



BUDGET ADVISORY COMMITTEE MEETING

Thursday, January 30, 2020
3:00 pm, School Board Office

Committee Members:

Victoria Martin, Chair
Elsie McMurphy, Trustee
Teri VanWell, Trustee
Dave Eberwein, Superintendent of Schools
Jason Reid, Secretary Treasurer
Paul McKenzie, Assistant Superintendent
Monica Braniff, Director of Instruction
Carly Hunter, Director of Instruction

Megan Cimaglia, Director of Finance
Don Peterson, STA
Jeff Bishop, STA
Dean Coates, CUPE
Sean Hayes, SAA
Karen Fello, SAA
Spencer Gray, SIS
Monique Hiltz, COPACS

AGENDA

1. Welcome
2. Review Timeline and Guiding Principles
3. Review Committee Terms of Reference
4. Review Budget Consultation Plan
5. Letter from Saanich Teachers' Association
6. Next meeting: **Thursday, February 27, 3:00-5:00pm**



2020/21 Budget Process Consultation Plan

Prepared by: Jason Reid

Date: January 27, 2020

District Overview

The Saanich School District serves more than 7,700 student FTE in: 14 neighborhood schools (8 elementary schools, 3 middle schools, and 3 secondary schools); the Children’s Development Centre; the South Island Distance Education School (SIDES); the Individual Learning Centre (ILC); the Continuing Education program; and the Saanich International Student Program.

Strategic Plan 2020 guides the Board of Education and its employees and partners in delivering educational programs through the period 2017/18 to 2020/21. The Strategic Plan is organized around the following four themes under which detailed goals with measurable objectives have been developed:

- Student Success;
- Diversity and Inclusion;
- Relationships and Partnerships; and
- Operational Excellence.

Budget Cycle – Planning, Implementation, Monitoring, and Reporting

The focus of the budget planning process is development of the preliminary budget for the following fiscal year. However, this is only part of an annual budget cycle comprised of a series of inter-related processes. School districts are also unique in adopting both a preliminary budget and an amended budget following confirmation of fall enrolment and funding.

The key components of the annual budget cycle are summarized in the table below. The school district’s fiscal year ends on June 30th (i.e. fiscal year 2020/21 begins July 1, 2020 and ends June 30, 2021).

Jan to June, 2020 (in 2019/20 fiscal year)	<ul style="list-style-type: none">• January to May – Budget planning process leading to adoption of 2020/21 Preliminary Budget (as described in this plan).• February - Adoption of the 2019/20 Amended Budget reflecting adjustments to the 2019/20 preliminary budget following confirmation of 2018/19 actual results, 2019 fall enrolment/staffing, and other changes.• January to May – Monthly forecasting of actual results in relation to the 2019/20 amended budget. Projected 2019/20 surplus/(deficit) informs the 2020/21 budget planning process by estimating both the current budgetary structural balance and the projected accumulated operating surplus available for the 2020/21 budget year.
July to Sept, 2020 (in 2020/21 fiscal year)	<ul style="list-style-type: none">• July to September – Completion and audit of 2019/20 financial statements confirming actual results including accumulated operating surplus available for the 2020/21 budget year.

	<ul style="list-style-type: none"> • August to September – leading to school start-up actual enrolment figures (while not yet final) become more apparent necessitating adjustments to staffing and related funding estimates.
Oct to Dec, 2020 (in 2020/21 fiscal year)	<ul style="list-style-type: none"> • October to December - Confirmation of final Sept 30th enrolment and related staffing changes and Board approval for allocation of net enrolment growth funding (these changes will be reflected in the 2020/21 Amended Budget adopted by the Board in February 2021). • December - Board approval of 2021/22 Budget Timelines/Process and Guiding Principles.

2020/21 Budget Timelines/Process and Guiding Principles

In December 2019, the Board approved the Timelines/Process and Guiding Principles. These documents have been posted to the budget consultation site at the following link:

<https://www.sd63.bc.ca/leadership-governance/budget-and-finance/2020-2021-budget-documents>

Throughout the process, information relevant to the consultation will be posted to this site including agenda packages and meeting notes of the Budget Advisory Committee.

