

# Financial Statements: Discussion and Analysis

The following Financial Statement Discussion and Analysis should be read in conjunction with the audited financial statements and accompanying notes for School District No. 42 (Maple Ridge – Pitt Meadows) for the year ended June 30, 2021.

The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations, that enhance the reader's understanding of the school district's financial statements and the factors that influenced the financial results presented in these statements.

While the preparation and presentation of the Financial Statement Discussion and Analysis is not a legislative requirement, the Financial Statement Discussion and Analysis is recommended by the Province of British Columbia's Ministry of Education.

The preparation of the Financial Statement Discussion and Analysis is the responsibility of school district management.

## ACCOUNTING POLICIES

The financial statements of School District No. 42 (Maple Ridge – Pitt Meadows) have been prepared in accordance with the Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

Significant accounting and reporting practices are summarized in Note 2 of the financial statements. These include the following:

- operating expenses are recorded in the year the good or service is received;
- operating grants are not restricted in use and are recorded as revenue when received or receivable;
- restricted contributions are recorded as deferred contributions until the funds are expended;
- contributions for capital projects are recorded as deferred capital contributions once they are invested in capital assets;
- capital assets and deferred capital contributions are amortized over the estimated useful life of the assets.

To meet reporting requirements the following funds are utilized:

**Operating fund** - The operating fund includes operating grants and other revenues used to fund instructional programs, school and district administration, facilities operations, maintenance, and transportation. In 2020/21, 95.78% of operating fund revenue came from the Ministry of Education and these grants are, for the most part, calculated on reported student enrolment.

**Special purpose funds** - Special purpose funds consist of targeted funding provided to the school district for a specific purpose. Pursuant to Sections 156(4) and (5) of the School Act, each special purpose fund must be accounted for in accordance with the terms of that special purpose fund. Treasury Board Restricted Contribution Regulation 198/2011, issued in November 2011, defines a restricted contribution as "a contribution that is subject to a legislative or contractual stipulation or restriction as to its use."

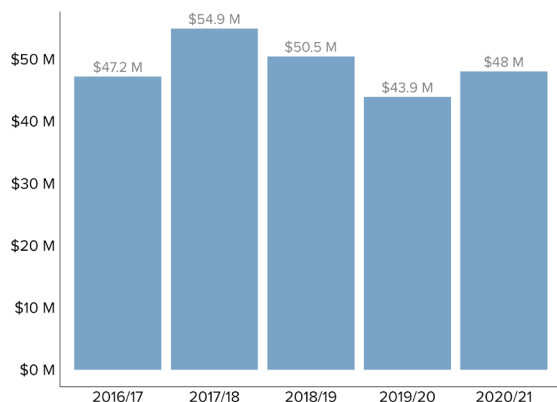
**Capital funds** - Capital funds include capital expenditures related to equipment and facility purchases as well as equipment and facility enhancements. The funding source of these purchases and enhancements determines to which capital fund the expenditures will be charged. Funding sources include Ministry of Education Bylaw Capital, Ministry of Education Restricted Capital, Other Provincially Restricted Capital, Land Capital as well as Local Capital.

## FINANCIAL ANALYSIS —ALL FUNDS

### FIVE-YEAR TREND – STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents have fluctuated over the last five years in conjunction with changes in accounts receivable, prepaid expenses, accounts payable, unearned revenue, and deferred revenue. At June 30, 2021, the school district reported \$48.02 M in cash and equivalents.

Cash and Cash Equivalents (\$ Millions)



Cash on hand does not represent funds available for new initiatives. The only available funds are the \$1.80 M balance in the Ministry of Education restricted capital fund, which can be used to fund new capital projects with the approval of the minister.

### LIQUIDITY

Liquidity, or the current ratio, is calculated as current assets divided by current liabilities. If the current ratio is greater than or equal to 1, then sufficient current assets are on hand to meet current liabilities. On the June 30, 2021 statement of financial position, the school district reported a current ratio of 1.33.

Liquidity (Current Ratio)



### CASH ASSET RATIO

The cash asset ratio is another tool to assess the ability of the district to meet its current obligations. The cash asset ratio equals cash and cash equivalents divided by current obligations to determine how quickly obligations can be met. At June 30, 2021, the school district had 95 percent of the cash and cash equivalents required to meet current obligations.

Cash and Cash Equivalents



The following is a detailed analysis of cash balances at June 30, 2021.

#### CASH BALANCES

##### Sources of Cash and Nature of Commitment

##### Ministry of Education Restricted Capital

Balance as at June 30, 2020 from financial statements	\$1,802,105
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<b>Total Available Ministry Restricted Capital</b>	<b>\$1,802,105</b>
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##### Local Capital

Balance as at June 30, 2021 from financial statements	\$6,180,966
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Restricted for specific capital purchases	(3,942,297)
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Contingency reserve for local capital	(2,238,669)
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<b>Total Available Local Capital</b>	<b>\$0</b>
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##### Accumulated Operating Surplus

Balance as at June 30, 2021 from financial statements	\$6,369,229
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Surplus used to fund expenditures in future years	(6,369,229)
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<b>Total Available Accumulated Operating Surplus</b>	<b>\$0</b>
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CASH ALLOCATION SUMMARY	
Total Cash and Investments	\$48,252,918
Net Working Capital Requirements	(16,282,751)
External restrictions (external contributions for a specific use)	
Deferred operating contributions – restricted for specific program delivery	(6,436,369)
Land capital – restricted for land purchases	(1,365,374)
Other provincial capital – restricted for specific capital projects	(793,309)
Long Term Liabilities - Employee Future Benefits	(8,991,842)
Accumulated remeasurement gains	(30,973)
<b>Cash and investments potentially available for cost sharing</b>	<b>\$14,352,300</b>
Cash and investments potentially available for cost sharing are made up of:	
Ministry of Education restricted capital	\$1,802,105
Local Capital restricted for specific purposes	6,180,966
Internally restricted accumulated operating surplus	6,369,229
<b>Total cash and investments potentially available for cost sharing</b>	<b>\$14,352,300</b>

