EDMONTON PUBLIC SCHOOLS

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June 28, 2023

Premier Danielle Smith
307 Legislature Building
10800–97 Avenue
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Dear Premier Smith:

Congratulations on your election. Thank you, again, for attending the grand opening of Joey Moss school.

We have many common goals and we see many opportunities for collaboration and we look forward to working with you and your government to continue offering Edmonton Public students an excellent education.

Our Division works to be good stewards of public funds and to make sure the supports within our schools meet the needs of students. As the second-largest division in the province, we are fortunate to have access to skills, expertise and efficiencies that may not be as available in smaller divisions. Therefore, we have been sharing our expertise, purchasing power and resources with other divisions in the province. We believe that, with your government's help, we can extend this offering of services to more divisions for a more efficient use of resources and cost savings for many smaller divisions. For example, we are currently creating resources, along with the other metro school divisions, to support the new K-6 science curriculum. We have also just concluded an educational assistant (EA) training prototype in collaboration with the Fort McMurray Catholic School Division and Fort Vermilion School Division. We see tremendous potential for expanding this program to fill a province-wide need.

Like your government, we work to ensure Alberta is a vibrant, prosperous province. Our Board has heard from numerous families that one of the main attractions to Alberta, and Edmonton specifically, is the great public education offered by Edmonton Public, specifically our wide range of alternative programs and specialized supports.

We are thrilled that so many families are choosing Edmonton Public. Our Division has grown by approximately five per cent each year for the last two years. That equates to about 5,000 more students or 200 more classrooms each year. We are expecting an enrolment of more than 114,000 students in September. We appreciate the recent announcement of a new school in Edgemont and design/planning/pre-planning funding for four others. However, our current space shortage is already forcing us to hold lotteries for enrolment and limit programs, and we know that we're at least three years from opening one of the new schools. We look forward to working together to build a model for school construction that keeps pace with enrolment growth. We believe we have a foundation for such a model with block funding. I have attached information on this concept and would be pleased to discuss it further.

As you can see, there is much for us to discuss – not only the needs in our Division, but the solutions we have found and the ways we can help other divisions and the province most efficiently use resources and reduce costs.

We have already had a productive first meeting with your Minister of Education, and will be reaching out to your Ministers of Infrastructure, Advanced Education and Environment and Protected Areas to discuss more portfolio-specific issues. If it would be of interest to you to have one joint meeting, we would be happy to arrange that.

Please ask your office to connect with Catherine Angeles, Corporate Governance Coordinator, at 780-429-8443 or catherine.angeles@epsb.ca to schedule a mutually convenient time.

Sincerely,

Trisha Estabrooks
Board Chair

Attachment: Block Infrastructure Funding Model Proposal Update (May 9, 2023)

c: Darrel Robertson, Superintendent

DATE:	May 9, 2023
TO:	Trustee Infrastructure Committee
FROM:	Cliff Richard, Chief Infrastructure and Technology Officer
SUBJECT:	Block Infrastructure Funding Model Proposal Update
ORIGINATOR:	Christopher Wright, Managing Director, Infrastructure
RESOURCE STAFF:	Roland Labbe, Shaminder Parmar, Jennifer Thompson
REFERENCE	Ten-Year Facilities Plan 2023-2032 Multi-Year Block funding Models (Response to Request for Information #037) Alberta's 20-Year Strategic Capital Plan

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ISSUE

A Request For Information (RFI) report was presented to the Board of Trustees on April 30, 2019, outlining how a multi-year block funding model for school infrastructure could address the Division's short-term and long-term infrastructure needs. The report included scenarios based on different levels of funding and cost efficiencies that could potentially be realized. As growth in enrolment continues to increase at record levels and infrastructure funding levels continue to be inconsistent and insufficient, Administration has updated the pertinent information for this report.

BACKGROUND

In April 2019, the Division reported a total value of deferred maintenance of approximately $757 million. This included both active and closed school sites. The 2019 report introduced models that demonstrated the potential benefits of a block funding model whereby the Division would receive a percentage of the total replacement cost for all buildings in the Division (then valued at $4.1 billion) to use as required to address deferred maintenance. The report provided additional depth into the scenarios and opportunities that a block funding model might provide.

