

Budget Advisory Committee

Date: December 7, 2021
Presented to: Budget Advisory Committee Meeting 2
Presented by: Kim Morris, Secretary-Treasurer

Terms of Reference

- Terms of Reference (page 2 of the agenda packup) have been updated based on our November 7, 2021 committee discussion:
 - Removal of “proper use of authority”
 - Inserted sample wording for cultural safety which was directly pulled from the Board’s Values/Guiding Principles
 - Inserted more references to the Values/Guiding Principles
 - Students at centre added to Purpose section
 - Cultural safety added to Composition and Operations section
 - Values/Guiding Principles reference in Duties and Responsibilities section
- One committee member added feedback to the ToFR Google doc for the Committee’s consideration (page 5 of the agenda packup)

Terms of Reference

- Breakout rooms
- Discussion
 - Does the latest draft of the Terms of Reference meet our needs?
- Report out

Talking Tables Report

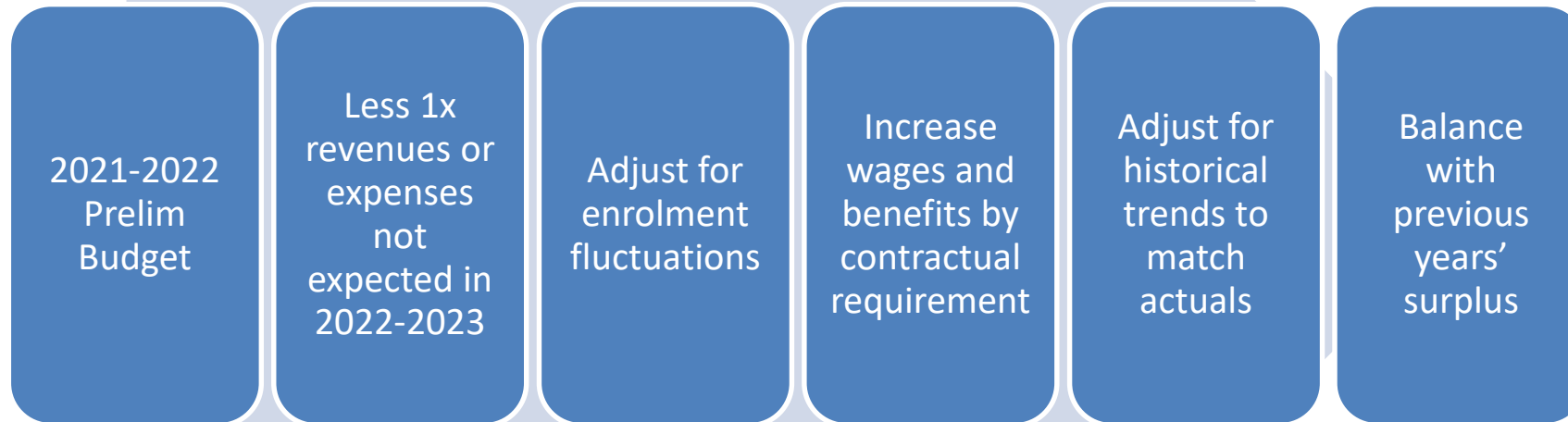
- On page 7 of your agenda packup
- Lots of information; we have time
- Visit this input as the Committee considers:
 - the facilities & capital budgets (climate)
 - supporting the Strategic Plan and FESL (climate and FESL)
 - responsiveness to the input to add to/improve this and future budget processes

Talking Tables Report

- Discussion:
 - Should Talking Tables be continued in future budget years?
 - What is one thing you liked about the event?
 - What is one thing you would improve on the event?
- Enter in the chat.

Budget Orientation Continued

Status Quo Budget – What is it?



Status Quo – What is it?

In SD61 status quo budget means:

1. Starting with last year's preliminary budget (does not include any carry forwards)
2. Adjust revenues and expenses for one-time, non-recurring items in last year's preliminary (i.e. elections expense or constructing a portable)
3. Adjust revenues and expenses based on enrolment projections
4. Increase wages and benefits by estimated contractual commitments (collective agreements and employment contracts)
5. Adjust revenues and expenses for historical trends to more accurately reflect actual revenues and spending
6. Balance deficits with surplus if possible

Other Budgeting Options?

Base +

1. Estimate revenue
 2. *Estimate your base: things not at your discretion to change*
 3. *Add expenses (supports) to address unique asks of schools and departments*
 4. If a deficit:
 - Adjust the Step 3 supports down to balance to zero without using surplus
OR
 - Maintain the Step 3 supports and use surplus to balance the budget
- Does not take into account last year's budget as a starting point (what did we need in the past?)
 - Does use the new budget fiscal year as the starting point (what do we need for upcoming year?)

Base + Alignment

1. Estimate your revenue
 2. Estimate your base: things not at your discretion to change
 3. *Add supports in alignment with the Strategic Plan, FESL, Health & Safety, Operational Plans and School Growth Plans/Goals*
 4. Add supports to fulfill the asks of schools and departments
 5. If a deficit:
 - Adjust the Step 3 and/or 4 supports down to balance to zero without using surplus
OR
 - Maintain the Step 3 and 4 supports and use surplus to balance the budget
- Allows specific initiatives to be implemented and measured against intended outcomes for return on investment and future years' decision-making

Zero Base

- a zero-based budget starts at zero
- does not take into account what happened in historical budgets
- tied to organization's programs and services with each needing to be described, justified and approved in an effort to allocate funds economically and strategically
- Recommended once every 3-5 years due to amount of work and person-hours to complete

- 2 methods:
 - Zero Line-Item Budgeting
 - Service Level Budgeting

- <https://www.questica.com/news/zero-based-budgeting-for-government-agencies/>

ZBB: Zero Line-Item Budgeting

- Each department is required to:
 - describe their department goals for providing programs and services, and
 - how each line item they submit for inclusion in the budget aligns with their goals
- increases awareness of how money is spent
- helps to identify how resources could be used more efficiently
- participants from all levels of responsibility are involved in this type of budgeting process
- result is a better understanding of the budget and buy-in of the final spending decisions

ZBB: Service Level Budgeting

- Organization is divided into “decision units” along functional or organizational lines
- Managers of the units create an overview of their programs and services, and the cost to execute their programs
- Overview is used to create “decision packages” to be ranked for perceived value and likelihood of success, and then used as a basis for deciding how funds will be allocated in the budget

