



REPORT OF THE INDEPENDENT REVIEW OF
THE BUDGET OF SCHOOL DISTRICT NO.
61 (GREATER VICTORIA)

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MAY 26, 2021

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Executive Summary

On May 17, 2021, the Board of Education approved this review and report under the terms of reference included in the background section. As the Board of Education is a corporate board and must approve the budget bylaw by majority vote, it is important for the trustees to have common understanding of the decisions included in the budget and the implications for students, staff, and community. The intention of this work is to assist the Board in that common understanding. It is the sole responsibility of the Board to determine the options to balance the 2021/22 budget.

The Board is required to approve an annual budget plan by June 30th that must be balanced between revenue and expenditures. It is vitally important to approve the budget as soon as possible for the district's staffing processes and for a smooth and efficient start up next school year.

This report focuses on the operating budget as that is the area of concern. The report will only incorporate the capital and special purpose spending where it helps to understand the operating decisions. I have received input from trustees, met with staff, read the materials shared with the board and public about the budget, and reviewed the feedback received. Appendix A summarizes the budget options under discussion and Appendix B outlines the feedback received to date.

There have been a number of studies around the level of contingency funds that a corporation or board should have. A 2015 report from Ernest and Young indicates that a 3 percent (or \$6.3 million in Greater Victoria's case) is appropriate. Each district must decide the level of contingency needed to address unanticipated changes in revenues and expenditures. The accumulated operating reserve is a transparent way to provide for a contingency. In addition to a contingency, the accumulated operating reserve should be used to fund one-time expenditures such as equipment and limited time projects and to manage expenditures that span school years such as school carry forward budgets. The reserves are finite and unsustainable as a source of ongoing revenue.

The report considers the questions from community as to why the district is now evaluating the use of the reserves to balance the 2021/22 budget and the structural nature of the issue.

The district began its discussion in March and announced a shortfall of \$7 million in its 2021/22 operating budget. This shortfall is partially caused by the decision in 2020/21 to use the available accumulated operating reserves as a source of revenue to fund ongoing operating costs. The Board will need to decide between using the accumulated reserves and the options proposed by the district's current budget process.

It is clear that the senior management endeavoured to provide very detailed information around the budget and options. There is a need, however, for documentation which summarizes the full picture and provides clear implications of the options.

The district has a strategic plan and the resourcing of the goals and objectives within the plan is important. These resource decisions should be considered over the term of the strategic plan and be part of each annual budget discussion.

It is good practice for a Board to rely on senior staff to advise on the possible budget options and new programs and services. It is also important to share information and challenges in a timely manner with the school district community. It is apparent that the lack of early enough public engagement regarding the budget options for 2021/22 has resulted in the community identifying every avenue to resource this budget without reductions to programs. There have been suggestions around cash balances, reserve balances, capital funds, and advocacy to the province. This report provides perspective on these suggestions.

The options before the Board for 2021/22 total \$1.355 million of additional services and \$6.395 million of reduced services.

The school district's finance staff assisted with this review by providing an updated financial forecast to June 30, 2021. We were able to determine a sustainable services budget that is often referred to as a status quo or roll over budget. The status quo budget shortfall is confirmed at \$7.38 million. And the accumulated operating reserve is forecasted to have \$5.6 million balance after restrictions. I can confirm that the Board must make some budget reductions for 2021/22.

Overall, the picture for the budget can be summarized as follows:

Shortfall on the Sustainable Budget	\$7.38 million
Equipment	\$1.40 million
Requests for Additional Services	\$1.355 million
Options for reducing costs and services	(\$6.395) million
Unreserved Balance in Accumulated Operating Reserve	(\$5.658) million

At this point, the Board may want to consider options that span two school years to allow for further engagement on the difficult available options. Considerations for 2021/22 could include funding the equipment amount of \$1.4 million directly from local capital, reducing the additional budget requests of \$1.355 million and asking senior management to look for ways to provide those services from within existing budgets, balancing an amount from the accumulated operating reserve with the reduction options. Doing that would defer some difficult decisions to 2022/23 as the local capital and operating reserves will be further depleted.

Possible Next Steps for the 2021/22 Annual Budget

- Attend the meeting on May 27 for more community input
- Establish shared principles by which to make the 2021/22 budget decisions including the risk tolerance around limited contingency
- Review the options and the implications against the principles

The report also provides considerations for the Board and senior management on improving information sharing and processes moving forward.

Considerations for Future Budget Processes

- Continuing the work of building understanding and transparency around budgets and spending by delivering workshops for trustees, rightsholders, stakeholders, and management.
- For the program reduction options that the Board does not implement in this budget, immediately establish a working group to evaluate how these programs might be offered in a more cost-effective manner.
- Greater focus on the precision of budget management throughout the district must be in place for a budget which will have a limited contingency backstop
- Once the budget decisions are made, develop an Implementation Plan for the significant budget decisions. The Board should receive regular updates on the system impacts and adjustments resulting from the budget decisions.
- For future budget cycles, establish a communications plan, guiding principles for budget decisions, and simple backgrounder on the district fiscal position to set the context for budget discussions – Appendix C – sample templates
- Establish a budget advisory committee with representatives of rightsholders, stakeholders and staff to review current budget expenditures and advise on options for future budget changes.

I appreciate the opportunity to do this review and thank the Board for their engagement through the review. I especially thank the Superintendent, Secretary-Treasurer and finance staff for their efforts to provide me with the requested financial information required to prepare this report within a very compressed timeframe.

Background

On May 17, 2021, the Board of Education approved this review and report under the following terms of reference.

School District No. 61 (Greater Victoria) engage a contractor, Joan Axford, retired Secretary-Treasurer between May 17, 2021 and May 31, 2021, to work with senior management to provide information to the Board, stakeholders and community to improve the understanding of the 2021/22 budget options and financial position of the school district. The work performed will consist of:

- 1. A report on operating reserves, capital reserves, cash balances from 2018/19 to 2020/21 and how they relate to the current and future budget and financial decisions.*
- 2. A financial forecast for 2020/21 school year to have a base financial picture as at June 30, 2021 and implication for the 2021/22 budget.*
- 3. A report on the 2021/22 budget that includes the following:*
 - a. Cost to sustain pre COVID services and supports for students.*
 - b. Resourcing the Strategic goals.*
 - c. Enrolment and revenue projections and effect of those projections on operating grants and expenditures.*
 - d. Review of the district options list for the 2021/22 budget and reporting of the implications of the options*
 - e. Considerations for the Board to enable approval of the 2021/22 budget with a clear and transparent understanding of the budgeted services for the next school.*

The contractor will present the report to the Board at a public meeting.

