THE UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 127 OF THE BUSINESS BOARD

June 19, 2003

To the Governing Council,
University of Toronto.

Your Board reports that it held a meeting on Thursday, June 19, 2003 at 5:00 p.m. in the Council Chambers with the following members present:

Mr. Amir Shalaby (in the Chair)
Ms. Jacqueline Orange, Vice-Chair
Professor Robert J. Birgeneau, President
Mr. Felix P. Chee, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources
Mr. Mark Braun
Mr. Donald A. Burwash
Mr. Brian Davis
Dr. Claude S. Davis
Ms. Susan Eng
Ms. Shirley Hoy
Mr. Gerald A. Lokash
Mr. George E. Myhal
Mr. Richard Nunn
Mr. Roger P. Parkinson
Mr. Chris Ramsaroop
Mr. Timothy Reid
Mr. Robert S. Weiss

Mr. John Bisanti, Chief Capital Projects Officer
Ms. Sheila Brown, Acting Chief Financial Officer
Mr. Louis R. Charpentier, Secretary of the Governing Council
Dr. Sheldon Levy, Vice-President, Government and Institutional Relations
Professor Derek McCammond, Vice-Provost, Planning and Budget
Professor Shirley Neuman, Vice-President and Provost
Professor Ian Orchard, Vice-President and Principal, University of Toronto at Mississauga
Professor Ronald D. Venter, Vice-Provost, Space and Facilities Planning

Secretariat:
Mr. Neil Dobbs
Mrs. Beverley Stefureak

Regrets:
Professor Sherwin S. Desser
Dr. Paul V. Godfrey
Professor Brian A. Langille
Ms. Kim McLean
Mr. John F. (Jack) Petch
The Hon. David R. Peterson
Ms. Carol Stephenson
Mr. John H. Tory

In Attendance:

Dr. Alice Dong, Member of the Governing Council
Mr. Susan Scace, Member of the Governing Council
Professor Jake Thiessen, Member-elect of the Governing Council; Associate Dean, Faculty of Pharmacy
Ms. Dominque Barker, member-designate of the Business Board
Mr. Mark Britt, Director, Internal Audit Department
Ms. Christine Capewell, Director of Business Services, University of Toronto at Mississagua

In Attendance (Cont'd)

Mr. Ray deSousa, Director of Administrative Services and Planning, Faculty of Arts and Science
Mr. Ken Duncliffe, Director, Centre for Physical Education, Athletics and Recreation, University of Toronto at Mississagua
Dr. Beata Fitzpatrick, Director, Office of the President and Assistant Vice-President
Mr. Eric G. Fleming, Director, Risk Management and Insurance
Ms. Rivi Frankle, Assistant Vice-President, Alumni & Development
Dr. James D. Friesen, Chair, Banting and Best Department of Medical Research; Interim Co-Chair, Centre for Cellular and Biomolecular Research
Mr. Andrij Harasymowycz, President, University College Literary and Athletic Society
Professor Wayne Hindmarsh, Dean, Faculty of Pharmacy
Professor Peter Lewis, Vice-Dean, Research, Faculty of Medicine
Mr. J. W. Chris McNeill, Acting Director, Office of Environmental Health and Safety
Mr. Steve Moate, Senior Employment Relations Legal Counsel
Mr. Ashley Morton, President, Students' Administrative Council
Ms. Rosie Parnass, Quality of Work Life Advisor and Special Assistant to the Vice-President Human Resources
Professor Paul Perron, Principal, University College
Mr. Pierre Piché, Acting Comptroller
Mr. Isaac Siboni, Chief Financial Officer, Faculty of Arts and Science
Professor Cecil Yip, Interim Co-Chair, Centre for Cellular and Biomolecular Research

ITEMS 3, 4, 6(a) AND 7 ARE RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL. ALL OTHER ITEMS ARE FORWARDED FOR INFORMATION.

1. Report of the Previous Meeting - Report Number 126 - May 5, 2003

Report Number 126 of May 5, 2003 was approved.

2. Business Arising from the Report of the Previous Meeting

The Chair reported that, in response to a member's suggestion at the previous meeting, Dr. Levy had prepared general briefing notes and a list of lobbying priorities, as well as a draft briefing note on the need for increases in operating grants to compensate for inflation. These were intended to assist members in lobbying government leaders and candidates during the next campaign. The notes were distributed. However, Dr. Levy had suggested that it might be useful for him to brief members of the Board and the Governing Council on these issues in the fall, when governmental and political activity intensified after the summer recess. This briefing might well form a part of the Governing Council orientation or a special off-line session for members of the Board and other members of the Governing Council. Members agreed.

