

2021/22 ANNUAL BUDGET NARRATIVE

May 2021



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 11,600 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 and Chief Executive Officer.

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 – Diversity - Equity

EXECUTIVE SUMMARY

For the last fifteen months of the pandemic, the budget development process for the school district has been anything but normal. Beginning in March of 2020, staff have developed a financial plan that has relied on the District's financial reserve to address short-term revenue shortfalls in enrolment due to the pandemic. At the end of both the 2019/20 and 2020/21 school years, the District has focused on only essential expenditures in order to create a financial reserve that could be used to offset the reduction in revenues. This strategy has worked well and the District, for the most part and with support from the federal and provincial governments, has weathered the financial storm of the pandemic.

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. Staff have developed a plan that will see the financial reserve be increased for the 2020/21 year-end (to a maximum of 3%) in order to prepare for 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 reassess the financial situation during the 2022/23 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 30th 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.

At their February 2021 meeting, the Board approved the following budget principles and assumptions for staff to use in the budget development process for the 2021/22 budget:

Budget Principles

- 1) Budget decisions will be based on the existing Strategic Plan goals that are being updated;
- 2) The District will maintain the current direction and the 2021/22 budget will focus on investments to the District’s infrastructure as it recovers from the pandemic;
- 3) Input from the District partners and Leadership Team will help shape 2021/22 funding levels; and
- 4) The annual budget process will be informed by the multi-year budget estimates on a 3-year rolling cycle.

Budget Assumptions

- 1) The District will open the 2021/22 school year in Stage 1 of the provincial government’s Five Stages Framework for K-12 Education of “Learning as usual: full-time in-class instruction”;
- 2) No additional pandemic funding will be provided by the federal or provincial governments;
- 3) The provincial funding formula will remain the same and be based on per full-time equivalent (FTE) funding; and
- 4) Domestic enrolment will continue to grow and international enrolment will continue to recover but will not reach pre-pandemic levels until at least the 2022/23 school year.

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 partners and developed a list of priorities that will remain the focus of our financial plan. The process focused on increasing the partner and stakeholder touch points on the budget with the strategic plan as the guiding document. The budget priorities that emerged through these touch points were identified as:

Budget Priorities

- 1) Mental health/wellness of students and staff;
- 2) Early education opportunities;
- 3) Safe and clean learning/working spaces; and
- 4) Adequate resources, supplies and equipment.

Budget Pressures Identified

During the budget development process, several funding pressures were identified in the amount of \$3.215 million. These pressures stem largely from increased salary and benefit costs and infrastructure growth. These pressures have been reflected as structural (\$2.267 million) and one-time pressures (\$0.948 million). A structural pressure is considered any cost that will occur year after year. An example would be the annual salary and benefit costs for an employee.

Based on the budget principles and assumptions approved by the Board and the budget priorities identified by the stakeholder groups, the Executive developed a budget plan to reduce these pressures in order to create a balance budget for the Board to consider. Staff did their best to identify enough structural options to address the structural pressures but given the limitations on the above noted principles and priorities, a total amount of \$0.643 million of the structural pressure remains to be addressed in future budget years.

The following table (values presented in millions of dollars) reflects the options of the plan that are not anticipated to directly impact operations:

Initial Savings Options	Details	Structural	One-Time	Total
Structural	Employee Benefits - historical surplus	0.500		0.500
	Utilities - historical surplus	0.100		0.100
	Excluded Salary increase for Sept 1/21 - delay	0.350		0.350
	Increased K-12 Enrolment (+25 FTEs)	0.200		0.200
20/21 Carry Over	20/21 Carry Over (estimate from the Q3 forecast)		0.334	0.334
Financial Reserve	Financial Reserve down to \$1.440 m or 1.18%		1.162	1.162
	(total draw is \$1.162 + \$.334 = \$1.496 M)			
Initial Savings Options		1.150	1.496	2.646

The following table (values presented in millions of dollars) reflects the options of the plan that may have an impact on operations:

Residual Savings Options	Decisions from April 29th Exec meeting	Structural	One-Time	Total
Structural	Teacher Staffing - .4 @ middle & .6 @ secondary	0.100		0.100
	New Division Funding - reduction down to \$.040 m	0.060		0.060
	District Wide Projects - for unexpected occurrences	0.025		0.025
	School Supplies - a 1% reduction	0.014		0.014
	Department Supplies - rounding of Executive accts.	0.040		0.040
	Internal Audit - reduce to 1 audit per year	0.025		0.025
	Bad Debt Expense - reduce allowance by half	0.025		0.025
	Incremental IES funding - use for teacher staffing	0.135		0.135
	Reduce PVP time @ secondary (4 blocks of teaching)	0.050		0.050
One-time	Engagement Survey - delay survey to spring of 2023		0.045	0.045
	Digital Services Recovery (reduction in NGN costs)		0.050	0.050
Residual Savings Options		0.474	0.095	0.569

COVID Impact

The uncertain nature of the pandemic continues to make it extremely difficult to project what the financial and operational impacts on the District will be. However, the District continues to plan for a return to full-time 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 210 FTE – a decrease of 70 FTE from 2019/20. The decrease of 70 FTE, results in a reduction of net revenues of approximately \$0.444 million that otherwise would have supported other programs throughout the District.

	A	B	C = A-B
	ANNUAL BUDGET	STRUCTURAL BUDGET	INCREASE / (DECREASE)
	FY22	FY20	FY22
INTERNATIONAL TUITION REVENUES	\$ 5,246,782	\$ 7,177,500	\$ (1,930,718)
INTERNATIONAL PROGRAM EXPENSES	\$ 4,060,861	\$ 5,548,030	\$ (1,487,169)
NET REVENUE / (EXPENSE)	\$ 1,185,921	\$ 1,629,470	\$ (443,549)

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 2021/22, a sense of normalcy for the program may return in 2022/23. 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. To build up the reserve available for 2021/22, the District is focusing on core services and is now restricting non-essential expenditures for the remainder of the 2020/21 school year.

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.

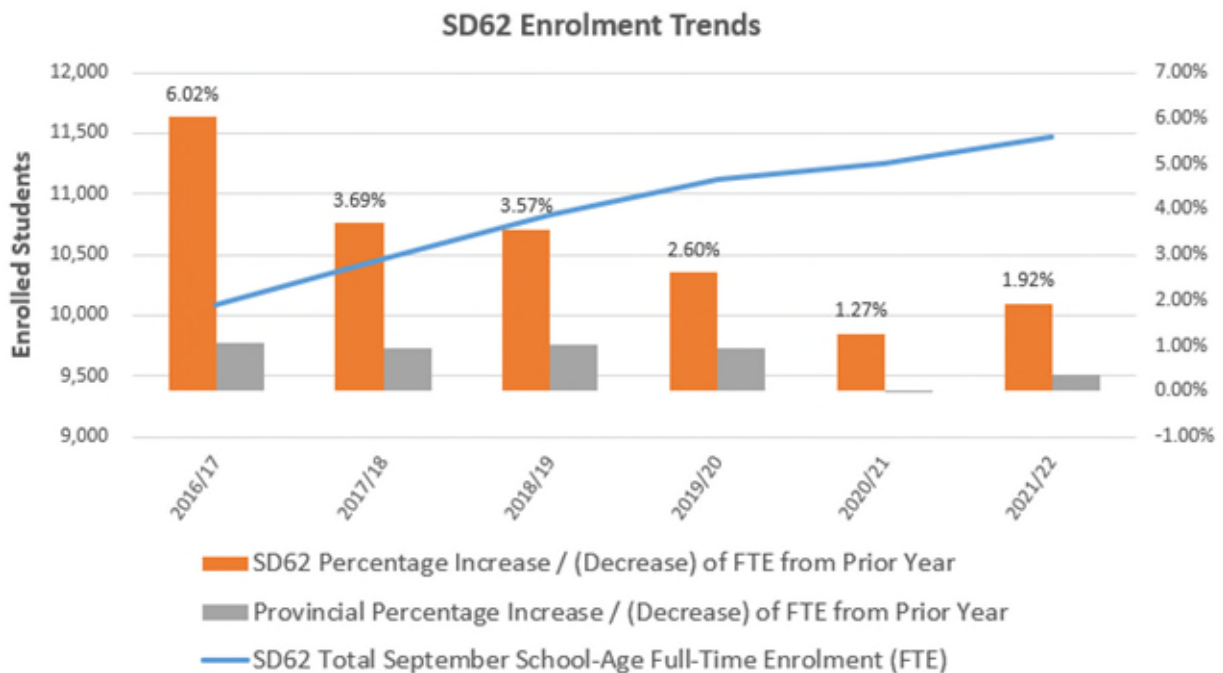
	ANNUAL BUDGET FY22	AMENDED BUDGET FY21	INCREASE / (DECREASE) FY22	INCREASE / (DECREASE) % FY22
	A	B	C = A-B	D = C/B
OPERATING REVENUES (in \$ thousands)				
MOE OPERATING GRANTS	115,735	107,833	7,901	7%
OTHER PROVINCIAL FUNDING	1,341	4,349	(3,008)	(69%)
NET LEA FUNDING	-	-	-	-
CONTINUING ED TUITION	110	110	-	-
INTERNATIONAL TUITION	5,247	2,985	2,262	76%
MISCELLANEOUS	421	421	-	-
RENTALS AND LEASES	389	269	120	45%
INVESTMENT INCOME	354	254	100	39%
TOTAL OPERATING REVENUES	123,596	116,221	7,375	6%