The contractor will remain available to the District and Senior Staff until final budget approval.

As the Board of Education is a corporate board and must approve the budget bylaw by majority vote, it is important for the trustees to have common understanding of the decisions included in the budget and their implications to staff, students and community. The intention of this work is to assist the Board in creating that common understanding. It is the Board's sole responsibility to determine the options that will be utilized to balance the 2021/22 budget.

In public education, there are two official budget plans, the Annual Budget approved by June 30th for the next school year and the Amended approved by February 28th for the current school year. The Annual Budget is based on projected enrolment and funding and the Amended Budget is based on actual September 30th enrolment and funding. Public education is a "people" business so we all know that students and their program needs change throughout the school year. That requires that resourcing must be well planned initially in the Annual Budget but flexible to meet the changing needs throughout the year. Contingency and accumulated reserves/surplus (or savings accounts) can be used to provide that flexibility.

The recent provincial budget disclosed the following contingencies in the provincial government's budget:

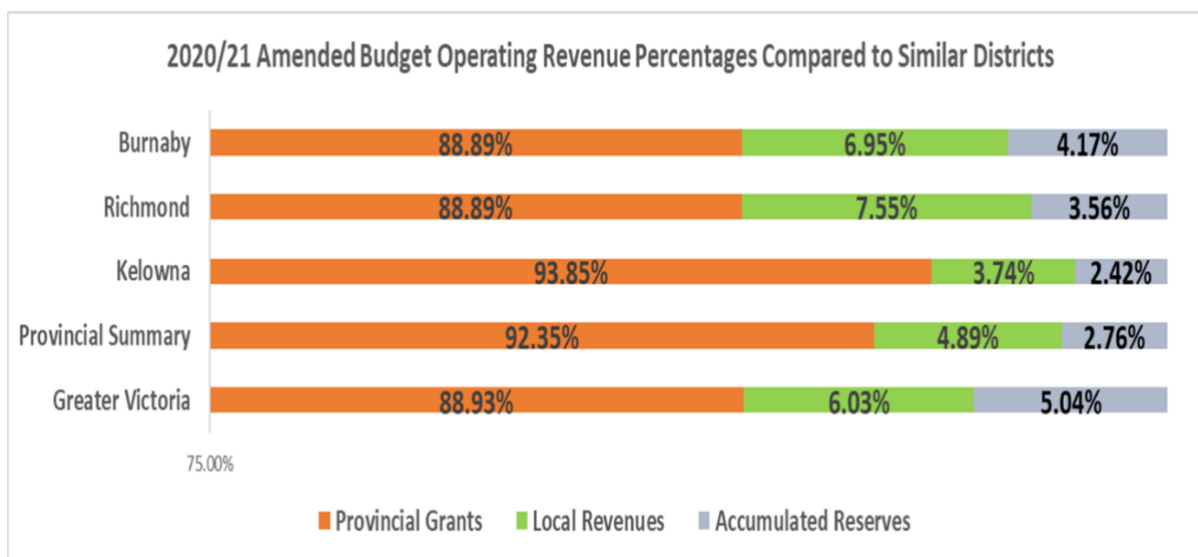
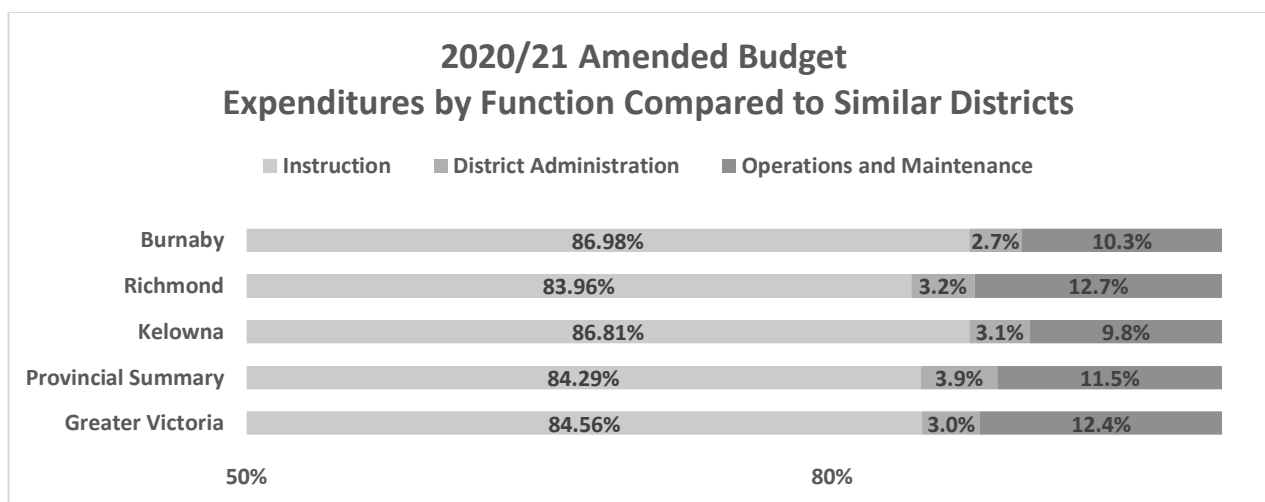
It is good practice to address unexpected changes in revenue and expenditures with contingencies rather than reducing services mid year. BC Budget 2021 contains contingency allowances in 2021/22 of \$6.75

billion or 9.9 % of budgeted operating expenditures for unexpected spending as outlined in the Budget and Fiscal Plan 2021/22.

“The fiscal plan includes general program contingencies of \$1.0 billion in 2021/22, \$800 million in 2022/23 and \$700 million 2023/24, and a forecast allowance of \$1.0 billion in 2021/22, \$750 million in 2022/23, and \$400 million in 2023/24. In addition, Budget 2021 provides a Pandemic and Recovery Contingencies allocation of \$3.25 billion in 2021/22, \$1.0 billion in 2022/23, and \$300 million in 2023/24. Government’s economic and fiscal prudence measures generally have resulted in government exceeding its budget targets. – Budget 2021 contains an additional \$1.5 billion in 2022/23 and 2.0 billion in 2023/24 in funding available for priority spending initiatives to be developed for future budgets, and for budgetary pressures such as caseload growth.”

