**Ministry of Education**

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Ontario

**2009: SB24**

**MEMORANDUM TO:** Senior Business Officials

**FROM:** Nancy Whynot
Director
Capital Programs Branch

**DATE:** June 25, 2009

**SUBJECT:** **Proposed Change to Short-Term Financing Arrangements**

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I am writing to inform you of proposed changes to the short-term financing rates recognized for Good Places to Learn (GPL) capital projects due to financial market conditions.

As you know, the National Bank of Canada has been wiling to offer all school boards as a short-term borrowing rate of the Bankers' Acceptance (BA) rate plus 20 basis points for the past several years. However, the National Bank recently informed the Ministry that it could no longer continue to support this arrangement due to changing market conditions. As a result, as of April 30, 2009, the National Bank is no longer offering school boards short-term financing on GPL projects at the BA plus 20 basis points rate.

Given this situation and due to current market conditions, the Ministry is proposing to change the maximum short-term financing rates for external borrowing. The proposed changes described in this memorandum would require amendments to the regulations that govern grants to school boards in the 2008-09 and 2009-10 fiscal years.

**These changes must be implemented by, and are conditional upon, the approval of amending regulations by the Lieutenant Governor in Council. Such amendments have not been made.**

The Ministry intends to seek approval from the Lieutenant Governor in Council to amend the 2008-09 and 2009-10 grant regulations to implement these changes and will advise you if these are approved.

## External Borrowing

For boards that have short-term financed project costs by the external borrowing from September 1, 2008 to April 30, 2009, there is no change. The Ministry recognize these costs at the Banker's Acceptance (BA) rate at the time of issuance plus 20 basis points for a one, two, or three month term, consistent with the current provision in the 2008-09 Grants for Student Needs. For short-term external borrowing undertaken by boards between May 1, 2009 and August 31, 2009, the Ministry is proposing to recognize the short-term interest costs at the one, two, and three month BA rate plus 75 basis points.

For the 2009-10 school year, the Ministry will recognize the short-term interest costs to a maximum of the one, two, and three month BA plus 75 basis points for external borrowing beginning September 1, 2009.

## Internal Borrowing

For the boards that have short-term financed project costs by borrowing internal reserves between September 1, 2008 and April 30, 2009, the Ministry recognize these costs a rate of 2.0% as opposed to the BA rate on September 2, 2008. For the boards that are short-term financing by internal borrowing from May 1, 2009 to August 31, 2009, the Ministry will recognize these costs at a rate of 1.0%. These changes have been made to reflect the significant in–year decline in the BA rate since September 2008.

For the 2009-10 school year, the Ministry will recognize the short-term interest costs of borrowing from internal reserve to a maximum of 1.0% beginning September 1, 2009.

For assistance on this matter, please contact Mathew Thomas, Capital Programs Branch, at 416-326-9920, or at Mathew.P.Thomas@Ontario.ca.

Nancy Whynot

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Director
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