

# **RICHMOND**

**SCHOOL DISTRICT NO. 38**

**BUDGET ADVISORY  
WORKING GROUP**

**BUDGET 2022/2023**  
**MARCH 31, 2022**

# AGENDA

- Budget Timelines
- Ministry Operating Grant Announcement
- 2022/2023 Three-Year Base Budget
- How to Balance the Budget
- Questions



# BUDGET 2022/2023 TIMELINES

## March 11

- Ministry of Education operating grant announcement

## March 31

- Budget Advisory Working Group

## April 5

- Trustee Budget Workshop

## April 14

- Budget Advisory Working Group

## April 27

- Committee of the Whole at the Public Board Meeting

## May 26

- Board approval of 2022/2023 Annual Operating Budget

# MINISTRY OPERATING GRANT ANNOUNCEMENT

- Provincial Summary:
  - No changes to the operating grant formulae or rates for 2022/2023
  - Operating grant funding will be recalculated after the actual September 2022 enrolment is known
  - CEF staffing allocation is announced at 100% of the current year amount (previously announced at 90%)
  - Labour settlement funding will be allocated as a special grant upon ratification of the collective agreements
- Richmond School District:
  - Estimated operating grant block: \$197,438,134
  - Preliminary Classroom Enhancement Fund Allocation: \$37,185,334

## 2022/2023 OPERATING GRANT RATES – 0% INCREASE

Operating Grant	2022/2023 Grant Rate	% Change from 2021/2022
Basic Allocation (Standard)	\$7,885	-
Basic Allocation (Online)	\$6,360	-
Students with Special Needs - Level 1	\$44,850	-
Students with Special Needs - Level 2	\$21,280	-
Students with Special Needs - Level 3	\$10,750	-
English Language Learning	\$1,585	-
Indigenous Education	\$1,565	-

# CLASSROOM ENHANCEMENT FUND

	2019/2020		2020/2021		2021/2022		2022/2023 Ministry Estimates	
	FTE	Funding	FTE	Funding	FTE	Funding	FTE	Funding
Total Teachers	321.1	\$29,147,353	300.3	\$29,092,042	309.8	\$32,344,010	309.8	\$32,344,010
Overhead		\$5,431,002		\$4,841,324		\$4,841,324		\$4,841,324
Remedy		\$343,332		\$131,328		\$178,164		\$0
<b>Total CEF</b>	<b>321.1</b>	<b>\$34,921,687</b>	<b>300.3</b>	<b>\$34,064,694</b>	<b>309.8</b>	<b>\$37,363,498</b>	<b>309.8</b>	<b>\$37,185,334</b>

Note: The remedy component will be calculated by the Ministry of Education based on actuals incurred in October 2022.

# MINISTRY OPERATING GRANT

	2022/2023	2021/2022	Change
Student Base Allocation	160,165,599	159,973,338	192,261
Summer School/Other	1,437,971	1,417,955	20,016
<b>Total Enrolment-Based Funding</b>	<b>161,603,570</b>	<b>161,391,293</b>	<b>212,277</b>
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	312,175	310,917	1,258
Equity of Opportunity Supplement	915,864	877,806	38,058
<b>Total Unique Student Needs</b>	<b>32,038,929</b>	<b>31,557,623</b>	<b>481,306</b>
Salary Differential	2,454,454	2,452,305	2,149
Unique Geographic Factors	1,159,137	1,075,345	83,792
Supplement for Education Plan	182,044	177,281	4,763
	<b>3,795,635</b>	<b>3,704,931</b>	<b>90,704</b>
<b>Total</b>	<b>197,438,134</b>	<b>196,653,847</b>	<b>784,287</b>

# KEY BASE BUDGET FACTORS – 2022/2023 REVENUES

- Operating Revenues:
  - Ministry of Education funding:
    - Education funding announcement - March 11, 2022
    - Operating grant revenue based on projected enrolment
    - CEF remains at the same level
  - International Education program revenues
    - Gradual recovery over next three years
    - Revenue estimated based on projected international student enrolment
  - Rental revenue – gradual recovery – likely below pre-pandemic level in 2022/2023
  - Investment Income – projected to remain low



