

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 107 OF THE BUSINESS BOARD

October 2, 2000

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, October 2, 2000 at 5:00 p.m.
in the Croft Chapter House, University College, with the following members present:

Ms Rose M. Patten (In the Chair)
Ms Wendy M. Cecil-Cockwell, Chairman
of the Governing Council
Professor Robert J. Birgeneau, President
Professor Michael G. Finlayson,
Vice-President - Administration
and Human Resources
Ms Sheila Brown, Acting Chief
Financial Officer
Dr. Robert Bennett
Mr. Brian Davis
Ms Susan Eng
Dr. Anne Golden
Mr. Josh Koziobrocki
Professor Brian A. Langille
Ms Karen Lewis
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
The Hon. David R. Peterson
Professor Ronald D. Venter
Ms Nancy L. Watson
Mr. Robert S. Weiss

Dr. Jon S. Dellandrea, Vice-President
and Chief Development Officer
Professor Derek McCammond,
Vice-Provost, Planning and Budget
Miss Janice Oliver, Assistant Vice-
President, Operations and Services

Secretariat:

Mr. Neil Dobbs
Ms Susan Girard

Regrets:

Mr. H. Garfield Emerson
Mr. Paul V. Godfrey
Mr. James S. Kinnear

Mr. Amir Shalaby
Mr. Terrence L. Stephen
Mr. John H. Tory

In Attendance:

Mr. Don Beaton, Director, Real Estate
Ms Rivi Frankle, Director of Alumni and Development
Mr. Brian Marshall, Director of Human Resources
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. Allan H. Shapira, Hewitt Associates

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

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ALL ITEMS ARE REPORTED FOR INFORMATION.

1. Chair's Remarks

The Chair welcomed new members and invited continuing members to introduce themselves. She outlined the principal functions of the Board. First, the Board was charged to ensure that the University was managing its resources responsibly and effectively. The management of the University was accountable to the Business Board for its use of public monies. That did not mean that the Board decided how the University's resources were to be used. On the contrary, the University was, in many ways, a self-governing community. Therefore, the Academic Board (which consisted largely of members of the faculty, staff and students) had primary responsibility for the University's budget. The Business Board was, however, called on to advise the Governing Council whether the budget was fiscally responsible. Similarly, the Academic Board determined the list of priorities for building projects, but the Business Board was responsible to ensure that they were being carried out in a cost-effective manner and that they were soundly designed and financed. Second, the Business Board oversaw policy and approved major transactions in the business management of the University. Members were asked to contribute their business expertise to help the University to manage its business affairs well. The Board was responsible for such areas as finance, personnel policy for non-academic staff, and contractual relations with employee groups. Finally, members were asked to serve as ambassadors of the University to the public, and the Board was responsible for policy and programs in such areas as public and alumni relations and fundraising.

2. Report of the Previous Meeting

Report Number 106 (June 22, 2000) was approved.

3. Report on Capital Projects

The Chair said that the report was intended to provide context for members to assist them in monitoring the progress of the University's extensive capital program. Among the items that arose in discussion of the report, and in the more general discussion of the proposal concerning the Bahen Centre for Information Technology (see item 4, below), were the following.

(a) Co-ordination of design work. A member referred to the report concerning Graduate House and the Parking Garage beneath it. That report included a statement that "changes due to a lack of coordination in the drawings has resulted in costs that are higher than anticipated." Miss Oliver explained that the coordination problems arose when there were elements of incompatibility among the architects' overall drawings and the plans provided by the specialized consultants providing design for other elements such as the electrical and mechanical systems. This was a frequent problem in construction projects, and in the early 1990s the University had included an error factor of 4% of the total contingency budget (which was 10% of the construction cost) to deal with any such problems. In the current hectic construction market, however, the provision for such errors

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had been increased to about 7% of the contingency budget. For the University's largest current project, the Bahen Centre for Information Technology, the University had extended the schedule to provide more time for coordinating drawings in an effort to reduce the problem. It was, however, very difficult to achieve 100% coordination without adjustments. In response to a question, Miss Oliver said that the general contractor, during construction, would discover the problems in the fit of the designs. In the case of the forthcoming major project, the planned Woodsworth College Residence, the University had asked the architects to provide a specific statement of the time they would require to prepare their drawings and to coordinate them with the other consultants. Every effort would be made to provide the time required to minimize the coordination problems.

(b) Munk Centre for International Studies. A member expressed her admiration for the project. The means used to link the three buildings of the former Devonshire House Residence had achieved the purpose with great beauty while preserving the historical character and features of the original buildings.

