

## Invitation and Background Document 2024/25 Budget Consultation



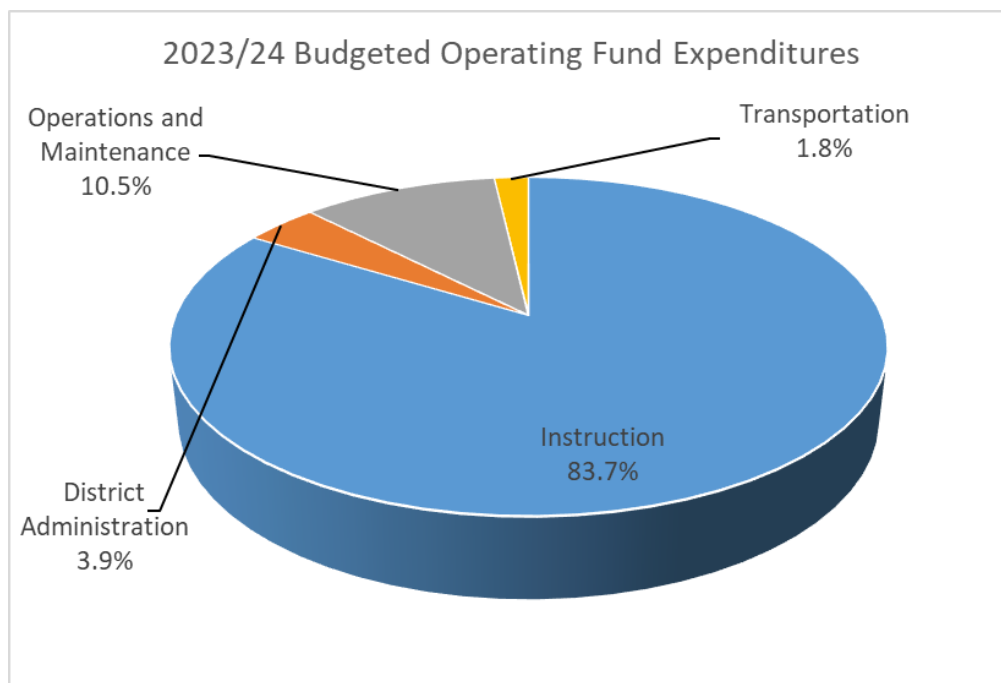
The Board of Education is seeking your input to inform development of the 2024/25 Budget (July 1, 2024 to June 30, 2025) and beyond, through completion of a survey and participation in a Community Budget Meeting on Wednesday, April 17<sup>th</sup> at 7pm at Bayside Middle School, 1101 Newton Place, Brentwood Bay. Public participation in this process is important for the Board's adoption of a budget that reflects the values, beliefs and priorities of the communities. To inform completion of the survey, this document provides further background on the Saanich School District, the budget consultation process, and budget context for 2024/25.

### About the Saanich School District

The Saanich School District enrolls close to 8,000 students in fourteen neighbourhood and a number of special program schools. Neighbourhood schools include eight elementary schools, three middle schools, and three secondary schools. The district also provides educational programming at the Children's Development Centre, two Individual Learning Centres, a Kindergarten to Grade 12 online learning school called SIDES (South Island Distance Education School), and at SISP (Saanich International Student Program).

In 2023/24 (current year), the district budgeted for revenues of \$97.0 million in the operating fund<sup>1</sup>. These revenues were comprised of provincial grants (\$84.4 million); direct funding from First Nations (\$3.9 million); international student tuition (\$4.3 million); international student homestay fees (\$2.6 million); and other revenues (\$1.8 million).

As shown below, in the 2023/24 budget the Saanich School District invested 83.7% of the operating fund budget into instructional programs.



<sup>1</sup> Additional targeted program funding/revenues are reported in the special purpose fund (\$18.3 million in the 2023/24 budget). Most special purpose funding is targeted for specific instructional program initiatives.

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Operations and Maintenance was 10.5% of 2023/24 budgeted expenditures and includes facilities/grounds maintenance, custodial, information technology, health and safety, and utilities. The district operates 20 facilities and approximately 960,000 square feet of space.

District administration was 3.9% of 2023/24 budgeted expenditures and includes Board governance, educational leadership, finance and payroll, human resources, and communications.

Transportation costs, including the operations of the school bus fleet, was 1.8% of 2023/24 budgeted expenditures.

### 2024/25 Budget Consultation Process

In November 2023, the Board approved the 2024/25 Budget Guiding Principles to guide the budget consultation process. These principles include that the Saanich Board of Education will keep support for students at the forefront of its decisions. As the Board recognizes public education is the responsibility of the whole community, community engagement is key to the decision making process.

School Boards adopt two budgets in each fiscal year:

- A preliminary budget is adopted before the end of June for the following fiscal year based on forecasted enrolment and revenues; and,
- An amended budget is adopted before February during the fiscal year reflecting actual fall enrolment and funding.

This budget consultation will inform decisions regarding the preliminary and amended budgets for 2024/25, and also planning for future budgets. The consultation process is overseen by the Budget Advisory Committee (BAC), which provides advice to the Board of Education. The budget guiding principles and other documents outlining in greater detail the 2024/25 budget context (as outlined in this background document) have been posted to the [budget planning site](#).

