

TO: Board of Education

FROM: C. Becker, Secretary Treasurer
DATE: February 12, 2019

This memorandum addresses questions and comments regarding the proposed 2018/2019 amended budget.

Q 1) What occurred between Jan 15 and Feb 12 to reduce expected International tuitions by \$115,000?

Response: International tuition revenue decreased due to less student enrolled than originally forecast. The international department originally forecast 160 FTE international students. Only 150 FTE students are enrolled, a decrease of 10 students.

Q 1A) Why have International costs increased by \$125,000 from the original budget?

Response: The following are the changes to the International budgeted expenditures from the preliminary budget:

1. The finance department changed how the international department accounted for student activity reimbursements and medical premium reimbursements. Originally these costs (\$70K Student activity and \$80K Medical premium) were not expensed and the revenue was not recognized, as the revenue was deposited in a suspense account on the balance sheet, and the expenses were charged to this suspense account. These revenues and expenses are now reported in the income statement, and as such, both the revenue and expenses are captured in the budget process. This change is a cost neutral accounting change.
2. Reduced business meeting costs by \$20K, per discussion with International management.
3. Reduced School supply allocations from international department to schools by \$20K, per discussion with International management.
4. Advertising cost increase by \$10K, a one-time cost increase to update marketing materials, per discussion with International management
5. An estimated increase to Agent fees of \$5K, per review
6. $\$70,000 + 80,000 - \$20,000 - \$20,000 + \$10,000 + \$5,000 = \$125,000$ increase.

Q 2) New cost added from 2017/2018 of \$405,000 - some more detail is required

Response: School service and supply budgets typically have a surplus at year-end, and the surplus has been permitted to be carried over to the following year to prevent unnecessary or rushed spending at year-end. In the past schools would fear losing unspent budget if not fully used by year-end and would then rush to spend the funds.

The year-end accounting holds the school supplies surplus in a reserve restricted for school use. To normalize the spending in the budget (i.e. prevent significant budgeted increases and decreases during the year, and from year to year), the carryover planned again for 2018-19 was not reflected in the preliminary budget. In the past, we did not include this in the actual budget, but as a draw from the reserve fund.

To be more transparent, and in light of the current budget situation and the risks prevalent, we have now added the entire restricted surplus from last year (i.e. the carryover). This would be considered to be a change in accounting practice. The budget for supplies now includes the

carryforward amounts – with the carryforward showing on a separate line. This results in the supplies expense showing an increase of 400K, but offset by a reduction in the restricted surplus of 400K. The latter is shown at the bottom of the Summary of Major Changes, where the updates to Capital and Surplus are listed.

The carryforwards for the past few years has increased substantially. As the year end spending is reported in the financial statements, accounting for the carryforward in the budget is a better accounting representation of the plans.

Q 3) Additional other - some more detail is required.

Response: The following is a summary of the changes that were banded together into **Services – other**:

10,000	Finance	Bank fees - increased credit/debit fees due to increased school cash online volume
6,000	Finance	Software maintenance - eScribe software
10,000	Facilities	Contracted Services - Facilities mechanical, per review
5,000	Transportation	Contracted Services - Charter bus costs (driver shortages)
5,713	International	Agent Fees
10,000	International	Advertising - increased per discussion with team (revamp of mktg materials)
(1,000)	Student Services	Telephone - decreased per review with Student Services
(2,000)	Student Services	Contract services - decreased per review with Student Services
15,000	Student Services	Contract services - one-time increase related to new mental health grant (revenue offset)
15,000	Health & Safety	Other Contracts - EE EAP deduction, JOHS training entitlement, other various training
(5,000)	Summit	Advertising - decreased per review
(5,000)	Summit	Postage - decreased per review
10,000	HR	Other contracts - increased based on review (includes investigations)
(5,000)	HR	Legal fees - reduced based on review
<u>5,000</u>	HR	Advertising - increased per TTOC hiring bonus program
73,713		

Q 4) \$100,000 has been added to the original budget for recycling program.

Response: In 2018, the School District was mandated to provide a recycling program, which required additional supplies, such as recycling containers, compostable bags, etc. The expenditures were originally budgeted for the 17-18 school year. However, the expenditures did not end up being realized until the summer and thus are included in the 18-19 school year expenses. Much of this is a one-time increase that will partially reduce for the 2019-20 budget.

Q 5) MSS Science Lab started 2018/2019 with \$25,216 spent before \$150,000 grant monies was added to Local Capital.

Response: MSS Science Room – consulting fees for the architectural/mechanical planning for this project were realized at end of 2017/18, with budget funding already approved for the beginning of 2018/19. As the window for completing the work to try and have the room ready for September is limited, delaying the consulting portion until July would have meant the room would not have been constructed in July and August. As it was, the room was still not ready for Sept 1st. Consulting fees for planning for projects are normally expensed. When the projects are approved, some costs are reassigned from operating to capital to comply with accounting rules to capital costs associated with the capital project.

Q 6) a) The Stave Falls line shows that \$89,537 was spent in 2017/2018 before \$675,000 was allocated in 2018/2019 to cover the estimated costs to repair the building.

Does the \$89,537 represent the normal operating costs incurred in 2017/2018 to pay for insurance/ heating/ misc maintenance. If so, why was this added to local capital? In the past, these costs were absorbed by operations, similar to the costs of the other closed schools.

Response: The expenses were capital costs for the repairs of the site to begin to bring the building back to a useable condition, and do not include any operating costs like utilities. Various building improvements were started late in 2017/18 (roof repair design specs, electrical upgrades, related internal labour). The funding for this was approved at the March 2017 Board Meeting.