3. Financial Statements-2003, Financial Highlights and Supplementary Financial Report

These would be the last financial statements presented by Mr. Weiss, Chair of the Audit Committee, and the Chair took the opportunity to express sincere gratitude to Mr. Weiss for his outstanding leadership of that Committee as its Chair over the past five years and as its Vice-Chair for the previous two years. The past few years had shown the importance of a good audit committee, and the Board had appreciated that Mr. Weiss had provided strong leadership to an excellent Committee, through the transition to the year

2000, updated terms of reference, and achievement of a systematic process for monitoring risk.

3. Financial Statements-2003, Financial Highlights and Supplementary Financial Report (Cont'd)

The Board was grateful that Mr. Weiss had agreed to continue to serve on the Audit Committee for one further year to assist Mr. Myhal as he succeeds to the Chair. Members showed their appreciation with applause.

First addressing process, Mr. Weiss reported that the Audit Committee had had a full discussion of the financial statements at its meeting of June 18, with the external auditors present, as they had been at meetings throughout the year. The auditors had provided the Committee with a full description of their Audit Results, including their Independence Letter. Additionally, the Committee had had the opportunity on June 18 to meet privately with the external auditors, and no matters that need concern the Business Board were disclosed. The Committee had been satisfied with the audit and had been provided with a clean opinion. Mr. Weiss thanked Mr. Chee, Ms. Brown, Mr. Piché and members of their staff, as well as the internal and external auditors, for the remarkable achievement of having complex financial statements ready so quickly after year-end.

Turning then to substance, Mr. Weiss indicated that a copy of the overhead presentation of financial highlights presented to the Committee by Ms. Brown was on the table. He would invite her to comment later, but he wished to point out several highlights that had particularly drawn the attention of the Committee. The year-end results, as reflected in the financial statements, had confirmed that the University was facing significant financial challenges. The net loss in 2002-03 had been $164.4 million, $55.6 million of which was attributable to investment losses and the balance of which was due to expenses rising at a faster rate than revenue. There had been a $236.3 million reduction in capital, comprising, in addition to the net loss, the $111.8 million investment loss on externally restricted endowments and the receipt of $39.9 million of endowed donations and grants. Most significant was that as a result of market performance the cushion of excess undistributed investment income in the endowed funds, which had been accumulating over the past number of years, had been exhausted.

Mr. Weiss noted that the pension plan, which at the end of last year had an $84 million surplus, had a deficit of $398.3 million by the end of 2002-03. Because of accounting rules, only $30 million was recorded in the University's financial statements as a pension liability. If the deficit were not reduced by improved investment returns, it would have to be made up by higher employer contributions over the next fifteen years.

Finally, he applauded the very successful fund-raising over the past number of years, noting that even this good news was somewhat tempered as cash donations had gone down in 2002-03. The Board was asked to recognize that it was within the context of these sobering financial statements that the administration was challenged to make decisions toward achievement of the University's academic mission.

Ms. Brown referred to her presentation to the Audit Committee the previous day (attached as Appendix "A"), in particular the summary for the year compared to the forecast brought to the Board on March 3, 2003. She recalled that the forecast had predicted a $267.1 million reduction in capital due to annual losses and the actual results had been very close, at $276.2 million.

Ms. Brown said that a great deal of work had been undertaken to address the reduction in capital. The problem was largely due to a revenue gap, and efforts both at the provincial and federal levels would result in increased revenue from those sources.

3. Financial Statements-2003, Financial Highlights and Supplementary Financial Report (Cont'd)

Universities had been successful in achieving full average funding for all new incoming students and the provincial government had recently announced the quality enhancement funding. The federal government had recognized the financial challenge to universities of funding existing research and, starting in 2003-04, the University would receive base budget funding in recognition of those indirect costs of federally funded research. These were significant revenue changes.

Ms. Brown added that the administration was also working diligently to address expenses. With the 2003-04 budget, there had been an across-the-board cut of 4.46% of the relevant base budget. The endowment payout had been reduced and the investment policies had been revised. Long-range budget planning was underway and the new six-year guidelines would come forward in the fall.

