

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 233 OF THE BUSINESS BOARD

Thursday, June 15, 2017

To the Governing Council,
University of Toronto.

Your Board reports that it met on Thursday, June 15, 2017 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Claire Kennedy (Chair)
Mr. Jeff Collins (Vice-Chair)
Professor Scott Mabury, Vice-President,
University Operations
Professor Kelly Hannah-Moffat, Vice-
President, Human Resources & Equity
Ms Sheila Brown, Chief Financial Officer
Mr. Preet Banerjee
Mr. Andrew Binkley
Mr. Robert G. Boeckner
Mr. David Bowden
Mr. P.C. Choo
Mr. Ben Coleman
Mr. Gary D. Goldberg
Mr. Paul Handley
Ms Zabeen Hirji
Mr. Brian A. Miron
Mr. Nykolaj F. Kuryluk
Professor Jan Mahrt-Smith
Mr. Howard Shearer
Mr. Christopher Thatcher
Mr. Bruce Winter

Regrets:

Mr. Mohammad Amin
Dr. Catherine Bragg
Mr. Ian Freedman
Ms Sara Gelgor
Professor Avrum Gotlieb
Mr. Mark Krembil
Mr. Keith Thomas

Non-Voting Assessors:

Professor Cheryl Regehr, Vice-President
and Provost
Mr. David Palmer, Vice-President,
Advancement
Ms Sally Garner, Executive Director, Planning
and Budget
Mr. Gilbert Delgado, Chief, Planning, Design
and Construction
Mr. Andrew Arifuzzaman, Chief Administrative
Officer, University of Toronto Scarborough
(UTSC)

Secretariat:

Ms Sheree Drummond, Secretary of the
Governing Council
Mr. Anwar Kazimi, Deputy Secretary of the
Governing Council
Ms Rena Prashad, Governance Coordinator,
UTSC
Mr. Patrick McNeill, Secretary

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Professor Angela Hildyard, Special Advisor to the President
Ms Elizabeth Cragg, Director, Office of the Vice-President, University Operations
Ms Rosalyn Figov, Director, Operations and Finance, VPHRE
Ms Therese Ludlow, Director of Operations, UTSC
Dr. Pierre Piché, Controller and Director of Financial Services
Mr. Daren Smith, President and Chief Investment Officer, University of Toronto Asset Management Corporation (UTAM)

ITEMS 6 AND 11; AND *IN CAMERA* ITEMS 18, 19, 20, 21 AND 23 WERE APPROVED. ITEMS 2 AND 3 ARE RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL. ALL OTHER ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

*Pursuant to section 33(i) of By-Law Number 2,
items 16-23 were considered in camera.*

MAIN THEME: AUDITED FINANCIAL STATEMENTS AND FINANCIAL REPORTS

The Chair welcomed members and guests to the meeting. Two *in camera* items concerning human resource matters were added to the agenda.

At the invitation of the Chair under reports of the administrative assessors, Professor Regehr provided an update on the current status of negotiations of the University's Strategic Mandate Agreement (SMA) with the Provincial government. Discussions regarding the application of various performance metrics (i.e. research success) were still underway.

In response to members' questions, Ms Garner explained that the current Provincial operating grant process (BIU) would be revised under a new SMA2 and move towards a more streamlined per Weighted Grant Unit (WGU) – funding will not change as a result of switching from BIUs to WGUs. The Provost stated that there would be a transition phase over several years with respect to the implementation of new funding formulas based on a new SMA.

1. Senior Appointments and Compensation Committee: Annual Report, 2016-17

The Chair presented the SACC Annual Report, 2016-17, on behalf of Ms Shirley Hoy, Chair of the Governing Council, who was unable to attend. Ms Kennedy reminded members that the 2015-16 Annual Report was considered at the January 2017 Board meeting, and at that time that on a go-forward basis the current SACC Annual Report would come forward to the last meeting of the Business Board each year. The Chair highlighted that with respect to the Executive Compensation Framework, the Provincial government had recently introduced amended regulations and as such the University had not moved forward with a draft framework.

