

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 104 OF THE BUSINESS BOARD

March 27th, 2000

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, March 27th, 2000 at 5:00 p.m.
in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Amir Shalaby (In the Chair)
Ms Rose M. Patten, Vice-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
Professor Vivek Goel
Dr. Robert J. Kyle
Mr. Gerald A. Lokash
Mr. Frank MacGrath
Professor Heather Munroe-Blum
Dr. John P. Nestor
Mr. Martin Offman
Ms Jacqueline C. Orange
Mr. Roger P. Parkinson

Dr. Joseph L. Rotman
Mrs. Susan M. Scace
Mr. John H. Tory
Dr. Alexander R. Waugh
Ms Judith J. Wilson
Mr. Vilko Zbogar

Dr. Jon S. Dellandrea, Vice-President
and Chief Development Officer
Professor Adel S. Sedra, Vice-President
and Provost
Mr. Louis R. Charpentier, Secretary of the
Governing Council
Miss Janice Oliver, Assistant Vice-
President, Facilities and Services

Secretariat:

Mr. Neil Dobbs
Ms Susan Girard

Regrets:

Ms Shruti Dev
Ms Wanda M. Dorosz
Mr. H. Garfield Emerson
Mr. Paul V. Godfrey
Dr. Anne Golden

Professor Brian A. Langille
The Hon. David R. Peterson
Mr. Kashif S. Pirzada
Mr. Terrence L. Stephen
Mr. Robert S. Weiss

In Attendance:

Mr. Robert W. Korthals, Senior Advisor to the President; Chair, President's Investment
Committee
Dr. Peter B. Munsche, Assistant Vice-President, Technology Transfer
Mr. Donald A. Beaton, Director, Real Estate
Mr. Mark L. Britt, Director, Internal Audit Department

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Ms Sheila Brown, Controller and Director of Financial Services

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In Attendance (Cont'd)

Mr. Stuart J. Budden, Treasurer and Director of Investments

Ms Rivi Frankle, Director of Alumni and Development

Dr. David Gorman, Director, Office of Environmental Health and Safety

Mr. Hal Koblin, Associate University Campaign Director, Campaign Communications

Ms Laurie M. Lawson, Assistant Treasurer

Ms Lesley Lewis, Senior Planning and Budget Officer, Office of the Vice-Provost,
Planning and Budget

Ms Mary McGee, Director of Enrolment Planning and Statistics, Office of the Vice-Provost,
Planning and Budget

Ms Gayle Murray, Executive Assistant to the Vice-President and Employee Relations
Coordinator, Office of the Vice-President - Administration and Human Resources

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

Mr. Ron Soskolne, Soskolne and Associates

ITEM 3 IS RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL.

ITEMS 4 AND 5 WERE CONSIDERED IN CLOSED SESSION.

1. Report of the Previous Meeting

Report Number 103 (January 24th, 2000) was approved.

2. Business Arising from the Report of the Previous Meeting

Item 9(b) - the Report of the Audit Committee: Internal Audit of the Faculty of Dentistry

The Chair recalled that a member had at the previous meeting referred to the regular internal audit carried out in the Faculty of Dentistry. He had requested financial information concerning that Faculty's Alumni Affairs and Continuing Dental Education operations. Professor Sedra had, prior to the meeting, responded to the member's question.

3. Ancillary Operations: Indemnification for Directors of Incorporated Ancillaries

Mr. Charpentier recalled that the Governing Council By-Law Number 2 provided for the University's indemnification of members of the Council and other members of Boards and Committees in the event that a successful legal action were to be undertaken against them in connection with the pursuit of their duties as Governors or Board / Committee members. Some years ago, the University had provided a similar indemnification for the Directors of the University of Toronto Press Inc. Mr. Charpentier proposed that an identical indemnification be provided for the directors, mostly volunteers, who served as directors of the University's other incorporated ancillary operations: the University of Toronto Innovations Foundation and the new investment management company. A copy of the proposal is attached hereto as Appendix "A".

