
Administrative Memorandum

Regular Board Meeting

Date: May 15, 2019
Topic: Report of the 2019-2020 Budget Committee
Submitted by: D. Greg Frank, Secretary-Treasurer

Annual Budget for 2019/2020

BACKGROUND:

The purpose of this report is to seek Board approval of the 2019/2020 Annual Budget Bylaw. The School Act requires that the Board must adopt an annual budget on or before June 30 for the next fiscal year. The Annual Budget Bylaw amount of \$836.2 million is comprised of the following:

1. Operating Funds
2. Special Purpose Funds
3. Capital Funds

OPERATING FUNDS

Operating Budget Process

As part of the 2019/2020 budget process, budget decisions were focused on supporting the overall district vision of Learning by Design which states that:

“We prepare our learners to think creatively and critically, communicate skillfully and demonstrate care for self and others.”

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 Budget Committee began its deliberations in November 2018 and held several meetings in subsequent months focused on developing the 2019/2020 and three year budget. The Board’s consultation process included a PlaceSpeak forum, public survey, review of written submissions and a community forum. In addition, the Board undertook to meet with each of the employee stakeholder groups and the District Parent Advisory

Council to engage and listen to their operational and budget issues.

Key Budget Timelines

- February 13, 2019 Board approval of the 2018-2019 Amended Annual Budget
- February 19, 2019 Provincial budget announcement
- February 26, 2019 Public community forum on budget
- March 8, 2019 Receipt of written and online survey on budget input
- March 15, 2019 Ministry of Education announcement of 2019-2020 Preliminary Operating Grants
- May 15, 2019 Board approval of 2019-2020 Annual Budget

Operating Budgeted Revenues

The major source of operating revenue is the Ministry of Education Operating Grant Funding. 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, etc.*)
4. Funding Protection / Enrolment Decline

On March 15, 2019, the Ministry of Education operating grants announcement included incremental funding for costs related to compensation increases in accordance with collective agreements with teachers and support staff. The operating grant also provides funding for increases to teacher prep time in accordance with their collective agreement and funding for enrolment growth. No funding has been provided for inflation or other employee group wage increases. The Board has noted that the allocation of labour settlement funding within the funding allocation system has been weighted disproportionately to unique categories and unique geographic factors. The impact of this likely does not align where the District's costs have been increased as a result of higher expenditures resulting from the new collective agreement requirements for unionized staff. It should also be noted that with the exception of targeted First Nations funding, the operating grant is not a spending formulae and the District has to ensure sufficient funds are allocated to cover increased mandatory collective language requirements regardless of where this funding has been allocated within the operating grant formulae.

Surrey's preliminary grant allocation is \$677.1 million. This represents approximately 94% of the operating revenue budget. The District's preliminary grant is based upon a projection of 74,749 student full-time equivalents (FTE) for the full year. A detailed distribution of grants and funding rates can be found on the Ministry of Education website www.bced.gov.bc.ca/k12funding/.

The Ministry also announced funding for school districts to partially offset the impact of the new Employer Health Tax. The Surrey School District will be receiving \$5.6 million in 2019/2020.

The International Education revenue budget has been increased by \$1.1 million from \$14.8 million to \$15.9 million. This is due to an increase in rates as no change in projected enrolment is anticipated. Other revenue sources such as federal grants, rentals & leases and investment income have been assessed and adjusted accordingly.

Operating Budgeted Expenditures

The total 2019-2020 Operating Budget is \$713.7 million. The budget maintains current service levels and programs. The budget provides for salary contractual commitments and benefits as well as contractual requirements such as incremental prep time for teachers. This includes the impact of the Employer Health Tax (EHT) that was implemented on January 1, 2019 as well as the phasing out of the Medical Services Plan (MSP) effective January 1, 2020. The incremental cost of both the MSP and the EHT will be partially mitigated by increased provincial funds.

Student enrolment projections have been used to estimate staffing and resource requirements. The growth in Surrey Schools is resulting in increased staffing requirements (i.e. teachers, educational assistants etc.) as well as higher demand on space which has led to more portables.

The below table provides the net staffing position control changes for the 2019/2020 Operating Fund:

Position Control			Change
	2019/2020	2018/2019	
Principals and Vice Principals	254	249	5
Teachers (see note below)	4,100	4,034	66
Support Staff	1182	1163	19
Education Assistants	1,736	1,629	107
Other Professional Staff	111	104	7
Total:	7,383	7,179	204

The increase in staffing is largely due to the significant growth that is taking place in the Surrey School District. Note that the above table excludes 461 teachers that are hired through the Classroom Enhancement Fund; see Special Purpose Funds section of this report.

The operating budget also provides additional funding for budget enhancements which

