

EDMONTON PUBLIC SCHOOLS

February 11, 2003

TO: Board of Trustees

FROM: A. McBeath, Superintendent of Schools

SUBJECT: Projects Funded From the Capital Reserve

ORIGINATOR: A. Habinski, Executive Director, School and District Services

RESOURCE

STAFF: Jenise Bidulock, Robert Craig, Michael Ediger, Brian Fedor, Sultan Ibrahim, Roland Labbe, Veda Lastiwka, Manfred Malzahn, Ron McGowan, Dean Power, Diann Podlubny, Larry Schwenneker

RECOMMENDATION

1. That a request to the Minister of Learning for approval to transfer \$1,900,000 from Capital Reserve into the operating fund, be approved.
2. That \$800,000 of Capital Reserve funds, to pursue partnership use of surplus space in district schools, and subject to board approval of the individual agreements, be approved.
3. That \$400,000 from Capital Reserve or the actual cost, whichever is less, to fund the replacement of the Maintenance Building roof, and subject to the repayment of the funds to capital reserve from Decision Unit 389 Debt Service, be approved.
4. That \$350,000 from Capital Reserve, to provide bridge financing to continue the implementation of a Business Process Review within the Personnel Department and subject to repayment of the full amount to the Capital Reserve from Decision Unit 389 Debt Service, be approved.
5. That \$200,000 from Capital Reserve or the actual cost, whichever is less, to fund the redesign of the Tele-Learning Centre at J. Percy Page School, and subject to the repayment of the final amount to capital reserve from Decision Unit 389 Debt Service, be approved.

\* \* \* \* \*

Funds accumulate within the district capital reserve primarily from the sale of land and buildings. Of the \$7.1M of funds currently in the capital reserve, \$5.54M came from the sale of land and buildings, and \$1.56M came from the ATCO Gas Rebate. The latter was earmarked for specific capital initiatives such as the energy retrofit program (Appendix I). A separate report on the February 11, 2003 Board agenda addresses the capital budgets of George P. Nicholson School and Jackson Heights School, and recommends the use of \$1.75M of capital reserve funds to meet construction budget deficiencies. Board support for these recommendations would result in a reduction in the total amount available for capital projects outlined in this report to \$3.79M. The initiatives recommended above would involve capital reserve expenditures of \$3.65M.

In order to maintain resources within the capital reserve to meet emergent needs, it is recommended that the capital reserve be replenished to a continuing level of approximately \$3M. This could occur through the on-going sale of other lands and properties, or through repayment from the operating fund on a no-interest basis. This will give the board the flexibility to continue to undertake capital projects in the future that are not funded, such as: repairs to the maintenance building, the Warehouse and Centre for Education; other school-related projects; or to support initiatives involving community use of surplus school space.

#### Recommendation 1: Transfer \$1.90M to Operating

The recent sale of the Old Administration Building and Assumption Academy yielded proceeds to the district of \$1,902,092. Alberta Learning officials have confirmed that the option was available to the board to request approval from the Minister of Learning to transfer these capital proceeds on a one-time basis to the operating fund. This transfer will assist in reducing the 2002-2003 projected budget deficit and provide needed resources in schools and central units.

#### Recommendation 2: Up to \$0.80M to Support Partnership Initiatives

There is increasing interest at Alberta Infrastructure and other government departments in public/public partnerships in conjunction with schools. Trustees have also indicated support for exploring more public/public partnerships, similar to the George P. Nicholson School model, in established areas of the city. The administration is identifying opportunities in this regard. A follow-up report is planned for March 11, 2003, which will outline specific projects that will identify space for potential partnership use at district schools. The report will also address closure of schools and demolition of portions of schools. These projects may require board capital resources for implementation.

In terms of pursuing partnership uses of school space, it will be important to ensure transparency and fair access to these opportunities. It is anticipated that a request for proposals will be sought from potential partners for alternate use of the space, which would be reviewed by school, district, neighbourhood and City representatives. In the event that no viable proposals come forward, a request could be included within the district's capital submission to Alberta Infrastructure for support to demolish the space.

#### Recommendation 3: Up to \$0.40M to Replace Maintenance Building Roof

An inspection at the Maintenance Building revealed that large areas of the roofing membrane were found to be in poor condition. Over fifty percent of these areas exhibited wet and rotted roofing. Collapsed roofing was also noted around some plumbing vents. This condition indicates that the membrane and lead flashings have failed, allowing water to enter the roofing system. Replacement was required. The building is not included within the district's cyclical roofing program under the Major Maintenance Plan, and the building is not eligible for support from provincially allocated funds. The estimated cost to replace the roof is \$400,000, and therefore the amount to be transferred from reserve would be that amount or the actual cost, whichever is less.

The cost-recovery business model of the maintenance zone generates sufficient resources to cover minor repairs to the building only. The major components and systems are the

responsibility of the district and must be addressed on an as-needed basis. There are not sufficient resources within other operating budgets to address this need, since they operate on a cost recovery basis.

#### Recommendation 4: \$0.35M to Finance for Personnel Operations Enhancements

In May 2001, Sierra Systems was contracted to conduct a review of the Personnel department's business processes, focusing on the efficient and effective use of the HR/Payroll system, establishment of a strategic plan, and facilitation of the movement to web-based tools and self-service applications. Trustees were provided background information on the Business Process Review in reports presented during the Trustee Retreat in February 2002. In addition, PricewaterhouseCoopers conducted a review of teacher hiring practices. Many of the recommendations in the final audit report, presented to the trustees, confirmed the need for the utilization of technology to enhance current processes and to attract applicants to the district.

The initial implementation and related development of the HR/Payroll system was deemed by the provincial government to be a capital-eligible project, and subsequent modifications, enhancements and initiatives to optimize system functionality are also considered to be capital expenses. The upgrade of the system to a web-based system was completed in December 2002. In order to utilize this new technology, the business processes of the department also have to be modified and adapted. This will enable the department to continue momentum and progress towards optimization of the HR/Payroll system, and to implement the recommendations of the audit of teacher hiring practices. As it is important that the next phases of the Business Process Review be undertaken without delay, bridge financing from the capital reserve is requested. The \$350,000 will be borrowed from the capital reserve and paid back from funds allocated from the Debt Services account.

#### Recommendation 5: Up to \$0.20M to Re-Design the Tele-Learning Centre

In February of 1999, the district submitted a request under an Innovation Fund initiative of Alberta Learning to expand J. Percy Page High School to integrate with the adjacent community facility. A component of the project was the creation of a technology centre to accommodate program growth in technology-driven teaching and learning. The province approved \$20,000 of funding in August of 1999 for a concept development study related to the technology component of the project. In March of 2001, a subsequent request under the 2001 Innovation Fund initiative was made for \$4.3 million to construct the multi-purpose technology facility. Alberta Infrastructure announced approval of \$2.3 million for the project.

Detailed design of the Centre was completed in May 2002 and final tenders were received in July 2002. The tenders received were significantly over the available budget. Costs associated with extending servicing to the attachment site, and costs to match different floor elevations and building foundations contributed to the tender overrun. An alternate location to attach the Centre addition has been recommended as a way to deliver the project within the funding allocated for the project, however approximately \$200,000 of increased costs would be associated with redesigning the facility program areas and shifting it to a new site location. The estimated cost to redesign the facility is \$200,000, and therefore the amount to be transferred from reserve would be that amount or the actual cost, whichever is less.

AH/dme

APPENDIX I

Capital Reserve Account Financial Statement