Comparison of Spending with Other Districts

The charts included below indicate that Greater Victoria School District spends comparable percentages of their budget on instruction, administration and operations and maintenance as similar sized school districts with transportation removed as School District No. 61 has less cost in this area. The charts also indicate that School District No. 61 has a greater reliance on the accumulated operating reserve funds as revenue than the other districts.



Enrolment Projections

The K-12 financial system encourages districts to be conservative as there are multiple timeframes where revenues can change and services must be adjusted and the School Act mandates that districts must have approval to incur a deficit and will need to retire that deficit without further resources being provided by the Province.

The budget process starts with enrolment projections.

- Submitted in February for the following school year
- Generates Preliminary Grants for the annual operating budget
- Staffing, programs and services in the annual budget should be based on this enrolment forecast
- Estimated conservatively as funding factors for provincial grants not known

Comparison of Enrolments and Provincial Grants

	Budgeted	Actual	% Change	Preliminary Provincial Grants	Amended Budget Provincial Grants	Financial Statements- Projected for 20/21	% Change
2018/19	19,451	19,668	1.12%	175,523,987	179,170,950	180,271,746	2.70%
2019/20	19,664	19,807	0.73%	183,560,993	184,910,855	188,521,379	2.70%
2020/21	19,783	19,443	-1.72%	191,640,691	190,792,445	191,608,791	-0.02%

The district has been very close on its projections over time. The change in operating grants over this period averages 2 percent per year which is reflective of the salary increases.

Another key enrolment projection relates to international students. The district saw a decline in student numbers in the 2020/21 school year but has added back increased tuition revenue in the currently planned annual budget for 2021/22 of \$2.8 million.

Funding from the province allocates for both the cost increases or economic adjustment and the student enrolment on a per pupil bases. It reflects about 92 percent of the funding and the per pupil rate for standard schools is \$7,885 for next school year. For 2021/22 annual budget the projected change in enrolment and resulting change in funding is as follows:

	Enrolment Change	20/21	21/22	Change	Economic	Enrolment
Sept Enrolment based Funding						
Standard Schools	(9)	144,448,007	150,585,719	6,137,712	6,206,767	(69,055)
Continuing Education	2	85,050	103,491	18,441	4,266	14,175
Alternate	(19)	1,640,520	1,561,230	(79,290)	64,350	(143,640)
Distributed Learning	(3)	102,556	85,860	(16,696)	3,510	(20,206)
Francophone	-	1,180	1,230	50	50	
Home Schooling	-	32,500	32,500	-	-	-
	(29)	146,309,813	152,370,030	6,060,217	6,278,943	(218,726)

Capital Assets and Cash on Deposit

There has been considerable discussion about the difference between operating and capital funds, when the board can transfer between funds, what is the source of the funds and how to account for the district cash.

The notes to the district's financial statements define tangible capital assets as those acquired or constructed and have useful lives as follows:

Buildings	40 years
Furniture and Equipment	10 years
Computer Hardware	5 years

The financial statement instructions from the Ministry of Education are clear that the assets are to be recorded in the capital fund and if purchased with operating funds, the funds are transferred to capital.

Transfers from the Operating Fund to the Capital Fund

When expenses in the operating ledger fit the definition of capital expenditures and should be capitalized such as classroom furniture, then the costs are transferred to the capital budget where they can be capitalized as an asset. When these costs are moved from operating to capital, the lack of expenditure on the income statement will generate a surplus to the accumulated reserve which must then be transferred to the capital fund as the source of revenue to pay for the furniture. This will be reported on Schedule 2 of the Financial Statements. It does not mean that the funds are being "hidden" or "lost" to support school programs but they have been appropriately spent on needed classroom furniture and equipment. If these expenditures are known at budget time, the funds are identified as part of the budget plan. This information can be explained as part of the financial statement presentation to the Board.

Local Capital and Restricted Capital

The source of funds for the local capital reserve balance is from the local portion of the sale of properties-deemed local because of local taxpayer contributions to the purchase of the property. The funds are held for equipment and technology purchases and for capital improvements not covered by capital or annual facilities grant funding.

When the school district sells a property, the proceeds are shared between local capital and restricted capital. Ministry policy is that this is shared 25/75% unless the district can show a record of a higher local contribution to the property. Boards of Education have decision authority on the spending of local capital but the Ministry of Education must approve spending from the restricted capital fund. Any interest earned on those funds must be recorded and retained in the appropriate local or restricted capital account.

Restricted capital is authorized by the Ministry to fund part of an approved capital project in order to save debt financing costs.

The Accumulated Operating Reserve, Local Capital Reserve and Restricted Capital Reserve account balances are usually deposited in the Central Deposit Program in the Ministry of Finance which operates similar to a bank savings account. All interest earned must be accounted for in the relative funds. This means that the interest earned on operating cash is included as a source of revenue in the operating budget documents.

The cash in these accounts has all been accounted for in the books of the school district as revenue or funding coming in and offset by paid expenditures. The balances are recorded appropriately on the balance sheet. It is not a source of operating revenue.

What makes up the cash balance on the balance sheet as at June 30, 2018, 2019, 2020:

Cash Balance Over Time				
		2019/20	2018/19	2017/18
Local Capital Reserves		\$ 2,396,235	\$ 3,204,698	\$ 6,341,597
Restricted Capital		\$ 7,005,047	\$ 5,153,485	\$ 6,711,280
Deferred Revenues-received for a future school year				
International Student Fees and Ministry Grants		\$ 15,226,614	\$ 11,698,627	\$ 11,570,216
Employee Future Benefits		\$ 2,834,328	\$ 2,699,277	\$ 2,632,598
Accumulated Operating Reserve		\$ 17,979,328	\$ 14,827,885	\$ 16,859,357
Cash to pay invoices payable		\$ 13,820,206	\$ 22,241,649	\$ 21,147,653
Balance Sheet Cash Balance		\$ 59,261,758	\$ 59,825,621	\$ 65,262,701

Of the cash balance, part will be invested in the Central Deposit Program. At March 31, 2021, the district had \$36 million on deposit.

Accumulated Operating Reserves

This topic has been reviewed by Ernst and Young in their report on the Vancouver School District in 2015, and by the Comptroller General and the Auditor General in 2008. In addition, the 2018 Ministry of Education's Funding Review Panel and the Financial Health Working Group provided advice.

