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2007: SB 32

**MEMORANDUM TO:** Senior Business Officials

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

**DATE:** November 15, 2007

**SUBJECT:** Long Term Financing Arrangements for Capital Projects

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Further to Memorandum **2007:B2**, I am pleased to provide more detail on the transition to long-term financing and the current short-term financing arrangements for several capital programs.

This memorandum outlines eligible programs and maximum program allocations for each school board. It describes the timeline for the transition, information that is needed from school boards, and general information about the transition process. Further detailed information (including the timing and process for closing the financing) will be included in financing agreement packages that will be sent directly to school boards from the Ontario Financing Authority (OFA).

These arrangements reflect the Ministry's ongoing commitment to working with your school board and other partners to develop an effective long-term school capital financing vehicle. This financing system would facilitate and reduce the cost of financing capital projects, helping you and other school boards to make the most efficient use of capital funds. It supports our common goal of a school capital program that combines strategic planning with flexibility, allowing boards to meet their students' needs within a sustainable financial framework.

**It should be noted that the following information is conditional upon approval of amendments to the education funding regulations by the Lieutenant Governor in Council. The Ministry intends to seek approval for such amendments in the near future and will advise you if such amendments are approved.**

### **Eligible Programs**

Construction costs incurred by boards under the following capital programs will be eligible for long-term financing arrangements through the OFA:

- Good Places to Learn (GPL) Stage 1 (portion not already financed through the OFA)

- Good Places to Learn (GPL) Stage 2
- Prohibitive to Repair (PTR)
- Primary Class Size (PCS) Capital
- Growth Schools
- Capital Transitional Adjustment Program for French-language boards

In addition, several projects from prior year PTR and Capital Transitional Adjustment Program for French-language boards will be included in the new financing approach.

Please see **Appendix A**, attached, which sets out the maximum program allocations for each school board.

### **Financing of Eligible Projects**

Financing for the capital projects supported by these programs will be provided in a manner similar to that used to finance GPL renewal in 2006.

The experience with long-term financing of the GPL renewal projects has shown that it is important to attain a “critical mass” of capital project costs to ensure the greatest benefit from long-term financing arrangements. Therefore, the Ministry requires all school boards to participate in the long-term financing arrangement.

#### ***1. Short-term financing***

Boards will be reimbursed by the Ministry of Education for their short-term interest costs incurred on projects that are underway.

- In 2006-07, where a board short-term financed by borrowing from its internal reserves, the Ministry recognized these costs at the 3 month Banker’s Acceptance (BA) rate as of September 1, 2006, which was 4.34571 per cent.
- In 2007-08, where a board short-term finances by borrowing from its internal reserves, the Ministry will recognize these costs at 4.94286 per cent which is the 3 month Banker’s Acceptance rate in effect on September 4, 2007.
- In 2007-08, where a board short-term finances by external borrowing, the Ministry will recognize the short-term interest costs for the 1, 2, or 3 month BA plus 20 points.

#### ***2. Long-term financing***

- Boards will be permitted 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.

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 schools project to offset additional costs on another growth schools 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 Schools project to support additional spending on a PTR project.

Subject to approval of the Lieutenant General in Council, the Ministry and the OFA would, effective late February 2008, assist school boards in converting the short-term financing for the above capital programs into long-term financing. It is proposed that the OFA will make 25 year amortizing term financing available to school boards.

The principal amount of the financing is intended to cover the value of the work for permanent improvements undertaken **prior to August 31, 2007**, under each of the eligible capital projects. Only projects significantly completed by August 31, 2007 are eligible for financing under PCS, PTR, French Capital Transitional and Growth Schools programs. For GPL Stage 1 and 2, projects completed or underway by August 31, 2007 are eligible for transition into a long-term financing vehicle.

The maximum principal amount of the financing can not exceed the total allocation for each of the capital programs as set out in **Appendix A**. Subject to approval of the Lieutenant Governor in Council, school boards will receive semi-annual capital grant payments from the Ministry to cover all interest and principal payments associated with this long-term financing. As was done for the GPL renewal financing in 2006/07, 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 of the short-term financing into 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

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|-------------------|---|
| November 15, 2007 | SB Memo 32 is sent to school boards.  |
| November 16, 2007 | OFA will send the banking and contact information directly to each board to confirm and return to the OFA by November 23, 2007. OFA contact information and address will be provided when the documents are sent. |
| November 23, 2007 | All school boards are required to return the contact and banking information confirmation, and the name and contact information for their legal counsel back to the OFA and to the Ministry at                    |

([bsb.gpl@ontario.ca](mailto:bsb.gpl@ontario.ca)). (See *School Boards Legal Counsel* section below for more details).