Enrolment Trends and Forecast

Enrolment has grown modestly over the past three years with growth occurring largely at elementary. September 2019 (2019/20) school age enrolment grew by 39 student FTE overall. This overall growth was close to what was forecasted (34 FTE); however, the actual growth at elementary and decline at secondary were both greater than forecast.

	2018/19	2019/20	Projected	2019/20	Actual
	Actual	Preliminary	Increase/	Actual	Increase/
	Enrolment	Budget	Decrease	Enrolment	Decrease
Elementary	2,748	2,783	35	2,813	65
Middle	1,566	1,575	9	1,580	14
Secondary	2,769	2,759	-10	2,729	-40
Total	7,083	7,117	34	7,122	39

Modest growth is expected to continue and will move into secondary schools in the years ahead. The primary driver of growth is increased in-migration of elementary aged students (i.e. families moving into the district) versus demographic growth (i.e. kindergarten growth attributable to increased births 5 years ago). As a result, growth is occurring not only in kindergarten, but also in all elementary grade cohorts. Growth that results from in-migration is more difficult to

forecast than demographic growth and is influenced by changes to the regional economy and other factors beyond the school district’s control.

Over 80% of operating fund revenues are determined by per student funding allocations. In 2019/20, budgeted operating revenues (preliminary budget) were \$79.7 million and included:

- \$52.8 million – per pupil fall enrolment funding (Sept 30th),
- \$9.9 million - funding for unique need designations (Sept 30th), and
- \$2.1 million – February and May enrolment funding.

Given the significance of enrolment in determining funding, enrolment forecasting is an important part of the budget process. Enrolment forecasting is also important for informing facilities planning work. Each year, preliminary enrolment projections are prepared by Baragar Systems reflecting available demographic data. These projections are reviewed and modified by the district to reflect local knowledge including known local factors impacting enrolment such as residential development or changes to programs or the capacity of a school. For budget planning purposes, enrolment projections are appropriately conservative to reduce the risk of deploying resources in excess of available funding.

The district is still reviewing the updated enrolment forecast for 2020/21 to 2029/30, which will be available for the February BAC meeting.

Components of the Budget

The school district’s budget is comprised of three separate funds: Operating Fund, Special Purpose Fund and Capital Fund. Each of these funds differs with respect to the methods of accounting used, the legislative and other constraints, and relevance to the budget planning process. The table below describes each of the funds and their relevance to the budget planning.

<p>Operating Fund</p> <p>2019/20 Budgeted Revenues: \$79.7 million</p>	<p>Annual program revenues and expenditures are reported within the operating fund and special purpose fund (see below). Grants from the Ministry of Education accounted for \$68.0 million (85%) of budgeted operating revenues in the preliminary 2019/20 budget. The budget process focuses primarily on the operating fund.</p> <p>Annual and accumulated surplus within the operating fund are important indicators of financial performance and financial health for school districts. This is because school districts are not permitted to budget for or incur an <u>accumulated</u> deficit position in the operating fund. This means when a school district has accumulated operating surplus available it can be used to budget for future expenditures and to reduce financial risk associated with unforeseen expenditures.</p>
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<p>Special Purpose Fund</p> <p>2018/19 Actual Revenues: \$12.9 million</p>	<p>The special purpose fund includes grants and school generated funds that are restricted for a specific purpose. The largest component of the special purpose fund is the classroom enhancement fund (2018/19 Actual Revenues: \$7.7 million), which beginning in fiscal 2017/18 funds the cost of the restored class size and composition language. Because special purpose funds are restricted for a specific purpose, they are generally not a focus of the budget planning process except as contextual information.</p> <p>If expenditures for a program within the special purpose fund exceed available revenues, the resulting deficit is transferred to the operating fund reducing accumulated operating surplus. Annual and accumulated surplus in the special purpose fund is always zero.</p>
<p>Capital Fund</p> <p>2018/19 Actual Capital Funding: \$4.4 million</p>	<p>The capital fund budget is determined through the Board of Education’s approval of the annual capital plan and the Ministry’s approval of capital projects within the capital plan. As the capital fund budget is determined through a separate process, it is generally outside the scope of the budget planning process.</p>

Contingency Reserve

Pursuant to Policy 2050 (Accumulated Operating Surplus Contingency Reserve), the budget must include a contingency reserve that is sufficient to reduce, to an appropriate level, financial risk that results from financial forecasting uncertainty and/or unforeseen circumstances. The contingency reserve is formed through allocation of accumulated operating surplus and/or allocation of annual budget room. The contingency reserve is to be used only to fund additional cost pressures that result from circumstances beyond the school district’s control or, with the Board’s approval, in response to unforeseen circumstances.

