UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 111 OF THE BUSINESS BOARD

April 2, 2001

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, April 2, 2001 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Amir Shalaby (In the Chair)
Ms Rose M. Patten, Vice-Chair
Ms Wendy M. Cecil-Cockwell, Chairman of the Governing Council
Professor Robert J. Birgeneau, President
Professor Michael G. Finlayson, Vice-President - Administration and Human Resources
Ms Sheila Brown, Acting Chief Financial Officer
Dr. Robert Bennett
Professor W. Raymond Cummins
Mr. Brian Davis
Mr. H. Garfield Emerson
Ms Susan Eng
Mr. Josh Koziebrocki
Professor Brian A. Langille
Ms Karen Lewis
Mr. Gerald A. Lokash
Mr. Frank MacGrath
Professor Heather Munroe-Blum
Mr. Elan L. Ohayon
The Hon. David R. Peterson
Mr. John H. Tory

Mr. Louis R. Charpentier, Secretary of the Governing Council
Professor Derek McCammond, Vice-Provost, Planning and Budget
Mr. Flemming Galberg, Acting Assistant Vice- President, Operations and Services

Secretariat:

Mr. Neil Dobbs
Ms Beverley Stefureak

Regrets:

Mr. Paul V. Godfrey
Dr. Anne Golden
Mr. James S. Kinnear
Dr. John P. Nestor
Mr. Martin Offman
Ms Jacqueline C. Orange
Mr. Roger P. Parkinson
Mr. Robert S. Weiss

In Attendance:

Ms Jennifer Carson, member, the Governing Council
Mr. Fayez A. Quereshy, member, the Governing Council
Dr. Sheldon Levy, Vice-President - Government and Institutional Relations
Professor Ian Orchard, Vice-Provost, Students
Ms Grace Angellotti, Business Analyst, Real Estate
Mr. Don Beaton, Director, Real Estate
Mr. Adam Bretholtz, President, Students' Administrative Council
Mr. Bruce Dodds, Director of Utilities, Facilities and Services Department
Mr. Martin D. England, Assistant Vice-Provost, Strategic Planning
Dr. Beata FitzPatrick, Assistant Provost
Ms Susan C. Girard, Assistant Secretary of the Governing Council
Ms Cynthia Grant, Secretary/Treasurer, Local 3907, Canadian Union of Public Employees

Dr. Sonja Greckol, Employment Equity Adviser

In Attendance (Cont'd)

Ms Rabinder Grewal, Investment Analyst, University of Toronto Asset Management Corporation
Mr. Robert Hanks, Incoming Liaison Officer, Local 3902, Canadian Union of Public Employees
Ms Anne M. Lewis, Manager, Student Accounts
Ms Leslie Lewis, Assistant Vice-Provost, Professional Faculties
Mr. Donald W. Lindsey, President and Chief Executive Officer, University of Toronto Asset Management Corporation
Ms Mary McGee, Director, Enrolment Planning and Statistics
Mr. Brian Marshall, Director of Human Resources
Ms Gayle Murray, Executive Assistant to the Vice-President, and Employee Relations Coordinator, Office of the Vice-President - Administration and Human Resources
Professor Peter H. Pauley, Associate Dean, Research and Academic Resources, Rotman School of Management
Mr. Justin Saunders, University Affairs Commissioner, Students' Administrative Council
Ms Deborah Simon-Edwards, Executive Assistant to the Chief Financial Officer
Mr. Jorges Sousa, President, Graduate Students' Union
Ms Maria Wus, Investment Analyst, University of Toronto Asset Management Corporation

ITEMS 2 AND 3 ARE RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL.

ITEM 4 RECORDS THE BUSINESS BOARD’S CONCURRENCE WITH A RECOMMENDATION OF THE ACADEMIC BOARD.

1. Report of the Previous Meeting - Report Number 110 - February 19, 2001

Report Number 110 (February 19, 2001) was approved.

2. Tuition-Fee Schedules for Publicly Funded Programs, 2001 - 02

Professor Sedra commented that the item was a very important one, but there was very little new information to present to the Board. The proposed tuition-fee schedules adhered to the Tuition Fee Policy, which had been approved in 1998. The proposed fee increases were consistent with the directions established in the previous year's schedule.

- **Regulated-fee programs**. For the large majority of the University's students, including most students in Arts and Science (in all programs except Commerce and Computer Science) tuition fees had been regulated by the Province of Ontario. In those programs, the proposed increase was 1.96%. The tuition fee for most students in Arts and Science would be $4,029.

- **Unregulated-fee programs**. For continuing students in all programs where fees were not regulated by the Province, the proposed tuition-fee increase was 5%. For new students, except those in the Master of Business Administration and Law, the proposed tuition-fee increase was also 5%. In the cases of the M.B.A. and Law, the divisions had proposed more substantial fee increases in order to generate the resources required to attract and retain faculty in their highly competitive areas and to provide improvements to program quality.

- **Master of Business Administration**. The fee increases initiated in 2000 would continue, with the proposed tuition fee for new M.B.A. students being $20,000 per year.

2. Tuition-Fee Schedules for Publicly Funded Programs, 2001 - 02 (Cont'd)

- **Law**. The fee for students entering the undergraduate program in the Faculty of Law would increase by $2,000. Notice that the increase could be greater than 5% had been given one year ago.

In response to a question, Professor Sedra said that revenue from tuition fees was budgeted to increase from $219-million in 2000-01 to $237.5-million in 2001-02, an increase of 8.5%, a part of which was attributable to a significant growth in enrolment in various areas including computer engineering and computer science, medicine, education and graduate studies.

The Chair recalled that the Board had begun its consideration of tuition fees at the previous meeting, when it had received two very significant reports. It had reviewed the annual Enrolment Report, which demonstrated that the level of tuition fees had not reduced enrolment, which had in fact increased significantly. The Board had also reviewed the annual Report of the Vice-Provost, Students on Student Financial Support, which had demonstrated that fee increases had not impaired accessibility, with the proportion of students from disadvantaged backgrounds increasing. The Chair therefore urged members to focus the debate on new aspects of the proposal. The Chair said that he had agreed to four requests from representatives of campus groups and unions to address the Board.

(a) Ms Cynthia Grant, Graduate Student Association, Ontario Institute for Studies in Education, and Canadian Union of Public Employees, local 3907 representing graduate assistants at OISE/U.T. Ms Grant said that reductions to public funding for education and increases in tuition fees created a hostile climate in the university communities, with the country's commitment to accessibility to higher education at risk. With several provinces freezing fees and many Ontario institutions refusing to raise fees, the University of Toronto was demonstrating a lack of vision and leadership by increasing fees. There was a large human cost to tuition-fee increases: students' dropping out, despairing, and becoming disillusioned. Increased fees were forcing students to take on too much work, so that the completion of PhD programs was typically taking five or six years if they were completed at all. The level of scholarship was declining as students were unable to focus on their academic work. At OISE/UT, average student support levels revealed at the time of the Orchard Task Force were about $3,000. That was clearly insufficient for students to pay their tuition and live in an expensive city. It was a documented trend in our society that many graduate students returned to school to prepare for second or third careers. Many had already amassed substantial debt, and some, such as Ms Grant, were single parents. The University should not send out its graduates with very high debt loads. Rather, it should tell the current government that previous levels of funding should be restored. Any other action would amount to collusion with a government that was destroying the hitherto wonderful education system. Moreover, tuition increases would leave students who worked as research and teaching assistants with no alternative but to strike in the coming year to fight the erosion of their net incomes caused by several years of fee increases.

