UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 175 OF THE BUSINESS BOARD

June 18, 2009

To the Governing Council,
University of Toronto.

Your Board reports that it met on Thursday, June 18, 2009 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Richard Nunn, (In the Chair)
Mr. Geoffrey Matus, Vice-Chair
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Ms Mary Anne Elliott
Ms Paulette L. Kennedy
Dr. Stefan Mathias Larson
Mr. Gary P. Mooney
Mr. David Oxtoby
Ms Jennifer Riel
Professor Arthur S. Ripstein
Mr. Stephen C. Smith
Mr. John Varghese
Ms B. Elizabeth Vosburgh
Professor Cheryl Misak, Vice-President and Provost
Ms Judith Wolfson, Vice-President, University Relations
Ms Sheila Brown, Chief Financial Officer
Mr. Louis R. Charpentier, Secretary of the Governing Council
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources
Mr. Nadeem Shabbar, Chief Real Estate Officer
Professor Safwat Zaky, Vice-Provost, Planning and Budget

Mr. Neil Dobbs, Secretary

Regrets:

Mr. David Asper
Ms Susan Eng
Mr. David Ford
Mr. Steve (Suresh) Gupta
Dr. Gerald Halbert
Dr. Joel A. Kirsh
Mr. Jim Linley
Mr. George E. Myhal
Ms Anna Okorokov
Mr. Larry Wasser
Mr. W. David Wilson

In Attendance:

Ms Sally Garner, Executive Director, Planning and Budget
Mr. Pierre G. Piché, Controller and Director, Financial Services
Ms Mae-Yu Tan, Assistant Secretary of the Governing Council

ITEMS 2 AND 3 CONTAIN RECOMMENDATIONS TO THE GOVERNING COUNCIL FOR APPROVAL.

1. Report of the Previous Meeting

Report Number 174 (April 27, 2009) was approved

2. Financial Statements for the Year ended April 30, 2009

The Chair noted that the Financial Report contained three parts. The audited financial statements were before the Board for consideration and recommendation to the Governing Council. The remainder of the Financial Report – the Highlights and the Supplementary Financial Report - was for information.

Ms Brown presented the highlights of the financial statements.

- **Interdependence of the financial components**. Ms Brown commented on the way in which various components of income and expense had an overall effect on the University's income statement and on its balance sheet. The largest components of the University's revenue derived from government per-student grants and student fees. Therefore growth in the number of students would lead to an increase in revenues. However, additional students required that there be an increased number of faculty to teach them, which would lead to increased expense. Additional students and faculty would require additional space, which would lead to increased assets but (given the absence of full funding for capital expansion) it would also lead to increased debt and total liabilities. Increased returns from fundraising led to increases in revenue, when the gifts were unrestricted. If the proceeds of fundraising were assigned to the endowments, they would not be recorded as revenue but they would directly increase the University's assets and net assets. The most variable factor in the financial statements was investment performance, which affected revenue and also directly affected net assets.

- **Revenues, expenses and net income**. The University's revenues had been trending upwards over the past eight years until 2008-09, when they had fallen off slightly from \$1.948.9-billion to \$1,899.5-billion, largely because of a decline in the amount of special funding provided by the Government of Ontario at the end of its fiscal year. Expenses had also been trending upwards, including expenses for 2008-09, which had increased from \$1.898-billion in 2007-08 to \$2.069-billion. The outcome had been a net loss for the year of \$169.2-million.

- **Revenues**. Investment performance was usually the variable factor that determined whether the University enjoyed positive net income for the year or incurred a loss. The University tended to operate on a break-even basis apart from that factor. That had been the case in 2008-09. The investment loss of \$147-million that was accounted for in the Statement of Operations represented most of the \$169-million overall loss for the year.

