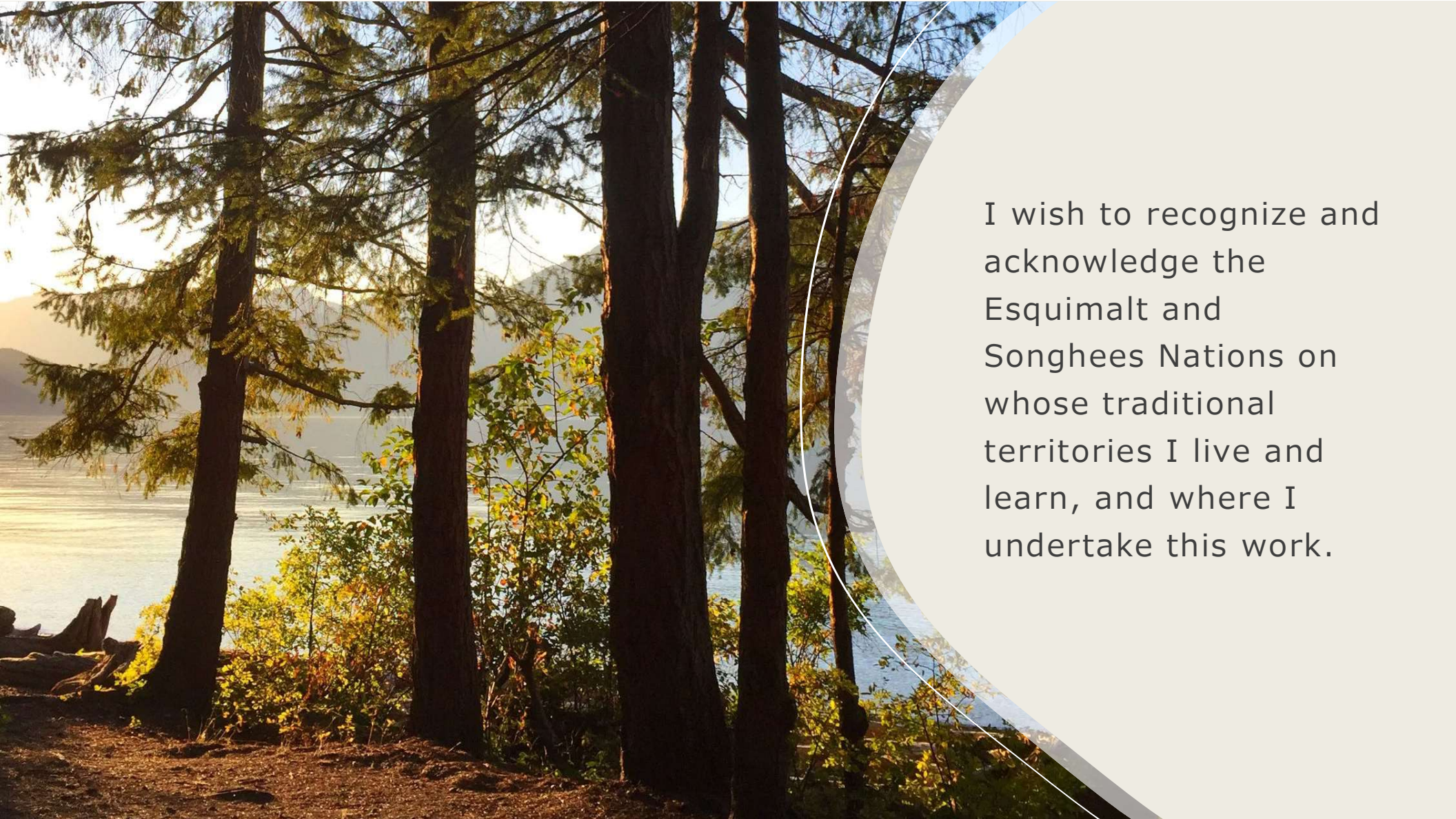




REPORT OF THE REVIEW
OF SCHOOL DISTRICT NO. 61 (GREATER VICTORIA)
2021/22 OPERATING BUDGET

Joan Axford, May 25, 2021



I wish to recognize and acknowledge the Esquimalt and Songhees Nations on whose traditional territories I live and learn, and where I undertake this work.

