



## School District No. 22 (Vernon)

... a great place to learn

# 2021/22 Preliminary Budget Report to the Board

December 16, 2020

## Introduction

The Board of Education, School District No. 22 (Vernon) is accountable to the public for the public funds supporting the school district. One of the Board's responsibilities is the adoption of the district budget. The budget must conform to all legislative requirements and help achieve the goals and plans of the district.

As the Board plans for the next fiscal year and prepares its budget, the District:

- 1) Projects the costs of providing existing services into the next year (Salaries, benefits, utilities, etc.);
- 2) Determines the factors that will change (Student enrolment, contract and collective agreement changes, program changes, one-time items);
- 3) Projects revenues, reviews current year's budget, and determines net budget position;
- 4) Identifies options and strategies to address net budget position, determines program and service level changes, and reviews guiding principles and priorities; and
- 5) Finalizes decisions.

Boards of Education operate on a fiscal year of July 1<sup>st</sup> to June 30<sup>th</sup>. Pursuant to section 156 of the *School Act*, Boards of Education are required to prepare and submit to the Minister of Education financial reports, in the form, with the information and at the time required by the Minister.

Pursuant to section 111 of the *School Act* the Board must prepare an annual budget in the form and containing the content specified by the Minister and estimated expenditures must not exceed estimated revenues.

For 2021/22, Boards must prepare an annual budget and have it adopted by bylaw on or before June 30, 2021 as per section 113 of the *School Act* and submitted to the Ministry by this date.



## **Background**

The Board's annual operating budget is a financial plan reflecting the implementation and maintenance of the district's educational and operational programs and services. The budget should reflect the objectives established by the Board for the school/fiscal year to which the budget applies and provides authorization to expend funds. The objectives reflected in the budget should be consistent with the Board's vision, mission and goals statements. The Board's budget is a financial plan that:

- helps the Board achieve its vision, mission, goals and objectives;
- aligns financial resources with the District's Plans and budget criteria;
- provides a basis to monitor actual versus planned expenditures; and
- helps communicate how we are utilizing our financial resources.

The Board has developed a District Strategic Plan, Long Term Facilities Plan and Technology Plan that need to be considered as part of the budget development process.

Responsibility for the overall management of the educational and operational programs that are supported by the annual budget is that of the Superintendent. The Secretary-Treasurer is responsible for the financial management of the budget and all financial reports. The budget is a "living" document that identifies the financial resources appropriated by the Board to provide the human and material resources necessary to meet the district's educational and operational objectives. The Board provides appropriate flexibility in budget management to enable Administration to maximize the use of fiscal resources while exercising effective budget control.

It is recognized that the fiscal resources allocated may be greater or less than the cost of providing the service. All those involved in managing the budget are expected to at all times be governed by prudence, remembering that the object is to meet the District's educational and operational objectives. Any funds remaining after the objectives have been met will become reserved for general budget management purposes.

The Board starts its budget development process for the next school year in December and completes this process in May. To support the implementation of the Board's budget for next year, decisions should be made as early as possible. This allows the Human Resources Department time to process any changes in compliance with collective agreements and allows schools and other departments to prepare for next school year.

During the subsequent Fall, adjustments are made to reflect changes in enrolment, staffing and other factors. These changes are then included in an amended annual budget which is developed in January and adopted by the Board.



## **Costs of providing existing services**

The District will be projecting the costs of providing existing services into the next year (salaries, benefits, utilities, etc). Even though we are early in the budget development process, we are already aware of several cost pressures that will impact the school district in the 2021/22 school year.

Both the CUPE and Vernon Teachers' Association (VTA) collective agreements continue through to June 30, 2022. CUPE and VTA employees are entitled to a 2.0% salary increase effective July 1, 2021. These costs are expected to be offset by additional Labour Settlement Funding from government.

Cost for benefit plans typically increase each year from increased usage and cost increases of existing plans.

The District's average teacher salary costs often change as our teacher's average number of years of service and the level of education they have obtained and negotiated salary increases are implemented. The district will be projecting any changes to the average teacher salary costs for the 2021/22 school year.

