



# University of Toronto

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Office of the Vice-President, Business Affairs

TO: Business Board

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AGENDA ITEM: 3

## **ITEM IDENTIFICATION:**

### **Financial Health Indicators 2003**

## **JURISDICTIONAL INFORMATION:**

The Business Board receives reports for information on matters affecting the finances of the University.

## **PREVIOUS ACTION TAKEN:**

## **HIGHLIGHTS:**

Annually, Governing Council receives a report entitled *Performances Indicators for Governance*. This year, three new financial health indicators have been added to this report. They measure the amount of financial resources available to the University in support of its mission.

Moody's Investors Service measures financial health using three levels of liquidity: financial resources which are immediately available to be spent (unrestricted resources), those which could be accessed in the intermediate term (expendable resources) and those which provide a long-term reserve base to the university (total resources). These categories of resources are cumulative.

For 2003, the following financial health ratios have been calculated and compared to the medians for US public colleges and universities rated by Moody's. They are:

- a) Ratio of unrestricted resources to long-term debt and to expenses;
- b) Ratio of expendable resources to long-term debt and to expenses;
- c) Ratio of total resources to long-term debt

Also provided are the credit ratings for U of T and peers.

**FINANCIAL AND/OR PLANNING IMPLICATIONS:**

The ratios show that the University has taken on considerable debt in recent years and has hence reduced its financial flexibility for the immediate future. This debt has been incurred to build the facilities needed for enrolment expansion in advance of the associated revenue from government grants and from residence operations. Once those revenue streams are in place, the ratios are expected to improve. It should be noted that, despite the recent changes, the University's resource/debt ratios remain somewhat above the medians for US public colleges and universities rated by Moody's.

**RECOMMENDATION:**

For information.