



## BUDGET ADVISORY COMMITTEE MEETING

Thursday, January 26, 2023

3:00 pm, Board Room

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### Committee Members:

Keven Elder, Chair  
Susan Hickman, Trustee  
Nola Silzer, Trustee  
Dave Eberwein, Superintendent of Schools  
Paul McKenzie, Assistant Superintendent  
Peter Westhaver, Director of Instruction  
Carly Hunter, Director of Instruction  
Jason Reid, Secretary Treasurer  
Megan Cimaglia, Director of Finance

Don Peterson, STA  
Heather Simpson, STA  
Nola Welsh, CUPE  
Laura Mackie, CUPE  
Sean Hayes, SAA  
Tassie Harris, SAA  
Spencer Gray, SIS  
Megan Misovic, COPACS

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## AGENDA

1. Welcome
2. Review of Timeline & Guiding Principles (Board approved December 2022)
3. Review Committee Terms of Reference (for Board approval)
4. Review 2023/24 Budget Process Consultation Plan (for Board approval)
5. Next meeting: **Thursday, February 23, 2023, 3:00-5:00pm**

**School District No. 63 (Saanich)**  
**2023/24 PRELIMINARY OPERATING BUDGET**  
**TIMELINES / PROCESS**

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January	Management develops 2023/24 enrolment projections
January 26	Budget Advisory Committee meeting, 3:00 – 5:00pm <i>Review timeline, guiding principles, committee terms of reference, and budget process consultation plan.</i>
February 7	Finance, Facilities and Technology Committee meeting, 10:30-12:00pm <i>Review Budget Process Consultation Plan &amp; Budget Advisory Committee Terms of Reference</i>
February 15	School Board Meeting, 7:00pm <i>Approve Budget Process Consultation Plan &amp; Budget Advisory Committee Terms of Reference</i>
February 23	Budget Advisory Committee meeting, 3:00 – 5:00pm
February 28	Provincial Budget 2023 released
March 7	Finance, Facilities and Technology Committee meeting, 10:30-12:00pm
March 15	<i>2023/24 District funding allocations from government</i>
March 15	School Board Meeting, 7:00 pm
April 6	Budget Advisory Committee meeting, 3:00 – 5:00pm
April 11	Finance, Facilities and Technology Committee meeting, 10:30-12:00pm
April 13	School Communities and Public Budget Meeting, Bayside Middle School, 7:00pm
April 19	School Board Meeting, 7:00pm
April 20	Management Team working session, 2:00 – 4:00pm
April 26	Budget Advisory Committee meeting, 3:00 – 5:00pm
May 3	Committee of the Whole/Special School Board Public Budget Meeting, 7:00pm
May 9	Finance, Facilities and Technology Committee meeting, 10:30-12:00pm
May 17	School Board Meeting, 7:00pm <i>Approval of budget and submission to Ministry of Education by June 30, 2023</i>



## **2023/24 BUDGET GUIDING PRINCIPLES**

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The Saanich Board of Education will keep support for students at the forefront of its decisions. The Board will be guided in making difficult budget decisions by its values of Compassion, Honesty, Fairness, Respect and Responsibility and its beliefs that:

Public education is fundamental to society and schools must prepare young people as citizens.

Public education is the responsibility of the whole community.

Healthy relationships are the foundation of a successful public education system.

- In establishing budgets, the Board will consult with representatives of partner groups and with the broader community.
- In establishing the 2023/24 annual budget the Board will, to the greatest extent possible, maintain or enhance programs and services for the students of School District No. 63.
- The Board recognizes that budget decisions are best informed by the identification and evaluation of strategic and operational priorities.
- In reviewing programs and services as part of budget deliberations, the Board will endeavour to support these in the most effective, cost efficient and culturally appropriate manner.
- The Board is committed to administrative and operational efficiency, and appropriate management of risk including the provision of safe and healthy learning environments and sustainable environmental practices.
- The Board will consider options related to the number, locations and use of facilities and the school calendar.
- The Board recognizes that committed reserves are an important element of sound budget management and will not consider them for offsetting budget challenges.
- As a sound financial practice, the Board recognizes that a contingency reserve is prudent to address unforeseen budget pressures.
- The Board is committed to responsible long term financial planning-
- The Board will continue to review opportunities to enter into additional revenue generating activities.
- The Board is committed to continued advocacy for stable, adequate funding and a fair allocation system.