Accumulated operating reserves/surpluses provide a source of funds for the unexpected decline in revenue or unavoidable expenditures that were not planned for in the budget. It is also useful for one-time expenditures such as equipment, or portable classrooms, etc. The above reports recognized as well that accumulated operating reserve/surplus accounts should not be used to pay for on-going expenditures as the funding source may not be replenished when spent.

In an OECD study in 2017, The Funding of School Education-Connecting Resources and Learning outlined as good practice:

"The planning of education budgets should be flexible enough to respond to new priorities and unforeseen circumstances as well as providing incentives for efficiency for example, through transparent regulation over carry-over rights for unspent resources"

Greater Victoria School District regulates this through Policy 3170 and Regulation 3170 and provides for carry forward of unspent accounts at year end.

Accumulated reserves with contingency allocations allow districts to build less allowance for changing circumstances into their annual budget plans and to report those contingencies in a transparent manner.

It is important for districts to plan and manage reserves effectively for the benefit of students. There should be consistent, understandable and transparent reporting on a regular basis to the board.

School District No. 61 - Accumulated Operating Reserve

This chart outlines the history of the accumulation of the operating reserve.

Dollars		Opening Balance	Surplus/(Deficit)	Equipment	Closing Balance
2017/18		19,769,564	(44,437)	(2,865,770)	16,859,357
2018/19		16,859,357	1,204,571	(3,236,043)	14,827,885
2019/20		14,827,885	5,221,324	(2,069,882)	17,979,327
2020/21	Amended	17,979,327	(9,822,003)	(1,000,000)	7,157,324
2020/21	Projected	17,979,327	(5,011,773)	(1,000,000)	11,967,554

After analyzing the Accumulated Operating Reserve, it is clear that up to 2018/19, the fund balance was very consistent and, if changed, the variance was a result of the purchase of equipment which can be classified as one-time costs.

In 2019/20, the annual budget plan was to use \$7.05 million from the Accumulated Operating Reserve as revenue for on-going costs. The pandemic significantly changed the operation of the school district and affected both revenues and expenditures. The revenue from the reserve fund was not required. A number of expenditures were reduced:

Reason for the Surplus in 2019/2020:	
Staffing Hiring Lags and Reduced Replacement due to Pandemic	\$ (1,601,071)
Reduced Utility Costs due to school closures	\$ (492,610)
Reduced Supply Costs due to school closures	\$ (3,127,653)
2019/20 Surplus	\$ (5,221,334)

The resulting Accumulated Operating Reserve as at June 30, 2020 left a good source of funding for the 2020/21 school year with the intended use outlined as:

Carry Forward – Schools	\$2.58 million
Carry Forward – Departments	5.20
Purchase Order Commitments	0.56
COVID Contingency	2.56
2020/21 Operating Budget	7.05
Total Balance June 30, 2020	\$17.95 million

This plan left no funds in the account for contingency needs.

School District Budget

2020/21 Annual Budget Plan

The district budgeted a planned use of reserves of \$7,046,806 in the 2020/21 school year with an operating surplus in the previous year. The district was unable to apply the savings from the 2019/20 surplus as the reduction in costs were one-time due to COVID closures and there were new cost pressures which exceeded the operating grants as outlined in the table below.

Reason for the Surplus in 2019/2020:	
Staffing Hiring Lags and Reduced Replacement due to Pandemic	\$ (1,601,071)
Reduced Utility Costs due to school closures	\$ (492,610)
Reduced Supply Costs due to school closures	\$ (3,127,653)
2019/20 Surplus	\$ (5,221,334)
2020/21 Annual Budget	
2019/20 Actual Expenditures	\$ 203,712,693
Prior Year Underexpenditure	\$ 5,221,334
Labour and Benefit Costs	\$ 2,161,000
Reduced Revenue for Enrolment	\$ 460,479
2020/21 Annual Budget Expenditures	\$ 211,555,506

The revenue source for the 2020/21 annual operating budget was \$204,508,700 leaving \$7,046,806 funded from the Accumulated Operating Reserve.

2020/21 Amended Budget

The amended budget recognizes actual enrolments and changes in operating grants from Government based on actual September 30th enrolments, adds the carry forward and contractual commitments to the expenditure budget, recognizes known changes in the expenditures and revenues, and is approved by the Board by February 28.

For the 2020/21 amended budget plan, the district reduced some of the carry forward amounts to provide more funds for the regular ongoing operating costs.

The planned use of reserve funds grew to \$10.822 million. It was used to fund the following expenditure changes:

Annual Budget Planned Use of Reserves 2020-2021	(\$7,047)
Enrolment Decrease net of cost reductions	(1,033)
Labour settlement costs greater than funding	(2,046)
Custodial and Other Staffing	(607)
Transportation, Utilities	(406)
Summer School Tuition reduction	(100)
Reduced cost of Employee Benefits and other costs	846
TTOC increases to cover long term leaves	(334)
Amended Budget Planned Use of Reserves 2020-2021	(\$10,727)

Monitoring the Budget and Forecast to Year End

- Throughout the school year, the Board will receive financial reports to monitor the spending as compared to budget plans
- The Board will approve spending changes to the plan
- The Board should also receive a forecast to June 30th in preparation for their Annual Budget discussion for the following school year
- The following chart outlines the current forecasted position at June 30, 2021

Approved in the Amended 2020/21 Operating Budget

Operating Expenses	\$9,822,003
Equipment	<u>1,000,000</u>
	\$10,822,003

Projected changes in revenues and costs:

Holdback funding from the province	534,590	
International Program	600,000	
Hiring Lags and reduced staff replacement costs	603,706	
Underutilized employee benefits	1,061,892	
Supplies and services underspend	984,622	
Cancelled professional development events	<u>325,420</u>	
		(\$4,110,230)

Purchase Order Commitments not arriving in the school year	<u>(700,000)</u>
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Forecasted Use - Accumulated Reserves in 2020/21	\$6,011,773
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- Although \$4.8 million is an unplanned change, it reflects only 2.26% of the operating budget and when reviewing the changes, they are mainly timing and COVID related.
- Some of these changes in costs and revenues such as the holdback funding are only applicable to the 2020/21 year, and cannot be used to lessen the sustainable (status quo) budget in 2021/22.