TERMS OF REFERENCE

- ▶ 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.
- ▶ 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.
- ▶ A REPORT ON THE 2021/22 BUDGET THAT INCLUDES THE FOLLOWING:
 - COST TO SUSTAIN PRE COVID SERVICES AND SUPPORTS FOR STUDENTS.
 - RESOURCING THE STRATEGIC GOALS.
 - ENROLMENT AND REVENUE PROJECTIONS AND EFFECT OF THOSE PROJECTIONS ON OPERATING GRANTS AND EXPENDITURES.
 - REVIEW OF THE DISTRICT OPTIONS LIST FOR THE 2021/22 BUDGET AND REPORTING OF THE IMPLICATIONS OF THE OPTIONS
 - 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.

GOVERNANCE RESPONSIBILITY

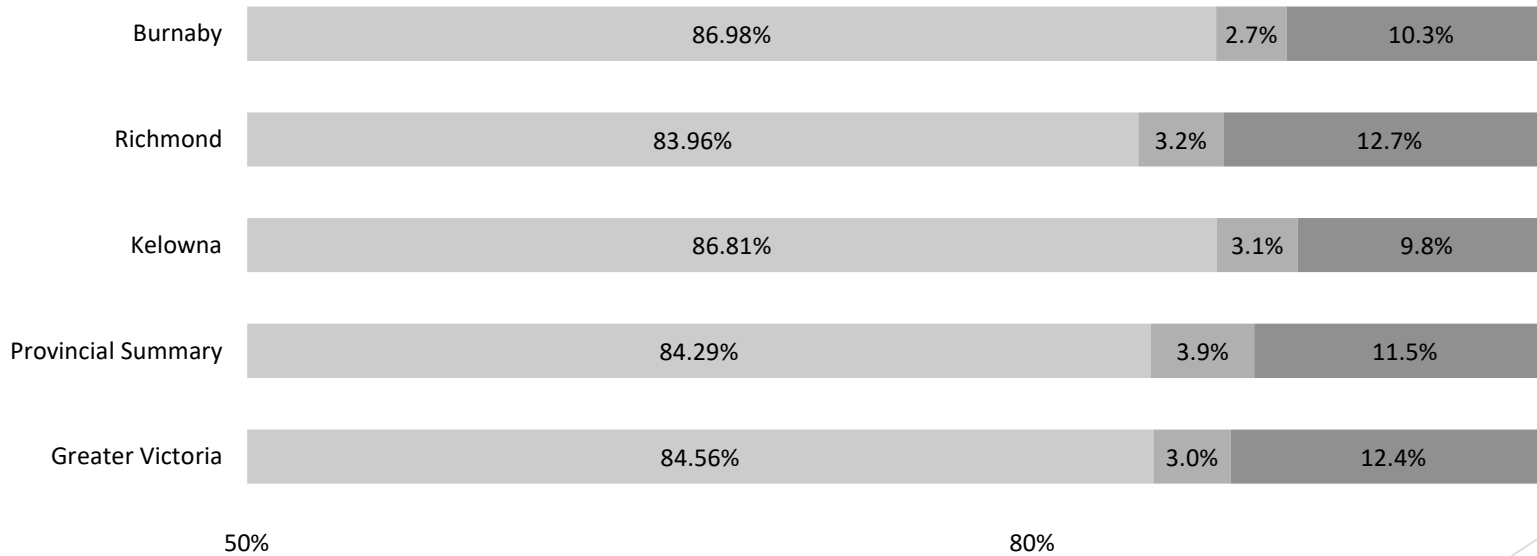
- ▶ PER LEGISLATION, MUST APPROVE A BUDGET WHERE REVENUES AND EXPENDITURES ARE EQUAL – CAN USE ACCUMULATED OPERATING RESERVES AS ONE SOURCE OF REVENUE
- ▶ BOARD OF EDUCATION – CORPORATE BOARD
- ▶ RESPECTFUL OF THE GOVERNANCE ROLE – BOARD’S SOLE RESPONSIBILITY TO DETERMINE THE OPTIONS TO BALANCE THE 2021/22 BUDGET
- ▶ SEEKING COMMON UNDERSTANDING OF THE FISCAL POSITION OF THE DISTRICT

