



FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS SCHOOL DISTRICT NO. 42 (MAPLE RIDGE – PITT MEADOWS) JUNE 30, 2019

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FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS

SCHOOL DISTRICT NO. 42 (MAPLE RIDGE – PITT MEADOWS)

JUNE 30, 2019

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, 2019.

The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations which enhance the reader's understanding of the school district's financial statements as well as 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 the management of the school district.

DISTRICT OVERVIEW

The Maple Ridge – Pitt Meadows School District meets the learning needs of approximately 15,000 students of all ages and is defined by its determination to keep student learning and growth at the heart of all its decisions. The district serves 22 elementary schools and 6 secondary schools.

All decisions made by the Maple Ridge – Pitt Meadows School District are guided by its vision and core values and are based on research and consultation. Similarly, the district's initiatives and resources are aligned to support its firm commitment to fostering a culture of care and belonging where the well-being and success of all learners is supported; providing intentional support for a growth mindset, collaboration, interdependence, and staff development; and being a forward thinking, research-based, ethical, effective, efficient, sustainable and connected organization.

The Maple Ridge – Pitt Meadows School District, established on April 12, 1946, operates under the authority of the School Act of British Columbia as a corporation under the name "The Board of Education of School District No. 42 (Maple Ridge – Pitt Meadows)", and operates as "School District No. 42 (Maple Ridge – Pitt Meadows)" or "Maple Ridge – Pitt Meadows School District". A board of education, elected for a four-year term, governs the school district. The school district provides educational programs to students enrolled in schools in the school district and is principally funded by the Province of British Columbia through the Ministry of Education. The school district is exempt from federal and provincial corporate income taxes.

ACCOUNTING POLICIES

The consolidated financial statements 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.

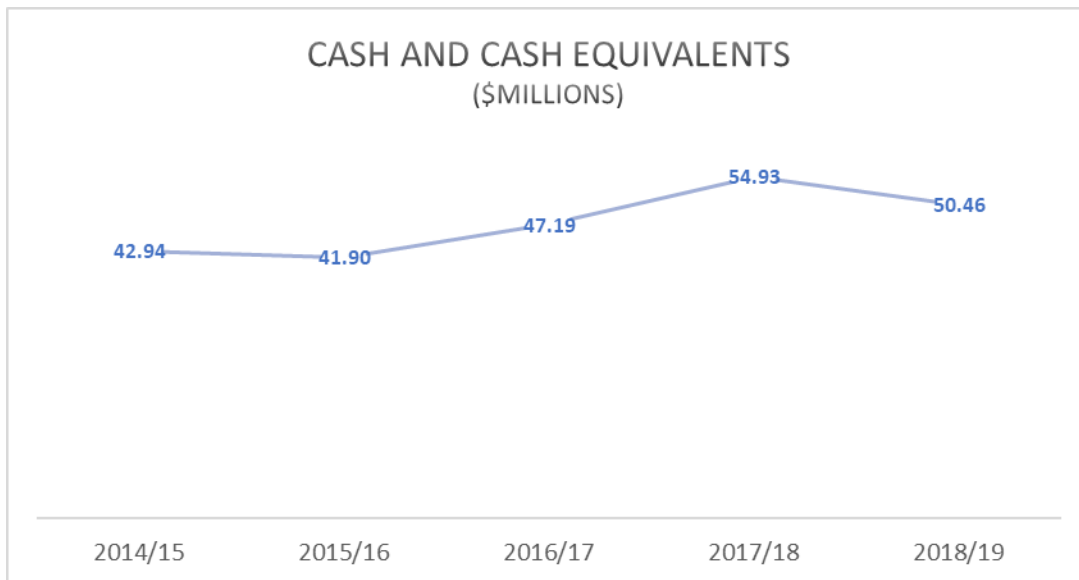
To meet reporting requirements the following funds are utilized:

- **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. 91.73% of operating fund revenue comes 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 facilities purchases as well as equipment and facilities 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

FIVE YEAR TREND – STATEMENT OF FINANCIAL POSITION

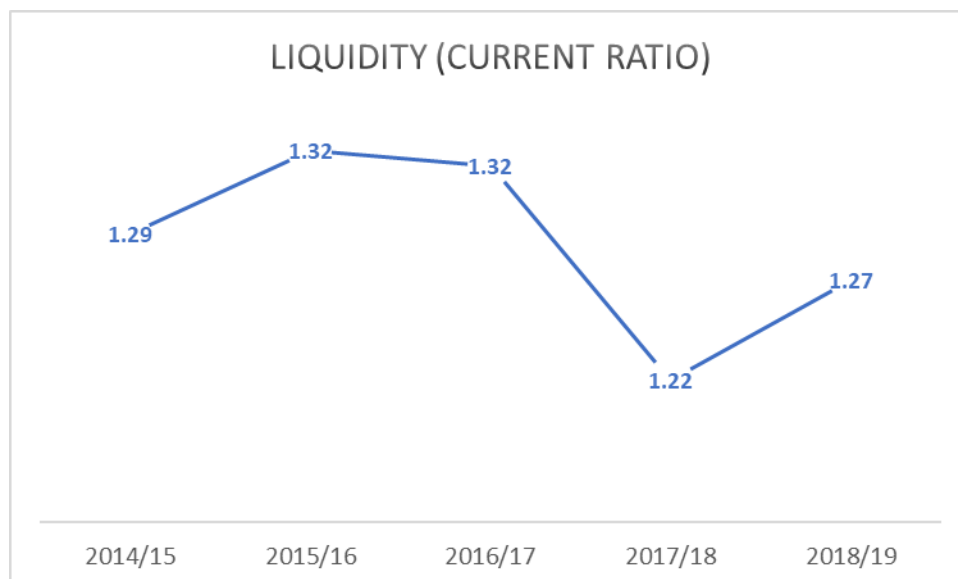
Cash and cash equivalents have fluctuated over the last five years in conjunction with changes in accounts payable, unearned revenue and deferred revenue. At June 30, 2019 the school district reported \$50.46 M in cash and equivalents.



