UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 60 OF

THE PLANNING AND BUDGET COMMITTEE

April 24 and May 9, 2000

To the Academic Board,
University of Toronto.

Your Committee reports that it met on Monday, April 24 and Tuesday, May 9 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Professor David Mock (In the Chair)
Professor Ronald Venter (Vice-Chair)
Professor Adel S. Sedra, Vice-President and Provost
Professor Derek McCammond, Vice-Provost, Planning and Budget
Professor Michael Finlayson, Vice-President, Administration and Human Resources
Professor Carl Amrhein**
Dr. John Challis**
Professor Raymond Cummins
Professor Ruth Gallop
Professor Avrum Gotlieb**
Mr. Arvin Hariri**
Professor Susan Horton
Professor Bruce Kidd
Professor Michael Marrus**
Mr. Elan Ohayon
Ms Jacqueline Orange**
Professor Paul Perron
Ms Nancy Reid*
Ms Wendy Talfourd-Jones
Professor Fred Wilson
Ms Judith Wilson**
Mr. Vilko Zbogar**

Secretariat:

Ms Susan Girard
Ms Margaret McKone*
Mr. Neil Dobbs**

Regrets:

Mr. Brian Burchell

*present April 24 only, ** present May 9 only

In Attendance:

Professor Ian Orchard, Vice-Provost, Students*
Miss Janice Oliver, Assistant Vice-President, Operations and Services*
Professor Melvin Silverman, Senior Advisor to the Vice-President, Research and International Relations*
Ms Sheila Brown, Controller and Director of Financial Services
Mr. Louis R. Charpentier, Secretary of the Governing Council
Mr. Martin England, Assistant Vice-Provost
Dr. Beata FitzPatrick, Assistant Provost
Professor Rhonda Love, President, University of Toronto Faculty Association**
Mr. Eamonn McKernan, Treasurer, Graduate Students' Union*
Mr. Paul Tsang, past president, Graduate Students' Union

THE MEETING WAS HELD IN OPEN SESSION. ITEM 4 CONTAINS A RECOMMENDATION FOR APPROVAL.

1. Add to the Agenda

On motion duly moved and seconded,

YOUR COMMITTEE APPROVED

THAT an item concerning the resource implications of the proposed Professional Pilot and Aviation Management Diploma Program in the Faculty of Applied Science and Engineering be added to the agenda.

The Chair also noted that item, the Contractual Obligations and Policy Commitments List, would be considered for approval by the Committee for inclusion in the budget report and not for information as shown on the agenda.

2. Report of the Previous Meeting

Report Number 59 (March 7, 2000) was not ready for distribution to members at this time and would be considered at the next meeting.

3. Business Arising

The Chair recalled that a question had been asked about the Canada Research Chairs Program and this would be dealt with under the Senior Assessor's Report. There were no other items of business arising.

4. Capital Project: Munk Centre for International Studies - Funding Allocation

The Chair noted that this item was before the Committee to consider a recommendation to change the total cost of the project with its related sources of funding and to allocate funds in support of the project from the Capital Renewal Fund (CRF). This recommendation would proceed to Governing Council for approval.

Professor McCammond recalled that this capital project included the renovation of the three Devonshire houses; the work on the north and south houses was being done by the University and the east house was being renovated by Trinity College as a library.
The report of the users' committee for this project had been approved in 1997 at an estimated cost of $10 million, to be funded by a $4 million US donation ($4.65 million Canadian) and up to $5.35 million to be advanced from the Capital Renewal Fund, the advance plus debt service charges to be repaid from government funding and/or further donations. At the time, it was noted that if there was a shortfall in the funding from these sources, a recommendation would be brought forward for a funding allocation from the Capital Renewal Fund or the University Infrastructure Investment Fund (UIIF). This project had not been successful in recent competitions for government funding and the recommendation for an allocation from the CRF was now before the Committee for consideration.

Professor McCammond noted that in 1999, approval was given for an increase in the project cost to $11.98 million. The estimated cost was now $13.03 million with the funding sources shown in his memorandum. The recommendation also included an allocation from the Capital Renewal Fund of $6.095 million.

4. Capital Project: Munk Centre for International Studies - Funding Allocation (cont'd)

A member questioned the amount of the original donation. Professor McCammond confirmed that it was $4 million US or $4.65 million Canadian which, together with the advance from the Capital Renewal Fund of $5.35 million, made up the original estimated cost of $10 million.

A member expressed his concern about the cost overrun and about the lack of government funding. Professor Sedra said that the University had expected to receive government funding for this project. However, for a number of years, the government had provided no funds for capital projects. Recently, with the announcement of the SuperBuild Growth Fund, the government indicated its interest in funding capital projects and the University had submitted a list of projects for the competition. In fact, the University had done very well in the allocation of the SuperBuild funds but this project had not received funding. In response to a question about why it did not receive government funding, Mr. England speculated that because the project would not provide new undergraduate student spaces it might not have fared well in the ranking process.

Professor Finlayson responded to the concern about the cost overrun. Because of concerns raised about the construction of both the Munk Centre and the Graduate House, he had invited a consultant, Mr. Ronald Soskolne, to do an informal audit of the two projects and determine why the University was not doing as well as it might. He was also asked to give a preliminary assessment of the Centre for Information Technology (CIT) project. Professor Finlayson gave a full report of Mr. Soskolne's findings to the Business Board which remained seized of the matter. Mr. Soskolne had made a number of suggestions that were being implemented. He was also able to report that the situation was much better with respect to the CIT project where the University had hired a project management firm and there was a very good working relationship between the Chair of the implementation committee, Professor Emeritus Peter Boulton, and the project management firm.

