
Administrative Memorandum

Regular Board Meeting

Date: May 12, 2021
Topic: 2021-2022 Annual Budget Bylaw
Submitted by: Trustee Terry Allen, Finance Committee Chairperson

OVERVIEW

The 2021-2022 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. To achieve this year's balanced budget, the Board has had to address a number of significant funding and cost challenges. The continued implications of the COVID-19 pandemic will have considerable impact on regular and international student enrolments. With continued international border restrictions in place, this will have a direct impact on immigration of families settling in Surrey, a major driver in our student enrolment growth, which consequently impacts international student enrolment and related revenues.

The continued pandemic protocol measures will hinder other revenue sources such as facility rental revenues and result in anticipated increased protocols for cleaning and other health and safety measures to protect staff and students.

In 2020-2021, the Board was pleased to receive one-time "Safe Return to School & Classroom" funds from both the Provincial and Federal governments. These funds helped in preventing potential layoffs due to the sudden loss of revenues and allowed the district to restructure our education delivery models to address public concerns, while meeting provincial health guidelines. Without these funds, the district could not have provided the flexibility and support required. However, with no indication from either level of governments regarding continued financial support for the pandemic impacts into 2021-2022, the district has aligned its resources to ensure our students continue to have access to quality education and making every effort to keep cuts away from the classroom.

A projected shortfall of \$43 million was premised on maintaining of 2020-2021 staffing levels related to the pandemic such as enhanced cleaning measures, continued hybrid learning programs, retaining staff in excess of actual student enrolment requirement, coupled with revised revenue and expenditure forecasts.

In order to address the funding shortfall, the Board has taken the following measures both within 2020-2021 and 2021-2022 fiscal years;

- Schools and departments have been instructed to curtail any new initiative spending in the final quarter of 2020-2021 to provide for an increase in the operating fund balance;
 - International Education and Facilities Rental have revised their expenditure plans to align with lower revenue forecasts;
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- All positions hired directly from both the Federal and Provincial one-time grants, have been removed;
- Alignment of staffing levels to match that of revised student enrolment numbers;
- Adjustment of learning centre expenditure plans to be in line with Ministry Audit requirements and revised revenue forecasts;
- Targeted reductions towards the purchase of furniture and equipment, vehicle replacement and technology equipment for the 2021-2022 year;
- Repurpose the district's capital contribution of \$5 million towards Major Capital Projects.

These adjustments ensure the district will be able to continue to deliver a high level of education services to our students, minimize staff lay-offs for the upcoming year and allow for flexibility as the district enters the new school year with many unknowns and budget risks ahead.

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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 Board’s Finance Committee began its deliberations in November 2020 and held several meetings in subsequent months focused on developing the 2021-2022 budget.

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

Budget Key Dates

February 10, 2021	Board approval of the 2020-2021 Amended Budget
February 23, 2021	Online Budget Consultation launched
March 12, 2021	Ministry of Education announcement of 2021-2022 Preliminary Grants
April 14, 2021	Receipt of written and online survey of public budget input
May 12, 2021	Board approval of 2021-2022 Annual Budget

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 these funds are provided by Ministry of Education capital grants, operating funds and special purpose funds. This capital 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 2021-2022 operating budget work begins by utilizing the 2020-2021 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 2021-2022

The district was challenged to deal with the sudden COVID-19 pandemic in February/March of 2020 and its resulting effect on delivering educational services to students, as well as ensuring safety protocols for all students and staff. Development of the 2021-22 budget has been a much more complicated and challenging process than previous years. These challenges include the continued implications related to the COVID-19 pandemic such as:

- Travel restrictions resulting in an anticipated 51.7% reduction in projected international students and related revenues, compared to 2019-2020;
 - Anticipated 62.5% reduction in projected rental revenue due to ongoing cancellations of facility rentals, compared to 2019-2020;
 - Potential for increased costs of cleaning and other health and safety measures for staff and students without additional funding sources;
 - Increased budget risks due to many unknowns such as the uncertainty with the education service delivery model(s) to be in place next year.
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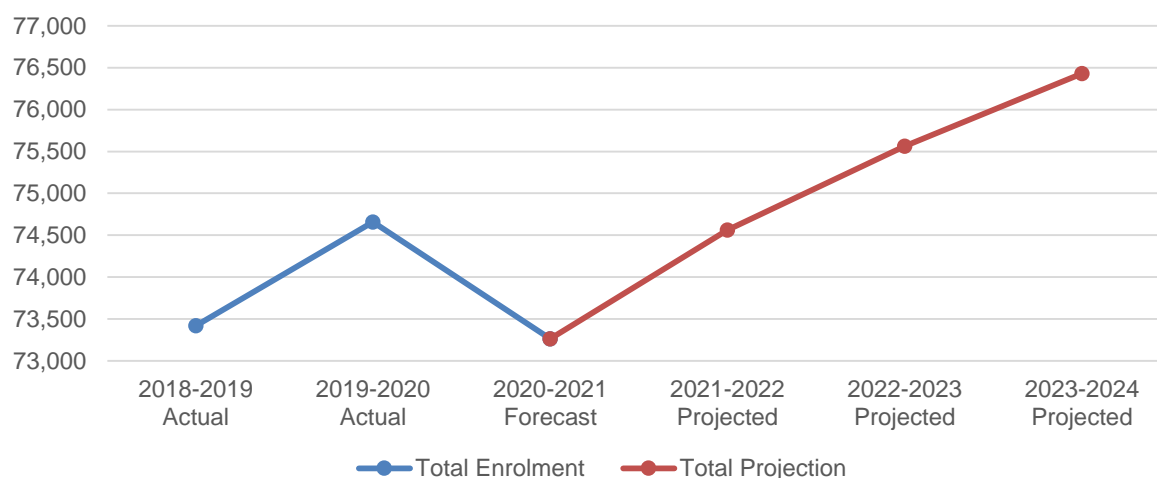
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The following are the detailed assumptions that have been incorporated into the proposed 2021-2022 annual budget.

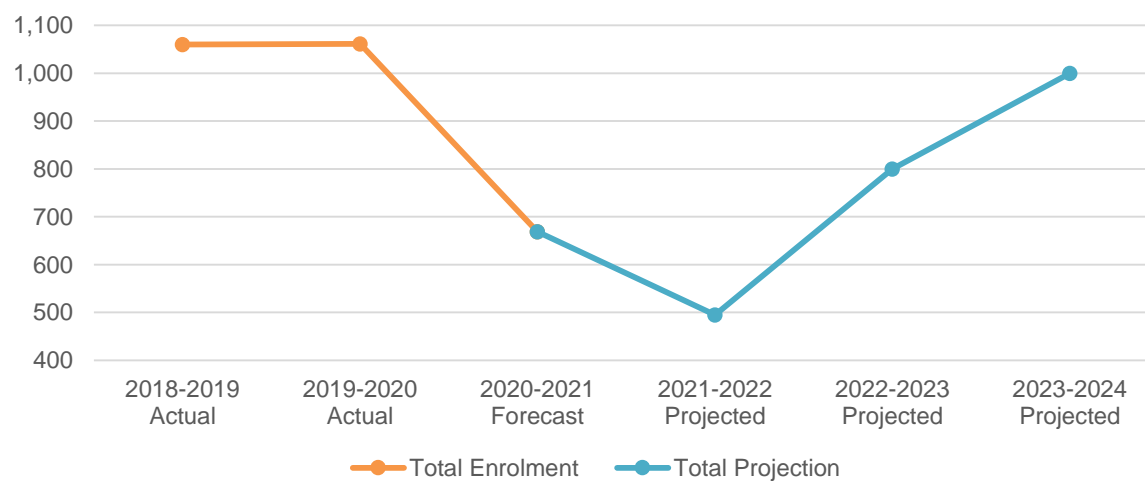
Enrolment Projection

Enrolment is projected to remain lower than pre-pandemic levels at both the elementary and secondary schools but is projected to increase slightly relative to the lower than projected actual enrolments for 2020-2021.

