



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

BRIEFING NOTE

TO: The Board of Education
FROM: Alanna Cameron, Secretary-Treasurer
RE: **2019-20 Annual Budget**

DATE: May 21, 2019

Purpose

As per Section 113 (2) of the *School Act*, the Minister of Education requires that Annual Budgets are prepared, adopted by bylaw and submitted on or before June 30th each fiscal year. The 2019-20 Annual Budget Bylaw for School District No. 83 (North Okanagan-Shuswap) is presented to the Board of Education for adoption.

Background

The 2019-20 proposed Annual Budget, as presented, has been prepared in accordance with Public Sector Accounting Standards and includes the Operating Fund, Special Purpose Funds, and the Capital Fund. School districts operate on a fiscal year of July 1 to June 30.

The 2019-20 Annual Budget Report included in this briefing note outlines the Board's budget development process, provides an analysis of the 2019-20 projected operational revenues and expenditures, as compared to the 2018-19 Amended Annual Budget, and proposes recommendations for the Board to consider.

Supporting Documentation

The proposed 2019-20 Annual Budget is attached.

Annual Budget Report

❖ DEVELOPMENT PROCESS

On February 19, 2019, the Board adopted the 2019-20 budget development guiding principles, and approved the terms of reference, process and timeline for the established Budget Committee, who's mandate was to advise and assist with the 2019-20 budget development.

The purpose of the Budget Committee was to provide an interactive forum for open communication and understanding of the budget. The committee was to provide the Board with representative advice on budget issues, including feedback on the implications of proposed changes, advice on new priorities and emerging opportunities, and recommendation on how the Board might best align resources in support of the three established goals within the district's Strategic Plan.

The committee consisted of representation from all partner groups, including:

- Teachers (NOSTA)
- Support staff (CUPE)
- First Nations (FNEC)
- Principals/Vice Principals (NOSPVPA)
- Parents (DPAC)
- District staff

The Committee met seven times from March through May, 2019. The meetings provided an opportunity for:

- trustees to hear directly from the field through a facilitated interactive group discussion around key educational topics/issues;
- partner groups to present and share values and perspectives directly with trustees and the senior leadership team;
- discuss and consideration of the implications of the preliminary operating grant announcement and any potential budget shortfall or enhancement;
- direct interaction and communication with all management staff;
- an in-depth presentation and discussion of each department's background, current goals and objectives, key strategies to achieve established goals, the performance measures in place to ensure success, and detail of past, current and projected finances;
- consideration and discussion of input from the public budget consultation meeting.

A public budget consultation meeting was held on Wednesday, May 1, 2019. The public was provided with general information on how school districts are funded and the Ministry of Education's established regulation related to annual budget submission. The Board's 2019-20 preliminary budget development process was discussed, detail of known or anticipated revenue changes and cost pressures/savings were shared, and the preliminary budget priorities and initiatives were proposed for 2019-20. The public was given an opportunity to provide feedback and ask questions.

❖ **OPERATING FUNDS**

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

The operating revenue and expenditure budgets include:

1. the anticipated unappropriated surplus carry-forward from the 2018-19 fiscal year;
2. the known or anticipated changes in revenues, including the Ministry of Education Block Funding resulting from anticipated changes in student enrolment and other;
3. the known, anticipated or proposed changes in operational expenses.

➤ **2019-20 APPROPRIATED OPERATING SURPLUS**

Based on a thorough analysis of the 2018-19 revenues and expenditures to April 30, 2019, district staff have projected an estimate of unappropriated year end surplus of \$200,000. This projected surplus is included as “**Budgeted Prior Year Surplus Appropriation**” on **Schedule 2**, as attached (reference note “A”).