BACKGROUND

HOW DOES SD 61 SPENDING COMPARE?

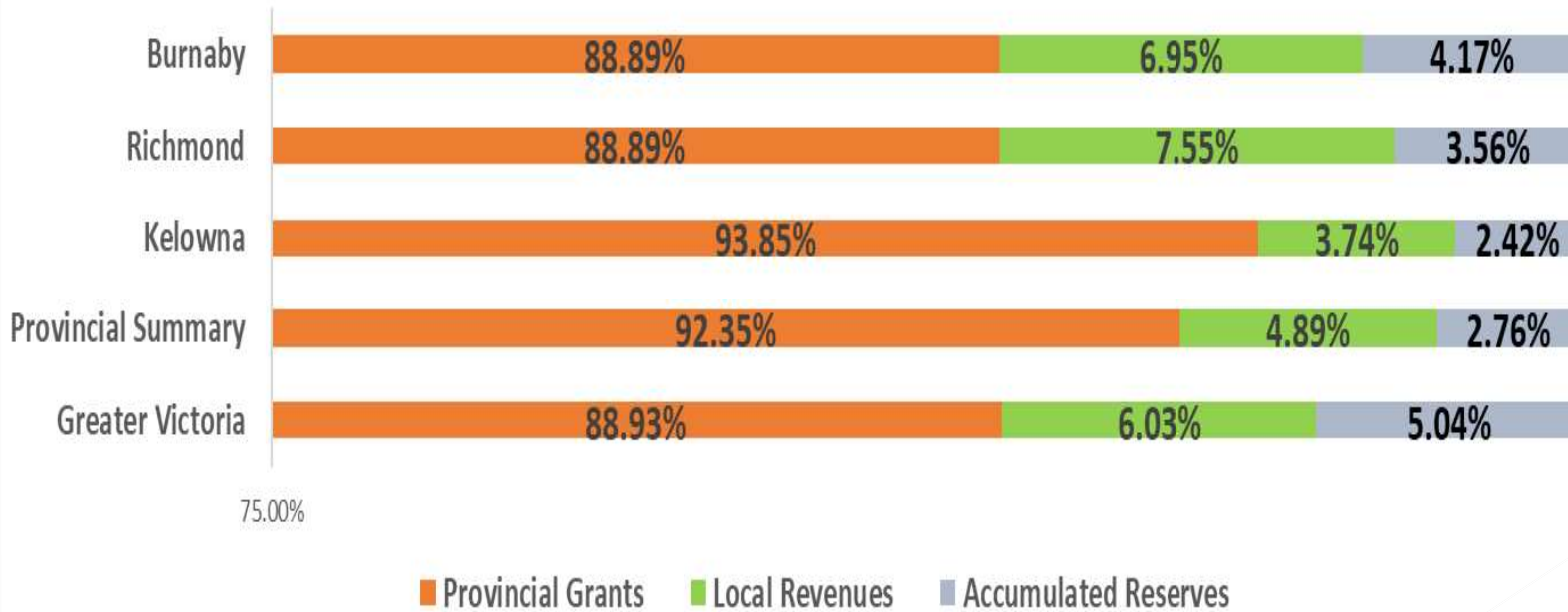
2020/21 Amended Budget
Expenditures by Function Compared to Similar Districts