(c) Varsity precinct project. A member noted that the report did not include the buildings planned on the site of the current Varsity Stadium. Miss Oliver explained that those buildings had not yet been approved; the capital projects report included only approved projects.

(d) Extent of the construction program. In response to a member's question, Professor Finlayson anticipated that the University was entering a period of building construction of an extent not experienced since the 1960s. In addition to the Bahen Centre for Information Technology, a substantial number of student residence buildings were planned, and the University was seeking funding for a number of other buildings in its capital plan.

(e) Debt financing for buildings. Arising from the proposal to use debt financing, if necessary, for a part of the cost of the Bahen Centre for Information Technology (see below), two members asked whether the University had a policy on borrowing to finance capital projects. If there was no such policy, should one be put in place? Professor Finlayson, Professor McCammond and Ms Brown replied that borrowing was commonplace for buildings that would produce an income stream to repay their cost. Such buildings included student residences, where borrowing was repaid from residence fees, or parking facilities, where loans were repaid from user payments. It was unusual to borrow for buildings that would not generate income. In the case of the Bahen building, it had become apparent over the past few months that it would be sensible and prudent, given the demand for space on campus, to make use of the maximum permissible density and to assume some risk of incursion on the operating budget in order to do so. The President thought that there was some possibility that the Government of Canada would agree to pay the full cost of the research it funded, including the cost of overhead on research grants. If it did so, the situation would change radically for the better. Given that possibility, it would not be appropriate to develop a policy on borrowing to fund research buildings at this time. Should that possibility not materialize, it might well be useful to consider a policy on the debt financing of buildings.

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3. Report on Capital Projects (Cont'd)

In response to a member's question, Ms Brown said that it was typical to provide bridge financing for projects from internal funds while the projects remained under construction. When a project was complete, a loan would be arranged from an external lender.

(f) Provision for inflation in construction costs. A member noted that project budgets included a contingency amount to account for, among other things, inflation in construction costs, currently one half of one percent per month. Did that inflation factor take into account the additional pressure on construction costs that might arise if Toronto were successful in its bid for the 2008 Olympic Games? Professor Finlayson replied in the negative. It was anticipated that much of the University's current construction program would be completed before any of the construction activity that would take place if Toronto was successful in its Olympics bid. The primary pressure on the construction market currently arose from the airport, university and hospital expansions.

A member commented that the extent of inflation in construction costs was frightening. Would there be need to rethink the University's construction program? Miss Oliver noted that the market had been relatively normal as recently as twenty-four months ago. Since that time, however, there had been a growing scarcity of skilled tradespeople and materials. For example, when tenders had been called for the installation of elevators in the Bahen Centre, only one contractor had responded. Professor Finlayson said that while the timing was very poor in terms of the state of the construction market, the University was under a great deal of pressure to proceed. For example, the Government of Ontario regarded it as a matter of urgency that this University and others train more students in computer science and computer engineering, and it had provided funding for the necessary facilities with the condition that enrolment be expanded quickly.

(g) Possible construction on the back campus. In response to a member's question, Professor Finlayson said that University College would like to construct a new residence building on the back campus on the south side of Hoskin Avenue, creating a new courtyard between the proposed residence building and the Laidlaw Wing of the College. The member, while supporting the plan to construct additional student residence buildings, expressed the strong view that the back campus was the wrong place to do so. It should be left as an open space and playing field. The Chair said that the President would no doubt take note of the member's view; consideration of the matter was within the jurisdiction of the Planning and Budget Committee of the Academic Board.

(h) Need for an overview of the capital program. A member noted that the official plan for the University precinct included twenty-seven sites for development. In addition, the University had adopted its ambitious open-space plan. Another member commented that it would be very helpful to have an overview of the University's plans over the next several years, with a running tally of the funding required and available. A third member supported the idea. She noted that the redevelopment of the Varsity Stadium precinct was likely to involve major and expensive

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construction. If, for example, the University were to exhaust its resources on the Bahen Centre, possibly incurring debt to complete that project, then it might not have sufficient resources to proceed with the redevelopment in the Varsity Stadium area. Yet, the latter project might well be a higher priority. There was clearly a need for an overall view. A member stressed the importance of including deferred maintenance in such an overview. Professor Finlayson replied that the Governing Council had approved an update to the University's capital plan. He would be very pleased to bring forward a report on the capital projects on that plan and the University's progress toward fulfilling the plan.

