



2011: SB 25

MEMORANDUM TO: Senior Business Officials

FROM: Nancy Whynot
Director
Capital Programs Branch

DATE: September 2, 2011

SUBJECT: **Information About Upcoming Long-Term Financing Arrangements for Ministry-Supported Not Permanently Financed Capital Debt**

I am writing to inform you of two proposed dates – **November 25, 2011 and March 9, 2012** – for school boards to transition capital projects to long-term financing through the Ontario Financing Authority (OFA). All capital projects reflected as **Ministry-supported not permanently financed debt** on the board's approved Capital Wrap-Up Template are to be long-term financed through the OFA.

As you are aware, the Ministry provided boards with an opportunity in March 2011 to long-term finance GPL capital programs that were substantially completed as of August 31, 2010 and reported in boards' 2009-10 Financial Statements. Therefore, the Ministry expects that the November 2011 financing issue will largely focus on NPP-based and other eligible not permanently financed amounts that were substantially completed as of August 31, 2010. However, if boards were not able to long-term finance GPL capital amounts in March 2011 because they did not have a completed 2009-10 financial statement package (2009-10 Financial Statements, the Capital Wrap-Up Template, and the specified audit procedures report for the Capital Wrap-Up Template), they will be able to do so in the November 2011 financing issue.

Please note that any remaining school board capital reserves as of August 31, 2010 will be offset against any requests for long-term financing of Ministry-supported debt. The Ministry will calculate any such adjustments after receiving a board's submission and will communicate the final amount eligible, if any, to be long-term financed.

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):

- 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
- NPP
- Best Start
- Any other Ministry-supported not permanently financed amount noted in a board's capital wrap-up template

In advance of each financing issue, the Ministry will be communicating to each board, under separate email, the maximum allocations and eligible amounts remaining to be long-term financed for all GPL programs. For NPP, Best Start and other Ministry-supported not permanently financed amounts, boards should contact their Ministry Capital Analysts to confirm these amounts.

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. 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.

For the November 25, 2011 issue, the principal amount eligible for long-term financing should reflect the value of work for permanent improvements undertaken prior to August 31, 2010 under the eligible capital projects. Only projects substantially completed (95%) by August 31, 2010 are eligible for financing for the capital programs as noted above.

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 TCPS and are consistent with expenditures reported in the Financial Statements and amounts previously long-term financed through the OFA.

In memorandum **2011:SB13**, we informed boards that they were required to ensure that all GPL Renewal projects or events had been approved, active, or completed as of August 31, 2011 and that all spending towards GPL Renewal projects be completed by August 31, 2012. As a result, the Ministry will be reviewing all requests for long-term financing of GPL Renewal against the latest TCPS 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 TCPS data is up-to-date.

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 November 2011. Please also indicate the specific project (school name/SFIS number) and the associated amount requested to be long-term financed. These should match the costs reflected in transfer approvals supported by the capital wrap-up template. Please note there are three (3) worksheets to complete in the attached **Appendix A** excel file.

As has been the case previously, the OFA will prepare loan documentation for the use of all school boards. Individual terms will not be negotiated.

Timeline for the Transition to Long-Term Financing: November 2011 Issue

Listed below is the estimated timeline for the transition from short-term to new long-term financing for the **November 25, 2011** issue. 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 were reported in your board's 2009-10 Financial Statements.


September 30, 2011	All school boards are required to submit the information (see Appendix A) requested in this memo to the Ministry (bsb.gpl@ontario.ca).
Mid to Late October 2011	Pre-filled, personalized loan agreement packages will be sent directly to each school board by the OFA.
Later October to Mid-November 2011	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 scheduled as part of board meeting agendas.</i>
November 25, 2011	Funds flow from OFA to school boards.

Further information with the details of the March 2012 OFA financing issue will be provided in a subsequent SB memo to be sent to boards later this year. For this issue, the principal amount eligible for long-term financing should reflect the value of work for permanent improvements undertaken **prior to August 31, 2011** under the eligible capital projects. Only projects **substantially completed** (95%) by August 31, 2011 are eligible for financing for the capital programs as noted above.

Assistance

Your board's Capital Analyst is available to answer questions and provide support throughout this transition process.

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


for Nancy Whynot
Director
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cc. Michael Smith, OFA
Susan Guinn, OFA