# KEY BASE BUDGET FACTORS – 2022/2023 EXPENSES

- **Operating Expenditures – Cost Pressures:**

- Status quo base budget - current service levels and programs
  - Meet all staffing and resourcing requirements as per collective agreements
  - Include all known and projected cost pressures on all expenditure categories
  - For 2022/2023, it is unknown whether we will still be affected by the COVID-19 Pandemic - removal of one-time costs due to the pandemic from the annual budget
- Salaries
  - Teacher salary step increments of \$500,000 annually
  - P/VP & Exempt staff step increments
  - Estimated costs to cover sick leaves
- Employee Benefits
  - Higher utilization of Extended Health and 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

## UPDATES TO THE PRELIMINARY THREE-YEAR BASE BUDGET SHORTFALL

<b>2022/2023 Preliminary Base Budget - Net Surplus (Shortfall)</b>			<b>(4,053,734)</b>
<b>Updated Increase (Decrease) in Revenue</b>			
<b>Ministry Operating Grant March 2022</b>			<b>128,762</b>
<b>Other Ministry Grant</b>			<b>4,949</b>
<b>2022/2023 Updated Base Budget</b>			<b>(3,920,023)</b>

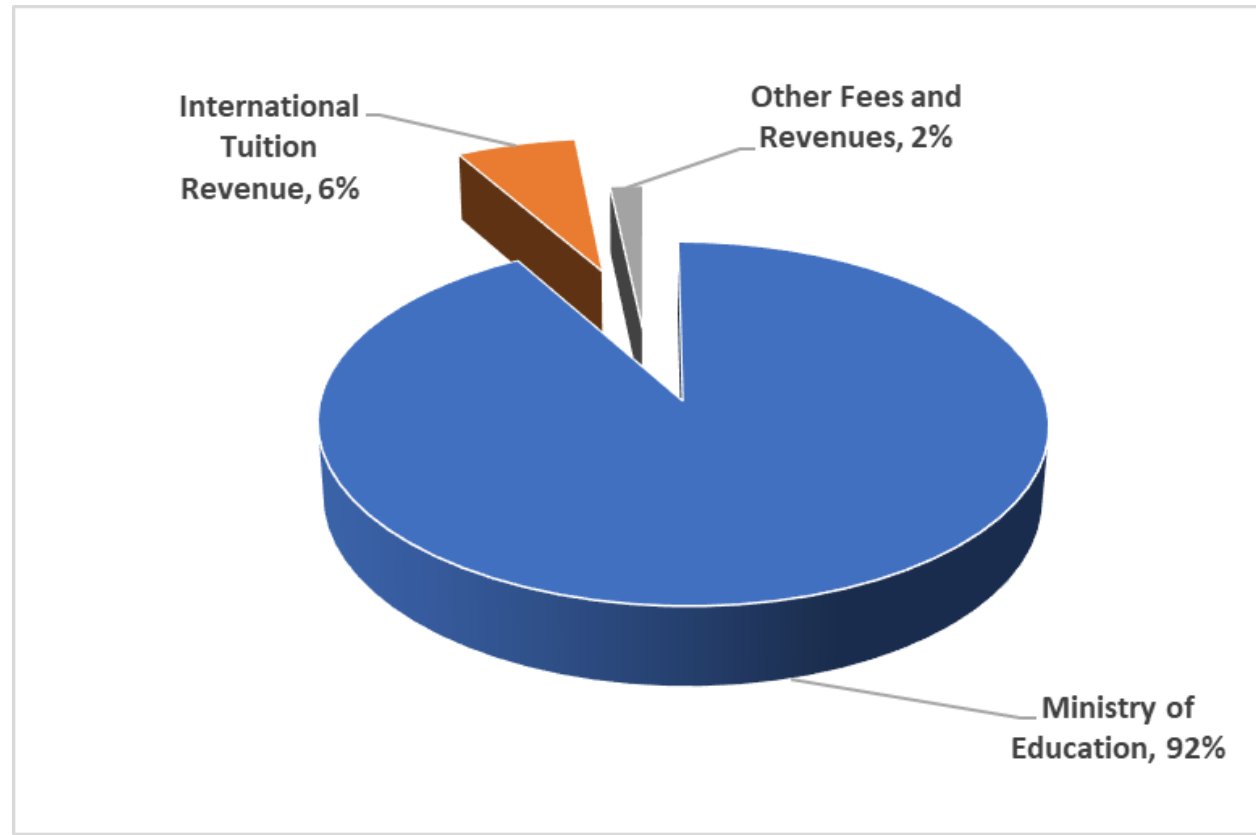
Note:

- Preliminary Three-Year Base Budget shortfall was presented to the BAWG on February 24, 2022.
- The above updates are based on the Ministry of Education operating grant announcement as of March 2022.

# 2022/2023 THREE-YEAR BASE BUDGET

		Amended			
		2021/2022	2022/2023	2023/2024	2024/2025
<b>Revenue</b>					
	Ministry Operating Grant	196,653,847	197,438,134	200,958,258	204,016,989
	Other Ministry Grants	3,230,576	2,739,555	2,739,555	2,739,555
	Other Fees and Revenue	17,643,615	17,885,876	18,822,871	20,002,023
<b>Total Revenue</b>		<b>217,528,038</b>	<b>218,063,565</b>	<b>222,520,684</b>	<b>226,758,567</b>
<b>Expenses</b>					
	Salaries	159,801,932	160,225,507	162,277,977	164,864,396
	Benefits	39,868,898	40,170,393	41,101,455	41,973,100
	Services and Supplies	19,100,842	19,587,688	20,121,046	20,656,841
<b>Total Expenses</b>		<b>218,771,672</b>	<b>219,983,588</b>	<b>223,500,478</b>	<b>227,494,337</b>
	Local Capital	(2,356,500)	(2,000,000)	(2,300,000)	(2,600,000)
<b>Net Surplus (Shortfall)</b>		<b>(3,600,134)</b>	<b>(3,920,023)</b>	<b>(3,279,794)</b>	<b>(3,335,770)</b>
<b>Net Surplus (Shortfall) as a % of Budget</b>			<b>-1.8%</b>	<b>-1.5%</b>	<b>-1.5%</b>

