



Debt Service Ratio

	UBC		Actual %age FY11	Actual %age FY10	Policy rate %age	FY13 Variance from policy rate
	Actual %age FY13	Actual %age FY12				
External DSR	1.58	1.61	1.60	1.65	<5.5	3.92
External + Internal DSR	2.75	2.48	2.05	2.01	<5.5	2.75

Benchmark

University policy requires that the debt service ratio remains below 5.5%. The median of Aaa/Aa1 US Schools in 2011 was 5.08% (2010 4.52%).

Description

The debt service ratio reflects the affordability of the university's annual long term borrowing commitments. The calculation, for any 12 month period, is

$$\frac{\text{debt service payments (interest and principal)}}{\text{total consolidated revenues}}$$

The lower the ratio, the greater the institution's flexibility in allocating its resources.

External debt servicing encompasses principal and interest payments made to support outstanding debentures, CMHC loans and provincial government loans. External + Internal debt servicing further takes into account internal working capital used to finance UBC's major capital projects.

Person with lead responsibility for this metric: Treasurer

Data collection will be from: Treasury

Date: 30 June (for the preceding fiscal year)

Explanation of Results

The overall debt service ratio for UBC continues to be very manageable. Even if UBC were to externally refinance all of its internal loans, currently financed from working capital, the debt service ratio would be 2.75%. That is half of the 5.5% ceiling, and significantly below the sector average of 5.08%, allowing UBC the financial flexibility to further increase borrowing.

Although government borrowing restrictions have prevented UBC's ability to borrow externally, UBC has maintained a healthy construction schedule by means of an internal loan program. As a result, borrowings have increased over recent years but UBC's revenues have increased apace so as to afford sufficient latitude to continue with capital development and yet maintain a healthy debt service ratio.

Recommended Action

Continue monitoring