

## 2021/22 Budget Consultation Background Document – April 9, 2021

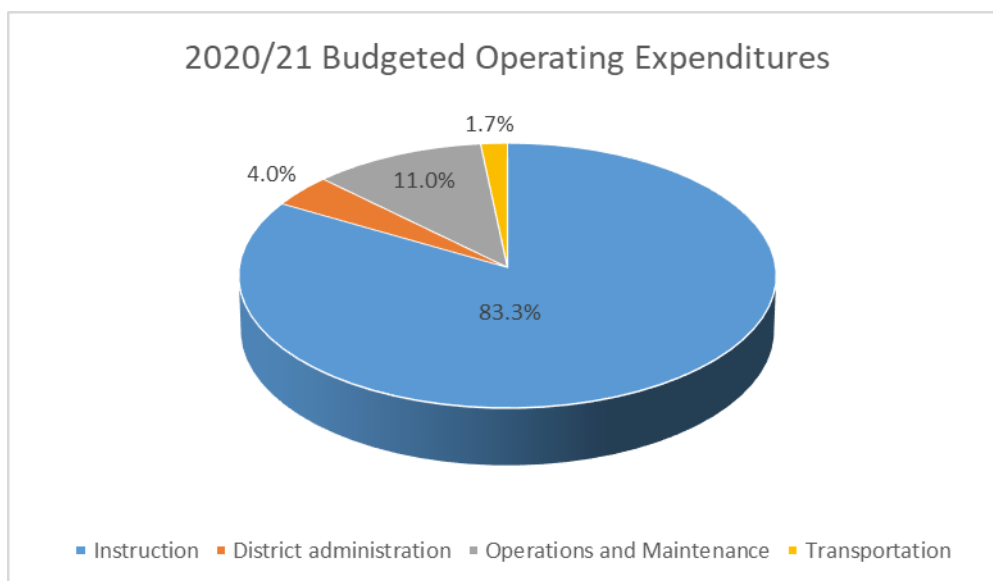
The Board of Education is seeking your input in determining budget priorities for the 2021/22 budget year (July 1, 2021 to June 30, 2022) and beyond, through completion of a survey and participation in a virtual Community Budget Meeting on April 15<sup>th</sup> at 7pm. To inform completion of the survey this document provides further background on the Saanich School District, the budget consultation process, and budget context for 2021/22.

### About the Saanich School District

The Saanich School District serves almost 8,000 students in 14 traditional neighbourhood schools (eight elementary schools, three middle schools, three secondary schools), the South Island Distance Education School (SIDES); the Individual Learning Centre (ILC); the Continuing Education program; and the Saanich International Student Program.

In the 2020/21 budget, the district budgeted for revenues of \$79.2 million in the operating fund<sup>1</sup>. These revenues were comprised of provincial grants (\$73.0 million); direct funding from First Nations (\$3.0 million); international student tuition (\$1.6 million); international student homestay fees (\$0.6 million); and other revenues (\$1.0 million). In the 2020/21 annual budget, the Board appropriated an additional \$3.9 million in prior year accumulated surplus to fund operating expenditures.

As shown below, in the 2020/21 budget the Saanich School District invested 83.3% of the operating budget directly into instructional programs.



<sup>1</sup> Additional program revenues targeted for specific purposes is reported in the special purpose fund (\$14.0 million in the 2020/21 budget).

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Operations and Maintenance was 11.0% of 2020/21 budgeted expenditures and includes facilities/grounds maintenance, custodial, information technology, health and safety, and utilities. The district operates 20 facilities and approximately 960,000 square feet of space.

District administration was 4.0% of 2020/21 budgeted expenditures and includes Board governance, educational leadership, finance and payroll, human resources, and communications.

Transportation costs, including the operations of the school bus fleet, was 1.7% of 2020/21 budgeted expenditures.

### **2021/22 Budget Consultation Process**

In November 2020, the Board approved the [2021/22 Budget Guiding Principles](#) to guide the budget consultation process. These principles reflect that the Saanich Board of Education will keep support for students at the forefront of its decisions. As the Board recognizes public education is the responsibility of the whole community, community engagements is key to the decision making process.

School Boards adopt two budgets in each fiscal year:

- A preliminary budget is adopted before the end of June for the following fiscal year based on forecasted enrolment and revenues; and
- An amended budget is adopted before February during the fiscal year reflecting actual fall enrolment and funding.