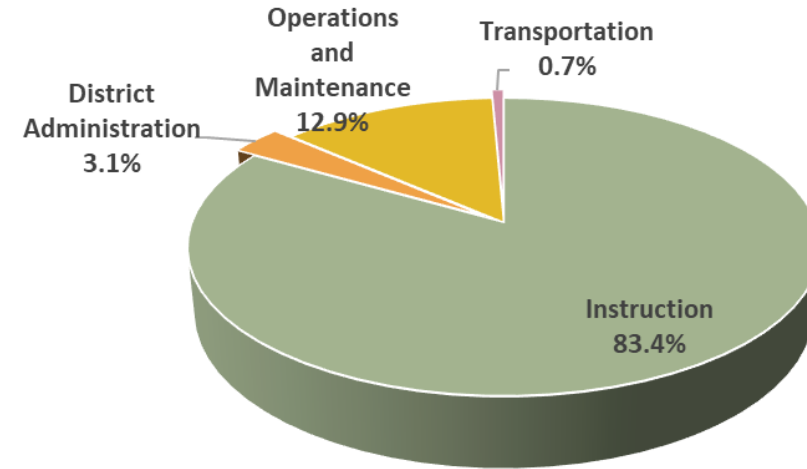
## Budgeted Revenue by Source



# Operating Expenses by Program

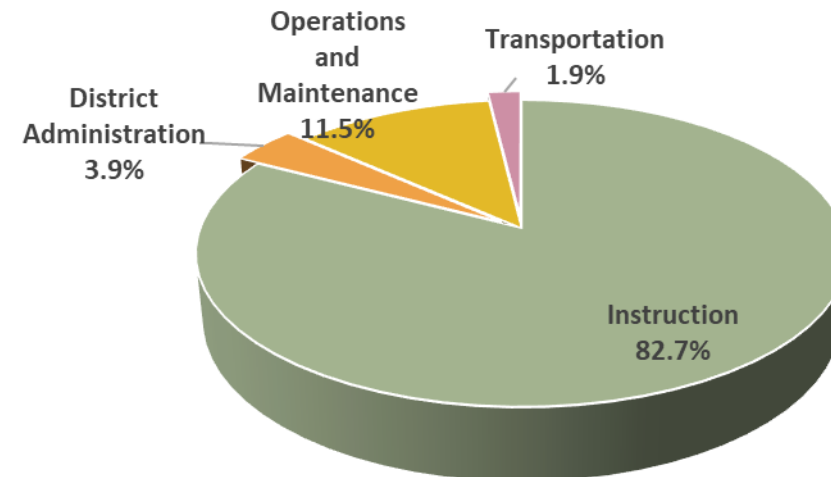
## Richmond

■ Instruction	83.4%
■ Operations & Maintenance	12.9%
■ District Administration	3.1%
■ Transportation	0.7%



## Provincial Average

■ Instruction	82.7%
■ Operations & Maintenance	11.5%
■ District Administration	3.9%
■ Transportation	1.9%

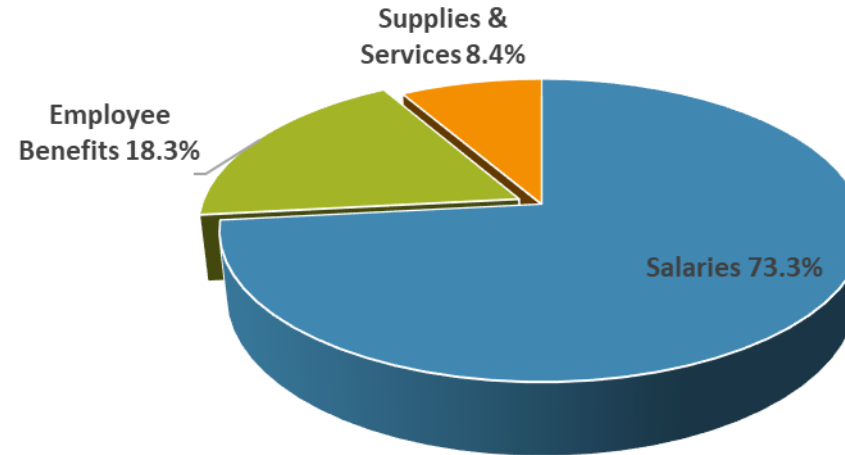


Data Source: Ministry of Education Table 4 2021/22 Annual Budgeted Operating Expenditures by Function and District

