



FOR INFORMATION

PUBLIC

OPEN SESSION

TO: Business Board

SPONSOR: Sheila Brown, Chief Financial Officer
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PRESENTER: Same as above.
CONTACT INFO:

DATE: September 11, 2019 for October 7, 2019

AGENDA ITEM: 5

ITEM IDENTIFICATION:

Status Report on Debt to September 30, 2019

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] (October 7, 2019)

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 2019-20 is \$1.71 billion, reflecting the maximum debt that can be taken on based on a debt burden ratio of 5% at April 30, 2019, as defined by the Debt Strategy. The debt burden ratio equals interest plus principal divided by total expenditures.

As signalled at the June Business Board meeting, the internal component of total debt has been increased from \$350 million to 25% of the EFIP (expendable funds) balance at April 30 after an extensive review of the University's historical cash flows patterns and projected liquidity needs. The review concluded that 25% of EFIP can be conservatively invested in long-term internal loans. The revised amount for fiscal 2019-20, based on the EFIP balance at April 30, 2019 is \$636.9 million. This amount will be reset every year based on the EFIP balance at April 30. Setting the internal component of total debt at 25% is within the maximum 40% upper limit established by the University's Debt Strategy and approved by Business Board.

Allocations include borrowing approved by Business Board along with a contingency for donations targets and pledges. To September 30, 2019, net allocations were \$1.32 billion, leaving \$396.5 million available for future allocation.

Actual debt outstanding is the sum of internal loans issued from internal funds plus actual external debt issuance. At September 30, 2019, actual debt outstanding was \$1 billion. The debt burden ratio reflecting actual outstanding debt was 3.2%, of which 1.2% related to internal loans and 2.0% related to external debt issuance.

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION:

For information.

DOCUMENTATION PROVIDED:

- Status Report on Debt to September 30, 2019

University of Toronto
Status Report on Debt to September 30, 2019

Financial Ratios in accordance with Policy	Total	Internal Component		External Component
		Pension Debt	Other Debt	
Debt burden ratios:				
Debt policy limit at April 30, 2019	5.0%			
Actual debt outstanding at September 30, 2019*	3.2%	0.4%	0.8%	2.0%
Viability ratios:				
Debt policy limit at April 30, 2019	1.3			
Actual debt outstanding at September 30, 2019*	2.2	21.8	11.7	3.2
Monitoring debt burden + pension special payments				
Actual debt outstanding at September 30, 2019 plus minimum required special pension payments as % of total expenditures*	5.8%			

*Calculated using the Total expenditures or Total expendable resources at April 30, 2019 and minimum required special pension payments for the year ended April 30, 2019

Debt Policy Limit April 30, 2019	Total in Millions	Internal Component		External Component
		Pension Debt	Other Debt	
Debt Policy Limit	1,712.3	150.0	486.9	1,075.4

Allocations	Total in Millions	Internal Component		External Component
		Pension Debt	Other Debt	
Opening balance at May 31, 2019	1,315.8	150.0	486.9	678.9
Change of allocation on previously approved projects	-	-	-	-
Closing balance at September 30, 2019	1,315.8	150.0	486.9	678.9
Unallocated	396.5	-	-	396.5

Actual Debt Outstanding	Total in Millions	Internal Component		External Component
		Pension Debt	Other Debt	
Opening balance at May 31, 2019				
Debentures due 2031 to 2051	710.0			710.0
Other external debt	1.0			1.0
Internal debt	305.2	105.5	199.7	-
	1,016.2	105.5	199.7	711.0
Changes	(9.4)	(2.0)	(7.4)	-
Closing balance at September 30, 2019	1,006.8	103.5	192.3	711.0

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.