

# 2020/21 ANNUAL BUDGET NARRATIVE

June 2020



This budget narrative document for School District #62 (Sooke) is meant to provide a high-level overview of the financial plan required to deliver on the goals and objectives of the District's Strategic Plan. The Board of Education has defined the strategic direction for the District and also has the responsibility to resource the work required to meet the desired outcomes found in the Strategic Plan. This document reflects the necessary revenue required to fund the District's operations and how the expenditures are expected to be made.

## **THE SCHOOL DISTRICT**

The District has approximately 11,200 students and serves the communities of Sooke, Port Renfrew, Metchosin, Highlands, Langford and Colwood. Surrounded by forests, ocean, mountains and lakes, we are located a short distance from Victoria, the capital city of the province of British Columbia. The District is one of the fastest growing school districts in the province.

The governing body of the School District is a Board of Education of seven school trustees who are each elected for a four-year term. The day-to-day matters are managed by the administrative staff of the School District, headed by the Superintendent of schools.

### **Our Vision**

We honour student voice and choice through engaging, purposeful and experiential learning in a safe and respectful community.

### **Our Values**

– Relationships – Choice – Respect – Integrity – Trust – Safety

## **EXECUTIVE SUMMARY**

The budget development process for the 20/21 school year has been anything but normal. The process started in February as planned and took a detour as the worldwide pandemic hit. During these uncertain times, the Board provided direction to focus on core services and to utilize the financial reserve to absorb anticipated revenue shortfalls or expenditure pressures in the upcoming year. Staff have developed a plan that will see the financial reserve be increased for the 19/20 year-end in order to prepare for significant pressures in the following year.

The District's enrolment continues to grow and staff feel using the financial reserve is the most prudent approach in dealing with the short to medium term challenges posed by the pandemic. The District will be able to reassess the financial situation during the 21/22 budget development process and will make any necessary structural decisions at that time.

## BUDGET DEVELOPMENT PROCESS

School Boards are required by the School Act to adopt two budgets each fiscal year:

- A preliminary or “annual” budget is adopted by June 30<sup>th</sup> for the subsequent fiscal year based on forecasted enrolment and revenues; and
- An amended budget is adopted by the end of February within the fiscal year reflecting actual fall enrolment and funding.

Similar to prior years, the District started the annual budget development process in mid-February when enrolment projections for the coming fall are due to the Ministry. Staff consulted with the District’s stakeholders and developed a list of priorities that could be addressed with any discretionary funding created by growth. The process focused on increasing the stakeholder touch points on the budget with the strategic plan as the guiding document. Those plans changed as the pandemic hit and the District was forced to use the financial reserve in order to maintain a status quo budget.

When reviewing the District’s risk management plan, it was determined that additional risk mitigation strategies were required to manage the risks of the pandemic to tolerable levels. As a result, both the budget development process and approach were modified in order to address the identified risks. This included:

- Delaying the budget approval process to June to understand the impacts of the pandemic more thoroughly;
- Restricting non-essential expenditures for the remainder of the 2019/20 school year to build up the reserve; and
- Recommending a status quo budget to the Board and utilizing the built-up reserve to manage the 2020/21 impacts of the pandemic.

### COVID Impact

As COVID-19 was declared a global pandemic in mid-March and travel restrictions were being implemented by governments around the world, it became increasingly likely that the pandemic would impact the finances and operations of the District in 2020/21.

The uncertain nature of the pandemic makes it extremely difficult to project what those financial and operational impacts on the District will be. However, the provincial government and the District continues to plan for a modified return to in-class instruction in September. That said, the most significant budget implication at this time is the potential impact on international student enrolment.

In 2019/20 there were approximately 280 full-time equivalent (FTE) international students enrolled in the District. The associated tuition fees from those students provided about \$1.9 million in net revenues that supported other programs throughout the District.



Given the current restrictions on travel and the significant level of uncertainty of the impact on the international program even when travel restrictions are lifted, the District is projecting enrolment of 60 FTE – a decrease of 220 FTE from 2019/20. The decrease of 220 FTE, along with the anticipated elimination of net revenues from the international summer program, results in a reduction of net revenues of approximately \$2.319 million that otherwise would have supported other programs throughout the District.

