MEMORANDUM

June 21, 2022
Regular Board Meeting

TO	Board of Trustees
FROM	Shauna Boyce, Superintendent
ORIGINATOR	Scott McFadyen, Associate Superintendent
RESOURCE	Jason Krefting, Director Financial Services
GOVERNANCE POLICY	Board Policy 2: Role of the Board Board Policy 12: Role of the Superintendent
ADDITIONAL REFERENCE	Board Annual Work Plan
SUBJECT	**QUARTERLY FINANCIAL REPORT – PERIOD ENDED MAY 31, 2022**

PURPOSE

For information. No recommendation required.

BACKGROUND

The quarterly financial reports are part of the responsibility of the Board, as defined by Board Policy 2: Role of the Board. The fiscal year for Parkland School Division is September 1 to August 31. Administration provides three quarterly financial reports and an annual financial report as follows:

- First Quarterly Report (January)
- Second Quarterly Report (April)
- Third Quarterly Report (June)
- Audited Financial Statement (November of the subsequent school year)

The following report is in support of this responsibility.

REPORT SUMMARY

The financial statement included within this package is for the nine months ended May 31, 2022. The audited financial statements for the current school year will be presented to the Board in November 2022. The Management Discussion and Analysis includes an updated forecast and provides variance explanations from the budget.

As of May 31, 2022, revenues year to date were $103.2M and expenditures year to date were $103.0M resulting in a surplus of $208K. A deficit of $1.8M is currently forecast for the year ended August 31, 2022 which is lower than budget.

Administration would be pleased to respond to any questions.

SM:kz

PARKLAND
SCHOOL DIVISION

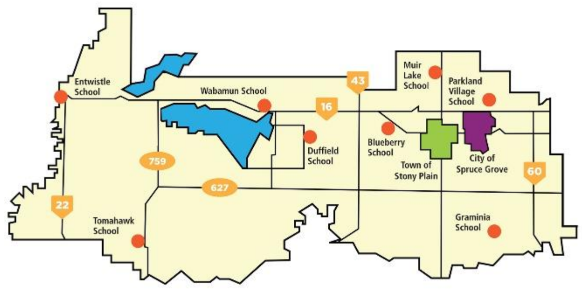
Management's Discussion and Analysis

May 31, 2022

Management's discussion and analysis

The following is a discussion of the financial condition and results of operations of Parkland School Division (the Division) for the nine months ended May 31, 2022 and should be read with the Division's annual financial statements. The statements have been prepared in accordance with Canadian public sector accounting standards (PSAS).

The Division had a total operating budget of $133.9 million to provide public education services to just under 12,000 students for the 2021-2022 school year. The Division is home to 24 distinct learning sites, including two high school outreach locations and a number of alternate programs offered through the Connections for Learning campus.



The Division sits just west of Edmonton, stretched out along highway 16 on the first leg of the route to the Rocky Mountains. At more than 100km east-to-west, the Division covers approximately 2,400 square kilometers and serves more than 73,000 residents.

Originally an agricultural region, over the past twenty-five years the economic base of the Division has grown increasingly industrial. The development of major power generation and coal mining projects, added to the production of oil and gas resources have, historically, significantly impacted our demographics. We now recognize that changes to the energy sector – converting coal to natural gas – may continue to impact our region. Additionally, the industrial and commercial developments in the Acheson Park and the Ellis and Sherwin Industrial Parks, as well as industrial parks within Spruce Grove and Stony Plain continue to promote growth in urban areas.

Changes in Alberta's economy have resulted in a noticeable population shift for the Division as more families move from rural areas to more urban centers, creating smaller rural communities with decreasing school populations.

The Division believes in fiscal accountability and transparency through regular financial reporting to the Board. Ensuring effective stewardship of the Board's resources is a responsibility that is legislated through the Education Act. Through resource stewardship student success and well-being are supported by ensuring equitable and sustainable use of our resources and ensuring financial responsibility remains a priority. Assurance Elements that prioritize resource stewardship include a consideration of how limited resources will be utilized with maximum results.

1. Budget to Actual at May 31, 2022 Analysis

Parkland School Division is showing a surplus of $208K at Q3 primarily due to the timing of revenues and expenditures.

