

2012: B7

MEMORANDUM TO: Directors of Education
Secretary/Treasurers of School Authorities

FROM: Gabriel F. Sékaly
Assistant Deputy Minister
Financial Policy and Business Division

DATE: **March 29, 2012**

SUBJECT: **Request for Capital Priorities**

This past year, school boards across the province identified requests for over 650 projects, worth approximately \$4.5 billion in funding under the 2011 Capital Priorities Grant program. The ministry identified 78 Capital Priority projects and allocated over \$635M towards their timely completion.

Earlier today, the ministry announced that up to \$350M will be available for board Capital Priorities expected to open by 2015-16. The ministry will be reviewing Capital Priority funding requests in order to determine how to allocate these funds. Boards are asked to submit their requests for Capital Priority funding through the School Facilities Inventory System (SFIS). In the interest of continuous improvement, the ministry has updated the Capital Priorities submission tools, including the required business case for each priority project, based upon feedback from boards.

Highlights/Summary Points:

- \$350M available for Capital Priority projects expected to open no later than the 2015-16 school year.
- Boards to submit their Capital Priorities funding requests for consideration by May 31, 2012.
- Business Cases will be required only for the board's top 10 Capital Priorities.

- Boards are also required to complete a Capital Priorities submission for projects to be undertaken using board funding.
- Projects that address accommodation pressures (eg. growth) and/or projects undertaken in conjunction with an FDK project are ministry priorities.

Priority Capital Projects

Boards are requested to provide the ministry with an update of their Capital Priorities for projects that need to be completed up to and including the 2015-16 school year. These submissions will support the ministry in understanding and explaining the need for ongoing capital investments in the education sector.

Boards will identify Capital Priorities and submit the associated business cases through SFIS. Although boards will have the opportunity to identify up to 30 Capital Priority projects, only the board's 10 highest priority projects expected to open no later than 2015-16 will be considered for Capital Priorities funding and will need to be supported with a completed business case. Projects required after 2015-16 will not be considered for Capital Priority funding at this time due to the lack of immediate need.

Boards will be required to submit their board approved updated Capital Priorities by May 31, 2012. As in the past, board staff will be able to save their work in SFIS as they update their Capital Priorities. Once boards have submitted their board approved Capital Priorities, the board's submission will be locked.

Boards that intend on pursuing a project using available protected ministry funding, new or projected Proceeds of Disposition, or other funds available to the board, as identified in their Capital Analysis and Planning Template (CAPT), must include the project(s) as a Capital Priority through the submission process.

Business Case Considerations

With the current economic and fiscal climate, boards are asked to focus upon their highest and most urgent accommodation priorities. In December 2011, boards were sent letters summarizing ministry responses to the 2011 Capital Priorities funding requests. We ask that boards review the ministry comments in determining future Capital Priority needs to be submitted.

Projects that address accommodation pressures and/or projects undertaken in conjunction with a Full-Day Kindergarten (FDK) project are ministry priorities.

The ministry asks boards to focus on projects that meet one or more of the needs outlined below:

Accommodation Pressure:

These include projects that historically may have been funded through pure New Pupil Places (NPP), growth schools and/or enrolment pressures. Essentially, they are

scenarios where enrolment is projected to persistently exceed capacity at a school or within a group of schools.

In explaining the capital project, the board should demonstrate:

- that there is not sufficient surplus capacity at nearby schools to accommodate the excess enrolment at the school(s), and
- that this issue is expected to persist for the next 10 years.

Facility Condition:

These include projects that historically may have been funded through Prohibitive to Repair. Projects in this category involve the replacement or major retrofit of schools that have high renewal needs relative to the cost of an appropriately sized new facility.

In explaining the capital project, the board should demonstrate:

- that the renewal needs are sufficiently high - either through historic or current Ministry condition assessments or board assessments,
- opportunities to benefit from right-sizing the facility,
- potential savings to future renewal and/or operating costs, and
- other benefits such as improved accessibility, programming and/or energy efficiency.

School Consolidations:

These include projects that historically may have been funded through Prohibitive to Repair or Capital Priorities. Projects in this category enable the board to reduce their excess capacity to better focus their resources. This category includes projects resulting from accommodation review recommendations.

In explaining the capital project, the board should be able to demonstrate:

- how the facilities in the area will be right-sized to support continued accommodation needs,
- the results of the accommodation review process (where applicable),
- potential savings to future renewal costs, and
- other benefits, such as improved accessibility, programming and/or energy efficiency.

Other Considerations

Projects that should not be submitted as Capital Priorities include:

- Projects that have been previously funded by either the ministry or the board.
- Projects that should be funded through Renewal funding, including program enhancements and projects related to compliance with the Accessibility for Ontarians with Disabilities Act, and
- Projects that are solely intended to meet Full-Day Kindergarten program requirements.

When business case submissions are reviewed, the ministry will take into account the amount of available board funding, as identified in the board submitted CAPT.

Effective Use of Capital Investments

The ministry respects and supports the four education systems in Ontario that serve rights holders in communities around the province. As outlined above, when reviewing school board capital needs, the ministry focuses on the needs of the individual boards.

However, the ministry is responsible to all Ontarians for ensuring the effective use of capital investments and capital facilities. As a result, we ask that school boards be mindful of these considerations when determining Capital Priorities and preparing business cases.

Facility condition and consolidation issues are not always addressed most effectively with the construction of a new, standalone school.

As part of ongoing practice, the ministry reviews the availability of space in neighbouring schools when assessing business cases. The ministry wants to underscore that available space in both panels will be considered. In addition, where school populations are small, the ministry may also want to work with boards to review the available space and capital needs of schools operated/owned by the co-terminous boards.

Here are some examples to assist boards in considering the opportunity to leverage existing infrastructure or optimize new infrastructure.

- Where an elementary school is in poor condition and the board's only secondary school in the community has available space and is in good condition, a cost-effective solution may be to renovate the secondary school to accommodate some or all of the elementary students. This may provide the needed classroom space for elementary students without the need to rebuild duplicate space such as libraries, science labs, music rooms and gymnasiums.

- Where two boards each have a small elementary school in the community that requires significant capital investment, a cost effective solution may be to build a shared facility to accommodate both schools.
- Where a school is in poor condition or requires an addition and there is adequate space in other schools in good condition, it may not be cost effective to build an addition and renovate the school in poor condition.

Ministry Contact

An instructional manual to assist board staff with completing the submission forms and the required business cases can be found on the following website:

<http://faab.edu.gov.on.ca/CapitalPrograms.htm>

If you have any questions, or require additional information, please contact the Capital Analyst assigned to your board, or:

Nancy Whynot, Director, Capital Programs Branch at 416-325-4030 or at nancy.whynot@ontario.ca

Paul Bloye, Manager, Capital Programs Branch at 416-325-8589 or at paul.bloye@ontario.ca

We look forward to working with you to identify your future Capital Priorities.

Sincerely,

Original Signed By

Gabriel Sékaly,
Assistant Deputy Minister,
Elementary/Secondary Business and Finance Division

cc: Superintendents of Business and Finance