

EDMONTON PUBLIC SCHOOLS

February 25, 2003

T0: Board of Trustees

FROM: A. McBeath, Superintendent of Schools

SUBJECT: District Lease Rate Review Status Report

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

RESOURCE

STAFF: Jenise Bidulock, Gloria Chalmers, Meredith Colgan, Robert Craig, Randy Leal, Cindy Skolski

INFORMATION

This report is a status report to the board of trustees on the review of lease rates that is underway. The review committee has received 121 principal surveys, responses from 25 tenant and 5 responses from agencies involved with the district in educational and co-curricular provision of services. From the responses received, the majority (65% of principals) state that the district should not subsidize lease rates, 78% of principals agree that the lease revenue should go to the areas of the district responsible for the costs incurred and 51% of principals support the model for lease categories as offered.

Outside agencies that were consulted expressed appreciation for being consulted and for the amount of background information provided. They were clear that any lease rate adjustments should not impact established agreements held with the district and should only apply to those programs requiring a lease to operate in schools. The agencies noted that grants to programming do not include support for a lease and that there is a gap in formal infrastructure support for preschool services; these services contribute to the overall health and well being of children but are not "owned" by any one ministry or department. Their last concern was security of tenure and that the year-to-year leasing policy with school districts is detrimental to their programming and should be reflected in a lower than market value lease rate. Of the tenants that responded the two main concerns were access to custodial services at a reasonable cost and the timing of rate increases.

CUPE Local 474 is in the process of coordinating input from their members and this will be reviewed prior to recommendations being made to the board.

Comparisons with lease rates used by other school districts in the surrounding area and with the current Edmonton Real Estate market have been made and shared with stakeholders for review. It has been concluded that lease rates need to ensure adequate recovery of operating and capital investment costs for the district. A recommendation report relative to lease rates will be presented to board in March 2003 for approval.

The board set minimum rates in 1982 for specific users. These minimum rates were meant to ensure that schools were not unnecessarily subsidizing leases. These minimum rates (\$0.86

per square meter per month for community based preschools and \$1.94 per square meter per month for non-profit child care providers) no longer allow schools to recover operating costs. Therefore, the administration is considering recommending that these minimum rates be rescinded and that the board not set minimum rates.

The administration is exploring having lease rates set by the administration and adjusted every two years after a review of three key factors.

1. The average cost to operate space in the district based on calculations provided by Facilities Services using actual daily operating costs and capital renewal;
2. Comparison of lease rates charged in a minimum of three school districts in the surrounding Edmonton area;
3. Cost of Living Index for Edmonton and area over the previous two-year period.

A report at the end of each two-year review with the changes to lease rates will be presented to the board.

A four-tiered model of lease categories is being considered by the administration that reflects the educational and utilization benefit to the district and community of each tenant. As well, the level of recovery for both operating and capital renewal costs of the tenants in each category would be reflected by the category.

Category A – Educational Services Partnerships

(agencies that provide co-curricular programs and educational services under an interagency partnership agreement)

Head Start Programs

ESHIP

Literacy Programs

Category B – Child Care Providers & Pre-Kindergarten Programs

(tenants that provide pre-kindergarten programs, daycare, and out of school care potentially feed school enrolment)

Daycares

Out of School Care Centres

Community Playschools or Pre-Kindergarten Programs

Private Nursery or Pre-Kindergarten Schools

Category C – Public Sector Services

(tenants that serve the wider community)

Health Clinics (e.g. Westlawn Health Clinic)

Government offices

Public Libraries

Category D – General

(all other tenants)

Francophone School District

Churches and religious organizations

Society offices

The administration acknowledges the need to provide space for interagency provision of early educational and intervention programming that, while outside the district's immediate

K-12 mandate, are integral to the success of district students. The administration will continue to advocate with Alberta Infrastructure and Alberta Learning for recognition of the district's contribution to these educational partnerships. Recognition of these partnerships may take the form of additional space exemptions and/or Plant Operating and Maintenance support for co-curricular activities in schools.

