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

BRIEFING NOTE

TO:	The Board of Education	**DATE:**	February 16, 2021
FROM:	Alanna Cameron, Secretary-Treasurer		
RE:	**2020-21 Amended Annual Budget**		

Purpose

As per Section 113 (2) of the *School Act*, the Minister of Education requires that Amended Annual Budgets are prepared, adopted by bylaw and submitted on or before the last day in February each fiscal year. The ***2020-21 Amended Annual Budget Bylaw for School District No. 83 (North Okanagan-Shuswap)*** is presented to the Board of Education for adoption.

Background

On June 16, 2020, the Board approved, by bylaw, the preliminary *2020-21 Annual Budget* (motions #078, 079, 080/2020). The budget was based on preliminary estimates of enrolment, revenue and expenditure factors. On December 18, 2020, the Ministry announced the 2020-21 recalculated funding allocations provincially.

The proposed ***2020-21 Amended 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.

This briefing note provides an analysis of changes to revenue and expenditure estimates included in the proposed ***2020-21 Amended Annual Budget***, as presented.

Supporting Documentation

- The proposed (draft) ***2020-21 Amended Annual Budget*** is attached.
- Budget detail of the one-time ***Safe Return to School Grant*** and the ***Federal Safe Return to Class Fund***

Operating Funds

The updated operating revenue and expenditure budgets include:

1. the 2019-20 appropriated surplus carry-forward as per the *2019-20 Audited Financial Statements,* approved September 22, 2020 (motion #088/2020);
2. the known or anticipated changes in revenues, including the Ministry of Education Block Funding resulting from changes in student enrolment and other;
3. allocations for re-appropriated surpluses and contingency funds; and
4. the final budget adjustments proposed for approval February 16, 2021.

2019-20 Appropriated Operating Surplus

The following table summarizes the approved appropriation of the *2019-20 Accumulated Operating Surplus* as per *Schedule 2* and *Note 18* of the *2019-20 Audited Financial Statements*. $1,349,398 was allocated to specific programs and initiatives in the 2020-21 fiscal as follows:

Operating Fund	
Internally restricted:	
School Budget Balances	**$ 469,182**
Career Program	**37,446**
Unspent Aboriginal Education Targeted Funds	**218,249**
Automated External Defibrillator Commitments	**30,537**
Various Outstanding Projects	**51,000**
Contingency Reserve	**199,984**
Appropriated for Next Year's Budget	**343,000**
	$ 1,349,398

These appropriated funds have been incorporated into the proposed ***2020-21 Amended Annual Budget*** and can be referenced as ***"Budgeted Prior Year Surplus Appropriation"*** on ***Schedule 2*****.**

2020-21 Operating Revenue

Provincial Operating Grant (Block) – Ministry of Education

Based on the Interim Operating Grant allocations announced December 18, 2020, the district can expect to receive $70,702,413 in operational funding for 2020-21. The recalculated funding amount for the district is $2,003,873 less than the estimates used in the development of the 2020-21 Preliminary Budget. The decrease is due primarily to both base enrolment as well as designated student enrolment being less than what was originally projected.

Additionally, Salary Differential Funding has dropped below prior year levels. In 2019-20, our average teacher salary in was only $286 less than the provincial average. Based on September 30, 2020, the difference has grown the $1,336 below provincial average. In light of the substantial number of teacher layoffs due to decreased international student enrolment in several larger urban districts (related to the pandemic), the provincial average teacher salary has increased relatively, thus reducing the funding our district is eligible for.

SD 83 2020 -2021 MINISTRY OPERATING GRANTS SUMMARY

FUNDING SOURCE	2020-2021 Preliminary	2020-2021 Amended	Change from 20-21 Preliminary
FTE September Enrolment	6,527.5000	6,425.0650	(102.4350)
			-
Enrollment Based Funding			-
school age - reg	48,966,120	47,878,898	(1,087,222)
continuing education			-
school age - alt	302,400	241,920	(60,480)
dist learn	64,050	365,238	301,188
home school	1,000	4,500	3,500
course challenge	2,832	4,248	1,416
sub-total	**49,336,402**	**48,494,804**	**(841,598)**
			-
Special Education			-
level 1	301,000	258,000	(43,000)
level 2	8,670,000	7,956,000	(714,000)
level 3	1,493,500	1,503,800	10,300
sub-total	**10,464,500**	**9,717,800**	**(746,700)**
			-
Distance Ed Enrollment Based			-
July (Summer Learning)	10,750	4,300	(6,450)
Feb	164,700	164,700	-
May	99,633	99,633	-
sub-total	**275,083**	**268,633**	**(6,450)**
			-
Special Needs Growth	194,200	194,200	-
			-
Equity of Opportunity	238,308	236,395	(1,913)
English Language Learning	60,800	66,880	6,080
Indigenous Education	1,813,500	1,792,500	(21,000)
Adult Education	3,014	2,412	(602)
Salary Differential	1,073,492	681,802	(391,690)
Unique Geographical Factor	9,189,107	9,189,107	-
Vulnerable Students	-	-	-
Curriculum and Learning Support Fund	57,880	57,880	-
Economic Stability Dividend	-		-
TOTAL	**72,706,286**	**70,702,413**	**(2,003,873)**