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3. Ancillary Operations: Indemnification for Directors of Incorporated Ancillaries
(Cont'd)

On the recommendation of the Secretary of the Governing Council,

YOUR BOARD RECOMMENDS

THAT for incorporated business ancillary operations established by the Governing Council ("ancillaries"), when the appointment of Directors is approved by the Governing Council or the Executive Committee thereof,

Except in respect of an action by the ancillary to procure a judgment in its favour, the University will indemnify and save harmless every director of the ancillary and the heirs, executors and administrators and the estate and effects of each of them respectively, from time to time and at all times, from and against all costs, charges and expenses whatsoever (including amounts paid to settle an action or satisfy a judgement and fines and other monetary penalties) that such a person sustains or incurs in or about any civil, criminal or administrative action, suit or proceeding that is brought, commenced or prosecuted against him or her, for or in respect of any act, deed, matter or thing whatsoever, made done or permitted by him or her, in or about the execution of the duties of his or her office, except such costs, charges or expenses as are occasioned by his or her own willful neglect or willful default and except to the extent that any such person is indemnified under a policy or contract of insurance or indemnity with respect to any such costs, charges or expenses.

4. Capital Projects: Consultant's Report on the Execution of the Graduate House and Munk Centre Projects

Professor Finlayson reported on the outcome of a study by a consultant, Mr. Ron Soskolne, on the execution of two capital projects: Graduate House (previously called the Graduate / Second-Entry Residence) and the Munk Centre for International Studies. He outlined the steps taken and planned as the result of the study. Professor Finlayson had, on the suggestion of the Vice-Chair, also asked Mr. Soskolne to study the University's work to date in executing a major new project, the Centre for Information Technology. Professor Finlayson and Mr. Soskolne responded to questions.

The President noted that both the consultant's report and the Board's discussion should remain confidential at this time. The report included information concerning personnel, and one of the projects might become subject of legal action. On a member's suggestion, the President asked Professor Finlayson to provide a brief report to other members of the Governing Council and to the University community to set out the main aspects of the consultant's report and the University's response that could appropriately be made public.

REPORT NUMBER 104 OF THE BUSINESS BOARD - March 27th, 2000**5. Investments: New Investment Management Corporation**

The President reported on progress towards making appointments to the new corporation formed to manage the University's investments: the first President and Chief Investment Officer and the first Board of Directors of the corporation.

6. Investments: Annual Report of the President's Investment Committee, 1999

Mr. Korthals presented the annual report of the President's Investment Committee, a copy of which is attached hereto as Appendix "B". He recalled that a number of years ago, it had been decided that the University's needs could historically have been met by the achievement of returns at least equal to benchmarks consisting of a weighted average of four securities indices. For the pension plan, that benchmark was as follows:

• Bonds (Scotia Capital Canadian Universe Bond Index)	40%
• Canadian Stocks (Toronto Stock Exchange 300 Index)	40%
• U.S. Stocks (Standard and Poor's 500 Index)	10%
• Other Stocks (Morgan Stanley Europe / Australasia / Far East, or EAFE, Index)	10%

For the Consolidated Investment Pool, which was the investment vehicle for the endowment funds, the benchmark was different:

• Bonds (Scotia Capital Canadian Universe Bond Index)	30%
• Canadian Stocks (Toronto Stock Exchange 300 Index)	40%
• U.S. Stocks (Standard and Poor's 500 Index)	15%
• Other Stocks (Morgan Stanley Europe / Australasia / Far East or EAFE Index)	15%

The longer investment horizon of an endowment fund meant that the University could accept greater volatility risk - risk that the value of the capital could decline in the short term - in return for higher long-term returns. In the pension fund, the investment time horizon - the duration of the funds liabilities - was shorter, and a higher proportion of bonds was necessary to provide a more appropriate risk / return trade-off.

