

SCHOOL DISTRICT 63 (SAANICH)

FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE

Agenda

Committee Members: Trustee Martin, Chair
Trustee McMurphy
Trustee VanWell
Jason Reid, Secretary-Treasurer
Dave Eberwein, Superintendent of Schools
Rob Lumb, Director of Facilities
Megan Cimaglia, Director of Finance
Cody Henschel, Director of Information Technology

March 3, 2020
10:30 am

A. PRESENTATIONS AND QUESTIONS

No Items.

B. ITEMS FOR DISCUSSION

No Items.

C. ITEMS FOR RECOMMENDATION

2. Business Company Loan Renewal

Staff Recommendation:

That the Board approve renewal of the loan to Saanich International Distributed Learning Services Inc. for a three year term from April 1, 2020 to March 31, 2023, with other terms and conditions remaining the same.

D. ITEMS FOR INFORMATION

1. Fiscal Forecast
2. Report from Budget Advisory Committee – oral update
3. Site Update: Keating Elementary – oral update
4. Prospect Lake Site Plan – oral update

E. FUTURE AGENDA ITEMS

1. Annual Facility Grant Plan (April)
2. Risk Report (April)
3. LRFP (April)
4. Boundary Review Plan (April)
5. White Road (TBD)

To: Finance, Facilities and Technology Committee

Prepared By: Jason Reid
Secretary Treasurer

Subject: Business Company Loan Renewal

Date: January 30, 2020

Purpose

The purpose of this briefing note is to recommend renewal of the loan from the District to Saanich International Distributed Learning Services Inc.

History and Background

The School Act requires the Minister to approve the delivery of educational services outside of Canada, and the direction of the Ministry has been for such services to be delivered through a separate business company. For this reason, the District and many other school districts have created business companies to deliver services that, if not for legislative restriction, would likely be delivered directly by their international education departments.

The School District No. 63 Business Company ("Holdco") was incorporated in July, 2012, and is owned by School District No. 63 (Saanich) ("District"). At that time, the following two companies were also incorporated as wholly-owned subsidiaries of Holdco:

- Saanich International Student Recruiting Service Inc. ("RS-Co"); and
- Saanich International Distributed Learned Service Inc. ("DL-Co")

Note that RS-Co has not had active operations since being incorporated.

DL-Cooperates as Online Learning Canada (OLC) delivering distance education courses for credit. In 2014 and 2015, the District loaned DL-Co \$120,000 (in two separate \$60,000 loans), and effective April 1, 2017 these loans were consolidated into a single loan of \$120,000 with a three year term ending March 31, 2020. The source of this funding was profits from the Saanich International Student Program (SISP) and the funds were used for start-up costs including the cost of course development. As at June 30, 2019, DL-Co had \$17,697 in working capital remaining (cash and current assets).

The operations of DL-Co were restricted in the spring of 2018 when the Ministry did not renew an agreement allowing DL-Co to deliver Ministry courses offshore through distance education. This resulted in the curtailment of one of DL-Co's programs and an operating loss of \$51,622 in 2018/19 due to the refund of course fees related to this program. DL-Co continues to deliver pre-arrival courses including ELL and a cultural preparation course called "Going to Canada". These courses benefit SISP and our schools by better preparing students before they arrive in our schools as international students. DL-Co is currently considering other opportunities to benefit the school district's international program and expects revenues will fund future operations.



The existence of the loan from the district to DL-Co is the result of having to fund an operation in a legally separate corporation. However, for accounting purposes the business companies are consolidated into the financial statements of the school district and the loan receivable (District) and loan payable (DL-Co) are offset and eliminated. This reflects the economic substance of the business companies being part of a greater consolidated entity under the common control of the Board of Education. This means each year the profit or loss of the business companies are reflected in the financial results of the school district and that transactions related to the loans (loan or repayment) have no accounting or budgetary impact.

Staff Recommendation

That the Board approve renewal of the loan to Saanich International Distributed Learning Services Inc. for a three year term from April 1, 2020 to March 31, 2023, with other terms and conditions remaining the same.

With Respect,

A handwritten signature in blue ink, appearing to read "Jason Reid".

Jason Reid
Secretary Treasurer

JR/klg

Attachments: Loan Agreement

LOAN AGREEMENT

This Agreement is dated for reference the 1st day of April, 2017.

Between

School District No. 63 International Program

(the "Lender")

and

Saanich International Distributed Learning Services Inc.

(the "Borrower")

The purpose of this agreement is to facilitate a loan between the School District No. 63 International Program and the Saanich International Distributed Learning Services Inc.

1. Loan Amount

The amount of the loan from the School District No. 63 International Program to the Saanich International Distributed Learning Services Inc. is one hundred and twenty thousand dollars (\$120,000.00).

2. Interest Rate

The interest rate for the above loan will be at the rate of 4.7% per annum.


