

EDMONTON PUBLIC SCHOOLS

April 17, 2000

TO: Board of Trustees
FROM: E. Dossall, Superintendent of Schools
SUBJECT: By-Law No. 296 - Board Funded Capital Expenditures
ORIGINATOR: G. Reynolds, Department Head
RESOURCE
STAFF: Sultan Ibrahim, Dean Power

RECOMMENDATION

1. That by-law No. 296 be introduced.
2. That by-law No. 296 be read for the first time.
3. That by-law No. 296 be read for the second time.
4. That, in accordance with the authority of Section 53 of the School Act by-law No. 296 be read for the third time.
5. That by-law No. 296 having been given three readings at this meeting, be finally passed.

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Background

The district has financed a total capital expenditure of \$ 3,832,491 (Appendix I) from the district's bank overdraft, over a number of years. These projects are not eligible for capital grants from the province. This amount represents the following items:

- expenditures in excess of funding received for BQRP projects that have accumulated over a number of years
- balances remaining for:
 - renovations to the Distribution Centre
 - Centre High start-up expenditures
 - purchase and implementation of the Financial Information System
 - purchase and implementation of the payroll system

The district financed this expenditure using short-term demand loan to take advantage of lower interest rate applicable to short term borrowing from the bank as compared to debenture borrowing, to minimize the cost to the district.

Alberta Learning has requested that we convert this overdraft financing to term financing. Capital borrowing must be segregated from operational funds to conform to business practices and accounting rules for not-for-profit organizations. These rules are applicable to school districts since the elimination of fund accounting.

In the district's budget the amount of \$ 941,000 per annum had been provided to fund this expenditure. This amount will be adequate to cover principal repayments and interest for the debenture borrowing. In addition, the debenture proceeds will be applied to the district bank account and the interest on these funds will partially offset the interest cost to the district for the debenture. The conversion of the short term overdraft financing to Debenture Borrowing is not expected to have any additional impact on the district's operating budget.

Approval Process

Authority is requested by way of by-law No. 296 (Appendix II) to borrow capital funds up to \$3,832,491 for unsupported capital expenditure of the district.

Approval of the by-law by the Minister of Learning is required before the district can proceed with the borrowing.

The rate of interest will be determined by the Alberta Municipal Financing Corporation at the time the debentures are issued. The current rate is 6.375%.

The district has selected the 5-year term, as the intention of the district was to fund this expenditure over a 5-year period.

Appendix II provides a debenture repayment schedule for the money to be borrowed over a five-year term.

DRP/SI/ej

APPENDIX I - By-law No. 296

APPENDIX II - By-law No. 296 Debenture Repayment Schedule

BY-LAW NO. 296

A BY-LAW RELATING TO THE ISSUE OF DEBENTURES OF THE
EDMONTON SCHOOL DISTRICT NO. 7 OF THE PROVINCE OF ALBERTA

WHEREAS it is deemed expedient by the board of trustees of the Edmonton School District No. 7 of the Province of Alberta, that the sum of THREE MILLION EIGHT HUNDRED AND THIRTY TWO THOUSAND FOUR HUNDRED NINETY ONE DOLLARS (\$ 3,832,491) should be borrowed on the security of the district, by the issue of debentures repayable in five (5) consecutive annual instalments with interest at the rate as determined from time to time by the Alberta Municipal Financing Corporation, for the purpose of funding the Board Capital expenditures, in the City of Edmonton.

TOTAL COST OF BOARD FUNDED CAPITAL EXPENDITURES \$ 3,832,491

THEREFORE, the board of trustees of the said district enacts as follows

1. That the necessary proceedings be taken under the provisions of the School Act, to obtain authority of the Minister of Learning to borrow aforesaid debenture funds or such portion of the said funds as may be required, for the aforesaid purposes.
2. That upon receiving the required written authorization, the board of trustees shall issue, on security of the district, debentures in an amount not exceeding the sum of THREE MILLION EIGHT HUNDRED AND THIRTY TWO THOUSAND FOUR HUNDRED NINETY ONE DOLLARS (\$ 3,832,491) repayable in five (5) consecutive annual instalments with interest at the rate as determined from time to time by the Alberta Municipal Financing Corporation.

READ A FIRST TIME THIS _____ DAY OF _____ , A.D. 2000

CHAIRMAN

BOARD SECRETARY

READ A SECOND TIME THIS _____ DAY OF _____ , A.D. 2000

CHAIRMAN

BOARD SECRETARY

**READ A THIRD TIME WITH THE UNANIMOUS CONSENT OF ALL MEMBERS
PRESENT AND

PASSED THIS _____ DAY OF _____ , A.D. 2000

CHAIRMAN

BOARD SECRETARY

(** SEE SECTION 53 OF THE SCHOOL ACT)