### Context for Budget 2024/25

#### **Unfunded Inflationary Cost Pressures**

Funding rates in 2024/25 and historically have been adjusted only to reflect annual wage inflation, and not other annual inflationary cost pressures faced by school districts. These unfunded inflationary pressures include annual escalation in the cost of employee benefit plans, equipment purchases, and supplies and services. In BC, the K-12 funding formula is disproportionately leveraged to enrolment change and school districts growing fast enough are able to allocate “net funding” from enrolment growth (in excess of enrolment based program cost growth) to fund all other inflationary costs. This means the funding model effectively penalizes school districts that are not growing or are not growing fast enough.

As illustrated in the district’s [Long Range Facility Plan](#), because enrolment in Saanich is forecasted to remain stable or only grow slowly, program budgets cannot keep pace with inflation and a balanced budget can only be maintained longer term through continual program reductions. In recent years,

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while additional provincial funding has been targeted for a number of new initiatives (including meal programs and early years programs), as this funding is targeted it cannot be used to address the chronic underfunding of annual inflation impacting core K-12 programs. This issue has been compounded in recent years by slowing enrolment growth in Saanich and greater than historical annual inflation.

In advance of budget planning for 2024/25, in May 2023 the Board of Education carried the following motion *“That the district conduct a review of programs, early in 2023/24, considering where budget reductions are feasible to inform cost reduction measures to be implemented in future budgets as required, and that the Board advocate at all levels for funding of inflationary and other unfunded cost pressures.”*

Since then the Board has carried the following motions directing advocacy work related to funding of inflationary costs:

- January 2024 – *“That the Board seek an early meeting with the Minister of Education & Child Care to discuss, among other inflationary cost pressures, the inflationary cost pressures relating to Information Technology.”*
  - February 2024 – *“That the Board work with senior staff to:
 
    - Arrange for a larger delegation from the Saanich School District, including partner group representatives, to meet with the Ministry of Education and Child Care to discuss budgetary concerns relating to unfunded inflationary pressures.
    - Communicate to the Ministry specific examples of the impacts of inflation, particularly the negative impacts on student learning.
    - Connect with other school districts facing a similar scenario (low enrolment growth) to explore the possibility of a collective communication to the Minister of Education and Childcare.”*
- March 2024 - *“That the Board forward a letter to the Board of each of the eight school districts identified as being in a similar low enrolment growth position, explaining the February 14, 2024 advocacy motion, and requesting that they consider being a signatory to an enclosed draft letter to the Minister of Education and Child Care as a collective communication addressing unfunded inflationary costs. “*

The projected budget pressure in the 2024/25 Operating Budget due to unfunded inflationary cost is approximately \$0.9 million as outlined in the table below:

Net funding growth	(763,224)
Medical/Dental plan premium escalation	585,168
Canada Pension Plan (CPP) premium escalation	141,023
Forecasted increase to average Teacher wage	300,000
Technology plan budget shortfall (inflation)	500,000
Unavoidable service and supply inflation	160,000
<b>Total Unfunded Inflationary Pressure</b>	<b>922,967</b>

The impact of inflationary cost pressures on the technology plan is a particularly significant concern as discussed in the section below. Note that this unfunded inflationary pressure of \$0.9 million does not include a further reduction in the purchasing power of school and program budgets (as most service and supply budgets are not being adjusted annually for inflation). This annual reduction in purchasing power

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is impacting the district's ability to fund learning resources, enhanced educational opportunities, school equipment/supplies, and maintain and enhance school facilities.

### Strategic Budget Priorities

The Saanich Board of Education's [Strategic Plan](#) focuses on the following four priority areas:

- Literacy
- Indigenous Learner Success
- Mental Health and Wellness
- Global Citizenship

Implementation of these priorities is driving change to operational plans and the deployment of existing resources. This includes the deployment of district and teacher leadership capacity, curriculum and professional development, and the deployment of instructional program resources. More information on how budget planning aligns with the Strategic Plan can be found in section 4 of the April 2024 Budget Facts Package (included in the April 11 BAC meeting package posted to the [budget planning site](#)).

In April, the committee reviewed the [2024 Risk Report](#), and, in particular, the high-risk assessments for program budget sustainability and information systems (risks A and B), both the result of significant unfunded inflationary cost pressure. A significant concern is that it is no longer possible to implement the district technology plan without either additional funding or significant adjustments to the plan. Without additional funding, the cycle of renewal for IT resources and devices will increase, and the number of devices that are deployed and supported in the future will need to decrease significantly with there likely being no deployment of student devices within 5 years.

The estimated cost to fully fund the technology plan on an annual basis is now \$500,000. Fully funding this plan is a recommended budget priority given its importance for both supporting educational program priorities and managing operational risk.

Given the significant inflationary costs facing the school district in 2024/25, other increased program budgets are not recommended at this time. However, your feedback on how the budget should support strategic priorities will inform how existing resources are being deployed to operationalize priorities, and will inform future budget decisions.