Mr. Korthals added that the President's Investment Committee was able to vary the asset mix away from the benchmark, within limits. If it was unable to discern any clear direction in the markets, it would normally leave the "tactical asset mix" to correspond with the benchmark. If it was able to take a view of the direction of markets, it would vary the asset mix accordingly. At the present time, the pension fund was over-weighted in foreign, especially non-North-American, equities and under-weighted in Canadian equities and bonds. The Consolidated Investment Pool was also over-weighted in foreign equities, which formed 40% of the Pool, and 10% under-weighted in Canadian equities. In 1999, the Committee had also under-weighted Canadian equities, which had proven to be an awkward decision. The Canadian equity markets

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had in 1999 enjoyed their best year relative to other markets since 1981. The decision had not, however, been too problematical in that the external portfolio managers selecting Canadian equities had substantially under-performed the T.S.E. 300 Index. That Index had been driven by only three or four securities that the external managers had either excluded or under-weighted in their portfolios. On the other hand, the managers of non-North-American equities had out-performed the EAFE Index by a wide margin in 1999.

Mr. Korthals reported that because several of the active managers for Canadian and U.S. equities had been unable to outperform the T.S.E. 300 and Standard and Poor's 500 indices, the President's Investment Committee had moved more of the assets into index funds. In the Consolidated Investment Pool, almost three quarters of the assets were now under passive management and just a bit less than three quarters of the pension funds were under passive management.

Mr. Korthals recalled that he had, one year ago, reported that the Consolidated Investment Pool, had under-performed its benchmark by 2.3% in 1998. Had the Pool met the benchmark, it would have earned about \$40-million more for the University. For 1999, the Pool had again under-performed the benchmark, but by 2.4%. Over four years, however, that performance had lagged the benchmark by only 0.5%. The average foregone earnings arising from an underperformance of 0.5% would have amounted to about \$18-million per year. That having been said, over the past four years the Pool had ranked in the top quartile of Canadian balanced funds as measured by S.E.I. Investments' comparative performance measurement service. Schedule 4 displayed the Pool's comparative performance in the past ten years, with the Pool performing above the median fund in eight of those ten years and ranking in the top quartile in four of the ten years. The pension fund had also lagged the index in 1999 and in the four years ended December 31st, 1999. Mr. Korthals estimated that had the pension fund met its benchmark, it would have earned about \$100-million more over the past four years. Again, however, performance compared to other funds was reasonably satisfactory. In 1998 and 1999, the fund's returns had exceeded those of the median fund, and over four years the fund's average annual return was just three-tenths of one per cent below the median fund. The fund's comparative performance level demonstrated that most funds had encountered problems achieving benchmark returns.

Mr. Korthals said that the move to establish an investment management corporation had in part been an effort to seek improved performance relative to the benchmarks. In addition, Mr. Korthals and his colleagues thought that a growing number of new techniques could be employed to exploit inefficiencies in certain parts of the markets that would yield better long-term returns than traditional active portfolio managers selecting stocks from the public equity markets.

Looking ahead, Mr. Korthals reported that the President's Investment Committee had likely held its last business meeting, with responsibility to pass to the new corporation. With respect to the year ahead, decisions would have to take into account the fact that the equity

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markets had enjoyed strong returns for a sustained period of time, and those markets were now substantially overvalued by historical standards. Consequently, it would be possible to make a case for favouring government bonds, which had performed well in recent weeks in spite of increases in short-term interest rates. Nonetheless, there were still opportunities to be found in the equity markets. Value-style managers, who sought out stocks that were undervalued by the market, were able to identify a large number of such stocks in circumstances where overall market gains had been led by huge increases in the prices of a relatively small number of stocks, mainly in the technology area. The value style of investing was likely to return to favour with the markets. While the equity markets appeared to be very expensive, it should be remembered that the principal market indices were weighted according to the capitalization (i.e. the total stock market value) of each company's shares. Therefore the leading shares brought the average price / earnings ratio of the Standard and Poor's 500 Index up to a high number over twenty. But, the median price / earnings ratio was a much lower number, under fifteen. With improved performance by the bond markets, the equity markets could therefore provide a reasonable return in 2000. The Committee had therefore not made a major shift into bonds for the year.

Amongst the items that arose in questions and discussion were the following.