Budgeting Options

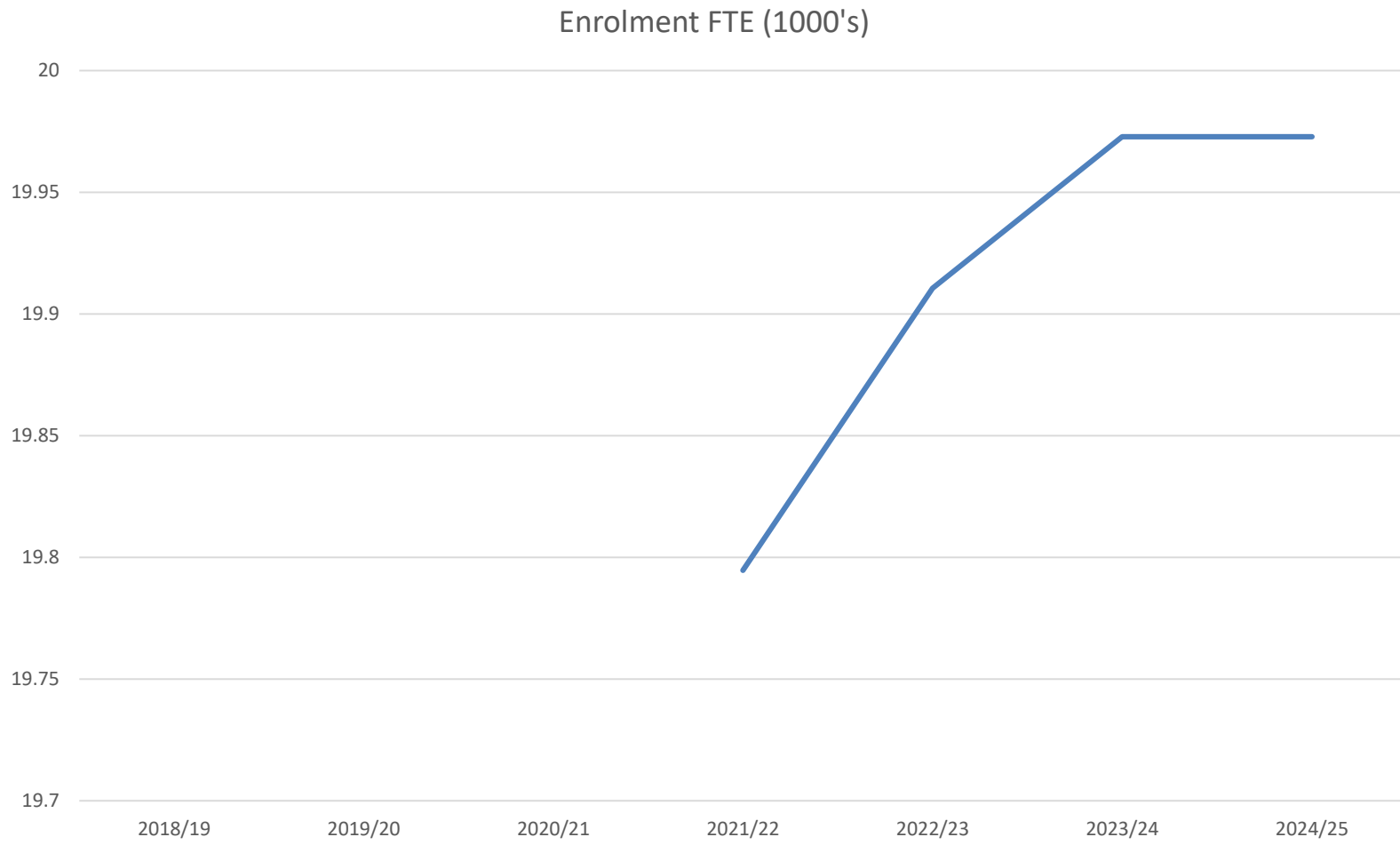
- Breakout Rooms
- Discussion:
 - What budget option is most appropriate for SD61 and when?
 - What option(s) would you like to explore further?
- Report out