A member was pleased to hear about the hiring of a project management firm, a recommendation that was part of the report from the review of Operations and Services. That report also contained a number of other recommendations on capital project management and he asked whether these were being implemented. Professor Finlayson indicated that the recommendations were under consideration. In particular, the links between the Provost's Office which dealt with the planning stages and his office and Facilities and Services which dealt with the construction were being reviewed in consultation with the incoming President. A number of the recommendations were informing the CIT project.

With respect to the additional costs, Professor Sedra noted that one factor was the choice of the original contractor who had had little experience renovating historical buildings. Professor Finlayson said that "change orders" arose from the differences in the project as tendered, and the more precise architectural measurements and design details that would be produced as the project progressed. Miss Oliver explained that "adverse site conditions" referred to such problems as the doors' varying in size throughout the building instead of being a standard size. A member asked whether the contractors were required to pay when the costs exceeded those agreed to in the tender. Miss Oliver explained that some errors and omissions were made by architects in the drawings which led to cost overruns and for this reason, each project had a contingency budget of approximately 4 percent to cover such costs. The member asked if the architects were asked to re-imburse the University. Professor Finlayson undertook to provide a report on cost overruns.

In response to a question, Miss Oliver said that the new completion date for the Munk Centre was May 31 but that there was currently a concrete strike which might affect that date.

4. Capital Project: Munk Centre for International Studies - Funding Allocation (cont'd)

A member asked about the allocation from the Capital Renewal Fund (CRF) and why it had been chosen over the UIIF. Professor McCammond replied that in 1997, the understanding was that the funding would come from the Capital Renewal Fund but the UIIF had been given as an alternative. The recommended source of the allocation was the CRF which had sufficient funding to cover the allocation. Professor Sedra explained that capital funding from the government flowed into the CRF. The UIIF, on the other hand, was formed from internal university allocations. A member asked whether there was any consequence of using about one half of the balance in the CRF for this project. Professor McCammond indicated that there were no other outstanding commitments for the funds. If there were need for capital funds for other projects, the administration would determine whether the CRF or the UIIF would be the better source for funding and make appropriate recommendations.

A member expressed concern about the problems associated with matching funding programs. Professor Sedra clarified that there were no matching fund requirements connected with this project. The member continued that this capital project had proceeded on the expectation that it would receive government funding. When that funding did not materialize, it had to be funded by $6 million from the CRF, funding that could have been spent elsewhere. There were existing facilities that needed improvements and more student housing was required. The funds could have been spent on these items or put toward addressing accessibility issues. He noted that recently large allocations had been given to the Rotman School of Management and the King's College Circle capital project totalling $4.6 million. He had given a notice of motion to the Academic Board and he wished to give the same notice of motion, namely, that $4.6 million be immediately allocated to ensuring accessibility to currently inaccessible facilities.

Several members asked what would be the effect of not approving the allocation from the Capital Renewal Fund. Professor McCammond said that the time to have said no to the allocation would have been in 1997. The funds from the CRF have been spent on the understanding that it was bridge financing. Since funding from government or private donations was not forthcoming, a motion was needed to complete the recommended sources of funding for the project. The motion would, in effect, forgive the loan from the CRF.

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

(a) THAT the increased project cost of $13.03 million for the Munk Centre for International Studies be approved, funded from the sources as outlined in Professor McCammond's memorandum dated April 12, 2000, a copy of which is attached hereto as Appendix "A", and

(b) THAT a $6.095 million allocation from the Capital Renewal Fund to the Munk Centre for International Studies capital project be approved.

5. Senior Assessor's Report

Professor Sedra welcomed Professor Silverman to the meeting. Professor Silverman was the senior advisor to Professor Heather Munroe-Blum, Vice-President, Research and International Relations.

5. Senior Assessor's Report (cont'd)

(a) Task Force on Graduate Student Financial Support

Professor Sedra asked Professor Orchard to give a progress report on the work of the Task Force on Graduate Student Financial Support.

Professor Orchard noted that two members of the Task Force were present, Professor Venter and Mr. Tsang. He said that the Task Force was close to submitting its final report. A second open forum was planned for the following week at which feedback on a consultation draft would be sought. Professor Orchard indicated that a great deal of information had been accumulated based on 1998-99 data. A total of approximately $73 million (including $4.2 million for OISE/UT) in support was distributed to graduate students. The $69 million (excluding OISE/UT) was spread over the four divisions of the School of Graduate Studies as follows: Divisions I and II received $11.3 million and $10 million respectively, while Divisions III and IV received $20.3 million and $27.4 million. The difference in funding available for Divisions III and IV was due in large part to a larger base of external funding. This difference would become more pronounced with the introduction of the Ontario Graduate Scholarship for Science and Technology (OGSST) awards. The average master's student funding was $11,300 per year and funding for doctoral students was $14,100 per year.

Professor Orchard said that the Task Force was recommending a guaranteed minimum package of support composed of $12,000 plus tuition (approximate value $17,000), for one year for master's students and for four years for doctoral students. This package would make the University competitive with peer US institutions. He noted that some departments would want to set a higher amount in order to maintain competitiveness. The next question was how much additional funding would be required to provide the $17,000 package. Based on the 1998-99 data, the shortfall at the doctoral level was $4.3 million for OISE/UT, $1.2 million for Medicine and $6 million for the remaining doctoral students. At the master's level, the shortfall was $9.6 million, for a total of $21 million. This year, 1999-2000, additional funding of $3 million was available from OSOTF and another $2.6 million from the inauguration of the OGSST.

