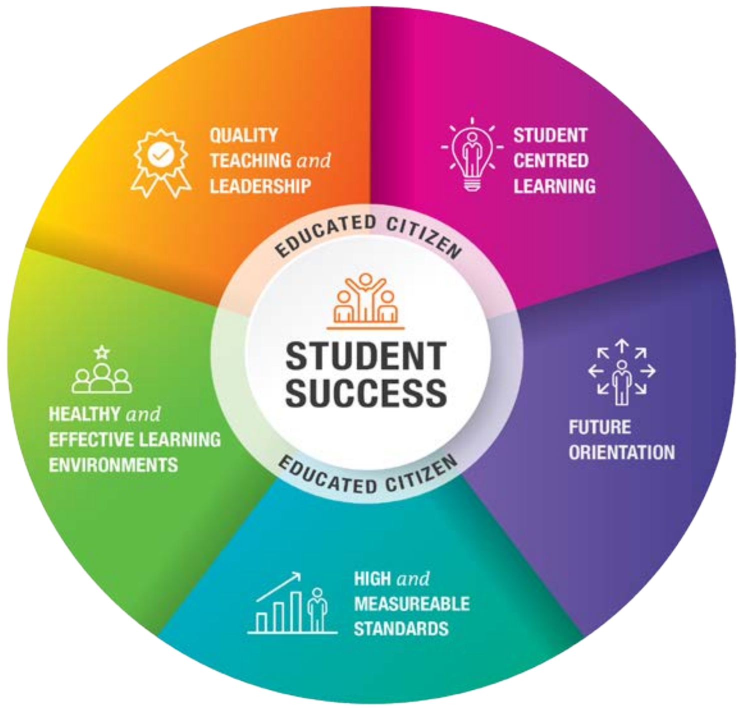
Management Discussion & Analysis

2018/2019 Year End Financial Statements

Develop in our students the following attributes of the educated citizen:

strong character and cultural identity,
effective communicator,
critical and creative thinker, contributor, collaborator,
personally and socially responsible.



Focus all talents, efforts and resources on improving student success.

Our success will not be measured by the amount of investment, legislative changes, the number of programs or the amount of new construction, but rather on how well all students, regardless of their background or where they live in B. C., are succeeding in life.

Management Discussion and Analysis
2018/2019 Year End Financial Statements

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Introduction

The following is a discussion and analysis of the School District's financial performance for the fiscal year ending June 30, 2019. This report is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This report should be read in conjunction with the School District's financial statements for this same period.

A separate document ***'Guide to Financial Statements'*** has been developed to assist users of School District financial statements to increase understanding of the information provided. You are encouraged to review the guide in conjunction with management's financial statement discussion and analysis. *Guide to Financial Statements*

School District Overview

The Coquitlam School District is the third largest school district in the province of British Columbia, located in the Metro Vancouver region and one of sixty BC Public School Districts responsible for the delivery of K-12 public education. With a population of 32,000 students and nearly 4,100 teaching, administrative, managerial and support staff positions; it provides educational learning services to the communities of Coquitlam, Port Coquitlam, Port Moody, Anmore, and Belcarra.

Education Learning services are provided through;

- 46 – grade K-5 Elementary Schools,
- 14 – grade 6-8 Middle Schools,
- 9 – grade 9-12 Secondary Schools,
- 2 – Alternative Education Centre's,
- Distributed Learning,
- Coquitlam Open Learning, and
- Continuing Education Programs

Nine elected Trustees comprise the Coquitlam School District. Four are elected from the City of Coquitlam, two each from Port Moody and Port Coquitlam and one from the Villages of Anmore and Belcarra. Collectively, the Board is responsible for making major policy decisions governing all aspects of education within the School District through its Strategic Vision and as mandated in the School Act.

School District Strategic Framework; *Directions 2020*

The Board of Education has adopted a strategic vision known as ***Directions 2020.*** It is the fulfillment of the ***Learning without Boundaries*** strategic framework created through extensive consultation and feedback; aligning a clear vision with integration throughout all areas of the organization.

At School District No. 43 (Coquitlam), it is our firm belief that the operation of the District is more effective with a clear vision and purpose that is aligned and integrated through all areas of the organization.

The goal of creating a unified vision led us to develop *Directions 2020*, the fulfilment of the *Learning Without Boundaries* strategic framework that was created by our School District through consultation with and feedback from several thousand stakeholders.

This vision, known as *Directions 2020,* will direct and enable the:
- fulfillment of our mission and goals and provide direction for future plans;
- prioritization and articulation of annual priorities and allocation of resources; and
- effective communication of results to allow for reflection, feedback and ongoing enhancement.

Our Mission
To ensure quality learning opportunities for all students of all ages.

Strategic Goals
The fulfilment of the *Learning Without Boundaries* strategic framework has resulted in these three strategic high-level goals and several objectives.

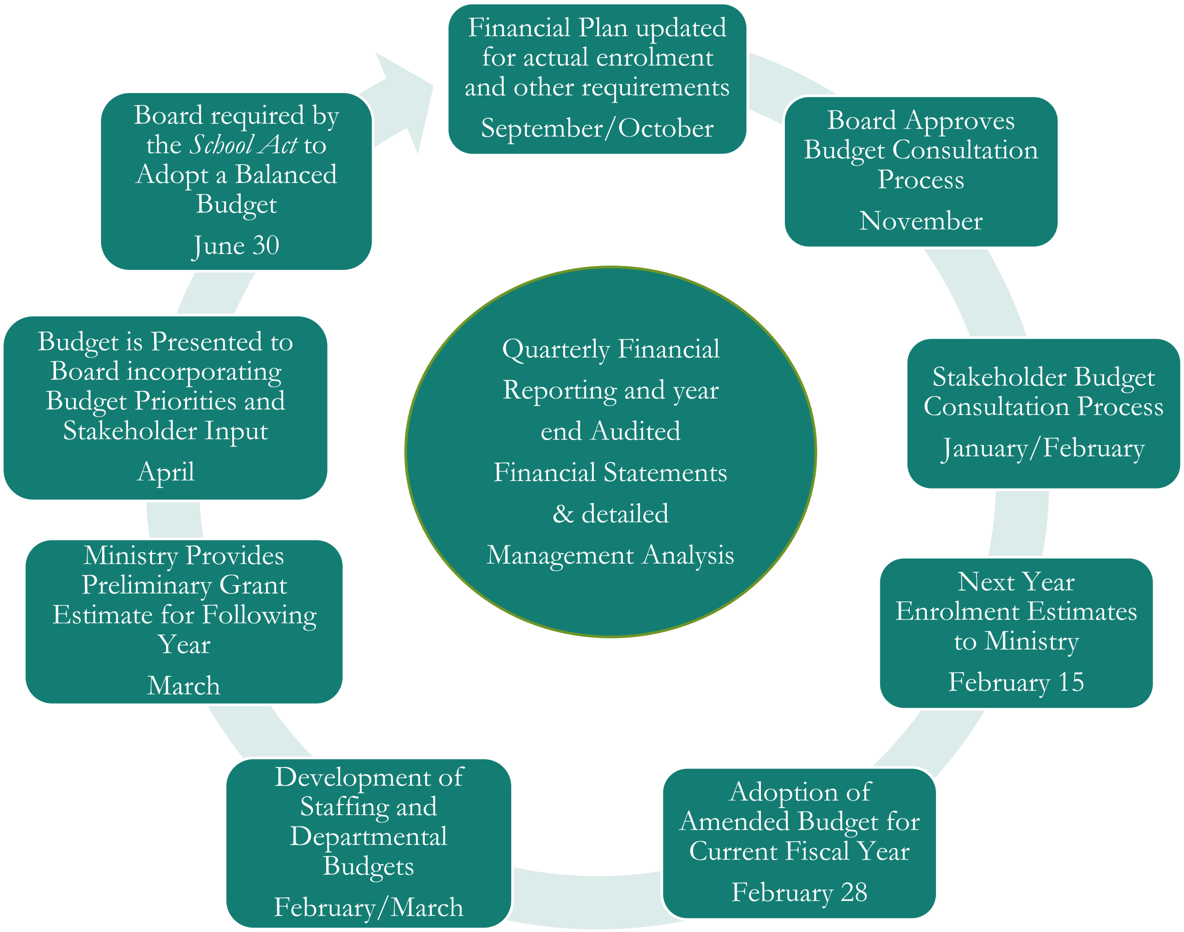
Goal #1
Achieve Student Success: *Our core work and common goal is educational excellence.*

Goal #2
Enhance Learning Through Technology: *Cultivate the use of technology to improve learning and working experiences for all.*

Goal #3
Foster a Sustainable Educational Organization: *Ensure that our human, financial and physical resources are sustainable.*

Read the complete *Directions 2020* document here.

