
Administrative Memorandum

Regular Board Meeting

Date: May 10, 2023
Topic: 2023-2024 Annual Budget Bylaw
Submitted by: Jon Harding, Secretary Treasurer

OVERVIEW

The 2023-2024 budget builds on the Board's commitment to provide quality education to students as reflected in the district's Strategic Plan.

The 2023-2024 budget has been prepared to recognize the challenges the district continues to face due to the lingering effects of the pandemic. These persist as higher than expected inflation costs on services and supplies, coupled with delays in supply chain deliveries. Our primary source of revenue, being the Ministry of Education and Childcare operating grants, only reflects funding for labour settlements for teachers and support staff, wage lifts for non-unionized exempt staff, and projected student enrolment with no additional funds for inflation or other factors. School districts are expected to absorb these costs from existing resources.

After consideration of projected revenues and expenses, we are anticipating an operating budget shortfall of approx. \$5.6 million and a capital budget shortfall of approx. \$6.5 million. The net shortfall in revenues will be offset by existing prior years' fund balances which have ensured the district's ability to continue to deliver quality education services to our students, avoid potential staff lay-offs and allow for flexibility as the district enters the new school year. We note, however, the continued draw down of prior year surpluses to balance current year operating budgets has required mitigation strategies, for the 2023-2024 budget, by way of ancillary revenue stream enhancements, targeted international FTE growth, and optimizing budget resource allocations. A continued strategic approach to the budget allocation process will be required to reduce the reliance on prior year surpluses and allow the build up of healthy reserve balances.

In conjunction with the above, there are several risk factors that could influence the district's financial situation, including but not limited to:

- Capital project contribution costs,
- Enrolment uncertainties,
- Grant funding uncertainties and possible funding model review,
- Inflation and cost pressures, including supply chain issues and government policy changes,
- Recruitment and retention challenges,
- Efficiency needs and modernization of business systems.

Future budgets will need mitigation strategies to address these risk factors and allow Surrey to continue to provide quality education services for students in Surrey, White Rock, and Barnston Island.

BUDGET PROCESS

Each year, the board's budget process and decisions are focused on achieving sustainable programs and services supporting students across the district in accordance with the board's strategic plan and objectives.

We realize this vision through:

- Supporting the design of engaging learning environments for all students.
- Operational efficiencies that prioritize resources to directly support learning.
- Relationships with community partners to broaden opportunities for students.
- Advocacy for necessary facilities and resources.
- Supporting schools and workplaces that are safe and caring for all.

The Board's vision and goals drive budget discussions and operational plans. The Finance Committee began its deliberations in November 2022 and held several meetings in subsequent months focused on developing the 2023-2024 budget.

The budget process continues to be inclusive of consultation with staff, the public and union representatives. Results of this year's budget consultation survey were presented to the Finance Committee. In the ranking of programs and services, addressing class size and composition ranked highest among respondents followed by counselling & mental health support services for students. These have been incorporated into the budget where possible.

Details on the consultation survey can be found [here](#).

Budget Key Dates

February 8, 2023	Board approval of the 2022-2023 Amended Budget
February 8, 2023	Online Budget Consultation launched
March 15, 2023	Ministry of Education announcement of 2023-2024 Preliminary Grants
April 19, 2023	Review of online survey of public budget input
May 10, 2023	Board approval of 2023-2024 Annual Budget

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FUND TYPES

The Annual Budget is a consolidation of three separate funds:

Operating Fund, - used to fund classroom and instructional programs, school, and district administration, maintaining of schools and district facilities and transportation.

Special Purpose Fund, - funds provided by a funder/donor for the sole purpose to carry out a specific function or activity. Examples include school meals program, scholarships, and ministry-designated activities, such as annual facility grants, classroom enhancement funds, Student and Family Affordability programs, and early learning programs.

Capital Fund, - funds used for: the construction of new schools or school expansions as well as extension of the lifespan of capital assets; the purchase of vehicles, computers, furniture and equipment and the acquisition of school sites. The sources of funds are from the Ministry of Education capital grants, operating funds, and special purpose funds. This fund includes the amortization of deferred capital revenue and tangible capital assets recognized for the fiscal year, in addition to any gains or losses on the disposal of tangible assets.

