

SCHOOL DISTRICT 63 (SAANICH)

FINANCE, FACILITIES & TECHNOLOGY COMMITTEE

Agenda

Committee Members:	Trustee Elder, Chair Trustee Hickman Trustee Silzer
Staff Support:	Jason Reid, Secretary-Treasurer Dave Eberwein, Superintendent of Schools Megan Cimaglia, Director of Finance Rob Lumb, Director of Facilities Cody Henschel, Director of Information Technology
Partner Representatives:	Don Peterson, STA Nola Welsh, CUPE David Mark, SAA Ashley Sonosky, COPACS
Other Attendees:	

**Tuesday, January 10, 2023
10:30 am**

A. PRESENTATIONS AND QUESTIONS

Information Technology Refreshed Update – Cody Henschel – handout to follow

B. ITEMS FOR DISCUSSION

No Items.

C. ITEMS FOR RECOMMENDATION

No Items.

D. ITEMS FOR INFORMATION

1. Funding Update 2022/23 Budget
2. Fiscal Forecast
3. International Program Enrolment – oral update

E. FUTURE AGENDA ITEMS

- Amended Budget (Feb)
- Budget Process Consultation Plan (Feb)
- Risk Management Report (Feb)
- 2023/24 Budget Process Consultation Plan (Feb)

To: Finance, Facilities & Technology Committee

Prepared By: Jason Reid
Secretary Treasurer

Subject: Funding Update – 2022/23 Budget

Date: January 4, 2023

Purpose

The purpose of this briefing note is to inform the committee that the Ministry has approved our request to increase the amount of funding received through the Classroom Enhancement Fund (CEF), and the next steps in finalizing the 2022/23 Amended Budget.

Background

During the 2021/22 fiscal year the district incurred an operating deficit of \$2,921,751 resulting in accumulated operating surplus decreasing from \$6,916,708 at the beginning of the year to \$3,994,957 as at June 30, 2022.

Following the confirmation of 2021/22 financial results (in August 2022), district senior staff have been in discussions with Ministry staff regarding our concern that our budget is not sustainable beyond 2022/23. The preliminary budget for 2022/23 is balanced, but with an unsustainable allocation of accumulated surplus reserves (one-time funding). As we expected that much, if not all, of those allocated reserves would be consumed this year, the district was facing a multi-million dollar budget shortfall in 2023/24.

While a number of factors have increased cost pressures for all school districts in the past few years, Saanich's budget sustainability has been significantly impaired relative to other districts by the method used historically to establish funding for the restoration of class size and composition language beginning in 2017/18. Following a Supreme Court decision in November 2016, school districts restored class size and composition language that had previously been removed from the Teacher's collective agreement in 2002.

Funding Restoration of Class Size and Composition

The funding for Saanich and for other school districts to achieve compliance with the class size and composition language restored in 2017/18 was determined by the incremental staffing needed relative to the staffing levels in the 2016/17 school year. While this allowed Saanich to achieve compliance in 2017/18, this funding approach has resulted in growing budget challenges for two reasons:

1. The restoration of the class size and composition language (by the provincial MOA) effectively removed the Board's discretion over a significant portion of the operating budget because most of the teacher staffing budget is now contractual. This effectively has limited budget flexibility to: operational areas where further reductions of significance are not possible; other program areas directly supporting

strategic priorities (i.e. student achievement); or other services that families rely on (example: transportation).

