



The Board of Education of School District No. 83 (North Okanagan-Shuswap)

BRIEFING NOTE

TO: The Board of Education
FROM: Alanna Cameron, Secretary-Treasurer
RE: **2020-21 Annual Budget**

DATE: June 16, 2020

Purpose

As per Section 113 (2) of the *School Act*, the Minister of Education requires that Annual Budgets are prepared, adopted by bylaw and submitted on or before June 30th each fiscal year. The 2020-21 Annual Budget Bylaw for School District No. 83 (North Okanagan-Shuswap) is presented to the Board of Education for adoption.

Background

The 2020-21 proposed Annual Budget, as presented, has been prepared in accordance with Public Sector Accounting Standards and includes the Operating Fund, Special Purpose Funds, and the Capital Fund. School districts operate on a fiscal year of July 1 to June 30.

The 2020-21 Annual Budget Report included in this briefing note outlines the Board's budget development process, provides an analysis of the 2020-21 projected operational revenues and expenditures, as compared to the 2019-20 Amended Annual Budget, and proposes recommendations for Board consideration.

Supporting Documentation

1. Annual Budget - School District No. 83 (North Okanagan-Shuswap) June 30, 2021 - Version 1946-1200-8218
2. 2020-21 Past Present Proposed Budget Summary

Annual Budget Report

❖ **BUDGET DEVELOPMENT PROCESS**

One of the primary responsibilities of an elected school board is to pass, by bylaw, a balanced annual budget for each school year on or before June 30 of the year prior. The Minister requires revenues and related expenditures to be tracked in three major categories:

- Operating Funds
- Special Purpose Funds
- Capital Funds

Special Purpose Funds are typically allocated on an annual basis and are provided for very specific purposes or initiatives. The Board has little autonomy on how these funds are spent (e.g. Classroom Enhancement Fund, Annual Facilities Grant, Community LINK, Ready Set Learn, and School Generated Funds).

Capital Funds are provided by the Minister in response to the Board's approved 5-Year Capital Plan submission. These funds are allocated specifically for the purchase and long-term maintenance of the district's major capital assets.

Operating Funds are intended to provide for the day-to-day operations of the school district, including instructional programs, school and district administration, facilities operations and maintenance, and transportation. With the exception of targeted Indigenous Education funding, Boards have the autonomy to allocate operational funding as they deem appropriate. Though districts have the ability to generate operating funds locally, through ventures such as facility rental, interest generation and international student programs, the bulk of operating funds are provided by the Ministry.

To advise and assist with the 2020-21 Operational Budget development, the Board accessed its Budget Committee. The committee consists of representation from all partner groups:

- Teachers
- Support staff
- First Nations
- Principals and Vice Principals
- Parents
- Students
- District Staff

The purpose of this working group is to provide the Board with representative advice on budget issues and implications of proposed changes, and to allow for an interactive forum for open communication and understanding of the budget.

At its Regular Meeting on December 17, 2020, the Board approved the 2020-21 **Budget Committee Terms of Reference** and **Preliminary Annual Budget Timeline and Process**, and after discussion with Budget Committee Members, adopted the **Budget Development Guiding Principles**. Subsequently, at its Regular Meeting of April 21, 2020, the Board of Education adopted a revised **Preliminary Annual Budget Timeline and Process** in response to the pandemic situation and the inability to hold face-to-face meetings.

Detailed Budget Presentations from each department were emailed to all Budget Committee Members and Trustees over the last week of April. The Committee met via Teams on May 5th and again on May 12th. The presentations and follow-up meetings provided an opportunity for:

- trustees to hear directly from the field through a facilitated interactive group discussion around key educational topics/issues
- partner groups to present and share values and perspectives directly with trustees and the senior leadership team
- discussion and consideration of the implications of the preliminary operating grant announcement and any potential budget shortfall or enhancement
- direct interaction and communication with all management staff

- an in-depth presentation and discussion of each department’s background, current goals and objectives, key strategies to achieve established goals, the performance measures in place to ensure success, and detail of past, current and projected finances

A public budget consultation Teams meeting was held on May 14th. The public was provided with general information on how school districts are funded and the Ministry of Education’s established regulation related to annual budget submission. The Board’s 2020-21 preliminary budget development process was discussed, detail of known or anticipated revenue changes and cost pressures/savings were shared, and the preliminary budget priorities and initiatives were proposed for 2020-21. The public was given an opportunity to provide feedback and ask questions during the meeting, via email, and via public survey.

