

**Invitation and Background Document
2023/24 Budget Consultation
Prepared April 6, 2023**



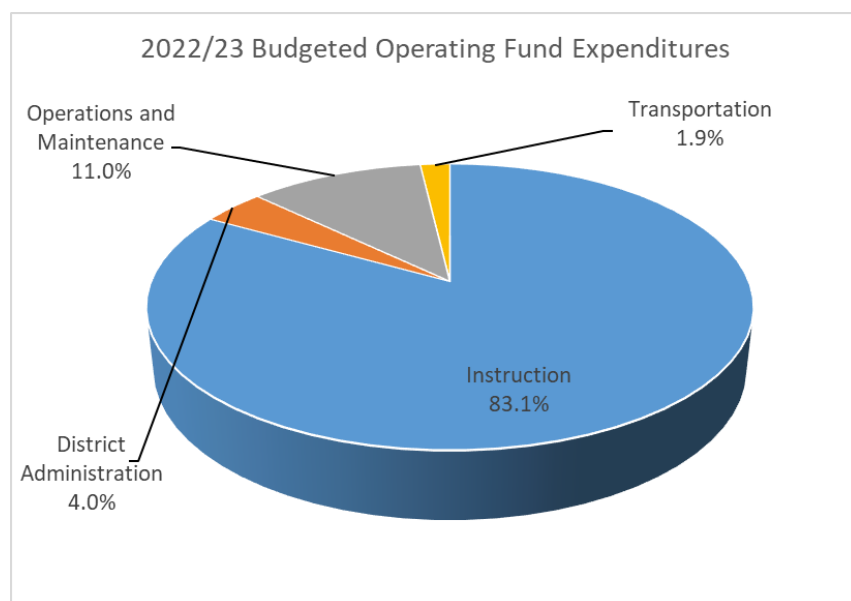
The Board of Education is seeking your input to inform development of the budget for the 2023/24 budget year (July 1, 2023 to June 30, 2024) and beyond, through completion of a survey and participation in a Community Budget Meeting on April 13th at 7pm at Bayside Middle School, 1101 Newton Place, Brentwood 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 2023/24.

About the Saanich School District

The Saanich School District enrolls close to 8,000 students in a number of neighbourhood and 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 2022/23 (current year), the district budgeted for revenues of \$88.4 million in the operating fund¹. These revenues were comprised of provincial grants (\$77.2 million); direct funding from First Nations (\$3.6 million); international student tuition (\$4.0 million); international student homestay fees (\$2.3 million); and other revenues (\$1.3 million).

As shown below, in the 2022/23 budget the Saanich School District invested 83.1% of the operating fund budget into instructional programs.



¹ Additional targeted program funding/revenues are reported in the special purpose fund (\$16.3 million in the 2022/23 budget). Most special purpose funding is directed to Instructional programs.

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Operations and Maintenance was 11.0% of 2022/23 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 4.0% of 2022/23 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 1.9% of 2022/23 budgeted expenditures.

2023/24 Budget Consultation Process

In December 2022, the Board approved the [2023/24 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 2023/24, 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. Documents related to the 2023/24 budget consultation process are posted to the [consultation site](#) throughout the process. More information on the budget context, priorities, and the recommended approach to balancing Budget 2023/24, as summarized below, can be found in the [April 2023 Budget Facts Package](#).

Context for Budget 2023/24

Unfunded Inflationary Pressures

The Saanich School District and other school districts in BC are facing significant budget pressures because funding rates are not keeping pace with the cost of delivering service. In December 2022, the British Columbia School Trustees Association [wrote](#) to the Minister of Education and Child Care urging the Ministry to fund the inflationary cost pressures faced by BC school districts. The Saanich Board of Education also [wrote](#) to the Minister in February 2022 and subsequently met with the Minister to discuss the issue of unfunded inflationary pressures.

While funding rates for 2023/24 were adjusted to reflect the cost of provincially negotiated collective agreements, they were not adjusted for any other inflationary pressures faced by Saanich and other school districts. As a result, Saanich is facing unfunded inflationary cost pressures of approximately 1,683,000 in 2023/24, as summarized in the table below.

