
BUDGET ADVISORY WORKING GROUP BUDGET UPDATE



FEBRUARY 24, 2022

AGENDA

- Review of 2021/2022 Annual Budget Process
- Preliminary 2022/2023 Three-Year Base Budget
- Breakout Sessions for Budget Discussions
- Budget Key Dates





REVIEW OF 2021/2022 ANNUAL BUDGET PROCESS

BUDGET 2021/2022 – THREE-YEAR BUDGET SHORTFALLS

| | Amended 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
|---|----------------------|--------------------|--------------------|--------------------|
| Revenue | | | | |
| Ministry Operating Grant | 182,987,023 | 192,566,572 | 195,004,902 | 196,467,720 |
| Other Ministry Grants | 9,032,503 | 2,730,502 | 2,730,502 | 2,730,502 |
| Other Fees and Revenue | 16,617,065 | 17,673,694 | 20,295,755 | 22,512,431 |
| Total Revenue | 208,636,591 | 212,970,768 | 218,031,159 | 221,710,653 |
| Expenses: | | | | |
| Salaries | 155,327,355 | 158,853,532 | 160,748,312 | 162,391,942 |
| Benefits | 38,838,755 | 39,562,103 | 40,520,982 | 40,940,906 |
| Services and Supplies | 17,481,250 | 19,250,267 | 19,527,204 | 19,950,464 |
| Total Expenses | 211,647,360 | 217,665,902 | 220,796,498 | 223,283,312 |
| Local Capital | (4,697,000) | (2,500,000) | (2,700,000) | (3,000,000) |
| Net Surplus (Shortfall) | (7,707,769) | (7,195,134) | (5,465,339) | (4,572,659) |
| Net Surplus (Shortfall) as a % of Budget | | -3.31% | -2.48% | -2.05% |

Data source - presented in the April 15, 2021 Budget Advisory Working Group meeting.

BUDGET ADJUSTMENTS – 2021/2022

| | 2020/2021 | 2021/2022 |
|---|------------------|------------------|
| Fund Balance, Beginning of Year | 3,357,918 | 9,829,402 |
| Contingency Reserve | 2,000,000 | |
| Unrestricted Local Capital Reserve | 3,471,484 | |
| Current Year Projected Additional Surplus (Shortfall) | 1,000,000 | (7,195,134) |
| Total Funds Available | 9,829,402 | 2,634,268 |
| Budget Adjustment - 2021/2022 - on-going | | (3,839,000) |
| Budget Adjustment - 2021/2022 - one-time | | 244,000 |
| Total Fund Balance, End of Year | 9,829,402 | 6,229,268 |
| % of Fund Balance of Total Expenses | 4.5% | 2.83% |



THREE-YEAR PRELIMINARY BASE BUDGET

KEY BASE BUDGET FACTORS

- For 2022/23, it is unknown whether we will still be in the COVID-19 Pandemic
 - Better information through the Spring
 - Removal of one-time costs due to Covid from the annual budget
- Based on District's projected student enrolment for 2022/23, 2023/24 and 2024/25
- Status quo base budget - current service levels and programs
- Meet all staffing and resourcing requirements as per collective agreements
- 2022/2023 Ministry of Education Operating Grant will be announced on March 15
- Include all known and projected cost pressures on all expenditure categories
- Include projected increases/decreases to other revenues
- Development of 3 Year Base Budget with projected financial positions

KEY BASE BUDGET FACTORS – REVENUES

- Ministry of Education funding:
 - Provincial Budget - February 22, 2022
 - Education funding announcement - March 15, 2022
 - Operating grant revenue based on projected enrolment
 - CEF remains at the same level
- International Education program revenues
 - Gradual recovery over next three years
- Rental revenue – gradual recovery – likely below pre-pandemic level in 2022/23
- Investment Income – projected to remain low

KEY BASE BUDGET FACTORS - EXPENSES

Salaries

- Teacher salary step increments of \$500,000 annually
- P/VP & Exempt staff step increments
- Potential higher sick leave
- Collective agreement settlement will be funded by Government

Employee Benefits

- Higher utilization of Extended Health / Dental services
- Higher rates for all benefits (CPP, EI, Worksafe, EHC and Dental insurance)