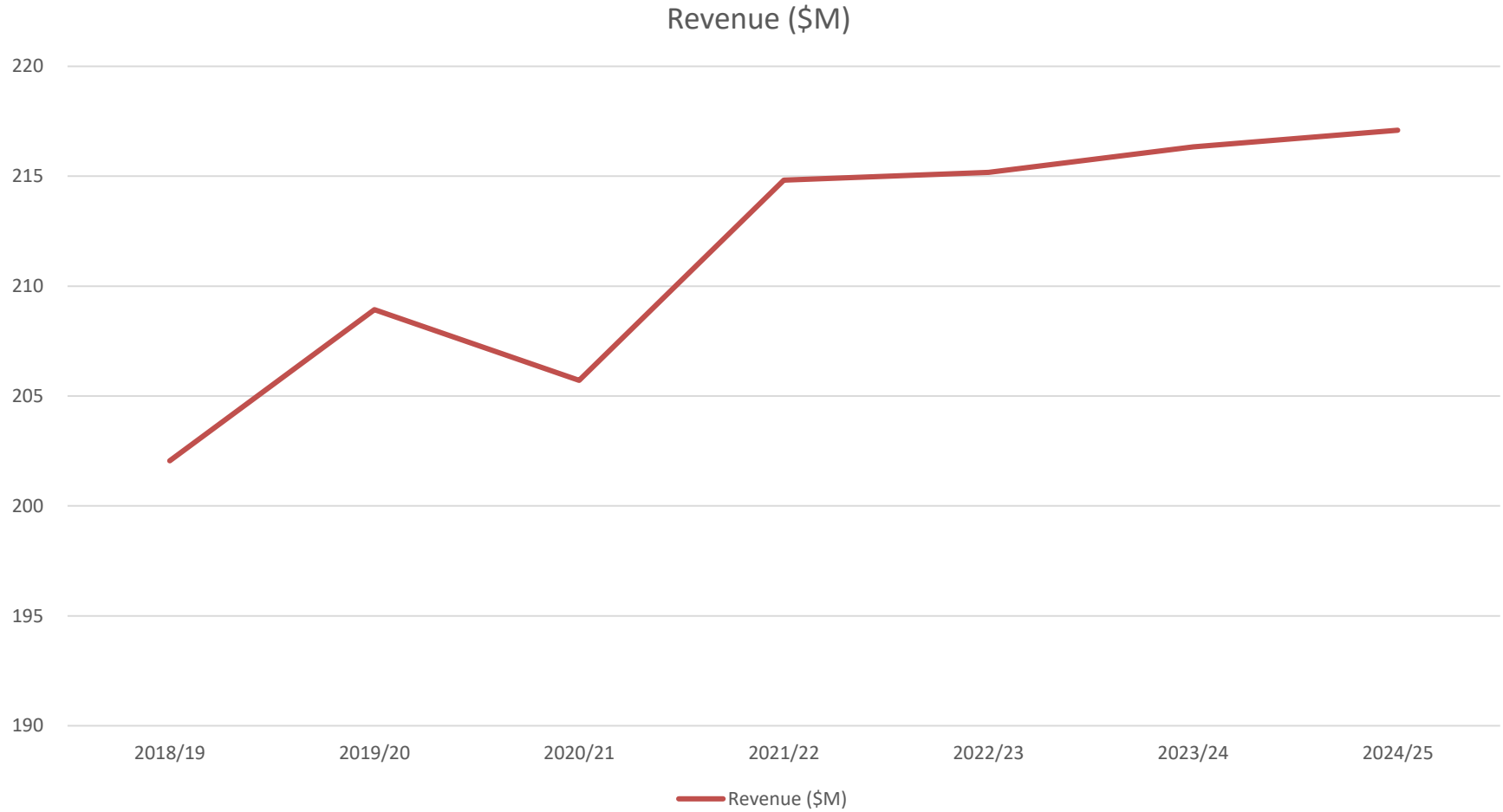
Then, Now and Tomorrow

- On page 72 of the agenda packup you will find an analysis of the operating fund's 4 years of historical actuals, current year 2021-2022 preliminary budget, and a three year projection of the operating budget including deficits.
- NOTE: the 2021-2022 Preliminary budget, and the 2022-2023 to 2024-2025 projections are **ESTIMATED** and contain a number of **ASSUMPTIONS**; these numbers will **CHANGE** over the coming weeks, months and years as numbers like enrolment, operating grant, collective bargaining, exempt compensation updates, alignment to strategic plan and FESL are determined, and work plan topics are presented and discussed.