	<b>A</b>	<b>B</b>	<b>C = A-B</b>
	<b>ANNUAL</b>	<b>AMENDED</b>	<b>INCREASE /</b>
	<b>BUDGET</b>	<b>BUDGET</b>	<b>(DECREASE)</b>
	<b>FY21</b>	<b>FY20</b>	<b>FY21</b>
INTERNATIONAL TUITION REVENUES	\$ 1,473,000	\$ 6,860,260	\$ (5,387,260)
INTERNATIONAL PROGRAM EXPENSES	\$ 1,897,265	\$ 4,965,912	\$ (3,068,647)
NET REVENUE / (EXPENSE)	\$ (424,265)	\$ 1,894,348	\$ (2,318,613)

Also, given the uncertainty as to when the international program may return to a sense of normalcy, the District's plan is not only with consideration of the coming fiscal year but over the next several years. The budgeted expenditures assume that if not in 2020/21, a sense of normalcy for the program may return in 2021/22. As such, it is important that the infrastructure of the program is maintained to support the program should that normalcy return in the near future.

To maintain existing infrastructure and program services elsewhere in the District, the District will use the financial reserve to accommodate the anticipated loss in net revenues from the international program. The Board has approved a one-time reserve threshold of 4% of operating expenses - an increase from the reserve threshold of 2% of operating expenses stated in the reserve policy. To build up the reserve available for 2020/21, the District is focusing on core services and is now restricting non-essential expenditures for the remainder of the 2019/20 school year.

### Budget Assumptions

As noted, the provincial government and the District continues to plan for a modified return to in-class instruction in September. As per the table below, the District is assuming a return to stage 1 instruction other than the international program.

STAGE 1 SCHOOL DENSITY TARGETS 100%	STAGE 2 SCHOOL DENSITY TARGETS K-7: 100% Grade 8-12: 40%	STAGE 3 SCHOOL DENSITY TARGETS K-5: 50% Gr. 6-12: 20%	STAGE 4 SCHOOL DENSITY TARGETS K-12: 20%	STAGE 5 SCHOOL DENSITY TARGETS K-12: 0%
<b>In-class instruction:</b>  K-12: 5 day per week	<b>In-class instruction:</b>  K-7: 5 days per week Grade 8-12: 2 days per week  5 days per week available for: ✓ Children of essential service workers ✓ Students with disabilities/diverse abilities ✓ Students who require additional supports  Remote/online instruction: Balance of learning	<b>In-class instruction:</b>  K-5: 2 to 3 days per week Gr. 6-7: 1 day per week Gr 8-12: 1 day per week  5 days per week available for: ✓ Children of essential service workers ✓ Students with disabilities/diverse abilities ✓ Students who require additional supports  Remote/online instruction: Parent/Guardian choice to return to in-class instruction optional Balance of learning	<b>In-class instruction:</b>  K-12: Limited  5 days per week available for: ✓ Children of essential service workers ✓ Students with disabilities/diverse abilities ✓ Students who require additional supports  Remote/online instruction: K-12: Majority of all students	<b>In-class instruction:</b>  K-12: None  Suspend all in-class instruction for all grades and students  Remote/online instruction: K-12: All Students

Accordingly, the following associated assumptions are reflected in the budget at this time:

- Domestic enrolment in 2020/21 will not be significantly impacted by the pandemic;
- Staffing levels, including replacement staff, will be consistent with 2019/20;
- Rental income will be consistent with 2019/20;
- Social/physical distancing implementation costs, if any, will be minimal; and
- Custodial and cleaning supply costs will be consistent with 2019/20.

### Strategic Plan

As we approach the final year of the current 3-year strategic plan for the District, there is an opportunity to reflect and ask: What do we need to do in 2020-21 to meet the goals of learning, engagement, and growth as stated in the strategic plan?

