Operating Budget Capacity to Carry Additional Debt

Key Assumptions

- Additional debt will be phased in over 6 years →annual debt service cost at steady state is projected at $14.7M.
- Revenue growth projected at ~$100M per annum to 2017-18.
- Estimated incremental committed expenses over this same period is projected at ~$75M per annum
- Incremental annual base surplus between $20-30M.

Divisional Reserves

- Divisional reserve balances at April 30, 2012 were $416M.
- Many funds are committed to future projects, however a portion of reserves is held as contingency and could be redirected if needed.
- The endowment payout cancellation in 2008 is evidence of the degree of flexibility within divisional reserves.
- Sensitivity analysis performed as part of risk analysis assessment.

Capital Project Planning

- "Build to Budget" strategy on all new projects
- Funding sources:
  - Divisional reserves (cash)
  - Central reserves (cash)
  - Government grants (graduate capital)
  - Operating revenue streams: enrolment growth
  - Donor fundraising
  - Borrowing

Faculty of Law: new building plans

New Law Building

Source of funds	$
Cash reserves - Law	$4M
Fundraising target *	$36M
Contribution from University	$10.5M
Borrowing	$3.5M
Total	$54M

* $32.6M raised to date

Conclusion

The University's operating budget has the capacity to carry an additional $200M in debt without materially impacting the teaching and research mission.