OPERATING FUND

In preparing for the 2023-2024 operating budget work begins by utilizing the 2022-2023 Amended Budget as the starting point. The amended budget is adjusted for:

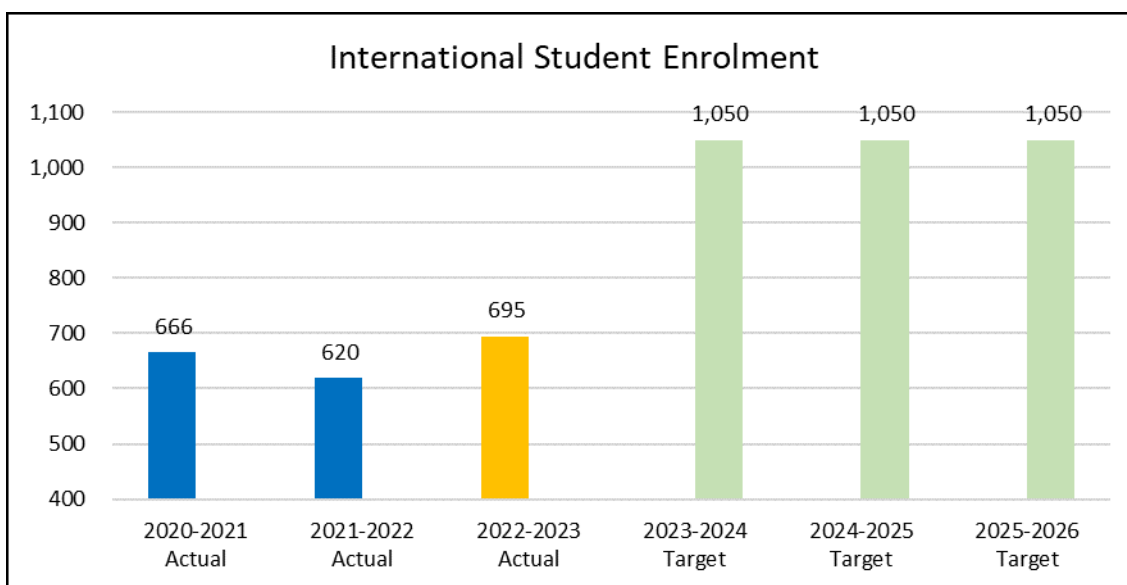
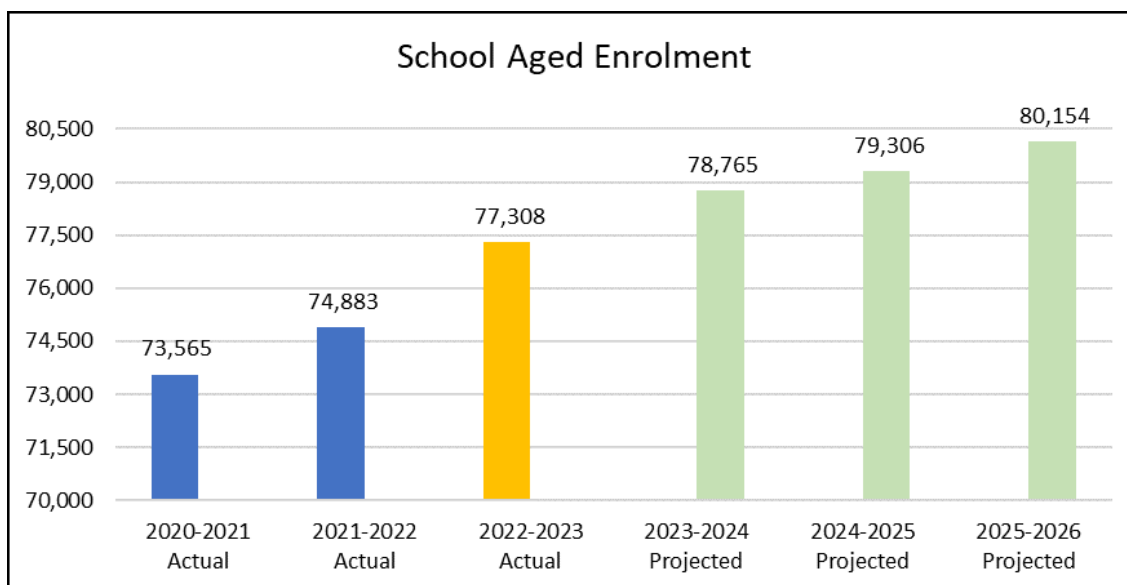
- Any one-time approved expenditures or revenues to establish a base budget.
- Subsequent adjustments are made for contractual and legislative/statutory requirements,
- Forecast enrolment change,
- Incremental Ministry of Education grant fund and changes to other revenue sources
- Estimate changes to staffing and benefits costs,
- Estimate changes to services, supplies and utilities costs due to anticipated usage and contractual and inflationary pressure.

