UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 180 OF THE BUSINESS BOARD

March 22, 2010

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, March 22, 2010 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Richard Nunn, (In the Chair)
Professor C. David Naylor, President
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Mr. Andrew Agnew-Iler
Mr. William Crothers
Ms Mary Anne Elliott*
Ms Paulette L. Kennedy
Dr. Stefan Mathias Larson
Mr. Gary P. Mooney
Ms Deborah Ovsenny
Mr. Tim Reid
Ms Jennifer Riel
Professor Arthur S. Ripstein
Mr. Stephen C. Smith
Mr. Olivier Sorin
Professor Janice Gross Stein
Mr. W. John Switzer

Professor Cheryl Misak, Vice-President and Provost

Mr. David Palmer, Vice-President, Advancement
Ms Judith Wolfson, Vice-President, University Relations
Ms Sheila Brown, Chief Financial Officer
Mr. Louis R. Charpentier, Secretary of the Governing Council
Mr. Paul Donoghue, Chief Administrative Officer, University of Toronto at Mississauga
Ms Rivi Frankle, Assistant Vice-President, Alumni and Stakeholder Relations
Ms Sally Garner, Executive Director, Planning and Budget
Professor Scott Mabury, Vice-Provost, Academic Operations
Ms Anne E. MacDonald, Director, Ancillary Services
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources
Mr. Nadeem Shabbar, Chief Real Estate Officer

Mr. Neil Dobbs, Secretary

Regrets:

Mr. Geoffrey Matus
Mr. J. Mark Gardhouse
Mr. Steve (Suresh) Gupta
Ms Florence Minz
Mr. George E. Myhal
Ms Melinda Rogers
Mr. John Varghese
Mr. W. David Wilson

* Participated by telephone.

55653v2

REPORT NUMBER 180 OF THE BUSINESS BOARD – March 22, 2010

In Attendance:

Professor Jill Matus, Vice-Provost, Students
Ms Gillian Morrison, Assistant Vice-President, Divisional Relations and Campaigns
Mr. Ken DeBaeremaeker, Manager, Enrolment Planning and Modeling
Mr. Richard Dernowski, Director of Capital Projects
Dr. Anthony Gray, Special Advisor to the President
Mr. Anwar Kazimi, Committee Secretary, Office of the Governing Council
Professor George Luste, President, University of Toronto Faculty Association
Mr. Sandeep Malik, Senior Manager, Budget Planning & Administration
Mr. Henry T. Mulhall, Assistant Secretary of the Governing Council

ITEMS 3 AND 4 DEAL WITH RECOMMENDATIONS TO THE GOVERNING COUNCIL FOR APPROVAL.

ITEM 5 RECORDS THE BOARD'S CONCURRENCE WITH AN ACADEMIC BOARD RECOMMENDATION TO THE GOVERNING COUNCIL FOR APPROVAL.

THE REMAINING ITEMS ARE REPORTED FOR INFORMATION.

1. Report of the Previous Meeting

Report 179 (February 8, 2010) was approved.

2. Business Arising from the Report of the Previous Meeting

Item 3, Report of the Senior Appointments and Compensation Committee

A member said that it would be very important to record the Board's appreciation of the leadership of the President, the Vice Presidents, the Secretary of the Governing Council, the University Ombudsperson and any other employee of the University for voluntarily declining any increase in their annual stipends in light of the economic crisis and its impact on the finances of the University. It was particularly important to note that fact at the time of the Board's consideration of the proposed budget and tuition-fee schedule. The Chair observed that the member's view was clearly shared by members of the Board in general.

3. Tuition Fees and the Budget: Presentation

Professor Misak said that the times were perilous ones for universities. Because of the economic crisis, governments everywhere were facing massive deficits and were unable to provide sufficient support for universities. In the United Kingdom, for example, where tenure had been abolished, universities were making scores of faculty 'redundant.' In the University of California system, tuition fees had been increased by 32% in one year alone. The universities of Ontario were not excepted from those world-wide problems. In the light of the Province's massive deficit, the universities would be fortunate if they were to retain the existing level of

3. Tuition Fees and the Budget: Presentation (Cont'd)

funding. Their expenses, at the same time, continued to increase. The outcome would be countless changes, made division by division, to adjust to this financial problem, but changes made with a view to maintaining academic values and student accessibility. The Governing Council would, over the next year, see proposals made in an effort to achieve efficiencies while maintaining central academic values.

Professor Mabury and Ms Garner presented the highlights of the proposed tuition-fee schedule and budget report. Their presentation included information on two important background documents that had been submitted to other Governing Council committees: the Enrolment Report and the Report of the Vice-Provost, Students on Student Financial Support. Among the highlights of their presentation were the following.

- **Tuition-fee framework**. While the Province's tuition-fee framework, which limited the size of tuition-fee increases, would expire on April 30, 2010, the proposal assumed that it would be continued for 2010-11. That framework limited average tuition-fee increases to a maximum of 5% per year. The average increase being proposed was less than 5%. For all continuing domestic students, increases were limited to no more than 4%. For entering students in most undergraduate programs, including the large Arts and Science enrolment, increases were limited to 4.5%. Fees for students entering professional and graduate programs could be increased by amounts up to 8%.

- **Enrolment for 2009-10**. The University's enrolment was highly satisfactory, with actual enrolment having increased by 2,422 students from the previous year, which was modestly above the planned increase. Undergraduate enrolment had increased above plan in Arts and Science on the St. George and Scarborough campuses and in other first entry programs including Applied Science and Engineering, Music, and Physical Education and Health. Enrolment had also exceeded planned levels for graduate students. International enrolment had also grown, with students from abroad representing 11.2% of total enrolment. Total applications for 2010-11 were very strong, and the yield rate of registrations as a proportion of offers of admission had remained consistent at approximately 28%.

- **Tuition-fee increases**. The proposed tuition-fee increases for 2010-11 would average 4.31% for domestic students. The average, well below the 5% maximum, was the outcome of a combination of Government limits on increases for major categories of students (described above) and the University's mix of students among those categories. For international students, for whom the University did not receive per-student Government funding, the average proposed increase was 6.0%.