■ Instruction ■ District Administration ■ Operations and Maintenance



MORE RELIANCE ON ACCUMULATED RESERVES

2020/21 Amended Budget Operating Revenue Percentages Compared to Similar Districts



ENROLMENTS

► ENROLMENT PROJECTIONS REDUCED REVENUES

	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%

ENROLMENTS AND FUNDING

- ▶ THE PRIMARY FACTOR FOR PROVINCIAL FUNDING IS ENROLMENT – 92%
- ▶ THE PER PUPIL FUNDING RECOGNIZES THE COST INCREASES FUNDED
- ▶ FOR 2021/22, THE CHANGE IN PROJECTED ENROLMENT AND EFFECT IN THE FUNDING ALLOCATION SYSTEM. LATER IN THE PRESENTATION, YOU WILL SEE THAT THE ECONOMIC INCREASE WAS REDUCED BY ELIMINATION OF A SPECIAL GRANT OF \$5.65 MILLION

	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 PURCHASES

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

- ▶ CAPITAL ITEMS PURCHASED FROM OPERATING MUST BE TRANSFERRED TO THE CAPITAL BUDGET WHERE THEY CAN BE CAPITALIZED AS AN ASSET.
- ▶ THE LACK OF THE EXPENDITURE ON THE INCOME STATEMENT WILL GENERATE A SURPLUS TO THE ACCUMULATED OPERATING RESERVE WHICH MUST THEN BE TRANSFERRED TO THE CAPITAL FUND.
- ▶ THIS TRANSFER WILL BE REPORTED ON SCHEDULE 2 OF THE FINANCIAL STATEMENTS AND EXPLAINED WHEN THE STATEMENTS ARE PRESENTED TO THE BOARD.
- ▶ IT DOES NOT MEAN THAT THE FUNDS ARE BEING “HIDDEN” OR “LOST” TO SUPPORT 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.

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 25 % TO LOCAL CAPITAL AND 75% TO RESTRICTED CAPITAL.
- ▶ BOARDS OF EDUCATION HAVE DECISION AUTHORITY ON THE SPENDING FROM LOCAL CAPITAL
- ▶ 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 LOCAL CAPITAL OR RESTRICTED RESERVE ACCOUNT.
- ▶ RESTRICTED CAPITAL IS AUTHORIZED BY THE MINISTRY TO FUND PART OF AN APPROVED CAPITAL PROJECT IN ORDER TO SAVE DEBT FINANCING COSTS.

CASH BALANCES

- ▶ 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 HAVE ALL BEEN ACCOUNTED FOR IN THE ACCOUNTS OF THE SCHOOL DISTRICT AND THE BALANCES ARE RECORDED APPROPRIATELY ON THE BALANCE SHEET.
- ▶ CASH IS NOT AN ADDITIONAL SOURCE OF OPERATING REVENUE OVER AND ABOVE THE REVENUES ALREADY ACCOUNTED FOR.

CASH BALANCE AND RESERVE ACCOUNTS

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 (SURPLUS)

ACCUMULATED OPERATING RESERVES/SURPLUSES PROVIDE A SOURCE OF FUNDS FOR:

- ▶ UNEXPECTED DECLINE IN REVENUE OR UNAVOIDABLE EXPENDITURES THAT WERE NOT PLANNED FOR IN THE BUDGET-CONTINGENCY
- ▶ ONE-TIME EXPENDITURES SUCH AS EQUIPMENT, OR PORTABLE CLASSROOMS, ETC.
- ▶ THIS FUNDING IS FINITE SO THERE IS A RISK OF USING THESE FUNDS TO PAY FOR ON-GOING EXPENDITURES
- ▶ THE RESTRICTION OF CARRY FORWARD OF UNSPENT BUDGETS BETWEEN SCHOOL YEARS (POLICY 3170)