A member questioned what might be causing the reduction in donations. Mr. Weiss replied that, in fact, if one removed a large donation from the 2001-02 year, there was little change within the last two years. However, the reduction from previous years could relate to the economy, the market conditions, or something else. This was a question that should be directed to Dr. Dellandrea when he presented his next report. Mr. Weiss saw no trend developing. Ms. Brown added that members would note variances between Dr. Dellandrea's report to the Board and the financial statements; the statements excluded the affiliated universities, which were included in the fund-raising reports.

A member asked if the Audit Committee was concerned about the University's investment in hedge funds. Mr. Weiss indicated that the Committee was not aware of any risk associated with these investments. The Committee's task was to ensure that appropriate elements of governance and risk control were in place at the University of Toronto Asset Management Corporation (UTAM). The UTAM Board of Directors was addressing the issues of volatility and risk in investments. That corporation had its own audit committee and the Governing Council Audit Committee had to be assured that it was doing its job. Beyond that, it was the responsibility of the Business Board to discuss these questions when it considered investment policy.

Mr. Weiss closed by thanking all those involved in achieving the remarkable objective of presenting the financial statements to the Business Board at this meeting.

On the recommendation of the Audit Committee,

YOUR BOARD RECOMMENDS

THAT the University of Toronto audited financial statements for the fiscal year ended April 30, 2003 (attached hereto as Appendix "B") be approved.

4. Appointment of External Auditors for 2003-04

Mr. Weiss reviewed the memorandum of June 5, 2003 from the Acting Chief Financial Officer (attached hereto as Appendix "C").

On the recommendation of the Audit Committee,

YOUR BOARD RECOMMENDS

1) THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto for the fiscal year ending April 30, 2004;

2) THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto pension plans for the fiscal year ending June 30, 2004;

3) THAT the members of the University of Toronto Innovations Foundation be requested to appoint Ernst & Young as external auditors of the Foundation for the fiscal year ending April 30, 2004 at a remuneration to be fixed by the directors of the Foundation.

5. Investments: Long-Term Capital Appreciation Pool Performance Benchmarks – Interim Report

Mr. Chee recalled that in April the Business Board had approved a revised investment policy which had established a more conservative return objective for the Long-Term Capital Appreciation Pool (LTCAP); specified the University's risk tolerance; and made it clear that the University of Toronto Asset Management Corporation (UTAM) was responsible for selecting the appropriate asset mix to achieve the return objectives within the stated risk tolerance. UTAM's performance was to be measured against performance benchmarks. A major step towards development of the new benchmarks had been taken with the approval on June 11, 2003 by the UTAM Board of a revised asset mix, which was outlined in Mr. Chee's memorandum of June 12, 2003. Within the next two months, UTAM would develop a plan to move the LTCAP investments into conformity with the specified asset mix and to develop appropriate performance benchmarks based on the asset mix. The performance benchmarks would be presented in a revised Schedule "C" to the service agreement between the University and UTAM.

A member asked about benchmarks for determining performance bonuses for staff. Mr. Chee replied that the portfolio would be in a state of flux as the switch from existing to revised benchmarks was implemented. During that time, fair performance bonuses for the staff of UTAM would be determined by its Compensation Committee, using a more judgemental rather than formulaic approach.

A member noted the investment in hedge funds and asked what role they played. Mr. Chee indicated that, in the last three years, the investment in hedge funds had returned single-digit positive returns and did so with a lower volatility than the market. This, in fact, mitigated what would have been more serious losses to the University. The term "hedge funds' was problematic, however, because it covered a wide spectrum of possible investments. Seen in this report were those hedge funds that had provided a stable return and had the purpose of acting as a counter-weight to other more volatile

5. Investments: Long-Term Capital Appreciation Pool Performance Benchmarks – Interim Report (Cont'd)

investments. The current recalibration of investments included a determination, in general, of which hedge funds should be included in the "absolute return" category and which were more like regular equity investments.

A member asked about UTAM's flexibility in changing the asset mix to minimize volatility. Mr. Chee replied that UTAM management had the discretion to move 5% either way in the three main asset categories: equities, bonds and alternatives. For example, in a mix that included 50% in total equities, the UTAM management would have the discretion to move to 45% or 55 %. He believed that this was an appropriate arrangement, allowing UTAM to make decisions as an investment manager on behalf of its client.

