

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 103 OF THE BUSINESS BOARD

January 24th, 2000

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, January 24th, 2000 at 5:00 p.m.
in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Amir Shalaby (In the Chair)
Ms Wendy M. Cecil-Cockwell, Chairman
of the Governing Council
Professor J. Robert S. Prichard, President
Professor Michael G. Finlayson,
Vice-President - Administration
and Human Resources
Mr. Robert G. White, Chief
Financial Officer
Dr. Robert Bennett
Ms Shruti Dev-Nayyar
Professor Vivek Goel
Dr. Robert J. Kyle
Professor Brian A. Langille
Mr. Gerald A. Lokash
Professor Heather Munroe-Blum
Dr. John P. Nestor
Mr. Martin Offman
Ms Jacqueline C. Orange

Mr. Kashif S. Pirzada
Mrs. Susan M. Scace
Mr. John H. Tory
Dr. Alexander R. Waugh
Ms Judith J. Wilson
Mr. Vilko Zbogar

Mr. Louis R. Charpentier, Secretary of the
Governing Council
Professor Derek McCammond,
Vice-Provost, Planning and Budget
Ms Janice Oliver, Assistant Vice-President
Facilities and Services

Secretariat:

Mr. Neil Dobbs
Ms Susan Girard

Regrets:

Ms Wanda M. Dorosz
Mr. H. Garfield Emerson
Mr. Paul V. Godfrey
Dr. Anne Golden
Mr. Frank MacGrath
Mr. Roger P. Parkinson

Ms Rose M. Patten
The Hon. David R Peterson
Dr. Joseph L. Rotman
Mr. Terrence L. Stephen
Mr. Robert S. Weiss

In Attendance:

Mr. Elan Ohayon, member, the Governing Council
Mr. Mark L. Britt, Director, Internal Audit Department
Mr. Graham Kemp, Director, Administrative Management Systems

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Mr. Michael Moore, Audit Manager, Internal Audit Department

Ms Gayle Murray, Executive Assistant to the Vice-President and Employee Relations

Coordinator, Office of the Vice-President - Administration and Human Resources

Mr. Pierre Piché, Associate Controller

Mr. Kasi Rao, Director of the Office of the President and Director of Government Relations

Ms Deborah Simon-Edwards, Executive Assistant to the Chief Financial Officer

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR
INFORMATION.

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THE BOARD MET IN CLOSED SESSION FOR CONSIDERATION OF ITEMS 2, 3, AND 4.

1. Report of the Previous Meeting

Report Number 102 (December 6th, 1999) was approved.

2. Human Resources: United Steelworkers of America - Provisional Contract

Professor Finlayson said that two collective agreements were before the Board for ratification: one for staff appointed members of the administrative staff and another for casual staff. The Board was responsible to approve only first agreements with any unionized employee group. Subsequent agreements with the same union were normally approved under delegated administrative authority. Professor Finlayson recalled that following a certification vote, the United Steelworkers of America had been given the right by the Ontario Labour Relations Board to represent both regular staff-appointed administrative staff and casual employees. Professor Finlayson outlined the highlights of the proposed agreements

The Chair recalled that section 27(d) of By-Law Number 2 prohibited moving, seconding, or voting on motions related to compensation by any employee of the University or any immediate family member of an employee, except for the President and the Vice-Presidents (who were excluded from this prohibition). Section 31(b) of Governing Council By-Law Number 2 delegated to the Business Board authority to give final approval to collective agreements. The agreements would not require consideration by the full Governing Council.

Professor Finlayson responded to a number of questions concerning the proposed agreements.

On the recommendation of the Vice-President - Administration and Human Resources,

YOUR BOARD RATIFIED

- (a) The Memorandum of Settlement between the University of Toronto and the United Steelworkers of America in the Matter of Negotiations for a First Collective Agreement for the "Staff Appointed" Bargaining Unit, dated December 18th, 1999; and
- (b) The Memorandum of Settlement between the University of Toronto and the United Steelworkers of America in the Matter of Negotiations for a First Collective Agreement for the "Casual" Bargaining Unit, dated December 18th, 1999.