The Board reviewed and discussed all feedback and recommendations that were received from the Budget Committee Members, the public and administrative staff at its May 28th and June 10th Committee of the Whole Meetings.

❖ OPERATING FUNDS

Boards hold autonomy and responsibility to allocate operating funds as they deem appropriate within their individual districts.

The operating revenue and expenditure budgets include:

1. the anticipated unappropriated surplus carry-forward from the 2019-20 fiscal year;
2. the known or anticipated changes in revenues, including the Ministry of Education Block Funding resulting from anticipated changes in student enrolment and other;
3. the known, anticipated or proposed changes in operational expenses.

➤ 2019-20 APPROPRIATED OPERATING SURPLUS

Based on a thorough analysis of the 2019-20 revenues and expenditures to June 4, 2020, district staff have projected an estimated year end surplus of not less than \$597,301 (see Schedule 2 - “*Budgeted Prior Year Surplus Appropriation*”). The proposed budget as presented, proposes to roll over these funds for the following purposes:

<u>Prior Year Appropriated Surplus</u>	
Unspent Special Grant allocations	4,301
Unspent School Supplies	250,000
Papercut Management Software	28,000
Custodial Cleaning Supplies and Paper Products	50,000
White Fleet/Operations Equipment	100,000
Bus Engine Replacements	90,000
DDC Control Upgrade	75,000
Planned Prior Year Appropriated Surplus	<u>597,301</u>

➤ **2020-21 OPERATING REVENUES**

Ministry of Education Provincial Operating Grant

Government is providing an additional \$144.6 million in operating grants to school districts this year for a total of about \$5.536 billion.

Children and youth in care, children living in low income families and a greater number of students with mental health challenges will benefit from a new \$23-million supplement being allocated to school districts in 2020/21.

The Ministry is improving equity in the system by continuing to increase funding to support students with special needs and Indigenous education. Students with special needs are being supported with an estimated \$627 million in supplemental funding in 2020/21. Indigenous learners will benefit from an estimated \$93.3 million in supplemental funding in 2020/21.

Students at rural schools will benefit from the largest one-year funding increase ever for their schools, with \$321.6 million allocated this year, \$26.5 million more than last year.

Funding Supplement	2019/20 Rate	2020-21	Change
Basic Allocation	7,468	7,560	92
Special Needs – Level 1	42,400	43,000	600
Special Needs – Level 2	20,200	20,400	200
Special Needs – Level 3	10,250	10,300	50
English Language Learning	1,495	1,520	25
Aboriginal Education	1,450	1,500	50
Non-Graduated Adult Education	4,773	4,823	50
Student Location Factor (elementary)	266.00	271.00	4.47
Student Location Factor (secondary)	355.00	361.00	5.93

The resulting effects of these rate changes, combined with the anticipated growth of 96.4375 full-time equivalent (FTE) students for 2020-21 are as follows:

- The Employer Health Tax grant and the Support Staff Labour Settlement Funding (including the Service Improvement Allocation Fund and with the exception of Teacher Labour Settlement Funding) will roll into the Basic Allocation within the block as a portion of the \$92 per student increase. The Classroom Enhancement Fund Overhead will be reduced by 10%. These changes, along with an anticipated growth of 96.4375 student FTE will result in an over-all increase in base funding of \$518,815.
- The Teacher Labour Settlement Funding will be provided as a separate grant for 2020-21 in the amount of \$1,767,813.
- The Vulnerable Student Grant will discontinue. The Curriculum and Learning Support Fund will be reduced by 60%. The Equity of Opportunity Grant will be introduced. The net effect of changes to these three supplemental grants combined will be a loss of \$108,731 in funding for 2020-21.

- The Rural Enhancement Education Fund and the Carbon Tax grant will roll into the block to form a portion of the increased rates for the Geographical Factor Grant within the block. The net effect for SD 83 will be an increase of \$662,957 in geographical funding.
- The increase of \$50 per student, combined with an anticipated growth in self-identified indigenous students will result in an increase of \$93,800 in Indigenous Education Targeted Funding.
- The anticipated growth in funded categories of Special Needs and English Language Learning (ELL) students, combined with the rate changes will result in an increase of \$1,394,160 for 2020-21.

