



Memorandum

vancouver school board



ITEM 3

June 6, 2014

To: Finance and Legal Committee (Committee V)

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

Subject: Third Quarter Financial Report

The 2013/2014 Amended Annual Operating Budget was approved by the Board on Feb 24, 2014.

The Amended Annual Operating Budget projected a surplus of \$11.1 million, primarily due to cost savings from operational efficiencies, additional provincial holdback funds, and higher regular student enrolment than anticipated. Given the large funding shortfall that was projected for 2014/2015, a concerted effort was made to identify all possible budget savings for the current year that could be used to help offset the projected funding shortfall for next year.

As part of the approval of the Amended Annual Operating Budget, it was resolved by the Board that the \$11.1 million in projected surplus for 2013/2014 be appropriated to assist in funding the 2014/2015 projected budget shortfall.

This report provides an updated projection of operating and CommunityLINK revenues and expenses based on actuals to date plus projections for the remainder of the year.

OPERATING FUND

Attachment A outlines the projected Operating Fund revenues and expenditures compared to the 2013/2014 Amended Budget. The following chart and comments summarize the third quarter projection and changes compared to the 2013/2014 Amended Budget.

2013/2014 Budget		
(\$ Millions)		
	Amended Annual Budget	Q3 Projection
Revenue	483.1	482.5
Expenditure	(495.8)	(494.4)
Interfund Transfers	1.4	1.0
Reduction of Unfunded Liability for Employees' Future Benefits	(0.1)	(0.1)
Budgeted Prior Year's Appropriation	22.6	21.9
Budget Surplus/(Shortfall)	<u>\$ 11.1</u>	<u>\$ 10.8</u>

REVENUE

Revenues are projected to be \$0.6 million lower than projected in the Amended Annual Budget due to the following:

- Operating grants are projected to be \$2.1 million less. The majority of the decrease in funding is due to lower than projected enrolment in Adult Education, which dropped 402 FTE;
- Higher than projected graduated adult enrolment from the May count resulted in increased funding from Other Ministry of Education grants (\$0.6 million); and
- Miscellaneous Fees & Revenues increased \$0.8 million.

EXPENDITURE

Expenditures are projected to be \$1.4 million lower than projected in the Amended Annual Budget due to the following:

- In the second quarter report in February, staff advised that additional funding for Special Education assistants was needed, and a projection of \$1.47 million was added at that time. Additional support was needed, but the actual levels of support ultimately needed were less than projected, so expenditure on Special Education assistants is less than projected (\$0.8 million);
- Lower costs for Principals / Vice Principals (\$0.2 million);
- Lower expenditure on services & supplies in Operations & Maintenance (\$0.4 million)
- Lower than projected costs in Medical Services Plan and extended health costs (\$0.7 million); and
- Additional expenditure was required (\$0.7 million) to fulfil the objectives of the additional grant funding received, offsetting the reductions in expenditure.

INTERFUND TRANSFERS

Interfund transfers are projected to be \$0.4 million lower projected in the Amended Annual Budget due to additional expenditure of a capital nature made for Maintenance & Construction, which was offset by less expenditure on services & supplies in Operations & Maintenance.

BUDGETED PRIOR YEARS' APPROPRIATION

Prior years' appropriation was reduced \$0.7 million, as additional employee future benefits accrual was needed. The Ministry had provided estimates for VBE to book as of March 2014, but VBE's year end is June 30, 2014, so the additional three month stub period costs need to be recorded in 2014.

COMMUNITYLINK

Attachment B provides a summary of the projected revenues and expenditures for the CommunityLink fund for 2013/2014.

The CommunityLink fund is projected to be close to break-even, with a small surplus in 2013/2014 of \$85,000.

JOB ACTION SAVINGS

Job action savings to the end of May totals \$2.3 million in gross savings, resulting in \$500,000 of net savings to the district, assuming 20 percent of the savings are retained by the district. This consists of one full day of job action on May 26, and the ten percent salary reduction for teachers on the four days of May 27 – 30.

Additional savings may be generated if further job action occurs. A full day of job action amounts to approximately \$1.7 million of gross savings per day, and a ten percent reduction in teachers' salaries amounts to approximately \$130,000 of gross savings per day. Based on the district retaining 20 percent of the gross savings, the VBE savings would be \$380,000 per day and \$30,000 per day, respectively.

CONCLUSION

Overall, we are close (\$300,000) to the target of appropriating \$11.1 million to assist with the projected 2014/2015 shortfall, as resolved by the Board in February. We are currently at \$10.8 million in savings, projecting to the end of the fiscal year. A further update on the 2013/2014 results will be provided when the audited financial statements are brought to the Board on September 10, 2014.

This report is provided for information.

