

UNIVERSITY OF TORONTO  
THE GOVERNING COUNCIL  
**REPORT NUMBER 116 OF THE BUSINESS BOARD**

**January 21, 2002**

To the Governing Council,  
University of Toronto.

Your Board reports that it met on Monday, January 21, 2002 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Amir Shalaby (In the Chair)  
Ms Wendy M. Cecil, Chairman  
of the Governing Council  
Dr. Thomas H. Simpson, Vice-Chair  
of the Governing Council  
Professor Robert J. Birgeneau, President  
Mr. Felix P. Chee, Vice-President -  
Business Affairs  
Professor Angela Hildyard,  
Vice-President - Human Resources  
Ms Mary Anne V. Chambers  
Professor W. Raymond Cummins  
Mr. Brian Davis  
Dr. Claude S. Davis  
Ms Susan Eng  
Mr. David Keeling  
Ms Françoise Ko  
Professor Brian A. Langille  
Mr. Gerald A. Lokash  
Mr. Frank MacGrath

Mr. Andrew Morgan  
Professor Heather Munroe-Blum  
Mr. Richard Nunn  
Mr. Martin Offman  
Ms Jacqueline C. Orange  
Mr. Roger P. Parkinson  
Ms Carol Stephenson  
  
Dr. Jon S. Dellandrea, Vice-President  
and Chief Advancement Officer  
Miss Janice Oliver, Assistant Vice-  
President, Operations and Services  
Professor Ronald D. Venter, Vice-Provost,  
Space and Facilities Planning

Secretariat:

Mr. Neil Dobbs  
Ms Beverley Stefureak

Regrets:

Mr. H. Garfield Emerson  
Mr. Paul V. Godfrey  
Mr. George E. Myhal  
Ms Rose M. Patten

The Hon. David R. Peterson  
Mr. John H. Tory  
Mr. Robert S. Weiss

In Attendance:

Ms Susan Bloch-Nevitte, Director, Public Affairs  
Ms Sheila Brown, Controller and Director of Financial Services  
Dr. Beata FitzPatrick, Director of the Office of the President and Assistant Vice-President  
Ms Rivi Frankle, Assistant Vice-President, Alumni and Development  
Mr. Hal Koblin, Special Adviser to the Vice-President and Chief Advancement Officer  
Professor George Luste, Vice-President, Salaries, Benefits and Pensions, University of  
Toronto Faculty Association  
Professor Edward Relp, Associate Principal, Campus Development, University of Toronto at  
Scarborough  
Ms Deborah Simon-Edwards, Executive Assistant to the Vice-President - Business Affairs

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

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**1. Report of the Previous Meeting**

Report Number 115 (November 19, 2001) was approved.

**2. Business Arising from the Report of the Previous Meeting**

**Consultative Groups**

The Chair recalled that the Board was in the process of forming four consultative groups on: (a) Capital Development Strategy, (b) Investment Policy, (c) Pensions and Benefits - Strategic Planning, and (d) Tuition Fees and Student Financial Support Policy. Quite a number of members had signed up for one of those groups at the November meeting. Members who had not been present at the November meeting, and other members, were still warmly invited to participate.

**3. Investments: University of Toronto Asset Management Corporation: Proposed Amendments to the Service Agreement between UTAM and the University**

Mr. Chee said that the primary objective of the proposed revised Service Agreement between the University and its Asset Management Corporation (UTAM) was to articulate clearly what UTAM was permitted to do in its management of the University and pension-fund investments. UTAM had encountered difficulties in its dealings with banks, custodians, and external portfolio managers in giving those parties comfort that UTAM was able to take all legal steps required to manage University and pension-fund investments. As a consequence, those external parties often required that contracts be executed by the University rather than UTAM. That meant that many agreements, for which UTAM should be accountable, were signed by University officers, most often now the Vice-President - Business Affairs. The re-drafting of the Service Agreement was intended to effect an unambiguous delegation of authority to UTAM to manage the investments, subject only to its adherence to the investment policies approved by the Business Board. Clause 3 of the proposed revised Agreement clearly set out UTAM's authority to act as the University's agent in providing investment-management services. The remainder of the changes represented housekeeping. The President and Mr. Chee responded to questions.

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

YOUR BOARD APPROVED

The proposed Amended and Restated Service and UTAM Personnel Agreement between the Governing Council of University of Toronto and the University of Toronto Asset Management Corporation, a copy of which is attached hereto as Appendix "A".