2. The approach to funding the restoration of class size and composition through the Classroom Enhancement Fund (CEF) also assumed budgets established in 2016/17 for teacher staffing and other program areas were equitable between districts and were sustainable long term. This was not the case and there were three key areas where Saanich was disadvantaged relative to other school districts:
 - i. Education Assistant Staffing - In 2016/17 Saanich allocated more budget to specialist teacher positions relative to other districts (beyond the requirements of the restored language) and relatively less to Education Assistant (EA) positions (Saanich allocated 5.5% of its 2017/18 operating budget to EA salaries, while the provincial average was 7.1%). When the language was restored, other school districts that had invested more into EA salaries received more CEF funding to restore specialist teacher positions and were then able to fund both higher EA and specialist teacher positions going forward. These inequities persist today (SD63 EA budget – 6.5% vs Provincial – 8.2%) reducing overall student support and budget flexibility in Saanich (because there is little room to reduce student supports further).
 - ii. Information Technology Infrastructure Budget – In 2016/17 the operating budget for IT infrastructure was only \$50,000 because the district for many years had funded IT infrastructure from local capital generated from property sales (an unsustainable practice). By 2016/17, local capital had been depleted and historical underinvestment in IT infrastructure was negatively impacting educational programs and significantly increasing operational risk. Saanich has been able to restore the IT infrastructure budget to \$750,000 through allocation of funding from modest enrolment growth between 2016/17 and 2019/20. However, had an appropriate IT infrastructure budget existed in 2016/17, this funding from growth could have instead increased the financial flexibility of the school district (as it would have in other districts). As the district is still struggling to recover from historical underinvestment to meet IT infrastructure needs, there is little opportunity to now find savings in this area.
 - iii. International Program Revenues – Saanich has a relatively large international program and in 2016/17 the international program contributed \$1.4 million in net revenue (i.e. profit) supporting the district's operating budget (with more than half of operating budget being allocated to teacher staffing). Without the international program, teacher staffing levels would have been lower in 2016/17 and the district would have required more CEF funding to achieve compliance. The province's MOA restoring the language effectively made the Saanich School District dependent on maintaining these profits to fund teacher positions now required by provincial contract language. For several years now, international program profits have been and continue to be well below 2016/17 levels, negatively impacting the fiscal balance of the school district.

2022/23 Classroom Enhancement Fund (CEF) Application

Prior to the formal application for CEF funding, the district submitted to the Ministry detailed budget analysis including: budgeted program expenditures and CEF funding per student FTE relative to other school districts (comparative budget analysis); analysis of the structural imbalance in Saanich's budget; and analysis of the limited options for achieving further budget savings. The comparative budget analysis demonstrated that relative to other school districts, Saanich receives less in supplemental funding (particularly CEF) and has needed to allocate more of its basic per pupil funding allocation to instructional programs increasing financial pressure in the operating fund. Following review of this information, the Ministry advised the district to submit a CEF funding application reflecting the actual impact of restoring class size and composition on budget sustainability relative to other school districts.

The 2022/23 application for CEF funding proposed increasing the number of staff funded through CEF by 19 FTE (\$2,109,650). This figure was determined through applying four different methods that each supported a relatively consistent CEF funding amount:

1. Comparative analysis – Variance in CEF funding relative to instruction program budgets for comparable school districts.
2. Saanich Budget Sustainability – Dependence on one-time reserves in the 2022-23 Preliminary Budget to fund continuing program expenditures.
3. Adjusted CEF baseline – Adjusting the CEF funding to account for the impact of the 2016-17 Saanich budget variances related to EA staffing, IT infrastructure, and international program revenues.
4. Provincial Data – analysis of the range of CEF allocations per student FTE for all school districts, and for similar school districts.

Confirmation of Funding

In mid-December we were advised that the application for additional CEF funding of \$2,109,650 was approved. This funding is to be used to restore budget sustainability, and is not intended to fund increased program costs.

In addition to the CEF funding increase, there are also two operating fund adjustments to report. Operating grants increased (in December) by \$144,005 due primarily to an increase in the supplement for salary differential. We have also revised our forecasted investment income from \$200,000 in the 2022/23 preliminary budget to \$480,000 to be reflected in the amended budget to be adopted next month. This increase is the result of a significant increase in interest rates since last spring.

Next Steps

This increase in available funding will be applied in the proposed amended budget to first reduce the appropriation of accumulated surplus (funding continuing expenditures) to zero (with reallocation of this accumulated surplus to the contingency reserve). Residual net funding is then being allocated to increase the staff replacement budget. Actual replacement costs exceeded budget by \$0.9 million 2021/22, and are trending above budget again in 2022/23.

In the table below, the first column shows the appropriation of accumulated surplus reflected in the 2021/22 financial statements (approved in September 2022). The middle column reflects allocation of net funding from growth (November 2022) reducing this appropriation and increasing the contingency reserve. The third column (January 2023) reflects the impact of reallocating \$2,019,650 in program costs to the special purpose fund to be funded by CEF, and allocating additional net operating funding from growth (\$24,950) to eliminate the appropriation of accumulated surplus for budget.