The ***"Operating Grant, Ministry of Education***" can be referenced at the top of ***Schedule 2A*** in the attached budget document.

Other Provincial Grants - MoE

Changes in Other Ministry of Education allocations include a small grant for the Provincial Benefits Framework Agreement, and the Early Career Mentorship Find.

Other Provincial Grants – Other Ministries

Due to reduced student enrolment in ACE-IT and ITA programs, *Other Provincial Grant* allocations are expected to drop below preliminary projections for 2020-21.

Other Revenues

Through further analysis and review, offshore tuition fees are higher and rental income is expected to be lower than what was anticipated last spring.

The resulting over-all reduction in operating revenues is $1,807,121:

Summary of Changes in Operating Revenues	
Provincial Operating Grant (Block)– Ministry of Education	**$ (2,003,873)**
Other Provincial Grants – Ministry of Education	**189,352**
Other Provincial Grants – Other Ministries	**(43,000)**
Other Revenues	**50,400**
	$ (1,807,121)

"Total Operating Revenue" can be referenced in the comparison of the prelimnary *2020-21 Annual Budget* of $76,091,224 to the ***2020-21 Amended Annual Budget*** of **$74,284,103,** on ***Schedule 2A*****.**

2020-21 Contingency Funds

A *Contingency Fund* within the adopted *2020-21 Preliminary Budget* was established in anticipation of budget pressures that may arise at the onset of the upcoming fiscal year. An additional *Contingency Reserve* was approved within the *2019-20 Accumulated Operating Surplus* as per *Schedule 2 and Note 18* of the *2019-20 Audited Financial Statements*.

Further, the Ministry of Education has announced two additional Special Purpose Grant allocations intended to off-set the financial impact related to the pandemic. As such, the increase in custodial supplies that was anticipated and planned for when the preliminary *2020-21 Annual Budget* was developed is no longer required. These costs have been redirected to the one-time trust funds as provided, and the operating funds have been included as additional *Contingency Funds* to be reallocated as required.

The expected reduction in operating revenues along with the total additional operating contingency funds available for the ***2020-21 Amended Annual Budget*** are summarized as follows:

Operating Funds	
Available Contingency Funds:	
Preliminary 2020-21 Annual Budget	**$ 355,000**
2019-20 Audited Financial Statements	**199,984**
Re-allocation preliminary 2020-21 Annual Budget	**50,000**
	$ 604,984

2020-21 Expenses

Our preliminary 2020-21 Annual Budget was developed last spring based on student enrolment of 6,527 full time equivalent students (FTE), with 577 designated special needs students. Actual enrolment as per our September 30, 2020 *1701 Student Data* submission was 6,425 FTE, with only 542 identified as special needs. In response to this unexpected reduction, and the significant reduction in funding provided, immediate action was required in order to ensure a balanced ***2020-21 Amended Annual Budget.***

Expense Increases

Enroling/non-enroling Teachers (re: CEF): Classroom Enhancement Funds (CEF) are provided to districts to address the restored class size and composition language that resulted from the recent Supreme Court of Canada ruling. Based on 2020-21 student projections, we anticipated CEF funding for 57.246 FTE teacher staffing. Based on the actual number of diverse needs students in attendance in September, the district no longer qualified for approximately $807,000 of the projected CEF funding (just under 8 FTE teaching staff), which forced us to absorb these salary and benefit costs within the operating budget.