In September 2019, the Board approved increasing the district’s 2019/20 contingency reserve to \$1.7 million (2.1% of budgeted operating expenditures) from \$1.2 million in 2018/19. This increase was to address greater financial uncertainty and risk associated with the implementation of a new funding model for 2020/21 and the related review of distance education program delivery in the Province.

2020/21 Budget Context

Funding Formula Review – Following almost 2 years of consultation and implementation work, the Ministry of Education intends to implement a new funding model for the 2020/21 school year. While proposed changes to the model are known, it is not known how or if each proposed change will be implemented and what it will mean for the overall budget balance of the school district in 2020/21 and in future years. More information on the funding model review can be found at:

<https://www2.gov.bc.ca/gov/content/education-training/k-12/administration/resource-management/k-12-funding-and-allocation/funding-model>

The Saanich School District and other school districts have participated in reviewing and modeling components of the proposed funding model, and a final meeting related to these reviews is being scheduled in February. We have been advised that detailed information about the new funding model may not be communicated until funding allocations are announced on March 13th. If significant reductions to funding occur with implementation of the new model, our hope is that transitional funding will be provided.

Distance Education Review – In conjunction with the funding formula review, the Ministry is undertaking a comprehensive review of distance education funding and program delivery. The changes being proposed include the choice of maintaining a district online learning school/program to serve only in-district students, or moving to a Provincial delivery model whereby approved Provincial service providers deliver on-line learning courses for students in districts where these courses are not available. The proposal indicates that Provincial service providers are to be selected through an RFP process, with the selected schools offering a prescribed provincial curriculum. This change, in combination with the funding model proposal to fund secondary students by headcount instead of by course, will effectively eliminate funding for cross-enrolment between school districts and independent schools. If the Saanich School District's distance education program, SIDES, were not selected as a Provincial service provider under this proposed model, a significant reduction to the program could result. In 2018/19, SIDES was funded for 587 student FTE (school age and non-grad adults), which included enrolment of 224 student FTE cross-enrolled from outside of the district. It is not yet known when this change will be initiated, but the working group recommended a three-year implementation window with transitional provisions.

Projected Enrolment Growth – Enrolment is forecasted to continue growing modestly. In 2019/20 enrolment growth at elementary was partially offset by decline at secondary, and resulted in budget pressure as the costs associated with growth at elementary (staffing and additional classrooms) exceeded the overall growth in funding. The net budget impact of projected enrolment growth will be estimated once funding rates are known.

Teacher Bargaining / Classroom Enhancement Fund – The Teacher’s collective agreement expired on June 30, 2019, and at this time provincial negotiations have not concluded. When class size and composition language was restored in 2017/18, the cost of the restored language was funded based on the cost of restoration in each school district. As the local contract language present in most school districts varies from district to district, so does the funding. This restoration also significantly narrowed the options available to Boards in making budgetary adjustments if necessary.

Funding was provided through the Classroom Enhancement Fund (CEF) for direct contractual costs (teacher staffing, contractual remedy, and other), and overhead costs that resulted from restoration. These overhead costs included administration time in schools, human resources and operational staff, and education assistant staffing to reflect the additional cost of allocating support across more classrooms. The CEF and related costs are reported in the special purpose fund; however, the activities funded through CEF are heavily interwoven within the overall operations of the district. As an example, there are now a number of positions funded in part by both the operating fund and by CEF. The implication of this meshing between the funds, is that if bargaining results in changes to CEF this could also have cost implications for the operating fund.