The BC Public School Employers' Association (BCPSEA) and the Public Sector Employers' Council (PSEC) have authorized regionalized salary grids for PVPs. The PVP grids are usually increased consistent with increases provided to teachers. At this point, the district is expecting PVP grids to be increased consistent with the Provincial government's bargaining mandate of 2.0%.

BCPSEA and PSEC have developed a K-12 sectoral Exempt Staff Compensation. BCPSEA undertook a comprehensive market review to ensure the development of a revised exempt staff salary structure for each school district — on a total compensation basis — consistent with the relevant comparator labour market and the district's internal organizational structure. The exempt staff grids will likely be increased consistent with the Provincial government's bargaining mandate of 2.0%.

The Board establishes trustee remuneration each year in November with increases linked to the Provincial CPI changes.

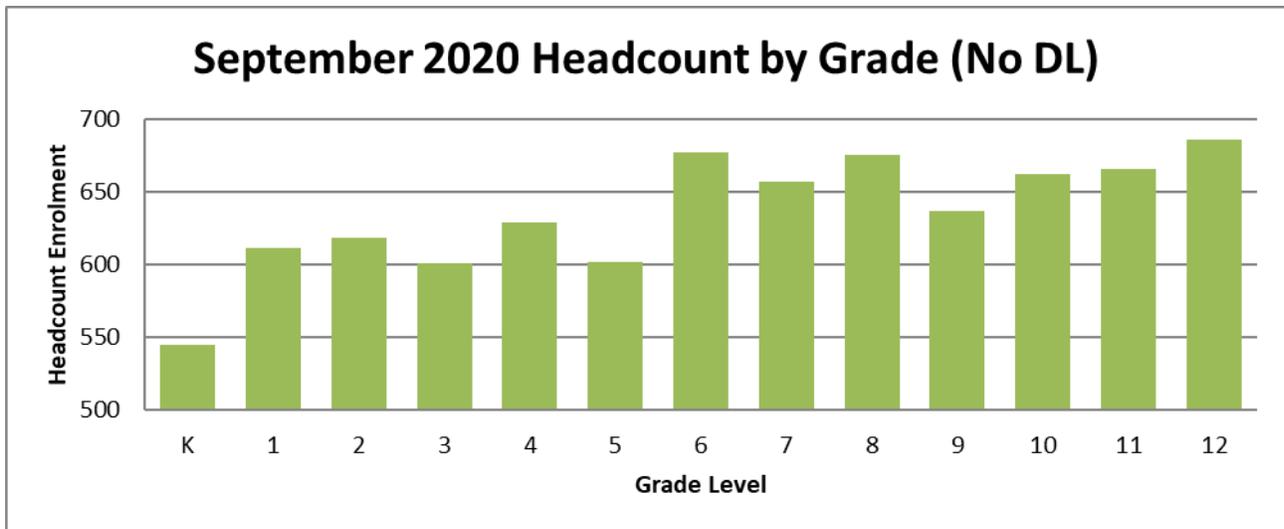
Other cost increases typically related to utilities, general inflation, CPP/EI, WCB and employer pension contributions.