A summary of the entire 2020/21 plan is outlined below:

2020/21 Annual Budget			
2019/20 Actual Expenditures		\$	203,712,693
Prior Year Underexpenditure		\$	5,221,334
Labour and Benefit Costs		\$	2,161,000
Reduced Revenue for Enrolment		\$	460,479
2020/21 Annual Budget Expenditures		\$	211,555,506
2020/21 Revenue		\$	204,508,700
Planned Use of Reserves		\$	(7,046,806)
2020/21 Amended Budget:			
Reduced Provincial Grants due to less enrolment			
Added Carry Forwards		\$	(3,775,197)
Planned Use of the Accumulated Reserves		\$	(10,822,003)
June 2021 Forecast:			
Revised projected Department budget underspends	94,622		
International Student Program additional Revenues	600,000		
EA Hiring lag/no replacements	700,000		
Teacher/TTOC Staffing changes	(382,194)		
Ministry Holdback Grant (carry forward to 21/22)	534,590		
Cancelled Pro-D events (no TTOCs)	325,420		
February Special Needs enrolment count (no EAs to hire)	285,900		
Projected Benefits Surplus	1,061,892		
Unspent Shops/Sundance start up	500,000		
Unspent Contractual Pro-D budget	90,000		
Additional school carry forwards	300,000		
Purchase Order Commitments (not known at Amended)	700,000	4,810,230	
Projected Use of Accumulated Reserves in 2020/21		(6,011,773)	

Projected June 30, 2021 Accumulated Operating Reserve

The resulting Accumulated Operating Reserve account is as follows

Accumulated Operating Reserve at June 30, 2020	17,979,328	Closing Balance	11,967,555
Changes for the year:		Carry Forward Restricted	
Net Revenue (Expense) for the year	(5,011,773)	Schools	(2,995,000)
Tangible Capital Assets Purchased	(1,000,000)	Projects	(2,508,590)
Accumulated Operating Reserve at June 30, 2021	11,967,555	COVID	(105,559)
		Purchase Orders	(700,000)
		Available for 21/22 Operating Budget and Contingency	5,658,406
		% of Operating Expenses	2.69%

With the restrictions removed from the surplus, there is a balance of \$5.658 million available for the 2021/22 budget or contingency.

2021/22 Annual Operating Budget

The use of the accumulated operating reserve to fund ongoing expenditures in the 2020/21 school year combined with cost pressures which outstrip the provincial grants in both years contribute to the structural concern the district is dealing with today.

Sustainable Budget with Projected Changes in Costs and Revenues

A sustainable budget has been prepared with the forecasted expenditures for the current year, removing one-time costs and revenues, adding new government funding and other revenue changes, adding known increased costs of sustaining the same programs and services, including, but not limited to salary increases, fuel inflation, statutory benefit changes such as Canada Pension Plan.

A Review of the documents available from the budget consultations and working with school district staff to validate the financial position as at June 30, 2021 confirmed the following:

Sustainable Services Budget					
	Current Year On going Forecast	Other Revenue Changes	Change in Government Grants due to Enrollment	Labour Settlement Funding and Cost	Status Quo 2021/22 Annual Budget
Revenue	204,430,613	2,587,622	(1,293,310)	1,773,616	207,498,541
Expenditures	212,202,040		(750,000)	3,423,470	214,875,510
Operating Shortfall	(7,771,427)	2,587,622	(543,310)	(1,649,854)	(7,376,969)
Equipment	(1,000,000)				(1,000,000)
Overall Shortfall	(8,771,427)				(8,771,427)

Reasons for Change:

- The increased other revenue changes anticipate increased international enrolment less a reduction in the interest paid for funds on deposit with the Central Deposit Program.
- The change in provincial funding for enrolment is largely caused by the loss of an enrollment decline grant of \$ 325,000 per the funding formula
- The difference in revenues vs cost is a combination of:
 - ✓ The previous labour settlement grant rolled into the per pupil allocation
 - ✓ The exempt staff increases are not funded
 - ✓ The change in statutory benefits that are not funded
 - ✓ The change in hydro rates that are not funded

Outline of Options and Implications

The district has provided detailed information on the budget challenge, related each option to the strategic plan and split the process into three parts/readings. The difficulty with that process is that it has not yet allowed for an overall look at the impact to programs and staffing (planned for the May 17 meeting). The options are provided in detail in Appendix A and summarized below.

Summary of Options			Percentage of Reductions
Reduction in Staff Time		2,970,526	46.45%
Movement of Costs to Special or Targeted Funding		591,836	9.25%
Cost Savings		1,978,711	30.94%
Eliminates or Significantly Reduces the Program		854,032	13.35%
		6,395,105	
New programs and costs		1,355,554	
Net Adjustments		5,039,551	

If the board had established guiding principles prior to the budget process, the trustees could evaluate the options against those principles. For example, principles such as the following examples, would assist the board in evaluating and prioritizing their options:

- Will ensure the budget complies with our collective agreements
- The process will not fully eliminate a program or service to students
- The resulting budget will not add new programs and costs unless emergent or for health and safety reasons

In addition, the district has looked to their senior administration to develop the options rather than creating a structure that provides for rightsholders, stakeholders and others to explore the options through a budget advisory process.

These are very complex and emotional decisions and having time to research, discuss and prioritize them as a community helps to increase the likelihood that the Board would receive consensus advice.

Overall, the picture for the budget can be summarized as follows:

Shortfall on the Sustainable Budget	\$7.38 million
Equipment	\$1.40 million
Requests for Additional Services	\$1.355 million
Options for reducing costs and services	(\$6.395) million
Unreserved Balance in Accumulated Operating Reserve	(\$5.658) million

With this picture, the Board must now determine the best use of its resources in the initial annual budget plan. It is always important to remember that a budget is a plan that needs to be flexible in order to respond to the changing circumstances in schools.

Risks within the Budget

The budget is prepared based on the known information at that time of preparation. Factors arise during the year that cause over or underspending relative to the budget. These factors are not known when the budget is prepared, they are unpredictable and the sources that cause these adjustments vary from year to year. When the budget is prepared, an assessment takes place to determine whether any of the factors can be incorporated (e.g. is there a pattern of employee benefit changes?) and the budget is adjusted accordingly. Historical factors that have caused variances include:

- Benefits reserve adjustments (adjustment \$2.1M in June 2020)
- Ministry grants received later in the year (e.g. Holdbacks)
- Unexpected benefit changes (e.g. pension rate reduction/increase)
- Lack of available workforce (e.g. no EAs & TTOCs to backfill vacant positions)
- Changes in projected Ministry grants (in 2020/21 Salary Differential Grant increased by \$1.0M unexpectedly)
- Colder or milder winters result in changes in Utilities spending
- Average Teacher Salary changes (budget built on projected Average Teacher Salary, average salary depends on who is hired and who leaves/retires)
- Enrolment changes (projections are initially prepared in December of the year prior and are based on information prepared by two external sources and reviewed by staff)
- Staffing leave levels (e.g. maternity/parental, sick)
- Legal costs
- School openings/closures (Lansdowne South opened in 2020/21, Sundance opening in 2021/22)

Governance and Oversight

Having the tools to do the governance and oversight of the finances of the district allows the Board to spend time on the important work of education. Financial literacy builds your confidence and that of your community who have elected the Board to do this work on their behalf. Trustees do not need to be professional accountants - they have hired staff to do that level of work for them.