Professor Orchard said that a number of master's degrees were terminal degrees and they were not designed to lead to doctoral degrees. It would be important to define doctoral stream programs. The Task Force had also looked at the possibility of support for students in the "post-4" years, those who needed longer than four years to complete their doctoral degrees. The current cohort had experienced rising tuition and it was recommended that those in years 5, 6 and 7 receive $2500 a year in support. It was also recommended that this "post-4" program support be reviewed after four years.

Professor Orchard reported that the Task Force suggested that a major fundraising campaign with a goal of $200 million for graduate student support was achievable. MIT had recently announced a similar campaign for graduate student fellowships. The overwhelming success of the OSOTF campaign had vastly improved the funding available for student support and led the Task Force to suppose another campaign could be successful. Echoing the recommendations in Professor Munroe-Blum's report on innovation and university research which called for increased support for training graduate students, University advocacy should be increased to maximize externally supported awards. Internally, the Task Force suggested that OSOTF funding be transferred more efficiently, that Connaught Fund support be re-examined, and that sources of matching funding be found. Progress on these issues would be monitored and the Planning and Budget Committee would be kept informed. In closing, Professor Orchard recorded his gratitude to Mr. England for supplying the Task Force with invaluable data.

5. Senior Assessor's Report (cont'd)

(a) Task Force on Graduate Student Financial Support (cont'd)

A member said that the work of the Task Force was enormously important. The proposed amount of support, $12,000, was however, difficult to live on in an urban area. With respect to the "post-4" support, he noted that some programs were, in fact, recognized to take longer than 4 years. He asked when the recommended support packages could be implemented. He was concerned about matching funding and the possible effect of its directing research undertaken by graduate students. Finally, he asked whether the Task Force had considered eliminating tuition instead of giving financial support to cover tuition. Professor Orchard indicated that the $12,000 figure was a minimum and, he believed, achievable; departments would augment this amount. He hoped that there could be immediate support for "post-4" students this September. There was a recommendation that additional funding be placed in the graduate fellowships budget this fall. The full set of recommendations could be implemented within five years. With respect to the matching programs, he explained that this referred to private donors who wished to contribute to student financial support but wanted their donations matched by University and/or government funds as the case was in the OSOTF program. The opportunity to have the donation matched made the campaign more attractive to donors. There was no directing of research involved. Lastly, he noted that the Task Force had not considered abolishing tuition fees. The member said it would be reassuring to students to see the five-year plan for implementing the recommendations.

A member said that it was important to keep a record of where the funding for graduate student support originated so that there would be a record of how much was contributed from the University's budget, from private funding and from the government. Professor Orchard said that the sources of the $73 million mentioned at the beginning of his report had been broken down and he suggested that that information would be contained in the administrative response to the Task Force's report.

(b) Canada Research Chairs Program

Professor Sedra stated that the Canada Research Chairs program, previously called the 21st Century Chairs program, was a wonderful initiative on the part of the federal government to create 2000 chairs in Canadian universities. There were two types of chairs: tier one or senior chairs were funded at $200,000 per year and tier two or junior chairs were funded at $100,000. These would be provided in equal numbers. It was his understanding that the chairs would be allocated as follows. There would be a 6% allocation (120 chairs) off the top to universities that were not research intensive. The remaining 1880 chairs had been assigned to the three granting councils for distribution. The Social Sciences and Humanities Research Council (SSHRC) had been allocated 20% of the chairs. The Natural Sciences and Engineering Research Council (NSERC) had received 45% and the Medical Research Council (MRC) had the remaining 35% of the chairs. The chairs would be distributed by the individual councils based on each university's share of the funding provided by that council, calculated on a three-year moving average. Based on the University's 1995-98 share of granting council funds, the University could expect to receive 39 chairs from SSHRC, 80 chairs from NSERC and 132 chairs from MRC. The universities might not be able to cross the boundaries of the Councils' allocations. Of course, research areas might cross disciplinary boundaries but the University would have to choose to which Council to submit each nomination.

Professor Sedra explained that junior chairs were held for 5 years, with one renewal. Senior chairs were held indefinitely, but would be reviewed every 7 years. The chair would not be lost to the University if the chair holder failed to continue to occupy it. The University expected to receive about 50 chairs a year or $7.5 million, with a total value to the University of $37.5 million as the program was phased in over the next five years. He noted that the

5. Senior Assessor's Report (cont'd)

(b) Canada Research Chairs Program(cont'd)

federal government had agreed to provide overhead costs. At this time there was very little in writing about the chairs but regulations had been promised repeatedly.

Internal distribution of the chairs would be based on a combination of top-down and bottom-up planning. Divisional plans would be an important component, particularly the identification of disciplinary areas to strengthen. There would be a process of consultation with principals and deans and other members of the University community to set the guidelines for the distribution within the University of Toronto.

In response to questions, Professor Sedra explained his understanding that the chair and the associated funding would remain in the department whether or not the original holder of the chair continued to hold it. If a chair holder no longer holds the chair, his/her salary would become the responsibility of the University. The precise details would have to be worked out between the Provost's office and the academic divisions. With respect to the seven-year review of senior chairs, Professor Sedra emphasized it would be a review of the holding of the chair rather than of the continued employment of the individual. If the salary, benefits, research overhead and a research supplement exceeded the $200,000 for a chair, the program would become a drain on departments. He hoped budgeted salary and benefits funding freed up by appointing internal candidates to chairs could be used to support the research program in general. Finally, he noted that the program was a long-term commitment; its funding was in the base budget of the granting councils. Since the allocation of the funding to support the chairs was based on a three-year moving average of an institution's share of the council's funding, any changes to an individual institution's entitlement would not be abrupt.