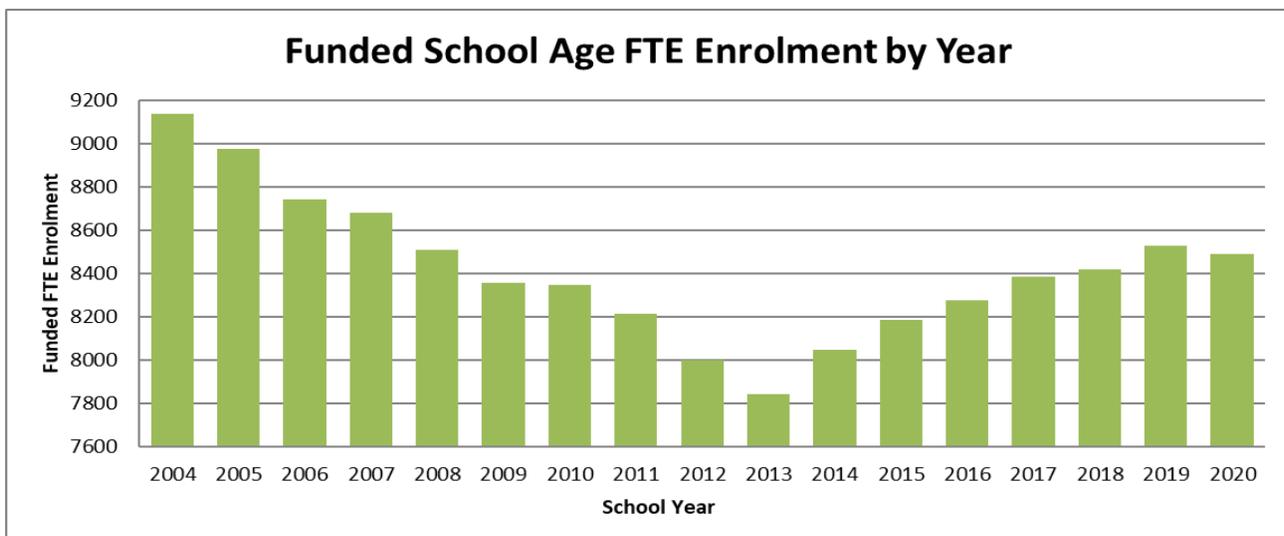
## Changing Factors ( i.e. Enrolment )

Student enrolment impacts the number of staff we employ, the number of classrooms and schools we need, and how much funding the district receives from the Ministry of Education.

Our district currently has 686 Grade 12 students and 545 Kindergarten students (not including Distributed Learning DL). As enrolments in Grades 10-12 are larger than enrolments in K-3, it could be expected that our enrolments would decline for the next few years as the number of students graduating surpasses the number of students entering in Kindergarten. There is also a larger number of students in Grade 6 and Grade 8 that continue to advance through our system.

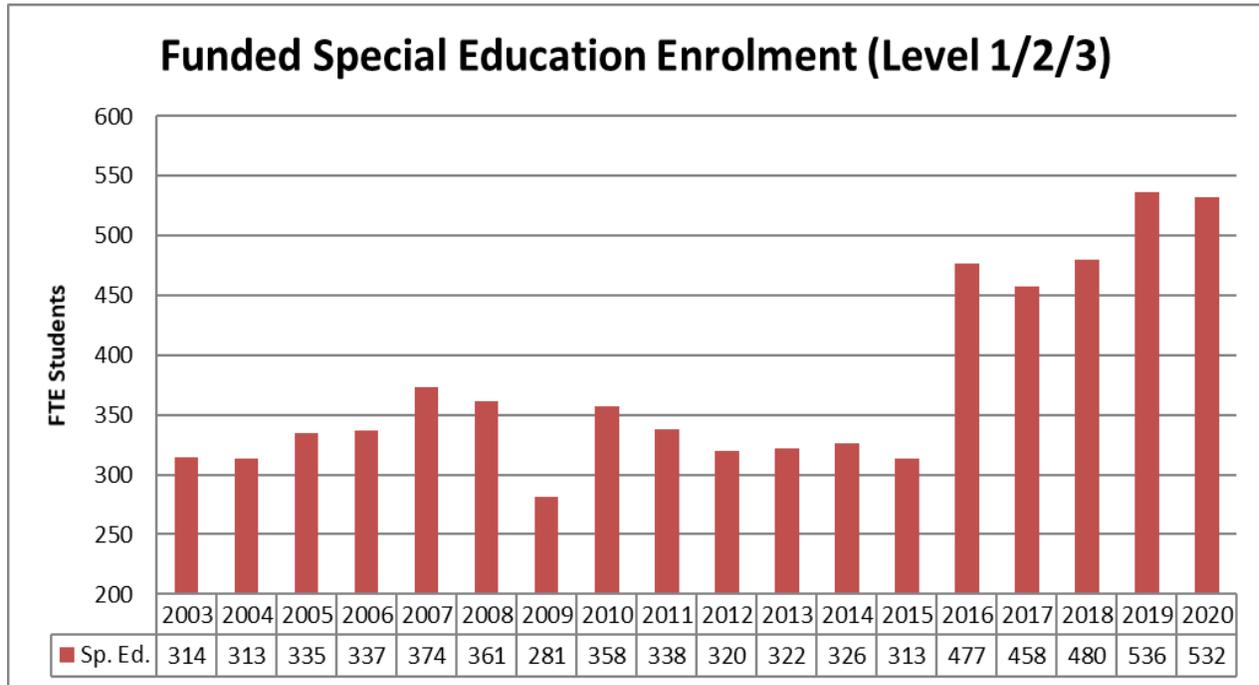


Our district’s funded enrolment declined from 2004 to 2013. Then our enrolment increased over the last six years with a slight reduction in 2020. The district is currently determining enrolment projections for the next few years.