(a) Comparative performance. Invited to respond to a member's question, Mr. Budden said that the S.E.I. Canadian balanced-fund universe, which was the basis for the percentile ranking provided in the report, consisted of between 100 and 200 funds. Other comparative universes were available including (a) between 30 and 50 Canadian foundation and endowments funds, and (b) between 30 and 50 large Canadian funds with assets above \$1-billion. The most useful universe for comparing the performance of the Consolidated Investment Pool would be the universe of U.S. university endowment funds. There were few Canadian endowment funds of a size comparable to the University of Toronto's fund, and the University's fund was free (like U.S. funds) to invest in whatever assets were deemed appropriate, without the restrictions on foreign content that limited pension funds. In response to another question, Mr. Budden said that in the Consolidated Investment Pool, the benchmark return over the past four years was 16.0%, which would have ranked in the top 10% of funds. In the pension fund, the four-year benchmark return of 14.6% would have ranked just in the top 25% of funds. Mr. Budden commented that those figures demonstrated the problem with saying that under-performing the benchmark had a particular cost in terms of return to a fund. Few funds did outperform their benchmarks. He noted that various funds had different risk tolerances and therefore would appropriately have different benchmarks.

(b) Management costs and returns. A member referred to the expense incurred in managing the funds, amounting to 28 basis points for the Consolidated Investment Pool (i.e. 28/100s of 1% of the average market value of the Pool) and 21 basis points for the University-wide pension fund. Would the University enjoy savings following the move of a substantial proportion of its funds from management by active portfolio managers, who selected securities, to passive managers, who simply emulated the securities in a particular index? Mr. Korthals, Mr. White

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6. Investments: Annual Report of the President's Investment Committee, 1999 (Cont'd)

and Mr. Budden replied that fees for the management of index funds were indeed less than those charged by active portfolio managers. Fees for passive management would be less than 5 basis points whereas the average fee paid to active managers would be about 20 basis points. The intention in selecting managers was to seek the highest net return after fees; active managers were engaged and paid higher fees in the expectation that their net returns would exceed the index returns. The returns contained in the report were, in accordance with usual reporting practice, those achieved before taking into account costs including the fees of the portfolio managers and the fees of the custodians of the assets.

On behalf of the University, the President expressed his enormous gratitude to Mr. Korthals for his service as Senior Advisor to the President and as Chair of the President's Investment Committee. He was a wonderful graduate of the University of Toronto. While the President had insisted that the University pay a stipend to Mr. Korthals, he in turn had insisted on donating that amount back to the University. The investment community held Mr. Korthals in the highest regard, a fact reflected by his recent appointment as Chair of the Board of the Ontario Teachers' Pension Plan Board, which managed the largest pension fund in Canada with assets of almost \$70-billion. The President stated that it was a source of great comfort to him that Mr. Korthals had agreed, notwithstanding his new responsibilities at the Ontario Teachers, to become the first chair of the new corporation to manage the University's Investments. The Board expressed its gratitude by its applause.

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

The Chair noted that this item had been on the agenda of the January meeting, but there had not been sufficient time for its consideration.

Professor Finlayson commented that the annual report was a stewardship report. Given that the Administration and Human Resources portfolio was responsible for services costing the University between \$40-million and \$45-million per year, it was wholly appropriate that such a report be presented annually. Given the shortage of time, Professor Finlayson would not make extensive comments on the report apart from one significant highlight. After eight years of steady decline in the staff-appointed administrative staff, the University had turned a corner in 1998-99, with an small increase in staff of between 1% and 2%. Professor Finlayson urged members to give attention to a number of performance metrics in the report.

The Chair thanked Professor Finlayson and his colleagues for their valuable report. As it was Professor Finlayson's responsibility to present his stewardship report, so too it was the Business Board's responsibility to receive it and be satisfied with its substance.

REPORT NUMBER 104 OF THE BUSINESS BOARD - March 27th, 2000**8. Environmental Health and Safety: Review of the Office**

Professor Finlayson recalled that he had in previous years arranged for reviews of the Human Resources Department and of the Operations and Services Department. It was appropriate, therefore, to arrange for a review of the Office of Environmental Health and Safety. The review committee had been chaired by Professor James W. Smith, a retired Professor of Chemical Engineering, who had substantial expertise in the area. In the light of the discussion at this meeting and elsewhere, Professor Finlayson would prepare an administrative response to the review, which he would present to the Board at a later date.