	Budget 2021-22	Actual May 31, 2022	% of Budget		Q3 Forecast 2021 - 2022	Variance from Budget	% Change From Budget
REVENUES							
Government of Alberta	$ 125,476,648	$ 97,114,408	77.4%		$ 129,187,065	$ 3,710,417	3.0%
Federal Government and First Nations	1,256,628	1,460,614	116.2%		1,652,846	396,218	31.5%
Other Alberta school authorities	36,215	45,000	124.3%		36,215	-	0.0%
Fees	3,279,557	2,389,590	72.9%		2,493,050	(786,507)	-24.0%
Other sales and services	1,082,198	1,285,880	118.8%		1,070,288	(11,910)	-1.1%
Investment income	175,000	109,249	62.4%		175,000	-	0.0%
Gifts and donations	407,899	642,341	157.5%		526,898	119,000	29.2%
Rental of facilities	54,000	47,599	88.1%		50,412	(3,588)	-6.6%
Fundraising	112,690	126,354	112.1%		125,511	12,821	11.4%
Gains on disposal of capital assets	-	1,155	100.0%		-	-	0.0%
Total revenues	**$ 131,880,835**	**$ 103,222,189**	**78.3%**		**$ 135,317,285**	**$ 3,436,450**	**2.6%**
EXPENSES BY PROGRAM							
Instruction	$ 102,240,522	$ 77,586,545	75.9%		$ 105,060,395	$ (2,819,873)	-2.8%
Plant operations and maintenance	16,683,948	13,346,961	80.0%		16,906,949	(223,001)	-1.3%
Transportation	10,544,536	8,936,470	84.7%		10,889,396	(344,859)	-3.3%
Board & system administration	4,327,129	3,052,108	70.5%		4,183,630	143,499	3.3%
External services	84,700	91,693	108.3%		88,687	(3,987)	-4.7%
Total expenses	**$ 133,880,835**	**$ 103,013,777**	**76.9%**		**$ 137,129,057**	**$ (3,248,222)**	**-2.4%**
Operating surplus (deficit)	**$ (2,000,000)**	**$ 208,412**			**$ (1,811,772)**	**$ 188,228**	
EXPENSES BY CATEGORY							
Salaries, wages and benefits	$ 99,167,824	$ 77,916,589	78.6%		$ 100,845,096	$ (1,677,272)	-1.7%
Services, contracts and supplies	25,155,031	18,281,407	72.7%		27,281,754	(2,126,723)	-8.5%
School generated Funds	1,276,936	690,009	54.0%		721,163	555,773	43.5%
Infrastructure Maintenance Renewal	1,462,579	1,125,761	77.0%		1,462,579	-	0.0%
Amortization of capital assets and interest	6,818,465	5,000,011	73.3%		6,818,465	-	0.0%
Total expenses	**$ 133,880,835**	**$ 103,013,777**	**76.9%**		**$ 137,129,057**	**$ (3,248,222)**	**-2.4%**
SURPLUS/(DEFICIT) BY PROGRAM							
Instruction	$ (2,000,000)	$ 1,434,953			$ (1,735,486)	$ 264,514	
Operations and Maintenance	-	(881,952)			46,701	46,701	
Transportation	-	(651,553)			(297,409)	(297,409)	
Board and System Administration	-	225,623			170,742	170,742	
External Services	-	-			-	-	
Surplus/(Deficit) from Operations	**$ (2,000,000)**	**$ 127,071**			**$ (1,815,452)**	**$ 184,548**	
School Generated Funds	-	81,342			3,680	3,680	
Total Surplus/(Deficit)	**$ (2,000,000)**	**$ 208,412**			**$ (1,811,772)**	**$ 188,228**	

As of May 31, 2022, revenues to date were $103.2M and expenditures were $103.0M resulting in a surplus of $208K. A deficit of $1.8M is forecast for the year ended August 31, 2022 which is lower than budget.

Revenues

Overall increase in revenues of $3.4 million

Forecasted revenues have increased by $3.4 million or 2.6% from budget.