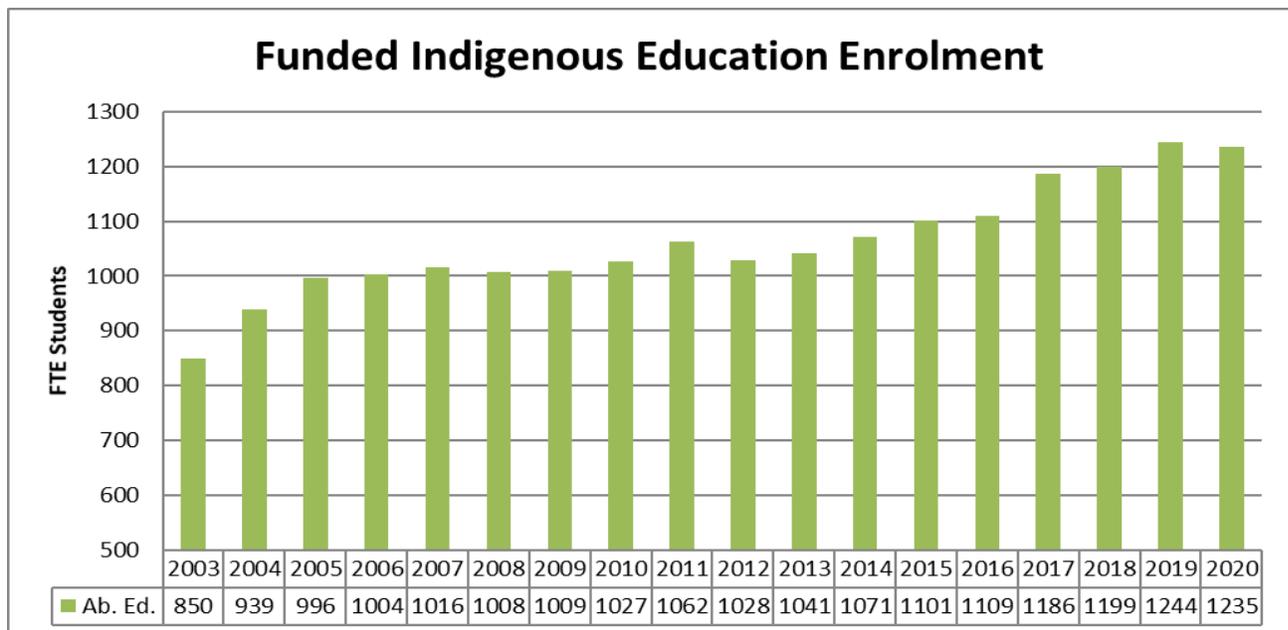




Enrolments in funded designated Special Education programs have fluctuated over the years. The district improved their assessment and reporting practices in 2016 and enrolments in these special education categories increased significantly.



The number of students self-identified as First Nations ancestry and enrolled in Indigenous programs has increased over the years.





Each year a Board must submit to the Ministry of Education on or before February 15<sup>th</sup> an estimate of the number of students who may be enrolled in educational programs provided by the Board in the next school year. The Ministry uses these estimates in the Funding Allocation System to determine preliminary operating grants to school districts. Staff will be working with schools and departments to provide estimates to the Ministry by this date. District staff will continue to review and revise enrolment estimates and projections throughout the spring for staffing and budgeting purposes.

The Ministry of Education continues to review the Funding Allocation System model with significant changes still being considered. While the Ministry made several changes for the 2020/21 Allocations, there are still several significant issues remaining. No specific details have been provided regarding potential models and their impact on our school district. The district hopes specific information will be provided to the district well before March 15<sup>th</sup>.