2. Financial Statements for the Year ended April 30, 2009 (Cont'd)

The total investment loss for the year had been $608-million. However, the accounting rules provided that only a portion of that loss - $147-million of the total - was included in the Statement of Operations. Where the losses had been incurred in the externally-designated endowment funds, the decline in the value of those funds was recorded directly on the balance sheet as a decline in investments and therefore in total assets and net assets.

The $147-million investment loss that was recorded on the Statement of Operations fell into several categories. $83-million of that loss had been incurred in the endowment funds that had been so designated by the University (rather than by the donors). A further $75-million of the loss had been incurred on other funds that were invested in the University's Long-Term Capital Appreciation Pool: funds set aside to meet the University's obligations under its Supplemental Retirement Arrangement, the Long-Term Borrowing Pool used to repay borrowing for capital projects, the Long-Term Disability Reserve, and the Life Insurance Reserve. Those losses had been partly offset by the $12-million of investment income earned by the Expendable Funds Investment Pool.

The major sources of revenue were government grants amounting to $646-million and student fees amounting to $636-million – approaching the same level as government grants. Revenue from restricted grants and contracts, essentially for research projects, amounted to $435-million – having grown remarkably over the past ten years from $128-million in 1999-2000. Other sales and services provided $247-million of revenue and expendable donations provided $82-million. Over the past ten years, the growth in revenue had been primarily a function of the growth in student enrolment and in the volume of research.

- **Expenses**. The largest category of expense was $1.2-billion for salaries and benefits, which represented 59% of total expense. However, looking solely at the operating fund, which was where most salary and benefit expense was recorded, that expense amounted to 73% of the fund's revenue. The amount spent on scholarships, fellowships and bursaries amounted to $144.6-million, an increase from $125.0-million the previous year. It was worth noting that the amount of support provided by the University to its students amounted to 23% of its revenue from student fees. Expenses had in general grown to reflect the growth in the University's activities. Other categories of expense were: materials and supplies $195.8-million, amortization of capital assets $117.2-million, cost of sales and services $80.5-million, utilities $51-million, repairs and maintenance $82.5-million, and other expenses $178.8-million.

- **Balance sheet: assets, liabilities and net assets**. Assets had declined over the past year from $4.305-billion to $3.909-billion mainly because of investment losses on the endowments. Deferred contributions amounted to $1.159-billion, including unspent research grants and unspent grants and donations for other specified purposes. Liabilities amounted to $1.133-billion. Liabilities, which had increased steadily over the past ten years, consisted primarily of outstanding borrowing for capital expansion. Net assets at the end of the year were $1.617-billion.

2. Financial Statements for the Year ended April 30, 2009 (Cont'd)

- **Net assets**. The net assets included several components. The largest was the endowment funds, amounting to $1,286.3-million, a decline of $468-million (further information below).

  Internally restricted funds amounted to $179-million, a decline of about $100-million from the previous year. The decline was not as much a cause for concern as it might at first appear. The internally restricted funds did include a series of cash reserves held in the various budget units including departmental trust funds, and it did include the money set aside to meet the University's obligations under the Supplementary Retirement Arrangement. The sum of the money in those reserves had declined but only from $587-million to $529-million. Offsetting those cash reserves were unfunded non-cash obligations for various benefits, which had increased by $46-million. The largest part of that increase was pension expense. It was important to parse out the cash and non-cash obligations. The non-cash obligations would indeed require spending in the future, but in terms of the day-to-day operations of the University, it was clear that the University was in a strong position to proceed.

  Net assets also included $383.8-million invested in capital assets. That represented the amount of internal funding and internal borrowing primarily spent for capital projects. That amount would be amortized over time to reflect the depreciation of the capital assets.

  The net assets finally were reduced by the $232-million amount of the unrestricted deficit, which was almost unchanged from the previous year. The largest component of the unrestricted deficit was the amount of internal borrowing outstanding on loans to finance capital projects. The internal borrowing allocation, which had a $200-million maximum, was accounted for in the unrestricted deficit as amounts were loaned over time for particular capital projects.