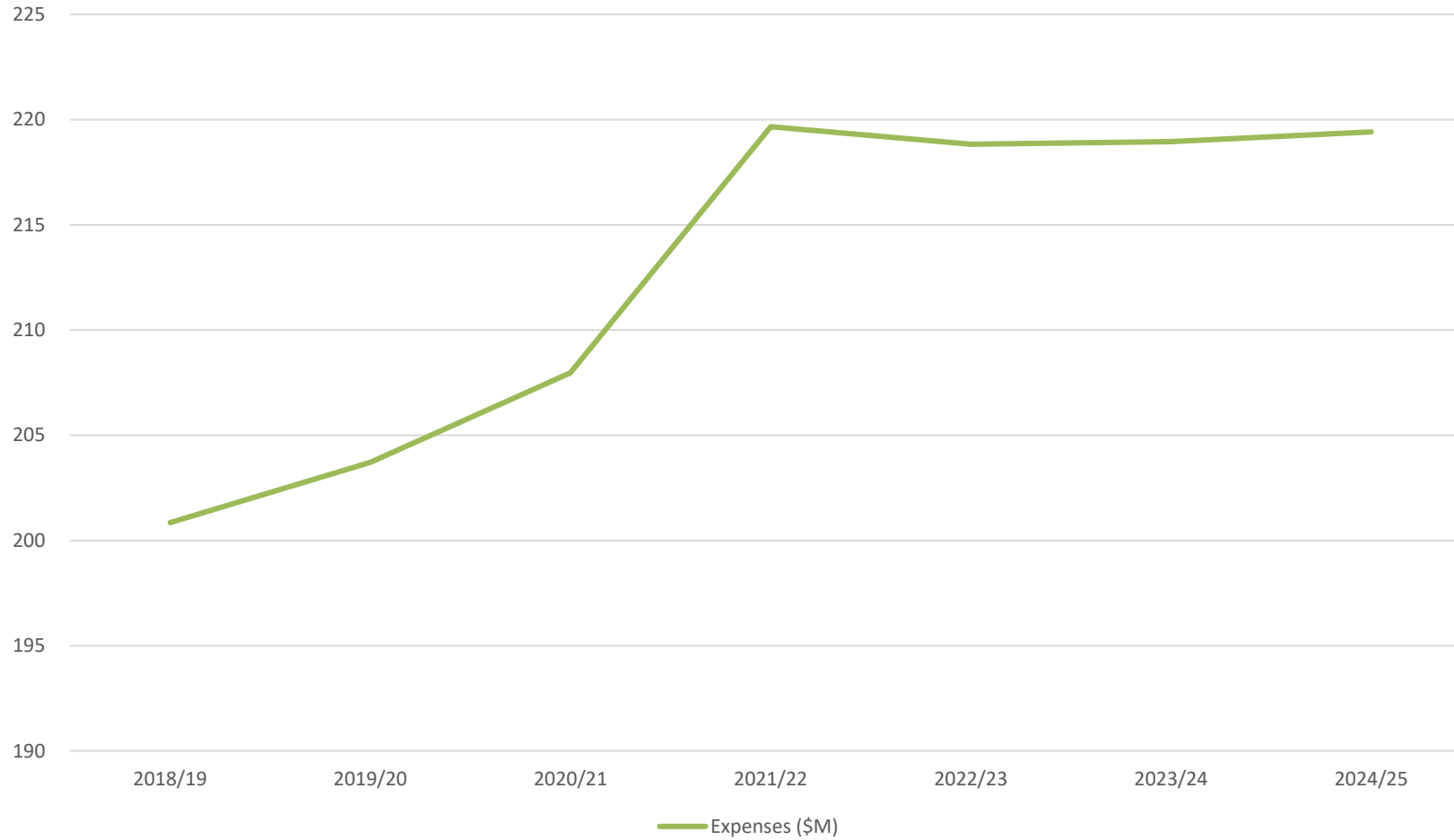
Then, Now and Tomorrow

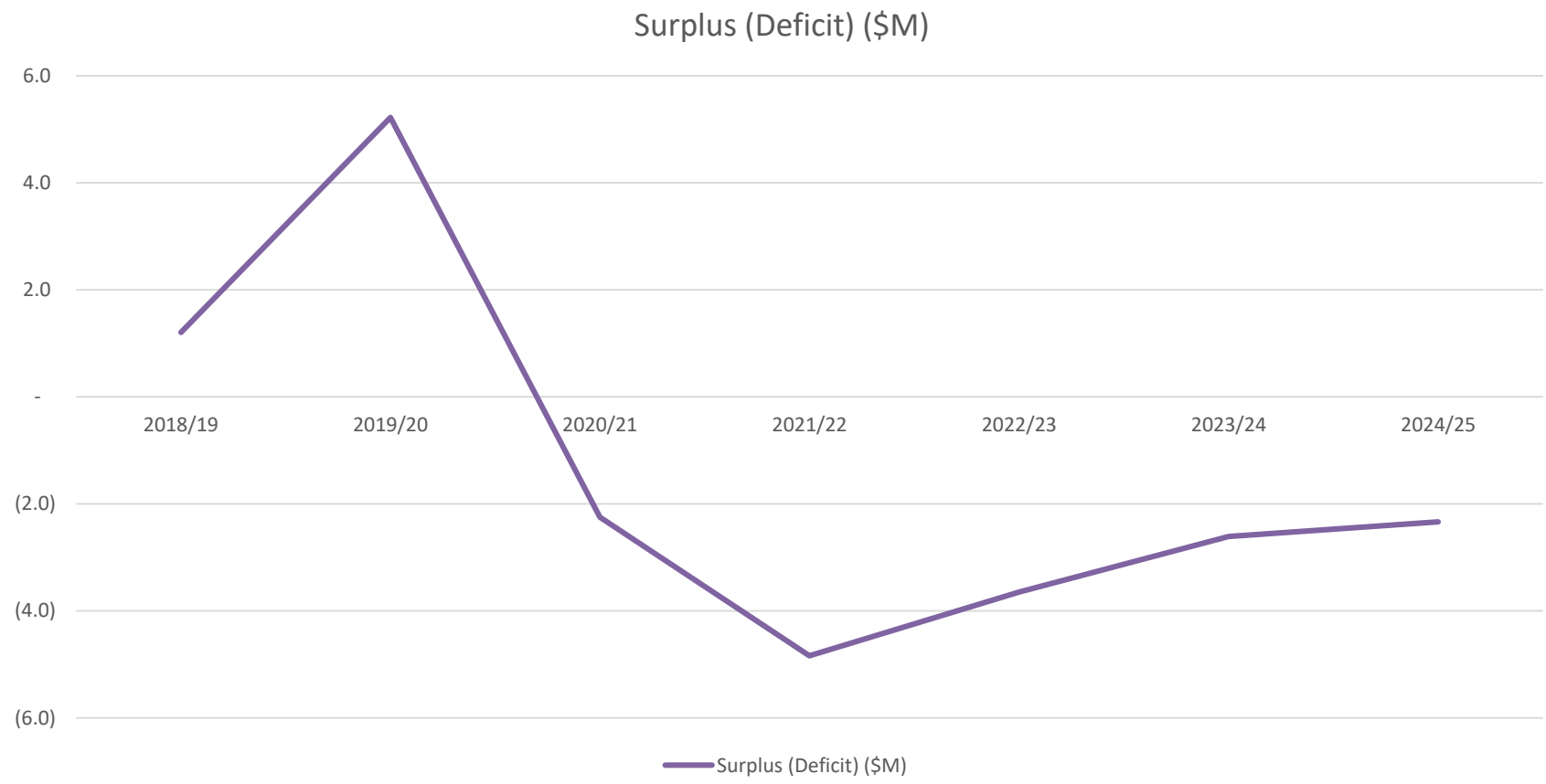
	Actual			Projected				
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
Enrolment FTE (1000's)				19.8	19.9	20.0	20.0	
Revenue (\$M)	202	209	206	215	215	216	217	
Expenses (\$M)	201	204	208	220	219	219	219	
Surplus (Deficit) (\$M)	1.2	5.2	(2.2)	(4.8)	(3.6)	(2.6)	(2.3)	
Inter-fund Transfers (\$M)	3.2	2.1	2.5	-	1.0	1.0	1.0	
Surplus (Deficit), for the year before surplus used	(2.0)	3.2	(4.8)	(4.8)	(4.6)	(3.6)	(3.3)	
Surplus Used	2.0	-	4.8	4.8	-	-	-	
Ending Surplus/Deficit	-	3.2	-	-	(4.6)	(3.6)	(3.3)	