The following are the budget assumptions that have been incorporated into the proposed 2023-2024 annual budget.

ENROLMENT PROJECTION

Enrolment is projected to see growth for both the elementary and secondary schools. This is reflective of the easing of the pandemic restrictions on travel and its anticipated effects on immigration settlement in Surrey.

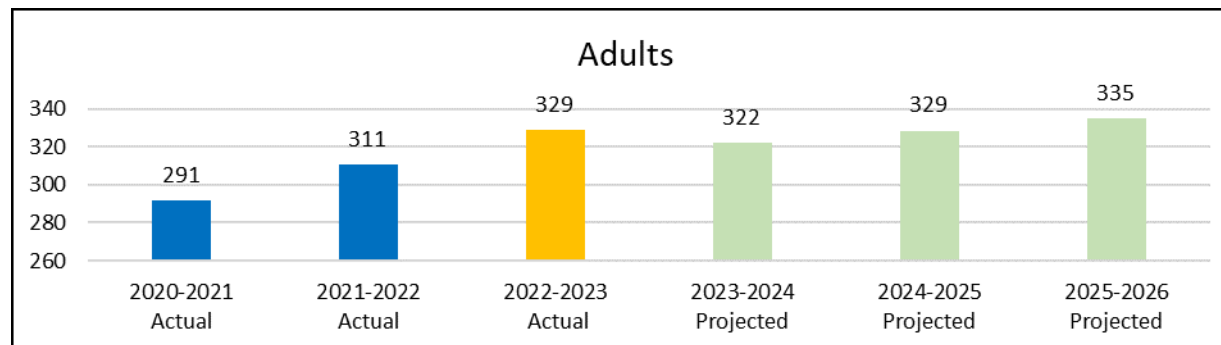
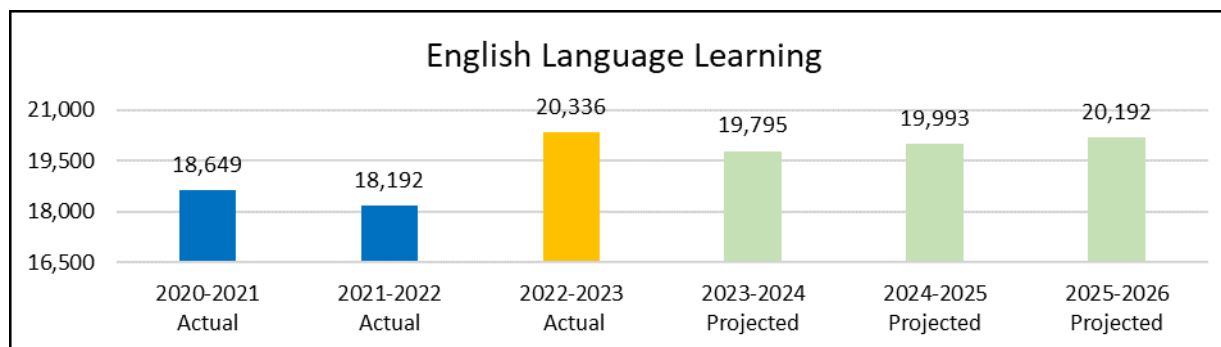
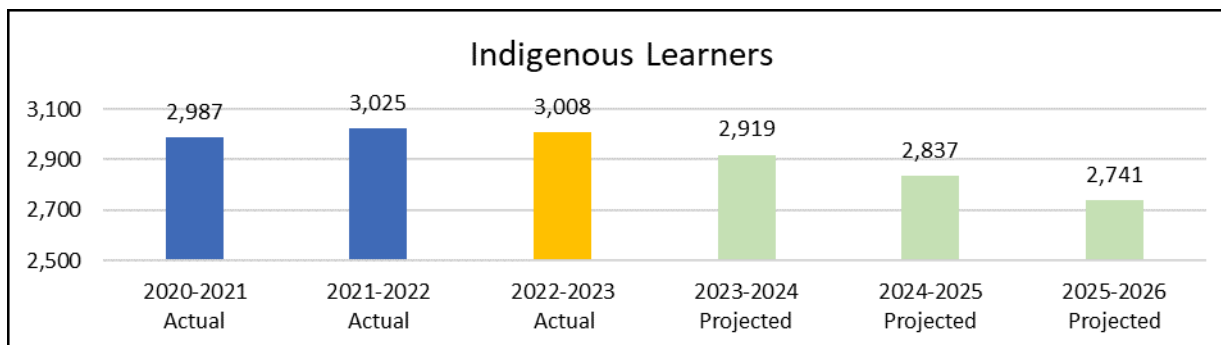
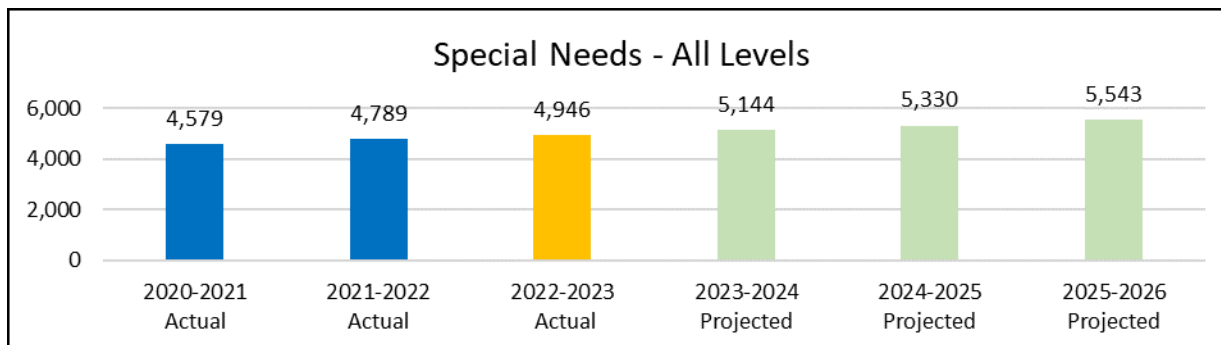
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Unique Student Categories

