

## **Administrative Memorandum**

### **Regular Board Meeting**

**Date:** June 10, 2020  
**Topic:** 2020-2021 Annual Budget Bylaw  
**Submitted by:** Trustee Terry Allen, Finance Committee Chairperson

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#### Overview

The 2020-2021 budget continues the Board's commitment to provide quality education to its students that reflects the strategic annual work plan and priorities of the Board. In order to achieve this year's balanced budget, the Board has had to address a number of significant funding and cost challenges including:

- A number of factors related to the COVID-19 pandemic such as:
  - 30% reduction in projected international students and related revenues
  - 50% reduction in projected rental revenue due to ongoing cancellations of facility rentals
  - 75% reduction in projected summer school revenues
  - Increased costs of cleaning and other health and safety measures for staff and students
  - Increased budget risks due to many unknowns such as the impact of potential ongoing international travel and immigration restrictions and the uncertainty with the education service delivery model(s) to be in place next year.
- Changes announced and implemented in March of this year by the Ministry of Education to the Operating Grants allocated to school districts resulting in a net reduction of approximately \$6 million from what the district had been expecting in operating grants.

Projected expenses will exceed revenues from all sources for the 2020-2021 year resulting in a budget shortfall of \$20 million. In order to address the funding shortfall and to create a contingency of \$5 million the Board has allocated \$21.5 million of one time fund reserves and implemented a further reduction in operating expenditures of \$3.5 million. These allocation of fund reserves and adjustments have ensured the district will be able to continue to deliver a high level of education services to all of our students, avoid potential staff lay-offs for the coming year and to allow for flexibility as the district enters the new school year with many unknowns and budget risks ahead.

The budget continues to deliver a strong education system, with investments that focus on student achievement and well-being in a sustainable manner through the following measures:

- Responding to changes in funding while ensuring student achievement and well-being;
  - Reinvesting in technology and schools;
  - Focusing on efficiencies and effectiveness in the stewardship of financial resources.
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### Budget Process

Annually, the Board refines and establishes its goals that support 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 Board’s vision and goals drive budget discussions and operational plans. The Finance Committee began its deliberations in November 2019 and held several meetings in subsequent months focused on developing the 2020-2021 and three year budgets. Given the many uncertainties in the 2020-2021 budget assumptions and the funding challenges referenced above, the final budget bylaw was delayed a month to allow for further analytical work prior to budget finalization.

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 from respondents followed by support for students with special needs and mental health services. These have been incorporated into the budget where possible.

### Budget Key Dates

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February 12, 2020	Board approval of the 2019-2020 Amended Budget
February 18, 2020	Provincial Budget announcement
February 27, 2020	Community Forum
March 13, 2020	Ministry of Education announcement of 2020-2021 Preliminary Grants
March 15, 2020	Receipt of written and online survey of public budget input
June 10, 2020	Board approval of 2020-2021 Annual Budget

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### Annual Budget Types

The Annual Budget is a consolidation of three separate funds:

Operating Fund, - used to fund 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, 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 source of funds are by 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 2020-2021 operating budget work begins by utilizing the 2019-2020 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 statutory requirements, forecast enrolment changes, incremental grant funds and changes to other revenue sources. The net change for the year determines the projected operating fund balance and whether capacity exists for budget enhancements or budget constraints.

### Budget Challenges for 2020-2021

Uniquely different than in past years, the district was challenged to deal with the sudden COVID-19 pandemic in February/March and its resulting effect on delivering educational services to students, as well as ensuring safety protocols for staff. As referenced earlier in this report, development of the 2020-21 budget has been a much more complicated and challenging process than previous years. The challenges include:

- A number of factors related to the COVID-19 pandemic such as:
    - 30% reduction in projected international students and related revenues
    - 50% reduction in projected rental revenue due to ongoing cancellations of facility rentals
    - 75% reduction projected in summer school revenues
    - Increased costs of cleaning and other health and safety measures for staff and students
    - Increased budget risks due to many unknowns such as the impact of potential ongoing international travel and immigration restrictions and the uncertainty with the education service delivery model(s) to be in place next year.
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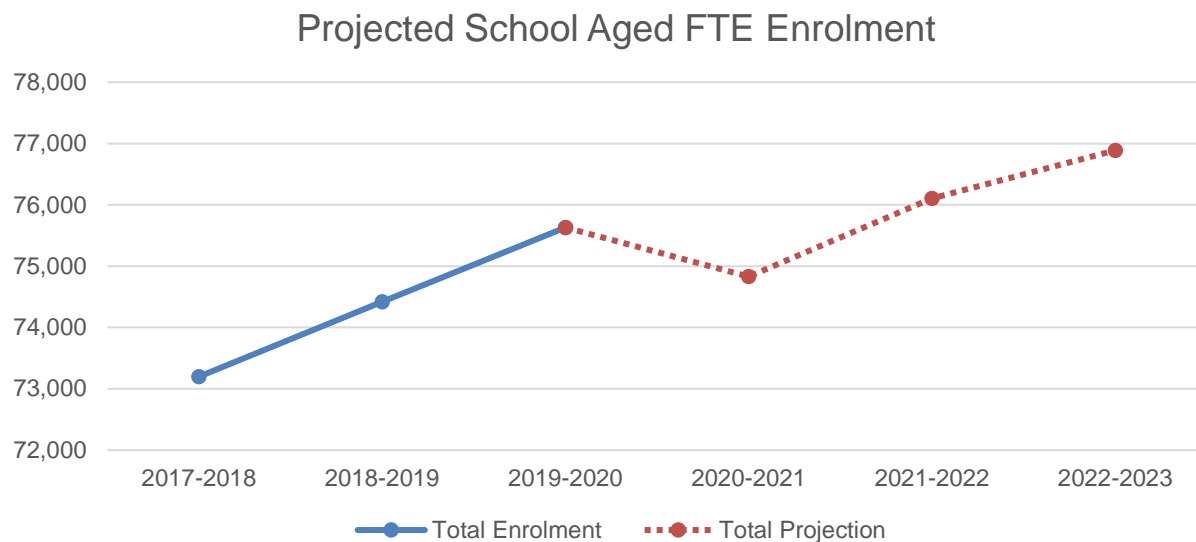
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- Changes announced and implemented in March of this year to the Ministry of Education Operating Grants allocated to school districts resulting in a net reduction of approximately \$6 million from what the district had been expecting in operating grants.

Following are the detailed assumptions that have been incorporated into the proposed 2020/21 preliminary budget.

Enrolment Projection

Initial student enrolment projections in early February were subsequently revised to reflect the impact of COVID-19 pandemic on our initial summer learning enrolment and international education student enrolment for next year.



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Enrolment Projection - Detailed

	<b>2020-2021</b>	<b>2019-2020</b>	<b>Variance</b>	<b>2021-2022</b>	<b>2022-2023</b>
	<b>Projected</b>	<b>Actual</b>		<b>Projected</b>	<b>Projected</b>
	(FTE)	(FTE)	(FTE)	(FTE)	(FTE)
Standard Regular Schools	72,018.3	71,222.3	796.0	72,718.3	73,418.3
Continuing Education	189.3	168.3	21.0	201.4	214.3
Alternate Schools	1,001.0	1,122.0	(121.0)	1,031.0	1,062.0
Distributed Learning	459.2	443.4	15.8	470.8	488.3
Summer Learning	412.5	1,624.8	(1,212.3)	1,681.3	1,706.3
<b>Total School Aged</b>	<b>74,080.3</b>	<b>74,580.8</b>	<b>(500.5)</b>	<b>76,102.7</b>	<b>76,889.1</b>
Special Needs - Level 1	100.0	94.0	6.0	104.0	106.0
Special Needs - Level 2	3,741.0	3,441.0	300.0	4,041.0	4,341.0
Special Needs - Level 3	855.0	844.0	11.0	865.0	875.0
English Language Learning	19,328.0	18,588.0	740.0	19,564.0	19,804.0
Aboriginal Education	3,115.0	3,115.0	0.0	3,115.0	3,115.0
Non Grad Adults	363.4	367.3	(3.9)	379.0	411.2
<b>Unique Student Needs</b>	<b>27,502.4</b>	<b>26,449.3</b>	<b>1,053.1</b>	<b>28,068.0</b>	<b>28,652.2</b>
<b>International Education</b>	<b>750.0</b>	<b>1,050.0</b>	<b>(300.0)</b>	<b>1,000.0</b>	<b>1,000.0</b>

Operating Revenues

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 13, 2020, the Ministry of Education operating grants announcement included incremental funding for costs related to compensation increases in accordance with collective agreements with support staff. Funding for costs related to compensation increases in accordance with the recently negotiated teacher collective agreement will be provided to the district in a special allocation of funds outside of the operating grant, see Other Revenue below for more details. The operating grant also provides funding for enrolment growth. No funding has been provided for inflation or other non-union employee group wage increases. The Board has noted that the funding allocation system this year, has been weighted disproportionately to unique categories and unique geographic factors. The impact of this has resulted in a net reduction of approximately \$6 million from what the district had anticipated.