# Operating Expenses by Category

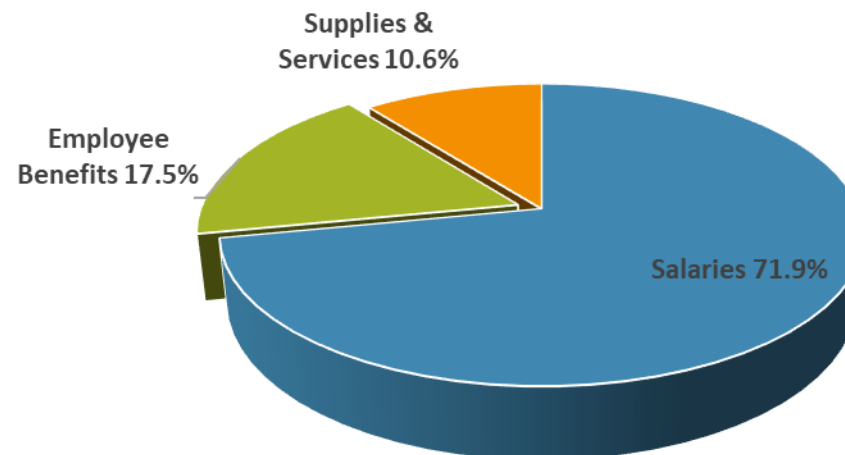
## Richmond

- ☐ Salaries 73.3%
- ☐ Employee Benefits 18.3%
- ☐ Supplies & Services 8.4%

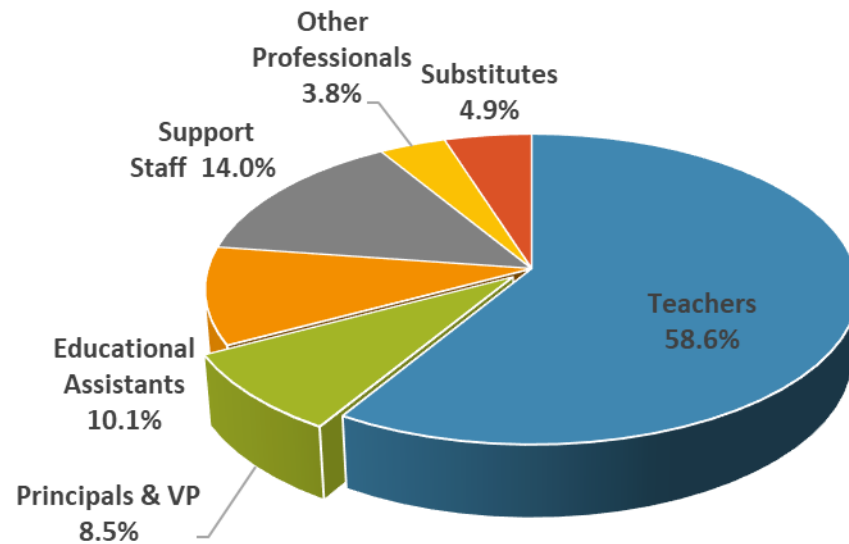


## Provincial Average

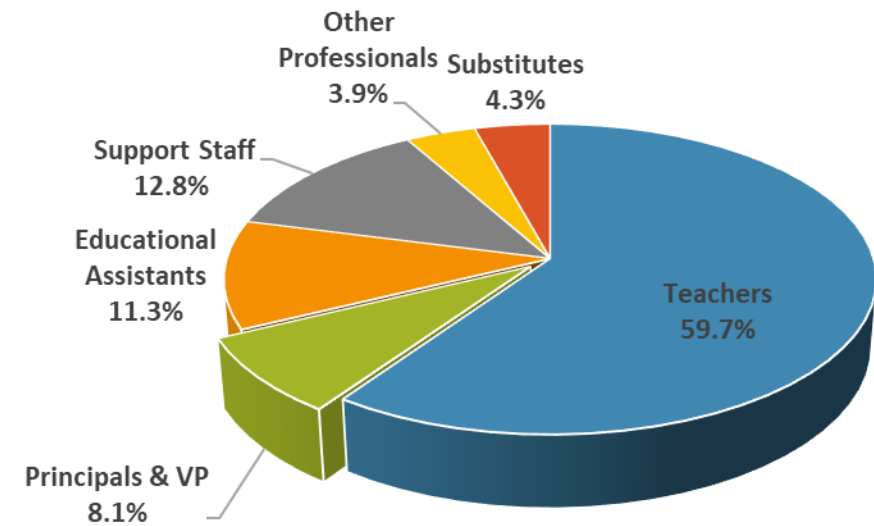
- ☐ Salaries 71.9%
- ☐ Employee Benefits 17.5%
- ☐ Supplies & Services 10.6%



# Salaries by Employee Type



Richmond



Provincial Average

## EMPLOYEE FTES BY GROUP – OPERATING FUND ONLY

Teachers	Principals & Vice Principals	Educational Assistants	Support Staff	Other Professionals	Total
1,081	94	396	432	49	2,052
52.7%	4.6%	19.3%	21.0%	2.4%	100%

Note: Above employee FTEs are based on operating fund only and do not include FTEs funded by CEF, capital fund or other special purpose funds. Data source is 2022/2023 base budget.



## 2022/2023 BUDGET FACTS

- 3-Year Base Budget projects structural shortfalls (on-going not one-time)
  - \$3.9 million structural shortfall represents 1.8% of the total operating budget
- Limited ability to increase revenues – 92% of total revenues from Ministry grants
  - No increase to Ministry Operating Grant
  - No funding from the Ministry to address inflationary costs
- 92% of the total operating budget relates to staffing (salary plus benefits)
  - Annual inflation and rate cost pressures in the range of \$1 million
- Policy 631: maintain unrestricted surpluses in the range of 2% - 4% of the annual operating budget (or \$4 million to \$8 million)
  - Projected balance of accumulated unrestricted surplus funds at the end of 2021/2022 is \$7.1 million
  - Available to cover unforeseen and emergent costs on a one-time basis – rainy day funds
- By legislation, School Districts cannot run on a deficit budget

