MINUTES OF A MEETING OF THE FINANCE & FACILITIES COMMITTEE

Tuesday, February 9, 2020

MS Teams - 8:30 a.m.

Present: D. Stevenson Chair (in the Chair); Carolyn Broady, Board Chair; L. Block, Trustee; J. Leiterman, Secretary Treasurer; C. Kennedy Superintendent; S. Nosek Associate Superintendent; K. Martin Associate Superintendent; F. De Dios, Director of Facilities

Stakeholder Representation: R. Willock; S. Capier (WVTA), M. Finch; S. Slater (WVAA); K. Richter (DPAC); B. Scott (WVMEA)

1. 20/21 Playground Grant

Secretary Treasurer Leiterman explained that the district offers a $10,000 playground grant to schools every year with the deadline for application being December 31st. The grant consists of $5000 in cash and $5000 in labor. She reported that there were no applicants in 2020, which is good news as it shows that playgrounds are in great shape. The Board decided several years ago that if there were no applicants the funds would roll forward, which means next December there will be two grants of $10,000 each available.

2. COVID-19 Funding Update

The Secretary Treasurer gave a report outlining the costs and savings related to the COVID-19 funding as of December 31st, which was required by the provincial government. In additional costs, salaries and benefits were up $575 000, transportation increased $71,000, supplies and services $430,000 and utilities were up $201 000, which made the total increased costs from September through December 31, 2020 $1.2 million. Revenues lost in the same period include $4.3 million in International revenue, $242 000 lost due to reduced enrollment in academies and programs, and rentals and leases were down by $146 000 as the District cannot offer any spaces for non-district programs at this time. This comes to a total of $4.7 million in lost revenue, bringing the overall losses due to COVID-19 to $5.9 million. On the positive side there were some savings in services. $900,000 in savings could be attributed mainly to the International program, primarily from reduced commissions, homestay, travel and medical, with a small bit from the academies. Pro D and travel were down by $45,000. Supplies were down by $75,000, bringing the total to $1.0 million saved. This offset the $5.9 M loss, making a net impact from Covid-19 this year between September and December of $4.9 million. This is a significant impact considering the small size of the West Vancouver School district compared to other districts in the province and indicates the scope of the effects of the pandemic. The Secretary Treasurer noted that she was extremely grateful for the funding the Federal and

Provincial governments have provided. To offset the $4.9 M loss, the District is receiving funding of $3.1 M. The Provincial fund is just over $500,000 and the Federal funding is $2.6 M. She explained that initially the Amended Budget to be discussed had to be prepared without recognition of the second instalment of the Federal funding, which cannot be reported until it is announced. Fortunately, a formal announcement was made on February 4th., and the budget will reflect this. She clarified that the costs and saves due to COVID 19 are still estimates at this time because some bills, such as utilities, are billed two months after the months the costs were incurred, but actual numbers will be reported at year end. She also noted that even with the significant costs and losses, the government funding support has helped to offset the impact so the situation is not as dire as it may seem.

Chair Stevenson thanked Secretary Treasurer Leiterman for the thorough report and praised her and her staff for their hard work. He noted the district is fortunate that both the Provincial and Federal governments are supportive during this unprecedented event.

3. Amended Annual Budget 2020-21

The Secretary Treasurer gave a detailed review of the amended annual budget, which is an estimate of the numbers for the current year. It follows the preliminary budget which was prepared and presented late last spring. She noted that when the preliminary budget was prepared, the district did not know there would be Provincial or Federal COVID-19 funding support, which resulted in cost cutting measures in all areas across the district in order to balance the budget, while minimizing a reduction in staffing. It was forecaste at that time that even after those reductions, 100% of the district's reserves would be needed to balance, but two factors changed this after the preliminary budget was filed: improved fiscal results due to unexpected and unusual savings due to COVID-19, which improved opening reserves for the current year, and the unexpected funding of $3.1 M from the government.

She reminded the committee that there are three funds in nonprofit sector accounting: The Capital Fund, the Special Purpose Fund, and the Operating Fund. In the Capital Fund, Schedule 4 showed Revenues of $1.8 M and Expenses of $2.7 M. The revenues are the amortization of deferred capital revenue. Those monies are not recognized as revenue until spent, but at this time everything received is expected to be fully expended. The Expenses are the amortization of tangible capital assets. Assets last a long time and depreciate gradually over the course of their life and a certain amount of that expense is recognized every year. She pointed out that the Revenues are significantly less than the Expenses because the Expenses represent many years of capital expenditures and the Revenues represent only the expenditures in the current year. This leaves a Capital Deficit of $940,000. This is the only type of deficit that can be carried and is allowed by the School Act. Transfers from other funds is an estimate of fixed assets to be purchased using operating or special purpose funds like school generated funds or fund raising and will be capitalized at year end. It’s estimated there will be purchases of a capital nature in the amount of $150,000.

