

**TORONTO CATHOLIC DISTRICT
SCHOOL BOARD**

**SUBMISSION TO
ONTARIO STANDING COMMITTEE
ON FINANCE AND ECONOMIC AFFAIRS
PRE-BUDGET CONSULTATION**

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Barrie, Ontario**



CAPITAL FUNDING ISSUES FOR 2007-08 AND BEYOND

Introduction

The Toronto Catholic District School Board (TCDSB) has raised a number of funding issues with the Ministry of Education, and in response to the Minister's letter of October 24, 2006 submitted a formal brief to the Ministry followed by a technical report on January 29, 2007.

This submission on Pre-Budget Consultations to the Committee on Finance and Economic Affairs supplements those reports and focuses on capital funding and infrastructure planning.

TCDSB's main objective in this submission is to ask the province to endorse, in the budget, the concept of ensuring that the best publicly owned school property remains in public hands and is available for use by the school boards at sometime in the future to educate our children.

Background

TCDSB owns approximately 230 sites and the Toronto District School Board (TDSB) owns 650. The total area is over 5,000 acres. TCDSB currently has approximately 20 closed schools with at least another 10 to come. All of these school properties are in mature communities – they are, in many cases, the only vacant public space available.

Recent newscasts have said the TDSB is looking at closing schools – they may eventually have close to 100 surplus school properties. Both boards are working together, and discussions have also started with the Toronto French Language school boards to determine how the accommodation needs of each can be met prior to the disposition of surplus school assets.

Some discussions have also taken place with the City of Toronto to determine the best approach to realizing the maximum financial value for school board property while providing for future needs. One thing learned from past experience with school closures and the sale of school property is that taxpayers generally view school property as belonging to the public and as a community asset.

Both boards are at the point where decisions must be made on long-term accommodation plans – there's no more delaying.

Over the last 18 months, the two English boards have been working together to come up with a plan to use existing capital assets (school properties) to generate significant revenues while keeping their use and ownership in public hands for future growth. The plan would be to sell the density rights to surplus property where the community has an interest in it. This can work, not only in Toronto, but across the province. It's a win-win-win for the province, for municipalities and for school boards and, of course, the public:

- It helps the province by supplementing sources of capital funding for schools – thus saving the Province money;

- It gives municipalities an opportunity to provide green space and services to the community at little cost to the City; and
- It gives school boards the opportunity to optimize the value of their property now; and ensures the property will be available, in the future, to educate our children.

How would it work?

In TCDSB and TDSB cases, it would be dealing with the City of Toronto. The two boards have suggested that where one of the other school boards or the City has an interest in a piece of school board property an agreement would be entered into that would permit the school board to zone the property to its highest allowable value and then sell the density rights to that property.

These rights would be sold through the normal planning process, and be available for use by developers in City designated “intensification zones”. The scale of redevelopment would have to be consistent with the existing community and would be governed by City-approved urban design guidelines. In return, if the property is not required for school purposes by any of the school boards, the school board would lease their property, for a nominal fee, to the City until such time, if ever, that the property is required for educational purposes.

For example, where a school is contiguous to a City park the school property would become part of that park and remain so until such time as it is needed. Everyone wins – the school board, the City and the developer who needs the density rights for a previously approved project and the community who will have a park or public facility.

Where does the province fit in?

What is needed from the province is an overarching policy framework that municipalities can rely on to then make their own commitment to support this approach. Interestingly enough, the province already has such a policy framework – TCDSB wants the government to emphasize it so that municipalities can endorse the concept in general and not just on a case-by-case basis.

Thus planning for schools becomes part of the bigger community planning picture, rather than a piecemeal approach.

The Provincial Policy Statement issued almost two years ago under the Planning Act focuses on “Building Strong Communities” and provides the policy framework needed to support this concept.

Section 1.1.1g says:

“Healthy, liveable and safe communities are sustained by ensuring that necessary infrastructure and public service facilities are or will be available to meet current and projected needs.”