Cash on hand does not represent funds available for new initiatives. The only available funds are the \$1.50 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.

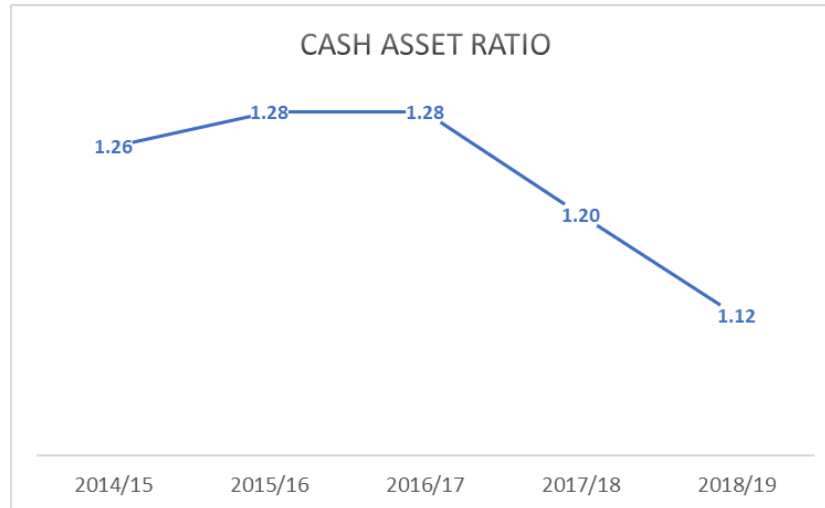
LIQUIDITY

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, 2019 statement of financial position, the school district reported a current ratio of 1.27.



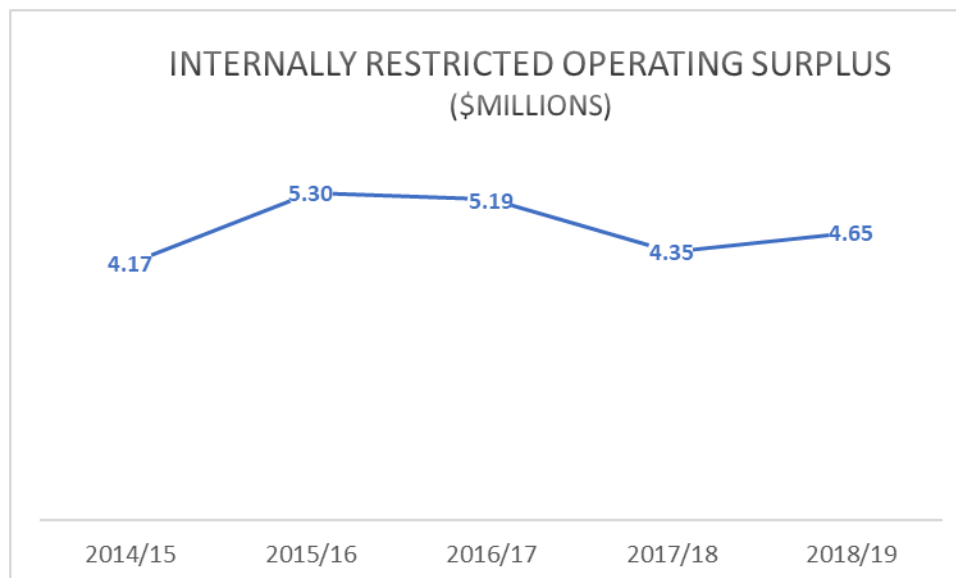
CASH ASSET RATIO

The cash asset ratio is another tool to assess the ability of the district to meet its current liabilities. The cash asset ratio equals cash and cash equivalents divided by current liabilities to determine how quickly obligations can be met. At June 30, 2019 the school district had 112 percent of the cash and cash equivalents required to meet current liabilities.



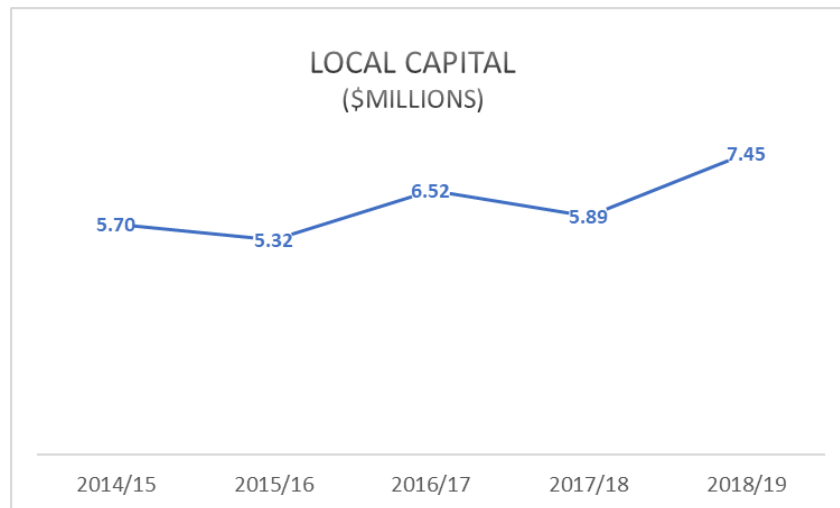
FUND BALANCE

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 specific items in the 2019/20 budget (\$1.67 M). The remainder is made up of contractual commitments in future years (\$2.62 M) and the district's contingency reserve for operating (\$0.36 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.



The following is a detailed analysis of cash balances at June 30, 2019.