The Vulnerable Student Supplement has been replaced with the new Equity of Opportunity Supplement, resulting in decreased funding for the district of \$943,253 and as well the Curriculum and Learning Support Fund, formally Education Plan Supplement, was reduced by \$776,963.

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The change in operating grants from 2019-2020, also saw the previous supplemental grants for Employer Health Tax and Carbon Rebated rolled into the 2020-2021 operating grants. When factoring the inclusion of these supplemental grants, the district total operating grants increased by a net of \$10.4 million.

Lastly, the Classroom Enhancement Fund for over-head was reduced by \$161,848 which will result in shifting costs from Special Purpose Funds into the Operating Fund.

	<b>2020-2021</b>	<b>2019-2020</b>	<b>Variance</b>
Standard Regular Schools	\$544,345,025	\$531,761,275	\$12,583,750
Continuing Education	1,431,071	1,256,491	174,580
Alternate Schools	7,567,560	8,379,096	(811,536)
Distributed Learning	2,497,965	2,401,458	96,507
Summer Learning & Other	1,207,572	4,635,379	(3,427,807)
<b>Total Student Base Funding</b>	<b>\$557,049,192</b>	<b>\$548,433,699</b>	<b>\$8,615,493</b>
Special Needs Level 1	\$4,257,000	\$3,985,600	\$271,400
Special Needs Level 2	76,061,400	69,255,700	6,805,700
Special Needs Level 3	8,780,750	8,651,000	129,750
English Language Learning	29,364,880	27,770,385	1,594,495
Aboriginal Education	4,672,500	4,516,750	155,750
Adults	1,752,852	1,753,087	(235)
Opportunity for Equity/Vulnerable Students	2,352,387	3,295,640	(943,253)
<b>Total Unique Student Needs</b>	<b>\$127,241,769</b>	<b>\$119,228,162</b>	<b>\$8,013,607</b>
Educator Salary Index	\$10,372,377	\$10,271,740	\$100,637
Unique Geographic Factors	5,009,935	4,477,602	532,333
Curriculum and Learning/Education Plan	652,700	1,429,663	(776,963)
<b>Total Other Operating Grants</b>	<b>\$16,035,012</b>	<b>\$16,179,005</b>	<b>(\$143,993)</b>
<b>Total Operating Grants</b>	<b>\$700,325,974</b>	<b>\$683,840,866</b>	<b>\$16,485,108</b>
<b>MOE Other Supplemental grants:</b>			
Employee Health Tax	\$0	\$5,605,276	(\$5,605,276)
Carbon Tax Rebate	0	489,466	(489,466)
<b>Total MOE Grants Adjusted into Operating</b>	<b>\$0</b>	<b>\$6,094,742</b>	<b>(\$6,094,742)</b>
<b>Revised Operating Grants</b>	<b>\$700,325,974</b>	<b>\$689,935,608</b>	<b>\$10,390,366</b>
<b>CEF Overhead Reduction Impact</b>	<b>\$1,328,788</b>	<b>\$1,490,636</b>	<b>(\$161,848)</b>

### Other Revenues

The impact of COVID-19 pandemic will have an impact on the district's ability to derive revenue from international education, rental of facilities and investment income.

International education revenues have been adjusted to reflect 300 fewer international education students due to the impact of COVID-19 pandemic.

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Rental of facilities has also been adjusted to reflect the anticipated prolonged closure of facility rentals into a portion of the 2020-2021 year.

Investment revenues have been adjusted to reflect declining interest rates.

On May 8<sup>th</sup>, the district received, from the Ministry of Education, notice of a supplemental grant to be provided to the district for \$19.2 million related to the costs of the newly ratified teacher agreement which is being implemented retroactive to July 1, 2019.

### Operating Budgeted Expenditures

The total 2020-2021 operating budgeted expenditures will exceed \$760 million. The budget reflects the continued impact of COVID-19 into the 2020-2021 fiscal year. The budget provides for salary contractual commitments and benefits.

Student enrolment projections have been used to estimate staffing and resource requirements. The growth in in the district is resulting in increased staffing requirements (i.e. teachers, education 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 2020-2021 Operating Fund:

<b>Position Control</b>	<b>2020-2021</b>	<b>2019-2020</b>	<b>Change</b>
Principals and Vice Principals	260	254	6
Teachers (see note below)	4,121	4,098	23
Support Staff	1196	1192	4
Education Assistants	1,875	1,762	113
Other Professional Staff	112	111	1
<b>Total:</b>	<b>7,564</b>	<b>7,417</b>	<b>147</b>

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 507 teachers that are hired through the Classroom Enhancement Fund; see Special Purpose Funds section of this report.