Budget and Financial Planning & Reporting Cycle



September/October: Financial plans updated to capture September actual enrolment outcomes.

November: Board approves the Budget Consultation Process and timeline.

January/February: Board Budget Consultation Process – District Partner Groups – CTA, CUPE, CPVPA and DPAC are invited to present their Budget priorities for the next school year.

February 15th: District submits an estimate of next school year FTE student enrolment to the Ministry of Education.

February 28th: Board must adopt an Amended Annual Budget for the current school year.

March 15th: Ministry releases preliminary Operating Grant Revenue estimates for the next school year.

February/March: Finance Department leads development of staffing, school and departmental budget estimates for next school year incorporating Board priorities.

- Salary budgets are determined by establishing an average teacher salary for the upcoming year which includes the costs of all contractual salary increments and benefit costs.
- A Consultation Guide to frame the financial environment and budget process is released.

April: Draft Preliminary Budget and documented assumptions are presented to the Board and Public for comment.

May: New Budget uploaded into Finance system and budget decisions implementation planning initiated.

June: The School Acts requires that the Board must pass a balanced budget before June 30 each year.

Financial Highlights (Consolidated Summary)

81.1% of the School District's revenue comes in the form of an Operating Grant from the Provincial government which is based on enrolment levels and other student and geographical factors. 9.3% of revenue is generated from International Education programs, 3.1% is associated with the recognition of deferred capital revenue, and the balance through other revenue programs such as special purpose funding, facility rental and lease income, investment income and summer school programs.

90.8% of the School District's operating expenditures are associated with salaries and benefits. The balance of expenditures are related to supplies and services including utilities, professional development and maintenance.

Description	Last Year	Budget	Actual	Variance
Revenue	371,189,650	378,980,312	383,323,733	4,343,421
Expenses	364,529,661	378,381,257	375,005,692	(3,375,565)
Net Change for the Year	6,659,989	599,055	8,318,041	7,718,986
Accumulated Surplus – Capital	170,726,493	175,962,453	176,732,688	770,235
Accumulated Surplus - Operations	16,511,794	11,874,889	13,090,775	1,215,886
Pension Stabilization Account	7,532,483	7,532,483	13,265,348	5,732,865
Total Accumulated Surplus	194,770,770	195,369,825	203,088,811	7,718,986

The Actual net change for the current year was primarily due to higher international education revenues and lower salary expenditures due to staffing limitations. The accumulated surplus balance is further segregated to reflect amounts paid into the solvency reserve account for the closed non-teaching pension plan as discussed below. Additional items that contribute to the current year's surplus are also summarized below.

The Budgeted Net Change for the current year reflects the planned use of a portion of the accumulated operating surplus as discussed below under ***Accumulated Surplus (Operations).***

Operating Accounts

Our actual financial outcome for the 2018/19 school year is aligned with our previous reporting at the end of the 3rd quarter. The influences that contributed to our realized surplus include:

- Increased revenues from Strong 2nd semester International Education enrolment;
- Confirmation of February enrollment count and funding;
- Nonbudgeted Funding to partially offset Employer Health Tax;
- Lower Salary costs for administration and management staff due to lower than budgeted annual increments;
- Staff turnover which impacted all salary line items leading to slippage in salary budgets,
- General shortage of casual education assistant staff while maintaining full EA staffing levels;
- Full retention of the budgeted contingency fund.

Special Purpose Accounts
All Special Purpose Funds tracked within the Amended budget including the Classroom Enhancement Fund – established as an outcome of the restored collective agreement language pertaining to class size and class composition language. The grants provided do not fully compensate SD43 for all related expenses that arose from MOU#17. The incremental expenses were subsequently absorbed into the operating account.

We continue to see increasing demands to support vulnerable children and funding provided through CommunityLINK sponsored programs is insufficient. Program demands exceed the current grant funding amount and thus additional funding was provided from the operating budget to support the requirements.

Capital Accounts
Funding for capital expenditures is sourced primarily through the Ministry of Education with incremental funding provided through locally generated capital funds.

There were three schools under various stages of construction during the year (Centennial, Banting, and Minnekhada,). Provincial funding for Irvine Elementary was approved in the previous year and a building permit was applied for in the Spring 2019. In May 2019, the Province announced funding for the new Sheffield Elementary School including a $5 million contribution from the School District. The School District had previously advanced funds to support the design documents to accelerate the school opening. The Ministry also announced funding towards three school addition projects. The current 60-year-old Board office will be replaced with an Educational Learning Centre to be located at the Winslow campus site. This project will be funded from local capital and is proceeding through the design stage with architectural drawings.

Other Significant Funding and Expense Activities

Medical Services Premiums (MSP) & Employer Health Tax (EHT) Effective January 1, 2018, MSP employer contributions were reduced by 50%. The February 2018 Provincial budget subsequently announced the elimination of MSP premiums (effective January 1, 2020) and moved to introduce a new Employer Health Tax (EHT) effective January 1, 2019. The Provincial Government indicated that it would offset the EHT with additional grant monies. For the period January 1 to June 30, 2019, SD43 paid $2,041,000 in EHT (net of the 50% MSP savings) and received $738,395 in EHT grant funding for a total shortfall of $1,306,000.

Non-Teaching Pension Plan (NTPP) and Municipal Pension Plan Transition
On October 25, 2018, the provincial regulator (FICOM) approved the closing of the Non-Teaching Pension Plan (NTPP) plan to new enrollees and to transfer all active NTPP members to the MPP with an effective date of January 1, 2018. This significant event resulted in NTPP plan assets being reduced by approximately 46%.

The main terms of the agreement include the following:

- A 4% wage increase for all transferring members to cover the pension contribution difference between NTPP and MPP plans.
- "Hour for hour" recognition in the MPP of all past service in the NTPP. Members are guaranteed to get full recognition of all their past NTPP service in the MPP.

- A “no worse off” guarantee for members who retire within five years of transferring to the MPP, to ensure that the value of their MPP pension (including all past NTPP service) is equal to or greater than the value of the pension they would have received from the NTPP if this agreement had not been implemented.

In addition, the MPP provides for post-retirement indexing of pensions, or cost-of-living adjustments, up to a level determined periodically by the MPP’s actuary. That sustainable indexing level is currently 2.1% per year.

One further element of the agreement resulted in changes to the NTPP calculation of indexing. Previously for post 1996 service, indexing was predicated only when investment returns exceeded 7%. This was changed to a flat 1.05% annually, which provided retirees with a predicable indexing increase, simplified the calculation, and provides one less hurdle for de-risking the plan with an annuity purchase.

The financial elements of this transaction are:

- $79,300,000.00 was transferred from the assets of the NTPP.
- $11,656,938.59 was paid by SD43 directly to the MPP for the hour for hour recognition commitment.
- A total of $90,956,938.59 was transferred to the MPP on October 26, 2018 and the MPP confirmed receipt of the funds on that same day.
- The $90,956,938.59 transfer amount includes interest and all employee and employer contributions through to October 25, 2018. (This also included MPP employee and employer contributions for this period.).

NTPP Solvency Reserve Account (SRA) Contributions

Solvency Reserve Account contributions are determined by the outcome of the Actuarial Valuation (AV). The last AV as at December 31, 2016 reflected a solvency deficiency in the amount of $49.6M. $29.4M of this deficiency is covered by a Letter of Credit. The balance is amortized over 10 years with annual payments of $2.2M. In addition, a further payment is required to ‘make up’ for the lost investment income that would have otherwise been earned had the LoC funds been invested in the Pension Plan. This totals $1.3M annually. Total SRA annual required payments are $3.5M. Solvency payments at this level continue to be required until a new actuarial valuation is filed; anticipated for mid-2019.

At June 30, 2018 there was $7.532M in SRA contributions. A further $5.732M has been contributed to the SRA during the current school year with a year-end balance of $13.3M reflected in SD43 financial statements.

This payment is captured in the financial statements of the school district on ***Schedule 2 – Schedule of Operating Operations – Pension Stabilization Account.***

Enrolment and Staffing

The operations of the School District are dependent on continued grant funding from the Ministry of Education, which is based on student enrolment, students identified with special needs and other demographic and geographical factors. Expenditures are primarily associated with staffing and related compensation and benefits. Student enrolment and staffing levels (operations, special purpose funds, and capital) are reflected below.