Budgeted operating revenues are increasing by \$7.375 million largely due to a \$7.901 million increase in the operating grant and a \$2.262 million increase in international tuition revenues offset by a \$3.008 million decrease in other provincial funding.

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 saw an enrolment increase of 2.6% in 2019/20. Due to the pandemic, the enrolment increase was more moderate at 1.27% in 2020/21. The District is projecting enrolment to rebound towards the 2019/20 rate with an increase of 1.92% in 2021/22 from 2020/21.



The Ministry of Education announced operating grant funding rates for 2021/22 on March 12, 2021. Included in the 2021/22 funding rates is the funds (\$3.008 million) the District received as a separate grant in 2020/21 for teachers labour settlement. Despite this inclusion and consistent with previous years, the funding rate increases do not reflect all of the inflationary pressures facing the District.

Also, the District is anticipating \$201,554 from additional salary differential and an additional \$172,510 from additional enrolment above the amounts noted in the Operating Grant largely due to distributed learning (DL) enrolment for the District. The Operating Grant provides funding for 260 DL FTE for the year whereas the District is projecting enrolment of 305 DL FTE which is just under the 2019/20 pre-pandemic actual of 321.63 FTE.

Combining the funding rate increases with the anticipated increases in DL enrolment and salary differential, the Operating Grant is budgeted to increase \$7.901 million over 2020/21.

Other Provincial Funding

Budgeted revenues from other provincial grants are anticipated to decrease by \$3.008 million due to the aforementioned grant to cover the teacher labour settlement costs in 2020/21 being included in the Operating Grant in 2021/22.

International Tuition

As previously noted, international enrolment is anticipated to decline by 70 FTE from the structural pre-pandemic 2019/20 enrolment of 280 FTE to 210 FTE in 2021/22. However, the 210 FTE in 2021/22 is an increase of 85 FTE from the budgeted 125 FTE in 2020/21 resulting in a \$2.262 million increase in international tuition revenues.

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 2021/22 is an increase of \$2.988 million over 2020/21.

