



University of Toronto

OFFICE OF THE VICE-PRESIDENT, BUSINESS AFFAIRS – FINANCE

APPENDIX "A" TO REPORT NUMBER 172 OF
THE BUSINESS BOARD – February 11, 2009

TO: Business Board

SPONSOR: Sheila Brown, Chief Financial Officer
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DATE: January 22, 2009 for February 11, 2009

AGENDA ITEM: 7

ITEM IDENTIFICATION:

External Borrowing Authorization

JURISDICTIONAL INFORMATION:

The Business Board approves the financing of capital projects.

PREVIOUS ACTION TAKEN:

The Business Board approved borrowing of \$160 million on January 15, 2001, borrowing of \$200 million on June 19, 2003 and borrowing of \$150 million on June 17, 2004.

HIGHLIGHTS:

The borrowing strategy currently provides for a maximum external and internal borrowing capacity of \$948 million (\$748 million external and \$200 million internal). Outstanding external borrowing totaled \$556.3 million at April 30, 2008. It is comprised of \$160.0 million Series A debenture issued July 18, 2001, \$200.0 million Series B debenture issued December 15, 2003, Series C debenture issued November 16, 2005, \$75.0 million Series D debenture issued December 13, 2006, and \$53.6 million in other long-term debt issued prior to 2001.

We are requesting the approval of up to \$200 million of external borrowing to cover for the loans for projects the majority of which have already been approved by Business Board. The proposed \$200 million external borrowing plus the existing \$556.3 million issued will bring the external borrowing to \$756.3 million, which is below the maximum external borrowing limit of \$773.7 million projected at April 30, 2009.

Principal and interest of the \$200 million external borrowing are to be repaid by the divisions benefiting from the capital projects through the issuance of internal loans.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

Enables a continuation of capital investment on key priorities.

RECOMMENDATION:

Be recommended to the Governing Council

1. THAT the University be authorized to borrow such amount, not exceeding \$200 million, as may be determined by the senior officer of the University responsible for financial matters, as so designated by the President, in addition to the \$160 million approved by the Business Board on January 15, 2001, the \$200 million approved by the Governing Council on June 26, 2003 and the \$150 million approved by the Governing Council on June 24, 2004;
2. THAT such senior officer responsible for financial matters be authorized to determine, in consultation with the University financial advisor, the most appropriate financing structure for this borrowing, including without limitation, by way of private debt placement, a public debenture issue, syndicated bank financing, or securitization and to negotiate, approve and execute and deliver for and on behalf of and in the name of the University, all agreements, documents, certificates and instruments, including without limitation any underwriting or agency agreement and any offering document, and to take all such other actions as such officer may determine to be necessary or desirable to give effect to such financing and offering of debt securities, the execution and delivery of any such agreements, documents, certificates or instruments, and the taking of such actions being conclusive evidence of such determination;
3. THAT such senior officer responsible for financial matters is further authorized to authorize any other officer of the University to execute and deliver, for and on behalf of and in the name of the University, such certificates, documents and instruments as may be contemplated by the principal agreements entered into with respect to such debt offering or as may be required in connection with the closing of the offering of debt securities authorized hereby;
4. THAT the borrowed funds be added to the Long-Term Borrowing Pool and invested by University of Toronto Asset Management Corporation until the funds are required for each project;
5. THAT the senior officer of the University responsible for financial matters be authorized to allocate borrowing as internal financing for spending that has been approved by the Business Board or is within the approval authority of the administration;
6. THAT principal and interest repayments related to debenture borrowing be placed in the Long-Term Borrowing Pool, or other sinking fund mechanism, and, together with investment income, be used to pay periodic interest payments to lenders, to pay issue and ongoing administrative costs, with the expectation that the net sum from these additions and draw downs will be sufficient to repay the bullet debentures at maturity.
7. THAT the senior officer of the University responsible for financial matters report periodically to the Business Board on the status of the Long-Term Borrowing Pool.