

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 210 OF THE BUSINESS BOARD

March 3, 2014

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, March 3, 2014 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. W. John Switzer (Chair)	
Mr. Jeff Collins (Vice-Chair)	
Professor Meric Gertler, President	Ms Sheila Brown, Chief Financial Officer
Professor Scott Mabury, Vice-President, University Operations	Ms Sally Garner, Executive Director, Planning & Budget Office
Professor Angela Hildyard, Vice-President, Human Resources & Equity	Mr. Paul Donoghue, Chief Administrative Officer, University of Toronto Mississauga
Professor John Bland	Mr. David Palmer, Vice-President, Advancement
Mr. Ian Freedman	
Mr. Andrew Girgis	
Mr. Gary D. Goldberg	Ms Sheree Drummond, Secretary
Mr. Arthur Heinmaa	
Mr. William Hewitt	
Ms Zabeen Hirji	
Ms Paulette Kennedy	
Mr. Mark Krembil	
Ms Nancy Lee	
Ms Rosanne Lopers-Sweetnam	
Ms Catherine Riddell	
Mr. Peter Robinson	
Mr. Howard Shearer	
Mr. Andrew Szende	
Mr. Keith Thomas	
Ms B. Elizabeth Vosburgh	

Regrets:

Professor Avrum Gotlieb
Dr. Gary P. Mooney
Ms Mainawati Rambali
Mr. Christopher Thatcher
Ms Rita Tsang

In Attendance:

Mr. Louis Charpentier, Secretary of the Governing Council

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Ms Helen Chang, Senior Planning & Budget Officer
Mr. David Curtin, Communications Services, Office of the President
Mr. Ken DeBaeremaeker, Manager, Enrolment and Tuition Fees Planning and Analysis
Mr. Aman Gebru, University of Toronto Graduate Students' Union
Mr. Jeff Lennon, Government and Institutional Relations, University Relations
Mr. Richard Levin, Executive Director, Enrolment Services and University Registrar
Professor Jill Matus, Vice-Provost, First-Entry Divisions and Students
Ms Archana Shah, Senior Planning & Budget Officer
Ms Archana Sridhar, Assistant Provost
Ms Donna Wall, Director, Financial Aid & Awards

ITEMS 1(a.), 1(b.), 2(a.) ARE RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL. ALL OTHER ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

The Chair welcomed members and guests to the meeting. He provided members with a brief update on the UTM Greenhouse project that had been before the Board at its last meeting. The Board had approved the execution of the project, subject to the approval in principle of the Governing Council. He reminded members that approval of the execution of a project meant that the Board was giving the 'go-ahead' to spend the budget that had been approved for a project. He noted that approval of the budget and the approval of the project were not matters for the Board unless a project involved borrowing. He advised members that when the project went forward to the Executive Committee for endorsement and forwarding to the Governing Council, the issue of the cost of the project was raised (this issue had also been raised at the Business Board meeting). After some discussion the Executive Committee decided to defer the matter to the next meeting in order to allow an opportunity for further information to be provided.

The Chair explained that this did not have an impact on the Business Board's responsibility as the Board's approval of the execution of the project was subject to approval of the project by the Governing Council. He said that the item would come before the Business Board again only if the total cost of the project was increased; however, this was not likely as the issue was whether the total project cost could in fact be decreased. The Chair said that he would keep the Board informed accordingly.

MAIN THEME - STUDENT FEES AND THE BUDGET

1. Tuition Fees

The Chair advised members that the main theme of the meeting was 'student fees and budget'. He noted that Professor Mabury would provide an omnibus presentation on the budget and tuition and that the presentation would address some of the content in the two background reports that had been provided: the *Enrolment Report* and the *Annual Report on Student Financial Support*.

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The Chair informed members that Mr. Aman Gebru, Finance and University Governance Commissioner, University of Toronto Students' Union, had asked to speak to the tuition item and that he would invite Mr. Gebru to make his remarks following the presentation.