The Chair congratulated Professor Finlayson, his colleagues in the Human Resources and Labour Relations Department, and his other advisors. The Chair also thanked Professor Finlayson for keeping him well briefed on the progress of negotiations. Professor Finlayson

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stated that he had enjoyed outstanding assistance from members of the University's negotiating team and from various advisory groups, including a small consultative group of Business Board members. He commended the United Steelworkers of America for its highly professional conduct of negotiations. Both the University's employees and its administration were pleased with the outcome.

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3. Background Briefing: Current Developments with Respect to Other Human Resources Matters

Professor Finlayson briefed the Board on a number of other labour-relations matters and responded to questions. Among the items in Professor Finlayson's report were:

- (a) information about the basis for compensation increases to: (i) faculty and administrative staff, who were eligible for progress-through-the-ranks, merit, or grid increases in addition to across-the-board increases, as compared to those for (ii) unionized staff who received only across-the-board increases;
- (b) a report on the recent achievement of contract settlements with the unions representing the service workers and the machinists;
- (c) a report on the contract dispute with the union representing the striking teaching assistants;
- (d) a report on negotiations with the union representing the library staff, other than professional librarians; and
- (e) a report on negotiations with the Graduate Assistants' Association at the Ontario Institute for Studies in Education / University of Toronto (OISE/UT).

In the course of the discussion of Professor Finlayson's report on the contract dispute with the union representing the striking teaching assistants, it was moved and seconded:

- (a) THAT the Business Board affirm that tuition fees represent a working condition for teaching assistants at the University of Toronto and that they are therefore subject to negotiation with the union representing the teaching assistants; and
- (a) THAT the Business Board urge the Executive Committee to call an emergency meeting of the Governing Council to discuss the implications of course cancellations arising from the teaching assistants' strike.

The President commented with respect to the second part of the motion that the Executive Committee would meet immediately after the adjournment of the Business Board, that the Chairman and Secretary of the Executive Committee were in attendance, and that the Board need take no action to urge that steps be taken with respect to a matter not within its terms of reference.

The Chair stated that the first part of the motion was a substantive matter within the terms of reference of the Business Board. No notice had been given of the motion. For the Board to

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consider the matter, there would be a need for a motion, supported by two-thirds of the members present and voting, to add consideration of the motion to the agenda of this meeting.

It was duly moved and seconded:

THAT the Board add to its agenda the proposed motion concerning the teaching assistants' strike.

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3. Background Briefing: Current Developments with Respect to Other Human Resources Matters (Cont'd)

In the course of discussion of the procedural motion, a member pointed out that the matter was currently in negotiation and conciliation pursuant to the Labour Relations Act. It would, in his expert opinion, be improper that any action be taken that could be deemed an interference with those negotiations.

A member stated his view that section 27(d) of By-Law Number 2, which prohibited employees from moving, seconding, or voting on motions related to compensation, should not be applied with respect to the procedural motion, and the Chair ruled that all members would be permitted to vote.

The vote was taken on the motion that the Board add to its agenda the proposed motion concerning the teaching assistants' strike.

The motion was defeated.

4. Other Closed Session Reports

Defalcations

Professor Finlayson reported on the discovery of a series of alleged defalcations by Mr. Kenneth McMaster, a former capital project manager. He had allegedly, through a series of purported companies, billed the University approximately \$800,000 for projects that had either not been completed or had been completed inadequately. The Director of the Internal Audit Department was working with the Facilities and Services Department to improve internal controls to prevent any recurrence. Mr. McMaster was no longer an employee of the University. He had been charged under the Criminal Code with fraud.

5. Capital Project: Library - Gerstein Science Information Centre, Phase 2

Miss Oliver said that the Library's Master Plan for the Gerstein Science Information Centre called for the improved integration of the three components of the building: the south and east wings (constructed in 1890 and 1910 respectively) and the newer north wing (constructed in 1953). That Master Plan, at a cost of \$20,683,000, had been approved by the Governing Council in May 1999. Prior to that approval, in June 1998, the Business Board had approved the expenditure of \$638,955 for both the development of the Master Plan and the execution of the first of six phases of the project, the renovation of the entrance hall and information area. The objective of this first phase had been both to improve access to the building and also to provide a showcase for potential donors, who would be invited to support the remainder of the project. The Library had succeeded in securing a benefactor who had generously agreed to fund 40% of the cost of Phase 2 of the project - an addition to the east side of the building (facing Queen's Park Crescent) and the renovation of each level of the building adjoining that addition. The