The following reflect our anticipated student projections for unique student categories.



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OPERATING REVENUES

Ministry of Education Operating Grants

The major source of operating revenue comes from the Ministry of Education Operating Grant Funding tables. The Operating Grant allocation formula encompasses the following factors:

1. Basic Allocation (i.e. Standard School, Continuing Ed, Alternate, Distributed Learning)
2. Unique Student (i.e. Special Needs, English/French Language, Aboriginal etc.)
3. Unique District (i.e. Climate Factor, rural and geographically dispersed districts, etc.)
4. Funding Protection / Enrolment Decline

On March 15, 2023, the Ministry of Education operating grants announcement included incremental funding for labour settlements for teachers and support staff, wage lifts for non-unionized exempt staff, and projected student enrolment at the published per student rates, with no additional funds for inflation or other factors. The operating grant allocation will be recalculated in the fall of 2023, based on the actual student enrolment count on September 29th, 2023. The September 29th enrolment count forms the largest share of the grant allocations for school districts. Two subsequent enrolment counts focused on continuing education, and distributed learning enrolment happen in February and May of 2024. Funding will also be adjusted in February 2024 for any growth in students with special needs and new refugee enrolments.

	2023-2024 Budget	2022-2023 Amended	Variance
Ministry Operating Grants:			
Standard Regular Schools	\$652,948,581	\$584,982,744	\$67,965,837
Continuing Education	1,313,291	1,347,981	(34,690)
Alternate Schools	6,037,500	5,138,063	899,437
Distributed Learning	3,870,082	3,467,071	403,011
Summer Learning & Other	5,497,710	4,963,963	533,747
Total Student Base Funding	\$669,667,165	\$599,899,822	\$69,767,342
Special Needs - All Levels	\$110,828,030	\$97,800,070	\$13,027,960
English Language Learning	34,331,320	32,173,924	2,157,396
Aboriginal Education	4,991,490	4,707,520	283,970
Adults	1,773,267	1,530,321	242,946
Equity of Opportunity	2,715,881	2,462,925	252,956
Total Unique Student Needs	\$154,639,988	\$138,674,760	\$15,965,228
Educator Salary Index	\$11,329,309	\$11,229,465	\$99,844
Unique Geographic Factors	5,650,489	5,497,590	152,899
Education Plan Supplement	676,558	656,181	20,377
Total Other Operating Grants	\$17,656,356	\$17,383,236	\$273,120
Total Ministry Operating Grants	\$841,963,508	\$755,957,818	\$86,005,690
Other Ministry Grants:			
Pay Equity	\$6,861,224	\$6,861,224	\$0
Funding for Graduated Adults	1,473,593	1,356,108	117,485
Various Ministry of Ed. Funds	13,792,187	990,633	12,801,554
Labour Settlement Funding (Teacher & Exempt) **	-	20,403,260	(20,403,260)
Total Other Ministry of Ed. Grants	\$22,127,004	\$29,611,225	(\$7,484,221)
Total Ministry of Education Grants	\$864,090,512	\$785,569,043	\$78,521,469

**2023-2024 labour settlement funding is reflected in the revised funding rates. In addition, the 2022-2023 wage settlement estimate does not include CUPE as it was not formally approved by the Ministry at the time of finalization.

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Other Revenue Sources

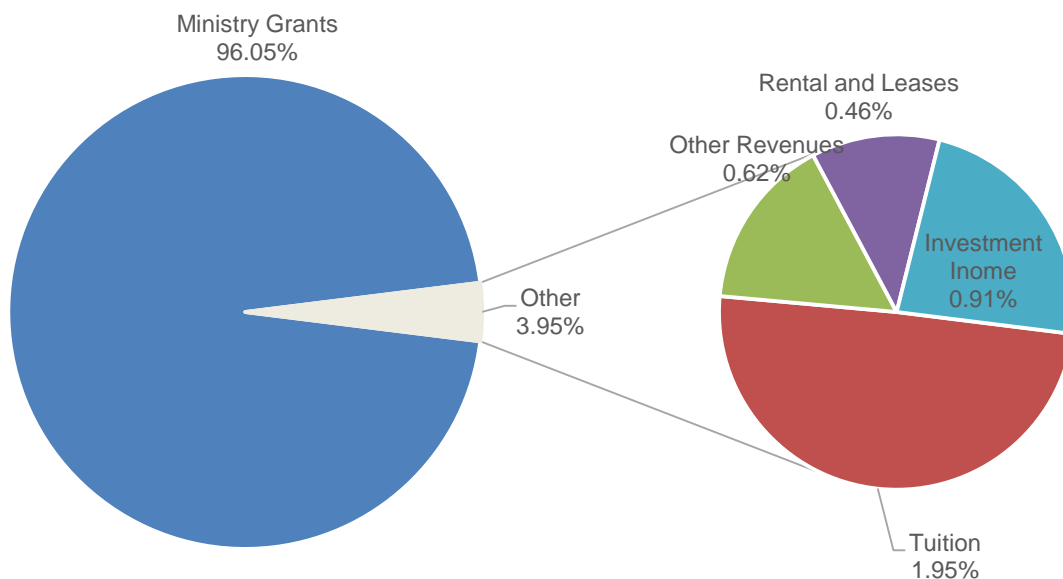
With the easing of COVID-19 pandemic restrictions, we anticipate seeing a gradual return of other sources of revenue towards pre-pandemic levels over time.

Revenue derived from international students is actively targeted to reach pre-pandemic levels by 2023-2024. Targeted enrolment for each of the next three years is anticipated to be 1,050.