➤ **2019-20 OPERATING REVENUES**

Ministry of Education Provincial Operating Grant

In working towards its strategic goal to improve equity in the system, the Ministry has increased funding rates for 2019-20 in specific areas in an effort to support students with special needs, indigenous education and rural students, as follows:

Funding Supplement	2018/19 Rate	2019/20 Rate	Change
Basic Allocation	7,423	7,468	45
Special Needs – Level 1	38,800	42,400	3,600
Special Needs – Level 2	19,400	20,200	800
Special Needs – Level 3	9,800	10,250	450
English Language Learning	1,420	1,495	75
Aboriginal Education	1,230	1,450	220
Adult Education	4,696	4,773	77
Summer Learning – Grade 1 to 9	212	215	3
Summer Learning – Gr. 10 to 12 & Cross-Enrolment – Gr. 8 to	423	430	7
Student Location Factor (elementary)	260	266	7
Student Location Factor (secondary)	346	355	9
Small Community Supplement	Provincial total increased by \$6.2 million		
Low Enrolment Factor	Provincial total increased by \$2.8 million		

Based on the preliminary operating grants announced on March 15, 2019, the school district is projected to receive \$67,584,768 in operating grant funding. This allocation is a net increase of \$1,273,202 from the interim grant allocation for 2018-19 and is due to an increase in projected student enrolment combined with the additional funding for labour settlements with teachers and support staff that took effect late in the 2018-19 school year, including the Economic Stability Dividend and increases to elementary prep time.

Additional funding for support and teacher collective agreements set to begin in 2019 has not yet been received or allocated by the Ministry, and so is not included as part of the preliminary operating grants released March 15. Confirmation of additional funding for these agreements (once finalized and ratified) will be provided by the Ministry at a later date.

SD 83 2019-2020 MINISTRY OPERATING GRANTS SUMMARY			
FUNDING SOURCE	2018-2019 Interim	2019-2020 Preliminary	Change from 18-19 Interim
FTE September Enrolment	6,364.0334	6,379.0000	14.9666
Enrolment Based Funding			
school age - reg	46,846,337	47,272,440	426,103
continuing education	-	-	-
school age - alt	304,343	268,848	(35,495)
dist learn	73,581	79,300	5,719
home school	750	750	-
course challenge	-	-	-
sub-total	47,225,011	47,621,338	396,327
Special Education			
level 1	194,000	254,400	60,400
level 2	6,499,000	6,666,000	167,000
level 3	1,274,000	1,230,000	(44,000)
sub-total	7,967,000	8,150,400	183,400
Dist Ed Enrolment Based			
July (Summer Learning)	5,499	-	(5,499)
Feb	122,000	85,400	(36,600)
May	71,165	63,033	(8,132)
sub-total	198,664	148,433	(50,231)
Special Needs Growth	189,400	96,175	(93,225)
English Language Learning	65,320	67,275	1,955
Aboriginal Education	1,416,960	1,682,000	265,040
Adult Education	4,696	4,773	77
Salary Differential	1,159,829	1,186,658	26,829
Unique Geographical Factor	7,683,707	8,222,797	539,090
Vulnerable Students	277,638	277,638	-
Curriculum and Learning Support Fund	123,341	127,281	3,940
TOTAL	66,311,566	67,584,768	1,273,202

Other Revenues

Other revenues are projected to increase by \$472,896 over the 2018-19 Amended Annual Budget estimates. This increase is due primarily to the additional Other Ministry Grant allocation for the recently introduced Employer Health Tax.

Revenue Source	2018-2019	2019-2020	Change
Other MoE Grants	1,467,136	1,945,610	478,474
Provincial Grants - Other	205,950	210,950	5,000
Offshore Tuition Fees	5,000		(5,000)
Miscellaneous	10,550	10,000	(550)
Rentals and Leases	120,000	94,972	(25,028)
Investment Income	100,000	120,000	20,000
TOTAL	1,908,636	2,381,532	472,896

The resulting over-all increase in operating revenues is \$1,746,098, and can be referenced in the comparison of the 2020 Annual Budget to the 2019 Amended Annual Budget in **“Total Operating Revenue”** on **Schedule 2A**, as attached (reference note **“C”** less **“B”**)

Transfer to Local Capital

The proposed budget does not include the transfer of any 2019-20 operating revenues to Local Capital, as can be confirmed on the **“Net Transfers (to) from other Funds – Local Capital”** on **Schedule 2**, as attached (reference note **“D”**)

➤ 2019-20 OPERATING EXPENDITURES

Anticipated Cost Increases/Decreases

- Wages and Benefits

Teacher and support staff wages and associated benefit costs are expected to increase by an estimated \$838,000 as a result of labour settlements with both unions that took effect late in the 2018-19 school year, including the Economic Stability Dividend and increases to prep time for elementary teachers. Benefit premiums for our support staff will increase by approximately \$60,000 annually based on increased plan usage.