(b) Mr. Robert Hanks, incoming Liaison Officer, Canadian Union of Public Employees, local 3902, representing teaching assistants, student instructors and chief presiding officers. Mr. Hanks said that increasing graduate-student tuition fees would be a poor policy - an obstacle to accessible post-secondary education and a tax on the poor and the young. It would force students to graduate with high debt loads. Tuition fees were a brake on the growth of the information economy and a regressive tax on the future. For teaching assistants, tuition fees represented a unique burden - a cost of employment. Over the last twenty years, workloads had increased. Whereas teaching assistants once conducted three tutorials per week, they were now required to conduct four or five per week. Moreover, tuition-fee costs had invariably increased more than salaries. In 1980-81, teaching assistants earned approximately $3,000.00 and paid $854.00 in tuition fees, for a net gain of just over $2,000.00. In 2000-2001, the average teaching assistant earned $4,500.00 but paid

2. Tuition-Fee Schedules for Publicly Funded Programs, 2001 - 02 (Cont'd)

$4,701.00 in tuition and a further $672.39 in mandatory incidental fees, for a net loss of $873.00. The situation was even worse for international graduate students, who paid almost twice the domestic fee. It was in an effort to break this cycle that the members of CUPE local 3902 voted overwhelmingly to go on strike last year. It appeared, however, that this situation would continue. The proposed budget for 2001-02 projected a 2% increase in salaries for teaching assistants, an unrealistic amount which did not reflect the increases in the cost of living in downtown Toronto, but at the same time projected a 5% tuition-fee increase. In addition, increasing enrolment and a declining operating budget would continue to shift work onto teaching assistants. While a few would benefit from funding packages and bursaries, the overall effect would be a net transfer of time and money from union members to the University. Graduate students could not earn sufficient money as teaching assistants to enable them to pursue their studies without extensive loans, family support, part-time work off campus, or outside funding. That undermined the quality of students' research and the rate of degree completion. It was unconvincing to argue that declining government funding had left the University no option. Other Canadian provinces had frozen tuition fees; Manitoba, Newfoundland and British Columbia had implemented tuition cuts. Other Ontario universities such as York, McMaster and Carleton had implemented tuition-fee freezes and rebates. With its large endowment fund and extravagant building campaign, the University of Toronto was by far the richest university in Canada and could afford to follow those examples. If it wished to continue to attract top graduate students and to maintain its high standards of instruction, the University could not afford to fail to follow those examples.

(c) Mr. Jorges Sousa, President, Graduate Students' Union. Mr. Sousa said that the proposed fee increases would be regressive and misguided. Citing action taken by other provinces to reduce tuition fees, he was concerned that Ontario was moving in the opposite direction. Students wished to study at the University of Toronto, given its prestige and the quality of its programs. It was unfair that many would no longer be able to attend for financial reasons. It was unfair to society that the University would not therefore assist in the development of many potentially outstanding individuals. Mr. Sousa recognized that the University was concerned about students' financial needs, and he applauded its student support programs, with the excellent outcomes shown in Professor Orchard's annual report. There were, however, two problems. First, the report surveyed students who were attending the University; there was no survey of students who were not able to attend for financial reasons. Second, graduate students had not been surveyed. Evidence of student use of food banks and of longer time to completion of graduate degrees indicated that there was a real problem. Mr. Sousa had attended several meetings to speak in support of enhanced funding for graduate-student support. The problem was that not all graduate students received funding packages. It was therefore premature to conclude that increased tuition fees would not hurt. While it was true that the University required increased funding, it was wrong to seek it from students, who faced not only increased tuition fees but also increased incidental fees and high housing costs. The University did have the means to avoid tuition-fee increases. The University was spending millions on a building program. It had the moral obligation and the financial means to avoid fee increases.

(d) Messrs Adam Bretholtz and Justin Saunders, Students' Administrative Council.
Mr. Bretholtz expressed concern about the large tuition-fee increases in fields such as Commerce, Medicine and Law. It was disheartening that students, making major decisions about their futures, would have those decisions so severely limited by financial factors. It was wrong to promote the knowledge economy as the way of securing the future while at the same time hampering admission to knowledge-based occupations by high tuition costs. Tuition fees had brought about increases in student debt to an average of $30,000, forcing many students, in effect, to mortgage their lives, and make their career choices based not on their interests but on their need to earn money to pay off

2. Tuition-Fee Schedules for Publicly Funded Programs, 2001 - 02 (Cont'd)

their debts. Mr. Saunders added that international students faced especially difficult problems with fees often in excess of $10,000 per year. Debt was a real problem for the more than 50% of students who had to rely on loans under the Ontario Student Assistance Program (OSAP). Students in Arts and Science programs who relied on OSAP would be forced to accumulate even more debt now because of the elimination of the three-year degree program and the requirement for four years of study. Housing costs remained very high, with the vacancy rate for rental housing in the Toronto area remaining under one percent. While the root of the University's financial problem was inadequate provincial funding, and while the University was lobbying strenuously for a remedy, it was wrong to seek a solution from students, many of whom were poor. The University had a large endowment and should focus its resources more on student needs.

An extensive discussion followed. Among the matters that arose were the following.

(a) Endowment funds. Professor Sedra said that all endowment funds were dedicated, most often by the donors, to specific purposes. Over 40% of the endowment, or $500,000,000, was dedicated to student financial support.

(b) Provincial Government support. Professor Sedra commented on the references to fee freezes or reductions in other Canadian jurisdictions. In all cases, the provincial governments had provided the means for such reductions; the universities themselves had not been required to bear the cost. In Manitoba, for example, the Government had provided rebates to students.

In response to a member's questions, Professor Sedra said that, regrettably, he had no indication of any intention by the Government of Ontario to fund similar tuition-fee freezes or rebates. The Government did not mandate tuition-fee increases; on the contrary it had limited increases in programs for which it regulated fees to 1.96% this year. It had removed other programs from regulation, permitting the universities to establish the fees. The Government required (i) that each University re-invest 30% of the revenue from tuition-fee increases in student aid, and (ii) that each file an annual report showing how the remainder of the increased revenue was being used to enhance program quality.

The President agreed with the comments of the guest speakers that the Province of Ontario provided inadequate support to the universities. The level of support per student was in fact the lowest of any Canadian province and close to lowest of any jurisdiction in North America.

A member urged that the Board reject the proposed tuition fee increases in order to send a message to the Government of Ontario that it was not right to fund public institutions "on the backs of students." Such a bold action would produce a great deal of leverage with the Government, making it clear that the failure to fund public institutions properly was not good for the public. Moreover, such a rejection of fee increases would be possible without a negative financial impact. By attracting more applicants and registrants, it would on the contrary have a positive impact on enrolment, revenue, and the types of activities that could take place.

(c) Need for increased fees. Professor Sedra said that the administration was proposing to increase tuition fees because it would not be possible to operate the University at an acceptable standard of quality without the increased revenue. He referred to the statement of one of the guests that students wished to study at the University of Toronto because of its prestige and the quality of its programs. The University required additional revenue precisely to maintain that quality. The University's costs had been increasing at a rate between two and three times the increase in the Consumer Price Index. The fees for most students were being increased by 1.96%

2. <u>Tuition-Fee Schedules for Publicly Funded Programs, 2001 - 02</u> (Cont'd)

to deal with costs that had increased between four percent and six percent. Even with the fee increases, the University would likely be forced to claw back $10-million or 2.5% of the relevant base budget of every unit in the University in 2001-02, in addition to the previously assigned reduction.

Invited to speak, a member of the Governing Council argued that there was no need for the fee increase because there was an alternative source of funds for the University's operating needs. The Budget Report proposed a transfer of $40-million to the University Infrastructure Investment Fund (U.I.I.F.) for capital purposes. The Province of Ontario was on the cusp of the double cohort of secondary school graduates as well as a demographically driven increase in demand for University places. Given the leverage it would have in accepting or not accepting more students, the University should use that leverage to seek additional funding from the Government's SuperBuild Growth Fund for capital purposes, and it should not fund capital growth from operating money generated by tuition fee increases.