The administration proposes to consult with lessees regarding the impact of the new rates for current tenants and on an appropriate phase in plan. The phase in may potentially include a 2 to 5 year adjustment period. The rate for each category being considered by the administration is as follows:

Category A	\$ 2.00 per square meter per month
Category B	\$ 5.00 per square meter per month
Category C	\$ 6.00 per square meter per month
Category D	\$ 7.50 per square meter per month

In all categories custodial services remains an option. Schools would be advised to charge between \$1.32 to \$1.50 per square meter per month for custodial services, depending on the level of service requested.

If the space is contracted for part-time only, then the rate would be pro-rated to the amount of time contracted for. This gives a price break to play school programs using school space for a portion of the day or for only 3 days per week.

The total revenue projected using the new rates would be \$1,105,000, an annual increase of approximately \$334,000 over current revenues. Phasing the change over a few years would mean a gradual increase in revenue.

The rate for Category A reflects the daily operating cost including utilities only and not custodial services for an average Edmonton public school. The rate for Category B reflects the daily operating costs, including utilities and capital renewal costs but not custodial services. The rate for Category C reflects recovery of daily operating costs, capital renewal costs, and utilities with a profit of \$1.00 per square meter per month. The rate for Category D covers all costs as in Category C with a profit of \$2.50 per square meter per month. The profit from Category C & D leases would subsidize the cost of providing space to Category A leases and Category B is the break-even rate.

The administration is considering a central collection of lease revenue and a distribution of funds to schools to cover the cost of daily operation. This would mean that each school benefits from a neutral impact on their operating budgets while the district offsets the cost of subsidizing specific tenants with the lease revenue. The administration would then be able to direct that portion of the lease revenue being collected for utilities to Facilities Services that now has the responsibility of covering all school utility costs. The portion of the lease revenue collected for capital renewal investment would also be allocated to Facilities Services to be earmarked for capital renewal for leased space.

Each school would receive a minimum of \$0.95 per square meter, per month for a lease and the amount of custodial service fees collected, if contracted for.

An average classroom of 83 square meters would cost under each category:

Category	Rate	Lease Per Month	Custodial Fee Per Month
Category A	\$2.00/square meter	\$166.00	\$109.56
Category B	\$5.00/square meter	\$415.00	\$109.56
Category C	\$6.00/square meter	\$498.00	\$109.56
Category D	\$7.50/square meter	\$622.50	\$109.56

The overall result of the above proposed lease rate changes and centralizing of lease revenue would be equality of revenue received by each school. The district would be able to guarantee that no school unfairly subsidizes a lease out of their school's operating budget. Principals would no longer have to determine if a lease would negatively or positively impact their operational budgets. Schools would have the revenue required to cover the increased costs for maintenance and custodial services that are created by accommodating leases. It is expected that there would be a reduction in administration at the school level.

The impact to the district resulting from these lease rate changes and centralizing of lease revenue would be to create a steady revenue stream to cover utility costs removed from the provincial Plant Operating and Maintenance formula for leased space. Facilities Services would also have some additional dollars to invest in capital renewal of leased space.

The impact on tenants would be slightly higher lease rates phased in over a few years but at rates that are still lower than the same space in Edmonton Catholic Schools or in the Edmonton real estate market. For some daycares that have been paying above average rates, we may freeze rates or decrease rates over a period of time.

The capital costs and the newly centralized utility costs would be administered by central services for schools. Schools will provide custodial services to their tenants over and above the lease rate charged. All these factors need to be considered in the phase in plan and determining the split of revenue.

Next Steps:

These draft lease rates and administrative changes are being sent out to principals of schools who currently accommodate leases to solicit their feedback. Lessees have had the opportunity to view the changes being considered by the administration and are responding back to the review committee through Gloria Chalmers. Current tenants will be consulted regarding a staged plan for appropriate implementation of changes being proposed. CUPE Local 474 will have an opportunity to provide input prior to a final recommendation being made. A recommendation report will be sent to board in March detailing lease rates and phase-in plans.

MC:jb