CASH BALANCES

Sources of Cash and Nature of Commitment

Cash potentially available for new initiatives

Ministry of Education Restricted Capital

| | |
|---|--------------|
| Balance as at June 30, 2019 from financial statements | \$ 1,499,597 |
|---|--------------|

Total Available Ministry Restricted Capital

| | |
|--|---------------------|
| | \$ 1,499,597 |
|--|---------------------|

Local Capital

| | |
|---|--------------|
| Balance as at June 30, 2019 from financial statements | \$ 7,447,223 |
|---|--------------|

| | |
|---|-------------|
| Restricted for specific capital purchases | (3,692,078) |
|---|-------------|

| | |
|---------------------------------------|-------------|
| Contingency reserve for local capital | (3,755,145) |
|---------------------------------------|-------------|

Total Available Local Capital

| | |
|--|-------------|
| | \$ 0 |
|--|-------------|

Accumulated Operating Surplus

| | |
|---|--------------|
| Balance as at June 30, 2019 from financial statements | \$ 4,652,841 |
|---|--------------|

| | |
|---|---------------|
| Surplus used to fund expenditures in future years | (\$4,652,841) |
|---|---------------|

Total Available Accumulated Operating Surplus

| | |
|--|-------------|
| | \$ 0 |
|--|-------------|

CASH ALLOCATION SUMMARY

| | |
|----------------------------|---------------|
| Total Cash and Investments | \$ 50,716,675 |
|----------------------------|---------------|

| | |
|----------------------------------|--------------|
| Net Working Capital Requirements | (13,700,842) |
|----------------------------------|--------------|

External restrictions (external contributions for a specific use)

| | |
|---|-------------|
| Deferred operating contributions – restricted for specific program delivery | (7,610,103) |
|---|-------------|

| | |
|--|---|
| Provincial capital funding received but not yet spent – for current projects | 0 |
|--|---|

| | |
|--|-------------|
| Land capital – restricted for land purchases | (5,748,701) |
|--|-------------|

| | |
|---|-------------|
| Other provincial capital – restricted for specific capital projects | (1,743,632) |
|---|-------------|

| | |
|--|-------------|
| Long Term Liabilities - Employee Future Benefits | (8,313,736) |
|--|-------------|

| | |
|--|----------------------|
| Cash and investments potentially available for cost sharing | \$ 13,599,661 |
|--|----------------------|

CASH ALLOCATION SUMMARY (continued)

Cash and investments potentially available for cost sharing are made up of:

| | |
|--|----------------------|
| Ministry of Education restricted capital | \$ 1,499,597 |
| Local Capital restricted for specific purposes | 7,447,223 |
| Internally restricted accumulated operating surplus | 4,652,841 |
| Total cash and investments potentially available for cost sharing | \$ 13,599,661 |

COMMITMENTS AND PRIORITIES

Ministry of Education Restricted Capital

| | |
|--|--------------|
| Unallocated Ministry of Education restricted capital | \$ 1,499,597 |
|--|--------------|

| | |
|---|---------------------|
| Total Ministry of Education Restricted Capital | \$ 1,499,597 |
|---|---------------------|

Local Capital

| | |
|---|-----------|
| Information technology | \$ 65,000 |
| Emergency preparedness | 91,896 |
| School District contribution to Energy Management Plan projects | 1,373,861 |
| Succession planning | 30,000 |
| Classroom modifications and furniture for future enrolment growth | 670,636 |
| New schools | 1,107,220 |
| Maple Ridge Secondary Annex | 353,465 |
| Contingency reserve for local capital | 3,755,145 |

| | |
|----------------------------|---------------------|
| Total Local Capital | \$ 7,447,223 |
|----------------------------|---------------------|

Land Capital

| | |
|---|--------------|
| Restricted for acquisition of eligible school sites | \$ 5,748,701 |
|---|--------------|

| | |
|---------------------------|---------------------|
| Total Land Capital | \$ 5,748,701 |
|---------------------------|---------------------|

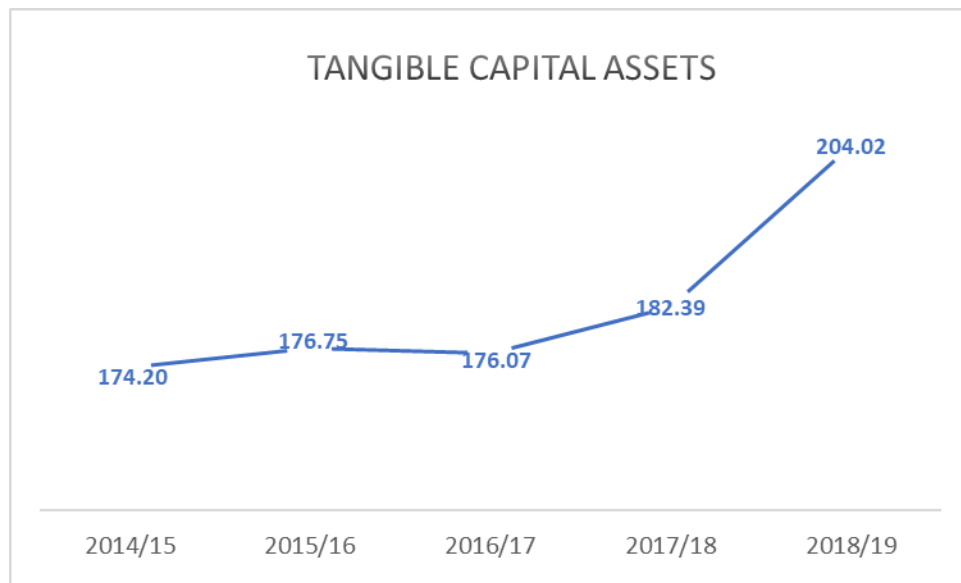
Accumulated Appropriated Operating Surplus

| | |
|--|-----------|
| Targeted funding for aboriginal education | \$ 75,137 |
| School budget balances | 573,985 |
| Contractual professional development | 220,301 |
| Financial provisions | 100,000 |
| Funds required to complete projects in process | 698,801 |
| Facilities renovations and new classroom set-up | 459,350 |
| Purchase order commitments | 503,976 |
| Use of accumulated surplus to fund 2019/20 operating budget: | |
| Succession planning | 488,346 |
| Support for operational plans | 95,585 |
| Support for school growth plans | 669,998 |
| Learning services | 350,962 |
| Increased cost of benefits | 56,400 |
| Contingency reserve for operating | 360,000 |