# STRUCTURAL BUDGET SHORTFALL V.S. LONG-TERM OUTLOOK

## ■ ***Structural Budget Shortfall***

- Cost Pressures
  - Salary increments and 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 revenues

# STRUCTURAL BUDGET SHORTFALL – 2021/2022 ANNUAL BUDGET

	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
<b>Total Revenue</b>	<b>208,636,591</b>	<b>212,970,768</b>	<b>218,031,159</b>	<b>221,710,653</b>
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
<b>Total Expenses</b>	<b>211,647,360</b>	<b>217,665,902</b>	<b>220,796,498</b>	<b>223,283,312</b>
Local Capital	(4,697,000)	(2,500,000)	(2,700,000)	(3,000,000)
<b>Net Surplus (Shortfall)</b>	<b>(7,707,769)</b>	<b>(7,195,134)</b>	<b>(5,465,339)</b>	<b>(4,572,659)</b>
<b>Net Surplus (Shortfall) as a % of Budget</b>		<b>-3.31%</b>	<b>-2.48%</b>	<b>-2.05%</b>

	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)
<b>Total Funds Available</b>	<b>9,829,402</b>	<b>2,634,268</b>
Budget Adjustment - 2021/2022 - on-going		(3,839,000)
Budget Adjustment - 2021/2022 - one-time		244,000
<b>Total Fund Balance, End of Year</b>	<b>9,829,402</b>	<b>6,229,268</b>
<b>% of Fund Balance of Total Expenses</b>	<b>4.5%</b>	<b>2.83%</b>

Data source: 2021/2022 Annual Budget.

Note: The data are based on information presented in the April 15, 2021 Budget Advisory Working Group meeting.

# HOW TO BALANCE THE BUDGET?



# 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 STRATEGIES TO CONSIDER

- Stay focused on Budget Guiding Principles and Budget Priorities
- Consideration of input and feedback from stakeholders and the public
- Weigh pros and cons of various budget options looking at short-term and long-term impacts
- Where possible, minimize the impact on the classrooms
- Balance staffing adjustments across all employee groups
- Leverage unrestricted accumulated surplus and reserves to soften the impact
- Maintain appropriate level of unrestricted accumulated surplus and reserves balance – Government requirement and Board Policy to hold reserves for unforeseen expenditures
- Goal: Long-term fiscal sustainability to enable the District to achieve its priorities and goals set in its Strategic Plan

## SCENARIO I: MAXIMIZE USE OF UNRESTRICTED SURPLUSES

	2021/2022	2022/2023	2023/2024	2024/2025
Fund Balance, Beginning of Year	1,298,065	7,064,553	3,144,530	(135,264)
Unrestricted Local Capital Reserve	3,266,488			
Contingency Reserve (part of Local Capital Fund)	2,000,000			
Current Year Projected Additional Surplus (Shortfall)	500,000	(3,920,023)	(3,279,794)	(3,335,770)
<b>Total Funds Available</b>	<b>7,064,553</b>	<b>3,144,530</b>	<b>(135,264)</b>	<b>(3,471,034)</b>
Proposed Budget Adjust - 2022/23				
Proposed Budget Adjust - 2023/24				
Proposed Budget Adjust - 2024/25				
<b>Total Fund Balance, End of Year</b>	<b>7,064,553</b>	<b>3,144,530</b>	<b>(135,264)</b>	<b>(3,471,034)</b>
<b>% of Fund Balance of Total Expenses</b>		<b>1.4%</b>	<b>-0.1%</b>	<b>-1.5%</b>

# SCENARIO I – MAXIMIZE USE OF SURPLUSES

## Pros

- Balance the budget with no budget adjustments or reductions
- Maintain the same level of services

## Cons

- Does not have sufficient unrestricted surplus and reserves for this option
- Not sustainable to deplete the accumulated surplus and reserve fund balances
- No flexibility to react to emergency or unforeseen events
- Does not align with Policy 63 I on required level of reserves
- Does not address the structural shortfall
- Defer the structural shortfall to the next year
- Could result in more significant future reductions
- Hinder the District's ability to achieve the goals and priorities set in the Strategic Plan