Failure to Fill Grievance Settlement – LRT (NOSTA): The local settlement in the provincial matter of the Failure to Fill Grievance (Section 88 – Case No. 71447/17L) resulted in an increase of 0.67 FTE Learning Resource teaching time

Expense Reductions

Classroom Teachers: Staffing plans for our bricks and mortar schools were based on student enrolment of 6,517 FTE. In September, actual enrolment dropped to 6,365 FTE, including the students who opted for the "soft start" program which ensured an empty seat was held for a student in transition. In light of this enrolment drop of 152 FTE students, the district reduced 5.85 FTE classroom teachers across five different schools. Displaced teachers did not suffer loss of pay. They were offered teaching assignments in our Education Outreach Program or were re-assigned as priority Teachers Teaching on Call for the remainder of the school year.

Instructional Leadership Team Teaching: In September, 1.4 FTE Instructional Leadership Team teaching time that had been approved through the 2020-21 preliminary budget development process remained vacant. These vacant teaching positions will not be filled.

Professional Development and Travel: As a result of the pandemic, much of the professional development and travel that had been planned for in the 2020-21 fiscal has either been cancelled or has transitioned to an online delivery model. As such, the need for budget allocations for release time, registration fees, contractor's fees and meals/mileage have been greatly reduced in all departments.

Extra/Over-time Hours: In response to the unexpected revenue shortfall, allocations for over-time and extra hours were removed from all department budgets. Unavoidable over-time will be absorbed within existing staffing levels.

Vested Benefits: School districts are required to recognize an ongoing liability for employee benefits. These benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance and death benefits. Based on the updated estimate provided by Mercer, the 2020-21 expense is $45,000 lower than what was projected earlier in the spring.

Other Professionals Salaries/Benefits: Due to the executive compensation freeze mandate-initiated August 31, 2020, by the Ministry of Finance, incremental increases planned for the period of January 1 to June 30, 2021 for executive-level positions will not be approved. Further, it is expected that incremental increases that had been planned for in the second half of the 2020-21 fiscal will not be approved. This change has resulted in a slight reduction in anticipated Other Professionals salary and benefit costs for 2020-21.

Classroom Supplies: The reduction in student enrolment directly impacted the required classroom supply funds allocated to schools as majority of the funding categories are based on a per-student ratio.

Expense Re-allocations

Custodial Salaries/Benefits and Equipment: The approved preliminary *2020-21 Annual Budget* provided funds for the purchase of 8 auto scrubbers for the custodial department. Additionally, increased costs for custodial salaries and benefits were anticipated due to the pandemic. Both of these planned expenditures have been absorbed within the *Safe Return to School Grant* and the *Federal Safe Return to Class Fund*.

Replacement Salaries/Benefits: Replacement costs for all departments were expected to increase as a result of the self-isolation and quarantine regulations established by Provincial Health Officer. These additional costs have been absorbed within the *Federal Safe Return to Class Fund*.

Principals/Vice Principals Salaries/Benefits: An additional .4 FTE of Principals/Vice Principals time has been removed from the Operating Fund and applied to the *Classroom Enhancement Fund* to reflect the increased remedy time being covered.

The expected increases in operating expenses, off-set by the expense reductions and re-allocations recognized within the ***2020-21 Amended Annual Budget*** are summarized as follows:

Operating Fund		
Expense Increases:		
Enroling/Non-enroling Teachers (re: CEF)	$ 806,919	
Failure t Fill Grievance Settlement – LRT (NOSTA)	68,400	
		$ 875,319
Expense Reductions:		
Classroom Teachers	$ (597,227)	
Instructional Leadership Team Teaching	(142,926)	
Professional Development and Travel	(431,000)	
Extra/Over-time Hours	(30,000)	
Vested Benefits	(45,000)	
Other Professionals Salaries/Benefits	(23,477)	
Classroom Supplies	(18,000)	
		$ (1,287,630)

Expense Re-allocations:		
Custodial Auto Scrubbers	$ (25,100)	
Custodial Salaries/Benefits	(284,340)	
Replacement Salaries/Benefits	(423,925)	
Principals/Vice Principals Salaries/Benefits	(56,461)	$ (789,826)
Total Expense Increase/(Decrease)		**$ (1,202,137)**

A summary of 2020-21 amended budget operational expenses can be referenced *on* ***Schedule 2B*** and ***2C*** in the attached budget document.

2020-21 Summary of Operational Amendments

The expected reduction in operating revenues off-set by the added contingency funds and the proposed over-all reduction of expenses is summarized as follows:

Operating Funds	
DECREASE: Revenue	$ (1,807,121)
INCREASE: Contingency Funds	604,984
INCREASE: Reduction of Expenses	1,202,137
	$ 0

Detail of the 2020-21 operating revenues and expenses can be referenced *on* ***Schedule 2*** in the attached budget document.