School District No. 39 (Vancouver)
Operating Fund Surplus (Deficit)
Quarter Ended April 30, 2014

	2014 Final Budget	2014 Q3 Projection	Variances	
	A	C	D = C - A	
Revenue				
Operating Grants	444,673,167	442,540,113	(2,133,054)	(1)
Other Ministry of Education Grants	10,074,262	10,630,657	556,395	(2)
Revenue from other Provincial Ministries	68,719	60,993	(7,726)	
Summer School Fees	711,253	711,253	-	
Continuing Education Fees	1,123,790	1,326,322	202,532	(3)
Instructional Cafeteria Revenue	1,396,435	1,396,892	457	
Other Grants	208,897	185,413	(23,484)	
Offshore/Out-of-Province Tuition Fees	17,911,420	17,887,740	(23,680)	
Miscellaneous Fees and Revenues	2,225,216	3,061,354	836,138	(4)
Rentals and Leases	3,325,754	3,325,754	-	
Investment Revenue	1,341,148	1,392,776	51,628	
Total Revenue	483,060,061	482,519,267	(540,794)	
Expense				
Instruction	331,985,957	331,623,277	362,680	(5)
District Administration	12,563,336	12,574,106	(10,770)	
Operations and Maintenance	52,900,006	52,569,763	330,243	(6)
Transportation and Housing	3,218,493	3,248,678	(30,185)	
Debt Services	23,296	-	23,296	
Allocated benefits	95,148,361	94,425,032	723,329	(7)
Total Expense	495,839,449	494,440,857	1,398,592	
Net Revenue (Expense)	(12,779,388)	(11,921,590)	857,798	
Budgeted Prior Year Surplus Appropriation	22,582,090	21,904,721	(677,369)	(8)
Budgeted Reduction of Unfunded Employee Future Benefits	(132,764)	(132,764)	-	
Net Transfers (to from other Funds)				
Capital Assets Purchased	(2,833,668)	(3,312,952)	(479,284)	(9)
Local Capital Transfers	4,374,052	4,374,052	-	
Capital Loan Payment	(100,000)	(100,000)	-	
Other Fund Transfers	-	-	-	
Total Net Transfers	1,440,384	961,100	(479,284)	
Budgeted Surplus (Deficit), for the Year	11,110,322	10,811,466	(298,856)	

- (1) Decrease in funding from February and May enrolment due to lower than projected enrolment in Adult Education by 402 FTE and Distributed Learning by 13 FTE.
- (2) Increase in funding from February and May enrolment due to higher than projected enrolment of graduated adults in Adult Education of 114 FTE and Distributed Learning by 2 FTE.
- (3) Increase of \$186,068 in net fees collected due to recognition of funds from deposits for textbooks not returned.
- (4) Increase in funding received of \$481,451 for Miscellaneous Grants offset by spending below, \$203,290 higher than projected fees collected for Advanced Placement, Montessori, Early Literacy & Social Responsibility offset by spending below, \$64,412 greater than projected tax rebates and \$56,037 greater than projected fees collected from schools offset by spending on instructional supplies.
- (5) Decrease in expenses due to \$768,151 lower than projected support required for Special Education Assistants, \$230,465 lower than projected cost for Principals/Vice Principals, \$140,181 of 1st Aid costs reclassified from Instruction to Operations & Maintenance, offset by \$684,741 of additional costs projected relating to miscellaneous grants & fees received.
- (6) Decrease in cost in Maintenance & Construction due to budgets being used for capital purchases shown in note 9 offset by \$140,181 of 1st Aid costs reclassified from Instruction to Operations & Maintenance.
- (7) Decrease in costs due to savings in salaries in accounts above and lower than projected costs in MSP \$237,275 and Extended Health \$272,364.
- (8) Increase in costs for employee future benefits accrual relating to costs incurred in prior years.
- (9) Increase in costs due to capital purchases made for Maintenance & Construction using non-capital budgets shown in note 6.

School District No. 39 (Vancouver)
CommunityLINK Fund Surplus (Deficit)
Quarter Ended April 30, 2014

	2014 Amended Annual Budget	2014 Q3 Projection	Variances	
	A	C	D = C - B	
Deferred Revenue, beginning of year	208,891	208,891	-	
Add: Restricted Grants				
Provincial Grants - Ministry of Education	8,761,286	8,761,286	-	
Provincial Grants - Other				
Federal Grants				
Other	1,780,236	1,780,236	-	
Investment Income				
Less: Allocated to Revenue Recovered District Entered	10,561,309	10,664,750	(103,441)	
Deferred Revenue, end of year	189,104	85,663	(103,441)	
Revenue				
Other Ministry of Education Grants	8,761,286	8,761,286	-	
Miscellaneous Fees and Revenues	1,780,236	1,780,236	-	
Total Revenue	10,541,522	10,541,522	-	
Expense				
Instruction	10,270,960	10,356,359	(85,399)	(1)
District Administration	258,348	274,425	(16,077)	(2)
Operations and Maintenance	32,001	33,966	(1,965)	(2)
Total Expense	10,561,309	10,664,750	258,989	
Net Revenue (Expense)	(19,787)	(123,228)	(103,441)	
Deferred Contributions	208,891	208,891	-	
Net Fund Balance	189,104	85,663	(103,441)	

(1) \$110,000 in spending to support the Inner City Review offset by \$24,601 in other savings.

(2) \$18,042 overall increase in Admin Overhead allocation.