Services and Supplies

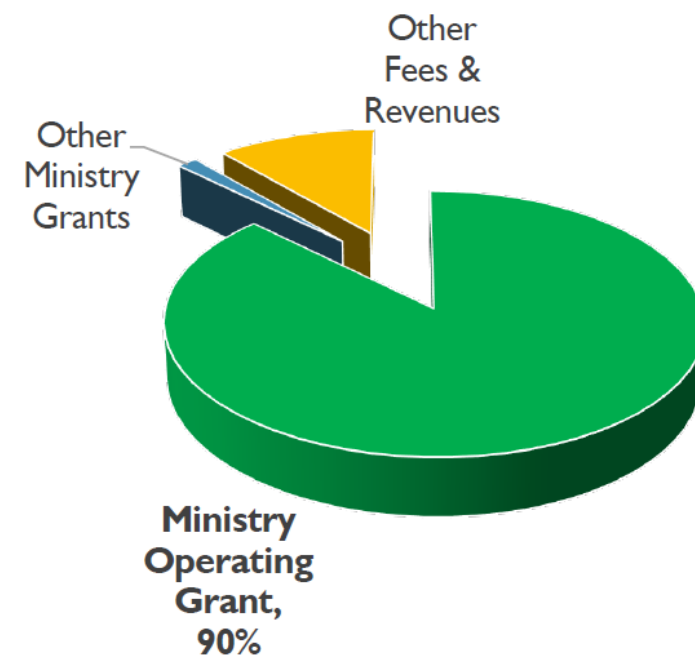
- Inflation (measured in Vancouver consumer price index, or CPI) on most services & supplies (2-4% increase)
- Rate Increases for utilities including Electricity, Natural Gas, Water/Sewer, Waste Management and Carbon Tax

3-YEAR STUDENT ENROLMENT PROJECTIONS

| | Actual 2021/2022 Total (FTE) | Projected 2022/2023 Total (FTE) | Variance 2022/2023 Total (FTE) | Projected 2023/2024 Total (FTE) | Variance 2023/2024 Total (FTE) | Projected 2024/2025 Total (FTE) | Variance 2024/2025 Total (FTE) |
|-------------------------------------|---------------------------------------|--|---|--|---|--|---|
| Elementary | 11,727 | 11,910 | 183 | 12,257 | 347 | 12,492 | 235 |
| Secondary | 8,152 | 8,118 | (34) | 8,193 | 75 | 8,244 | 51 |
| Continuing Ed - School Age | 17 | 17 | - | 15 | (2) | 14 | (0) |
| Alternate Schools | 70 | 65 | (5) | 65 | - | 65 | - |
| Distributed Learning | 400 | 250 | (150) | 265 | 15 | 270 | 5 |
| Total - School Age | 20,366 | 20,360 | (6) | 20,795 | 435 | 21,085 | 291 |
| Special Ed - Level 1 | 13 | 11 | (2) | 11 | - | 11 | - |
| Special Ed - Level 2 | 860 | 885 | 25 | 907 | 22 | 934 | 27 |
| Special Ed - Level 3 | 122 | 105 | (17) | 107 | 2 | 109 | 2 |
| ELL | 6,156 | 6,202 | 46 | 6,333 | 131 | 6,421 | 88 |
| Indigenous Education | 266 | 268 | 2 | 274 | 6 | 277 | 3 |
| Total - Unique Student Needs | 7,479 | 7,493 | 14 | 7,654 | 161 | 7,774 | 120 |
| Total - Summer Learning | 4,698 | 4,795 | 98 | 4,895 | 100 | 4,995 | 100 |
| International Education | 720 | 720 | - | 750 | 30 | 800 | 50 |