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Library, following consultation with the donor, had requested an expansion of Phase 2 to permit the addition of 400 study spaces. The proposed expansion had been reviewed and recommended for approval by the Planning and Budget Committee and the Academic Board, and it would come before the Governing Council for approval on February 10th. The proposal now before the Business Board was subject to Governing Council approval of the enhanced scope of phase 2. In response to a member's question, Miss Oliver said that the enhanced scope would bring the cost of Phase 2 from the original \$8-million to the proposed \$12-million, with the total cost of the all phases of the project increasing from \$20.7-million to \$24.7-million.

REPORT NUMBER 103 OF THE BUSINESS BOARD - January 24th, 2000**5. Capital Project: Library - Gerstein Science Information Centre, Phase 2 (Cont'd)**

Miss Oliver said that the University had submitted an application to the Province of Ontario's SuperBuild Growth Fund for the remaining 60% of the cost of the project. The project was regarded by the University as a component of the Health Sciences Complex, Phase 2 project because expansion of the Gerstein Science Information Centre was a necessary element in expanding enrolment in the programs in Nursing, Pharmacy, Occupational Therapy and Physical Therapy. In addition to making application to the SuperBuild Growth Fund, the University was seeking additional donations. In the meanwhile, the Planning and Budget Committee and the Academic Board had recommended an allocation of \$7-million from the University Infrastructure Investment Fund (U.I.I.F.) and the Library would provide a further \$200,000. Those monies would provide (a) the required match for the donation and (b) interim funding to permit the project to proceed. Any shortfall after the application to the SuperBuild Growth Fund and the additional fundraising efforts would be met from the U.I.I.F.

A member noted that the costs of two recent projects - the Graduate / Second-Entry Residence and the Munk Centre for International Relations - had exceeded estimates. He asked about the reliability of the estimate for this project. Miss Oliver replied that the estimate had been provided by external consultants with a high level of professional expertise.

On the recommendation of the Vice-President - Administration and Human Resources,

YOUR BOARD APPROVED

Subject to Governing Council approval of the revised scope of Phase 2 of the Users' Committee Report for the project, and of an allocation of not more than \$7-million for the project from the University Infrastructure Investment Fund,

THAT the Vice-President - Administration and Human Resources be authorized to execute Phase 2 of the Gerstein Science Information Centre project, at a cost not to exceed \$12-million.

6. Capital Project: Faculty of Law - Flavelle House Renovation

Miss Oliver remarked that this proposal was one of a number that manifested the University's success in obtaining grants for special research centres. In this case, the Faculty of Law had been awarded funding from the Ontario Research and Development Challenge Fund for a new Centre for Innovation. The Centre aimed to stand as one of the leading world centres for interdisciplinary research, analysis and policy advice on innovation law and policy. It was proposed to accommodate this centre by renovating an unused attic in Flavelle House. The project would provide twelve offices accommodating fourteen faculty members. It would include a washroom and a small kitchen. The project would also encompass elevator upgrades that would make this new space, and all of Flavelle House, accessible to wheelchair users. The

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Planning and Budget Committee had recommended approval of the project and \$600,000 of funding from the University Infrastructure Investment Fund. That recommendation would come before the Governing Council Governing Council on February 10th, and the proposal now before the Business Board was subject to Governing Council approval.

REPORT NUMBER 103 OF THE BUSINESS BOARD - January 24th, 2000**6. Capital Project: Faculty of Law - Flavelle House Renovation (Cont'd)**

Miss Oliver said that the project was to cost \$2.140-million. Funding was to be provided as follows:

Ontario Research and Development Challenge Fund	\$ 600,000
University Infrastructure Investment Fund	600,000
Faculty of Law	940,000

Upon approval, the University would proceed with the attic renovations, using monies in hand from the Ontario and University funds. The elevator upgrades would proceed upon receipt of the funding from the Faculty of Law.

Miss Oliver responded to questions on the following topics.