  A fee increase of 4.5% was proposed for domestic students entering programs in Arts and Science, Physical Education and Health, Music, Radiation Sciences, Education, Nursing and the Transitional Year Program. The increase for continuing students in those, and all

3. Tuition Fees and the Budget: Presentation (Cont'd)

other, programs was limited to 4%. A fee increase of 8% was proposed for domestic students entering professional programs in Pharmacy, Engineering, Law, Dentistry and (beginning with their admission in second year) Commerce, Management, Computer Science and related fields.

For domestic graduate students, a fee increase of 4% was proposed for students entering research Master's and PhD degree programs and 8% for students entering most professional Master's degree programs. (For a few professional Master's degree programs, the increase would be somewhat less.)

For international students, a fee increase of 10% was proposed for students entering most programs. An increase of 8% was proposed for students entering the programs in Commerce and Business Administration in Arts and Science and for students entering a number of specialized programs at the University of Toronto at Mississauga. (Master's degrees in Biomedical Communication, Management Information, Biotechnology, and Public Accounting, and the Diploma in Forensic Accounting).

- **Effect of proposed tuition fee increases**. For 62.2% of students, fees would increase by $250 or less. For 19.6% of students the increase would be between $251 and $350. For 18.2% of students the increase would be $351 or more. The weighted average increase would be $309. The median increase would be $225. In percentage terms, 91.6% of students would see an increase of between 4% and 4.5%. For 2.0% of students, the increase would be less than 4%, and for 6.4% more than 4.5%. Looking at the total of tuition and incidental fees for domestic undergraduate students in Arts and Science, the fees for the University of Toronto would rank in about the middle of comparable fees for the major Canadian universities. For international undergraduate students, the fees at the University of Toronto would rank under the mean for non-resident students at universities in the Association of American Universities.

- **Budget impact of the proposed tuition-fee increases**. The increase in fees proposed for domestic students (an average increase of 4.31%) would generate $19.1-million for the operating budget. That amount would be approximately equal to 120 faculty positions or two thirds of the cost of the new student records system. In addition, the proposed increase for international students (an average amount of 6%) would generate $9.3-million. The total additional revenue generated would be $28.4-million.

- **Student aid and accessibility**. The University continued to keep at the forefront its 1998 Policy on Student Financial Support which stipulated that "no student offered admission to a program at the University of Toronto should be unable to enter or complete the program due to lack of financial means." It also kept at the forefront its 2005 Statement of Commitment Regarding International Students. That Statement included a principle providing that "international students who are admitted and enrolled may encounter

3. Tuition Fees and the Budget: Presentation (Cont'd)

financial emergencies and the University will provide financial assistance as needed and where possible." The University had set aside some funding in its budget for such assistance. The University's policy and its implementation had enabled the University to meet the Ontario Ministry of Training, Colleges and Universities student access guarantee readily. That guarantee stated that "students will have access to the resources required for tuition, books and mandatory fees." As stated in the Report of the Vice-Provost, Students, need-based student aid provided in 2008-09 had amounted to $53-million, an increase from $48-million the previous year. In addition, the graduate student funding that had been provided from all sources (fellowships, teaching assistantships, research-assistantships, etc.) had amounted to $195-million. Need-based aid for international students had amounted to a further $4-million.

In 2008-09, 54% of graduates from first-entry programs had incurred no Ontario Student Assistance Program (OSAP) debt. The average debt load for the remainder had been $19,400, the same as the previous year. Only 13% of graduates had debt loads greater than $25,000. That proportion was a small increase from 2007-08 graduates, probably because, with the end of admission to the three-year degree, more students had graduated with four-year degrees.

In 2007-08, students in Arts and Science programs with regulated fees had, on average, effectively paid 81% of their tuition and other compulsory fees. The remaining 19%, on average, had been covered by OSAP and University financial assistance. For Arts and Science programs where fees were not regulated, students had on average effectively paid 70% of their tuition fees. In the Faculty of Applied Science and Engineering, students had on average effectively paid 69% of their tuition fees, drawing on a higher level of financial assistance. University-wide, effective tuition, defined as gross tuition revenue less student aid, was about 82%.

- **Concluding comments on tuition and student financial aid**. The University's administration believed that the proposed tuition-fee increases were necessary to generate the revenue required to maintain quality. The University's enrolment, and the demand for places at the University, remained very strong. For the current admission year, first-choice applications to the University had increased by 8% compared to a system-wide increase of 3.2%. Accessibility had been maintained through OSAP and the University's program of student financial support. The proposed tuition fees for domestic and international students were competitive with those of peer institutions.

- **Budget: Governing Council policy**. Approved policy provided for long-range budget planning using a five-year rolling window. The University was committed to a balanced budget each year, except in extraordinary circumstances. For example, the budget before the Board one year ago had included a planned deficit of $45-million, arising from the cancellation of any payout from the endowment. Any accumulated deficit was to be repaid over a five-year period.

3. Tuition Fees and the Budget: Presentation (Cont'd)

- **Budget overview**. The proposal before the Board was for a balanced budget at the University-wide level for 2010-11. There would, however, be ongoing and pressing challenges, with the divisions facing varying degrees of financial stress. Effective per-student funding, when discounted for the effects of inflation, had continued to decline over time. There was in general a high level of uncertainty with respect to funding in the light of the poor economy, government deficits, and the expiry of the tuition-fee framework. The University anticipated a partial recovery in the value of the endowment and of general investment income. The budget did, reflecting strategic choices, propose funding for certain key institutional priorities. An amount of $9-million was proposed for the University Fund, for allocation in support of the University's academic priorities. Overall, the budget was a responsible and cautious one.

- **Fiscal context**. Public funding for higher education had been declining across all jurisdictions. The Province of Ontario faced a deficit of $25-billion. The Province's budget was expected at the end of the month. The Throne Speech had signaled some expansion in higher education. The Government of Canada faced a deficit of $56-billion. Its 2010 budget had provided for some new funding for the federal research granting councils and for post-doctoral fellowships, and it had protected transfers to the Provinces. Those elements were very helpful to the universities. The University's own demand for enrolment (as noted) remained very strong.