Key variances are:

3.0% Government of Alberta (GOA) – increase of $3.7M - GOA revenues increased primarily due to new grants and there were changes due to higher enrolments including:

- $1.6M in provincial COVID-19 mitigation support which is stand alone, one time only funding to mitigate the impact of the pandemic on school jurisdictions
- $988K in Learning Disruption grant funding for literacy and numeracy supports for Grades one, two and three students
- $718K additional WMA adjustment for increased enrolment
- $288K in Curriculum Implementation Resource Purchasing grant
- ($248K) – Revenues for Educational Programs in an Institution were removed as the Division is not operating Bright Bank this year.
- $218K in Federal Safe Indoor Air grant
- $134K additional home education revenues due to increased enrolment

31.5% Federal Government – increase of $396K - tuition revenues increased from budget ($174K) as the number of students increased by 18 over budget and there was an increase in other grants ($222K) including Jordan's Principle.

-24.0% Fee revenue – decrease of $787K - fee revenue decreased from budget due to lower than expected field trip and extracurricular fees forecast to be lower due to COVID-19.

-1.1% Sales of services and products – decrease of $12K - of supplies and services increased from budget as schools updated their forecasts based on new information and more refined plans.

29.2% Gifts and donations – increase of $119K – gifts and donations revenue are forecast to be higher as the impact of Covid-19 is easing and school associations are becoming more active.

-6.6% Rental of facilities – decrease of $4K – decreased as facilities rentals did not occur at the beginning of the year due to Covid-19.

11.4% Fundraising – increase of $13K - increased from budget as the impact of Covid-19 is declining.

Expenditures

Overall increase in expenses of $3.2 million

Forecasted expenditures have increased by $3.2 million or 2.4% from budget.

Key variances by program are:

-2.8% Instruction – increase of $2.8M - the increase in instructional expenditures (Includes Early Childhood Services (ECS) – Grade 12) are primarily related to increased certificated staffing resulting in higher salary and benefit costs ($1.2M) that include:

- Staffing to support 327 additional students over budget,
- Staffing to support the Learning Loss grants, and
- Staffing hired through the Jordan's Principal grant

Increases in supplies related to instruction such as general supplies, support services and other to support the increase in students from the budget.

The Division is planning a purchasing initiative to take advantage of economies of scale in order to evergreen technology, furniture and equipment in the schools.

-1.3% Operations and Maintenance – increase of $223K – expenditures are forecast to increase due to expenditures generated from the Federal Safe Indoor Air grant.

-3.3% Transportation – increase of $345K - expenditures increased over budget due to a one-time expenditure to provide insurance and inflation relief to bus contractors.

3.3% System Administration – decrease of $143K – the decrease is primarily due to lower than budgeted legal, support services and supplies partially offset by additional support staffing costs.

-4.7% External services – increase of $4K – the increase is largely due to the administrative work associated with ARMIC. External services expenses are offset with revenues. External services include services offered outside the Board's regular education programs for students who are served by the Board. Some examples of external services include joint use agreements with municipalities (Horizon Stage), after school care and services provided to external organizations and individuals (custodial).

Key variances by category are:

-1.7% Salaries, wages and benefits – increase of $1.7M - increases are related to salary and benefits costs related to increased enrolments and support the objectives of the Learning Loss grant.

- staffing increases to support 327 additional students over budget,
- staffing hired to fulfill the goals of the Learning Loss grant
- staffing hired to support the Jordan's Principle grant

-8.5% Services, Contracts and Supplies – increase of $2.1M - key increase in services, contracts and supplies are:

- One-time transportation contract payment for insurance and inflation ($341k)
- Increases in supplies related to instruction such as general supplies, support services and other to support the increase in students from the budget.
- The Division is planning a purchasing initiative to take advantage of economies of scale in order to evergreen technology, furniture and equipment in the schools.

43.5% School Generated Funds (SGF) – decrease of $556K – SGF expenditures are forecast to be lower due to COVID-19.

2. Financial Position at May 31, 2022

The following section is based on a comparative of the annual budget to actuals.

Financial Position

		Actual Balance at May 31, 2022		Actual Balance at August 31, 2021
Financial Assets				
Cash	$	20,860,294	$	21,496,845
Accounts Receivable		987,298		1,075,193
Total Financial Assets		21,847,592		22,572,038
Liabilities				
Accounts Payable and Accrued Liabilities		5,899,421		7,960,561
Unspent Deferred Contributions		2,569,319		1,412,093
Employee Future Benefits		421,931		461,500
Total Liabilites		8,890,671		9,834,155
Non-Financial Assets				
Tangible Capital Assets		155,589,905		149,078,972
Inventory		-		-
Prepaid Expenses		735,794		471,770
Total Non-Financial Assets		156,325,699		149,550,742
Spent Deferred Capital Contributions				
	$	148,247,420	$	141,461,837

As at May 31, 2022 the Division has total financial assets of $21.9M and liabilities of $8.9M resulting in net financial assets of $13.0M.