CURRENT SITUATION

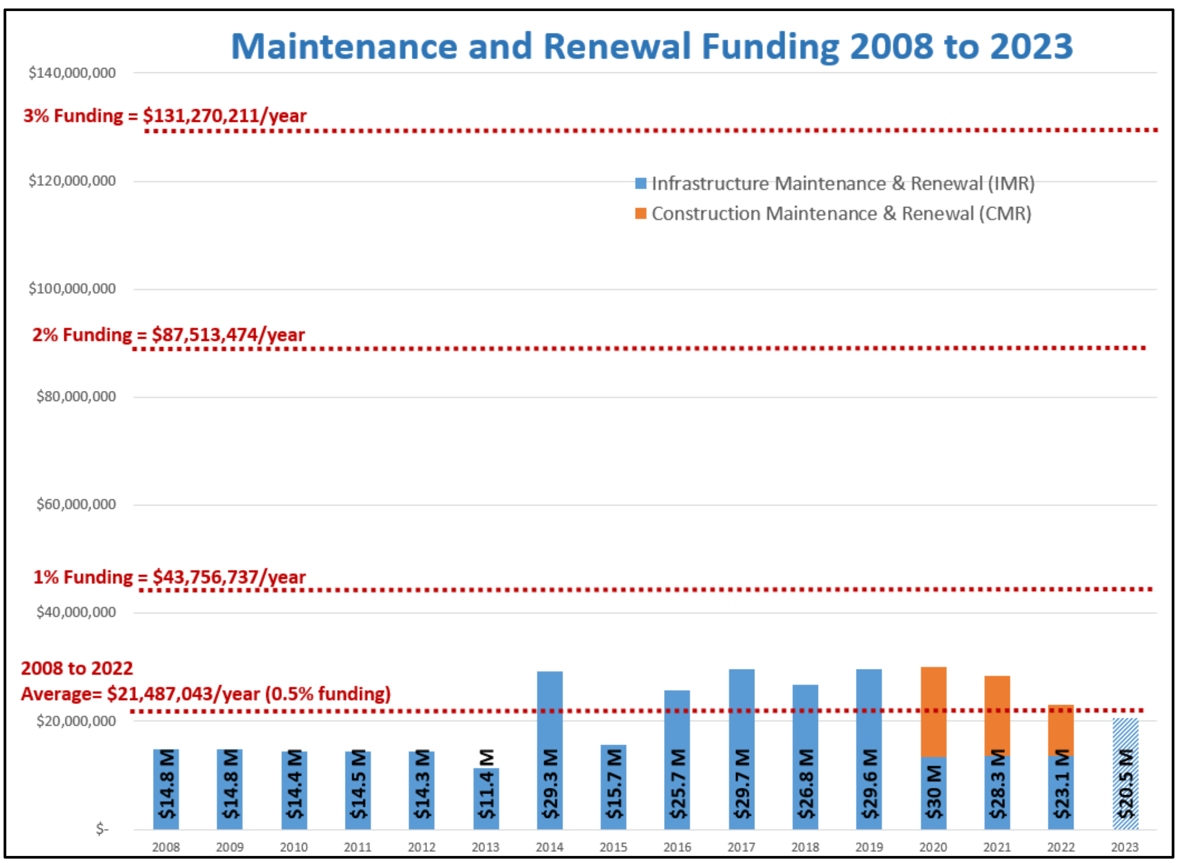
As of March 31, 2023, the Division's five-year deferred maintenance total has risen to approximately $974 million in operational, owned school buildings according to the VFA building inventory management system managed by Alberta Infrastructure. In the 2019 report, deferred maintenance was projected to be $907 million for 2023, rising to $975 million between 2025 and 2026. In contrast to the 2019 report, this new total excludes any deferred maintenance values for:

- Buildings built after 2003, which excludes 32 operational school buildings, beginning with Lillian Osborne School and all buildings built subsequently.
- Closed schools or administration sites, which excludes an additional 24 buildings (three administrative buildings, five closed schools used as administrative sites, and 16 additional closed schools).

- Leased sites, including amiskwaciy Academy, Learning Stores, and partner society-operated sites like Christian schools; as these are not owned by the Division, the Division is not responsible for the maintenance of these facilities.

This increase in total deferred maintenance is attributed to the aging infrastructure in the Division, inflation and cost escalation, lack of adequate and predictable funding to carry out preventive maintenance and lifecycle component replacement, as well as updates to building information. The Division's total deferred maintenance is now at levels previously projected to be reached in 2026. Administration previously projected that deferred maintenance would surpass $1 billion in 2027, but that is now revised to show the Division surpassing $1 billion in deferred maintenance in operational schools next year. If there was additional information on the 32 operational schools that have no deferred maintenance reported, the Division is likely already over the $1 billion value in deferred maintenance. In addition to this growth in deferred maintenance, the replacement value for operational schools has increased to an estimated $4.38 billion, reflecting inflation and new school inventory.