- **Revenue**. There had been no real increase in per-student funding. On the contrary, when adjusted for increases in the Consumer Price Index, funding had declined by 37% since 1992-93. The Province's tuition-fee framework, which limited tuition-fee increases, had expired, but the University was planning for a continuation of its restrictions. A payout from the endowment of $7.00 per unit had been planned in the budget, which was about 90% of the payout that would have been made in a typical year. However, there was still need for further recovery in the value of the endowed funds to bring them back to their level before the current economic crisis. (The actual payout was subsequently announced, amounting to $7.26 per unit.) There were a number of negative elements in terms of federal funding. The number of Canada Research Chairs at the University had declined. Federal support for the indirect costs of funded research remained flat, and no new funds had been provided for student aid. The practical outcome of all of the revenue constraints was the need for continued cost containments.

- **Revenue: Government operating grants**. In addition to per-student operating grants, the Province provided funding from a Quality Fund, and the University anticipated a minor increase of $7-million from that Fund. The Long-Range Budget Guidelines also included the assumption of modest growth in operating grants over five years arising from the growth of enrolment of graduate students. The system-wide shortfall in Provincial funding of undergraduate students at all universities for the current year amounted to more than $100-million. There was a significant risk that discounted

3. Tuition Fees and the Budget: Presentation (Cont'd)

funding for undergraduate student enrolment growth would continue and, for the University of Toronto, would amount to $16-million in each of the next two years. In very round figures, the University of Toronto received operating funding of about $600-million. Had that funding kept pace with inflation, the amount would have been well in excess of $800-million. Funding for comparable enrolment in British Columbia would be $750-million, in Quebec $800-million, in Nova Scotia nearly $1-billion, and in Alberta the funding would approach twice the amount in Ontario.

- **Revenue: Tuition fees**. The increase in tuition-fee revenue resulting from enrolment growth in 2010-11 relative to the previous year was projected to be $37.4-million. The increase resulting from the proposed rise in fee levels was projected to be $28.4-million, for a total of $65.8-million. That amount would have to be reduced by $5-million for the budgeted increase in University-wide student aid and a further $6.6-million for reimbursement of doctoral-stream tuition revenue. Therefore, the net projected increase in tuition-fee revenue was $54.2-million.

- **Revenue: endowment**. The University was just beginning to recover from the impact of the severe losses in its endowment funds and the cancellation of its $62-million payout. Notwithstanding the payout cancellation, the academic Divisions had to meet their obligations to provide student aid and to pay holders of endowed chairs. They had dug deeply into their expendable fund reserves and carry-forward funds to do so, and they had met and exceeded their commitments. Some divisions had been forced to borrow money from the $45-million deficit fund, drawing $17.8-million. The endowment had begun to recover, having gained 10.26% to January 31, 2010, after its loss of 29.4% in 2008.

- **Revenue: other**. A total of twelve Canada Research Chairs had been lost over the past few years, leading to lost funding of $1.7-million. The funding for the remaining Chairs had declined in value by more than 20% since 2000, owing to the absence of inflation protection. Income from the investment of expendable monies, held for later expenditures, was recovering. Federal Government funding for the indirect (overhead) costs of federally funded research remained flat at 20% of direct funding grants, an amount of $21-million. The actual indirect cost was over 50%, meaning that the operating budget had to supply approximately $30-million to cover those costs. As a result, each additional dollar of research grants won by the University's faculty placed additional pressure on the operating budget, at all levels.

- **Revenue summary**. The budget for 2010-11 included Provincial grants that were $22.5-million greater than those in 2008-09, for an average annual increase of 1.9%. Tuition revenue was budgeted to be $105.7-million greater for 2010-11, an average increase of 10.4% over the two years. Endowment revenue in the budget had declined by $4.1-million from 2008-09, an average 4.5% per year decline over the two years. Other

3. Tuition Fees and the Budget: Presentation (Cont'd)

revenue had increased by $0.7-million, an average increase of 0.3% over the two years. Therefore, total budgeted revenue was $124.8-million above the level for 2008-09, an average annual increase of 5.0%.

For 2011, 38% of the operating revenue in the budget was from the Provincial grant, 39% from tuition fees, 13% from Divisional income, 3% from endowment income, 2% from investment income, 2% from federal funding of the indirect costs of funded research, 2% from support for Canada Research Chairs, and 1% from other income.

- **Revenue: enrolment**. It was planned that there would be a small reduction in overall undergraduate enrolment by 2014, with some continuing growth at the University of Toronto at Mississauga. It was anticipated in the budget that Provincial funding for the growth in undergraduate enrolment would continue to be discounted, with a shortfall estimated at $16.3-million in 2010 and $16.6-million in 2011-12. It was planned to increase the enrolment of international undergraduate students. That plan, however, had associated risks and costs. In particular, it would be necessary to devote resources to support international student services.

  It was planned to increase graduate enrolment to the end of the planning period in 2013-14. The revenue projections for the long-range budget plan had been adjusted to reflect that strategy. The University would take advantage of the recent flexibility in graduate funding offered by the Province to swap funding for PhD students to obtain more funding for Master's degree students. There was currently enormous pressure for places for Master's degree students, especially in professional Master's degree programs. It was very important that the University stay on its plan to expand graduate enrolment to obtain the projected funding. Unfortunately, government financial support for graduate students themselves had not kept pace with growth; there had been no increase in the number or amount of Ontario Graduate Scholarships.

  Total enrolment at the University had more than doubled in the past thirty years, but that growth was now tapering off. Graduate students represented 20.3% of total enrolment in 2009-10. A slight increase in that proportion to 21.8% was planned by 2014-15, pursuant to the *Towards 2030* plan. The proportion of international students had grown significantly from 3.8% in the late 1990s to 11.2% in 2009-10. It was planned to continue to increase international enrolment at a modest pace, to 13.3% by the end of the planning period in 2014-15.

- **Expense: General**. There would be need, while supporting academic priorities, to continue careful controls on spending and to undertake contingency planning. Cost-containment measures would continue across the central Divisions, amounting to 2% for 2010-11 and remaining at that level throughout the long-range plan. Under the new budget model, the academic Divisions would be responsible for determining their own

3. Tuition Fees and the Budget: Presentation (Cont'd)

cost-containment measures to keep their spending in balance with their income. Therefore, the cost containments would vary across the divisions. The outcome was continued pressure as faculty/student ratios declined. Some investments were still planned for key institutional priorities.