School Aged Enrolment (Full Year)



International Student Enrolment

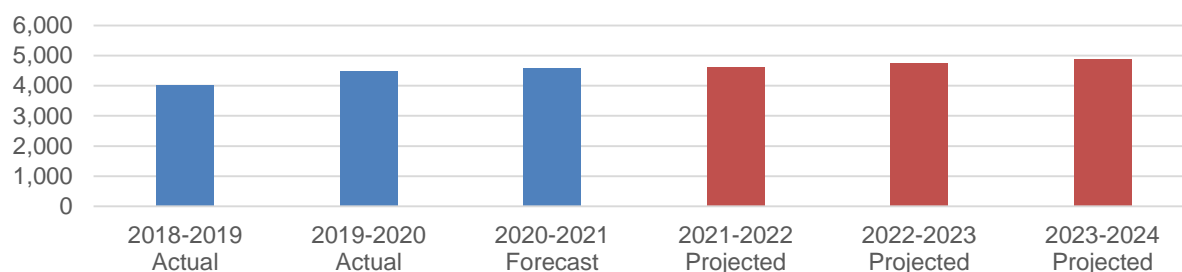


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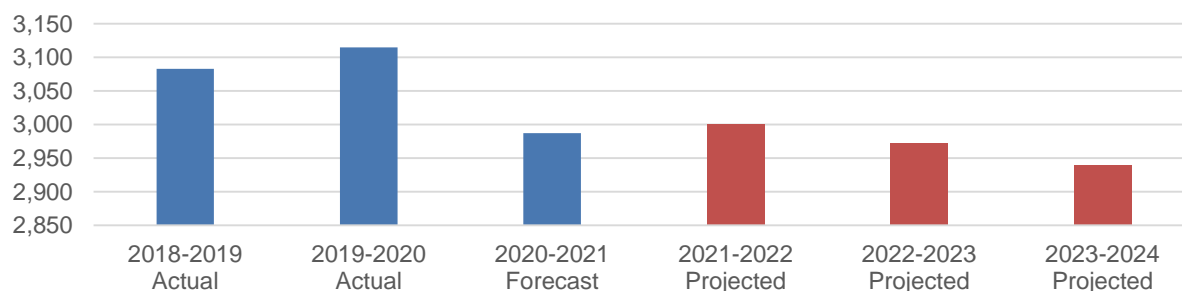
Unique Student Categories

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

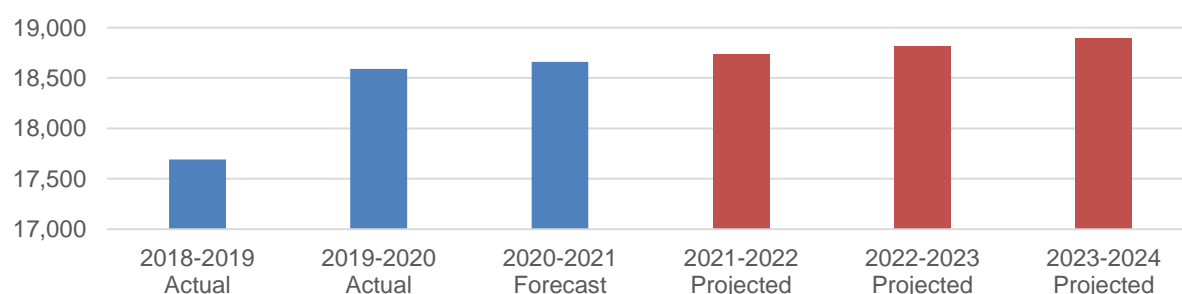
Students with Special Needs (All Levels)