  Another major element of the unrestricted deficit was the $52-million cumulative deficit in the operating fund. In the operating budget for 2008-09, that deficit had been planned to be $43.9-million. The difference of $8.1-million was not very far off the budget target. Early in 2009-10, divisions would be charged for this $8.1-million, thus returning the opening unrestricted deficit to its planned amount of $43.9-million.

- **Change in net assets, 2008 to 2009**. The University's net assets had declined by $557.2-million over the year. That reduction was primarily the outcome of the $545-million investment loss on the endowments. Other aspects of the University's financial operations had come out largely according to plan. The net loss for the year had been $169.2-million, which included the investment loss on internally designated endowments and on other funds amounting to $146.7-million. The investment loss on the externally designated endowments was $461.7-million. Those losses were partially offset by $49.4-million of externally designated donations to the endowments and

2. Financial Statements for the Year ended April 30, 2009 (Cont'd)

$27.0-million of Ontario grants designated for the endowments. Therefore, the University's financial operations had been on track, apart from the very bad year for investments, which had affected all institutions worldwide.

- **Endowment**. The $1.286-billion of endowment funds supported various categories of spending. The largest was $544-million of endowments in support of student aid. $396-million supported endowed chairs and professorships. $180-million supported various academic programs, and $167-million supported research programs. There were almost 5,000 individual endowment funds. The value of the older endowment funds was greater than their book value, but the value of new funds, because of the past year's market decline, was often less than their book value.

  Ms Brown commented on the value of the endowment funds taken together. At the end of the 2007-08 fiscal year, the endowment was valued at $1.75-billion. The book value of the funds combined was $1.2-billion. The required inflation protection built into the funds was $257-million. That had left a cushion of $287-million to deal with future market declines. That cushion had amounted to about 20% of the inflation-adjusted value of the endowment, which had appeared at the time to be a very comfortable amount. In fact, the administration had faced pressure at the time, in the light of the cushion, to pay out an increased amount. Unfortunately, with the major market decline in 2008-09, the cushion had proven to be much less than would have been needed.

  For the 2008-09 year, the book value of the overall endowment had increased to $1.287-billion as the result of $76.4-million of donations and grants – a good year for such additions. The requirement for inflation protection had been increased by $29.1-million to take into account the additional year's inflation. However, the investment loss on the year had eliminated both the cushion previously built up and the amount reserved for inflation protection. The market value of the endowment overall had been, at the end of the year, just slightly below its book value.

  The effect of the business cycle could be seen in a graph of the value of the overall endowment for the past ten years. The objective of the *Policy for the Preservation of the Capital of Endowment Funds* was to protect the capital value of the endowment against inflation and thus to enable payouts that would increase each year to maintain their real value. That policy had succeeded in maintaining the real value of the overall endowment in the years 2000 – 2002. The significantly negative return on investment in 2003 had reduced the market value of the endowment to an amount roughly equal to its book value plus inflation protection. The University had responded at the time by reducing the payout target from 5% to 4% of the value of the fund. With the good investment returns in 2004-2007, a significant cushion had again been built up above the inflation-protected value of the endowment funds. Then with the slightly negative return in 2008 and the large negative return in 2009, both that cushion and the inflation protection above book value had been eliminated.