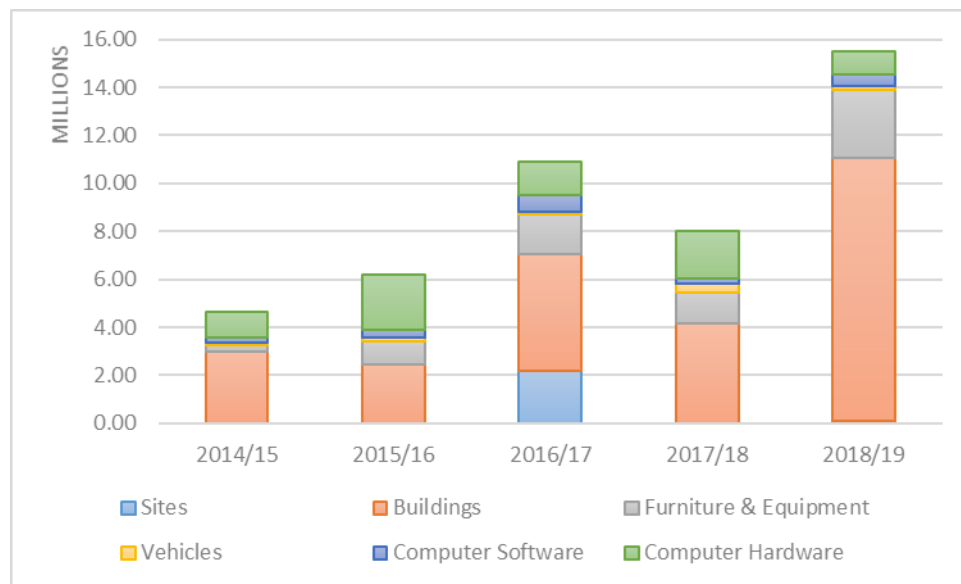
| | |
|---|---------------------|
| Total Accumulated Appropriated Operating Surplus | \$ 4,652,841 |
|---|---------------------|

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.



As the following chart shows capital assets additions by type and building additions are the most significant tangible capital asset addition in 2018/19 due to the construction of a new elementary school in the Albion area of Maple Ridge.



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 local capital projects.

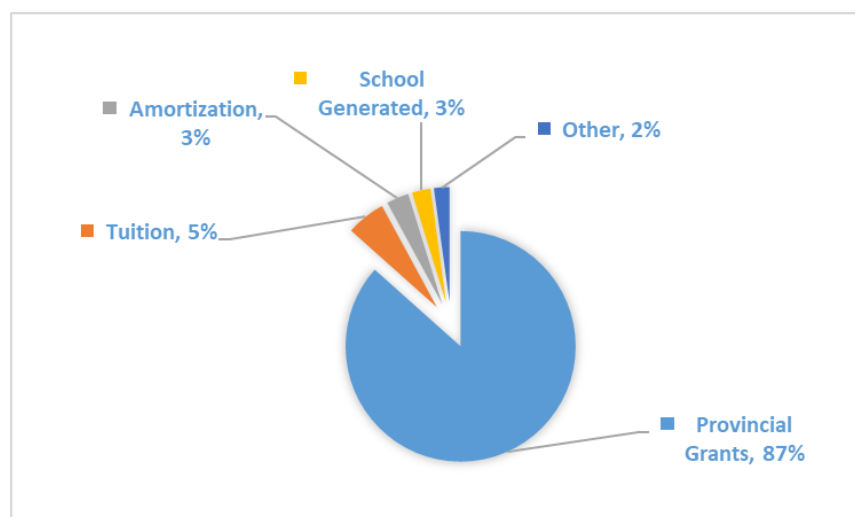
LIABILITIES

Accounts payable and accrued liabilities are balances owing to others as at June 30, 2019. These balances have increased from the prior year by \$2.74 M primarily due to large construction projects in progress. Other liabilities include unearned revenue collected for tuition for the 2019/20 year (down \$0.24 M), deferred revenue collected for special purpose fund projects (down \$0.42 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 (up \$0.24 M). Deferred capital revenue is the total of funds received and spent on capital projects and is being amortized annually at the same rate as the related capital assets (up \$18.74 M).

FIVE YEAR TREND – STATEMENT OF OPERATIONS

REVENUE

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

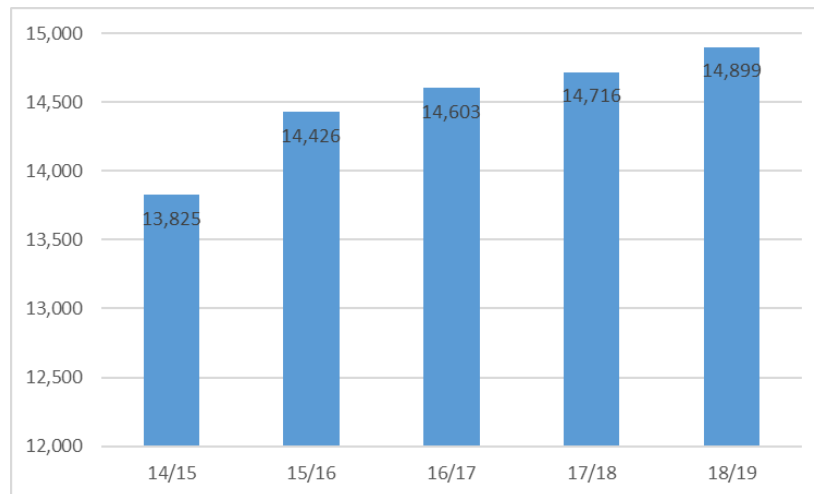


Tuition revenue comes from non-resident students attending schools in the district and school generated funds are the result of fundraising efforts at the school level. Amortization of deferred capital revenue is the accounting recognition of funding received from the provincial government for capital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