(c) Provincial Operating Grant and Tuition Fee Announcements

Professor Sedra referred to the documentation pertaining to the provincial funding announcements circulated with the agenda package. The announcements were very disappointing and highly unexpected, and included a two percent or $33 million increase in the operating funding for 2000-2001 for universities, divided into two funds. One percent or $16.5 million had been set aside for growth funding. To be eligible for funding from this fund, a university must accept in September 2000, as a minimum, one more first-year student than it had enrolled the previous year. Then a university's share of the fund would be based on the proportional increase in its enrolment of first-entry undergraduates. Professor Sedra recalled that last September, the University of Toronto had overshot its enrolment target by approximately 1,000 students. To participate, the University would have to replicate last year's increase. However, the BIU entitlement for these additional students would be discounted by 60 percent, a situation contrary to one of the fundamental conditions of enrolment growth in the *Framework* document. The administration had, therefore, decided not to participate in this exercise and consequently the University would not receive any part of the $16.5 million. He noted that the University of Waterloo had also decided not to participate. Professor Sedra believed that this would not be the way the government planned to continue to fund enrolment growth; this was a "quick fix" for this year.

The second fund of $16.5 million, divided into three equal parts, would be distributed among the universities on the basis of three performance indicators. Two of the indicators were based on employment rates, six months and two years after graduation based on a 1997 graduate survey. He drew members' attention to the table in the documentation which showed Ontario's universities ranked and divided into three groups based on the performance indicator. Those in the top group received two thirds of the funding, those in the middle third received one third of the funding and those in the bottom third received no funding. The difference

5. Senior Assessor's Report (cont'd)

(c) Provincial Operating Grant and Tuition Fee Announcements (cont'd)

between the last university in the top third and the first in the second group was 0.26 percent. These indicators were quite troubling and, with the small amount of differentiation between the universities, made little sense statistically. Toronto appeared in the middle third for all three indicators, giving rise to an allocation of $2.7 million.

Professor Sedra explained that the third part of the announcement was to remove the existing pay equity funding from its special envelope and to fold it into the basic operating grants. The University would now be disadvantaged in the process and would lose about $1.6 million. Adding the two funding allocations together, the University's net increase for next year would be $1.1 million or about 0.3 percent.

On the fees side, Professor Sedra reported that the government had announced that tuition fees for regulated programs would increase by only two percent a year for the next five years. He believed that this was a serious mistake especially when combined with a minimal increase in operating support. The tuition fee for Arts and Science could be no more than $3951 which the University would recommend. The percentage increase on that particular fee would be closer to three percent since the University could now use the full discretion on a previous increase which it had declined to use at the time. The University's expectation of combined revenue from operating grants and tuition fees had been CPI plus two percent. The shortfall presented a serious problem.

The Chair noted that the specifics of these announcements would be reflected in the budget guidelines.

A member suggested that the effects of these announcements would be felt with respect to accessibility. He asked whether the elimination of the 15-credit degree program and the increase in enrolment resulting from the students' staying longer in the program had had an impact on the University's ability to admit new students and participate in the enrolment growth fund. Mr. England indicated that the enrolment comparison was between September 1999 and September 2000. The elimination of the 15-credit degree was scheduled to begin in 2001. Professor Sedra re-iterated that the University did not want to enrol new students who were supported at 40 percent of the full cost.

The member found that using an employment rate for funding purposes was offensive and against the idea of a liberal arts education.

Professor Sedra commented that, with respect to the indicator for degree completion rate, those universities in urban areas did not do as well as the others. He planned to discuss the attrition rate with the principals and deans and review the counselling support provided to the students in their programs.

In response to a question, Mr. England noted that the performance indicators had been developed by a joint Ministry of Training, Colleges and Universities and Council of Ontario Universities (COU) group. COU had been involved in the design but had not recommended the use later made of the indicators by the government. The government was interested in whether graduates were employed. Professor Sedra said that the universities have argued that the use of these particular performance indicators for funding distribution was not appropriate. The Ministry had agreed it was not perfect but needed to find something to use as a distribution mechanism. The Ministry has invited the universities to work on designing better indicators for coming years.

6. Budget

(a) Suspension of the 2000-2001 Budget Development Process

Professor Sedra explained that after receiving the government funding and tuition fee announcements, the budget model had been updated to include these figures. The magnitude of the potential shortfall could be seen in the table on the projection of operating revenue, attached to the document, Long-Range Budget Guidelines and Projections, 1998-2004, updated. The University was currently in the second year of the six-year period covered by the Guidelines. For 1999-2000, the year-end position had been projected to be a very small deficit, $0.8 million. However, for the rest of the period, an annual deficit of between $12-13 million was now expected. The accumulated deficit at the end of the six-year period, 2003-4, would be $58.9 million. This was a very serious problem. Professor Sedra suggested one way to solve the problem would be to reduce spending by $12.5 million a year which would mean an immediate budget reduction of 3 percent applied in May 2000. This would eliminate the deficit. Another option would be to spread the 3 percent reduction over the four-year period, in conjunction with one-time-only reductions to ensure the bottom line did not deteriorate beyond the level specified by Governing Council policy. However, these were paper solutions and it would be imprudent and irresponsible to put them into effect. The University's administration had, therefore, decided to suspend the budget development process. The President was making urgent representations to the government, seeking relief through the provincial budget, due to be released on May 2.

A member said that this problem was not publicly known and that the University should release a statement informing the public.

(b) Long-Range Budget Guidelines and Projections 1998-2004 - Update

The Chair, noting the lateness of the hour, said that discussion of the Guidelines would begin now and that the remainder of this item and item (c) Contractual Obligations and Policy Commitments List, would resume on May 9, which would be a continuation of this meeting.

Professor McCammond highlighted the updated budget assumptions in the Guidelines, as presented in the right-hand column of the document and responded to questions.

