
Administrative Memorandum

Regular Board Meeting

Date: February 14, 2024
Topic: 2023-2024 Quarter Two Forecast (2023-2024 Amended Annual Budget)
Submitted by: Jon Harding, Secretary-Treasurer

Background:

In May of each year, the Surrey Board of Education approves an annual budget as recommended by the Finance Committee. To support provincial government reporting practices and their March 31st year-end process, each year an Amended Annual Budget must also be provided to the provincial government which identifies school district financial projections from the end of the Second Financial Quarter (December 31st) through to the end of the fiscal year (June 30th). This reporting requirement identifies anticipated revenues and expenses for the year based on updated operational needs but is not intended to replicate or replace the regular annual budgeting process.

As such, in accordance with statutory requirements, the 2023-2024 Quarter Two Forecast serves as the 2023-2024 Amended Annual Budget and is presented to the Board for their consideration and approval.

The District's 2023-2024 Quarter Two Forecast has been prepared in consideration of the challenges arising from increased student enrollment and related capacity issues. Capital funding has not kept pace with the increased enrolment, resulting in significant expenses associated with the acquisition and relocation of portables, all of which are accommodated within the District's current operating budget. Additionally, the timing of funding for Ministry funded projects has required the District to utilize cash balances which directly impacts cash reserves and associated revenues from interest.

The cumulative effect of these factors is a further reduction of the District's accumulated surplus balance.

In completing the 2023-2024 Quarter Two Forecast, actual student enrolment has been reflected, as well as updated forecasts incorporated for other sources of revenue and revised projected expenditures for the District's 2023-2024 fiscal year. In addition, \$1.3 million of internally restricted initiatives have been identified against the 2023-2024 yearend operating fund balance. These include:

- Early Career Mentorship
- Net school operating balances, and
- Targeted unspent funds for Indigenous Education

This year, projected expenses will exceed revenue from all sources resulting in a forecasted

shortfall of \$7.8 million. The net shortfall in revenue will be offset by the prior year's Operating Fund Balance (see schedule 1), bringing its projected balance to \$2.8M for June 30, 2024.

The District is working towards ensuring long-term financial stability by targeting a minimum fund balance of 3% of annual operating revenues, aligning annual expenses and revenues, and optimizing its budgetary allocations. This targeted fund balance will serve to mitigate unanticipated and emergent situations, minimizing any disruptions to educational or operational services.

Operating Fund (Schedule 2)

Highlights of the 2023-2024 Operating Fund as reflected in the Quarter Two Forecast include:

Total Operating Revenues are projected to be \$914 million (see schedule 2) an increase of \$14.1 million over the annual budget, highlights include:

- Ministry of Education Operating Grant projected to be \$861 million; an increase of \$18.6 million, based on a total school age enrolment of 79,934 FTE students.

Specific highlights include:

- School Age enrolment increased 1,170 FTE over annual budget - \$9.8 million
- Total Unique Student Needs funding increased by \$8.6 million, reflecting an increase in English Language Learner Students, and Students with Special needs categories
- Other Revenues are projected to be \$53.1 million, a net decrease of \$4.5 million over the annual budget, primarily due to the following factors:
 - Other Provincial Grants increase \$2.1 million due to collective agreement settlement funding, and PVP/Exempt increases
 - Investment income decrease \$3.8 million due to greater rate of burn on cash reserves & required upfront cash outlays for Ministry-funded capital projects
 - International Education Enrolment decrease 250 FTE, decrease \$3.8 million
 - Rental and Leases Revenue increase \$0.7 million

Total Operating Expenditures, including capital purchases, are projected to be \$921.6 million, an increase of \$16.4 million.

- Salaries increased \$7.1 million
 - Benefits increased \$2.2 million
 - Increased supply and services costs \$6.1 million
 - Capital Purchases increased \$1.0 million
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Expenditures by Major Functions

Budgeted expenditures allocated by functional areas include:

- Instruction 85.87%
- Maintenance and Operations 10.66%
- Administration 2.46%
- Transportation 1.00%

Schedule 2C of the financial statement package provides a more detailed description of the expenditure distribution by major functions and programs.