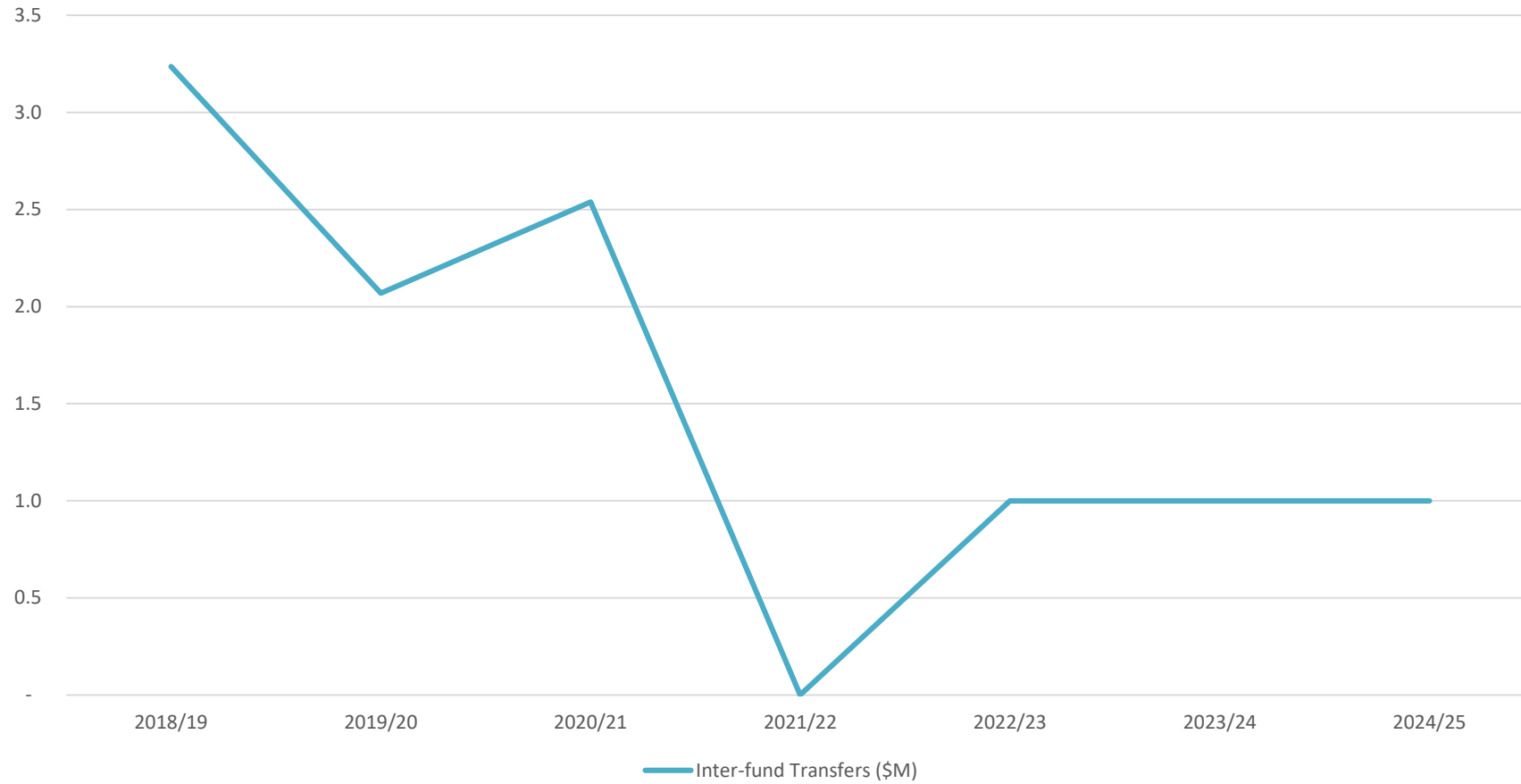


Expenses (\$M)





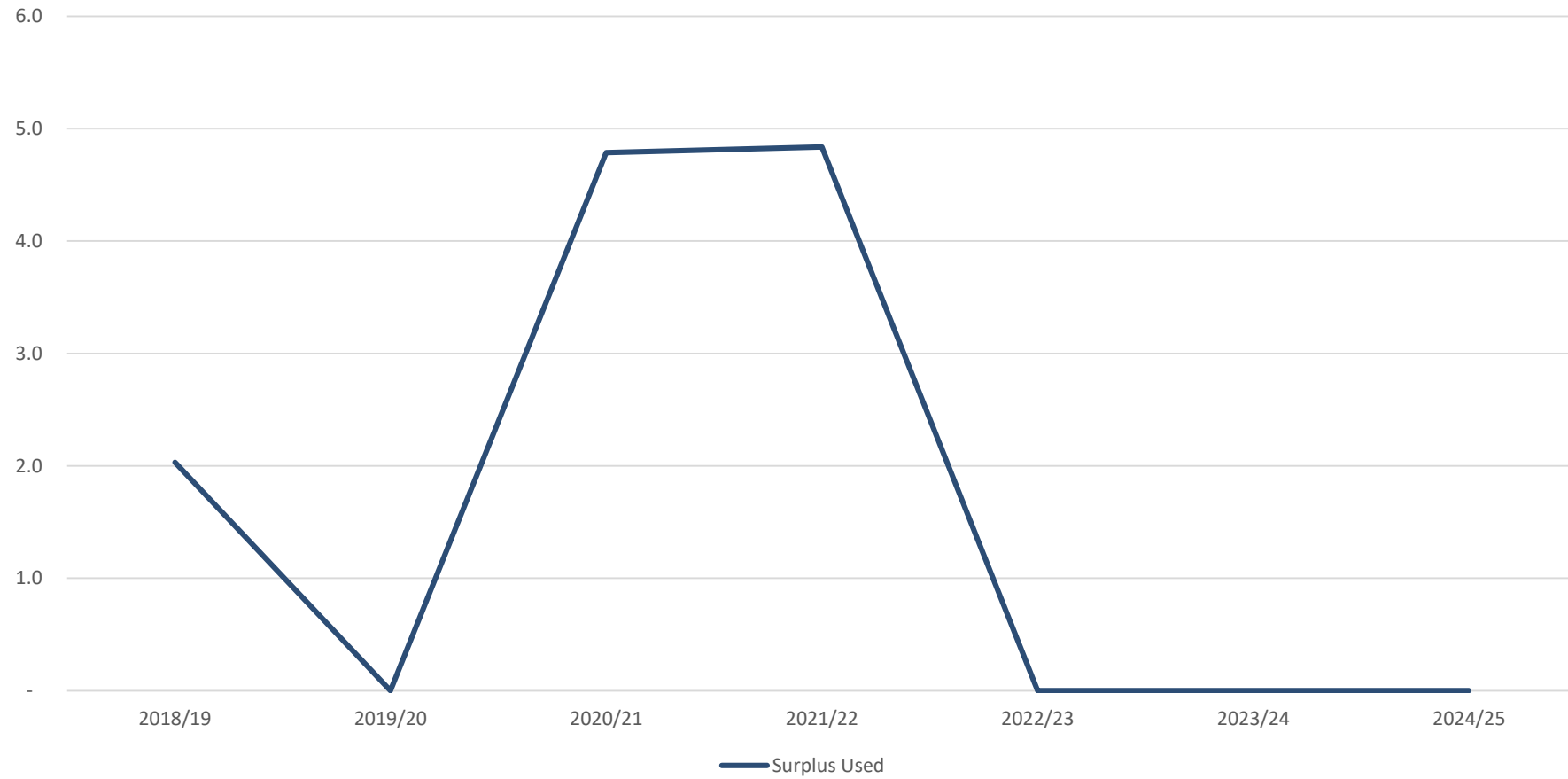
Inter-fund Transfers (\$M)



