UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 194 OF THE BUSINESS BOARD

January 30, 2012

To the Governing Council,
University of Toronto

Your Board reports that it met on Monday, January 30, 2012 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. W. David Wilson (In the Chair)
Ms Shirley Hoy, (Vice-Chair)
Professor David Naylor, President
Professor Scott Mabury, Vice-President, University Operations
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Ms Celina Rayonne Caesar-Chavannes
Mr. P. C. Choo
Ms Mary Anne Elliott
Professor Edward Iacobucci
Professor Michael R. Marrus
Mr. Gary P. Mooney
Ms N. Jane Pepino
Mr. Manveen Puri
Ms Catherine Riddell
Mr. Howard Shearer
Ms Penny Somerville
Mr. W. John Switzer
Mr. Chris Thatcher
Mr. W. Keith Thomas
Ms B. Elizabeth Vosburgh

Professor Cheryl Misak, Vice-President and Provost
Mr. David Palmer, Vice-President, Advancement
Professor Judith Wolfson, Vice-President University Relations
Mr. Andrew Arifuzzaman, Chief Strategy Officer and Interim Chief Administrative Officer, University of Toronto Scarborough
Ms Sheila Brown, Chief Financial Officer
Mr. Louis R. Charpentier, Secretary of the Governing Council
Mr. Paul Donoghue, Chief Administrative Officer, University of Toronto Mississauga
Ms Sally Garner, Executive Director, Planning and Budget
Ms Gail Milgrom, Acting Assistant Vice-President, Campus and Facilities Planning
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources
Mr. Ron Swail, Assistant Vice-President, Facilities and Services

Mr. Neil Dobbs, Secretary

Regrets:

Mr. Jeff Collins
Mr. J. Mark Gardhouse
Mr. Steve (Suresh) Gupta
Ms Paulette L. Kennedy
Mr. Jorge J. Prieto
Ms Rita Tsang
Dr. Sarita Verma

In Attendance:

Mr. Michael Kurtz, Assistant Vice-President, Strategic Communications and Marketing
Professor Jill Matus, Vice-Provost, Students
Ms Gillian Morrison, Assistant Vice-President, Divisional Relations and Campaigns
Mr. Julian Binks, Director, Planning and Estimating, Real Estate Operations
Mr. Mark Britt, Director, Internal Audit
Mr. Jim Delaney, Director, Office of the Vice-Provost, Students
Mr. Steve Moate, Senior Legal Counsel

ITEM 2 CONTAINS A RECOMMENDATION TO THE GOVERNING COUNCIL FOR APPROVAL.

ALL OTHER ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

1. Report of the Previous Meeting

Report Number 193 (December 12, 2011) was approved.

2. Business Board Terms of Reference: Proposed Revision

Ms Hoy said that the voting membership of the Business Board had included two voting administrative assessors appointed by the President: the Vice-President, Business Affairs and the Vice-President Human Resources and Equity. Arising from the new structure of the senior administration, it was proposed that the number of voting assessors be increased to three. Under the new administrative arrangements, Professor Mabury, in his capacity as Vice-President, University Operations, had taken on most of the functions of the former Vice-President, Business Affairs. But, the Financial Services Group, under the direction of the Chief Financial Officer, would report directly to the President. To ensure that the expertise in the financial-services area came to the Business Board at the same level of authority as that of the other business areas, the President proposed that both the Vice-President, University Operations and the Chief Financial Officer serve as voting assessors of the Business Board, along with the Vice-President, Human Resources and Equity.

The President said that it was important that the University's very capable Chief Financial Officer have the same position on the Board as the Vice-President, University Operations. The President noted that Professor Mabury was retaining his responsibilities as Vice-Provost, Academic Operations in addition to taking on his role as Vice-President, University Operations. He expressed his gratitude to Professor Mabury for doing so and his gratitude to Ms. Brown for continuing in her role, now reporting to the President.

2. Business Board Terms of Reference: Proposed Revision

On motion duly made, seconded and carried

YOUR BOARD RECOMMENDS

THAT section 1.1. of the Terms of Reference of the Business Board be amended to provide that there will be three voting administrative assessors appointed *ex officio* by the President.