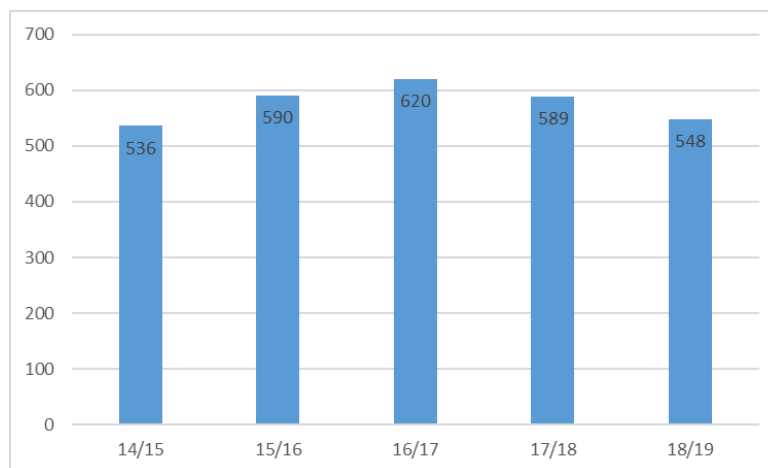
CORRELATION BETWEEN STUDENT ENROLMENT AND REVENUE

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 of these 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 2014/15, Ministry of Education funded enrolment has increased by 1,074 full time equivalent (FTE).



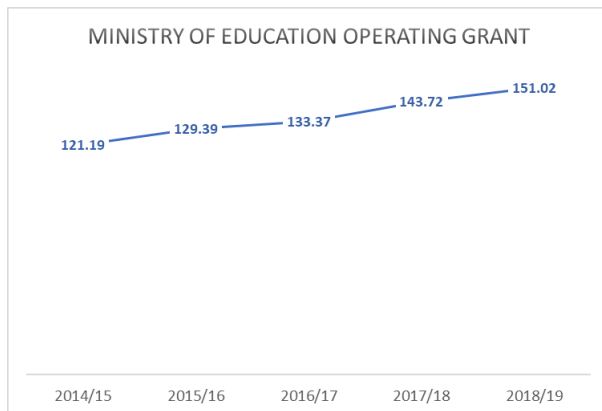
The enrolment history for non-resident students is presented in the following chart. Since 2014/15, non-resident student enrolment has increased by 12 full time equivalent (FTE).



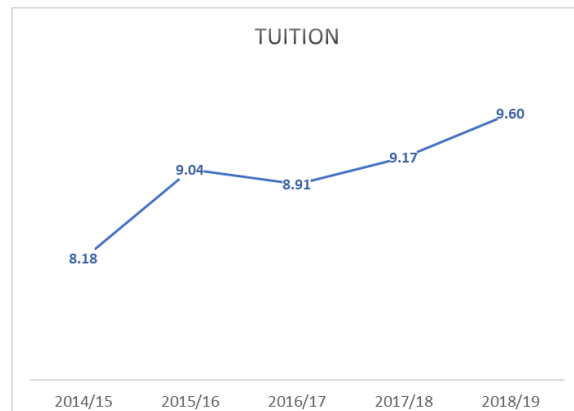
As Ministry of Education funded enrolment increases and schools reach 100% utilization, space available for non-resident students is reduced resulting in non-resident student enrolment decline.

REVENUE BY TYPE

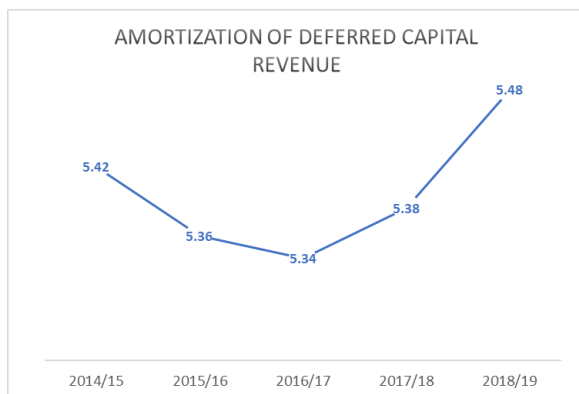
The following charts demonstrate the five-year trend of revenues reported on the statement of operations.



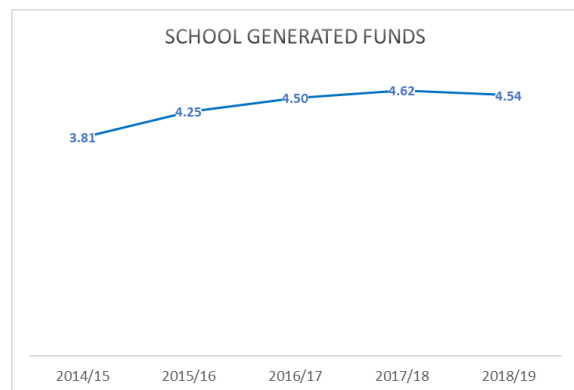
Ministry of Education grants are increasing as funded enrolment increases.



