

To: Finance, Facilities & Technology Committee

Prepared By: Jason Reid

Subject: Final Enrolment and Funding

Date: October 12, 2023

Purpose

The purpose of this briefing note is to inform the committee and Board of fall enrolment and related funding, and to recommend for the Board’s approval allocation of additional funding available in forming the district’s 2023/24 Amended Annual Budget.

Background

Each year the Board of Education approves a preliminary budget before the beginning of the July 1st to June 30th 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.

Prior Year (2022/23) Financial Results

For the year ended June 30, 2023 the district’s expenses exceeded its revenue resulting in an annual deficit of \$346,161 (2022 result was an annual deficit of \$3,498,631). This was comprised of the combined financial results of the operating fund and the capital fund as follows:

| Annual Surplus (Deficit) | June 30, 2023 | June 30, 2022 |
|--------------------------|------------------|--------------------|
| Operating Fund | (335,514) | (2,921,751) |
| Capital Fund | (10,647) | (576,880) |
| Combined | (346,161) | (3,498,631) |

In the operating fund, the annual deficit of \$335,514 resulted in accumulated operating surplus decreasing from \$3,994,957 at the beginning of the year to \$3,659,443 as at June 30, 2023.

In September 2023, the Board approved appropriation of accumulated operating surplus as at June 30, 2023. These appropriations totalling \$2,159,936 (see 2022/23 Financial Statements column in the table below) will be included as a source of revenue in the 2023/24 Amended Budget.

| | 2022/23 Financial Statements | 2022/23 Amended Budget | 2021/22 Financial Statements |
|--|------------------------------------|---------------------------|---------------------------------|
| School Activities (multi-year funding) | 252,928 | 403,932 | 403,932 |
| District Activities (multi-year funding) | 522,701 | 592,584 | 592,584 |
| Appropriated for Budget in Following Year | 1,384,307 | - | 2,530,968 |
| Total Internally Restricted | 2,159,936 | 996,516 | 3,527,484 |
| Contingency Reserve (Unappropriated Surplus) | 1,499,507 | 2,998,441 | 467,473 |
| Total Accumulated Surplus | 3,659,443 | 3,994,957 | 3,994,957 |

Balancing the 2023/24 Budget required appropriation of accumulated surplus of \$1,384,307 to fund continuing inflationary cost pressures. This included \$600,000 to fund the increased leave costs experienced in 2022/23 (and expected to continue), and the remaining appropriation was necessary to fund almost \$800,000 in additional inflationary costs budgeted in 2023/24 relating to benefit plan premiums, services, equipment and supplies. The contingency reserve has also decreased from \$2,998,441 in 2022/23 to \$1,499,507 in 2023/24.

Appropriation of accumulated surplus to fund continuing expenditures is sustainable only when sufficient conservatism is embedded in the budget such that the appropriation balances off with average budget underspend and overall accumulated operating surplus is stable or grows. However, the actual results for 2022/23 indicate that funding almost \$800,000 of additional inflationary costs in 2023/24 with accumulated surplus is unlikely to be sustainable. Compounding this financial risk are the likelihood of further unfunded inflationary cost in 2024/25 and a reduced contingency reserve balance (at a time when the risk factors would instead justify a higher reserve balance).

In response to growing fiscal pressure due to unfunded inflationary pressures, the Board direction from the May 3, 2023 Special Budget Board meeting included that the 2023/24 budget reflect as a principle *“that during 2023/24 any additional funding, including from enrolment growth relative to forecast, be applied to reduce budget pressure to the extent possible”*.

Confirmation of Fall Enrolment and Funding

School Age Enrolment reported recently to the Ministry for funding is presented below in the “2023/24 Actual” column. As validation of enrolment and resolution of duplicate enrolments is still pending at this stage, an estimated reduction of 35 FTE is reflected in the table below for enrolment decline resulting from duplicate resolutions (this reduction occurs primarily at the secondary level and has ranged from 25 to 35 FTE in recent years).

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2023/24 | Variance |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | Actual | Actual | Actual | Actual | Preliminary | Actual | Increase / |
| | | | | | Budget | | (Decrease) |
| School Age Enrolment | | | | | | | |
| Elementary | 2,813 | 2,783 | 2,907 | 2,962 | 2,939 | 2,936 | (3) |
| Middle | 1,580 | 1,479 | 1,535 | 1,532 | 1,578 | 1,590 | 12 |
| Secondary | 2,237 | 2,150 | 2,154 | 2,150 | 2,183 | 2,198 | 15 |
| Continuing Education | 23 | 12 | 16 | 11 | 20 | 16 | (4) |
| Alternate Programs (ILC) | 182 | 182 | 178 | 198 | 195 | 190 | (5) |
| Online Learning (SIDES) | 287 | 800 | 573 | 358 | 400 | 472 | 72 |
| Estimated Duplicate Resolution | | | | | | (35) | (35) |
| Total School Age Enrolment | 7,122 | 7,406 | 7,363 | 7,211 | 7,315 | 7,367 | 52 |
| Unique Needs | | | | | | | |
| Special Needs - Level 1 | 8 | 8 | 9 | 10 | 10 | 12 | 2 |
| Special Needs - Level 2 | 298 | 318 | 320 | 352 | 348 | 396 | 48 |
| Special Needs - Level 3 | 243 | 232 | 246 | 251 | 245 | 243 | (2) |
| English as a Second Language | 542 | 531 | 529 | 520 | 544 | 535 | (9) |
| Indigenous Education | 559 | 601 | 621 | 600 | 600 | 596 | (4) |