Special Purpose Funds, Schedule 3A, are all targeted funds, and the district can only spend what it receives, and only on exactly what the funds are designated for. Several new special purpose funds were granted after the preliminary budget. $52,000 was received for Mental Health in Schools and is used to cover physical literacy, mental health framework and social emotional learning programs. $25,000 was received for Changing Results for Young Children, which is a combination of several small funds and again goes to social emotional learning as well as the early years to K transition. As mentioned earlier, $502,456 was received for the Provincial Safe Return to School Fund and is prescribed to be spent on additional custodial staff, hygiene and cleaning supplies such as hand sanitizing stations, face masks and for IT support and the delivery of online learning. The Federal Safe Return to School Fund amounted to $2.6 M and may be spent on any incremental COVID-19 costs, such as learning resources, TTP teachers, EA supervision aides, ventilation costs and transportation increases. Finally, $46,000 was received in a new Special Purpose Fund for the Seamless Day pilot project. West Vancouver is one of three districts in the province chosen for a pilot program which reflects the Early Childhood Learning move from the Ministry of Family and Development to the Ministry of Education by 2023. The monies will be spent on salaries and benefits for ECE teachers so children can be provided dawn to dusk care within one building, by school district staff. She also noted that the new draft policy related to Early Childhood care is available on the website for review. In a quick summary, she explained that the Special Purpose Funds together support teachers, both for the TTP and Indigenous programs as well as costs related to the School Enhancement fund, a Principal and Vice Principal for the TTP, additional EAs to support COVID-19 protocols, Support Workers including additional supervision aides, IT support and a Youth Worker, TTOCs and additional services and supplies such as buses, ventilation, PPE, cleaning supplies ,IT devices and capital infrastructure.

The Secretary Treasure then focused on the Operating Fund, noting that this is the area where we've got more wiggle room to decide what we do and how we spend our funds. She started with the operating revenue, as there have been some changes since the December Finance & Facilities meeting, when revenues were estimated to be reduced from the preliminary budget's spring estimates by $389,000. Since that time the actual operating grant statement was received. There has been a significant decrease of $275,000 in the salary differential, which is a very difficult number to estimate as it is based on provincial average salaries. This grant is given to all districts to try and create a more level playing field so that those districts that spend more on salaries due to their collective agreements can receive more funding support than those districts that have a lower salary structure. She noted that the gap between our average and the provincial average has been shrinking over the past few years, which is great, and reminded everyone that our board always advocates with the ministry for wage parity across the province. However, this year we had a larger salary differential, likely due to a shift to a younger demographic of staff, which is the other factor that impacts staff costs besides differences in collective agreements. It reflects differences in the age of staff and their experience levels, and where they are sitting on the grid. This reduction in the operating grant was offset by several miscellaneous small differences between estimated and actual that gave us an additional $129,000 in total, so overall an additional net drop of $146,000 in our operating grant since December. Our estimate for locally generated revenues remains unchanged, so overall the total decrease in our estimated revenue from our May estimate is $535,000.
Ms. Leiterman then focused on the operating expenses, starting with the four main programs reported in detail on Schedule 2C, which divides all the costs for all the different varieties of salaries and the benefits and then services and supplies by program. The first program is

instruction, and our amended budget total for that is $63.2 million, the which is down $202.48 million from our preliminary budget, which is very good news. Administration is now $3.1 million, down $150,000 from prelim. In operations, which reports facilities expenses, our total cost is $7.3 million , which is down $250,000 from prelim. The final program, transportation, was forecast at $600,000 in the spring and there is no change there. These four programs total $74.2 million in operating costs, which is a decrease from our preliminary estimates of $2.87 million. In terms of how our funds are being spent, the good news is that 86% of it is going to instruction, so directly into the classroom. Only 4% goes to administration, with 9% going to facilities and only 1% to transportation.

The Secretary-Treasurer then went into greater detail around each of the types of costs as reported on Schedule 2B, starting with salaries and benefits. We are down $1.3 million due to several factors, but primarily COVID-19 funding. TTOC costs of $835,000 thousand were moved to special purpose funds, as well as $265,00 in EA and supervision aide costs. Other Professionals is down $160,000 due to a leave, and some staff turnover with new people coming in at lower salaries. We are also estimating a $500,000 decrease in benefits, due partly to the reduction in salaries and partly to reduced access to extended medical services due to covid. We are choosing to estimate this reduction now rather than at year end, to get a clearer picture of the funds we expect to have available to us in the current year.