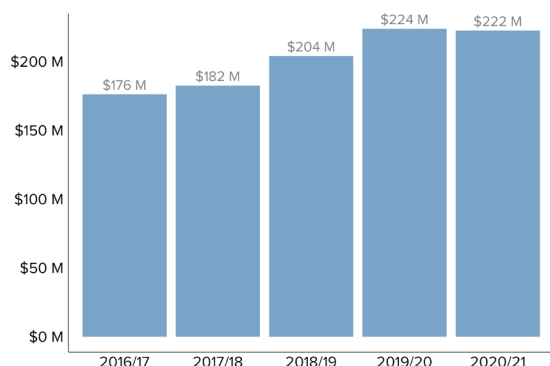
COMMITMENTS AND PRIORITIES	
Ministry of Education Restricted Capital	
Unallocated Ministry of Education restricted capital	\$1,802,105
<b>Total Ministry of Education Restricted Capital</b>	<b>\$1,802,105</b>
Local Capital	
Information technology	\$21,831
Emergency preparedness	24,336
School District contribution to Energy Management Plan projects	670,626
New classroom space	579,565
New schools	890,824
Childcare capital	65,000
Virtual boardroom	13,747
Facilities equipment and vehicles	178,873
IT capital plan	1,497,495
Contingency reserve for local capital	2,238,669
<b>Total Local Capital</b>	<b>\$6,180,966</b>
Land Capital	
Restricted for acquisition of eligible school sites	\$1,365,374
<b>Total Land Capital</b>	<b>\$1,365,374</b>

COMMITMENTS AND PRIORITIES	
Accumulated Appropriated Operating Surplus	
Targeted funding for indigenous education	\$217,481
Early Career Mentorship grant	335,000
Other grants	37,792
School budget balances	717,224
Contractual professional development	334,677
Financial provisions	100,000
Funds required to complete projects in process	18,944
Purchase order commitments	739,210
Holdback allocation - COVID-19 response	316,763
Board approved use of accumulated surplus	
COVID-19 response	
Health and safety	104,500
Enhanced cleaning and ventilation	450,481
Transitioning back to school	94,500
Support for school growth plans	
Early learning	62,346
Literacy	276,705
Numeracy	20,000
Supporting all learners – mentorship	8,043
Educational leadership – mentorship	10,317
Safe and caring schools	179,691
Fine arts	48,876
School clerical allocations	16,821
Social emotional learning	32,425
Secondary innovation	48,668
School teams	12,464
Support for operational plans	
Business systems implementation and upgrades	58,330
Human resources	144,096
Indigenous education	118,810
International education	97,187
IT infrastructure	170,000
IT planning and compliance support	37,000
Strategic facilities plan and sustainability plan	126,426
Succession planning	54,206
Learning services	
Instructional bank	250,000
Learning services summer assessments	22,745
Facilities renovations and new classroom set-up	199,551
Transportation	297,950
Contingency reserve for operating	610,000
<b>Total Accumulated Appropriated Operating Surplus</b>	<b>\$6,369,229</b>
<b>Total Commitments and Priorities</b>	<b>\$15,717,674</b>

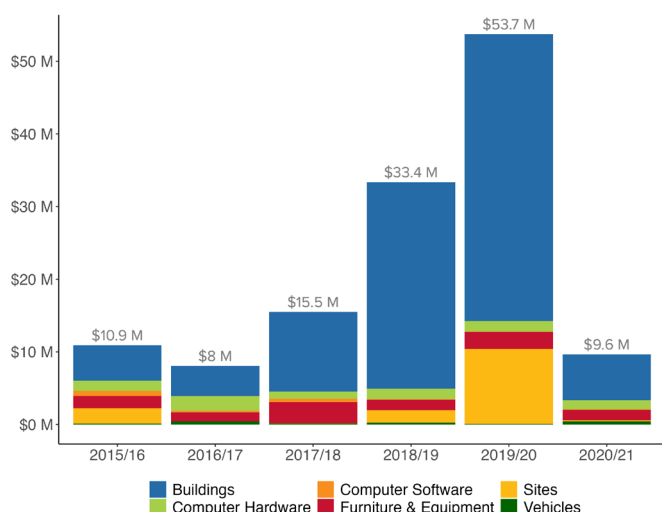
## TANGIBLE CAPITAL ASSETS

In addition to current assets and current liabilities, the statement of financial position reports the total tangible capital assets of the district.

Tangible Capital Assets (\$Millions)



The following chart shows capital asset additions by type; building additions are the most significant tangible capital asset addition in 2020/21.



Capital asset additions fluctuate from year to year based on the capital funding provided by the Ministry of Education as well as board approval of projects funded from local capital.

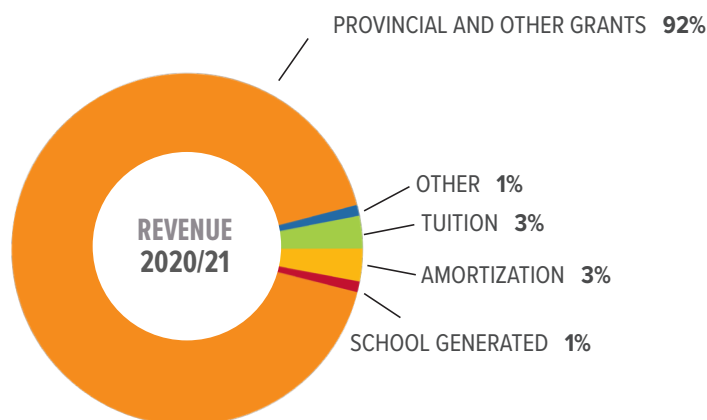
## LIABILITIES

Accounts payable and accrued liabilities are balances owing to others as at June 30, 2021. These balances have decreased from the prior year by \$3.14 M primarily due to the completion of a large capital project in 2019/20. Other liabilities include unearned revenue collected for tuition for the 2021/22 year (down \$1.93 M), deferred revenue for special purpose fund projects (down \$0.18 M) and employee future benefits for vested and non-vested sick leave benefits and early retirement and vacation benefits that will be paid in future years (down \$0.15 M). Deferred capital revenue is the total funds received and spent on capital projects and is being amortized annually at the same rate as the related capital assets (up \$3.83 M).