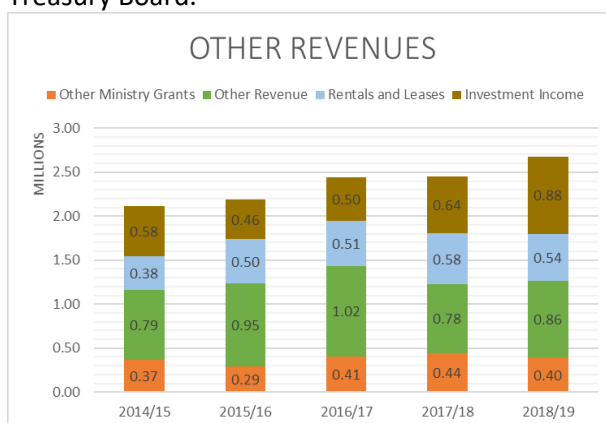
Tuition revenue increases as international student enrolment and tuition rates increase.



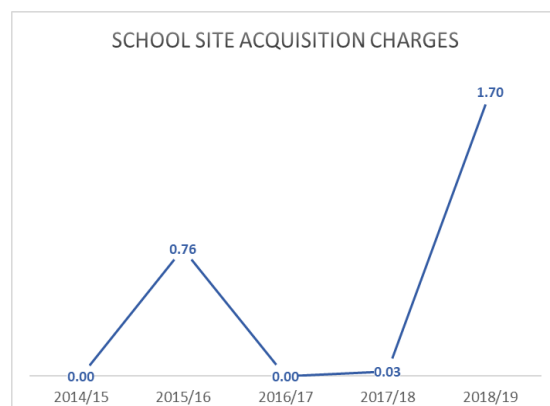
Amortization is a non-cash revenue and is accounted for in accordance with the Restricted Contributions Regulation 197/2011 issued by the Treasury Board.



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



While investment and rental income has increased over the last five years, other grants and revenue are project specific.

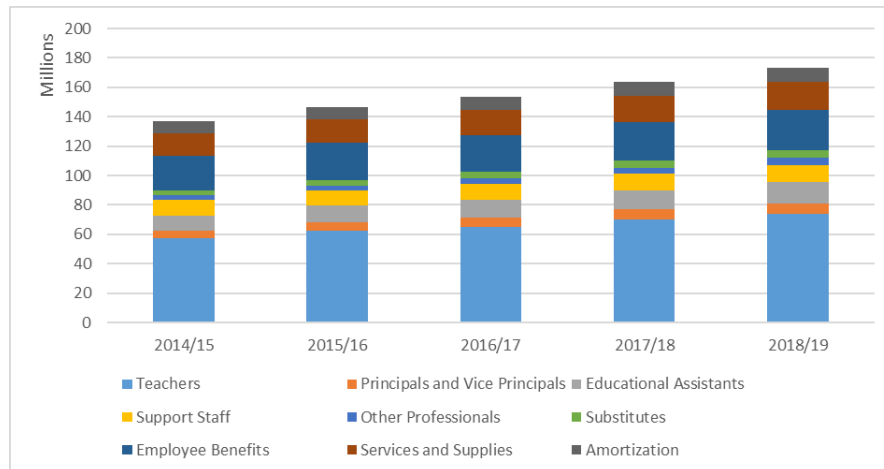


School site acquisition charges are received as housing development occurs in our community and recognized as revenue when spent on site acquisitions.

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.

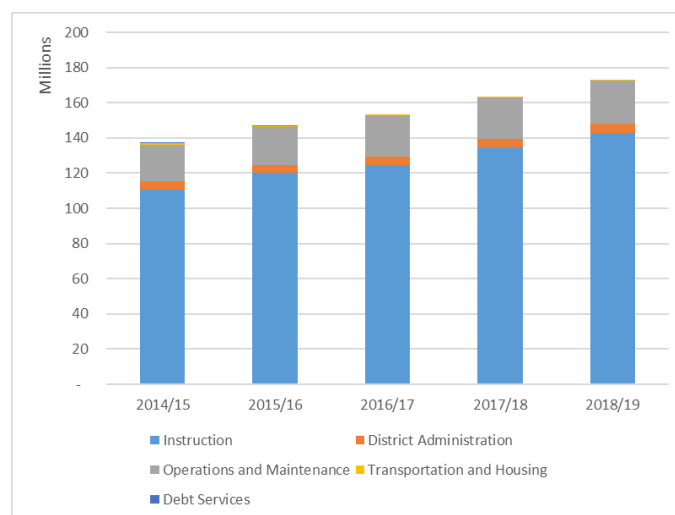
As demonstrated in the following chart, the most significant expense reported on the statement of operations is teacher salaries, followed by employee benefits for all employee groups.



Teacher salaries have increased as contractually negotiated salary increases take effect. Also, the number of teachers has been increasing over the last five years as enrolment has 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 more students are identified with special needs 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 82.43% of total expenses followed by operations and maintenance at 14.04%, district administration at 3.23% and transportation and housing at 0.30% (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.

OPERATING FUND ANALYSIS

As noted in Schedule 2 of the financial statements, there is no unrestricted operating fund surplus as of June 30, 2019. A restricted operating surplus of \$4.65 M exists as of June 30, 2019 (see Note 17 to the financial statements). Details of this restricted surplus are outlined in the following table:

| Internally Restricted Operating Fund Surplus At June 30, 2019 | |
|--|-----------------------|
| | (\$ millions) |
| Funds for specific expenditures in 2019/20: | |
| Targeted funding for aboriginal education | \$ 0.08 |
| School budget balances | 0.57 |
| Personal professional development | 0.22 |
| Financial provisions | 0.10 |
| Funds required to complete projects in progress | 0.70 |
| Facilities renovations and new classroom set-up | 0.45 |
| Purchase order commitments | 0.50 |
| | <u>2.62</u> |
| Use of surplus to fund future budgets: | |
| Increased cost of benefits | 0.06 |
| Succession planning | 0.49 |
| Support for operational plans | 0.10 |
| Support for school growth plans | 0.67 |
| Learning services | 0.35 |
| | <u>1.67</u> |
| Operating contingency reserve | <u>0.36</u> |
| Total internally restricted operating fund surplus | <u>\$ 4.65</u> |

With respect to the funding for specific expenditures in 2019/20 (\$2.62 M), in most cases these expenditures were planned to be incurred in 2018/19, however for various reasons, the timing of the expenditures was extended into 2019/20. The use of operating surplus to fund future budgets has multiple components. During the 2019/20 preliminary budget processes, operating costs for projects totaling \$1.67 M were identified. Details on these decisions can be found in the 2019/20 Approved Preliminary Budget at https://www.sd42.ca/assets/media/Approved_Preliminary_Budget-2019-20.pdf.

