

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 241 OF THE BUSINESS BOARD

Tuesday, June 19, 2018

To the Governing Council,
University of Toronto.

Your Board reports that it met on Tuesday, June 19, 2018 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Keith Thomas (Chair)
Brian Lawson (Vice-Chair)
Claire Kennedy, Chair of the Governing Council
Scott Mabury, Vice-President, University
Operations
Kelly Hannah-Moffat, Vice-President, Human
Resources and Equity
Sheila Brown, Chief Financial Officer
Preet Banerjee
Robert G. Boeckner
Harvey T. Botting
Catherine Bragg
Gary D. Goldberg
Avrum Gotlieb
Sue Graham-Nutter
Ian Peter Hutson
Jan Mahrt-Smith
Brian A. Miron*
Chris Thatcher
Bruce Winter

**participated via conference call for open session*

Non-Voting Assessors:

David Palmer, Vice-President, Advancement
Andrew Arifuzzaman, Chief Administrative
Officer, University of Toronto Scarborough
Gilbert Delgado, Chief, Planning, Design and
Construction
Trevor Rodgers, Executive Director, Planning and
Budget

Secretariat:

Patrick F. McNeill, Secretary

Regrets:

Andrew Binkley
David Bowden
P.C. Choo
Sara Gelgor
Mala Kashyap
Mark Krembil
John Paul Morgan
Emeli (Li) Zhang

In Attendance:

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Bruce Kidd, Vice-President and Principal, University of Toronto Scarborough (UTSC)
Althea Blackburn-Evans, Interim Executive Director, Communications Partnerships
Elizabeth Cragg, Director, Office of the Vice-President, University Operations
Rosalyn Figov, Chief Operations Officer, Office of the Vice-President Human Resources and Equity (VPHRE)
Joyce Hahn, Senior Financial Officer, Ancillary and Self-Funded Operations, UTSC
Pierre Piché, Controller and Director of Financial Services

ITEMS 9 AND 12; AND *IN CAMERA* ITEMS 19, 21, 22 AND 23 WERE APPROVED.
ITEMS 2(a), 3 AND 6 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 17-23 were considered in camera.*

MAIN THEME: AUDITED FINANCIAL STATEMENTS AND FINANCIAL REPORTS

The Chair welcomed members and guests to the meeting.

1. Senior Appointments and Compensation Committee (SACC): Annual Report, 2017-18

Claire Kennedy, Chair of the Governing Council, presented the SACC Annual Report for 2017-18.

Ms Kennedy noted that SACC was responsible for attesting to the Governing Council, through the Business Board that compensation policies and programs for particular categories of employees were appropriate, and that decisions about the compensation of individuals had been made in accordance with established policy and practice. As part of its role, SACC had reviewed the *President's Annual Activity Report*, and the Chair of the Governing Council's performance evaluation for the President – as well as the performance assessments of the Vice-Presidents prepared by the President. SACC had also reviewed the annual *Academic Salary Report*.

Ms Kennedy stated that the government had introduced the Executive Compensation Framework regulation on September 2016 which set out requirements that designated employers must meet with setting executive compensation programs. SACC had been actively engaged in the development of the University of Toronto's framework. She reported that the University's draft executive compensation program had been posted online (on the Senior Appointments and Compensation Committee webpage) for 30 days to allow for feedback. Following the consultation phase the University submitted its framework to the government for approval on May 3, 2018. Ms Kennedy reported that, although the University had not received a response to date, she did not expect any changes to the framework.

2. Financial Statements (arising from the meeting of the Audit Committee, June 18, 2018)

a) Audited Financial Statements for the Fiscal Year ended April 30, 2018

Sheila Brown stated that the main focus of the Financial Report was related to overall growth and associated capital needs for renewal and growth. Over the past ten years, the University had grown significantly with an increase of over 25.9% in the number of students to 79,262 full-time equivalents (FTEs).

Ms Brown 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

As part of an overview of the financial results, Ms Brown reported that revenues for the year ended April 30, 2018 were \$3.4 billion and expenses were \$2.9 billion for a net income of \$465 million. The net income was primarily as a result of making a number of strategic infrastructure investments that were capitalized and were not expensed in the year, offset by the amortization expense of \$83 million on internally funded capital assets. Net assets increased by \$486 million to \$5.9 billion, as a result of strategic infrastructure investments, positive investment returns (6.7%), increased revenues and tight expense control, and increased endowed donations.

In response to Members' questions and comments, the Chief Financial Officer stated the following:

- Endowments totalled \$2.5 billion, of which \$1.07 billion was in support of student aid;
- The 10-year actual investment return on the Long-Term Capital Appreciation Pool (LTCAP) was getting closer to the 10-year target return;
- Regarding endowment spending, the overall principle was not to spend all the investment return in years when investment returns were good, to preserve purchasing power;
- All University of Toronto students in Arts & Science - St. George were registered in one of the constituent colleges or Federated Colleges. Funds are transferred to the Federated Colleges to pay for services provided by the Federated Colleges;
- Under the 12-year old budget model, divisions were largely responsible for revenue generation and expenditures within their division;
- Risks remain with enrolment fluctuation including international enrolment – retaining a strong reserve was important to mitigate such risks;
- Additional information would be presented in future presentations with respect to the oversight provided by the Audit Committee.