3. Business Arising from the Report of the Previous Meeting

(a) Item 10(a) - Fiduciary Responsibilities for the Pension Plan and the Endowment

The Chair recalled that at the previous meeting, a member had raised the question of appropriate differentiation of fiduciary responsibility for the pension plans: the differing roles of the Business Board and the Pension Committee. That discussion had been recorded in Report #193, and the terms of reference of the two bodies were quoted in footnotes to that Report. The Board had agreed that it would be important also to have a clear articulation of responsibilities concerning the endowment.

Ms Brown reported that she was working on a statement concerning those responsibilities, which she planned to bring to the March meetings of the Business Board and the Pension Committee.

(b) Item 10(c) - Pension Plan Funding

Ms Brown recalled that the University had in late December submitted to the Ontario Government its application for temporary relief from the usual rules for funding the pension-plan solvency deficit. The University anticipated a response to its application in mid-February. Upon receipt of that response, the University would be able to finalize its pension-plan funding and financing strategy. The current strategy had been approved in 2004, and the Business Board had, at its meeting one year ago, reviewed a preliminary funding and financing strategy to deal with the plan deficit. If the response to the application for temporary solvency funding relief is favourable, then based on the 2011 actuarial valuation, the University strategy to be proposed would not differ significantly from the preliminary strategy presented to the Board about one year ago.

(c) Item 10(d) – Borrowing

The Chair recalled that at the previous meeting, Ms Riggall had reported on the University's new $100-million debenture issue. Ms Brown recalled that three agencies provided reports on the University's credit, with each providing an annual review and update. Moody's had recently issued its report, maintaining its AA1 rating (the second highest level) but shifting its

3. Business Arising from the Report of the Previous Meeting (Cont'd)

(c) Item 10(d) – Borrowing (Cont'd)

outlook from stable to negative. The change had been the outcome of the University's relationship with the Government of Ontario; because of the Province's deficit, the outlook for its AA1 rating had also been shifted to negative. The change in the University's outlook had been reinforced by the size of the pension-plan deficit. The Dominion Bond Rating Agency's rating, issued in December, had been one notch lower at AA. The annual update from Standard and Poor's had not yet been issued; its current rating of AA had been issued in April 2011.

4. Reports of the Administrative Assessors: Access Copyright Fee

Professor Misak noted that the Access Copyright Fee was a Cost-Recovery Academic Incidental Fee, and the change in the amount of the fee would normally be reported to the Board for information at its next meeting along with the other Cost-Recovery Academic Incidental Fees. However, given the high profile of this issue and its time-sensitivity, Professor Misak thought it important to report separately on this fee at this meeting.

Professor Misak reported that Access Copyright charged a fee on behalf of authors for the photocopying of articles and segments of books – a fee until the present time called the Cancopy fee. That fee had amounted to $3.38 per full-time-equivalent student. In addition, a royalty was charged per page of copyrighted material that was photocopied for inclusion in course-packs. The use of such packs of photocopied material varied widely among courses, but the average cost per course was more than $19. If students were enrolled in programs where the use of course-packs was intensive, their total cost could be as high as $60 to $100 for royalties, in addition to the general fee of $3.38 for copying of materials that were not included in course-packs. That fee did not provide for digital copying of copyrighted work, which was now common. When the license agreement specifying those changes had expired in 2010, Access Copyright declined to renew it. Instead in applied to the Copyright Board for a new tariff of $45, which would include access to digital copies. The University of Toronto and all other universities were unprepared to ask their students to accept so severe an increase in the fee, and they had joined together under the auspices of the Association of Universities and Colleges of Canada (A.U.C.C.) to mount a challenge to the proposal. The matter was a very complex one, with A.U.C.C. having a very complex mandate, representing as it did universities and colleges with differing needs. The challenge was therefore proceeding very slowly. As an institution with a large number of students, the University of Toronto was required to assume a substantial proportion of the legal costs. In the meanwhile, Access Copyright, seeking to justify its proposed fee increase, was commencing a program to conduct a rigorous audit at each institution to determine the amount of digital copying that was carried out. Access Copyright had also made it clear that it intended to impose the new fee retroactively to 2010. Therefore, the University of Toronto, joined by the University of Western Ontario, had decided to enter into negotiations with Access Copyright for a new fee.