## FIVE-YEAR TREND – STATEMENT OF OPERATIONS

### REVENUE

While the school district receives revenue from many sources, the majority of revenue reported on the statement of operations comes from the Ministry of Education.

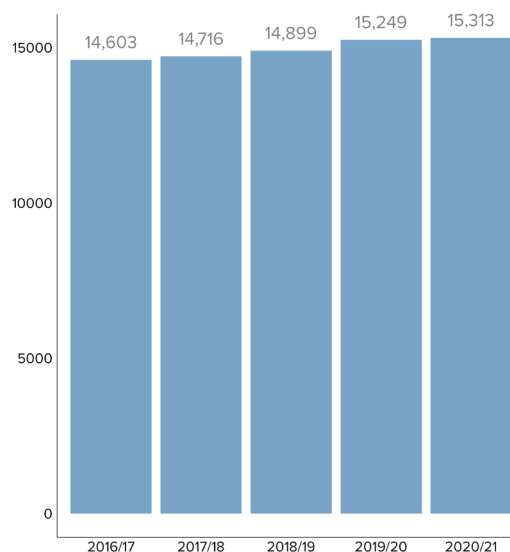


Tuition revenue comes from non-resident students attending schools in the district and school generated funds are the result of fundraising efforts at the school level. Amortization of deferred capital contributions is the accounting recognition of funding received from the provincial government for capital projects.

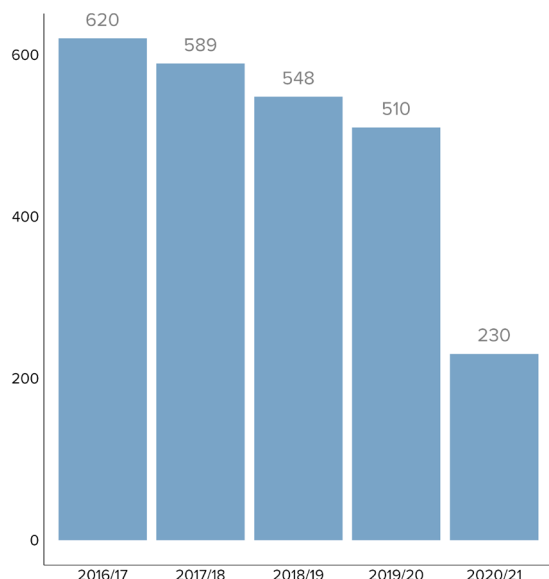
### CORRELATION BETWEEN STUDENT ENROLMENT AND REVENUE

The most significant source of revenue for the school district is grants from the Ministry of Education. The second most significant source of revenue is tuition from non-resident students. Both revenue sources are directly correlated to the number of students enrolled in the school district.

The enrolment history for regular, alternate, continuing education, distributed learning, summer school, and adult learners is presented in the following chart. Since 2016/17, Ministry of Education funded enrolment has increased by 710 full time equivalent (FTE) students.



The enrolment history for non-resident students is presented in the following chart. Since 2016/17, non-resident student enrolment has decreased by 390 full time equivalent (FTE). The 2020/21 enrolment of 230 FTE is a result of the travel restrictions imposed during the COVID-19 pandemic.

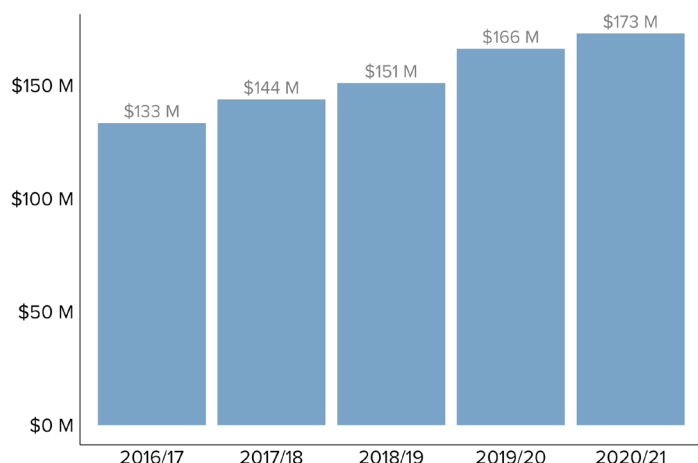


As Ministry of Education funded enrolment increases and school utilization reaches 100% across the school district, space available for non-resident students is reduced, which also contributes to the decline in non-resident student enrolment.

### REVENUE BY TYPE

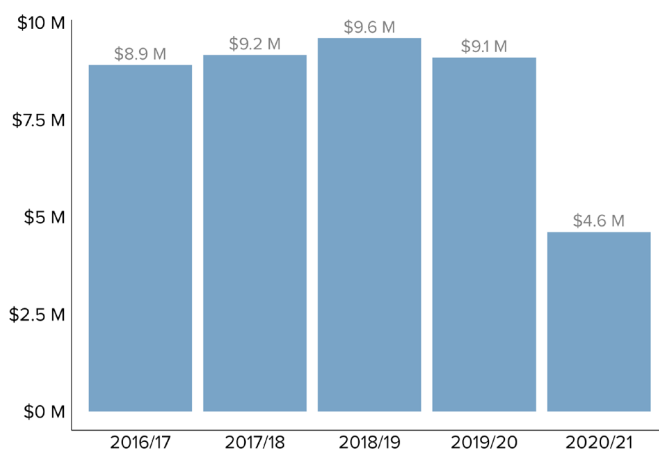
The following charts demonstrate the five-year trend of revenues reported on the statement of operations. All locally generated revenue streams have been negatively impacted by the restrictions in place during the COVID-19 pandemic.