Non-unionized staff wages were frozen from 2009 to 2016. In 2016-17 BCPSEA established new compensation models for principals, vice-principals and other non-unionized staff. All salary increments for non-unionized staff are managed by the Public Sector Employers' Council (PSEC), through BCPSEA. In order to align with the sector, increases of up to 3.75% are expected to be approved. The projected increase of just under \$400,000 is to accommodate for 2019-20 anticipated wage increases, as well as to compensate for the under-budgeting of the 2018-19 approved wage increases.

Both teacher and municipal pension rates have decreased by .93% and .27 % respectively effective January 1, 2019. This has resulted in a projected savings of \$320,000 for 2019-20.

The discontinued MSP and the newly introduced Employer Health tax will result in an estimated net increase of \$364,000.

WorkSafe premiums will increase effective January 1, 2019, resulting in an increase in cost to the employer of \$42,000 in 2019-20.

- Services and Supplies

A budget for a trustee election will not be required for 2019-20, resulting in a savings of \$40,000 as compared to current year. Additional costs for required travel and Pro-D for a reinstated board are estimated at \$26,000.

Utility costs, including hydro, water/sewer and carbon taxes, are expected to rise by \$77,000 in 2019-20.

The implementation of MyEdBC, the reduction in one-time costs associated with the Atrieve/SDS Software migration, result in a net increase in anticipated costs of \$458,000 for 2019-20.

Through the disposal of surplus properties, an additional budget of \$26,000 for rental costs is required for the Store Front School lease and for school equipment storage.

School budgets will increase by \$120,000 in an effort to ensure credit courses that lead to graduation that require more expensive supplies are funded adequately.

General inflation is being projected at 1.5% over-all for services and supplies, and amounts to an estimated \$114,000.

Enrolment Decline/Growth

Due to a projected increase in student enrolment for September 1, 2019, we anticipate the need to hire one additional classroom teacher at an estimated cost of \$95,170 for wages and benefits.

Due to recent enrolment growth, \$60,000 has been included to purchase additional student chairs and tables.

Career program initiatives are expected to be temporarily reduced for 2019-20, resulting in a reduction of \$106,000 for associated costs.

Instruction Program Changes

In an effort to continue to increase graduation rates, including students with special needs, to improve numeracy levels across the district, to better address student wellbeing, and to support teachers in adapting to new curriculum, additional teaching time has been included in the proposed 2019-20 draft budget as follows:

- .7 FTE Counselling Teacher
- .6 FTE Literacy Intervention Teacher
- .1 FTE Vision Teacher
- .4 FTE Inclusive Support Program Teacher
- .5 FTE Tech Ed Teacher
- .6 FTE Numeracy Teacher

Also included, is a proposed reduction in the Sexual Health/SOGI Lead Teaching time of .2 FTE. The net increase in cost for these changes is close to \$257,000.

Administration Increase/Decreases

An increase of .6 FTE and .2 FTE in administrative staffing is included for a District Principal of Numeracy and a District Vice Principal of Music, respectively. The combined cost for this is expected to be just over \$115,000 for both in 2019-20.

Close to \$77,000 for teacher release time has been included to provide for Teacher Pro-D initiatives and training, and for the new teacher/admin induction program.

A total of 4 FTE trades staff wages and benefits will be allocated directly to the operational portion of the district's 2019-20 Annual Facility Grant. Trades staff will be assigned to capital projects throughout the district. This results in a decrease of operational costs of \$250,000.

DPAC's request for \$5,350 has been included.

An allocation of \$106,134 is included to fund the reinstatement of the Manager of Facilities and Grounds position that was vacated in 2016.

Program Enhancement/Other Costs

Funding for the Insight Data Tracking, used to track students' PM Benchmarks, SNACC, etc. is included in this budget, at an additional cost of \$20,000.

In an effort to ensure full transparency and ensure that all operational funds are considered through the budget process, minor capital requirements that may have formerly been funded through transfers of operational funds to local capital, are included as line items in the proposed operating budget. The budgets included for 2019-20 are as follows:

- \$225,000 to support the 4-year district-wide technology refresh plan
- \$28,000 to upgrade and replace maintenance shop tools and custodial equipment
- \$50,000 to upgrade school shop classrooms
- \$72,750 to refresh and maintenance white fleet to ensure staff safety and to avoid increased maintenance and repair costs

All anticipated and proposed expense increases and decreases result in a net total increase in budgeted operational expenses of \$2,519,098.

