



**BOARD (PUBLIC)**  
**Report 24-096**

**24 June 2024**

**Approval of Short-Term Borrowing Resolution**

**Key Contact: Randall Gerrior, Associate Director, Business Operations, 613-596-8211 x 8881**

**PURPOSE:**

1. To obtain Board approval of a borrowing resolution as provided for by Section 243 of the *Education Act*.

**STRATEGIC LINKS:**

2. Ensuring operational practices that effectively and responsibly manage financial resources is a fundamental objective identified in the District's strategic plan. Approving a borrowing resolution in advance of potential need ensures the District is able to meet its immediate cash flow requirements and demonstrates good governance.

**CONTEXT:**

3. Section 243 of the *Education Act* allows a school board to authorize, by resolution, the treasurer and board chair or vice-chair to borrow funds to meet current expenditures and debt payments. The resolution is routinely updated to reflect changes in spending estimates.

**KEY CONSIDERATIONS:**

4. The Finance department continually monitors cash flow to ensure that the District is able to settle its financial obligations when due. At times, the receipt of cash may not coincide with disbursement requirements and it is common for organizations to establish short-term borrowing arrangements to ensure that such timing issues do not adversely affect ongoing activities.

The *Education Act* allows a school board to authorize, by resolution, the borrowing of funds to meet current expenditures and debt payments. The cumulative unpaid amount of such borrowing for these purposes is limited to the balance of the estimated current revenues of the board that have not been received. The District's estimated revenues from both operating and capital allocations as shown in the 2023-2024 Budget total \$1.1 billion. The borrowing resolution approved by the Board in June 2018 provided for short-term borrowing

to a maximum of \$95.0 million, but staff is recommending that the limit be increased to \$116.0 million, which is approximately 10% of the total allocation. The increase recognizes that significant incremental operating costs are expected next year as detailed in the 2024-2025 Budget. In addition, there is ongoing reliance on current revenues to support major capital investments through enhanced Facilities Renewal, School Condition Improvement. Funding of capital projects relating to these grants is provided after the costs have been incurred. As at 31 May 2024, approximately \$71.7 million in capital grants are receivable in support of recent capital spending.

In addition to the operating and capital needs, the District has issued letters of credit totalling \$11.7 million as required by the City of Ottawa site plan agreements.

Although the letters of credit do not affect the District's bank balance or generate interest charges, they are treated as a commitment against the short-term borrowing limit and effectively reduce actual financial capacity for current operational needs.

Due to a change in the bank's borrowing policies, we are no longer able to commit the letters of credit against our short-term borrowing limit and will have an independent operating line of credit of \$93.0 million and a \$20.0 million letters of credit limit.

The District's corporate visa card program credit authorization draws a further \$1.2 million of the borrowing limit. Given changes in the District's business practices, purchase cards are becoming a more prominent method for the procurement of goods and services. This will allow the District to significantly reduce the use of purchase orders and transition to direct purchasing. Given this and the current inflation rates, an increase to our commercial card limit to \$3.0M, also independent as to not draw against our current short-term borrowing limit.

Finance staff will continue to coordinate temporary borrowing needs through the Bank of Nova Scotia, the District's banker. The existing banking terms minimize short-term interest costs by providing competitive borrowing rates consistent with those offered to large public sector organizations. The District's short-term borrowing would be expected to be for periods of less than three weeks and is most likely to occur just prior to receipt of the quarterly installment of education property taxes from the City of Ottawa or in advance of the semi-annual capital grant payments. As at 30 May 2024, year-to-date interest on short-term borrowing totaled \$70,200.

An updated borrowing resolution is attached as Appendix A - Ottawa-Carleton District School Board Borrowing Resolution. The resolution will continue from year-to-year unless amended or revoked.

## **RESOURCE IMPLICATIONS:**

5. Approval of the borrowing resolution has no immediate financial impact; however, to the extent that borrowing is necessary the District will be required to repay

amounts borrowed and will incur interest charges based on the interest rates established at the time of borrowing.

### **COMMUNICATION/CONSULTATION ISSUES:**

6. The report and borrowing resolution was prepared by Finance staff. Public consultation was not undertaken.

### **RECOMMENDATION:**

THAT the Board approve the Ottawa-Carleton District School Board Borrowing Resolution as presented in Appendix A of Report 24-096.

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Pino Buffone  
Director of Education and  
Secretary of the Board

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Randall Gerrior  
Associate Director, Business Operations

### **Appendices**

Appendix A - Ottawa-Carleton District School Board Borrowing Resolution