The impact of all changes will result in a net increase of \$4,328,814 in operational funding from the Ministry of Education for 2020-21.

Other Operating Revenues

Additional changes to Other Ministry Grant Revenues include a small reduction in the district's reimbursement for self-provisioned telecommunication services and the discontinuation of the professional development portion of the Mental Health Grant. These two changes combined result in a reduction of \$9,329.

Industry Training Authority (ITA) funding is projected to decrease by \$9,050 due to a slight decrease in anticipated enrolment in dual credit trades programs.

The investment income projection has been reduced by \$90,000 for 2020-21 in response to the rate reductions recently initiated by the Bank of Canada.

The total budgeted operating revenues are estimated at \$76,091,224 (see Schedule 2A "**Total Operating Revenue**").

➤ **2020-21 OPERATING EXPENDITURES**

Cost Pressures/Anticipated Savings:

Benefit Premiums

Based on the annual renewal rates provided by the district's benefit plan administrators, combined with known or anticipated changes to pension contribution rates, WSBC premium rates and/or statutory benefits rates, our Director of Finance conducts an in-depth analysis in order to estimate possible budgetary impacts for benefit provisions for the subsequent year. Based on this analysis, it is expected over-all benefit costs, for all employee groups, to increase by \$285,000 for 2020-21. However, due to the accrued surplus balances that are retained in trust from prior year contributions, the district plans to request 3 premium holidays over the 2020-21 fiscal year, resulting in an estimated savings of \$150,000.

Wages and Compensation

- **Teachers** – based on the calculation of the 2% increase in teacher wages retro-active to September 1, 2019, the expected shortfall in teacher wage-settlement funding is estimated at \$160,000 for 2020-21. A 0.200 FTE reduction in School Psychologist time

as well as a 0.800 FTE reduction in Inclusion helping Teacher time have been proposed resulting in a savings for 2020-21 of \$97,840.

- **CUPE** – expected over-all costs for the 2% wage increase for all support staff employees effective July 1, 2020, based on 2019-20 staffing levels, is estimated at \$345,000. This anticipated increase is reduced by \$45,000 with the elimination of the currently vacant Light Vehicle Operator position.
- **Principals and Vice Principals** – expected increases of \$235,300 include a general grid increase of 2% effective July 1, 2020, contractual improvements related to professional development, grid increments related to tenure and performance reviews, and re-categorizations of district-level positions.
- **Excluded Staff and Trustees** – projected decrease of \$24,000 include a general grid increase of 2% effective July 1, 2020, grid increments related to tenure and performance reviews, the addition of the Health, Safety and Wellness Coordinator position, and the elimination of the Assistant Superintendent of Instruction through attrition.

Other

- **Insurance Premiums for Contract Snow Clearing** - Due to a significant number of high value personal injury claims submitted by snow clearing and ice control contractors, insurance premiums for federal, municipal and institutional public contracts are expected to continue to increase at substantial rates. These additional costs will inevitably be passed on to the customer. We anticipate a minimum increase in contracted snow clearing costs of \$40,000 for 2020-21.
- **General Inflation** – the BC Consumer Price Index for 2019-20 published a 2.2% annual rate of inflation for 2019-20. Should this rate remain consistent for 2020-21, the annual inflationary cost on supplies and materials is estimated at \$160,000, based on the portion of the operational budget committed to these budget lines for 2019-20. Though this anticipated cost pressure is noted, only ¼ of this estimation (\$40,000) is included as an unavoidable cost pressure for budgeting purposes for 2020-21.
- **Utilities** – as a result of the current global pandemic, utility costs are expected to dip slightly for 2020-21. The anticipated savings are estimated at \$27,000.
- **MyEd Student Information System** – In December 2018, the Board approved the implementation of the Provincial Student Information System “MyEducation BC” for the 2019-20 school year. Training and implementation costs were estimated at \$200,000. As this conversion is now substantially complete, the expected savings for 2020-21 are estimated at \$160,000.
- **Accrued Benefit Obligation** - Mercer has recalculated the Accrued Benefit Obligation for the District's Employee Future Benefits (EFB) based on the interest rate at March 31, 2020 (early measurement date). In order to comply with Public Sector Accounting Standards (PSAS), any additional related cost or saving must be recognized. The additional cost for our Accrued Benefit Obligation for 2020-21 is estimated at \$32,000.
- **Summer School 2020** – In light of the circumstances related to COVID-19, the District will not be offering a summer reading program in July, resulting in a reduction in expenses of \$9,200.

