

## EDMONTON PUBLIC SCHOOLS

January 27, 2004

TO: Board of Trustees

FROM: A. McBeath, Superintendent of Schools

SUBJECT: Lease Revenue Distribution

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

RESOURCE

STAFF: Jenise Bidulock, Lee Cech, Meredith Colgan, Dick Divine, Karen Linden

### INFORMATION

New district lease rates were approved on March 25, 2003 and the district is in year one of the five-year implementation period to adjust lease rates closer to a cost recovery model. The implementation plan for the new lease rates allowed for all lease revenue to be kept at the school level for year one and for a plan to distribute lease revenue to schools and the central units that pay for utilities and maintenance starting in year two was to be developed. Custodial services are to be charged separately from the lease rate at a rate of \$1.50 per square meter per month starting in year one.

During the lease rate review, principals strongly supported the plan to redistribute lease revenues.

A committee representing schools, planning and energy management has reviewed the costs associated with a school accommodating a lease and has developed the table of costs shown in Appendix I. The committee supports the following action steps:

- That starting September 1, 2004 lease revenues be collected centrally and distributed among the schools and those decision units responsible for payment of operational and capital costs;
- That \$0.89 per square meter per month of the monthly lease rates be distributed to the accommodating school starting September 1, 2004;
- That the lease revenue portion for recovery of utilities be phased in over three years starting September 1, 2004;
- That \$0.36 per square meter per month of the monthly rates be distributed to utilities managed by Facilities Services starting September 1, 2004, \$0.73 starting September 1, 2005 and \$1.09 starting September 1, 2006;
- That lease revenue for capital reinvestment is distributed last after the school's portion and the utilities' portion has been distributed. If the lease rate does not allow for full

recovery of capital, then only that remaining portion of the lease revenue will be distributed;

- That the lease revenue portion of \$2.81 per square meter per month of the monthly rates, or portion thereof, be distributed to Facilities Services starting September 1, 2006 from Category C, D, E and F leases to provide additional funding on capital projects in schools with leases, where a portion is unfunded by Provincial funding;
- Lease Category A and B rates do not allow for recovery in full of utility or capital reinvestment costs and so only that portion after school costs are covered will be directed towards utilities.

A summary of approved Lease Categories and Rates is attached in Appendix II.

The phasing in of utility cost recovery will minimize the impact to schools until lease rates have reached full cost recovery around 2006-2007. This gives schools sufficient time to adjust their budget projections for lease revenue. Previously, schools with leases received a chart from leasing showing the full five-year phase-in of lease rates. This chart has been updated to show the phasing in of lease rates and the phasing in of revenue split and is posted on the Intranet at <http://accommodation.epsb.ca/leasing> for easy reference. Up to the final year of lease rate implementation, any surplus revenue not identified for distribution to utilities or capital will remain at the school budget level. The next lease rate review, scheduled for 2006, will address the issue of cost recovery and distribution of lease revenue.

The district currently has approximately 30,833 square meters of surplus operational school space leased with revenue of \$1,101,131 for 2003-04 at an average lease rate of \$3.09 per sq. meter per month (\$37.08 per square meter annually). A report summarizing the district's leasing information is scheduled for this spring.

MC:jb

APPENDIX I: Direct School Cost Breakdown  
APPENDIX II: Approved Lease Categories and Rates

**DIRECT SCHOOL COST BREAKDOWN**

(Per square meter annually)

<b>ITEM</b>	<b>COST/SQ. METER/YEAR</b>
School to pay utilities (waste management, etc.)	\$1.29
Supplies (paper products/cleaners/soap/etc.)*	\$1.27
Communications Infrastructure costs	\$1.62
Support Staff Time*	\$0.01
Hazardous Recycle	\$0.03
Grounds Keeping	\$0.53
Playground Maintenance	\$0.03
General Maintenance of School	\$2.02
Travel costs for Maintenance Work	\$0.44
Roof Repairs	\$0.26
Security	\$0.51
Preventive Maintenance of School	\$2.63
<b>TOTAL COSTS</b>	<b>\$10.64</b>

- \$10.64 per square meter per year = \$0.89 per square meter per month
- Costs based on 2001-2002 data provided by Facility Maintenance Services and represent the average cost to operate 1,140,434 square meters of school facilities within Edmonton Public Schools.
- \* Supplies and Support Staff costs represent the average cost based on examples taken from various schools within the district and averaged out over 1,140,434 square meters of school facilities. On average, support staff spends 0.5 hours of each 7.0 hour work day on tenant issues.