Financial assets include

- $20.1M in cash – decrease of $637K - the decrease in cash is related to a decrease in accounts payable and an increase in prepaid expenses partially offset by IMR funding that will be spent in the coming months.
- $987K in accounts receivable – decrease of $88K - includes GST receivable, receivables for secondments to other organizations, supported capital receivables and other general receivables. Accounts receivable decreased primarily due to a reduction in the receivable for GST from the prior year end partially offset by an increase in grants receivable.

Liabilities include

- $5.9M in accounts payable – decreased $2.1M – accounts payable and accrued liabilities include vendor invoices for amounts incurred but not yet paid for supplies and services and accrued liabilities including payroll withholdings and unearned revenues. Accounts payable decreased due to a reduction in accrued liabilities for vendor invoices that have been paid partially offset by an increase in payroll withholdings.
- $2.6M in unspent deferred contributions – increased by $1.2M - is comprised of both restricted operational funding not expended which primarily includes unexpended IMR and Capital Maintenance Renewal (CMR) funding and small grants from other external sources. Unexpended deferred capital revenue is for contributions received for supported capital projects that has not been spent. The increase in the current year is primarily the result of a portion of IMR funding, playground funding (Prescott Learning Centre (PLC) and Stony Plain Central (SPC)) replacement school and furniture and equipment funding for Woodhaven and SPC schools.
- $422K in future benefit liabilities – decreased by $40K - is a senior executive retirement plan (SERP) for some current and former senior executives based on contributions and actuarial valuations offset by payments to retired employees during the year.

Non-financial assets including

- $155.6M in capital assets, increases to capital assets this year include Woodhaven modernization, SPC replacement school, the modular units for PLC and Millgrove and playground for PLC.
- $736K in prepaid expenses for items and services paid in advance and not yet received. The increase compared to the prior year is primarily due to the timing of the payment for the insurance premium.

Spent deferred capital contributions

- $148.2M spent deferred capital contributions are recorded when a supported asset such as a school is acquired. The contribution is then recognized over the life of the asset in an amount equal to the amortization on the asset. The increase in spent deferred capital contributions is attributed primarily to the Alberta Infrastructure projects at Woodhaven and the SPC replacement school and the modular projects at PLC and Millgrove schools.