Trustees should receive documents that they understand and provide them with the full picture at the macro level, allowing for questions and greater understanding. Trustees are encouraged to rely on staff and on other trustees who are more experienced in their understanding. It is important to recognize that there are different skill sets at the table.

Budget update materials should be prepared on a regular basis and there should be comparisons between actual expenditures and budget with forecasts to year – end once you have an amended budget plan. Explanation of variances should be part of the regular budget updates.

It is best practice for the Audit Committee to meet in camera with the external auditors without management present to provide assurance that the financial record keeping is well managed.

Appendix A– 2021/22 Budget Options

OPERATING

Option	District Staff Description	Staff Reductions	Cost/ Savings	Potential Impacts for Discussion
Learning Team Reduction – Tolmie	Reduction of Principals and Vice-Principals at the Board Office	Yes	Savings: \$416,908	Reduces overhead Reduced support to schools Impact to strategic plan implementation
Pathway & Partnerships (Careers) Contingency	Anticipates enrolment will meet or exceed projection		Savings: \$127,392	Adds risk to the budget if enrolment declines
Counsellors to Community LINK	Moves costs from operating to special purpose. Maintains the number of district counsellors in the district	Contracted Youth and Family Counsellors	Savings: \$564,049	Reduces supports for students with mental health needs.
Collaboration Time	Reduces a district allocation to each school for staffs to collaborate	TTOC time	Savings: \$276,163	Reduced time to work on school goal implementation
“Enhancing Learning” Grants	Eliminates a district allocation to school staff who apply for innovation grants each year		Savings: \$50,000	Less encouragement of innovation
One Learning Community	Eliminates discretionary funds from District to Schools for various pressures or initiatives from year to year		Savings: \$50,000	Risk of being unable to respond to one time or emergent pressures
Office Supplies – Learning Team	Eliminates small office supply budget and rolls into District Team		Savings: \$8,750	Nil
Eco Rowing & Salmonid Enhancement	Eliminates district funding Requires schools or existing district budget fund		Savings: \$7,422	Eco Rowing: Impact to program if schools or other district funds do not continue the program Salmonid: Impact to program – District Team may be able to provide funds to continue this program.
Energy/Utilities Savings	Leverages new Energy Manager hire in 20-21 to reduce utility costs through infrastructure upgrades, grant access, efficiencies, programming		Savings: \$150,000	Limits support for climate emergency per Board motion Advances sustainability

Benefits Premium Holiday (ie employees using less services, therefore benefit plan did not require as much money, leaving a surplus)	Eliminates benefits expense for District and employee share of benefits for a period of time Takes advantage of underspending on services in benefits plans		Savings: 297,600	No impact to programs or services Benefit to employees by increasing net pay
Equity of Opportunity	Elimination of special grant funding in 20-21 EOS initiatives 21-22 from block/per pupil funding		Savings: \$958,268	Some direct impact on classroom – specifically in K classes where ECE's were working.
Technology Refreshment: Student Devices	Elimination of annual savings allocation for future purchase of student devices Provincial and Federal 1x funding in 20-21 attended to purchase of chromebooks and ipads that would have been required from tech refresh		Savings; \$329,279	Delays implementation of this program
Technology for Learning Department Staffing Reduction	Reduction of 1 of 8+ School Technologists Helpdesk to pick up increased workload	Support Staff	Savings: \$70,392	Impact to on-site tech support for schools- district helpdesk to assist
Clerical Reduction – Tolmie	Reduction of clerical time at Board Office	Support Staff	Savings: \$96,994	Staff reduction and workload stress on remaining staff
Vice-Principal Admin Time Reduction	Less teachers will be employed because VP's will be teaching more	Teaching Time	Savings: \$496,364	Some admin supports for students during the school day affected
Clerical and/or School Assistant Hours Reduction	Reduction of clerical time and school assistant hours at schools Aligned to comparative size school clerical formulas in other districts Formula smoothing for increased equity between elementary and secondary	Support Staff	Savings: \$342,849	Reduced services in office and/or other supports outside the classroom
Gifted Teacher Staffing Reduction	Eliminates District staffing allocation to Schools and reallocates schools' gifted staffing School Based	Teaching Staff	Savings: \$350,501	Reduced support for this program – stress on schools to provide other supports

	Inclusive Learning staffing to be used			
District Education Assistant Reduction	Reduces 13 Education Assistants to 12 Education Assistants at Victor School (High vulnerability; less than 20 enrolment)	Support Staff	Savings: \$42,084	Direct impact to classroom
Indigenous Education Clerical Hours Reallocation	Allocate these services to the Indigenous target funding as support for their programs.		Savings: \$27,787	Will need agreement of First Nations and will reduce student supports currently charged to the target funding.
International Student Program staffing formula	Changes the pupil teacher ratio from 18:1 to 20.5:1 Reduces the number of teachers required	Teachers	Savings: \$592,364	Direct impact to secondary classrooms
Reading Recovery Coordinator contract	Eliminates the copyright/trademark Reading Recovery literacy program by not renewing the coordinator	Teacher	Savings: \$73,918	Eliminates this literacy support
Education Assistant Reduction	Reduces Education Assistant Hours in schools Brings staffing level to within 5 FTE of previous year at budget time	Education Assistants	Savings: \$285,907	Direct impact supports for students and classrooms
Music/Band/Strings/C choir	Provision of core Grade 6/7/8 band plus supplementary block (2 at Lansdowne) Supplementary block at Principal's discretion (band, strings, choir, other) Provision of District Ukulele Provision of District Indigenous drumming No change at Secondary No change at Elementary with exception of elimination of strings unless programmed in music by Principal or Teacher from existing	Teachers	Savings: \$780,114	Direct Impact to program and services for students

