



**School District No. 46  
(Sunshine Coast)**

**Financial Statement  
Discussion and Analysis**

**For the Year Ended June 30, 2018**

**September, 2018**

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# Introduction

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The following is a discussion and analysis of the School District’s financial performance for the fiscal year ending June 30, 2018. 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.

## Overview

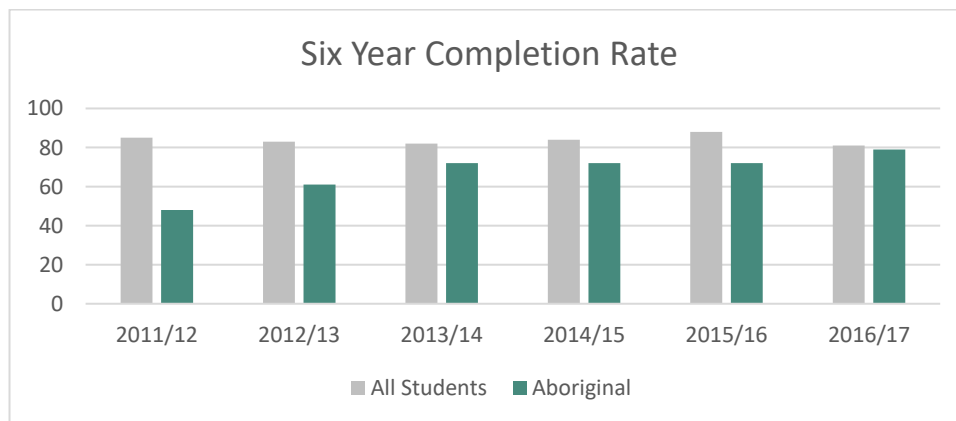
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During the year the Board of Education entered the third year of its four-year strategic plan; **Excellence in All We Do**. It is the fulfillment of strategic framework created through extensive community and stakeholder consultation and feedback; aligning a clear vision with integration throughout all areas of the organization.

Our financial discussion and outcome is framed by this vision with key outcomes achieved during the year overviewed below.

### Goal 1 – Our Students Excel

- Increased completion rates for Aboriginal students, approaching equivalent rates as the district as a whole.



- Continued the multi-year initiative of implementing the new revised curriculum which includes:
  - Communicating student learning outcomes
  - Improving the quality of educational services and student engagement
- Supported the careers programs with strategic investments in equipment and staffing
- Increased music program supports with the addition of instructional time for Elementary students.
- Supported coding initiatives that expose students to analytical thinking using technology
- Further supported Early Learning with the Circle of Security and iPals programs, and the redesign of KinderSPARK!

## Goal 2 – Our People Inspire

- Enhanced a comprehensive professional development program by adding offerings such as Collaborating About Math in Primary (CAMP).
- School educational leaders are building communities of leaders at the student and staff levels.
- Increased support for pilot projects to build organizational capacity supporting the integration of technology in the classroom.
- Enhanced Investment Revenues by more closely managing cash flows and maintaining larger balances in accounts and investments that generate higher rates of return.
- Contained utility expenditures through Energy Infrastructure improvements and shared service initiatives. These initiatives included the construction of the three largest photo-voltaic school solar projects in BC.
- Began a risk assessment process to assist in identifying and implementing key risk treatment strategies and monitoring procedures.
- Continued with an extensive review and update of administrative regulations, documenting and extending efficient practices.

## Goal 3 – We Embrace Our Community

- Implemented operations related to the Joint Use Agreement between the Sunshine Coast Regional District and the Board of Education that increases opportunities for both students and the community to access public assets
- Created and held the first annual Family Expo, providing outreach and support to the parent community.
- Increased International Education enrolment and revenues over the prior year.
- Partnerships with Vancouver Island University, Sunshine Coast Regional Economic Development Organization, community school societies, Hospice, and many more!

## Enrolment and Staffing

The operations of the School District are dependent on continued grant funding from the Ministry of Education primarily 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 are reflected below.