- November 30, 2007 All school boards are required to submit the information requested in this memo (listed below) to the Ministry ([bsb.gpl@ontario.ca](mailto:bsb.gpl@ontario.ca)) and copy OFA.
- December 14, 2007 Pre-filled, personalized loan agreement packages will be sent directly to each school board by the OFA.
- February 15, 2008 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 no later than February 15, 2008 to the OFA. OFA contact information and address will be provided when the documents are sent. ***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.***
- Late February, 2008 Funds flow from OFA to school boards.

### **Information Requested from the School Boards**

To help the OFA complete the loan agreement package efficiently, the necessary documents will be pre-filled prior to sending them to the respective school boards. To facilitate this, school boards are asked to provide the following information to the Ministry and the OFA via e-mail by **November 30, 2007**:

- Information regarding the current short-term financing arrangement for each of the eligible capital project, including identifying the length of the short-term financing (i.e. 1, 2 or 3 month arrangement). In addition, please indicate if a pre-payment penalty is applicable under the current short-term financing arrangement for each eligible capital program, and if so, indicate the amount.
- Detail separately the value of each of the eligible capital programs, excluding GPL renewal, currently completed, by August 31, 2007. For GPL renewal, indicate the value of completed or underway projects by August 31, 2007. These values cannot exceed the maximum allocation for each capital programs, as specified in **Appendix A**;
- Scheduled dates for board meetings for December, January and February;
- Names, positions and title of authorized signing officers for the board (e.g. Director of Education, Treasurer, etc.

Once the OFA has finalized the loan agreement package, a PDF version of the documents will be created and forwarded by the OFA to the main contact (as indicated by

the board) for school board signatures. School boards will be required to provide the following documents in a form satisfactory to the OFA in order to receive the loan:

- Authorizing and borrowing by-law (this by-law should contain specific details regarding the projects and the amount of financing requested;
- Pre-Authorized Debit form to wire out monies for blended payments of principal and interest;
- Counsel's Legal Opinion (see *School Board Legal Counsel* section below for more information;
- Certificates as specified by the OFA from authorized officers of the school board relating to due passage of by-laws, execution of documents by authorized officers, compliance with the *Education Act* and regulations and other customary certifications obtained in connection with school board borrowing;
- Other documents that may be required according to the approvals.

All school boards will be responsible for reviewing and verifying the information presented in their financing agreement package and sending the signed copy of the financing agreement, the Pre-Authorized Debit form, and a certified copy of their authorizing by-law to the OFA by **February 15, 2008**.

Once the signed packages are received, OFA will start processing the documentation in preparation for the transition to long-term financing. Subject to documentation being finalized, funds will likely be flowed by the OFA to school boards late February 2008.

### **School Board Legal Counsel**

Boards are required to obtain an external legal counsel opinion on the final financing package. The Counsel will review the by-law, loan documents and declarations and certificates to be provided by authorized officers of the school board.

Each school board is responsible for the retention of and cost of its legal counsel. The cost for legal services will be considered an eligible operating expense.

The choice of legal counsel is the school board's decision. Boards should be aware that the Council of Senior Business Officials (COSBO) is exploring options for legal counsel to be available for this initiative. Further information may be forthcoming from COSBO.

As noted above, each school board is required to notify the Ministry in writing ([bsb.gpl@Ontario.ca](mailto:bsb.gpl@Ontario.ca)) and the OFA in writing by **November 23, 2007** with the name and contact information of the legal counsel selected.

## **OFA Long-Term Financing for Other Projects**

To reduce the cost of financing other capital projects, the Ministry and the OFA have partnered to offer school boards individual long-term financing for *other capital projects*, such as projects supported through the New Pupil Places Grant, including projects not identified in Appendix A. Boards are requested to submit a proposal to the Ministry specifying the project details including the scope of the capital project, the amount of long-term financing required, and the term of the loan requested (e.g. 25 year loan). Boards must also document the revenue source that will be used to repay the financing obligations over the term of the loan.

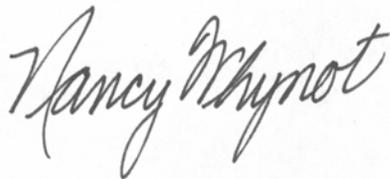
The Ministry and the OFA will review these proposals and support financing wherever feasible and appropriate. Upon approval, the Ministry will work with the OFA to finalize the specific loan documents which will be forwarded to the board to be completed using a process similar to that identified in this memo.

