

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 222 OF THE BUSINESS BOARD

Monday, November 2, 2015

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, November 2, 2015 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms N. Jane Pepino (Chair)
Mr. Jeff Collins (Vice-Chair)
Professor Scott Mabury, Vice-President
University Operations
Ms Sheila Brown, Chief Financial
Officer
Ms Judy Goldring, Chair, Governing Council
Professor Meric Getler, President
Professor Cheryl Regehr, Vice – President and
Provost.
Mr. Faizan Sohail Akbani
Mr. Robert Boekner
Mr. David Norris Bowden
Mr. Ian Freedman*
Ms Sara Gelgor
Professor Avrum Gotlieb
Mr. Paul Handley
Mr. William Hewitt
Ms Zabeen Hirji
Mr. Brian Miron
Ms Catherine Ridell
Mr. Howard Shearer
Mr. Andrew Szende
Mr. Keith Thomas*
Mr. Christopher Thatcher
Professor Jan Mahrt-Smith

Mr. Alex Ivovic
Mr. Brian Lawson
Ms. Nancy Carolyn Lee

Presidential Assessors

Ms Christine E. Burke, Director,
Campus Facilities and Planning
Mr. Malcolm Lawrie, Assistant Vice-
President, University Planning,
Design and Construction

Secretariat:

Mr. David Walders, Secretary

* Participated by telephone

Regrets:

Mr. Gary Goldberg
Mr. Mark Krembil

In Attendance:

Ms Elizabeth Cragg, Director, Office of the Vice-President, University Operations
Ms Archana Sridhar, Assistant Provost
Mr Steve Moate, Senior Legal Council

Ms Sue Dexter, Harbord Village Resident's Association
Ms Rosemary Evans, Principal, UTS
Mr Jim Fleck, Chair, UTS Board of Directors

Ms Ceta Ramkhalawansingh, Community member

MAIN THEME - INVESTMENTS AND THE ENDOWMENT

Pursuant to section 33(i) of By-Law Number 2, item 11 was considered in camera.

The Chair welcomed members and guests to the meeting.

1. Orientation: Human Resources and Equity

The Chair reminded the Board that orientation materials, including a slide presentation and attached notes, had been made available in advance of the meeting. There were no questions from members on the material.

2. The Capital Program**a. Presentation: The Look Ahead, Overview of the Planning Process, and Deferred Maintenance****b. Report on Capital Projects as of October 31, 2015****i. Capital Projects: Occupied****ii. Capital Projects: Under Construction**

Professor Mabury provided introductory remarks. He apprised the Board that deferred maintenance currently comprised approximately \$442M of the total University budget. Within deferred maintenance there were three levels of prioritization, Level One being those projects of the highest immediate need. Such projects comprised about \$10M of the budget. Level Three projects, which were those projects which were desirable but not of immediate need, comprised the majority of the \$442M envelope.

Mr. Lawrie then offered a presentation¹ which covered the planning process for capital projects, a review of current projects and a look ahead to future projects.

Members asked questions regarding the prioritization of capital projects as well as sources of funding for capital projects, including fundraising. Professor Mabury explained that these discussions were

¹ For presentation please see: <http://uoft.me/BBr2016Nov02i2>

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part of the academic budget reviews that were led by the Provost. These reviews were an opportunity for Deans to provide an overview of the academic needs of the respective division, which in turn informed budget decisions. Turning to sources of funding, Professor Mabury explained that determinations regarding sources of funding took place at the CAPS Executive, which examined, among other things, the likely success of advancement pledges as well as contingency plans to cover shortfalls.

The Chair thanked Professor Mabury and his team for their presentation.

3. Revised Affiliation Agreement and ancillary agreements between the Governing Council of the University of Toronto and the University of Toronto Schools (UTS)

Professor Mabury described the history of the affiliation between the University and UTS, as well as the terms of the Revised Affiliation Agreement. He noted that the Revised Agreement would be beneficial for both parties and that future development of the 371 Bloor St. West site were planned. The Board would be informed of any future capital projects on the site, as appropriate.

The Chair invited Mr. Fleck, Chair, UTS Board of Directors, to address the Board. He highlighted the symbiotic relationship between the University and UTS and, on behalf of UTS, expressed great interest in continuing and enhancing this relationship.

