



SD64 2019-2020

Financial Statement Discussion & Analysis Reporting



School District No. 64 (Gulf Islands)
Financial Statement Discussion & Analysis
For the Year Ended June 30, 2020

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2020. This section of the 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 section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Overview of the District

School District 64 is a diverse district with 10 schools on 5 islands and is connected by water taxis at the high school level. Most of SD64 resident students reside on the largest island of Salt Spring. The district had 1,465 local students and 81 international students for all or part of the 2019-20 school year. The district has 122 students who identify with aboriginal ancestry and are served by the district's aboriginal education program.

The district is guided by its Strategic Plan that leads with the concepts of inspire, integrate, and involve and also emphasizes "providing learners with a diverse and engaging opportunities leading to a future of fulfillment, joy and purpose." <https://sd64.bc.ca/strategic-plan/>

The district has concentrated efforts on improving academic success during the year. The 6-year resident completion rates have improved from 74% in 2017/18 to 83% in 2018/19 and is projected to be 86.5% for 2019-20. The FSA participation rate for Grade 4 Reading has increased from 45% to 94% over the prior year, other FSA categories follow a similar upward trajectory. Both achievement and participation rates show promising trends.



The district is undergoing a configuration review that was initiated by the Board of Education in October of 2018 (<https://sd64.bc.ca/configuration-review-phase-ii/>). The motion that drives this multiple year process focuses on student achievement and financial stability. The Board motion states: *that the district initiates a community-based consultation process to review configurations that support the best educational outcomes for students in addition to maximizing cost-effective education delivery.* Public consultation proceeded throughout the fall, winter, and spring of 2019-20. The feedback was summarized in a working committee of the board. The board directed staff to provide broad recommendations at the June board meeting based on the working committee report. At the June board meeting, staff were directed to undertake a financial and feasibility study of the recommendations and to present the information in the fall of 2020.

COVID-19 impacted the operations of the district in the last quarter of the fiscal year. In-class learning was suspended for most students from March to May. In-school care was provided to children of essential service workers and to vulnerable students. This resulted in a savings due to water taxis and buses not running through March, April, and May. Replacement costs for most job classes was significantly reduced. Additional hours were provided to Education Assistants for in-school care, and custodial hours and supplies expenses were increased. In June approximately 50% of the student body returned to the modified in-person instruction schedule for Stage 3. The net impact of COVID during the last quarter of 2019-20 was a reduction in cost, which resulted in a larger annual surplus than was projected in the Amended Annual Budget for 2019-20. <https://sd64.bc.ca/coronavirus/>

Within the last two years, all senior staff positions have transitioned to new individuals. In May of 2019 Dr Scott Benwell started full time as Superintendent. In February of 2019, Jesse Guy assumed the role of Secretary Treasurer. In January of 2020, D'Arcy Deacon was hired into the role of Director of Instruction, Human Resources and in August of 2020, Boe Beardsmore commenced as Director of Instruction, Learning Services. With a significant number of senior roles near retirement the board and senior management worked to stagger the retirements and allow for transfer of knowledge.



Financial Highlights

The overall financial picture of the district has improved significantly from prior year. The June 30, 2019 decision by the Board to close Windsor House, resulted in reduced operating expense. Operating revenue remained stable due to Funding Protection. The goal of senior staff is to ensure a fiscally balanced and educationally sound district that is stable and sustainable without Funding Protection. The emergence of a pandemic in the last quarter of the fiscal year impacted operations and reduced district spending. Key financial indicators will be discussed below:

- The annual surplus increased from \$388K to \$1.751M. The Operating fund annual results followed the same movement from a deficit position of \$250K in 2017-18, a surplus of \$165K in 2018-19, and in 2019-20 the surplus was \$1.869M.
- Cash and Cash Equivalents has increased from \$3.535M to \$4.612M over the prior year.
- Enrollment from the prior year has reduced from 1,732 headcount to 1,462. This is a result of the boards decision to close Windsor House, a K-12 School in the Greater Vancouver, and only serve the students of the districts geographic region. In 2017-18 206 students attended Windsor House. A slight drop of residential enrollment between the two years has also contributed to the reduced enrollment of 270 students over prior year.
- The Operating Grant remains consistent due to Funding Protection. Funding Protection allows the operating grant to gradually reduce by 1.5% per year, until the regular operating grant funding types are inline with expected enrollment from actual student FTE. The District is well aware that this category of relief funding is temporary and reduces annually. Senior staff are working to configure the district in a way that allows for a balanced budget without Funding Protection.
- The Operating fund in the amended annual budget was projected to receive \$21.145M and actually received \$21.480M. Expenses were budgeted to be \$21.029M and was \$20.530, resulting in an actual annual operating surplus of \$1.869M instead of the budgeted annual surplus of \$1.144M. The district received grant funding from additional grants like the labour settlement and spent less then expected on operating cost due to COVID-19 in the last quarter of the fiscal year.