- **Assumptions 1 - 4**. There were no significant differences in the first few assumptions. The yield rate on externally-managed funds had been modified downward, with the effect of reducing revenue by $0.75 million. The new president of the University of Toronto Asset Management Corporation (UTAM) would be reviewing the yield rate.

- **Assumptions 5 - 8**. With respect to enrolment, the plan was to continue with current undergraduate enrolment targets adjusted to meet the ATOP requirements. International student enrolment was on line to meet the target set for 2003-4. At the graduate level, student aid levels were being reviewed. It was expected that the 5-year moving enrolment average for BIU-eligible students would stabilize close to the mid-point of the funding corridor, thus maximizing the University's funding. In response to a question, Professor McCammond noted that a BIU (basic income unit) was worth $5000. If a program was funded at two BIUs per student, the funding generated would be $10,000 minus the standard tuition fee, which was less than the real fee.

- **Assumptions 9 and 10.** The assumptions for tuition fees for regulated programs followed the government announcement, namely, two percent per year, not compounded. In deregulated programs, tuition fees for continuing students would increase five percent. The increase for new students would also be five percent except for those programs noted. The revenue from the increases in tuition fees would be

6. Budget (cont'd)

(b) Long-Range Budget Guidelines and Projections 1998-2004 - Update (cont'd)

allocated as follows: 30 percent would be directed to student aid as required by the government and 65 percent of the remaining 70 percent would flow to the Academic Priorities Fund for program improvement and quality enhancement and to the Faculty Retention Fund. The fee revenue for postgraduate medical trainees was modeled on a fee of $1950; any loss of revenue resulting from recommendations of the task force chaired by Dean Naylor would be offset by increased revenue elsewhere or reduced expenses. International tuition fees would increase to maintain a constant differential with domestic fees except for computer science, which would be the same as engineering, and commerce, management and business which would have the same differential as computer science.

The Chair said that he had agreed to Mr. Eammon McKernan's request to address the Committee. Mr. McKernan said that the Graduate Students' Union was saddened by the meager allotment of operating funds from the government. He hoped that the various members of the University community could work together to resolve this issue with the government. He referred to the Task Force on Graduate Student Support as a good example of members of the University community working together. With respect to tuition fee issues, he noted that assumption 25, Priorities Funds, called for $14.2 million in additional revenue from tuition fee increases to be placed in the Academic Priorities Fund for program improvement and quality enhancement. It appeared that the students' debt burden from tuition fees was increasing because of program improvement and quality enhancement. If incomes for families were not increasing then perhaps it was not the time to increase educational costs. The University's future alumni were feeling the pressure and this would have an impact on future giving prospects. He encouraged the governors to speak to graduate students and to hear first hand about the implications of raising fees for program improvements and quality enhancements. He urged caution in moving to increase fees.

In response to a question, Professor McCammond reiterated the explanation that the fee, $3951, for Arts and Science students was larger than a two percent increase because the University had not in the past used the full discretion in setting the fee and could now do so.

A member stated that the Committee had a responsibility to ensure that the budget supported the University's mission. He believed the impact of increasing tuition fees would be to move the University away from its responsibilities as outlined in the mission statement.

The Chair suggested that debate stop at this point to consider the "for information" items; debate would resume on May 9.

On May 9, discussion of the Long-Range Budget Guidelines and Projections resumed at assumption 11.

- **Assumption 11.** The University received its funding for its approved Access to Opportunities Program (ATOP) enrolment increases. The government operating grant increase for 2000-01 was quite small. The funding was provided in two funds, the Accessibility Fund, in which the University had elected not to participate and the Performance Fund, from which it was estimated that the University would receive $2.7 million. However, there was a $1.6 million loss to the University as a result of the pay

6. Budget (cont'd)

(b) Long-Range Budget Guidelines and Projections 1998-2004 - Update (cont'd)

equity grant being folded into the base operating grant. The assumption on Government Operating Revenue had been a CPI plus two percent increase.

- **Assumption 11a.** This assumption would be revised as more details about the Canada Research Chairs Program were received. An updated assumption would appear in the budget report. In response to a question, Professor Sedra indicated that the funding received for the chairs would be held in a separate pool within the Academic Priorities Fund. Procedures for the distribution of the chairs and the funding within the University were being drafted and would be considered by the senior academic administrators. The federal government program allowed, and the University would avail itself of, a portion of the funding to be used to cover indirect costs of research. This was a very important part of the Chairs Program for the research-intensive universities. Indirect costs were to be funded also through the provincial government's new Research Performance Fund, which would provide thirty million dollars to cover the indirect costs of research that it sponsored. This new fund would make a huge difference to the University, and if matched by a similar program at the federal level would mean a 10 percent increase in revenue to the operating budget.

  With respect to chairs held by colleagues in the University's affiliated teaching hospitals, Professor Sedra indicated that the University would apply a more modest research overhead charge and transfer the remaining funding to the hospital or research institute. The University would receive an annual report on the activities supported by the funding for the chair. The University, in turn, was required to submit an annual report on all chairs it received.

- **Assumption 13**. This assumption contained the list of new self-funded programs against which overhead charges would be applied.

- **Assumption 14.** An additional assumption would be drafted to take into account the effects of the new provincial Research Performance Fund which provided overhead funding for Ontario government funded research. With respect to existing research overhead and royalties, these were expected to contribute $9.4 million to the budget in 2000-2001 and would rise to $9.7 million in 2003-04.