4. Bahen Centre for Information Technology

Miss Oliver said that it was important to understand the magnitude of the project. A 49,000 square metre building was one half the size of the Robarts Library. Miss Oliver had signaled in June that that she would be requesting approval for an expanded project and for additional project funding owing to cost escalation in the Toronto construction market. The increased scope of the project was described in the draft memorandum to the Planning and Budget Committee, included with the proposal. The intention of expanding the scope of the project was to make maximum possible use of the building space permitted by City zoning regulations. Doing so was necessary in view of the intense pressure to provide additional space for research activities. The objective would be achieved by constructing a shelled-in sixth floor for the building. The proposal also envisaged the addition of a block chiller plant. The chillers serving three nearby buildings (the Koffler Student Services Centre, the 215 Huron Street office building, and the Faculty of Pharmacy) had outlived their recommended service life, used chloroflourocarbon refrigerant, and should be replaced. The construction of a single chiller plant in the new Bahen Building could serve economically not only that building but also the three nearby buildings. It would also be appropriate to provide sufficient space in the chiller plant to allow the addition of capacity to provide cooling to the McLennan Physical Laboratories, the Lash Miller Chemical Laboratories and a new building that might in the future replace the Faculty of Nursing building. This too would bring about savings in capital and operating costs. The existing chillers in the Chemistry and Physics buildings were also reaching the end of their useful lives. Miss Oliver anticipated bringing forward, in one or two years' time, a recommendation to complete the shelled-in sixth floor and to add the chiller capacity. It was also proposed at this time to add to the space of the building to provide for more "crush space" outside of the highly concentrated classroom areas. Finally, it was necessary to make provision for inflation in the cost of construction in the Toronto market. The University had been advised to allow for one half of one percent per month. It was proposed to add \$4-million to the cost of the project for the inflation allowance. The combination of the four items resulted in the proposal to increase the approved cost of the project by \$16.533-million to a total cost of \$104.633-million. The project was being overseen by a construction management firm and was being completed through a sequence of tenders. The project was on budget according to the cost proposal now before the Board.

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The Chair noted that the Business Board's role with respect to capital projects was to satisfy itself that the project was being executed well and at an appropriate cost - that the University was getting good value for money. The Board should also be satisfied that the financing for the project was secure - that the University would not find itself with unpaid bills after the project was complete.

Questions and discussion focused on the following matters. (Some of the more general discussion that took place during consideration of this item is recorded above, under item 3, Report on Capital Projects.)

(a) Net to gross space ratio. A member noted the statement in the draft memorandum to the Planning and Budget Committee that "the planned net to gross ratio of 1.8, appropriate for most buildings on campus, did not recognize the complexity of the site and the program requirements." He asked whether it was usual that little more than 50% of the gross space in a building was assignable for building uses. Miss Oliver replied that the ratio depended on the type of building. In buildings used for teaching and research, much more space was required for building services such as corridors, washrooms, elevators, service penthouses and so on. The Ministry of Training, Colleges and Universities guideline for gross to net space was 1.8 to 1, and the ratio for the Bahen Building would be somewhat higher. The Ministry definition varied from the ratios used in the real estate industry where, Mr. Beaton reported, a highly efficient office building might have a 90% net rentable to gross ratio. The methods used for office buildings were, however, different methods of measurement than the University's and the Council of Ontario Universities' net assignable measure.

(b) Funding for the project. In response to questions, Professor McCammond noted that funding for much of the total cost of \$104.633 million had been secured from Government sources, private-sector contributions and various University funds. An amount of \$21.7-million of funding remained to be obtained from additional private and corporate contributions. Should any shortfall remain, a mortgage loan would be arranged to be repaid from the operating funds of the Faculty of Arts and Science and the Faculty of Applied Science and Engineering. Even without the proposal to increase the scope and cost of the project, it had been necessary to provide for the possibility of a mortgage loan to be repaid by the two Faculties, as a last resort in the event of a funding shortfall. Without the expanded scope and cost, the amount would, of course, have been smaller. Dr. Dellandrea said that the Deans of the two Faculties were making every effort to raise the funding required for the building and to avoid use of their operating funds for mortgage loan payments. They had succeeded to date in raising approximately \$15-million of the \$21.75-million of outstanding funding.

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4. Bahen Centre for Information Technology (Cont'd)

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

YOUR BOARD APPROVED

Subject to Governing Council approval of (i) the revised scope of the project to 19,300 net assignable square metres; (ii) the revised project cost of \$104.633-million and the revised funding sources; and (iii) an allocation of a \$5.197-million from the University Infrastructure Investment Fund,

THAT the Vice-President – Administration and Human Resources be authorized to complete the execution of the Bahen Centre for Information Technology building at an additional cost of \$16.533-million, for a total project cost not to exceed \$104.633-million.

