

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 207 OF THE BUSINESS BOARD

September 23, 2013

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, September 23, 2013 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. W. John Switzer (Chair)	Mr. Andrew Arifuzzaman, Chief
Mr. Jeff Collins (Vice-Chair)	Administrative Office, UTSC
Professor David Naylor, President	Ms Sheila Brown, Chief Financial Officer
Professor Scott Mabury, Vice-President, University Operations	Mr. Paul Donoghue, Chief Administrative Officer, UTM
Professor Angela Hildyard, Vice-President, Human Resources & Equity	Ms Gail Milgrom, Assistant Vice-President, Campus and Facilities Planning
Professor John Bland	Professor Cheryl Regehr, Vice-President and Provost
Mr. Ian Freedman	Ms Judith Wolfson, Vice-President, University Relations
Mr. Andrew Girgis	
Mr. Gary D. Goldberg	
Professor Avrum Gotlieb	
Mr. Arthur Heinmaa	Ms Sheree Drummond, Secretary
Mr. William Hewitt	
Ms Zabeen Hirji	
Ms Paulette Kennedy	
Mr. Mark Krembil	
Ms Nancy Lee	
Ms Rosanne Lopers-Sweetnam	
Ms Mainawati Rambali	
Ms Catherine Riddell	
Mr. Peter Robinson	
Mr. Andrew Szende	
Mr. Christopher Thatcher	
Mr. Keith Thomas	
Ms B. Elizabeth Vosburgh	

Regrets:

Mr. Gary P. Mooney
Mr. Howard Shearer
Ms Rita Tsang

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In Attendance:

Ms Penny Somerville, Audit Committee Member

Ms Kathryn Jenkins, Audit Committee Member

Mr. Mark Britt, Internal Auditor

Mr. Tad Brown, Senior Legal Counsel, Office of the Vice-President, Advancement and Office of the Vice-President, University Operations

Mr. Marc Drouin, Director, Environmental Health & Safety, Office of the Vice-President, Human Resources & Equity

Ms Erin Jackson, Executive Director, Central Administration Human Resource Services and Integrated Human Resource Service Delivery, Office of the Vice-President, Human Resources & Equity

Ms Signe Leisk, Legal Counsel, Cassels Brock and Blackwell LLP

Mr. William (Bill) Moriarty, President and CEO, University of Toronto Asset Management Corporation (UTAM)

Ms Gillian Morrison, Assistant Vice-President, Divisional Relations & Campaign

Ms Deborah Ovsenny, Executive Director, Total Rewards, Office of the Vice-President, Human Resources & Equity

Ms Rosie Parnass, Executive Director, Organization Development & Leadership Centre and Work-Life Advisor, Office of the Vice-President, Human Resources & Equity

Mr. Cameron Richards, Managing Director, Investment Strategy & Co-CIO, UTAM

Mr. Daren Smith, Managing Director, Manager Selection & Portfolio Construction, UTAM

Mr. Gary Steinhart, Legal Counsel, Cassels Brock and Blackwell LLP

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

OPENING ITEMS

1. Chair's Remarks

The Chair welcomed members and guests to the first meeting of the Board for the 2013/14 governance year. He asked for members' agreement to add an item to the *in camera* portion of the meeting – Real Estate Transaction. The Chair proposed that the new item be considered as the last item. Members agreed.

The Chair acknowledged the President. Professor Naylor thanked members for their time, energy and expertise.

2. Calendar of Business

The Chair advised members that the Calendar of Business showed the items planned to come before the Board. He noted that it was subject to change; that items would be added to the Calendar as they arose; and that it was updated on-line on a weekly basis. He explained that the Calendar was organized around major themes so that related items would be considered at the

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same meeting to ensure a good overview and a good amount of time for in-depth consideration. He said that in order to allow the Board to focus on the major themes, more routine items would normally be dealt with as ‘consent items’ and as such would not involve any presentations or discussions. Members with questions about a consent item were asked to contact the sponsor of the item in advance of the meeting and if the concern had not been satisfied the member should notify the Secretary so that the item could be dealt with on the agenda in the usual manner. The Chair reminded members that at least twenty-four hours advance notice was required.

MAIN THEME - INVESTMENTS AND THE ENDOWMENT

3. *Investments: Semi-Annual Update on Investment Performance to June 30, 2013*

At the invitation of the Chair, Ms Sheila Brown, Chief Financial Officer, made some introductory comments. Ms Brown explained that the University had three main pools of funds: the Expendable Funds Investment Pool (EFIP), the Long Term Capital Appreciation Pool (LTCAP) and the Pension Master Trust (PMT). These funds were managed and invested by the University of Toronto Asset Management Corporation (UTAM).

The Chair invited Mr. William Moriarty, President and CEO, UTAM to present his semi-annual update. Mr. Moriarty introduced two colleagues, Mr. Cameron Richards, Managing Director, Investment Strategy & Co-CIO, UTAM and Mr. Darren Smith, Managing Director, Manager Selection & Portfolio Construction, UTAM.