Despite the increase in deferred maintenance and number of assets to maintain, the 2023/2024 school year marks the lowest Maintenance and Renewal (M&R—includes Infrastructure Maintenance and Renewal [IMR] and Construction Maintenance Renewal [CMR]) funding level for the Division since 2015. This is a decline of 11 per cent from the previous year, and 31 per cent from 2019. As the Division's infrastructure portfolio continues to grow, so should M&R funding to prevent component/facility failure. The following *Maintenance and Renewal Funding 2008 to 2023* bar graph shows the history of funding for the Division compared to what funding levels would be under a consistent annual allocation based on replacement value of Division assets.

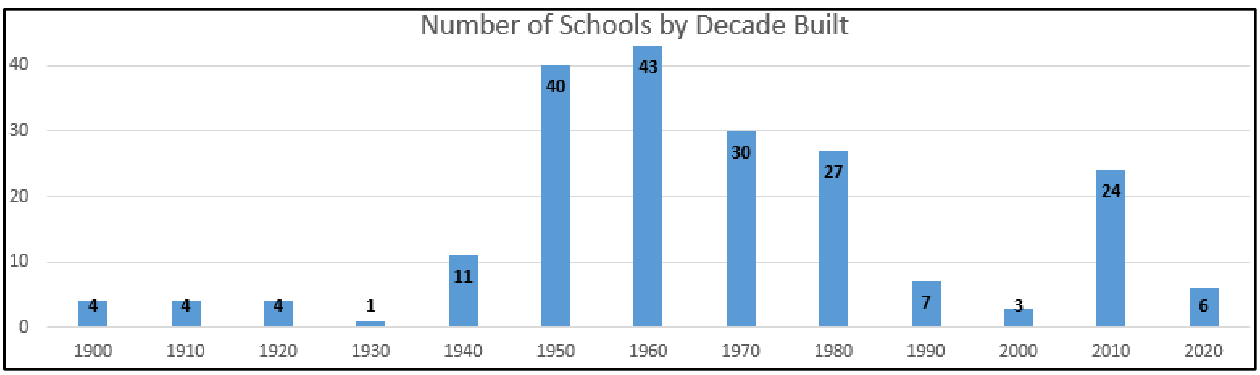


Over the last 15 years, infrastructure funding received by the Division has averaged 0.5 per cent of the replacement value of our buildings.

Given the lack of consistent and adequate Provincial funding to plan and implement preventative maintenance and to replace components through a consistent life cycle replacement program, jurisdictions are currently placed in a position of focusing efforts on unplanned or reactive maintenance and repair. This is the least cost-effective approach. A planned, preventative maintenance program informed by accurate system and component data, funded to meet benchmarks for reinvestment or replacement of components, would be the most cost-effective approach. If the current funding model persists, deferred maintenance will continue to grow.

Ten years ago, approximately 15 per cent of the IMR budget was allocated towards emergency type repairs. In recent years, this number has risen to between 20 per cent and 30 per cent. Although schools remain safe and healthy spaces for students, inadequate funding for maintenance means that funding for planned and preventative maintenance to avoid larger repairs is becoming less available, as emergent repairs become more common.

As reported in the [Ten-Year Facilities Plan 2023-2032](), deferred maintenance growth will continue to accelerate without additional funding as the average age of an operational school in the Division is now 51 years old. The Division has 83 buildings (40 per cent) built between 1950 and 1969 and 57 buildings (28 per cent) built between 1970 and 1989. Together, there are 140 buildings (68 per cent) in Division inventory that were built in this 40-year period and, on average, are 50 years old. There are an additional 24 buildings built before 1950.