The Chair invited Ms Dexter to speak on behalf of the Harbord Village Resident's Association. She expressed the support of the Association for the Revised Agreement, noting that the presence of UTS in the neighbourhood had served to enhance the residential experience. She expressed concern, however, for a specific clause in the Revised Agreement which mandated that a representative from the University be present at all meetings between UTS and the Ward Councillor or community groups, unless otherwise approved by the University.

Professor Mabury explained that the clause was inserted into the Revised Agreement not to inhibit open conversation but to avoid possible misrepresentation, since the University, as owner of the land, retained accountability for statements made concerning its property and its development. The Chair also expressed the view that the clause would be interpreted positively to promote continued engagement.

Members asked questions concerning alternatives to the Revised Affiliation Agreement as well as the ways in which the relationship between UTS and the University was mutually beneficial from an academic perspective. Professor Mabury replied that several alternatives were explored, but that both from a land-use perspective and from a financial perspective, no viable alternatives had been found. Turning to the second question, Professor Regehr highlighted the annual number of UTS student who attend the University following graduation, as well as the extremely strong grade point average of those students. She also explained the relationship between students enrolled in the Masters programs at the Ontario Institute for Studies in Education (both the Masters of Teaching and Masters of Teaching in Child Development) and how these students both enhanced and benefited from their teaching experience at UTS.

On motion duly made, seconded and carried

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It was recommended that, with respect to financial and property arrangements, the Business Board concur with the prospective recommendation of the Academic Board,

1. THAT the Revised Affiliation Agreement between the *Governing Council of the University* and the *University of Toronto Schools (UTS)*, dated December 16, 2015, be approved, and;
2. THAT the Vice-President, University Operation be given authority to execute the revised affiliation agreement between the *Governing Council of the University* and the *University of Toronto Schools (UTS)*, dated December 16, 2015.

4. Presentation: Overview of Financial Services

Ms Brown presented an overview of Financial Services and outlined the key reports that would be presented to the Board over the course of the governance year.

In reply to members' questions regarding pension solvency, Ms Brown informed the Board that, after being granted Stage 2 Solvency Relief, and having taken advantage of the three-year deferral option, the University would begin making payments in 2018, absent any changes to the regulatory requirements for solvency funding.

5. Status Report on Debt to October 31, 2015

Ms Brown apprised members of an addition that had been made under the allocations line in the Report. Following consultation with the Vice-Chair, a line item was added to track the loan allocation to a specific capital project, to provide members with an example of how an individual capital project impacted the overall allocation line in this report.

Members asked questions regarding "other" debt outstanding (that which was not converted to debentures), the interest rate for borrowing for capital projects and the debt-burden ratio. Ms Brown replied that the vast majority of the other outstanding debt was debt which had existed prior to 2001 and which could not be retired due to penalty clauses in the agreements. Turning to interest rates, Ms Brown explained that, in order to qualify for financing, all capital projects had to clear a 7% interest rate hurdle (meaning that the loan repayment plan assumed a 7% rate of interest) in order to proceed. However, she also confirmed that the actual rate of interest charged to individual long-term loans was established at the date each loan was issued based on market rates (using the daily Bank of Canada interest rate with a market spread). Finally, with respect to the debt-burden ratio (which equals total principal plus interest divided by total expenditures), Ms Brown confirmed that the debt policy limit reflecting this ratio was recalculated each year, using audited financial statement results at April 30th.

6. Reports of the Administrative Assessors

There were no open session reports from the Administrative Assessors.

CONSENT AGENDA

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On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted.

7. Report of the Previous Meeting, Report Number 221, September 21, 2015

The report of the previous meeting was received by the Board

8. Business Arising from the Report of the Previous Meeting

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

CLOSING ADMINISTRATIVE MATTERS

9. Other Business

There was no other business

10. Date of the Next Meeting – January 25, 2016

IN CAMERA ITEMS

11. Reports of the Administrative Assessors

Professor Mabury discussed possible development plans for the UTS site.

The meeting adjourned at 7:15 p.m.

Secretary

Chair

November 6, 2015