- **Expense: Non-discretionary**. The budget would include $10-million set aside for non-discretionary expenses. That would include $1.5-million for the cost and outcome of a job evaluation project for unionized administrative staff being completed with the United Steelworkers. The deficit incurred for the costs of the previous fund-raising Campaign, amounting to $1-million, would be written off. The budget would include $1-million for legal costs. There would be $750,000 for the University's portion of the cost of a required City of Toronto water-backflow prevention project. Debt service would cost $1.5-million. Finally, $1.3-million would be set aside, representing the final installment in the reserve fund for unanticipated major repairs to the University's utilities infrastructure. The budget for utilities expense would be reduced by $1.9-million. That very good news was the outcome of lower use, good rate contracts and a mild winter in 2009.

- **Expense: Investment in shared infrastructure**. Investments in shared infrastructure included: a $4.9-million payment towards the cost of a new student records system, $2.8-million for caretaking and maintenance on the St. George Campus, a $6.8-million commitment towards a new major advancement campaign, $2.4-million to provide additional research services to assist faculty members in seeking grant support, and $1.2-million for library needs. The total of those investments amounted to $18.6-million, of which $13-million would be one-time-only spending.

- **Expense: University-wide costs**. Budget allocations to the University-wide portfolios would increase by $26-million. This would include $7-million to cover the cost of increases in salary and other compensation for staff in the University-wide portfolios. There would be a reduction in those budgets of $3-million for cost-containment measures and there would be a $4-million reduction in the sum of various centrally administered funds. The outcome would be a $26-million increase to the University-wide costs listed in Schedule 2 of Appendix "A" to the budget. The increase in the shared infrastructure costs and funds would be 8.1% relative to the previous year's budget. The increase in net revenue assigned to the academic divisions would be 8.3% relative to the previous year.

- **Expense: Breakdown**. Expenses for 2009-10 were categorized as follows. (2010-11 numbers would not be available until the Divisions reported their budget plans.) 62% of expenses were for academic purposes; 5% for academic services; 2% for student services; 10% for student assistance; 5% for maintenance and services; 4% for utilities and 8% for administration.

3. Tuition Fees and the Budget: Presentation (Cont'd)

- **Net revenue to the academic divisions**. For 2010-11, an additional $124-million would be available to the University. $26-million of that amount would be required for additional University-wide expenses, and $5-million would be required for additional student aid. That left $93-million as net revenue available to the academic divisions. Of that amount, $64-million would be required by the divisions for non-discretionary costs, leaving only $29-million of net revenue for the divisions. In addition, it had to be borne in mind that the University might well require $49-million per year for an annual special payment to deal with the University-wide pension deficit.

  The Divisions' non-discretionary costs included the cost of compensation increases (estimated at 2% where, as in the case of the teaching staff and professional librarians represented by the Faculty Association, a settlement was not yet in place), graduate student support, capital costs, and the repayment of Divisional deficits and a share of the historical institutional deficit. The historical accumulated deficit was $32.7-million, with $11.2-million to be repaid in each of 2010-11 and 2011-12 and $10.3-million in 2012-13. Those Divisions that had drawn on the special fund to deal with the absence of an endowment payout for 2009-10 would have to pay down that borrowing, at the combined rate of $3.6-million per year over the five years ending in 2015-16.

- **Structural budget challenge**. Apart from the increase arising from enrolment growth, there had been no annual increase in revenue from Provincial operating grants. Also absent the impact of enrolment growth, the increase in revenue from tuition fees had been about 5% overall. As a result, the average year-over-year increase in total revenue, again absent any impact of increased enrolment, was 2.5%. On the other hand, the average year-over-year increase in total expense had been 4%, including the historical average annual increase in compensation of 5% (including the annual adjustment plus progress through-the-ranks and merit increases). As a result, the annual structural shortfall amounted to 1.5%. To deal with that structural problem, the University had in recent years been increasing its enrolment and reducing its budgets through cost-containment measures.

- **Future liabilities**. It was important, in considering the budget, to keep in mind a number of frightening long-term liabilities. They included the combined deficit in the University's pension plans of over $1-billion as at June 30, 2009; the projected accumulated operations fund deficit of $36-million as at April 30, 2010; the estimated cost of deferred building maintenance of $270-million; the projected deficit of $107-million in the ancillary operating fund as at April 2010; the projected accumulated deficit of $71-million in the capital fund as at April 2010, and the estimated cost of employee future benefits earned to April 2010. Those projected deficits and future liabilities amounted to $1.8-billion, compared to total annual operating revenue of $1.57-billion.

3. Tuition Fees and the Budget: Presentation (Cont'd)

Professor Mabury concluded that the proposed budget was a balanced and responsible one. It was proposed in the light of significant uncertainties in permissible tuition-fee increases, in economic conditions, in government grants and in the outcome of negotiations for salaries and benefits. The long-range pension and debt liabilities were substantial and had to be managed. The budget did, nonetheless, include some investments in high academic and operational priorities where they would lead to real improvements. Therefore the strategic decisions in the budget plan did matter. The new budget model was working. Divisions were managing their budgets better, planning their enrolment decisions well in the light of academic and budget needs. They had come through a very difficult year, using up their reserves in the absence of an endowment payout. They and the University were in reasonably good financial condition but faced real challenges going forward.

4. Tuition Fees

(a) Enrolment Report, 2009-10

The Chair noted that the Enrolment Report had been reviewed by the Planning and Budget Committee, which was responsible for enrolment planning. It was also provided to the Business Board to assist it in dealing with the question: is there risk that the proposed level of tuition fees will have a negative effect on enrolment – i.e. that the University will be pricing itself out of the market? Among the matters that arose in questions were the following.

(i) Enrolment increases and student intake. A member observed that while total undergraduate enrolment had grown substantially from 2002-03 (41,620 full-time-equivalent students) to 2009-10 (52,715 f.t.e. students), that amount of growth did not appear to be accounted for by the growth in first year enrolment or new intake (grown from 13,250 students in 2002-03 to 15,406 in 2009-10). The President and Ms Garner replied that the increase was the outcome of the compounding effect of the number of new students moving through their undergraduate years. That effect had been increased by a major successful effort in some divisions to improve their retention rates. In response to a further question, Ms Garner said that while the effect had dissipated, there were some students from the "double cohort" bulge (when the Province had eliminated Grade 13) still in their undergraduate programs.

