



Memorandum

vancouver school board



November 8, 2013

ITEM 6

To: Finance and Legal Committee (Committee V)

From: Rick Krowchuk, Secretary-Treasurer
Lisa Landry, Director of Finance

Subject: First Quarter Financial Report

In April 2013, the Board of Trustees approved the 2013/2014 Preliminary Budget, based on preliminary estimates of enrolment, funding and other revenue and expenditure factors. This report provides the first quarter update, as summarized in Attachment A, including changes to funding, enrollment, and expenditure known or projected as at September 30, 2013.

An estimated surplus of \$2.83 million is projected which is mainly attributable to the proposed one-time benefit premium holidays and withdrawal (see separate report to the Finance and Legal Committee). Below is a summary of the major changes which result in the projected operating fund surplus for 2013/2014.

Summary of Projected Changes - Operating Fund	
	<u>\$ Millions</u>
Benefit Premium Holidays	0.94
Benefit Surplus Withdrawal	1.45
Municipal Pension Plan Increase	(0.07)
September 2013 Enrolment Update Impact on Funding	0.52
Projected Utilities Surplus	0.58
Additional software licencing fees	(0.36)
Enrolment Impact - Additional VP Entitlement	(0.18)
Year-to-Date Teacher Vacancy Savings	0.55
Main Street Adult Education Centre move	(0.30)
Other	<u>(0.31)</u>
Total Projected Surplus	<u>2.83</u>

The variances identified in the First Quarter Financial Report are primarily due to changes as outlined below.

Benefits Premium Holidays and Surplus Withdrawal

The employee benefit plans are provided on an administrative service only (ASO) basis, which means that the plan sponsor (VBE) pays the actual costs the plan incurs, plus administrative costs. Accordingly, if a plan costs more than has been contributed by the plan sponsor thus far, the sponsor must contribute more. Conversely, if the plan actual costs come in less than the amount of funds contributed, the plan sponsor is permitted to withdraw the additional funds, or take a short-term premium holiday.

We have received correspondence from Morneau Shepell, our benefits advisor, advising of the projected costs and contribution amounts for each of the plans, calculated as of September 30, 2013. The projections indicate some of the plans are over-contributed, and there is an opportunity to withdraw the excess funds, or provide for a premium holiday. It is important to note that these calculations contemplate **no** changes to the plans; these amounts are over-contributions calculated based on the plans and benefits as they are currently written.

When Morneau Shepell calculates surplus, the amount is conservative. Morneau Shepell makes two provisions: the first is a reserve for costs incurred but not yet reported, taking into account that some participants may have not yet submitted their claims. The second reserve is for claims fluctuation, providing for the possibility that claims could be more than experienced in the past. These provisions are reserves that are left within the plan.

In a separate report to the Finance and Legal Committee, it is recommended that the VBE withdraw \$1.45 million in surplus from certain employee benefits plans and take the premium holidays equivalent to an additional savings in employer premiums of \$0.94 million.

Municipal Pension Plan Increase

The municipal pension plan advised that the contribution rates for the municipal pension plan have increased by 0.07% of salary effective July 1, 2013. There are no other contribution rate changes advised for other pension plans at this time.

Net Impact of September Enrolment Update

The 2013/2014 Preliminary Budget projected that regular school aged enrolment would decrease by an estimated 1,047 FTEs.

As outlined on Attachment C, the actual enrolment for regular school-aged students as at September 30, 2012 only decreased by 396 students which is 651 FTE students higher than anticipated in the 2013/2014 Preliminary Budget. As at September 30, 2013, distributed learning students are 67 FTE lower than last year and 40 FTE lower than anticipated in the Preliminary Budget. The sum of adult education students is 154 FTE lower than last year and 261 FTE lower than anticipated in the Preliminary Budget. Both international students and aboriginal education counts are greater than last year. ELL and special education students are both tracking lower than last year and lower than anticipated in the 2013/2014 Preliminary Budget.

The following table summarizes the funding impact of actual enrolment as at September 30.