	budget and staffing allocation			
Total Savings			\$6,394,909	
Communications Assistant	Addition of one staff member to support Communications Manager	Clerical	Cost: \$66,945	Intended to improve the ability to communicate and consult, and to increase accountability and transparency
COVID-19 Contingency	Small savings for 2021-2022 as District phases out of COVID Takes into account no provincial or federal funding for COVID in 21-22		Cost: \$105,559	Improved support for any COVID impact on schools
October District Pro-D Day Budget	Reduce budget for District day		Cost: \$10,000	Reduced ability to provide district wide professional development
Strong Start Learning Centre Supplement	Recognizes Strong Start government funding has remained static since inception with exception of one adjustment, while costs have increased (wages, benefits, snacks, resources) Supplements targeted funding to be able to maintain hours Strong Starts can remain open		Cost: \$32,000	Continued early learning support
Early Learning Framework Implementation	Provides some supports for StrongStart educators, K -3 teachers to implement principles and practices in the Early Learning Framework document.		Cost: \$40,000	Continued early learning support
Enhanced Transition Wrap Around Supports (COMPASS)	Provides staffing and resources for students with complex needs who may require additional academic and/or social-emotional supports.		Cost: \$86,000	More support for students
Learning Series	Provision of pro-d and capacity building opportunities to school staff from District		Cost: \$8,700	Meeting strategic plan goals

Literacy K-5 Balanced Support	Provision of literacy program for all students K-5 by way of training, release time and resources		Cost: \$500,000	Increased literacy support for all K-5 students and to meet strategic plan goals
Laptop Inventory for Temporary Teachers	Phases out end of life desktop computers in classrooms Provision of teacher laptop to teachers with temporary assignments and tool to do the job		Cost: \$100,000	Ensure staff have equipment support to do their job effectively
Network Infrastructure Renewal	Year 1 of 5 refresh technology infrastructure Smooths 5 year \$2m+ investment in switches, servers and other by spending in each of 5 years		Cost: \$406,350	Important support for learning, business and security/privacy networks
Total Cost:			\$1,355,554	
Net Savings (Savings less Cost)			\$5,039,355	

Appendix B – Input and Feedback Received By The District

Written Input – Budget Submissions

<i>Theme</i>	<i>Total Responses</i>	<i>Opposed to Proposals</i>	<i>Support to Proposals</i>	<i>Audiences</i>
Music <ul style="list-style-type: none"> • Save music program • reinstate all music programs • Save strings, choir, band • Don't cut music and arts • Save Ukuleles • Music improves learning outcomes for students 	997	996 <ul style="list-style-type: none"> * Received 1 Email with 377 Student Quotes * Received 1 Email with 38 Student Signatures 	1 (supports cuts to strings)	<ul style="list-style-type: none"> • Students • Staff • Parents/Guardians • Out of District parents/teachers • Former SD61 students • Alumni • Music Associations • Coalition for Music Education in BC • Community Members • GVTA • MSA Council • Music Teachers Association • Community members
Educational Assistants/Inclusive Education <ul style="list-style-type: none"> • Do not cut funding • Do not reduce hours • Importance of EAs in creating inclusive schools • There needs to be more EAs, not less 	41	41		<ul style="list-style-type: none"> • Parents/Guardians • Staff (CUPE 947) • GVTA • Teachers • Student
Counselling, Family Liaison workers Early Learning Support, Teacher Librarian's <ul style="list-style-type: none"> • Do not reduce hours • Do not cut positions • Librarians support middle schools 	20	20		<ul style="list-style-type: none"> • Staff • Parents/Guardians • Student Relative • Optimist Club of Victoria
Reading Recovery <ul style="list-style-type: none"> • Reinstate the Reading Recovery FTE • Importance of early literacy 	29	29		<ul style="list-style-type: none"> • Staff • Inclusive Learning Teachers • Parents/Guardians

<ul style="list-style-type: none"> Provides support and intervention Builds self-esteem in students 				<ul style="list-style-type: none"> Community members
Challenge Program <ul style="list-style-type: none"> Do not eliminate 	2	2		<ul style="list-style-type: none"> Former Student Parent
Community Link <ul style="list-style-type: none"> Do not reduce 	2	2		<ul style="list-style-type: none"> Parent PAC
Equitable Budget for: <ul style="list-style-type: none"> Indigenous students Indigenous completion rates 	7	7		<ul style="list-style-type: none"> Community member Teacher
Administration (Top Earners) <ul style="list-style-type: none"> Cut from senior admin first 	12	12		<ul style="list-style-type: none"> Parent/Guardians School Staff Retired teacher Students Community Members
Clerical <ul style="list-style-type: none"> Support for cuts to clerical staff at Board Office Opposition to clerical cuts at schools 	4	2 (opposed to school clerical cuts)	2 (in support of clerical cuts at Board Office)	<ul style="list-style-type: none"> Staff Community Member
Learning Team <ul style="list-style-type: none"> Reduce or eliminate 	2		2	<ul style="list-style-type: none"> School Staff Teachers
General <ul style="list-style-type: none"> Opposed to all proposed options Improve budget consultation Families need more time Cuts should not be happening in a pandemic 	58	58		<ul style="list-style-type: none"> Parent/Guardians Staff Unions Community member

Total Responses: 1, 174

Appendix C – Templates and Samples

Draft Communications Plan

This Communication Plan is to ensure that parents, students, staff and community are aware of our budget process and plan.

Objectives:

1. To increase public awareness and understanding of the district's financial position and the allocation of funds to programs and services
2. To provide assurances that the district is spending its resources efficiently and effectively
3. To promote discussion on how best to allocate resources for the 2020/21 school year

Key Messages:

1. To increase public awareness and understanding of the district's financial position and the allocation of funds to programs and services
 - The district continues to prioritize the allocation of funds to educational programs
 - The district is expanding its budget consultation processes
 - The district is expanding the sharing of information about revenues and expenditures
2. To provide assurances that the district is spending its resources efficiently and effectively
 - The Board of Education is financially prudent and accountable in the way we manage the tax dollars we receive
 - The Board is evaluating all expenditures to ensure sustainable, the best use of our funds and comparable to other like sized districts
3. To promote discussion on how best to allocate resources for the 2020/21 school year
 - The Board of Education is expanding its opportunities for the community to participate in the budget discussions
 - The Board will share more financial information during the 2020/21 budget discussions which will take place in public meetings
 - The Board will share budget information widely and in various forms including e-mail, web site, community papers, school meetings, school newsletters
 - The Board will provide a regular update on budget discussions

Strategies and Actions:

The following strategies and actions will be implemented to support the above objectives:

- Principals will be given articles for inclusion in school newsletters
- Media advisories will be issued on:
 - The budget plan and public input process
 - The cost pressures and budget challenges
 - The budget options issued for input
 - The final budget
- Copies of the advisories will be sent to all schools and partner organizations
- A budget advisory committee minutes will be circulated and posted on the web site
- A budget backgrounder will be posted on the web site

Sample Budget Guiding Principles



School District No. 67

(Okanagan Skaha)

BUDGET ADVISORY COMMITTEE

2021-22 BUDGET GUIDING PRINCIPLES

In its development and approval of the school district budget, the Board shall ensure that the district's Strategic Plan and the priority given to support all students shall be central in budget decisions.