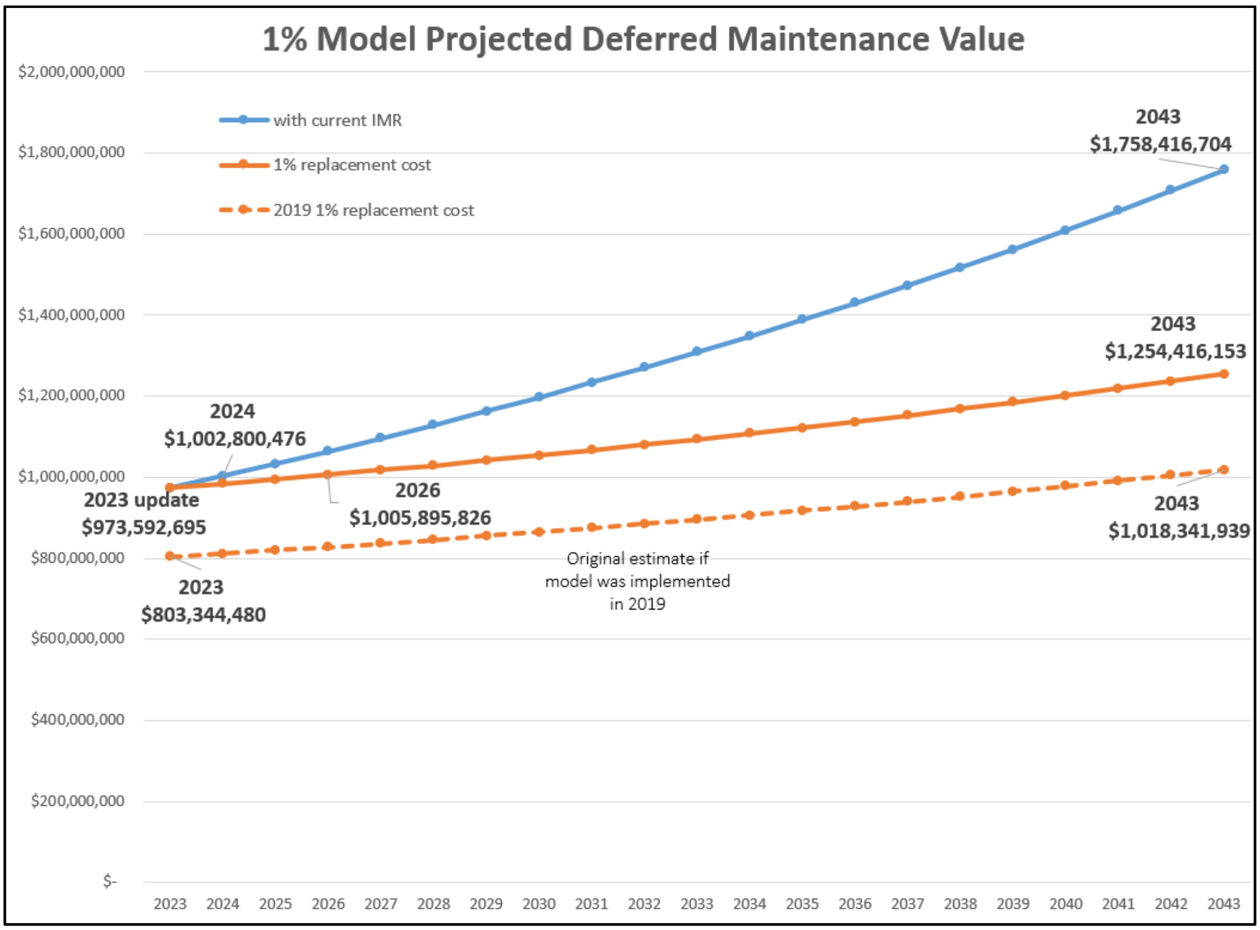
In addition, much of this inventory is "pod" infrastructure. Pods are wood-framed groups of classrooms that were added to schools as a temporary measure to increase capacity. Approximately 37,000 square metres of pod infrastructure was built across the Division between 1959 and 1994. Pods, and older model wood-framed portables/modulars, were designed and built with a life expectancy of approximately 25 years. On average, the Division's pod infrastructure is now 40 years old. This space is still required to accommodate students, as available space in the Division continues to decline given that enrolment continues to outpace new construction.

Block funding is an alternative approach to dealing with deferred maintenance. This funding model would provide a more proactive solution to address the mounting maintenance deficit. Depending on the level chosen, the block funding could incorporate support for new school construction, modernizations, replacement projects, M&R, and possibly the addition of new modular classrooms. The

Division continues to advocate for stable and predictable capital funding at adequate levels to help address the mounting deferred maintenance deficit.