(ii) Intake increases particular programs. A member observed the large increase in the intake into the Faculty of Physical Education and Health and a higher-than-planned level of intake into the initial teacher education programs at the Ontario Institute for Studies in Education (OISE). He asked about the reasons for the increases, especially in the light of the real difficulty of graduates in finding teaching positions in the education systems. Professor Misak replied that the variances in intake were the outcomes of circumstances specific to the particular divisions. In the case of the Faculty Physical Education and Health, for instance, there had been a large increase in the yield rate on offers of admission; more students than anticipated had accepted this University's offers.

4. Tuition Fees (Cont'd)

(a) Enrolment Report, 2009-10 (Cont'd)

(iii) Projections of future enrolment. A member observed that while enrolment for the current year had increased substantially, perhaps in response to the current difficult economic circumstances, the projection of enrolment over the next few years showed no growth. Was that the result of University plans or of external factors? Professor Misak said that the projections were the results of the University's own planning. The University did face a great deal of pressure to expand its enrolment, particularly from large numbers of applicants and projected applicants from the greater Toronto area. The sharp increase in applications for 2010-11 and the anticipated continued increase for later years was the result of population growth in the Toronto area, the current economic conditions, and substantial improvements in the University's recruitment materials. That pressure could result in some continuing expansion of enrolment in certain areas. On the St. George Campus, particularly in the Faculty of Arts and Science, the University took the view that expansion would not be good for the University or its students. On the contrary, a small reduction would be appropriate. The University lacked the facilities to accommodate more students or the room to accommodate the construction of substantial new facilities. In some programs, however, some modest expansion was planned. For example, the Faculty of Physical Education and Health had initiated a new program in Kinesiology, which was resulting in an increase in its enrolment. There was a possibility of future expansion on the Scarborough and Mississauga campuses, which currently had the enrolment of mid-size universities, provided that funding was available for the construction of new buildings to accommodate that expansion.

(b) Student Financial Support: Report of the Vice-Provost, Students, January 2010

The Chair said that the presentation of the student financial-aid report to the Business Board was intended to deal with the question: was there risk that the proposed level of tuition fees would have a negative effect on accessibility, especially on the enrolment of groups of students in particular need? Among the matters that arose in questions and discussion were the following.

(i) Contribution to student assistance from the proceeds of fee increases. In response to a member's question, Ms Garner said that between 1997-98 and 2005-06, the Government of Ontario had required that 30% of the proceeds of tuition-fee increases be set aside for student aid. Beginning in 2006-07, that requirement had been replaced by the Government's Student Access Guarantee, which was modeled after the University of Toronto policy and which required universities to ensure accessibility regardless of students' financial means. The University prepared estimates of student need and student assistance under the Ontario Student Assistance Program (OSAP), and it budgeted for its own student-assistance program a sufficient amount to meet need that was not met by the OSAP program. The increase in the budget for centrally administered student assistance in 2010-11 was to be $5-million compared to an increase in total revenue from tuition fees of $28.4-million.

4. Tuition Fees (Cont'd)

(b) Student Financial Support: Report of the Vice-Provost, Students, January 2010 (Cont'd)

(ii) Debt other than OSAP debt and accessibility. A member noted that the Report of the Vice-Provost, Students on Student Financial support tracked only OSAP debt. The member asked whether the University tracked debt taken out from lenders other than OSAP, such as banks, and whether it tracked students' need for part-time work to avoid debt, which might have forced students to reduce their course load. Professor Misak reported that it would be very complicated and difficult to track those factors. The University had at one point surveyed students, and it did know that many students had part-time and summer work.

The President added that while the University had not conducted surveys to track part-time work in the past two years, it had done so previously. The University had found that the amount of part-time work was substantial and that, so far as could be determined, it had not grown dramatically. It would be worthwhile to look into this factor again. However, he stressed that there were a number of different proxies for accessibility, and it would be inappropriate to focus on only negative proxies such as hours worked part-time or bank debt. The University had studied the socio-economic status of its students, and it had found that it had been very successful in serving students who were members of visible minorities, lower income households, and families with a low level of parental education. The profile of students at the University of Toronto was clearly reflective of all groups within the City and, in that way, it was very different from many private universities in major urban centres in the United States.

The member who raised the question said that it was very helpful to have that information. It was important that such information, which reflected a very good story the University had to tell, be readily available.

Another member urged that the University, notwithstanding the availability of other proxies for accessibility, to track carefully total debt, including debt other than OSAP debt, and that it correlate debt levels with such other factors as time to completion for degree programs, reported quality of student experience, and ability to live on campus. OSAP loans were available only in cases where students met certain rigid criteria, including assessed need after an expected parental contribution determined by a standard means test. It was sometimes the case that students were deemed ineligible for OSAP because expected parental assistance was not forthcoming, and those students were forced to take out loans from other sources. They were also forced to work long hours at part-time jobs, therefore to reduce their course loads and extend their period of studies. Finally, such circumstances would reduce the level of students' involvement in various activities, leading to a much poorer student experience.

4. Tuition Fees (Cont'd)

(b) Student Financial Support: Report of the Vice-Provost, Students, January 2010 (Cont'd)

Two other members noted difficulties in pursuing such tracking. Privacy law prohibited financial institutions from disclosing such information. Therefore such information would be available only from surveys of students. Such surveys were costly. Nonetheless, one of the member urged that such data be gathered if at all possible.

In the course of his comments on the budget, the President said that he was very interested in the suggestion for renewed surveys in order to obtain better data on the efficacy of the University's student financial support.

(iii) University approach to financial aid. In the course of his subsequent comments on the budget, the President commented that the decision to miss any payout from the endowment for 2009-10 had brought about a potential shortfall of $34-million in student financial support. That amount was, however, fully made up by the budgets of the academic divisions, the central budget and additional donations. For the 2010-11 year, the budget for student financial support had been increased by $5-million from the operating budget and by a further $4.5-million from expendable donations. The University took its obligation under the Policy on Student Financial Support very seriously.

