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David Thompson, Chairperson

Jackie Young, Director of Education

To: Trustees

From: Jackie Young, Director of Education

Date: February 28, 2017

Topic: Long-Term Financing of Capital Projects – Parry Sound Public School Capital Expenditures

Background:

The Ministry requires all school boards to participate in the long-term financing arrangements of eligible capital programs through the Ontario Financing Authority (OFA). Boards are to access long-term financing for projects supported by eligible Ministry-supported capital programs not permanently financed up to the maximum principal amount allocated to their board. The March 2017 OFA issue will be the final opportunity for Boards to request for OFA long-term financing.

For the March 14, 2017 issue, the principal amount eligible for long-term financing is the value of work for permanent improvements undertaken prior to August 31, 2016 under eligible capital projects. All capital projects that were substantially completed (95%) as at August 31, 2016 and reflected as Ministry-supported not permanently financed debt on the Board's Capital Analysis and Planning Template (CAPT) are eligible to be financed through the OFA.

Discussion:

Parry Sound Public School expenditures incurred for the newly built elementary school to consolidate students from William Beatty and Victory Public Schools was funded through Consolidated Capital fund as well as FDK.

Accordingly a total of \$11,426,092 is being requested to be financed through the OFA issue of March 14, 2017.

School boards are required to pass the necessary authorizing by-laws, review and verify the loan agreement and sign and return all loan agreement packages to the OFA by March 7, 2017. All respective loan agreements, by-laws and other documents have been reviewed for accuracy by the Superintendent of Business.

Recommendation:

That the Near North District School Board approve By-Law Number 17-02-08 “a by-law to authorize a loan from the Ontario Financing Authority in the principal amount of \$11,426,092 pursuant to a loan agreement under section 7 of Ontario Regulation 41/10”.

Near North District School Board

BY-LAW NUMBER # 17-02-08

A by-law to authorize a loan from the Ontario Financing Authority in the principal amount of \$11,426,092.00 pursuant to a loan agreement under section 7 of Ontario Regulation 41/10

WHEREAS subsection 247 (1) of the *Education Act* R.S.O. 1990, c. E.2, as amended (the “*Education Act*”) and the regulations made thereunder, provides that, subject to any other provision of the *Education Act* and, specifically, the regulations made under subsection 247 (3) of the *Education Act*, a district school board may by by-law borrow money or incur debt for permanent improvements and may issue or execute any instrument prescribed under clause 247 (3) (f) of the *Education Act* in respect of the money borrowed or the debt incurred;

AND WHEREAS section 7 of Ontario Regulation 41/10 (the “Regulation”), provides that: (1) a board may by by-law borrow money for permanent improvements by way of a loan with an initial maturity of more than one year from the Ontario Financing Authority; and that (2) a board that obtains a loan described in section 7 of the Regulation shall ensure that the proceeds of it are used for permanent improvements;

AND WHEREAS the **Near North District School Board**, which under the *Education Act* constitutes a district school board (the “Board”), has undertaken capital projects under the Consolidated Capital Programs (the “CC Program”) with respect to various capital projects for the Board, some of which projects are described in Schedule “A-2” attached to the Loan Agreement, as hereinafter defined (individually a “CC Eligible Project”, collectively the “CC Eligible Projects”) and each CC Eligible Project constitutes a “permanent improvement” as defined in subsection 1(1) of the *Education Act*. In the event that the Board will borrow the principal amount specified in paragraph 2.1 under the said Loan Agreement in respect of a single CC Eligible Project, the term “CC Eligible Projects” means that CC Eligible Project;

AND WHEREAS the CC Eligible Projects are collectively referred to as the “Eligible Projects”. In the event that the Board will borrow the principal amount specified in

paragraph 2.1 under the said Loan Agreement in respect of a single Eligible Project, the term “Eligible Projects” means that Eligible Project. The CC Program is referred to as the “Programs”. In the event that the Board will borrow the principal amount specified in paragraph 2.1 under the said Loan Agreement in respect of a single Program, the term “Programs” means that Program;