A member expressed concern about the Committee's conclusion that there was insufficient commitment on the part of senior management to making the improvements necessary to reduce accidents and to make the University a safe workplace. Another member noted that it was a premise of the Occupational Health and Safety Act that management would ensure a culture of health and safety. Professor Finlayson replied that the administration would prepare a response to the report. He assured the Board that the University was not running afoul of any requirement in the Occupational Health and Safety Act. Doing so would be a very serious matter, and the review committee had in no way suggested any violation of legislated requirements.

9. Campaign Progress Report

Dr. Dellandrea reported that as of December 31st, 1999, the Campaign had received gifts, gifts-in-kind, bequests and pledges amounting to nearly \$554-million towards the current Campaign goal of \$575-million. Among the outcomes were 115 new endowed chairs. Private donors had given over \$100-million for endowments to support students under the Ontario Student Opportunity Trust Fund program and the Ontario Graduate Scholarships in Science and Technology program. As the result of matches from the Government of Ontario and the University, those gifts had resulted in endowment funds of over \$300-million for student support. While the Campaign was approaching its current objective, it would be important to continue efforts until the Campaign objectives of each and every division were achieved.

Moreover, Dr. Dellandrea noted, the world had changed. Taking its cue from the 1993 academic plans, the Campaign had stressed intellectual capital, seeking endowment funds for student support and faculty chairs. In the coming years, there would be unprecedented need for government and private support for new buildings such as the planned new Health Sciences Complex to accommodate, among other users, the planned Centre for Cellular and Biomolecular Research and the expanded Faculty of Pharmacy.

Dr. Dellandrea said that the Campaign would concentrate on a number of areas in the coming months. First, the Campaign would seek to meet the University's capital needs. Second, it would attempt to ensure that the objectives of each division were achieved. Third, it would seek to raise funds in support of the new academic plans arising from the "Raising our Sights" planning process. Fourth, it would seek to arrange for face-to-face meetings with as many as possible of the University's 340,000 alumni to invite their support of the Campaign. To date,

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9. Campaign Progress Report (Cont'd)

perhaps only 4,000 - 5,000 personal invitations had been proffered. Finally, the Campaign would participate in the transition from President Prichard to President-designate Birgeneau, who would no doubt have new and different aspirations. Dr. Dellandrea recalled that the original Campaign goal had been \$300-million. That had been raised to \$400-million in 1997 and to \$575-million in 1999. Every effort would be made to achieve the current objective by the end of Professor Prichard's term as President. Ms Frankle and her colleagues were thinking creatively about changes in Campaign strategy; if changes were to be made, Dr. Dellandrea would advise the Business Board.

Among the matters that arose in questions and discussion were the following.

(a) Electronic campaign tools. In response to a member's question, Ms Frankle said that the University was able to accept pledges on-line. In all cases, however, a staff member would call the donor by telephone to confirm the pledge and thank the donor. The University was working on a new system for electronic means for receiving donations.

(b) Electronic forms of instruction and campaign objectives. A member referred to the growth of instruction by electronic means, in particular over the internet. That could bring about a dramatic change in the business of the universities. Was the University, in seeking funding for new buildings, in quest of support for a model of the university that was about to become obsolete? The President agreed that the University would face a great deal of change. The University would clearly wish to use information technology a great deal, but there would also be key aspects of University life that would be associated with the campuses and with face-to-face intellectual interaction. Therefore, the University would have to drive forward to exploit information technology, but it would at the same time erect buildings for teaching and research and carry out its open space plan. The President noted that President-designate Birgeneau had expressed the view that the impact of information technology would be a central question the University would face. The University would clearly have to determine what possibilities information technology would present.

10. Report on Gifts over \$250,000, November 1st, 1999 - January 31st, 2000

The Board received for information the regular quarterly report on gifts over \$250,000 for the period May 1st, 1999 to January 31st, 2000. The report was made pursuant to the Provost's Guidelines on Donations.