4. Reports of the Administrative Assessors: Access Copyright Fee (Cont'd)

Professor Misak characterized the agreement as a very good one for the University's students. The royalty fee for the University's Access Copyright contract would be $27.50 per full-time-equivalent student. The fee would include digital copying and would include the royalty for course-packs. The absence of a separate royalty charge for course-packs would result in a lower cost than that currently paid by those students whose courses included a number with course-packs. In addition, the University would gain indemnity protection for copying of materials that currently fell outside of protection by copyright law. The new agreement would be announced jointly by the University of Toronto, the University of Western Ontario and Access Copyright at 7:00 p.m. The University would immediately thereafter send a communication to all students and would initiate a consultation process with the representative student groups on the fairest way to charge the fee – whether to charge a common fee to all full-time students or to charge different fees to students depending on their enrolment in courses that used copied material. In response to questions, Professor Misak said that the charge to part-time students would also be a subject of discussion with the representative student groups. There would be no retroactive application of the royalty fee. The agreement would remain in force for two years, with the option for annual renewals subject to increases in the fee to match increases in the Consumer Price Index. Given the volatility in the area of copyright law, the University did not wish to enter into a longer term agreement. If any new legislation were to have a negative effect on the University, it could and would opt to terminate the agreement. If an arrangement was made in subsequent negotiations with any other institution(s) that was better than their agreement, the University of Toronto and the University of Western Ontario could opt to adopt that arrangement.

In response to a question, Professor Misak said that the proceeds of the fee would be distributed as royalty payments to the writers who had signed up with Access Copyright. The effect of the new agreement on payments to content creators / copyright holders was not known, and there was no accounting of the amounts paid to them according to their university affiliation.

In response to another question, the President reported on the separate matter of the development of intellectual property represented by patents and spin-off companies established by members of the University. That area was growing very rapidly, encouraged by a change in culture in the University and by the work of MaRS Innovation – a consortium established to serve the post-secondary institutions and teaching hospitals in the Toronto area.

The President commented that the Access Copyright arrangement, involving a shift in pricing, would be controversial. It was, however, a major step forward and a major achievement for the University and its students. He congratulated and thanked Professor Misak for her achievement, as did members of the Board.

5. Financial Forecast, 2011-12

Ms Brown presented the financial forecast for the remainder of the 2011-12 fiscal year. The forecast was a projection of the year's financial statements, based on a number of

5. Financial Forecast, 2011-12 (Cont'd)

assumptions. Because those forward-looking assumptions were uncertain, the projection provided a sensitivity analysis of different outcomes depending on different investment returns for the years. The forecast was mostly a good one, especially in the light of the very difficult economic climate. The assumed investment return was 2% and alternative returns in the sensitivity analysis ranged between 4% and -4%. The low interest-rate environment also continued to be a challenge for purposes of valuing the liabilities. (The low rates were, however, helpful for the University's borrowing.)

Ms Brown said that projected revenue for the year was about $2.4-billion. Excluding the non-cash charge for unfunded employee future benefits, the projected net income for the year would be about $25-million. Taking into account the $134-million non-cash unfunded expense for employee future benefits, there would be a net loss of about $108-million, which was about 4½% of revenue. Ms Brown noted that this $134-million non-cash expense figure was a fixed one that was actuarially calculated as at 1 May, 2011. The interest rate used by the actuaries to calculate the charge was 5.6%. Had that rate been 1% higher, this expense figure would have been $50-million less.

Ms Brown said that the University's net assets at the end of the fiscal year were projected to be about $1.8-billion, a decline from $1.9-billion at the end of the previous year, reflecting the projected net loss of about $108-million. The largest component in the net assets was the endowment, projected to be valued at over $1.5-billion at the end of the year. Other elements included central and divisional reserve funds amounting to $565-million, offset by the unfunded liability for employee future benefits of $575-million. The unrestricted deficit was projected to be just under $150-million. In the operating fund, the projected unrestricted deficit was $16.7-million, an improvement from the budgeted deficit of $21-million.

In terms of possible future changes, higher interest rates over time would, as noted, have a substantial impact on the calculation of employee future benefits. As always, investment returns were a key variable. When they were good, the outcome was a larger net income; when they were not good, the effect would be a smaller net income or a net loss.

6. Borrowing - Status Report to January 31, 2012

The Board received the status report on borrowing to January 31, 2012. Ms Brown said that the report took into account the issue of the Series E debenture for $100-million at a fixed rate of interest of 4.251% for 40 years, increasing actual external borrowing from $524.1-million to $624.1-million. Maximum borrowing capacity was $973.1-million. Borrowing allocated by the Business Board, adjusted for the approval of additional projects, was $953-million (net of $83.3-million of repayments that could be re-allocated). In addition to the actual external borrowing of $624.1-million, internal borrowing outstanding was $170.7-million. Separate borrowing capacity approved for pension funding was $150-million, for which a loan in the amount of $112.6-million had been issued on June 1, 2011.