AND THAT a budget of \$132,000 funded from the contingency reserve and the local capital reserve for some of the immediate repairs to the building, be approved;

As more expenses were planned to be funded from local capital in 2018/2019, the expenses were tracked in local capital, and not just funded from contingency.

Q 6) b) The proposed re-allocation suggests that if the board approves the reduction, there will be no local capital funds available to continue with the planned and approved repairs (for Stave Falls).

Response: The proposed removal of the Stave Falls capital projects from the Local Capital funding, is offset by including the Stave Falls capital projects in the Annual Facilities Grant Funding (AFG). Facilities management is incorporating the required Stave Falls capital improvements into the AFG planning for both the remainder of 2018-19 and for 2019-20.

The Province allowed the District to fund approximately \$400,000 AFG projects from surplus 2018/2019 Capital Bylaw funds. This provides room within the AFG funds to absorb some of the costs for both the Science Labs and the Stave Falls improvements from the 2018/2019 AFG grant. The flexibility with Ministry capital funding in 2018-19, and some adjustments to AFG planning/priorities allowed for this re-allocation.

Q 7) Each item that has been reduced to 0 should be reviewed as should every item that has no YTD expenditures but continue to be on the list.

Response: The following table is the adjusted funding, without the additional transfer proposed for 2018/2019

	Adjusted Balance	Revised	Discussion
Bus Fleet	14,248	-	Bus purchased. Balance of funding not needed
Classroom Furniture	50,000	25,000	Supplemental funding to speed up the replacement of asbestos containing furniture. Reduced balance – replacements can be delayed.
Facilities Equipment	79,550	79,550	See discussion below regarding equipment
Ferndale	1,112	-	Phase 2 move from Riverside to Ferndale. Capital portion of project complete
MSS Science Labs	(190,693)	-	Change to be funded from Annual Facility Grant
Photocopiers	81,629	20,000	Photocopier replace program slowed, transitioning to leasing program for some machines.
Portables	254,592	100,000	Some expenses still outstanding – sprinkler systems
Riverside Upgrades	100,000	-	Reserve for future upgrades. Waiting for plan. Project can be deferred.
School Improvements	77,305	77,305	Projects in progress (cameras etc). See discussion below
Solar Panels	1,806	-	Project complete
Stave Falls	(156,720)	-	Change to be funded from Annual Facility Grant
Technology Improvements	211,044	216,044	Projects in progress – additional funding needed
Telecom System	31,271	31,271	Two telephone systems upgrades needed – in progress
Unallocated	357,396	181,861	Contingency for unanticipated capital purchases
White Fleet	(10,150)	-	Project complete – fund deficiency, see additional discussion below
Workorder System	130,980	-	Project not started. Can be delayed.
Total	\$1,033,370	\$731,031	

Q8) How do these relate to the 18/19 Amended Budget Summary of Additional Needs (page 6 of Agenda)?

- 1. Facilities Equipment - Large mower - could we use the \$79,550 left in the proposed re-allocated Local Capital**
- 2. School Improvements - Shutters, Special needs washroom total \$75,000 - \$77,305 is left in the proposed re-allocated Local Capital**
- 3. Window Replacements - Transportation - \$20,000 should this be part of regular maintenance expenses?**
- 4. White Fleet - \$114,600 was spent this year. Is this another addition? Could this wait to be considered for our 2019/2020 budget?**
- 5. Clarke Theatre carpeting and improvements total \$90,000 - could this wait to be considered for our 2019/2020 budget?**

Response:

Note: The additional needs have not been incorporated into the budget document. This is a list of items that require further discussion for consideration if / when funding is available.

1. **Facilities equipment** – over the last couple of years, local capital was established for a variety of equipment, including the following:

Carpentry:

Table Saw (Cabinet)
12" Compound mitre saw (sliding)
15" Thickness planner
17" Bandsaw
6" x 48" Stationary belt/disc sander
½ " Drill press

Mechanical:

Jack Lift SJ-3219
Ridgid Drain cleaning machine
2017 Skyjack Lift SJ- 3226

Custodial:

2 x small auto-scrubbers for Elem

Grounds:

1 x 8' straight blade snow plow

Some of this equipment was purchased, but many of the items are still outstanding. There may certainly be a portion of the remaining local capital reserve to allocate to the large mower, but if these other equipment needs are kept on the list, additional funding would be required for a new large mower.

2. **School Improvements** – much of the remaining 77K reserve for this line item will be required to fund existing school improvement projects, including \$30,000 that will likely need to be re-classed to operating before the end of the year (to cover school improvement project costs deemed as operating vs capital – all budget for this line is initially classed as local capital, with final allocation dependent on whether the projects end up being classed as operating expense upon review, due to the amount and/or nature of the improvements).
3. **Window Replacements** –This cost may well end up being classed as operating expense, which would require a one-time increase to the maintenance expense line. For presentation and visibility, these large one-off improvement items are often discussed with local capital (which is funded 100% from operating).
4. **White Fleet** – The \$114,599 is the year-to-date expenses for fleet additions. As such, this cannot be deferred. There were additional needs identified, including a proposed additional 2 door pick-up for the facilities manager (and existing pick-up going to the foreman, and the foreman van to staff), along with 2 additional vans for facilities staff; further discussion with facilities/transportation would be required to update since the discussion last year.

Clarke Theatre – These improvements have not been included in the 2018/2019 budget, but are presented for consideration, should additional funding become available. As such, they would be represented for consideration for 2019/2020 as they are not included in the 2018/2019 budget. Further discussion is required for these improvements.