In total we will spend $66 million in salaries and benefits, which is down $1.8 million from our prelim estimates. Services and supplies are also down in several areas. Services are $1.02 million down from our previous estimates, primarily due to our reduced international program, which saw a drop in enrolment leading to reduced homestay and medical costs. Pro-D and Travel are down $181,000 due to several factors related to covid, including reduced international travel and fewer district pro-d activities. There was also a financial reclassification of costs in automobiles that impacted this area. Rentals and Leases are down $28,000 from our May forecast as we are pushing our facilities fleet refresh to next year. The refresh is an ongoing program that must happen as our vehicles get to a certain point where we're spending much more on maintenance then we should be and it makes sense to renew, but we are delaying due to concerns around our operating budget. Dues and Fees are down $20,000, because school sports have been suspended this year and we are not required to pay dues to the sports organizations. Finally, supplies are down $15,000 from our spring estimate, but this is really an internal number as it reflects a reduced international revenue allocation to our schools. In total we have a reduction of $1.3 million from our preliminary estimates in our services and supplies.

In summary, we have a net decrease of $3.07 million in operating costs, creating total operating costs of $74.2 million, compared to our total operating revenue of $73.8 million, as shown on Schedule 2. This leads to a very modest structural deficit of just under $400,000. While very good news compared to our preliminary budget, it is important to note that despite covid funding and cost reductions we still have a deficit. This is really the critical point of the entire budget presentation.

Ms. Leiterman reminded everyone that the budgets are estimates, and we will not know where we land financially until June 30, and how important it is to remember that when reviewing our reserves. She then discussed Schedule 1, beginning by noting that we began the year with a $1.5 million improvement in our operating reserves over our preliminary budget estimate. This improvement in last year's operating results was due to savings resulting from COVID-19. Actual reserves as of July 01, 2020, increased from our estimate of $2.9 million to $4.4 million. She noted that a critical factor in that change was that the significant drop in our international student revenue was not reflected in our financial results until the 2020/21 school year, so while we had begun to experience cost savings due to COVID-19, we had yet to experience all the revenue losses. Nevertheless, the improved reserve balance is good news. The second significant factor impacting reserves is the effect of the federal and provincial COVID-19 funding. Our forecasted structural deficit for 2020/21 has been reduced from $2.9 million to $.4 million, and this improvement is directly attributable to the increased government funding. She reminded everyone that for the preliminary budget we were forecasting to use all our reserves to balance, which was a scary place to be in, but there was nothing we could do about it. Without the government COVID-19 support, which allowed us to move $2.5 million from operating costs to special purpose funds, we would still be in a very challenging position. She further explained that the remaining structural deficit represents the true shortfall when you pull COVID-19 out of the picture of our enrollment versus our operating expenses, and we are still experiencing a structural deficit. It is important to recall that there are items that we moved to the special purpose funds that we will have to take back into regular operating next year. For example, our EA costs, and TTOC costs.

She then reviewed reserves as a total percentage of our operating expenses, which is a really standard calculation that's used to look at the financial health of any organization, whether it's non-profit, public sector or for-profit, or private. The ministry and the Ernst and Young guideline that was published is 3%. With $4 million, we're sitting at 5%, which is great. It's higher than normal and we haven't been there in a long time. As we will not have COVID-19 funding next year, our deficit will be sizable again, and it will take simply one year to get us back down to 3%. In summary, while we have reserves, they are necessary to balance year to year. In the past we have had unusual factors that have generally improved our operating results so that we never get down to zero reserves, but these factors are unpredictable. We must maintain to the best of our ability 3% of our operating expenses, which is simply prudent business practice, as well as an insurance plan for any unexpected expenses. Keeping this in mind, what we're left with is about $2.0 m that we can look at expending next year, and one of the important things to think about there is that there are several expenses that will be going up. It wasn't just salaries that went down when we reduced our budget. In the spring we also reduced costs wherever we could, so we cut our supplies budgets by 25%, our equipment replacement budgets by 25%, we reduced our vehicle leases and we reduced expenditures in many other areas. It is critical to remember that the cost reductions made for this single year to get us through COVID-19 worked really well and we're in great shape, but the costs will be back next year. So yes, it's great to have the budget reserve and thank goodness we do, but you could say it's not free money.