(iv) Funding for graduate students. Later in the meeting, a member referred to the report on total graduate student funding for 2007-08 and 2008-09 shown by Faculty. The report showed the amount of award income, employment income and income from research stipends as well as the total income provided to graduate students in each Faculty in each of the two years. The member suggested that it would be useful for the report to show the income provided to graduate students in Arts and Science who were in each division of the School of Graduate Studies: Humanities, Social Sciences, Physical Sciences and Life Sciences. The member would also pass to Professor Matus suggestions for other changes.

(c) Tuition-Fee Schedule for Publicly Funded Programs, 2010-11

A member observed that in the United States, students and others were making the point that dealing with the financial needs of the universities by increasing tuition fees rather than maintaining the real value of public funding was in effect levying a special tax on a particular group in society rather than on the citizenry at large. The member thought that the argument was a powerful one that should be used in the Ontario context.

4. Tuition Fees (Cont'd)

(c) Tuition-Fee Schedule for Publicly Funded Programs, 2010-11 (Cont'd)

On the recommendation of the Vice-President and Provost,

YOUR BOARD RECOMMENDS

THAT the Tuition-Fee Schedule For Publicly Funded Programs in 2010-11, as described in Professor Misak's March 3, 2010 report to the Business Board, and the tuition fees in 2010-11 and 2011-12 for the special programs identified in Tables B2 and C2 of Appendices B and C of the report, be approved.

(d) Tuition Fee Schedule for Self-Funded Programs, 2010-11

On the recommendation of the Vice-President and Provost,

YOUR BOARD RECOMMENDS

THAT the tuition-fee schedule for self-funded programs for 2010-11, which is attached to Professor Misak's February 5, 2010 memorandum to the Business Board as Table 1, be approved.

5. Budget Report, 2010-11 and Long-Range Budget Guidelines, 2010-11 to 2014-15

The Chair said that the Budget was considered by both the Academic Board and the Business Board before it was forwarded to the Governing Council for approval. The Governing Council system sought to provide for both (a) academic self-governance within the University and (b) accountability to external stakeholders, including the taxpayers and benefactors. The Academic Board was the source of academic self-governance. It was responsible for the selection of priorities and the allocation of resources contained in the budget. Its Planning and Budget Committee had reviewed the Budget Report in detail, and had recommended it to the Academic Board. That Board would in turn, at its meeting on March 23, be asked to recommend its approval to the Governing Council. The Business Board, as the source of accountability and advice about financial matters, was being asked to concur with the recommendation of the Academic Board that the Budget be approved. The Business Board's duty was to satisfy itself that the proposal, and that the level of risk in the budget, were acceptable.

The President was asked to state his view with respect to the financial prudence of the budget framework, and to provide his assessment of the major elements of risk in the budget. He commented that the presentation provided by Professor Mabury and Ms Garner was a complete and compelling one, enabling him to make only brief remarks. He noted that he had not

5. Budget Report, 2010-11 and Long-Range Budget Guidelines, 2010-11 to 2014-15 (Cont'd)

previously in his years as President seen so many uncertainties surrounding a budget. Some of those uncertainties would be resolved in the Province of Ontario Budget expected on March 25. Others would remain trailing variables for a longer time. First, the University was unsure about the new tuition-fee framework. Second, there was uncertainty about funding for the currently underfunded student enrolments arising from the University's expansion of its enrolment. The Ontario Speech from the Throne had promised funding for 20,000 additional student places, and there was some indication that the current discounting of funding for new enrolments would be covered by one-time-only funding, hopefully to be replaced by an increase in base funding at a later date. Third, the University awaited the outcome of the arbitration process with the Faculty Association concerning salary and benefits. Faculty salaries represented the largest proportion of the University's salary commitment in the operating budget. The President anticipated that the matter would be resolved late in April. Fourth, it was unclear what action the University would have to take with respect to the deficit in the pension plan. The most important immediate question concerned the solvency test. The test concerning solvency deficits had been mitigated for universities in a number of other provinces, and the President hoped that the Ontario universities would similarly be able to deal with their pension deficits over a longer period of time. Uncertainty concerning the pension deficit was also magnified by the possibility of changes to the plan assumptions. With respect to the overall prudence of the budget, the President endorsed the views presented by Professor Mabury and Ms Garner. He noted that there were always unforeseen risks, especially concerning revenue. He noted for example, the recent decision by the Government of the People's Republic of China to de-list the University of Calgary as a possible destination for students from that country – a decision that would have a significant immediate effect on its revenue. However, the resolution of uncertainties would likely be in both negative and positive directions and could, therefore, cancel out. The President concluded that, on balance and in the light of the substantial financial uncertainties facing the University, he believed the budget to as prudent as possible in the circumstances.

Among the matters that arose in questions and discussion were the following.

(a) Long-term plans to deal with the structural deficit. A member observed that costs were projected to increase by 5% and revenue by only 4%. Revenue increases were constrained by reliance on limited public funding and by government constraints on fee increases that were together less than cost increases. In addition, the University would be unable to continue indefinitely expanding its enrolment to generate new revenue. Investment income was recovering, but there were limits on how much additional funding it could generate. Severe cost-cutting had been taking place for many years and was reaching its limit. How did the University plan to deal with this gap between revenue and expense in the long term? Professor Mabury said that continuing advocacy efforts with the Government were essential to deal with the problem in the long run. It was essential that the Government provide a level of support for the universities that would meet their needs or at least keep pace with the inflation in their costs. It was also essential that Government remove constraints on the University's other major source of income: tuition fees. In the meanwhile, the divisions would have to use the new budget model to make choices that would allow them best to achieve their academic priorities within the funding that

5. Budget Report, 2010-11 and Long-Range Budget Guidelines, 2010-11 to 2014-15 (Cont'd)

they were able to generate. The problem represented a structural deficit, which the University would have to deal with. Professor Misak concurred. In the long term, it would be essential to continue and intensify efforts with the Government. It was true that such efforts had been made over a long period of time and had not yielded a sufficient outcome to date. In the short term, the divisions would have to work within the new budget model to improve their financial positions. The Faculty of Arts and Science, for example, had made extraordinary progress in dealing with its financial problem. That Faculty had faced a structural deficit in excess of $20-million and a one-time-only deficit of some $70-million. Over the last year and one-half, the Dean and his budget committee had established a number of mechanisms to deal with this major problem, and it was projected that the Faculty would come out of its deficit problem within about two years. Similar work would have to be done by each division on an individual basis to put the division on a sound financial footing. Such an approach was possible only with the benefit of the new budget model, which enabled a transparent view of each division's budget situation and which enabled each to make the necessary decisions.

