

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL
REPORT NUMBER 123 OF THE PLANNING AND BUDGET COMMITTEE
February 27, 2008

To the Academic Board,
University of Toronto

Your Committee reports that it held a meeting on Wednesday, February 27, 2008 at 4:10 pm in the Council Chamber, Simcoe Hall, at which the following were present:

Professor Avrum Gotlieb (Chair)	Ms Carole Moore
Professor Miriam Diamond (Vice-Chair)	Mr. Tim Reid
Professor Vivek Goel, Vice-President and Provost	Dr. Wendy Rotenberg
Ms Catherine J. Riggall, Vice-President, Business Affairs	Professor Andrea Sass-Kortsak
Professor Safwat Zaky, Vice-Provost, Planning and Budget	Mr. Stephen Smith
Ms Diana A. R. Alli	Non-voting Assessors:
Mr. Ryan Matthew Campbell	Ms Sheila Brown, Chief Financial Officer
Professor John Coleman	Mr. Nadeem Shabbar, Chief Real Estate Officer
Professor Ellen Hodnett	Ms Elizabeth Sisam, Assistant Vice-President, Campus and Facilities Planning
Professor Glen Jones	
Professor David Mock	

Regrets:

Professor David Cook
Mr. Ken Davy
Mr. Arya Ghadimi
Professor Gregory Jump
Professor Brenda McCabe
Professor Pekka K. Sinervo

Secretariat:

Mr. Matthew Lafond, Secretary

In Attendance:

Mr. Ray deSouza, Chief Administrative Officer, University of Toronto at Mississauga
Mr. Neil Dobbs, Deputy Secretary, Office of the Governing Council
Ms Sheree Drummond, Assistant Provost
Professor Michael Escobar, Interim Chair, Department of Public Health Sciences
Ms Sally Garner, Senior Planning and Budget Officer
Ms Helen Lasthiotakis, Director, Policy and Planning, Office of the Vice-President and Provost
Mr. Henry Mulhall, Assistant Secretary, Office of the Governing Council
Ms Carol Ramm, Financial Administrator, Graduate Students' Union
Ms Mae-Yu Tan, Assistant Secretary, Office of the Governing Council
Professor Catharine Whiteside, Dean, Faculty of Medicine, and Vice-Provost, Relations with
Health Care Institutions

ITEMS 4, 5 AND 6 ARE RECOMMENDED TO THE ACADEMIC BOARD FOR APPROVAL.

ALL OTHER ITEMS ARE REPORTED FOR INFORMATION.

1. Report of the Previous Meeting (January 8, 2008)

Report Number 122 of the meeting of January 9, 2008 was approved.

2. Business Arising from the Report of the Previous Meeting

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

3. Senior Assessor's Report

In order to ensure that there was sufficient time for thorough discussion of the Budget Report, Professor Goel deferred the Senior Assessor's Report. However, he did confirm the recent announcement that he would be leaving his position as Vice-President and Provost of the University of Toronto, effective June 30, 2008, to become the founding President and CEO of a new provincial health agency. He noted that the President would be bringing a recommendation for an Interim Provost to the next meeting of the Governing Council.

The Chair congratulated Professor Goel on his new position on behalf of the Committee.

4. School of Public Health – Extra-Departmental Unit A (EDU:A) – Establishment

The Chair welcomed Professor Catherine Whiteside, Dean, Faculty of Medicine and Vice-Provost, Relations with Health Care Institutions, and Professor Michael Escobar, Interim Chair, Department of Public Health Sciences, to the meeting. He also noted that Professor Andrea Sass-Kortsak, Vice-Dean, Graduate Affairs, Faculty of Medicine, was a Committee member, and was present.

Professor Goel explained that the proposal would establish a School of Public Health at the University of Toronto. The planning of the proposal involved significant consultation both internally and externally. Creation of the School would allow for coordinated academic activity in the field of public health across several participating units. Furthermore, the proposed model would enhance the profile of public health activities at the University, would reach out to other units and capitalize on their strengths, and would maximize opportunities for making connections with health agencies and research institutes.