  Professor Sedra welcomed the newly created Research Performance Fund. The $30 million fund would be distributed to Ontario universities based on the individual university's success in obtaining research grants from the provincial government. Government officials were currently compiling a list from such sources as the Centres of Excellence, the PREA awards and the Ontario Research and Development Challenge Fund (ORDCF). Indirect costs would be funded at 40 percent on all research funding provided to the university. Determination would be made of what percent of overhead had already been provided and the difference up to the 40 percent level would be added. Professor Sedra was pleased that the government had decided to pay the indirect costs of its sponsored research. He anticipated that the University's share of the Fund would be about $10 million based on the University's success rate in obtaining provincial research grants. The University already received a substantial share of the Research Overhead and Infrastructure Envelope from the provincial government. In conclusion, Professor Sedra noted that the creation of this new fund was very welcome as it helped close the funding gap between revenue and expenses in the budget model caused by the lower-than-anticipated operating grant announcement.

6. Budget (cont'd)

(b) Long-Range Budget Guidelines and Projections 1998-2004 - Update (cont'd)

In response to further questions, Professor Sedra said that the fund was base income, not one-time-only funding. Although the government could remove the funding in the future, he was confident the Fund was permanent. He praised the President's advocacy in bringing the importance of funding research overhead costs so successfully to the attention of the government. Professor McCammond noted that the University's share of the Fund would depend on its success in attracting government research. A member cautioned that the Centres of Excellence program would be reviewed in two years' time and if the decision were to discontinue them, the University would lose a large amount of overhead funding.

A member referred to the royalties income and noted that one university used it to match private donations in support of graduate fellowships, which he thought was a good idea. Professor McCammond indicated that royalty income, amounting to approximately $0.5 million, net after expenses, went to the bottom line of the budget. Professor Sedra said that one of the options in marketing inventions was a revenue-sharing agreement between the inventor and the University. He pointed to the Connaught Fund, now an endowment of $100 million, as the University's success story in this area.

- **Assumption 15.** There was an update on the number of EAF-matched chair agreements completed (98).
- **Assumption 16.** Revenue from the parking ancillary was declining as underground garages replaced surface parking, the former being more expensive to build and operate.
- **Assumption 17.** The student aid budget would rise from $69 million in 2000-2001 to $74 million in 2003-04.
- **Assumption 18.** Enrolment at TST has been below target for a number of years and the grant would be held constant pending a new plan.
- **Assumptions 19 and 20.** With respect to compensation and benefits costs, Professor McCammond noted that agreements had been reached with most unions and groups. The compensation assumption for the Senior Management Group had been changed to reflect that of other groups. Benefit costs had increased substantially and would be $6.6 million over this year's costs. This estimate was double an earlier revised projection. The standard benefit cost would increase to 18.75 percent for appointed staff and 9.5 percent for non-appointed staff.

A member recalled that compensation packages with the now defunct University of Toronto Staff Association had included an across-the-board component and merit. The new agreement with the United Steelworkers of America (USWA) replaced a merit scheme with a salary grid. Note 12 in the Guidelines indicated that the cost of the annual grid increases would be borne by the divisions. She understood that this was a change in policy and asked where the divisions would find the resources. She also noted the continuation of the practice of not recovering salary upon the retirement or resignation of non-academic staff. Professor Sedra agreed that it was indeed a change. He explained that when academic staff retire, the centre recovered the PTR funds. For example, if a faculty member earning $100,000 retired, the division kept $65,000 for a replacement's salary and the centre recovered $35,000. The administration has not been successful in implementing a similar system for administrative staff. That is, in the past,

6. Budget (cont'd)

(b) Long-Range Budget Guidelines and Projections 1998-2004 - Update (cont'd)

the difference between a retiree's salary and the new hire's salary had not been easily recoverable. The provision of funding every year to cover merit increases had been unidirectional, from the centre to the division. In the new system, there would be no turnover recovery. The *quid pro quo*, however, would be that the divisions would be responsible for funding the movement through the grid. A member noted that merit had been provided centrally in the past. In response to a question, Mr. England explained that the cost to the divisions was not precisely known. The administration had never been able to accurately measure the savings resulting from a turnover in administrative staff. The value of the grid was approximately two percent, assuming no turnover. This compared to 1.7 or 1.8 percent for merit.

- **Assumption 21.** Utility costs were increasing. Of the $2 million increase projected, half was due to rate increases with almost 80 percent of that due to rising natural gas prices.

- **Assumption 22.** Before the merger, OISE and the Ontario Realty Corporation had shared the costs of operating 252 Bloor Street West. At the time of the merger, the University assumed OISE/UT's share of the costs; now that the building has been transferred to the University, the University has now assumed the remaining costs. The total operating and maintenance costs were about $1.4 million.

- **Assumption 23.** The original assumption concerning savings expected in the cost of leased space could not be met.

- **Assumption 24.** The assumptions concerning library acquisitions were being retained.

- **Assumption 25.** The new assumption for the Priorities Funds reflected the increased revenue from tuition fee increases and the funding from the Canada Research Chairs Programs, which would be kept in a separate pool.

- **Assumptions 26 and 27.** It was noted that the balance of funds available from the current service pension cost savings for transfer to the University Infrastructure Investment Fund (UIIF) and the Transitional funds were:
  2000-01, $17.7 million split $14.1 to UIIF and $3.6 to Transitional funds
  2001-02, $18.6 million split $14.8 to UIIF and $3.8 to Transitional funds
  2002-03, $19.4 million to be used for matching funds
  2003-04, $16.3 million for transfer to the UIIF.

(c) Contractual, Obligatory and Policy-Commitment (COPC) Expenditures

Mr. England reviewed the highlights of the list of contractual obligations and policy-commitment expenditures, which were not subject to budget reductions.