Through consultation with the various stakeholder groups, the following areas were identified as priority focus areas for 2020/21:

PRIORITY	RESOURCES ADDED	
Inclusive Education Services	\$1,314,000	Due to growth
Curriculum	\$100,000	Re-instate from 19/20
Early Learning & Intervention		Status Quo
Safe and Healthy Schools		Status Quo
Employee Safety		Status Quo
Wellness		Status Quo
Training		Status Quo
Facilities	\$154,232	Inflationary pressures
Communication		Status Quo

## STATEMENT OF OPERATIONS AND BUDGET BYLAW

The total budget bylaw amount is presented at the end of the Statement of Operations (Statement 2).

The Statement of Operations consolidates all revenues and expenses by function reported for the Operating (Schedule 2), Special Purpose (Schedule 3) and Capital funds (Schedule 4).

The Operating Fund is where the majority of the Districts operations are reported. As this will be of particular concern to the users of the financial statements, considerable focus and analysis is provided on the Operating Fund.

### OPERATING FUND

The Operating Fund is comprised of four components: revenues, expenses, tangible capital assets purchased, and prior year surplus appropriation. The summary schedule for the Operating Fund can be found in Schedule 2.

### REVENUES

The summary schedule for the District operating revenues can be found in Schedule 2A – the Schedule of Operating Revenue by Source.

The most significant District operating revenues are generated from three sources: the operating grant, international tuition, and other Ministry of Education grants.

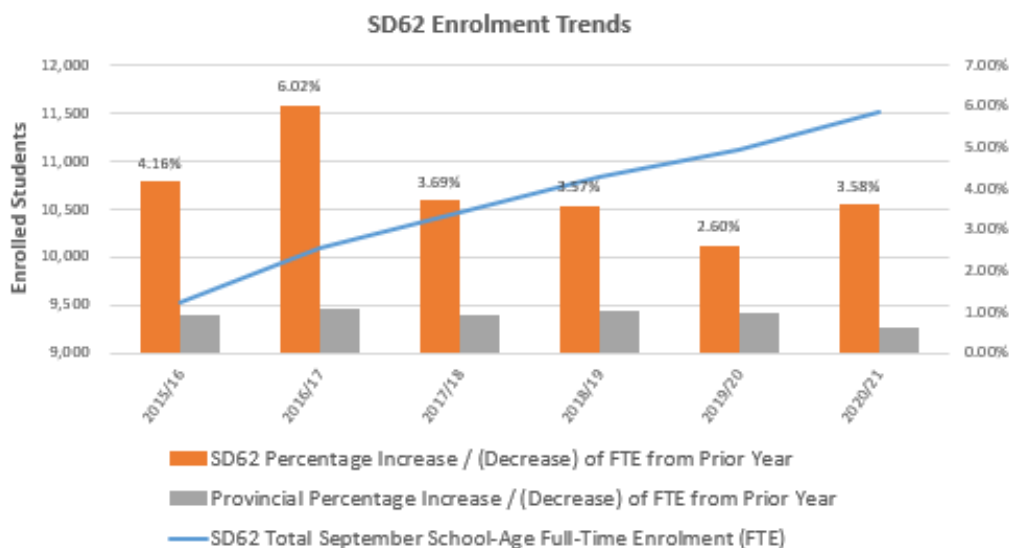
	ANNUAL BUDGET FY21	AMENDED BUDGET FY20	INCREASE / (DECREASE) FY21	INCREASE / (DECREASE) % FY21
OPERATING REVENUES (in \$ thousands)	A	B	C = A-B	D = C/B
MOE OPERATING GRANTS	110,740	104,465	6,275	6%
OTHER PROVINCIAL FUNDING	4,349	2,224	2,125	96%
NET LEA FUNDING	-	-	-	-
CONTINUING ED TUITION	110	110	-	-
INTERNATIONAL TUITION	1,473	6,860	(5,387)	(79%)
MISCELLANEOUS	421	571	(150)	(26%)
RENTALS AND LEASES	389	389	-	-
INVESTMENT INCOME	254	354	(100)	(28%)
TOTAL OPERATING REVENUES	117,736	114,973	2,763	2%

Budgeted operating revenues are increasing by \$2.763 million largely due to a \$6.275 million increase in the operating grant and a \$2.125 million increase in other provincial grants offset by a \$5.387 million decrease in international tuition revenues.