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### TERMS OF REFERENCE

#### **Purpose:**

1. To advise the Board of Education on the allocation of the operating budget to various programs and services to best meet our student needs within variable revenues;
2. To provide the Board with representative advice on budget issues and implications of proposed changes;
3. To provide advice on new priorities and emerging opportunities;
4. To provide a forum for open communication and understanding of the budget;
5. To provide advice on and assist in the effective communication of financial issues and decisions throughout the district, and beyond.

#### **Membership:**

- Finance Facilities and Technology Committee Chair is Chair of the Budget Advisory Committee
- Other Finance Facilities and Technology Committee Trustees
- Executive Staff
- Director of Finance
- Two representatives from school administration (Saanich Administrators' Association)
- Two representatives from Saanich Teachers' Association
- Two representatives from CUPE 441
- Two representatives from COPACS
- One representative from SISP

Meetings are public and open to non-members.

#### **Meetings:**

To meet at least three times between January and May

#### **Report to:**

Finance, Facilities and Technology Committee of the Board

#### **Indicators of Success:**

- All members are aware of the contents of the operating budget and communicate positively about that understanding;
- All members understand the budget issues and work together to solve them;
- There is a good level of trust, openness and sharing on the committee among all members;
- All employees and partners in the district are receiving effective communication about the budget;
- Committee provided useful advice to the Board of Education.



# **2023/24 Budget Process Consultation Plan**

**Prepared by: Jason Reid**

**Date: January 24, 2023**

## **District Overview**

The Saanich School District provides a diverse array of programs and services in 18 schools for more than 8,000 students. The district has over 1,300 staff and an annual program budget (operating and special purpose fund) of about \$100 million.

The Board's Strategic Plan serves as a framework through which district directions and decisions are considered and initiated. It is our public commitment and acts as a road map to guide the district from where it is to where it wants to be.

The 2022-2027 Strategic Goals:

- ▶ **LITERACY** To improve student literacy across the curriculum for all students with a particular focus on early learning
- ▶ **INDIGENOUS LEARNER SUCCESS** To engage in practices that support culturally responsive and barrier-free learning environments for Indigenous students
- ▶ **MENTAL HEALTH AND WELLNESS** To promote mental health and well-being through social emotional learning and trauma-informed practice
- ▶ **GLOBAL CITIZENSHIP** To provide opportunities and experiences that inspire learners to be knowledgeable, curious and active global citizens who support the well-being of oneself, family, community and our environment

## **Budget Planning Cycle**

In December 2022, the Board approved the Timelines/Process and Guiding Principles for 2023/24 Budget Planning. These documents have been posted to the [budget consultation site](#). Through out the process, information relevant to the consultation will be posted to this site including agenda packages and meeting notes of the Budget Advisory Committee.

The focus of the budget planning process is the 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 changes that occur between the preliminary and amended budget are also informed by priorities identified during the spring budget consultation process.

For more information on the annual budget planning cycle refer to appendix 1.

## **Enrolment and Funding**

Approximately 85% of operating fund revenues are determined by per student funding allocations. In the 2022/23 preliminary operating budget, budgeted operating revenues are \$83.8 million and include:

- \$56.7 million – per pupil fall enrolment funding (Sept 30<sup>th</sup>),
- \$11.9 million - funding for unique need designations (Sept 30<sup>th</sup>), and
- \$2.1 million – February and May enrolment funding.

The preliminary budget is prepared based on forecasted Sept 30<sup>th</sup> enrolment, and the amended budget reflects actual Sept 30<sup>th</sup> enrolment.

Given the significance of enrolment in determining funding, forecasting enrolment 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, changes to programs, or a change in school capacity.