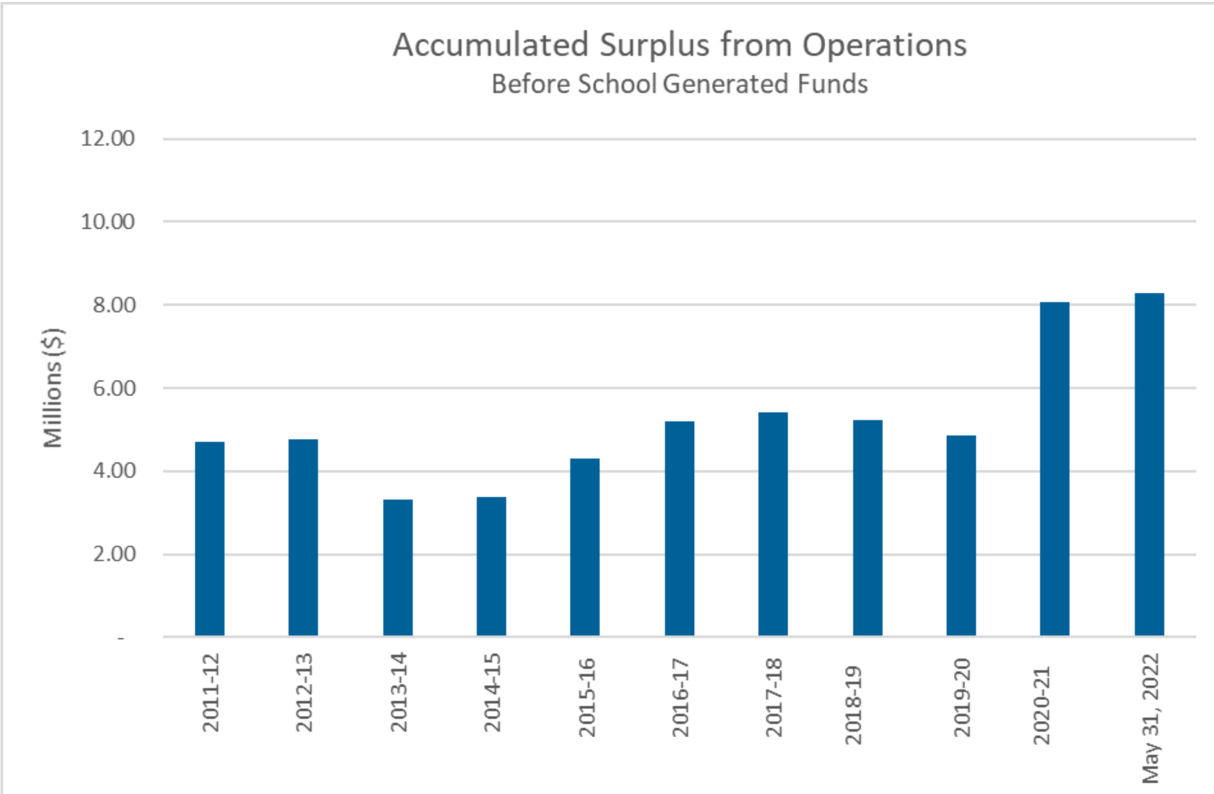
	Audited Balance at Sep 1, 2021	Actual Balance at May 31, 2022	Projected Balance at Aug 31, 2022
Operating Surplus (deficit)			
Instruction	$ 5,739,944	$ 7,174,894	$ 4,948,227
Administration	1,269,352	1,494,978	1,440,094
Operations and Maintenance	-	(881,952)	46,701
Transportation	81,758	(569,795)	(215,651)
External Services	-	-	-
Total Restricted Operating Surplus before SGF	7,091,054	7,218,125	6,219,371
Unrestricted Surplus	943,769	1,099,364	-
Accumulated Surplus from Operations (Excluding SGF)	8,034,823	8,317,489	6,219,371
School Generated Funds	949,524	1,030,866	953,204
Accumulated Surplus from Operations	**$ 8,984,347**	**$ 9,348,355**	**$ 7,172,575**
Capital Reserves			
Instruction	$ 3,159,953	$ 3,359,558	$ 4,052,304
Operations and Maintenance	423,706	522,201	393,706
Administration	1,295,111	1,138,751	1,023,111
Transportation	319,207	363,321	352,768
External Services	28,385	28,385	28,385
Total Capital Reserves	**$ 5,226,362**	**$ 5,412,216**	**$ 5,850,274**
Investment in Capital Assets	**$ 6,616,070**	**$ 6,274,620**	**$ 6,742,158**
Total Accumulated Surplus	**$ 20,826,779**	**$ 21,035,191**	**$ 19,765,007**

The projected financial health indicator Accumulated Surplus from Operations (excluding SGF) to Expense Ratio (A.S.O.%) is 4.5%. This ratio is within the Division's target of 1 – 5%.

