

# University of Toronto

## Status Report on Debt to November 30, 2012

<b>Financial Ratios</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>	0.5%	1.0%	3.5%
Actual debt outstanding at Nov 30, 2012*	<b>3.8%</b>	0.4%	0.8%	2.6%
Actual debt outstanding at Nov 30, 2012 plus special pension payments*	<b>5.5%</b>	2.1%	0.8%	2.6%
Viability ratios:				
Debt policy limit at April 30, 2012	<b>0.82</b>	7.24	5.43	1.11
Actual debt outstanding at Nov 30, 2012*	<b>1.10</b>	10.05	6.78	1.50

\* Calculated using the Total expenditures and Total expendable resources at 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 October 31, 2012	<b>1,098.2</b>	150.0	200.0	748.2
Approved by Business Board on November 5, 2012	-	-	-	-
Change of allocation on previously approved projects	-	-	-	-
Closing balance at November 30, 2012	<b>1,098.2</b>	150.0	200.0	748.2
<b>Unallocated</b>	<b>231.4</b>	-	-	231.4

<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 October 31, 2012				
Debentures due 2031 to 2051	<b>710.0</b>			710.0
Other external debt	<b>12.6</b>			12.6
Internal debt	<b>269.4</b>	108.3	161.1	-
	<b>992.0</b>	108.3	161.1	722.6
Changes	<b>(1.3)</b>	(0.3)	(1.0)	-
Closing balance at November 30, 2012	<b>990.70</b>	108.0	160.10	722.60

### **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.

### Debt Burden Ratio (Nov 30 2012)

$$\text{Debt Burden} = \frac{\text{Principal + Interest}}{\text{Total Expenditures}}$$

	(in Millions)			
	External Debt	Internal Pension	Internal other	Ext + Int Debt
Principal Payment	20.6	3.1	8.4	32.0
Interest Payment	39.0	6.5	10.3	55.8
Total Principal & Interest (Nov 30, 2012)	<u>59.6</u>	<u>9.6</u>	<u>18.7</u>	<u>87.9</u>
Total Expenses (April 30, 2012)	2,437.9	2,437.9	2,437.9	2,437.9
Less Depreciation	(137.0)	(137.0)	(137.0)	(137.0)
Plus Principal payments	20.6	3.1	8.4	32.0
Pension expense in excess of funding	(19.3)	(19.3)	(19.3)	(19.3)
Total Expenditures at April 30, 2012	<u>2,302.2</u>	<u>2,284.7</u>	<u>2,290.0</u>	<u>2,313.6</u>
<b>Debt Burden Ratios:</b>	<b>2.6%</b>	<b>0.4%</b>	<b>0.8%</b>	<b>3.8%</b>

### Modified Debt Burden Ratio (Nov 30, 2012) - Including Special Payments for Pension

$$\text{Debt Burden} = \frac{\text{Principal + Interest + Special Payments for Pension}}{\text{Total Expenditures}}$$

	(in Millions)			
	External Debt	Internal Pension	Internal other	Ext + Int Debt
Principal Payment	20.6	3.1	8.4	32.0
Interest Payment	39.0	6.5	10.3	55.8
Total Principal & Interest (Nov 30, 2012)	<u>59.6</u>	<u>9.6</u>	<u>18.7</u>	<u>87.9</u>
Special Payments for Pension		40.1		40.1
Total Principal & Interest (Nov 30, 2012) + Special	<u>59.6</u>	<u>49.7</u>	<u>18.7</u>	<u>128.0</u>
Total Expenses (April 30, 2012)	2,437.9	2,437.9	2,437.9	2,437.9
Less Depreciation	(137.0)	(137.0)	(137.0)	(137.0)
Plus Principal payments	20.6	3.1	8.4	32.0
Pension expense in excess of funding	(19.3)	(19.3)	(19.3)	(19.3)
Total Expenditures at April 30, 2012	<u>2,302.2</u>	<u>2,284.7</u>	<u>2,290.0</u>	<u>2,313.6</u>
<b>Debt Burden Ratios:</b>	<b>2.6%</b>	<b>2.1%</b>	<b>0.8%</b>	<b>5.5%</b>

## Viability Ratio (Nov 30 2012)

$$\text{Viability Ratio} = \frac{\text{Expendable resources (see list below)}}{\text{Debt}}$$

	(in Millions)			
	External Debt	Internal Pension	Internal Other	Ext + Int Debt
<b>Expendable resources (April 30, 2012):</b>				
Unrestricted deficit	(135.2)	(135.2)	(135.2)	(135.2)
Internally restricted endowments	230.8	230.8	230.8	230.8
Deferred Contributions	371.2	371.2	371.2	371.2
Internally restricted cash reserves				
Operating fund reserves	437.2	437.2	437.2	437.2
SRA fund	121.3	121.3	121.3	121.3
Departmental trust funds	71.5	71.5	71.5	71.5
Alterations and renovation funds	75.3	75.3	75.3	75.3
Other funds	23.6	23.6	23.6	23.6
Internal loan for Pension Funding	(109.8)	(109.8)	(109.8)	(109.8)
<b>Total expendable resources at April 30, 2012</b>	<b>1,085.9</b>	<b>1,085.9</b>	<b>1,085.9</b>	<b>1,085.9</b>
	External Debt	Internal Pension	Internal Other	Ext + Int Debt
Total Debt at Nov 30, 2012	722.6	108.0	160.1	990.7
<b>Viability Ratios</b>	<b>1.50</b>	<b>10.05</b>	<b>6.78</b>	<b>1.10</b>

### Maximum Debt at 5% Debt Burden Ratio (April 30, 2012)

$$\text{Debt Burden} = \frac{\text{Principal + Interest}}{\text{Total Expenditures}}$$

(in Millions)

Total Expenses	2,437.9	
Less Depreciation	(137.0)	
Plus Principal payments	28.8	
Pension expense in excess of funding	(19.3)	
<b>Total Expenditures</b>	<u>2,310.4</u>	(a)
<b>Debt Burden Ratio of</b>	<b>5.0%</b>	(b)
Represents total Principal and Interest at 5% debt burden	115.5	(a) x (b)
Less 12 months of principal + Interest of outstanding debt	(90.5)	
Additional Principal + Interest that UofT can afford	<u>25.0</u>	

Additional debt that UofT can afford assuming that it will be borrowed at an interest rate of 5% with equal principal payments over 40 years:

$$\begin{array}{rcccl} \text{Principal} & + & \text{Interest} & = & \text{Cost of Debt} \\ \left( \frac{\text{Debt}}{40 \text{ years}} \right) & + & \left( \text{Debt} \times 5\% \right) & = & \$25.0 \text{ million} \end{array}$$

Therefore, additional debt equals to \$333.4 million

In Summary:

Additional debt that UofT can afford	333.4	
Plus actual outstanding external debt	722.6	
Plus actual outstanding internal debt	273.6	
<b>Maximum debt that UofT can borrow at 5% debt burden ratio</b>	<u>1,329.6</u>	