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Other Net Revenue Increase	396,000
Exempt Staff Wage Inflation	(471,000)
Average Teacher Cost Escalation	(262,000)
Staff Replacement Cost Escalation	(600,000)
Employee Benefits Cost Inflation	(478,000)
Service and Supply Inflation	(268,000)
Net Unfunded Inflationary Cost	(1,683,000)

The key components of unfunded inflationary cost are:

- Exempt Staff Wage Inflation – This relates to inflationary wage inflation for school administrators (Principals and Vice Principals) and other exempt staff, consistent with wage inflation for unionized staff. While these costs were funded in 2022/23 (the current fiscal year), these costs were not funded in previous years and, at this time, funding for the 2023/24 fiscal year has not been confirmed.
- Average Teacher Cost Escalation – In 2022/23 Saanich experienced escalation in average teacher cost attributable to increased average step placement in the wage grids. This escalated cost is expected to persist into 2023/24.
- Staff Replacement Cost Escalation – Staff replacement costs due to illness has escalated through 2021/22 and 2022/23, and this escalated cost is expected to persist into 2023/24. Escalation of replacement cost post-pandemic is an issue across the K-12 sector.
- Employee Benefit Cost Inflation – This reflects known increases to benefit costs in 2023/24 including increased medical/dental plan premiums, WorkSafe BC premiums, CPP rates, and other employee benefit plan increases.
- Service and Supply Inflation – This budget pressure reflects service and supply inflation considered to be unavoidable. This includes transportation supplies, custodial supplies, software licenses, property lease rates, insurance, utilities, and fuel. Other service and supply inflation includes a number of smaller inflationary increases to services and supplies including office supplies/paper, occupational health and safety supplies, legal services, service contracts, travel/mileage, and maintenance supplies (plumbing, electrical, etc.).

Note that this service and supply inflation cost pressure does not reflect further reduced purchasing power impacting school and program budgets. This includes learning resources, technology, and the availability of facilities funding for enhancements. The impact of inflationary cost pressures on the District Technology (RefreshEd) Plan is a particularly significant concern discussed in the section below.

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

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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 2023 Budget Facts Package](#).

In February, the committee reviewed the [2023 Risk Report](#), and, in particular, the increased risk assessments for information technology and building infrastructure risks (risks A and E) due to significant inflationary cost pressures. A significant concern is that it is no longer possible to implement the District Technology (RefreshED) plan without either additional funding or significant adjustment 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.

The estimated cost to fully fund the RefreshEd plan is now \$350,000. Fully funding this plan is a recommended budget priority for future consideration (budget permitting), given its importance to both supporting educational program priorities and managing operational risk.

Given the significant inflationary costs facing the school district in 2023/24, 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.

Recommended Approach to Balancing Budget 2023/24

The 2023/24 estimated budget pressure of \$1,683,000 reflects significant 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 confirmation of funding for exempt staff compensation at a later date, enrolment growth (which increases financial flexibility) and the possibility that cost escalation moderates. While there are many factors that will impact actual financial results relative to forecast, it is clear that unfunded inflationary costs will result in significant budget pressure in 2023/24 and beyond.

Last spring, detailed analysis of program expenditures in comparison to similar school districts and in relation to collective agreement requirements was completed. This analysis showed that administrative and operational costs per student was below average when compared to similar school districts, and also that there was limited discretion over the teacher staffing budget (representing more than 50% of budget expenditures) due to collective agreement requirements. In short, there was limited budget flexibility last year, and this flexibility has been reduced further by inflationary cost. This means there are limited areas where reductions are even possible, and likely no reductions that will not negatively impact either educational programs or operational risk.

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It is very likely that budget reductions are necessary; however, the Board does have the financial flexibility to defer decisions regarding potential budget reductions. This would allow observation of actual net budget pressure relative to forecast (considering the uncertainties noted above), and allow for the completion of detailed program reviews that will better inform where reductions are possible. This deferral would also allow time for further advocacy regarding the issue of unfunded inflationary costs.

Considering all of the above factors, the following approach is recommended to balance 2023/24:

- That the 2023/24 Preliminary Budget be balanced without reflecting program budget reductions by allocating to the extent necessary: contingency reserve, and to the extent possible underspend of 2022/23 service and supply budgets.
- That program budgets not be increased beyond the essential inflationary adjustments already reflected in the calculated net unfunded inflationary pressure of \$1,683,000.
- That during 2023/24 any additional funding, including from enrolment growth relative to forecast, be applied to reduce budget pressure to the extent possible.
- That the district conduct a review of programs considering where budget reductions are feasible to inform cost reduction measures to be implemented in future budgets as required.

Next Steps in Budget Process

The Board of Education is seeking your input in the development of Budget 2023/24, through completion of a survey and participation in an in-person Community Budget Meeting on Thursday, April 13, 2023 at 7:00pm at Bayside Middle School.

More information on the budget consultation process including detailed documents supporting 2023/24 budget planning are available on the district's [budget consultation site](#). If you have questions about the budget consultation process, please contact the Office of the Secretary Treasurer at 250-652-7332.