<table>
<tr>
<td rowspan="2">DALHOUSIE UNIVERSITY

EXTERNAL DEBT POLICY
University Finances</td>
<td>Policy Sponsor:
Vice-President, Finance & Administration</td>
<td>Approval Date:
Board: April 15, 2014</td>
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<td>Responsible Unit:</td>
<td>Revisions:
Board: June 27, 2017</td>
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A. Background and Purpose

The physical facilities of the University are critical to the delivery of academic programs and services. Improvement and expansion of facilities requires the development of capital project proposals accompanied by a business plan including the strategic importance, project funding sources and operating revenue and expenditure implications.

The University expects any project for which financing is necessary to be consistent with the University's capital plan and in accordance with the principles and priorities of the plan.

The purpose of this policy is to define responsibilities for the approval of new University external capital debt (borrowing) and reporting thereon and to provide guidelines on the limits of external capital debt incurred by the University.

B. Application

The policy applies to the University and all of its Faculties and administrative units and to affiliated entities where the financial activities of those entities are included in the consolidated financial statements of the University.

C. Policy

1. Capital borrowing will be undertaken following:
    - Board of Governors' approval of capital project design and project costs, upon the recommendation of the Capital Projects and Facilities Committee; and

- Board of Governors' approval of the project funding plan, including external capital debt requirements and the source(s) of funds for servicing the debt and period of time for repayment, upon the recommendation of the Finance, Audit, Investment and Risk Committee.

2. The University will seek to minimize external capital debt and to borrow funds or to restructure capital debt in a competitive manner taking into consideration factors including, but not limited to, the ratios in Section 6, costs, term, repayment options, security requirements and other conditions imposed by the lender.

3. The repayment term of borrowed funds shall not exceed the useful service life of the related capital asset.

4. Internal surplus cash resources may be a source of financing during the project construction period.

5. Selection of fixed or floating rate debt shall be determined on the basis of a financial and interest rate risk analysis.

6. The following measures should be used as guidelines in limiting the amount of external capital debt. These measures should be applied as set out in section 7.

   i. <u>Debt per Full-Time Equivalent Student</u>

   This ratio is a measure of resources allocated to debt. Upper limits of acceptable debt per full-time equivalent student would normally be between $12,500 and $13,500.

   ii. <u>Debt Service Coverage</u>

   This quantifies the capacity of operating and ancillary revenues to meet principal and interest payments obligations. Upper limits for the total annual payment of principal and interest on external capital debt would normally be between 3.5% and 3.7% of operating and ancillary revenue.

   iii. <u>Debt to Total Revenue Ratio</u>

   This ratio is a measure of affordability. External capital debt as a percentage of total University revenue (i.e. all funds) shall not normally exceed 33%.

7. The measures set out in section 6 should be assessed as follows:

Debt Level Measures

	Debt Per FTE	Debt Service Coverage	Debt to Total Revenue
Green Zone	≤ $12,500	≤ 3.5%	≤ 33%
Amber Zone	> $12,500 ≤ $13,500	> 3.5% ≤ 3.7%	≤ 33%
Red Zone	> $13,500	> 3.7%	≤ 33%

a) Green Zone

Debt levels falling within the limits in the Green Zone would be considered acceptable within this policy.

b) Amber Zone

Debt levels which would position total external debt in the Amber Zone would not automatically disqualify a borrowing proposal but should be carefully assessed and shall include a plan to return to the lower thresholds. The plan should be reported to the Finance, Audit, Investment and Risk Committee of the Board of Governors.

c) Red Zone

Debt levels which would position total external debt in the Red Zone would require careful assessment of both the magnitude and duration of the breach and would require Board approval.

8. The Vice-President Finance and Administration will report on the University's capital debt a minimum of once annually through the Finance, Audit, Investment and Risk Committee to the Board of Governors. The report shall include the current and projected debt levels, compliance with debt capacity guidelines and other relevant information.

9. Levels set out in this policy are based on an examination of debt levels at similar universities across Canada and on guidance from financial institutions. The policy shall be reviewed annually to ensure that it remains consistent with the University's strategic objectives and the external environment.