7. Capital Projects and Real Estate Annual Review to December 31, 2011

Professor Mabury said that there would be three presentations on the capital program. In addition to the presentation on major capital projects, like that provided to the Business Board in previous years, there would be a presentation on smaller projects costing between $50,000 and $2-million. While those projects were approved under administrative authority, their overall cost was over $45-million, and it was important that the Business Board be aware of them to have a complete picture of the University's capital program. Finally, the Board would receive a report on deferred maintenance; the University had spent nearly $15-million in 2011 to deal with that problem.

Mr. Binks observed that the University had a number of major capital projects (defined as those costing $2-million or more) either (a) under construction or (b) occupied but in the process of financial closeout. That number of projects in financial closeout had improved over the past year, with eight completed projects having been closed. There were currently four approved projects underway with a total approved cost of $174-million, and another two projects appeared on the present agenda for approval. The four projects underway were: the addition to the Rotman School of Management (scheduled for completion later in the year), the Biology Teaching Laboratories renovation at the University of Toronto Mississauga (U.T.M., scheduled to be completed for the beginning of classes in September 2012), the Goldring Centre for High-Performance Sport (a project now in design and scheduled for completion in January 2015), and the renovation of part of the fourth floor of the Robarts Library (one of a series of projects to upgrade that building). Mr. Binks displayed photographs of the major projects that had been completed in the past year, which included: the Instructional Centre building at U.T.M.(funded in large part by the federal/provincial Knowledge Infrastructure Program); the Instructional Centre at the University of Toronto Scarborough (also funded by the Knowledge Infrastructure Program); the Terrence Donnelly Health Sciences Complex at U.T.M.; the U.T.M. Chemistry Laboratories renovation; the renovation of the Lassonde Mining Building (the St. George Campus project funded by the Knowledge Infrastructure Program); the renovation of 315 Bloor Street West for the Munk School of Global Affairs; the Robarts Library renovations and infill; and the St. George Campus Data Centre renovation.

Among the matters that arose in discussion were the following.

- **Goldring Centre**. Professor Mabury noted that the Goldring Centre project had been a difficult one in terms of potential cost, with some estimates reaching as high as $80-million. The University had decided on a project that would cost no more than $58-million. The project would include the foundation for an adjacent tower, which would enable the construction of shared mechanical systems for both new buildings. A previous occupant of part of the site of the Goldring Centre - the Association of Part-time Undergraduate Students (APUS) - had moved to offices in the North Borden Building, which they were pleased to have. Professor Misak thanked Professor Mabury for his excellent work in finding an agreeable new location for APUS and in making arrangements for a smooth move.

7. Capital Projects and Real Estate Annual Review to December 31, 2011 (Cont'd)

- **Design review process**. In response to a member's question, Professor Mabury said that, while he anticipated recommending some substantial changes to the Policy on Capital Planning and Capital Projects, which included the terms of reference for the Design Review Committee, he was generally very pleased with the Committee's work. The Committee represented a good structure for the oversight of design and it included highly appropriate membership. The Committee had delivered very good value to the University.

8. Accommodation and Facilities Directorate: Annual Report on Projects between $50,000 and $2-Million

Professor Mabury said that this was the first report to the Business Board on projects approved by the Accommodation and Facilities Directorate (A.F.D.), which had authority to approve projects costing between $50,000 and $2-million. Because of the breadth of its responsibilities and the amount of spending it authorized, it was important that the Board be aware of those projects.

Ms Milgrom reviewed the responsibilities of A.F.D., in addition to the approval of projects costing between $50,000 and $2-million. It approved the reallocation of university space and facilities, and it approved leases for off-campus space. It approved the allocation of University space to third-party users. It allocated funding for projects costing under $2-million provided by such external sources as the Province of Ontario's Facilities Renewal Fund. Its membership included representatives of the University's large Faculties and the relevant administrative departments. That enabled the sharing of information and the minimization of disruption arising from construction and renovation activity. It also enabled representatives of the Faculties to ask questions about projects. In 2010-11, A.F.D. had approved projects involving a total cost of over $45-million. That compared with about $60-million of projects costing more than $2-million approved in the same academic year.