MINISTRY OPERATING GRANT

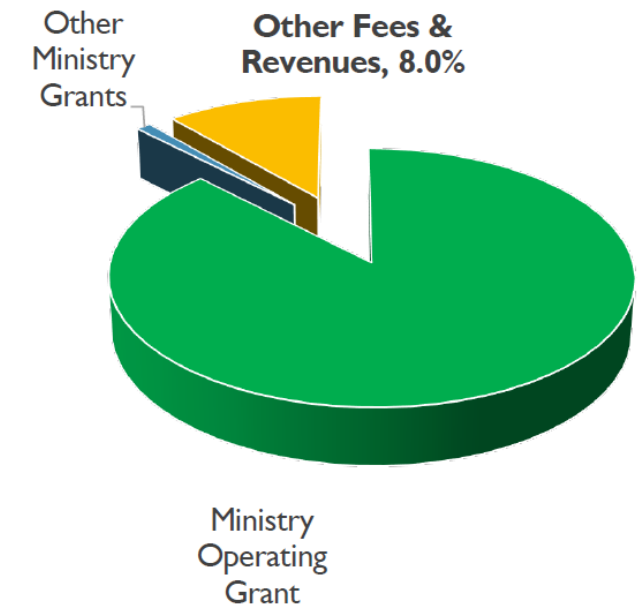
| | 2022/2023 | 2021/2022 | Change |
|--------------------------------------|--------------------|--------------------|----------------|
| Student Base Allocation | 160,154,393 | 159,973,338 | 181,055 |
| Summer School/Other | 1,450,435 | 1,417,955 | 32,480 |
| Total Enrolment-Based Funding | 161,604,828 | 161,391,293 | 213,535 |
| ELL | 9,830,170 | 9,757,260 | 72,910 |
| Indigenous Education | 419,420 | 416,290 | 3,130 |
| Special Ed - Level 1 | 493,350 | 583,050 | (89,700) |
| Special Ed - Level 2 | 18,939,200 | 18,300,800 | 638,400 |
| Special Ed - Level 3 | 1,128,750 | 1,311,500 | (182,750) |
| Adult Education | 310,917 | 310,917 | 0 |
| Equity of Opportunity Supplement | 877,806 | 877,806 | 0 |
| Total Unique Student Needs | 31,999,613 | 31,557,623 | 441,990 |
| Salary Differential | 2,452,305 | 2,452,305 | 0 |
| Unique Geographic Factors | 1,075,345 | 1,075,345 | 0 |
| Supplement for Education Plan | 177,281 | 177,281 | 0 |
| | 3,704,931 | 3,704,931 | 0 |
| Total | 197,309,372 | 196,653,847 | 655,525 |



Note: Estimates will be updated following MOE funding announcement scheduled on March 15, 2022.

OTHER FEES AND REVENUES

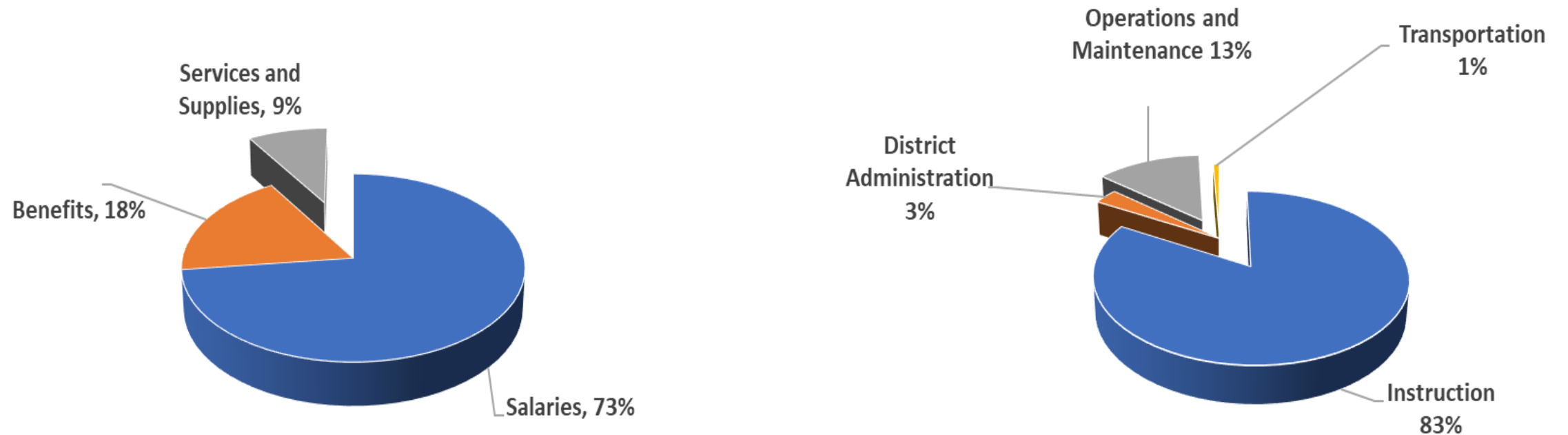
| | 2022/2023 | 2021/2022 | Change |
|-------------------------------------|-------------------|-------------------|----------------|
| International Education | 14,158,000 | 14,090,450 | 67,550 |
| Continuing Education | 891,984 | 867,368 | 24,616 |
| Rentals Revenue | 1,240,472 | 1,147,183 | 93,289 |
| Investment Income | 566,610 | 552,526 | 14,084 |
| Summer Session | 195,140 | 195,140 | 0 |
| Other Provincial Grants | 27,670 | 27,670 | 0 |
| Other | 806,000 | 763,278 | 42,722 |
| Total Other Fees and Revenue | 17,885,876 | 17,643,615 | 242,261 |