Professor Mabury's presentation¹ addressed the following main points:

- A balanced budget (\$2.0 billion) was projected for 2014-15;
- At steady state there would be a structural budget challenge of -1.5% (weighted average revenue increases were 2.6%, weighted average expense increases were 4.1%);
- Enrolment:
 - Continued undergraduate expansion (applications were going up and the quality of incoming students, as defined by entering averages, was going up);
 - International student enrolment was significantly up (beyond ambitious growth targets) and this was a result of a higher take-up rate by higher quality applicants;
 - Planning for growth in graduate enrolment with ambitious plans for professional masters students;
- Revenue:
 - Provincial operating grant as a share of total operating revenue continued to decline;
 - Increases to domestic tuition were capped at 3% under the new tuition framework, weighted average for international student tuition fee increase was 6.5%;
 - Key revenue assumptions: decrease in Basic Income Unit (BIU) value; funded enrolment growth; constant payout of endowment of \$7.56 per unit; federal rate of indirect costs of research at 17.4%;
- Student Aid:
 - Total student aid in 2012-13 was \$164 million, larger than many Canadian universities' operating budgets;
 - 46% of undergraduate students were OSAP-eligible, of those students the average were paying 48% of the posted tuition rate;
- Expense:
 - 2014-15 University Fund allocation was \$10.5 million (priorities emerged from academic budget review meetings);
 - Initiatives to provide support to academic divisions to assist them in redirecting money from their expense budgets back into the classroom (e.g., Utilities Reduction Revolving Fund);
 - Expectation that starting in 2016-17 additional special pension payments will be required;
 - Structural budget solution will require a focus on expenses (particularly compensation);
 - Growth in divisional reserves. Initiative underway to enable better reporting of divisional reserves.

Professor Mabury concluded by emphasizing that in a complex environment, within which Deans had a number of levers within their control, decisions mattered.

¹ <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=10319>

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Members asked questions throughout the presentation. In response to a question as to whether the recent high offer take-up rate of international students could in part be explained by the low Canadian dollar, Professor Mabury replied that the increase began before the dollar began to slide. He further noted that over the last decade as the University had increased international student tuition fees, applications had gone up, take-up rate had gone up, and quality had gone up. A member asked what percentage of international students came from the United States and Ms Garner replied that it was about 3% at the undergraduate level and 15% at the graduate level. Another member commented on the drop in eligible masters and doctoral-stream students and asked how this was going to be addressed. Professor Mabury pointed out that research masters and professional masters were up and that he expected that an inflection point would be seen in the doctoral-stream in the next year. In response to a question as to how the enrolment plan was determined and how that plan aligned with recruitment strategies, Professor Mabury said that the University's plan reflected the rolled up targets from each of the divisions. He explained that that main strategizing took place at the departmental level. He said that an incentive had been put in place for departments of \$5000 per additional doctoral student over current numbers. He noted that the main challenge around growing graduate student enrolment was meeting the funding commitment. A member asked about the trends in graduate enrolment in North America. Professor Mabury replied that it largely depended on the area of scholarship. He said the main goals were the principles set out in *Towards 2030* whereby the University of Toronto saw itself as the place for graduate education in Canada.

A member asked what would happen to tuition fee levels if support from the provincial government went down further, and whether there was a contingency plan in place. Professor Mabury replied that further erosion of per student grant combined with existing restrictions on tuition would mean that the university would need to advance other revenue streams while also focusing more vigorously on the expense side of the ledger. In response to a question as to whether any student aid was available to international students, Mr. Richard Levin said that a small amount was available for merit-based awards and for emergency assistance.

In response to a question about whether the increased special pension payments included some projection of additional payments, Ms Brown said that it was not clear at this stage what adjustment would be needed to the pension contribution strategy that had been approved in 2012. She said that it would be updated based on results as of July 2014. She expected that there was the potential for a change in the key assumption regarding longevity. She anticipated that more money would be required. The member asked whether letters of credit could be used and Ms Brown replied that the University did not know yet whether this would be possible. She noted that the provincial government had made a revision to the temporary solvency relief program, postponing by three years the start date for net solvency payments, but not lengthening the overall period over which those payments would be required.

A member asked about a reserve with respect to student aid. Professor Mabury replied that residual reserves in student aid were often a result of there being a lack of a match for the conditions of a particular award.

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A member asked about the forecast on how divisional reserves would be spent. Professor Mabury replied that the greatest use of these reserves was investments into the classroom and he gave the example of UTSC's decision to use some of its reserves for a science building. He pointed out that the capital projects that had been coming forward recently had less than 20% borrowing and that this was because there was an expectation that divisions should use some of their reserves for infrastructure investment. He said work would continue on determining how much operating contingency each division needed within the context of its specific risk profile.