Enrolment

Provincial grant funding is primarily based on student enrolment, unique student needs and unique geographical factors, with additional funding for provided for adult and summer school education. School District student enrolment is summarized as follows;

	Last Year	Budget	Actual	Variance	
				Actual/LY	Actual/Budget
School Age	30,868.56	31,047.75	31,073.38	204.82	25.63
Adult	165.88	216.94	171.56	5.68	(45.38)
Summer School	702.19	721.06	721.06	18.87	(0.00)
Total	31,736.63	31,985.75	31,966.00	229.37	(19.75)
				0.72%	-0.06%

Staffing

Staffing is the most significant operational expenditure of school districts. The total staffing budget is on a full-time equivalent basis summarized as follows;

	Last Year	Budget	Actual	Difference Act to LY
Teachers	1,976.69	2,015.97	2,014.97	38.28
Education Assistants	543.54	599.44	617.94	74.40
Support Staff	541.97	555.84	546.84	4.87
Principals and Vice Principals	125.00	127.00	125.00	0.00
Other Professionals	71.00	74.00	69.00	(2.00)
Total Staffing	3,258.20	3,372.25	3,373.75	115.55

Statement of Financial Position

The following table provides a comparative analysis of the School District's Net Financial Position for the fiscal years ended June 30, 2019 and June 30, 2018 and the more significant year over year changes are discussed below.

	Last Year	Actual	Difference	% Change
Financial Assets				
Cash and Cash Equivalents	173,678,123	172,565,252	(1,112,871)	-0.64%
Accounts Receivable				
Due from Ministry of Education	6,546,313	2,336,641	(4,209,672)	-64.31%
Other	4,021,614	4,215,594	193,980	4.82%
Portfolio Investments	11,995,000	9,000,000	(2,995,000)	-24.97%
Total Financial Assets	196,241,050	188,117,487	(8,123,563)	-4.14%
Liabilities				
Accounts Payable & Accrued Liabilities	54,605,392	35,957,753	(18,647,639)	-34.15%
Unearned Revenue	29,792,595	30,093,601	301,006	1.01%
Deferred Revenue	11,784,783	12,562,513	777,730	6.60%
Deferred Capital Revenue	390,932,135	409,521,742	18,589,607	4.76%
Employee Future Benefits	28,303,116	30,994,949	2,691,833	9.51%
Capital Lease Obligations	5,957	1,928	(4,029)	-67.63%
Other Liabilities	7,790,129	8,886,213	1,096,084	14.07%
Total Liabilities	523,214,107	528,018,699	4,804,592	0.92%
Net Financial Assets	(326,973,057)	(339,901,212)	(12,928,155)	3.95%
Non-Financial Assets				
Tangible Capital Assets	521,590,452	542,365,868	20,775,416	3.98%
Prepaid Expenses	153,375	624,155	470,780	306.95%
Total Non-Financial Assets	521,743,827	542,990,023	21,246,196	4.07%
Accumulated Surplus - Capital	170,726,493	176,732,688	6,006,195	3.52%
Accumulated Surplus - Operations	16,511,794	13,090,775	(3,421,019)	-20.72%
Pension Stabilization Account	7,532,483	13,265,348	5,732,865	76.11%

Cash decreased $4.1 million over the prior year resulting from decreased accounts payable and other liabilities. Cash held in the bank for current operational needs totals $19.5 million. The balance of $153.1 million is held on deposit with the Ministry of Finance and is available within 3 days. These deposits attract interest at 2.95% (as of June 30, 2019).

Cash assets at June 30 are categorized as follows;

Description	June 30, 2018 Amount($M)	June 30, 2019 Amount($M)	Difference Amount($M)
Cash in Bank	13.9	19.5	5.6
CDP Investment Program	159.8	153.1	(6.7)
Guaranteed Investment Certificates	10.0	9.0	(1.0)
Bonds	2.0	0.0	(2.0)
Total Cash Assets	**185.7**	**181.6**	**(4.1)**

In simplistic terms, this cash is required to fulfill the payment and liability obligations as follows;

Description	30-Jun-18 Amount($M)	30-Jun-19 Amount($M)	Difference
Accounts Payable	16.6	13.5	(3.1)
Salary, Taxes & Benefits Payable	18.9	22.0	3.1
EFB – Post Retirement Group Benefits	14.5	14.4	(0.1)
EFB – Post Employment Benefits	30.8	33.0	2.2
EFB - Vacation Liability	4.5	5.5	1.0
Unearned Revenues (International Education)	29.8	30.1	0.3
Capital Reserve Accounts (Restricted)	40.2	42.2	2.0
Misc. Liabilities (net of assets)	(10.8)	(5.9)	4.9
Pension Transitional Costs	17.2	0.5	(16.7)
Total Payment Obligations	161.7	155.3	(6.4)

The difference between the cash assets and the liabilities is reflected as the accumulated surplus.

Accumulated Surplus & Pension Stabilization Account	**24.0**	**26.3**	**2.3**

** For purposes of simplification, tangible capital assets and the related deferred revenues are removed from the comparison tables above.*

Accounts Receivable decrease is primarily associated with draw claims from the Ministry of Education for capital work in progress and a reduction in benefit deposit allowances.

Accounts Payable and Other Liabilities decreased by $17.6 million;

- $16.7 million of the decrease is associated with MPP transition pension liabilities,
- Vacation liability increased by $1.0 million,
- $300,000 is related to increases in Asset retirement obligations,
- A decrease of $3.4 million due to a timing difference in A/P disbursements,
- An increase of $1.3 million in Salary & Benefits payable, and

Unearned Revenue is all associated with International Education tuition for subsequent school years received in advance and is slightly above prior year due to stable enrollment and increased tuition fees effective September 1, 2019

Deferred Revenues primarily reflects special purpose fund balances of which the majority are funds held by individual schools.

Deferred Capital Revenue increased $18.6 million which is associated with the number of new and ongoing capital projects (primarily related to schools that are under construction).

Employee Future Benefits net liabilities increased $2.7 million primarily as a result of recognizing ongoing future costs of sick leave, early retirement obligations, retirement/severance costs and other like liabilities.

Tangible Capital Assets increased $20.8 million which is closely linked with deferred capital revenue.

Financial Analysis – Comparison to Budget and Last Year

Statement of Operations

The Statement of Operations is a consolidation of three funds – Operating, Special Purpose and Capital Funds. Each of these three funds are reviewed separately below.

Operating Budget

- Learning
- Teaching
- Programs
- Administration
- Facility Operations & Maintenance

Capital Budget

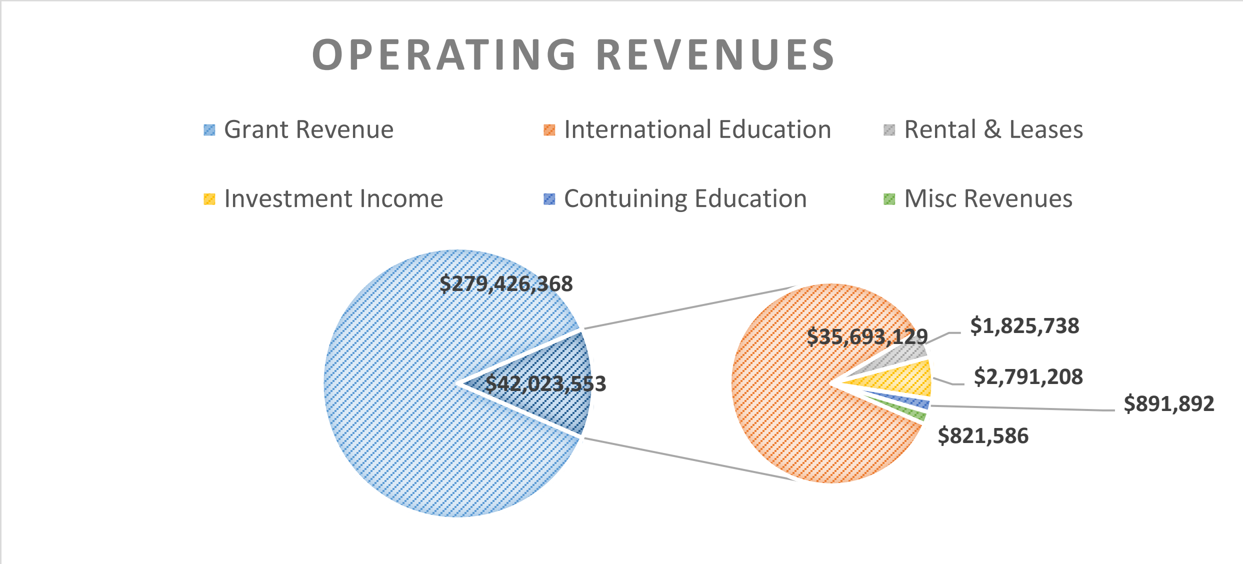
- Buildings
- Fields
- Infrastructure
- Land Purchases

Special Purpose Funds

- Specific purpose & restrictions on what the funds can be spent on.
- Examples:
    - Learning Improvement Fund
    - Annual Facilities Grant
    - Classroom Enhancement Fund
    - Community Link

Statement of Operations – Operating Fund

Revenues



Grant Revenues

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
270,431,714	278,658,182	279,426,368	8,994,654	768,186
			3.33%	0.28%

Grant Revenues were $9.0 million higher than last year due to an increase in enrollment and incremental per student grant funding of $122, resulting in additional grants of $5.6 million combined with higher grants associated with students with special needs of $2.6 million and a higher supplement for the salary differential of $718,000.