There were no questions by members.

2. Financial Statements (arising from the meeting of the Audit Committee, June 14, 2017)**a) Audited Financial Statements for the Fiscal Year ended April 30, 2017**

Ms Brown provided an overview of the financial results, noting that revenues for the year ended April 30, 2017 were \$3.2 billion and expenses were \$2.8 billion for a net income of \$417 million primarily reflecting funds being set aside in accordance with multi-year divisional academic plans that called for prudent and deliberate use of reserves for operating contingencies and future capital investment in academic facilities and for faculty hiring. Net assets increased by \$1.1 billion to \$5.5 billion, as a result of positive investment returns, increased revenues and tight expense control, and increased endowed donations.

Ms Brown then offered a [presentation](#) which provided additional granularity to the following main points:

- Revenue and Expenses
- Assets, Liabilities and Net Assets
- Net Assets
- Changes in Net Assets
- Endowments
- Investment Performance of the Long-Term Capital Appreciation Pool
- Financial Results Compared to Forecast

There were no questions by members.

On motion duly made, seconded and carried,

YOUR BOARD RECOMMENDS

THAT the University of Toronto audited financial statements for the fiscal year ended April 30, 2017 be approved.

b) Supplementary Report by Fund April 30, 2017

The Supplementary Report was received by the Board for information.

3. Appointment of the External Auditors

Ms Brown reminded members that 2017 was the third audit conducted by Ernst & Young LLP since they had been re-appointed during the 2014 year, following a request for proposals. The University continued to be very satisfied with the work performed by the Ernst & Young LLP team and the relationship that had been fostered between Ernst & Young LLP and the University. She also noted that the Audit Committee and the administration had reviewed the performance of the auditors and that the review had been very favourable. She expressed unqualified support for the reappointment of the external auditors and confirmed that at its meeting on June 14, 2017, the Audit Committee had recommended to the Business Board the re-appointment of Ernst & Young LLP.

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On motion duly made, seconded and carried,

YOUR BOARD RECOMMENDS

THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto for the fiscal year ending April 30, 2018; and

THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto pension plan for the fiscal year ending June 30, 2018.

4. Debt Policy Limit, Debt Allocations, Outstanding Debt Issued and Status of the Long Term Borrowing Pool to April 30, 2017

Ms Brown explained that the Report, which was an annual item presented to the Board for information, provided an update on the total debt policy limit; the debt burden ratio and the viability ratio; as well as an update of the status of the long-term borrowing pool. The Long Term Borrowing Pool was a self-imposed sinking fund that the University was maintaining to repay debentures when they matured (between 2031-2053).

5. Status Report on Debt to May 31, 2017

Members received the status report on debt to May 31, 2017 for information.

OTHER ITEMS**6. Revisions: *University Funds Investment Policy***

Ms Brown stated that the *University Funds Investment Policy* was last approved by the Business Board at its meeting on June 21, 2007. She presented a revised *Policy* which had been updated to align the policy investment return target and risk tolerance for Long-term Capital Appreciation Pool (LTCAP) with those for Pension Master Trust (PMT), while reflecting the differing governance requirements for University funds and Pension funds.

The Chair referred members to the reference guide: *Investments, Who does What?*; which had presented an excellent visual description of the types of funds invested and the oversight of investment strategies and related decisions for the LTCAP and PMT.

There were no questions by members.

On motion duly made, seconded and carried,

IT WAS RESOLVED

THAT the proposed *University Funds Investment Policy* dated June 15, 2017 be approved, replacing the *Policy* approved by the Business Board on June 21, 2007.

7. Annual Report: Responsible Investing Committee, 2015-16

Ms Brown referred members to the annual report of the Responsible Investing Committee (RIC) which described its work for 2015-16. She reported that the committee provided a forum for interested parties at the University to discuss and express opinions on principles related to responsible investing. She added that from time to time, the RIC could make recommendations to the University to be considered by the Administration and UTAM.