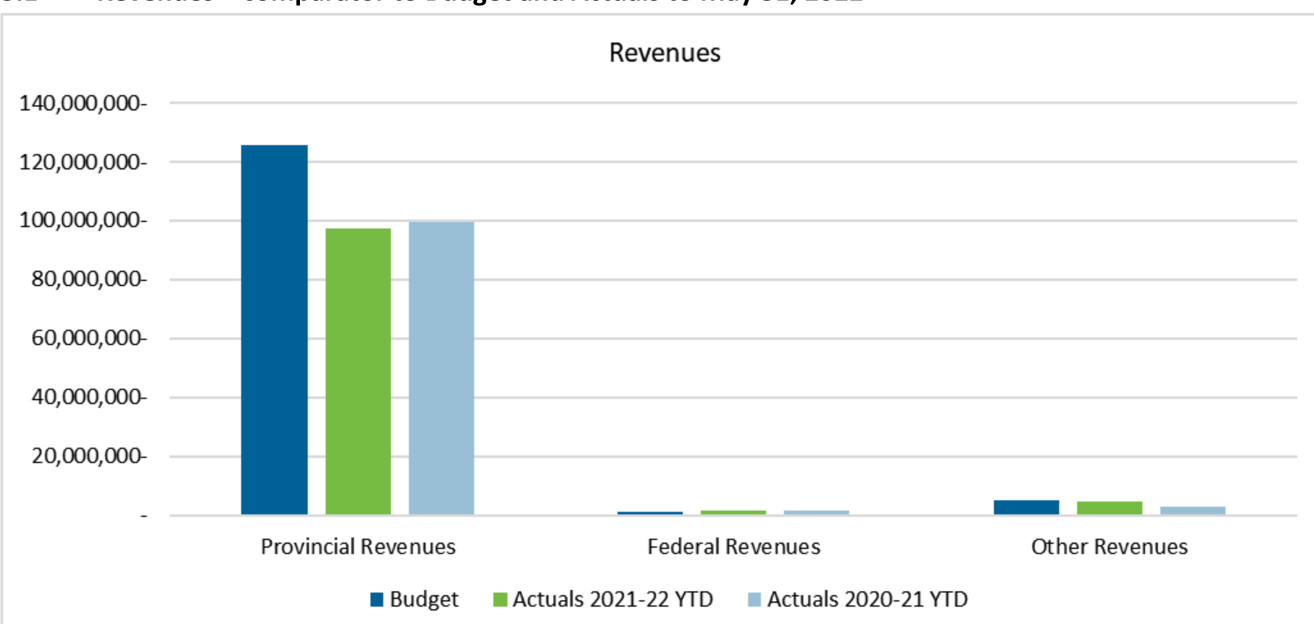
Accumulated surplus includes:

- Accumulated Surplus from Operations are reserves designated for operating purposes by the Board and include operating reserves by program.
- The Unrestricted Surplus is a reserve that the Board has not reserved for a specific purpose.
- School Generated Funds are reserves within the school that are reserved for specific projects within the schools.
- Capital Reserves are designated for future capital purchases by the Board.
- Investment in Capital Assets represents the Division's amortized investment in Board supported capital assets.

3. Results from Operations



3.1 Revenues – comparator to Budget and Actuals to May 31, 2022



3.1.1 Revenue from Provincial Government

Annual Budget	Nine Months Ended May 31, 2022	% of Budget	Nine Months Ended May 31, 2021	% Change
$ 125,512,863	$ 97,159,408	77.4%	$ 99,522,948	-2.4%

The Alberta government is the key revenue source for the Division providing 95% of its revenues. Revenue received from the Government of Alberta was 77.4% of budget. The revenue is above budget due to additional funding from the Learning Loss, CI Resource Purchasing and Federal Safe Indoor Air grants unknown at the time of budget. Basic instruction grant rates are paid on a 3-year WMA enrolment based on the budget, cash adjustments are made in the following year for any differences in enrolment. The -2.4% decrease from the prior year is primarily due to the Safe Return to Class federal funding that was received in the prior year.

3.1.2 Revenue from Federal Government

Annual Budget	Nine Months Ended May 31, 2022	% of Budget	Nine Months Ended May 31, 2021	% Change
$ 1,256,628	$ 1,460,614	116.2%	$ 1,432,255	2.0%

