



## **MINUTES OF A MEETING OF THE FINANCE & FACILITIES COMMITTEE**

**Tuesday, September 10, 2019**

**School Board Office - 8:30 a.m.**

**Present:** L. Block (in the Chair); C. Broady, Board Chair; J. Leiterman, Secretary Treasurer; C. Kennedy, Superintendent; S. Nosek, Associate Superintendent; K. Johnson, Assistant Secretary Treasurer; F. De Dios, Director of Facilities; D. Eliasov, Manager of Facilities; J. Carpino, Manager of Purchasing and Transportation; J. Brown, Manager of Finance

Stakeholder Representation: B. Scott, P. Bargaen (WVMEA); R. Willock (WVTA); K. Richter (DPAC)

**Absent:** D. Stevenson, Committee Chair; S. Rauh, C. Ratz (WVAA); S. Capier (WVTA)

### **1. Welcome to Director of Facilities**

Committee Chair Block began the meeting with a round-table introduction and extended a special welcome to new Director of Facilities, Florencio De Dios, saying we are excited to have him join the district. She also welcomed and thanked new DPAC Chair Kelly Richter.

### **2. Audited Financial Statements 2018/19**

The floor was passed to the Secretary Treasurer who explained the difference between the Audit Committee and the Finance & Facilities (F&F) Committee meetings. Yesterday's Audit Committee meeting dealt solely with the audit report, covering audit processes, and the accuracy and appropriateness of the financial statements, and the Committee is responsible for carrying forward a recommendation to the Board with respect to approving the statements. Today's F&F Committee meeting will review the financial statements and tell the story behind the numbers. Before she started, she thanked Karen Johnson, assistant secretary treasurer, and Jason Brown, manager of finance, for their diligence and hard work handling their hugely complex responsibilities. She said they did a great job ensuring that the audit went smoothly and that she is very appreciative.

The various schedules of the Audited Financial Statements 2018/19 were then reviewed. There was an increase to deferred capital of \$4.8 million, made up of monies recognized as spent from the 2018/19 and 2019/20 AFG and SEP funds, as well as the 2018/19 Playground Grant. The committee was reminded that we received AFG funds in April of each year, according to the government's fiscal year, rather than school districts' fiscal year, ending June 30. In order to alleviate work load during the busy summer months, facilities begins to spend the AFG the year before the fiscal year it relates to – i.e. a portion of the 2019/20 AFG funding was used in fiscal year 2018/19. It was noted that moving forward, we will endeavor to reduce the amount of funding spent before the start of the fiscal year. Some of the 19/20 AFG spent in 18/19 will be charged against

Committee members: Dave Stevenson, Lynne Block

the 20/21 AFG, resulting in more funds available in the current year. There was a decrease to deferred capital of \$1.6 million as a result of amortization.

Schedule 4B - Work in Progress showed an increase of \$654,000, comprised of \$24,000 from the 2019/20 SEP for the Ridgeview HAVC project and \$620,000 of local capital spent on architectural drawings, geotechnical reports, and the purchase of the gymnasium structure as part of the Sentinel gym project. There was a decrease of \$395,000 related to the completion of the Irwin Park HVAC and building envelope project. It was noted that although the Sentinel project has been cancelled, the Secretary Treasurer is working on selling the structure, which should result in us recouping approximately half the spent funds. Schedule 4A – Tangible Capital Assets showed a fixed asset increase of \$5.3 million and the types of capital and how it was spent were reviewed.

Special Purpose Funds were briefly reviewed and it was pointed out these targeted funds have no flexibility – we spend what we receive, according to the type of funding, e.g. AFG, Classroom Enhancement (CEF), Learning Improvement (LIF), Federal French, and school-generated funds, among others. In 2018/19, we received \$8.1 million and spent \$7.8 million in operations and \$200,000 in capital expenditures. \$233,000 in LIF funds was spent on support staff. CEF funds were broken down, showing that \$2.5 million was spent on teachers, and \$206,000 was spent on overhead. It was noted that CEF overhead funding was reduced by \$142,000 in 2018/19. As a result, items such as elementary VPs, staff online wellness resources, enhanced teacher qualification support, and physical literacy programs are now covered by operating expenses. The CEF does fully fund staffing costs, however, which in the past has cost us approximately \$300,000 more than what we received in funding.

Operating expenses were reviewed next, with an actual figure of \$74.2 million, an increase of \$900,000 over the original budgeted figure of \$73.3 million. Though this is an area where we have some discretion, 87% of spending goes to salaries and benefits. There was a \$1.4 million increase in salaries, with teachers, exempt staff and other professionals seeing increases, but TTOC costs were down by \$190,000 over preliminary budget estimates. Benefit costs decreased by \$1.4million, which ultimately covered the salary lift. It was explained that benefit plans function like insurance, and while we pay into them to receive extended health benefits, we may not draw down benefits in an equal amount. Payments are based on recommendations from Morneau Shepell and are conservative. At year end, any contributions in excess of the recommended balances are booked as receivables and reduce the expense. Services saw an increase of \$1.2 million as a result of costs transferred from CEF, increased legal costs, and increased costs for ongoing alarm, elevator, and HVAC maintenance. Like many other districts, we do not have an HVAC technician on staff, so are contracting out those services. There were decreases in professional development and supplies expenses, but an increase in utility costs, with natural gas, hydro, and fuel rates going up. We did save approximately 50% in hydro costs, but that savings was offset by the LED lease costs. Despite those lease costs, we are realizing savings related to the change to LED and are doing very well. Ratios of operating expenses are virtually unchanged from the last few years.

The Secretary Treasurer next reviewed operating revenues of \$74.9 million, an increase of \$2 million over the budgeted amount. The majority of this increase came from the operating grant as a result of increases in enrolment, per student funding, and salary differential, and Employer Health Tax funding. Smaller increases came from academies and programs of choice, rentals, and international enrolment and homestay. Operating

revenue ratios also remained stable, and our locally-generated revenue continues to be crucial to our budget, accounting for more than 14% of operating revenue.

Ultimately, the 2018/19 budget had a net structural surplus of \$313,000. This was boosted by a PST rebate on portables of \$117,000.

Reserves at July 1, 2019 were \$2.279 million. After considering the budgeted structural deficit for 2019/20 of \$310,000, our unrestricted reserves sit at \$1.969 million. With this relatively small structural deficit, the Secretary Treasurer is hopeful that we will be able to land with a surplus next year as well. It was emphasized that moving forward, monies will not be pulled from reserves and put into local capital. We are in a position where we are now closer to the 3% government recommended reserve amount and have the board's preferred fiscally-responsible \$1 million contingency. It was a very good year-end and showed great results.

Board Chair Broady thanked the Secretary Treasurer, her staff, and everyone up at facilities for their diligence and responsibility and said that the structural surplus was great news. She said as governors of the system, trustees are very pleased the district is in this position. Committee Chair Block said she concurred and again expressed her appreciation for the clarity of explanation around the financial statements.

**3. Adjourn**

**9:09 a.m.**

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Julia Leiterman, Secretary Treasurer