(a) Reliability of cost estimate. In response to a question, Miss Oliver said that the cost estimate had been provided by University staff. Staff estimates in the past had been conservative, often somewhat above the actual project cost.

(b) Source of divisional funds. A member noted that the largest share of the project cost was to be provided by the Faculty of Law itself. He asked whether divisions had pools of money for special purposes that were segregated from general University Funds. Miss Oliver replied that divisions that contributed to capital projects generally had three sources of funding. First, some departments, particularly in science and medicine, received income in the form of overhead payments for contract research. Second, divisions received donations. Third, some divisions were able to accumulate "carryforward" funds from unspent operating budget appropriations from the previous year. Professor Langille said that in this case, virtually all of the funding would be from donations.

On the recommendation of the Vice-President - Administration and Human Resources,

YOUR BOARD APPROVED

Subject to Governing Council approval in principle of the Interim Report of the Users' Committee and of an allocation of \$600,000 for the project from the University Infrastructure Investment Fund,

THAT the Vice-President - Administration and Human Resources be authorized to execute the Flavelle House renovation project, at a cost not to exceed \$2,140,000.

7. Capital Project: Faculty of Medicine - FitzGerald Building - Heart and Stroke / Richard Lewar Centre of Excellence for Cardiovascular Research

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Miss Oliver noted that this project too arose from the University's success in securing funding for its research programs. The proposal was to renovate a part of the basement of the FitzGerald Building to accommodate highly innovative research laboratories for the Heart and Stroke Foundation / Richard Lewar Centre of Excellence for Cardiovascular Research, a part of the "Animal Models of Human Disease" initiative. The project was fully funded by donations from the Lewar family and the Heart and Stroke Foundation of Ontario. The University and two of its

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7. Capital Project: Faculty of Medicine - FitzGerald Building - Heart and Stroke / Richard Lewar Centre of Excellence for Cardiovascular Research (Cont'd)

affiliated hospitals had also applied for funding for the renovation and equipment from the Canada Foundation for Innovation. If C.F.I. funding was secured, the donations could be redirected to other aspects of the research effort.

On the recommendation of the Vice-President - Administration and Human Resources,

YOUR BOARD APPROVED

Subject to Governing Council approval in principle of the Report of the Users' Committee,

THAT the Vice-President - Administration and Human Resources be authorized to execute the renovation of the FitzGerald Building to accommodate the Heart and Stroke / Richard Lewar Centre of Excellence for Cardiovascular Research, at a cost not to exceed \$1,474,000.

8. Vice-President - Administration and Human Resources, Annual Report, 1998-99

Given the late hour and the Executive Committee meeting scheduled for 7:00 p.m., it was agreed to defer until the next meeting the consideration of the annual report of the Vice-President - Administration and Human Resources. On behalf of the Board, the Chair apologized to members of Professor Finlayson's staff who had been in attendance to assist with the presentation of the report.

9. Report Number 55 of the Audit Committee (November 24th, 1999)

The Board received the items for information contained in Report Number 55 of the Audit Committee.

(a) Item 2 - Pension Plans: Annual Financial Report, Investment Performance

A member expressed grave concern about the investment performance of the pension funds. He was not comforted by the observation that the relative performance had improved from the 94th to the 76th percentile among comparable funds. He was concerned that the Board have an opportunity to discuss the matter; the absence of such consideration would represent a serious breach of fiduciary duty.

Mr. White said that the Board received a detailed annual report from the President's Investment Committee on the investment of all funds for the calendar year. The report for 1999 would be presented to the Board at its meeting of May 1st, 2000. The administration shared the member's concern about investment performance; that concern was the reason for the proposal

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approved by the Board on October 25th, 1999 for the new structure for investment management. Mr. White noted that very preliminary figures indicated some improvement in relative performance for 1999, with the University's fund likely to rank above the median fund.

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9. Report Number 55 of the Audit Committee (November 24th, 1999)

(b) Internal Audit: Semi-Annual Report, Faculty of Dentistry

A member noted that one of the audited units had been the Faculty of Dentistry, described as "a large and complex unit, with extensive research and clinical activity." The member noted that he had sought, without success, to obtain for the annual general meeting of the Faculty's Alumni Association a clear statement of the revenues and expenditures of the Faculty's Alumni Affairs and Continuing Dental Education operation. Alumni had made a substantial effort to bring the financial condition of the operation from a difficult one to a strong one. Mr. White had no knowledge of the matter; he took notice of the member's comment.