## SCENARIO 2: MAXIMIZE ONGOING BUDGET REDUCTIONS

	2021/2022	2022/2023	2023/2024	2024/2025
Fund Balance, Beginning of Year	1,298,065	7,064,553	7,064,553	7,704,782
Unrestricted Local Capital Reserve	3,266,488			
Contingency Reserve (part of Local Capital Fund)	2,000,000			
Current Year Projected Additional Surplus (Shortfall)	500,000	(3,920,023)	(3,279,794)	(3,335,770)
<b>Total Funds Available</b>	<b>7,064,553</b>	<b>3,144,530</b>	<b>3,784,759</b>	<b>4,369,012</b>
Proposed Budget Adjust - 2022/23		(3,920,023)	(3,920,023)	(3,920,023)
Proposed Budget Adjust - 2023/24			-	-
Proposed Budget Adjust - 2024/25				-
<b>Fund Balance, End of Year</b>	<b>7,064,553</b>	<b>7,064,553</b>	<b>7,704,782</b>	<b>8,289,035</b>
<b>% Fund Balance, End of Year</b>		<b>3.2%</b>	<b>3.4%</b>	<b>3.6%</b>

## SCENARIO 2 – MAXIMIZE ON-GOING BUDGET REDUCTIONS

### Pros

- Eliminate structural shortfall to ensure budget sustainability
- Maintain future budget flexibility and fiscal health to deal with emergency or unforeseen events
- Maintain accumulated unrestricted surplus balance at a desirable level equivalent to 3-3.5% of the total budget

### Cons

- Adjustments in staffing, resources, services and supplies available to the district and schools
- Relatively more significant impact in one year compared to other options

## SCENARIO 3: COMBINATION OF REDUCTIONS AND SURPLUSES

	2021/2022	2022/2023	2023/2024	2024/2025
Fund Balance, Beginning of Year	1,298,065	7,064,553	5,644,530	6,284,759
Unrestricted Local Capital Reserve	3,266,488			
Contingency Reserve (part of Local Capital Fund)	2,000,000			
Current Year Projected Additional Surplus (Shortfall)	500,000	(3,920,023)	(3,279,794)	(3,335,770)
<b>Total Funds Available</b>	<b>7,064,553</b>	<b>3,144,530</b>	<b>2,364,736</b>	<b>2,948,989</b>
Proposed Budget Adjust - 2022/23		(2,500,000)	(2,500,000)	(2,500,000)
Proposed Budget Adjust - 2023/24			(1,420,023)	(1,420,023)
Proposed Budget Adjust - 2024/25				
<b>Fund Balance, End of Year</b>	<b>7,064,553</b>	<b>5,644,530</b>	<b>6,284,759</b>	<b>6,869,012</b>
<b>% Fund Balance, End of Year</b>		<b>2.6%</b>	<b>2.8%</b>	<b>3.0%</b>

## SCENARIOS 3 – COMBINATION OF ADJUSTMENTS AND SURPLUSES

### Pros

- Begin to re-align district operations with new fiscal reality
- Partially address the structural shortfall
- Give the district and schools more time to plan and adjust if budget factors improve over the next year
- Leverage the accumulated surplus fund balances to soften the impact of reductions over two years
- Continue to maintain a level of accumulated surplus and reserves fund balances in alignment with Board Policy

### Cons

- Not fully address the structural shortfall in one year
- Defer part of the shortfall to the next year
- Reduce accumulated surplus and reserves fund balances

# BUDGET PROCESS

- Encourage stakeholder and public participation and input through Budget Advisory Working Group meetings, trustee workshops and Finance & Legal Committee
- Discuss with staff regarding possible program/operating efficiencies and savings
- Develop budget proposals for Board consideration in alignment with the Strategic Plan and Policy 631
- Budget decisions based on approved Guiding Principles
- Share budget information publicly on the District's website



QUESTIONS?

BUDGET ADVISORY WORKING GROUP

MARCH 31, 2022