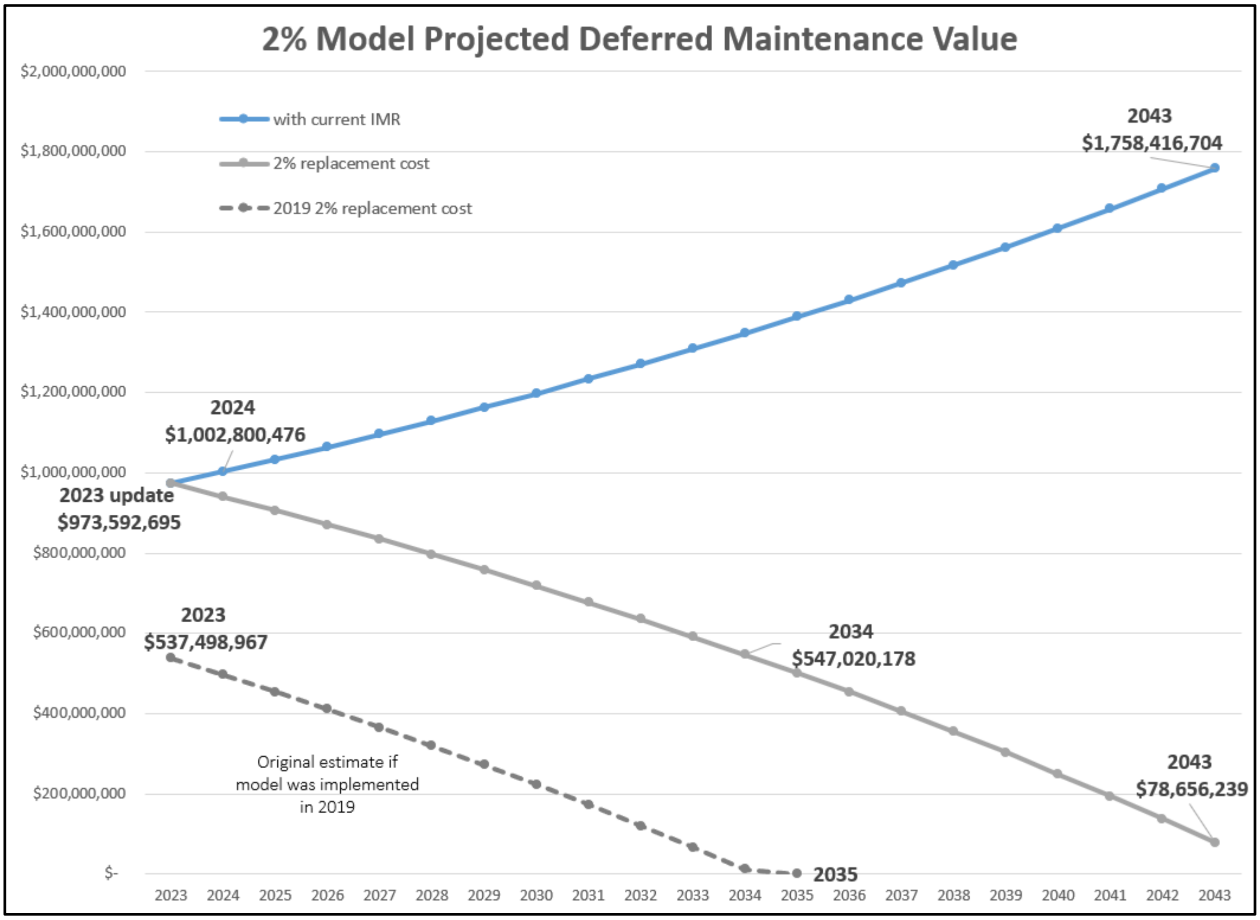
Under a one per cent of replacement value block funding model ($43.8 million per year), the Division would see a slowing in the growth of deferred maintenance, but not a decline. Under this funding model, deferred maintenance still grows, but at a slower rate and the Division would still need to request capital funding from the Province for new construction, major modernizations, replacement schools and modular classrooms.

If the one per cent model had been implemented in 2019, as outlined in the previous report, deferred maintenance in the Division was estimated to be at $803 million in 2023, rising to just over $1 billion by 2043. If the model were to be implemented now, deferred maintenance would rise to approximately $1.25 billion by 2043.



Under a two per cent block funding model (approximately $87.5 million per year), the Division would be able to address the current deferred maintenance and manage major modernizations. This funding model would permit the Division to create a sustainable capital schedule allowing the replacement of some existing space. The two per cent model is in line with the *Alberta 20-Year Strategic Capital Plan 2021*, which states that industry standards are typically around two per cent of replacement value annually for capital renewal, while the province has been funding at levels in the range of 0.6 per cent.

If the two per cent model had been implemented in 2019, as outlined in the previous report, deferred maintenance in the Division was estimated to be at $538 million in 2023 and potentially eliminated by 2035. If the model was implemented now, the deferred maintenance would decline but not be eliminated until at least 2044.