Funding Impact of Actual Enrolment	
	<u>\$ Million</u>
Revenue	
Change in Funded Students	
General	4.47
Distributed Learning	(0.23)
Adult Education	(1.20)
Total Unique Needs Funding	(1.25)
Supplement for Enrolment Decline	(1.90)
Funding Protection	-
Salary Differential	0.10
Summer School Funding	(0.14)
Operating Grant	<u>(0.16)</u>
Additional International Student Revenue	0.63
Graduated Adults	0.05
Total Revenue Impact	<u><u>0.52</u></u>

The impact of higher than anticipated enrolment on the per-student grants is mitigated by lower than projected supplementary funding that is estimated to be received in the form of the supplement for enrolment decline (\$1.9 million) and the reduction in additional funding for unique needs (\$1.25 million). The higher international student enrolment results in estimated additional revenue of \$0.63 million. Lower than anticipated adult education enrolment results in a net reduction of \$1.20 million.

Projected Utilities Surplus

The current year to date is showing lower utilities costs, particularly in heating. This is a as a result of better weather conditions than anticipated and energy savings initiatives.

Additional software licencing fees

Costs of software licencing are anticipated to be higher than in previous years for Baragar and various other software licences where the current budget allocation is insufficient.

Additional Vice Principal Entitlement

Two elementary schools exceeded enrolment of 400 students, which indicate that Vice Principals should be added. The anticipated reduction of one VP position has been deferred for one year as enrolment for the school remained above the 400 student level.

Year-to-Date Teacher Vacancy Savings

Savings of \$0.55 million were achieved to date due to higher teacher-on-call usage to fill permanent positions on an interim basis combined with efficiencies in teaching staff allocations.

Main Street Adult Education Centre

One of the budget proposals for 2013/2014 was to move the Main Street Adult Education Centre from its current leased premises to a VBE owned location. Although this initiative is still under development, it is projected that a move would not take place until the summer of 2014 at the earliest, thus the savings anticipated for the current budget year will be deferred.

Overall, the surplus for the first quarter is currently projected at \$2.83 million. If this surplus is realized, it could be used to offset the projected 2014/2015 deficit of \$28 million. We will continue to review and refine the budget during the remainder of the year.

CommunityLink

Attachment B provides a summary of the First Quarter projection for the CommunityLink Fund. At this stage, with the exception of a slight increase in school meals contributions (Other Revenue), revenues and expenditures for the CommunityLink programs are anticipated to be on budget. The overall fund balance is higher due to a higher than anticipated fund balance at the end of 2012/2013.

This report is provided for information.

School District No. 39 (Vancouver)
Operating Fund Surplus (Deficit)
Quarter Ended September 30, 2013

	2014 Adjusted Prelim Budget	2014 Q1 Projection	Variances
	A	C	D = C - A
Revenue			
Operating Grants	441,856,183	441,698,263	(157,920) (1)
Other Ministry of Education Grants	10,028,494	10,074,262	45,768 (2)
Revenue from other Provincial Ministries	68,719	68,719	-
Summer School Fees	614,088	614,088	-
Continuing Education Fees	1,285,237	1,285,237	-
Instructional Cafeteria Revenue	1,396,435	1,396,435	-
Other Grants	200,686	200,686	-
Offshore/Out-of-Province Tuition Fees	17,446,127	18,079,877	633,750 (3)
Miscellaneous Fees and Revenues	2,477,241	2,477,241	-
Rentals and Leases	3,449,370	3,449,370	-
Investment Revenue	1,357,926	1,357,926	-
Total Revenue	480,180,506	480,702,104	521,598
Expense			
Instruction	333,899,996	333,623,326	276,670 (4)
District Administration	12,186,542	12,557,028	(370,486) (5)
Operations and Maintenance	52,511,767	52,511,058	709 (6)
Transportation and Housing	3,060,304	3,060,304	0
Debt Services	23,296	23,296	-
Allocated benefits	99,761,962	98,807,505	954,457 (7)
Total Expense	501,443,867	500,582,517	861,350
Net Revenue (Expense)	(21,263,361)	(19,880,413)	1,382,948
Budgeted Prior Year Surplus Appropriation	24,521,043	25,969,745	1,448,702 (8)
Budgeted Reduction of Unfunded Employee Future Benefits	(132,764)	(132,764)	-
Net Transfers (to from other Funds)			
Capital Assets Purchased	(3,024,918)	(3,024,918)	-
Local Capital Transfers	-	-	-
Capital Loan Payment	(100,000)	(100,000)	-
Other Fund Transfers	-	-	-
Total Net Transfers	(3,124,918)	(3,124,918)	-
Budgeted Surplus (Deficit), for the Year	-	2,831,650	2,831,650

(1) Increase in funding of \$4,484,819 due to 651 FTE higher regular student enrolment, \$59,160 due to 51 FTE higher Aboriginal students, offset by decrease of \$1,194,334 due to 261 FTE lower Adult Education students, \$235,540 due to 40 FTE lower Distributed Learning students, \$12,312 due to 57 FTE lower Course Challenges, \$613,720 due to 458 FTE lower English Language Learning students, \$697,700 due to 45 FTE lower Special Education students, \$140,308 in Summer School funding, and \$1,903,456 in supplement for enrolment decline. In addition, we are projecting an increase in Salary Differential funding of \$95,471 which will be finalized in December.

