

YEAR END FINANCIAL STATEMENT
MANAGEMENT DISCUSSION AND ANALYSIS



September
2019

Results of 2019 Fiscal Year

Table of Contents

School District Profile.....	3
Ten Year Strategic Goals and Objectives	5
School District Funding	6
The Financial Planning Process	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Operations	14
Accumulated Operating Surplus	21
Special Purpose Fund	23
Major Capital Projects.....	26
Local Capital Fund	29
Future Considerations - Risks and Opportunities	30
Conclusion.....	33

School District Profile

District Snapshot

The North Vancouver School District (NVSD) is one of sixty BC Public School Districts responsible for the delivery of K-12 public education in the Province. NVSD maintains and operates seven secondary and twenty-five elementary schools located within the City and District of North Vancouver. We are a mid-sized School District, 11th largest in the Province. In 2019 we served over 15,000 students, their parents, and more than 2,000 staff. In addition to the thirty-two school facilities, the District maintains an operations maintenance facility at the Lucas site on Hamilton Avenue, the Education Services Centre located on Lonsdale Avenue and the Cheakamus Environmental Centre in Squamish. The School District prepares its financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board (PSAB). KPMG is the Board-appointed auditor.



Seven elected Trustees comprise the North Vancouver Board of Education. Four are elected from the District of North Vancouver, and three from the City. Collectively, the Board is responsible for the allocation of resources, hiring and assignment of teachers, administrators, support staff, and making the major policy decisions governing all aspects of education as mandated by the *School Act*.



We provide world-class instruction and a rich diversity of engaging programs to inspire success for every student and bring communities together to learn, share and grow.

Our Mandate

The Provincial Mandate governs our general policies, service delivery and accountability structures. The Mandate is broad, and flexible enough providing the Board the ability to develop policies and programs that meet the legislated requirements of the School Act and are responsive to the local needs of our community. The Statement of Education Policy Order emphasizes that in preparing students as future citizens, schools assist in developing “well-educated people who have the ability to think clearly and critically, and to adapt to change. Progress towards these goals also depends on educated citizens who accept the tolerant and multi-faceted nature of Canadian society.”

Our Values

Our shared values set the tone for how we relate to one another in pursuing common goals. Our Values assist us in demonstrating consistent and fair leadership and guide us in working collaboratively and productively together to realize our Vision.

Trust

We act with integrity. We are open and honest in our communication with one another.

Respect

We relate to each other with care and appreciation. We honour diversity and recognize the exceptional in everyone.

Responsibility

We are accountable for our actions. We support positive change, continuous improvement and the pursuit of excellence.

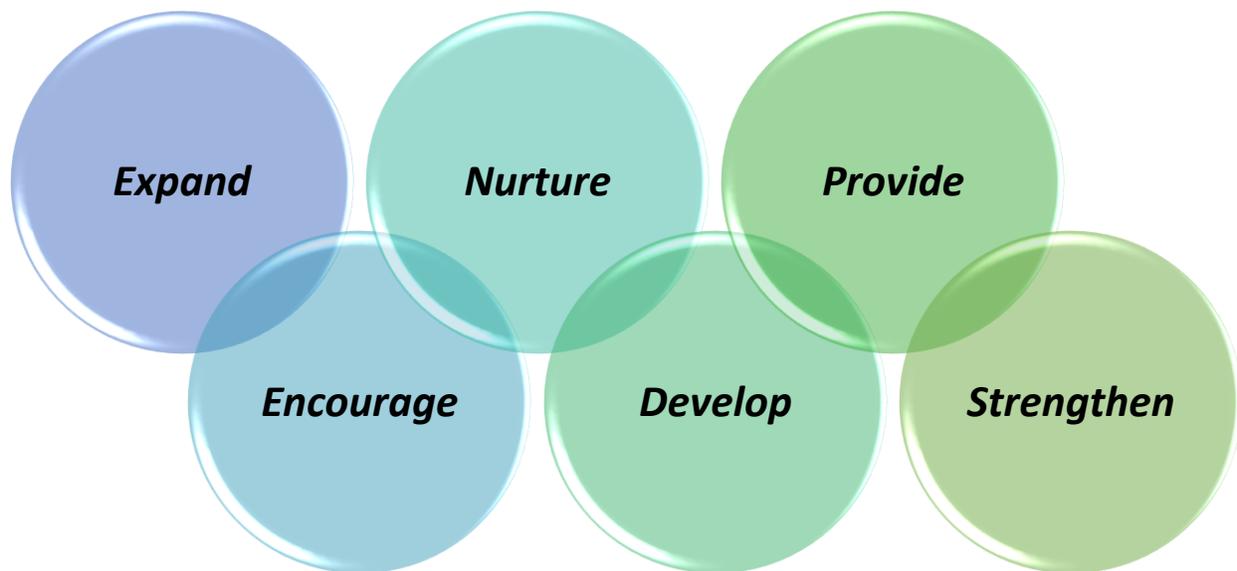
Collaboration

We develop relationships and affiliations to achieve shared goals and consider each other in our decisions and actions.



Ten Year Strategic Goals and Objectives

FY2019 is the first of three years encompassed within the Board's *Three-Year Operating Plan, 2019-2021*. This plan establishes interim objectives and strategies designed to meet the Board's six long-term goals identified in the School District's *Ten-Year Strategic Plan*. These six long-term goals, established through an extensive process of consultation, brought together our partner groups and community members, combined our strengths, and provided the framework to promote an integrated, organizational-wide approach to realize the Board's Vision. Our financial discussion and analysis is framed within the context of this Vision, aligning these objectives throughout all areas of the organization.



Expand *the availability of best instructional practices and enriched curriculum*

Encourage *collaborative, adaptive and personalized learning environments*

Nurture *an inspiring and healthy work environment*

Develop *and promote innovative and sustainable programs*

Provide *leadership in environmental education and sustainability practices*

Strengthen *and expand reciprocal community relations*

School District Funding



The School District is funded primarily through the Operating Grant received from the Provincial Ministry of Education. The Operating Grant is based on student enrolment, confirmed in a provincial process called 1701 in September, February, and July. The District receives a fixed amount per full-time enrolled student (FTE). For each identified student with unique needs, the District receives a supplementary grant on top of the basic per-pupil grant which provides additional financial resources required to ensure schools can respond to the needs of diverse learners.

