



FOR INFORMATION

PUBLIC

OPEN SESSION

TO: Business Board

SPONSOR: Sheila Brown, Chief Financial Officer
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PRESENTER: Sheila Brown, Chief Financial Officer
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DATE: January 9, 2017 for January 23, 2017

AGENDA ITEM: 6(b)

ITEM IDENTIFICATION:

Status Report on Debt to December 31, 2016

JURISDICTIONAL INFORMATION:

Pursuant to Section 5 (1.) (b.) of the Business Board *Terms of Reference*, the Business Board has responsibility for reviewing regular reports on matters affecting the finances of the University and on financial programs and transactions.

GOVERNANCE PATH:

1. **Business Board [for information] (January 23, 2017)**

PREVIOUS ACTION TAKEN:

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

HIGHLIGHTS:

This regular status report provides the Business Board with an update of the debt policy limit, debt 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 2016-17 is \$1.5 billion, reflecting the maximum debt that can be taken on based on a debt burden ratio of 5% at April 30, 2016, as defined by the Debt Strategy. The debt burden ratio equals interest plus principal divided by total expenditures.

Allocations include borrowing approved by Business Board along with a contingency for donations targets and pledges. To December 31, 2016, net allocations were \$1.2 billion, leaving \$257.0 million available for future allocation.

Actual debt outstanding is the sum of internal loans issued from internal funds plus actual external debt issuance. At December 31, 2016, actual debt outstanding was \$1 billion. The debt burden ratio reflecting actual outstanding debt was 3.6%, of which 1.3% related to internal loans and 2.3% related to external debt issuance.

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION:

For information.

DOCUMENTATION PROVIDED:

Status Report on Debt to December 31, 2016

University of Toronto
Status Report on Debt to December 31, 2016

| Financial Ratios in accordance with Policy | Total | Internal Component | | External Component |
|--|--------------|---------------------------|-------------------|---------------------------|
| | | Pension Debt | Other Debt | |
| Debt burden ratios: | | | | |
| Debt policy limit at April 30, 2016 | 5.0% | | | |
| Actual debt outstanding at December 31, 2016* | 3.6% | 0.4% | 0.9% | 2.3% |
| Viability ratios: | | | | |
| Debt policy limit at April 30, 2016 | 1.10 | | | |
| Actual debt outstanding at December 31, 2016* | 1.58 | 13.58 | 8.67 | 2.25 |
| Monitoring debt burden + pension special payments | | | | |
| Actual debt outstanding at December 31, 2016 plus special pension payments as % of total expenditures* | 7.2% | | | |

*Calculated using the Total expenditures or Total expendable resources at April 30, 2016 and special pension payments for the year ended April 30, 2016

| Debt Policy Limit April 30, 2016 | Total in Millions | Internal Component | | External Component |
|---|--------------------------|---------------------------|-------------------|---------------------------|
| | | Pension Debt | Other Debt | |
| Debt Policy Limit | 1,469.0 | 150.0 | 200.0 | 1,119.0 |

| Allocations | Total in Millions | Internal Component | | External Component |
|--|--------------------------|---------------------------|-------------------|---------------------------|
| | | Pension Debt | Other Debt | |
| Opening balance at October 31, 2016 | 1,197.5 | 150.0 | 200.0 | 847.5 |
| Opening balance at October 31, 2016-UTSC (R-Wing) | 15.0 | | | 15.0 |
| Approved by Business Board on November 17, 2016 | - | - | - | - |
| Change of allocation on previously approved projects | (0.5) | - | - | (0.5) |
| Closing balance at December 31, 2016 | 1,212.0 | 150.0 | 200.0 | 862.0 |
| Unallocated | 257.0 | - | - | 257.0 |

| Actual Debt Outstanding | Total in Millions | Internal Component | | External Component |
|--------------------------------------|--------------------------|---------------------------|-------------------|---------------------------|
| | | Pension Debt | Other Debt | |
| Opening balance at October 31, 2016 | | | | |
| Debentures due 2031 to 2051 | 710.0 | | | 710.0 |
| Other external debt | 5.8 | | | 5.8 |
| Internal debt | 309.6 | 119.3 | 190.3 | - |
| | 1,025.4 | 119.3 | 190.3 | 715.8 |
| Changes | (5.5) | (0.8) | (4.7) | - |
| Closing balance at December 31, 2016 | 1,019.9 | 118.5 | 185.6 | 715.8 |

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.