Audited Financial Statements continued:

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Professor Mabury noted that all scholarship funding is centrally protected and there was no expectation for divisions to pay for any shortfall – the University would pick up the difference. He added that with respect to provincial environmental program funding and the recent announcement that such funding under the GreenON program was being cancelled, the University had been formally advised that funding would be received for those environmental retrofit projects (e.g. window replacements, etc.) currently in progress or completed with a total project cost of \$35 million – it was with hope that the funding would be received as promised.

Mr. Thatcher, a member of the Board and the Audit Committee, reported that the Audit Committee had met with the external auditors and that there were no matters to be brought forward. The Audit Committee also had reviewed the work of the Internal Auditors and discussed their plans. Mr. Thatcher stated that given the size and the complexity of the University, the CFO and her team, as well as the Internal Audit group, should be commended for their tremendous efforts and exceptional job in the annual preparation of the audited statements.

The Chair concurred and thanked Ms Brown, Dr. Piché, Mr. Britt (Director, Internal Audit) and others for their hard work. Mr. Thomas commented that given the solid financial results the financial sustainability of the University was in a much stronger position than the previous few years.

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, 2018 be approved.

b) Supplementary Report by Fund April 30, 2018

The *Supplementary Report* was received by the Board for information.

3. Appointment of the External Auditors

Sheila Brown reminded members that 2018 was the fourth 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 briefly commented on the extra work undertaken in preparation for cap-and-trade reporting. The CFO also noted that the Audit Committee and the administration had reviewed the performance of the auditors and that the review had been very favourable. Ms Brown expressed unqualified support for the re-appointment of the external auditors.

Mr. Thatcher confirmed that at its meeting on June 18, 2018, the Audit Committee had recommended to the Business Board the re-appointment of Ernst & Young LLP.

Appointment of the External Auditors continued:

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, 2019; 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, 2019.

4. Debt Policy Limit, Debt Allocations, Outstanding Debt Issued and Status of the Long Term Borrowing Pool to April 30, 2018

Sheila 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). She reported that the University's credit ratings continued to be strong investment grade credit ratings (Moody's Aa2, S&P AA+, and DBRS Limited AA).

In response to Members' questions and comments, Ms Brown stated the current debt policy limit of \$1.57 billion encompassed both external and internal debt, with the upper limit for internal debt specified in the Business Board approved Debt Strategy at 40% of the Expendable Funds Investment Pool. The amount currently allocated to internal debt was well below this upper limit.

5. Status Report on Debt to May 31, 2018

Members received the status report on debt to May 31, 2018 for information.

OTHER ITEMS

6. Revisions: *Policy on Crisis and Routine Emergency Preparedness and Response*

Professor Hannah-Moffat offered a [presentation](#) which outlined the purpose for the revisions to the *Policy* and highlighted those revisions. These included updates to terminology contained in the *Policy* and emphasized the tri-campus nature of the *Policy*. The proposed revisions were part of a long-term project concerning response to crisis and routine emergencies on campus.

Revisions: *Policy on Crisis and Routine Emergency Preparedness and Response* continued:

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The VPHRE explained that the *Policy* contained various protocols to ensure clear lines of communication existed both internally as well as with local first-responders.

In response to Members' questions and comments, the Professor Hannah-Moffat stated the following:

- The development of the plan had included, among other activities, a review of the University's crisis and routine emergency response structures and procedures which were outlined in the *Framework for Responding to a Crisis or Routine Emergency*;
- The *Policy* would better align with best practices in crisis and emergency response and integrate lessons learned from recent events on the three campuses.
- Staffing was now in place with the hiring of a Manager to support the implementation of the revised *Policy* which included improved education and training.

Professor Hannah-Moffat agreed to follow up with certain Business Board members on the framework prior to the next Governing Council meeting as this was critical to understanding the *Policy*. The framework document was not included in the Business Board material as governors had raised concerns around confidentiality at University Affairs Board.

On motion duly made, seconded and carried,

IT WAS RESOLVED

THAT the Business Board concur with the recommendation of the University Affairs Board

THAT the revised *Policy on Crisis and Routine Emergency Preparedness and Response* (dated April 9, 2018) be approved effective June 27, 2018.

7. Health and Safety Requirements – Quarterly Report on Compliance (March 1 - May 31, 2018)

Professor Hannah-Moffat apprised the Board of incidents that had occurred during the last quarter, for which the University had incurred no liability. The Ministry of Labour visited the St. George Campus twice due to a complaint related to an external contractor and to follow-up on a previously reported visit, no orders issued. The Ministry of Labour visited UTM twice during this reporting period regarding a complaint, no orders issued.