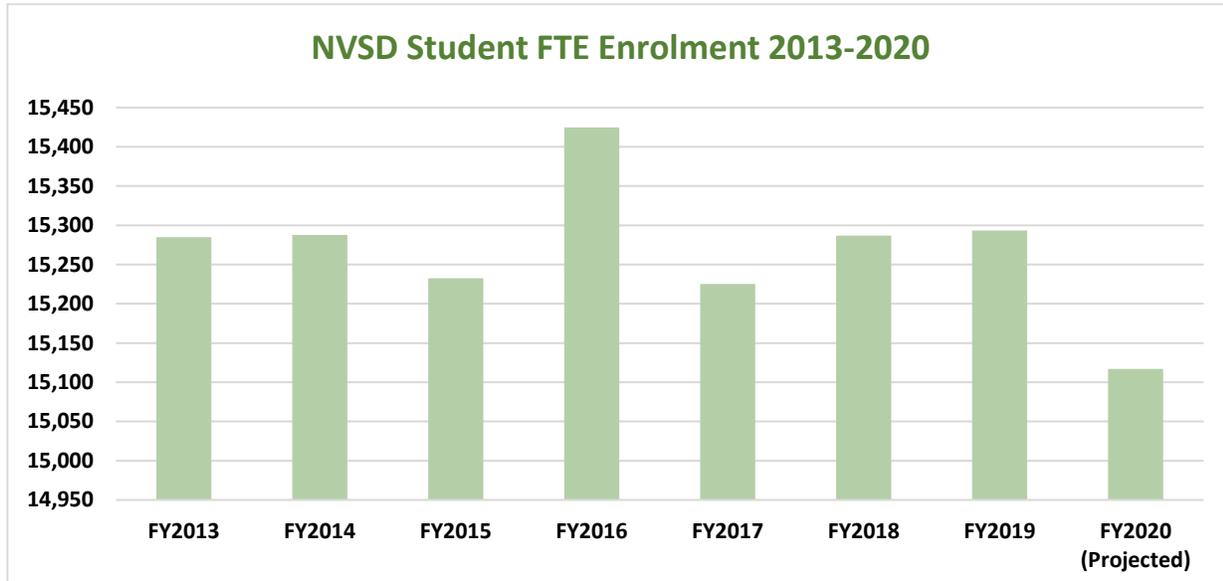
Fluctuations in Student Enrolment

In grades Kindergarten through nine, one student equates to one FTE. At the secondary level, in grades ten through twelve, students are funded based on the percentage of full time enrolment. As a result, there is variation in funding for secondary students, as often they will take less than a full course load or seek learning opportunities and experiences outside of school to meet their credit requirements. This funding model for secondary can pose a significant challenge for the School District, and management considers the impact throughout the financial planning process.

Each year, the impact of fluctuating student enrolment has the potential to influence decisions regarding course offerings, required staffing levels, and predictions of future capacity requirements of the District's seven secondary and twenty-five elementary schools. In order to minimize uncertainty that accompanies estimates of student enrolment numbers, the District undertakes a comprehensive process to predict future trends. This process includes an analysis of population data, consideration of municipal development approvals and incorporates local knowledge to estimate elementary and secondary student enrolment for the coming budget year. The number of students enrolled directly impacts the number of staff needed. Staff salaries and



benefits make up close to 90% of School District expenditures, thus, a reliable estimate of student enrolment is crucial to the integrity of the operating budget. Student enrolment has experienced some variability over the previous five years; a slight decline is expected for FY20:



Restored Language Provisions

FY2019 continued with the previously restored class size and composition language requirements of the teachers’ collective agreement. In order to respond to the impacts of the restored contract language, in FY2019, the Province continued Classroom Enhancement Funding (CEF). North Vancouver School District received a total of \$15,592,116 in CEF funds during this fiscal year. The majority of the funding was used to pay additional teaching staff required by the teachers’ collective agreement and additional support staff resulting from local contract provisions. The chart below illustrates the distribution of staffing costs between regular operating and CEF funds.

	Operating Fund	CEF Fund	FY2019	Total FTE
Teachers	855.28	87.22		942.50
Administrators	81.50	0.40		81.90
Support Staff	232.58	2.33		234.91
Educational Assistants	328.19	90.00		418.19
Other Professionals	44.75	1.00		45.75
Total FTE	1,542.30	180.95		1,723.25

Staff recruitment and retention continues to pose a challenge for the North Vancouver School District, with competition for qualified teachers, administrators and support staff high among school districts across the region.

The Financial Planning Process



Annual Budget Development: The annual budget cycle begins with the Board’s endorsement of a process and timeline for budget adoption in December of each year. By February 15th, Management must submit to the Ministry, the expected student enrolment for the upcoming school year. Provincial operating grant funding estimates will be based on these initial student enrolment projections, and are released each March. Throughout the spring, a public consultation process is undertaken to identify budget priorities. Management incorporates those priorities into the preliminary operating budget as directed by the Board. By June 30th each year, the Board must adopt a budget for the upcoming school year. One additional requirement of the Board is to submit in February, an Amended Budget based on actual confirmed enrolment counts and Operating Grant revenues to the Ministry of Education.

Consolidated Statement of Financial Position

	FY2019	FY2018	\$ Change	% Change
Financial Assets				
Cash and Cash Equivalents	50,804,816	47,703,040	3,101,776	6.5%
Accounts Receivable				
Due from Province - Ministry of Education	3,069,828	162,389	2,907,439	1790.4%
Other	1,512,721	1,259,633	253,088	20.1%
Inventories for Resale	353,004	357,872	(4,868)	-1.4%
Total Financial Assets	55,740,369	49,482,934	6,257,435	12.6%
Liabilities				
Accounts Payable and Accrued Liabilities				
Due to Province - Ministry of Education	54,997	53,563	1,434	2.7%
Other	15,770,934	9,076,780	6,694,154	73.8%
Unearned Revenue	10,009,398	9,675,021	334,377	3.5%
Deferred Revenue	4,678,968	4,725,858	(46,890)	-1.0%
Deferred Capital Revenue	194,580,740	182,273,101	12,307,639	6.7%
Employee Future Benefits	7,516,625	7,231,899	284,726	3.9%
Capital Lease Obligations	544,708	720,320	(175,612)	-24.4%
Total Liabilities	233,156,370	213,756,542	19,399,828	9.1%
Net Financial Assets (Debt)	(177,416,001)	(164,273,608)	(13,142,393)	8.1%
Non-Financial Assets				
Tangible Capital Assets	288,599,693	274,090,179	14,509,514	5.3%
Prepaid Expenses	2,994,896	1,027,874	1,967,022	191.4%
Total Non-Financial Assets	291,594,589	275,118,053	16,476,536	6.0%
Accumulated Surplus (Deficit)	\$114,178,588	\$110,844,445	\$ 3,334,143	2.9%

Cash Holdings: School District funds are held in the Operating bank account, the school bank accounts, in the Provincial CDS Program, and at Blueshore Credit Union in an Investment certificate at a rate of 2.05% (FY2018 - 1.95%). The change in cash balances from FY2018 to FY2019 is mainly attributable to the increase in Accumulated Operating Surplus. See discussion on Accumulated Operating Surplus for additional information on this fund balance.

Allocation of cash at June 30, 2019 was as follows:

Investment Type	FY2019	FY2018
TD Canada Trust-Operating Accounts	28,346,616	19,714,161
Provincial CDS Program	19,970,868	25,549,122
BlueShore Financial	2,487,332	2,439,757
Total	\$50,804,816	\$47,703,040

Accounts Receivable: The most significant change in Accounts Receivable year over year is represented by a \$2.9M increase in the amount due from Province at year end. This increase relates to the timing of funding received in respect of capital construction projects. Expenditures were made by the School District on capital projects, and the Ministry funding was received in July 2019, subsequent to the fiscal year end.

Accounts Payable: Accounts payable were significantly higher this year over last resulting from the increased construction activities related to the District’s capital projects. Amounts owed to vendors was approximately \$6M higher than last year at June 30th. This includes invoices received but not paid, lien holdbacks, and management’s estimate of additional invoices yet to be received by the School District that relate to FY2019. Amounts owed to staff in respect of accrued vacation, overtime and other payroll liabilities were in line with those owed at prior year end.

Unearned Revenues: Unearned revenues represent amounts that have been collected by the School District in advance of providing the related programming. For the most part, these unearned revenues represent prepaid International Student Tuition Fees and prepaid Academy Program fees. They will be recognized and recorded as revenue over the course of the next fiscal year. FY2019 balance was \$334,377 higher than previous year, and management attributes this increase to starting the collection of Academy fees earlier in the year.

Deferred Revenues: Deferred Revenues represent amounts advanced on grant awards and unspent school generated funds, or unspent funds held in trust for the schools. These amounts will be recognized as revenue and spent in future years as the expenses are incurred. In FY2019, the balance of deferred revenue was approximately \$4.7 million, a negligible change from FY2018 deferred revenue balance of \$4.68M.