BUDGET CYCLES AND NEED FOR CONTINGENCY

IN PUBLIC EDUCATION, THERE ARE TWO OFFICIAL BUDGET PLANS

- ▶ ANNUAL APPROVED BY JUNE 30 – BASED ON PROJECTED ENROLMENT AND FORECASTED REVENUES
- ▶ AMENDED APPROVED BY FEBRUARY 28 – BASED ON ACTUAL ENROLMENTS AND FURTHER KNOWLEDGE OF OTHER REVENUES SUCH AS INTERNATIONAL TUITION FEES
- REVENUES ARE ADJUSTED THROUGHOUT THE YEAR WITH FEBRUARY AND MAY ENROLMENT COUNTS, HOLDBACK FUNDS, SPECIAL GRANTS
- STUDENTS AND THEIR PROGRAM NEEDS CHANGE THROUGHOUT THE SCHOOL YEAR
- CONTINGENCY AND ACCUMULATED RESERVES (OR SAVINGS ACCOUNTS) CAN BE USED TO PROVIDE FLEXIBILITY AND HELP TO MANAGE THE CHANGE IN REVENUES AND EXPENDITURES

HISTORY OF ACCUMULATED OPERATING RESERVES

		Actual Financials	Surplus/(Use of Reserve to Balance Budget)	Equipment	Balance	Contractually Committed and Carry Forwards	Balance Contingency	% of Operating Expenses
2015/16		21,775,666	2,320,877	- 1,296,116	22,800,427	10,448,070	12,352,357	6.87%
2016/17		22,800,427	2,955,704	- 5,986,567	19,769,564	10,494,970	9,274,594	5.02%
2017/18		19,769,564	(44,437)	- 2,865,770	16,859,357	10,572,661	6,286,696	3.32%
2018/19		16,859,357	1,204,571	- 3,236,043	14,827,885	8,664,131	6,163,754	3.07%
2019/20		14,827,885	5,221,324	- 2,069,882	17,979,327	8,141,693	9,837,634	4.83%
2020/21	Amended	17,979,327	(9,822,003)	- 1,000,000	7,157,324	4,377,294	2,780,030	1.30%

ANALYSIS OF ACCUMULATED OPERATING RESERVE

- ▶ UP TO 2018/19 THE BALANCE IN THE FUND HAS REMAINED FAIRLY CONSTANT
- ▶ REDUCTIONS IN THE BALANCE IS PRIMARILY DUE TO EXPENDITURES ON EQUIPMENT WHICH CAN BE ONE-TIME COSTS
- ▶ IN 2019/20, THE PLAN WAS TO USE \$7.7 MILLION FROM THE ACCUMULATED OPERATING RESERVE AS REVENUE FOR ON-GOING COSTS
- ▶ WHAT CHANGED:
 - REDUCED ONE-TIME EXPENDITURES DUE TO STAFFING LAGS AND CLOSED SCHOOLS OF \$5.2 MILLION

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)

ACCUMULATED OPERATING RESERVE – INTENDED USE OF THE BALANCE AT JUNE 30, 2020

▶ 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 ACCUMULATED OPERATING RESERVE	\$17.95

WHY WAS THE \$10.8 MILLION REQUIRED?

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)

WHAT IS THE FORECASTED BALANCE IN THE ACCUMULATED OPERATING RESERVE AS AT JUNE 30, 2021

Amended Budget 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)

WHAT IS THE FORECASTED ACCUMULATED OPERATING RESERVE BALANCE AT JUNE 30, 2021?

Accumulated Operating Reserve at June 30, 2020	17,979,328
Changes for the year:	
Net Revenue (Expense) for the year	(5,011,773)
Tangible Capital Assets Purchased	(1,000,000)
Accumulated Operating Reserve at June 30, 2021	11,967,555

WHAT IS AVAILABLE FOR THE 2021/22 ANNUAL BUDGET?