PRELIMINARY THREE-YEAR BASE BUDGET

| | Amended | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
| Revenue | | | | |
| Ministry Operating Grant | 196,653,847 | 197,309,372 | 200,920,200 | 203,978,931 |
| Other Ministry Grants | 3,230,576 | 2,734,606 | 2,734,606 | 2,734,606 |
| Other Fees and Revenue | 17,643,615 | 17,885,876 | 18,822,871 | 20,002,023 |
| Total Revenue | 217,528,038 | 217,929,854 | 222,477,677 | 226,715,560 |
| Expenses | | | | |
| Salaries | 159,801,932 | 160,225,507 | 162,277,977 | 164,864,396 |
| Benefits | 39,868,898 | 40,170,393 | 41,101,471 | 41,973,132 |
| Services and Supplies | 19,100,842 | 19,587,688 | 20,121,046 | 20,656,841 |
| Total Expenses | 218,771,672 | 219,983,588 | 223,500,494 | 227,494,369 |
| Local Capital | (2,356,500) | (2,000,000) | (2,300,000) | (2,600,000) |
| Net Surplus (Shortfall) | (3,600,134) | (4,053,734) | (3,322,817) | (3,378,809) |
| | | | | |
| Net Surplus (Shortfall) as a % of Budget | | -1.84% | -1.49% | -1.49% |

EXPENSES BY CATEGORY AND PROGRAM



STRUCTURAL BUDGET SHORTFALL V.S. LONG-TERM OUTLOOK

■ ***Structural Budget Shortfall***

- Cost Pressures
 - Salary increments and higher leave costs
 - Employee benefit usage and rate increases
 - Inflation – increasing services and supplies costs
- Other revenues (i.e. rental and international education) are still below the pre-pandemic level
- Loss of investment income due to low interest economy

■ ***Outlook over the Next Three Years***

- Projected funded enrolment growth
- Gradual recovery of international education
- Gradual recovery of rental revenue

Note: any potential costs associated with local negotiations have not been reflected in the base budget.

BALANCE THE BUDGET

- Boards of Educations are required, by legislation, to prepare balanced annual operating budgets
- Board Policy: maintain unrestricted operating and capital reserve balance of 2% - 4% of the annual operating expenditures
- Facts:
 - 91% of total operating budget relate to staffing including salaries and benefits
 - \$4.0 million shortfall represents 1.85% of total operating budget
 - Accumulated surplus are one-time funds that cannot be sustainably used to cover on-going operating shortfalls
 - Accumulated reserves have been drawn down and is now just over 3% of total operating budget
- Strategies to address the structural shortfall

SCENARIO ONE: USING RESERVES TO ADDRESS SHORTFALL

| | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|------------------|------------------|------------------|--------------------|
| Fund Balance, Beginning of Year | 1,298,065 | 7,064,553 | 3,010,819 | (311,998) |
| Contingency Reserve | 2,000,000 | | | |
| Unrestricted Local Capital Reserve | 3,266,488 | | | |
| Current Year Projected Additional Surplus (Shortfall) | 500,000 | (4,053,734) | (3,322,817) | (3,378,809) |
| Total Funds Available | 7,064,553 | 3,010,819 | (311,998) | (3,690,807) |
| Proposed Budget Adjust - 2022/23 | | | | |
| Proposed Budget Adjust - 2023/24 | | | | |
| Proposed Budget Adjust - 2024/25 | | | | |
| Total Fund Balance, End of Year | 7,064,553 | 3,010,819 | (311,998) | (3,690,807) |
| % of Fund Balance of Total Expenses | | 1.37% | -0.14% | -1.62% |