The VPHRE stated that based on the reports received through the operation of the *Occupational Health and Safety Policy*, and to the best of her knowledge, the University was in compliance with its health and safety obligations.

A Member reflected on his experience with the students travelling abroad program noting that resources were made available to participants regarding safety and other related issues.

The report was received by the Board for information.

8. Human Resources Guideline on Fitness for Work (June 2018)

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Kelly Hannah-Moffat commented that the *Human Resources Guideline on Fitness for Work* imposed basic obligations on all employees, and particular obligations on employees in safety sensitive positions. The creation of the *Guideline* was in part a result of recent pending Federal legislation regarding the legalization of recreational cannabis. The VPHRE stated that Ontario law provided that consumption of recreational cannabis would not be permitted in any workplace within the meaning of the *Occupational Health and Safety Act*, or in any public place, which is broadly defined in the law.

In response to a Member's question, Professor Hannah-Moffat stated that in addition to consultation her office had examined the expanded content *Guidelines* in relationship to existing Collective Agreements and current safety practices and procedures.

The item was received by the Board for information.

9. Policy Changes: Pregnancy/Parental/Primary Caregiver Leave for Professional, Managerial and Confidential staff; Senior Research Associates and Research Associates

Kelly Hannah-Moffat stated that the modifications to the provisions of Pregnancy, Primary Caregiver, and Parental Leave provided for better alignment to the benefits provided to other administrative staff groups (including United Steelworkers (USW)), and to align with the reduction in waiting period for Employment Insurance (EI) benefits from two (2) weeks to one (1) week, introduced by Employment and Social Development Canada (ESDC) on January 1, 2017. The VPHRE reported that internal and external legal counsel was sought which resulted in minor wording adjustments in the related staff policies.

There were no questions by members.

On a motion duly moved, seconded and carried

YOUR BOARD RESOLVED

THAT the revised Professional/Managerial, Confidential, and Research Associate/Senior Research Associate Pregnancy/Parental/Primary Caregiver leaves be approved for implementation July 1, 2018.

10. Report on Capital Projects to May 31, 2018

Members received the report on capital projects to May 31, 2018.

11. Reports of the Administrative Assessors

There were no other reports of the administrative assessors.

OPEN SESSION CONSENT AGENDA

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On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted and items approved.

12. Report of the Previous Meeting

Report Number 240, from the meeting of April 23, 2018 was approved.

13. Business Arising from the Report of the Previous Meeting

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

14. Report Number 127 of the Audit Committee, May 11, 2018

The Board received the report for information.

CLOSING ADMINISTRATIVE MATTERS

15. Date of the Next Meeting

The Chair advised Board members that the next meeting was scheduled for Tuesday, October 9, 2018.

16. Other Business

There were no items of other business.

The Board Moved *In Camera*

17. Quarterly Report on Gifts and Pledges over \$250,000: February 1, 2018 to April 30, 2018

The Quarterly Report was received by the Board for information.

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

The were no *in camera* reports from the Administrative Assessors.

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

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Meric Gertler, President, as outlined in the memorandum dated June 12, 2018, regarding compensation and benefits for Professional, Managerial and Confidential Staff, Advancement Professionals and Senior Research Associates/Research Associates.

20. Collective Agreement between the University of Toronto and Unifor, Local 2003 (May 1, 2018 – April 30, 2021)

The Board received a report for information regarding the renewal of the Collective Agreement between the University of Toronto and Unifor, Local 2003.

21. Agreement between the University of Toronto and the University of Toronto Faculty Association (UTFA) (July 1, 2018 to June 30, 2020)

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 7, 2018, regarding the agreement between the University of Toronto and the University of Toronto Faculty Association (UTFA).

22. Capital Project: New Student Residence at UTSC [Revised Total Project Costs] - Execution of Project

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, 2018, regarding the execution of project based on a total revised total project cost for the new student residence at the University of Toronto Scarborough (UTSC) capital project.

23. Report of the Striking Committee: Co-opted Membership of the Business Board and the Audit Committee for 2017-2018

On motion duly made, seconded and carried

YOUR BOARD APPROVED

THAT Ian Hutson be re-appointed to the Business Board as a co-opted administrative staff member for a one-year term from July 1, 2018 to June 30, 2019;

THAT Robert Boeckner be re-appointed to the Business Board as a co-opted lay member for a three-year term from July 1, 2018 to June 30, 2021;

THAT Brian Miron be re-appointed to the Business Board as a co-opted lay member for a three-year term from July 1, 2018 to June 30, 2021;

THAT the following be appointed as co-opted members of the Audit Committee for one-year terms from July 1, 2018 to June 30, 2019: Robert Boeckner, Sue Graham-Nutter, Kathryn A. Jenkins and Chris Thatcher; and,

THAT Chris Thatcher be appointed Chair of the Audit Committee and Janet Ecker be appointed Vice-Chair of the Audit Committee for one-year terms from July 1, 2018 to June 30, 2019.

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. He 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.

The meeting adjourned at 7:12 p.m.

Secretary

Chair

June 20, 2018