#### Ministry of Education Operating Grants (\$Millions)



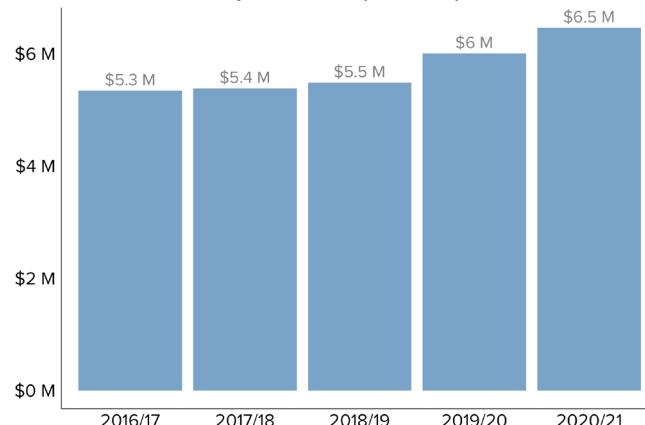
Ministry of Education grants are increasing as funded enrolment increases.

#### Tuition (\$ Millions)



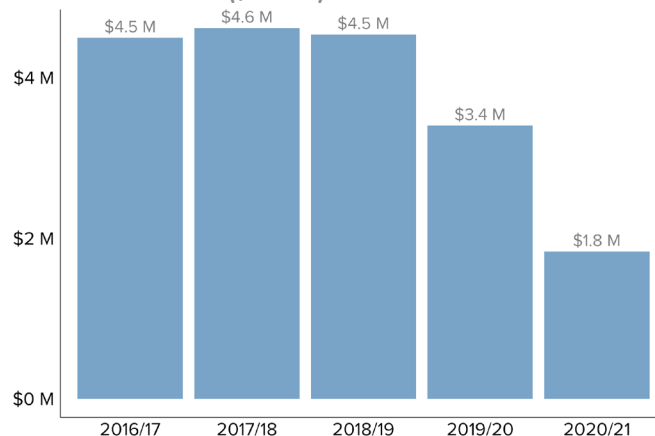
Tuition revenue increases as international student enrolment and tuition rates increase.

#### Amortization of Deferred Capital Revenue(\$ Millions)



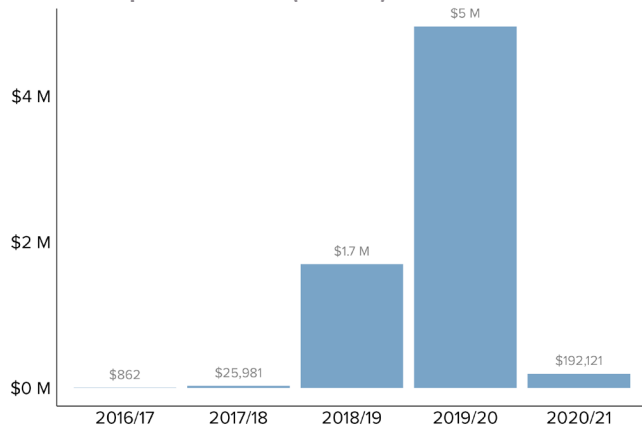
Amortization is non-cash revenue and is accounted for in accordance with the Restricted Contributions Regulation 197/2011 issued by the Treasury Board.

#### School Generated Funds (\$Millions)



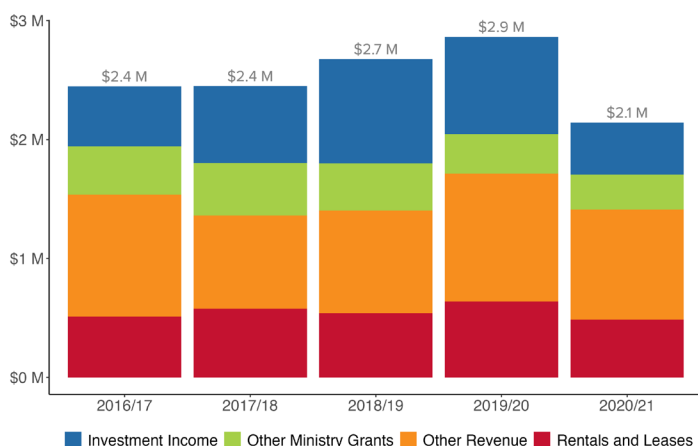
School generated funds are funds raised at the school level through fundraising, cafeteria sales, school store sales, and various other activities.

## School Site Acquisition Revenue (\$Millions)



School site acquisition charges are received as housing development occurs in our community and recognized as revenue when spent on site acquisitions.

## OTHER REVENUES

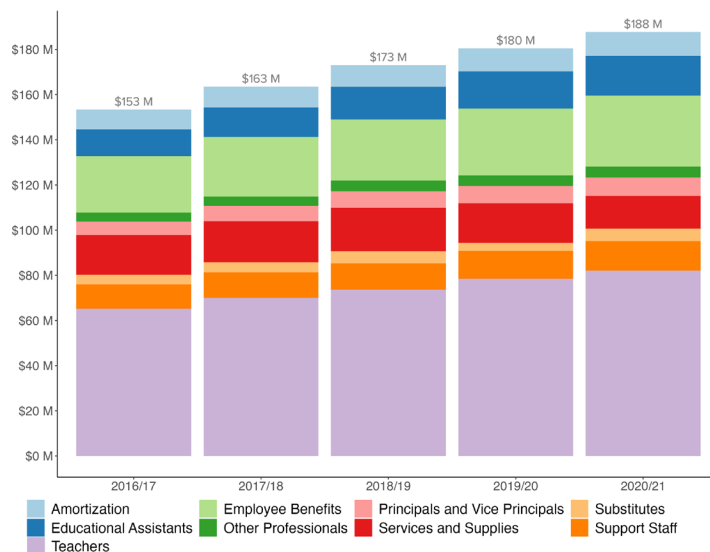


While investment income decreased due to lower interest rates earned on deposits with the Central Deposit System and rental income is lower due to limited availability of facilities, other grants and revenue are project specific.

