



TO: Business Board

SPONSOR: Sheila Brown, Chief Financial Officer
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DATE: October 11, 2011 for October 24, 2011

AGENDA ITEM:

ITEM IDENTIFICATION:

Government Support for Capital Needs of Graduate Expansion – Phase II

JURISDICTIONAL INFORMATION:

The Business Board approves the financing of capital projects.

PREVIOUS ACTION TAKEN:

Government support for graduate expansion was noted in the Framework for Graduate Expansion approved by the Governing Council on December 14, 2006. Borrowing of \$53.0 million to fund graduate expansion capital and renovation projects was approved by Business Board on February 4, 2008.

HIGHLIGHTS:

The Ministry of Training Colleges and Universities announced in 2006 the allocation of capital funding to support the expansion of graduate education. Starting in 2007-08, funds were provided in the form of annual payments calculated on the basis of a notional capital amortized over 20 years using a 6.5% interest rate. The annual grant was determined by the Ministry to be \$3,470 per new graduate student over the 2002-03 enrolment baseline. Based on the University's enrolment growth projections at that time, the Provost estimated a notional capital of \$78 million, which was allocated to capital and renovation projects as part of the University's overall capital plan to support projects critical to our graduate expansion. As \$25.0 million was allocated to projects that had been previously approved by the Business Board, the remaining borrowing of \$53.0 million was approved by the Business Board on February 4, 2008.

In February 2009, the Ministry allocated a second round of graduate capital expansion grants based on graduate FTE growth over the 2009-10 base levels. However, the grant value for each new graduate student for this second round allocation was reduced from \$3,470 to \$2,060. As a result of the additional annual grants payments for graduate capital expansion, lower interest rates and shorter amortization period, the Provost was able to allocate an additional notional capital of \$37.2 million for graduate expansion initiatives.

Individual capital projects over \$2 million supported by the allocation of the Graduate Expansion Funding will continue to be reviewed and approved by the Business Board as part of its regular approval process, and renovations projects supported by the allocation of Graduate Expansion Funding will also continue to be reviewed and approved by AFD.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

Construction and renovation costs of \$37.2 million plus the associated interest incurred to bridge finance these projects will be recovered from the Ministry's annual funding, with the last payment expected to be received in the fiscal year 2024-25.

Please note that \$31.0 million was included as borrowing allocated in the May 31, 2011 borrowing status report, as a reserve for this purpose. Therefore, the unallocated borrowing capacity reported will only be reduced by \$6.2 million.

RECOMMENDATION:

Be it Resolved

THAT the Vice-President, Business Affairs be authorized to arrange borrowing of \$37.2 million from either internal or external sources to be used for the allocation of graduate expansion capital and renovation projects.