

THE GOVERNING COUNCIL
REPORT NUMBER 95 OF
THE PLANNING AND BUDGET COMMITTEE

March 2, 2004

To the Academic Board,
University of Toronto.

Your Committee reports that it met on Tuesday, March 2, 2004, 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present

Professor Avrum Gotlieb (in the Chair)
Professor Edith Hillan, Vice-Chair
Professor Vivek Goel, Interim Vice-President and Provost
Ms. Catherine Riggall, Interim Vice-President, Business Affairs
Professor Safwat Zaky, Vice-Provost, Planning and Budget
Mr. Sachin K. Aggarwal
Professor Rorke Bryan
Professor Philip H. Byer
Mr. Brian Davis
Professor Susan Horton
Professor David Mock
Professor Susan Pfeiffer

Mr. Timothy Reid
Professor Pekka Sinervo
Mr. Nick Turk-Browne

Non-voting Assessors:

Ms. Sheila Brown, Controller and Director of Financial Services
Professor Ron Venter, Vice-Provost, Space and Facilities Planning

Secretariat:

Mr. Neil Dobbs
Mr. Andrew Drummond, Secretary

Regrets:

Ms. Murphy Browne
Professor Sujit Choudhry
Professor Miriam Diamond
Ms Shirley Hoy
Professor Ian McDonald
Professor Ian Orchard
Professor J.J. Berry Smith

In Attendance:

Mr. Bruce Dodds, Office of Facilities and Services
Ms. Sheree Drummond, Assistant Provost
Ms. Cindy Ferencz, University of Toronto at Mississauga
Ms. Sally Garner, Office of the Vice-Provost, Planning and Budget

ITEMS 5 AND 7.2 ARE RECOMMENDED TO THE ACADEMIC BOARD FOR APPROVAL.

ALL OTHER ITEMS ARE REPORTED TO THE ACADEMIC BOARD FOR INFORMATION.

1. Report of the Previous Meeting

The report of the last meeting (Number 94 of February 3, 2004) was approved.

2. Business Arising from the Report of the Previous Meeting

A member asked for clarification as to when a debate might occur over the capital priorities of the University, given that the Committee had changed the priority designation of the Library Storage facility. The Provost responded that all of the projects listed for members were University of Toronto priorities as determined for the benefit of the academic mission of the University. A member then asked if the books in storage at the facility would all be catalogued. Mr. Venter answered in the affirmative.

A member asked for clarification of the ‘borrowing cap’ of \$620 million, noting that because the University of Toronto was nearing its limit for borrowing, the need for clear prioritization for future projects should be more clearly described. Professor Goel noted that the University’s borrowing capacity did have some flexibility, and that a full analysis of the actual institutional borrowing capacity would be prepared in the upcoming months.

3. Senior Assessor’s Report

Professor Goel noted that key budgetary approvals for the Committee were before it both at this meeting and at the subsequent meeting, and that the key budgetary priorities of the University would be laid out during those discussions.

4. Contractual Obligations and Policy Commitments (COPC) 2004-05

The Chair invited Professor Zaky to introduce and describe the Contractual Obligations and Policy Commitments (COPC) for 2004-2005.

Professor Zaky noted that the COPC commitments reflected expenses the University was obligated to meet, either through contract commitments or through deliberate policy choice. He noted that all COPC commitments were protected against other budget reductions. He then summarized each of the commitments reflected in the material before him, namely:

- Costs stemming from agreements with affiliated institutions;
- Other contractual obligations, primarily from leased space arrangements;
- Institutional and Statutory Commitments, such as membership fees in the Council of Ontario Universities and the Association of Universities and Colleges of Canada, legal fees, negotiation costs, environmental safety costs, etc.;
- Utilities costs;
- Costs associated with new space;
- Paid leave commitments;
- Library acquisitions; and
- Expenses related to research overhead and student assistance.

During Professor Zaky's presentation, members raised several issues, namely:

4. Contractual Obligations and Policy Commitments (COPC) 2004-05 (cont'd.)

- The possibility of reducing legal expenses;
- The possibility of leaving groups such as the COU and AUCC to save money;
- The method of funding the obligations through the allotment of 75% of estimated costs, then holding the remainder in contingency funds; and
- The total cost increases in the COPC category.

In response to each of these issues, the following points were made:

- Professor Zaky and Professor Goel noted that the administration continued to make every effort to keep legal costs down, but that litigiousness within society as a whole would likely continue to increase;
- Membership in the COU and AUCC brought demonstrable benefits that outweighed the cost of membership quite easily, and allowed institutional priorities to be leveraged on the provincial and national stages very effectively;
- Professor Zaky noted that sound financial risk assessment allowed the creation of the contingency fund because although exact prediction of costs was impossible, the method used had been very reliable; and
- Professor Zaky noted that the total cost increase of all COPC commitments was approximately 10% for 2004-2005.

The Chair thanked Professor Zaky for his presentation.

On motion duly moved and seconded,

YOUR COMMITTEE APPROVED FOR INCLUSION IN THE 2004-2005 BUDGET REPORT

The Contractual Obligations and Policy Commitments expenditures, as detailed in the memorandum and attached tables dated February 10, 2004.

5. Long-Range Budget Guidelines – 2004-2010

The Chair invited Professor Goel to give a presentation on the University's long-range budget guidelines.