Grant Revenues were $768,000 higher than budget due to a Local Education Agreement capacity grant and Employer Health Tax grant announced after the amended budget was finalized.

International Education Revenues

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
36,959,535	32,926,874	35,693,129	(1,266,406)	2,766,255
			-3.43%	8.40%

International Education revenues were $1.27 million lower than last year as an outcome of limiting enrolment growth due to classroom space limitations.

International Education revenues were $2.8 million higher than budget due to increased 2nd semester enrollment levels that were confirmed after the submission of the amended budget.

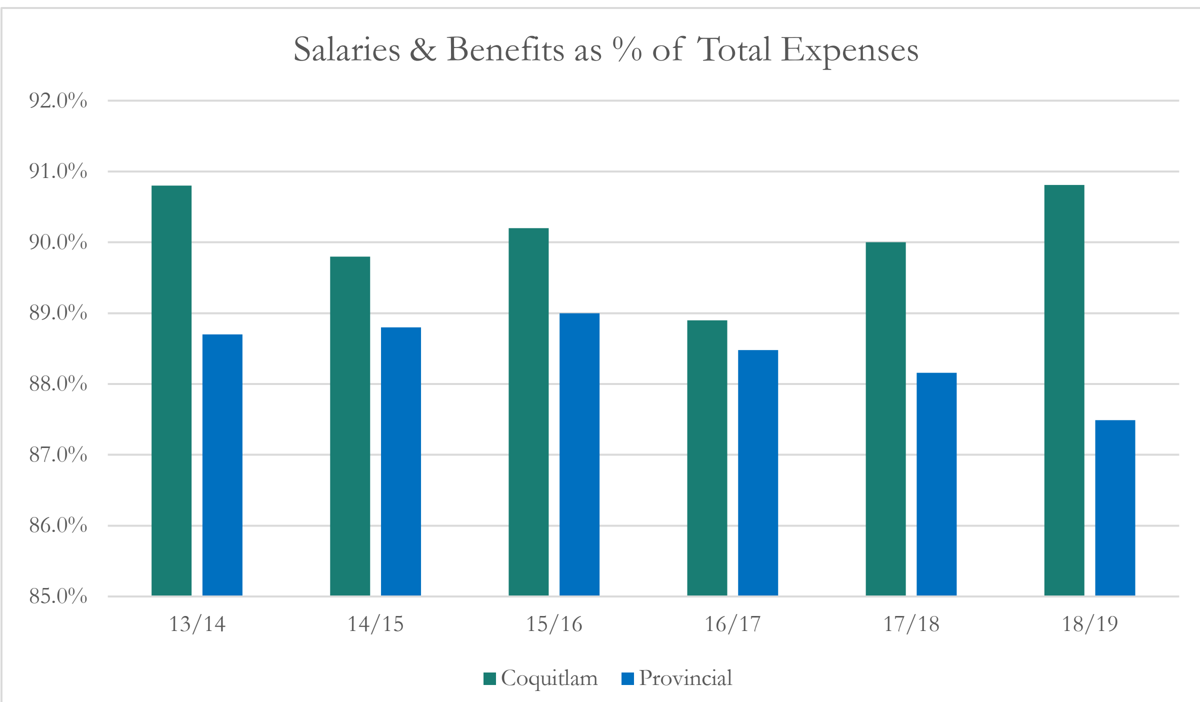
Other Revenues

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
6,267,082	5,050,824	6,330,424	63,342	1,279,600
			1.01%	25.33%

Other Revenues were above both last year and amended budget primarily due to higher interest earned on Investments and a strong facility rentals program.

Expenses

Salary and benefit expenses make up approximately 91.00% of the Operating expenses ranging over the past 5 years from 88.9% to 90.8%. This level is consistently higher than the provincial average.



Teachers

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
140,701,267	145,059,643	145,543,249	4,841,982	483,606
			3.44%	0.33%

Teacher Salary expenses were $4,841,982 higher than last year due to hiring of additional staff for enrollment growth, salary increments per the collective agreement (0.5% July 1, 1.75% May 1 (incl ESD), grid step increases, full year effect of prior year wage increments that took place on May 1, 2018 and the inclusion of $730,000 expense related to the classroom enhancement fund shortfall from 2017/18.

Teacher Salary expense was higher than budget due to the inclusion of $730,000 related to classroom enhancement fund shortfall expense from 2017/18 was offset by $171,000 in lower than expected department head allowances.

Principals & Vice Principals

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
13,883,084	15,170,742	14,925,888	1,042,804	(244,854)
			7.51%	-1.61%

Principals and VP Salaries were $1,042,804 higher than last year due to wage increases provided during the year (tied to the Teacher's collective agreement).

Principals and VP Salaries were $244,854 lower than budget due to underutilization of amount set aside for anticipated administrator salary increases and some positions that were unfilled for portions of the year.

Education Assistants

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
15,349,006	18,233,940	17,462,003	2,112,997	(771,937)
			13.77%	-4.23%

Actual expenses were higher than last year as there were approximately 22.3 more FTE EA's hired to meet higher enrollment of Level 1, 2 and 3 students. The FTE increase, along with the Economic Stability Dividend, contractual wage increase and MPP related increase (0.4%, 1.0% and 4% respectively) resulted in additional salary expenses of $961,000.

Actual expenses were lower than budget by $771,937 mostly due to slippage in the EA budget from a shortage of casual EA's available for employment combined with timing delays in filling available positions.

Support Staff

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
23,124,051	25,205,261	24,512,347	1,388,296	(692,914)
			6.00%	-2.75%

Actual expenses were $1,388,293 higher than last year due to 10.8 FTE additional positions added during the year – primarily in schools and facilities combined with ESD, wage and MPP increments

Actual expenses were lower than budget due to timing differences in filling the newly added positions and vacancies due to movement of staff during the year. There was a higher than expected amount of unpaid days taken. Maintenance recoveries was also significantly higher than expected.

Other Professionals

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
5,551,532	6,633,466	6,211,201	659,669	(422,265)
			11.88%	-6.37%

Actual expenses were $660,000 higher than last year due to a combination of new positions added under the organizational capacity initiative that was offset by staff turnover. The remaining net increase was related to a 1.75% wage increase.

Actual expenses were $422,000 below budget mostly due to positions (created through our organizational capacity initiative) not being fully occupied during the year and lower than budgeted wage increases.

Substitutes

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
8,135,055	9,265,276	9,338,869	1,203,814	73,593
			14.80%	.79%

Actual expenses were $1.2 million above last year as previous years chronic shortage of substitute teachers (TTOC's) and casual education assistants was rectified in the current year.

Actual expenses were slightly above budget as the vast majority of absences were able to be covered with substitutes.

Benefits

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
68,069,855	61,844,715	65,067,621	(3,002,234)	3,222,906
			-4.41%	5.21%

Last year's benefit costs were inflated as an outcome of one-time expenses in closing and transitioning to the Municipal Pension Plan for non-teaching active employees.

Actual expenses were higher than budget as costs for the employer health tax exceed the budget and the Non-Teaching Pension Plan required a provision for a valuation allowance that was not fully known until after the amended budget was approved.

Services and Supplies

Services and supplies represent approximately 10% of the operating budget expenditures. In the aggregate, service and supply lines are below budget.

Services

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
8,433,803	9,163,488	8,653,205	219,402	(510,283)
			2.60%	-5.57%

Actual expenses were $219,000 higher than last year due to increased IT contracts/licensing and NGN charges from the Ministry, offset by lower legal and professional consultant fees and Asbestos removal provisional costs.

Actual expenses were $510,000 lower than budget due to the underutilization of funds set aside for IT projects including NGN charges from the Ministry, and professional fees in HR, IT, IE and Facilities. This is offset by higher than expected costs for grounds maintenance and banking fees.

Transportation

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
428,130	431,138	388,134	(39,996)	(43,004)
			-9.34%	-9.97%

Actual transportation expenses were $40,000 lower than last year due to fewer students requiring transportation.

Actual expenses were $43,000 lower than budget due to lower taxi usage costs.