- **Contractual obligations to affiliated institutions: federated universities block grant**. The base-budget cost of the block grant to the federated universities would increase by about $362,000, in addition to the usual price inflation and formula adjustment, to a total of $6,285,000. The new Memorandum of Agreement between the University of Toronto and the Federated Universities had been completed after the preparation of the long-term budget plan. Approximately $260,000 of the increase represented the additional cost of the revised Memorandum of Agreement, which had

6. Budget (cont'd)

(c) Contractual, Obligatory and Policy-Commitment (COPC) Expenditures (cont'd)

taken effect on July 1, 1998. The remaining $100,000 represented the cost of additional space in the federated universities occupied by the Faculty of Arts and Science.

- **Toronto School of Theology (TST) grant**. The University simply acted as a conduit for operating funding from the Government of Ontario on account of students enrolled in TST programs. The $36,000 reduction in the grant amount reflected formula changes; it had no policy implications.

- **Sheridan College transfer payment**. The $56,000 increase in this payment reflected the University's transfer to Sheridan College to cover its costs for the proposed new master's degree program in biomedical communications. The proposed program was being offered in conjunction with Sheridan College on a trial basis. The program would come before the next meeting of the Committee on Academic Policy and Programs for consideration. Professor Marrus reported that the program had been approved earlier in the day by the Ontario Council on Graduate Studies.

- **Other contractual obligations: lease cost of off-campus space**. The cost of renting space for various University programs would increase by $114,000 to $935,000. The University had planned to reduce this cost by relocating programs to University facilities, but it had been less successful than it had hoped. In particular, it had been necessary to lease space to provide temporary accommodation related to the increased enrolment in Electrical and Computer Engineering, accepted as part of ATOP, while awaiting the completion of the new Bahen Centre for Information Technology.

- **Rental expense of University properties**. This item had represented the University's costs of maintaining properties it owned and rented to others. This item had been removed from the operating budget. Such property rentals were now within the budget of the Real Estate Ancillary Operation, a newly formed operation that would manage those properties for the University. It would seek approval of its operating and budget plans, and report its results, to the Business Board.

- **Lease payments for the Ontario Institute for Studies in Education building at 252 Bloor Street West**. This building had previously been leased, with the costs of the lease being borne by the Government of Ontario. This lease would come to an end about half way through the fiscal year, and the University would assume ownership of the building, ending both the $2.2-million income and expense.

- **Institutional statutory commitments: Council of Ontario Universities (COU) membership fees**. The $264,000 increase represented a change in the financial arrangements between the COU and the member universities. It did not change the membership cost. Previously, net income earned by the Ontario Universities Application Centre had been paid to the COU, enabling it to defray some of its costs and keep membership fees lower. Under a new arrangement, the Application Centre would make its payments directly to the member institutions, who would in turn pay higher fees to the COU There would be no effect on the bottom line of the University's budget.

- **Legal fees**. The cost of legal fees, unfortunately, continued to increase. The base budget appropriation would be increased by $170,000 to $1,420,000. In addition, legal fees appeared among the items in the contingency budget. The contingency budget included worst-case estimates of legal fees and three other items. The sum of the four

6. Budget (cont'd)

(c) Contractual, Obligatory and Policy-Commitment (COPC) Expenditures (cont'd)

estimates was then discounted by 25%, and 75% of the sum was appropriated on the assumption that savings would be found in some of the individual items. The contingency budget for legal fees would be $800,000. That represented an amendment to the COPC document distributed for the meeting, which had shown a $500,000 contingency cost.

In response to questions, Professors Finlayson and Sedra said that the University employed two law firms for most of its legal work: one for most legal matters and a second for labour-relations matters. In addition, it engaged other lawyers for certain specialized functions, for example to serve as counsel to the University Tribunal (which dealt with disciplinary matters) and the faculty Grievance Review Panel. Among the reasons for the increases were legal costs associated with actions brought by Dr. Kin Yip Chun, actions arising from the on-going controversy involving members of the University's faculty at the Hospital for Sick Children, and the cost of negotiating a first contract with the United Steelworkers of America.

- **Utilities costs**. The cost of utilities on the St. George Campus would increase by nearly $2-million per year to $17.7-million. An increase of $175,000 on the University of Toronto at Mississauga Campus would bring its total utilities bill to just over $2-million. These increases were driven primarily by the increased cost of natural gas and oil and the smaller increase in the cost of electricity. This situation contrasted with previous years, when the University had enjoyed reduced costs. The University continued to derive $100,000 per year in savings from its energy management program. The co-generation facility on the St. George Campus, at which the University used natural gas to generate much of its own electricity and some hot water, continued to yield savings. Those savings would, however, decline by a projected $146,000 owing to the increase in the natural gas price relative to the cost of electricity purchased from external suppliers.

- **Compensation policy commitments**. In its agreements with the Faculty Association and some of the larger unions, the University had agreed to provide released time for certain association or union officers and had agreed to pay the cost of rented office space.

  A new compensation-policy cost had been added for 2000-01, the cost of the transition to the new President. A base-budget appropriation of $139,000 had been added to the COPC list for this purpose.

  The group of compensation-policy commitments also included the cost of leaves to faculty members who would complete their service in central administrative positions or in administrative positions in the federated and constituent colleges.

  A member noted that no provision was shown for the cost of renting space for the Faculty Association. Mr. England explained that this $46,000 cost had been included in the item for lease costs of off-campus space. The space rental for the Steelworkers' union had been shown separately in the compensation-policy commitments because it was a new cost. It too would appear among the lease-cost expenditures in next year's COPC list.