Professor Sedra replied that the Budget proposed that $30-million be borrowed to augment the U.I.I.F. The cost of debt service on the loan would be $2.8-million per year. Only that $2.8-million amount, and not the $30-million amount, could be regarded as a possible source of savings to obviate the need for tuition fee increases. Tuition fees provided revenue year after year that would support the base budget. The money provided for the U.I.I.F. represented a one-time-only funding. The two could not be compared.

(d) Tuition fees as a proportion of the budget. A member noted that in the 2001-02 budget, tuition fees would supply about 29% of the University's operating expenditures with government operating grants providing about 45%. She asked whether there was a policy that specified what proportion of operating expenditures should be funded by student fees. Should there be such a policy? How did the 29% proportion compare with previous years? Other provinces? States in the United States? Professor Sedra said that there was no policy specifying the proportion of expenditures to be covered by tuition fees. The President cautioned against comparisons to the U.S. For example, at the University of Wisconsin, a public institution comparable to the University of Toronto, tuition fees for out-of-state students were $21,000 per year - clearly not a desirable direction for the University of Toronto.

In the course of the subsequent discussion of the Budget Report, two members requested comparative information about the proportion of operating revenue supplied by tuition fees at a representative sample of universities. Professor McCammond undertook to provide that information.

(e) Student housing costs. Professor Sedra said that the University was committed to providing a solution to the problem of housing costs. The Graduate House residence had opened in the fall of 2000, and a new student residence building at St. Michael's College would open in the fall of 2001. Several other residence buildings were being planned.

Invited to speak, a member of the Governing Council said that the new student residences were not providing affordable housing. The rent for a room at Graduate House had originally been $515 per month and would be increased by $50 per month to $565 per month - a very large sum for a student to pay.

(f) Graduate students. Professor Sedra stressed that the University had undertaken a very important initiative this year, setting out the objective of providing every doctoral-stream

2. Tuition-Fee Schedules for Publicly Funded Programs, 2001 - 02 (Cont'd)

graduate student with a funding package equal at least to the full cost of fees plus $12,000 per year for five years - a masters degree year and four years of doctoral study. While it might be expected that such support packages could be provided in such well funded areas as medicine, engineering and the sciences, the University had made a major breakthrough in being able to provide such funding packages to graduate students in all arts and science disciplines, including the humanities and social sciences, which had traditionally encountered difficulty with respect to graduate-student funding. Given that full tuition fees, for both domestic and international students, were included in the funding packages, students with those packages would suffer no negative effect from the proposed tuition-fee increases. In response to a question, Professor Sedra said that funding packages would be made available not only to new students in Arts and Science doctoral programs but also to continuing students in their first five years of graduate study.

The President commented on the anticipated funding source for enhanced graduate support packages. The University had begun to invest a portion of its Expendable Funds Investment Pool - in effect its cash float - more aggressively. Over the long term, that should yield improved earnings which would be transferred into an endowment to provide graduate student support packages. The University was working separately to convince the government to provide funding to match the additions to the endowment for this purpose. Achievement of that plan would require, in the short-term, a turnaround in the economy and in the securities markets and, in the long term, a significant amount of time to build up the endowment. The University hoped ultimately to add $50-million to the endowment, which would generate a further $2.5-million per year for graduate student support.

In response to a question, Professor Sedra said that the major problem remaining with respect to graduate-student funding packages was OISE /U.T., where it would take more time to provide five-year support packages to all doctoral-stream students. The University had inherited the problem of inadequate support for graduate students at the time of the merger with OISE. The University had, however, made some progress in dealing with the problem, for example making an Academic Priorities Fund allocation to OISE/U.T. for graduate funding packages and offering other matching funding. Professor Sedra would not, however, be able to predict when the problem would be solved.

Invited to speak, a member of the Governing Council said that the funding packages for graduate students were deeply flawed because the earnings from teaching assistantships were regarded as part of the packages. Her duties as a teaching assistant included not only preparing for and conducting four hours of tutorials per week but also grading all of the essays and examinations for sixty-five students. This massive workload required two or three days each week, which had prevented the member from making good progress on her own program, leaving her no realistic chance of completing her doctoral studies in four years, when the funding package would expire. In those circumstances, having to pay a 5% increase in tuition fees would be devastating.

(g) Tuition fees, financial aid and accessibility. Professor Sedra stressed that the University's Policy on Student Financial Support was the other side of the coin from the Tuition Fee Policy. The University had budgeted $87-million for 2001-02 to provide funding to students, which was additional to the Province's OSAP loan program, to give substance to the guarantee in the Policy on Student Financial Support 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."

2. <u>Tuition-Fee Schedules for Publicly Funded Programs, 2001 - 02</u> (Cont'd)

Professor Orchard reiterated that surveys had been undertaken of students in first-entry and professional programs that compared the cohort of students who had entered their programs before the recent fee increases with those who had entered the University thereafter. Those surveys found that there had been no reduction, and on the contrary an increase, in students who were members of visible minority groups and whose families had low incomes and no post-secondary education. This was attributable to the University's program of student financial support, which was one of the best in Canada. It was true that those surveys did not include graduate students, and Professor Orchard had undertaken to include graduate students in the survey for the current year and subsequent years.

A member stressed that, pursuant to Provincial requirements, 30% of the revenue from all tuition-fee increases would be directed to student financial support programs. While all students would be required to pay the tuition fee increases, nearly one third of the revenue would be available to assist the poorest students with their tuition fees and other costs. Professor Sedra added that in order to fund the cost of the expanded program of funding packages for graduate students, the University would be devoting an amount over and above the tuition-fee reinvestment to student financial support.

A member noted that, while the University had found that the combination of tuition fees and student financial support had not impeded access, how could access be improved? What was an appropriate test for access? Professor Orchard replied that the student surveys had demonstrated that access was being improved.

A member pointed out that when the Policy on Student Financial Support had been approved in 1998, the University's budget for student support had been $42-million per year. That had increased to $87-million per year, a very significant sum and one demonstrating a very serious commitment to the accessibility guarantee. The member had monitored the implementation of the student-support program carefully. It was an excellent one and unique in Canada. The University required the revenue that would be provided by the proposed tuition-fee increase to provide the highest possible quality of education, not least to the doctoral-stream graduate students who would be required to fill the large number of faculty positions expected in the next decade. While no one wanted to increase tuition fees, it was important to do so to provide quality education, and the financial support program would allow that with no harm to access.

Invited to speak, a member of the Governing Council said that the University's financial aid, under its basic University of Toronto Advanced Planning for Students (UTAPS) program, was available only to supplement aid under the Ontario Student Assistance (OSAP) Program. There was, however, a significant group of students at the University who were not eligible for OSAP and therefore not eligible for UTAPS aid.

(h) International students. The President recalled that several references had been made to international students, who, unfortunately, were required to pay higher fees than Canadian students. The reason for this discrepancy was that the Province provided no funding whatever to the universities for international students. Even with their higher tuition fees, therefore, international students were receiving a subsidy for a significant part of the cost of their educations. The only reasonable solution to this problem was to convince the Provincial Government that the presence of international students - particularly graduate students - contributed a great deal to the quality of the educational experience and consequently that government funding for such students should be restored. The University was actively seeking that outcome.

2. Tuition-Fee Schedules for Publicly Funded Programs, 2001 - 02 (Cont'd)

(i) Student debt. Professor Orchard reiterated that the University's survey of graduates from first-entry programs had shown that more than half had no OSAP debt. The average debt load of students with OSAP loans was between $15,000 and $16,000.

Professor Orchard said that debt was a concern for students who graduated from second-entry professional programs such as Dentistry, Law, Management and Medicine. Those students usually had a sufficiently high income levels after graduation to enable them to repay their loans without problem. In addition, the University had established a debt remission program for graduates of those programs who chose to go into low-income careers or who fell upon hard times.