### Enrolment

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

	Last Year	Budget	Actual	Variance	
				vs. Last Year	vs. Budget
School Age	3,142.78	3,117.00	3,158.94	16.16	41.94
Adult	1.38	1.00	2.13	0.75	1.13
<b>Total</b>	<b>3,144.16</b>	<b>3,118.00</b>	<b>3,161.07</b>	<b>16.91</b>	<b>43.07</b>
				0.54%	1.38%

### Staffing

Staffing is the most significant operational expenditure of school districts. The Staffing budget is summarized in Full Time Equivalent (FTE) terms, as follows:

	Last Year	Current Year	Variance
Teachers (FTE)	194.95	203.76	8.81
Educational Assistants	71.72	75.68	3.96
Support Staff	60.557	60.75	0.193
Principals and Vice Principals	17	18	1
Other Professionals	14.6	14.6	0
<b>Total Staffing</b>	<b>358.827</b>	<b>372.79</b>	<b>13.963</b>

## Financial Highlights (Consolidated Summary)

91% 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. 3.6% of revenue is associated with the recognition of deferred capital revenue, and the balance through other revenue programs such as international education, services provided to School District No. 93, special purpose funding (eg: school generated funds), facility rental and lease income, and investment income.

81% of the School District's expenditures are associated with salaries and benefits. The balance of expenditures are related to amortization of capital assets and supplies and services including transportation, utilities, professional development and maintenance.

Description	Budget	Actual	Variance
Revenue	44,753,808	45,097,051	343,243
Expenses	46,789,451	43,779,250	(3,010,201)
Net Change for the Year	(2,035,643)	1,317,801	3,353,444

The Budget column reflects the planned use of a portion of the accumulated surplus and payments toward debt.

The Actual net change outcome occurs primarily as a result of unexpected revenue and underspend of expense budgets, some of which carry forward into the following year, such as school budgets and employment contract obligations.

Additional items that contribute to the current year's surplus are summarized below.

### Operating Accounts

Our actual financial outcome for the 2017/18 school year is consistent with expectations based on monthly Board reporting. The influences that contribute to our realized surplus include:

- Salary increments for administration that was below budgeted levels;
- Inability to hire several vacant EA, support staff, and exempt roles;
- Underspent benefit budgets due to the transition away from Medical Services Premiums, unfilled positions, and accounting estimates;
- Utility savings;
- Underspend of several district supplies accounts, and;
- Full retention of the budgeted contingency fund.

### Special Purpose Accounts

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.

### Capital Accounts

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

The School District announced that it will advance funds to support the business case documentation (PDR) for the expansion of West Sechelt Elementary.

### **Classroom Enhancement Fund – Funding for Restored Collective Agreement Language**

In January 2017, the Ministry of Education provided interim funding to school districts to begin to meet the obligations of the restored collective agreement language in the previous year. The \$357,132 provided to the district was utilized for the hiring of FTE teachers for the balance of the 2016/17 school year. Those funds were fully expended during the year.

In the 2017/18 year, these funds were renamed and combined with Teacher Learning Improvement Fund (LIF) grants to become the Classroom Enhancement Fund (CEF) and supplemented depending on actual collective agreement language in each school district. The amount that was initially provided to SD46 as a “Notional Amount” was \$4.1 million, which was later revised down to \$2.4 million by the Ministry of Education after closer review of school district contract language. The district petitioned the Ministry of Education and was successful in being granted a revised amount of \$3.1 million in CEF. These funds were fully expended to retain teachers previously hired using LIF and Priority Measures funding, hire additional teachers and cover related expenses during the year.



## Statement of Financial Position

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**Cash** increased \$0.8 million over the prior year due to increased deferred revenues and the current year surplus. Cash, held in the bank for current operational needs totals \$3.1 million in central accounts and \$0.5 million in school bank accounts. \$7.5 million is held on deposit with the Ministry of Finance and is available within 3 days if required. These deposits attract interest at 2.45% (as of June 30, 2018), comparable with one year or longer locked-in GIC rates. This cash is required to fulfill payment and liability obligations.

**Accounts Receivable** increase is primarily associated with draw claims from the Ministry of Education for capital work in progress.

**Accounts Payable and Other Liabilities** decreased by \$0.2 million and is comprised of the following:

	2018	2017
Trade payables	\$ 737,383	\$ 1,051,458
Salaries and benefits payable	2,429,768	2,367,845
Accrued vacation pay	404,152	400,443
	<u>\$ 3,571,303</u>	<u>\$ 3,819,746</u>

- The reduction in trade payables is due largely to a change in billing procedures from the district's transportation contractor.
- Salary and benefit accruals are largely associated with the number of unpaid days remaining in June and increased usage by teachers of the 12-month payment plan option.

**Unearned Revenue** is associated with deposits for both enhancements to Aboriginal Education and International Education tuition for subsequent years, received in advance.

