



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 14, 2020 for October 6, 2020

AGENDA ITEM: 8

ITEM IDENTIFICATION:

Status Report on Debt to September 30, 2020

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 6, 2020)

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 2020-21 is \$1.85 billion, reflecting the maximum debt that can be taken on based on a debt burden ratio of 5% at April 30, 2020, 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 September 30, 2020, net allocations were \$1.48 billion, leaving \$362.3 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, 2020, actual debt outstanding was \$952.8 million. The debt burden ratio reflecting actual outstanding debt was 2.9%, of which 1% related to internal loans and 1.9% related to external debt issuance.

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION:

For information.

DOCUMENTATION PROVIDED:

- *Status Report on Debt to September 30, 2020*

University of Toronto Status Report on Debt to September 30, 2020

| Financial Ratios in accordance with Policy | Total | External Component | Internal Component | |
|--|-------|--------------------|--------------------|--------------|
| | | | Other Debt | Pension Debt |
| Debt burden ratios: | | | | |
| Debt policy limit at April 30, 2020 | 5.0% | | | |
| Actual debt outstanding at September 30, 2020* | 2.9% | 1.9% | 0.6% | 0.4% |
| Viability ratios: | | | | |
| Debt policy limit at April 30, 2020 | 1.4 | | | |
| Actual debt outstanding at September 30, 2020* | 2.7 | 3.7 | 18.0 | 26.8 |
| Monitoring debt burden + pension special payments | | | | |
| Actual debt outstanding at September 30, 2020 plus minimum required special pension payments as % of total expenditures* | 5.4% | | | |

*Calculated using the Total expenditures or Total expendable resources at April 30, 2020 and minimum required special pension payments for the year ended April 30, 2020

| Debt Policy Limit April 30, 2020 | Total in Millions | External Component | Internal Component | |
|----------------------------------|-------------------|--------------------|--------------------|--------------|
| | | | Other Debt | Pension Debt |
| Debt Policy Limit | 1,845.9 | 1,147.5 | 548.4 | 150.0 |

| Allocations | Total in Millions | External Component | Internal Component | |
|--|-------------------|--------------------|--------------------|--------------|
| | | | Other Debt | Pension Debt |
| Opening balance at May 31, 2020 | 1,484.9 | 820.2 | 514.7 | 150.0 |
| Change of allocation on previously approved projects | (1.3) | - | (1.3) | - |
| Closing balance at September 30, 2020 | 1,483.6 | 820.2 | 513.4 | 150.0 |
| Unallocated | 362.3 | 327.3 | 35.0 | - |

| Actual Debt Outstanding | Total in Millions | External Component | Internal Component | |
|---------------------------------------|-------------------|--------------------|--------------------|--------------|
| | | | Other Debt | Pension Debt |
| Opening balance at May 31, 2020 | | | | |
| Debentures due 2031 to 2051 | 710.0 | 710.0 | | |
| Internal debt | 246.5 | - | 147.0 | 99.5 |
| | 956.5 | 710.0 | 147.0 | 99.5 |
| Changes | (3.7) | - | (1.7) | (2.0) |
| Closing balance at September 30, 2020 | 952.8 | 710.0 | 145.3 | 97.5 |

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.