Highlights of Mr. Moriarty’s presentation¹were as follows:

- Portfolio performance: Investment returns have been quite strong versus the University’s target return and Benchmark return. During the first half of the year the LTCAP and PMT portfolios outperformed the University target return by over 3%, which equates to \$150 million of value added. Performance over the longer term has also been favourable with actual returns exceeding the University’s target returns and the benchmark returns over the most recent 1, 2 and 4 year periods.
- Market Performance: Of note in the public markets was that Canadian equities had underperformed and the US stock market had been surprisingly strong.
- Style Tilts and Manager Selection: Style tilts added modestly to value-added and the restructured slate of managers strongly outperformed asset class benchmarks.
- ‘Active’ Management: Given that valuations for stocks and bonds are rich by historical standards, the return component from simply holding these exposures passively was expected to be lower than average in the future. Conversely, the returns from ‘active’ management were expected to continue to be attractive, and accordingly, were expected to represent a larger proportion of overall portfolio returns going forward.

There were no questions from members.

¹ <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=10008>

REPORT NUMBER 207 OF THE BUSINESS BOARD – September 23, 2013**4. Endowments: Annual Report for the year ended April 30, 2013**

The Chair invited Ms Sheila Brown to speak to the Report. She noted that this Report was designed primarily for major donors and that information about the performance of the endowment was in the annual Financial Report.

Highlights of Ms Brown's presentation² were as follows:

- The value of the endowment was just over \$1.6 billion with the largest single category being student aid (42.9%).
- Investment returns have been good in the past year with \$185.4 million in investment income. \$70.5 million had been allocated for spending for more than 5,500 individual endowments (each with its own terms and restrictions).
- Book value was larger than the previous year and preservation of capital had been built back up but there was still an inflation protection shortfall of \$165.8 million.
- Careful monitoring of the annual spending allocation continues to be necessary.

In response to a question about the process by which the annual payout amount was approved, Ms Brown explained that it was the responsibility of the administration to look at ongoing trends and determine the annual payout. She noted that the impact of any decision regarding the annual payment was addressed through the divisional academic budget review process.

5. UTSC – Pan-Am Aquatics and Athletics Centre: Shareholders' Agreement

The Chair began by noting the distinction between the role of the Business Board on this item and the role of the Planning and Budget Committee. He reminded members that the Board had responsibility for approving the arrangements for incorporation, and as a result was being asked to approve the Shareholders' Agreement. The Planning and Budget Committee had responsibility for consideration of agreements with external bodies, and as such it considered the Co-Ownership Agreement (at its meeting on September 16) and had recommended that agreement for approval by the Academic Board and the Governing Council.

Professor Scott Mabury, Vice-President, University Operations, gave a presentation³ on the Toronto Pan Am Sports Centre (TPASC). The highlights were as follows:

- Remediation of the site had been completed in 2012 and had come in under budget;
- 66% of the construction of the facility was completed and the project continued to be on time and on budget;
- A number of major agreements had been approved to date and elements of those agreements formed the basis of the Shareholders' Agreement;
- Existing City and University contractual relationships were as follows: remediation of lands (56% U of T/44% City); lands (50% owned by City, 50% owned by U of T); facility (City and University have 50/50 ownership);

² <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=10011>

³ <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=10012>

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- Alternative models were investigated; decision had been to proceed with a jointly owned (City and University) corporation charged with operating the facility;
- Shareholders' Agreement set out the relationship between the City and the University as Shareholders of the corporation, the fundamental principles of the Shareholders regarding the Board of TPASC, and Shareholder requirements for the responsibility and accountability of the Board;
- In order to create a joint venture with the University, the City had required an Amendment of the *City of Toronto Act Regulation 609/06*. City Council had approved the request to seek an amendment and the Province had amended the regulation to allow the City to partner with the University.

A member commented that major sporting events typically did not keep to their business plans and asked what protection was in place to ensure that the University would not be 'on the hook' for 50% of operating costs. Mr. Arifuzzaman replied that the agreements committed the City to 50% of shortfalls as co-owner and as such the City could not act independently of the University or avoid its obligations. In response to a question as to the impact the facility would have on students, Mr. Arifuzzaman explained that at the present time UTSC athletic facilities comprised of a double gym. The new facility would result in a huge increase in the numbers and type of activities within which students could engage. A member commented that in the 'highlights' section of the cover sheet it stated that City Council had endorsed the establishment of a joint not-for-profit corporation. Mr. Steinhart clarified that the City had since approved it as a for-profit corporation. A member asked about the \$4 million that was expected from the Legacy Fund, specifically whether there would still be legacy funding if the Pan Am Games did not make a profit. Mr. Arifuzzaman replied that the legacy fund is separate from operating and capital budgets. Further, a separate corporation would be managing the legacy of the Games and that the \$4 million (annually) was anticipated but not guaranteed.⁴ He noted, however, that of the three legacy venues the TPASC would receive 80% of that fund. In response to a question as to whether all environmental reports have been delivered and accepted, Ms Leisk confirmed that they had. The member also asked about parking during the Games and what the terms were regarding the revenues from parking, Mr. Arifuzzaman replied that the spots that UTSC already had would be made available during the Games and that temporary arrangements would be made.