Services and supplies costs have been adjusted for anticipated costs for 2020-2021 and other cost adjustments for projected student and staff growth. Utility costs have been adjusted to reflect anticipated rates and usage for 2020-2021.

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

Major Functions	2020-2021 Annual \$	2020-2021 Annual %
Instruction	656,062,772	86.2%
District Administration	18,695,000	2.5%
Operations and Maintenance	78,639,530	10.3%
Transportation and Housing	6,962,342	0.9%
<b>Total:</b>	<b>760,359,644</b>	<b>100.0%</b>

### Staffing Complement

Principals and Vice Principals – the district has recognized an increase of 6 FTE to reflect:

- The new elementary schools Edgewood, Douglas and Maddaugh Road opening in 2021-2020;
- The advance appointment for Grandview Heights Secondary opening in 2021-2022;
- Student growth at Sullivan Heights Secondary and Cougar Creek Elementary schools, and;
- Appointment of a district principal for the Welcome Centre.

Teachers – the teaching staff complement needed to address projected student enrolment and program deliveries of 23 FTE.

Support Staff – With the addition of the new schools and increased instructional space will see a net increase of 4 FTE.

Education Assistants – The district will recognize an increase of 113 FTE for service deliveries for student with unique student needs and maximizing of staff hours.

Other Professional Staff – Realignment of 1 FTE due to the expiry of special purpose funds for crime prevention.

### Labour Expenses

Teacher salaries have been amended to reflect the new teacher collective agreement with salary grid increases of up to 5%, represented by a retroactive adjustment of 2% for 2019-2020 and a further 2% plus 1% for the grid max effective July 1, 2020.

Support Staff and Educational Assistants salaries have been amended to reflect a 2% wage increase effective July 1, 2020.

Management staff salaries (principals, vice principals and other professional staff) have been increased to reflect up to a maximum 5% increase reflective of teacher grid changes.

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Replacement/Substitute salaries have been increased to reflect increased wage increase and anticipated volume of use for 2020-2021.

Benefits costs have been adjusted to reflect increased staffing levels and anticipated benefit increases. This includes significant increases to extended health and dental premiums from the prior year.

### Services and Supplies

Service and supplies have been amended to reflect known inflationary cost pressures and the revised reduction of expenses directly related to reduce operational costs for Summer Learning, International Education programs and facilities rentals costs. Utilities costs have been adjusted to reflect anticipated rate increases and usage.

### Special Purpose Funds

The district 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 506 teachers in addition to regular teacher staffing included in the operating budget.

The total 2020-2021 Special Purpose expense budget is \$68.1 million which will fund approximately 642 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 2020-2021 year. Schedule 4 outlines the anticipated change in Investment in Capital and Local Capital Reserve funds.

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## **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 2020/2021 budget decisions taken by the Finance Committee during its deliberations regarding Teacher costs totaling \$495,815,594 and summarized in this report, be approved by the Board for implementation.
2. THAT the attached School District No. 36 (Surrey) 2020/2021 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) 2020/2021 Annual Budget Bylaw No. 1 (Teachers) be approved as read a first time.
  - (b) THAT the attached School District No. 36 (Surrey) 2020/2021 Annual Budget Bylaw No. 1 (Teachers) be approved as read a second time.
  - (c) THAT the attached School District No. 36 (Surrey) 2020/2021 Annual Budget Bylaw No. 1 (Teachers) be approved as read a third time and finally adopted.

### **Annual Budget Bylaw No. 2 (Other)**

1. THAT all 2020/2021 budget decisions taken by the 2020/2021 Finance Committee during its deliberations regarding all Other costs totaling \$395,092,739 and summarized in this report, be approved by the Board for implementation.
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2. THAT the attached School District No. 36 (Surrey) 2020/2021 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) 2020/2021 Annual Budget Bylaw No. 2 (Other) be approved as read a first time.
    - (b) THAT the attached School District No. 36 (Surrey) 2020/2021 Annual Budget Bylaw No. 2 (Other) be approved as read a second time.
    - (c) THAT the attached School District No. 36 (Surrey) 2020/2021 Annual Budget Bylaw No. 2 (Other) be approved as read a third time and finally adopted.
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