The existing Department of Public Health Sciences in the Faculty of Medicine would provide a strong foundation for the new School, which would draw upon the multiple themes of public health research and education at the University and in affiliated research institutes.

Professor Goel explained that the proposal to establish the School as an EDU:A would mean that the School would have its own budget and authority to administer research grants. It would also have the authority to offer academic programs, enroll students, and make primary faculty appointments. The eventual goal is to seek accreditation by the Council on Education for Public Health (CEPH). The designation as an EDU:A was an initial shift in the transformation of the unit – further evolution in the status of the School would require governance approval as appropriate.

The current Department of Public Health Sciences would provide the core faculty membership, education and research programs, and administrative structure for the School. The Director would report to the Vice-President and Provost or designate. Initially, the School would commence with the resources dedicated to the Department of Public Health Sciences. Additional sources of

4. School of Public Health – Extra-Departmental Unit A (EDU:A) – Establishment
(cont'd)

funding will be identified as the School develops. All associated revenues and costs would be part of the budget of the Faculty of Medicine. The Faculty of Medicine would also provide the School's administrative support.

A member inquired about the relatively low proportion of tenure-stream faculty appointments in the current Department of Public Health Sciences. Professor Goel noted that, in fact, 96 faculty are cross-appointees, and that 24 was a fairly high number of tenure-stream faculty for such a unit. There were a large number of status-only and adjunct faculty, reflecting the wealth of individuals in the Toronto area from related public health, health-care and research institutions contributing to the academic work of the unit.

On motion duly moved and seconded

YOUR COMMITTEE RECOMMENDS

THAT the School of Public Health be established as an Extra-Departmental Unit A (EDU:A) teaching and research entity, effective immediately.

Documentation is attached hereto as Appendix "A"

5. Capital Project: Project Planning Report – University of Toronto at Mississauga (UTM) South Building Master Plan

The Chair welcomed Mr. Ray deSouza, Chief Administrative Officer, University of Toronto at Mississauga, to the meeting.

Ms Sisam noted that since 2000-01, enrolment at UTM had increased by approximately 71%, which had created significant pressure on campus infrastructure. In that time period, five new buildings had been constructed on the UTM campus, which had partially contributed to increasing the role of the South Building as a central element of the campus. The proposal before the Committee would realize a new vision for what had become the busiest pedestrian area on the campus, and enhance the campus experience for all members of the University community.

The proposal, which would proceed in phases, would consolidate and expand UTM's student services space, create a new Student Plaza, and provide additional space necessary for academic and administrative departments. Ms Sisam also noted that the project would address matters of renewal and deferred maintenance.

The Master Plan was to be accommodated within the former library space (approximately 5,800 gross square metres [gsm]), plus an additional 380 gsm in the surrounding area, for a total of 6,179 gsm.

Phase 1, for which approval was being sought, consisted of the renovation of the third floor of the old library wing, including space currently occupied by the Department of Geography and two classrooms, for a total of 1,906 net assignable square metres (nasm) or 3,279 gsm. The estimated total project cost of Phase 1 was \$10.057 million, consisting of \$3.5 million in a cash contribution from the UTM operating budget, and \$6.557 million through borrowing, paid from the UTM operating budget.

Additional phases would be brought forward for approval in accordance with the *Policy on Capital Planning and Capital Projects* as sufficient funding was secured. The Committee was being asked to approve these phases in principle.