Professional Development & Travel

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
1,986,387	2,580,148	1,952,017	(34,370)	(628,131)
			-1.73%	-24.34%

Actual Pro-D costs were $34,000 lower than last year due to decreased spending travel and training, mileage at the schools, and first aid training.

Actual expenses were $628,000 lower than budget due to decreased travel and training due to staffing shortages. Limited availability of TTOC's for teacher release time also impacted opportunities for professional development.

Rentals & Leases

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
259,364	388,256	308,939	49,575	(79,317)
			-19.11%	-20.43%

Facilities vehicle lease cost increased $49,000 from the prior year as two vehicles were replaced, and one added to the fleet.

Actual lease costs are under budget by $79,000 due to lower than expected repair and upgrade costs required on several maintenance vehicles.

Dues and Fees

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
3,175,542	2,216,311	2,242,954	(932,588)	26,643
			-29.37%	1.20%

Dues and Fees expenses were $933,000 lower due to the elimination of the homestay program.

Dues and Fees were $26,643 above budget due to higher than expected IE payments to agents as a result of increased student fees and higher enrollment. This is offset by lower homestay fees.

Insurance

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
914,039	1,070,720	781,376	(132,663)	(289,344)
			-16.98%	-37.03%

Actual expenses were lower than prior year primarily due to negotiating a lower rate with the insurance provider for out of province students.

Insurance expenses were lower than budget mostly due to reduced insurance premiums for out of province students combined with more students qualifying for full coverage under MSP.

Supplies

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
10,231,700	12,749,723	9,130,343	(1,101,357)	(3,619,380)
			-10.76%	-28.39%

Prior year expenses were higher due to the inclusion of the one time funding for supplies under the Student Learning Grant. Also, large investments into software and IT infrastructure in the prior year resulted in lower expenditures of these items in the current year. These savings were offset with expenses relating to the implementation of the new recycling program.

Actual expenses were lower than budget due to timing of additional funds provided to schools partway through the year where schools were not able to spend the allocated funds prior to yearend. Additionally, approximately $4m of equipment purchased with operating funds required to be capitalized. This was $3m higher than budgeted as an interfund transfer.

Utilities

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
4,974,467	5,253,998	5,101,820	127,353	(152,178)
			-2.56%	-2.90%

Actual costs were higher than the prior year as a direct outcome of natural gas acquisition costs (supply interruption due to pipeline explosion) associated with the resulting cost escalation. This was offset by lower electricity costs as we move toward energy saving initiatives, lighting/plant upgrades, etc.

Continued forward purchasing of natural gas captured significant savings combined with reduced usage from improved weather conditions and continuation of sustainable practices. This combined with energy saving initiatives, plant upgrades, etc. contribute to stabilizing utility costs.

Statement of Operations – Special Purpose Fund

Special purpose funds are utilized to capture funding designated for specific purposes and balances can be deferred to subsequent years for the intended use. Grant revenues are only recognized as expenses are incurred. Any unused grants or funds remaining at the end of the year are treated as deferred revenue.

Description	Last Year	Actual	Difference	Deferred Revenue Balance	Comment
Ministry of Education Funded					
Annual Facilities Grant (AFG)	1,139,623	1,139,623	0	-	No major change in funding or expenditures
Special Education Equipment	1,797	0	(1,797)	-	This grant is no longer provided
Day Treatment	133,574	132,930	(644)	-	No major change in funding or expenditures
French Language (OLEP)	447,724	354,954	(92,770)	-	Unspent funds from prior year were clawed back thus resulting in lower available funding for the current year
Learning Improvement Fund (LIF)	1,060,203	1,054,313	(5,890)	-	No major change in funding or expenditures
Ready Set Learn	108,177	144,807	36,630	3,473	No change in funding; current year includes expenditure of deferred revenues from prior years
Strong Start	435,983	411,265	(24,718)	4,735	No change in funding; prior year included expenditure of deferred revenues.
Community LINK (CLINK)	1,449,012	1,460,778	11,766	-	Incremental funding provided for salary increases
Coding & Curriculum	194,589	0	(194,589)	-	This grant was a one time grant to support coding initiatives that was fully expended in 2017/18
Classroom Enhancement Fund - Overhead (CEF)	2,662,046	2,471,366	(190,680)	-	2018-19 was the second year in the implementation of MOA#17 resulting from the Supreme Court of Canada's ruling on class size and composition. Funding was provided based on staffing requirements under best efforts. Overhead funding was provided based on a percentage of prior year allocation.
Classroom Enhancement Fund - Staffing (CEF)	19,340,678	22,362,849	3,022,171	-	
Classroom Enhancement Fund - Remedies (CEF)	2,154,619	1,973,626	(180,993)	34,040	
Settlement Program	1,829	464	(1,365)	244,804	Deferred funds from prior years will be used to fund the welcome center for newcomers in Neighborhood Learning Center

Description	Last Year	Actual	Difference	Deferred Revenue Balance	Comment
Federal Funding					
Settlement Programs (SWIS)	741,539	758,639	17,100	-	No major change in funding or expenditures
English Language Program (ELSA)	1,957,912	1,995,428	37,516	-	No major change in funding or expenditures
IRCC		203,515	203,515	-	New program focused on career counselling for newcomers
Other Sources of Funding					
Community LINK	51,235	50,008	(1,227)	20,160	School Meals Program
School Generated Funds	12,124,869	12,655,548	530,679	7,725,054	Expenditures are higher than prior year due to higher number of students in the district
Apprenticeship Programs	272,238	60,018	(212,220)	397,653	Lower expenditures in the current year due to staffing costs covered through the operating fund.
Sundry	362,705	57,495	(305,210)	93,847	Prior year included expenditure of one time funding for Service Delivery Transformation.
Staff Development	95,019	101,377	6,358	114,734	No major change in funding or expenditures from prior
Scholarships	32,200	87,556	55,356	667,656	Current year is higher due to a large donation from Maxine Wilson to assist vulnerable students
Sick Leave Trust	123,650	124,522	872	594,604	No major change in funding or expenditures from prior
Contractual Reserves	0	375,952	375,952	2,663,742	Funds held on behalf Joint Use Agreements

TOTAL	44,891,221	47,977,033	3,085,812	12,564,502	

Classroom Enhancement Fund

Included in the special purpose fund are funds received related to the restored collective agreement language under MOU#17. A summary of actual expenses is captured in the chart below.

Description	FTE	Salaries	Benefits	Other Expenses	Total
Teachers	212.50	16,482,403	5,861,830		22,344,233
Substitutes		986,144			986,144
Remedy Costs		1,770,154	203,472		1,973,626
Education Assistants	33.00	1,141,949	384,660		1,526,609
Administrators		390,000	131,526		521,526
Other Staffing	1.00	134,005	26,752		160,757
Non-staffing Expenses				24,303	24,303
Total	246.50	20,904,655	6,608,240	24,303	27,537,198

Statement of Operations - Capital Funds

Capital Fund Balances are as Follows:

Capital Funds	June 30, 2018	June 30, 2019	Variance
Restricted capital balance:	$ 4,129,830	$ 1,755,044	(2,374,786)
SSAC capital balance:	6,269,772	7,772,994	1,503,222
Other Provincial capital:	64,705	75,087	10,382
Local capital balance:	28,015,638	32,691,250	4,675,612
Total:	38,479,945	42,294,375	3,814,430

(Ministry) Restricted capital balance: These are funds held on behalf of the Ministry of Education. The balance decreased by $2,374,786 as the funds were used towards the purchase of new portables and classroom conversion space to increase school capacity as part of our best efforts to comply with MOA#17 – class size and composition.

SSAC capital balance: Increased by $1,503,222 as funds were collected by the district from the municipalities and villages as part of the school site acquisition charge which is used for future school site land purchases as identified in the capital plan.

Other Provincial capital: Decreased by $10,382 as the funds provided by the Ministry of Jobs, Tourism and Skills Training to purchase trades training equipment in support of Industrial Training Authority Youth Trades programs was partially utilized.

Local capital balance: Increased by $4.7 million through a transfer from the operating account and local capital revenues to put toward funding of the Board approved Educational Learning Centre (ELC) and $1.5 million toward the funding for Sheffield Elementary School.

Funds Restricted in Local Capital:

Local capital funds have been restricted for the following purposes:

Project:	June 30, 2018 Restricted Balance:	June 30, 2019 Restricted Balance:	Difference:
Education Learning Centre:	$ 24,228,105	$ 29,706,987	5,478,882
Glen Elementary Addition:	696,364	0	(696,364)
Centennial NLC space/Banting move:	540,000	500,000	0
Information Technology:	573,506	944,263	370,757
Panorama Heights Elementary Addition:	1,977,663	0	(1,977,663)
Sheffield Elementary:	0	1,500,000	1,500,000
Total:	28,015,638	32,691,250	4,675,612

All funds in the local capital account are restricted.