The Board has proposed service level changes to the Transportation Services Management Policy and Regulations. These proposed changes significantly increase the eligibility of students for transportation services by providing transportation services to programs of choice including Montessori, French Immersion, the Academy of Inquiry and Adventure Okanagan (AIAO) at Fulton Secondary School, and the Forestry Program at Charles Bloom Secondary School. The cost of these proposed changes is unknown and how the Board will cover any increased costs is undetermined. Increased costs will need to be covered either through an increase to rider fees or use of operating funding. Using operating funding will impact the Board's ability to fund other programs and services.

International Education enrolment was significantly affected by COVID-19. With vaccines being developed, approved and administered, it is unknown what our international enrolment will be for next year. This will largely be dependent on international travel and the approval of student visas.

Other changing factors will be identified over the next few months and included in future budget considerations.

## **Revenues**

Approximately 92% of our district's revenue comes from the Ministry of Education and the Ministry determines the total amount of funding provided to districts. This includes funding recovered by the Province and subsequently received from Aboriginal Bands.

The Ministry will be announcing preliminary operating grants on or before March 15, 2021 for the 2021/22 school year. The provincial funding to districts is distributed through a Funding Allocation System that contains a number of formulae. The Ministry is also required to announce any changes to the Funding Allocation System at that time.



The Ministry of Education continues to undertake a review of the Funding Allocation System. Considering the significant implications changes to the Funding Allocation System can have on school districts and given the limited amount of time between now and March 15<sup>th</sup>, the district may have little advance notice with respect to changes for the 2021/22 school year.

The district expects that the Ministry will continue to fund additional costs associated with the teacher and support staff negotiated union collective agreements, however, as in the past, will not provide any additional funding for other cost increases.

Any additional revenue from changes in enrolment would likely offset additional costs and therefore no projections are provided at this point.

The district currently receives additional grants from the Ministry and the preliminary amounts to be received in 2020/21 are:

Classroom Enhancement Fund	\$5,573,017
CUPE Learning Improvement Fund	309,422
Pay Equity	85,865
Community LINK	645,902
StrongStart / Early Learning	136,503
Federal French	170,911
First Nation Student Transportation	221,214
<u>Student Transportation Fund</u>	<u>361,094</u>
<u>Total</u>	<u>\$7,503,928</u>

These additional grants are a significant component of the district's revenue. Any reduction or elimination of these grants would require offsetting adjustments. If these grants are incorporated into a new Funding Allocation System, there could be a significant change to the amounts the district receives.

The district has previously received funding of \$35,000 for an Early Learning Program called Ready Set Learn. The Ministry has currently cancelled this funding for 2020/21 and the district is uncertain whether this funding will be continued.

The district is also receiving additional one-time grants from the Provincial and Federal Governments to help offset additional costs related to COVID-19 in 2020/21:

Ministry Safe Return to School Grant	\$ 640,018
<u>Federal Safe Return to Class Fund</u>	<u>3,102,006</u>
<u>Total</u>	<u>\$3,742,024</u>

If additional costs are required related to COVID-19 in 2021/22 and no additional funding is provided, the district will be required to cover these costs through normal operating grants.



## **Surplus**

The adoption of the 2020/21 Amended Annual Budget is scheduled for January 20, 2021. It is expected that approximately \$1.4 million of operating surplus from the 2019/20 school year will be required to balance the 2020/21 Amended Annual Budget.

Operating surplus is being used to cover both recurring/ongoing costs and for one-time costs.

The projected surplus position for the end of June 30, 2021 is unknown at this point. Financial updates will be provided to the Board throughout the year which may identify projected surpluses.

The budget guiding principles and budget criteria approved by the Board include provisions directly related to the issue of surpluses.

- ▶ New initiatives are sustainable for at least three years;
- ▶ District contingency reserve is established and maintained;
- ▶ Ongoing costs should not be greater than ongoing revenues; and
- ▶ One-time revenues and surpluses shall only be used to cover one-time costs.

Approximately \$1.1 million is currently being used to support ongoing programs and services costs. This means our ongoing costs are greater than our ongoing revenues.