## **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:

Dolly Anand, Policy Team Lead  
Good Places to Learn Unit  
Business Services Branch  
Ministry of Education  
(416) 325-2022  
[Dolly.Anand@ontario.ca](mailto:Dolly.Anand@ontario.ca)



Nancy Whynot  
Director  
Business Services Branch

cc. Susan Guinn, OFA

## Appendix A – Maximum Capital Programs Allocations

DSB #	SCHOOL BOARD NAME	Remaining Maximum GPL Stage 1 to be Transitioned	Maximum GPL Stage 2 Allocation	Maximum PTR Phase 1 Eligible Projects	Maximum PTR Phase 2 Completed Projects which will be eligible for LTF	Total Maximum PCS Allocation	Capital Transitional Adjustment Programs for French-language boards	Growth School	Total
1	District School Board Ontario North East	\$0	\$4,389,318	\$0	\$0	\$955,637	\$0	\$0	\$5,344,955
2	Algoma District School Board	\$1,442,330	\$4,995,267	\$0	\$0	\$851,924	\$0	\$0	\$5,847,191
3	Rainbow District School Board	\$6,795,639	\$6,026,504	\$0	\$0	\$9,022,987	\$0	\$0	\$15,049,491
4	Near North District School Board	\$5,591,334	\$6,209,331	\$0	\$0	\$0	\$0	\$0	\$6,209,331
5.1	Keewatin-Patricia District School Board	\$0	\$1,811,632	\$0	\$0	\$0	\$0	\$0	\$1,811,632
5.2	Rainy River District School Board	\$0	\$1,066,887	\$0	\$0	\$1,029,717	\$0	\$0	\$2,096,604
6.1	Lakehead District School Board	\$0	\$2,783,056	\$0	\$0	\$0	\$0	\$0	\$2,783,056
6.2	Superior-Greenstone District School Board	\$0	\$970,022	\$0	\$0	\$0	\$0	\$0	\$970,022
7	Bluewater District School Board	\$653,180	\$7,146,043	\$0	\$6,847,763	\$4,115,164	\$0	\$0	\$18,108,970
8	Avon Maitland District School Board	\$0	\$7,232,322	\$0	\$0	\$1,852,009	\$0	\$0	\$9,084,331
9	Greater Essex County District School Board	\$7,194,499	\$11,876,531	\$13,592,086	\$0	\$14,730,879	\$0	\$0	\$40,199,496
10	Lambton Kent District School Board	\$2,930,892	\$6,933,649	\$0	\$0	\$4,033,675	\$0	\$0	\$10,967,324
11	Thames Valley District School Board	\$17,099,079	\$23,246,092	\$2,679,881	\$0	\$24,072,411	\$0	\$0	\$49,998,384
12	Toronto District School Board	\$67,685,008	\$97,246,244	\$0	\$0	\$40,003,392	\$0	\$0	\$137,249,636
13	Durham District School Board	\$8,803,170	\$15,905,348	\$0	\$0	\$39,203,324	\$0	\$0	\$55,108,672
14	Kawartha Pine Ridge District School Board	\$0	\$11,577,316	\$2,742,965	\$0	\$13,201,119	\$0	\$0	\$27,521,400
15	Trillium Lakelands District School Board	\$710,311	\$3,415,222	\$0	\$3,478,556	\$4,000,339	\$0	\$0	\$10,894,117
16	York Region District School Board	\$0	\$15,940,140	\$0	\$0	\$57,041,873	\$0	\$0	\$72,982,013
17	Simcoe County District School Board	\$4,527,288	\$16,685,935	\$18,505,559	\$0	\$30,743,347	\$0	\$0	\$65,934,841
18	Upper Grand District School Board	\$1,777,490	\$7,319,709	\$4,783,448	\$0	\$18,512,681	\$0	\$0	\$30,615,838
19	Peel District School Board	\$5,955,559	\$25,922,763	\$0	\$0	\$80,377,185	\$0	\$0	\$106,299,948