Information technology restricted funds are part of our ongoing infrastructure renewal provision plan, which includes replacement of equipment and systems needed to operate the district network. This includes bandwidth, physical infrastructure such as cabling, major network components such as switches, firewalls and the data centre.

The Centennial provision is for additional funds to complete the NLC space.

During the third quarter, as a result of discussions with Ministry of Education staff related to capital needs, the Board released the funds previously restricted for the Panorama addition and put these funds toward Sheffield Elementary. The balance of the School District's funding commitment for this site of $5.0 million, will be sourced from the pending Glen land parcel sale.

Over the next two years, an additional $6.3 million of capital will be required to complete the ELC space.

Additional funds could be restricted in the future with Board approval for identified projects requiring local capital funding.

Major Capital Projects

The following is a summary of some of the major capital projects undertaken during the year.

Banting Middle

Seismic Replacement

- ***Banting Middle:*** The demolition of the old school is underway and final deficiency work being completed in the new space.
- ***Centennial Secondary:*** Demolition of the old school has been completed and construction of phase 2 - NLC has commenced, albeit very slowly. Financial difficulties with the contractor resulted in the bonding company taking over the contract.
- ***Irvine Elementary:*** Working drawings are underway. An early cost estimate came in $4M over the original budget and the Ministry of Education has been notified with an indication they will address the issue at the time of tendering. The Building Permit application was filed in late Spring.
- ***Minnekhada Middle:*** Construction is proceeding well and on schedule.

Minnekhada Middle

New School Construction Planning

- ***Middle/Secondary Burke Mountain School:*** This site for two schools includes the provision for the City of Coquitlam to develop the play field infrastructure. School District and City staff have established a communication and planning schedule which includes work on potential easements, covenants and other required agreements on this difficult development site. A Project Information report was completed in June 2018 to accelerate the funding process with the Ministry of Education. School District staff completed the school visioning process which has been presented to the Board. SD43's Board has agreed to advance funding to complete a project definition report (PDR) and move forward with initial design work. Initial projections would result in school opening in September 2023 subject to Ministry of Education approval of funding in 2019. Unfortunately, the project was not recognized in the 2019/20 capital plan resulting in a letter from the Board for consideration of PDR funding.

Project Definition Reports (PDR)

- ***Sheffield (Partington Creek) Elementary:*** The PDR for a new school has been completed and submitted to the Ministry of Education. The Board has advanced funds to continue with design development to accelerate this project. The Ministry of Education announced funding of $57 million for this new school of which the School District is contributing $5 million.
- ***Moody Elementary:*** An updated PDR for a seismic replacement was completed as requested by the Ministry of Education.

Two new major capital projects were announced on March 25, 2019

- ***Montgomery Middle:*** A project definition report (PDR) is to be submitted to the Ministry of Education by November 1, 2019. The Board previously advanced funding for the PDR in support of a seismic upgrade/new school construction and the PDR will be completed and filed well in advance of the deadline.
- ***Charles Best Secondary:*** A project definition report (PDR) for a seismic upgrade is to be submitted to the Ministry of Education by November 1, 2019. Work on the PDR will begin shortly.

Classroom Additions

- ***Westwood Elementary*****:** Six-classroom addition for increased enrolment. Estimated cost is $5.7 million. Building permit has been secured and construction tendering has been completed and awarded.
- ***Panorama Heights Elementary*****:** Four-classroom addition for increased enrolment. Preliminary work is ongoing with estimated cost to be approximately $6.2 million.
- ***Dr. Charles Best Secondary*****:** Six-classroom addition for increased enrolment. Estimated cost is $8.4 million.
- ***Riverside Secondary:*** Eight-classroom addition for increased enrolment. A project feasibility report is currently underway.

The ministry confirmed funding support for the first three classroom addition projects listed above on May 8th, 2019.

Building Envelope Program Funding (BEP)

- ***Leigh Elementary:*** Funding of $1.3 million has been approved by the Ministry to start envelope repairs with the project administered by BC Housing. Construction is scheduled to be completed in the summer of 2019.
- ***Gleneagle Secondary:*** Currently at preliminary design stage of the project as funding is pending. This project, administered by BC Housing, will cover extensive building envelope repairs at a future date.
- **Riverside Secondary:** Initial funding of $68,000 for design work, provided by Ministry of Education, has been completed. Building Envelope repairs, administered by BC Housing, will cover extensive building envelope repairs at a future date.

Moody Middle

Current Major Capital Projects

Demographics & Facilities Planning
- many schools

Capital Plan
- Riverwalk Land Purchase
- Hazel Coy Land Purchase
- Como Lake Middle Seismic Replacement
- Riverside Secondary Building Envelope
- Gleneagle Secondary Building Envelope
- Roy Stibbs Elem. Building Envelope
- Porter Elem. Playground
- Cedar Drive Playground
- RC MacDonald Playground

Seismic Project Request Fact Sheet (SPRFS) / Project Request Fact Sheet (PRFS)
- Maple Creek Middle School Seismic Replacement
- Fraser Mills Land Purchase
- Port Moody Secondary School 12 Classroom Addition
- Cedar Drive Elementary Seismic Upgrade
- Scott Creek Middle 10 Classroom Addition
- Nestor Elementary Seismic Replacement
- Gleneagle Secondary School 8 Classroom Addition
- Banting Middle 4 Classroom Addition

Initial Ministry Support
- Riverside Secondary 8 Classroom Addition

Project Definition Report
- Montgomery Middle School Seismic Replacement
- Burke Mountain Middle/Secondary School (NEW)
- Charles Best Secondary Partial Seismic Upgrade

Ministry Support Project Agreement
- Moody Elementary Seismic Replacement

Design and Permitting
- Irvine Elementary Replacement
- Sheffield Elementary (NEW)
- Panorama Heights Elementary Addition
- Charles Best Secondary Addition

Project Tender
- Westwood Elementary Addition

Construction
- Centennial Secondary Replacement
- Minnekhada Middle Seismic Replacement
- Moody Middle Seismic Replacement
- Banting Middle Seismic Replacement
- Leigh Elementary Building Envelope

Warranty
- Smiling Creek Elementary (NEW)

School Enhancement Funded Projects (SEP)

- Announced March 25, 2019 and to be completed over the next year:
  - ***Dr. Charles Best Secondary –*** funding of $1.4 million for Mechanical and DDC Upgrades.
  - ***Summit Middle:*** funding of $650,000 for Mechanical System Upgrades.

- Projects previously announced and completed during the year.
  - ***Summit Middle:*** Total project cost is $393,750. Funding provided for HVAC replacement.
  - ***Dr. Charles Best Secondary:*** Total project cost is $820,312. Funding provided for HVAC replacement.

Carbon Neutral Capital Program (CNCP)

- Announced March 25, 2019 and to be completed over the next year:
  - **Seaview Elementary** – funding of $370,000 for HVAC and Boiler Upgrades.

- Projects previously announced and completed during the year.
  - ***Hazel Trembath Elementary:*** Total project cost is $300,000. Funding provided for boiler replacement
  - ***Coquitlam River Elementary:*** Total project cost is $300,000. Funding provided for boiler replacement

Playground Equipment Program (PEP)

- Announced March 25, 2019 a universally accessible playground to be completed over the next year:
  - **Eagle Mountain** - $105,000
  - **Pleasantside Elementary** - $105,000
  - **Central Elementary** - $105,000

- Projects previously announced and completed during the year.
  - **Moody Middle** was selected with a funding grant of $105,000 for a universally accessible playground.

Classroom Enhancement Funding (CEF)

- ***MOA#17 (Additional space funding):*** At September 2017, 38 additional classroom spaces, funded by the Ministry of Education, had been created to comply with best efforts of MOA #17 – class size and composition. For September 2018, 30 additional classroom space needs were identified involving the placement of 19 portables (15 relocated and 4 newly purchased) and 11 classroom conversions. The 30 classroom spaces were funded from restricted capital, with approval from the Ministry of Education.
- Classroom requirements for September 2019 will be funded from remaining restricted capital funding and will include approximately 12 additional spaces. A further six classroom spaces are planned to be added for the 2nd semester in early 2020.

Annual Facility Grant (AFG)

The Annual Facility Grant is funding provided by the Ministry of Education for designated school capital or maintenance upgrades. $5.6 million was provided by the Ministry of Education for the 2019/20 school year and is intended to be used for the following projects.