10. Report of the Senior Salary Committee, 1998-99

The Chair noted that the Governing Council Policy on Appointments and Remuneration established the Senior Salary Committee and stipulated that it was "responsible for attesting, through the Business Board, that compensation programs for individuals remunerated above a level or levels established from time to time are appropriate and that decisions about the compensation of individuals have been made in accordance with established policy and practice." The Chairman of the Governing Council was *ex officio* Chairman of the Senior Salary Committee.

In view of the hour, Ms Cecil-Cockwell did not comment on the report. She proposed that members be invited to ask any questions at the next meeting.

11. Reports of the Administrative Assessors

Professor Finlayson's written report on recent developments had been placed on the table for the meeting. The report included items (a) to (c) below.

(a) Capital Project: Munk Centre for International Studies. The project was six months behind schedule. The north and south wings, housing the Centre for International Studies, were occupied and largely completed, but the Trinity College Library was several months from completion.

(b) Capital Project: Graduate / Second-Entry Residence. The University had planned to have four stories of the residence ready for occupation in September 1999, but the building was still several months from completion. The University had given notice to the contractor that it was in default of its contract. The University could choose to terminate the contract, hire another contractor, and sue the original contractor for damages, which would be paid by the contractor's bonding agent. It was, however, not clear that doing so would be either the wisest or most cost-effective course of action.

(c) Capital Projects: Consultant's study. The University had engaged a consultant,

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Mr. Ron Soskolne, in order to learn from the experiences associated with the Centre for International Studies and the Graduate / Second-Entry Residence and in order to improve procedures for the large number of capital projects planned in the next few years. Mr. Soskolne had extensive experience in the real estate industry as Executive Vice-President for Development at Olympia and York and currently as owner of a private real-estate development firm.

(d) Bahen Centre for Information Technology. The firm P.C.L. Constructors Canada, the largest construction contractor in Canada, had been engaged to provide construction management and general contracting services for the project, for which excavation and shoring was

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11. Reports of the Administrative Assessors (Cont'd)

now underway. The University would use a sequential tender process for each phase of the project rather than a general contract for a stipulated sum. This arrangement had been adopted in order to accelerate the project. It did, however, cause some vulnerability with respect to cost.

(e) Physical Planning and Design Advisory Group: Membership. Professor Finlayson recalled that a member had, at the previous meeting, suggested the addition of a student to the membership of the Physical Planning and Design Advisory Committee. Professor Finlayson had consulted with the Dean of the Faculty of Architecture, Landscape, and Design, who had proposed an appropriate student, whom Professor Finlayson had invited to serve on the Committee.

(f) Budget: financial forecast. Mr. White distributed a list of the forecasted variances from the operating budget for the 1999 - 2000 fiscal year. Because the forecast had just become available, and because the Board would not meet again until late in March, Mr. White thought it useful to inform the Board of the anticipated position of the operating fund compared to budget. A full written forecast would be distributed and would appear on the Board's agenda for its March 27th meeting. Mr. White anticipated that the University would complete the fiscal year about three quarters of one percent or \$5.2-million behind budget. Because the budget had planned a small surplus of \$300,000, the outcome would be a deficit on the year's operations of \$4.9-million. The outcome would bring the cumulative deficit in the operating fund to \$9.9-million. In response to questions, Mr. White said that the \$9.9-million would still be within the usual Governing Council policy limiting the cumulative deficit to no more than 1.5% of operating revenues. He recalled that this policy had been superseded by the Long-Range Guidelines for Planning and Budgeting, to which the budget had adhered. The University would therefore face a challenge in devising the operating budget for 2000-01 to bring the deficit back into conformity with the long-range plan.

12. Date of Next Meeting

The Chair reminded members that the next regular was scheduled for Monday, March 27th, 2000 at 5:00 p.m.

The meeting adjourned at 7:10 p.m.

Secretary

Chair

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February 25th, 2000