In response to a question about the student access guarantee, Professor Mabury explained that the University's Policy was passed in 1997 well before the government put in place the funding set-aside requirement. He also pointed out that the University far exceeded the province's requirement.

A member asked what tools were in place in the shared services, in a distributed management environment, to assist Deans with better managing their cost structures. Professor Mabury replied that the Vice-Presidential portfolios were required each year to present to the Divisional Advisory Committee (DAC), a committee of Deans chaired by the President, what the shared services proposed to do to support the divisions. He cited the utility reduction initiative as an example.

In reference to a comment in the presentation that decisions were in the hands of the Deans with regard to the structural deficit, a member noted that compensation seemed to be the main driver, but that Deans were not directly involved in bargaining.

The Chair invited the President to make some overall comments. President Gertler remarked that the growth in revenue over the last number of years was, in his view, nothing short of remarkable. He said that it was very clear that the University's budget model was working well: it created strong incentives and allowed senior administrators to put resources into strategic priorities. He underscored that the University had found a formula where revenues were growing more quickly in the academic divisions. He remarked on the recent creation of the Canada First Research Excellence Fund and said that it would offset and counteract the punitive effect of the indirect cost program. He said that graduate enrolment was fundamental to the identity of the University and that it was important that the University continued to hit its targets. He remarked on the University's dual identity as an internationally renowned research powerhouse but also a remarkably open and accessible big city university. He said that few other universities combined these two mandates and noted that it was entirely justifiable that the University of Toronto spent as much as it did on student aid. The President highlighted the concept of effective tuition and said that there was a significant gap between the rhetoric on tuition and the reality. He closed by saying that the University had managed its financial resources remarkably well by being innovative and creative, but that challenges were still ahead.

The Chair invited Mr. Aman Gebru to address the Board. Mr. Gebru commented on the 5% increase for most graduate programs. He said that the public funding was insufficient and that it was understandable that universities were forced to look at other sources to sustain their functions. He said that the fact that tuition was responsible for 44% of the University's operating

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revenue demonstrated that the University had chosen to seek increased funds from students. He commented on the fact that the University had not met its enrolment goals for domestic masters and doctoral students and suggested that a major reason for this was that unlike some other universities the University of Toronto did not have a post-residency fee reduction. He said that funds should be freed up from divisional reserves in order to introduce post-residency fees. He believed that this would be a net-gain for the University and for graduate students.

a) Tuition Fee Schedule for Publicly Funded Programs, 2014-15

On the recommendation of the Vice-President, University Operations,

YOUR BOARD RECOMMENDS

THAT the Tuition Fee Schedule for Publicly-Funded Programs in 2014-15 as described in *Tuition Fee Schedule for Publicly-Funded Programs 2014-15 (February 14, 2014)* and

THAT the tuition fees in 2014-15 and 2015-16 for the special programs identified in Tables B2 and C2 of Appendices B and C of the aforementioned report be approved.

b) Tuition Fee Schedule for Self-Funded Programs, 2014-15

On the recommendation of the Vice-President, University Operations,

YOUR BOARD RECOMMENDS

THAT the Tuition Fee Schedule for Self-Funded Programs, 2014-15 be approved.

c) Annual Report on Student Financial Support: Report of the Vice-Provost, Students 2012-13

The Chair reminded members that this *Report* was for information. He said that governance responsibility for student financial support resided with the Committee on Academic Policy and Programs, which received this *Report* on February 25, 2014.

d) Enrolment Report, 2013-14

The Chair said that this Report was also provided for information. He said that enrolment planning was within the purview of the Planning and Budget Committee and that the Committee had reviewed the Report at its February 26, 2014 meeting.

2. Budget Report 2014-15 and Long Range Budget Guidelines 2014-15 to 2018-19

The Chair reminded members that the Board's duty was to satisfy itself that the proposed budget was financially responsible, that the budget assumptions were realistic, and that the level of risk in the budget was acceptable.

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On the recommendation of the Vice-President, University Operations,

YOUR BOARD RECOMMENDS

THAT the Business Board concur with the prospective recommendation of the Academic Board,

THAT the *Budget Report, 2014-15* be approved, and

THAT the *Long Range Budget Guidelines 2014-15 to 2018-19* be approved in principle.