(2) Increase in funding of \$45,768 due to an increase in Graduated Adult enrolment of 10 FTE.

(3) Increase in estimated tuition collected of \$633,750 due to an increase in International Student enrolment of 49 FTE.

(4) Decrease in expenses due to \$424,886 quarter 1 vacancy savings on teachers, offset by increase of \$148,220 from 3 FTE additional vice principals (net of savings in teaching portion).

(5) Increase in expense due to unbudgeted fees \$155,620 for student information systems, \$200,212 for IT licence fees, and \$14,654 in staff vacancy substitute costs.

(6) Decrease in expenses due to projected \$576,609 saving in utilities, \$41,418 in year-to-date staff vacancy savings, offset by \$300,000 Main Street Adult Education Centre move not implemented, and \$201,010 re-establishment of first aid training budget, and \$116,309 Hastings playground construction expenses.

(7) Decrease in cost of employee benefits due to negotiated Dental, Extended Health, and GroupLife premium holidays, cost associated with the staffing changes detailed above, offset by increase of Municipal Pension Plan rate increase of

(8) Increase of appropriations due to PBC benefit surplus withdrawal.

School District No. 39 (Vancouver)
CommunityLINK Fund Surplus (Deficit)
Quarter Ended September 30, 2013

	2014 Preliminary Budget	2014 Q1 Projection	Variances	
	A	B	C = B - A	
Deferred Revenue, beginning of year	232,233	335,263	103,030	(1)
Add: Restricted Grants				
Provincial Grants - Ministry of Education	9,064,283	9,064,283	-	
Provincial Grants - Other				
Federal Grants				
Other	1,859,456	1,875,676	16,220	
Investment Income				
Less: Allocated to Revenue	10,923,739	10,923,739	-	
Recovered				
District Entered				
Deferred Revenue, end of year	232,233	351,483	119,250	
Revenue				
Other Ministry of Education Grants	9,064,283	9,064,283	-	
Miscellaneous Fees and Revenues	1,859,456	1,859,456	-	
Total Revenue	10,923,739	10,923,739	-	
Expense				
Instruction	10,666,074	10,666,074	-	
District Administration	226,094	226,094	-	
Operations and Maintenance	31,571	31,571	-	
Transportation and Housing	-	-	-	
Total Expense	10,923,739	10,923,739	-	
Net Revenue (Expense)				
Deferred Contributions	232,233	351,483	119,250	
Net Fund Balance	232,233	351,483	119,250	

(1) Change in deferred revenue balance versus Preliminary budget due to higher than projected 2012/2013 surplus.

Enrolment as at September 30, 2013

A) General Enrolment (FTE)

	2012/2013 Actual	2013/2014 Prelim. Budget	Sept. 30/13 Prelim. Actual	Variance to Budget	Variance to Last Year
Regular School Aged	51,117	50,070	50,721	651	(396)
Distributed Learning	581	554	514	(40)	(67)
Adult Education					
Adult Under 19	131	135	119	(16)	(12)
Adult 19 and Over	448	550	305	(245)	(143)
Graduated Adults	272	271	281	10	9
Total Funded	52,549	51,580	51,941	360	(608)
International Students	1,184	1,309	1,358	49	174
Total Students	53,733	52,890	53,299	409	(435)

B) Unique Needs Enrolment (FTE)

	2012/2013 Actual	2013/2014 Prelim. Budget	Sept. 30/13 Prelim. Actual	Variance to Budget	Variance to Last Year
ELL	11,085	11,020	10,562	(458)	(523)
Aboriginal	1,959	1,959	2,010	51	51
Special Education					
Level 1	103	107	91	(16)	(12)
Level 2	1,710	1,699	1,716	17	6
Level 3	619	600	554	(46)	(65)