2. Financial Statements for the Year ended April 30, 2009 (Cont'd)

- **External borrowing**. There had been very little change in the total external borrowing outstanding. The largest part of that borrowing consisted of four "bullet" debenture issues, with the repayment of principal not required until their maturities between 2031 and 2046. With the older amortizing loans for certain individual projects, principal was being repaid in blended principal and interest payments, bringing total borrowing down from $556.3-million to $554.0-million. The maximum external borrowing capacity, as defined by the University's Borrowing Strategy, was 40% of net assets averaged over the past five years. That currently amounted to $758.4-million, which was a slight increase from $748.0-million. While net assets had declined over the 2008-09 year, the averaging mechanism had ceased to include in the calculation the net assets from six years previously, which were fairly similar to those in 2008-09. Total borrowing outstanding as at April 30, 2009 represented 35% of the net assets at that date – with the increased proportion being the result of the decline in net assets at year-end. The Governing Council had in January authorized a further $200-million of borrowing for capital projects. Ms Brown had made it clear that she would not proceed with that borrowing if the result would bring outstanding borrowing above the 40% of net assets over the past five years. The current capacity would permit the approved borrowing to go forward, although with little room to spare. She was uncertain about when she would proceed with the borrowing, preferring to be opportunistic with respect to market opportunities.

- **Comparison of results to the January financial forecast**. Ms Brown recalled that she had in January presented a financial forecast to the Board, which had included some stress testing of possible variances. She commented on the differences between the actual financial results and the forecast amount. Revenues at $1.9-billion had been 2.5% higher than the forecast. The primary reason for the variance was the provision of additional funding by the Province of Ontario at its fiscal year end. The forecast had prudently not included any projection of a year-end grant. Expenses had been very close to budget, as had net assets. The year-end value of the endowment funds had been 2.5% below the forecast amount. Internally restricted net assets had been 22% higher than forecast, again primarily as the outcome of the year-end funding from the Province, which had been set aside. The operating fund deficit, at $52-million, had been 16.5% better than forecast although still above the budged deficit of $43.9-million.

The Chair said that the statements had been subject to thorough review by the Audit Committee. Ms Kennedy reported that the Audit Committee recommended approval of the financial statements. The Committee had reviewed them over two meetings. At its May meeting, the Committee had reviewed the draft notes, paying particular attention to changes to the note disclosures. At its June meeting, the Committee had reviewed the full statements in detail, with the external auditors present. The Committee had reviewed the auditors' detailed report of their audit results and had met *in camera* with the auditors, with no University staff present. The auditors had been very complimentary of the work of University staff, who had

2. Financial Statements for the Year ended April 30, 2009 (Cont'd)

done an outstanding job of completing a very complex set of financial statements in a very short period of time after year-end. The results of their work had been very good.

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, 2009 be approved.

In the course of discussion, Ms Brown and the Chair congratulated Mr. Pierre Piché (the Controller), Mr. Mark Britt (the Director of Internal Audit), the external auditors, and all of the members of their teams on their outstanding work in preparation of the financial statements on time for their consideration by the Board and the Governing Council at their June meetings. The Chair also commended and thanked the members of the Audit Committee for its diligent work on behalf of the Board in reviewing the financial statements. He noted that the Financial Report was now public. With the endorsement of the financial statements by the Audit Committee the previous evening, the classification of the statements as confidential had been removed.

3. External Auditors: Appointment for 2009-10

Ms Kennedy reported that the Audit Committee recommended the re-appointment of Ernst & Young as the external auditors of the University and its pension plans for the fiscal year ending April 30, 2010. The administration and the Audit Committee were both satisfied that the external auditors were doing their job well. The auditors attended all meetings of the Audit Committee, which therefore had the opportunity to assess their work and their skills. The Committee reviewed the external audit plan, their auditors' report on the audit, their independence letter and (to satisfy itself with respect to the auditors' independence) the list of engagements completed, apart from their audit assignment, and the fees charged by the firm. The additional assignments were limited and related largely to matters concerning taxation. The Committee had noted that, to preserve independence, the partner in charge of the audit was changed from time to time. The current partner in charge, Ms Martha Tory, was a highly regarded specialist in accounting for the not-for-profit sector, and she had begun her current assignment with the University in 2005. There was, therefore, no need for further rotation at this time.

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, 2010; and

3. External Auditors: Appointment for 2009-10 (Cont'd)

(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, 2010.

