

REPORT OF THE PROPERTY AND FINANCE COMMITTEE

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FOR APPROVAL

1. **Revisions to 2008-09 University Operating Budget**

Recommended: That the Board of Governors approve the following changes to the University's Board-approved 2008-09 Operating Budget:

1. That the \$18.55 million Investment Income Allocation (i.e., from non-endowed fund earnings) into the Operating Budget in 2008-09 be withdrawn.
2. That to offset this reduction in revenue, the following expenditure allocations be withdrawn:
 - the \$12.2 million one-time transfer to the Capital Budget to support the University's Long-Range Space Plan;
 - the \$6.0 million one-time allocation to fund the University's match for successful Canada Foundation for Innovation (CFI) initiatives

Background:

The recent downturn in the equity markets is having a negative impact on Western's Operating Budget – a situation that is faced by all Ontario universities. The 2008-09 Operating Budget, as approved by the Board in May 2008, included the transfer of \$18.55 million from the non-endowed fund reserve. At August 31, 2008, the non-endowed fund reserve was at \$45.6 million. With the downturn in the equity markets, projections as of December 5, 2008 (assuming no market gains or further losses through to year-end) indicate that at the end of this budget year (i.e., April 30, 2009) this reserve will be at -\$15.75 million – if the \$18.55 million continues to be drawn into the Operating Budget. Therefore, it is recommended the \$18.55 million allocation to the Operating Budget be withdrawn.

In order to offset the loss of this \$18.55 million investment income revenue, the withdrawal of two one-time expenditures approved by the Board in the 2008-09 Operating Budget is recommended. The first is a \$6.0 million pre-allocation of funding for the University's match for Canada Foundation for Innovation (CFI) initiatives. The second is the transfer of \$12.2 million to the capital budget to support the Long-Range Space

Plan which began in 2005-06. These expenditure reduction recommendations will allow the maintenance of the Faculty and Support Unit budgets as planned for the current year.

It should be emphasized that the withdrawal of the \$6.0 million allocation to support the University's match for CFI initiatives is a temporary measure only. The University is committed to promoting and supporting CFI proposals from Western's researchers – and the appropriate matching funds will be made available in the coming years, as the funds are needed.

The result of the withdrawal of the \$12.2 million transfer to the capital budget is that there is a need to temporarily "put on hold" the Physics & Astronomy Building renovations project – in order to ensure staying stay within the Board's capital debt limits.

2. **Western Fund Allocation 2008-09**

Recommended: That the income available in 2008/09 from the Western Funds held at Foundation Western—\$75,500—be allocated to the Ontario Graduate Scholarship (OGS) and the Ontario Graduate Scholarships in Science and Technology (OGSST) programs.



Background:

The Western Fund is the University's unrestricted endowment, held at Foundation Western, the income from which may be allocated by the Board of Governors, upon recommendation of the President/Vice-Presidents group, to the University's highest priority project. It has been the focus of fund raising from the Board, through alumni contributions to the annual fund, and select major gift requests.

The fund consists of the general Western Fund, as well as several named funds. Income available for expenditure in 2008/09 is itemized below:

The Western Fund- General	\$46,500
The Western Fund- Board of Governors	\$20,000
The Western Fund- W. A. McKenzie	\$2,250
The Western Fund- Angus & Jean McKenzie	\$4,500
The Western Fund – J. Connolly	\$500
The Western Fund – J. Bailey	\$2,000
Total	\$75,500

The OGS and OGSST programs are provincial matching gift programs that provide \$10,000 in matching funds for every \$5,000 of private funding. Awards are made by the province to top students provincially, and each university is required to find the matching funds annually to support the students holding OGS and OGSST awards. This allocation reflects the University commitment to graduate studies and research, and will garner a 2:1 match (\$151,000) for total support to graduate students of \$226,500.

FOR INFORMATION

3. **Investment Committee Membership**

The Property and Finance Committee approved the appointment of Mr. Mark McQueen to the Investment Committee for a five-year term (to March 2014).