On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

THAT the *Unanimous Shareholders' Agreement (September 12, 2013)*, attached hereto, be approved, whereby a corporation to be called Toronto Pan Am Sports Centre Inc.,

⁴ Secretary's Note: Subsequent to the meeting and in response to a question of a member regarding the use of the term "guarantee," Mr. Arifuzzaman clarified that the Legacy Fund contributors (Federal and Provincial governments) have committed to investing into the TO2015 Sport Legacy Fund and that this fund would be used to support TPASC on an annual basis (provided completion of reporting requirements), thus the fund is enshrined in the legacy agreement for its duration.

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(“TPASC”) to be jointly owned by the City of Toronto and the University of Toronto for the purpose of operating the Toronto Pan Am Sports Centre, be established under the *Business Corporations Act* (Ontario), Section 148 of the *City of Toronto Act, 2006*, and Ontario Regulation 609/06 made under the *City of Toronto Act, 2006* as amended.

6. Report of the Previous Meeting - Report Number 206 - June 13, 2013

The Report of the previous meeting was approved.

7. Policy on Capital Planning and Capital Projects

The Secretary of the Governing Council advised members that with the establishment of the UTM and UTSC Campus Councils and their standing committees, a revision to the *Policy on Capital Planning and Capital Projects* was required to reflect provisions in the terms of reference for the respective Campus Affairs Committees and the Campus Councils regarding consideration of capital projects. As the Policy had an impact on the Business Board the proposed revisions were being brought forward to the Board for information.

8. Health and Safety: Quarterly Report on Compliance

The Chair reminded members that they could be held personally liable for any failure to carry out due diligence to ensure conformity to health and safety legislation and regulations. He then invited Professor Angela Hildyard to give her report.

Professor Hildyard introduced Mr. Marc Drouin the new Director, Environmental Health & Safety, and noted that it was Mr. Drouin’s first day on the job.

Professor Hildyard drew members’ attention to the section of the report dealing with incidents abroad related to students and provided some further details regarding the three assaults. A member asked whether there was an emergency contact for students abroad, Professor Hildyard confirmed that there was and noted that extensive support was in place for these students. A member asked about incidents of assaults on the campuses and commented that there had been recent media coverage on the underreporting of sexual assaults on Canadian university campuses. Professor Hildyard replied that the number of sexual assaults on the University’s three campuses was low. She commented on the training that was in place for residence dons and others with the goal of creating a safe environment.

9. Status Report on Debt to August 31, 2013

The Chair advised members that this Report would normally be a consent agenda item but that as this was the first meeting of the governance year, Ms Brown would provide a brief overview.

Ms Brown noted to members that a thorough review of the debt strategy had been undertaken the previous year and that a revised debt strategy had been approved by the Board in November 2012. She advised members that this regular status report provided the Board with an update of

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the debt policy limit, debt allocated by Business Board and actual external and internal debt. It also provided the actual debt burden and viability ratios as compared to the ratios of the debt policy limit. She noted that the debt policy limit for 2013-14 was \$1.4 billion, which was based on a debt burden ratio of 5% (at April 30, 2013). Ms Brown said that the debt burden ratio based on actual outstanding debt was 3.7%.

In response to a question about who holds the third party debt, Ms Brown said that the third party debt was held predominantly by insurance companies. In response to further questioning, she noted that the debentures were unsecured. The only mortgages held by the University related to a couple of residence loans that had originated many decades ago that were included in the \$11 million old debt. The University did not have any capital leases.

10. Report on Capital Projects as of September 30, 2013

The Chair noted that this was another regular report that would normally be a consent agenda item.

Professor Mabury highlighted to members that the report had been expanded so that more comprehensive information was provided including changes to scheduling, budget, and/or scope.

11. Reports of the Administrative Assessors

There were no reports of the Administrative Assessors.

12. Business Arising from the Report of the Previous Meeting

The Chair indicated that there were no matters of business arising.

13. Other Business

No other business was raised.

14. Date of the Next Meeting – Monday, November 4, 2013

CLOSED SESSION / IN CAMERA ITEMS

On a motion duly made, seconded and carried,

It was Resolved

THAT pursuant to section 33(i) of By-Law Number 2, the Board meet in closed session to consider agenda item 15 and meet *in camera* to consider item 16 and 17, with other members of the Governing Council, the Board's assessors, Secretariat, and any staff members invited by the assessors invited to remain in attendance.

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THE BOARD MOVED INTO CLOSED SESSION.

15. Closed Session Reports of the Administrative Assessors

Professor Mabury advised members of a pending real estate matter.

THE BOARD MOVED *IN CAMERA*.

16. Quarterly Report on Gifts and Pledges over \$250,000, May 1 – July 31, 2013

17. Real Estate Transaction

On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

The recommendation regarding a real estate transaction as contained in the memorandum from Professor Scott Mabury, Vice-President, University Operations, dated September 19, 2013.

The Board returned to open session.

The meeting adjourned at 7:20 p.m.

Secretary

Chair

October 3, 2013