DSB #	SCHOOL BOARD NAME	Remaining Maximum GPL Stage 1 to be Transitioned	Maximum GPL Stage 2 Allocation	Maximum PTR Phase 1 Eligible Projects	Maximum PTR Phase 2 Completed Projects which will be eligible for LTF	Total Maximum PCS Allocation	Capital Transitional Adjustment Programs for French-language boards	Growth School	Total
20	Halton District School Board	\$0	\$11,833,447	\$0	\$0	\$19,068,283	\$0	\$39,603,358	\$70,505,088
21	Hamilton-Wentworth District School Board	\$22,685,474	\$16,283,534	\$0	\$16,851,670	\$19,201,628	\$0	\$0	\$52,336,832
22	District School Board of Niagara	\$22,272,365	\$20,969,450	\$0	\$0	\$9,700,822	\$0	\$0	\$30,670,272
23	Grand Erie District School Board	\$8,012,897	\$10,108,540	\$0	\$0	\$11,367,630	\$0	\$0	\$21,476,170
24	Waterloo Region District School Board	\$0	\$13,047,178	\$0	\$0	\$27,735,685	\$0	\$0	\$40,782,863
25	Ottawa-Carleton District School Board	\$0	\$18,638,960	\$0	\$0	\$26,313,342	\$0	\$0	\$44,952,302
26	Upper Canada District School Board	\$5,656,472	\$8,902,213	\$0	\$0	\$3,666,978	\$0	\$0	\$12,569,191
27	Limestone District School Board	\$17,074,672	\$8,953,728	\$0	\$0	\$5,081,912	\$0	\$0	\$14,035,640
28	Renfrew County District School Board	\$2,710,301	\$6,465,615	\$0	\$0	\$1,111,205	\$0	\$0	\$7,576,820
29	Hastings and Prince Edward District School Board	\$4,758,146	\$8,352,536	\$0	\$0	\$4,400,373	\$0	\$0	\$12,752,909
30.1	Northeastern Catholic District School Board	\$593,601	\$692,687	\$0	\$0	\$0	\$0	\$0	\$692,687
30.2	Nipissing-Parry Sound Catholic District School Board	\$820,987	\$819,592	\$0	\$0	\$0	\$0	\$0	\$819,592
31	Huron-Superior Catholic District School Board	\$163,701	\$2,344,354	\$0	\$1,626,562	\$1,255,662	\$0	\$0	\$5,226,578
32	Sudbury Catholic District School Board	\$2,473,545	\$2,849,310	\$0	\$0	\$851,924	\$0	\$0	\$3,701,234
33.1	Northwest Catholic District School Board, The	\$147,191	\$163,826	\$0	\$0	\$1,544,575	\$0	\$0	\$1,708,401
33.2	Kenora Catholic District School Board	\$90,485	\$60,746	\$0	\$0	\$514,858	\$0	\$0	\$575,604
34.1	Thunder Bay Catholic District School Board	\$742,116	\$2,730,208	\$0	\$0	\$6,222,750	\$0	\$0	\$8,952,958
34.2	Superior North Catholic District School Board	\$654,330	\$625,173	\$0	\$0	\$0	\$0	\$0	\$625,173
35	Bruce-Grey Catholic District School Board	\$540,785	\$980,893	\$0	\$0	\$374,106	\$0	\$0	\$1,354,999
36	Huron-Perth Catholic District School Board	\$0	\$954,589	\$0	\$0	\$1,481,607	\$0	\$0	\$2,436,196
37	Windsor-Essex Catholic District School Board	\$0	\$4,684,843	\$0	\$0	\$8,534,057	\$0	\$0	\$13,218,900
38	English-language Separate District School Board No. 38	\$1,684,149	\$3,337,905	\$0	\$0	\$7,111,714	\$0	\$0	\$10,449,619
39	St. Clair Catholic District School Board	\$224,124	\$2,462,347	\$0	\$0	\$725,987	\$0	\$0	\$3,188,334