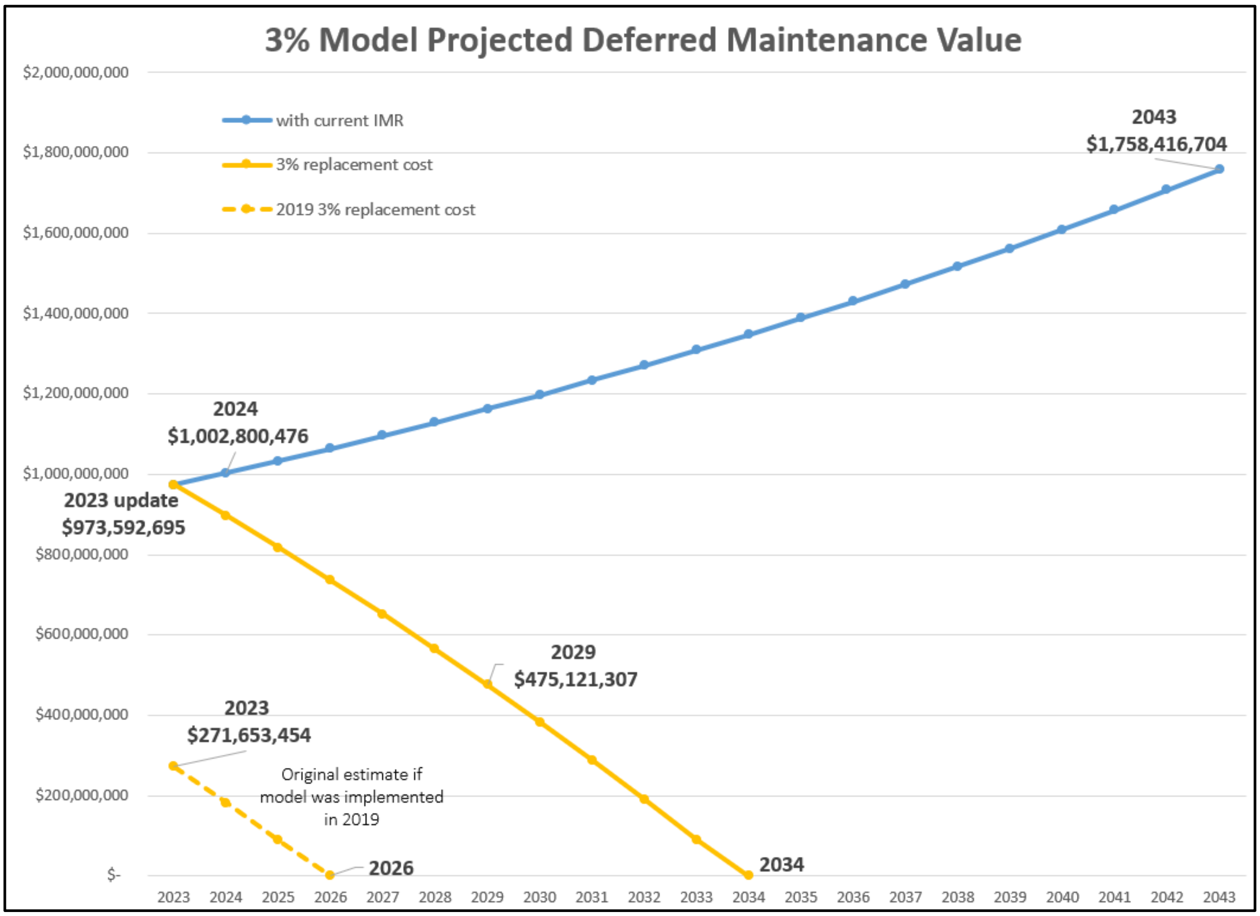


Under a three per cent block funding conceptual model (approximately $131.3 million per year), the Division would be able to accomplish the entirety of the two per cent block funding conceptual model but on an accelerated schedule. This conceptual model could also include the procurement and distribution of new space, including new school construction and modular classrooms. Some of the benefits from the Division managing the pace of new construction include:

- Increased ability to distribute programs and Division centres.
- The ability to accommodate students as development occurs, instead of traveling long distances to designated receiving schools while waiting for new schools.
- Increased opportunity to pursue facility collaborations and partnerships.