After reflecting estimated decline for duplication registrations, total school age enrolment has grown by 52 FTE relative to the preliminary budget forecast. This increase is attributable largely to significant enrolment growth at SIDES relative to forecast. Enrolment growth (net of estimated duplicates) results in funding growth of just over \$0.3 million.

Funding from designations for unique needs has increased significantly by close to \$1.2 million. Most of this increase is the result of significant growth in the “Special Needs-Level 2” category. Included within the 48 additional designations in the Level 2 category is an increase of 32 designations in the autism spectrum category.

As shown in attachment 1, projected enrolment and designation based funding has grown by approximately \$1.5 million relative to the preliminary budget.

Expenditure Budget Changes

Following adoption of the preliminary budget in the spring each year, enrolment-based changes are made to staffing budgets consistent with collective agreement requirements and to ensure necessary support services are in place. Based on experienced enrolment and designation growth the following staffing increases have or will be deployed:

- Enrolling Teacher - Increased by \$295,458 (2.5 FTE)
- Inclusive Education - Increased by \$500,000

The enrolling teacher budget increase is close to the projected increase in enrolment based funding (\$328,711).

Additional staffing for inclusive education reflects a school by school assessment of need and reflects what can realistically be staffed. The growth in overall designation funding exceeds the increase in inclusive education staffing by almost \$0.7 million.

The following budget changes unrelated to enrolment changes are also being proposed:

- Increased cost for optional facility insurance coverage - \$35,000
- Increased cost for mandated training for on-call staff - \$35,000
- Annual renewal contribution for Parkland Track - \$7,000

Net Funding from Enrolment Growth

As shown in Attachment 1, estimated net funding from growth (after reflecting the above proposed budget changes) is \$625,858.

Considering the significant budgetary risk and direction from the Board (as outlined above), I recommend that available net funding from growth be allocated to increase the contingency reserve for the 2023/24 school year and to also reduce reliance on appropriation of accumulated surplus in future budgets.

As enrolment based funding (and possibly expenditures) will vary from forecast following resolution of duplicate enrolments, I recommend that consideration of the approval to allocate net funding from growth be deferred to November. Approval of the proposed expenditure budget changes can be approved at this time.

Staff Recommendations

That the Board approve the proposed expenditure budget changes.

With Respect,

A handwritten signature in blue ink, appearing to read "Jason Reid".

Jason Reid
Secretary Treasurer

JR/klg

Attachments: 1 - Net Funding from Enrolment Growth

Attachment 1: Net Funding from Enrolment Growth

| | 2023/24 Forecasted Enrolment | 2023/24 Actual Enrolment (validation pending) | Difference | Rate | Incremental Funding |
|--|------------------------------------|--|------------|----------|------------------------|
| Basic Allocation | 6,915.00 | 6,929.8750 | 14.88 | \$8,625 | 128,297 |
| Basic Allocation - Online Learning | 400.00 | 472.4375 | 72.44 | \$6,960 | 504,165 |
| Homeschool | 14.00 | 12.0000 | (2.00) | \$250 | (500) |
| Unique Needs - Level 1 | 10.00 | 12.0000 | 2.00 | \$49,070 | 98,140 |
| Unique Needs - Level 2 | 348.00 | 396.0000 | 48.00 | \$23,280 | 1,117,440 |
| Unique Needs - Level 3 | 245.00 | 243.0000 | (2.00) | \$11,760 | (23,520) |
| English Language Learning | 544.00 | 535.0000 | (9.00) | \$1,735 | (15,615) |
| Indigenous Education | 600.00 | 596.0000 | (4.00) | \$1,710 | (6,840) |
| Non-Graduated Adults | 30.00 | 29.7500 | (0.25) | \$5,505 | (1,376) |
| Estimated Funding Reduction from Duplicate Enrolment Resolution (35 FTE) | | | | | (301,875) |

Funding growth relative to preliminary budget

1,498,316

Proposed Budget Changes - Enrolment Based

Increase - Enrolling Teacher (2.5 FTE)

295,458

Increase - Inclusive Education

500,000

Increased Staffing Budget

795,458

Proposed Budget Changes - Other

Increased Optional Facility Coverage Insurance Cost

35,000

Parkland Track Renewal Fund

7,000

Increased Budget for Mandated Onboarding Training

35,000

Total Expenditure Growth

872,458

Estimates Revenue Growth net of Expenditures

625,858