A member expressed the view that it would be helpful for the Board to see the specific securities in which UTAM was investing. Mr. Chee responded that the UTAM Annual Report and website gave some information, and that, given the benchmark, the funds would most certainly consist of diversified securities. The Chair added that this question had come before the Board before and, beyond approving the policies and the service agreement, this kind of detail, which was very difficult, costly and labour-intensive to prepare, was not the purview of the Board.

In response to a question, Mr. Chee indicated that the study leading to the LTCAP asset mix was based on real market data tempered with some judgement, which made the outcome more conservative.

A member asked if UTAM expected to outsource investment management. Mr. Chee replied that it did. More than 85% of the investments, all active, were managed by outside managers. In-house management focused on fixed income investments.

In closing, Mr. Chee told the Board members that they could expect to see the revised Schedule "C" in the next few months.

6. Capital Projects:

(a) Capital Borrowing for Current Capital Plan and Other Requirements

Mr. Chee introduced this item, reviewing his memorandum of June 11, 2003 (attached hereto as Appendix "D") and illustrating with a PowerPoint flow chart. The current Capital Plan included capital projects which had been approved by governance and was estimated to cost $740 million. Approximately another $157 million had been or would be required for items outside the official capital plan – for example, to meet the requirements for matching funds or for other miscellaneous capital investment. The two amounts totaled $896.3 million for which financing was required. $271.7 million of this amount was expected from external donors, research grants, and other external contributions toward capital – sources for which there would be no obligation to repay. This left $624.6 million for which borrowing was necessary. The source for $204.6 million of this amount was the Expendable Funds Investment Pool (EFIP), which at any given time totaled between $300 to $700 million. By conservative estimates, $75 million was sufficient to maintain the University's cash flow requirements so this use of the Fund was acceptable. The remaining $420 million would be acquired by third-party borrowing. The University could safely incur external debt of up to 1/3 of its capital.

6. Capital Projects (Cont'd)

(a) Capital Borrowing for Current Capital Plan and Other Requirements (Cont'd)

A debenture of $160 million had already been issued following Business Board approval in January 2001. Mr. Chee was proposing now that approval be given to borrow another $200 million, which would be the second tranche of the original plan to finance the capital program.

A member commended the administration for the proposal, but was interested in knowing how the credit rating agencies would view the University's intent to borrow an additional $200 million. What were the risks around the seven sources of funding on page 2 of the memorandum? Did the University intended to proceed with borrowing the entire amount once it was approved, or would it borrow as needed?

Professor Neuman explained the sources of debt repayment. The University Infrastructure Investment Fund was the primary internal funding vehicle through which capital funds flowed. It had been the conduit for the distribution of some of the initially borrowed $160 million. The Enrolment Growth Fund depended on enrolment expansion. Revenue from expanded enrolment flowed through that fund on a formulaic basis and, in areas where capital expansion was underway, these funds had been committed toward the repayment of associated mortgages. Divisional revenues came from the operating budgets of divisions. Student levies were exactly what they seemed. Residence and ancillaries revenues were those from residence fees, food services and parking operations, and they were committed for repayment of residence and other ancillary construction.

As to the risk associated with the sources of funding, Professor Neuman added that as each project came forward a financial assessment and risk analysis was done by Financial Services. Projects would not proceed where the risk was estimated to be higher than acceptable. Ms. Brown added that what was before the Board was an amalgam of financing proposals for projects already approved on the recommendation of the Planning and Budget Committee. With respect to the response of credit assessors, the University had originally been assessed on its ability to borrow $300 million in late 2000. As events unfolded, the administration decided to go ahead with a debenture of only $160 million. The work done at that time would be useful now as the University proposed to proceed with the $200 million.

Finally, responding to the question about whether the amount would be borrowed in its entirety, Ms. Brown hoped that approval would be given to allow the administration to go forward on the full amount. There was a definite disadvantage to proceeding with a series of smaller loans in the order of $10 to $15 million at a time, because there were limits on what banks could loan in that range. Further, the costs associated with any form of borrowing and the interest rates were better if the requirements were consolidated. The administration believed it was important to have the flexibility to move quickly when the environment was favourable.

Mr. Chee added that this proposal would not be a surprise to the credit rating agencies. The University's credit rating might be downgraded, but if it were the incremental $200 million of borrowing would not be the issue. This was a conservative proposal. Further, he believed this was a favourable time to issue a debenture; there was strong demand for this type of instrument at the moment and not much was available on the market. Finally, he believed it was necessary for the University to proceed with this amount of borrowing; the Capital Plan required the financing.