Professor Mabury commented on, and displayed "before" and "after" photographs of, a number of the A.F.D.-approved projects that had been completed during the past year. He observed that most of the projects helped to reduce the University's backlog of deferred maintenance, contributing substantially to the solution of a long-term problem.

Professor Mabury, along with Ms Milgrom and Mr. Donoghue responded to questions on the following topics.

- **Priorities for, and scrutiny of, projects**. Priorities were established on the basis of proposals from the individual Faculties. Deans and, often for substantial projects, Faculty-level committees considered and scrutinized project proposals. Project Planning Reports, comparable to those prepared for major capital projects, if somewhat less detailed, were prepared. The Accommodation and Facilities Directorate itself consisted of highly engaged

8. Accommodation and Facilities Directorate: Annual Report on Projects between $50,000 and $2-Million (Cont'd)

and knowledgeable members, who provided very careful scrutiny. The University's purchasing and tendering policies and practices were then generally successful in obtaining good value in the execution of the projects.

- **Record for project completion**. The projects approved by A.F.D. had a very good record of being executed on time and on budget. The more substantial capital projects costing over $2-million had most often in recent years also been delivered on time and on budget. For example, the two major projects to construct the Instructional Centres at U.T.M. and U.T.S.C. had met those criteria. There had, however, been some vagaries. The University was therefore moving to more frequent use of a design-build tendering process to ensure that projects would be completed within the tendered cost. Project budgets included an item for contingencies, amounting to 10% of the construction cost and between 5% and 10% of the total project cost. In terms of timing required for projects, outcomes had varied. The first step for major capital projects was the formation of a Project Planning Committee to determine the needs to be served by the project and its cost. There were always tensions to be resolved between the needs and the cost, in the light of the limitations of funding available. The process of resolution of those factors was an iterative one. The time required for project planning was usually an appropriate one, but it could sometimes take a longer time than desirable. On the other hand, some major projects had been planned and delivered in a remarkably short time.

- **Policy on Capital Planning and Capital Projects**. Professor Mabury anticipated bringing forward a proposal to amend the Policy on Capital Planning and Capital Projects sometime in the current academic year. Ms Riggall had completed a great deal of work on the matter, but the high volume of suggestions received from the University community had prevented her completing the proposal before the end of her term. One feature of the proposal would be an increase in the $2-million cost threshold for those major capital projects requiring review and approval by the Governing Council. In response to a question, Professor Mabury agreed that an increase in the threshold would be an important element in the general process of streamlining governance. A member suggested that, in addition to the formal process set out in the policy, the administration might well benefit from informal advice at an early stage of large projects from members of the Board who had experience in the business world with the execution of large projects.

9. Deferred Maintenance: Annual Report, 2011

Professor Mabury said that the University had budgeted an amount of $11.6-million in the current year to deal with items of deferred maintenance. Mr. Swail presented the Annual Report on Deferred Maintenance for 2011. The Facilities Condition Assessment Program had been initiated by the Ministry of Training, Colleges and Universities and the Council of Ontario Universities about a decade ago to establish a common methodology to asses the condition of

9. Deferred Maintenance: Annual Report, 2011 (Cont'd)

university buildings across the Province. Deferred maintenance referred to needed work to repair or replace existing elements within an academic or administrative building. That contrasted with capital renewal, which referred to improvements made to a building. The condition of a building or a campus was measured by a Facilities Condition Index (F.C.I.), which was the amount of maintenance work that was required but had been deferred as a proportion of the replacement value of the building or campus. Therefore, lower F.C.I. numbers were desirable. For the University as a whole, the F.C.I. had increased by 2% to 13%, above the Ontario average and indicative of a building portfolio in "poor" condition. The increase had been primarily the outcome of the re-audit of a significant number of buildings on the St. George Campus – the first re-audit after a decade and a re-audit using a more comprehensive methodology. The largest share of deferred maintenance was on the St. George Campus, with needs amounting to $422-million, an increase of $84-million from the previous year. There had also been a significant increase in assessed deferred maintenance at the Scarborough Campus following a re-audit of all of its buildings in 2010. The need for maintenance work was not only identified but also prioritized. Priority 1 needs were those that should be addressed within one year. The good news was that Priority 1 needs were being dealt with, and the amount of Priority 1 deferred maintenance had declined substantially from $76-million of work in 2006 to $21-million of work in the most recent assessment. Priority 2 items were those that should be addressed in one to three years. The amount required to meet Priority 2 needs had remained relatively flat and had declined somewhat in recent years. The large increase had been in Priority 3 needs, which should have attention in the next three to five years. Priorities for dealing with deferred maintenance were established after consultation with the divisions. The first priority was given to addressing health and safety needs, meeting regulatory requirements, and avoiding building or system failures. The next priority was to maintenance that would support the achievement of the University's academic mission. Priority was also given to projects that could be completed along with major capital projects, which would leverage the work on those projects to reduce deferred maintenance needs. Of course, the University also would seek to defer work that would be rendered unnecessary by major projects that would be forthcoming in the near future.