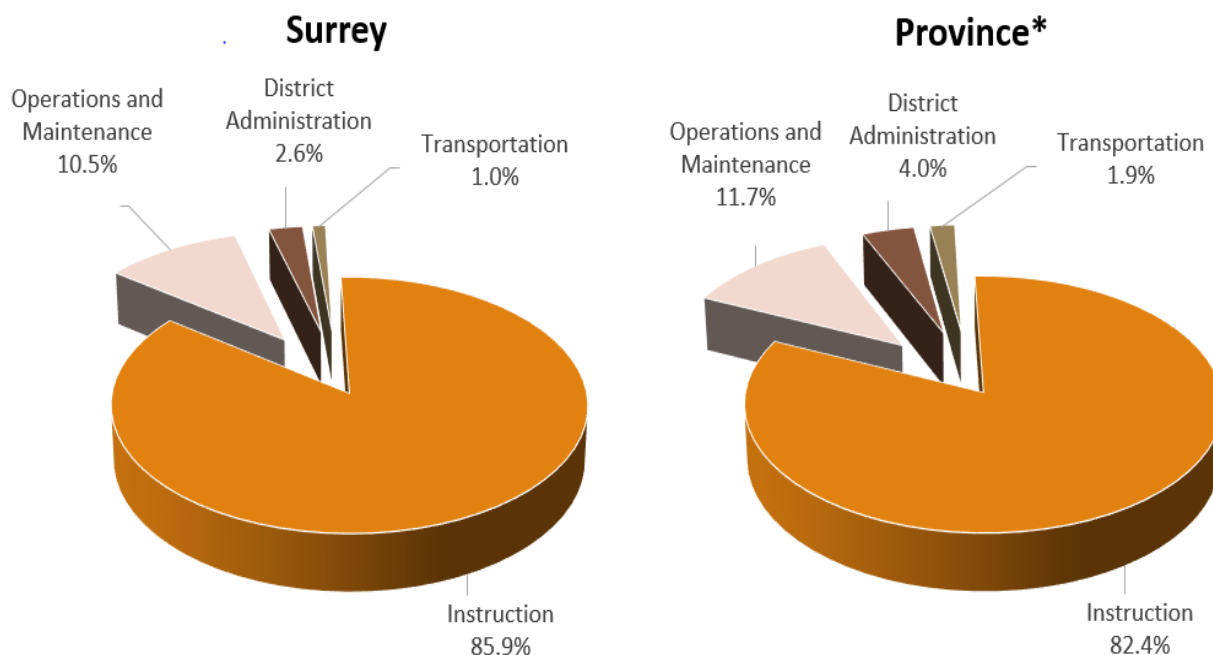
Report of the 2019-2020 Budget Committee

focuses on Board Initiatives, Education & Human Resources, and Business Operations. Services and supplies costs have been adjusted for anticipated inflation factor of 2.7% for 2019-2020 and other cost adjustments for projected student and staff growth. Utility costs have been adjusted to reflect anticipated rates and usage for 2019-2020.

The below table summarizes the operating budget by the four functional expenses for Surrey:

Major Functions	2019/2020 Annual \$	2019/2020 Annual %
Instruction	613,464,915	85.9%
District Administration	18,596,151	2.6%
Operations and Maintenance	74,605,385	10.5%
Transportation and Housing	7,077,520	1.0%
Total:	713,743,971	100.0%

A comparison of Surrey's expenses with the provincial average is presented below:



* Source: Ministry of Education Table 13 2018/9 Amended Annual Budgeted Operating Expenditures by Function

SPECIAL PURPOSE FUNDS

The Board of Education receives restricted funds that are specifically targeted towards various programs or activities. These include Ministry designated activities such as Annual Facility Grants, Learning Improvement Funds, Community Link Funds, Strong Start, Ready, Set, Learn and Provincial Resource Programs. Other restricted funds include Parent Advisory Councils Funds, Scholarships and other specifically targeted funds for targeted activities.

The Classroom Enhancement Fund (CEF) will continue to be provided for the restoration of 2002 contractual language into the teachers' collective agreement on class size/composition and non-enrolling ratios as stipulated in a Memo of Understanding (MOU) provincially negotiated with the BC Teacher's Federation (BCTF).

At this time, only notional CEF funds have been allocated by the Province based on estimates of school district needs to implement the memorandum of agreement. Funds will be adjusted to reflect actual September student enrolment. Notional allocations will provide 461 teachers in addition to regular teacher staffing included in the operating budget.

The total 2019-2020 Special Purpose expense budget is \$69.1 million which will fund approximately 600 positions, including the teachers funded from the CEF. 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 2019-2020 year.

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 decisions taken by the 2019/2020 Budget Committee during its deliberations regarding Teacher costs totaling \$470,304,035 and summarized in this report, be approved by the Board for implementation.
 2. THAT the attached School District No. 36 (Surrey) 2019/2020 Annual Budget Bylaw No. 1 (Teachers) be given three (3) readings at this meeting (vote must be unanimous).
 3. THAT the attached School District No. 36 (Surrey) 2019/2020 Annual Budget Bylaw No. 1 (Teachers) be approved as read a first time.
 4. THAT the attached School District No. 36 (Surrey) 2019/2020 Annual Budget Bylaw No. 1 (Teachers) be approved as read a second time.
 5. THAT the attached School District No. 36 (Surrey) 2019/2020 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 decisions taken by the 2019/2020 Budget Committee during its deliberations regarding all Other costs totaling \$365,916,113 and summarized in this report, be approved by the Board for implementation.
2. THAT the attached School District No. 36 (Surrey) 2019/2020 Annual Budget Bylaw No. 2 (Other) be given three (3) readings at this meeting (vote must be unanimous).
3. THAT the attached School District No. 36 (Surrey) 2019/2020 Annual Budget Bylaw No. 2 (Other) be approved as read a first time.
4. THAT the attached School District No. 36 (Surrey) 2019/2020 Annual Budget Bylaw No. 2 (Other) be approved as read a second time.
5. THAT the attached School District No. 36 (Surrey) 2019/2020 Annual Budget Bylaw No. 2 (Other) be approved as read a third time and finally adopted.

Respectfully submitted by:

Trustee Terry Allen,
Committee Chairperson,
2019/2020 Budget Committee
(Committee-of-the-Whole)