Deferred Revenues were made up of the following amounts:

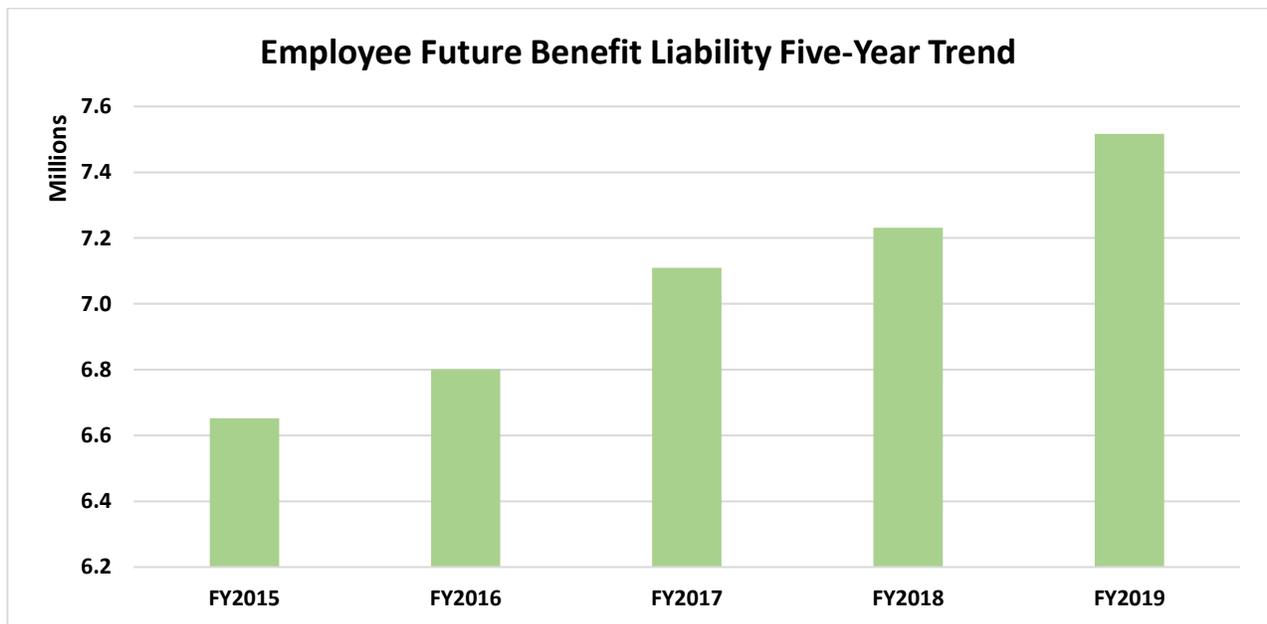
Description	FY2019	FY2018	Change
School Generated Funds	3,856,442	3,452,889	403,553
Coding and Curriculum Grant		83,287	(83,287)
Classroom Enhancement Funds	155,227	322,273	(167,046)
Carlisle Youth Inpatient Grant	106,633	330,786	(224,153)
Metro Regional Implementation	259,396	304,967	(45,571)
Mental Health Hub Grant	124,226	225,515	(101,289)
Other Miscellaneous Grants	177,044	6,141	170,903
Total Deferred Revenues	\$4,678,968	\$4,725,858	(\$46,890)

Deferred Capital Revenues: These revenues relate to grant funds received in prior years which have been spent on Capital Projects. As a requirement of Treasury Board Regulations, the grant revenue is not immediately recognized, instead, it is recorded as a deferred revenue liability. Over time, this liability is drawn down and converted to revenue over the expected life of the asset.

The balance in Deferred Capital Revenue increases each year by any new Provincial grant funding received, and is reduced each year by the annual recognition of capital grant revenue over the life of each capital project. The change in the Deferred Capital Revenue account balance is explained by the table below:

Deferred Capital Revenues	FY2019	FY2018	Change
Deferred Capital Revenue – Opening Balance	182,273,101	182,845,300	(572,199)
Additions – Funding Received in respect of Capital Projects	18,483,189	5,362,574	13,120,615
Current Year Recognition of Deferred Grant Revenue	(6,175,550)	(5,934,773)	(109,520)
Closing Deferred Revenue Balance	\$194,580,740	\$182,273,101	\$12,438,896

Employee Future Benefit Liability: This figure is provided annually to the School District by the Province using actuarial estimates. It measures the estimated future cost to the District to provide employee benefits such as retirement allowances, vacation and sick pay and maternity leave benefits. The annual increase is linear and predictable, suggesting that the cost of benefits increases over time as wages increase, and that the workforce is stable, accumulating additional seniority and benefit entitlements over time.



Capital Lease Obligation: During FY2018, the District entered into a long-term photocopier lease contract expiring November, 2023. The contract met the conditions of a capital lease. The amount owing on the lease at the end of FY2019 was \$544,708 (FY2018 \$720,320). Over the course of the year, the District made lease payments of \$212,507 which included \$36,895 in interest expense.

Tangible Capital Assets and Amortization Expense

Each year, the District undertakes capital work, either by way of upgrading and extending the useful life of its existing buildings, or the construction of new, replacement projects. The funds expended on these capital projects, as well as those spent on fleet and maintenance vehicles, furniture and equipment and computer hardware and software are capitalized as Tangible Capital Assets. The costs of these assets are recognized over their expected useful lives through a systematic recording of Amortization Expense. Furniture and equipment, fleet and maintenance vehicles, and computer hardware and software are all deemed to be disposed of at the end of their useful life, and the asset value, and its related accumulated amortization are removed from the asset register.

Estimated Useful Lives of Tangible Capital Assets:

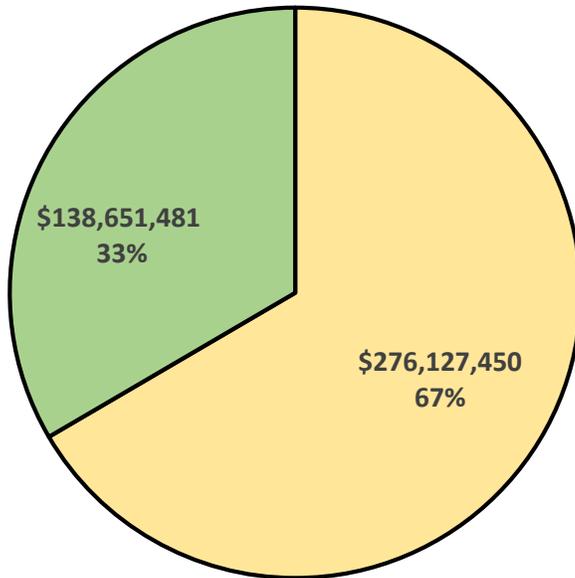
- | | |
|------------------------------|---------------------|
| Buildings | • 40 years |
| Furniture and Equipment | • 10 years |
| Vehicles | • 10 years |
| Computer Hardware & Software | • 5 years |
| Assets under Capital Lease | • Term of the Lease |

The School District's Tangible Capital Asset balances are recorded in the schedule below:

Tangible Capital Assets	Balance at June 30, 2018	Additions	Disposals	Transfers (WIP)	Balance at June 30, 2019
Sites	12,472,243	\$ -	-	\$ -	12,472,243
Buildings	378,555,075	3,548,950	-	138,534	382,242,559
Buildings WIP	3,605,051	19,363,302	-	(138,534)	22,829,819
Furniture & Equipment	3,369,450	757,056	(213,759)	-	3,912,747
Vehicles	1,211,197	217,196	(116,988)	-	1,311,405
Computer Software	662,874	-	(341,941)	-	320,933
Computer Hardware	4,346,435	688,028	(872,995)	-	4,161,468
Total	\$ 404,222,325	\$ 24,574,532	\$ (1,545,683)	-	\$ 427,251,174

Accumulated Amortization:	June 30, 2018	Additions	Disposals	Balance at June 30, 2019
Sites	-	-	-	-
Buildings	126,607,270	8,605,091	-	135,212,361
Furniture & Equipment	1,180,908	336,945	(213,759)	1,304,094
Vehicles	414,602	121,120	(116,988)	418,734
Computer Software	391,887	132,575	(341,941)	182,521
Computer Hardware	1,537,479	869,287	(872,995)	1,533,771
Total	\$ 130,132,146	\$ 10,065,018	\$ (1,545,683)	\$ 138,651,481

NVSD-Amortized Tangible Capital Assets (excludes land)



A high proportion of fully-amortized tangible capital assets may suggest an organization's assets are nearing the end of their expected lives and additional investments in capital renewal and replacement should be considered.