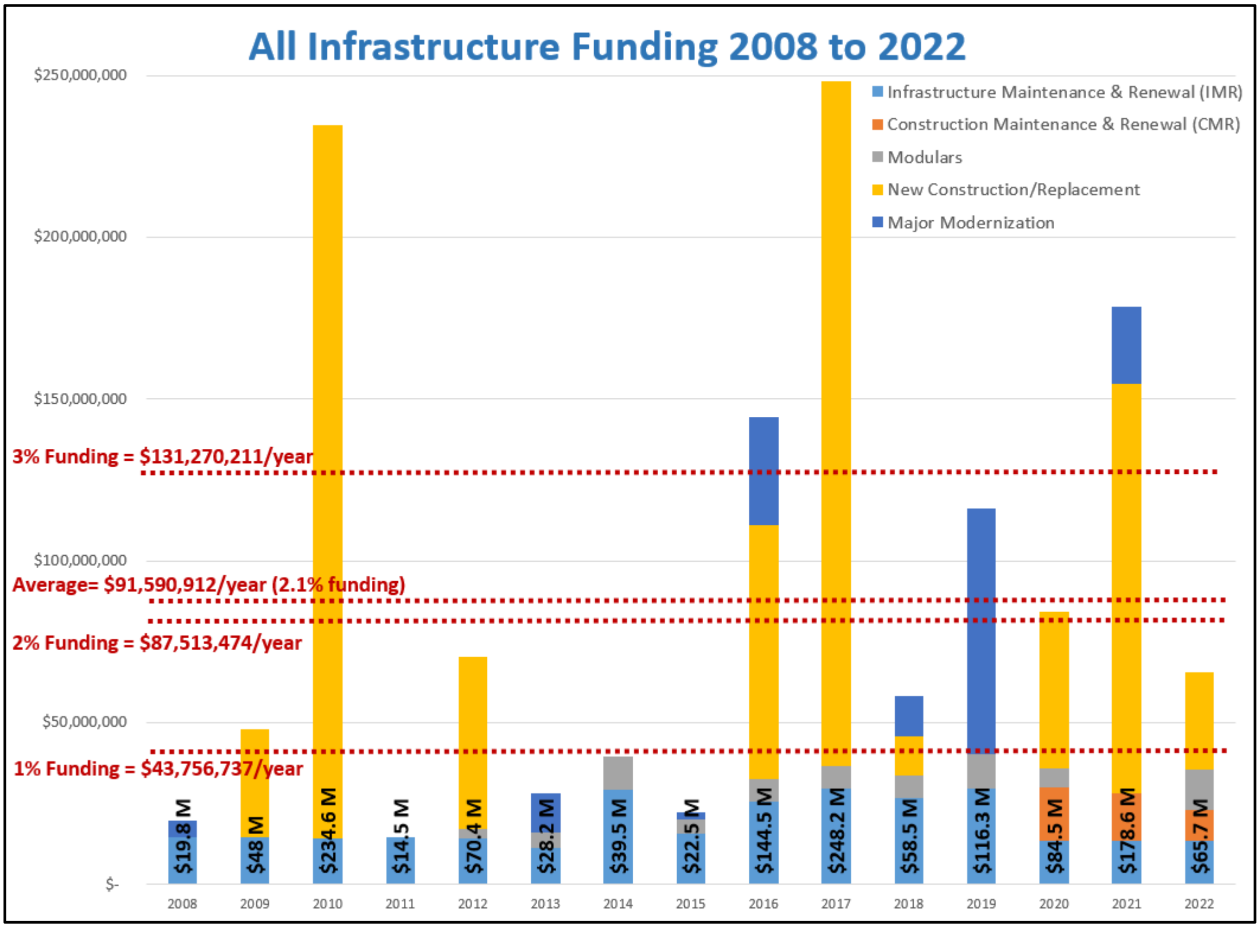
One of the greatest challenges for capital partnerships under the current model is the inability to predict the timing of funding for capital projects. If the Division was in control of the funding schedule, there would be increased opportunities to partner with other entities as funding schedules could align.

If the three per cent model had been implemented in 2019, as outlined in the previous report, deferred maintenance in the Division was estimated to be at $272 million in 2023 and potentially eliminated by 2026. If the model was implemented now, the deferred maintenance would decline but not be eliminated until at least 2034.



All of these conceptual models are dependent on assurance that funding would be ongoing for a minimum of 10 years and that the functional capacity of staff could deliver the infrastructure or component maintenance within the time period. Not every dollar invested would result in a dollar less in deferred maintenance; additional costs include staffing and hazardous material abatement that wouldn't count towards reducing deferred maintenance.

From 2008 to 2023, the Division received an average of $91.5 million annually in M&R funding, modernizations, replacement schools, new construction and modular classrooms. There have been no modernization or replacement school funding announcements since March 2018. The average funding rate of $91.5 million is almost equivalent to the two per cent model; however, sixty per cent of the average $91.5 million in annual funding was for new construction. In addition, new construction funding was unpredictable and inconsistent from year to year. New construction funding adds assets to the Division to maintain; however, M&R funding has not increased to cover these additional assets.



A block funding model with three levels, as described previously, could be applied across the province. The Government of Alberta could apply a sliding scale to determine the most appropriate level based on a school division's ability to manage projects and perform facility and property maintenance. Other considerations could include: total deferred maintenance (total value or as a percentage of total replacement value), enrolment growth over a specified time period, and/or the utilization rate of the division. If a division is smaller and does not have capacity to project, manage or perform all the necessary maintenance, then a smaller budget would allow the Province to manage some of that work more centrally. As well, if a division is caught up on deferred maintenance, in a relatively stable or low growth period with adequate space to accommodate students, then the one per cent model may deliver the infrastructure and maintenance required. However, if a division is growing at a steady or high rate, is well-utilized and has a large backlog of deferred maintenance, then a three per cent model might be more appropriate.