4. Borrowing Capacity and Status of the Long-Term Borrowing Pool to April 30, 2009

Ms Brown recalled that the Borrowing Strategy, as approved by the Governing Council, permitted external borrowing for capital projects (and some other purposes) up to 40% of the University's net assets averaged over five years. In addition, there was provision for internal borrowing –from the Expendable Funds Investment Pool – to a maximum of $200-million. In February, the Board had received the annual Report on Borrowing, which examined the Strategy to determine whether it remained a prudent one. The University's borrowing was compared to benchmarks established on the basis of the borrowing of other universities, as reported by Moody's Investor Services. The level of the University's borrowing had been deemed to be prudent. The report currently before the Board: (a) reported the new external borrowing limit, based on five years' net assets that included those as at April 30, 2009; and (b) described the status of the Long-Term Borrowing Pool – a sinking fund the University had established to accumulate funds to repay the various bullet debentures when they become due. That Pool had been established by choice of the University; it was not required by any covenant associated with the debenture issues. Loans were made to individual divisions for capital projects, and they were required to make blended principal and interest payments on those loans. The proceeds were placed in the Long-Term Borrowing Pool. That Pool was used to make interest payments on the debentures, to pay the costs of issuing them, and to pay other on-going costs such as those for periodic credit ratings. The remaining monies were accumulated in the Pool, were invested, and would be used to repay the principal of the debentures on their due dates.

Ms Brown reported that because the Long-Term Borrowing Pool had been invested in the Long-Term Capital Appreciation Pool, it had lost money during the past year. Referring to the Income Statement and Balance Sheet for the Pool, she noted that repayments of principal collected to date amounted to nearly $63-million. However, as the result of the investment losses, $48.4-million of funds were available, as at April 30, 2009, to repay the debentures. To put the situation in perspective, Ms Brown recalled the decisions made in 2001 when the Long-Term Borrowing Pool had been established. Various models had been developed with respect to the Pool. Some of those models, which assumed very good investment returns, showed the development of balances in the Pool that would exceed the University's needs to repay its debentures. Other models, using more pessimistic assumptions, showed balances in the Pool that would be less than required for debenture repayment. On balance, it was concluded that the Pool should be invested in a manner similar to that for an individual's investments for pension purposes. In the early years, investments would be more aggressive in order to seek the best gains prudently possible. Later on, closer to the debenture repayment dates, investments would tend more towards a much greater proportion of fixed income instruments. The Long-Term Borrowing Pool was still in the first phase, with its monies invested in the Long- Term Capital Appreciation

4. Borrowing Capacity and Status of the Long-Term Borrowing Pool to April 30, 2009 (Cont'd)

Pool, with substantial time available before the due date for the first debenture issues, which was 2031. In addition, there was a fall-back possibility. As with any corporation when debt became due, the corporation could "roll" some or all of its debt, issuing a new debenture. While Ms Brown would certainly have preferred to report that the Pool was in a better position at this time, its current position was not an unusual one given the investment strategy being used and given the recent poor state of the capital markets.

5. Capital Projects Report as at May 31, 2009

The Board received for information the Capital Projects Report as at May 31, 2009. That Report showed projects under construction (forecast cost of $387.73-million) and projects that were occupied but not formally closed (forecast cost of $454.07-million).

6. Borrowing: Status Report to May 31, 2009

The Board received for information the Status Report on Borrowing to May 31, 2009. That Report showed borrowing capacity of $958.4-million pursuant to the University's policy; borrowing allocated (net of repayments that could be reallocated) of $900.7-million; actual external borrowing of $554.0-million; and internal borrowing outstanding of $195.9-million.

7. Lash Miller Building: Chemistry Research and Instructional Laboratories Revitalization

Mr. Shabbar said that both the Lash Miller Chemical Laboratories and the McLennan Physical Laboratories were older buildings in clear need of upgrading. The proposals before the Board were to upgrade the teaching and research laboratories in both buildings. The largest step in both cases would be the upgrading of the infrastructure elements in the buildings to provide the capacity for the upgraded laboratories. Most work would be done on their heating, ventilation and air conditioning systems, other mechanical systems, and their electrical services. In response to a question, Mr. Shabbar said that the projects would reduce substantially the amount of deferred maintenance for both buildings. There had been no announcement of government funding for either project from the federal government's fiscal stimulus program; therefore proceeding with the projects would require support from an anticipated second round of public funding.