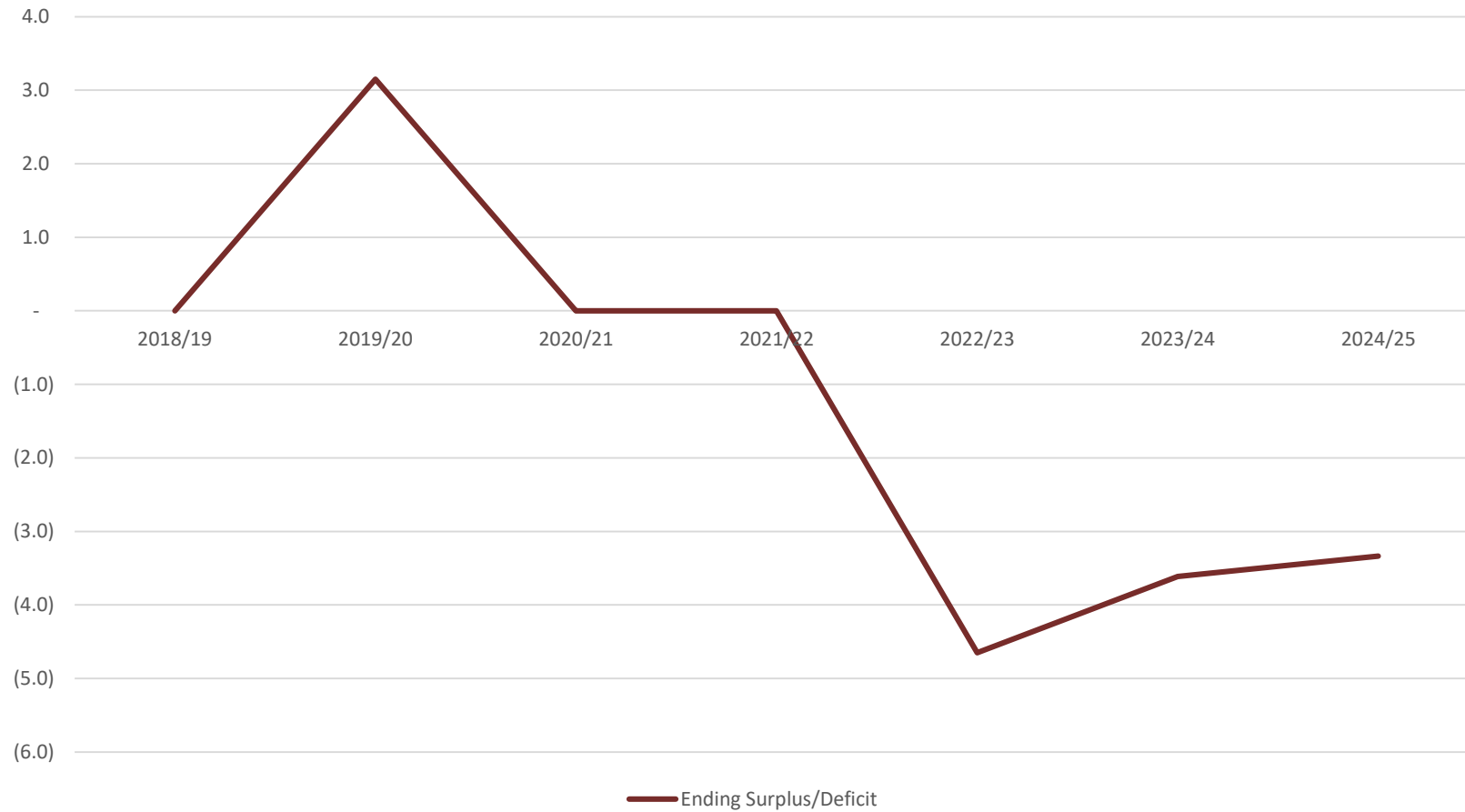
Surplus (Deficit), for the year before surplus used



Surplus Used



Ending Surplus/Deficit



What do you notice?

- Breakout rooms
- Discussion
 - What do you notice about the data in the packup and the charts?
 - What conclusions can you draw?
- Report out

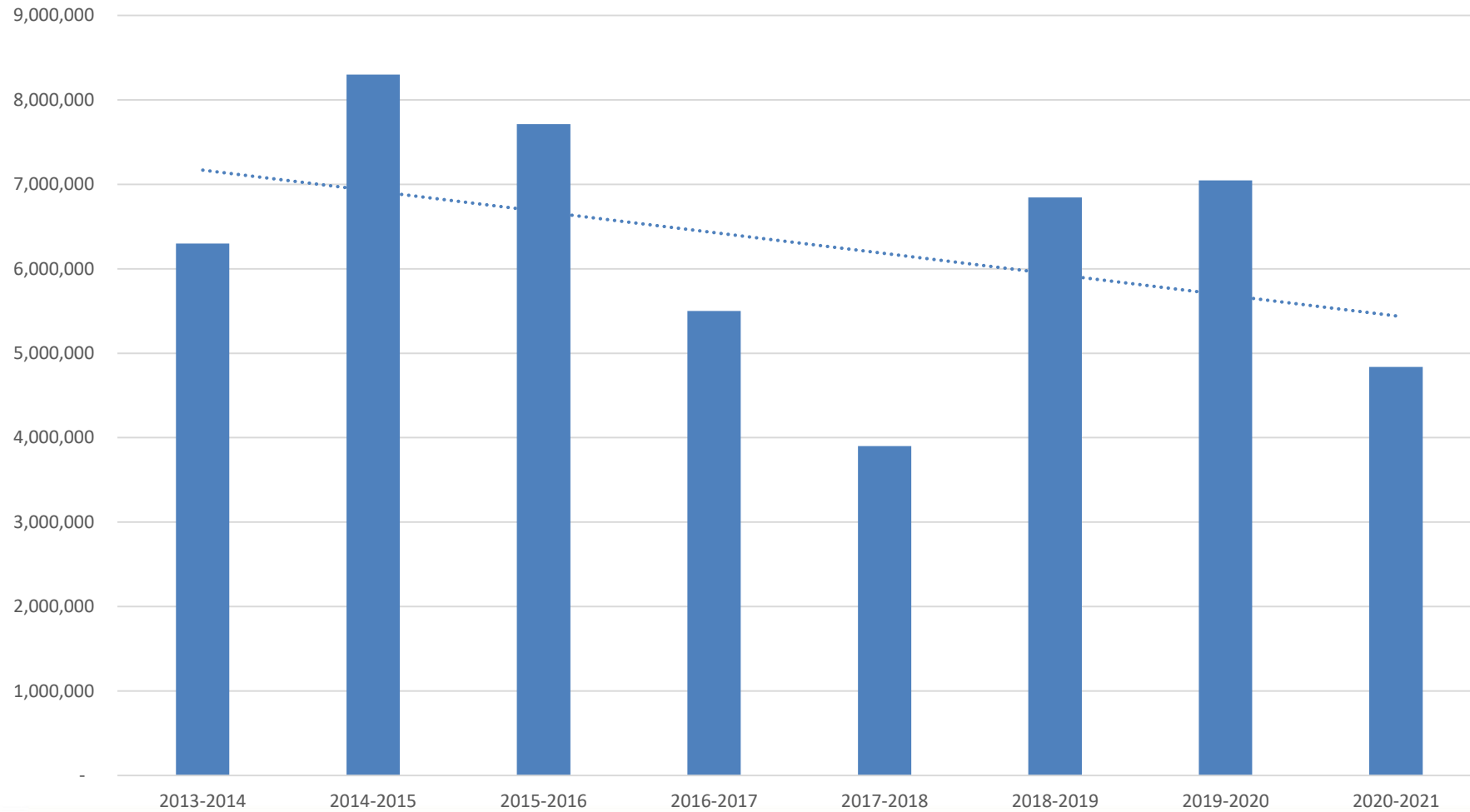
Surplus Philosophy & Policy

- New Ministry surplus policy: <https://www2.gov.bc.ca/gov/content/education-training/k-12/administration/legislation-policy/public-schools/operating-surplus>
- Draft revised SD61 policy is on page 78 of the agenda packup.
- Should the Board:
 - continue to balance the budget with surplusOr
 - should it work toward matching revenues and expenses so that there is no deficit? If so, could this be done over time? Example: 3 years?
 - hold an unallocated surplus for contingency? If so how much?