□ Unamortized □ Amortized



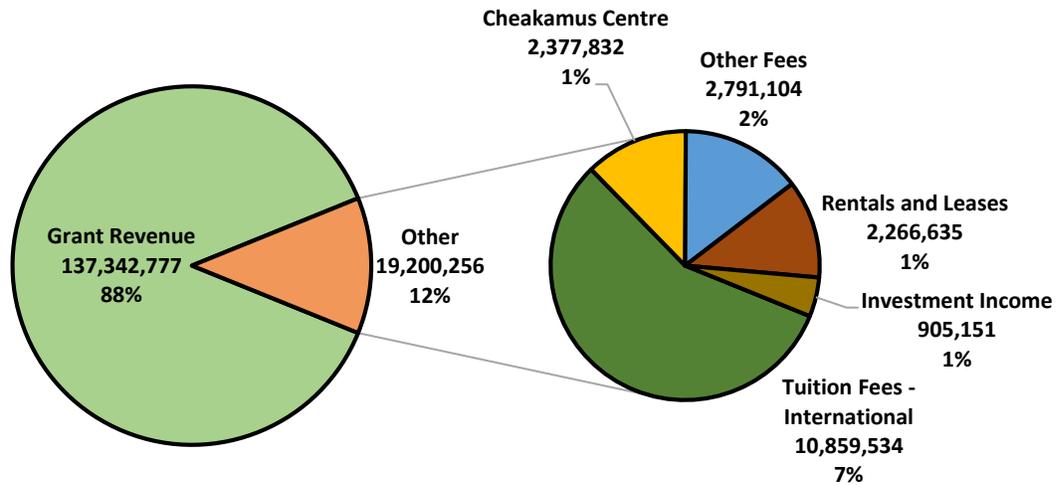
Prepaid Expenses: These include amounts paid in advance for services that will be delivered in a future period. Examples include insurance premiums and software licensing agreements. New in FY2019, prepaid expense items include \$2M of security deposits paid in cash to the District of North Vancouver in respect of the School District's capital construction projects.

Statement of Operations (Operating Fund)

Revenue: The School District accounts for all general operating revenue and expenses in the Operating Fund. 88% of the School District's Operating revenue is received each year in the form of the per-pupil Operating Grant. Operating Revenues are summarized below:

	2019 BUDGET	2019 ACTUAL	Actual vs Budget		2018 ACTUAL
			Variance	%	
PROVINCIAL GRANTS - MINISTRY OF EDUCATION					
Operating Grant, Ministry of Education	\$133,297,955	\$133,449,509	\$ 151,554	0.11%	\$129,602,729
Other Ministry of Education Grants					
Pay Equity	2,966,047	2,966,047	-	0.00%	2,966,047
Funding for Graduated Adults	12,000	13,503	1,503	12.53%	16,452
Transportation Supplement	40,566	40,566	-	0.00%	40,566
Economic Stability Dividend		173,377	173,377		92,203
Return of Administrative Savings		0	-		665,252
Carbon Tax Grant	90,000	97,355	7,355	8.17%	113,861
Employer Health Tax		367,966			
Scorer / Marker	17,740	17,740	-	0.00%	17,740
Curriculum Implementation			-		
Skills Training Access & Support			-		17,079
Support Staff Benefits	104,118	104,118	-	0.00%	98,802
Support Building Capacity			-		52,000
Other Miscellaneous		70,850	70,850		
Total Provincial Grants - MOE	136,528,426	137,301,031	772,605	0.57%	133,682,731
PROVINCIAL GRANTS - OTHER	62,000	25,096	(36,904)	-59.52%	17,900
FEDERAL GRANTS	5,000	6,650	1,650	33.00%	5,000
TUITION					
Summer School Fees	133,125	141,125	8,000	6.01%	104,275
Offshore Tuition Fees	10,412,500	10,718,409	305,909	2.94%	10,907,871
Total Tuition	10,545,625	10,859,534	313,909	2.98%	11,012,146
OTHER REVENUE					
Miscellaneous					
Cheakamus Centre	2,538,616	2,377,832	(160,784)	-6.33%	2,218,161
District Miscellaneous	367,000	501,576	134,576	36.67%	244,343
Band & Strings	607,953	607,383	(570)	-0.09%	588,820
Recoveries and Donations	94,500	349,360	254,860	269.69%	340,006
School Miscellaneous	75,000	86,756	11,756	15.67%	334,559
Artists for Kids	353,300	251,704	(101,596)	-28.76%	283,851
Academy Fees	984,000	1,004,325	20,325	2.07%	1,120,206
Total Other Revenue	5,020,369	5,178,936	158,567	3.16%	5,129,946
RENTALS AND LEASES	2,094,323	2,266,635	172,312	8.23%	2,132,489
INVESTMENT INCOME	701,300	905,151	203,851	29.07%	694,762
TOTAL OPERATING REVENUE	\$154,957,043	\$156,543,033	\$ 1,585,990	1.02%	\$152,674,974

Sources of Revenue FY2019



The most significant source of School District Revenue, aside from Provincial Operating Grants, comes from International Tuition Fees which accounted for approximately 7% of operating revenue in FY2019. Cheakamus Centre, Rentals and Leases, Programs of Choice and Other Miscellaneous Revenues account for approximately 4% of Operating Revenue, and the remainder, less than 1% is earned through investment income.

Analysis of Changes in Operating Revenue:

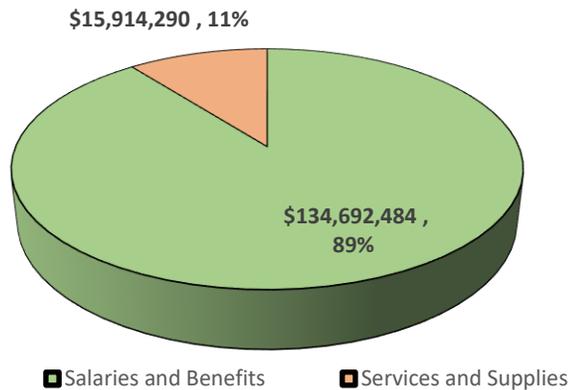
Revenue	Changes – Current year Budget to Actual	Changes FY2018 to FY2019
Provincial Grants (MOE)	Current year Operating Grant Revenue in line with expectations based on 1701 enrolment count. Small fluctuations result in February and May from changes to enrolment in Distributed Learning.	Year over year increase results from increase of \$122 per student to the per-pupil grant (\$7,301 FY2018 to \$7,423 in FY2019). Higher number of designated students in FY2019 resulted in approx. \$900K more to the supplemental grant.
International Tuition Fees	Exceeded current year expected revenues by approximately \$300K. North Vancouver School District experiencing continued strong demand as a preferred District for International Students. Higher than budgeted (\$8K) summer school fees received from International registrations.	Current year planned international student admissions were restored to 650 FTE after being reduced by 25 in prior year to create flexibility for restored contract language provisions.
Other Revenues	Cheakamus Centre revenues slightly lower than budget, (\$160K) Some private rentals did not materialize as was expected. Unbudgeted revenue approx. \$75,000 received from disposition of fleet vehicles.	Academy revenue year over year dropped by approximately \$100K. Attribute this reduction to the perceived high cost of programs. School Miscellaneous down by approximately \$248K as a result of

Revenue	Changes – Current year Budget to Actual	Changes FY2018 to FY2019
	Some anticipated AFK donations were not received.	Student Learning Grant Funds, one time grant spent in 2018, not available in 2019.
Investment Income	Investment Revenue exceeded budget estimate due to increasing interest rate environment, and slower than expected use of cash reserves for capital projects. As well, a conservative approach to estimating investment income has been maintained.	Additional investment revenues as increasing interest rate environment from FY 2018.

