
To: Board of Education

Prepared By: Jason Reid
Secretary Treasurer

Subject: 2020/21 Budget Consultation Process

Date: May 22, 2020

The purpose of this briefing note is to provide the Board with an overview of the budget consultation process and the resulting recommendation for balancing the 2020/21 preliminary budget. This information is provided to support the Board in its deliberations at the Special Board Budget Meeting on May 27, 2020.

Budget Consultation Process

The 2020/21 Budget Consultation Process began in January 2020, and [documents](#) reviewed by the Budget Advisory Committee (BAC) have been posted to the website throughout the process.

On April 6, 2020, the Board approved a [revised budget consultation process](#) reflecting the impact of the COVID-19 pandemic. This revised process extended the consultation timeframe and added a fifth BAC meeting on May 6, 2020. This provided staff and BAC with more time to assess and consider the budgetary implications of the pandemic.

The COVID-19 pandemic is and will have a significant impact on the operations and finances of the Saanich School District and all school districts in the province. The most significant budget implication is the expected impact on international student enrolment in 2020/21. There are also a number of other financial implications associated with delivering service during the pandemic. The high level of uncertainty regarding how the pandemic may progress also impedes the school district's ability to accurately forecast the budgetary balance in 2020/21.

Given the significant financial impact, the primary budget planning priority for 2020/21 was to minimize the overall financial and related program impact of the pandemic over the next several years and not just in the 2020/21 budget year. This was an important lens because minimizing program impact in 2020/21 could be at the expense of future years, particularly as international enrolment may not fully recover by 2021/22.

During the consultation process, community feedback was also received on the following budget priorities identified by senior staff:

1. Additional funding for learning innovation; and
2. Daytime custodial support in elementary schools.

While it may not be possible to budget for new priorities in 2020/21, this information is important to guide future decision making and decisions regarding use of existing budgets.

The [Community Budget Meeting](#) was held virtually on April 29, 2020. The community was invited to participate through advertising, a press release and invitations to community contacts, administrators, partner groups and PACs. The invitations and the website included instructions for participation in the virtual meeting and the survey, as well as [background information](#) regarding the district and the budget context. The distribution of background information in advance was intended to increase participation in the survey by those unable to attend the virtual meeting.

The Budget Advisory Committee last met on May 6, 2020 to review the survey results and the staff recommendation to balance the 2020/21 Preliminary Budget.

Staff Recommendation to Balance Budget

At the [April 23rd BAC meeting](#), I reported that the district was now restricting non-essential expenditures for the remainder of the 2019/20 school year, and I recommended the following measures to address the financial impact of the pandemic in the 2020/21 preliminary budget:

1. Appropriation of accumulated operating surplus (including contingency reserve) to offset reduced revenues in 2020/21 to the extent possible understanding that revenues will likely not fully recover in 2021/22. The overall objective is to maintain program stability over the next several years.
2. Focus program reductions first on services for international students reflecting decreased program demand, but also recognizing the need to maintain program capacity for future growth.
3. Remaining reductions focusing on program areas where a temporary reduction will have a smaller impact on longer-term program outcomes.

The estimated operating fund budget pressure reflecting both the impact of the pandemic and the recommendation for balancing the 2020/21 preliminary budget was reviewed at the April 23rd BAC meeting and is included as attachment 1 to this briefing note.

International Program (SISP) Impact (refer to Attachment 1)

International enrolment is estimated for budget to decrease from 320 FTE in 2019/20 to 150 FTE in 2020/21, resulting in a \$2,432,146 reduction to budgeted revenues. This estimated international enrolment reduction is consistent with estimates reported by other school districts. However, as significant uncertainty exists regarding future travel restrictions, actual enrolment and revenues could vary significantly from this forecast - either higher or lower. If only international students currently enrolled in the graduation track return, international enrolment will decrease to about 100 FTE and revenues will decrease by approximately \$3.0 million. It is also possible, though unlikely, that actual enrolment could fall below 100 FTE.

To offset this revenue reduction within the SISP program:

1. SISP program expenditures will be reduced by \$930,684 reflecting lower program demand; and
2. the contribution from SISP to district general revenues will be reduced by \$1,501,462 (In 2019/20, SISP contributed \$1,570,000 profit to district general revenues).

The recommended SISP program reductions reflect the necessity of SISP funding its own program costs, but also the importance of maintaining program capacity for future growth. Teacher staffing is not being reduced in proportion with a 170 student FTE reduction to ensure secondary timetables are created with capacity to hopefully enroll more international students than forecasted. And administrative capacity is maintained to ensure we are able rebuild the program as travel restrictions are lifted. Proposed staffing reductions within SISP relate to reduced workload associated with processing student registrations and homestay placements.