## **Projected Net Budget Position**

The district is expecting that the negotiated salary and benefit cost increases for both teachers and support staff will be fully funded by the Ministry.

Other increased costs identified will likely not be covered through additional funding.

Surplus is currently being used to support approximately \$1.1 million of ongoing programs and services costs.

Increased costs related to changes to transportation policy and regulations may be required to be funded through operating.

Based upon the above, it is anticipated that the 2021/22 Annual Budget will need to address the following:

- \$1.1 million in ongoing program and service costs
- Unfunded cost increases
- Increased service level costs from Transportation Regulation changes



## Next Steps

The Board is required to approve an annual budget on or before June 30, 2021 for the 2021/22 school year. The District has started its planning processes for next year. Over the next few months, additional information will be collected and provided to the Board as the budget consultation process progresses.

Transportation Policy and Regulation changes will proceed through the development and approval process. The Board will need to determine changes to transportation rider fees, if any, that would offset increased costs resulting from enhanced transportation services.

The Ministry will be announcing preliminary operating grants on or before March 15, 2021 for the 2021/22 school year. The provincial funding to districts is distributed through a Funding Allocation System that contains a number of formulae. The Ministry is also required to announce any changes to the Funding Allocation System at that time.

The district will continue to identify other changes, including enrolment projections, and incorporate any implications into the budget development process.

Options and strategies will be identified and developed to address the net budget position to ensure a balanced budget. Other Policy or program changes that have budget implications will need to be identified.

The Board will be hosting three special meetings through the process:

- February 10<sup>th</sup>      Opportunity to present budget issues early in the process
- April 7<sup>th</sup>         Presentation of a Draft Budget Adjustment Plan
- April 14<sup>th</sup>        Opportunity to discuss Draft Budget Adjustment Plan

The public is invited to attend any of the public Board meetings. Anyone wishing to present to the Board can contact Lynn Jameson, Executive Assistant to the Secretary Treasurer, at 250-549-9226 or [lameson@sd22.bc.ca](mailto:lameson@sd22.bc.ca) to request a presentation time and be scheduled and placed on the agenda.

The district encourages any individual or organization to submit written requests or proposals for consideration at any time through the budget development process to [lameson@sd22.bc.ca](mailto:lameson@sd22.bc.ca) for consideration by the Board.

To help facilitate the implementation of the Board's budget for next year, it is recommended that decisions be made as early as possible. This will allow the Human Resources Department time to process any changes in compliance with collective agreements and allow schools and other departments to prepare for next year. This is facilitated through the budget development timelines and the approval of a 2021/22 Budget Adjustment Plan on April 21, 2021.



## 2021/22 Annual Budget Development Timelines

December 16, 2020 (Wednesday) 5:30pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - Preliminary Budget Report</li> </ul>
February 10, 2021 (Wednesday) 5:30pm	<ul style="list-style-type: none"> <li>• Public Budget Committee Meeting - Preliminary Budget Input</li> </ul>
February 17, 2021 (Wednesday) 5:30pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - Budget Update</li> </ul>
March 10, 2021 (Wednesday) 5:30pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - Budget Update</li> </ul>
March 12, 2021	<ul style="list-style-type: none"> <li>• Ministry Funding Announcement</li> </ul>
March 13–28, 2021	<ul style="list-style-type: none"> <li>• Spring Break</li> </ul>
April 7, 2021 (Wednesday) 5:30pm	<ul style="list-style-type: none"> <li>• SPECIAL Public Board Meeting - Draft 2021/22 Budget Adjustment Plan</li> </ul>
April 14, 2021 (Wednesday) 5:30	<ul style="list-style-type: none"> <li>• Budget Information / Feedback Meeting for Staff and Public</li> </ul>
April 21, 2021 (Wednesday) 5:30pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - Approve 2021/22 Budget Adjustment Plan - First &amp; Second Reading of 2021/22 Budget Bylaw</li> </ul>
May 12, 2021 (Wednesday) 5:30pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - Final Reading &amp; Adoption of 2021/22 Budget Bylaw</li> </ul>

Note: Written budget submissions can be sent to Lynn Jameson [ljameson@sd22.bc.ca](mailto:ljameson@sd22.bc.ca) at any time.