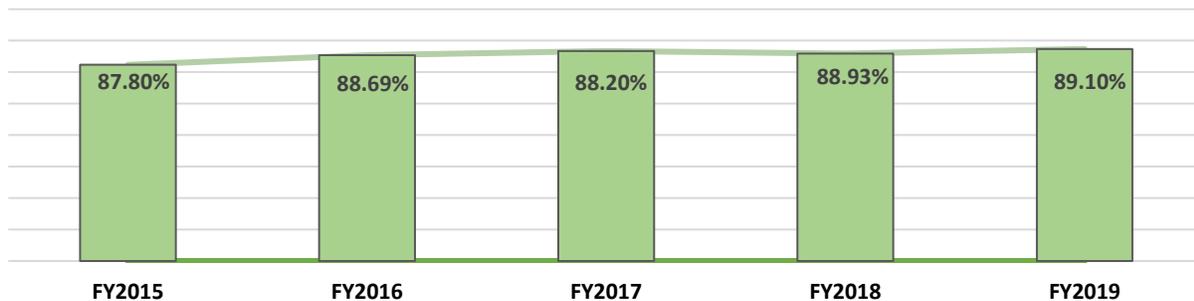
Salaries and Benefits Expenses

During FY2019, staff Salaries and Benefits made up 89.4% of the Operating Budget. In FY2018, this number was 89.1%. A review of the previous five years of expenditures on Salaries and Benefits shows consistent annual expenditures in the range of 87-89% of total operating expenses.

Salaries and Benefits as a Proportion of Total Operating Budget FY2019



Five Year Salaries & Benefits trend as a proportion of total Operating Expenses:



Average Teacher Salary for FY2019 was \$79,000 (FY2018 \$77,300) and benefit cost as a proportion of annual salary estimate was 25.14% (FY2018 26.31%).

Operating Fund Expenses	2019	2019	Actual vs Budget		2018
	BUDGET	ACTUAL	VARIANCE	%	ACTUAL
SALARIES AND BENEFITS					
Teachers	\$ 67,467,891	\$ 65,464,889	\$ (2,003,002)	-2.97%	\$ 65,008,622
Principals and Vice Principals	9,911,417	9,863,456	(47,961)	-0.48%	9,519,308
Educational Assistants	12,902,461	12,674,667	(227,794)	-1.77%	12,779,955
Support Staff	11,918,264	11,121,985	(796,279)	-6.68%	11,123,371
Other Professionals	3,964,112	3,891,897	(72,215)	-1.82%	3,754,613
Substitutes	3,707,510	5,288,690	1,581,180	42.65%	4,290,006
	109,871,655	108,305,584	(1,566,071)	-1.43%	106,475,875
EMPLOYEE BENEFITS	26,398,306	26,386,900	(11,406)	-0.04%	25,369,082
TOTAL SALARIES AND BENEFITS	\$ 136,269,961	\$ 134,692,484	\$ (1,577,477)	-1.16%	\$ 131,844,957

Variance Analysis of Salary Expense: Operating Fund expenditures do not capture any additional staffing or classroom space costs resulting from the restoration of Class size and Composition language. All of these additional expenses have been recorded as expenditures within the Special Purpose Fund. See discussion section within Special Purpose Fund on CEF Staffing grant and CEF Overhead grant for further information.

Teacher Salaries:

Actual teacher salaries were approximately \$2M lower than budgeted, and in line with prior year expenses. The School District typically is underspent in this salary category as the budget includes provision for 10 District On-Call (DOC) Teachers to backfill illness or other absences. As these DOC salaries are paid, they are charged to the Substitutes line item. Typically, the Substitutes category is overspent by a similar amount, effectively offsetting the underspent amount in Teacher Salaries.

Principals and Vice Principals:

Current year salary and benefit expenses for this salary group are in line with budget expectations.

Educational Assistants:

The impact of the restored contract language required the School District to hire an additional 90 EA’s. These significant efforts to hire EA’s has resulted in a severe shortage of qualified EA’s throughout the District. Over the course of the year, several EA positions, or partial EA assignments went unfilled, despite best efforts by the School District to hire. This shortage of qualified staff has led to a lower than budgeted expenditure on EA Salaries and Benefits (less than budget by approximately \$228,000, and lower than FY2018 by more than \$100,000). As many of the School District expenditures on EA’s are a result of restored language provisions, a significant portion of EA salary expense is recorded in the Special Purpose Fund (see discussion regarding CEF staffing expenditures for further information).

Support Staff:

Variance from budget expectations (lower by almost \$800K) results mainly from several short-term vacancies in support positions throughout the School District over the course of the year. Additionally, there were two Trades positions within the Facilities Department that were not filled due to a lack of qualified applicants. There were no significant changes from year to year in support staff salaries.

Other Professionals:

This group of employees are the exempt staff and Trustees. Current year salary expenses for this group were in line with budget expectation, actual expenditures were lower than budget by approximately \$72,000. For short periods throughout the year, some exempt positions were temporarily unfilled.

Substitutes:

There is typically a large overspend in the Substitutes category, and actual FY2019 expenditures were in line with expectations, (see discussion re: Teachers above). In FY2018, aggressive teacher recruitment efforts by BC School Districts as a result of restored contract language created an acute shortage of TTOC’s everywhere. This shortage reduced the District’s ability to replace discretionary teacher absences, the focus of TTOC utilization was on the replacement of full-time enrolling Teachers absent due to illness. This year, the situation improved somewhat, and as a result, current year expenditures on Substitutes was approximately \$1M higher than last year.

Supplies and Services Expenses

Operating Fund Expenses	2019	2019	Actual vs Budget		2018
	BUDGET	ACTUAL	\$ Variance	%	ACTUAL
SERVICES AND SUPPLIES					
Services	8,524,283	8,861,147	336,864	3.95%	8,493,831
Student Transportation	91,000	78,485	(12,515)	-13.75%	52,860
Professional Development and Trave	828,988	926,298	97,310	11.74%	862,068
Rentals and Leases	31,000	34,485	3,485	11.24%	31,632
Dues and Fees	58,100	57,669	(431)	-0.74%	56,648
Insurance	432,200	327,453	(104,747)	-24.24%	349,626
Supplies	3,665,118	3,086,163	(578,955)	-15.80%	3,677,097
Utilities	2,875,221	2,542,590	(332,631)	-11.57%	2,613,006
TOTAL SERVICES AND SUPPLIES	\$ 16,505,910	\$ 15,914,290	\$ (591,620)	-3.58%	\$ 16,136,768

Variance Analysis of Operating Expense by Object: The expenses recorded within the operating fund include the baseline operations of the School District. Those additional expenses resulting from the restoration of class size and composition contract language are accounted for within the Special Purpose Fund. See discussion topic under Classroom Enhancement Fund.

Services Expenses:

As expected, actual expenses vary from budget in several Service categories throughout the District. Typically, these variances, both over and under combine to bring actual expenditures in line with Budget. In FY2019, Services expenses were approximately \$337,000 over budget. This level of expenditure on services exceeded expenses in this category in FY2018 by approximately \$370,000. Some of the contributing factors to this included:

- **International Student Expenses**

Commissions paid - *Impact to expenses: \$112,111 Increase from Budget*

Health Premiums paid - *Impact to expenses: \$103,327 Increase from Budget*

Increased international student revenue, (\$1,000,000 increase in FY2019 over 2018) resulting from additional International Students attending the School District resulted in additional expenses related to their recruitment costs, and obtaining health insurance coverage.