**4. Expendable Funds Investment Pool (EFIP) Background Paper**

Mr. Chee said that the Expendable Funds Investment Pool Background paper had been approved originally as an addendum to the first Service Agreement with UTAM. It made more sense that it stand on its own as a distinct policy document.

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**4. Expendable Funds Investment Pool (EFIP) Background Paper (Cont'd)**

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

YOUR BOARD APPROVED

As a separate policy document for the management of the investment of the University's expendable funds

The Expendable Funds Investment Pool (EFIP) Background Paper, a copy of which is attached hereto as Appendix "B", which Background Paper was originally an Addendum to the May 1, 2000 Service Agreement between the Governing Council of the University of Toronto and the University of Toronto Asset Management Corporation.

**5. Capital Projects: Capital Projects Report**

Mr. Chee recalled that he had, at the first Board meeting he had attended, stressed the importance of moving to a portfolio approach for the capital program. Professor Venter had prepared the excellent report now before the Board. The report was a first version of what would be an evolving document. Professor Venter was preparing additional layers of documentation that would enable readers to "drill down" to obtain further information about each element of the report, for example about each project or all of the projects in each of the sectors of the University (e.g. the U of T at Scarborough or the Health Sciences sector). Each cell of the report would be associated with an "owner," who would be responsible for the overall project, for its execution at the approved cost, for the securing of funding, and so on. The owner would also be responsible for ensuring the integrity of the data in the report. The data concerning the project cost, funds secured, funds still required, and spending approved by the Business Board would be updated monthly for administrative uses, and an updated version would be distributed to the Board periodically.

Professor Venter presented the report. The first page listed all planned academic buildings and property acquisitions costing in excess of \$2-million. The second page listed non-academic projects, which would be self-funding, again that would cost in excess of \$2-million each. The projects were classified into eight sectors of the University: Applied Science and Engineering; Arts and Science; the Health Sciences; Mississauga; Professional Faculties other than Applied Science and Engineering and the Health Sciences; residence projects; Scarborough; and St. George Campus projects of interest to the entire campus (for example the King's College Precinct project in the Open Space Plan). Each project had been assigned a priority. (The priorities were established in the University's capital plan, which had been recommended for approval by the Planning and Budget Committee. The plan was still subject to approval by the Academic Board and the Governing Council.) All of the projects with a priority of "A" were very important to the University. Priority A1 projects were in the advanced planning stage and would proceed to completion. Any funding shortfall would be met using University funds. The projects with an A2 priority were the buildings for the second phase of expansion at the Mississauga and Scarborough campuses. There was a great deal of pressure to proceed with those projects, which would be needed to accommodate the full plan for enrolment expansion. However, there had, to date, been no commitment of Government funding, and it would not be possible to proceed without such funding. There was a unique project with priority A3, the

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**5. Capital Projects: Capital Projects Report (Cont'd)**

proposed Psychology Building. That project was again a very important one to the University, and it was the subject of an application for major funding from the Canada Foundation for Innovation. Professor Venter anticipated that the University would learn the result of that application in the near future. Priority A4 consisted of properties adjacent to the St. George Campus that had become available and that the University would like to acquire. The first was the Toronto District School Board building on College Street and other adjacent properties, for which the Board had approved a conditional offer. Professor Venter noted that the other two potential acquisitions could not at this stage be discussed in open session, given the business need for confidentiality.

Professor Venter stressed that the priority B projects were also very important to the University. They were in the planning stage with funding being actively sought. It was intended that they would move to priority A when a substantial portion of the necessary funding was identified. The final group of projects, to which no priority had yet been assigned, were projects in various stages of planning. Project committees were working on each and funding needs were being determined. There would be need for discussion about which of the projects in that category could be moved forward.

Professor Venter continued that the non-academic projects also included several with a priority of A1, which were firmly expected to proceed, with any shortfall in funding to be met from a revised ancillary business plan or from University funds. The non-academic projects with priority B, such as phase 5 of the Scarborough residences, phase 9 of the Mississauga residences and the Varsity Stadium and Arena project, would move up to priority A when funding could be arranged. For the remaining projects, work was proceeding on planning and funding arrangements.

Professor Venter said that more detailed information on the full range of projects within a particular sector would be forwarded when proposals were made for approval of the individual projects for that sector.