6. Budget (cont'd)

(c) Contractual, Obligatory and Policy-Commitment (COPC) Expenditures (cont'd)

- **Other policy commitments: library acquisitions**. The University's policy was to immunize the acquisitions budgets of the various university libraries against inflationary price increases. Applying the usual formula, the appropriation for library acquisitions would increase by $739,000 to $18.5-million. In addition, the library-acquisitions item was also included among the items in the contingency budget. This $2,250,000 item was included to protect the acquisition budget against negative fluctuations in the value of the Canadian dollar. The formula used to provide the price-inflation protection assumed that a Canadian dollar would be equivalent to 0.75 US dollars. The contingency amount took into account the lower actual and projected value of the Canadian dollar. (The projection was based on the cost of the US dollar in currency futures trading.)

  A member referred to the growth of electronic means of information. For example, the planning for the Gerstein Science Information Centre stressed the provision of more carrels with computer connections. Did the budgeting for library acquisitions take into account the relationship of the electronic and printed means for library information? Mr. England replied this would be considered in the forthcoming review of the budget policy for library acquisitions. He noted that the librarians of all of the Ontario universities had jointly applied for, and received, a grant from the Canada Foundation for Innovation to fund the joint purchase of electronic library materials at a considerably reduced cost. The member observed that some librarians were pessimistic about the large-scale delivery of library information by electronic means, thinking it would not be achieved in anything less than twenty years.

- **Other policy commitments: cost of operating new or expanded space**. The 2000-01 budget would have to include the costs of maintaining the new Munk Centre and (for part of the year) the expanded Lash Miller Laboratories and the Ontario Institute for Studies in Education building, which would cease to be leased about half way through the year.

- **Contingency items: hazardous waste disposal costs**. The University's previous hazardous waste disposal site had to be demolished to make way for the new Bahen Centre for Information Technology. The Director of Environmental Health and Safety was currently considering other options for waste disposal, all of which would involve external service providers. Given the uncertainty of the cost at this time, the $230,000 contingency item had been included in the COPC budget to ensure sufficient funds to cover the cost, if it proved to be at the higher end of the various cost estimates.

- **Sum of contingency items**. In response to a member's question, Mr. England said that the $300,000 increase in the contingency item for legal costs would bring the sum of the four contingency items to $3,290,000. After the 25% discount, the appropriation for contingency coverage of risk would be $2,467,500.

- **Contingency savings**. A member asked about the use of savings if the contingency amounts were not required. Mr. England recalled that the contingency items were all discounted by 25%. Therefore, initial savings were already taken into account by this method of budgeting. If there were savings beyond the 25% of the sum of the contingency items, the positive variance would improve the bottom line for the year's operations - reducing the deficit or increasing the surplus. The opposite would take place if total spending on the contingency items were to exceed 75% of the sum of the contingency items. The variations from the budget would be included in the

6. Budget (cont'd)

(c) Contractual, Obligatory and Policy-Commitment (COPC) Expenditures (cont'd)

Supplementary Financial Report, presented annually to the Business Board along with the financial statements.

- **COPC budget for the University of Toronto at Scarborough.** In response to a member's question, Mr. England said that, because the U of T at Scarborough was using responsibility-centre budgeting, it planned its own COPC appropriations. The full Scarborough budget would be presented to the Committee as part of the final draft of the Budget Report.

On the recommendation of the Vice-President and Provost,

YOUR COMMITTEE APPROVED

For inclusion in the Budget Report, 2000-01,

The proposed list of contractual, obligatory and policy-commitment expenditures, as revised with respect to legal fees.

7. Items for Information

(a) Faculty of Applied Science and Engineering: Diploma Program in Professional Pilot and Aviation Management - Establishment

Professor McCammond reported that this program was self-funding and thus there were no resource implications for the University's budget. The Faculty would be responsible for any program budget deficit. The item was presented for information.

(b) Users' Committees – Membership and Terms of Reference

Professor McCammond presented the membership and terms of reference of the following Users' Committees.

(i) Centre for Interfaith Study and Worship

A member suggested that representatives from the following be added to the membership of the Users' Committee: SAC, APUS, GSU, the Christian Student Movement and the Jewish Students' Union. Professor Sedra said that he would take the suggestion under advisement.

A member asked whether the provision of this type of space was within the mandate of the University. Professor Sedra replied that there was a student demand for such a facility. There was, at present, temporary space in New College set aside for interfaith worship. This was an important matter for students and many universities were grappling with the issue. As the diversity of the student body increased, it became a necessary service. Another member added that the lack of these facilities was a barrier to some students' attendance. The University should provide the space and do so in a way that enhanced the learning of everyone. Such facilities were widespread in the United States and he urged the University to move quickly. A third member noted the need for space for multi-cultural and not just multi-faith events and asked the committee to look at an expanded role for the proposed Centre. Again, Professor Sedra said he would take the suggestion under advisement.

7. Items for Information (cont'd)

(b) Users' Committees – Membership and Terms of Reference (cont'd)

(ii) Faculty of Pharmacy Building
(iii) Sidney Smith Hall, Patio enclosure
(iv) Sidney Smith Hall, Third Floor, In-fill Project

In answer to a question, Professor McCammond indicated that the plan was to build above the lobby on the west side of Sidney Smith Hall.

8. Date of Next Meeting

The Chair reminded members that the next regular meeting of the Committee was scheduled for Wednesday May 24, 2000. The meeting scheduled for May 16 had been cancelled.

9. Other Business

Notice of Motion

Pursuant to section 32(e) of the By-law, the following motion, provided in writing and signed by 10 percent of the voting members, would appear on the agenda of the next regular meeting of the Committee:

> THAT $4,647,973 immediately be allocated from the Capital Renewal Fund to ensure accessibility to currently inaccessible University of Toronto facilities.

(Secretary's note: This request was provided on May 9 and is the same notice of motion as that given under item 4 on April 24.)

The meeting adjourned at 8:00 p.m. on April 24 and 6:20 p.m. on May 9.

Secretary Chair

May 10, 2000