### Operating Grant

The Funding Allocation System allocates the General Operating Grants using individual district enrolments and specific factors that apply to each school district.

As highlighted in the graph below, the District has seen an average annual enrolment increase of 4.0% for the past five years. The District is projecting a 3.58% increase in 2020/21 from 2019/20.



The Ministry of Education announced funding rates for 2020/21 on March 13<sup>th</sup>. Since the ratification of the teachers' collective agreement did not come until after the funding rate announcement, funding for the associated costs to implement the new terms of the agreement will be received via a separate grant, not through the operating grant. What is included in the operating grant, however, are funds for CUPE wage increases and funding for employer health tax costs amongst other things. The only Funding Model Review change within the operating grant is the introduction of a new Equity of Opportunity Supplement. Consistent with previous years, the funding rate increases and the new supplement do not reflect all of the inflationary pressures facing the District.

Also, the District is anticipating an additional \$183,000 from September distributed learning (DL) enrolment and \$200,000 from additional salary differential above the amounts noted in the operating grant for the District. The operating grant provides funding for 125 DL FTE whereas the District is projecting DL enrolment to be consistent with the average of the past 5 years: 155 FTE.

When combined with the anticipated increases in September DL enrolment and salary differential, the operating grant is budgeted to increase \$6.275 million over 2019/20.

### **Other Provincial Funding**

Budgeted revenues from other provincial grants is anticipated to increase by \$2.125 million due to a new grant (\$3.0 million) to cover the teacher labour settlement costs which is offset by a decrease in the employer health tax grant (\$0.8 million) now being included in the operating grant.

### **International Tuition**

As previously noted, the budgeted decrease of \$5.387 million in international tuition revenues is due to the anticipated impact from the pandemic. Given the current restrictions on travel and the significant level of uncertainty of the impact on the international program even when travel restrictions are lifted, the District is projecting enrolment of 60 FTE – a decrease of 220 FTE from 2019/20 - along with no revenues from the international summer program.

## EXPENDITURES

The summary schedule for the District operating expenditures (both expenses and tangible capital assets purchased) can be found in Schedule 2. The total operating expenditures budgeted for 2020/21 is an increase of \$2.896 million over 2019/20.

	ANNUAL BUDGET FY21	AMENDED BUDGET FY20	INCREASE / (DECREASE) FY21	INCREASE / (DECREASE) % FY21
	A	B	C = A-B	D = C/B
OPERATING EXPENDITURES (in \$ thousands)				
TOTAL EXPENSE	119,930	116,109	3,822	3%
TANGIBLE CAPITAL ASSETS PURCHASED	-	925	(925)	(100%)
TOTAL OPERATING EXPENDITURES	119,930	117,034	2,896	2%

The \$2.896 million increase is due to \$4.24 million for growth initiatives including additional teacher staffing, \$4.08 million for collective agreement increases, offset by a \$3.07 million decrease in international program expenses (such as homestay expenses) and a \$2.061 million decrease in expenses and tangible capital asset purchases (such as portables) for projects that were started in 2018/19 and completed 2019/20.

		TANGIBLE CAP ASSETS PURCHASED	TOTAL OPER FUND EXPENDITURES
in \$ thousands	EXPENSES		
AMENDED BUDGET 2019/20	116,109	925	117,034
FY19 CARRY FORWARD	(1,186)	(875)	(2,061)
FY21 GROWTH - ADD'L TEACHERS & INCREMENTS	2,866	-	2,866
FY21 GROWTH - INCLUSIVE EDUCATION	1,314	-	1,314
FY21 GROWTH - INDIGENOUS EDUCATION	60	-	60
FY21 COLLECTIVE AGREEMENT INCREASES	4,080	-	4,080
FY21 INT'L PROGRAM COVID IMPACT	(3,069)	-	(3,069)
FY21 ANNUAL RESERVE CONTRIBUTION	(250)	-	(250)
FY21 OTHER ADJUSTMENTS	6	(50)	(44)
ANNUAL BUDGET 2020/21	119,930	-	119,930

The summary schedule for the District operating expenses can be found in Schedule 2B (the Schedule of Operating Expense by Object) and Schedule 2C (the Schedule of Operating Expense by Function, Program and Object).