Closing Balance		11,967,555
Carry Forward Restricted		
Schools		(2,995,000)
Projects		(2,508,590)
COVID		(105,559)
Purchase Orders		(700,000)
Available for 21/22 Operating Budget and Contingency		5,658,406
% of Operating Expenses		2.69%

2021/22 ANNUAL BUDGET TO SUSTAIN CURRENT SERVICES

Sustainable Services Budget					
	Current Year On going Forecast	Other Revenue Changes	Change in Government Grants due to Enrollment	Labour Settlnent 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)

SUMMARY OF BUDGET OPTIONS UNDER CONSIDERATION

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%
		<u>6,395,105</u>	
New programs and costs		1,355,554	
Net Adjustments		5,039,551	

WHAT IS AVAILABLE TO THE BOARD TO BALANCE THE 2021/22 SHORTFALL?

- ▶ REDUCTION OPTIONS PROPOSED \$6.395 MILLION
- ▶ NEW REDUCTION OPTIONS ?
- ▶ USE OF RESERVES \$5.658 MILLION
- ▶ REDUCING ADDITIONAL SERVICE REQUEST \$1.355MILLION
- ▶ USE LOCAL CAPITAL FOR EQUIPMENT WITHOUT
TRANSFER FROM OPERATING \$1.406 MILLION

- ▶ ALL OF THE ABOVE ARE THE MAXIMUMS AVAILABLE – PARTIAL CONSIDERATION OF ANY OF THE OPTIONS
IS POSSIBLE

RISKS

- ▶ THE BUDGET IS PREPARED BASED ON THE KNOWN INFORMATION AT THAT TIME OF PREPARATION
- ▶ WHEN THE BUDGET IS PREPARED, AN ASSESSMENT TAKES PLACE TO DETERMINE WHETHER THE RISKS SHOULD BE COSTED
- ▶ HISTORICAL FACTORS THAT HAVE CAUSED VARIANCES INCLUDE:
 - 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
 - COLDER OR Milder WINTERS RESULT IN CHANGES IN UTILITIES SPENDING
 - CHANGES IN SALARIES
 - ENROLMENT CHANGES
 - UNUSUAL LEGAL COSTS

SUMMARY

- ▶ THIS REVIEW CONFIRMS THE STATUS QUO 2021/22 BUDGET SHORTFALL AT \$7 MILLION
- ▶ THE BALANCE IN THE ACCUMULATED OPERATING RESERVE AT JUNE 30, 2021 AVAILABLE FOR USE IN BALANCING THE 2021/22 BUDGET OR TO RETAIN AS CONTINGENCY IS FORECASTED AT \$5.6 MILLION
- ▶ CLARIFICATION OF THE BALANCES IN CASH, CAPITAL RESERVES
- ▶ STRATEGIC PLAN GOALS NEED TO BE RESOURCED OVER THE TERM OF THE PLAN
- ▶ RISK OF LIMITED CONTINGENCY NEEDS TO CONSIDERED
- ▶ CLEAR UNDERSTANDING OF THE OPTIONS AND THEIR IMPLICATIONS

POSSIBLE NEXT STEPS FOR 2021/22 ANNUAL BUDGET

- ▶ RECEIVE MORE COMMUNITY INPUT INTO THE BUDGET DECISIONS ON MAY 27
- ▶ ESTABLISH SHARED PRINCIPLES BY WHICH TO MAKE THE 2021/22 DECISIONS ON THE OPTIONS, INCLUDING THE RISK TOLERANCE FOR LIMITED CONTINGENCY
- ▶ REVIEW THE OPTIONS AND THE IMPLICATIONS AGAINST THE PRINCIPLES

- ▶ EXAMPLE
 - ❑ CONSIDER OPTIONS THAT SPAN TWO SCHOOL YEARS TO ALLOW FOR FURTHER ENGAGEMENT
 - ❑ FUNDING THE EQUIPMENT AMOUNT OF \$1.4 MILLION DIRECTLY FROM LOCAL CAPITAL
 - ❑ REDUCE THE ADDITIONAL BUDGET REQUESTS AND ASK 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.

CONSIDERATIONS

- ▶ 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.

CONSIDERATIONS

- ▶ 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
- ▶ 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.

Questions