In response to a member's question, Professor Orchard said that the surveys had also looked into bank loans over and above OSAP debt. The average bank debt for students in first-entry programs was approximately $200.

A member commented that, while the amount might seem small to most members of the Board, the average debt load of $15,000 would be daunting to many students. Moreover, many students had debts well in excess of that average. Many were struggling, taking on part-time jobs that interfered with their academic work and reconsidering their career plans. Moreover, making application for student assistance was, in the member's view, "a nightmare" and "degrading."

(j) Tuition fees and program quality. Invited to speak, a member of the Governing Council said that while it was proposed to ask students to pay $17.5-million more in tuition fees, their academic divisions were being required to accept a 2.5% one-time-only reduction in their budgets, implying larger classes, a poorer faculty/student ratio and therefore poorer program quality. In addition, students were being asked to pay increases in incidental and ancillary fees. It would be wrong to ask students to pay more for poorer quality programs.

The debate concluded and the question was put on the motion to recommend the tuition-fee schedules for approval. On the recommendation of the Vice-President and Provost,

YOUR BOARD RECOMMENDS

THAT the proposed tuition-fee schedules for publicly funded programs for 2001-02, copies of which are attached hereto as Tables 1 and 3 of Appendix “A”, be approved.

3. Tuition Fee Schedule for Self-Funded Programs, 2001 - 2002

Professor McCammond said that the proposal dealt with tuition-fees for programs that received no government funding and that were supported solely by tuition fees. In most cases, the increases proposed were five percent or less. In four cases, the increases were more substantial. In three of the four cases, there had been no fee increase the previous year: the Masters of Management and Professional Accounting, the collaborative program in Radiation Sciences, and the collaborative ConGESE Program in Software Engineering. In the case of the OISE/U.T. schools (the Institute of Child Study laboratory school and the University of Toronto Schools) the increase of over eight percent included the second phase of a levy adopted one year ago to pay for the costs of new construction and renovation of facilities.

A member said that the fees for those programs were beyond the means of most students he knew, and he urged that the increases be rejected.

3. <u>Tuition Fee Schedule for Self-Funded Programs, 2001 - 2002</u> (Cont'd)

On the recommendation of the Vice-Provost, Planning and Budget.

YOUR BOARD RECOMMENDS

THAT the proposed tuition-fee schedule for self-funded programs for 2001-02, a copy of which is attached hereto as Appendix "B", be approved.

4. <u>Budget Report, 2001 - 02</u>

The Chair reminded members that the Budget Report was considered by both the Academic Board and the Business Board before it was forwarded to the Governing Council for approval. The Academic Board was responsible for the allocation of resources contained in the Budget. Its Planning and Budget Committee had reviewed the budget in detail, and the Academic Board had recommended the Budget Report for approval. The Business Board was the source of the Governing Council's advice about financial matters. It was asked to concur with the recommendation of the Academic Board that the Budget Report be approved. The Business Board's concurrence would indicate its view that the Budget Report was a financially responsible one, and that the level of risk implied in the budget's assumptions was reasonable.

Professor Sedra presented the Budget Report. Among the highlights of his presentation were the following points.

- **Context**. The Budget Report for 2001-02 would cover the fourth year of the six-year, long-range budget plan, 1998-99 through 2003-04. The principal budget strategies remained on target, with no need to assign new base-budget reductions. The previously scheduled base-budget reduction of 0.7% would, however, be implemented during the 2001-02 year. The University would enter the year with the cumulative deficit on target at $9.8-million, within the Governing Council policy limit of 1.5% of operating revenue. Over the six years of the plan, revenue was projected to grow by one third, from $650-million in 1998-99 to $878-million in 2003-04.

  Professor Sedra noted that he and his colleagues would in the fall propose a new long-range budget plan for the years 2002-03 to 2007-08. That would follow the long-standing precedent of presenting a new plan with two years overlap from the end of the current plan.

- **Revenue growth**. With revenue expected to grow by one third over the six-year planning period, 1998-99 to 2003-04, members might ask why Professor Sedra would propose a 2.5%, one-time-only claw-back from all divisional budgets for 2001-02. The problem was that most components of the revenue increase were targeted for specific purposes. Those elements included the following additional revenue, over the full six-year period:

  - Canada Research Chairs, $29.3-million. This funding would do a great deal to improve research and teaching at the University, but only a small portion would provide an improvement to the bottom line of the University's budget.

  - Additional investment income anticipated from the more aggressive investment strategy for the University's expendable fund float, $4.7-million. This amount was targeted for support of funding packages for graduate students, either through

4. Budget Report, 2001 - 02 (Cont'd)

transfers to the endowment to fund such packages or, for an interim period, through direct funding.

- Improved income from the endowment, $17.3-million. This amount was again targeted for additional student financial support and for the support of endowed chairs.
- Tuition fees, $91.9-million. 30% of this amount was targeted for student financial support. Much of the remainder would be required either to fund quality improvements or the costs of enrolment increases.
- Government operating grants, $54.5-million. Again a substantial part of this amount would be required to fund the cost of enrolment increases in Computer Science, Computer Engineering, and other high-demand areas of Engineering (under the Ontario Access to Opportunities Program) and in Medicine and Education.
- Endowment Stewardship and Investment Management Fees, $7.4-million. Most of this income, derived from the earnings of the endowed and pension funds, would be devoted to funding the costs of the Campaign.

- **Budget overview**. Professor Sedra outlined the current forecast for 2003-04, the final year of the planning period, in the absence of strategic actions to deal with budgetary problems. It was now anticipated that revenue for 2003-04 would be $878-million, $27-million more than previously forecast. The problem was that operating expenses were now forecast to be $892-million, which was $40-million more than previously anticipated. The deficit on the year's operations would therefore be $14-million, rather than the previously forecast, essentially break-even amount of $1.2-million. The outcome would be an accumulated deficit of $47-million, which was $37-million worse than the original projection. It was clear, therefore, that action would have to be taken to control the deficit.

- **Revenue for 2001-02: Government operating grants**. Provincial operating grants for 2001-02 would be $2.7-million more than previously projected owing to: (i) the revision of the allocation formula for the Performance-Based Funding Envelope ($0.8-million), and (ii) the additional funding for enrolment increases in the professional programs in Education and Medicine. The Province had made no announcement concerning the regular operating grant, and the budget assumed that there would be a 2% increase for 2001-02 and for each subsequent year in the planning period. The budget contained no assumption concerning increased funding or expenditures for enrolment increases arising from the double cohort of secondary school students who would complete their old five-year programs and new four-year programs, both in and around 2003.

- **Revenue for 2001-02: Tuition fees**. Tuition-fee revenue for 2001-02 would be $10.1-million higher than previously forecast. Of that amount, $6-million would derive from the increased fees and enrolment for the Master of Business Administration program. Another part of the revenue increase reflected the higher enrolment in the professional programs in Education and Medicine and the higher-than-forecasted enrolment of international students.

4. Budget Report, 2001 - 02 (Cont'd)

The higher tuition-fee revenue, combined with the higher government grant revenue, would generate $12.8-million, but that amount would be counterbalanced by $10-million in additional expenditures. Those expenditures would include: $6.1-million allocated through the Enrolment Growth Fund to pay the cost of the enrolment increases, $2.1-million to provide additional student aid, and $1.8-million allocated through the Academic Priorities Fund to provide program quality improvements. Therefore, only $2.8-million of this increased revenue would provide relief to the bottom line.

- **Endowment revenue and expense, 2001-02**. It was anticipated that endowment revenue would grow by $5.9-million more than previously forecast, offset by the same amount expended for the purposes of the endowments. There would, therefore, be no impact on the bottom line of the budget. The budget no longer contained the assumption of $60-million of endowed funds for graduate-student aid. Instead, the budget assumed that additional revenue deriving from the more aggressive investment of the Expendable Funds Investment Pool (cash float) would provide $3-million for the year to fund the incremental cost of graduate student assistance until the additional endowment was raised.