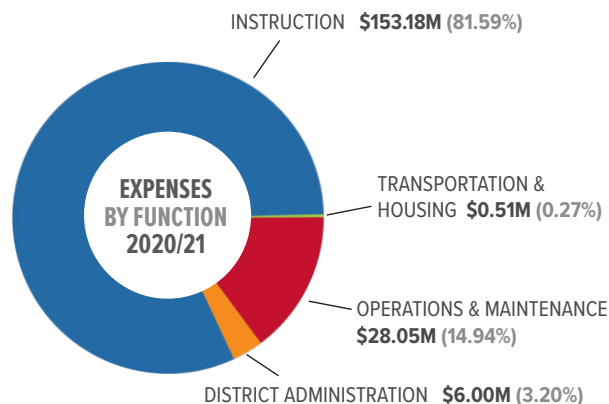
## EXPENSE

Expenses are reported in two formats: by object and by function. Expenses by object report the following categories: salaries and benefits, supplies and services, and amortization.

As demonstrated in the following chart, the most significant expense reported on the statement of operations is teacher salaries, followed by employee benefits for all employee groups.



Teacher salaries have increased as contractually negotiated salary increases were implemented. Also, the number of teachers has been increasing over the last five years as enrolment increased. Further, beginning in 2017, a significant number of teachers have been hired to support the implementation of the restored teachers' collective agreement language.



In addition to the increase in regular enrolment, as enrolment of students with special needs increased, more education assistants have been hired to provide services to these students.

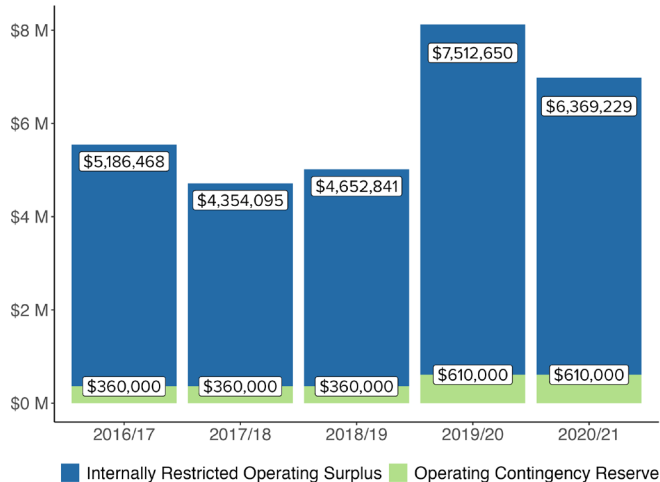
Expenses by function report the total amount spent in four major categories. Instruction comprises 81.59% of total expenses followed by operations and maintenance at 14.94%, district administration at 3.20%, and transportation and housing at 0.27% (it should be noted that, although this function is titled "transportation and housing," the school district does not incur any housing costs).

Instruction is the only function that has been increasing over the last five years. This is due to increased enrolment, the restoration of the teachers' collective agreement language, as well as board decisions to direct available resources to instruction.



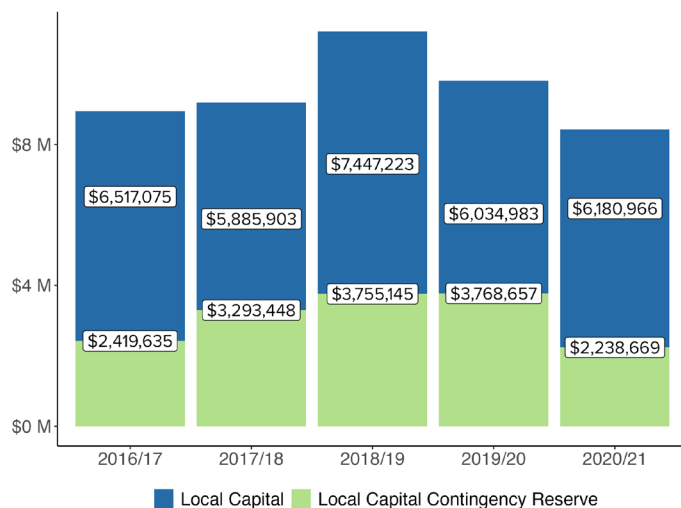
## FIVE YEAR TREND — FUND BALANCES

In addition to current liabilities shown on the statement of financial position, the school district has also made budget allocation commitments, which are included in the appropriated operating surplus on the schedule of operating operations (Schedule 2) and local capital surplus on the schedule of capital operations (Schedule 4). The following charts demonstrate the trend of these appropriations over the last five years.



The most significant component of internally restricted operating surplus is surplus carried forward to fund strategic plan supported initiatives in 2021/22 (\$2.29 M). The remainder is made up of funds for projects in progress (\$1.45 M), contractual commitments in future years (\$1.37 M), COVID-19 response (\$0.65 M), and the district's contingency reserve for operating (\$0.61 M).

The local capital balance contains amounts approved by the board for capital items, as well as the district's contingency reserve for local capital. Major projects identified for 2021/22 spending in local capital include the information technology capital plan (\$1.50 M), new schools and classroom space (\$1.47 M), energy management plan projects (\$0.67 M), and facility equipment and vehicle purchases (\$0.18 M).



## OPERATING FUND ANALYSIS

At June 30, 2021, there is \$6.37 M of restricted operating surplus and no unrestricted operating fund surplus. Details of this restricted surplus are outlined in the following table and Note 17 of the financial statements:

### INTERNALLY RESTRICTED OPERATING FUND SURPLUS

Targeted funding for indigenous education	\$217,481
Early Career Mentorship grant	335,000
Other grants	37,792
School budget balances	717,224
Contractual professional development	334,677
Financial provisions	100,000
Funds required to complete projects in process	18,944
Purchase order commitments	739,210
Holdback allocation - COVID-19 response	316,763
Board approved use of accumulated surplus	
COVID-19 response	
Health and safety	104,500
Enhanced cleaning and ventilation	450,481
Transitioning back to school	94,500
Support for school growth plans	
Early learning	62,346
Literacy	276,705
Numeracy	20,000
Supporting all learners – mentorship	8,043
Educational leadership – mentorship	10,317
Safe and caring schools	179,691
Fine arts	48,876
School clerical allocations	16,821
Social emotional learning	32,425
Secondary innovation	48,668
School teams	12,464
Support for operational plans	
Business systems implementation and upgrades	58,330
Human resources	144,096
Indigenous education	118,810
International education	97,187
IT infrastructure	170,000
IT planning and compliance support	37,000
Strategic facilities plan and sustainability plan	126,426
Succession planning	54,206
Learning services	
Instructional bank	250,000
Learning services summer assessments	22,745

INTERNALLY RESTRICTED OPERATING FUND SURPLUS	
Facilities renovations and new classroom set-up	199,551
Transportation	297,950
Contingency reserve for operating	610,000
<b>Total Accumulated Appropriated Operating Surplus</b>	<b>\$6,369,229</b>

Surplus is restricted when funds are received for a specific purpose which has not occurred by June 30, 2021, when funds are obligated by contract or policy to be carried forward, or by board decision guided by the district's strategic plan. Details on the 2021/22 Approved Preliminary Budget can be found at <https://www.sd42.ca/assets/media/2021-22-Preliminary-Budget-May-5-2021.pdf>.