Professor Goel gave a lengthy presentation to the Committee (a copy of which is attached to this report as Appendix A), during which he provided an overview of the current budgetary situation, the institutional policy context for multi-year planning (that is, the requirement that the accumulated deficit must not exceed 1.5% of gross revenue at the end of a planning cycle) and a detailed summary of the budgetary challenges facing the University of Toronto for the 2004-2010 period. During his presentation, members requested minor changes to the wording of several of the presentation.

Following the presentation, Professor Goel summarized the 38 budget planning assumptions that guided the development of the guidelines before members. He noted that while the planning model could not account for all uncertainties, it provided the best option for the University of Toronto over the cycle, and allowed year-by-year alterations to

5. Long-Range Budget Guidelines – 2004-2010 (cont'd.)

deal with new circumstances. He emphasized that while the situation for the University as a whole was serious, he was confident that the planning model in place would allow future budgetary stringency to be appropriately planned and managed.

During a lengthy discussion, members asked the following questions:

- Why did the assumptions include reference to fees associated with the pension fund, given that management of the fund had been delegated to the University of Toronto Asset Management Corporation (UTAM)?
- Why would the phase-in of an international undergraduate student tuition plan be delayed a year, instead of proceeding immediately?
- Why was the assumption that 30% of tuition revenues from international students would go to student aid, as opposed to any other number?
- What would the budgetary impact of increasing the international student enrolment be?
- What would the budgetary impact of decreasing enrolment be?
- Where would unprojected increased revenue flow? Would it be to the Faculties and Divisions or to the ‘bottom line’?
- To what extent would the administration be bound by the assumptions and plans?
- Could the implementation of the Quality Enhancement Funds (Assumption #30) be delayed because of the timing of the academic planning processes underway?

In addition, members noted that assumption #29 (‘Matching Programs’) should be altered to read, “\$2.5M in base is allocated ~~annually~~ for various matching programs” and that assumption #34 (‘Information Technology Initiatives and Upgrades’) should read “\$2M in base is allocated ~~annually~~ for administrative information technology initiatives and upgrades.”

Professor Goel and Professor Zaky responded to the questions as follows:

- The University of Toronto Asset Management Corporation had responsibility for managing the pension funds, but not the administrative costs that accrued for the tracking of individual members’ benefits, the issuance of cheques, and other costs surrounding the administration of the fund;
- A plan to increase international undergraduate tuition would not be ready for governance approval in the 2003-2004 year but would require discussions with key stakeholders as well as prudent financial modeling;

- The 30% assumption was merely an operating assumption and subject to change. Professor Goel emphasized to members that assumptions did not necessarily indicate the existence of plans or prevent governance from pursuing policies that did not coincide with the assumptions;

5. Long-Range Budget Guidelines – 2004-2010 (cont'd.)

- Professor Goel noted that other Canadian universities, most notably the University of British Columbia, had used revenues from well-designed international undergraduate plans both to enhance programming as well as their overall budget situation;
- To decrease enrolment would result in a negative impact on the overall budget because of the funding model put in place;
- New, unprojected revenue would flow ideally to maintain the quality of academic programs, but in the absence of knowing under what conditions would be set, it was impossible to say with any clarity;
- The administration would request budgetary approval annually for the upcoming year in light of the overall plan as well as any changes that may have occurred within it;
- Although the implementation of the Quality Enhancement Funds could indeed be delayed, the administration felt this money was crucial to the success of the *Stepping UP* processes.

The Chair thanked Professor Goel and all the members of the Committee for a thorough discussion.

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

That the “Long-Range Budget Framework, Guidelines and Projections, 2004-05 to 2009-10”, pages 1 to 11 inclusive, dated March 2, 2004, a copy of which is attached hereto as Appendix “B”, be approved.

6. Capital Project: Innis College Renovation and Upgrades, Project Planning Committee Terms of Reference and Membership

Members received for information the Terms of Reference and Membership of the Innis College Renovation and Upgrades Project Planning Committee. Professor Ron Venter, Vice-Provost, Space and Facilities Planning, was present.

There was no discussion.

7. Academic Program Changes: School of Graduate Studies

7.1 Cessation of MA/MEd/EdD/PhD Program in Measurement and Evaluation

Members received for information the notice of the cessation of the MA/MEd/EdD/PhD Program in Measurement and Evaluation. There was no discussion.

7. Academic Program Changes: School of Graduate Studies (cont'd.)

7.2 Proposed Joint (with York University) Collaborative Doctoral Program in Ancient Greek and Roman History

The Chair invited Professor Goel to introduce the item. Professor Goel noted that the program's costs would be absorbed within the budgets of the relevant Departments at both York University and the University of Toronto, but, as a new program with another institution, it had to be approved by both the Planning and Budget Committee and the Committee on Academic Policy and Programs, which would be considering the proposal on March 3, 2004.

There was no discussion.

On motion duly moved and seconded,

YOUR COMMITTEE RECOMMENDS

That, subject to approval by the Committee on Academic Policy and Programs, the Joint Collaborative Doctoral Program in the area of Ancient Greek and Roman History, to be offered jointly with York University, be approved.

Documentation for this item is attached hereto as Appendix "C".

8. Other Business

There was no other business.

9. Date of the Next Meeting; Tuesday, March 16, 2004

The Chair reminded members that the next regular meeting was scheduled for Tuesday, March 16, 2004, commencing at 5 p.m. in the Council Chamber. The main item of business at that meeting would be the 2004-2005 Budget Report.

The meeting adjourned at 7:35 p.m.

Secretary

Chair

March 3, 2004

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