In place of the current funding approach, a model that provides five-year envelopes of block funding at $131.3 million (or three per cent) per year would maximize our Division's flexibility and ability to be proactive and responsive in addressing deferred maintenance and space needs.

- Block funding would provide greater flexibility to procure and bundle projects to maximize value.
  - Project bundling capitalizes upon the capacity of the construction industry to deliver projects with increased efficiency, leading to completion of additional projects in a more timely fashion than would be realized in a conventional manner.
- Additional opportunities for partnerships with community partners would be feasible under a more consistent, block-funded system.
  - Block funding could allow for some measured debt servicing to supplement provincial resources, such as the ability to borrow or leverage block funding (bridge financing and energy performance contracts with industry partners).
- Block funding would increase the Division's ability to bulk purchase and possibly finance solar panel installations in larger quantities.
  - Additional savings would be realized through the bulk purchase and installation and by accelerating the pace at which solar panels are installed; lower utility costs in the Division could be realized in a shorter timeline resulting in additional cost savings.
  - Once the deferred maintenance is addressed in our older buildings, additional school buildings will be physically able to accept solar panels (i.e., once structural issues on aged roofs are addressed).
- Block funding could further the Division's goal to reduce greenhouse gas emissions from five per cent by 2025 to 45 per cent by 2035, as the Division works to meet and exceed industry standards by incorporating new advancements in sustainable design for projects, from large-scale maintenance projects and the construction of new schools, to small scale retrofits and operating procedures in existing Division schools and buildings. The Division continues to pursue the use of alternative energy, such as solar installations, in new designs and upgrades.
- Annual reporting requirement on how the funds were spent would ensure long-term transparency relating to expenditures and efficiencies.
  - In the event that not all funds were able to be used in a budget year (due to staffing capacity, for example), the remainder could potentially be directed into capital reserves, depending on Provincial guidelines.
  - The remaining funds (over a certain amount) would be accompanied by a plan of how they would be subsequently used, subject to approval by the Province.

Edmonton Public Schools could pilot the block funding model prior to applying the model to other school divisions. A pilot project would provide the opportunity for the Division to demonstrate our leadership and expertise in project management. The Division would be instrumental in:

- The creation of procedures, plans and best practices around the planning, procurement, project management and maintenance of school buildings under the model.
- The knowledge and learnings could be shared with other jurisdictions in the province to enhance the delivery and maintenance of all school facilities.

- The best practices would also extend to the Division's stakeholder engagement processes.
  - Our current level of engagement in relation to mature communities would be maintained and could be enhanced by the fact that the Division is able proceed with construction in a timely manner, to realize the preferred models identified in the community consultations.

In summary, adequate, consistent and predictable funding of a school jurisdiction's longer-term planning efforts, such as a 10-year vision, would likely generate greater efficiencies and flexibility than the existing annual capital funding processes.

KEY POINTS

- If the current funding model persists, deferred maintenance will continue to grow and building components will fail as structures continue to age.
- An innovative approach to dealing with deferred maintenance, like block funding, could provide a solution and could include capital funds for modernization and replacement projects, as well as addressing deferred maintenance by preserving or growing the amount of M&R funding available.
- Under a one per cent block funding conceptual model, at approximately $43.8 million per year, the Division would see a reduction in the growth of deferred maintenance.
- Under a two per cent block funding conceptual model, at approximately $87.5 million per year, the Division would be able to address the current deferred maintenance and manage major modernizations.
- Under a three per cent block funding conceptual model, at approximately $131.3 million per year, the Division would be able to accomplish everything listed under the two per cent block funding conceptual model on an accelerated schedule and also include the procurement and distribution of new space, including new school construction and modular classrooms.
- All of these conceptual models are dependent on the assurance that funding would be ongoing and that the functional capacity of staff could deliver the infrastructure or component maintenance within the time period.
- Block funding could:
  - Increase the Division's ability to bulk purchase and possibly finance solar panels in larger quantities.
  - Further the Division's goal to reduce greenhouse gas emissions from five per cent by 2025 to 45 per cent by 2035.
- Piloting a block funding model would provide an opportunity for the Division to become a regional leader in the application of block funding by creating procedures, plans and best practices around the planning, procurement, project management and maintenance of school buildings under the model.
- This model would not require significant additional funds but would consolidate multiple funding sources under a block allocation that would significantly improve service level to community stakeholders.

JT:jl