- **Arborist Services**

Impact to expenses: \$98,566 Increase from Budget

During FY2019, A significant effort was made to identify and remove dangerous trees throughout the School District.

Professional Fees

- *Impact to expenses: \$200,113 Increase from Budget*

Over the course of the FY2019, the School District incurred unexpected consulting fees for professional services related to several leases and legal agreements that were reviewed or renewed during the year. Professional advice relating to the capital procurement process was also sought in order to ensure a successful tender and bid award process for several school capital projects.

Student Transportation:

Increased Budget from FY2018-Impact to Budgeted Expenses \$38,140 Increase

- In FY2018 and prior, all fuel and fleet maintenance expenses related to the School District's busses were charged to the facilities department. In FY2019, a reallocation of fuel and maintenance expenses were charged to the Student Transportation budget line item.

Insurance:

Impact to Expenses \$96,918

- Budgeted Insurance services are provided by the Province of BC. In FY2019, insurance costs were \$96,918 lower than budget, and \$22,173 lower than FY2018. In prior years, coverage for the Cheakamus Centre was obtained separately. In FY2019, Cheakamus Centre was covered under the general School District policy at no additional cost, resulting in an estimated savings of \$30,000.

Supplies:

FY2019 Expenses lower than FY2018 by \$590,934

- FY2018 included one time non-reoccurring expenses funded by the Student Learning Grant. Grant Funds spent in 2018 were approximately \$482,000. Several other small savings in various budget categories across District Departments were experienced throughout the year in the supplies category, including contracted facilities expenses which were charged to the services budget, and contribute to the over-expenditures within this class of expenses.

Utilities:

FY2019 Expenses lower than budget by \$332,631

- Actual expenditures on Fortis Natural Gas were \$79,730 lower than FY2019 budget because of the conservation initiatives followed by the School District in the fall in response to the ruptured Enbridge pipeline.
- Next Generation Network – expenses paid to the Province to maintain the Network were \$106,362 lower than estimated.
- Savings on the waste removal contract expenditures were \$25,348 lower than anticipated.
- Actual expenditures on electricity as a result of conservation efforts were \$76,815 lower than FY2019 Budget.



Accumulated Operating Surplus

The Provincial Financial Health Working Group recommended that Boards of Education implement a use of Surplus Policy. In May 2018, the Board of Education adopted Policy No. 710, *Accumulated Operating Surplus*. This policy commits the Board to undertake a thorough annual review of the Accumulated Operating Surplus balance, and clearly identify specific appropriations each year.

At the end of FY2019, the annual operating surplus was \$3,241,568 higher than anticipated, resulting in the following variances from budget:

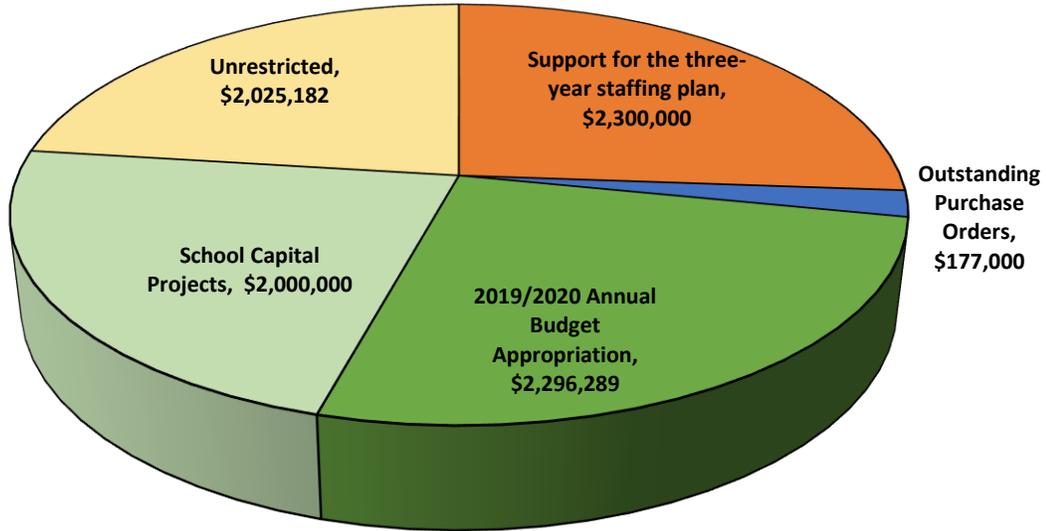
	FY2019 Amended Budget	FY2019 Actual	Variance From Budget favourable/ (unfavourable)	FY2018 Actual
Total Operating Revenue	154,957,043	156,543,033	1,585,990	152,674,974
Total Operating Expenses	(152,775,871)	(150,606,774)	2,169,097	(147,981,725)
Acquisition of Capital Assets with Operating Funds	(6,643,000)	(7,156,519)	(513,519)	(836,845)
Change in Accumulated Operating Surplus	(4,461,828)	(1,220,260)	3,241,568	3,856,404
Accumulated Operating Surplus:				
Opening Fund Balance July 1, 2018	10,018,731	10,018,731		6,162,327
Add: Current year change	(4,461,828)	(1,220,260)	3,241,568	3,856,404
Closing Fund Balance June 30, 2019	\$ 5,556,903	\$ 8,798,471	\$ 3,241,568	\$ 10,018,731

The Accumulated Operating Surplus Fund represents a source of funding that the Board may draw from to balance future operating budgets, pay for non-recurring extraordinary expenses, use as a source of working capital, and create resiliency to address unusual events.



Allocation of Accumulated Operating Surplus \$8,798,471

Management recommends appropriations of Accumulated Operating Surplus to fund District initiatives which support the Board’s Budget Priorities and Strategic Objectives. Recommendations to the Board were provided to support the following internal restrictions upon Accumulated Operating Surplus:



Category	Amount	Purpose
Support for the three-year staffing plan	2,300,000	Management recommends this amount be set aside to fund staffing costs identified in the three year staffing plan.
Outstanding Purchase Orders	177,000	Outstanding Purchase Orders at June 30 th , 2019.
2019/2020 Annual Budget Appropriation	2,296,289	Appropriated in 2019/2020 Annual Budget
School Capital Projects	2,000,000	Management recommends this amount be set aside to fund future school capital projects
Unrestricted	2,025,182	Policy 710, Accumulated Operating Surplus recommends that unrestricted operating surplus be in the range of 2%-4% of Operating Expenses. (FY2019 = 1.34%)
TOTAL	\$8,798,471	Accumulated Operating Surplus Balance June 30th, 2019

Special Purpose Fund

The Special Purpose Fund consists of restricted grant and other funding subject to a legislative or contractual restriction on its use. These revenues are deferred until the relevant expenditures are incurred. The School District incurred the following expenditures in FY2019 year as related to significant Special Purpose grants:

Grant	Source	FY2019		Discussion
		Amount Received	Amount Expended	
Annual Facility Grant (Operating portion)	Ministry of Education	626,273	626,273	Please see discussion in the <i>Capital Projects</i> section under “Annual Facility Grant (AFG) Funding”
Learning Improvement Fund (LIF)	Ministry of Education	506,353	506,353	Funding used specifically to augment Educational Assistants’ hours providing additional support to complex learners.
StrongStart	Ministry of Education	224,000	224,000	NVSD Strong Start early learning centres provide school-based, drop-in programs for children aged birth to five and their parents or caregivers. Seven centres are operated at elementary schools throughout the District.
Ready, Set, Learn (RSL)	Ministry of Education	61,250	61,250	Eligible RSL events for 3 to 5 year olds and their parents are hosted to support early learning and facilitate a smooth transition to Kindergarten
Official Languages in Education French Programs (OLEP)	Ministry of Education	268,463	268,463	Funding for core French-language programs and curriculum resources.
CommunityLINK	Ministry of Education	1,098,847	1,098,847	Funding for programs and initiatives to improve the education performance of vulnerable students, including both academic achievement and social functioning.
Coding and Curriculum Implementation	Ministry of Education	83,287-	83,287	Funding in the amount of \$117,327 was received in FY2017 for a Ministry-led initiative to train teachers and facilitate the implementation of coding modules in schools under the new curriculum.
ERAC Funding	ERAC	170,903	-	Funding in the amount of \$170,903 was received in FY2019 to hold in trust until the new procurement entity was operational. Funds will be paid to the new entity in July, 2019.