### OPERATING FUND REVENUE

Operating fund revenue is \$1.07 M higher than estimated in the amended budget. The Ministry of Education's operating grant is \$0.74 M higher than budgeted. This is due to higher than budgeted February distributed learning enrolment and students with special needs enrolment and holdback allocations partially offset by lower than budgeted May continuing education enrolment. Funding for graduated adults is \$0.07 M higher than budgeted.

Tuition revenue is higher than budgeted by \$0.23 M, funding from First Nations is \$0.05 M higher than budgeted and other miscellaneous revenue is \$0.06 M higher than budget. Rentals and leases generated \$0.06 M less than anticipated.

### OPERATING FUND EXPENDITURES

Operating fund expenditures are \$5.31 M lower than estimated in the amended budget. Teacher salaries are \$0.31 M lower than budgeted due to vacancies (\$0.42 M) and lower than anticipated leaves and allowances (\$0.30 M) offset by higher than anticipated medical leaves (\$0.33 M) and salary increases for teachers funded under the Classroom Enhancement Fund (\$0.08 M).

Support staff salaries are \$0.34 M lower than budgeted due to lower than budgeted use of support banks and leaves (\$0.05 M), vacancies (lunch hour supervisors \$0.04 M, computer technicians \$0.01 M, and certificated support staff \$0.17 M), and lower than budgeted custodial staff cost primarily owed to cancellation of weekend rentals (\$0.07 M).

Other professional salaries are \$0.07 M lower than budget due to vacancies and timing of vacation time taken.

Substitute salaries are \$0.75 M lower than budgeted, primarily due to lower utilization of sick banks and departmental training budgets.

Employee benefits are \$0.88 M lower than budgeted due to the above-mentioned salary changes and the planned use of dental plan surpluses for benefit premium holidays (\$0.76 M).

Positive variances in services and supplies are partially offset by capital asset purchases or carried forward as appropriated surplus per board approval or contractual obligation.

Unspent budget allocations of note are in services (\$0.42 M), professional development and travel (\$0.57 M), and supplies (\$1.07 M). Utility savings (\$0.29 M) are due in part to warmer weather but are also a result of initiatives that were implemented as part of the energy management plan.

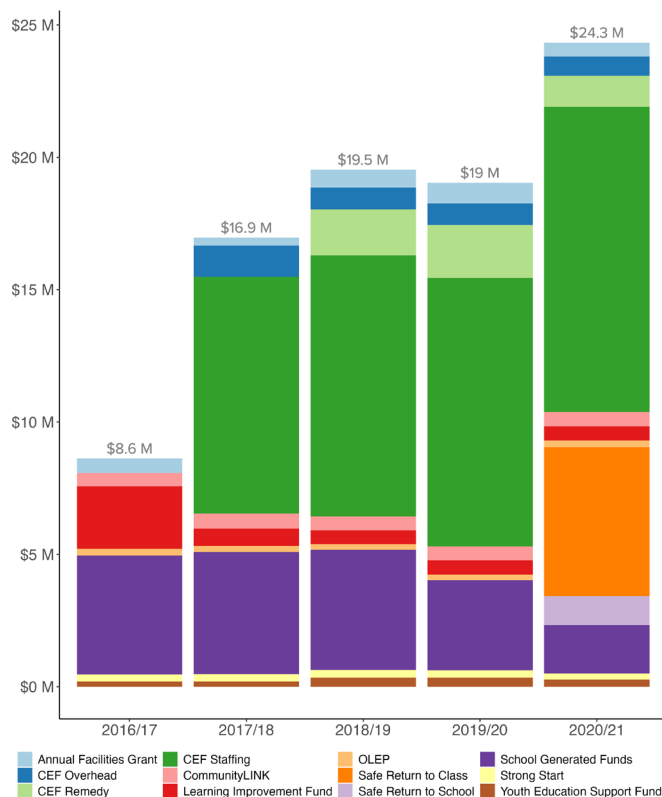
A transfer of \$0.69 M to the contingency reserve for local capital reflects available operating funds that will be used to replenish the contingency reserve for local capital as per board policy.

### SPECIAL PURPOSE FUNDS ANALYSIS

Special purpose funds include funds received from the Ministry of Education or other sources that have been designated for specific purposes. During 2020/21, \$24.62 M in special purpose fund contributions were received and \$24.44 M was spent (see Schedule 3A).

As at June 30, 2021, \$1.57 M in special purpose funds remain available for expenditures in future years for designated purposes. Major special purpose funds include Classroom Enhancement, School Generated, Annual Facilities Grant, Youth Education Support and Community Link.

Special purpose fund expenses are contingent on the amount of revenue received for the purpose of providing a specific service or program. The chart below shows the special purpose funds of the school district and how they have changed in the last five years. The most significant change is the introduction in 2017/18 of the classroom enhancement funds. These funds replace the 2016/17 priority measures fund and the teacher's portion of the learning improvement fund. In 2020/21, two additional funds were introduced: the Federal Safe Return to Class grant and the Provincial Safe Return to School grant.





COVID-19 restrictions resulted in school generated fund revenue decreasing from \$3.16 M in 2019/20 to \$1.86 M in 2020/21. The areas most significantly impacted were field trips (-\$0.42 M), sports teams (-\$0.38 M), school-based programs and clubs (-\$0.25 M), graduation activities (-\$0.07 M), school cafeterias (-\$0.06 M), supplies (-\$0.06 M) and school stores (-\$0.05 M).