Mr. Swail showed photographs of, and plans for, maintenance projects including roof replacements (with highly sustainable roofs installed to a very high standard with a 25-year warranty), elevator retrofits, washroom upgrades, Soldiers Tower repairs, seat replacement and other maintenance in Convocation Hall, and sustainable upgrades to heating, ventilation and air conditioning systems. He concluded that the University was addressing a variety of priorities. While the overall liability for deferred maintenance had been increasing and while the need for additional work would remain for many years, significant funding had been devoted to dealing with the problem, the highest priority needs were being addressed, and the University would be able to manage the issue.

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

(a) Urgent needs. In response to questions, Mr. Swail said that he knew of no urgent needs for maintenance for reasons of health, safety and legal compliance that had not been met. Identified

9. Deferred Maintenance: Annual Report, 2011 (Cont'd)

needs had been met, and when new needs became apparent, the University had provided the necessary funding. While the Facilities Condition Index for certain buildings was high, the buildings were both safe and wholly habitable. Mr. Swail stressed that the University had been steadily increasing the resources devoted to dealing with deferred maintenance. A member urged Mr. Swail to draw the attention of the Board to any urgent need that appeared in the future that was not being met. For governance to function effectively, and for the University to function effectively, it was essential that he do so.

(b) Fundraising for deferred maintenance. Professor Misak reported on her recent tour of University College, the University's original and most iconic building. While the public areas in the building were in reasonably good condition, other areas were in very serious need of maintenance and repair. The situation of other older buildings was no doubt similar. Professor Misak suggested that alumni be made aware of the problem and given incentives, such as recognition plaques, to donate money to ensure that the needed maintenance work was completed. Other members agreed, with one observing that the extent of the overall deferred maintenance problem was such that only a substantial infusion of donations would suffice to remedy it. One member suggested the establishment of a "Heritage Fund" to make the idea of donating money to deal with deferred maintenance more attractive to alumni and friends. Professor Mabury reported that Ms Milgrom and the Principal of University College were working on a new Master Plan for the College, which would include projects that would, as a secondary effect, substantially reduce the problem of deferred maintenance in the building. Donors would likely find it attractive to support aspects of the new plan, which would indirectly deal with the deferred maintenance problem.

(c) Deferred maintenance at the University of Toronto Mississauga. A member noted that the F.C.I. at U.T.M. was only 2.3%, indicating that the campus was in excellent condition. Was that likely to change with the re-audit of buildings planned for the coming years? Mr. Donoghue replied that the new audits would no doubt disclose new problems and that the F.C.I. at U.T.M would, as at U.T.S.C., no doubt increase. U.T.M would follow the same approach as the St. George Campus, giving priority to projects required to deal with health and safety matters and legislated requirements.

(d) Deferred maintenance and insurance. A member asked whether the extent of the University's deferred maintenance increased the cost of its insurance. Ms Brown replied that insurance premiums had depended primarily on the University's experience, and its claims record to date had been excellent. There had been a small number of claims arising from water damage, but the damage had not been great. The University's insurance premiums, as reported to the Audit Committee in the annual report on insurance, had been very good.

In the course of discussion, a member observed that Mr. Swail's job was a very challenging one, and he thanked Mr. Swail and his colleagues for their work in keeping the matter of deferred maintenance under control.

10. Capital Projects Report as at November 21, 2011

The Board received for information the regular report on capital projects as at December 31, 2011. It reported on the progress of eleven approved projects under construction for an estimated total construction cost of $325.27-million.

11. Design Review Committee: Annual Report, 2010-11

The Board received for information the Annual Report of the Design Review Committee for 2010-11. A member of the Board, who was also a member of the Design Review Committee, commented that the Committee was a very hard-working, very effective group. Its work in
2010-11 had included the review of the three Campus Master Plans.

