

2009: SB47

MEMORANDUM TO: Senior Business Officials

FROM: Nancy Whynot
Director
Capital Programs Branch

DATE: December 4, 2009

SUBJECT: **Long-Term Financing Arrangements for Good Places to Learn Capital Projects**

This memo provides information on the process and timelines for boards to transition Good Places to Learn (GPL) capital projects to long-term financing through the Ontario Financing Authority (OFA) in March 2010 - similar to the process outlined in Memorandum **2008:SB29**.

This reflects our ongoing commitment to work with school boards and the OFA to provide an effective long-term financing vehicle. This approach reduces the cost of financing capital projects, helping school boards make the most efficient use of capital funds. In addition, the standardized loan application and administration process simplifies school board borrowing.

Eligible Programs

Construction costs incurred by boards under the following capital programs will be eligible for long-term financing arrangements through the OFA, (less any amounts that have already been long-term financed):

- Good Places to Learn (GPL) Renewal Stage 1, Stage 2, Stage 3, and Stage 4
- Prohibitive to Repair (PTR)
- Primary Class Size (PCS) Capital
- Growth Schools
- Capital Transitional Adjustment Program for French-language boards
- Capital Priorities

The Ministry will be communicating the maximum allocations and eligible amounts remaining to be long-term financed, by program, for each school board under separate e-mail.

Please note that New Pupil Places-based and Best Start capital projects are **not** eligible for this long-term financing issue.

Financing of Eligible Projects

The Ministry requires all school boards to participate in the long-term financing arrangement for these capital programs through the OFA.

- Boards are to access long-term financing for projects supported by the capital programs mentioned above up to the maximum principal amount allocated to their board for each program, less any amounts that have been previously long-term financed. Boards will be required to ensure costs under each of these programs do not exceed the maximum allocation. Once the long-term financing has been set, the Ministry will reimburse boards for their actual principal and interest costs associated with the long-term financing.
- Boards may pool the costs of projects within a specific capital program, but not across programs (unless otherwise specified for individual project approvals). For example, a board may use under spending on a single growth school project to offset additional costs on another growth school project. However, boards may not use under spending in one capital program to offset costs in a different capital program. For example, a board may not use under spending on a growth school project to support additional spending on a PTR project.

The principal amount eligible for long-term financing should reflect the value of work for permanent improvements undertaken **prior to August 31, 2009** under each of the eligible capital projects. Only projects **substantially completed (95%)** by August 31, 2009 are eligible for financing under PCS, PTR, French Capital Transitional, Growth Schools, and Capital Priorities programs. GPL Renewal Stage 1, Stage 2, Stage 3, and Stage 4 projects **completed or underway** by August 31, 2009 are eligible for transition into a long-term financing vehicle. The Ministry requests that boards make every attempt to fully long-term finance those GPL Renewal projects funded under the “oldest” stages of funding before bringing other GPL Renewal projects forward (e.g. projects funded by Stage 1 funding should be fully long-term financed ahead of those funded by Stage 2 funding, etc.)

It is imperative that boards also strive to ensure that GPL Renewal project expenditures are updated in ReCAPP and are consistent with expenditures reported in the Financial Statements and amounts previously long-term financed through the OFA. Since the introduction of GPL Renewal, the Ministry has advised boards of their obligation to record all GPL Renewal-related project expenditures in ReCAPP. In Memorandum **2009:SB19**, we requested that all projects or events that had been approved, active, or completed as of August 31, 2009 were to be updated in ReCAPP by October 31, 2009. As a result, the Ministry will be reviewing all requests for long-term financing against the latest ReCAPP project reports to ensure that boards are meeting their obligations, and the Ministry may not recommend forwarding long-term financing requests to the OFA until we are satisfied that ReCAPP data is up-to-date.

Please note that the Ministry used boards' data as reported in the 2008-09 Financial Statements for determining the remaining amounts of Primary Class Size-funded projects eligible to be long-term financed. If a board's 2008-09 Financial Statements has not been received, the 2008-09 Revised Estimates data was used.

Boards are required to complete the template attached in **Appendix A** to identify the total amounts by capital program that are eligible to be long-term financed in March 2010. For

capital projects funded by PTR, PCS, French Capital Transitional, Growth Schools, and Capital Priorities, please also indicate the specific project (school) name and the associated amount requested to be long-term financed. These should also match the costs reflected in transfer approvals supported by the capital liquidity template. For further instructions about the information requested from boards in **Appendix A**, please see Memorandum **2008:SB29**. Please note there are three (3) worksheets to complete in the attached **Appendix A** excel file.

The maximum principal amount of the financing cannot exceed the total allocation for each of the capital programs. As noted above, the Ministry will be communicating these amounts to each board under separate e-mail. As has been the case previously, the OFA will prepare loan documentation for the use of all school boards for these programs. Individual terms will not be negotiated.

Timeline for the Transition to Long-Term Financing

Listed below is the estimated timeline for the transition from short-term to new long-term financing. It is important that school boards meet the deadlines for providing information. The immediate priority, as described in detail below, is for school boards to confirm the value of substantially completed capital projects in order to enable the OFA to begin making arrangements for the long-term financing. These amounts should be consistent with information that has been or will be provided in your board's 2008-09 Financial Statements.

December 4, 2009	2009:SB 47 Memo is sent to school boards.
January 15, 2010	All school boards are required to submit the information (see Appendix A) requested in this memo to the Ministry (bsb.gpl@ontario.ca).
Week of February 15, 2010	Pre-filled, personalized loan agreement packages will be sent directly to each school board by the OFA.
February 22, 2010 to March 4, 2010	School boards are required to pass the necessary authorizing by-laws, review and verify the loan agreement and other documents, and then sign and return all loan agreement packages to the OFA. OFA contact information and address will be provided when the documents are sent. <i>Please ensure that the long-term borrowing approvals are on the agenda early in this process to allow for changes identified during the board meetings.</i>
March 10, 2010	Funds flow from OFA to school boards.

Assistance

Ministry staff are available to answer questions and provide support throughout this transition process. School boards are encouraged to contact staff if they require further clarification during any stage of this process.

For further clarification, please direct any questions to Mathew Thomas, Capital Programs Branch, at (416) 326-9920 or Mathew.P.Thomas@ontario.ca.

A handwritten signature in cursive script that reads "Nancy Whynot". The signature is written in black ink on a light-colored background.

Nancy Whynot
Director
Capital Programs Branch

cc. Michael Smith, OFA
Susan Guinn, OFA