The provincial averages are taken from data available to the public on the Ministry of Education financial reporting website. At the time of issuance of this report, the provincial budgets for fiscal 2020/21 were not yet available, as such the amended provincial budgets for fiscal 2019/2020 were used for comparative purposes.

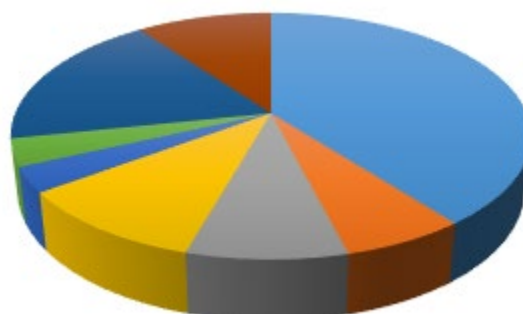


## Expenses by Type (Object)

The District's spending allocations by object are in line with provincial averages - with 89.9% of its expenses on salaries and benefits and 10.1% on services and supplies.

The chart below further details spending allocations for the District in the year compared to provincial averages.

**2020/21 EXPENSES BY OBJECT**



TEACHER SALARIES (SD62=39.5%; Prov=42.1%)	PVP SALARIES (SD62=6.5%; Prov=5.7%)
EA SALARIES (SD62=8.4%; Prov=8.0%)	SUPPORT STAFF SALARIES (SD62=10.4%; Prov=9.1%)
OTHER PROF. SALARIES (SD62=3.3%; Prov=2.7%)	SUBSTITUTE SALARIES (SD62=3.6%; Prov=3.2%)
EMPLOYEE BENEFITS (SD62=18.2%; Prov=17.3%)	TOTAL SERVICES AND SUPPLIES (SD62=10.1%; Prov=11.9%)

	ANNUAL BUDGET FY21	AMENDED BUDGET FY20	INCREASE / (DECREASE) FY21	INCREASE / (DECREASE) % FY21
EXPENSES BY OBJECT (in \$ thousands)	A	B	C = A - B	D = C / B
<b>SALARIES</b>				
TEACHERS	47,360	43,822	3,538	8%
PRINCIPALS AND VICE PRINCIPALS	7,796	7,592	205	3%
EDUCATIONAL ASSISTANTS	10,120	8,719	1,400	16%
SUPPORT STAFF	12,509	11,793	715	6%
OTHER PROFESSIONALS	3,946	3,897	49	1%
SUBSTITUTES	4,295	3,820	475	12%
<b>TOTAL SALARIES</b>	<b>86,025</b>	<b>79,643</b>	<b>6,382</b>	<b>8%</b>
EMPLOYEE BENEFITS	21,830	20,797	1,033	5%
SERVICES AND SUPPLIES	12,075	15,668	(3,593)	(23%)
<b>TOTAL OPERATING EXPENSES</b>	<b>119,930</b>	<b>116,109</b>	<b>3,822</b>	<b>3%</b>
TANGIBLE CAPITAL ASSET PURCHASES	-	925	(925)	(100%)
<b>TOTAL OPERATING BUDGETED EXPENDITURES</b>	<b>119,930</b>	<b>117,034</b>	<b>2,896</b>	<b>2%</b>

As noted above, the \$7.415 million increase in salaries and benefits is due to collective agreement increases, more teacher staffing to accommodate the anticipated enrolment growth, and more educational assistants to accommodate the anticipated enrolment growth of students with special needs. The \$4.519 decrease in service and supplies, and tangible capital asset purchases is largely due to the completion of the carry over projects (one-time projects started in 2018/19 that were completed in 2019/20) and a reduction in international program services.