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

YOUR BOARD APPROVED

Subject to Governing Council approval of the project, and subject to the receipt of government funding,

THAT the Vice-President, Business Affairs be authorized to execute the Chemistry Research and Instructional Laboratories Revitalization project in the Lash Miller Building at a total project cost not to exceed $8-million.

8. McLennan Physical Laboratories Building: Physics Research and Instructional Laboratory Revitalization

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

YOUR BOARD APPROVED

Subject to Governing Council approval of the project, and subject to the receipt of government funding,

THAT the Vice-President, Business Affairs be authorized to execute the Physics Research and Instructional Laboratories Revitalization project in the McLennan Physical Laboratories Building at a total project cost not to exceed $7.5-million.

9. Capital Project: School of Global Affairs

Mr. Shabbar stated that the University had recently acquired an office building at 172 St. George Street, which was planned to become the new home of the Office of Admissions and Awards. That Office would move in November 2009, leaving its current premises at 315 Bloor Street West available to accommodate the School of Global Affairs. Subject to approval, architects would be hired to design the work on this heritage building (constructed in 1909 as the Meteorological Building). While none of the interior features of the building were of historical significance, the external features had to be preserved. In addition to renovating the current building, additional space would be added adjacent to it. The building would form a part of the larger, overall plan for site 12, which (with appropriate funding) would accommodate the Centre for High-Performance Sport, additional activities of the Munk Centre for International Studies, and additional space for the Executive Programs of the Rotman School of Management. In designing the project, it would be important to take into account the future needs of the site. The Province of Ontario had provided a commitment of $13.6-million to support the project. The proposal would, however, also have to take into account the likely need to pay the new Harmonized Sales Tax, which would become effective in the summer of 2010. That factor would likely lead to an incremental cost for all capital projects.

Among the topics that arose in discussion were the following.

(a) Accommodation of the Canadian International Council. A member observed that the renovated building was to serve as the home of the Canadian International Council and she enquired about the relationship and the terms of its occupancy in the proposed renovated building. Ms Wolfson said that the Council was an outside organization but that the School of Global Affairs and the Council engaged in joint activities and projects. Professor Misak said that such groups made arrangements with the University to pay for occupancy costs as appropriate to the circumstances of their relationship with the units in question.

(b) Harmonized Sales Tax. In response to a question, Mr. Shabbar said that seven projects currently in the queue for completion could be affected by the new Harmonized Sales Tax to take

9. Capital Project: School of Global Affairs (Cont'd)

effect in Ontario. He anticipated that the largest impact with respect to those projects would be the taxation of labour costs. Equipment could be purchased before the tax came into effect. The University estimated that the impact of imposition of the tax on the large projects currently in planning could be about 4% of the projects' cost, amounting to a sum of about $7-million. Ms Riggall and Mr. Shabbar said that all Ontario universities were lobbying for exemption from the tax for their capital projects, especially those already in the queue. For new projects, the University would build the cost into its cost model and planning.

(c) Alternative of commercial development of the North side of the site. A member noted that property on Bloor Street West might well have substantial commercial value. Had the University looked into leasing the north part of site 12 to commercial users in order to generate funding for its academic activities? Mr. Shabbar replied that it would be very problematic for a developer to use the Bloor Street frontage for commercial activities. First, it would be necessary to maintain the heritage building. Second, the site was currently zoned for institutional use. That being said, the University was always looking for new opportunities to generate revenue.

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 School of Global Affairs project at a total project cost not to exceed $13.6-million plus the impact of the Harmonized Sales Tax, with funding provided by the Government of Ontario.