Other sources of revenue from facilities rental are projected to return more expeditiously, providing no resurgence of the pandemic resulting in reinstating of stringent health and safety protocols.

Investment income is expected to increase with anticipated increases in the Bank of Canada prime interest rate forecast into the 2023-24 fiscal year, coupled with the implementation of the district's investment management strategy.

Operating Revenue



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OPERATING EXPENDITURES
Staffing Component

The budget reflects the anticipated staffing complement needed to address projected student growth and composition. The budget provides for existing salary contractual commitments and benefits.

Student enrolment projections have been used to estimate staffing and resource requirements. The growth in the district is resulting in increased staffing requirements (i.e., teachers, education assistants, etc.).

The below table provides the net staffing position control changes for the 2023-2024 Operating Fund:

Position Control	2023-2024	2022-2023	Change
Principals and Vice Principals	269.0	264.0	5.0
Teachers	4,277.7	4,203.2	74.5
Support Staff	1,228.0	1,223.9	4.1
Education Assistants	1,920.2	1,917.5	2.7
Other Professional Staff	130.0	120.1	9.9
Total:	7,824.9	7,728.7	96.2

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Labour Expenses

Teacher and support staff salaries have been amended to reflect new labour settlement agreements.

Management staff salaries (principals, vice principals and other professional staff) have been increased to reflect wage lifts based on grid migrations.

Replacement/Substitute salaries have been adjusted to reflect an increasing volume of use for 2023-2024. Paid sick leave for teaching teachers on call and casual support staff will need further monitoring with alterations in the amended budget from the operating fund.

Benefits costs have been adjusted to reflect projected staffing levels and anticipated benefit increases.

Services, Supplies and Capital Purchases

Service and supplies have been amended to reflect anticipated inflationary cost pressures, increase in student growth and instructional space. Utilities costs have also been adjusted to reflect anticipated rate increases and usage. Capital purchases for furniture and equipment, vehicle replacement and technology have also been adjusted.

OPERATING BUDGET SUMMARY

The following condensed table provides a summary of the budgeted revenues and expenditures for the 2023-2024 annual budget along with the 2022-2023 amended budget. The variance reflects the changes made as noted above.

	2023-24 Annual Budget	2022-23 Amended	Variance
Revenues:			
Ministry of Education Grants	\$864,090,512	\$785,569,043	\$78,521,469
Other Revenue	35,500,443	25,109,182	\$10,391,261
Total Revenues	\$899,590,955	\$810,678,225	\$88,912,730
Expense:			
Salaries	\$664,970,285	\$611,007,335	\$53,962,950
Benefits	165,850,330	145,992,703	\$19,857,627
Services & Supplies	71,498,532	72,913,444	(\$1,414,912)
Total Expenses	\$902,319,146	\$829,913,482	\$72,405,664
Net Balance (Shortfall)	(\$2,728,191)	(\$19,235,257)	\$16,507,066
Capital Purchases	(2,885,949)	(3,856,390)	\$970,441
Budgeted Prior Year Surplus Appropriation	(\$5,614,140)	(\$23,091,647)	\$17,477,507
Budget Surplus (Deficit)	0	0	0

The projected expenses will exceed revenues from all sources resulting in a budget shortfall of \$5.6 million. The net shortfall in revenues will be offset by an existing prior years' Operating Fund Balance as of June 30, 2023, resulting in a balanced operating budget for the year.

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SPECIAL PURPOSE FUNDS

The Special Purpose Fund consists of grants and donations received by the district that are to be specifically designated or targeted towards a specific program or activity. These include Ministry designated activities such as Annual Facility Grants, Learning Improvement Funds, Classroom Enhancement Fund, Community Link Funds, Strong Start, Ready, Set, Learn, Feeding Futures, Student & Family Affordability, and Provincial Resource Programs.

Other restricted funds include Parent Advisory Councils Funds, Scholarships, and other specifically targeted funds for targeted activities.

The total 2023-2024 Special Purpose expense budget is \$95.8 million which will fund approximately 704 positions. Of which 566 Teacher FTE funded from the Classroom Enhancement Fund for addressing contractual language targeting class size and composition.

