



2023/24 Three Year Budget and Financial Plan



Contents

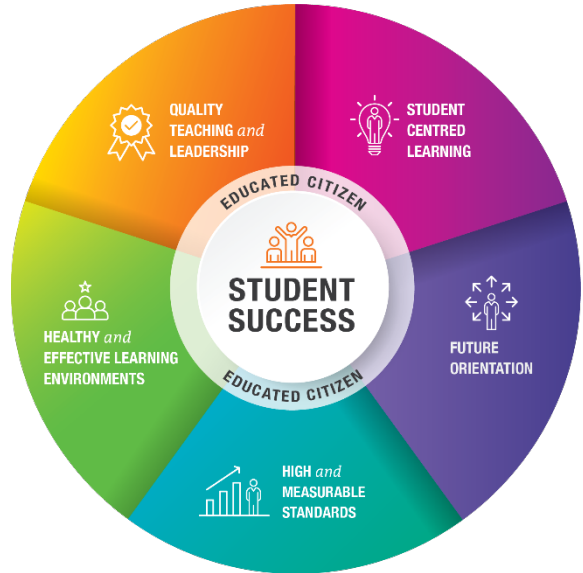
British Columbia’s Policy for Student Success.....	2
District Overview and Contextual Information	2
Board of Education.....	4
Strategic Plan 2023/24 – Guiding Principles.....	5
District Priorities	6
Budget Development Overview	6
2023/24 Budget Overview	10
Commentary.....	13
Multi-Year Reports	14
Special Purpose Fund Budget.....	20
Capital Fund Budget.....	21
Engagement Process Summary	23
Contacting Management	23

2023/24 BUDGET REPORT AND THREE-YEAR FINANCIAL PLAN

SCHOOL DISTRICT NO. 5 (SOUTHEAST KOOTENAY)

British Columbia’s Policy for Student Success

Focus all talents, efforts and resources on improving student success. Our success will not just be measured by the amount of investment, legislative changes, the number of programs, or the amount of new construction, but rather on how well all students are succeeding in life, regardless of their background or where they live in B.C. – this is our foundation for a prosperous, shared, and sustainable economy.



District Overview and Contextual Information

School District No. 5 (Southeast Kootenay) is located in the southeast corner of the province of British Columbia. Our region features spectacular mountain scenery, clean lakes, forested hillsides, and wide-open spaces. With an approximate population of 36,000, most people live in the communities of Cranbrook, South Country (Baynes Lake, Grasmere, Elko, Galloway and Jaffray), Fernie, Sparwood and Elkford.



School District No. 5 (Southeast Kootenay) (the District) encompasses eighteen schools, including one online school and five French Immersion schools to serve the approximately 6,000 students within our communities. We provide transportation to over 2,000 students. The District employs approximately 1,650 staff, with nine elected trustees on the Board to guide and support our district initiatives.

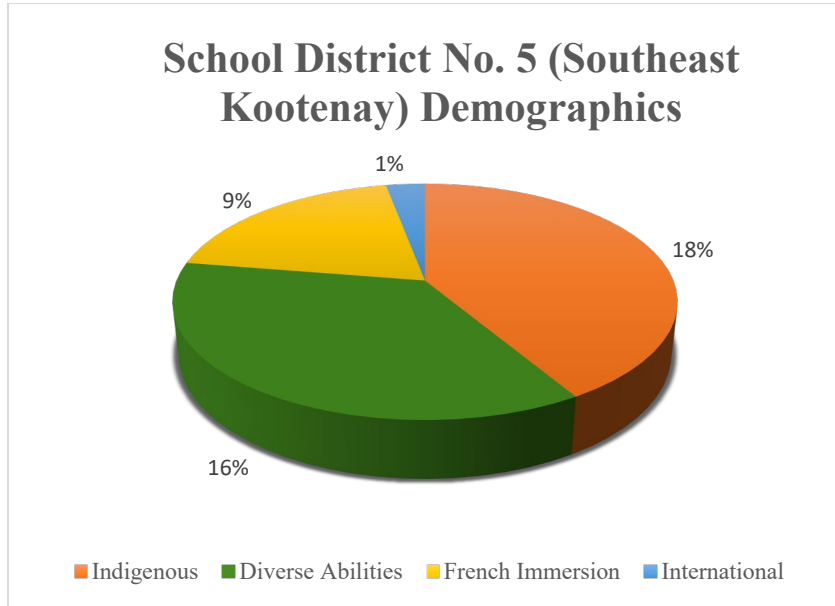
The District endeavours to maintain high and measurable standards with a focus on intellectual development, human and social development, and career development, to offer each student the best opportunity to succeed in life. By increasing student-centred learning opportunities that prepare learners to achieve their career and life goals, we aim to improve outcomes and enhance educational experiences for all students, no matter their background or where they live.



