



TO: Business Board

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DATE: March 13, 2013 for April 8, 2013

AGENDA ITEM: 7

**ITEM IDENTIFICATION:**

Status Report on Debt to March 31, 2013

**JURISDICTIONAL INFORMATION:**

The Business Board receives reports on financial matters.

**PREVIOUS ACTION TAKEN:**

The borrowing strategy was initially approved by Governing Council in June 2004. A revision of this debt strategy was recently approved in November 2012.

**HIGHLIGHTS:**

This regular status report provides the Business Board with an update of the debt policy limit, borrowing allocated by Business Board and actual external and internal debt. It also provides the actual debt burden and viability ratios as compared to the ratios of the debt policy limit.

The total debt policy limit for 2012-13 is \$1.3296 billion, reflecting the maximum debt that can be taken on based on a debt burden ratio of 5% at April 30, 2012, as defined by the Debt Strategy. The debt burden ratio equals interest plus principal repayments divided by total expenditures.

Allocations include borrowing approved by Business Board along with a contingency for donations targets and pledges. To March 31, 2013, net allocations were \$1.1142 billion, leaving \$215.4 million (\$1.3296 billion minus \$1.1142 billion) available for future allocation.

Actual debt outstanding is the sum of internal loans issued from internal funds plus actual external debt issuance. At March 31, 2013, actual debt outstanding was \$994.1 million. The debt burden ratio reflecting actual outstanding debt was 3.8%, of which 1.2% related to internal loans and 2.6% related to external debt issuance.

**FINANCIAL AND/OR PLANNING IMPLICATIONS:**

-None

**RECOMMENDATION:**

For information.

**University of Toronto**  
**Status Report on Debt to March 31, 2013**

| <b>Financial Ratios in accordance with Policy</b>   | <b>Total</b> | <b>Internal Component</b> |                   | <b>External Component</b> |
|---|--------------|---------------------------|-------------------|---------------------------|
|   |              | <b>Pension Debt</b>       | <b>Other Debt</b> |                           |
| Debt burden ratios:   |              |                           |                   |                           |
| Debt policy limit at April 30, 2012   | <b>5.0%</b>  |                           |                   |                           |
| Actual debt outstanding at March 31, 2013*  | <b>3.8%</b>  | 0.4%                      | 0.8%              | 2.6%                      |
| Viability ratios:   |              |                           |                   |                           |
| Debt policy limit at April 30, 2012   | <b>0.82</b>  |                           |                   |                           |
| Actual debt outstanding at March 31, 2013*  | <b>1.09</b>  | 10.16                     | 6.60              | 1.50                      |
| <b>Monitoring debt burden + pension special payments</b>  |              |                           |                   |                           |
| Actual debt outstanding at March 31, 2013 plus special pension payments as % of total expenditures* | <b>5.5%</b>  | 2.1%                      | 0.8%              | 2.6%                      |

\* Calculated using the Total expenditures or Total expendable resources at April 30, 2012, and special pension payments for the year ended April 30, 2012.

| <b>Debt Policy Limit April 30, 2012</b> | <b>Total in Millions</b> | <b>Internal Component</b> |                   | <b>External Component</b> |
|---|--------------------------|---------------------------|-------------------|---------------------------|
|   |                          | <b>Pension Debt</b>       | <b>Other Debt</b> |                           |
| Debt Policy Limit                       | <b>1,329.6</b>           | 150.0                     | 200.0             | 979.6                     |

| <b>Allocations</b>                                   | <b>Total in Millions</b> | <b>Internal Component</b> |                   | <b>External Component</b> |
|--|--------------------------|---------------------------|-------------------|---------------------------|
|  |                          | <b>Pension Debt</b>       | <b>Other Debt</b> |                           |
| Opening balance at February 28, 2013                 | <b>1,114.2</b>           | 150.0                     | 200.0             | 764.2                     |
| Approved by Business Board on March 4, 2013          | -                        | -                         | -                 | -                         |
| Change of allocation on previously approved projects | -                        | -                         | -                 | -                         |
| Closing balance at March 31, 2013                    | <b>1,114.2</b>           | 150.0                     | 200.0             | 764.2                     |
| <b>Unallocated</b>                                   | <b>215.4</b>             | -                         | -                 | 215.4                     |

| <b>Actual Debt Outstanding</b>       | <b>Total in Millions</b> | <b>Internal Component</b> |                   | <b>External Component</b> |
|--------------------------------------|--------------------------|---------------------------|-------------------|---------------------------|
|                                      |                          | <b>Pension Debt</b>       | <b>Other Debt</b> |                           |
| Opening balance at February 28, 2013 |                          |                           |                   |                           |
| Debentures due 2031 to 2051          | <b>710.0</b>             |                           |                   | 710.0                     |
| Other external debt                  | <b>12.6</b>              |                           |                   | 12.6                      |
| Internal debt                        | <b>272.4</b>             | 107.2                     | 165.2             | -                         |
|                                      | <b>995.0</b>             | 107.2                     | 165.2             | 722.6                     |
| Changes                              | <b>(0.9)</b>             | (0.3)                     | (0.6)             | -                         |
| Closing balance at March 31, 2013    | <b>994.1</b>             | 106.9                     | 164.6             | 722.6                     |

**Definitions:**

**Debt** includes all long-term external and internal borrowed funds obtained by any means (e.g. debentures, bank loans) and excludes letters and lines of credit and all short-term and medium term internal financing for purposes such as construction financing and fund deficits.

**Debt burden ratio**, key determinant of debt policy limit, equals interest plus principal divided by total expenditures.

**Debt policy limit** is the maximum debt that can be taken on based on a debt burden ratio of 5%.

**Viability ratio**, to be taken into consideration in setting debt policy limit, equals expendable resources divided by debt. The debt strategy has set a preference of a viability ratio of 0.8 or greater.

**Allocations** include borrowing approved by Business Board, plus contingency for donations targets and pledges.

**Actual debt outstanding** is the sum of internal loans issued from internal debt plus actual external debt issuance.