Several members expressed their appreciation for the new format of the report, which gave a clear picture of the capital program as a whole, particularly its financial status. In response to suggestions and questions, Mr. Chee undertook to make his best effort to add certain features to future versions of the report: (a) as an aid to strategic thinking, an indication of tolerances for overall expenditure on projects within the high-priority categories; (b) target dates both for project completion and for raising the amounts shown as "funding required"; and (c) amounts already expended, possibly expressed in dollar terms or as a percentage of the cost to completion of the project. It was also suggested that the overall report would be improved by including a segment dealing with the needs for deferred maintenance and renewal work on existing facilities. The amount involved was substantial and would be important to give an overall picture of the University's capital needs. Mr. Chee agreed to include estimates of the cost of facilities renewal / deferred maintenance work in subsequent reports. It was also suggested that the report would be improved by the addition of historical information, for example the originally approved cost along with any increases required because of cost inflation or project changes. Mr. Chee said that it would be very difficult to provide such information on the current spreadsheet reports. It might be worth considering the inclusion of the historical information in the more detailed "drill down" sheets supporting the report.

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A full discussion of the report took place including the following topics: (a) the University's financial ability to complete priority A projects; (b) the use of operating funds to pay for capital projects in the worst case; (c) the cost-effectiveness of expeditious completion of top-priority projects; (d) the Varsity Centre project; (e) the possibility of private-sector development of University facilities; and (f) a suggestion for special project-completion reports for projects that were not fully funded. The Chair reiterated the comments made by several members, praising the presentation of an integrated report giving an improved picture of the overall financial condition of the capital program.

**6. Capital Project: University of Toronto at Scarborough Residences, Phase 4**

Miss Oliver recalled that the Governing Council had approved a new Master Plan for the University of Toronto at Scarborough (UTSC). That Master Plan called for an expansion to the scope of phase 4 of the campus residences to include the administrative offices for the UTSC residence operations. That change of scope plus two unanticipated expenses had caused an increase in the cost of the project. First, it would be necessary to bring utilities to the site from the nearest public street. Second, the project was being charged the cost of replacing the parking spaces that would be lost to the building. There had also been some inflation in construction costs since the project had initially been reviewed by the Board in November 2000. The University's Financial Services Department had completed a revised business plan for the project, which was included in the package before the Board. Given the need to repay the loan to construct phase 4, the Scarborough residence ancillary would operate with a deficit for a period of time, breaking even annually in year 5 and cumulatively in year 8. Miss Oliver responded to questions on two topics: (a) Academic Priorities Fund support for the project; and (b) the approval being conditional on rate increases.

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

Subject to the understanding that the rates of the University of Toronto at Scarborough Residence Ancillary Operation will be increased sufficiently to ensure that the operation continues to recover its own costs,

**YOUR BOARD APPROVED**

THAT the Vice-President - Business Affairs be authorized

- (i) to expend up to \$14.9-million for the construction of the University of Toronto at Scarborough residences, phase 4; and
- (ii) to arrange such interim and long-term financing as required.

**7. Capital Project: University of Toronto at Mississauga: Kaneff Centre Expansion**

Miss Oliver recalled that the Kaneff Centre for Management and the Social Sciences at the University of Toronto at Mississauga (UTM) had opened in 1992. It accommodated the Departments of Management, Economics and Political Science as well as the Professional Writing Program. UTM was expanding its enrolment, and it had determined that the best way to provide additional faculty office accommodation, along with certain other facilities, would be to

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**7. Capital Project: University of Toronto at Mississauga: Kaneff Centre Expansion (Cont'd)**

construct a two-story addition linked to the Kaneff Centre. The projected cost was \$3.584-million, assuming that the project proceeded to tender by July 2002. Funding would be sought from donors, with any shortfall being financed by the Capital Renewal Fund, with debt service costs (principal and interest) to be paid by UTM using income derived from its enrolment expansion. In response to members' questions, Mr. Chee, Miss Oliver and Professor Venter said: (a) that UTM's incremental revenue from enrolment expansion would, in the worst case, be sufficient to cover both increased costs for teaching and services to the additional students plus the cost of repaying the Capital Renewal Fund, and (b) that if sufficient donations were not forthcoming to cover the cost of this project, it would likely be necessary to forego further expansion at UTM and therefore further use of UTM operating funds.