- **Expense: Funding the Campaign**. Professor Sedra recalled that the Board had, at its meeting of June 22, 2000, approved the new Consolidated Investment Pool Policy and the Campaign Budget, 2000-01 to 2003-04. The outcome would be revenue deriving from two fees: (a) a 40 basis-point fee (four-tenths of one percent) levied on all investment funds including the pension fund to cover the University's costs for investment management and administration; and (b) a 35 basis-point fee (35/100 of one percent) levied on the endowed funds for general endowment stewardship. The fees would yield $7.4-million, which would be used to offset Campaign expenditures of $9.9-million, leaving a negative amount of $2.5-million.

- **Expense: Contractual obligations and policy commitments**. Those expenses, listed in Appendix "B" to the Budget Report, would be $7.6-million greater than previously forecast. The variances were numerous, with some positive variances partially counterbalancing the negative ones. The main negative variances were $4.2-million more than anticipated for utilities costs, particularly heating costs, and $2.8-million for debt service (principal and interest) on the proposed $30-million loan to augment the University Infrastructure Investment Fund.

- **Expense: Compensation**. The assumption for across-the-board compensation increases for each year in the planning period was 2%, an increase from the previous assumption of 1.5%. Professor Sedra noted that the cost to the operating budget of each half-percent increase per year beyond the 2% would be $1.75-million per year. In addition, the cost of benefits had been increasing by $4.5-million per year, substantially more than the previous projection of a cost increase of just over $3-million per year. Compounded over the remainder of the planning period, the projected cost of benefits in 2003-04, the final year of the planning period, would be $3.6-million per year more than previously anticipated.

- **Expense: Administrative Priorities Fund**. A further allocation of $0.8-million per year would be made to this fund in order to meet the cost of the reorganization of the central administration.

4. Budget Report, 2001 - 02 (Cont'd)

- **Uncertainties**. There were three areas of substantial uncertainty, with the outcomes not being included in the budget projections. In each case, however, the potential outcome would be positive. First, there was a possibility that the Canada Foundation for Innovation would begin to support the operating cost of the infrastructure facilities it had funded. Second, there was a possibility that the Government of Canada would provide resources to enable the three federal research granting councils to pay the indirect or overhead costs of the research they funded. Third, the Province of Ontario had yet to announce provisions to fund future enrolment growth. If the Province was to adopt the recommendation of a Council of Ontario Universities working group, the outcome could be as much as $100-million of additional funding per year for the University of Toronto. Of course, that additional funding would be combined with the additional expense associated with enrolment expansion.

- **Budget Strategy**. Professor Sedra recalled that new Long-Range Budget Guidelines would be developed and presented to the Governing Council for approval in the fall. They might well include significantly increased revenue. Given the possibility of increased revenue for enrolment growth and research overhead, it would be wrong to over-react to the shortfall in the current year's budget. Professor Sedra did not, therefore, propose assigning any further base-budget reductions for the year beyond implementation of the previously assigned 1.5% base-budget reduction for re-allocation. He did, however, recognize the importance of avoiding the build-up of a large accumulated deficit. He therefore proposed to levy a one-time-only deficit-control reduction of 2.5% for 2001-02, which would save $10-million. That would be added to the 0.7% one-time-only reduction that had been previously assigned. In the light of the fact that there was a real possibility of improved funding, this claw-back would not be implemented until the fourth quarter of the year, in the hope that it would become unnecessary. However, in the absence of improved funding for enrolment growth and research overhead, it would be necessary to resume making base-budget reductions again in 2002-03 and 2003-04, amounting to 1.5% per year. Those reductions would bring the budget back into balance by the end of the current planning period, April 30, 2004, and the accumulated deficit would be within the limit established by the Governing Council, i.e. 1.5% of operating revenue.

  In addition, Professor Finlayson was establishing two working groups to develop cost-containment strategies for utilities expenditures and employee benefit costs.

- **Overview: Budget with adjustments**. Taking into account the adjustments suggested above, the excess of expenditures over revenues for 2001-02 would be $10.5-million. The transfer of monies to the endowment to fund graduate student aid would add a further $6.2-million to the deficit. The one-time-only deficit control measures - the 2.5% claw-back combined with the previously planned $3-million one-time-only reduction - would reduce the deficit by a total of $13.5-million, leaving it at $3.2-million for the year. The anticipated accumulated deficit at the beginning of 2001-02 was projected to be $9.8-million, which would be increased to $13.0-million by the end of the year.

  However, in 2003-04, the final year of the planning period, the projected operating result for the year would be a surplus of $4.8-million, reducing the accumulated deficit to $12.2-million, within the policy limit of 1.5% of operating revenue.

4. **<u>Budget Report, 2001 - 02</u>** (Cont'd)

Moreover, if there were positive developments with respect to Provincial funding for enrolment expansion and federal funding for research overhead costs, it might be possible to achieve this satisfactory outcome without having to implement the 1.5% base-budget reductions in each of 2002-03 and 2003-04.

The Chair recalled that the President was traditionally asked to state his views with respect to: (a) the financial prudence of the budget, including (b) the major elements of risk. The President congratulated Professor Sedra and his colleagues for their brilliant work on budget planning. He noted that the University presented the budget in terms of the reductions required relative to the long-range budget projection. Notwithstanding that emphasis on reductions, actual spending on operations was budgeted to increase from $753-million to $813-million, an increase of almost 8%. The new fiscal year would see the implementation of a wide variety of new programs and the strengthening of old ones. The University would appoint faculty to a number of new research chairs. The President asked that this strengthening be borne in mind in considering the budget, and he planned in the future to place more emphasis on the positive elements of the budget to balance the need to make reductions from the budget plan.

The President stated that the operating budget was a responsible one, reflecting a conservative approach. There was a very real possibility of increased funding beyond that assumed in the budget. The President hoped that the Province would decide to provide operating funds for the full program-weighted enrolment at each institution rather than only for the enrolment at the mid-point of the institution's "enrolment corridor." Were that to happen, it would obviate the University of Toronto's need for the 2.5% claw-back. The President also hoped that the Government of Canada would begin to fund the indirect costs of the research it sponsored. That change too would be a very positive and welcome one.

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

(a) Effect of budget reductions combined with tuition-fee increases. A member commented that the reductions proposed in the Budget Report would amount to 3.2%, combining the previously assigned one-time-only reduction of 0.7% and the one-time-only claw-back of 2.5%. A reduction of that magnitude would have harmful effects on students, who were at the same time being required to pay increased tuition fees. This was causing real alienation within the University.

(b) Limitation on the cumulative deficit. A member referred to the Governing Council policy providing that the "surplus/deficit in respect of operating funds shall, at each fiscal year-end, be as close to zero as possible, with permissible variations ranging from + 1 1/2 % to - 1 1/2 % of operating income." He noted that the deficit included in the proposed budget appeared to exceed the 1.5% limit. Professor Sedra replied that with the current long-range budget planning process, the Governing Council had established a practice of permitting the cumulative deficit to exceed 1.5% of operating revenue in any given year, subject to the plan's bringing the deficit back within the permissible limit by the end of the planning period, and subject also to the projected budget in the last year of the planning period being balanced. By approval of the Budget Report, the Governing Council would implicitly over-ride the surplus/deficit policy.

(c) Projected expenditures for compensation. In response to a member's question, Professor Finlayson said that the budget assumed a four percent increase in the costs of salaries for the Senior Management Group for 2001-02. (That amount was contained in a recommendation to the Board that appeared later on the agenda of this meeting.) The amount, if approved by the

4. **Budget Report, 2001 - 02** (Cont'd)

Board, would provide a pool, with increases being assigned to each senior manager solely on the basis of merit. The procedure for awarding increases solely on the basis of merit had been established in clause (I) of the Policies for Members of the Senior Management Group, approved by the Business Board on May 23, 1995. The four percent amount was identical to that for other non-union staff, who would receive a two percent increase across the board, along with continuation of the program of merit increases, which cost approximately two percent of the salary base.