More details of all Special Purpose funds can be found on Schedule 3A.

CAPITAL FUNDS

The capital fund reflects the budgeted amortization of deferred capital revenues, anticipated amortization of tangible capital assets, and interest earned on capital fund balances for the 2023-2024 year.

Revenues	2023-2024	2022-2023 (AA)	Variance
Provincial Grant - Min of Ed	\$0	\$1,246,066	(\$1,246,066)
Municipal Grants Spent on Site	0	2,410,000	(2,410,000)
Other Revenue	150,000	150,000	0
Rentals and Leases	105,000	105,000	0
Investment Income	890,000	770,000	120,000
Gain on Disposal of Tangible Capital Assets	0	73,088	(73,088)
Amortization of Deferred Capital Revenue	35,347,992	33,507,042	1,840,950
Total Revenues	\$36,492,992	\$38,261,196	(\$1,768,204)
Expenditures			
Amortization of Tangible Capital Assets	48,344,818	46,626,230	1,718,588
Total Expenses	\$48,344,818	\$46,626,230	\$1,718,588
Net Revenue (Expense)	(\$11,851,826)	(\$8,365,034)	(\$3,486,792)
Net Transfers (to) from Other Funds			
Tangible Capital Assets Purchases – Operating	\$2,885,949	\$3,856,390	(\$970,441)
Tangible Capital Assets Purchases – Special Purpose	2,467,410	3,639,145	(1,171,735)
Budgeted Capital Surplus (Deficit), for the year	(\$6,498,467)	(\$869,499)	(\$5,628,968)

Schedule 4 outlines the anticipated change in Investment in Capital and Local Capital Reserve funds.

REVENUE & EXPENDITURE BUDGETS

The attached Statements and Schedules provide the revenue and expenditure estimates distributed in accordance with Public Sector Accounting Standards and prescribed Ministry of Education account structure and presentation format.

Statements

- 2 Revenue and Expense
- 4 Change in Net Financial Assets (Debt)

Schedules

- 2 Operating Revenue and Expense
- 2A Operating Revenue by Source
- 2B Operating Expense by Source
- 2C Operating Expense by Function and Program
- 3 Special Purpose Revenue and Expense
- 3A Change in Special Purpose Funds
- 4 Capital Revenue and Expense

It is therefore recommended:

Annual Budget Bylaw No. 1 (Teachers)

1. THAT all 2023/2024 budget decisions taken by the Finance Committee during its deliberations regarding Teacher costs totaling \$602,014,660 and summarized in this report, be approved by the Board for implementation.
 2. THAT the attached School District No. 36 (Surrey) 2023/2024 Annual Budget Bylaw No. 1 (Teachers) be given three (3) readings at this meeting (vote must be unanimous).
 - (a) THAT the attached School District No. 36 (Surrey) 2023/2024 Annual Budget Bylaw No. 1 (Teachers) be approved as read a first time.
 - (b) THAT the attached School District No. 36 (Surrey) 2023/2024 Annual Budget Bylaw No. 1 (Teachers) be approved as read a second time.
 - (c) THAT the attached School District No. 36 (Surrey) 2023/2024 Annual Budget Bylaw No. 1 (Teachers) be approved as read a third time and finally adopted.
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Annual Budget Bylaw No. 2 (Other)

1. THAT all 2023/2024 budget decisions taken by the Finance Committee during its deliberations regarding all Other costs totaling \$451,277,243 and summarized in this report, be approved by the Board for implementation.
 2. THAT the attached School District No. 36 (Surrey) 2023/2024 Annual Budget Bylaw No. 2 (Other) be given three (3) readings at this meeting (vote must be unanimous).
 - (a) THAT the attached School District No. 36 (Surrey) 2023/2024 Annual Budget Bylaw No. 2 (Other) be approved as read a first time.
 - (b) THAT the attached School District No. 36 (Surrey) 2023/2024 Annual Budget Bylaw No. 2 (Other) be approved as read a second time.
 - (c) THAT the attached School District No. 36 (Surrey) 2023/2024 Annual Budget Bylaw No. 2 (Other) be approved as read a third time and finally adopted.
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