**Deferred Revenues** consist of Special Purpose Fund balances deferred to subsequent years for the intended use.

**Deferred Capital Revenue** increased \$1.1 million, which is associated with the number of capital projects (primarily mechanical upgrades and annual programs).

**Tangible Capital Assets** increased \$1.35 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, Capital Funds and Special Funds. Each of these three funds are reviewed separately below.

### Statement of Operations – Operating Fund

#### Revenue

##### Ministry of Education Operating Grant Revenue

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
36,617,123	36,872,119	36,995,871	378,748 1.0%	123,752 0.3%

Grant Revenues were \$0.4 million higher than last year due to an increase in per student grant funding of \$122 as well as enrolment changes and other factors. The majority of the increase was intended to fund provincially negotiated labour rate increases.

Grant Revenues were \$0.1 million higher than budget due primarily to increased student enrolment funding related to the May 2018 enrolment counts.

Other Grant Revenues were higher than prior year and budget primarily due to increased student enrolment funding related Industry Training Authority (ITA) programs (Youth Train in Trades). The District also began accruing ITA revenue expected but not yet received.

#### Other Revenues

Other Revenues were above last year and amended budget due to higher interest and rental income, increased International Education enrolment, and the sale of surplus vehicles.

## Expenses

### Salaries

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
25,778,751	26,130,822	25,460,933	(317,818)	(669,889)
			-1.2%	-2.6%

Teacher Salary Expenses were lower than last year due to a greater demand for EAs and the promotion of a district teacher to a Principal position. Overall spending was lower than in previous years due to the uncertainty related to the Classroom Enhancement Fund. Principals and budget managers were increasingly wary of expending funds that might be denied mid-year by the Ministry of Education, without the ability to reduce staffing levels mid-year.

EA Salaries and Other Professional salaries were significantly lower than budget 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. Underspent substitute salaries relate primarily to contractual obligations which carry-forward into subsequent years.

### Benefits

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
6,156,053	6,511,255	6,009,181	(146,872)	(502,074)
			-2.4%	-7.7%

Actual expenses were lower than last year due to the reduction in MSP premiums (~\$150,000) and lower overall salary levels.

Actual expenses were lower than budget mostly due to the reduction in MSP premiums, underspent salary budgets due to unfilled positions (referenced above) and overestimates in benefit load rates.

## Services and Supplies

Services and supplies represent approximately 14% of the operating budget expenditures. In the aggregate, service and supply lines are primarily below budget due to underspending of provisional and carry-forward accounts.

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
5,055,287	6,812,341	5,015,940	(39,347)	(1,796,401)
			-0.8%	-26.4%

Services were \$160,000 lower than in the prior year due to reduced legal, consulting and unspent software license budgets. Student transportation was \$134,000 higher than previous years due the creation of student transportation budget allocations to schools, as well as contractual rate increases. Insurance costs increased due to premiums related to the Employment Practices Liability Program.

Actual expenses were lower than budget primarily due to unspent carry-forward budgets from prior years, which generally appear as restricted surplus items, especially as school budget surpluses. Utilities costs were lower than prior years and budget due primarily to the ongoing HVAC upgrades and solar projects, which reduce consumption.

## Capital Funds

### Major Capital Projects

There were no Major Capital projects in progress or initiated during the year.

### Supreme Court Canada Additional Space Funding:

Funding was provided for additional classroom spaces at Cedar Grove Elementary, Davis Bay Elementary and West Sechelt Elementary. These spaces were required as a result of additional classes required due to class size and composition language that was reinstated into the teacher collective agreement.

### School Enhancement Funded Projects (SEP)

- **Pender Harbour Elementary Secondary HVAC** – This small rural Elementary/Secondary school had its electric heating system upgraded with new air handling units and the installation of a solar array to reduce operating costs.
- **Davis Bay Elementary** – This mid-sized elementary school had its electric heating system upgraded with new air handling units and the installation of a solar array to reduce operating costs. The life-cycle costs will be significantly lower than an evaluated option to convert the school to natural gas-fired boilers.

### Project Development Reports (PDR)

The request for capital funding to expand West Sechelt Elementary has proceeded to the detailed Project Definition Report (PDR) stage and funds have been allocated to complete the report. This is a requirement to be considered for capital funding.

