

EDMONTON PUBLIC SCHOOLS

February 11, 2003

TO: Board of Trustees

FROM: A. McBeath, Superintendent of Schools

SUBJECT: George P. Nicholson and Jackson Heights Schools – Capital Budgets

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

RESOURCE  
STAFF: Michael Ediger, Brian Fedor, Gary Holroyd, Ron McGowan,  
Dean Power, Larry Schwenneker

RECOMMENDATION

1. That an amendment to the George P. Nicholson School Capital Budget from \$6,326,281 to \$8,257,500, be approved.
2. That funding sources for the amended Capital Budget for George P. Nicholson School, consisting of: \$1,601,219 of funds from Capital Reserve and Deferred Capital Allocation (interest) of \$330,000, be approved.
3. That an amendment to the Jackson Heights School Capital Budget from \$5,084,600 to \$6,119,600, be approved.
4. That the funding sources for the amended Capital Budget for Jackson Heights School, consisting of \$705,000 of Capital Reserve funds that can be spent on board-approved projects; and Deferred Capital Allocation (interest) of \$330,000, be approved.

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George P. Nicholson School was included as part of the district's 2000 capital submission to Alberta Infrastructure. The total budget allocated by Alberta Infrastructure for the school project was \$6,326,281 and the approval included an expectation that the project be a multi-use or partner project.

The project proceeded with a number of complicating factors:

- development of the partnership arrangements;
- accelerated schedule during winter conditions;
- community expectations.

The final costs came in at \$8,257,500 resulting in a budget shortfall of \$1,931,219. Specific factors contributing to the budget shortfall were:

- unsupported costs associated with partner-shared areas;
- larger gymnasium;
- site costs and abnormal soil conditions;
- accelerated construction costs;
- increased project expenses;
- high market costs.

The Jackson Heights School was also approved as part of the district's 2000 capital submission, and was allocated a total project budget of \$5,084,600 by Alberta Infrastructure. The final cost for the school was \$6,119,600, resulting in a budget shortfall of \$1,035,000. Specific factors contributing to the budget shortfall were:

- extremely difficult soil conditions and buried materials;
- winter weather conditions;
- project acceleration costs;
- high market costs.

For the latest series of capital projects approved by government, the district received advances on the capital funding for the projects. These advances must be invested until the funds are expended and the interest accrued must be used to support capital projects approved by Alberta Infrastructure. The interest is placed into an account "Deferred Capital Allocations", and board and minister approval is needed to utilize these funds. The amount of \$330,000 of interest earned on project capital advances is recommended for use in each of the two new schools.

The remaining \$1,601,219 of the shortfall for George P. Nicholson School is requested from the capital reserve. Included in this amount is \$479,353 from the ATCO gas rebate previously identified for use in capital projects.

The remaining \$705,000 of the shortfall for Jackson Heights School is requested from the capital reserve. The funds can be spent on board approved projects and includes \$70,000 from the ATCO gas rebate previously identified for capital projects.

#### Reserve Requirements and Status

A capital reserve is required to administer district capital assets. For example, Part 4(1)(b) of the *Disposition of Property Regulation* under the *School Act* (3/2001) requires that monies obtained through the sale of land, buildings or other real property are deposited into a capital reserve account. Funds may be spent for capital purposes only, such as to construct and make improvements to school facilities and any other potential use is subject to ministerial scrutiny and approval. Under the regulation, the proceeds from the sale of property must be retained in the capital reserve under two separate categories, a provincial category and a local school district category. The amount for each is based upon the percentage of the original cost of the building project that was contributed by each of the provincial government and the district.

The proceeds that are attributable to the provincial government's original contribution, together with interest earned, must be applied to the cost of a future school building project that was identified in the district capital submission and received provincial support. The board must

approve all expenditures from the capital reserve of any kind, and the approval of the Minister of Infrastructure is required to spend the portion of reserve funds attributable to the province's contributions. The funds attributable to the district's original contribution may be applied to a future capital expenditure of the board's discretion and can include expenditure on projects for non-school buildings, since these buildings are not eligible for funding support from other capital sources.

Despite the funds being divided into two categories, the Ministers of Learning or Infrastructure have the authority to direct districts to expend all funds or to expend funds on a project or projects of the minister's choosing.

In summary, the two new school projects were completed under very tight timeframes in order to meet community expectations and under extremely challenging market and seasonal conditions. The use of capital reserve to fund the projects is the district's only obvious option at this time.

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