10. Capital Project: University of Toronto at Mississauga - Medical Academy

The Chair reported that because the increase in total cost for this project was within the amount that could be approved under administrative authority, it was now not proposed to request Board approval. In response to a question, Ms Riggall said that when the tender for the project was re-issued, it had come in below the estimated price. The University of Toronto at Mississauga had therefore decided to add to the project an upgraded laboratory complex, which had brought the project above the approved price, but within a price that could be approved under administrative authority.

11. Risk Management and Insurance: Annual Report

Ms Brown recalled that the report on Risk Management and Insurance was prepared annually, reviewed in detail by the Audit Committee, and also provided to the Business Board. The Report dealt with the first period in recent years in which the University had purchased its insurance coverage in the commercial market. It had ceased to be a member of Canadian

11. Risk Management and Insurance: Annual Report (Cont'd)

Universities Reciprocal Insurance Exchange (CURIE) as at January 1, 2009. To bring its insurance coverage into line with its fiscal year, the University had purchased its initial coverage for the 16 months to April 30, 2010. It was at this time satisfied both in terms of the coverage provided and the insurance premiums that moving to the commercial market had been the appropriate step to take.

12. Report Number 90 of the Audit Committee - May 19, 2009

The Board received Report Number 90 of the Audit Committee (May 19, 2009) for information. (It contained no recommendations requiring Board action.)

13. Dates of Next Meetings

The Chair stated that the Board planned to arrange its orientation somewhat differently for 2009-10. Rather than holding the orientation on a separate date, there would be two sessions, in the hours before the first two meetings. That would save members the need of making a separate trip to the University. The first orientation session was planned for 4:00 p.m. on Tuesday, September 29, 2009. The second would take place at 4:00 p.m. on Monday, November 9, 2009.

The Chair reminded members that the next regular meeting of the Board was scheduled for Tuesday, September 29, 2009 at 5:00 p.m. (following the orientation session at 4:00 p.m.) The complete list of meeting dates would be distributed over the summer.

14. Other Business

(a) Feedback Survey

The Chair drew members' attention to the "Business Board Feedback, 2008-09" forms, and asked that members complete them. Members' responses would help to improve the efficiency and effectiveness of the Board's operations.

(b) Chair's Remarks

The Chair thanked all members for their service on the Board. He offered his special thanks to members who were concluding their terms on the Board.

- **Ms Susan Eng** had completed her maximum nine years of service on the Governing Council, having served on the Business Board throughout. She would now be devoting her full time to advancing the interests of Canada's "zoomers."

- **Mr. David Ford**, a graduate student in Health Administration, had completed his term of service on the Governing Council and the Board.

14. Other Business (Cont'd)

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

- **Dr. Gerald Halbert** would continue his service on the Governing Council next year, but he would be focusing his attention as a member of its Executive Committee.

- **Dr. Joel Kirsh** would also be continuing on the Governing Council next year, but reducing his Board and Committee commitments, meaning the Business Board would not continue to have the benefit of his membership.

- **Mr. Jim Linley**, the Chief Administrative Officer at University College, had completed his two years of membership of the Business Board.

- **Ms Anna Okorokov,** full-time undergraduate student member of the Governing Council, had also completed her term.

- **Mr. David Oxtoby** had served on the Board for three years and before that on the Audit Committee for four years. After those many years of service, because of other board commitments, Mr. Oxtoby had regrettably decided that he could not continue on the Board next year.

- **Ms Elizabeth Vosburgh** would be continuing her service on the Governing Council next year, but she would be concentrating her full energy as the new Chair of the University Affairs Board.

- **Mr. Larry Wasser** had completed his service on the Governing Council and the Board. Very well known for many years as founder, Chairman and CEO of Beamscope Canada Inc., one of Canada's largest distributors of consumer electronic and computer products, Mr. Wasser would continue his affiliation with the University as Entrepreneur in Residence at the Rotman School of Management.