12. Capital Project: University of Toronto Mississauga, North Building Reconstruction, Phase A

Professor Mabury presented the proposal to execute Phase "A" of the reconstruction of the North Building at the University of Toronto Mississauga. The North Building had been built in 1967 as a temporary building planned to serve the new campus for four years. Demolition of part of the original building would therefore reduce the deferred maintenance total at U.T.M. substantially. The need for the additional space was clear. U.T.M.'s undergraduate enrolment would grow by about 2,000 full-time-equivalent students by 2015-16, and the campus would add over 80 graduate students. Its space was currently at only 80% of the Council of Ontario Universities space standard. Absent this project, that number would be reduced to 60% of the recommended space standard. The Phase "A" project would provide 5,220 net assignable square metres (nasm) of space, with 2,290 nasm of the existing North Building being demolished. The construction would provide highly sustainable space, to be built to the Leadership in Energy and Environmental Design (LEED) silver design standard. The space would accommodate the Departments of Mathematics, Computer Science, Psychology, and Theatre and Drama, and it would provide additions to a number of general campus services including classrooms, study space, lounge space and food services. It would add $1.3-million of annual operating costs, which had been provided in the U.T.M. long-range budget plan. It would be ready for occupancy by August 2014. The $56-million cost of the project would be provided by part of a Government of Ontario grant ($35-million), $0.9-million from the U.T.M. graduate expansion grant, $3.1-million from U.T.M.'s capital reserve, and $17.0-million from borrowing. The project would be tendered on a design/build basis, meaning that it should come in on budget, and there was no expectation that any increases to the budget would be required.

In response to a question, Professor Mabury said that the principal and interest on the $17-million of borrowing would be paid by the U.T.M. operating budget. The necessary amounts were built into the long-range budget plan, and the University administration was satisfied that the budget was able to bear that cost arising from revenues from enrolment growth. U.T.M. planned to grow to 15,000 full-time-equivalent students over the next five or so years, and each additional

100 undergraduate students would, at the present rate, generate revenue of approximately $1-million.

12. Capital Project: University of Toronto Mississauga, North Building Reconstruction, Phase A (Cont'd)

On motion duly made, seconded and carried,

YOUR BOARD APPROVED:

Subject to Governing Council Approval of the Project,

THAT the Vice-President, University Operations be authorized to execute the University of Toronto Mississauga, North Building Reconstruction, Phase A project at a total project cost not to exceed $ 56,000,000 with funding as follows:

Provincial Government	$ 35.0-million	
Funds from borrowing	$ 17.0-million	
UTM capital reserves	$ 3.1-million	
UTM Graduate Expansion Fund	$ 0.9-million	
Total		$ 56.0-million

13. Capital Project: University of Toronto Scarborough, East Arrival Court – Increased Appropriation

Professor Mabury proposed an increase in the approved cost of the U.T.S.C. East Arrival Court project. The project was originally approved by the Governing Council in February 2006 at a cost of $3.11-million. The currently estimated cost was $4.018-million. Because the sole change was in the budget for the project, with no significant changes to the scope of the project, the approval of only the Business Board was being sought. The East Arrival Court would become a new gateway to the U.T.S.C. Campus. The project did not proceed as originally approved because of some re-thinking of the Campus Master Plan. Among the outcomes of that rethinking was a plan not only to construct the new East Arrival Court but also to develop a nearby Common Open Space. Since the original approval, U.T.S.C. had grown dramatically, and there was now substantial congestion in the area where many people arrived at the campus, with a mix of bus, car and pedestrian traffic. The congestion gave rise to safety concerns, and it was planned to develop a separate space for access by people using public transit – both Toronto Transit Commission and GO buses – and for automobile and pedestrian access. The design would increase safety and relieve congestion. There would be an accessible ramp from the transit arrival area to the Student Centre courtyard. While the project would use space currently occupied by 105 parking spaces, U.T.S.C. had more than adequate parking places elsewhere to meet its needs. It was planned that the project would be completed by August 2012. There would be no need for borrowing for the project. Mr. Arifuzzaman responded to questions for clarification of the proposal.