Grant	Source	FY2019		Discussion
		Amount Received	Amount Expended	
Classroom Enhancement Fund (CEF) – Overhead	Ministry of Education	5,317,326	5,317,326	Eligible expenses included overhead staffing and equipment costs resulting from restoration of class size and composition language. Further discussion provided below.
Classroom Enhancement Fund (CEF) – Staffing	Ministry of Education	8,928,648	8,928,648	Eligible expenses included teacher staffing resulting from restoration of class size and composition language. Further discussion provided below.
Classroom Enhancement Fund (CEF) - Remedies	Ministry of Education	1,894,259	1,739,032	Funding received to pay for the cost of Remedies owed to Teachers where contract language cannot be met.
Carlile Youth Inpatient Unit	Ministry of Education	330,786	224,154	Funding for staffing and supplies required to operate an educational support program for youth aged 13 to 18 years struggling with mental health challenges and substance abuse issues. The Program is open to youth throughout the Vancouver Coastal Health Region, and is delivered at an inpatient centre at Lions Gate Hospital.
Education & Mental Health Hub	Ministry of Mental Health and Addictions	225,515	101,288	Funding to support an innovative two-year School District initiative to expand classroom-to-community mental health and addictions connections in the School District.
Violence Prevention	City of North Vancouver	20,000	20,000	Funding to support various School District initiatives to address violence in the community.
School Generated Funds	Funds held on behalf of schools	11,628,758	7,772,316	Funds collected at schools for student programs. All revenue is deferred and recognized as revenue when spent.
Cheakamus Fund	Funds held on behalf of Cheakamus Centre	6,141	-	Funds held on behalf of Cheakamus Special Projects
Metro Regional Implementation	Funds held on behalf of other SD's to be used to host Professional Development for Educators	356,568	97,172	These are funds held on behalf of several regional school districts and are used to support professional development seminars and collaboration among school district administrators.

Classroom Enhancement Funding

In FY2019, the School District received \$8,928,648 in CEF funds for Teacher Staffing. These funds were used to support the additional Teacher staffing required as a result of reinstatement of Class Size and Composition language. An additional \$5,317,326 was received in CEF (Overhead) Funds. Of this, \$4,996,711 was used to pay for the additional EA and support staff required to meet the restored contract provisions, and \$320,615 was spent on supplies and furniture needed to equip the additional classroom divisions.

CEF Remedy Funding

In certain cases, despite best efforts, the School District is unable to meet the contract requirements of the Collective Agreement. In such cases, Remedy is payable to Teachers. In FY2019, the school District had the following funding and expenses related to remedy:

Remedy Expense Summary, FY2019

Unpaid 2017/18 Remedy Expense grant funds received	448,119
2018/19 Remedy Grant received	<u>1,446,140</u>
Total Remedy Grant Funds received	1,894,259
2017/18 Unpaid Remedy recognized as Expense	(448,119)
2018/19 Remedy expense	<u>(1,290,894)</u>
Total Remedy Expense FY2019	(1,739,013)
Unspent, Deferred Revenue Balance	<u>\$155,246</u>

Major Capital Projects

Seismic Replacement Projects



Argyle Secondary School: Originally approved by the Province with an estimated capital cost of \$41M, the project budget has been increased to \$53.5M. This project includes a new seismic replacement school designed to meet today's standards for safety, accessibility and modern learning. It is being built on the existing playing fields and will have the capacity to accommodate 1,200 grade 8 to 12 students, and includes a Neighbourhood Learning Centre component that provides community access to the facility. Once construction is complete, the

students will move to the new school and the existing buildings will be demolished and turned into new playing fields. Anticipated occupancy is set for September of 2020. During the year, the School District spent \$16,772,413 on construction. Total project costs to date are \$19,844,598.

Handsworth Secondary: The Ministry has provided \$62.3 million to replace the 58-year-old school with a brand-new, seismically safe facility. The project expands Handsworth's capacity by 200 spaces to 1,400 to meet a growing student population. The new school will be built on the west side of the property. Once completed, the current building will be demolished and replaced with a new grass field. Schematic Design is nearing completion and the project will be tendered in the fall of 2019. Construction is expected to take approximately eighteen months with occupancy expected in September, 2021. In FY2019, \$1,288,959 was spent. Project costs to date are \$1,540,541.



Mountainside is the final site that requires seismic upgrading. Completion of this project will complete the District's seismic upgrade program.

Mountainside Secondary: A \$17,429,328 Capital Project was funded by the Ministry during the fiscal year. The project will seismically upgrade the facility while still functioning as an operating school. During the course of the year, \$742,000 was spent. In total, \$817,000 has been spent to date. A Construction Manager contract was awarded during the year to a contractor to undertake the project. The project is expected to be completed in 2021.

Annual Facility Grant (AFG) Funding

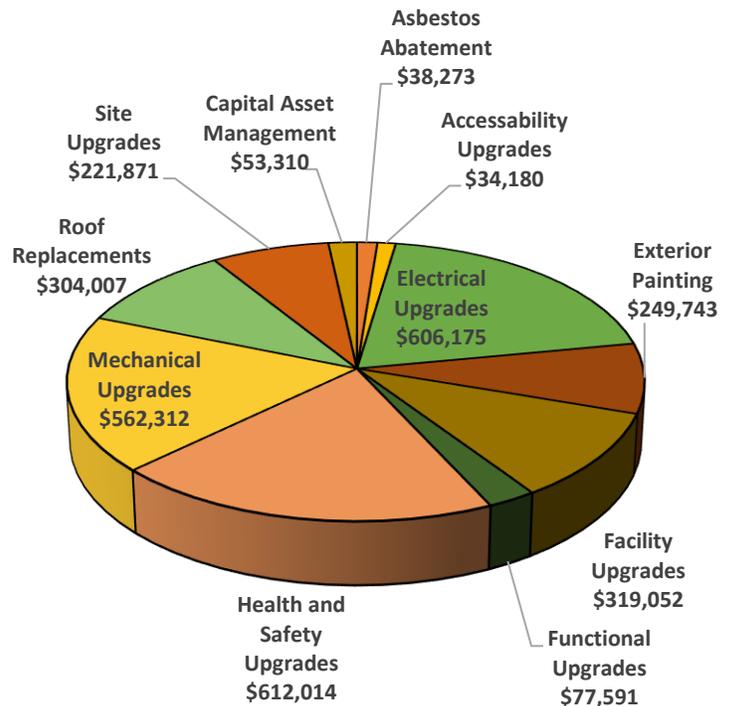
In FY2019, the North Vancouver School District received \$3,058,257 in AFG funding. These funds are used throughout District schools to address ongoing maintenance and improvement needs

Eligible Uses of AFG Funds:

- Roof Replacements and Major Repairs
- Mechanical System Upgrade and Repair
- Electrical System Upgrade and Repair
- Facility Upgrades
- Loss Prevention-Fire and Security Alarms
- Technology Infrastructure Upgrades
- Site Upgrades
- Disabled Access
- Asbestos Abatement
- Health and Safety Upgrades
- Site Servicing



Use of AFG Funds FY 2019 \$3,078,527



A Board of Education is responsible for managing its annual facility grant funds to enable any emergent health and safety expenditures to be addressed within a fiscal year

School Enhancement Program

The School District was provided with \$1,746,456 in funding from the School Enhancement Program in FY2019. Eligible capital projects for this grant include:

- Electrical upgrades (power supply, distribution systems)
- Energy upgrades (LED lighting, high-efficiency boilers)
- Health and Safety upgrades (fire systems, indoor air quality)
- Mechanical upgrades (heating, ventilation, plumbing)
- Building Enclosure upgrades (roofing, exterior walls, windows)
- Washroom upgrades
- Flooring upgrades

The School District is using these funds to upgrade building envelope and window replacements at Eastview and Capilano Elementary schools. The projects were underway at June 30, with the majority of the work to take place over July and August 2019.