As the international program allocates funding to schools (\$1,500 per FTE at secondary) to support additional enrolment, lower forecasted student FTE will result in reduced SISP school budget allocations by \$245,000. The reduction to these program allocations primarily impacts secondary schools and are most significant at Parkland and Stelly's (\$90,000 reduction in each school). Some school based staffing reductions were necessary during the spring staffing process because of the reduced international program allocations.

Surplus Emerging from Forecast and Other COVID Related Financial Implications

For budget planning, the surplus emerging from forecast is estimated to be \$1.0 million (see second line in attachment 1). This figure represents the forecasted increase in unappropriated accumulated surplus. Earlier in May, this forecasted surplus had increased to \$1.65 million; however, with the return to in-class instruction June 1st there are a number of additional cost pressures expected to reduce this surplus. For budget purposes, we continue to forecast this surplus emerging from forecast at \$1.0 million, and if this amount falls below \$1.0 million we intend to cover the shortfall through additional recovery of carry-forward balances.

There are a number of other potential financial implications associated with operating during the pandemic. These include:

- Health and safety – increased cost when classes are in session
- Replacement costs – higher or lower depending if classes are in session
- Benefit costs – potential savings from reduced access to medical, paramedical and dental care
- Enrolment – we could see higher enrolment in SIDES, and possibly lower enrolment in other programs
- Lease and community use – reduced revenues
- School based program revenues – possible reductions if programs are restricted

Accumulated Operating Surplus (refer to Attachment 1)

I recommend appropriating \$1.8 million of accumulated operating surplus consisting of a combination of \$1.0 million contingency reserve (i.e. reduce the contingency reserve from \$1.7 million to \$0.7 million) and \$0.8 million from recovery of school and district carryforward balances. Additional information on accumulated operating surplus and this recommendation is found in the [April 23rd BAC committee agenda package](#) (see pages 6 - 7 in the April Facts Package).

Reduced carryforward balances will be partially recovered through expenditure reductions in 2019/20 and from future budgets as carryforward balances rebuild. For most schools, the carryforward balances are recovered at a rate of \$75 per student FTE¹, and for other schools (SIDES, SISP) and departments the recovery is based on forecasted surplus.

As appropriation of accumulated surplus is a one-time revenue source, continuing expenditures will only be sustainable in the future if international program enrolment recovers close to historical levels in 2021/22. While appropriation of accumulated surplus is a means to maintain program stability during a period of revenue volatility, given the significant uncertainty regarding how the pandemic may progress there is risk that further budget reductions may be necessary in 2021/22 and possibly in the fall when forming the 2020/21 Amended Budget.

Other Recommended Reductions (refer to Attachment 1)

In addition to appropriation of accumulated operating surplus of \$1.8 million and the SISP program reductions (both discussed above), the following reductions are recommended to balance the 2020/21 Preliminary Budget:

- Reduction of the Manager of IT position (currently vacant)
- Reduce IT infrastructure budget by \$250,000
 - Information Technology was identified as a strategic priority last year and the 2019/20 IT budget was increased by \$500,000. As the 2019/20 funding level is necessary long term to implement the IT strategic plan, this reduction will be temporary for 2020/21 only. To partially offset the impact of this reduction, approximately \$100,000 will be reallocated from the annual facilities grant (special purpose fund) to fund network rewiring.
- Absorb estimated service and supply cost inflation of \$125,000

¹ These recoveries are reduced in Parkland, Stelly's and Claremont so that the effective school budget impact is the greater of the international program allocation reduction or the \$75/FTE recovery, but not both.

2020/21 Budget Consultation Survey results

The budget survey results ([Management Team](#) and [Other](#)) were reviewed at the [May 6, 2020 BAC meeting](#). A summary of the 60 survey responses is found on the last page of the linked meeting materials.

Overall, the survey results indicate support for the proposed measures to balance the 2020/21 preliminary budget reflecting the financial impact and uncertainty resulting from the COVID-19 pandemic.

Most respondents agreed with the two budget priorities identified; however, many respondents agreed with the second priority only (daytime custodial support in elementary schools). Responses to the survey questions related to other strategic priorities included the following themes: equity, indigenous programs, vulnerable students, mental health, unique needs / student support, modern practices / innovation, and technology plan.

Responses to the survey question related to operational risk included the following themes: COVID related risks including health and safety, technology plan, mental health and replacement staff.

Note that, as we plan to re-opening schools on June 1st, daytime custodial support is being implemented in elementary schools to meet COVID-19 related health and safety requirements including cleaning of high touch surfaces.