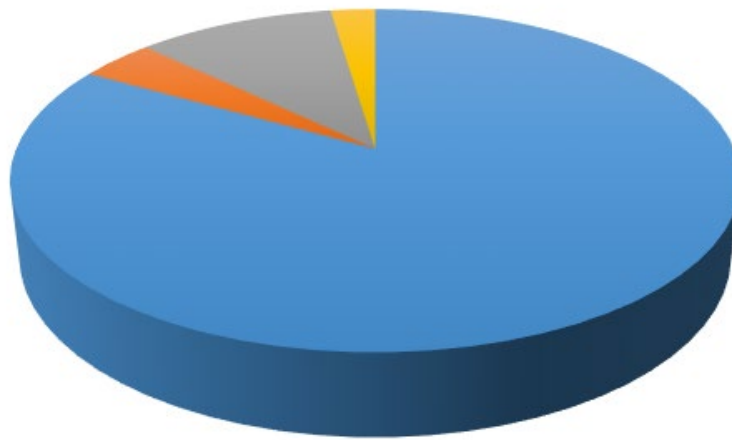
## Expenses by Function

The District's expenditures can be categorized by the following functions: Instruction; District Administration; Operations and Maintenance; and Transportation. The functions are defined as follows:

- The **Instruction** function incorporates all programs related to the instruction of students.
- The **District Administration** function incorporates the cost of all programs related to district governance and district administration of educational, business, human resource and labour relations activities.
- The **Operations and Maintenance** function incorporates all programs related to the district's responsibility for the operation, maintenance and safety of sites, buildings, and equipment.
- The **Transportation** function incorporates programs involving the transportation of students.

Over 84% of the District's expenses are categorized under the Instruction function.

### 2020/21 EXPENSES BY FUNCTION



■ INSTRUCTION  
(SD62=84%; Prov=83%)

■ OPERATIONS AND MAINTENANCE (SD62=9%; Prov=11%)

■ TRANSPORTATION  
(SD62=2%; Prov=2%)

■ DISTRICT ADMINISTRATION  
(SD62=5%; Prov=4%)

The District's expense allocations are generally in line with the Provincial averages, however the District's expenditures are slightly more heavily allocated towards Instruction and less in Operations and Maintenance than other Districts.

As indicated in Schedule 2 and the table below, there is a \$3.822 million increase in operating expenses.

	ANNUAL BUDGET FY21	AMENDED BUDGET FY20	INCREASE / (DECREASE) FY21	INCREASE / (DECREASE) % FY21
EXPENSES BY FUNCTION (in \$ thousands)	<b>A</b>	<b>B</b>	<b>C = A-B</b>	<b>D = C/B</b>
INSTRUCTION	100,779	97,891	2,888	3%
DISTRICT ADMINISTRATION	5,647	4,951	696	14%
OPERATIONS AND MAINTENANCE	10,800	10,646	154	1%
TRANSPORTATION	2,704	2,620	84	3%
TOTAL OPERATING EXPENSES	119,930	116,109	3,822	3%

The \$2.888 million increase in **Instruction** is due to collective agreement increases, more teacher staffing to accommodate the anticipated enrolment growth, more educational assistants to accommodate the anticipated enrolment growth of students with special needs, along with a reduction in international program services.

The \$0.696 million increase in **District Administration** is due to a reclassification of the District's contribution to the province for MYEDBC and Next Generation Network (NGN). Instead of separate fees for each, in 2020/21 the District will be paying the province a single 'digital services' fee which is to be reported in the District Administration function. Both MYEDBC and NGN are reported in the Instruction and Operations and Maintenance functions in 2019/20.

The \$0.154 million increase in **Operations and Maintenance** and \$0.084 million increase in **Transportation** are largely due to collective agreement increases.

### Tangible Capital Assets Purchased

The 2019/20 Amended Budget has \$0.925 million in one-time funds carried over from 2018/19 for the completion of capital projects (EG portables) that began in 2018/19. Those projects are expected to be completed in 2019/20 and no additional capital projects are budgeted for in 2020/21.