3. Term

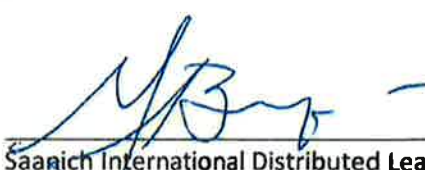
The term of the loan to the Saanich International Distributed Learning Services Inc. will be for three (3) years, effective April 1st, 2017 until March 31, 2020, or to be terminated earlier or later by mutual agreement.

4. Payment

During the term of this Agreement the Saanich International Distributed Learning Services Inc. will pay a mutually agreed amount each year on the last day of March during the term of the agreement. The amount of the repayment will be such that SIDLS maintains a sufficient but not excessive working capital balance.

Signed this 11 day of April, 2017.


School District No. 63 International Program


Saanich International Distributed Learning Services Inc.

School District No. 63 (Saanich)
2019/20 Year-End Projection (Operating Fund w/CEF)

Actual and Forecasted Results

As at January 31, 2020

	Prior Year Actual 2018	Prior Year Actual 2019	Amended Budget	Current Budget	Revenue/ Expenditures to Date	Projected Revenue and Expenditure	Variance From Current Budget	Notes
Revenue								
621 Consolidated Revenue Grants	(66,347,331)	(68,251,286)	(70,063,462)	(70,003,162)	(35,649,673)	(69,723,162)	(280,000)	Note 1
627 Indig. Northern Affairs Canada (INAC) Recovery	2,995,397	2,984,092	3,053,213	3,053,213	1,619,418	3,053,213	-	
629 Other Ministry Of Ed Grants <i>includes Pay Equity, Ad hoc MOE grants, Grad adult funding</i>	(1,383,324)	(1,277,918)	1,547,187	1,547,187	(788,988)	1,547,187	-	
629 Classroom Enhancement Fund (CEF)	(6,109,760)	(7,832,734)	(7,447,748)	(7,447,748)	(2,419,417)	(7,447,748)	-	
630 Federal Grants <i>French Odyssey Grant, Jordan's Principle</i>	(4,711)	-	-	-	(12,023)	-	-	
645 Instructional Cafeteria Revenue	(158,222)	(158,687)	(68,000)	(68,000)	(79,633)	(68,000)	-	
646 Local Education Agreements/Direct Funding Indig.	(2,995,397)	(2,984,092)	(3,053,213)	(3,053,213)	(1,619,418)	(3,053,213)	-	
647 International and Out of Province Students	(7,159,153)	(7,445,332)	(7,507,375)	(7,507,375)	(6,971,988)	(7,507,375)	-	
649 Misc. Fees & Revenues <i>includes ad hoc grants received, recovery revenue from shared services, funding from municipalities, BC hydro energy saving grants</i>	(814,156)	(738,841)	(399,843)	(507,567)	(352,249)	(507,567)	-	
650 Text Book Deposit Receipts	-	-	(1)	-	-	-	-	
651 Community Use Of Facilities	(40,954)	(20,229)	(35,000)	(35,000)	(11,681)	(35,000)	-	
659 Other Rentals & Leases	(303,662)	(373,872)	(380,000)	(380,000)	(275,793)	(380,000)	-	
660 Exchange (Gain) Loss	13,498	(2,659)	-	-	13,708	-	-	
661 Interest On Short Term Deposits	(276,828)	(387,270)	(350,000)	(350,000)	(285,122)	(350,000)	-	
662 Appropriated Surplus (prior years carry forward amounts)	-	-	(3,540,553)	(3,540,553)	-	(3,540,553)	-	
672 Student Fees/Certifications	(126,382)	(64,207)	(75,000)	(75,000)	(26,050)	(75,000)	-	
Total Revenue	(82,710,985)	(86,553,035)	(88,319,795)	(88,367,218)	(46,858,909)	(88,087,218)	(280,000)	
Expenses								
105 Salaries - P/VP	4,356,888	4,535,583	4,607,488	4,468,068	2,696,865	4,539,663	(71,595)	Note 2
111 Salaries - Teachers (incl. POSR)	33,711,432	35,158,350	34,842,504	34,842,504	16,291,754	34,433,418	409,086	Note 3
307 - Teacher remedy	589,788	1,217,910	1,084,931	1,084,931	264,784	1,084,931	-	Note 4
Teacher remedy unspent	202,369	-	-	-	-	-	-	
122 Salaries - Support Staff (incl. In Service, WCB and First Aid)	7,739,534	8,335,824	8,098,382	8,099,929	4,074,657	7,951,933	147,996	Note 5
123 Salaries - Other Professionals	2,343,981	2,727,455	2,968,719	2,968,719	1,629,715	2,914,199	54,520	Note 6
131 Salaries - Educational Assistants	4,528,521	4,596,491	5,372,600	5,324,472	2,172,359	5,094,957	229,515	Note 7
143 Support Staff Replacement Costs	607,276	518,363	366,898	366,898	197,641	441,558	(74,660)	
146 Teacher Replacement Costs	2,093,670	2,576,226	2,261,310	2,261,310	1,244,981	2,391,119	(129,809)	Note 8
	56,173,459	59,666,202	59,602,832	59,416,831	28,572,756	58,851,778	565,053	
200 Benefits	13,918,627	14,687,466	15,398,747	15,387,028	7,182,086	15,065,294	321,734	Note 9
	13,918,627	14,687,466	15,398,747	15,387,028	7,182,086	15,065,294	321,734	
Services & Supplies								
Services	4,340,177	4,696,799	5,485,112	5,505,112	3,305,801	5,505,112	-	
Pro-D & Travel	624,639	671,213	887,635	892,753	429,411	892,753	-	
Rentals & Leases	97,874	94,027	120,000	120,000	61,471	120,000	-	
Dues & Fees	240,017	272,919	388,050	388,050	305,529	388,050	-	
Insurance	166,092	168,378	179,000	179,000	168,406	179,000	-	