(b) Canada Research Chairs. A member referred to the financial cost of losing twelve funded Canada Research Chairs. Professor Misak replied that the loss was the result of changes made by the Government of Canada in its rules for funding grants from its research granting councils; the universities received funding for Canada Research Chairs in proportion to their share of such tri-council funding. In the light of the new rules, however, the Vice-President, Research was making vigorous efforts to encourage participation in external partnerships, in part to turn around the very substantial financial blow caused by the new funding mechanisms.

(c) Dealing with the operating deficit from 2009-10. A member observed that the budget for 2009-10 had a planned deficit of $45-million. It now appeared that the deficit would amount to only $17.8-million, and the proposed budget for 2010-11 was to be a balanced one. The member asked how the deficit gap had been closed. Professor Mabury replied that the University had budgeted $45-million for a special fund to enable divisions to take out loans to cover the cost of spending that would normally have been funded by the endowment payout for essential items such as the salaries of holders of endowed chairs or payments for student support. Divisions had borrowed only $17.8-million for such purposes, having found sources of funds elsewhere such as reserve funds and carry-forwards of unspent appropriations from the previous year. The divisions would repay their loans over the next five years according to plans that varied by division. For 2010-11, it was anticipated that the payout from the endowment would amount to 95% of its normal amount, meaning that there would be no need to budget for a comparable special fund.

5. Budget Report, 2010-11 and Long-Range Budget Guidelines, 2010-11 to 2014-15 (Cont'd)

On the recommendation of the President and the Vice-President and Provost,

YOUR BOARD CONCURS

With the prospective recommendation of the Academic Board

THAT the Budget Report 2010-11 be approved, and

THAT the Long-Range Budget Guidelines, 2010-11 to 2014-15, be approved in principle.

A member complemented the leadership and staff of the Office of the Vice-President and Provost on the Budget. He was particularly pleased at the clear disclosure that the increase in shared infrastructure costs and central funds was 8.1% above those of the previous year, which was less that the 8.3% increase in net revenue to the academic divisions. He stated his concern about the $1-billion deficit in the pension fund, but he noted that there would be no easy or short-term solution to that problem.

6. Service Ancillaries Operating Plans

The Chair stated that responsibility for the operating plans for the service ancillary operations – such as student residences, parking, and food services – resided with the University Affairs Board. That Board had now approved the operating plans for 2010-11. The Business Board was responsible for the financial policies that set the ground rules for these operations, for example the requirements that they break even, and that they set aside a reserve fund to deal with unforeseen contingencies. Therefore, their plans were, for the first time in recent years, being brought before the Business Board for information.

Ms Riggall commented that the ancillary operations had in recent years become significantly larger business operations. They were the holders of about $300-million of the University's outstanding debt, resulting from loans taken out to construct new student residence buildings and new parking facilities. When those operations proposed capital projects, the Business Board was called on to review their business plans and to approve their borrowing, and the Business Board was also called upon to recommend approval of the University's annual audited financial statements, which included the financial position and operating results of the ancillary operations. It was therefore appropriate for the Board to have an opportunity to examine their operating plans including their budgets. She noted that Ms Brown was Chair of the Service Ancillaries Review Group, which reviewed the operating plans.

Ms Brown noted that the University's financial statements took in all four fund groups. The budget just considered by the Board was for the operating fund, which represented about two thirds of revenue and expense. The ancillary operations fund included the service ancillaries, which were being presented in the current report. (The other fund groups were the restricted

6. Service Ancillaries Operating Plans (Cont'd)

funds and the capital fund.) There were about twenty service ancillary operations which provided services on all three campuses including: student residences, food and beverage services, parking and Hart House. They operated on the basis of four principles that had been approved many years ago by the Business Board. They were all expected to recover the full costs of their operations, generating sufficient revenue to cover their own expenses. All were expected to take responsibility for the maintenance and renewal of their facilities. All were expected to set aside reserves to cover the cost of exceptional operational and capital needs. If possible, the operations were then expected to contribute surplus revenues to the operating budget of their academic unit. The ancillary operations had expanded substantially since 2000, particularly the student residence operations. To finance their expansion, many of the operations had taken out long-term loans. All of the units that had taken out loans were in the process of earning revenues to pay down their debt and regain balanced budgets. In developing their operating plans, each of the operations engaged in an extensive process of consultation within their division. The operating plans were then reviewed in the fall on an individual basis and collectively during the winter by the Service Ancillaries Review Group, leading to the operating plans' now before the Board being recommended for approval to the University Affairs Board.

A member asked about residence fees. Were they similar across the University and in comparison with other universities, or was there substantial variance? Were they competitive with other forms of housing available to students who lived away from home? Ms Brown, Professor Matus and Ms Riggall replied. The residence operations across the University varied substantially – both the University operations included in the report and those of the federated universities which were financially and operationally independent. Similarly their style of accommodation and their fees varied. In some cases, students had a room in an apartment-type rental, such as at Woodworth College or at the University of Toronto at Scarborough. In the case of the Chestnut Street residence, they had rooms in a former hotel. In yet other cases, accommodation adhered to the traditional dormitory style. As the accommodation varied so did the rates, both within the University and at other universities. Residence costs generally covered more than the rental of a room, with services, including those of residence Dons, provided. While the residences had to have rates that were competitive with off-campus accommodation, it was not appropriate to compare rates of on-campus residences, which provided various services, and off-campus rentals which provided no such services.

The Chair thanked Ms Riggall and said that the report would in the future come to the Business Board annually for information.

7. Administrative User Fees and Fines, 2010-11

The Chair noted that the administrative user fees were cost-recovery fees. The administration had the authority to increase existing fees so long as the increases matched increased costs. Only the addition or removal of fees had to be approved by the Business Board.