### ACCUMULATED SURPLUS / RESERVE

In 2018 the Board established a financial reserve policy of building and maintaining an accumulated reserve to ensure the necessary resources are available when required. Given the uncertainty as to when the international program may return to a sense of normalcy, the District will use the financial reserve to accommodate the anticipated loss in net revenues from the international program.

	A			B		C = A+B	D	E	F = C+D+E
	AMENDED	FY19	ANNUAL	TOTAL	ANNUAL	FY20	FY20 Q3		Q3 FORECAST
	BUDGET	CARRY	CHANGES	CHANGES	BUDGET	RESERVE	FORECASTED		BUDGET
ACCUMULATED SURPLUS (in \$ thousands)	FY20	FWD	FY21	FY21	FY21	ANNUAL	EXCESS		FY21
OPERATING SURPLUS, BEG OF YEAR	4,716	(2,061)	-	(2,061)	2,654	250	1,294		4,198
REVENUES	114,973	-	2,763	2,763	117,736	-	-		117,736
EXPENSES	116,109	(1,186)	5,008	3,822	119,930	-	-		119,930
TANGIBLE CAPITAL ASSETS PURCHASED	925	(875)	(50)	(925)	-	-	-		-
SURPLUS (DEFICIT) FOR THE YEAR	(2,061)	2,061	(2,195)	(133)	(2,195)	-	-		(2,195)
OPERATING SURPLUS, END OF YEAR	2,654	-	(2,195)	(2,195)	459	250	1,294		2,003
OPERATING SURPLUS AS % OF EXPENSES					0.38%				1.67%

The 2020/21 Budget leaves an operating reserve of \$459,360 or 0.38% of budgeted expenses. The District is now restricting non-essential expenditures for the remainder of the 2019/20 school year and estimates to end the 2020/21 fiscal year at 1.67% of budgeted expenses.

## **SPECIAL PURPOSE FUNDS**

All restricted contributions received, with the exception of capital contributions and unearned revenues (tuition, rentals, etc.) must be reported as special purpose funds. Revenues are recognized when the stipulation or restriction the contribution is subject to is met.

The following table compares the most material special purpose funds (SPF) expense budgets for 2020/21 to the prior year.

	ANNUAL BUDGET FY21	AMENDED BUDGET FY20	INCREASE / (DECREASE) FY21	INCREASE / (DECREASE) % FY21
	A	B	C = A-B	D = C/B
SPECIAL PURPOSE FUNDS (in \$ thousands)				
ANNUAL FACILITIES GRANT	337	337	-	0%
LEARNING IMPROVEMENT FUND	399	391	8	2%
SCHOOL GENERATED FUNDS	3,200	3,845	(645)	-17%
STRONG START	192	241	(49)	-20%
OFFICIAL LANGUAGES IN EDUCATION PROTOCOL	182	182	-	0%
COMMUNITY LINK	784	859	(76)	-9%
ACADEMIES	730	730	-	0%
CLASSROOM ENHANCEMENT FUND - STAFFING	11,994	13,327	(1,333)	-10%
CLASSROOM ENHANCEMENT FUND - OVERHEAD	1,430	1,604	(174)	-11%
RURAL EDUCATION ENHANCEMENT FUND	-	230	(230)	-100%
OTHER	142	334	(192)	-58%
TOTAL SPECIAL PURPOSE FUNDS EXPENSES	19,390	22,079	(2,690)	-12%

Most SPF allow a carryover of unspent funds to the subsequent year which is why the budget for school generated funds (SGF) is \$0.645 million less than 2019/20. When the 2019/20 financial statements are completed and the carry over amount becomes known, the 2020/21 SPF budgets will likely increase. Also, the classroom enhancement fund (CEF) staffing budget of \$11.994 million is reflective of the amount notionally approved by the Ministry at this time. Adjustments to the District's allocation may be made once final fall 2020 staffing is known.

Two changes that have been finalized by the Ministry is the elimination of the \$0.230 million rural education enhancement fund (REEF) grant and a \$0.174 reduction in the CEF overhead allocation.