So where to next as we begin to consider the preliminary budget for 2021-22. The first thing we will do is continue to rebuild our international program, which is instrumental in allowing us to do all the extra things that we do every year and carry the extra staffing that we do. The second thing we will do is roll back the additional costs incurred this current year in response to Covid. This will include additional staffing, such as the added custodians, and added supervision aides, and several other positions. That staffing was added specifically to support Covid. We will also be rolling back custodial supplies. We will not have to have the heightened level of extreme hygiene that has been maintained under COVID-19 and will return to compliance with the best guidance for health and safety in our schools under regular conditions. There is a whole new level of operations that's not required in general conditions, including additional buses and bus runs both so that we would have uncrowded buses, and so we could service the students experiencing the staggered times for online and in-person learning at secondary. We also won't have the utilities adjustments we've talked a lot about with respect to ventilation, where we are doing fresh air exchanges constantly throughout the day and have windows open. We have focused on 100% fresh as opposed to energy conservation, and that has a big impact, notably $200,000 already in increased cost for the three fall months. As soon as COVID-19 is over, we will be rolling that back to our previous settings and again, just for you to be aware, our previous settings for utilities and ventilation follow the complete health and safety guidelines of ASHRAE, which are international standards for public buildings, so a change in ventilation practice will not impact health in an adverse way. Once we have rolled back all those additional costs and seen where we land, we'll review all those budget cuts we made last spring and see which ones are sustainable, which ones have really created hardship, and at only at that point will we be considering additions. That's part of the process for this coming year. The important thing as we consider additions is matching. We want to match ongoing budget additions with ongoing revenue or funding additions. We don’t want to load in new staffing because staffing costs will happen on an ongoing basis, whereas our reserves are a one-year at a time item. If our regular enrollment goes up next year, and if our International enrollment goes up next year, it gives us more latitude with ongoing budget additions. If it doesn't increase significantly then what we're looking at is only matching one-time only additions with our available reserves, which would include those costs from the current year that we deferred.

The Secretary-Treasurer concluded by saying that once we have a clearer picture of the funds, we will have available for next year and have finished a cost analysis, we'll be internally restricting a portion of the reserves to cover all the costs that were deferred this year. This will be discussed with the board and approved as part of the process of approving the financial statements. At this time, we can’t look at our projected reserves of S $4 million and predict how much will be restricted, but we will be doing our best to maintain a 3% balance.

Trustee Stevenson thanked the Secretary-Treasurer for her thorough analysis of where we are, how we got there and how we're going to respond in the future as we attempt to manage our budget in the most prudent way possible.

Trustee Block thanked Ms. Leiterman and her team for the succinct presentation and their work to stay on top of things under such shifting sands.

Trustee Stevenson asked for questions, and Renee Willock inquired about the status of the grant for a new childcare centre that the district had been applying for, and whether we got it. The Secretary-Treasurer responded that it was still in process. We were offered a grant, but it was only about 70% of the costs of the facility that we had applied to build, and in this year of all years we absolutely couldn't afford to spend any additional funds on anything except balancing our budget. Our facilities team is revamping the plans to see if there is any way to build the structure in a cheaper way. As we have been looking at a purpose- built structure, we are now looking at modular structures to see if we can't get the cost down. If we can, we will absolutely try and go ahead, and that process is underway right now. So still a top priority in that area. But we're just trying to build it for money that we've been offered. We hope to have an answer later in the spring, but we don't know when exactly.

Chair Broady then noted that when we begin looking at rolling back additional costs as we move into next year's budget process, we must budget for a couple of scenarios, as she doesn't anticipate a lot of our covid costs disappearing come September. She is pleased that we do have some extra money as has just been shown, because we will likely be having to dip into that. We're not going to be moving away from enhanced cleaning or supplies or things like that come September. Maybe we can reduce some of the bus costs, but that's probably about it right now. She acknowledged this is going to be more work for staff, to look at various scenarios and have us prepared for next September, but believes that, using that dreaded COVID-19 word again, we're going to have to give it perhaps a few more cycles before we're through this.

The Secretary-Treasurer agreed, noting that there's several different scenarios and it will be tricky, and we will just have to take our best shot at it. We should also expect that there will probably be a big difference between our prelim budget and our amended budget next year as well. So as always, we must be prudent and cautious going forward.

Trustee Stevenson concluded by stating that it was an excellent meeting, and we have a clear picture of where we are and a clear path to the work we must do going forward.

4. Adjourn **8:43 a.m.**

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Julia Leiterman, Secretary Treasurer