SCENARIO TWO: FULLY ADDRESS THE STRUCTURAL SHORTFALL

| | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|------------------|------------------|------------------|------------------|
| Fund Balance, Beginning of Year | 1,298,065 | 7,064,553 | 7,064,553 | 7,795,470 |
| Contingency Reserve | 2,000,000 | | | |
| Unrestricted Local Capital Reserve | 3,266,488 | | | |
| Current Year Projected Additional Surplus (Shortfall) | 500,000 | (4,053,734) | (3,322,817) | (3,378,809) |
| Total Funds Available | 7,064,553 | 3,010,819 | 3,741,736 | 4,416,661 |
| Proposed Budget Adjust - 2022/23 | | (4,053,734) | (4,053,734) | (4,053,734) |
| Proposed Budget Adjust - 2023/24 | | | | |
| Proposed Budget Adjust - 2024/25 | | | | |
| Fund Balance, End of Year | 7,064,553 | 7,064,553 | 7,795,470 | 8,470,395 |
| % Fund Balance, End of Year | | 3.2% | 3.5% | 3.7% |

SCENARIO THREE: PARTIALLY ADDRESS THE STRUCTURAL SHORTFALL (EXAMPLE 75%)

| | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|------------------|------------------|------------------|------------------|
| Fund Balance, Beginning of Year | 1,298,065 | 7,064,553 | 6,010,819 | 6,741,736 |
| Contingency Reserve | 2,000,000 | | | |
| Unrestricted Local Capital Reserve | 3,266,488 | | | |
| Current Year Projected Additional Surplus (Shortfall) | 500,000 | (4,053,734) | (3,322,817) | (3,378,809) |
| Total Funds Available | 7,064,553 | 3,010,819 | 2,688,002 | 3,362,927 |
| Proposed Budget Adjust - 2022/23 | | (3,000,000) | (3,000,000) | (3,000,000) |
| Proposed Budget Adjust - 2023/24 | | | (1,053,734) | (1,053,734) |
| Proposed Budget Adjust - 2024/25 | | | | |
| Fund Balance, End of Year | 7,064,553 | 6,010,819 | 6,741,736 | 7,416,661 |
| % Fund Balance, End of Year | | 2.73% | 3.02% | 3.26% |



BREAKOUT SESSIONS

RICHMOND
SCHOOL DISTRICT NO. 38

BUDGET GUIDING PRINCIPLES

- The budget will support and align to the Board's strategic plan and priorities and reflect the Board's commitment to responsible long term fiscal planning
- Budget processes will be inclusive, transparent and will encourage stakeholder and community input
- All budget decisions will be focussed on creating and maintaining educational programs and services for students which maximize opportunities for learning
- Budget decisions will support a culture of innovation and responsiveness to system change, while maintaining cost effectiveness and long term sustainability
- Business and operational services and systems required to support schools and students will be based on best practices and maintained in an efficient and cost effective manner
- Budget decisions will be based on accurate, relevant data and information



BUDGET PROCESS – 2022/2023

- Encourage stakeholder group participation, input and to share information publicly
- Utilize district web site for the public, Budget Advisory Working Group meetings, trustee workshops and Finance & Legal Committee
- Discussions with staff regarding possible program/operating efficiencies and savings
- Develop key assumptions, factors and projections to support a three year budget
- Develop budget proposals for Board consideration in alignment with the Strategic Plan and Policy 63 I
- Budget decisions based on approved Guiding Principles

QUESTIONS FOR DISCUSSIONS

- **Question 1: What strategies and budget adjustments would you recommend to address the projected structural shortfall?**
- **Question 2: Prioritize and rationalize your budget recommendations, suggestions and ideas**



KEY BUDGET DATES

February

- Board approval of 2021/2022 Amended Annual Budget – February 23
- Preparation of 2022/2023 Base Budget

February – March

- Provincial Government Budget Announcement (February 22)
- Development of 2022/2023 Base Budget
- BAWG Meeting – February 24
- Ministry Announcement of 2022/2023 Preliminary Operating Grant and CEF (March 15)

March

- Draft base budget presented to Board – March 30
- BAWG Meeting – March 31

April

- BAWG Meeting – April 14
- Board Committee of the Whole as part of the public meeting on April 27
 - – Stakeholder and Public Budget Input

April – May

- Board Budget Workshop(s) – budget deliberations

May 25

- Board Approval of 2022/2023 Annual Budget

June 30

- Submission of Approved 2022/2023 Annual Budget to Ministry of Education





BUDGET ADVISORY WORKING GROUP

FEBRUARY 24, 2022