6. Capital Projects (Cont'd)

(a) Capital Borrowing for Current Capital Plan and Other Requirements (Cont'd)

A member asked about the possibility of selling University of Toronto debentures to the endowment fund. Mr. Chee replied that this had been considered. While it was not legally prohibited, it might not be advisable because of the perception of a conflict of interest. This was, however, something that he was still looking into, and if there were a concurrent external market for the debenture it might be conceivable to proceed in that way. The willingness of external investors to buy the debentures at a particular rate would put to rest concern about the rate being paid to the endowment.

Another member commended members of the administration for the overall approach they had taken and felt assured that this was based on a good Capital Plan. He wondered, however, if there would be a request for a third tranche. What, for example, would happen to the items in Section 3 of the Plan? Professor Neuman replied that, since the documentation had been prepared, a meeting had occurred and Section 3 had already been culled. Mr. Chee added that, in any event, consideration of any further capital expansion would be subject to the University's ability to service its capital debt.

A member asked about the percentage of the budget that was currently devoted to interest carrying charges. Ms. Brown referred to page 2 of the green sheet, noting that the cost to central budgets of servicing the planned debt, principal and interest, would amount to about 2% of 2003-04 operating revenue. This was projected through the budgeting process. Some discussion followed about comparisons with other Canadian universities and with universities in the United States. Ms. Brown indicated that comparisons were difficult in Canada because borrowing was a new phenomenon for Canadian universities which, until recently, had received capital funding from government. The University of Toronto compared favourably against universities in the United States, where capital borrowing had a much longer history. She concluded by saying that the University never borrowed unless it was required to do so. It would much prefer to find sponsors for capital funding but, when that was not possible, the administration proceeded in the most prudent fashion.

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

YOUR BOARD RECOMMENDS

(i) THAT the senior officer of the University responsible for financial matters, as so designated by the President, be authorized to borrow up to $200 million, in addition to the $160 million approved by the Business Board on January 15, 2001, and to determine, in consultation with the University's financial advisor, the most appropriate financing structure for this borrowing, including without limitation, by way of private debt placement, a public debenture issue, syndicated bank financing, or securitization;

(ii) THAT the borrowed funds be added to the Long-Term Borrowing Pool;

(iii) THAT an investment strategy be developed, in consultation with the University of Toronto Asset Corporation to invest the borrowed funds until the funds are required for each project;

6. Capital Projects (Cont'd)

(a) Capital Borrowing for Current Capital Plan and Other Requirements (Cont'd)

(iv) THAT the senior officer of the University responsible for financial matters be authorized to allocate borrowing as internal financing for spending that has been approved by the Business Board; and

(v) THAT the senior officer of the University responsible for financial matters report periodically to the Business Board on the status of the Long-Term Borrowing Pool.

(b) Centre for Cellular and Biomolecular Research

(The PowerPoint presentation accompanying the next five items is attached hereto as Appendix "E".)

The Chair welcomed Dr. Jim Friesen, Professor Wayne Hindmarsh, Professor Peter Lewis and Dr. Cecil Yip to the meeting, and invited Mr. Bisanti to introduce the item. Mr. Bisanti reviewed his memorandum of June 11, 2003, recalling previous action taken, highlights of the project, costs and project funding. With PowerPoint slides he showed the site plan and the various elevations. Mr. Bisanti informed the Board that final site approval from the City had not yet been received. Though there had been a favourable report from the planners, who were still working with the University to resolve this matter, concern by the local Councillor had resulted in the matter being referred to City Council. A hearing was scheduled for July 8, following which Mr. Bisanti hoped to receive both site approval and a foundation permit.

A member asked what, if any, contingency funds were available for this project. Mr. Bisanti indicated that the tenders had come in approximately $2 million less than the projected cost. Approval was being requested for the original projected cost so as to have a $2 million cushion in the event that it were needed.

A member said that he would prefer that the University attempt to finance this project with revenue from increased PhD. enrolment rather than borrowing the necessary funds. Professor Neuman replied that doctoral-stream students were funded by the government under a program of limited grants. Currently, with the University's guaranty of funding for these students and with the grant structure supporting them, additional students would translate into increased costs rather than net revenue to the University. Therefore, it was not feasible to consider the member's suggestion.