The member commented that the assumption of two percent across-the-board increases was one percent under the rate of increase in the Consumer Price Index. That represented an inappropriate assumption that employees would continue, as they had over many previous years, to bear the burden of the University's budget problems by accepting compensation increases that did not keep up with inflation. Professor Sedra stressed the statement in the Budget Report that "these assumptions are for modeling purposes only and do not represent a strategy for salary negotiations." If the outcome of negotiations was different, the budget would be adjusted to accommodate that outcome. Professor Sedra thought that two percent plus merit or step increases represented a reasonable assumption. The unions other than the United Steelworkers of America did not have provisions for step increases based on years of service. In the case of those contracts, the University sought to maintain compensation that was comparable to that of others in the same occupations in the Greater Toronto Area.

On the recommendation of the Vice-President and Provost,

YOUR BOARD CONCURS

With the recommendation of the Academic Board

THAT the Budget Report, 2001 - 02, be approved.

5. **Chair's Remarks**

The Chair welcomed two new members. Professor W. Raymond Cummins had kindly agreed to join the Board, replacing Professor Ron Venter, who had resigned from the Governing Council to take up his duties as Vice-Provost, Space and Facilities Planning. Mr. Elan L. Ohayon had also kindly agreed to join the Board replacing Ms Nancy Watson, who had resigned from the Governing Council.

6. **Business Arising from the Report of the Previous Meeting: Real Estate Transaction: 500 University Avenue**

Professor Finlayson recalled that the Board had, at the previous meeting, approved the purchase a building at 500 University Avenue, close to the teaching hospitals on that street, to accommodate the programs in Occupational Therapy, Physical Therapy and Speech - Language Pathology. He reported that after some negotiation, the University had succeeded in acquiring the building at a cost of $15.4-million. The University would now proceed with the renovations required to accommodate the new occupants.

7. Investments: Annual Report of the University of Toronto Asset Management Corporation, 2000

Ms Brown recalled that the Board received an annual report on the performance of the University's investments funds and pension fund. In previous years, that report had been from the President's Investment Committee. For the first time this year, the report was from the new University of Toronto Asset Management Corporation (UTAM).

Mr. Lindsey presented UTAM's Annual Report for 2000. (A copy of that report is attached hereto as Appendix "C".) Mr. Lindsey noted that the report covered investment performance for UTAM's fiscal year, which ended December 31, 2000. UTAM had not, however, begun operations until May 1, 2000 and was therefore only partially responsible for the year's results. The highlights of Mr. Lindsey's report included the following points.

- **One-year returns - outperformance of benchmarks**. All three funds had outperformed their benchmarks. The benchmark for the pension fund for 2000 had been as follows: The Toronto Stock Exchange 300 Index of Canadian stocks (40%), the Standard & Poor's 500 Index of U.S. stocks (10%), the Morgan Stanley Capital International Europe / Australasia / Far East (EAFE) Index of non-North-American stocks (10%), and the Scotia Capital Universe Index of Canadian bonds (40%). The weighted return of those combined indices for the 2000 calendar year had been 2.92%. The University's Pension Master Trust had earned a return of 5.19%, or 2.27% better than the benchmark.

  Similarly, for the Long-Term Capital Appreciation Pool (L.T.CAP), the investment pool that contained most of the University's endowed funds, the benchmark return had been 2.12% for the year, reflecting its heavier weighting in the equity markets, which had very poor returns in 2000, and its lower weighting in bonds. The L.T.CAP's return, however, had been 5.13%, which was 3.01% better than the benchmark.

  Finally, for the Expendable Funds Investment Pool (EFIP), the pool used to invest the University's cash float, the benchmark return had been 7.62%, reflecting its heavier weighting in bonds and short-term fixed-income investments. Again, the EFIP return of 8.12% had exceeded the benchmark return by 0.5%.

  Mr. Lindsey observed that in all three funds, therefore, UTAM's activities had added substantial value. In all three equity asset classes - Canadian, U.S. and non-North-American equities - the portfolio managers engaged by UTAM had outperformed their benchmark indices. Most notably, the managers of non-North-American equities for the pension fund had posted a return that was 3.32% ahead of the benchmark EAFE Index and the managers of non-North-American equities for L.T.CAP (endowment fund) had posted a return that was 8.54% ahead of the EAFE Index. He noted that it was very unusual that the investment return on the EFIP (the cash float) would be higher than the return on the longer term funds; normally the situation would be reversed. However, equity markets had provided very poor returns in 2000, and bonds and money market instruments had provided superior returns.

- **Four-year returns**. While UTAM, as a new organization, had stressed one-year returns, it was important to evaluate returns over longer time periods. In particular, UTAM's most important objective was to maintain the value of the pension and endowment funds, or to increase their value, after the effects of inflation and spending. In determining whether the pension plans were fully funded, the University's actuaries assumed that the Pension Master Trust would over the long term provide a return equal to the rate of inflation plus

7. Investments: Annual Report of the University of Toronto Asset Management Corporation, 2000 (Cont'd)

4% per year. Achieving that return was, therefore, very important. For the year 2000, achieving that objective would have required a return of 7.2%. The actual return of 5.2% therefore fell short of that objective. Over the four years ended December 31, 2000, however, the pension fund's average annualized return of 10.1% easily exceeded the target of inflation plus 4%, which amounted to 5.9% per year.

In the case of the L.T.CAP, the objective was to earn a return of at least inflation plus 5% because the University's spending policy called for an annual payout from the endowment of 5% of the average unit value of the L.T.CAP over the previous 48 months. Failure to meet that target would mean that the real value of the endowment would erode over time. Again, with the poor security markets in 2000, the L.T.CAP return of 5.1% fell short of the 8.2% target, but over four years the L.T.CAP's average annualized return of 11.7% easily exceeded the objective of at least 6.9% per year.

- **Relative performance**. A third objective, which had been added to the investment policies as approved by the Business Board in November 2000, was for the funds, again over a four-year period, to "achieve an above-median return in comparison to an appropriate investment fund universe comprised of funds with similar asset mix and return objectives." Mr. Lindsey noted that he had encountered considerable difficulty in selecting an appropriate comparative universe of funds. While a number of such universes were offered by measurement services, many of the funds included in those universes had different risk profiles, and therefore different asset mixes, from the University's funds. One appropriate universe was provided by Cambridge Associates, who served as consultants to major U.S. endowment funds. As Canadian universities changed their investment policies to take greater advantage of world-wide markets, it was appropriate that they should compare their performance to institutions across North America. For the year ended December 31, 2000, the median fund in the Cambridge Associates universe had posted a return of 4.47%. Therefore the L.T.CAP'S return of 5.13% and the pension fund's return of 5.19% both ranked well above the median.

  Mr. Lindsey noted that there was an unusually wide dispersion of returns for 2000, with the fund ranking in the 95th percentile in the Cambridge Associates universe losing 2.77% and the fund ranking in the fifth percentile earning 27.12%. He thought it likely that the funds with the high-level returns probably had developed significant private-equity investment programs. UTAM was in the process of developing such a program, but it would be three years or more before the effects would be felt.

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

(a) Synthetic investments. In response to a member's question, Mr. Lindsey said that synthetic instruments were used by UTAM to gain foreign investment exposure beyond the 30% limit imposed on registered pension plans by the Income Tax Act. The synthetic instruments consisted of futures contracts on foreign stock indices, with backing assets in Canadian money-market instruments such as treasury bills. Those instruments replicated the investment performance of foreign index funds, but they were considered as Canadian content under the Income Tax Act. In response to another question, Mr. Lindsey said that the funds did not use foreign-pay bonds; all fixed-income investments were Canadian issues denominated in Canadian dollars.