11. Capital Projects: Open Space Plan: King's College Road / Convocation Hall Plaza / King's College Circle Project

Professor Finlayson said that the proposal to proceed with detailed design work represented an essential first step for the University to make a start on the first demonstration project in the open-space plan: the King's College Road / King's College Circle / Galbraith Road /

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11. Capital Projects: Open Space Plan: King's College Road / Convocation Hall Plaza / King's College Circle Project (Cont'd)

Simcoe Walk project. If Dr. Dellandrea and his colleagues were able to generate \$1,500,000 of private funding, it was proposed to add \$2,000,000 from the University Infrastructure Investment Fund, and the project would be completed.

In response to a member's question, the President and Professor Finlayson said that, while planning for the project had not been completed, they could not foresee any circumstances in which the playing fields would be removed from the front campus. While there might be aesthetic reasons for alternative uses, the playing fields were now used extensively and there was no alternative space. The active engagement of students on the front campus, now taking place throughout the year, was very valuable, and the use of the space for playing fields - and a skating surface in the winter - was by no means regrettable. Moreover, there were alternative quiet, landscaped spaces on campus, in particular Philosophers Walk. A member added that the Physical Planning and Design Advisory Committee had for a time considered landscaping the front campus, but it had quickly reached the conclusion that there was need for that space for playing fields.

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

YOUR BOARD APPROVED

Subject to Governing Council (i) approval in principle of the Report of the King's College Circle Precinct Users' Committee, and (ii) approval of a \$200,000 allocation from the University Infrastructure Investment Fund for Phase 1 of the project,

THAT the Vice-President - Administration and Human Resources be authorized to complete Phase 1 of the King's College Road / King's College Circle / Galbraith Road / Simcoe Walk project, being the detailed design and working drawings for the entire project, at a cost not to exceed \$200,000.

12. Parking Garage under the Bahen Centre for Information Technology: Increased Appropriation

Professor Finlayson and Miss Oliver recalled that the Board had approved construction of a parking garage under the Bahen Centre for Information Technology at a cost of \$10,280,000. Since that time, three factors had brought about an increase in the proposed cost for the project. First, consultants had determined that there would be an increased requirement for dewatering of the site and need for a longer caisson wall to protect adjacent buildings. Second, the construction

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12. Parking Garage under the Bahen Centre for Information Technology: Increased Appropriation (Cont'd)

market had become tighter, and there had been only two replies to the invitation to tender. Third, the previous approval had included a blanket provision for the cost of bridge-financing for the project to cover costs until the parking garage was in operation and generating revenue. The proposal now before the Board included a specific cost of \$600,000 for the bridge-financing.

A member asked whether the more problematical soil conditions would also lead to higher operating costs for the building. Miss Oliver replied that she did not anticipate additional problems after the completion of construction.

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

YOUR BOARD APPROVED

THAT the Vice-President - Administration and Human Resources be authorized to complete the parking garage under the Bahen Centre for Information Technology at a total cost of \$13.1-million, including the \$12.5-million capital cost and \$0.6-million for bridge-financing costs.

13. Munk Centre for International Studies: Increased Appropriation

Professor Finlayson recalled the closed-session discussion of the Munk Centre project. While a part of the proposed additional spending on the project was attributable to construction delays, a significant proportion of the additional cost was for the enhancement of the project to include new furniture and a state-of-the-art audio-visual facility. Those additional costs were being met by a donation and paid by the departments that would occupy parts of the building.

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

YOUR BOARD APPROVED

Subject to Governing Council approval of the allocation of additional funding,

THAT the Vice-President - Administration and Human Resources be authorized to expend up to \$13,030,000 to complete the Munk Centre for International Studies, with \$800,000 to be provided from the Capital Renewal Fund and \$250,000 to be provided from donations.

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14. Graduate House: Increased Appropriation

Professor Finlayson recalled that this project had also been considered at length in the closed-session portion of the meeting. The additional \$2.6-million cost of the project included further financing costs occasioned by the delay in the completion of the project. Of the incremental cost, \$1.9-million would be provided from the capital reserves for the St. George Graduate Residence and from the St. George residence capital pool. The balance would be borrowed from the Capital Renewal Fund.