At this time, for budget planning it is assumed the status quo for CEF funding and expenditures will continue into 2020/21.

Provincial Budget – In both the first and second quarterly reports, government has decreased forecasted revenues reflecting lower economic growth assumptions relative to Budget 2019. We have also learned that in response to declining revenue forecasts, government is implementing cost savings measures including a hiring freeze in ministries. Declining revenue forecasts and the pressure it places on government increases the risk that 2020/21 funding will not be sufficient to fund budgeted cost pressures.

Potential Budget Pressures

While net budget pressure for 2020/21 cannot be accurately quantified until funding rates are known in March, we are aware of the following circumstances in 2020/21 that will impact cost pressure:

Appropriated Accumulated Surplus – The 2019/20 preliminary budget was balanced by appropriating \$840,450 (2018/19 - \$969,869) in accumulated surplus to funding ongoing expenditures. In forming the amended budget, in 2020/21 a further \$886,914 (2019/20 - \$457,065) was allocated in 2019/20 to “District Priority/Contingency” and funded the purchase of portable classrooms and other priorities. The quantum of accumulated surplus available in 2020/21 to fund expenditures, will depend on the extent that actual 2019/20 annual surplus (revenues net of expenditures) exceeds budget. Monthly fiscal forecasts will inform BAC if and,

to what extent, budget pressure is forecasted. Appropriation of accumulated surplus for 2019/20 and 2018/19 is presented in the table below.

	June 2019	June 2018	Change
School Activities (multi-year funding)	983,039	964,907	18,132
District Activities (multi-year funding)	830,450	599,710	230,740
Appropriated for 2019/20 Preliminary Budget	840,150	969,869	(129,719)
District Priority/Contingency	886,914	457,065	429,849
Total Internally Restricted	3,540,553	2,991,551	549,002
Contingency Reserve (Unappropriated Surplus)	1,700,000	1,206,440	493,560
Total Accumulated Surplus	5,240,553	4,197,991	1,042,562

New CUPE Collective Agreement – the recently ratified CUPE collective agreement included wage adjustments funded by the Board at an annual cost of \$610,500 effective January 1, 2020. As these wage increases were implemented half way through fiscal 2019/20, half of the cost (\$305,250) will be reflected in the 2019/20 Amended Budget and half of the cost will need to be funded in the 2020/21 budget.

Unfunded Inflationary Costs - historically school districts have not been funded for many inflationary cost pressures including those related to exempt compensation, employee benefits, utility costs and service and supply costs. It is our hope that with the implementation of a new funding model, there will be a recognition of the need to fully fund annual inflationary costs.

Elementary School Enrolment and Capacity – Many elementary schools in the district are at or exceed capacity. Continued growth at the elementary level may result in budget pressure if funding growth does not fully fund the cost of expansion if necessary.

International Registration for 2020/21 – during and following the job action 40 international students withdrew their registration for 2020/21. The target international registration is 320 FTE. At this time the registered FTE is approximately 150, below the historical trend of 190 – 200 for this time of year. We remain optimistic the target FTE of 320 can be attained, as registration has typically been closed early in previous years once capacity was reached. However, risk remains that the target FTE may not be attained and that financial pressure will result.

Information Guiding the Budget Consultation Process

Engagement with district staff, partners and the community informs the budget process through both formal planning meetings and continuous engagement. The process includes four Budget Advisory Committee (BAC) meetings, a school community/public budget meeting, and a management team meeting. As information and issues are considered and discussed, engagement

will also occur continuously and informally. The information used to guide the consultation process is described further below.

There are three important events during the budget process that will progressively reveal the funding picture for 2020/21.

1. The Speech from the Throne (February 11) – communicates the priorities of government to be reflected in upcoming budget.
2. Provincial Budget 2020 release (February 18) - confirms the overall funding allocation for the K-12 sector and communicates new spending priorities for the sector.
3. Details of the new funding allocation model are released (before March 13th)
4. 2020/21 district funding rates are confirmed (March 13).

Following confirmation of funding allocations on March 13th, grant revenues are estimated based on projected enrolment and, along with quantification of other budgetary changes and pressures, results in an estimate of the net budgetary balance for 2020/21. If the balance is an estimated net cost pressure, it means that budgetary reductions may be required.