- Roof replacement: 8 schools
- Mechanical/HVAC Upgrades: 31 schools
- Building/Floor Upgrades: 51 schools
- Site Upgrades/Paving: 11 schools
- Lighting Upgrades: 18 schools
- Exterior Painting: 3 schools

Education Learning Centre

The Board of Education has approved the development of an Educational Learning Centre (ELC) on the Winslow Centre Campus. The ELC will be a purposefully designed, multi-use facility that offers space for operational departments, student support departments, meeting rooms and other flexible learning spaces. It will include the relocated Board office and the consolidation of functions located in other facilities throughout the school district. A budget of $36 million has been approved by the Board, including restriction of local capital to fund this project. Space and design meetings with senior district staff were conducted during the last quarter and the project has proceeded to architectural drawings.

Other Capital Developments

Glen Elementary Land Exchange: In 2018, the Coquitlam School Board entered a memorandum of understanding to exchange unused land at Glen Elementary (1.2 acres) with the City of Coquitlam to obtain funding and services to improve school sites. This includes;

- An agreement to construct a turf field at Centennial Secondary School, expected to commence in the summer of 2019 with the estimated completion by spring 2020.
- Glen Elementary playground expansion through use of the adjacent park,
- A $3.5 million payment with funding to be utilized to improve Coquitlam schools,
- Future costs of operation, maintenance and replacement of the turf field will be undertaken by the City of Coquitlam along with any improvements to be made on the Glen Joint Park Portion.

Finalization of this agreement is expected shortly.

SSAC – The 2018/19 School Site acquisition bylaw proposal was voted down by the Port Moody Council in July 2018. This matter was subsequently referred to a facilitator appointed by the Ministry of Education. The mediator has met with the Ministry and SD43 with no determined outcome. The 2019/20 School Site acquisition bylaw was adopted by the Board in June 2019. Port Moody Council has again voted against the proposal. The facilitator is expected to prepare a written report with his recommendations to the Minister of Education in late summer.

Fraser Mills – The developer has revised their residential plans for the Fraser Mills site which indicates far greater density than previously provided. This density creates the requirement for an elementary school site. The cost of urban land is excessive, creating a vision for 'vertical' schools to minimize the facility footprint while attempting to provide adequate play space. Staff are in discussions with the Developer to acquire a site subject to Ministry of Education supplemental funding support.

Accumulated Surplus (Operations)

The School Board has established an Accumulated Operating Surplus Policy as part of its multi-year financial approach for stable and sustainable organization health;

To the extent that there is an excess of revenues to expenditures (operating surplus) in any fiscal year that:

a) *Any surplus in excess of 2% of total operating revenues will be set aside into an unallocated fund for subsequent use as determined by the Board;*

b) *25% of the balance of the operating surplus funds be directed to one-time opportunities primarily associated with technology, educational initiatives and deferred maintenance of facilities; and*

c) *75% of the balance of operating surplus funds be allocated equally over the subsequent three fiscal years, but no more than the aggregate surplus budgeted in the year (excluding one-time funding from the unallocated fund). Any excess of funds will be set aside into the unallocated fund.*

d) *This Policy will be reviewed annually by the Board.*

This approach provides for consistent financial allocations for staffing as achieved in previous years while reducing volatility by smoothing peak surplus years. An unallocated reserve provides a funding source for onetime initiatives and/or a further buffer and support for those years in which available surplus is less than the amount required to maintain staffing stability.

Schedule 2 of the audited financial statements reflects an operating surplus of $9.8 million for the current year before transfers to or from other funds (i.e. capital). When adjusted for capital asset purchases acquired with operating funds, the adjusted surplus for the year is $5.7 million.

Title	Description	Amount
Non-Grant Revenues	The primary contributor to incremental non-grant revenues is the International Education program; $2.76 million. Investment income provides a further $837,000 and rental revenues and misc. income $449,000. A key aspect of the school district's stability and sustainability approach adopted by the Board is to ensure the recognition of all earned income prior to spending commitments.	$4,045,855
Grant Funding Underspending	The elements that make up this amount are the aggregate of the individual financial lines as detailed in the Operations discussion above.	$1,142,705
Contingency Reserve	The contingency reserve remained unspent.	$500,000
Net Operating Surplus	The adjusted operating surplus after capital asset purchases of $4.1 million.	**$5,688,560**

Title	Description	Amount
Net Operating Surplus		**$5,688,560**
Prior Year Reserves	Prior year reserves, as detailed below, utilized in the current year.	$7,900,559
Capital Transfers	$3 million of current year surplus was transferred to the capital account in supportive funding for the Educational Learning Centre. A further $370,000 was transferred to support the multi-year technology infrastructure initiative.	($3,376,714)
Solvency Reserve Account	As discussed elsewhere in this report, SD43 is required to make minimum solvency deficiency payments to the Non-Teaching Pension Plan over a period of time.	($5,732,865)
2018/19 Surplus		**$4,479,540**

School Supply Budgets Carry Forward

The 2018/19 school supply budget carry forward totals $1.602 million (2017/18 = $1.735 million) – a decrease of $133,190 from the prior year. This decrease is primarily attributed to purchases made thru the computing device initiative, now in its 3rd year.

Surplus Continuity Summary

The table below captures the accumulated surplus amount as at June 30, 2019 and the intended future use of the prescribed balances as determined by the Board. The column headings represent the years in which the surplus was sourced, and the rows indicate the intended use of the surplus funds. This information is also captured on the audited financial statements as *Note 23 - Internally Restricted Funds*.

Description/ Surplus Year	Prior Period	2015/16	2016/17	2017/18	2018/19 Utilized	2018/19 Reserved	Total
2018/19 - Staffing Stabilization Provision		1,392,750	1,949,155	800,000	(4,141,905)		0
2019/20 - Staffing Stabilization Provision		1,392,750	1,949,155	800,000			4,141,905
2020/21 - Staffing Stabilization Provision				1,425,886	229,096	1,466,311	3,121,293
2021/22 - Staffing Stabilization Provision						1,206,615	1,206,615
2022/23 - Staffing Stabilization Provision						-	0
School Carry forward Funds	1,226,131			509,417	(133,190)		1,602,358
Facility & Maintenance Initiatives			1,949,155	712,943	(2,251,851)	603,307	1,013,554
Technology Initiatives			949,155	712,943	(860,355)	603,307	1,405,050
Recycling Initiative				513,258	(513,258)		0
Business Systems Initiative						600,000	600,000
Contingency Reserve				229,096	(229,096)	0	0
Balance	1,226,131	2,785,500	6,796,620	5,703,543	(7,900,559)	4,479,540	13,090,775

The above schedule reflects remaining operations account funds after transfers to the Capital Account. Transfers to the capital account from current year operations include $3.0 million toward the ELC capital project, $370,000 for IT infrastructure reserves, and $4.1 million in capital assets purchased through the operating accounts.

Factors Bearing on School District's Future Financial Stability and Other Significant Matters

There are several factors that could influence the School District's stable and healthy financial situation during the 2019/20 school year and beyond.

In 2017 a risk assessment was completed which identified 29 areas of risk. The Board was provided with an update on the work done to date to mitigate these identified risks, however a number are outside the immediate control of the School District. The operationalization of the accumulated surplus policy does help to soften or reduce some of these risk exposures. Following are several risks that continue to be preeminent.

Organizational Capacity

As we emerged from a focus on debt repayment, elimination of unfunded liabilities (through the closure of the Post Retirement Group Health Benefit Plan for NTPP retirees) and minimize pension plan funding deficiencies (through the transfer of NTPP active members to the Municipal Pension Plan), we have moved to address lagging organizational capacity requirements, especially in leadership and management areas. As noted last year, four of the top five business risks are related to human resources – capacity, recruitment, retention, training, experience, etc. While much of this has been addressed at the managerial and leadership level, the implementation of the restored collective agreement language strains teacher and specialty teacher capacity as the staffing demand exceeds available supply. The increasing number of students with special needs also creates a demand for Education Assistants that exceeds available personnel.

- This budget for 2019/20 attempts to mitigate this risk by;
    - Avoiding teacher layoffs for a third year to maximize retention,
    - Expanding number of support positions for students with special needs,
    - Offering training and mentoring at all levels of the organization, and
    - Improving succession planning and staff engagement.

Bargaining 2019

The collective agreements for the CTA and CUPE expired in June 2019. Despite the strong working relationship that the School District has nurtured locally, Provincial Bargaining with the BCTF remains a significant concern – as it is largely out of local control. Labour disruptions can harm the educational system and can require additional effort for all parties to re-establish potentially damaged relationships. It can also have an impact on student success by disrupting the positive learning culture that currently thrives in our School District.

- We continue to work respectively with each other with a focus on student success, but also professional learning, mentorship, and success for all. This has led to a successful local bargaining outcome prior to the expiry of local collective agreements.