5. Capital Project: Project Planning Report – University of Toronto at Mississauga (UTM) South Building Master Plan (cont'd)

On motion duly moved and seconded

YOUR COMMITTEE RECOMMENDS

1. THAT the Project Planning Report for the South Building Master Plan, a copy of which is attached hereto as Appendix “B”, be approved in principle.
2. THAT Phase One of the South Building Master Plan, approximately 1,906 net assignable square metres (3,270 gross square metres), having a total estimated project cost of \$10,057,000, be approved.
3. THAT the \$10,057,000 funding required for Phase One of the South Building Master Plan comprise:
 - (a) \$3,500,000 cash contribution from the University of Toronto at Mississauga operating budget; and
 - (b) \$6,557,000 through borrowing paid from the University of Toronto at Mississauga operating budget.
4. THAT the interim planning report for Phases Two and Three and the Completion of the Student Plaza be approved in principle.
5. THAT the component parts of Phases Two and Three and the Completion of the Student Plaza be brought forward for further approvals through the Accommodations and Facilities Directorate for components valued at less than \$2 million, and to Governing Council for those exceeding \$2 million, in accordance with the *Policy on Capital Planning and Capital Projects*.

6. Budget Report, 2008-09

Professor Goel gave a PowerPoint presentation to the Committee outlining the details of the 2008-09 Budget Report and the Long-Range Budget Guidelines 2008-09 to 2012-13. A copy of the presentation is attached hereto as [Appendix “C”](#).

Professor Goel noted that this was the first full budget coming to governance since the implementation of the New Budget Model. He commended Professor Zaky, Ms Garner, Mr. Malik and all the staff who participated in the creation of the Budget Report.

In reviewing the objectives of the New Budget Model, Professor Goel advised that academic priorities should drive budgetary allocations. This would increase transparency, and ensure the best alignment between the University’s academic priorities and the available resources. The New Model also provided incentives, both at the divisional level and University-wide, to increase revenues and control expenses. The result was a much more informed dialogue on important budget matters.

The transition to the New Budget Model respected historical integrity. A “Reference Level” was created under the New Model which ensured that each division didn’t receive less funding than it would have under the old model, by way of allocations from the University Fund.

In reviewing Academic Budgets, each division prepared a multi-year plan for review by the Provost and an advisory committee, which informed allocations from the University Fund and other special funds. Furthermore, the President established a Budget Planning and Priorities

6. Budget Report, 2008-09 (cont'd)

Committee, which engaged people from the academic divisions and senior administration in reviewing University-wide costs. Service units also prepared multi-year budget plans. This contributed to ensuring an alignment between services, academic needs, and the budget, and overall, resulted in a more cohesive planning process for the institution.

Professor Goel explained the old “fixed-cycle” approach was somewhat inflexible, and tended to introduce deficits early in the cycle. It had been difficult to respond to unexpected changes in expenses or revenue, which would result in new cycles being started before the previous had finished. Under the New Model, which utilized a five-year “rolling window” approach, the University continuously looked several years forward to properly assess financial circumstances. The key premise was the creation of a balanced budget in each of the next five years. The New Model required that accumulated deficits be reduced to zero by the end of any five-year planning period. Therefore, the average annual surplus or deficit over the window period must be either zero, or positive.

Professor Goel noted that end-of-year variances, resulting from actual revenues or expenses that differed from the budget projection, would be attributed to the divisions according to their shares, under normal circumstances. In exceptional circumstances, the University may absorb large variances over several years, while ensuring that there was no accumulated deficit at the end of the planning cycle.

Before moving to the details of the current budget, Professor Goel gave some context for understanding our budget situation. He noted that Ontario provided the lowest per-student funding in Canada, and that in fact, when adjusted for inflation, government operating funding is approximately 25% less now than it was in 1991-92. At the University of Toronto, the increase in revenue (approximately 2%) is currently lower than the growth in expenses (approximately 4-5%). This shortfall is chiefly due to increases in the cost of salaries and benefits; occupancy and infrastructure; and regulatory, accountability and statutory requirements. To some extent, this shortfall has been masked by enrolment growth, deficit budgets, and (limited) new sources of revenue. However, under the New Budget Model, costs have become more transparent, and divisions are more directly exposed to fluctuations in revenues and expenses. There will therefore be more variability on a division-by-division basis.