6. Capital Projects (Cont'd)

(b) Centre for Cellular and Biomolecular Research (Cont'd)

On the recommendation of the Vice-President, Business Affairs

It was RESOLVED

THAT the Vice-President, Business Affairs be authorized:

(i) to execute the proposed Centre for Cellular and Biomolecular Research project at a cost not to exceed $87,600,000 with funding as follows:

a. Project:

• Canada Foundation for Innovation	$29.2 million	
• Ontario Innovation Trust	$30.0	
• University Infrastructure Investment Fund	$ 2.8	
• Investment Income	$ 0.5	
• I'Anson Fund	$ 2.0	
• Terrence Donnelly Donation	$ 5.0	
• Fundraising	$14.1	
		$83.6 million

b. Equipment:

• Canada Foundation for Innovation	$ 1.6 million	
• U of T McLaughlin	$ 2.4	
		$ 4.0 million
Total Project Cost =		**$87.6 million**

and

(ii) to arrange such interim and long-term financing as required.

(c) University of Toronto at Mississauga: Wellness Centre –Design Fees

The Chair invited Professor Orchard to introduce guests from the University of Toronto at Mississauga (UTM) and welcomed Ms. Capewell and Mr. Duncliffe to the meeting.

Mr. Bisanti used PowerPoint slides to briefly review the previous action taken on and the highlights of this project, which had been outlined in his memorandum of June 11, 2003. He reported that the Quality Services for Students Committee (QSS) at UTM had approved the initial student levy of $25 and would consider the full levy of $150 in the upcoming year.

A member asked for clarification of the levy approval. Professor Orchard replied that the students and the University Affairs Board had approved the $25 levy, and had conceptually approved the increased levy. However, the $150 would need to be reconfirmed by QSS and UAB because, under the *Protocol*, an increase in student fees needed to be approved in the year before the increase came into effect. It was his intent to go back to QSS for this approval, and subsequent recommendation to the UAB, as soon as possible.

6. Capital Projects (Cont'd)

(c) University of Toronto at Mississauga: Wellness Centre –Design Fees (Cont'd)

Noting that the proposed full levy was quite high, a member asked what efforts had been undertaken to find alternate sources of funding for this project. Professor Orchard reported that this was not the type of project which qualified for SuperBuild funding, so efforts had been undertaken to create a partnership with the City of Mississauga and/or the Trillium Health Centre. Discussions had been positive but, in the final analysis, it had not been possible to work out a satisfactory partnership with either of those parties.

A member of the Governing Council was invited to speak. The member noted that throughout the report there had been references to consultants employed, and she wondered why another $500,000 was proposed for consulting fees. Also, it was suggested that the levy would support the mortgage, and she wondered how operating expenses would be met. Finally, she asked about the purpose of the wellness aspect of the Centre and the extra cost could be attributed to this.

Mr. Bisanti responded to the first question, saying that this proposed $500,000 was for design consultants and architects. None of this work had yet been done. Professor Orchard replied to the other questions, saying that $115 of the student levy would go directly to support the mortgage and $35 would go toward annual operating costs for the Centre. There was no additional cost because of this being a "wellness" centre. The Centre was so named because its conceptual purpose went beyond athletics to include the promotion of physical fitness and well-being of the individual.

> On the recommendation of the Vice-President, Business Affairs,
>
> It was RESOLVED
>
> Subject to Governing Council approval of the project,
>
> THAT the Vice-President, Business Affairs be authorized to expend up to $500,000 for design fees for the Wellness Centre at UTM from funding for the full project, as follows:
>
> (a) a capped contribution of $7,000,000 from the University of Toronto for the 50 cent match on each dollar raised through the student levy support;
>
> (b) a one-time-only contribution of $1,000,000 from the University of Toronto at Mississauga;
>
> (c) a $500,000 contribution to be secured from fund raising at the University of Toronto at Mississauga; and
>
> (d) a mortgage to be amortized over a period of approximately 25 years for $16,000,000, with payments forthcoming from the planned student levy income. Student levy income would continue until such time as the mortgage is fully paid.

6. Capital Projects (Cont'd)

(d) Faculty of Arts and Science, Sidney Smith Hall – Student Space

The Chair welcomed Mr. DeSouza to the meeting for this item.