(b) Approval of benchmarks. In response to a member's question, Mr. Lindsey said that the benchmark, and therefore the normal asset mix, for each fund was contained in the investment

7. Investments: Annual Report of the University of Toronto Asset Management Corporation, 2000 (Cont'd)

policies. Those policies were reviewed in the first instance by the UTAM Board and, with its concurrence, sent forward for approval by the Business Board.

(c) Funded status of the pension plans. A member observed that return on the pension fund in 2000 had fallen short of the actuarial assumption of the Consumer Price Index plus 4%. Would the University still be able to meet its pension obligations? Mr. Lindsey replied that the actuarial assumptions were based on a very long time frame, and that the actuarial valuation of the pension assets used an averaging mechanism that smoothed investment returns over three years. Returns over the past three years had been well in excess of the actuarial assumption. There would, therefore, be need for concern about a reduction in the actuarial surplus only if returns of less than inflation plus four percent persisted for a longer period. It had been very rare that securities markets had provided negative returns for more than two consecutive years. That had occurred only in the period following the 1929 stock market crash and in 1970-72 - a period characterized by a combination of very high inflation and little or no economic growth. In the current economic environment, Mr. Lindsey saw no need to for immediate concern about achieving the long-term actuarial assumptions.

A member asked whether the legal action being brought against the University by retired women faculty members would endanger the funded status of the pension plan. Professor Finlayson noted that he had addressed the matter in his written report, which would appear later on the agenda.

(d) Steps to improve investment performance. A member observed that a sharp decline in the price of one security had caused a decline in the entire Canadian equity market. Mr. Lindsey agreed with this observation. It was one reason for the recent change in the benchmark for both the pension fund and the endowment fund to reduce the weighting of Canadian equities, which accounted for only 2% of world markets, to 10% of the each fund. That would reduce the over-exposure to single stocks such as Nortel Networks, and that should also reduce the volatility of the returns of the two funds. He stressed that both funds also contained a component of fixed-income securities, with the pension fund including a reasonably conservative 40% of bonds.

The member observed that the returns provided by the securities markets in the first quarter of the year had been very poor. Would Mr. Lindsey make any recommendations for changes in the University's investments? Mr. Lindsey replied that he would be very wary about making shifts in asset mix on the basis of short-term experience. It was very difficult to try to time the markets. To do so successfully, it would be necessary to select both the time to sell stocks and to re-enter the stock market. Making a mistake on the timing of re-entry could mean missing a sharp re-bound in stock prices. It was possible, however, to make tactical changes that did not involve so much risk. First, an investor could change the emphasis given to certain sectors. UTAM was at this time under-weighting the technology sector. Similarly, an investor could change the emphasis given to small- medium- or large-capitalization companies. UTAM was at this time over-weighting small- and medium-capitalization companies. UTAM would rely on such tactical moves in its effort to continue to outperform it benchmark while avoiding major, dramatic - and risky - shifts among asset classes.

(e) Cost and benefit of the establishment of UTAM. A member asked about the cost of operating UTAM compared to the previous arrangements for investment management. Professor Finlayson replied that UTAM had been in operation for less than one year. It was too early to make any evaluation of its relative cost and benefit. The member said that UTAM had

7. Investments: Annual Report of the University of Toronto Asset Management Corporation, 2000 (Cont'd)

failed to achieve the after-inflation returns required by the major funds, and that developments to date had reinforced his view that its establishment had not been an appropriate step. He asked that data about UTAM's costs and benefits be provided before the next meeting of the Governing Council.

(f) Ethical investing. A member asked whether UTAM applied ethical criteria in selecting investments. Did it avoid shares in, for example, tobacco companies? Companies that polluted the environment? Companies that did not support human rights? The Chair advised that the University's agreement with UTAM required it to act on the direction, and only on the direction, of the University with respect to ethical investing. The Governing Council had approved a Policy on Social and Political Issues with Respect to University Investment which set out a method to be followed by members of the University who thought that any University investment caused social harm and who thought that action should be taken as a result. Mr. Lindsey said that UTAM had received no direction and taken no action with respect to ethical investing.

8. Capital Project: Bahen Centre for Information Technology: Link to the Koffler Student Services Centre

Professor Finlayson said that a means of constructing a highly desirable link between the Bahen Centre and the Koffler Student Services Centre had become apparent during the process of design and construction, and the Academic Board had recommended to the Governing Council that such a link be constructed.

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

YOUR BOARD APPROVED

Subject to Governing Council approval in principle of the expansion of the scope of the Bahen Centre for Information Technology project, and of the proposed allocation of $750,000 from the University Infrastructure Investment Fund,

THAT the Vice-President - Administration and Human Resources be authorized to execute the project to link the Bahen Centre for Information Technology and the Koffler Student Services Centre at an additional cost not to exceed $750,000.

9. Capital Project: Sidney Smith Hall Third Floor Infill Project

Professor Finlayson said that the Academic Board had proposed to the Governing Council the construction of an additional story above the mezzanine of the building linking the tower and classroom block of Sidney Smith Hall. The new space would provide urgently needed graduate student work stations and faculty offices for the Departments of History and Political Science.

Among the matters that arose in discussion were the following.

(a) Alternative uses of the space. A member commented that this was one of the most central spaces on campus and he questioned its use for graduate-student space and faculty offices.

9. Capital Project: Sidney Smith Hall Third Floor Infill Project (Cont'd)

Invited to comment, Mr. Galberg said that the space was to be constructed on the third level of the building, which would not likely be a high-traffic area.

(b) Aesthetic considerations. A member noted that many members of the University had expressed concern about the aesthetic quality of Sidney Smith Hall. He hoped that this project, and the project to fill in certain space on the podium of the building, would not exacerbate the problem.

(c) Accessibility projects. A member expressed his view that comparable funding should be allocated to projects to make University buildings physically accessible.

A member commented that the Board had approved the establishment of a Physical Planning and Design Advisory Committee to deal with aesthetic concerns. The Chair recalled that the allocation of space and resources for buildings was within the terms of reference of the Academic Board and its Planning and Budget Committee and not within the terms of reference of the Business Board.

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

YOUR BOARD APPROVED

Subject to Governing Council approval in principle of the Users' Committee Report for the Sidney Smith Hall Infill Project, and of the proposed allocation of $1,289,000 from the University Infrastructure Investment Fund,

THAT the Vice-President - Administration and Human Resources be authorized to execute Phase I of the Sidney Smith Hall Infill Project at a cost not to exceed $1,844,000.

10. Human Resources: Salary Increases for Non-Unionized Administrative Staff

Professor Finlayson said that salary increases for 2001-02 had not been considered for two groups of staff: members of the Senior Management Group and other non-union administrative staff. For members of the Senior Management Group, increases would come from a pool equal to 1.5% of the Group's salary base plus a further 2% representing an amount equal to merit increases for other non-union staff. The amount of the increase for each member of the Senior Management Group would, however, be based solely on an assessment of the individual's performance. Other non-union staff would receive an across-the-board increase of 1.5% along with the continuation of the merit-pay program, as outlined in the *Manual of Staff Policies*. The amounts proposed were consistent with the agreements reached with other employees.

Professor Finlayson proposed that the process for allocation of increases to members of the Senior Management Group be somewhat different for 2001-02. The pool would be divided into four parts, with the relevant division head responsible both for the merit assessment and the allocation of the merit increase.

The Chair reminded members that Section 27(d) of By-Law Number 2 prohibited moving, seconding, or voting on motions related to compensation by any employee of the University or any

10. <u>Human Resources: Salary Increases for Non-Unionized Administrative Staff</u> (Cont'd)

immediate family member of an employee, except for the President and the Vice-Presidents (who were excluded from the prohibition).