### Options for Balancing Budget 2024/25

In January 2024, in order to identify potential areas of budgetary discretion, BAC reviewed Comparative Budget Analysis, Teacher Staffing Analysis, and Leave Cost Analysis (detailed analysis can be found in the January 25 BAC meeting package on the [budget planning site](#)). The following were key observations:

- Relative to the average of four comparable school districts (SD71, SD72, SD75, SD79), Saanich budgets a similar amount per student for Instruction programs and budgets less per student for District Administration, Operations and Maintenance, and Transportation.
- Relative to the average of four comparable school districts (SD71, SD72, SD75, SD79), Saanich budgets 31% more on substitute salaries. Over the past 5 years, escalation in the usage rates of sick and emergency leave in Saanich has increased annual replacement (substitute) costs by \$1.5 million significantly contributing to increased budgetary pressure.

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- Teacher staffing comprises 49% of the 2023/24 operating budget, and most teaching positions are contractually required by collective agreement language. There are only 17.2 full-time equivalent (FTE) non-enrolling teacher positions that are in excess of collective agreement requirements. However, where the Board has historically increased staffing beyond contract requirements, these were positions deemed necessary to support key strategic priorities relating to career programs, Indigenous learner programs, learning assistance, inclusion and behavioural support, and curriculum leadership.

In 2024/25, the district plans to implement a more formalized health and wellness program to better support the health and well-being of staff members while increasing continuity of student supports and decreasing cost associated with growing sick and emergency leaves. While implementation is expected to result in net cost savings, the program objectives are focused on improving health and wellness supports for staff members and not the achievement of cost savings. Therefore, at this time the implementation of this program is assumed to be budget neutral in 2024/25.

The district's budgetary flexibility continues to decline with inflationary costs significantly outpacing funding growth in recent years. As discussed above, the district is no longer able to fund its technology plan. And further budget reductions are likely necessary to balance the 2024/25 budget and future budgets. The district is reviewing individual department and school budgets for potential cost savings; however, after many years of finding savings to fund inflationary costs there are limited opportunities to find further cost savings (i.e. reductions that will not have program impacts).

Administration and Operations budgets in Saanich are below average when compared to similarly sized districts, and these budgets have been established only to the extent necessary to maintain legislative and regulatory compliance and to adequately manage significant operational risks. In many functions the existing administrative capacity is necessary to manage and contain potential cost escalation (examples include but are not limited to occupational health and safety (OHS) and employee benefits administration).

Where the Board has historically had discretion to increase program spending (when higher enrolment growth was experienced), these investments were generally made to support strategic priorities deemed most critical to student achievement. Unfortunately, many of these discretionary investments are also the areas where budget reductions are now possible, after considering the various restrictions in legislation, regulation, and collective agreements.

Program areas where budget reductions are possible include:

- non-enrolling teacher and other instruction function staff in excess of collective agreement requirements and/or targeted funding.
- daytime custodial support in elementary schools (first implemented during the COVID pandemic).
- technology plan deliverables (by not fully funding the plan).
- service and supply operating allocations to schools for enhanced program priorities.
- operating fund allocations to programs outside core K-12 Education mandate, including but not limited to:
  - crossing guard and transportation (bus) services (school districts are not required to provide crossing guards or transportation services). This could also include increased fees for transportation services.

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- strong start programs – targeted funding for these programs has remained frozen for many years with a growing cost differential (from annual inflation) being absorbed into the operating fund.

### Budget Uncertainty and the Contingency Reserve

The 2024/25 estimated budget pressure of \$0.9 million reflects projected cost inflation and experienced cost escalation. While it is possible actual cost pressures could equal and even exceed this estimate, there are a number of factors that may also reduce cost pressure. These factors include greater than forecasted enrolment growth, and/or moderation of cost in areas recently experiencing escalation such as technology and staff replacement. The advocacy work being undertaken by the Board may also yield additional funding for inflationary costs.

The Board has established a contingency reserve of \$2.3 million, or approximately 2.1% of operating and special purpose revenues. At this time, the contingency reserve is forecasted to grow to approximately \$2.9 million by the end of this fiscal year. To the extent that actual budget pressure in 2024/25 may be less than what is forecasted, the Board could allocate contingency reserve to fund continuing expenditures in the preliminary budget (effectively deferring some reductions pending resolution of budget uncertainty). However, allocation of contingency reserve for this purpose must be balanced with the risk associated with both depleting the contingency reserve and increasing the structural shortfall in the annual budget. Having adequate contingency reserve in place is important because it allows the Board to adopt a budget reflecting assumption that are less conservative and more reflective of a most likely scenario. When the contingency reserve becomes depleted, future budget pressure can increase significantly as more conservative assumptions become necessary.

### Next Steps in Budget Process

The Board of Education is seeking your input in the development of Budget 2024/25, through completion of a survey and participation in an in-person Community Budget Meeting on Wednesday, April 17, 2024 at 7:00pm at Bayside Middle School.

More information on the budget consultation process, including detailed documents supporting 2024/25 budget planning, are available on the district's [budget planning site](#). If you have questions about the budget consultation process, please contact the Office of the Secretary Treasurer at 250-652-7332.