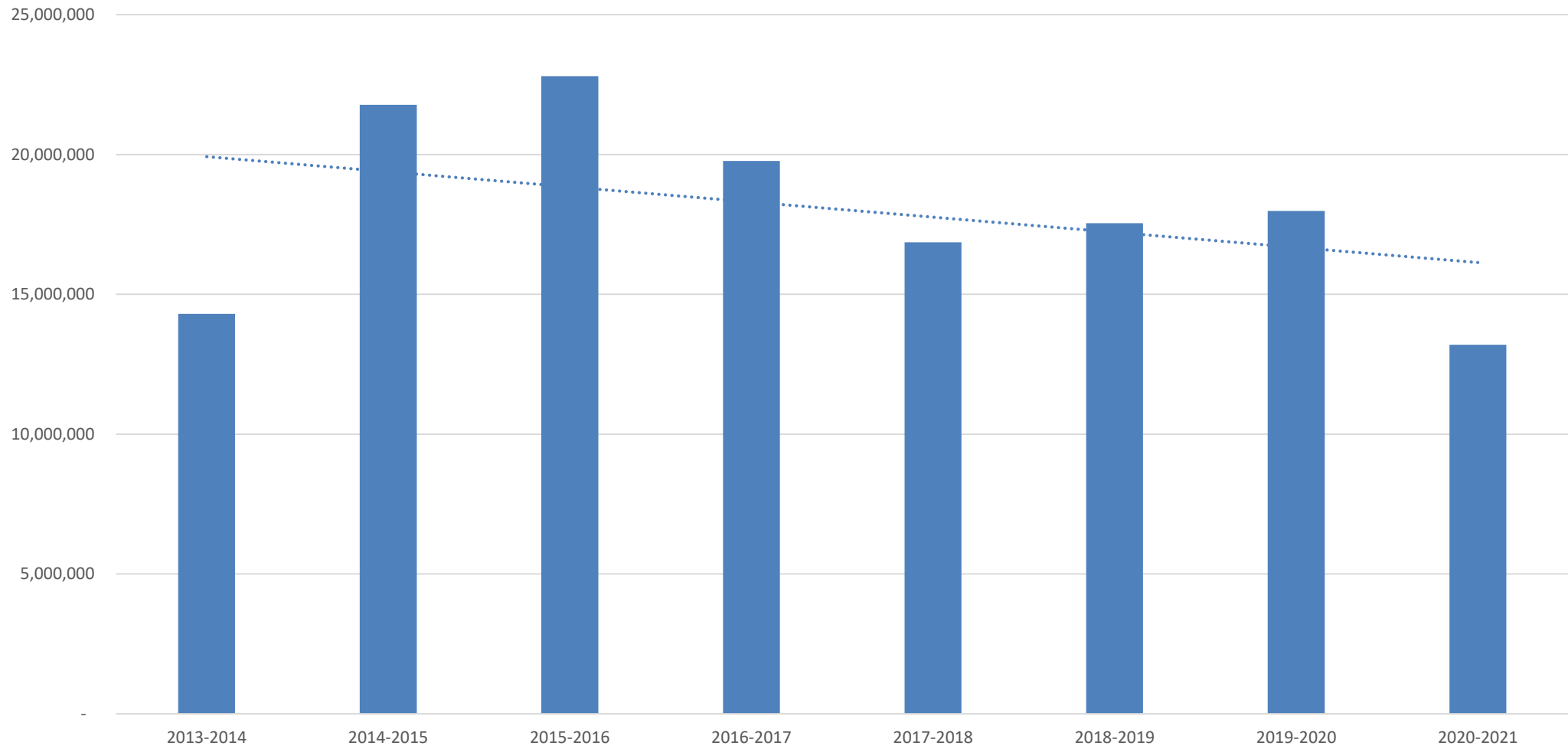
Surplus History

Surplus History (Financial Stmts)	Unspent Schools	Unspent District	Purchase Order Commitments	COVID Contingency	Budgeted in Future Years' Budget		Reserve	Infrastructure	Unrestricted Operating	Total
2013-2014	4,966,701	2,507,438	530,882		6,300,000		-		-	14,305,021
2014-2015	6,108,287	2,579,856	682,969		8,300,000		-		4,104,554	21,775,666
2015-2016	5,735,930	3,750,175	961,965		7,710,764		-		4,641,593	22,800,427
2016-2017	5,379,427	3,729,737	1,385,806		5,500,000		-		3,774,594	19,769,564
2017-2018	4,246,216	5,307,670	1,018,775		3,900,000		-		2,386,696	16,859,357
2018-2019	3,400,360	4,843,799	419,972		6,845,754	*	-		2,037,796	17,547,681
2019-2020	2,574,310	5,207,301	560,082	2,561,247	7,046,806		-		29,582	17,979,328
2020-2021	1,972,690	2,840,184	618,487		4,837,387	**	1,967,641	956,350	-	13,192,739