4. **Update on Endowed and Non-Endowed Funds**

The following information is provided as an update on Non-Endowed and Endowed Funds.

Current status of Investments Earnings (Non-Endowed Funds)

Actual reserve at August 31, 2008	\$45.6 million
Estimated reserve at December 31, 2008	\$ 7.1 million
Returns from September 1 st to December 31, 2008	-17.3%
Projected reserve at April 30 th , 2009	\$ 7.1 million

Assumes 0% return between December 31st and end of fiscal year
Allocation to the Operating budget reduced from \$18.55 million to nil

Current status of Endowed Funds is as follows: (Western only – excludes Foundation Western)

		Endowment Funds			
		30-Apr-2007	30-Apr-2008	31-Dec-2008	30-Apr-2009
1	Donated capital	151.6	156.8	169.7	169.7
2	Accumulated investment returns*	43.8	35.1	-11.1	-11.1
3	Market value of endowments	195.4	191.9	158.6	158.6
4	line 2 as a % of line 1	29%	22%	-6.5%	-6.5%
* net of allocations for spending					

- As at December 31, 2008 endowments in total are “underwater” by 6.5%
- The total market value is now less than the sum of all of the original gifts by \$11.1M or 6.5%
- Allocations for spending for 2008/09 have been made
- If returns are nil for the balance of the year the endowment will remain at 6.5% underwater
- The next allocation for spending would occur on May 1, 2009 based on a three year average market value

5. **Quarterly Financial Report (Operating)**

See [Annex 1](#).

6. **Investment Committee Report**

See [Annex 2](#).

7. **Stephen Dattels Chair in Corporate Finance**

At its meeting on January 20, 2009, subject to approval by Senate on January 23rd, the Property and Finance Committee approved establishment of the Stephen Dattels Chair in Corporate Finance in the Faculty of Law with the following terms of reference.

Donor and Funding: The creation of this Chair is made possible through a generous donation from Mr. Stephen Dattels.

The donor will make an expendable gift of \$100,000 annually for five years with the first payment being made on or before November 30, 2008 and the final payment being made on or before November 30, 2012. The Faculty of Law will provide additional funding to ensure the minimum funding of \$135,000 per year for a named Chair.



Effective Date: July 1, 2009

Purpose: The *Stephen Dattels Chair in Corporate Finance* will, in addition to his or her duties in the area of corporate finance law, be responsible for further developing a special natural resources corporate finance initiative within the Faculty of Law.

The expenditure of funding to support the *Stephen Dattels Chair in Corporate Finance* will be the responsibility of the Dean of the Faculty of Law.

Criteria: Appointments to the Chair will be conducted in accordance with the relevant policies and procedures of the University. The appointment will be for a period of five years.

Reporting: The University will provide Mr. Dattels with annual reports regarding the activities of the Stephen Dattels Chair in Corporate Finance.

Background:

Mr. Dattels' generous contribution will support a key component of the Faculty of Law's Business Law Program. The Stephen Dattels Chair in Corporate Finance will also assist in the development of active links among Western Law, Earth Sciences and the Richard Ivey School of Business, to graduate a new generation of lawyers ready to meet the corporate finance needs of the mining sector. This naming is supported by the Dean of the Faculty of Law.

Mr. Dattels is a strong supporter of universities. This is his second significant gift to Western. In 2005, he donated \$100,000 to establish the Stephen Dattels Fellowship in Mining Finance in the Faculty of Law, supporting an annual teaching position in the Western Law January Term Program. In addition to his generous donations to Western, Mr. Dattels has donated significant sums to the University of Toronto and he has also donated to the London Community Foundation (Ontario).

Mr. Stephen Dattels holds a LLB '72 from Western and several of his immediate and extended family are also alumni. He is a seasoned senior mining executive currently living in England. He is Chairman of Regent Mercantile Bancorp Inc. an investment advisory company, Executive Chairman of Polo Resources, a coal mining and exploration group, Non-Executive Co-Chairman for the Regent Pacific Group, a mining group with a focus on China and recent founder of CCEC Ltd., focused on acquiring thermal coal projects in China.