13. Capital Project: University of Toronto Scarborough, East Arrival Court – Increased Appropriation

On motion duly made, seconded and carried,

YOUR BOARD APPROVED:

THAT the Vice-President, University Operations be authorized to implement the East Arrival Court project at the University of Toronto Scarborough, at a revised total project cost not to exceed $4,017,941, with sources of funding as follows:

UTSC Ancillary Investment in Capital Assets	$ 249,961
Contribution from UTSC Operating Budget	3,461,056
Investment Income	306,924
Funds available	4,017,941

14. Report Number 100 of the Audit Committee – December 7, 2011

The Board received for information Report Number 100 of the Audit Committee (December 7, 2011).

15. Reports of the Administrative Assessors

Financial Statements: New Accounting Rules

Ms Brown commented on the process in which the University's Financial Services group had been engaged to prepare for the adoption of new accounting rules. With the planned adoption in Canada of the new International Financial Reporting Standards (I.F.R.S.), Ms Brown and the Controller, Mr. Pierre Piché, had been active in considering the implications for universities. It had soon become apparent that the I.F.R.S. would not be suitable for universities or for the broader public sector in general. Those standards did not deal with a number of elements of university accounting such as restricted funds. The Canadian Institute of Chartered Accountants had recognized the issues and had issued exposure drafts for comment. The outcome was two possible sets of accounting rules: (a) rules for government not-for-profit organizations, and (b) rules for private enterprises, with particular adaptations for not-for-profits. Ms Brown recognized the work of Mr. Piché in the review of possible accounting rules and recognized his leadership in establishing the position of the Canadian university sector with respect to them. After evaluation of the options, universities in most provinces, including Ontario, had decided that it would be appropriate to adopt the accounting rules for private enterprises, with appropriate adaptations for not-for-profit organizations. In provinces where the universities' financial results were consolidated with those of the province, they would be required to adopt the government accounting rules. The University's financial statements for the year ending April 30, 2013 would use the rules for private enterprises with the appropriate adaptations, with the comparative figures for the 2011-12 year. The Financial Services group

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

Financial Statements: New Accounting Rules (Cont'd)

was now studying the detailed options available. The internal review would be followed by consultations with other universities and would lead to specific choices among the options available. Ms Brown hoped to make a full report on the matter to the Audit Committee at its May 2012 meeting.

The Chair observed that the current metric determining the University's maximum borrowing capacity was 40% of net assets averaged over five years. He understood that the adoption of new accounting rules would result in a proposal for a new metric to regulate borrowing. Ms Brown said that she was reviewing the borrowing strategy.

16. Date of Next Meeting

The Chair reminded members that the Board's next regular meeting was scheduled for Monday, March 5, 2012 at 5:00 p.m. The main theme would be the budget and student fees.

THE BOARD MOVED *IN CAMERA*

16. Human Resources: Canadian Union of Public Employees, Local 1230 (Full-Time Library Staff) – Collective Agreement

The Chair reminded members of section 27(c) of By-Law Number 2, which dealt with conflict of interest. It stated that "no member of the Council or of a committee of the Council, other than the President or a Vice-President, who is an employee or a member of whose immediate family is an employee of the University, may move or second motions or vote on matters related to the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly related to compensation . . . ." The provision did not prevent any member of the Board from declaring their interest and then participating in the discussion.

Professor Hildyard reported on the salary and benefits settlement with local 1230 of the Canadian Union of Public Employees and proposed approval of those aspects of the settlement that concerned the pension plan.

16. Human Resources: Canadian Union of Public Employees, Local 1230 (Full-Time Library Staff) – Collective Agreement (Cont'd)

On motion duly made, seconded and carried,

YOUR BOARD APPROVED

a) Increases in CUPE 1230 Employee Pension Contributions as follows:

Below YMPE	5.0% to 5.45%	6.05%	6.80%
Above YMPE	6.0% to 6.60%	7.40%	8.40%
Effective Date	January 1, 2012	July 1, 2012	July 1, 2013

b) Effective July 1, 2012, use only the CANSIM interest rate, as currently defined under the Pension Plan (i.e. five-year fixed term deposit rate), to credit interest on required member contributions.

17. Closed Session / In Camera Reports of the Administrative Assessors

Professor Hildyard reported on the progress of negotiations with the Faculty Association and with local 3902 (Unit 1) of the Canadian Union of Public Employees (which represented the University's teaching assistants).

THE BOARD RETURNED TO OPEN SESSION

The meeting adjourned at 7:10 p.m.

Secretary Chair

February 16, 2012