Following a period of enrolment decline, September school age enrolment stabilized in 2016/17 and began to grow modestly. This growth occurred primarily in neighbourhood elementary schools, with growth forecasted to move through middle and secondary in the years to come.

Beginning in 2020/21, enrolment was significantly impacted by the pandemic. Enrolment in in-person programs was negatively impacted in 2020/21 and then recovered close to pre-pandemic levels in 2021/22. Online learning and adult enrolment (note: adult enrolment is virtually all online learning) was more significantly impacted increasing by almost 160% in 2020/21, followed by decline from that high point over the past 2 years.

**Figure 1: Fall Enrolment (FTE)**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Elementary Schools	2,532	2,552	2,677	2,748	2,813	2,783	2,907	2,962
Middle Schools	1,558	1,604	1,588	1,566	1,580	1,479	1,535	1,532
Secondary Schools	2,312	2,260	2,235	2,284	2,237	2,150	2,155	2,150
CE/ALT programs	172	184	194	202	205	194	194	209
<b>Total in-person learning</b>	<b>6,573</b>	<b>6,601</b>	<b>6,694</b>	<b>6,800</b>	<b>6,835</b>	<b>6,605</b>	<b>6,790</b>	<b>6,853</b>
Online Learning (SIDES)	338	309	310	282	287	800	573	358
<b>Total School Age Enrolment</b>	<b>6,912</b>	<b>6,909</b>	<b>7,004</b>	<b>7,083</b>	<b>7,122</b>	<b>7,406</b>	<b>7,363</b>	<b>7,211</b>
Adult Enrolment	58	52	57	61	73	133	96	80
<b>Total Fall Enrolment</b>	<b>6,970</b>	<b>6,961</b>	<b>7,061</b>	<b>7,143</b>	<b>7,195</b>	<b>7,539</b>	<b>7,459</b>	<b>7,291</b>
Increase/(decrease) over prior year		-8	100	82	52	344	-80	-168

Enrolment volatility that has resulted from the pandemic has made it more challenging to forecast enrolment, particularly online learning enrolment. Going forward enrolment is expected to further settle into a more predictable pattern. In-person enrolment is expected to remain stable longer term, with the growth experienced in recent years expected to moderate and with the possibility of enrolment declining in some years.

While challenging to quantify, with the Saanich online learning program (SIDES) being granted Provincial Online Learning School (POLS) status, upward pressure on enrolment is expected. This upward enrolment pressure is expected because other online learning programs not granted POLS status are no longer able to cross enrol students from outside their district boundaries beginning in 2023/24.

The district is still reviewing the updated enrolment forecast for 2023/24 to 2032/33, 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><b>Operating Fund</b></p> <p>2022/23 Budgeted Revenues: \$83.8 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 \$73.6 million (88%) of budgeted operating revenues in the preliminary 2022/23 budget. The budget consultation 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>
<p><b>Special Purpose Fund</b></p> <p>2021/22 Actual Revenues: \$13.5 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 (2021/22 Actual Revenues: \$8.9 million), which beginning in fiscal 2017/18 funds the cost of the restored class size and composition language.</p> <p>Because these funds are restricted for a specific purpose, they are generally not a focus of the budget planning process except as contextual information. 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><b>Capital Fund</b></p> <p>2021/22 Actual Capital Funding: \$5.3 million</p>	<p>The capital fund budget is determined through the Board of Education’s approval of the annual capital plan and other funding applications, and by subsequent Ministry approval. 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**

Policy 19 (Accumulated Operating Surplus) requires that a Contingency Reserve be established that is sufficient to reduce, to an appropriate level, financial risk that results from financial forecasting risk and/or unforeseen circumstances. The overall objective is to protect continuity of educational programs in the school district. Once established 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 of Education's approval, in response to unforeseen circumstances.

The proposed contingency reserve to be reflected in the 2022/23 Amended Budget is \$3.0 million, or approximately 3% of operating and special purpose revenues.