**APPROVED LEASE CATEGORIES & RATES**

- CATEGORY A: Educational Services Partnerships**  
Leases with agencies that provide co-curricular programs and educational services under a formal interagency partnership agreement with Edmonton Public Schools.
- Examples: Head Start Programs, Literacy Programs
- RATE: \$2.00 per square meter per month exclusive of custodial services
- CATEGORY B: Pre-Kindergarten Educational Programs**  
Leases with operators of licensed Pre-Kindergarten Educational Programs by a non-profit organization.
- Examples: Springhill Community Nursery School Society, Babar's Children's Centre Society, Ottewell Community League Playschool
- RATE: Licensed Pre-Kindergarten Program by a non-profit organization:  
\$2.50 per square meter per month exclusive of custodial services
- CATEGORY C: Part-time Licenses by a non-profit organization for use that is less than 65% of the school week and in which the school shares in access to the same space for the balance of the school week.**
- Examples: YMCA Out of School Care Centre, Thorncliffe After-School Care Association
- RATE: \$2.00 per square meter per month exclusive of custodial services PLUS GST
- CATEGORY C: Full-time leases for Daycare, Out of School Care, Kindercare or other child care service centre by a non-profit organization**
- Examples: Glengarry After School Care Society, Waverly Daycare Ltd.
- RATE: \$4.00 per square meter per month exclusive of custodial services
- CATEGORY D: Full-time leases for Daycare, Out of School Care, Kindercare, Pre-Kindergarten Programs by a for profit organization.**
- Examples: Sabrina's Kids Cove, Little Professor Childcare Inc.
- RATE: \$7.50 per square meter per month exclusive of custodial services

**CATEGORY E: Public Sector Services**  
Leases with other levels of government to provide public services for the community at large:

Examples: Public Health Clinics, Government offices, and or Public Libraries

RATE: \$6.00 per square meter per month exclusive of custodial services

**CATEGORY F: General**  
Leases with tenants that are not represented in the above categories

Examples: Society offices, Religious organizations and Churches, Francophone School District

RATE: \$7.50 per square meter per month exclusive of custodial services

ALL OF THE ABOVE RATES ARE FOR GROSS RENT IN OPERATIONAL SCHOOLS. Gross rent is defined as basic rent for the demised space as outlined in the lease agreement including utilities (except telephone or computer service). The school district provides for the maintenance of the foundation, major mechanical, electrical and plumbing components of the building as well as access to common areas for entry and washrooms. The tenant is responsible for the cost of custodial care in the demised space and minor maintenance maintained at the district's standards plus any upgrades or improvements to the space as deemed necessary by the tenant to meet licensing requirements and codes.

**FULL CUSTODIAL SERVICES RATE: \$1.50 per square meter per month**

The lease revenue collected and allocated to the school would be adequate to include leased space in any cleanliness assessments and facility inspections conducted by the school. Facilities Maintenance will automatically include leased spaces in their scope of work when a school requests service. The school principal has the responsibility to monitor leased space for cleanliness standards and for health and safety conditions. Principals are encouraged to contract with tenants for the custodial services with a minimum service level of hard floor finishes and carpet steam cleaning being required. The cost of any custodial service provided to a tenant should be recovered by the school either by invoice or by including payment within the lease agreement. Leasing & Rental Services is available for advise and assistance to principals in these matters. Facilities Maintenance is able to customize maintenance agreements with a school to include leased space at specified costs to tenants. These maintenance agreements would result in lower costs for both schools and tenants while improving the overall condition of the school and leased space.

Tenants must be included in a school's emergency preparedness plans and drills. School should perform a security orientation with all tenants at the start of a lease and periodically throughout the tenancy. Tenants must pay for security call out costs if they are the cause of the security breach.