A member expressed concern, with respect to the Graduate House, Munk Centre and parking garage projects, that there were now a series of requests for appropriations beyond the amounts originally requested when the projects were approved. This was not the way the member would have liked to have seen things done.

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

YOUR BOARD APPROVED

THAT the Vice-President - Administration and Human Resources be authorized to expend an additional amount of up to \$2,600,000 to complete the Graduate House project, with \$1,900,000 to be provided from the capital reserves for the St. George Graduate Residence and the St. George residence capital pool, with the balance in the form of bridge-financing borrowed from the Capital Renewal Fund.

15. Human Resources: Salary Increases for Non-Unionized Administrative Staff, 2000-01

Professor Finlayson proposed salary arrangements for non-unionized administrative staff for 2000-01. The administration was proposing a two percent across-the-board increase plus annual merit for non-Senior Management Group, exempt staff and a four percent pool for members of the Senior Management Group to be distributed on the basis of merit. The proposed increases were comparable to those being paid to other groups and were consistent with the budget.

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15. Human Resources: Salary Increases for Non-Unionized Administrative Staff, 2000-01 (Cont'd)

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

YOUR BOARD APPROVED

- (i) THAT, effective July 1st, 2000, there be established a salary pool, equal to 2% of the Senior Management Group salary base plus an additional 2% merit, as the basis of salary increases to members of the Senior Management Group, all to be distributed on the basis of merit in accordance with the Senior Management Group policy; and
- (ii) THAT, effective July 1st, 2000, all other non-unionized administrative staff be awarded a 2% across-the-board increase plus continuation of the merit program as contained in the *Manual of Staff Policies*.

16. Early Retirement: Extension of Window for Non-Unionized Administrative Staff

Professor Finlayson said that the proposed extension of the early-retirement window for non-unionized administrative staff would bring arrangements for that group into line with those available for faculty and unionized staff. The early retirement provision often proved very helpful to management in achieving organizational change in a fair and sensitive way. In response to a member's question, Professor Finlayson said that the requirements for early retirement, as contained in the pension plan documentation, would remain unchanged; in particular, the program would be available only to staff aged fifty-five years or more.

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

YOUR BOARD APPROVED

THAT the University extend the early retirement window for members of the administrative staff whose age plus years of service equal at least 75, who are not already eligible for this provision by virtue of their collective agreement, to June 30th, 2002, for retirement up to June 30th, 2003.

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17. Sigmund Samuel Canadiana Building: Purchase of Interest from the Royal Ontario Museum

Professor Finlayson recalled that the University had been working for some time to purchase unqualified possession of the Sigmund Samuel Canadiana Building - the gray three-story building on Queen's Park Crescent just to the west of the Ontario legislature. In 1989, the University and the Royal Ontario Museum had reached an agreement whereby the University would purchase all of the Museum's interests in the Building for \$2.75-million. That agreement had not come to fruition because the Museum had not at the time been able to find alternative space. Because of changed circumstances, the University had been able to purchase full rights to the Building at a significantly lower price of \$1.45-million, plus the gift of two cryptogamic herbaria and payment of moving expenses for those herbaria. The purchase of full rights to the Building was consistent with the University's real estate strategy, given that the Building was located in the heart of the St. George Campus.

The President noted that the Chairman of the Governing Council and himself were *ex officio* members of the Board of the Museum. Because of their conflict of interest, they had abstained from discussion and voting on the matter. He was able to report, however, that the Board of the Museum was highly pleased with the agreement. He noted that the University's use of the Building had not yet been determined.

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

YOUR BOARD APPROVED

THAT, pursuant to the Governing Council resolution of December 16th, 1993, the terms and conditions of the University's recovery of possession of the Sigmund Samuel Canadiana Building, as described in Professor Finlayson's memorandum of March 17th, 2000, be approved.

