

2008: SB 12

MEMORANDUM TO: School Business Officials

FROM: Nancy Whynot

DATE: April 29, 2008

SUBJECT: Capital Program Amendments

As a follow-up to Memorandum **2008: B2** dated March 26, 2008, regarding Education Funding for 2008-09, I am writing to provide additional information about amendments the Ministry has made to capital programs in the Grants for Student Needs (GSN) and related regulations.

Capital Liquidity Template

The Ministry continues to work with boards to complete the Capital Liquidity Template. We expect to have all boards' templates completed by the end of June 2008.

When completed, this tool provides an accurate assessment of both a board's current capital financial position with respect to capital projects the board has undertaken, and a board's capacity to take on new capital debt for planned projects. This tool is important for the analysis of Capital Debt Commitments, transfers from reserves, and Growth Schools.

Capital Debt Commitments

The Capital Debt Commitments Program was introduced by the Ministry in 2006-07. Boards that have received "pure" New Pupil Places (NPP) funding, (i.e., funding generated by enrolment in excess of capacity) in some or all of the years from 1998-99 to 2005-06 may be eligible for capital debt commitments funding. Boards that have only received NPP funding related to fixed pupil place amounts, such as Enrolment Pressures (EP), Capital Transitional, and Prohibitive to Repair (PTR), are **not eligible** for capital debt commitments funding.

Under the Capital Debt Commitment Program, a number of technical amendments have been made and are in effect for the 2007-08 school year:

- A board's 2005 Policy Transitional Funds have been protected in the NPP revenue stream. These funds do not have to be applied against the board's capital debt commitments if they are still required by the board to complete the associated projects.
- A board's Enrolment Pressure funds are already protected in the NPP capital reserve and do not have to be applied against the board's capital debt commitments.

However, an amendment has been made to protect the EP-related funds in the reserve that are still required to address enrolment pressures at the school or areas where they were generated.

- A board's long-term lease payments for education spaces that were committed before August 31, 2006, are now eligible for capital debt commitment funding, if a board converts its annual lease amounts to fund the acquisition or building costs of replacing the leased space.

Approval Required for All New Capital Projects

In the review of the Capital Liquidity Templates, it has come to the Ministry's attention that some boards have entered into new capital commitments or have transferred funds from capital reserves without Ministry approval.

Boards are reminded that they are required to obtain approval from the Ministry before entering into any new capital financial commitments, tendering any capital projects funded through NPP and other capital programs, and transferring funds from their capital reserves. This requirement has been in effect since June 12, 2006 and was confirmed through an amendment to O. Regulation 446/98.

Boards that fail to comply with this requirement may be held responsible for all costs related to the dissolution of contracts.

As per Memorandum **2008: B2**, the Ministry will work with school boards to provide long-term financing through the Ontario Financing Authority (OFA) for costs funded through the NPP allocation that are not permanently financed. Once the Ministry approves a board's transfers from reserves, based on the analysis in the Capital Liquidity Template, the Ministry will be in a position to provide the OFA with assurances that the board can support the repayment of its NPP debt.

Growth Schools

As communicated in Memorandum **2008: B2**, funding continues to be available for eligible schools in areas of new residential development. For the 2008-09 school year, the Ministry has expanded the Growth Schools eligibility criteria to provide more school boards with greater access to funding:

- School boards without an Education Development Charges (EDCs) by-law will be eligible for Growth Schools funding consideration; and
- The planned school is needed for the 2008-09, 2009-10, 2010-11, or the 2011-12 school year.

Boards are still required to meet the existing Growth Schools eligibility criteria:

- The school has been identified as part of the board's long-term capital plan;
- The planned school is projected to be at an average utilization of 80 percent or greater over a 10-year period beginning in the second year of the operation of the school;
- The board's projected enrolment growth cannot be met through either available space in neighbouring schools, change in attendance boundaries or program changes; and
- The board's New Pupil Places Allocation is insufficient to support the funding of this new need and/or insufficient to support debt service costs associated with new schools.

To support a timely reporting and approval process, the Ministry has set timelines as shown in the table below for boards to submit their Growth School business cases.