Mr. Bisanti reviewed his memorandum of June 11, 2003 and, using PowerPoint, illustrated the location of the project relative to its surroundings. This was a project that was important to increased student lounge and study space in the Faculty of Arts and Science and it would be funded through enrolment growth revenues.

A member expressed the strong view that further additions to the Sidney Smith Building would exacerbate what was already an architecturally unpleasant building. In his view, the University should be spending no more money on this building and should, instead, attempt to move departments out of what was very crowded space.

Professor Venter agreed that the building was overcrowded and indicated that there was an intention to relocate two departments elsewhere as soon as possible and to reorganize the space usage with the support of the Faculty of Arts and Science. With respect to design, he believed that using the same architect as the infill project would result in a harmonious design. He thought a good job had been done with the infill project and he hoped the end result of this would be positive.

> On the recommendation of the Vice-President, Business Affairs
>
> It was RESOLVED
>
> Subject to Governing Council approval of the project,
>
> THAT the Vice-President, Business Affairs be authorized:
>
> (i) to execute the proposed enclosure of the overhang area on the east and west sides of the Sidney Smith Hall patio at a cost not to exceed $3,300,000, with full funding to be provided by enrolment growth funds; and
>
> (ii) to arrange such interim and long-term financing as required.

(e) University College Residence - Revised Project

The Chair welcomed Professor Perron and Mr. Harasymowycz to the meeting for this item.

Mr. Bisanti used PowerPoint to illustrate the revised design of the proposed University College Residence on site 22. He reviewed his memorandum of June 11, 2003 and referred members to the Risk Analysis attached thereto.

A member indicated pleasure that this project was about to become a reality. With respect to the funding, he asked for clarification about the difference between pledges and committed funds. Professor Neuman responded that pledged funds were those for which donors had already signed a document; committed funds were those in which they had indicated an intention to donate. She noted that, with the increased amount of

6. Capital Projects (Cont'd)

(e) University College Residence - Revised Project (Cont'd)

donations, the project would consume less of the University's mortgage capacity. This was good and it also allowed the ancillary to apply the additional revenue toward upgrading the current infrastructure.

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

It was RESOLVED

Subject to Governing Council approvel of the revised project,

THAT the Vice-President, Business Affairs be authorized:

(i) to execute the revised University College Residence project at a cost not to exceed $24,040,000 with the funding sources as follows:

- $2,500,000 externally secured contribution,
- An additional $7,500,000 to be secured from additional external fund-raising by University College,
- $1,485,000 contribution from the University College residence ancillary,
- $800,000 contribution provided by the University College food service ancillary,
- $50,000 allocation from the University Infrastructure Investment Fund in support of space for the Drama Program, and
- A mortgage to be amortized over a period of 25 years in the amount of $11,705,000 with payments forthcoming from residence revenues and the University College ancillary; and

(ii) to arrange such interim and long-term financing as required, from either internal or external sources.

(f) Leslie L. Dan Pharmacy Building

The Chair reminded members that Professor Hindmarsh had been welcomed to the meeting for a previous item and that he was still present, together with Professor Jake Thiessen, to respond to questions if necessary.

Mr. Bisanti illustrated with PowerPoint the location of the proposed building, as well as schemata of its design and site. He reviewed his memorandum of June 17, 2003, focusing particularly on project costs and funding.

6. Capital Projects (Cont'd)

(f) Leslie L. Dan Pharmacy Building (Cont'd)

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

It was RESOLVED

THAT the Vice-President, Business Affairs be authorized to expend up to an additional $3.0 million to complete the site service relocation, excavation and shoring work for the Leslie L. Dan Pharmacy Building.

7. Health and Safety: Asbestos Control Policy

Professor Hildyard referred to her memorandum of June 12, 2003 (circulated with the Agenda) and a second memorandum, dated June 19, 2003 (placed on the table) addressing a revision to the Asbestos Control Program document. The Asbestos Control Program was for the information of members. The proposed policy was for approval of the Governing Council.

Professor Hildyard informed the Board that the proposed Policy had evolved out of discussions and agreement with representatives of the United Steelworkers, CUPE and the various trades' unions on campus. It was important to note that the union representatives had endorsed the proposed policy.