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

YOUR BOARD APPROVED

(a) THAT, effective July 1, 2001, there be established a salary pool, equal to 1.5% of the Senior Management Group salary base plus an additional 2% merit, as the basis of salary increases to members of the Senior Management Group, all to be distributed on the basis of merit, as described in Appendix "D" hereto; and

(b) THAT, effective July 1, 2001, all other non-unionized administrative staff be awarded a 1.5% across-the-board salary increase plus continuation of the merit program as contained in the *Manual of Staff Policies*.

11. <u>Administrative User Fees and Fines, 2001-02</u>

In response to a member's question, Professor McCammond said that the divisions derived revenue of $8.2-million from the administrative user fees and fines, offsetting their costs for providing the relevant services. This amount represented about 3.5% of the revenue from tuition fees.

On the recommendation of the Vice-Provost, Planning and Budget,

YOUR BOARD APPROVED

THAT the following amendments to the University Schedule of Administrative User Fees and Fines, 2001-02 be approved:

(i) That the following fees be added to the Administrative User Fee Schedule

- the School and Child Clinical Psychology Program Optional Additional Practica Fee (Ontario Institute for Studies in Education / U of T)
- the Co-op Fees for Economic Policy and Data Analysis, Years 1 & 2 (Scarborough)
- the Co-op Fees for Social Sciences / International Studies, Years 1 & 2 (Scarborough)
- the Co-op Fees for Social Sciences / Public Policy, Years 1 & 2 (Scarborough), and
- The Woodsworth College International Summer Program to Sussex (placement fee and course fee);

11. Administrative User Fees and Fines, 2001-02 (Cont'd)

(ii) That the following fees be discontinued:

- the Application for Study Elsewhere Fee in the Faculty of Arts and Science, and
- the Petition to Re-calculate Grade Fee in the Faculty of Arts and Science; and

(iii) That the Woodsworth College International Summer Program to Jerusalem (placement fee and course fee) be taken off the Administrative User Fee Schedule for 2001-02 only.

12. Ancillary Operations: Real Estate - Operating Results and 2001-02 Budget

YOUR BOARD APPROVED

THAT the operating budget for the Real Estate Ancillary for 2001-02, as contained in the fourth column of the Five-Year Operating Plan, included in Appendix "E" hereto.

13. Employment Equity: Annual Report, 1999-2000

Professor Finlayson referred to the highlights of the Employment Equity Report, 1999-2000, as outlined on the "green sheet" covering memorandum. Members of the four designated groups (women, members of visible minority groups, aboriginal people and people with disabilities) were well represented in most categories of administrative staff when compared to their representation in the external workforce. Members of the groups were benefiting from expanded training opportunities. There was, however, some under-representation of people with disabilities among new hires. While the responsibility of the Business Board was equity among administrative staff, Professor Finlayson pointed out that of newly hired tenure-stream faculty members, 33% were women, up to 30% were members of visible minorities, and 1.4% were aboriginal people.

A member observed that while there had been an improvement of representation of visible minorities, that of aboriginal people and those with a disability had reached a standstill or had declined. It was particularly disconcerting that the proportion of people with disabilities was declining among the faculty. It would be essential to examine policies and expenditures to determine why faculty members with disabilities were not coming to the University or why they were leaving. The member also urged that the information in the report be presented in graphical form.

Invited to comment, Dr. Greckol reported that there had been improvements in the data collection, with the information in the current year's report being more reliable. Substantively, there had been clear improvements in the overall representation of the designated groups arising from greater proactivity.

14. Revised Operating Fund Forecast for the Fiscal Year Ending April 30, 2001

The Board received for information the revised operating fund forecast for the fiscal year ending April 30, 2001.

15. Cost-Recovery Ancillary Fees, 2001-02

The Board received for information the report on cost-recovery ancillary fees for 2001-02.

16. Report on Gifts over $250,000, November 1, 2000 - January 31, 2001

The Board received for information the Report on Gifts over $250,000, November 1, 2000 - January 31, 2001.

17. Reports of the Administrative Assessors

The Board received for information Professor Finlayson's "newsletter" memorandum on recent developments. That memorandum, which had been placed on the table for the meeting, reported on the following matters.

(a) Report of the "Investing in Students" Task Force. The Government of Ontario had established the task force to seek out inefficiencies that could be identified and eliminated to provide a source of funding for the anticipated enrolment increase expected over the next several years. The task force had instead found that the institutions were "responsibly managed and cost-effective."

A member commended Professor Finlayson for reporting this outcome. The observation that the University was very efficiently managed was long overdue.

(b) Audit by the Canadian Nuclear Safety Commission. The Commission had begun to conduct periodic audits of all laboratories licensed to use radioactive materials. An inspection carried out at the University of Toronto in February 2001 had concluded that the University's radiation protection program was well established and well organized. The audit found no instances of non-compliance with the license conditions and regulations. The audit report included five action notices concerning ways of improving the radiation safety program, including improving training programs and providing added space for radiation-protection staff. The administration, in conjunction with the University's Radiation Protection Authority, was preparing responses to the action notices.

(c) Faculty Association: Negotiations. Members of the administration and the Faculty Association would spend four days, April 9 - 11, in seeking a new salary and benefits agreement for the period commencing July 1, 2002. Any agreement would contain provision for the establishment of a new defined-contribution pension plan to come into effect on July 1, 2002. If the negotiations were successful, Professor Finlayson would request a special meeting of the Business Board to ratify the agreement.

(d) Class-action lawsuit by retired female faculty for retroactive salary increases. Four retired female faculty members had initiated a class-action lawsuit against the University claiming salary adjustments for their entire careers together with the pension increases that would result from retroactive salary increases. They claimed to represent more than one hundred female colleagues who retired before July 1, 1989. A salary review had been carried out by the University and the Faculty Association in the late 1980s. That review had resulted in salary increases for about 55% of all active women faculty, payable on July 1, 1989. The plaintiffs argued that if many female faculty were paid inequitably in July 1989, then it was likely that women faculty who retired before that date were also likely to have been paid inequitably. The University would oppose the action on the grounds that it would be (a) impossible to measure past inequities from a distance of between twelve and forty years, and (b) inappropriate to bring

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

present values to bear on past social realities. Were this claim deemed to be legitimate, so too would be any claim from the much larger number of administrative staff, both male and female, working in female-dominated positions until July 1, 1991, the date of the award of $10-million pay-equity adjustments to active staff. Also were this action to be successful, it is likely that every employer in Ontario would be liable for retroactive salary increases.

A member asked about the consequences to the pension plan if this action were to be successful. Professor Finlayson replied that the lawsuit sought retroactive salary adjustments. If the action were successful, the largest part of the cost would have to be met from the operating budget and not from the pension plan.

18. Date of Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Monday, May 7, 2001 at 5:00 p.m.

THE BOARD MOVED *IN CAMERA*

The Board granted consent to add to the agenda consideration of (a) the Chair's recommendation to appoint a Striking Committee to recommend the appointment of non-members of the Governing Council to the Business Board and the Audit Committee for 2001-02, and (b) Ms Brown's recommendation concerning a bequest. Pursuant to clause 32 of By-Law Number 2, the Board agreed to continue the meeting *in camera* to consider those items.

19. Striking Committee: Appointment

On motion duly made and second,

IT WAS RESOLVED

THAT the following be appointed to the Business Board Striking Committee to recommend appointments for 2001-02:

Mr. Amir Shalaby (alumnus, Chair)
Ms Rose Patten (Lieutenant Governor in Council appointee, Vice-Chair)
Mr. Josh Koziebrocki (student)
Professor Brian Langille (teaching staff)
Ms Karen Lewis (administrative staff)

19. Bequest

The matter was resolved *in camera*.

THE BOARD RETURNED TO OPEN SESSION.

The meeting was adjourned at 7:40 p.m.

Secretary

Chair

April 16, 2001