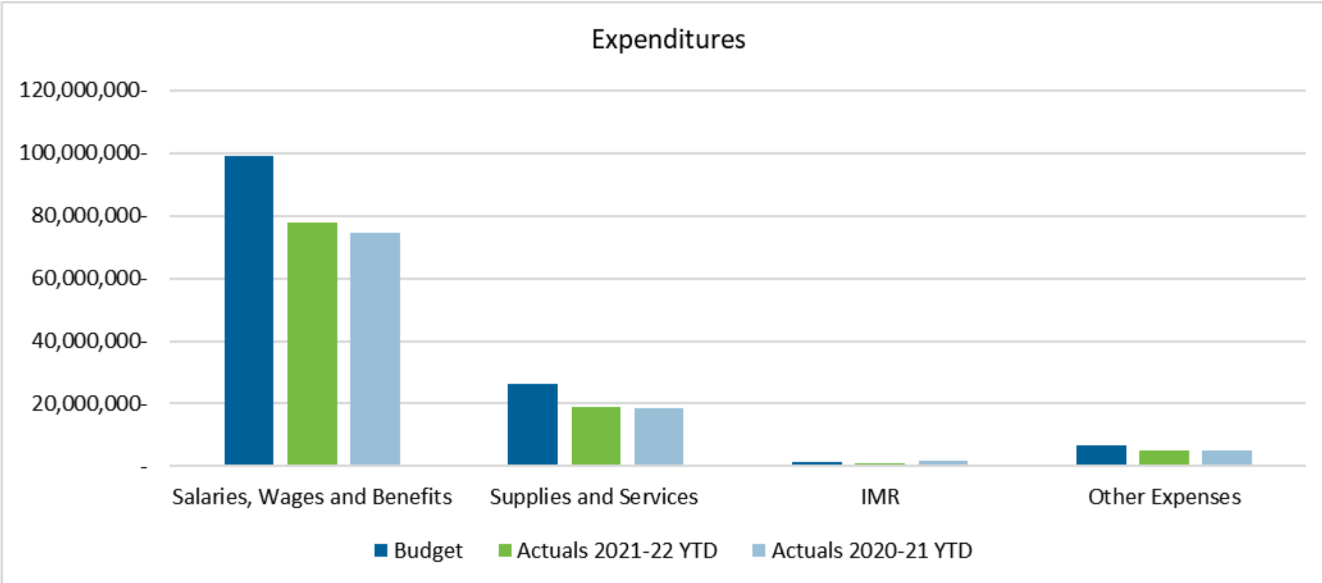
The federal government provides funding for First Nation students. Actual revenues are 116.2% of budget due to the timing of federal payments and an increase in enrolments and other federal grants such as Jordan's Principle. The 2.0% change from the prior year is related to the increase in enrolments and other federal grants.

3.1.3 Other Revenues

Annual Budget	Nine Months Ended May 31, 2022	% of Budget	Nine Months Ended May 31, 2021	% Change
$ 5,111,344	$ 4,602,167	90.0%	$ 2,760,537	66.7%

Other Revenues for the year are 90.0% of budget as many of the fees are collected up front at the beginning of the year and recognizing some donation revenues that had been deferred at year end. The 66.7% increase from the prior year is primarily due to schools not charging many fees last year due to COVID-19 last year and the increase in donations this year due to the recognition of the deferred revenues.

3.2 Expenditures - comparator to Budget and Actuals to May 31, 2022



3.2.1 Salaries, Wages and Benefits

Annual Budget	Nine Months Ended May 31, 2022	% of Budget	Nine Months Ended May 31, 2021	% Change
$ 99,167,824	$ 77,916,589	78.6%	$ 74,531,616	4.5%

Salaries, Wages and Benefits are slightly above budget. The 4.5% increase over the prior year is primarily due to increases in staff to support the increased enrolments and the Learning Loss grant. Enrolments increased 427 students over the prior year at September 30.

3.2.2 Service, Contracts and Supplies

Annual Budget	Nine Months Ended May 31, 2022	% of Budget	Nine Months Ended May 31, 2021	% Change
$ 26,431,967	$ 18,971,416	71.8%	$ 18,744,558	1.2%

The Service, Contracts and Supplies are sitting at 71.8% of budgets as many initiatives do not occur evenly over the year. The 1.2% increase from the prior year is largely due to additional expenses to support the increase in students and incurring costs for activities that did not occur last year due to Covid-19.

3.2.3 Infrastructure Maintenance Renewal (IMR)

Annual Budget	Nine Months Ended May 31, 2022	% of Budget	Nine Months Ended May 31, 2021	% Change
$ 1,462,579	$ 1,125,761	77.0%	$ 1,766,120	-36.3%

Infrastructure, Maintenance and Renewal expenditures were 77.0% of budget. IMR expenditures do not occur evenly over the year and many projects are done when students are not in the buildings. The decrease over the prior year is due to changes in the IMR grant which is now being split with the CMR grant.

3.2.4 Other Expenses

Annual Budget	Nine Months Ended May 31, 2022	% of Budget	Nine Months Ended May 31, 2021	% Change
$ 6,818,465	$ 5,000,011	73.3%	$ 4,976,487	0.5%

Other Expenses include amortization of capital assets and are 73.3% of budget. The 0.5% increase over the prior year is primarily the result of increased amortization of the Woodhaven modernization.

3.3 Excess of Revenues over Expenses

Overall, the Division has a surplus of $208K at the end of the third quarter.