7. Administrative User Fees and Fines, 2010-11 (Cont'd)

On the recommendation of the Vice-Provost, Academic Operations,

YOUR BOARD APPROVED

i. That the Woodsworth Summer Abroad Site Service Fee – Southeastern Europe (Graz) be added to the Administrative User Fee Schedule.

ii. That the Faculty of Medicine Physician Assistant Program Application Fee be added to the Administrative User Fee Schedule.

iii. That the Woodsworth Summer Abroad Site Service Fee – Mexico (Guadalajara) be removed from the Administrative User Fee Schedule.

8. Cost-Recovery Ancillary Fees and Administrative User Fees and Fines, 2010-11

The annual Report on Cost-Recovery Ancillary Fees and Administrative User Fees and Fines (for information), 2010-11 was received.

9. Capital Projects Report as at February 28, 2010

The Board received for information the regular Report on Capital Projects as at February 28, 2010. That report provided information on the status of projects under construction with costs amounting to $369.24-million.

In subsequent discussion, a member noted that the University was very concerned about its low and declining level of public funding for its operations, particularly in comparison to all other Provinces in Canada, and she asked whether the University had been receiving better treatment in capital funding and in particular a fair share of that funding. The President replied that there had been considerable funding for capital projects provided to the universities in an effort to provide economic stimulus to deal with the recent economic crisis. Universities in Quebec had received the largest share of that funding, relative to their enrolment. While there might be some political reluctance to provide funding for projects in downtown Toronto, the University had received generous stimulus funding for projects at the Scarborough and Mississauga campuses and for the expansion and renovation of the Mining Engineering building on the St. George campus. On balance, therefore, the University of Toronto had not fared badly in terms of its share of the stimulus funding.

10. Capital Project Closures Report to February 28, 2010

The Board received for information the Report on Capital Project Closures, which recorded the formal closing of two projects: the Lash Miller Chemical Laboratories Phase II project and the Lillian Massey Building Renovation Project.

11. Borrowing: Status Report to February 28, 2010

The Board received for information the status report on borrowing to February 28, 2010. That Report showed maximum borrowing capacity of $958.4-million pursuant to the University's policy; borrowing allocated (net of repayments that could be reallocated) of $896.1-million; actual external borrowing of $532.8-million; and internal borrowing outstanding of $206.7-million.

12. Faculty of Applied Science and Engineering: the Biozone Bioengineering Research Facility

Mr. Shabbar said that the objective of the project was to build on the remarkable success of the current Biozone interdisciplinary research community, adding to its research capacity and functionality and bringing into the community the world-class protein production and characterization facility, called the Structural Proteomics in Toronto (SPiT) group. (The SPiT group was currently located in the Best Building.) The project in the Wallberg Building (the home of the Department of Chemical Engineering and Applied Chemistry on College Street) would include (a) the addition of space through rooftop construction and (b) the repurposing of an undergraduate computing laboratory on the third floor to provide new wet laboratory space. The Engineering Computing Facility lab would be relocated to the second floor of the Wallberg Building. The renovation aspect of the project would include: interior demolition (including asbestos abatement), interior laboratory fit-out, installation of new partitions, lighting, distribution facilities for heating, ventilation and air conditioning, power, data, etc. The proposal would result in the construction of 7,918 square feet of new space and the renovation of 8,945 square feet of existing space. Construction would begin in September 2010 and would lead to occupancy in January 2012. The project cost would be $4.43-million, including such factors as the purchase of equipment. The hard construction cost would be $3.5-million, or an average of $234 per square foot. The project would be funded primarily by grants from the Canada Foundation for Innovation and the Ontario Research Fund, with additional contributions from the Faculty of Applied Science and Engineering and the Department of Chemical Engineering and Applied Chemistry.

12. Faculty of Applied Science and Engineering: the Biozone Bioengineering Research Facility (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 creation of new space and renovation of existing departmental space in the Wallberg Building to accommodate the augmented Biozone activities at a total project cost not to exceed $4,429,000, with funding from:

Canada Foundation for Innovation	$ 1,771,679
Ontario Research Fund	1,771,679
Department of Chemical Engineering and Applied Chemistry	485,642
Faculty of Applied Science and Engineering	400,000

13. Reports of the Administrative Assessors

Investments: University of Toronto Asset Management Corporation

Ms Riggall reported that the University had begun action to change the structure for the oversight of the management of University investments. She recalled that the President, having received advice from a committee chaired by Chancellor Emeritus, the Honourable Henry N. R. Jackman, had decided to align investment management more closely with the University. The University of Toronto Asset Management Corporation (UTAM) would continue to manage the funds, with the President and C.E.O. of UTAM becoming the Chief Investment Officer of the University reporting to the President of the University. That arrangement would provide for clear accountability. UTAM would take steps to strengthen investment risk management. UTAM would remain a separate corporation, subject to regulation by the Ontario Securities Commission, but its Board would be much smaller and would be responsible only for internal corporate governance. The President of UTAM would receive advice from an advisory Investment Committee, which would review regular reports from UTAM management and focus on such issues as investment guidelines, asset allocation, risk management and execution of strategy. The Executive Committee of the Governing Council had nominated a full slate of new directors for UTAM, who would take office at its annual meeting to be held later in the week. The full slate, which included many members of the Business Board, would serve for a few months while the new arrangements were being put into place. Ms Riggall thanked members of the Board who had agreed to serve as interim directors.

14. Date of Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Monday, April 26, 2010 at 5:00 p.m. That meeting would receive and consider accountability reports from: the University of Toronto Asset Management Corporation; the Vice-President, Human Resources and Equity; and the Vice-President, Research.

THE BOARD MOVED INTO CLOSED SESSION.

15. Gifts and Pledges over $250,000: Quarterly Report November 1, 2009 – January 31, 2010

The Board received for information the quarterly report on gifts and pledges of more than $250,000 for the period November 1, 2009 to January 31, 2010.

16. Closed Session Reports

Professor Hildyard reported on discussion concerning the planned establishment of a Pension Committee of the Governing Council.

Professor Hildyard reported on a fatal accident on a construction project at the Scarborough Campus.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 6:45 p.m.

Secretary	Chair

April 7, 2010

55653v2