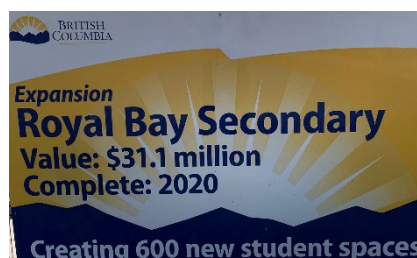


## STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

The Statement of Changes in Net Financial Assets (Statement 4) presents the surplus for the year plus the changes in non-financial assets including tangible capital asset acquisitions.

The 2020/21 budget includes \$40.028 million in anticipated total capital additions.

	ANNUAL BUDGET FY21
CAPITAL ADDITIONS (in \$ thousands)	A
CAPITAL FUND	
EXPANSION PROGRAM	37,588
SCHOOL ENHANCEMENT PROGRAM	1,500
BUS ACQUISITION PROGRAM	808
ANNUAL FACILITIES GRANT	132
OPERATING FUND	-
SPECIAL PURPOSE FUND	-
TOTAL CAPITAL ADDITIONS	40,028



Some of the more significant capital projects include:

- **Expansion Program (EXP)** – \$30.831 million for the commencement of building construction and continued site development of Pexsisen Elementary & Centre Mountain Lellum Middle Schools; and \$6.756 million for completion of the Royal Bay Secondary School Expansion.
- **School Enhancement Program (SEP)** - \$1.5 million for window and mechanical upgrades at Dunsmuir Middle School.
- **Bus Acquisition Program (BUS)** – \$0.808 million in capital funding from the Ministry for 2 electric buses and 3 propane buses.

## RISKS AND UNCERTAINTIES

The 2020/21 budget is predicated on the general assumption that, other than a reduction to 60 FTE enrolled in the international program, the financial and operational impact of the pandemic will be minimal and a general sense of normalcy will return.

The uncertain nature of the pandemic makes it extremely difficult to project what the financial and operational impacts on the District will be. Accordingly, in addition to the annual risks that exist every year, there are also significant COVID-related risks to the budget.

### COVID Risks

The provincial government and the District continue to plan for a modified return to in-class instruction in September. Details of the plan for the fall are in development at this time, but if certain safe work procedures are implemented in 2020/21, they could cause significant pressure on the financials of the District:

- **Replacement staff costs** – as the flu season returns in the fall, if staff that are ill are required to stay home for an extended period, there will be a significant increase in replacement staff costs.
- **Custodial and cleaning supply costs** – if enhanced cleaning procedures and additional custodial staff are required, this may have a significant cost.
- **Social distancing implementation** – if capital projects, furniture and equipment and other measures are required to implement social distancing, this may have a significant cost.
- **Rental income** – there may be a negative impact on rental income if the current provincial health guidelines limiting gatherings continue.

### Annual Risks

The following list are some of the significant annual financial risks (risks that are present every year) that the District is aware of that could negatively affect operations:

- **Enrolment** – enrolment drives the District's revenues and an inaccurate estimation of future enrolment could result in either an over or under deployment of resources.
- **Staff benefit rates** – benefit rates fluctuate from year to year dependent on staff usage so are difficult to accurately predict.
- **Utilities** – expenditures on utilities fluctuate based on usage so is difficult to predict.
- **Leave liability** – leave balances (such as unused vacation balances) are recorded in the year they are earned. The larger the balance, the larger the expense. It is difficult to predict with accuracy across the District exactly how many vacation days staff plan on using in any given year.
- **Salary differential** – a component of the Operating Grant is the supplement for salary differential which provides additional funding to districts with average teacher salaries higher than the provincial average. Since it is difficult to predict whether the district's average teacher salary is higher or lower than the provincial average, this could reduce the amount of the Operating Grant the district receives.

## NEXT STEPS

As we approach the fall, the 2020/21 fiscal climate will become clearer. The 2019/20 financials will be completed and the total reserve available for 2020/21 will be known. As the amended budget is adopted by the end of February 2021, there will be an opportunity for the District to reassess the risks and adjust the strategic approach accordingly.