	ANNUAL BUDGET FY22	AMENDED BUDGET FY21	INCREASE / (DECREASE) FY22	INCREASE / (DECREASE) % FY22
	A	B	C = A-B	D = C/B
OPERATING EXPENDITURES (in \$ thousands)				
TOTAL EXPENSE	125,092	121,809	3,284	3%
TANGIBLE CAPITAL ASSETS PURCHASED	-	295	(295)	(100%)
TOTAL OPERATING EXPENDITURES	125,092	122,104	2,988	2%

The \$2.988 million increase is due to collective agreement increases, more educational assistants to accommodate the anticipated enrolment growth of students with special needs, and an increase in international program services.

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 2021/22 were not yet available, as such the amended provincial budgets for fiscal 2020/2021 were used for comparative purposes.

Expenses by Type (Object)

The District's spending allocations by object are in line with provincial averages - with 89.4% of its expenses on salaries and benefits and 10.6% on services and supplies.

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

2021/22 EXPENSES BY OBJECT



- TEACHER SALARIES (SD62=39.5%; Prov=42.7%)
- PVP SALARIES (SD62=6.7%; Prov=5.8%)
- EA SALARIES (SD62=8.6%; Prov=8.0%)
- SUPPORT STAFF SALARIES (SD62=10.1%; Prov=9.1%)
- OTHER PROF. SALARIES (SD62=3.5%; Prov=2.8%)
- SUBSTITUTE SALARIES (SD62=3.5%; Prov=3.2%)
- EMPLOYEE BENEFITS (SD62=17.5%; Prov=17.3%)
- TOTAL SERVICES AND SUPPLIES (SD62=10.6%; Prov=11.2%)

	ANNUAL BUDGET FY22	AMENDED BUDGET FY21	INCREASE / (DECREASE) FY22	INCREASE / (DECREASE) % FY22
EXPENSES BY OBJECT (in \$ thousands)	A	B	C = A-B	D = C/B
SALARIES				
TEACHERS	49,389	47,695	1,694	4%
PRINCIPALS AND VICE PRINCIPALS	8,415	8,113	302	4%
EDUCATIONAL ASSISTANTS	10,806	9,844	962	10%
SUPPORT STAFF	12,700	12,409	290	2%
OTHER PROFESSIONALS	4,327	4,104	223	5%
SUBSTITUTES	4,342	4,275	67	2%
TOTAL SALARIES	89,979	86,440	3,538	4%
EMPLOYEE BENEFITS	21,872	21,633	239	1%
SERVICES AND SUPPLIES	13,241	13,735	(494)	(4%)
TOTAL OPERATING EXPENSES	125,092	121,809	3,284	3%
TANGIBLE CAPITAL ASSET PURCHASES	-	295	(295)	(100%)
TOTAL OPERATING BUDGETED EXPENDITURES	125,092	122,104	2,988	2%

As noted in the table on page 9, the \$3.777 million increase in salaries and benefits is due to collective agreement increases and more educational assistants to accommodate the anticipated enrolment growth of students with special needs.

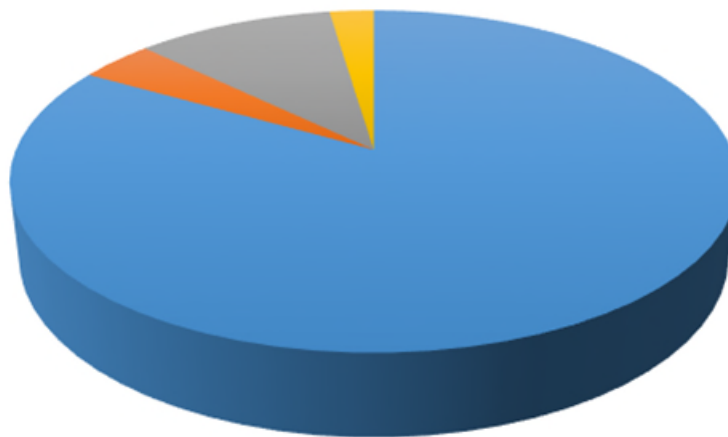
Expenses by Function

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.

2021/22 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 \$3.284 million increase in operating expenses.