Financial Analysis of the School District as a Whole

Financial Items	2019-2020	2018-2019	Change in \$	Change in %	Discussion
Statement of Operations					
Enrollment BC Resident	1462	1732	-270	-16%	On June 30, 2019, the Board of Education passed a motion to close Windsor House (WH) school in the greater Vancouver region. The school was at multiple rented small sites and required additional supervision and busing to move students between sites. The cost to run the school was greater than the operating grant revenue for the students attending. There was also a smaller reduction in students from the SD64 geographic region, with the graduating class larger than the class entering kindergarten.
Operating Revenue	22,530,134	22,187,823	342,311	2%	The Operating Grant remained relatively consistent, regardless of the enrollment decline, due to Funding Protection. The increase over prior year was a result of three Other Ministry of Education Grants: a full year of Employer Health Grant and two grants related to Collective Agreement, BCTF Teacher's Labour Settlement and CUPE Support Staff Wage Increase.



Operating Expense	20,620,810	21,694,899	-1,074,089	-5%	<p>The two key items that impacted the \$1M drop in spending are the closure of WH and the reduction in school operations in quarter 4 of 2019/20 due to COVID. The closure of WH resulted in the reduction in teaching, administration, and support staff of the school, and corresponding supplies, building rental, and transportation expense for buses. COVID resulted in a significant reduction in staff replacement costs and schools did not fully spend their allocated school flex funds. The schools were given the option to carry their remaining flex funds into the next year during this unique event. The reduction in payroll and benefits, even with the teachers' settlement funds being allocated, was \$895K. There were 8 teachers, 1 principal and multiple CUPE support positions that were employed at WH in 19/18 that are were not employed during the current year. There was \$108K less in Service and Supplies that was not spent in the current year. As mentioned, this was change was driven by COVID and having one less school to support. The Water Taxi contract was reduced by \$40K per month for April and May when in-class learning was reduced.</p>
Special Purpose Revenue and Expense	3,391,439	3,708,270	-316,831	-9%	<p>The two items that account for the majority the change, year over year, are a reduction in CEF Grant and School Generated Funds received and recognized. There was \$101K less CEF received in the current year and, unlike in the prior year, there was unspent CEF remedy of \$63K in deferred revenue at yearend. The deferred revenue balance for remedy was a result of COVID-19 and the high school not being able to allocate remedy during quarter 4. An agreement between the district and local union, to spend the funds on additional teacher staffing in the subsequent year, was reached. With one less school (closure of WH - our third largest school in the district) there was less revenue brought in and less spent. Further, due to COVID, less was spent during the last quarter of the year, as school trips and other initiatives were cancelled or curtailed.</p>



Capital Revenue and Expense	1,363,005	1,762,650	-399,645	-23%	Deferred Capital Revenue and Amortization Expense are consistent between the two periods. In fiscal 18/19, the expensed portion of AFG and SEP (COA) was \$729K, and in the current year, the expensed portion was \$342K. In the prior year, there were more projects related to repair of existing structures that could not be capitalized but were funded through COAs. In the current year, the majority of COA funding was capitalized. In 2019-20, there was one large COA for an HVAC system upgrade at Fernwood school.
Annual Surplus	1,750,678	388,542	1,362,136	351%	The significant percentage change to the annual surplus is a result of revenue remaining stable and expense reductions over the prior year. As has been stated in the analysis of operating expense above, the two significant factors in reduction in expenses in the current year is the closure of WH and the impact of COVID-19 on Quarter 4 operations.
Statement of Financial Position					
Cash and Cash Equivalents	4,611,797	3,535,369	1,076,428	30%	The increase in cash is directly related to the increase in annual surplus from consistent revenue and a reduction in corresponding expenses.
Accounts Receivable	304,092	229,975	74,117	32%	There is a \$175K AR due from MOE related to capital work that commenced before yearend on approved 2020/21 COA work. Due to a reduction in expected international tuition in 2020/21 (COVID-19), the regular receivable balance has reduced by \$90K over prior year.
Portfolio Investments	86,420	88,883	-2,463	-3%	Consistent with prior year.
Accounts Payable and Accrued Liabilities	1,151,876	1,636,524	-484,648	-30%	Two items resulted in a lower AP balance in prior year. The first is related to timing and the year-end date and payroll. The Teachers Pension Plan amount of \$239K was included the prior year-end balance and had been paid in the current year before June 30th. The other items are related to the Homestay Clearing Account for International Students. Due to COVID and uncertainty regarding the fall semester, significantly less students have applied and paid their tuition and homestay balances for September of 20/21 by June 30th.