	Financial Statements (Sept 2022)	Fall Enrolment Confirmation (Nov 2022)	CEF Funding Confirmation (Jan 2023)
District Activities (multi-year funding)	592,584	592,584	592,584
School Activities (multi-year funding)	403,932	403,932	403,932
Appropriated for Budget in following year	2,530,968	2,044,600	-
Total Internally Restricted	3,527,484	3,041,116	996,516
Contingency Reserve (Unappropriated Surplus)	467,473	953,841	2,998,441
Unrestricted Surplus	-	-	-
Total Accumulated Surplus	3,994,957	3,994,957	3,994,957

With this additional funding we will be entering 2023 with approximately \$3.0 million in the contingency reserve (where it should be), and without having to depend on accumulated surplus (one-time reserves) to fund continuing expenditures. I expect we will see cost pressures in the future and so exercising caution will be important to ensure programs remain sustainable. However, at this time we are starting the new year with a budget that is sustainable.

The proposed 2022/23 Amended Budget (to be adopted by the Board next month), will reflect the revised appropriations of accumulated surplus as presented in the third column above, and with allocation of additional net funding to increase the budget for staff replacement.

With Respect,



Jason Reid
 Secretary Treasurer

JR/klg

	Prior Year Actual 2021	Prior Year Actual 2022	Amended Budget	Current Budget	Revenue/ Expenditures to November 30, 2022	Projected Revenue and Expenditure	Variance From Budget	Notes
Revenue								
621 Consolidated Revenue Grants	(73,905,419)	(76,549,164)		(76,560,469)	(23,325,535)	(76,704,474)	144,005	Note 1
627 Indig. Northern Affairs Canada (INAC) Recovery	2,886,687	3,079,193		3,079,193	960,017	3,079,193	-	
629 Other Ministry Of Ed Grants <i>includes Pay Equity, Ad hoc MOE grants, Grad adult funding</i>	(3,400,931)	(1,135,484)		(913,971)	(241,988)	(913,971)	-	
629 Classroom Enhancement Fund (CEF)	(6,953,957)	(8,912,124)		(10,684,163)	(2,190,268)	(10,684,163)	-	
630 Federal Grants <i>French Odyssey Grant, Jordan's Principle</i>	-	(39,492)		-	-	-	-	
641 Other Ministry Grants <i>ERASE Grant</i>	-	(183,610)		-	(10,460)	(10,460)	10,460	
645 Instructional Cafeteria Revenue	(125,874)	(184,506)		(68,000)	(62,501)	(68,000)	-	
646 Local Education Agreements/Direct Funding Indig.	(2,886,687)	(2,723,698)		(3,079,193)	(960,017)	(3,079,193)	-	
647 International and Out of Province Students	(3,064,401)	(5,738,618)		(6,396,665)	(1,306,904)	(6,396,665)	-	Note 2
649 Misc. Fees & Revenues <i>includes ad hoc grants received, recovery revenue from shared services, funding from municipalities</i>	(666,238)	(497,986)		(259,590)	(170,394)	(259,590)	-	
651 Community Use Of Facilities	(8,694)	(30,242)		-	(23,803)	(29,803)	29,803	
659 Other Rentals & Leases	(357,692)	(380,542)		(390,000)	(108,976)	(390,000)	-	
660 Exchange (Gain) Loss	1,110	(1,207)		-	2,719	2,719	(2,719)	
661 Interest On Short Term Deposits	(218,358)	(204,761)		(480,000)	(262,317)	(480,000)	-	
662 Appropriated Surplus (prior years carry forward amounts)	-	-		(996,516)	-	(996,516)	-	Note 3
672 Student Fees/Certifications	(98,350)	(108,010)		(75,000)	(35,700)	(75,000)	-	
Total Revenue	(88,798,804)	(93,610,251)	-	(96,824,374)	(27,736,127)	(97,005,923)	181,549	
Expenses								
105 Salaries - P/VP	4,632,111	4,781,071		4,802,252	1,809,816	4,748,773	53,479	
111 Salaries - Teachers (incl. POSR)	38,742,007	40,715,557		38,607,928	11,935,884	39,078,530	(470,603)	Note 4
307 - Teacher remedy	987,367	1,639,055		1,735,658	290,990	1,735,658	-	
Teacher remedy unspent	-	-		-	-	-	-	
122 Salaries - Support Staff (incl. In Service, WCB and First Aid)	8,642,755	8,541,427		9,266,749	2,851,610	8,975,624	291,125	Note 5
123 Salaries - Other Professionals	3,303,738	3,223,078		3,225,835	1,165,265	3,232,931	(7,096)	
131 Salaries - Educational Assistants	5,434,859	5,409,004		6,103,417	1,420,186	5,605,615	497,802	Note 6
143 Support Staff Replacement Costs	566,773	636,057		442,534	198,509	556,384	(113,850)	Note 7
146 Teacher Replacement Costs	2,692,913	3,473,416		3,360,413	1,087,810	3,533,555	(173,142)	Note 8
	65,002,523	68,418,665	-	67,544,786	20,760,070	67,467,071	77,715	
200 Benefits	15,519,136	16,612,271		16,610,471	4,656,160	16,586,192	24,279	
	15,519,136	16,612,271	-	16,610,471	4,656,160	16,586,192	24,279	
Services & Supplies								
Services	2,950,331	4,823,714		5,213,011	2,312,134	5,213,011	-	
Pro-D & Travel	490,829	457,956		847,622	276,779	847,622	-	
Rentals & Leases	105,124	137,659		169,000	50,880	169,000	-	
Dues & Fees	353,722	385,591		337,528	120,874	337,528	-	
Insurance	157,887	187,184		167,460	180,930	167,460	-	