OPERATING FUND REVENUE (\$1.13 M HIGHER THAN BUDGET)

The Ministry of Education's operating grant to the district generated \$0.34 M more revenue than budgeted. This is due to February distributed learning and special needs enrolment growth offset by lower than projected continuing education enrolment in both February and May. Funding for graduated adults is \$0.05 M higher than budgeted. Also, on March 15, 2019 the Ministry of Education announced a new Employer Health Tax grant of \$0.36 M.

Other revenues with positive variances from budget include provincial grants (\$0.06 M), tuition revenue (\$0.28 M) and rentals and leases (\$0.07 M). Before and After School Programming was \$0.03 lower than budget which was offset by a reduction in programming services.

OPERATING FUND EXPENDITURES (\$3.79 M LOWER THAN BUDGET)

Teacher salaries are \$0.62 M lower than budget due to lower than anticipated expenses for paid medical leaves, long service leaves and maternity top up (\$0.05 M), vacancies filled by TTOCs (\$0.26 M), unfilled vacancies (\$0.22 M) and unpaid discretionary days and allowances (\$0.09 M).

Principal and Vice Principal salaries are \$0.04 M higher than budget due to higher than budgeted vacation costs.

Education Assistant salaries are \$0.34 M higher than budget due to additional staffing required to support the increased enrolment of students with special needs as reported on the February 2019 enrolment count.

Support staff salaries are \$0.12 M lower than budget due to vacancies during the year in school clerical, lunch hour supervisors and Information Technology staff.

Other professional salaries are \$0.26 M higher than budget due to higher than budgeted vacation costs (\$0.14 M) and cost of special projects staffing offset by savings in services and supplies budgets (\$0.12 M).

Substitute salaries are \$0.38 M higher than budget due to TTOCs filling teacher vacancies (\$0.26 M) and additional TTOC days required (\$0.34 M) offset by lower than budgeted support staff substitute costs (\$0.12 M) as well as underspent school and departmental discretionary TTOC budgets (\$0.10 M) that are included in appropriated surplus.

Employee benefits are \$1.28 M lower than budget principally due to a three month benefit premium holiday for unionized staff (\$0.69 M). Other variances from budget are due to the above detailed salary savings described above (\$0.49 M) as well as underspent school and departmental discretionary TTOC budgets (\$0.10 M) that are included in appropriated surplus.

Positive variances in services and supplies are offset by capital asset purchases or carried forward as an appropriated surplus per board approval or contractual obligation. Unspent budget allocations of note are in services (\$0.43 M), student transportation (\$0.16 M) professional development and travel (\$0.37 M) and supplies (\$2.05 M). Insurance costs are \$0.08 M over budget in the international department.

The transfer to local capital contingency reserve is \$0.24 M higher than budget as approved by the board.