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

Subject to Governing Council approval of the Project Planning Report for the University of Toronto at Mississauga Kaneff Centre Expansion,

**YOUR BOARD APPROVED**

THAT the Vice-President - Business Affairs be authorized to expend up to \$3.584-million for the expansion of the Kaneff Centre, with funding from future donations and / or external contributions, and any shortfall financed from the Capital Renewal Fund with all debt service costs (principal and interest) to be paid by the University of Toronto at Mississauga with income derived from its enrolment expansion.

**8. Vice-President and Chief Advancement Officer: Annual Report, 2000-01, Campaign Progress Report, and Report on Plans for the 175th Anniversary of the University**

The Chair recalled that the Vice-President and Chief Advancement Officer's Annual Report for 2000-01 had been distributed with materials for the November meeting, but the pressure of other business meant that the Board had not been able to receive Dr. Dellandrea's presentation of the report. Dr. Dellandrea had kindly agreed to present, at this meeting, a more up-to-date report on the progress of the Campaign and to comment on plans for the celebration of the 175th anniversary of the grant of the University's Charter. A copy of the visual aids for his presentation is attached hereto as Appendix "C".

Members congratulated Dr. Dellandrea on his report and on the outstanding success of the Campaign. Dr. Dellandrea responded to suggestions and comments on the following topics: (a) cultivating alumni support beginning with the student experience; (b) the 175th anniversary celebrations; (c) the role of advancement activities in supporting the University's operations; (d) advancement efforts for the Mississauga and Scarborough campuses; and (e) the possible expansion of advancement efforts. Dr. Dellandrea thanked members for their high level of engagement in the consideration of his report.

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**9. Report on Gifts and Pledges over \$250,000, August 1 to October 31, 2001**

The Board received for information the Quarterly Report on Gifts and Pledges over \$250,000 for the period August 1 to October 31, 2001.

**10. Risk-Assessment Profile (Arising from Report Number 63 of the Audit Committee)**

The Chair noted that, in order not to expose any weaknesses to those who might seek to take advantage of them to cause the University harm, the risk assessment profile and the Audit Committee's detailed discussion of it had been classified as confidential. Mr. Chee said that the risk-assessment process would be a continuing one and that the document before the Board would be an evolving one. It provided an inventory of the risks facing the University, an outline of the steps that had been taken to mitigate those risks, and a statement of the University officer and governance body responsible for each area of risk. The process had produced a very useful template for the on-going monitoring of risks. Areas of risk would be added or deleted as the world changed. Professor Hildyard reported that the Department of Environmental Health and Safety had reviewed areas of potential risk within its responsibility and had been satisfied that the procedures in place were good.

A member recalled that the Audit Committee had been advised that a decision would be made about which Governing Council body would be responsible for ensuring that risk-management was being carried out. The member was advised that the matter had not yet been considered by the Executive Committee of Governing Council.

Mr. Chee, Ms Brown and Professor Hildyard responded to questions on the following topics: (a) fire risk at the Robarts Library and (b) the consequences of the September 11, 2001 terrorist attacks.

**11. Report Number 63 of the Audit Committee - November 28, 2001**

The Board received for information Report Number 63 of the Audit Committee (November 28, 2001).

**12. Reports of the Administrative Assessors**

**Human Resources: Pension Forums**

Professor Hildyard reported that the administration and the Faculty Association had jointly sponsored two open forums on matters concerning the pension plan. Both had been well attended and marked by good discussion. Similar forums would be held for members of the administrative staff.

**13. Date of Next Meeting**

The Chair reminded members that the next regular meeting of the Board was scheduled for Monday, March 4, 2002 at 5:00 p.m.

THE BOARD MOVED INTO CLOSED SESSION

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**14. Closed Session Reports**

Professor Hildyard briefed the Board on: (a) the tentative agreement with the union local representing the University's teaching assistants, and (b) the progress of the process with the union local representing the Ontario Institute for Studies in Education (OISE/U.T.) graduate assistants. She responded to a question concerning the legal action being taken by a number of retired women faculty members.

Mr. Chee reported on progress concerning two potential real estate acquisitions. In the course of discussion, Mr. Chee said that the administration would bring forward a proposal to revise the current Real Estate Strategy.

Mr. Chee reported on an organizational change in his portfolio and on certain plans with respect to the portfolio.

In the course of discussion, Mr. Chee undertook to report on another matter in open session at the next meeting: the Government of Ontario's capital funding decisions, particularly with respect to funding the buildings required to accommodate enrolment expansion on the Mississauga and Scarborough campuses.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:30 p.m.

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Secretary

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Chair

January 29, 2002