### **PROVINCIAL SAFE RETURN TO SCHOOL AND FEDERAL SAFE RETURN TO CLASS GRANTS**

On March 17, 2020, in response to the COVID-19 pandemic and under the direction of the Provincial Health Officer, the Provincial Government directed all K-12 public and independent schools to immediately suspend in-class instruction. Effective June 1, 2020, students in kindergarten to Grade 5 returned to in-class learning on a part-time basis and students in grades 6 to 12 were given access to in-class learning as needed on a part-time basis. For the 2020/21 school year, all grades returned to in-class learning with a small number of students choosing to continue their studies remotely.

The BC Centre for Disease Control released public health guidance for schools and school districts to prevent the transmission of COVID-19 and maintain a safe and healthy environment for students, families, and staff. Also, WorkSafeBC provided protocols to support safe workplace operations during the COVID-19 pandemic.

The school district implemented the health and safety measures required to ensure a safe and healthy environment for students, families, and staff. New safety plans were developed and rolled out and staff have been trained on the new health and safety protocols.

To support these initiatives, the Provincial Safe Return to School Grant and the Federal Safe Return to Class grant were received. The spending of these special purpose fund grants is summarized as follows.

PROVINCIAL SAFE RETURN TO SCHOOL GRANT	
Cleaning frequency	
Additional custodians	\$580,026
Hand hygiene	
Touchless faucets and hand sanitizer stands	153,354
Portable sinks	77,900
Cleaning supplies	
Paper towels, soap, disinfectant, disinfecting wipes	128,615
Reusable face masks and shields	
Reusable masks for students and staff	59,056
Computers and assistive technology	
69 laptops and 104 iPads to support remote learning	85,451
<b>Total grant</b>	<b>\$1,084,402</b>

FEDERAL SAFE RETURN TO CLASS GRANT	
Health and safety	
Health and safety committee meetings	\$22,169
Health and safety committee training	51,844
Mental health first aid training	27,913
Secondary timetabling	138,096
Disability management administrator	67,604
Additional noon hour supervisors	118,099
Increased use of sick leave	222,126
Respirators and fit testing	11,136
Face shields, masks, gloves	101,594
Signage	32,829
Plexiglass	38,102
Ventilation enhancements	217,238
Fairview Elementary HVAC upgrade	299,029
Laityview Elementary HVAC upgrade	283,698
Alouette Elementary HVAC upgrade	322,921
Harry Hooze Elementary HVAC upgrade	223,530
Samuel Robertson Technical School HVAC upgrade	596,192
Cleaning supplies	97,145
Sink mats	26,621
0.5 FTE plumber	42,204
Touchless faucets	38,808
Custodial replacement costs	66,623
Custodial equipment	84,516
Hand sanitizer	62,408
<b>Health and safety total</b>	<b>3,192,445</b>
Transportation	
3 additional contracted buses	134,976
Enhanced cleaning of school buses	33,880
<b>Transportation total</b>	<b>168,856</b>
Learning resources and supports	
Katzie school site	299,838
Odyssey program enhanced staffing	127,234
Remote learning	
19 FTE teachers and 5 FTE support staff	1,662,451
Learning resources, technology and desks	188,673
<b>Learning resources and supports total</b>	<b>2,278,196</b>
<b>Total</b>	<b>\$5,639,497</b>

### **CAPITAL FUND ANALYSIS**

The net value of capital assets (historical cost less accumulated amortization) is \$222.46 M as at June 30, 2021 (see Schedule 4A). Of this amount, \$41.55 M represents net investment in sites, \$168.40 M in buildings and \$12.50 M in furniture, and equipment, vehicles and, computer software, and computer hardware. These net costs represent the historical cost net of accumulated amortization of all School District 42 capital assets; they do not reflect current market value.

During 2020/21, grants from the Ministry of Education for bylaw capital projects totaled \$2.67 M (see Schedule 4D).

At June 30, 2021, \$1.35 M has been spent on capital building projects in progress (see Schedule 4B) as follows:

- Childcare capital projects (\$0.76 M)
- Annual Facility Grant funded projects (\$0.05 M)
- Maple Ridge Secondary Annex capital project fact sheet (\$0.18 M)
- Eric Langton Elementary project definition report (\$0.17 M)
- Pitt Meadows Secondary project definition report (\$0.18 M)
- New classrooms setup (\$0.01 M)

During 2020/21, \$6.32 M was spent on completed capital building projects. Some of the 2020/21 completed capital projects are:

- Roofing upgrades at Highland Park Elementary (\$0.63 M), Pitt Meadows Elementary (\$0.27 M), Maple Ridge Elementary (\$0.24 M), Fairview Elementary (\$0.08 M), and Glenwood Elementary (\$0.03 M)
- Caspene Elementary (\$0.41 M)
- Portable at Glenwood Elementary (\$0.34 M)
- Boiler upgrades at Pitt Meadows Elementary (\$0.34 M), Davie Jones Elementary (\$0.33 M), Alouette Elementary (\$0.33 M) and Glenwood Elementary (\$0.33 M)
- HVAC upgrades at Fairview Elementary (0.30 M), Laity View Elementary (\$0.28 M), Alouette Elementary (\$0.32 M), Highland Park Elementary (\$0.22 M), Samuel Robertson Technical Secondary (\$0.60 M), and other various sites (\$0.33 M)
- Anti-vandalism, fire alarms, lighting, and other projects (\$0.30 M)
- Flooring upgrades (\$0.19 M)
- Bleachers at Westview Secondary (\$0.13 M)
- Generator at Whonnock Elementary (\$0.12 M)
- Paving projects (\$0.09 M)
- Energy management plan projects
  - Natural gas consumption reduction (\$0.01 M) at Albion Elementary, Glenwood Elementary and Highland Park Elementary
  - HVAC at Pitt Meadows Elementary (\$0.04 M)
  - Lighting upgrade at Riverside Centre (\$0.01 M)

The most significant vehicle purchase was for a school bus pursuant to the First Nation Transportation Agreement (\$0.14 M), title for which was immediately transferred to the Katzie First Nation under a ten-year student transportation agreement for Katzie First Nation students attending Maple Ridge/Pitt Meadows schools. The most substantial equipment purchase was for the new playground at Maple Ridge Elementary (\$0.13 M).