Highlights of the current Report included the following:

- The assumptions made in the budget are prudent – including an assumption that there will be no increase in government funding.
- Enrolment will be the primary revenue driver, and the University was currently entering a period of steady undergraduate enrolment, with further graduate expansion as per divisional plans.
- The budget assumptions are premised on the approval of the proposed tuition schedule for the upcoming year, with an average domestic increase of 4.27% and an average international increase of 6.6%. There will be a set-aside for student aid based on the University’s commitment to meet the accessibility guarantee.
- Revenue is projected to increase from approximately \$70 million in 2008-09 to \$289 million in 2012-13.
- In 2007-08, approximately 42% of total revenue was from Provincial operating grants, 35% from tuition fees, and 23% from other sources. In 2012-13, it is projected that these proportions will be 37%, 41%, and 22%, respectively.
- Total University-wide expenses were \$353.5 million in 2007-08, which is projected to grow to \$367.8 million in 2008-09.
 - The budget proposes that overall growth in University-wide expenses be constrained to be less than the growth in revenues.
- Funding for academic divisions will be the largest expenditure in 2008-09, at 72%.
- By the end of the five-year planning cycle, the following average increases are projected:
 - 4.0% in revenue;

6. Budget Report, 2008-09 (cont'd)

- 4.3% in academic divisions and funds;
- 3.4% in University-wide costs and administrative funds;
- 3.1% in student aid.
- Based on the projected figures, the expense containment required will total \$16.6 million in 2008-09. In 2012-13, this figure will be \$18.1 million.
- The projected accumulated deficit will be zero by the end of the current planning cycle.

Professor Goel advised that the University was intensifying its efforts to explain the current budget situation to governments at all levels, to students, and to the larger community. Emphasis would be placed on the need to link access to quality, the need for increased differentiation in post-secondary education, and the link between high-quality education and more general economic and social wellbeing. It was noted that the creation of a balanced budget hides the institution's internal challenges, most notably, that over the last 10 years, there has been over \$200 million in cost containment, a rising student-faculty ratio, and many unmet needs which became clear during administrative and academic reviews. However, the New Budget model provided a better planning tool to understand these challenges and to allow the University to allocate funding for the highest-priority needs. In closing, Professor Goel noted that ultimately, without additional unrestricted revenue, the experience of students, faculty and staff would suffer.

In discussion, the following issues were raised:

- A member inquired about the impact of the proposed reduction in the student recruitment and services "cost bin."
 - Professor Zaky noted that there would be no real reduction in funding in this area; instead, there had been a redistribution of these costs to improve clarity. A portion of student funding had been moved to another cost bin.
- A member asked if the Investment Income assumption outlined on page 42 of the Report took into account the recent uncertain conditions in the financial market.
 - Ms Brown replied that the projections in the Report were fairly recent.
- A member inquired about the relationship between tuition fees and student aid funding.
 - Professor Goel responded that the University had a statutory and policy commitment to ensuring access to students, and that it would continue to honour the access guarantee under the proposed budget.
- A member asked for clarity about the variance between divisions in the University Fund allocations.
 - Professor Goel explained that the variance was a function of the University Fund Reference Level, which was created to transition to the New Budget Model. It prevented divisions from receiving a University Fund allocation lower than its Reference Level, which had been based on historical budget allocations to each division.
- A member commented that the New Budget Model represented a terrific innovation with regard to transparency and accountability in the budget process.

On motion duly moved and seconded

YOUR COMMITTEE RECOMMENDS

1. THAT the 2008-09 Budget be approved; and
2. THAT the Long Range Budget Guidelines for 2008-2013 and the Planning Assumptions for 2008-2013 be approved in principle.

7. Enrolment Report, 2007-2008

The Chair noted that the Enrolment Report, 2007-08 had been included in the agenda package for information.

There were no questions.

8. Date of the Next Meeting (Wednesday, April 2, 2008, 4:10 p.m.)

The Chair reminded members that the next meeting of the Committee was scheduled for Wednesday, April 2, 2008 at 4:10 p.m. in the Council Chamber.

9. Other Business

There was no other business.

The meeting adjourned at 5:55 p.m.

Secretary

Chair

March 4, 2008