A member asked how the policy would be enforced with external contractors. Professor Hildyard replied that a new position had been created, within which the responsibility for ensuring contractor compliance would fall. This individual would be responsible for ensuring that the tendering process included the requirement for compliance and, in particular, for evidence that workers had been trained. The individual would also be responsible for monitoring site compliance while a project was underway. While there had been past examples of language and comprehension difficulties among workers, the task force hoped that this policy together with pre-qualification and pre-training of contractors would ensure that this did not happen again.

A member who had been part of the task force commended Professor Hildyard for the successful conclusion to a long and sometimes contentious process. He believed the proposed policy was second to none, having as its basis knowledge acquired from an extensive review of best practices in other public and private corporations. He was convinced that this policy and the control program would ensure a safer workplace. While he hoped that this would not be necessary, the University now had an effective mechanism with which to address incidents should they recur.

On the recommendation of the Vice-President, Human Resources

YOUR BOARD RECOMMENDS

THAT the proposed Asbestos Control Policy (attached hereto as Appendix "E") be approved.

8. Report of the Senior Salary Committee

Dr. Simpson introduced the report of the Senior Salary Committee referring to his memorandum of June 16, 2003 and inviting questions.

A member asked how much on average senior salaries had increased over the past year. Invited to respond, Professor Hildyard indicated that the amount of senior salary increases was determined individually, based solely on an assessment of the merit of the individual's performance. The pool for increases was determined by the across-the-board and promotion-through-the-ranks percentage increases for faculty, which in turn were based on negotiations with the Faculty Association. In the past year, the pool for increases had been approximately 5% of the total senior salary base.

9. Other Reports for Information:

The Chair referred to the following reports for information. No requests for individual consideration had been received by the Secretary up to the beginning of the meeting and, noting the late hour, the Chair requested that any questions members might have at this point should be referred to the appropriate assessor following the meeting.

(a) Risk Management and Insurance: Annual Report, 2002-03

The report was for information and no questions were posed.

(b) Report Number 68 of the Audit Committee - May 21, 2003

The report was for information. There were no questions.

(c) Quarterly Report on Donations of $250,000 or More

The report was for information.

10. Reports of the Administrative Assessors

There were no reports from the administrative assessors in open session. The Vice-President, Human Resources would report in closed session.

11. Date of Next Meeting – Monday, September 29, 2003

The Chair reminded members that the next meeting of the Board was scheduled for Monday, September 29, 2003, and that a full meeting schedule for next year had been placed on the table.

12. Other Business

The Chair thanked members of the Board for their diligence and hard work. He particularly thanked those members who would not be returning to the Board next year.

The Chair of Governing Council expressed sincere appreciation to Mr. Shalaby for his leadership to the Board over the past three years and presented him with a chair in recognition of his outstanding service. Members applauded.

ON MOTION DULY MOVED AND SECONDED, THE BOARD MOVED *IN CAMERA*.

13. Report of the Striking Committee: Co-opted Membership of the Business Board and the Audit Committee for 2003-04

Ms. Orange presented the report of the Striking Committee.

On the recommendation of the Striking Committee,

YOUR BOARD RESOLVED

(a) THAT Ms Kim McLean be re-appointed to the Business Board for a term from July 1, 2003 to June 30, 2004; and

(b) THAT Ms Dominique Barker and Ms Mary Anne Elliott be appointed to the Business Board for three-year terms from July 1, 2003 to June 30, 2006;

(c) THAT Mr. Roger Parkinson be appointed to the Business Board for a two-year term from July 1, 2003 to June 30, 2005;

(d) THAT the following members be appointed to the Audit Committee for one-year terms from July 1, 2003 to June 30, 2004:

Ms Paulette L. Kennedy
Mr. Paul E. Lindblad
Mr. Gerald A. Lokash
Ms Kim McLean
Mr. Richard Nunn
Mr. David Oxtoby
Mr. Roger H. Parkinson
Professor Gordon Richardson; and,

(e) THAT Mr. Mr. George Myhal be appointed Chair of the Audit Committee for a one-year term from July 1, 2003 to June 30, 2004.

14. Salary and Benefits: Agreement with the University of Toronto Faculty Association for Interim Salary Arrangements for 2003-04

Professor Hildyard reported on continuing salary and benefit negotiations with the University of Toronto Faculty Association.

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

It was RESOLVED

THAT faculty members and academic librarians be awarded an across-the-board increase of 2.25%, plus merit as determined through the "progress through the ranks" process, effective July 1, 2003.

The meeting adjourned at 8:05 p.m.

Recording Secretary	Chair

August 27, 2003