In response to members' questions and comments, Ms Brown stated that the RIC was a non-Governing Council committee that provided input (such as research) directly to her office – members were self-nominated and represented a cross-section of University members, including students. The committee's terms of reference which had been crafted in 2009 required it to report annually to the Business Board.

8. Revisions: *Policy on Capital Planning and Capital Projects*

Professor Mabury stated that the review of the *Policy* was undertaken in light of the types and worth of capital projects across all three campuses over the past 4-5 years; and the challenges they presented. This had resulted in the proposed revisions regarding changes in the definition of "project scope" and threshold changes in "total project costs" (TPC); and the related governance paths for approval for Levels 1, 2 and 3 capital projects.

Professor Mabury expressed thanks to the Chair and Vice-Chair of the Planning and Budget Committee for their input into the review process of the proposed revisions.

As part of a [presentation](#), Mr. Delgado outlined the proposed revisions and provided examples of typical level 1, 2 and 3 projects. He explained that project budget increases were usually the result of unexpected conditions that increased the cost of a project; as such, they were often time critical. To expedite their approval, the administration proposed an increase in the Vice-President of University Operations' (VPUO) authority to approve changes up to 10% of the approved total project cost with a \$3M cap to a \$5M cap. It was also proposed that the VPUO be authorized to approve changes in scope within the approved project's original purpose, nature and intent.

Mr. Winter, Vice-Chair of the Planning and Budget Committee and member of the Business Board, advised that the proposed *Policy* revisions had received support by the Planning and Budget Committee and Academic Board. The revised *Policy* would be considered by the Governing Council at its June 27th, 2017 meeting. Mr. Winter reported that constructive consultation had been undertaken across all three campuses which provided an opportunity for continued refinements and improvements to the proposed revisions. He expressed his thanks to the administration, including the CAOs of UTSC and UTM.

In response to members' questions and comments, Professor Mabury stated that most capital projects did not experience a change in scope. He explained the missed opportunities when funding was still available due to low tenders and its relationship to a change in scope. Professor Mabury confirmed that the capital project governance approval process applied only to physical assets (i.e. new buildings or renovation of existing buildings). He was confident that efficiencies would be achieved as a result of the revised *Policy* provisions, but that governance would continue

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to play an important role, as it had occurred starting with reviews undertaken by the Design Review Committee (DRC), the Capital Project and Space Allocation Committee (CaPS); and Governing Council and its boards and committees.

The Chair thanked Professor Mabury and Mr. Delgado for providing the background to the proposed *Policy* revisions; and for the work by the administration at all three campuses.

9. Report on Capital Projects as of May 31, 2017

Members received the report on capital projects as of May 31, 2017, which included a [presentation](#) by Mr. Delgado on current and recently completed capital projects.

Professor Mabury expressed his optimism regarding the successful completion of projects funded by the Federal government under the Post-Secondary Institutions Strategic Investment Fund (SIF).

10. Reports of the Administrative Assessors

There were no other reports of the administrative assessors.

OPEN SESSION CONSENT AGENDA

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted and items approved.

11. Report of the Previous Meeting

Report Number 232, from the meeting of April 6, 2017, was approved.

12. Business Arising from the Report of the Previous Meeting

There was no business arising from the report of the previous meeting.

13. Report Number 123 of the Audit Committee, May 1, 2017

The Board received the report for information.

CLOSING ADMINISTRATIVE MATTERS

14. Date of the Next Meeting

The Chair advised Board members that the next meeting was scheduled for Tuesday, October 10, 2017.

15. Other Business

There were no items of other business.

The Board Moved *In Camera*

16. Quarterly Report on Gifts and Pledges over \$250,000: February 1, 2017 to April 30, 2017

The Quarterly Report was received by the Board for information.

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

Professor Hannah-Moffat provided an update on jointly sponsored pension plans.

Professor Mabury updated the Board on the Spadina and Sussex Avenues Mixed Use Student Residence capital project.

Ms Brown presented a report on evaluating investment performance.