<i>School Open By</i>	<i>Business Case Deadlines</i>	<i>Ministry Planned Approval Dates</i>
2009/10	As soon as possible	June 15, 2008
2010/11	June 30, 2008	October 31, 2008
2011/12	December 31, 2008	March 31, 2009

Please note, business cases submitted after these deadline dates may not receive timely funding approvals to support boards' planning framework for these schools.

The Ministry should have already received most of the business cases for growth schools needed in the 2009-10 school year. However, given the change in criteria, some boards may have new or additional growth school requests. These boards are asked to notify the Ministry immediately of their growth school projects and to provide their business cases to the Ministry as soon as possible.

Boards are reminded to address the following in their business cases:

- Need for new school – boards must demonstrate that the need for the new growth school is a result of new residential development and not a result of over-capacity at surrounding schools that have existed for years.
- Impact on surrounding schools – boards must provide an in-depth assessment of the impact of the new growth school on surrounding schools' enrolment projections and utilization rates.
- Site Information – boards without EDCs should identify if they have a site or plan to acquire a site for the planned school. If a site is being acquired, the board should identify the cost and timelines for acquiring the site.

Prohibitive to Repair (PTR)

The government commitment to provide funding to support \$700 million in PTR projects has resulted, as of March 2008, in approvals for 104 Ministry- and board-identified PTR schools worth approximately \$515 million. The Ministry is continuing to analyze the remaining PTR candidates for funding approval.

Boards are reminded to complete the PTR milestone template through the board's capital plan. Boards must obtain Ministry approval before proceeding to the next milestone:

- *Milestone 1: Project Scope, Cost and Timeline* – Boards must obtain Ministry approval for their PTR projects, including project scope, expected project costs, and the timelines before issuing tenders and commencing projects.
- *Milestone 2: Tendering Project* - After completing the tendering process, the board must report the results and receive Ministry approval before awarding construction contracts. The board must demonstrate that the results of the tendering process will adhere to the project scope, costs and timelines as approved in Milestone 1. Only after receiving Ministry approval should the board sign the construction contract.
- *Milestone 3: Project Completion* – Boards must notify and consult with the Ministry if, at any point throughout the project, the board anticipates that the PTR project scope, budget or timeline will not be met according to the approvals obtained in Milestone 1. Boards are required to submit milestone 3 upon approval of the project.

Please note, each of the milestones above represents an important stage in a PTR project, from approval to completion. For more information on these milestones and other reporting requirements, please refer Memorandum **2008: SB5**.

Good Places to Learn (GPL)

As noted in Memorandum **2008: SB5**, the GPL Stage 3 funding allocation document has been posted on the Ministry's ftp website. Boards are asked to carefully review the list of eligible GPL Stage 3 schools, and notify the Ministry in writing by June 10, 2008 if there are any errors and omissions at bsb.gpl@ontario.ca.

Any correction to the GPL Stage 3 allocations will be made in Stage 4, which is expected to be released this summer.

Long-Term Financing for Board Administrative Buildings

The Ministry has made an amendment to Regulation 580/07 to allow school boards to long-term finance the construction costs of new administration buildings.

School boards are required to notify the Ministry at the early stages of any new administrative building projects being planned. Boards are also reminded that capital funding provided for pupil accommodation purposes and/or received through the proceeds from the sale of schools and school sites cannot be used to fund administrative buildings.

Boards can access the funds under their administration line as per their financial statement to use on administrative buildings.

New Proceeds of Disposition (POD) Reserves for PTR schools

The Ministry has amended Regulation 446/98 to create a new category of POD capital reserve. Boards receiving funding approval through the PTR capital program will be required to place the POD of a PTR-funded site into this new reserve and will be required to consult with the Ministry on the application of these proceeds to future capital priorities.

New Infrastructure Project Recognition Signage Program

The government has implemented the Infrastructure Project Recognition Signage Program to ensure local communities are aware of the government's investments in capital projects across Ontario.

Signs will be made available to boards for both elementary and secondary schools that are benefiting from capital funding investments of more than \$100,000. More information on the Signage Program will be provided soon in an SB memo.

Assistance Available

For GPL and PTR related questions, please contact Dolly Anand, Capital Programs Branch, Ministry of Education, at (416) 325-2022 or Dolly.Anand@Ontario.ca.

For all other inquiries, please contact Grant Osborn, Capital Programs Branch, Ministry of Education, at (416) 325-6268 or Grant.Osborn@Ontario.ca.



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