A key component of the process is the identification and evaluation strategic and operational priorities and the resources needed to implement or continue those priorities. Priorities are identified and evaluated in two ways:

1. Review of the status of goals and objectives in Strategic Plan 2020 considering where resourcing is impeding progress in critical areas or where opportunities exist to improve outcomes significantly in relation to cost.
2. Review of the district's evaluation of operational risk identifying where further steps are needed to mitigate risk.

Assessment of operational risk answers the question “What could go wrong and what are the consequences?” Many operational risks also directly relate to strategic priorities. However, other risks relate to basic obligations (legal and other) of the district that may not relate directly to priorities identified in the strategic plan. For this reason, it is important to consider both strategic priorities and assessment of operational risk.

During the budget consultation process the following information will be presented to the Budget Advisory Committee:

- Enrolment forecast and grant revenue estimate
- Monthly fiscal forecast including projected accumulated surplus
- Historical budget trends and budget changes
- Review of Provincial Budget 2020
- Estimated 2020/21 budget pressure reflecting estimated changes to revenues and expenses

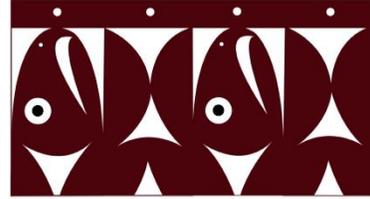
- Comparison of budget allocations with similar school districts
- Comparison of staffing allocations with similar school districts (where relevant¹)
- Analysis of strategic priorities
- Assessment of operational risks
- Proposed adjustments to balance budget and/or address priorities identified and relevant analysis.

¹ Comparisons are not meaningful when local circumstances (unique programs, local collective agreement language, etc.) differ significantly. Analysis will also focus on areas that relate to proposed priorities.

Wednesday, May 22, 2019

Victoria Martin
Chairperson
School District 63 (Saanich)

SAANICH TEACHERS' ASSOCIATION



Dear Victoria Martin

RE: Budget Advisory Committee Process

The Association's Executive Committee has discussed the Budget Advisory Committee process that was used to develop the budget for the 2019-2020 school year. As a result of the discussion, the Association wanted to address two concerns that it had with this year's Public Budget Meeting.

In the past, the Public Budget Meeting budget presentation would go into detail concerning the budget. This would include the various cost pressures the District is facing, spending additions, and program costs. This year, the budget presentation was vague on these items. Themes around the budget were discussed, but the budget itself was not, and no budget documentation was available to attendees. The Association believes that in order for the Public Budget Meeting to be as effective as possible, the public needs to be given a thorough and detailed explanation of the budget. The Association encourages the District to cover all aspects of the budget at future Public Budget Meetings.

Though the attendance of the Public Budget Meeting has typically been lower than what the Association would like to see, the Association has always appreciated that the attendees have given us a relatively authentic cross section of the partner groups. This would include some parents, teachers, CUPE, administrators, and members of the public. At times, depending on potential program cuts, we would see more attendees from one of these groups. The Association is with the understanding that principals had been directed by the Employer to attend this year's Public Budget Meeting. The result of this direction led to the vast majority of the attendees being principals, this then resulted in a less than authentic results in the feedback, as the feedback was from mostly administration instead of an authentic cross section of our partner groups. The Association notes that feedback from administration is important, but a part of the Budget Process is a Management Team working session that occurred the next day. The Association takes note that much of the feedback from both the Public Budget Meeting and the Management Team working session are the same as the attendees of both meetings. What we should be able to do with the feedback is to compare the feedback of the public and partner groups to the feedback of management. This year we are unable to do this. The Association would like to encourage the District to not direct staff to attend future Public Budget Meetings. This would allow for a smaller meeting, but a more authentic cross section of the partner groups.

The Association hopes that the board will be able to consider our concerns with this year's budget process

Sincerely,

A handwritten signature in black ink, appearing to read "Don Peterson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Don Peterson
President, Saanich Teachers' Association
CC: Saanich Teachers' Association Representative Assembly

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