It goes on to say that “*projected needs*” include a “*time horizon of up to 20 years*” and that public service facilities include “*structures for the provision of educational programs*” – in other words, schools.

The Policy Statement also gives the province the means by which to support a commitment to the density transfer concept by all three parties – the province, municipalities and school boards. Section 1.2.1 of the policy says:

“A coordinated, integrated and comprehensive approach should be used when dealing with planning matters within municipalities ...including: ... public service facilities.” – i.e. schools.

What does TCDSB want?

TCDSB is asking the province to recognize its interest in education in the budget and specify that there should be an integrated approach to capital planning for schools where municipalities, school boards and the province work together to ensure school boards receive the best and highest value for their surplus properties while keeping the best school property and buildings in public hands for future educational purposes.

The Board’s preference would be for the province to also endorse the density transfer concept as an overarching approach.

Recommendations

That the province should endorse, in the budget, the concept of ensuring that public property remains in public hands and is available for use in the future to educate our children;

That the way to do this is by endorsing the concept of using density transfers in a coordinated fashion by school boards and municipalities; and

That all levels of government and school boards should work together to build and operate joint-use facilities on each others’ property.

Other Issues

There are a number of additional issues related to funding that TCDSB would like to bring to the attention of the committee:

1. Growth-Related Capital Funding

TCDSB has an Education Development Charges (EDC) bylaw in place and collects levies for both elementary and secondary school site needs within growth areas in the City of Toronto. This current bylaw has been in effect since 2003 and the board has collected several millions of dollars from developers. Overall, the Board will acquire 15 sites (some already acquired) in growth areas of the City. However, in each situation, the board has no NPP Capital Grants available to construct the school in these growth areas. This issue was identified very early in our approaches to the Ministry (starting in 2003), and is the result of how the Ministry calculates eligibility for NPP grants by comparing overall board capacity to overall board enrolment as opposed to a Review Area approach (which is the basis for calculating eligibility for site purchases under the EDC Bylaw).

This issue was recognized by the Ministry in the 2006-07 GSN funding announcement, which included a provision for funding of school construction in growth areas based on the

growth related needs of a particular planning area. Each request must be approved by the Ministry and supported by a business case.

TCDSB staff continues to meet with Ministry officials to address this issue and to determine next steps to obtain funding. From the Board's perspective, there are a number of issues, including the requirement to achieve 90% utilization in the first year and to complete construction of the school by September 2008. In addition, TCDSB has seven more sites to acquire prior to the expiration of our current Bylaw in 2008, and there is a need to construct schools on these sites as well in the future.

In the meantime, Board staff is proceeding with the preparation of the business case as requested.

The Board needs clarity regarding funding eligibility beyond a one-year announcement since the Board will be proceeding with future site acquisitions through EDCs and will require growth funding for school construction.

Recommendation

TCDSB applauds the government for implementing the current one-year program for growth-related capital funding for the 06-07 fiscal year, and recommends that it be continued beyond a one-year time horizon for the reason that this program recognizes that a school board may have population growth in one area while there is static or declining enrolment elsewhere in its area of jurisdiction.

2. Leased Schools

TCDSB is in a unique situation when it comes to leased properties. It has the highest number of leased schools, many of which are short-term and month-to-month tenancies, in the province accommodating more than 14,000 students in facilities that the Board does not own. The Board pays in excess of 50% of all lease costs in the Province, and will pay in excess of \$100M in rental payments if we continue to rent these facilities, assuming that the rent does not escalate significantly beyond current levels. This money is better spent on the construction of permanent school facilities that guarantee that school accommodation will be available to those students in the long term.

The future capital funding requirements related to these schools is one of the most significant funding issues for TCDSB. Some of these leases are terminating and the Board is faced with capital costs related to the purchase of land (either for the existing site or a new site) and the renovation of the existing school or the construction of a new school.

There are no funds to cover the underlying cost of land or the cost of construction of a new school or renovation of existing schools. NPP grants are fully committed to cover existing capital projects and lease payments, and EDC revenue is only available for land related to growth and is not available for existing leased schools.