3. Academic Incidental Fees

(a) Category 6, Administrative User Fees and Fines, 2014-15

At the invitation of the Chair, Professor Mabury reminded members that there had been an administrative review of incidental fees in June 2012. He said that the Planning and Budget Office continued to work closely with academic divisions as they brought forward any new fees: checking for compliance with MTCU guidelines, ensuring that there were clear descriptions, and that there had been appropriate communication with students. Professor Mabury said that he was not aware of any new issues having arisen since the time of the review.

On motion, duly moved, seconded and carried,

YOUR BOARD RESOLVED

THAT the fees listed in Appendix A of the Report entitled *Category 6, Administrative User Fees and Fines, 2014-15* be added to the Administrative User Fees and Fines Schedule for 2014-15.

THAT the fees listed in Appendix B of the Report entitled *Category 6, Administrative User Fees and Fines, 2014-15* be removed from the Administrative User Fees and Fines Schedule for 2014-15

(b) Category 5 Cost-Recovery Ancillary Fees, 2014-15 and Category 6, Administrative User Fees and Fines, 2014-15

The Chair said that Under the *Policy* cost recovery fees may be adjusted annually by administrative authority of the Vice President, University Operations, provided that the adjustments related to changes in the cost of the materials or services provided. These changes were reported annually to the Business Board for information.

The Chair thanked Professor Mabury and Ms Sally Garner, and their team, for all their work on the above items. He remarked on the collaborative and collegial processes. He noted the positive influence of the budget model and reflected on the superior work that had been done by the committee that had designed the model.

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OTHER REPORTS

4. Financial Forecast as of April 30, 2014

At the invitation of the Chair, Ms Brown explained that the forecast projected the revenues, expenses, net income and changes in net assets for the University across all four funds. She reminded members that this was a forward projection. She said that while most of the funds were budgeted to break even over the long haul the results in any given year could fluctuate quite a bit, primarily as a result of investment returns. She said that the sensitivity analysis showed the impact of varying investment returns on net income and net assets over a range from 3.0% to 12.0%. She reported that the net income for the year was projected to be \$85.4 million at a 6% investment rate. She closed by noting that that the good investment returns masked the challenge of the new tuition framework.

5. Reports of the Administrative Assessors

The administrative assessors indicated that there were no items to report.

OPEN SESSION CONSENT AGENDA

On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted.

6. Report of the Previous Meeting – Report Number 209 – January 27, 2014

7. Business Arising for the Report of the Previous Meeting

8. Status Report on Debt to February 28, 2014

9. Capital Projects Report to February 28, 2014

10. Dominion Bond Rating Service (DBRS) Report (February 10, 2014)

CLOSING ADMINISTRATIVE ITEMS

11. Date of Next Meeting – Monday, March 31, 2014, 5:00 p.m.

The Chair reminded members that the next meeting was scheduled for Monday, March 31, 2014 and that this was a change from the original meeting schedule.

THE BOARD MOVED *IN CAMERA*

12. *In Camera* Reports of the Administrative Assessors (oral reports)

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Professor Mabury reported on federal government research funding and on the Faculty of Law capital project. Professor Hildyard gave an update on negotiations for post-doctoral fellows.

13. Report on Gifts and Pledges over \$250,000, November 1, 2013 to January 31, 2014

Mr. Palmer reported that there was continued support for the Boundless Campaign.

14. University of Toronto Libraries High-Density Library Storage Facility Expansion at the Downsview Campus – Execution of Project

On a motion duly made, seconded and carried,

IT WAS RESOLVED

THAT the recommendation regarding the University of Toronto Libraries Expansion contained in the memorandum from Professor Scott Mabury dated February 20, 2014, be approved.

15. July 1, 2013 – June 30, 2017 Collective Agreement between the University of Toronto and OPSEU Local 519

Professor Hildyard advised the Board of the details of the Agreement.

16. Child Care Benefit for Research Associates and Senior Research Associates

On a motion duly made, seconded and carried,

IT WAS RESOLVED

THAT the recommendation regarding the Child Care Benefit for Research Associates and Senior Research Associates from Professor Angela Hildyard dated March 3, 2014, be approved.

The Board returned to open session.

The meeting adjourned at 7:10 p.m.

Secretary

Chair

March 4, 2014