5. Reports on Approvals under Summer Executive Authority, 2000

The Board received, for information, the annual report on three matters within the Board's terms of reference that had been approved by the President and Chairman of the Governing Council under delegated summer executive authority.

(a) McClelland & Stewart Gift: Signing Authority. Because of the transition in the Presidency over the summer, it had been expedient to permit either the President or the Chairman of the Governing Council, along with the Secretary of the Governing Council, to execute the documents related to the gift of three quarters of the shares in McClelland & Stewart Ltd. The original Governing Council approval had specified the President along with the Secretary as the signing officers.

In response to a member's question, Professor Finlayson said that it was intended that McClelland & Stewart would continue to operate as a business and wholly independently of the University. At the time of the Board's discussion of the gift of shares in the company, it had been suggested that the University should seek to make available internship opportunities for students at the publishing house. Professor Finlayson undertook to look further into the matter and to report to the member at the next meeting.

(b) Capital Project: Faculty of Architecture, Landscape, and Design, Phase III. The Vice-President - Administration and Human Resources had been authorized to complete Phase III of the renovations to 230 College Street at a total cost not to exceed \$690,000.

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5. Reports on Approvals under Summer Executive Authority, 2000 (Cont'd)

A member noted that the project had originally been approved under administrative authority at a cost of just under \$500,000. That cost had increased by \$192,000. While the dollar amount was not large, it represented an increase of more than 35% over the original cost. Miss Oliver explained that the original architectural drawings had been ambitious relative to the planned cost for the project. After the project had been tendered, it was clear that the cost would be well in excess of the approved cost. Therefore, every effort had been made to cut back on elements of the project in order to reduce the cost. Notwithstanding those efforts, it had still been necessary to appropriate more money to complete the scaled-down design.

In response to a member's question, Miss Oliver said that the full project to renovate the Faculty of Architecture, Landscape, and Design Building would be completed over several phases and would cost \$9-million in total.

(c) Capital Project: Woodsworth College Residence. The Vice-President - Administration and Human Resources had been authorized to expend up to \$2,500,000 for the design and site-development work related to the new Woodsworth College Residence, and the Chief Financial Officer had been authorized to arrange bridge and term financing as required, either internally or externally.

6. Calendar of Business, 2000 - 01

The Board received, for information, its Calendar of Business for 2000-01. The Chair said that the Calendar of Business included the items planned to come before the Board in 2000-01. The scheduling was subject to change. The timing was not precise. Changes might arise for a variety of reasons, including the emergence of new priorities and problems.

A member referred to an item of business shown as "planned but not yet scheduled," the revisions to the Policy on Steps in the Execution of Capital Projects. Given difficulties that had occurred in the execution of some recent projects, the member urged that there be a specific target date for consideration of the revised policy. Professor Finlayson took the member's suggestion under advisement and undertook to report on the outcome at the next meeting.

7. Report Number 57 of the Audit Committee – June 21, 2000

The Chair recalled that the Business Board, at its meeting of June 22, had endorsed the Audit Committee's recommendations to approve the audited financial statements and to appoint external auditors. Those recommendations had subsequently been approved by the Governing Council. The Report of the Audit Committee's meeting, held the day before the Business Board meeting, was received for information.

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8. Quarterly Report on Gifts and Pledges over \$250,000, May 1 – July 31, 2000

The Board received for information the Quarterly Report on Gifts and Pledges over \$250,000, May 1 – July 31, 2000. Dr. Dellandrea noted that previous quarterly reports had listed gifts amounting to between \$7-million and \$10-million. The sum of the gifts listed on the current report was \$83-million. Members expressed their pleasure at receiving the report of such outstanding results and congratulated Dr. Dellandrea and his colleagues on this remarkable success.

9. Reports of the Administrative Assessors

(a) Human Resources Policies for Non-Union Administrative Staff

Professor Finlayson recalled the Board's discussion at the time of its approval of the University's first collective agreement with the United Steelworkers of America, which represented the largest part of the University's administrative staff. At that time, Professor Finlayson had undertaken to bring forward to the Board recommended policies for the approximately 600 administrative staff who were not members of collective bargaining units. The Human Resources Department had in September initiated a process of consultations with those staff members, aimed at arriving at appropriate policies. Those consultations had taken the form of focus group meetings led by external consultants. Professor Finlayson hoped to bring a proposed set of policies initially to the Human Resources Management Board, in two to three months' time, and then to the Business Board for approval.

(b) Sigmund Samuel Canadiana Building

Professor Finlayson reported with pleasure that a ceremony had taken place earlier in the day at which the University had taken full possession of the Sigmund Samuel Canadiana Building, the handsome building on Queen's Park Crescent West across from the Ontario Legislature. The building had originally housed the Ontario Archives as well as the Canadiana Gallery of the Royal Ontario Museum. The transfer had followed a nine-year process of negotiation with the Museum. It had been achieved on terms consistent with those approved previously by the Business Board and at a cost that was fair to both parties.