- **Uninsured Losses** – The district is required to cover a \$10,000 deductible for each insurance claim filed with the Ministry of Education’s School Protection Plan. In the fall of 2019, the district experienced an unusually high number of water damage claims due to extreme/unusual precipitation. The district expects fewer claims in 2020-21, and therefore plans to reduce the associated budget by \$20,000.
- **Inashiki Exchange Program** – in light of the current pandemic, and the restrictions on international travel, the budget of \$13,000 has been temporarily removed for 2020-21.

Enrolment Growth/Decline

- **Regular Student Enrolment** - Enrolment projections indicate an increase of 96.4375 FTE students for September 2020 which has resulted in the following required staffing increases:
 - Classroom Instruction - 5.864 FTE teaching (the need for 2 of these positions is planned for/recognized, however they will be held back as contingencies until actual student enrolment is known in September)
 - Counseling (middle/secondary) and Library (based on ratio formula) - 0.292 FTE teaching
 - Learning Resource (based on ratio formula) – 0.580 FTE teaching
 - Education Outreach Program - 0.143 teaching
 - School Administration – 0.200 FTE teaching

Total salary and benefit costs for 7.079 teaching FTE is estimated at \$690,000.
- **Career Education** – A reduction of \$20,000 in Career Program supports is expected due to an associated drop in student Trades Program enrolment.

Supported Additional Initiatives:

Inclusive Education

- **Additional Supports for Students with Diverse Learning Needs** – Based on the projected increases in the number of designated students and their individual needs assessments, an increased budget allocation is provided for additional Certified Educational Assistants’ and/or teaching support time.
- **Teacher of Students with Visual Impairments (TSVI)** - TSVIs support students with vision impairments and additional exceptionalities, as well as learners with deaf-blindness. The educational programming requirements of students with visual impairments are highly individualized. An additional 0.500 FTE Teaching time (\$87,500) is provided in order to better meet the needs of students in the district.

Instruction and Curriculum

- **Indigenous Literacy Intervention Program** - Given that the district’s indigenous students continue to have lower reading results and graduation rates, and given that early intervention with reading is the proven way to start to address this, an addition of 0.500 FTE Indigenous Literacy Intervention Program Teacher (\$49,000) at M.V. Beattie is provided. The intent of this pilot program is to rely on the built-in professional

development of the Literacy Intervention Program model, but be specifically focused on supporting indigenous students.

Operations

- **Water Filters/Bottle-filling Stations in Schools** - \$30,000 is provided to initiate the process of installing filters and bottle-filling stations in all school sites in response to the recent changes imposed by Health Canada in relation to the lowered levels of allowable lead content in drinking water. This budget provision over a 5-year period will ensure that drinking water from all sources in all school sites is fully in compliance to the revised standards.
- **Increased Replacement of Custodians** - An increase of \$50,000 is provided to increase replacement time of absent custodians which will ensure the Custodial Department meets its primary objective of providing clean and healthy environments for all staff, students, and parents at all times, and particularly, during current times of COVID-19.

Equipment Refresh Plans

In order to ensure long-term operational efficiencies and sustainability, the following equipment purchases are included for 2020-21:

- **Computer Hardware** – in support of the district’s Information Technology Plan as adopted by the Board in June of 2019, specifically:
 - *1.5. Commit to an equitable deployment and refresh cycle that supports a minimum 4 to 1 student to mobile devices ratio in each school for students in grades 4-12.*
 - *1.6. Commit to an equitable deployment and refresh cycle that supports a minimum 6 to 1 student to mobile devices ratio for students in kindergarten-grade 3 or a minimum of 28 devices in each school (whichever is greater).*

an increase of \$250,000 is required to ensure the commitments as outlined are met.