	ANNUAL BUDGET FY22	AMENDED BUDGET FY21	INCREASE / (DECREASE) FY22	INCREASE / (DECREASE) % FY22
	A	B	C = A-B	D = C/B
EXPENSES BY FUNCTION (in \$ thousands)				
INSTRUCTION	105,705	102,042	3,663	4%
DISTRICT ADMINISTRATION	5,627	5,721	(94)	(2%)
OPERATIONS AND MAINTENANCE	11,009	11,288	(280)	(2%)
TRANSPORTATION	2,751	2,757	(6)	(0%)
TOTAL OPERATING EXPENSES	125,092	121,809	3,284	3%

The \$3.663 million increase in **Instruction** is due to collective agreement increases, more educational assistants to accommodate the anticipated enrolment growth of students with special needs, and an increase in international program services.

The \$0.094 million decrease in **District Administration** is due to a reduction in the District's contribution to the province for digital services (MYEDBC and Next Generation Network), internal audit services, and bad debt expenses.

The \$0.280 million decrease in **Operations and Maintenance** is due to the completion of the sewage hookups at Spencer Middle School and Savory Elementary in 2020/21 and not continuing in 2021/22.

The **Transportation** budget is consistent with 2020/21.

Tangible Capital Assets Purchased

The 2020/21 Amended Budget has \$0.925 million in one-time funds carried over from 2019/20 for the completion of projects (EG electric buses) that began in 2019/20. Those projects are expected to be completed in 2020/21 and no additional projects from carry over funds are budgeted for in 2021/22.

ACCUMULATED SURPLUS / RESERVE

In 2018 the Board established a financial reserve policy of 2% of operating expenditures to build and maintain an accumulated reserve to ensure the necessary resources are available when required.

As at June 30, 2020, the Board has restricted \$2,601,579 of the \$7,192,890 Operating Fund accumulated surplus for this purpose. 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 due to COVID and other pressures. To build up the reserve available for 2021/22, the District is focusing on core services and is now restricting non-essential expenditures for the remainder of the 2020/21 school year.

As per the table below, District staff anticipate to end fiscal year 2021/22 with an accumulated reserve of \$1,439,590 or 1.15% of budgeted expenses:

Financial reserve as at June 30, 2020	\$	2,601,579
Financial reserve - forecasted 2020/21 excess	\$	334,011
2021/22 Preliminary Budget Net Expense	\$	(1,496,000)
Anticipated financial reserve as at June 30, 2022	\$	1,439,590
2021/22 Preliminary Budget Total Operating Fund Expense	\$	125,092,177
Anticipated financial reserve as % of Total Operating Fund Expense		1.15%

3 YEAR BUDGET OUTLOOK

As previously noted, a total amount of \$0.643 million of structural pressures remains to be addressed in future budget years. Additionally, with the two new schools (Pexsisen Elementary & Centre Mountain Lellum Middle Schools in West Langford) expected to be in operation in the 2022/23 school year, there will be additional cost pressures associated with the operations of those schools. Finally, there are inflationary pressures that are not funded through the Operating Grant that the District will need to address to stay on strong financial footing.

Assuming enrolment growth per the long-range plan estimates and that the International Program enrolment is back to the pre-COVID level of 280 FTE in 2022/23 through to 2024/25, the following table highlights the anticipated pressures in 2022/23 through to 2024/25 if not addressed:

	BUDGET 2021/22	BUDGET 2022/23	BUDGET 2023/24	BUDGET 2024/25
\$ in millions				
ESTIMATED OPERATING RESERVE, BEG OF YEAR	\$ 2.936	\$ 1.440	\$ (1.765)	\$ (4.592)
REVENUES	\$ 123.596	\$ 128.514	\$ 133.423	\$ 137.766
EXPENSES	\$ 125.092	\$ 131.719	\$ 136.250	\$ 140.467
TANGIBLE CAPITAL ASSETS PURCHASED	\$ -	\$ -	\$ -	\$ -
SURPLUS (DEFICIT) FOR THE YEAR	\$ (1.496)	\$ (3.204)	\$ (2.827)	\$ (2.701)
OPERATING RESERVE / (DEFICIT), END OF YEAR	\$ 1.440	\$ (1.765)	\$ (4.592)	\$ (7.293)
RESERVE % OF OPERATING EXPENSE (2.0% target)	1.15%	-1.34%	-3.37%	-5.19%

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 2021/22 to the prior year.