In the past, Mr. Dattels founded International Gold Resources, where he developed a gold deposit in Ghana. It was eventually sold for \$130 million CDN. In the mid-1980s, Mr. Dattels was one of the key executives during Barrick Gold Corporation's formative years. He served as Executive Vice President of Corporate Finance and a Director of the company.

In March 2005, Mr. Dattels retired from active management of his existing public companies in the natural resource area. Since then, he has concentrated on investing, and co-founded UraMin Inc. in 2005. UraMin acquired advanced-stage uranium properties in South Africa and Namibia. In 2007, the company was bought by the French state-owned Areva, a leading builder of nuclear energy plants.

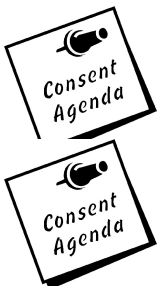
8. **Ancillary Financial Report**

See [Annex 3](#).

9. **Quarterly Ratio Report on Non-Endowed Funds**

The report shown in [Annex 4](#) shows the non-endowed fund quarterly activity from 1995/96 to the end of the second quarter of 2008/09 (October 31, 2008). The balance in the Undistributed Investment Returns Account at October 31, 2008 was \$9.7 million. At October 31, 2008, the 12-quarter moving average of the total non-endowed investments to the obligations of the portfolio was 1.28 (column 10) compared to a target ratio of 1.08.

- Net returns (column 1) amounted to (\$37.9) million for the quarter.



- Allocations to accounts (column 2) in the amount of \$0.4 million represents the payouts for spending to non-endowed funds, which is based on the 30-day treasury bill rate less administrative and management fees of 1.15%, adjusted quarterly. This rate increased from 1.05% to 1.09% for the period October 1 – December 31, 2008.
- The total allocation to the operating budget (column 3) for fiscal 2008/09 was originally approved at \$18.55 million which included an estimated amount of \$850,000 associated with Robarts investment funds. In October 2008 PVP reduced the budget allocation to operating to zero due to poor market performance. The allocations to operating that had been made to September 2008 were reversed. The estimated amount of \$850,000 associated with Robarts (non-operating) will continue as planned and is included in column 2.
- The non-endowed investments decreased by \$40.9 million (column 6) as a result of the above transactions.
- The total market value of the non-endowed fund's portion of the externally managed portfolio at October 31, 2008 amounted to \$207.8 million (column 7).
- The obligations of the portfolio amounted to \$198.1 million at October 31, 2008 (column 8).
- The ratio of investments to obligations stood at 1.05 (column 9) at October 31, 2008.

10. **Annual Report on Trademark Licensees**

The Book Store at Western continues to be in full compliance with the code of conduct for all clothing vendors.

The 'United Students Against Sweatshops' (USAS) group at Western has been silent for more than two years as The Book Store has been diligent in its commitment to the code of conduct. In September 2008, a new student group has emerged with strong beliefs in the Worker's Rights Consortium (WRC) and its efforts to monitor the industry.

The Book Store met with the leader of this group to open a dialogue and discuss the current status of our efforts on this topic. The focus was to share information on what is currently being done and discuss possibilities of future involvement. They were pleasantly surprised by the level of commitment the University has given this issue over the past several years. As a result, the group made a recommendation for the University to update the code of conduct to reflect the WRC's progress in this area. These changes have been submitted to our legal counsel to be considered for implementation. The Book Store will continue with this dialogue to ensure students' concerns are given proper consideration and acted on when necessary.

From an industry perspective, the Fair Labor Association (FLA) has created a University Advisory Council (UAC) to deal with issues specific to College Stores. The UAC will meet with University Licensing Coordinators in March to discuss the topics of labor practices in a financial downturn and how the global economic situation is impacting sourcing decisions and workers' rights.

The Book Store at Western will continue to support other institutions in Canada to adopt a code of conduct that works for all campus stores. It will also remain connected to student groups in an effort to achieve an ethical and responsible retail environment.

11. **Scholarships/Awards/Prizes**

See [Annex 5](#).