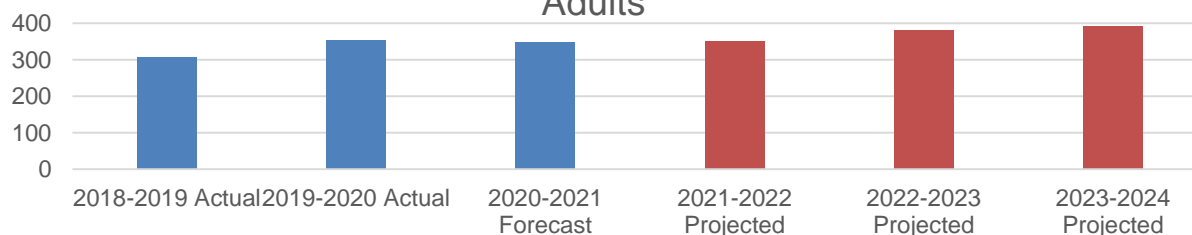
Indigenous Learners



English Language Learners



Adults



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Enrolment Projection - Detail	2021-2022 Projected	2020-2021 Actual	Variance	2022-2023 Projected	2023-2024 Projected
	(FTE)	(FTE)	(FTE)	(FTE)	(FTE)
Standard Regular Schools	71,903.6	71,322.4	581.1	72,653.6	73,432.6
Continuing Education	199.4	171.8	27.6	205.4	211.6
Alternate Schools	352.0	311.6	40.4	362.0	373.0
Distributed Learning	555.6	570.6	(15.0)	591.3	602.1
Summer Learning	1,550.0	886.6	663.4	1,750.0	1,812.5
Total School Aged	74,560.6	73,263.0	1,297.6	75,562.3	76,431.8
Special Needs - Level 1	103.0	101.0	2.0	104.0	106.0
Special Needs - Level 2	3,725.0	3,684.0	41.0	3,825.0	3,925.0
Special Needs - Level 3	803.0	787.0	16.0	823.0	843.0
English Language Learning	18,739.0	18,660.0	79.0	18,848.0	18,927.0
Indigenous Education	3,000.0	2,987.0	13.0	2,973.0	2,940.0
Adults	349.9	348.4	1.5	380.4	492.5
Unique Student Needs	26,719.9	26,567.4	152.5	26,953.4	27,233.5
International Education	495.0	669.0	(174.0)	800.0	1,000.0

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, Indigenous etc.)
3. Unique District (i.e. Climate Factor, rural and geographically dispersed districts, etc.)
4. Funding Protection / Enrolment Decline.

On March 12, 2021, the Ministry of Education operating grants announcement included incremental funding for costs related to compensation increases in accordance with collective agreements with support staff and teachers. The operating grant also provides funding for enrolment growth. No funding has been provided for inflation or other non-union employee group wage increases.

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Operating Grants	2021-2022 Preliminary	2020-2021 Amended	Variance
Standard Regular Schools	\$566,841,524	\$539,084,229	\$27,757,295
Continuing Education	1,572,568	1,298,960	\$273,608
Alternate Schools	2,775,520	2,355,885	\$419,635
Distributed Learning	3,204,346	3,177,380	\$26,966
Summer Learning & Other	4,561,036	3,155,824	\$1,405,212
Total Student Base Funding	\$578,954,994	\$549,072,278	\$29,882,716
Special Needs - All Levels	92,170,400	87,278,950	\$4,891,450
English Language Learning	29,687,059	28,349,520	\$1,337,539
Indigenous Learning	4,695,000	4,480,500	\$214,500
Adults	1,760,177	1,680,458	\$79,719
Equity of Opportunity	2,415,614	2,328,540	\$87,074
Total Unique Student Needs	\$130,728,250	\$124,117,968	\$6,610,282
Educator Salary Index	\$11,388,612	\$11,296,540	\$92,072
Unique Geographic Factors	5,300,860	5,009,935	\$290,925
Education Plan Supplement	647,432	652,700	(\$5,268)
Total Other Operating Grants	\$17,336,904	\$16,959,175	\$377,729
Total Operating Grants	\$727,020,148	\$690,149,421	\$36,870,727

Other Revenues

The COVID-19 pandemic will continue to have an impact on the district's ability to derive revenue from international education, rental of facilities and investment income. With international border restrictions still in effect, we have already seen a decline in the level of international education student registrations for September 2021.

International education revenues have been adjusted to reflect 505 fewer international education students from 2019-2020 levels, due to the impact of the 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 2021-2022 year.

Investment revenues have been adjusted to reflect declining interest rates.

Operating Budgeted Expenditures

The total 2021-2022 operating budgeted expenditures will exceed \$760 million. The budget reflects the continued impact of COVID-19 into the 2021-2022 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 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 2021-2022 Operating Fund:

Position Control	2021-2022	2020-2021	Change
Principals and Vice Principals	259	260	-1
Teachers (see note below)	4,083	4,064	19
Support Staff	1,204	1,194	10
Education Assistants	1,851	1,841	10
Other Professional Staff	113	112	1
Total:	7,510	7,471	39

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 497 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 2021-2022 and other cost adjustments for projected student and staff growth. Utility costs have been adjusted to reflect anticipated rates and usage for 2021-2022.