Unearned Revenue	260,636	614,275	- 353,639	-58%	Reduction in applications from international students due to uncertainty of travel restrictions 20-21 due to COVID-19.
Deferred Revenue (SPF)	648,747	547,675	101,072	18%	As identified in Special Purpose revenue and expense above, there is \$63K in remedy and yearend, which had a zero balance in prior year. Further other late in the year grants like Mental Health (\$34K) were deferred, as plans to spend the funds were interrupted due to COVID-19 in quarter 4.
Deferred Capital Revenue (liability)	18,775,560	18,838,630	- 63,070	0%	In the current year, there was \$796K in capital additions funded through bylaw capital and \$175K in WIP that is in Accounts Receivable, also funded through the COA Bylaw funds. The liability is reduced by the recognition of \$1.021M of DCC revenue.
Employee Future Benefits	1,002,022	996,292	5,730	1%	Consistent with prior year.
Tangible Capital Assets	24,937,069	25,106,035	- 168,966	-1%	The change in capital assets is current additions and WIP less current year amortization. In the current year, there was \$796K in capital additions and \$175K of Work-In-Progress. The significant upgrade to the HVAC system at Fernwood account for most of the additions. The \$175K of WIP was engineering fees and preliminary work for the COA Bylaw capital projects that commenced before June 30 for Summer 2020 work. Amortization is consistent with prior years.
Accumulated Surplus	8,196,576	6,445,898	1,750,678	27%	Most of the increase in Accumulated Surplus is directly related to the increase in the Annual Operating Surplus that is addressed above.



Analysis of Major Revenue and Expenditure Items by Source and Function

Financial Items	2019-2020	2018-2019	Change \$	Change %	Discussion
Key Revenue Sources					
Provincial Grant -Operating Grant	20,545,700	20,592,981	-47,281	0%	Because of funding protection and the additional funding provided by the MOE funding formula rate increase per student FTE, the Operating Grant has remained consistent over the prior year even with a reduction in enrollment
Operating - Other Ministry of Education	934,871	578,274	356,597	62%	The increase is related to two key areas: a full year of Employer Health Tax Grant and additional funding (and expense) related to the signing of the Collective Agreements with BCTF and CUPE.
International Tuition	811,125	755,570	55,555	7%	Slightly higher fee per year per student FTE as approved by the board and sector.
Operating Expense - by Function					
Instruction	15,148,861	16,039,343	-890,482	-6%	The reduced instruction expense is related to the closing of WH school at the end of the prior year and the corresponding reduction in salaries and benefits. The impact of COVID in the last quarter of 2019/20 is noted in less replacements or substitutes and school flex budgets that were not fully spent. The districts allowed the remaining school flex budgets to be carried over to the subsequent period.
District Administration	1,282,074	1,255,065	27,009	2%	Consistent with prior year and BCPSEA authorized salary grid increases.
Operations and Maintenance	2,706,704	2,764,289	-57,585	-2%	Consistent with prior year, slight reduction with Technology not having to be supported at WH school in Vancouver.



Transportation and Housing	1,483,171	1,636,202	-153,031	-9%	For April and May 2020, due to COVID, the water taxis were not running. This resulted in a reduced rate of \$40K per month. Buses did not require fuel for the same period and boarding allowances were not provided for Pender, Mayne, Galiano and Saturna students for the last quarter of the year. Due to the closure of WH, busing was not required for student transportation in Vancouver.
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Budgetary Highlights / Analysis of Operating Results to Budget

Operating Revenue and Expense	Amended Budget 2020	Annual Budget 2020	Change \$	Change %	Discussion
FTE	1477.938	1491.375	-13	-1%	Slight decrease in projected student numbers. Higher number of graduating grade 12s than kindergarten entering the district.
Revenues					
Provincial Grant -MOE	21,145,366	20,839,463	305,903	1%	Additional MOE funding provided through the Funding formula and new grants.
International Tuition	775,000	750,000	25,000	3%	Slightly more Student FTE and revenue per students based on increase to fee structure as approved by the board and the region.
Other Revenue	213,225	195,500	17,725	9%	No significant change anticipated
Rentals & Leases	15,000	15,000	-	0%	No significant change anticipated
Investment Income	25,000	15,000	10,000	67%	In June of 2019, the market was anticipated to drop, and by February 2020 it has not dropped significantly.
Expenses					



Instruction	15,102,948	14,753,861	349,087	2%	Salary and benefits cost appeared to be higher than originally budgeted for. Increased amended budget average.
District Administration	1,265,620	1,209,001	56,619	5%	Incorporated BCPSEA gride change into amended budget.
Operations & Maintenance	2,932,756	2,917,371	15,385	1%	No significant change anticipated.
Transportation & Housing	1,728,047	1,785,243	-57,196	-3%	No significant change anticipated.
Total Net Transfers					
Tangible Capital Assets Purchased	75,000	75,000	-	0%	No significant change anticipated.
Budgeted Surplus	1,069,220	1,074,487	5,267	0%	Increased revenue and expense were budgeted to be offsets.