THE BOARD MOVED INTO CLOSED SESSION.

16. Quarterly Report on Donations of $250,000 or More, February 1 – April 30, 2009

The Board received, for information, the Report on Gifts and Pledges over $250,000 for the period February 1 – April 30, 2009.

17. Canadian Auto Workers, Local 2003 - Operating Engineers and Building and Management Systems Technicians

The Chair noted that the President or his designate had authority to approve "changes to collective agreements under the Labour Relations Act that fall within existing policies and salary determination procedures." Professor Hildyard reported for information on the terms of

17. Canadian Auto Workers, Local 2003 - Operating Engineers and Building and Management Systems Technicians (Cont'd)

the University's settlement with its operating engineers and building and management systems technicians, represented by the Canadian Auto Workers, Local 2003.

18. Canadian Union of Public Employees, Local 3907 – Graduate Assistants at the Ontario Institute for Studies in Education

Professor Hildyard reported for information on the terms of the University's settlement with the Graduate Assistants at the Ontario Institute for Education, represented by the Canadian Union of Public Employees, Local 3709.

19. Human Resources: Professional, Managerial and Confidential Staff - Phased Retirement Program

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

YOUR BOARD APPROVED

The implementation of a temporary voluntary phased retirement program for Professional Managerial and Confidential staff members, as described in Professor Hildyard's memorandum to the Business Board of June 9, 2009.

20. Human Resources: Teaching Staff and Librarians– Merit Increases

The Chair said that Professor Hildyard would like to add to the agenda of the meeting a proposal from the Senior Appointments and Compensation Committee concerning the payment of merit increases to members of the teaching staff and professional librarians, who were represented by the University of Toronto Faculty Association. That Committee had met to consider the matter only late in the day two days before the meeting. Because of the lack of notice, approval of a procedural motion was required to add the item to the agenda.

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

THAT, pursuant to section 32(d) of By-Law Number 2, the Board agree to add to its agenda a proposal from the Senior Appointments and Compensation Committee concerning the payment of 2009 merit increases to members of the teaching staff and professional librarians.

20. Human Resources: Teaching Staff and Librarians– Merit Increases (Cont'd)

Professor Hildyard presented the proposal. On the recommendation of the Senior Appointments and Compensation Committee,

YOUR BOARD APPROVED

The allocation of 2009 Merit increases to members of the teaching staff and professional librarians.

21. Human Resources: Professional, Managerial and Confidential Staff – Merit Increases

Professor Hildyard presented the proposal. On the recommendation of the Senior Appointments and Compensation Committee,

YOUR BOARD APPROVED

The allocation of 2009 Merit increases to Confidential staff and Professional and Managerial staff levels 1-7.

THE BOARD MOVED IN CAMERA.

22. Report of the Striking Committee: Co-opted Membership of the Business Board and the Audit Committee for 2009-10

On motion duly made, seconded and carried,

YOUR BOARD APPROVED

(a) THAT Ms Deborah Ovsenny and Ms Jennifer Riel be appointed to the Business Board for one-year terms from July 1, 2009 to June 30, 2010; and

(b) THAT Ms Mary Anne Elliott and Mr. J. Mark Gardhouse be appointed to the Business Board for three-year terms from July 1, 2009 to June 30, 2012.

(c) THAT the following be appointed as co-opted members of the Audit Committee for one-year terms from July 1, 2009 to June 30, 2010:

Professor Ramy Elitzur
Mr. J. Mark Gardhouse
Ms Paulette L. Kennedy; and

22. Report of the Striking Committee: Co-opted Membership of the Business Board and the Audit Committee for 2009-10 (Cont'd)

(d) THAT Mr. George Myhal be re-appointed Chair of the Audit Committee and Ms Paulette Kennedy Vice-Chair of the Audit Committee for one-year terms from July 1, 2009 to June 30, 2010.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 6:10 p.m.

Secretary	Chair

July 7, 2009

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