The Ministry of Education Restricted Capital Fund balance is \$1.80 M at June 30, 2021 (see Schedule 4D) and has not been identified for any specific projects.

Other Provincial Capital totals \$0.79 M at June 30, 2021 (see Schedule 4D) and represents Ministry of Children and Family Development funding for a new childcare facility in Pitt Meadows.

The Land Capital Restricted Fund (school site acquisition charges) received contributions and interest in 2020/21 of \$0.24 M, while \$0.19 M was spent on the purchase of a new school site in the Albion area of Maple Ridge. The fund ended the year with a balance of \$1.37 M (see Schedule 4D).

## LOCAL CAPITAL

The board's local capital fund is comprised of previous years' available operating surpluses, which are transferred to Local Capital with board approval and proceeds from the disposal of land.

Capital asset additions funded locally are reported in the local capital fund. In the current year, locally funded projects include new classroom setup (\$0.35 M), the Eric Langton elementary project definition report (\$0.17 M), the Pitt Meadows Secondary project definition report (\$0.18 M), energy management plan projects (\$0.05 M), the online parent portal (\$0.04 M) and the virtual boardroom (\$0.01 M). The local capital fund also contains the capital portion of the contingency reserve.

The table below details the Board approved uses of local capital for 2021/22.

LOCAL CAPITAL (\$ millions)	
Board Approved Uses of Local Capital	
Information technology plan	\$1.50
Energy management plan	0.67
New schools	0.89
New classrooms space	0.29
Maple Ridge Secondary annex	0.29
Facilities vehicles and equipment replacement	0.18
Childcare capital	0.07
Parent portal	0.02
Emergency preparedness	0.02
Virtual boardroom	0.01
<b>Total Board Approved Uses</b>	<b>3.94</b>
Contingency reserve for local capital	2.24
<b>Total local capital fund</b>	<b>\$6.18</b>

## CONTINGENCY RESERVE

The Board of Education is responsible for ensuring the district is protected financially from extraordinary circumstances that would negatively impact school district operations and the education of students. To discharge this responsibility, the board has established a contingency reserve from available operating surplus, which will be used to mitigate any negative impact such circumstances might cause.

Board policy 4204 Contingency Reserve requires that the district maintain a reserve of at least 1% and not exceeding 3% of operating expenditures. At June 30, 2021, the contingency reserve of \$2.85 M (\$0.61 M operating and \$2.24 M local capital) represents 1.82% of 2020/21 budgeted operating expenditures.

## **RISKS AND UNCERTAINTIES**

### **IMPLEMENTATION OF RESTORED COLLECTIVE AGREEMENT LANGUAGE**

On November 10, 2016, the Supreme Court of Canada (SCC) issued its decision in the longstanding litigation between the BCTF and the B.C. government regarding the deletion of certain BCPSEA – BCTF collective agreement provisions. On January 11, 2017, the Ministry of Education, the BC Public Schools Employers Association and the BC Teachers Federation signed a Memorandum of Agreement re: Letter of Understanding (LoU) No. 17: Education Fund and Impact of the Court Cases – Priority Measures as the first step in responding to the decision of the Supreme Court of Canada. On March 10, 2017, the Ministry of Education, the BC Public Schools Employers Association and the BC Teachers Federation ratified a Memorandum of Agreement pursuant to Letter of Understanding (LoU) No. 17 (“the MoA”), to the 2013-2019 BCPSEA–BCTF Provincial Collective Agreement. The Memorandum of Agreement fully and finally resolves all matters related to the implementation of the Supreme Court of Canada decision from the fall of 2016. Since March 2017, steps have been taken by School District No. 42 to ensure the terms agreed to in the Memorandum of Agreement pursuant to Letter of Understanding (LoU) No. 17 (“the MoA”) are implemented for the 2017/18 through to the 2020/21 school year. For 2021/22, additional funding of \$11.11 M has been approved by the Ministry of Education to offset the costs related to the implementation of the MoA. This will result in additional teacher salaries and benefits (\$10.38 M) and related overhead costs (\$0.73 M) for the upcoming year. It is anticipated that this additional revenue will not cover all costs related to implementation (e.g. remedy costs could be over \$1 M and are not included in the funding announced), which is a significant risk to the financial position of the school district. Stringent oversight and analysis will be implemented to understand, communicate, and mitigate the financial risks associated with this continued implementation.

### **ENROLMENT AND STAFFING GROWTH**

With the implementation of the MoA resulting in smaller class sizes, a greater number of teacher FTE will need to be added than would previously have been required. As the district grows, additional classroom space will need to be created. This growth brings with it a financial risk in how to provide these additional resources under the current Ministry of Education funding envelope.

## **CAPITAL PROJECTS**

Due to their magnitude, capital projects have the potential to significantly impact the financial position of the district. There is no process to assess the risk of the entire capital program; individual project risk assessments must be done on a continuous basis. Project agreements with the Ministry of Education contain contingencies to mitigate financial risk. Smaller projects consider contingency requirements when building the overall project budget and are managed internally. Finally, the contingency reserve for local capital of \$2.24 M is available to mitigate risk for capital projects.

## **OTHER ASSETS**

Existing school district budget allocations are not enough to support the procurement, maintenance, or timely replacement of school district assets. This means that IT hardware is not refreshed on a regular basis, the deferred maintenance for School District No. 42 facilities continues to grow and the facility condition index for school district facilities continues to deteriorate. Any major equipment failures during 2021/22 must be funded from the contingency reserve.

## **COVID-19**

While it is likely that some of the existing health and safety measures will continue into the 2021/22 school year, their financial impact cannot be estimated at this time. If the financial impact is greater than amounts already provided for in the 2021/22 preliminary budget, the operating contingency reserve of \$0.61 M and the contingency for local capital of \$2.24 M are available to mitigate this risk.