Budget Advisory Committee Recommendation

At the May 6, 2020 meeting of BAC, the majority of committee members were in agreement to move the recommendation from staff regarding how to balance the 2020/21 Preliminary Budget forward for consideration by the Board.

Respectfully submitted,

Jason Reid
Secretary Treasurer

Attachments: Attachment 1 – Operating Fund Budget Pressure
Attachment 2 – Budget Advisory Committee Meeting Notes – May 6, 2020

Attachment 1

OPERATING FUND BUDGET PRESSURE SCHOOL DISTRICT NO. 63 (SAANICH) FOR THE 2020/21 SCHOOL YEAR

	Estimated Budget Pressure
Decrease (increase) in revenues:	
Continuing expenses funded by appropriation of Accum. Surplus in 19/20 (Surplus) / deficit in 19/20 emerging from forecast	\$1,262,064
(Increase) / decrease in operating funding	-\$1,000,000
Funding changes outside operating grant	-\$1,116,522
EHT funding rolled into operating grant	\$584,971
Reduction to CEF - Overhead	\$103,365
Carbon Tax Grant rolled into operating grant	\$44,347
Decrease in investment income (interest rate decrease)	\$200,000
Decrease in international program contribution	\$1,501,462
Total decrease (increase) in revenues	\$1,579,687
Increase (decrease) in expenses:	
CUPE wage increases	\$730,000
Teacher wage increases (not yet funded or budgeted)	\$0
Exempt staff salary increases	\$401,000
Estimated decrease in group medical/dental rates	-\$109,000
Full year savings from elimination of MSP Jan 1, 2020	-\$250,000
Net rate increases to CPP/EI	\$133,500
Increase / (decrease) Enrolling Teacher FTE (for projected enrolment)	\$0
Increase / (decrease) Education Assistant FTE (for projected unique needs)	-\$314,350
Service and supplies cost inflation	\$125,000
Total decrease (increase) in expenses	\$716,150
Proposed budget increases:	
No proposed increases at this time	\$0
Total operating fund pressure	\$2,295,837
Possible reductions to balance budget:	
Reduction - Manager of IT position	-\$116,879
Reduce IT infrastructure budget	-\$250,000
Absorb estimated service and supplies cost inflation	-\$125,000
Reduce carry-forward balances	-\$803,958
Reduce budget contingency from \$1.7 million to \$0.7 million	-\$1,000,000
Total possible reductions	-\$2,295,837
Total operating fund pressure reflecting possible reductions	\$0

International Program (SISP) net budget pressure	
Tuition net revenue decrease	2,254,521
Homestay placement fee decrease	177,625
Enrolling teacher reduction (3.5 FTE)	-353,553
Teacher advisor reduction (0.75 FTE)	-75,761
Support staff reduction (SISP)	-139,476
School budget allocation reduction	-245,000
Service and supplies reduction (SISP)	-116,894
Net District Budget Pressure	1,501,462



BUDGET ADVISORY COMMITTEE MEETING

Wednesday, May 6, 2020

3:00 pm, Virtual Meeting

Committee Members:

Victoria Martin, Committee Chair, regrets
Elsie McMurphy, Vice Chair
Teri VanWell, Trustee
Dave Eberwein, Superintendent of Schools
Jason Reid, Secretary Treasurer
Paul McKenzie, Assistant Superintendent
Monica Braniff, Director of Instruction
Carly Hunter, Director of Instruction
Megan Cimaglia, Director of Finance

Don Peterson, STA
Jeff Bishop, STA
Dean Coates, CUPE
Nola Welsh, CUPE, regrets
Sean Hayes, SAA
Karen Fello, SAA
Spencer Gray, SISP
Monique Hiltz, COPACS, regrets

Other Attendees: Chair Tim Dunford, Trustee Sheila Stelck, Trustee Alicia Holman, Trustee Nola Silzer, James Taylor (COPACS)

Meeting Notes

- Vice Chair McMurphy welcomed members and guests and reported that Committee Chair Martin was unable to attend and sent regrets. Vice Chair McMurphy chaired the meeting.
- The committee reviewed the meeting notes from the April 23rd BAC meeting.
- The committee reviewed and discussed the virtual community budget meeting and the results of the budget survey.
- The majority of committee members were in agreement to move the recommendation from staff regarding how to balance the 2020/21 Preliminary Budget forward for consideration by the Board.
- Next steps: The results of the budget consultation process, including the recommendation to balance the 2020/21 Preliminary Budget, will be reviewed and considered by the Board at the May 27, 2020 Special Budget Board Meeting.