## Annual Facility Grant (AFG)

The Annual Facility Grant is funding provided by the Ministry of Education for designated school capital or maintenance upgrades. \$907,785 was provided by the Ministry of Education to fund the following projects in 2017/18.

- Roof section replacement: 4 schools
- Interior Renovation of Elphinstone Secondary
- Gym floor refinishes: 4 schools
- Door and window upgrades
- Duct cleaning and other minor upgrades

## Land Sales

There were no sales of land during the year.

## Accumulated Surplus (Operations)

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The School Board has established a Surplus Policy as part of its multi-year financial approach for stable and sustainable organization health. This policy provides direction to staff as to how restricted surplus funds are created and utilized in subsequent years. It also provides direction to staff regarding the process

### Unrestricted Surplus

In broad terms, the current year Unrestricted Surplus arises as follows;

- Underspend of Educational Assistant (EA) Budgets. Inability to recruit the budgeted number of EAs due to rising demand. This demand is created by additional Inclusive Education enrolment as well as increasing levels of support required to serve these students.
- The phased transition to the Employer Health Tax and away from the Medical Services Plan premiums has resulted in a savings in the current year which will be offset by overlapping payments in the 2019/20 year.
- Utilities savings and underspend of equipment replacement and other supplies budgets.
- Unexpected revenue, including investment income and property rentals.
- Anticipated use of \$350,000 prior year Restricted Surplus not required to balance budget. This added to Unrestricted Surplus at year end.

### School Supply Budgets Carry Forward

The 2017/18 school budget carry forward totals \$786,000 – an increase of \$190,000 from the prior year. The inability to fill many EA positions as well as uncertainty created by the Classroom Enhancement Fund were significant factors contributing to this increase. Because budget managers have less certainty around allocations they tend to be more conservative in their spending to address potential shortfalls in subsequent years.

### Other Restricted Surplus Items

Other reasons for the Restricted Surplus increase relate to planned use of surplus required to balance the 2018/19 budget, anticipated increase in employee health tax costs in the 2019/20 school year, and unbudgeted, unfunded increases in teacher extended health costs related to the provincially negotiated plan.

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

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There are several factors that could influence the District's stable and healthy financial situation during the 2018/19 school year and beyond.

## Organizational Capacity

Over the past number of years, exempt compensation freezes and inability to move administrative personnel to the appropriate level of compensation due to PSEC restrictions has resulted in difficulties with recruitment and retention of these key personnel. Further, the increase in overall teacher hiring across the province has made recruiting a greater challenge than in past years.

## Provincial Funding Model Review

The provincial government has initiated and will soon be completing a review of the funding allocation model. Although a review is certainly overdue, government has not committed any additional funds to support the initiative. This will result in a reallocation of funds between districts, with some "winning" and others "losing" scarce funds. Government has signaled a potential departure from the medical diagnosis model of funding allocation related to students with special needs, meaning there could be a departure from specific funding to address these student needs. In SD46, these funds comprise over 15% of operating grant revenues, which is much higher than most districts in the province

## Classroom Enhancement Fund/Restored Teacher Collective Agreement Language

BCPSEA and BCTF reached an agreement in the previous year on the 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 Size Provisions;
- Class Composition Provisions; and
- Process and Ancillary Language.

Interim funding was provided for this agreement during 2016/17 and annualized for 2017/18. In addition, the Education Fund (EF or LIF) is being repurposed into a Classroom Enhancement Fund.

The notional funding announced in June of 2018 for the 2017/18 year totaled \$2,979,870 million and is to be captured as a special purpose fund grant. The Ministry of Education has committed to this amount subject to verification of actual classroom organization and actual costs to be submitted in the Fall of 2018. Actual funding amounts remains uncertain as a result.

## Group Benefits

The costs of extended health and dental benefits associated with the provincially-negotiated plan has resulted in a doubling of costs in SD46 since its inception. This trend is likely to continue as teachers utilize benefit offerings and there is no ongoing provincial funding to address this expense.

## 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 West Sechelt, 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, except with operating funds.

### **Technology 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 and the framework for enhancing student learning and more real-time reporting on student progress is an important undertaking. MyEdBC student administration system requires enhancements in order to meet the ongoing needs for improved data and reporting.

## Contacting Management

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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 at 604-886-4484.

You are encouraged to also review the Board's strategic vision and plan **Excellence in All We Do**.  
<http://www.sd46.bc.ca/files/Community%20Info/StratPlanweb-use.pdf>



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