Program		Budget 2021-22		May 31 2022	May 31 2021
Instruction	$	(2,000,000)	$	1,434,954	$ 3,500,421
Administration		-		225,623	434,932
Operations and Maintenance		-		(881,952)	370,194
Transportation		-		(651,553)	(673,589)
External Services		-		-	-
Total	**$**	**(2,000,000)**	**$**	**127,070**	**$ 3,631,958**
Add: SGF				81,342	65,001
Total	**$**	**(2,000,000)**	**$**	**208,412**	**$ 3,696,959**

The Instructional Program had a surplus of $1.4M as a result of receiving the Learning Loss grant and the timing of expenditures that will occur later in the year.

Operations and Maintenance is currently in a deficit of $882K as a result of the timing of expenditures and transfers to other programs.

The Administration program was in a surplus position of $226K as the result of the timing of expenditures during the year.

The Transportation program is in a deficit position of $652K due to the timing of expenditures.

4. Significant Changes and Events

4.1 COVID-19 Pandemic

COVID-19 continues to have an impact on the Division. The Division has budgeted $1.6M in COVID-19 Mitigation funding which will offset a liability that the Division set up for 2020-2021 Alberta Education WMA claw back for reduced enrolments last year. The Division continues to offer both in-school and virtual classes

Additional costs include:

- Substitute costs for teachers who are having to isolate.
- Additional Services, contacts and supplies include personal protective equipment, additional cleaning supplies and equipment, and sanitizer.

4.2 Labour Relations

The Alberta Teachers Association (ATA) collective agreement expired on August 31, 2020. TEBA and the ATA have received the mediator's recommendations for settlement. The mediator's report if ratified would result in additional expenses in the current year that have not been forecast.

The Central Alberta Association of Municipal and School Employees (CAAMSE) collective agreement expires August 31, 2023.

The International Union of Operating Engineers (IUOE) collective agreement expires August 31 ,2023.

4.3 Provincial Funding

The provincial government introduced a new funding model based on WMA enrolment across three years.

The new provincial funding model is broken down into 5 categories using the WMA model:

- Base Instruction
  - Funding for early learning and Grades 1 – 9
  - High school funding using a base rate 10% higher than the Grade 1 – 9 base rates to account for the increased cost of high school programming
  - Rural small schools funding based on various enrolment thresholds for schools between 35 and 155 students
- Services and Supports
  - Specialized learning support funding supports the learning needs of students within an inclusive learning environment (includes funding for kindergarten students with severe disabilities and delays)
  - Program Unit Funding allocated using the WMA enrolment of children ages 2 years 8 months to 4 years 8 months with sever disabilities and delays

- First Nations, Métis and Inuit funding to assist school authorities to improve education outcomes for First Nations, Métis and Inuit students

- School
    - Operations and Maintenance (Targeted) uses WMA enrolment funding as well as considerations for utilized space and under-utilized space
    - Transportation grant funding increased by 5% over 2019-20 as Alberta Education is currently developing a new model

- Community
    - These grants are designed to address socio-economic contexts and geographic locations which pose unique challenges to the operation of schools and delivery of educational services
        - Socio-economic status funding
        - Geographic
        - Nutrition
- Jurisdiction
    - System Administration Grant (SAG)
        - Funding to cover governance (Board of Trustees) and central administration costs
        - Targeted grant to support System Administration
        - Amounts can be transferred from the SAG to other grants, but cannot utilize funds from other grants for system administration

The Division will receive bridge funding of $5.8M for 2021-2022. The government uses bridge funding to offset future enrolment across the province.

The Division has accrued $581K for the increase of WMA enrolment in the 2021-2022 school year. This accrual is the result of Alberta Education using the actual enrolments in the calculation and adjusting funding based on changes from the projected enrolments.

4.4 Insurance Premiums

The Division continues to work with ARMIC to reduce insurance costs to the Division.

4.5 Carbon Levy

The carbon levy increased from $2.10 per GJ to $2.63 per GJ on April 1, 2022. The annualized impact of the increase on the Division will be approximately $50K in natural gas charges. The carbon levy on gasoline is increased to $.11 from $.09 per litre. The annualized impact of the increase on the Division will be $1K for gasoline for the Division's fleet vehicles. The carbon levy on diesel fuel was increased from $0.11 to $0.13 per litre on April 1, 2022 resulting in a potential annualized impact of $17K on the Division related to fuel escalator amounts paid to contractors.