Grant Funding Model Review

During 2018 the Ministry of Education initiated a review of the current grant funding model that has been in place since 2002. The report of the Funding Model Review Panel was released in late December 2018 under the title of *Improving Equity and Accountability.* While the initial intent was to implement the recommendations for the 2019/20 school year; the significance of the recommendations will delay implementation for at least one year as further consultation occurs. While it is premature to opine on the final funding model, there are several recommendations that could have a significant negative impact on current levels of Ministry funding to our school district. These include:

- Recommendation #1 & #4: Change to the Geographical Supplement
- Recommendation #6: Change to a prevalence model for the funding of some students with special needs (identified Level 3 funded students) which could reduce funding for special needs students.
- Recommendation #9: Elimination of course by course funding
    - It has been determined that if the headcount standard for one student is 8 courses in grades 10-12, the results is a reduction of $3.4 million in grant funding.
- Recommendation #10: Potential change to Distributed Learning delivery program
- Recommendation #20: Potential limitations on the level and application of operating surplus

With no new funds to be injected into the K-12 Education system, changes to the current Funding Model has the potential to negatively impact our School District as grants are redistributed to other school districts. The outcomes of the Review will not be known until later in the school year and will impact the 2020/21 budget – albeit we have already realized a $950,000 funding shortfall to cover collective agreement labour settlement costs in the 2019/20 budget despite assurances to the contrary.

➢ Despite recommendation #20, retaining an adequate restricted accumulated surplus can assist in mitigating any negative funding outcome and provide the opportunity to respond in a measured and systemic approach.

Funding Adequacy: Restored Teacher Collective Agreement Language

BCPSEA and BCTF reached an agreement in early 2017 on restored language arising from the Supreme Court of Canada ruling in November 2016. The restoration has been categorized into 4 areas:

- Non-Enrolling Teacher Staffing ratios;
- Class Composition Provisions; and
- Class Size Provisions;
- Process and Ancillary Language.

Funding to fulfill the Agreement is provided through the Classroom Enhancement Fund (CEF). As discussed above, the timing and the funding level is not fully known or confirmed by the Ministry of Education until after teacher staffing is appointed into position. This creates a significant financial risk to the School District. SD43 experienced this risk in June 2018, when the Ministry of Education withdrew $793,000 two weeks before the end of the school year and thus underfunded MOA#17 'best effort' requirements.

Further, our submission for the 2018/19 school year specific to 'overhead' costs to administer the MOA provision and to address associated increased support for impacted students for special needs was reduced by approximately $800,000. SD43 was required to absorb these unfunded costs into the operating budget.

A third issue relates to timely and sustainable funding from the Ministry of Education to create the required classroom spaces. In the 2017/18 school year, the Ministry provided $1.2 million for 38 new classroom spaces. No funds were forthcoming in 2018/19 which resulted in the Board having to commit up to $5.2 million of operating and capital funds to fulfill best effort requirements. Local capital funds are insufficient to support this level of capital outlay in subsequent years.

Delays between identified needs and required funding add to uncertainty and place stress on the School District's capacity to fulfill requirements.

Grant funding adequacy to meet the best efforts requirements of MOA#17 remains an elevated risk. With reduced capital funding reserves, operating funds will be required to meet MOA#17 best effort obligations. This removes funds from the classroom.

- This issue has been identified in the *Report of the Funding Model Review Panel* (Recommendation #22). To further mitigate this risk, adequacy of an accumulated surplus policy provides funding resources for capital requirements, but at the expense of student education.

Funding Adequacy: Inflation and Cost Pressures

Grant funding increases are currently provided (until the 2019/20 school year) for collective agreement wage and salary increases, however, funding increases are not provided for inflationary costs, including benefits, or wage increases for non-collective agreement staff. In the *Report of the Funding Model Review Panel* this issue was raised (Recommendation #18).

- As part of the budget process, SD43 takes into consideration statutory and other like requirements as a priority before addressing other cost pressure elements. With 90% of the budget in staffing and related benefit costs, any funding shortfall would likely result in reduced staffing levels.

Funding Adequacy: Employer Health Tax (EHT)

The Province has announced and passed legislation to introduce an employer health tax (EHT). This tax will be levied at a rate of 1.95% of salary expense. The new tax, effective January 1, 2019 is replacing Medical Services Plan Premiums which were reduced to 50% effective January 1, 2018 and will be eliminated at December 31, 2019. The Province also committed to providing the K-12 sector with grant funding to offset the incremental costs of the EHT to the extent they exceed the MSP premium base. The estimated financial impact from this new tax (incorporating the savings from MSP premium elimination) are captured in the table below:

Description	Total Salaries	MSP Expense	EHT Expense	Total Expense	$ inc from Base Yr	Gov'ment Grant	Funding Shortfall
2017/18 - base	229,194,780	1,477,075	0	1,477,075	0	n/a	n/a
2018/19 - actual	242,450,200	927,664	2,572,570	3,518,811	2,041,736	738,395	1,306,341
2019/20 - budget	252,057,075	496,002	4,915,113	5,411,115	3,934,040	2,429,893	1,504,147
2020/21 - projected	262,000,000	-	5,109,000	5,109,000	3,631,925	2,429,893	1,202,332

Once the EHT is fully implemented, incremental costs above the grant funding provided, creates ongoing salary benefit costs (without labour settlement increases) of approximately $1.2 million that is not funded.

International Education

The School District is heavily reliant on International Education programs to provide a significant source of additional revenue funding to reduce the gap on grant funding shortfalls. In recent years, the Board has moved to adopt best practices in this area which requires the School District to realize the net income from these programs (and especially 2nd semester enrolment) before deploying these funds into educational services for the benefit of all students in the school district. Recent geopolitical events and escalating economic variables have heightened our sensitivities. International Education and the associated summer programs are an important stabilizing financial influence on the School District.

- The current policy on the deployment of accumulated surplus funds helps to mitigate adverse events and contributes to the sustainable outlook and financial risk mitigation.

Facilities – Capital Funds

As we have noted in previous reports, tackling system stresses to address increased demand for enrolment space in elementary schools, especially in the northeast sector of the School District and municipal urban core, requires intensive forward-looking capital planning. In some situations, this involves the advancement of local capital funds to mitigate the risk of school overcrowding and student and staff safety. Additionally, the requirement to comply with collective agreement restored language places an increased burden and demand on class space. Unrestricted local capital is essentially nil ('0') leaving the inability to fund new classroom additions, portable placements or further classroom conversions until the Ministry of Education provides the commitment to fund facility requirements.

- Significant underfunding of capital for new and replacement school facilities creates a requirement to redirect funds out of the classroom to meet this requirement.

  Continued advocacy for adequate capital funding and the potential to dispose of excess assets provides the ability to enhance and augment available provincial funding for facility requirements.

  The need to provide for an adequate surplus to address this risk is critical. (Recommendation #20 & 22 of the *Report of the Funding Model Review Panel).*

Technology and Business System Requirements

The demand for technology hardware, software, and system utilization continues at a rapid pace. Providing the required services and ensuring that information is secure and protected necessitates increased financial resources. Technology in support of education will allow us to implement the paradigm shift and transformational education required to be at the forefront and on the cutting-edge in the 21st-century. Technology in support of the framework for enhancing student learning and more real-time reporting on student progress is a crucial undertaking. MyEdBC student administration system requires enhancements in order to meet the ongoing needs for improved data and reporting. System security remains a high concern. While a multi-year plan has been developed for some aspects of School District requirements, additional resources will need to continue to be directed into this area.

Sustainable technology funding is lacking while at the same time, usage of technology as an education delivery tool continues to grow.

- Creating financial certainty will facilitate a funding source to develop a level of technology funding that is sustainable and providing one-time funds to invest in business systems. This is dependent on the outcome of the funding model review and grant funding adequacy.

- Our business systems (human resources, payroll, and finance) are dated and require a significant resource emphasis to meet current and future requirements. SD43 staff is in the early stages of addressing this multi-year project to refresh this shared system.

Contacting Management

This financial report is designed to provide the School District's stakeholders with a general but more detailed overview of the School District's finances and to demonstrate increased accountability for the public funds received by the School District.

If you have questions about this financial report, please contact the Office of the Secretary–Treasurer/Chief Financial Officer at 604-939-9201.

You are encouraged to also review the Board's strategic vision and plan ***Directions 2020.***
http://www.sd43.bc.ca/Board/Vision/Documents/SD43Directions2020.Web.pdf

"To ensure quality learning opportunities for all students of all ages"

Achieve Student Success
Enhance Learning Through Technology
Foster a Sustainable Educational Organization

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