POLICY 2.30 – Capital Debt Policy

Policy Category:	Financial
Subject:	Capital Debt
Approving Authority:	Board of Governors
Responsible Officer(s):	Vice-President (Operations & Finance)
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Related Procedures:	Procedures for Capital Debt
Effective Date:	January 26, 2017
Supersedes:	May 3, 2007; May 4, 2006

PURPOSE

The purpose of the Capital Debt Policy and Capital Debt Guidelines is to define the responsibilities for the approval of capital debt, guide maximum limits on the amount of capital debt and outline the system of accountability.

POLICY

1.00 The Policy is guided by the following principles:

- Holistic view of capitalization of the University which includes external debt, internal capital, investments, as well as the cost of capital
- Guidance only and not an imposed limit in order to support the Board's decision making
- Capacity to borrow and affordability of capital debt is determined by the University's ability to repay obligations
- Capital debt is a resource that can advance the academic mission, strategy and sustainability of the University
- Capital markets environment is a key factor

2.00 Capital borrowing will be undertaken by the administration only following approval of the capital project by the Board of Governors or as may be delegated to the Property and Finance Committee. Such approval shall include the total cost of the project, source(s) of funds for debt repayment and the period of time over which the debt is planned to be repaid.

3.00 Associated Companies whose accounts are included in the University's combined financial statements in accordance with generally accepted accounting principles shall not incur debt without first obtaining approval from the Board of Governors of the University. This process does not represent that this debt will be guaranteed by the University to the lending institution. No guarantee or similar instrument shall be signed on behalf of the University without the specific approval of the Board of Governors.

4.00 Individual Faculties are not legal entities and are therefore not permitted to borrow funds without the approval of the Board of Governors.

5.00 Individual Faculties and Budget Units are not permitted to restrict the use of future operating funds for external debt repayments related to capital projects without the approval of the Board of Governors.

6.00 The University will seek to borrow funds from the lowest-cost source of financing available. Surplus internal funds may be advanced to finance projects until external financing is obtained.

REPORTING

7.00 The administration shall report quarterly through the Property and Finance Committee to the Board of Governors on:

- current and projected debt levels
- the amount of current debt that is on a floating rate basis and on a fixed rate basis
- the term of each loan
- the notional amount of non-endowed funds that have been set aside for the purpose of principal and interest repayment
- compliance with the debt ratios provided in Procedures related to Capital Debt.