- **Photocopier Fleet** - the district’s entire fleet of copiers (52 units) was purchased with surplus/local capital funds 5 years ago (estimated value \$480,000). Many of the copiers are now at end-of-life and require replacement. The District has worked with the vendor to develop a 4-year refresh plan in an effort to: a) avoid significant and sporadic cost pressures in the future, b) to avoid significant increases in services and maintenance fees, and c) to ensure down-time is avoided and operational efficiencies are maintained. The estimated cost for year 1 of this 4-year refresh plan is \$90,000.
- **Phone System Refresh Plan** – the district has initiated a 3-year plan to replace costly server-based phone systems with software-based phone systems. The 3-year plan allows for older equipment to be replaced where required and to keep the amount of change currently in the system to a minimum. The cost of the new system will be offset by the budget allocation required by the older system. Unfortunately, the 3-year plan will cause some increased costs as it will be necessary to run and maintain both systems at the same time. This opportunity is part of the continued plan and strategy to centralize software and leverage the products that the district has already invested in. This has only been available to the district in the last few years and has proven

invaluable during the recent times as related to the discontinuation of in-class instruction. The required budget for this initiative for 2020-21 is \$33,000.

- **Band Equipment** – As a result of the recent discontinuation of band equipment rental fees previously charged to parents/guardians, an additional \$33,000 is required in order to maintain, repair and refresh band equipment. These funds are required in order to support the music program by ensuring band instruments remain available to all students.
- **Auto Scrubbers** – An auto scrubber is a motorized device used to clean floors in a variety of businesses, industrial environments, shops, and large buildings. Auto-scrubbers are viewed as the preferred ergonomic option when considering employee health and the reduction of injury. Currently, only 50% of the district’s schools have auto scrubbers. An annual budget increase of \$25,100 is required to purchase 4-5 small auto scrubbers per year in an effort to improve the efficiency of our Custodial services. Schools will see an improvement in cleanliness, and Custodians will see improvements in their physical health and wellness.

The total budgeted operating expenses are estimated at \$75,355,013 (see Schedule 2B “**Total Operating Expense**”).

➤ **2020-21 OPERATING CONTINGENCY**

As per the Board’s **Regulation 4060.01R**, a \$355,000 Operational Contingency Reserve has been internally restricted in order to enable the Board to address unexpected increases in expenses and/or decreases in revenues that may arise in 2020-21.

❖ **SPECIAL PURPOSE FUNDS**

Special Purpose Funds are grants provided by the Ministry of Education or other sources that have been designated for specific purposes. These funds are intended to be spent within the year they are provided. Any unspent special purpose funds must be held in trust and be shown as unspent deferred revenues on our year-end financial statements.

Special Purpose Funds include the operational portion of the Annual Facilities Grant, the Learning Improvement Fund, Scholarships and Bursaries, School Generated Funds, StrongStart, Ready Set Learn, OLEP, CommunityLINK, and the Classroom Enhancement Fund. The Rural Enhancement Education Fund has been discontinued effective 2020-21.

Detail of the 2020-21 anticipated revenues and planned expenditures for Special Purpose Funds can be referenced on **Schedule 3A**.

❖ **CAPITAL FUNDS**

Currently, the Ministry of Education provides major and minor capital funding in the following categories:

- Annual Facility Grant (capital portion)
- Seismic Mitigation

- Building Expansion
- Building Replacement
- Bus Replacement
- School Enhancement
- Carbon Neutral Capital Plan
- Playground Equipment Funding

Local Capital Funds are generated through Board approved transfers of operating surplus for the purchase of capital assets in future years, and/or through sale of assets.

A summary of planned capital investments for 2020-21 is provided below:

2020-2021 Tangible Capital Assets	
MoE Deferred Capital Revenue	
Annual Facility Grant	1,340,831
Minor Capital	1,429,000
Buses	424,449
	3,194,280
Operating	1,333,512
Special Purpose Funds	316,925
Total Acquisition of Capital Assets	4,844,717

This total investment can be referenced in ***“Total Acquisition of Tangible Capital Assets”*** on **Statement 4**.

Recommendation

It is recommended that the Board pass three readings to approve and adopt the School District No. 83 (North Okanagan-Shuswap) 2020-21 Annual Budget Bylaw (Version 1946-1200-8218) as presented.

The Annual Budget Bylaw is sited on page 1 of the attached budget document. The total amount of \$90,217,258 for the fiscal year 2020-21 can be referenced in ***“Total Budget Bylaw Amount”*** on **Statement 2**.

Respectfully submitted,

Alanna Cameron

Alanna Cameron
Secretary-Treasurer