Carbon Neutral Capital Program Funds

The School District was provided with \$443,560 in Carbon Neutral Capital Program funds. The CNCP is a \$5 Million/year annual program that is available to provide specific funding to energy-efficiency projects that lower school districts' carbon emissions. The funds were used to upgrade the boiler system at Capilano Elementary.

Local Capital Fund

The School District has \$10,967,907 in Local Capital Reserve funds. The Local Capital funds are used to pay for Capital asset acquisitions, debt repayment on the capital lease and act as a source of funding to pay for asset renewal and maintenance for School District Assets not otherwise funded by other Provincial programs such as AFG or SEP grants. The activity in the Local Capital Reserve can be explained in the table below:

Local Capital Fund Analysis	FY2019	FY2018
Opening Balance	6,134,787	6,027,769
Investment Income Earned	126,043	110,166
Transfers in from Surplus:	6,504,095	
New Capital Asset Acquisitions	(1,584,511)	103,105
Capital Lease Principal & Interest Payments	(212,507)	(106,253)
Closing Balance June 30	\$ 10,967,907	\$ 6,134,787

Funds in the Local Capital Reserve are earmarked for the following projects:

Argyle Capital Equipment	1,050,000
Argyle Construction	7,465,000
Cheakamus Centre	303,483
Computer Sustainability Plan	455,000
Classroom Technology Plan	400,000
Energy Project	151,215
Queen Mary Portable Classroom	220,000
Asset Renewal and Replacement	923,209
Total Local Capital Reserve	\$10,967,907

Future Considerations – Risks and Opportunities



Recruitment and Retention

School Districts across the Province are continuing to face significant challenges in the recruitment and retention of qualified staff. Reinstatement of the class size and composition language of Collective Agreements continues to create additional demand for qualified Teachers and support staff. In North Vancouver, the impact of this recruitment pressure is further exacerbated by the high cost of housing and long commute times due to ever increasing traffic congestion.

In FY2019, as a means to proactively address the difficult staff recruitment and retention issues, the School District entered into negotiations with Darwin Properties to include 450 units of below-market rental housing for NVSD staff as part of the developer’s Innovations District development proposal. The developer is working to move the proposal through the North Vancouver District’s approval process. The proposed housing initiative, if approved, would likely be a successful recruitment strategy, as evidenced by a follow-up Employee Engagement survey undertaken in FY2019, where 30% of School District employees reported negative impacts resulting from long commutes to work. Additional initiatives supported by the 2019 and future years’ financial plans include the use of surplus funds to respond to the professional development needs of Teachers, and further contribute to North Vancouver School District’s reputation as an “Employer of Choice.”

Funding Formula Review

School Districts have significant fixed costs. These include maintenance and operations of facilities, class size and composition staffing requirements and administrative functions to support School District operations. As a result, Districts are reliant on a stable, predictable funding stream, in order to ensure consistent delivery of services from year to year across the District.

The Province continues to review the Operating Fund Formula. In the Fall of 2018, the Funding Model Review Panel issued a report that identified



three main themes that should to be addressed in any future adjustments to the Funding Formula. These include:

- Equity – That the funding model should provide equity of educational opportunities
- Accountability – That the funding model should support improved student outcomes by ensuring accountability for use of funds through the development of a reporting framework.
- Financial Management – That the funding model should demonstrate sound financial planning and reporting, to ensure that resources are used to support student outcomes.

The Ministry of Education is still considering the impacts of changes it may make to the funding model. Throughout this process, the Ministry has clearly articulated that the Funding Model Review will not result in any new injections of cash into BC’s public education system. Changes, if any, will result in a reallocation of existing funds, which implies that some Boards will gain additional funding, while others lose. The Provincial Government has not announced any decisions.

Employer Health Tax

The new Employer Health Tax (EHT) was implemented January 1, 2019. It replaces the Medical Services Plan Premiums which will be fully phased out effective December 31 of this year. This new payroll tax is expected to have the following financial impacts during the transition period:

Fiscal Year	Total Salaries*	MSP Expense	EHT Expense	Total MSP & EHT Expense	\$ Increase from Base Year
2017/18 –Actual (Base Year)	117,225,321	1,628,089	-	1,628,089	-
2018/19 – Actual	122,722,884	1,036,429	1,444,039	2,480,468	852,379
2019/20 - Projected	124,441,004	518,215	2,426,600	2,944,814	1,316,725
2020/21 - Projected	126,183,178	-	2,460,572	2,460,572	832,483

* Assumes salary increases of 1.4% per year.

Once the MSP is fully repealed, beginning in FY 2021, it is estimated that the EHT will add approximately \$832,483 annually in ongoing additional salary benefit costs. In FY2019, as a means to mitigate the added costs of the implementation of this new payroll tax, the Ministry of Education provided new grant funding in the amount of \$367,966 to help offset costs.

International Education

The School District relies to some extent on International student enrolment to supplement Operating Grant revenue. Global economic conditions are the single largest factor which impact international student demand for spaces in North Vancouver schools. The District does not anticipate any events which will negatively impact this revenue over the course of the next fiscal year.



As a means to promote a rich, diverse international student program and mitigate against local economic downturns in any given geographical area, the District actively adopts a recruitment strategy whereby one third of the students come from each of Asia, Europe, and Central and South America. During FY2018, the District adopted a conservative approach, reducing slightly the number of anticipated international students as a means to preserve flexibility within the District to create the new classroom spaces required by class size and composition language reinstatement. For FY2019 and the number of International students was increased, adding to a rich cultural diversity within the School District.

Technology Requirements



To provide education within a 21st century learning environment, The Board will be required to commit significant financial resources. The demand for technology hardware, software, and system utilization continues to grow exponentially. In the absence of a dedicated funding stream to support technology infrastructure and its implementation, finding the means to provide the required services and ensuring that information is secure and protected is an ongoing challenge for the School District. The School

District will undertake a review of its IT infrastructure assets, systems and processes in FY2020. Development of a District Technology Plan will begin next year to support the framework for enhancing

student learning and establish a baseline requirement for elementary and secondary classrooms. \$400,000 has been earmarked within the local capital fund to support these ongoing future required technology investments.

Collective Bargaining Process

Both the Teachers' Local Collective Agreement and the CUPE Support Staff Collective Agreement expired on June 30, 2019. CUPE local bargaining continues with the parties negotiating towards an agreement under the terms of the Provincial Framework Agreement. Teacher bargaining continues at the Provincial level where all financial matters between the parties are negotiated.

Conclusion

As was the case with many School Districts around the Province this year, the implications of the restoration of the Class Size and Composition Language was evident in all aspects of School District Operations throughout the year. With Provincial support through the Classroom Enhancement Fund, the School District was able to respond to the challenges presented by the restored language.

We continue to maintain an accumulated operating surplus that provides the Board an opportunity to set aside funding to make investments in our educational assets. Our Board can be assured that these assets, infrastructure and systems will continue to provide our learners, staff and the wider community with opportunity and services to enhance the educational experiences of our students, and provide continuity of program delivery now and over the next three years.