Leased schools existed prior to 1998. The future capital cost associated with these schools is equivalent to "pre-98 debt" (i.e. future debenture payments on existing schools). With the

introduction of the new funding model and for the purpose of providing boards with a clean slate, the Ministry funded all future debt commitments that existed pre-98. However, the Ministry did not include leased schools as part of the definition of pre-98 debt. TCDSB is one of the few boards in the province with a significant number of leased facilities (and with high land values). There is an inequity in treatment for TCDSB.

Recommendation

TCDSB recommends that the government provide a funding mechanism that covers the future capital costs associated with purchasing and upgrading all leased schools.

3. Stranded Debt

We have received indications from the Ministry that there may be a solution coming forward to the issue of stranded debt and the treatment of the enrolment pressures grant. We thank the Ministry and the Minister for addressing this in a positive way. However, there is still the outstanding issue of the 50% “claw-back” of future proceeds of disposition to offset debt.

The Board needs to retain proceeds of disposition from the sale of property in order to address its future capital program. If the Ministry were to decide to claw-back part of the proceeds of disposition, then it is the position of the Board that the policy should be applied to all school boards equally and not just to those boards that have a debt service issue. TDSB has a significant number of surplus properties and plans to use the proceeds from the sale of those properties to improve its school facilities. The impact of the claw-back to TCDSB in this situation represents a significant disadvantage relative to our coterminous school board, and is not equitable in these circumstances.

The proposal to claw-back 50% of the proceeds from the sale of capital property is punitive. The Board’s inability to service its debt is directly related to a fundamental shift in government policy in February 2005. That is, had the government not changed the funding model to allow the school board to adjust its capacity through school consolidation, the Board could have met all of its debt obligations.

The clawback simply takes capital dollars from TCDSB and limits the Board’s ability to address the \$300m of deferred maintenance affecting our school facilities.

Recommendation

That the Ministry not apply a claw-back to part of the proceeds of disposition; and if it does, then the policy should be applied to all school boards equally and not just to those boards that have a debt service issue.

4. Education Development Charges

At the moment, Education Development Charges (EDCs) can only be used to acquire property, but not to build the schools needed on that property. There has been a review of EDCs initiated, and TCDSB will bring this issue forward through that process.

Recommendation

That school boards be allowed to use Education Development Charges for building schools as well as acquiring property.

5. Joint-Use Facilities

TCDSB would like the Province to encourage the building of joint-use facilities – schools, municipal and provincial – for example, community centres, health facilities, libraries, etc.

Recommendation

That the Province encourage the building of joint-use facilities – schools, municipal and provincial – for example, community centres, health facilities, libraries, etc.

Summary of Recommendations

- A. That the province should endorse, in the budget, the concept of ensuring that public property remains in public hands and is available for use in the future to educate our children;
- B. That the way to do this is by endorsing the concept of using density transfers in a coordinated fashion by school boards and municipalities; and
- C. That all levels of government and school boards should work together to build and operate joint-use facilities on each others' property.
- D. TCDSB applauds the government for implementing the current one-year program for growth-related capital funding for the 06-07 fiscal year, and recommends that it be continued beyond a one-year time horizon for the reason that this program recognizes that a school board may have population growth in one area while there is static or declining enrolment elsewhere in its area of jurisdiction.
- E. TCDSB recommends that the government provide a funding mechanism that covers the future capital costs associated with purchasing and upgrading all leased schools.
- F. That the Ministry not apply a claw-back to part of the proceeds of disposition; and if it does, then the policy should be applied to all school boards equally and not just to those boards that have a debt service issue.
- G. That school boards be allowed to use Education Development Charges for building schools as well as acquiring property.
- H. That the Province encourage the building of joint-use facilities – schools, municipal and provincial – for example, community centres, health facilities, libraries, etc.

TCDSB notes that the quality of education offered today is much improved over that of a couple of years ago; however, there is still work to be done.