Surplus Budgeted to Balance Next Year



Surplus History - Overall



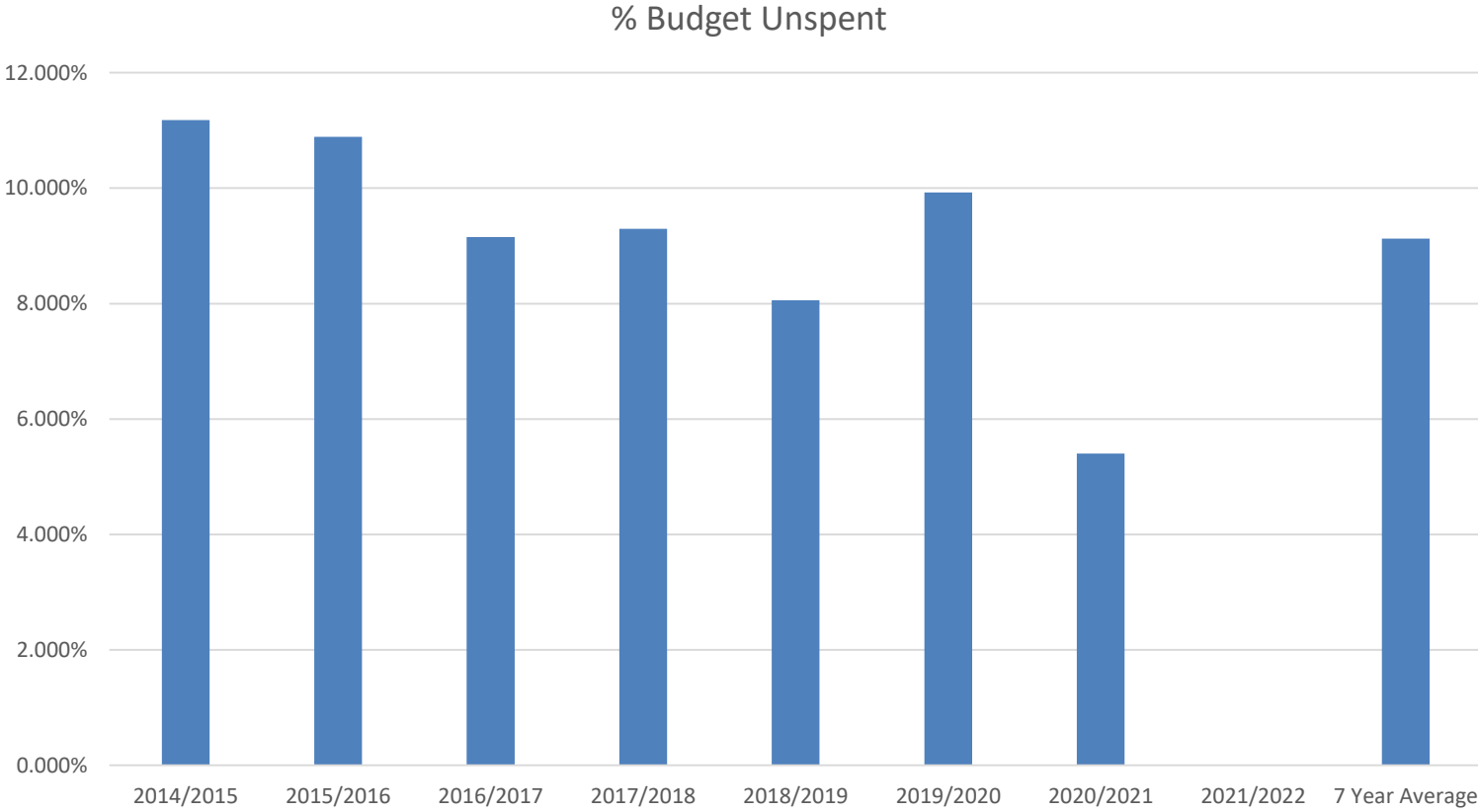
Surplus – October 2021

Reserves	
- Reserve - District (Board Approved June 2021)	821,019
- Reserve - District (Board Approved - September 2021)	921,622
- Reserve - International (Board Approved - September 2021)	425,000
Total Operating Reserves (0.98% of revenue)	2,167,641
- Local Capital Fund	320,646
- Ministry of Education Restricted	2,975,006
	3,295,652

Monthly Expenditure Patterns

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	7 Year Average
Annual Budget	189,847,515	201,208,391	210,107,933	215,415,146	221,971,133	228,457,776	222,467,073	220,713,551	212,782,138
July YTD	2.163%	2.543%	2.577%	2.487%	2.584%	2.439%	2.419%	2.961%	2.46%
August YTD	4.272%	4.333%	4.810%	4.552%	4.983%	4.668%	4.377%	5.043%	4.57%
September YTD	8.448%	11.545%	12.463%	12.326%	13.179%	12.486%	12.153%	13.199%	11.80%
October YTD	16.831%	20.670%	20.677%	20.807%	21.435%	21.094%	21.245%	23.171%	20.39%
November YTD	26.599%	28.734%	28.898%	29.127%	29.259%	29.288%	29.760%	0.000%	28.81%
December YTD	34.940%	36.922%	37.072%	37.384%	37.860%	37.941%	38.171%	0.000%	37.18%
January YTD	43.819%	45.455%	45.694%	45.730%	46.500%	46.432%	47.447%	0.000%	45.87%
February YTD	52.620%	53.856%	54.089%	54.314%	54.859%	55.381%	56.256%	0.000%	54.48%
March YTD	61.209%	55.931%	63.110%	63.455%	64.273%	64.249%	65.344%	0.000%	62.51%
April YTD	70.043%	71.274%	71.690%	71.532%	73.394%	72.137%	74.769%	0.000%	72.12%
May YTD	79.661%	79.916%	80.352%	82.626%	82.201%	81.716%	83.968%	0.000%	81.49%
June YTD	88.821%	89.110%	90.848%	90.703%	91.941%	90.075%	94.601%	0.000%	90.87%
% Budget Unspent	11.179%	10.890%	9.152%	9.297%	8.059%	9.925%	5.399%		9.13%
Unspent	21,223,514	21,911,964	19,229,026	20,026,965	17,888,613	22,675,207	12,011,020		19,280,901

Pattern of Underspent Budgets



Surplus Philosophy & Strategy

If the Board consistently has an underspent budgets average of 9.13% each year (highest underspend: 11.2% in 2014-2015 and lowest underspend: 5.4% in 2021-2022) can we conclude that:

- we budget very conservatively
- there is room to move from the conservative status quo method of budgeting to a less conservative method of budgeting with
 - more understood/calculated risks and assumptions?

Would we be more accurate in our budgeting and come closer to \$0 at year end
Thus spending this year's funding on this year's students

AND

Possibly attending to the deficit by having less impact on service to students?

AND

Building appropriate unallocated operating surpluses for contingencies?

Surplus Philosophy & Strategy

- Breakout rooms
- Discussion:
 - What should the Board do when it has a surplus?
 - Should the Board hold unallocated operating surplus for contingency?
 - How much? Currently 1% contingency = \$2.1million
 - What should the Board consider if it makes more assumptions or takes more risk in its budget methodology?
- Report out

Work Plan

- On page 97 of the agenda packup.
- Sources: Committee google doc, Senior Leadership Team, Financial Services team
- Suggested sequencing: infrastructure January, learning February

Work Plan

- Breakout rooms
- Discussion:
 - Is there any missing topics?
 - Does the sequencing work for Committee members?
 - Do the resource people seem appropriate? Is anyone missing?
- Report out

Take Away

- In the chat, enter
- Your biggest take away from today's meeting

AND

- What will you be sharing with your memberships between now and the next meeting?

Next Meeting

- January 18, 2022 5 pm
- Zoom