## **2021/22 Budget Context**

### *Strategic Plan 2022-2027*

The budget planning process for several years has increasingly focused on budget decisions being informed by strategic priorities. The new strategic plan identifies the following four priority areas:

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

Implementation of these priorities is driving operational plans and how existing resources are being deployed. This includes the deployment of district and teacher leadership capacity, and curriculum and professional development budgets in support of improving performance in these priority areas. Operationalization of the strategic plan will drive budget decisions by identifying specific strategies to improve student achievement, and their related budget implications.

### *Multi-year Financial Planning and Reporting*

The Ministry of Education and Childcare's new [Financial Planning and Reporting Policy](#) provides additional direction and guidance to Boards of Education, which includes the development of multi-year financial plans that demonstrate how financial resources are used to support strategic priorities and operational needs to enhance student educational outcomes.

While we have not yet developed a multi-year financial plan, detailed analysis of long-term budget sustainability has been a focus in recent years as financial pressures have increased. As I reported to the Finance, Facilities and Technology Committee in January 2023, detailed analysis of budget sustainability supported a successful application for additional funding through the Classroom Enhancement Fund. This additional funding has significantly improved the

sustainability of the district's budget; however, a focus on budget sustainability with a multi-year focus remains important as inflationary pressures continue to mount.

A goal of this budget planning cycle will be to develop a multi-year financial report that demonstrates how financial resources are used to support strategic priorities and operational needs.

### *Inflationary Cost Pressures*

Significant inflationary cost pressures experienced over the past year are persisting and negatively impacting our ability to fund infrastructure, equipment, facilities maintenance, fuel/utilities and supplies. This is slowing the replacement of aging/obsolete IT and building equipment and systems increasing the risk of failure. This is also necessitating allocation of limited funding to core infrastructure (example: core IT network infrastructure, roof replacement, HVAC system replacement, etc.), with less funding available to enhance educational programs with technology and enhanced learning spaces.

Cost inflation for information technology (infrastructure and devices) has been so significant in the past year that it is no longer possible to implement the technology plan (i.e. RefreshEd plan), because there is now a significant gap between budget and expectation. This gap will need to be closed with either additional budget, reduced program expectations, or a combination of both.

The impact of inflationary cost pressures on the budget, educational programs and operational risk will be an important consideration in the budget process.

### *Enrolment and Revenue Uncertainty*

As noted above, approximately 85% of operating fund revenues are determined by per student funding allocations. Although enrolment is settling into a more predictable trend post-pandemic, enrolment continues to be less predictable than in the past, particularly online learning enrolment. Variation in enrolment relative to budget impacts budgetary balance because program costs do not vary proportionally to program funding as enrolment changes. In BC, school district fiscal balance is highly leveraged to enrolment because:

- annual funding rate escalation does not fully reflect annual inflationary costs; and
- enrolment based funding growth usually exceeds incremental program costs.

As a result, districts with declining enrolment or even stable enrolment typically experience growing budget pressure. And districts with growing enrolment are better able to fund annual inflationary costs and program enhancements.

International program fees comprise an additional 4% of operating revenues and are also enrolment based. International program enrolment remains lower and less certain than prior to the pandemic, with the recruitment of homestay families continuing to limit enrolment below program capacity.

## **Budget Consultation Process**

Effective implementation of the Board’s strategic plan necessitates alignment of budget decisions with strategic plan priorities. [Board policy 2 \(Role of the Board\)](#) includes “Improvement of student achievement and individual success” as a specific area of responsibility and that the Board shall ensure the strategic plan includes strategies to improve student achievement, and that initiatives to improve student outcomes are reflected in the annual budget.

The ministry’s [Framework for Student Learning \(FESL\)](#) states that annual and multi-year financial planning should be driven by strategic plan priorities, and that financial and operational plans should be monitored and adjusted through a framework for continuous improvement.

In addition to improving student outcomes, the Board is also responsible for ensuring that significant operational risks are being managed. These operational risks often align with strategic priorities, but may also align with the Board’s other legislated responsibilities (example: health and safety, protection of privacy, etc.).

A foundation of the budget consultation process is community engagement on the development of a budget that aligns with and supports the strategic plan and, where necessary, the mitigation of significant operational risk.