Projection for Discussion Purposes - Actual Results May Differ From Projected
Prepared by Megan Cimaglia 2/25/2020

	Prior Year Actual 2018	Prior Year Actual 2019	Amended Budget	Current Budget	Revenue/ Expenditures to Date	Projected Revenue and Expenditure	Variance From Current Budget	Notes
Supplies	2,804,876	3,042,502	3,483,543	3,703,568	2,063,535	1,203,568	2,500,000	Note 10
Utilities	1,497,734	1,531,380	2,294,500	2,294,500	815,663	2,294,500	-	
	9,771,409	10,477,218	12,837,840	13,082,983	7,149,816	10,582,983	2,500,000	
Total Expenses	79,863,496	84,830,886	87,839,419	87,886,842	42,904,658	84,500,054	3,386,787	
Transfer from operating for purchase of capital assets	694,857	615,580	388,238	388,238	-	388,238	-	
Transfer from operating to support special purpose funds	50,849	6,947	-	-	-	-	-	
Transfer to local capital for asset replacement reserve	-	57,060	92,138	92,138	-	92,138	-	
(Surplus)/Deficit	(2,101,783)	(1,042,562)	0	0	(3,954,251)	(3,106,788)	3,106,787	
					Opening Unrestricted Surplus	(1,700,000)		
					Estimated School and District Carry Forwards	2,500,000		
					Estimated Closing Unrestricted (Surplus)/Deficit	(2,306,788)		

Amended Budget is the February *Amended Annual Budget*, approved by the Board on February 12, 2020.

Current Budget is the current working budget.

Certain comparative figures have been restated to conform with current year's presentation

Variance comments:

Note 1 - February special needs and SIDES enrolment counts were both below projected amounts. The decrease is attributable to the job action in the fall and is offset to the extent that strike savings funded by district revenue weren't recovered by the Ministry (\$122,867).

Note 2 - P/VP salaries negative variance is due to coverage for leaves which are not budgeted for.

Note 3 - Teacher positive variance is due to utilizing less full-time equivalent positions than budgeted by 2.6 FTE. This occurs due to time lag in filling positions and scheduling complications. Budgeted average teacher cost also reflects the cost of leaves which can fluctuate. Average teacher cost is also trending below budget. If any teacher salary savings occur, to the extent that these savings are attributable to the Classroom Enhancement Fund, it may result in claw back of funding.

Note 4 - We currently assume that teachers will use all remedy they are entitled to during the year. This assumption may need to be adjusted as the year progresses based on elected usage by teachers and ability of the District to provide teachers on call to deliver remedy. Funding for remedy is targeted and cannot be used for any other purpose.

Note 5 - Support Staff positive variance is due to unpaid time off taken by staff mainly over the summer and at Christmas break, a few positions being unfilled for a period of time due to hiring lag in recruiting suitable replacements and due to under utilization of budgeted time in school instruction positions, likely due to difficulty with staffing smaller positions within a school.

Note 6 - Other Professional salaries positive variance is due to the currently vacant IT manager position.

Note 7 - Education Assistant (EA) salaries positive variance is due to several factors:

- EA shortage and hiring lag in deployment of staff to available open positions. A contributing factor is that there was a \$542,000 increase to EA staffing for the 2020 school year.
- This budget is allocated across the 17 school budget centres and each centre maintains conservatism in deployment of resources to remain on budget.
- Schools fill as many full time EA positions as they can but inevitably, EAs take unpaid time off and are not replaced or are replaced with a lower cost temporary employee (when we budgeted the role to be filled by a full time permanent employee). These result in positive variances that the schools can save up until they can post a full time or close to full time position for the rest of the school year, if there is a qualified candidate to fill the position.

Note 8 - Teacher replacement costs are very difficult to predict and vary by tens of thousands of dollars from pay period to pay period depending on usage. We are using an average of the most recent pay periods to predict costs for the remainder of the year; however, if there are additional high sick and emergency leave utilization periods, this area is one where a significant negative variance could quickly arise.

Note 9 - Benefits are currently expected to be under budget due to the teacher and support staff positive variances and a combination of other small factors. Detailed review of this area is ongoing.

Note 10 - Assumption made in preparing this forecast is that departments and schools will spend their services and supplies budgets as allocated, other than the following anticipated carry forward: (\$2,500,000) expected school and district carry forward.