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To: Finance, Facilities & Technology Committee

Prepared By: Jason Reid  
Secretary Treasurer

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Subject: Budget 2022/23 – Update on Final Fall Enrolment

Date: November 16, 2022

### Purpose

The purpose of this briefing note is to inform the committee of final fall enrolment (following resolution of duplicate enrolment) and next steps in adoption of the 2022/23 Amended Budget.

### Background

Each year the Board of Education approves a preliminary budget before the beginning of the July 1<sup>st</sup> to June 30<sup>th</sup> fiscal year. An amended annual budget is then adopted during the year (before the end of February) reflecting changes that result from:

- analysis of prior year financial results and confirmation of available accumulated operating surplus;
- confirmation of fall enrolment and resulting funding and staffing costs; and,
- other circumstances that have arisen subsequent to adoption of the preliminary budget.

In September 2022, I reported on the financial results for the previous fiscal year and resulting future budget implications. In the prior fiscal year (2021/22), operating expenses exceeded operating revenues resulting in an annual deficit of \$2.9 million (2020/21 result was a small surplus of \$0.2 million). Significant factors increasing fiscal pressure in 2021/22 included higher staff replacement costs attributable largely to the Omicron COVID-19 variant, increased employee benefit costs, and general inflationary pressures impacting service and supply budgets. The 2021/22 annual deficit resulted in a decrease in accumulated operating surplus available to fund the contingency reserve. This resulted in the contingency reserve declining from \$2,584,616 to \$467,473 at the end of the fiscal year, necessitating that the contingency reserve be replenished going forward as required by [Board Policy 19](#).

The 2022/23 preliminary budget incorporated incremental unfunded inflationary pressures of approximately \$1.3 million. Incorporating these new pressures was a challenging undertaking requiring difficult program reductions in 2022/23. As a result, it was not feasible to also address the likelihood that the budget pressures experienced in 2021/22 reflect to some extent a structural budget imbalance likely persisting into fiscal 2022/23. We continue to experience inflationary pressure in service and supply budgets, and while it is early to accurately forecast staff replacement and benefit costs (which are subject to seasonal variation), we are already seeing replacement costs in the fall of 2022 trending above what we would expect at this point in the year.

This structural imbalance when combined with significant depletion of the contingency reserve, limited options for finding future budget savings, and the possibility of further future unfunded inflationary pressures results in significant budget risk and the possibility of a multi-million dollar budget pressure in 2023/24. The response to this risk includes advocacy (at Board and staff level) and allocation of net funding available to rebuild the contingency reserve and to reduce reliance on reserves funding continuing expenditures.

In October 2022, I reported preliminary fall enrolment figures which at the time were subject to adjustment from ongoing resolution of duplicate enrolments primarily at secondary. Funded enrolment at secondary is based on course load (versus headcount), and the process for determining funded enrolment is complicated where students are enrolled in more than one school and often more than one school district. In October, I recommended allocation of funding from net enrolment growth to facilitate timely implementation of staffing adjustments in response to enrolment change.

At the October 26, 2022 Regular Board Meeting, the following motion was carried:

*That the Board approve the proposed budget changes as presented and allocation of residual net funding from growth to increase the contingency reserve.*

This motion referred to the table presented in October and included as Attachment 1 to this briefing note.

**Fall Enrolment and Funding**

In October 2022, I presented preliminary enrolment and reflected in the estimated funding a potential funding decline of \$215,000 for resolution of duplicate enrolments in secondary (see Attachment 1). The actual decline from duplicate resolution was 34.2 FTE as shown in the table below:

	2019/20	2020/21	2021/22	2022/23	2022/23	2022/23	Variance
	Actual	Actual	Actual	Budget Forecast	Preliminary	Actual	Increase /
				(March 2022)	(Oct 2022)	(Nov 2022)	(Decrease)
<b>School Age Enrolment</b>							
Elementary	2,813.0	2,783.0	2,907.0	2,963.0	2,964.0	2,962.0	-2.0
Middle	1,580.0	1,479.0	1,535.0	1,492.0	1,532.0	1,532.0	0.0
Secondary	2,237.0	2,150.0	2,154.0	2,162.0	2,176.7	2,150.0	-26.7
Continuing Education	23.0	12.0	16.0	15.0	11.4	11.4	0.0
Alternate Programs (ILC)	182.0	182.0	178.0	185.0	197.9	198.0	0.1
Online Learning (SIDES)	287.0	800.0	573.0	450.0	363.6	358.0	-5.6
<b>Total School Age Enrolment</b>	<b>7,122.0</b>	<b>7,406.0</b>	<b>7,363.0</b>	<b>7,267.0</b>	<b>7,245.6</b>	<b>7,211.4</b>	<b>-34.2</b>

This decline from duplicate resolution is greater than in the prior year (26.5 FTE), but it is not unusual. Along with this enrolment change were smaller changes to certain unique needs designations (Level 2 – plus 1 / ELL – plus 1 / Indigenous Education – minus 1).

As the estimated net reduction from duplicate resolution was conservative, the actual enrolment changes relative to this estimate has increased “residual net funding” to be allocated to contingency reserve from \$383,571 to \$486,368.

Residual Net Funding - October		383,571
Remove estimated impact of duplicate resolution		215,000
Reflect actual enrolment decline - duplicate resolution		(260,990)
Increased supplemental funding for enrolment decline		134,801
Change in other supplemental funding		13,986
Residual Net Funding - November		486,368

**Next Steps**

The budgetary changes approved in October and the allocation of residual net funding increasing the contingency reserve (to approximately \$1.0 million) will be reflected in the 2022/23 Amended Annual Budget to be adopted by the Board in February 2023. I will advise the Board of any further budget changes that may occur over the next few months impacting the 2022/23 Amended Budget now under development.

With Respect,



Jason Reid  
 Secretary Treasurer

JR/klg

Attachments: 1 – Net Funding Growth and Final Allocations for Amended Budget (Oct 2022)

## Attachment 1: Net Funding Growth and Final Allocations for Amended Budget

(as presented in October 2022 prior to duplicate resolution)

	2022/23 Forecasted Enrolment	2022/23 Actual Enrolment (validation pending)	Difference	Rate	Incremental Funding
Basic Allocation	6,817.00	6,881.9375	64.94	\$7,885	512,032
Basic Allocation - Online Learning	450.00	363.6250	(86.38)	\$6,360	(549,345)
Homeschool	15.00	14.0000	(1.00)	\$250	(250)
Unique Needs - Level 1	8.00	10.0000	2.00	\$44,850	89,700
Unique Needs - Level 2	315.00	351.0000	36.00	\$21,280	766,080
Unique Needs - Level 3	230.00	251.0000	21.00	\$10,750	225,750
English Language Learning	525.00	519.0000	(6.00)	\$1,585	(9,510)
Indigenous Education	620.00	601.0000	(19.00)	\$1,565	(29,735)
Non-Graduated Adults	30.00	27.1250	(2.88)	\$5,030	(14,461)
Changes in other enrolment based supplements					(5,668)
Increased one-time funding for enrolment decline (from \$88,205 to \$172,733)					84,528
Decreased Graduated Adult Enrolment					(85,000)
Estimated Funding Reduction from Duplicate Enrolment Resolution					(215,000)

**Enrolment Revenue growth relative to preliminary budget** **769,121**

### Proposed Budget Changes - Enrolment Based

Increase - Inclusive Education	400,000
Decrease - 1.5 FTE Enrolling Teacher	(159,450)
<b>Increased Staffing Budget</b>	<b>240,550</b>

### Proposed Budget Changes - Other

Increased Worksafe BC Rate effective January 2023	70,000
Transportation - Fuel/Parts Inflation	75,000
<b>Total Expenditure Growth</b>	<b>385,550</b>

**Growth of Revenue net of Expenditures** **383,571**