This leads to a stable and highly predictable value for the grant.

The Review Report recommended that a working group be convened to draft the federation agreement or template for federation agreement(s) noting that all three components outlined above should be developed in parallel as part of the renegotiation of the MOA in 2007-08.

Accordingly, a working group consisting of representatives from the University and the Federated Universities met over the course of 2007-2008 to prepare Federation Framework Agreement templates, the Statement on the Roles of the Constituent and Federated Colleges, and templates for Operational Agreements. The recommendations of the Review Report sub-committees were considered as the documents were developed. The Principals of the Federated and Constituent Colleges were consulted.

The proposed *Federation Framework Agreement* (Appendix 1) is being brought forward for approval as a template agreement to supercede the MOA. It contains the essential principles for the basis of federation, making the relationship more relevant and reflective of the policies and practices that are currently in place. As recommended in the Review Report, the administrative and operational sections of the current agreement are included in separate operating agreements (see below). Once the proposed Federation Framework Agreement is approved, it will be executed in essentially the same form with each federated university.

The *Statement on the Roles of the Constituent and Federated Colleges* (Appendix 2) is presented **for information**. It sets out the roles of the St. George Colleges and a framework of principles, procedures and institutional facts within which the Colleges operate. As recommended in the Review Report, the Statement incorporates those elements of the current MOA which apply to all Colleges. It is enabled by the Federation Framework Agreement.

The templates for *Funding for the Federated Universities Operating Agreement* are presented **for information** in Appendix 3. These largely incorporate the appendices of the current MOA that cover the Block Grant, replaced with the new methodology for allocations outlined in the Report and highlighted in the Financial Implications below. The authority and process to amend the Operating Agreement is specified in the Federation Agreement(s).

As per the recommendation of the Report regarding the change in the structure of the agreement between the University and the Federated Universities, the term of the agreement has been set for a period of ten years and the Agreement is to be renewed automatically unless either party serves notice of intention not to renew three years before the next renewal date. The operating agreements will be revisited on a periodic basis in order to ensure they optimally reflect the relationship between the institutions.

The Federation Framework Agreement has been approved by the all three Federated University Boards: University of St. Michael's College on May 7, 2008, University of Trinity College on April 17, 2008, and Victoria University on April 17, 2008. The Statement and Operating Agreements have been forwarded for information along with the Federation Framework Agreement.

FINANCIAL IMPLICATIONS

The *Funding for the Federated Universities Operating Agreement* will provide for an increase in the Block Grant which will be phased in over three years. In return, the University will gain greater stability and predictability in forecasting of the grant, and better accountability metrics. The increases reflect better calculation of true costs of space, enhancements for administration and information technology, and support for student experience. The net cost of these adjustments over the three-year period will be \$1.45 million, to be funded by the Faculty of Arts and Science and the University-wide cost bins as appropriate.

RECOMMENDATIONS

Be It Recommended to Academic Board

- (a) THAT the template for Federation Framework Agreement between the University of Toronto and the Federated Universities, hereto attached as Appendix 1, be approved, effective July 1, 2008; and
- (b) THAT the agreements signed under the provisions of this resolution be filed with the Secretary of Governing Council.