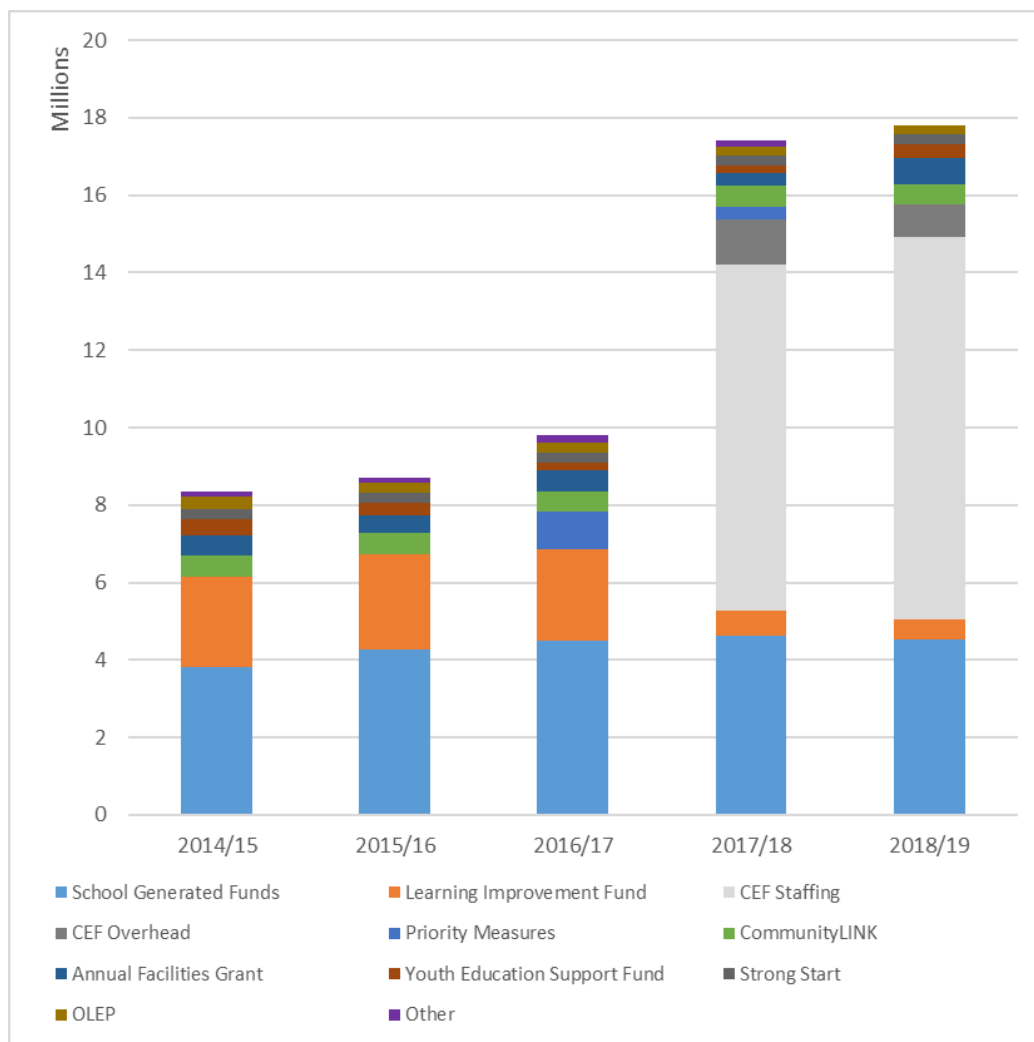
SPECIAL PURPOSE FUNDS ANALYSIS

Special Purpose Funds include funds received from the Ministry of Education or other sources that have been designated for specific purposes. During 2018/19, \$19.24 M in special purpose fund contributions were received, \$19.65 M was spent (see Schedule 3A).

As at June 30, 2019, \$2.38 M in Special Purpose Funds remains 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.

The Classroom Enhancement Fund deferred revenue balance of \$0.55 M reflects the difference between the allocation received from the Ministry of Education and actual expenses as at June 30, 2019. This balance is due to remedy accrued by teachers and not used in 2018/19. This balance will be recovered by the Ministry of Education.

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.



CAPITAL FUND ANALYSIS

The net value of capital assets (historical cost less accumulated amortization) is \$204.02 M as at June 30, 2019 (see Schedule 4A). Of this amount, \$30.99 M represents net investment in sites, \$160.56 M in buildings and \$12.47 M in furniture and equipment, vehicles and computer software and 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 2018/19, grants from the Ministry of Education for Bylaw capital projects totaled \$23.77 M (see Schedule 4D). At June 30, 2019 \$25.06 M was spent on capital building projects in progress (see Schedule 4B) as follows:

- Cæsçønele Elementary (\$22.90 million)
- MCFD childcare space (\$1.54 million)
- New educational space (\$0.30 million)
- MRSS annex (\$0.27 million)
- Other capital projects (\$0.05 million)

During 2018/19, \$8.23 M was spent on completed capital building projects. Some of the 2018/19 completed capital projects are:

- Westview Secondary, Pitt Meadows Secondary and Maple Ridge Elementary roof replacement projects (\$1.22 million)
- Fairview Elementary seismic upgrade (\$1.09 million)
- Albion Elementary building envelope remediation (\$1.07 million)
- District wide lighting upgrades (\$0.74 million)
- Kanaka Creek Elementary mechanical upgrade (\$0.71 million)
- New educational space (\$0.67 million)
- Pitt Meadows Secondary boiler upgrade (\$0.59 million)
- Westview Secondary HVAC upgrade (\$0.49 million)
- Maple Ridge Secondary dust collector upgrade (\$0.45 million)
- Westview Secondary seismic upgrade (\$0.44 million)

The Ministry of Education Restricted Capital Account is \$1.50 M as at June 30, 2019 (see Schedule 4D) and has not been identified for a specific project.

Other Provincial Capital is \$1.74 M at June 30, 2019 (see Schedule 4D) and represents funding received from the Ministry of Children and Family Development for new childcare spaces scheduled to be completed by fall 2019.

The Land Capital Restricted Account (school site acquisition charges) received contributions of \$0.60 M in 2018/19 and ended the year with a balance of \$5.75 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 the Board's portion of proceeds from 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 (\$0.80 M), the MRSS annex reconfiguration (\$0.12 M) the new ċəsqənelə Elementary school (\$0.05 M) and staff computers (\$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 contingency reserve for 2019/20.

| Local Capital (\$ millions) | |
|--|-------------|
| Board Approved Uses of Local Capital | |
| Emergency preparedness | 0.09 |
| Energy management plan | 1.37 |
| ċəsqənelə Elementary | 1.11 |
| Facilities succession planning | 0.03 |
| New classrooms setup | 0.67 |
| MRSS Annex reconfiguration | 0.35 |
| Parent portal upgrades | 0.07 |
| | 3.69 |
| Contingency reserve for local capital | 2.40 |
| District portion of proceeds on disposal of land | 1.36 |
| Contingency reserve for local capital | 3.76 |
| Total local capital fund | 7.45 |

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, 2019 the contingency reserve of \$4,115,145 (\$360,000 operating and \$3,755,145 local capital) is 2.67% of 2019/20 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 BC 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 that 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 and 2018/19 school years.

For 2019/20, additional funding of \$9.69 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 (\$8.87 M) and related overhead costs (\$0.82 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 and 10% of required staffing funding will only be confirmed in December 2019) 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.

EXPENSE

The existing school district budget allocations are not sufficient 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 2019/20 must be funded from the contingency reserve.

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 such as the çəsqənelə Elementary school project 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 \$3.75 M is available to mitigate risk for capital projects.

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. And as the district grows, additional

classroom space will need to be created. This growth brings with it a financial risk in how to provide for these additional resources under the current Ministry of Education funding envelope.

PROVINCIAL LEVEL CHANGES

The provincial government is currently undertaking a funding formula review for B.C.'s K-12 public education sector. The new funding allocation model is expected to be announced on March 15, 2020 and will affect the 2020/21 operating budget of the district. There is significant risk that the new funding model will not provide the same level of funding as the current model which will impact the level of services the district is able to provide. Careful planning will be required to ensure that school district operations are minimally impacted.