18. Budget: Interim Operating Budget Appropriations

Mr. White said that because of the late Government announcement concerning funding and tuition fees, the budget for 2000-01 would not come before the Governing Council until well after the May 1st beginning of the fiscal year. He proposed that the Board authorize spending for the normal operation of the University for the first two months of the fiscal year.

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18. Budget: Interim Operating Budget Appropriations (Cont'd)

On the recommendation of the Chief Financial Officer,

YOUR BOARD APPROVED

THAT the administration be authorized to spend up to \$155-million for the normal operation of the University of Toronto for the period May 1st, 2000 to June 30th, 2000.

19. Administrative User Fees and Fines, 2000-01

On the recommendation of the Vice-Provost, Planning and Budget,

YOUR BOARD APPROVED

The following amendments to the University Schedule of Administrative Users Fees and Fines, 2000-01:

- (i) the addition of administrative fees for the Postgraduate Medical Education program;
- (ii) the addition of the Additional Qualifications Program assessment fee;
- (iii) the addition of the Department of Physical Therapy clinical placement fees;
- (iv) the addition of the Woodsworth College summer course fee for the Field Archeology course in Jerusalem;
- (v) the addition of the B.Sc. Pharmacy application fee
- (vi) the addition of the Faculty of Dentistry Qualifying Year program laundry fee; and
- (vii) the discontinuation of the Career Management Services fee at the Rotman School of Management.

The Board received, for information, the report on adjustments to the existing administrative users fees and fines, made to reflect increased costs, as well as the complete Schedule of Administrative User Fees and Fines. A memorandum from Professor McCammond, dated March 27th, 2000 had been placed on the table for the meeting. That memorandum contained a late change to the report for information - adjustments to the Dentistry laundry fees for years 1 - 4.

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20. Ancillary Operations: University of Toronto at Mississauga: Establishment of Separate Ancillary Operations for Residences and for Conference Services

On the recommendation of the Chief Financial Officer,

YOUR BOARD APPROVED

THAT the University of Toronto at Mississauga Residence and the University of Toronto at Mississauga Conference Services be designated as separate unincorporated service ancillary operations.

21. Enrolment Report, 1999-2000

The Board received, for information, the Enrolment Report for 1999-2000.

22. Operating Fund Forecast, 1999-2000

The Board received, for its information, the operating fund forecast for the fiscal year ending April 30th, 2000. A member observed that the projected outcome was a deficit on the year's operations of \$3.2-million in contrast to the small budgeted surplus.

In response to a member's question, Professor Sedra said that the extra cost of accommodating students in a hotel, arising from the delay in the completion of Graduate House, would not be borne by the operating budget and did not appear in the financial forecast.

23. Cost-Recovery Ancillary Fees, 2000-01

The Board received, for information, the report on cost-recovery ancillary fees for 2000-01.

24. 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 the following items:

(a) Defalcations: insurance recovery. Professor Finlayson had reported to the previous meeting alleged frauds by a former Property Manager, Mr. Kenneth McMaster, who had been discharged from the University and charged by the police with fraud. The University carried insurance against crime, and it expected to recover its losses for work that had been billed by Mr. McMaster's companies but indisputably not completed.

(b) Labour contract negotiations. Union contracts were now in place with all of the University's unionized employees, with the exception of two groups. A "no board" report had been issued with respect to conciliation efforts in negotiations with the operating engineers. The union would be in a legal strike position as of midnight on March 30th, 2000. The University

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

was still striving to reach a settlement. Negotiations were continuing with the aid of a conciliation officer with the union representing University police officers.

(c) United Steelworkers of America: implementation of the new agreement. The Human Resources Department had achieved considerable success in implementing the transition to the new collective agreement with the Steelworkers' Union. This had involved, among other things, (i) revising systems to accommodate the new grid system for salary increases and the new union-dues payments, and (ii) training managers. Members of the locals would elect their new executive during the week of March 27th. One current member of the Board, Ms Judith Wilson, and one past member, Mr. John Malcolm, were running for office.

25. Date of Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Monday, May 1st, 2000 at 5:00 p.m.

The meeting adjourned at 7:20 p.m.

Secretary

Chair

April 14th, 2000