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

Major Functions	2021-2022 Annual \$	2021-2022 Annual %
Instruction	665,483,123	86.09%
District Administration	19,076,354	2.47%
Operations and Maintenance	81,287,433	10.52%
Transportation and Housing	7,128,845	0.92%
Total:	772,975,755	100.0%

Staffing Complement

Principals and Vice Principals – the district has recognized a net decrease of 1 FTE to reflect:

- Realignment of elementary vice-principals as a result of the new elementary schools that opened in 2020-2021 and student projections adjustments.
- The advance appointment for Regent Road Elementary scheduled for January 2022, ahead of the school opening in September 2022.

Teachers – the teaching staff complement needed to address projected student enrolment and program deliveries is a net increase of 19 FTE.

- Student Enrolment projections requirements, 35 FTE.
- Learning Centre Program Realignment, -15 FTE.
- International Education program support, -1 FTE.

Support Staff – a net increase of 10 FTE to reflect:

- the addition of Grandview Heights Secondary and increased instructional space will see an increase of 19 FTE.
- The adjustments to both International Education and Facilities Rental departments -4 FTE.
- Learning Centre Program Realignment -3 FTE.
- Closure of the Print shop -2 FTE.

Education Assistants – The district will recognize an increase of net 10 FTE for service deliveries for students with unique student needs and maximizing of staff hours.

Other Professional Staff – 1 FTE increase for Human Resources.

Labour Expenses

Teacher salaries have been amended to reflect the new teacher collective agreement with salary grid increases of 2%, effective July 1, 2021.

Support Staff and Educational Assistants salaries have been amended to reflect a 2% wage increase effective July 1, 2021.

Management staff salaries (principals, vice principals and other professional staff) have been increased to reflect up to a maximum 2% increase reflective of teacher grid changes.

Replacement/Substitute salaries have been increased to reflect the increased wage increase and anticipated volume of use for 2021-2022.

Benefits costs have been adjusted to reflect projected 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 learning centres, International Education programs and facilities rentals costs. Utilities costs have been adjusted to reflect anticipated rate increases and usage. Capital purchases for furniture and equipment, vehicle replacement and technology have also been adjusted.

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, Classroom Enhancement Fund, 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 MOU. Funds will be adjusted to reflect actual September student enrolment. Notional allocations will provide 497 teachers in addition to regular teacher staffing included in the operating budget.

In 2020-2021 the district received one-time targeted funds of \$5.2 million from the Province and \$29.1 million from the Federal Government, called "Safe Return to School" and "Safe Return to Classroom", respectively. These funds allowed the district to restructure our education delivery models to address public concerns, while meeting provincial health guidelines by employing 252 additional staff. With no continuation of these funds, the district has made the necessary reductions to this staffing complement.

The total 2021-2022 Special Purpose expense budget is \$69.2 million which will fund approximately 630 positions. More details of all Special Purpose funds can be found in 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 2021-2022 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 2021/2022 budget decisions taken by the Finance Committee during its deliberations regarding Teacher costs totaling \$510,168,341 and summarized in this report, be approved by the Board for implementation.
2. THAT the attached School District No. 36 (Surrey) 2021/2022 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) 2021/2022 Annual Budget Bylaw No. 1 (Teachers) be approved as read a first time.
 - (b) THAT the attached School District No. 36 (Surrey) 2021/2022 Annual Budget Bylaw No. 1 (Teachers) be approved as read a second time.
 - (c) THAT the attached School District No. 36 (Surrey) 2021/2022 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 2021/2022 budget decisions taken by the 2021/2022 Finance Committee during its deliberations regarding all Other costs totaling \$387,932,727 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) 2021/2022 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) 2021/2022 Annual Budget Bylaw No. 2 (Other) be approved as read a first time.
 - (b) THAT the attached School District No. 36 (Surrey) 2021/2022 Annual Budget Bylaw No. 2 (Other) be approved as read a second time.
 - (c) THAT the attached School District No. 36 (Surrey) 2021/2022 Annual Budget Bylaw No. 2 (Other) be approved as read a third time and finally adopted.
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