10. Date of Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Monday, November 20, 2000 at 5:00 p.m.

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A member referred to the establishment, by the Minister of Training, Colleges and Universities, of an Investing in Students Task Force that would "study existing college and university administrative operations and receive proposals from institutions to see where new technologies and best practices can be introduced so that current and future spending can be re-invested to assist Ontario's colleges and universities to respond to the new challenges they will face in this period of rapid growth." [Terms of Reference of the Task Force] The member suggested that the University act in advance of the Task Force to develop measures of productivity to evaluate itself. The member was uncertain what measures might be used. They might, for example, include cost per student in various departments or cost per degree program completed. He understood that outcome would properly vary by department. For example, the cost of training students in laboratory science disciplines would no doubt exceed that of training students in the humanities. Nonetheless, such a study would help the University internally with its resource planning, and it would put the University in a position to respond well to the Government Task Force. The member noted that while the Provincial Task Force was dealing with administrative efficiencies, he was primarily concerned about the University's efficiency in delivering academic programs. Another member noted that proposals for performance benchmarks were frequent in many fields. In some circumstances, such measures were useful. In other cases, they were not. How, for example, could a social agency be measured on its success in increasing the self-esteem of its clients? The member asked whether other institutions had established useful performance benchmarks, which would provide some basis for believing that the proposed exercise would be valuable. A third member asked for further information on the new Ontario Task Force.

The President and Professor Finlayson replied. The University applauded the establishment of the Investing in Students Task Force. The University would make a submission to the Task Force, and it was optimistic that the outcome would be a worthwhile set of proposals. Those proposals might well lead to one-time-only investments by the Government, for example, to support certain administrative initiatives. Moreover, with the Minister of Training, Colleges and Universities satisfied that the institutions had achieved all possible administrative efficiencies, she would be in a good position to support additional funding to assist the institutions in dealing with the substantial enrolment growth anticipated over the next few years. The University was already engaging in an extensive program of self-evaluation. The Deputy Provost had presented her extensive annual report on quantitative performance indicators to the Governing Council on September 14, 2000. That report included comparative data on such things as student demand for places in the University, entering averages, student retention rates, research performance of faculty, employment rate of graduates, and faculty:student ratios. Professor Finlayson's annual report to the Business Board included a number of performance measures such as caretaking efficiency (area maintained per staff member), accident frequency, and long-term disability costs. Indeed, the President's aspiration for the University of Toronto was that it become one of the top ten public research universities in the world; achievement of

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11. Other Business (Cont'd)

Productivity Measures (Cont'd)

that goal could be demonstrated only on the basis of performance measures. It was, however, highly problematical to speak of efficiency as a useful or appropriate measure of the academic activity of a research university. The President cited the case of a faculty member at a U.S. university who traveled a long distance to give a graduate seminar to only two students - a self-evidently inefficient way of delivering a course. Both of those students, however, eventually accomplished extraordinary scientific achievements, providing great benefit to humanity, and both were eventually recognized by Nobel prizes. No good research university could let efficiency experts dictate how it carried out its teaching and research work. While the University of Toronto applauded efforts to improve administrative efficiency across the Province, it would be very protective of its academic freedom.

The member commented that he was personally skeptical that a University would produce better teaching and research if it was less efficient than it could be.

12. Real Estate: Proposed Transaction

THE BOARD MOVED *IN CAMERA*.

On motion duly made and seconded, it was RESOLVED

THAT pursuant to section 33(i) of By-Law Number 2, the Board consider the following items in closed session: the proposed real estate transaction, the briefing on relations with the Faculty Association, the appointment of co-opted members to the Audit Committee, and any closed session reports, with guests and staff members named by Professor Finlayson invited to attend to assist the Board in its consideration of particular items.

The proposal concerning a proposed real estate transaction was resolved *in camera*.

13. Background Briefing: Relations with the Faculty Association

Professor Finlayson briefed the Board *in camera* on a matter pertaining to relations with the Faculty Association.

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14. Appointment of Co-opted Members to the Audit Committee

On the recommendation of the Acting Chair of the Business Board and the Chair of the Audit Committee,

YOUR BOARED APPROVED

THAT the following be appointed to the Audit Committee for terms continuing to June 30th, 2001:

Ms Paulette L. Kennedy, and
Mr. Richard Nunn

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:30 p.m.

Secretary

Chair

October 10, 2000