Throughout the Board's collaborative budget development process, decisions will be guided by the following principles (in no particular order):

- Maintenance or enhancement of quality programs and services for students;
- Delivery of effective, efficient and culturally appropriate programs and services;
- Maintaining a safe and healthy learning and working environment;
- Consideration and attention is given to environmentally sustainable practices;
- Maximizing the use of school district facilities and time within the school day and throughout the calendar year;
- Protecting any funds held in reserve for which there is a well-established and appropriate plan for use;
- Establishment of a contingency fund so that unforeseen budget pressures can be dealt with in a responsible and timely manner;
- Long-term financial planning including effective management of surplus funds or of potential budget deficits;
- Effective and transparent communication with partner groups and with the broader public so that budget decisions are finalized following consideration of a wide range of perspectives and suggestions;
- Consideration of, and adherence to, laws, regulations, collective agreements, etc.;
- Exploration of revenue-generation options to supplement the annual operating grant from the province; and
- District-specific advocacy for stable, predictable, and adequate funding so that programs and services can be maintained and enhanced over time.

Sample Budget Advisory Committee Terms of Reference

Purpose

- To advise the Board through the Business Committee on budget options for services and programs
- To provide a forum for improved understanding of the annual budgeted revenue and expenditures
- To advise on new initiatives
- To assist the Board with effective communication of budget decisions throughout the district

Membership:

- Secretary Treasurer – Chair/Trustee
- Assistant Secretary-Treasurer
- Director of Instruction-Human Resources
Director of Facilities
- District Principal-Student Services
- District Principal-District Programs

One representative from:

GVTA
CUPE
DPAC

Meetings:

The committee will meet as needed between January and June each year

Indicators of Success:

- All members understand and can speak confidently about the budget
- All members understand the budget options and work together to provide advice to the Board
- All employees and partners are receiving good information about the budget
- Committee provided useful advice to the Board

Sample Budget Backgrounder - After Board Decisions



School District No. 63 (Saanich)

2011/12 BUDGET BACKGROUNDER - AFTER BOARD DECISIONS

On June 28, 2011, the Board of Education addressed a budget shortfall of \$1,518,835 to submit a balanced budget pursuant to the School Act. The Board applied reserves of \$1,073,669, increased net revenues by \$292,316 and implemented expenditure reductions of \$152,850. These budget changes are especially significant as they follow 2009/10 reductions of \$3.6 million and 2010/11 reductions of \$3.416 million.

The Board previously asked the Minister of Education for grants of \$2.828 million to avoid the reductions that affect students and to restore services recommended through the working group process but that request was denied.

1. UTILIZATION OF RESERVES

The 2011/12 Operating Budget utilizes reserves of \$1,073,669. Saanich has been fiscally responsible, planned over time and built up reserves to cover increasing cost pressures through school closures, increasing local revenues and not adding services that were unsustainable. The reserve applied this year includes a release of holdback funds from the province of \$171,289 and \$902,380 which the Board had previously accumulated.

Reserves are like savings accounts that once utilized, are depleted. Therefore the use of reserves for ongoing operating costs results in increased pressures for reductions in following years.

2. SUMMARY OF 2010/11 CHANGES IN REVENUES

Increase Revenues:

➤ Continuing Education	\$134,540	
➤ International	510,300	
➤ SIDES	(363,000)	
➤ Rentals Leases	20,000	
➤ Services	101,711	
➤ Municipalities	<u>16,826</u>	
		\$ 420,377

Less Increased Expenditures to Earn Revenues:

➤ International Costs	(405,000)	
➤ Continuing Education	(86,061)	
➤ SIDES Reductions	<u>363,000</u>	
		<u>128,061</u>

Net Revenue Changes \$ 292,316

3. REDUCTIONS IN PROGRAMS AND SERVICES

School Administration	\$85,000	
Portable Reductions	44,000	
Part Time Teacher Benefits	<u>23,850</u>	
Total Expenses		\$ 152,850

4. SUMMARY OF 2011/12 BUDGET CONCERNS

1. The District utilized an extensive process which reviewed all budget areas in detail and the result outlined that there were no efficiencies left to make.
2. The cost of providing and sustaining our educational programs has increased by \$26.9 million since 2002 while government funding to Saanich has increased \$10.3 million leaving a shortfall of \$16.6 million. We realize all districts share in government's ability to increase the amount of funding available but those with increasing enrolment receive an allocation to partially address this challenge.
3. Saanich made reductions and increased revenues by \$8.465 million since 2006/07 but is still left with a current structural shortfall of \$3 million.
4. Reserves have been managed over time to reduce impact but this budget can only be cushioned by \$1,073,669. As reserves are only one time funding, this will need to be offset with further reductions next year.
5. Enrolment decline over the next four years and the resulting difference between funding reductions and associated offsetting cost results in Saanich facing further reductions of over \$3 million in the next four years. We know that if our enrolment was growing, after adding classroom services, the district would have funding to add other services. Our analysis shows that if we had grown by 1,405 students instead of declined since 2005/06, Saanich would have garnered \$9 million for other programs and services over and above funding associated classroom costs.

5. BUDGET

In keeping with its guidelines, the approved 2011/12 annual operating budget will retain the percentage of the budget for instruction and reduce the percentage of the budget spent on district administration:

Expenditures	2011/12 Budget With approved Reductions	% of Budget	2010/11 Amended Budget	% of Budget
Instruction	\$60,435,829	84.98%	\$60,835,796	85.21%
District Administration	2,347,370	3.30%	2,315,443	3.24%
Operations and Maintenance	7,043,445	9.90%	6,961,668	9.75%
Transportation	1,291,244	1.82%	1,281,965	1.80%
Total Expenditures	\$71,117,888	100.00%	\$71,394,872	100.00%