Operating Revenue and Expense	Actual 2020	Amended Budget 2020	Change \$	Change %	Discussion
FTE	1477.938	1477.938	-	0%	Actual to Actual
Revenues					
Provincial Grant -MOE	21,480,571	21,145,366	335,205	2%	Labour Settlement for CUPE and BCTF included in Actual.
International Tuition	811,125	775,000	36,125	5%	Slighter more FTE by yearend than anticipated.
Other Revenue	192,648	213,225	-20,577	-10%	Slightly less miscellaneous revenue than projected.
Rentals & Leases	14,448	15,000	-552	-4%	Consistent with Amended budget.



Investment Income	31,342	25,000	6,342	25%	The market performed slightly better than projected.
Revenues					
Instruction	15,148,861	15,102,948	45,913	0%	Consistent with Amended budget.
District Administration	1,282,074	1,265,620	16,454	1%	Consistent with Amended budget.
Operations & Maintenance	2,706,704	2,932,756	-226,052	-8%	Due to COVID-19, there was less replacement cost for employees in the last quarter and some funds were not spent due to changes in operations with the focus on COVID related projects.
Transportation & Housing	1,483,171	1,728,047	-244,876	-14%	Due to COVID-19, buses and water taxis were not operated for the months of April and May 2020.
Total Net Transfers					
Tangible Capital Assets Purchased	40,533	75,000	-34,467	-46%	Anticipated small capital projects, like a server replacement, were initiated later than anticipated due to COVID-19 and are in the subsequent fiscal period.
Budgeted Surplus	2,034,767	1,069,220	965,547	90%	Increase in surplus is consistent with the reduction in expenses.

Reserves – Operating, Special Purpose and Capital Balances

SD64 does not currently have any reserves. If, over the next few years, a consistent positive accumulated surplus can be built up, reserves will be considered. The reserves would be developed in conjunction with the strategic plan, approval of the board, and public consultation of district long-term priorities.



Capital Assets

In the current year, the only significant capital project through COA capital SEP funding and was a HVAC upgrade to Fernwood Elementary School. The district has had four capital COAs approved for multiple sites for fiscal 2020-21. Work on these capital projects commenced in Quarter 4 of 2019-20 and was included in work-in-progress at yearend. Engineering and site preparation accounted for the majority of the work.

Tangible Capital Asset - Net Book Value					
Type	2019 Opening	2020 Ending	Change \$	Change %	Discussion
Sites	4,107,653	4,107,653	-	0%	No disposal or acquisition of sites in year.
Buildings	19,726,267	19,537,048	- 189,218	-1%	COA capital project 062-127988 SEP \$722K for Fernwood school HVAC system upgrade and related components. \$64K in AFG Capital minor projects on various sites. Amortization was \$972K.
Buildings WIP	-	174,792	174,792	-	20-21 Capital COA for multiple sites. Preliminary engineering work on projects is included in WIP that commenced before June 30th.
Furniture & Equip	541,499	511,157	- 30,342	-6%	Addition of \$28K from Operating fund and special purpose fund. Photo copiers and small generators and small shop equipment for trades career education. Deemed disposal of \$18K and amortization of \$59K.
Vehicles	605,278	496,805	- 108,473	-18%	No current year additions. Deemed disposal of \$54K and amortization of \$108K.
Computer software	-	-	-	0%	No current year additions.
Computer hardware	125,338	109,613	- 15,725	-13%	Current year additions from operating funds of \$24K and current year amortization of \$40K.
Total Net Book	25,106,035	24,937,068	- 168,967	-1%	Change consistent with additions, amortization and deemed disposals.



FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The potential significant matters identified in the report for subsequent periods are configuration decisions and COVID-19. The Board of Education is scheduled to pass a motion regarding configuration at its November public meeting. This is expected to impact budgets and operations starting in fiscal 2021-22. The scenarios that staff have presented to the board address the impact on unique geographic funding of where students are enrolled and the triggered costs for different scenarios related to operations: water taxis, buses, buildings and staffing. The impact and management of Funding Protection is being highlighted and considered during the configuration process. Senior management is working to establish a stable budgetary framework to underpin the learning environment.

The COVID-19 pandemic has impacted the operation of the school district. Health and Safety regarding this novel illness has shifted many aspects of operations. Additional Federal and Provincial funding was received in the fall of 2020 and will be used to support the district's health and safety operations plan. International student FTE has declined and expenses for the program have been adjusted to reflect this reduction in tuition revenue.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide stakeholders with a general overview of the School District's finances and to demonstrate the School District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Secretary Treasurer.