Net Changes to the Operating Fund Position Control for 2023-2024

Position Control	2023-2024 Q2 Forecast	2023-2024	Change
Principals & Vice Principals	270.00	269.00	1.00
Teachers*	4,296.20	4,277.70	18.50
Support Staff	1,231.20	1,228.00	3.20
Education Assistants**	1,898.20	1,920.20	(-22.00)
Other Professional Staff	136.00	130.20	5.80
Total FTE	7,831.60	7,825.10	6.50

*647 Teachers hired via Classroom Enhancement Fund reported as Special Purpose Funds

**Decrease due to ~22 FTE costs covered by targeted funds reported as Special Purpose Funds

Special Purpose Funds (Schedule 3)

Feeding Futures School Food Programs Fund: Fiscal 2023-2024 part the first year of this funding initiative. This fund is a commitment by Ministry of Education and Child Care to ensure students are properly fed for learning in order to enhance positive academic and healthy outcomes. The Feeding Futures funding addresses the top two barriers identified by schools in the province: (1) sustainable and consistent food funding, and (2) human resources. Surrey Schools was provided \$8.7 million in the first year of funding, of which \$5.0 million is expected to be spent and approx. \$3.7 million remaining as a carry forward as at June 30, 2024.

Student and Family Affordability Fund: In the prior fiscal year, the District received notice of one-time “Student and Family Affordability” supplemental funds from the Province totaling \$7.38 million. These funds are intended to increase food security for students and their families, and to support students, parents, and guardians with affordability concerns. Specifically, to improve students’ access to nutritional food/meals, before, during and after the school day, and/or to directly offset costs to parents, guardians, and students such as school supplies or other cost pressures they are facing using existing mechanisms such as hardship policies. For fiscal 2023-

2024, a remaining balance of \$1.92 million remained, of which all is expected to be spent by June 30, 2024.

The Classroom Enhancement Fund (“CEF”): This fund continues to provide school districts to cover the cost of implementing the Memorandum of Understanding (“MOU”) related to class size/composition and non-enrolling teacher ratios. The CEF funding allocation to Surrey is estimated at \$65.8 million and is restricted for the purpose of adding 647 FTE teachers and other associated costs related to the MOU.

Other: Other restricted special purpose funds received by the district include Annual Facility Grants, Learning Improvement Funds, Community Link Funds, Provincial Resource Programs, Parent Advisory Councils Funds, Scholarships, and other specifically targeted funds. More details of these funds can be found on Schedules 3 and 3A of the financial statement package.

Capital Funds (Schedule 4)

Schedule 4 of the financial statement package outlines the anticipated change in Investment in Capital and Local Capital Reserve funds.

Revenue and Expenditure Budgets

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

Statements

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

Schedules

- 1 Change in Accumulated Surplus
 - 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
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It is recommended:

Amended Annual Budget Bylaw No. 1 (Teachers)

1. THAT all decisions taken by the Finance Committee during its deliberations regarding Teacher costs totaling \$624,854,819 and summarized in this report, be approved by the Board for implementation.
2. THAT the attached School District No. 36 (Surrey) 2023-2024 Amended 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 Amended Annual Budget Bylaw No. 1 (Teachers) be approved as read a first time.
 - (b) THAT the attached School District No. 36 (Surrey) 2023-2024 Amended Annual Budget Bylaw No. 1 (Teachers) be approved as read a second time.
 - (c) THAT the attached School District No. 36 (Surrey) 2023-2024 Amended Annual Budget Bylaw No. 1 (Teachers) be approved as read a third time and finally adopted.

Amended Annual Budget Bylaw No. 2 (Other)

1. THAT all decisions taken by the Finance Committee during its deliberations regarding all Other costs totaling \$466,008,380 and summarized in this report, be approved by the Board for implementation.
 2. THAT the attached School District No. 36 (Surrey) 2023-2024 Amended 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 Amended Annual Budget Bylaw No. 2 (Other) be approved as read a first time.
 - (b) THAT the attached School District No. 36 (Surrey) 2023-2024 Amended Annual Budget Bylaw No. 2 (Other) be approved as read a second time.
 - (c) THAT the attached School District No. 36 (Surrey) 2023-2024 Amended Annual Budget Bylaw No. 2 (Other) be approved as read a third time and finally adopted.
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