AND WHEREAS the Board has in part financed the Eligible Projects by way of temporary borrowing from a financial institution or from a restricted purpose revenue account (formerly referred to as a reserve account or a reserve fund account) of the Board and the Board intends to borrow money from the Ontario Financing Authority for the purpose of financing the Eligible Projects on a long-term basis, and in this connection the Board intends to borrow by way of a loan with an initial maturity of more than one year from the Ontario Financing Authority the principal amount of \$11,426,092.00 (the “Loan”) pursuant to a loan agreement in the form attached hereto as Schedule “A” (the “Loan Agreement”) which Loan Agreement constitutes an instrument prescribed under clause 247 (3) (f) of the *Education Act* and which sets out the terms and conditions on which the Ontario Financing Authority will make the Loan available to the Board;

NOW THEREFORE THE NEAR NORTH DISTRICT SCHOOL BOARD ENACTS AS FOLLOWS:

1. The Board hereby authorizes the Loan on the basis that it constitutes a loan under section 7 of the Regulation and authorizes the entering into of the Loan Agreement that is prescribed for the purposes of clause 247(3)(f) of the *Education Act*.
2. The Board is hereby authorized to enter into the Loan Agreement pursuant to which the Loan will be made available to the Board and the Chair of the Board and the Treasurer of the Board are hereby authorized to execute for and on behalf of the Board the Loan Agreement which provides for instalments of interest only and of combined (blended) principal and interest as hereinafter set forth, substantially in the form of Schedule “A”, with such changes thereto as may be suggested by the Ontario Financing Authority and as such authorized officials of the Board may approve.
3. The Director of Education of the Board, the Treasurer of the Board and any other financial officer of the Board are hereby each individually authorized generally to do all things

and execute all other documents, instruments and agreements in the name of the Board in order to give effect to the Loan Agreement.

4. The Loan shall be paid in instalments of interest only and of combined (blended) principal and interest over a 25 year amortization period on the specified dates set out in Schedule "B" to the Loan Agreement with the first interest only payment on May 15, 2017 and thereafter instalments of combined (blended) principal and interest to November 15, 2041 in each of the years during the currency of the Loan as set forth in such schedule with the final payment of combined (blended) principal and interest on March 14, 2042. The Loan shall bear interest at the rate of 3.594% on the outstanding principal amount owing thereunder from time to time from the date thereof, which interest shall be payable in arrears as part of the instalments of interest only and of combined (blended) principal and interest payable on such days in each year of the currency of the Loan as are set out in Schedule "B" to the Loan Agreement.

5. In accordance with the provisions of the *Education Act* and the regulations made thereunder, during the currency of the Loan, the Board shall provide in its estimates for each fiscal year for the setting aside out of its general revenue in the fiscal year the amount necessary to pay the principal and interest coming due on the Loan in the fiscal year and, on or before each due date in each such year, the Board shall pay out of its general revenue the principal and interest coming due on the Loan in the year. Such sums of principal and interest payable on the Loan shall be provided for in accordance with subsection 247(5) of the *Education Act*. Subject to the foregoing, on or before each due date in each year during the currency of the Loan, the Board shall pay out of its general revenue the amount necessary to pay the specific sums of principal and interest payable on the Loan shown for the respective year as set forth in Schedule "B" to the Loan Agreement; but such amount shall be paid out of the Board's general revenue only to the extent required after taking into account funds available from other sources.

6. Any amounts payable by the Board in respect of the Loan including interest on overdue principal and interest in respect of the Loan together with fees and other amounts payable by the Board under the Loan Agreement, if applicable, shall be paid out of the Board's general revenue or any other available funds.

7. The proceeds of the Loan shall be used to finance the Eligible Expenditures, as defined in the Loan Agreement, in respect of the Eligible Projects on a long-term basis and for no other purpose except as permitted by the *Education Act* and the regulations made thereunder.

READ AND FINALLY PASSED this 28th day of February, 2017.

CHAIR

DIRECTOR OF EDUCATION

Near North District School Board

SCHEDULE "A" TO BY-LAW NUMBER # 17-02-08

[PLEASE INSERT A FORM OF THE LOAN AGREEMENT]