2019-20 budgeted operational revenues and expenses can be referenced on **Schedule 2**, and are summarized below:

2019-20 Operating Revenue and Expense Summary			
SOURCE	2018-2019	2019-2020	Change
Revenues:			
MoE Base Operating Grant	66,311,566	67,584,768	1,273,202
Other Operating Funds	1,908,636	2,381,532	472,896
Total Additional Revenues Available	68,220,202	69,966,300	1,746,098
Expenses/Transfers:			
Operating Expense	67,493,741	69,256,270	1,762,529
Capital Assets Purchased	227,179	783,030	555,851
Transfer to Local Capital	700,000		(700,000)
Allocated Surplus	(200,718)	(200,000)	718
Total Additional Expenses	67,720,920	70,039,300	1,619,098
2019-20 Budget Surplus/(Deficit) for the year			127,000

The budgeted surplus for 2019-20 is \$127,000, referenced on "**Budgeted Surplus (Deficit), for the year**" on **Schedule 2** (reference note "E").

❖ SPECIAL PURPOSE FUNDS

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

Special Purpose Funds include the operational portion of the Annual Facilities Grant, the Learning Improvement Fund, Scholarships and Bursaries, School Generated Funds, StrongStart, Ready Set Learn, OLEP, CommunityLINK, the Rural Education Enhancement Fund, and the Classroom Enhancement Fund.

A summary of changes in Special Purpose Funds is provided below:

2019-20 Special Purpose Fund Changes Summary			
FUND	2018-2019	2019-2020	Change
Opeing Balances	1,650,062	1,434,500	(215,562)
Revenues	10,121,707	8,338,248	(1,783,459)
Expenditures	10,198,442	8,092,748	(2,105,694)
Capital Purchases	140,000	250,000	110,000
Closing Balances	1,433,327	1,430,000	(3,327)

Overall, preliminary revenues and expenses anticipated for 2019-20 are lower than the 2018-19 Amended Annual Budget. This is due primarily to the decrease in our initial Classroom Enhancement Fund Grant allocation.

Classroom Enhancement Funds are provided to districts to address the restored class size and composition language that resulted from the recent Supreme Court of Canada ruling. Restored class size and composition language varies significantly across the province. Similar to current fiscal, our district has been approved to receive an initial “notional” Classroom Enhancement Grant allocation of \$4,8M for 2019-20. Once needs are confirmed based on our actual September 2019 enrolment, it is expected that our Classroom Enhancement Fund allocation for 2019-20 will increase significantly. These funds will be used for additional staffing required as a result of the restored language, and to provide remedy in cases where we are unable to meet the limits outlined in the Collective Agreement language.

Detail of the 2019-20 anticipated revenues and planned expenditures for Special Purpose Funds can be referenced on **Schedule 3A**.

❖ CAPITAL FUNDS

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

- Annual Facility Grant (capital portion)
- Seismic Mitigation
- Building Expansion
- Building Replacement
- Bus Replacement
- School Enhancement,
- Carbon Neutral Capital Plan
- Playground Equipment Funding

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

A summary of planned capital investments for 2019-20 is provided below:

2019-20 Tangible Capital Assets		
MoE Deferred Capital Revenue		
Annual Facility Grant	1,340,831	
Minor Capital	699,000	
Playground	90,000	
Buses	415,827	
		2,545,658
Operating		783,030
Special Purpose Funds		250,000
Total Acquisition of Capital Assets		3,578,688

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

Recommendation

THAT: The Board pass three readings to approve and adopt the draft School District No. 83 (North Okanagan-Shuswap) 2018-19 Annual Budget Bylaw as presented.

The Annual Budget Bylaw is sited on page 1 of the attached budget document. The total amount of \$83,352.043 for the fiscal year 2019-20 can be referenced in "**Total Budget Bylaw Amount**" on **Statement 2** (reference note "**G**").

Respectfully submitted,

Alanna Cameron

Alanna Cameron
Secretary-Treasurer