DSB #	SCHOOL BOARD NAME	Remaining Maximum GPL Stage 1 to be Transitioned	Maximum GPL Stage 2 Allocation	Maximum PTR Phase 1 Eligible Projects	Maximum PTR Phase 2 Completed Projects which will be eligible for LTF	Total Maximum PCS Allocation	Capital Transitional Adjustment Programs for French-language boards	Growth School	Total
40	Toronto Catholic District School Board	\$24,725,073	\$19,890,934	\$0	\$0	\$36,299,374	\$0	\$0	\$56,190,308
41	Peterborough Victoria Northumberland and Clarington Cat. Dist. School Bd	\$0	\$1,159,124	\$0	\$0	\$3,266,944	\$0	\$0	\$4,426,068
42	York Catholic District School Board	\$0	\$5,678,045	\$0	\$0	\$33,706,562	\$0	\$0	\$39,384,607
43	Dufferin Peel Catholic District School Board	\$0	\$5,360,022	\$0	\$0	\$33,336,160	\$0	\$0	\$38,696,182
44	Simcoe Muskoka Catholic District School Board	\$1,579,445	\$3,280,954	\$0	\$0	\$8,230,327	\$0	\$0	\$11,511,281
45	Durham Catholic District School Board	\$0	\$2,462,113	\$0	\$0	\$7,185,794	\$0	\$0	\$9,647,907
46	Halton Catholic District School Board	\$864,016	\$1,495,894	\$0	\$0	\$9,534,142	\$0	\$0	\$11,030,036
47	Hamilton-Wentworth Catholic District School Board	\$0	\$3,543,147	\$0	\$0	\$9,852,687	\$0	\$0	\$13,395,834
48	Wellington Catholic District School Board	\$0	\$1,216,228	\$0	\$0	\$3,233,607	\$0	\$0	\$4,449,835
49	Waterloo Catholic District School Board	\$595,671	\$3,513,738	\$0	\$0	\$6,044,957	\$0	\$0	\$9,558,695
50	Niagara Catholic District School Board	\$3,271,446	\$7,079,291	\$0	\$0	\$10,419,402	\$0	\$0	\$17,498,693
51	Brant Haldimand Norfolk Catholic District School Board	\$341,395	\$2,002,838	\$0	\$0	\$3,992,931	\$0	\$0	\$5,995,769
52	Catholic District School Board of Eastern Ontario	\$553,527	\$2,530,733	\$0	\$0	\$8,711,850	\$0	\$0	\$11,242,583
53	Ottawa Catholic District School Board	\$8,987,533	\$8,873,966	\$0	\$0	\$10,204,569	\$0	\$0	\$19,078,535
54	Renfrew County Catholic District School Board	\$650,445	\$1,520,769	\$0	\$0	\$2,222,411	\$0	\$0	\$3,743,180
55	Algonquin and Lakeshore Catholic District School Board	\$1,559,054	\$2,676,460	\$0	\$0	\$5,081,912	\$0	\$0	\$7,758,372
56	Conseil scolaire de district du Nord-Est de l'Ontario	\$0	\$1,314,211	\$0	\$0	\$918,596	\$8,237,958	\$0	\$10,470,765
57	Conseil scolaire de district du Grand Nord de l'Ontario	\$605,808	\$1,940,285	\$0	\$0	\$1,366,783	\$8,434,266	\$0	\$11,741,334
58	Conseil scolaire de district du Centre Sud-Ouest	\$0	\$5,955,460	\$0	\$0	\$2,177,962	\$53,335,845	\$0	\$61,469,267
59	Conseil de district des écoles publiques de langue française NO 59	\$874,889	\$3,040,271	\$0	\$0	\$1,422,343	\$0	\$0	\$4,462,614
60.1	Conseil scolaire de district catholique des Grandes Rivières	\$0	\$3,143,085	\$0	\$0	\$2,889,134	\$0	\$0	\$6,032,219
60.2	Conseil scolaire de district catholique Franco-Nord	\$683,554	\$1,202,050	\$0	\$0	\$425,962	\$9,050,530	\$0	\$10,678,542

<b>DSB #</b>	<b>SCHOOL BOARD NAME</b>	<b>Remaining Maximum GPL Stage 1 to be Transitioned</b>	<b>Maximum GPL Stage 2 Allocation</b>	<b>Maximum PTR Phase 1 Eligible Projects</b>	<b>Maximum PTR Phase 2 Completed Projects which will be eligible for LTF</b>	<b>Total Maximum PCS Allocation</b>	<b>Capital Transitional Adjustment Programs for French- language boards</b>	<b>Growth School</b>	<b>Total</b>
61	Conseil scolaire de district catholique du Nouvel-Ontario	\$2,555,958	\$3,747,791	\$0	\$0	\$440,778	\$6,243,554	\$0	\$10,432,123
62	Conseil scolaire de district catholique des Aurores boreales	\$55,065	\$232,311	\$0	\$0	\$0	\$1,208,476	\$0	\$1,440,787
63	Conseil scolaire de district des ecoles catholiques du Sud-Ouest	\$0	\$2,365,391	\$0	\$0	\$3,233,607	\$19,823,197	\$0	\$25,422,195
64	Conseil scolaire de district catholique Centre-Sud (CSCDCCS)	\$1,588,934	\$2,538,560	\$0	\$0	\$3,992,931	\$7,228,310	\$0	\$13,759,801
65	Conseil scolaire de district catholique de l'Est ontarien	\$1,042,985	\$3,202,518	\$0	\$0	\$2,992,846	\$3,731,485	\$0	\$9,926,849
66	Conseil scolaire de district catholique du Centre-Est de l'Ontario	\$3,892,205	\$4,982,994	\$0	\$0	\$4,978,200	\$0	\$0	\$9,961,194
<b>TOTAL</b>		<b>\$276,898,123</b>	<b>\$530,910,188</b>	<b>\$42,303,939</b>	<b>\$28,804,551</b>	<b>\$716,175,532</b>	<b>\$117,293,621</b>	<b>\$39,603,358</b>	<b>\$1,475,091,193</b>