## **Community Consultation Process**

Engagement with district staff, partners and the community informs the budget process through both formal planning meetings and continuous engagement. The [approved timelines/process](#) includes four Budget Advisory Committee (BAC) meetings, a community budget meeting, and other meetings leading to a Special School Board Public Budget Meeting on May 3, 2023.

The key components to the 2023-24 Budget consultation process include:

- Consultation with partner groups through representation on the Budget Advisory Committee,
- Student voice meetings building upon ongoing engagement with students informing implementation of the strategic plan,
- Consultation meeting with representatives of the WSÁNEĆ School Board,
- Consider the budget implications of specific initiatives to improve student achievement in identified strategic priority areas, and/or to address operational risks, and
- A community budget meeting to present the budget context and identified budget priorities for community feedback.
  - The primary mechanism for receiving feedback will be the community survey, and there will also be opportunities to provide feedback in the meeting through group discussion.

The approach to budget consultation will be discussed in more detail at the April 6<sup>th</sup> BAC meeting reflecting the known budget context at that time.

## Information Guiding the Budget Consultation Process

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

- Enrolment forecast and estimated revenue
- Monthly fiscal forecast including projected accumulated surplus, and analysis of budget sustainability
- Historical budget trends and budget changes
- Review of Provincial Budget 2023
- Estimated 2023/24 budget pressure reflecting estimated changes to revenues and expenses
- Review the budget implications of specific initiatives to improve student achievement in the identified strategic priority areas.
- Review 2023 Risk Report and any related budget implications
- Proposed adjustments to balance budget and/or address priorities identified and relevant analysis.
- Development of a multi-year financial plan demonstrating how financial resources are used to support strategic priorities and operational needs to enhance student educational outcomes (NEW)<sup>1</sup>

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<sup>1</sup> In previous years I prepared a detailed comparison of budget allocations by program area with similar school districts. A key objective of this analysis was to better understand the underlying reasons for financial pressures in our district, and was instrumental in supporting our application for increased CEF funding beginning in 2022/23. However, the analysis is time consuming to complete, and the results have been consistent (no new observations in recent years). Therefore, I recommend focusing instead on development of a multi-year financial report that demonstrates how financial resources are used to sustainably support the Boards' strategic plan and operational needs.

## Appendix 1 – Annual Budget Planning Cycle

The school district’s fiscal year ends on June 30<sup>th</sup> (i.e. fiscal year 2023/24 begins July 1, 2023 and ends June 30, 2024). The budget planning cycle is comprised of a series of activities related to planning, implementation, monitoring and reporting.

<p>Jan to June, 2023 (in 2022/23 fiscal year)</p>	<ul style="list-style-type: none"> <li>• January to May – Budget planning process leading to adoption of 2023/24 Preliminary Budget (as described in this plan).</li> <li>• February - Adoption of the 2022/23 Amended Budget reflecting adjustments to the 2022/23 preliminary budget following confirmation of 2021/22 actual results, 2022 fall enrolment/staffing, and other changes.</li> <li>• January to May – Monthly forecasting of actual results in relation to the 2022/23 amended budget. Projected 2022/23 surplus/(deficit) informs the 2023/24 budget planning process by both measuring the current budget structural balance and estimating the projected accumulated operating surplus available for the 2023/24 budget year.</li> </ul>
<p>July to Sept, 2023 (in 2023/24 fiscal year)</p>	<ul style="list-style-type: none"> <li>• July to September – Completion and audit of 2022/23 financial statements confirming actual results including accumulated operating surplus available for the 2023/24 budget year.</li> <li>• 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.</li> </ul>
<p>Oct to Dec, 2023 (in 2023/24 fiscal year)</p>	<ul style="list-style-type: none"> <li>• October to December - Confirmation of final Sept 30<sup>th</sup> enrolment and related staffing changes and Board approval for allocation of net enrolment growth funding (these changes are reflected in the 2023/24 Amended Budget adopted by the Board February 2024).</li> <li>• December - Board approval of 2024/25 Budget Timelines/Process and Guiding Principles.</li> </ul>