18. Capital Project: New Student Residence at UTSC – Execution of Definitive Agreements

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Mabury, Vice-President, University Operations, as outlined in the memorandum dated June 7, 2017, regarding the execution of the Definitive Agreements for the student residence at the University of Toronto Scarborough (UTSC) capital project.

19. Tentative agreement between the University of Toronto and the University of Toronto Faculty Association (UTFA), July 1, 2017 - June 30, 2018

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Hannah-Moffat, Vice-President, Human Resources and Equity, as outlined in the memorandum dated June 15, 2017, regarding the tentative agreement between the University of Toronto and the University of Toronto Faculty Association (UTFA).

20. Professional, Managerial and Confidential staff; Advancement Professionals; Senior Research Associates and Research Associates

(a) Compensation

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Meric Gertler, President, as outlined in the memorandum dated June 15, 2017, regarding compensation and benefits for Professional, Managerial and Confidential Staff, Advancement Professionals and Senior Research Associates/Research Associates.

(a) Pension Contribution

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Hannah-Moffat, Vice-President, Human Resources and Equity, as outlined in the memorandum dated June 12, 2017, regarding pension contributions for Professional, Managerial and Confidential Staff, Advancement Professionals and Senior Research Associates/Research Associates.

21. Collective Agreement between the University of Toronto and IBEW 353 (Machinists Unit), May 1, 2015 - April 30, 2018

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Kelly Hannah-Moffat, Vice-President, Human Resources and Equity, as outlined in the memorandum dated June 2, 2017, regarding the Collective Agreement between the University of Toronto and IBEW 353 (Machinists Unit).

22. Collective Agreement between the University of Toronto and CUPE 3902, Unit 5 (Postdoctoral Fellows), May 1, 2015 - April 30, 2018

The Board received a report for information regarding the renewal of the Collective Agreement between the University of Toronto and CUPE, Local 3902 Unit 5.

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On motion duly made, seconded and carried

YOUR BOARD APPROVED

THAT Mr. Ian Hutson be appointed to the Business Board as a co-opted administrative staff member for a one-year term from July 1, 2017 to June 30, 2018;

THAT Mr. Chris Thatcher be re-appointed to the Business Board as co-opted lay member for a three-year term from July 1, 2017 to June 30, 2020;

THAT Ms Sue Graham-Nutter be appointed to the Business Board as co-opted lay member for a three-year term from July 1, 2017 to June 30, 2020;

THAT the following be appointed as co-opted members of the Audit Committee for one-year terms from July 1, 2017 to June 30, 2018: Mr. Robert Boeckner, Ms Sue Graham-Nutter, Ms Kathryn A. Jenkins and Mr. Chris Thatcher; and,

THAT Mr. Jeff Collins be appointed Chair of the Audit Committee and Ms Janet Ecker be appointed Vice-Chair of the Audit Committee for one-year terms from July 1, 2017 to June 30, 2018.

The Board returned to Open Session.

The Chair informed members that they would be sent a link by the Secretary for the annual evaluation survey. She encouraged members to complete the survey noting that the feedback was important on the planning of the future meetings of the Board.

The Chair thanked members for their attendance, diligence and participation in the Board meetings, offering a special thanks to the Vice-Chair, Senior Assessor, Voting Assessors, outgoing Board members and the Secretariat. She also expressed special thanks to Mr. Ian Freedman who had been a co-opted lay member of the Board since 2012; and, to Ms Sally Garner, Executive Director of Planning and Budget, who had contributed to the work of the Board over a number of years, as one of its administrative assessors.

Ms Sheree Drummond, on behalf of Ms Shirley Hoy, Chair of the Governing Council, thanked Ms Kennedy for her service to the Board, both as a former member and Chair for 2016-17. Ms Kennedy would continue to serve on Governing Council as its incoming Chair. As a token of appreciation, Ms Drummond presented a chair to Ms Kennedy in recognition of exemplary service and leadership.

The meeting adjourned at 7:30 p.m.

Secretary

Chair

June 16, 2017