	ANNUAL BUDGET FY22	AMENDED BUDGET FY21	INCREASE / (DECREASE) FY22	INCREASE / (DECREASE) % FY22
	A	B	C = A-B	D = C/B
SPECIAL PURPOSE FUNDS (in \$ thousands)				
ANNUAL FACILITIES GRANT	337	337	-	0%
LEARNING IMPROVEMENT FUND	402	399	2	1%
SCHOOL GENERATED FUNDS	3,200	3,976	(776)	-20%
STRONG START	192	204	(12)	-6%
OFFICIAL LANGUAGES IN EDUCATION PROTOCOL	220	219	1	1%
COMMUNITY LINK	788	871	(82)	-9%
ACADEMIES	730	1,018	(288)	-28%
CLASSROOM ENHANCEMENT FUND - STAFFING	12,180	13,534	(1,353)	-10%
CLASSROOM ENHANCEMENT FUND - OVERHEAD	1,430	1,430	-	0%
MENTAL HEALTH IN SCHOOLS	-	51	(51)	-100%
SAFE RETURN TO SCHOOL GRANT	-	873	(873)	-100%
FEDERAL SAFE RETURN TO CLASS FUND	-	4,357	(4,357)	-100%
OTHER	111	356	(245)	-69%
TOTAL SPECIAL PURPOSE FUNDS EXPENSES	19,591	27,624	(8,033)	-29%

Most SPF allow a carryover of unspent funds to the subsequent year which is why the budget for school generated funds (SGF) is \$0.776 million less than 2020/21. When the 2020/21 financial statements are completed and the carry over amount becomes known, the 2021/22 SPF budgets will likely increase. Also, the classroom enhancement fund (CEF) staffing budget of \$12.180 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 2021 staffing is known.

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 2021/22 budget includes \$48.470 million in anticipated total capital additions.

	ANNUAL BUDGET FY22
CAPITAL ADDITIONS (in \$ thousands)	A
CAPITAL FUND	
EXPANSION PROGRAM	45,847
SCHOOL ENHANCEMENT PROGRAM	2,000
CARBON NEUTRAL CAPITAL PROGRAM	350
BUS ACQUISITION PROGRAM	142
ANNUAL FACILITIES GRANT	132
OPERATING FUND	
SPECIAL PURPOSE FUND	-
TOTAL CAPITAL ADDITIONS	48,470



Some of the more significant capital projects include:

- **Expansion Program (EXP)** – \$45.847 million for the continuation of building construction and site development of Pexsisen Elementary & Centre Mountain Lellum Middle Schools in West Langford.
- **School Enhancement Program (SEP)** - \$1.0 million for a roofing upgrade at Hans Helgesen Elementary and \$1.0 million for a HVAC upgrade at Spencer Middle School.
- **Carbon Neutral Capital Program (CNCP)** – \$0.350 million for energy systems upgrades at David Cameron Elementary.
- **Bus Acquisition Program (BUS)** – \$0.142 million for one new bus. The Board may make a decision to add resources in order to purchase an electric bus with the Ministry funding.

RISKS AND UNCERTAINTIES

The 2021/22 budget is predicated on the general assumption that, other than a reduction to 210 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 District has not budgeted for additional expenses related to cleaning or sanitization as a result of health protocols.**

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

COVID Risks

The District continues to plan for a return to full-time 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 2021/22, 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 2021/22 fiscal climate will become clearer. The 2020/21 financials will be completed and the total reserve available for 2021/22 will be known. As the amended budget is adopted by the end of February 2022, there will be an opportunity for the District to reassess the risks and adjust the strategic approach accordingly.