This budget consultation will inform decisions regarding priorities for the preliminary and amended budgets for 2021/22, and planning for future budgets. The consultation process is overseen by the Budget Advisory Committee, which provides advice to the Board of Education. Documents related to the 2021/22 budget consultation process are posted to the [consultation site](#) throughout the process.

### **Context for Budget 2021/22**

With about 80% of operating revenues determined by student enrolment, budgeted revenues in 2021/22 are estimated based on forecasted enrolment.

Enrolment in the 2020/21 was significantly impacted by the pandemic, and September 2020 school age domestic enrolment grew to 7,406 from 7,122 the previous fall (September 2019). This net increase of 284 FTE was comprised of significant growth in distributed learning enrolment by 513 FTE, but was offset by decreased enrolment in neighbourhood schools by 229 FTE. School Age enrolment for September 2021 is forecasted to decrease by 216 FTE to 7,190 FTE driven primarily by projected decline in distributed learning enrolment. Forecasting enrolment for this September is challenging, particularly for distributed learning, and significant variations from forecast may occur. The enrolment forecast for 2021/22 is conservative and as enrolment changes and becomes more certain the district will make adjustments as needed including hiring additional staff.

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To offset the negative financial impact of the pandemic, the Board appropriated \$3.9 million in accumulated surplus (reserves) to fund continuing expenditures this year (2020/21). This reflected the importance of maintaining program continuity through the pandemic, however, was not sustainable longer term. Fortunately the district has achieved savings relative to budget during the year and is currently estimating that only \$1.6 million of the \$3.9 million allocated will be consumed in the 2020/21 fiscal year. Federal and Provincial funding targeted for pandemic related costs contributed to these savings by funding some pandemic costs that had previously been budgeted in the operating fund.

In 2021/22, the district is projecting a partial recovery in international program enrolment increasing net revenue by \$1.0 million; however, this is partially offset by inflationary pressures in 2021/22 in excess of funding rate growth. If the district appropriated all projected residual reserves of \$2.3 million (\$3.9m minus \$1.6 m) the budget for 2021/22 can be balanced, but without funding additional priorities including those described below. The district is still refining the projection of reserves available in 2021/22.

### **Budget Risk – Sustainability**

While maintaining program continuity through the pandemic is important, the proposed 2021/22 budget (by appropriating \$2.3 million in accumulated surplus reserves) is not financially sustainable<sup>2</sup>, and future program sustainability remains a significant risk. Depletion of accumulated surplus alone could result in budget pressure in 2022/23 (the year after the next fiscal year) of \$1.2 million or more.

Growth in funding rates in 2021/22 do not fully fund inflationary cost pressures resulting in further unfunded structural pressure of \$0.8 million. While this is partially offset in 2021/22 by supplemental funding for enrolment decline, this is transitional funding that does not continue into 2022/23. A full recovery of international program enrolment in 2022/23 would increase net revenues by a further \$1.0 to \$1.2 million; however, the factors described above and the possible addition of another year of net unfunded inflationary pressures could result in significant budget pressure in 2022/23.

As the per student funding allocations in BC exceed the incremental cost of service delivery, over the past 4 years the district has been able to fund inflationary pressures from enrolment growth. If growth continues additional funding will be available to help offset future cost pressure; however, district projections indicate enrolment may level off and even decline over the next few years.

### **Budget Risk – Pandemic**

During the 2020/21 school year, the district received \$3.6 million in targeted funding from the Federal and Provincial governments to implement pandemic related measures including a remote learning program and other program supports for students, and to enhance health and safety measures. As this funding was temporary for the 2020/21 school year, for budget planning it is assumed the additional funding and related pandemic measures will not continue into the 2021/22 school year.

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<sup>2</sup> A sustainable allocation of accumulated operating surplus should equate to the average annual budget underspend over time, which is below \$1 million.

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While the planned distribution of vaccine indicates a likely return to pre-pandemic operations in the fall, it is difficult to predict how the pandemic may unfold. There is risk that additional program cost may result due to the pandemic, and that these additional costs may not be funded in 2021/22.

### **Budget Risk – Provincial Delivery Model for Online Learning**

With the planned implementation of a Provincial delivery model for online learning, the Ministry of Education intends to select qualified Provincial service providers by January 2022. If the district's South Island Distance Education School ("SIDES") is not selected as a Provincial service provider (and can no longer enroll students from outside the district) the scale of the program would decrease significantly and the financial impact could begin in 2021/22 with reduced mid-year enrolment counts in February and May. As SIDES is one of only a few leading online learning schools in BC, we are optimistic that SIDES will be selected as a Provincial service provider and will experience growth in enrolment as a result.