Projection for Discussion Purposes - Actual Results May Differ From Projected

Prepared by Megan Cimaglia

	Prior Year Actual 2021	Prior Year Actual 2022	Amended Budget	Current Budget	Revenue/ Expenditures to November 30, 2022	Projected Revenue and Expenditure	Variance From Budget	Notes
Supplies	1,083,497	2,879,215		4,000,061	1,418,114	3,000,061	1,000,000	Note 9
Utilities	1,534,300	1,484,676		1,824,435	383,861	1,824,435	-	
	6,675,690	10,355,995	-	12,559,117	4,743,572	11,559,117	1,000,000	
Total Expenses	87,197,349	95,386,931	-	96,714,374	30,159,801	95,612,380	1,101,995	
Transfer from operating for purchase of capital assets	1,280,575	1,035,089			-	-	-	
Transfer to local capital for asset replacement reserve	82,250	109,982		110,000	-	110,000	-	
(Surplus)/Deficit	(238,630)	2,921,751	-	(0)	2,423,674	(1,283,544)	1,283,544	
					Opening Contingency Reserve	(2,998,441)		
					Estimated School and District Carry Forwards	1,000,000		
					Estimated Closing Contingency Reserve	(3,281,985)		

Amended Budget is the February *Amended Annual Budget*, which is being prepared for board approval expected on February 15, 2023.

Current Budget is the current working budget.

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

Variance comments:

Note 1 - Consolidated Revenue Grants positive variance is due mainly to higher than estimated supplement for salary differential.

Note 2 - International tuition revenue is projected to be on budget based on 250 FTE students. We will have more certainty as to final figures after second semester students arrive in February.

Note 3 - Appropriated surplus was originally approved at \$3,041,116; however, the December announcement of increase in approved CEF teacher funding from 60.7 FTE to 79.7 FTE (\$2,019,653 increase) allows us to reduce the appropriation to a sustainable level.

Note 4 - Teacher salaries negative variance is due to:

- Slightly higher than budgeted average teacher salary (prior to revision for new collective agreement rates).
- 2 teachers acting as vice principals being backfilled by teachers (majority of the salary for these teachers is still recorded with teacher salaries, but is budgeted on the PVP line).

Note 5 - Support Staff salaries positive variance is mainly due to hiring lag for vacant positions.

Note 6 - Education Assistant (EA) salaries positive variance is due to several factors:

- Hiring lag in deployment of EA funding.
- Estimated continued understaffing due to inability to consistently fill all EA positions.
- EAs taking unpaid time off.
- All positions are budgeted at the continuing rate of pay, but about 10% of positions are staffed with temporary employees who earn \$1.28 less per hour.

Note 7 - Support Staff Replacement Costs negative variance is due to higher than budgeted use of sick and emergency leave.

Note 8 - Teacher Replacement Costs negative variance is due to higher than budgeted use of sick and emergency leave.

Supplemental employment benefit top up is predicted monthly at the average of what we paid over the last fiscal year. This is a significant source of uncertainty in the forecast as payments vary significantly

month to month based on number of leaves and timing of receipt of paperwork from staff.

Note 9 - Assumption made in preparing this forecast is that departments and schools will spend their services and supplies budgets as allocated, other than the following:
(\$1,000,000) expected school and district carry forward

(\$1,000,000)