Special Purpose Funds

Special Purpose Funds include funds received from the Ministry of Education or other sources that have been designated for specific purposes.

Special Purpose Funds include the operational portion of the *Annual Facilities Grant*, the *Learning Improvement Fund, StrongStart, Ready Set Learn, Federal French Grant (OLEP), Scholarships and Bursaries, School Generated Funds, CommunityLINK, Classroom Enhancement Fund, First Nations Student Transportation Fund, Mental Health in Schools, Changing Results for Young Children*, and most recently, the *Safe Return to School Grant* and the *Federal Safe Return to Class Fund*.

Overall, revenues and expenses are considerably higher than what was anticipated earlier in the spring due primarily to two major factors:

1. Both the *Safe Return to School Grant* and the *Federal Safe Return to Class Fund*, provided specifically in response to the additional costs imposed on districts as a result of the pandemic, were announced after the preliminary *2020-21 Annual Budget* was adopted; and.

2. Preliminary grant allocations of *Classroom Enhancement Funds* that are provided to districts to address the restored class size and composition language that resulted from the recent Supreme Court of Canada ruling, do not include provisions for remedy. As in past years, final grant confirmation, based on September 30, 2020 enrolment submissions, which include provisions for remedy, are not provided to districts until December or January.

2020-21 Special Purpose Fund Budgets

	Amended	Preliminary	Change
Opening Balances	2,166,855	1,699,500	467,355
Revenues	12,215,461	8,489,233	3,726,228
Recovered Surplus	334,133	-	334,133
Expenditures	11,897,959	8,261,808	3,636,151
Capital Asset Purchases	430,638	316,925	113,713
Closing Balances	**1,719,586**	**1,610,000**	**109,586**

Detail of the 2020-21 anticipated revenues and planned expenditures for Special Purpose Funds can be referenced on ***Schedule 3A*** in the attached budget document.

Supplementary detail of planned expenditures related to the ***Safe Return to School Grant*** and the ***Federal Safe Return to Class Fund***, are attached.

Capital

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

For all Ministry capital contributions, other than the Annual Facilities Grant, districts are required to submit their proposed plans in/around June of the year prior to the funding fiscal year. Capital allocations are granted on an April 1 to March 31 fiscal year.

Boards also have the autonomy to purchase capital assets using either operational funds, special purpose funds or local capital funds, which are generated through Board approved transfers of prior year operating surplus, and/or through sale of assets.

Tangible capital assets acquired or constructed are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the asset. It is management's responsibility to determine the appropriate useful lives for tangible capital assets. These useful lives are reviewed on a regular basis or if significant events initiate the need to revise. Estimated useful life is as follows:

Buildings	40 years
Furniture & Equipment	10 years
Vehicles	10 years
Computer Software	5 years
Computer Hardware	5 years

2020-21 Tangible Capital Assets

	Amended	Preliminary	Change
Ministry of Education			
Annual Facility Grant	1,103,694	1,340,831	- 237,137
Carbon Neutral Capital Plan	300,000	-	300,000
School Enhancement Program	1,419,164	1,429,000	- 9,836
Playground Equipment Grant	-	-	-
Bus Replacement	424,449	424,449	-
Operating	1,534,921	1,333,512	201,409
Special Purpose Funds	430,638	316,925	113,713
Local Capital	-	-	-
MoE Bylaw Capital (prior year)	65,905	-	65,905
Other Provincial Capital	32,938	-	32,938
Total Acquisition of Capital Assets	5,311,709	4,844,717	466,992

The total planned investment of **$5,311,709** can be referenced in "***Total Acquisition of Tangible Capital Assets"*** on ***Statement 4***.

Recommendation

The Board of Education is required to pass three readings to approve and adopt **Version 6934 6188 4206** of ***School District No. 83 (North Okanagan-Shuswap) 2020-21 Amended Annual Budget Bylaw*** as presented, noting that unanimous consent is required to move to third reading in one meeting.

The ***2020-21 Amended Annual Budget Bylaw*** is sited on ***page 1*** of the attached budget document. The total amended amount of **$93,124,598** for the fiscal year 2020-21 can be referenced as "***Total Budget Bylaw Amount***" on ***Statement 2***.

Respectfully submitted,

Alanna Cameron

Alanna Cameron
Secretary-Treasurer