### **Priorities for Budget 2021/22**

The Board's budget guiding principles recognize that budget decisions are best informed by the identification and evaluation of strategic and operational priorities. Budget priorities are identified by considering two questions.

#### **How can we best improve student success?**

This question is addressed by considering where funding impedes progress in critical areas and/or where opportunities exist to improve outcomes in relation to [Strategic Plan 2020](#). Strategic plan goals that directly relate to student success are in strategic plan [theme 1 \(Student Success\)](#) and strategic plan [theme 2 \(Diversity and Inclusion\)](#). As the district is entering the final year of the strategic plan in 2021/22, the Board of Education has started the process to develop the next strategic plan, which will include a comprehensive community consultation process.

For several years, investment in IT infrastructure has been identified as a priority to support strategic plan objectives related to innovative teaching practices, and to reduce operational risks (described below).

There are currently a number of initiatives underway to improve student success in relation to strategic plan themes 1 and 2. This includes a joint review of indigenous program outcomes with the provincial First Nations Educational Outcome Improvement Team (FNEOIT), a review of K-12 literacy programs and assessment, curriculum and learning resource initiatives, and teacher leadership and growth opportunities.

#### **What could go wrong and how do we prevent it?**

Operational risk is managed through the coordinated monitoring of risk across the school district informing decision making, planning and resource allocation. The most recent risk report [\[link to report\]](#)

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documents the district's assessment of risk and planned response to risks that are assessed as medium risk or higher.

Identified risks related to IT infrastructure (Risk B – Information System Failure and Risk C – Privacy Breach/Cybersecurity Attack) has informed IT infrastructure's identification as a budget priority since 2018/19.

Budget sustainability due to potential financial pressure (Risk A) has been assessed as a high risk, and relates to the identified priority below to increase the budget contingency reserve.

### Identified Budget Priorities and Proposed Budget Increases

1. Restore temporary reduction to IT infrastructure budget (\$250,000) – In 2018/19 and 2019/20, investment in IT infrastructure was a priority and the annual budget was increased by \$750,000 to address significant operational risks and to improve educational program support. This investment was necessary to rectify issues resulting from significant historical underinvestment in information technology, and represented the minimum annual investment required to implement the renewed district technology plan. This budget was reduced temporarily in 2020/21 by \$250,000 to help mitigate the negative financial impact of the pandemic.
2. Elementary School Daytime Custodial Support (\$143,000) – in the prior year budget consultation, daytime custodial support in elementary schools was identified as a priority. Daytime support was actually implemented this year in elementary schools, but using targeted pandemic funding which does not continue into 2021/22. For this support to continue in 2021/22, it will need to be incorporated into the operating fund. This proposal reflects a 2.66 FTE increase in custodial time during the school year and related budget for travel cost.
3. Educational Program Priorities (\$100,000) – There are currently a number of initiatives underway to improve student success, as described above under the heading above “How can we best improve student success?”. As these initiatives progress, there will be opportunities identified where funding is an impediment to improving student success.
4. Increase Contingency Reserve – In the 2019/20 budget, \$1.0 million was allocated from the contingency reserve<sup>3</sup> to offset the financial impact of the pandemic, reducing the balance from \$1.7 million to \$0.7 million. To the extent possible, increasing the contingency reserve is a priority to reduce risk to future program sustainability (refer to discussion above under heading “Budget Risk – Sustainability”).

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<sup>3</sup> The contingency reserve represents the portion of accumulated operating surplus that remains unallocated for budget purposes, and serves as a reserve available to fund unanticipated cost pressures.

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### Next Steps in the Budget Process

The Board of Education is seeking your input in determining priorities for budget 2021/22.

The district is proposing that the 2021/22 budget be balanced by appropriating forecasted accumulated operating surplus and that identified priorities be implemented only as financial circumstances allow. At this time the district is forecasting funds are not available to fund additional priorities including those identified above. However, when actual results for this year and enrolment for 2021/22 are more certain, additional funding may be available to fund priorities. The feedback received in this budget consultation will inform setting priorities for the 2021/22 budget and will inform future budget planning.

More information on the budget consultation process including detailed documents supporting 2021/22 budget planning are available on the district's [budget consultation site](#).