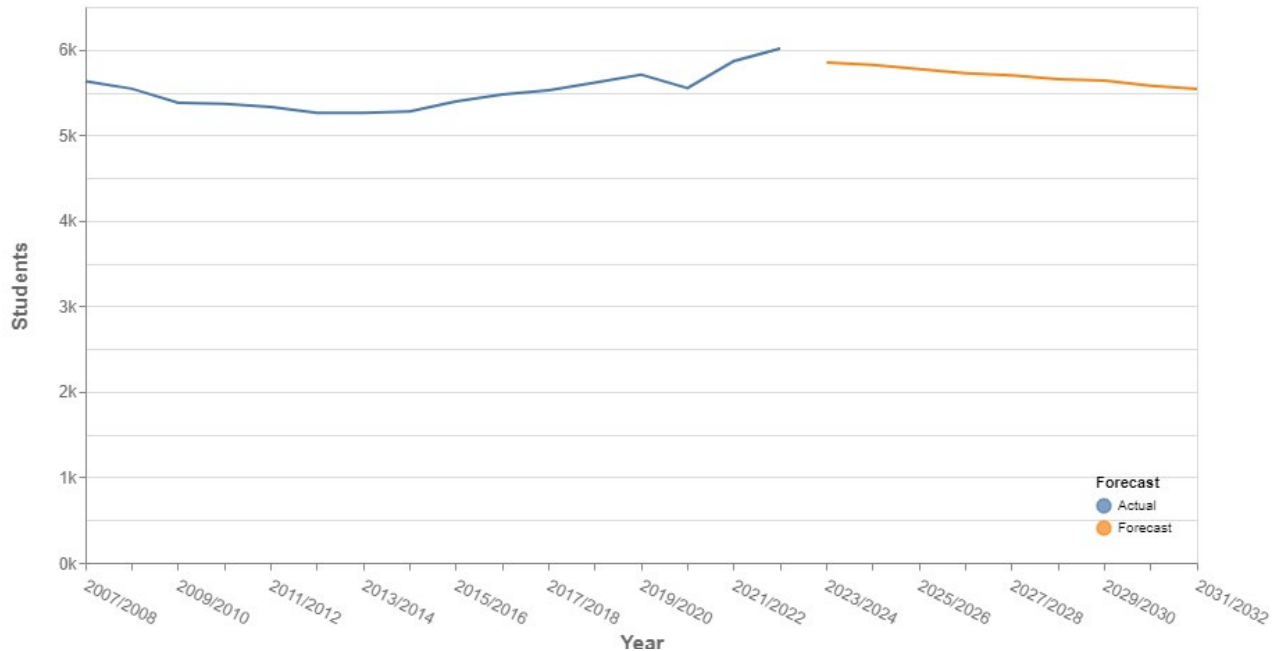
Number of Students Across All Grades

Student Group	Total	Grades													
		01	02	03	04	05	06	07	08	09	10	11	12	K	Others
All Students	6,012	433	420	452	422	430	446	506	487	488	493	488	521	375	51
Diverse Needs	979	51	55	79	58	69	76	93	94	99	88	83	103	30	
Indigenous	1,188	73	61	88	83	82	89	110	101	100	104	103	127	57	10

*Other includes elementary ungraded, secondary ungraded, and graduated adults in the school system



Student Enrolment Over Time



Socio-Economic Analysis

	Southeast Kootenay	Province
Unemployment Rate	7.342%	8.27%
Percent of Lone Parent Families	3.814%	4.286%
Population Density (people per sq. km of land area)	1,203	3,644
Median Family Income Economic Families (Before Tax)	\$118,383	\$113,137
Percent of 25-64 with Post Secondary Credentials	39.61%	42.06%

Board of Education

Nine elected trustees make up the composition of the District’s Board of Education. They represent the communities of Cranbrook (5 trustees), South Country (1 trustee), Fernie (1 trustee), Sparwood (1 trustee) and Elkford (1 trustee) and are elected every four years, on the same cycle as mayors and city councils. The primary role and responsibility of the Board of Education, through the trustees, is the governance of the District. The trustees are accountable to the Ministry of Education and Child Care (the “Ministry”) within the Provincial Government.



Roles, Responsibilities and Financial Governance

District trustees perform a variety of important duties including establishing educational policies and regulations as well as overseeing the education, operational, financial, and ministerial requirements of the District. Additionally, trustees advocate for enhanced government funding for the educational, operational, and capital needs of the District. The Board of Education, through its trustees, guides the work of the Superintendent and Secretary Treasurer who provide the day-to-day leadership and management of the District.

The Board and its trustees are committed to transparency and have adopted the Ministry’s financial governance requirements. These requirements include the development of an annual budget which is guided by the District’s vision, mission and values and includes a consultative budget engagement process. The Board is also committed to a thoughtful and student-centred approach to balancing the budget each year.



Strategic Plan 2023/24 – Guiding Principles

VISION:
Students love to learn here, staff love to work here, families love to gather here

MISSION:
Our students will graduate with dignity, purpose, and options

VALUES:
Respect, Vision, Fairness, Collaboration, Integrity, Inclusion

Engaging All Learners

Goal: To inspire all learning partners to create and contribute to an engaging, personalized educational experience for our learners.

- Provide a safe, supportive environment that fosters continued growth in a rapidly changing environment
- Honour all pathways to graduation
- Acknowledge deeper learning opportunities based on individual strengths and abilities

Advocacy

Goal: Advocate for specific needs in our District and for public education in general.

- Encourage governments to fully fund public education
- Advance the replacement of aging schools through Ministry and community partnerships
- Provide a forum for the development and celebration of innovative practices



Effective Communication

Goal: Continue to foster two-way, ethical communication between the District and all learners, students, staff, parents and community in a timely, concise and inclusive manner.

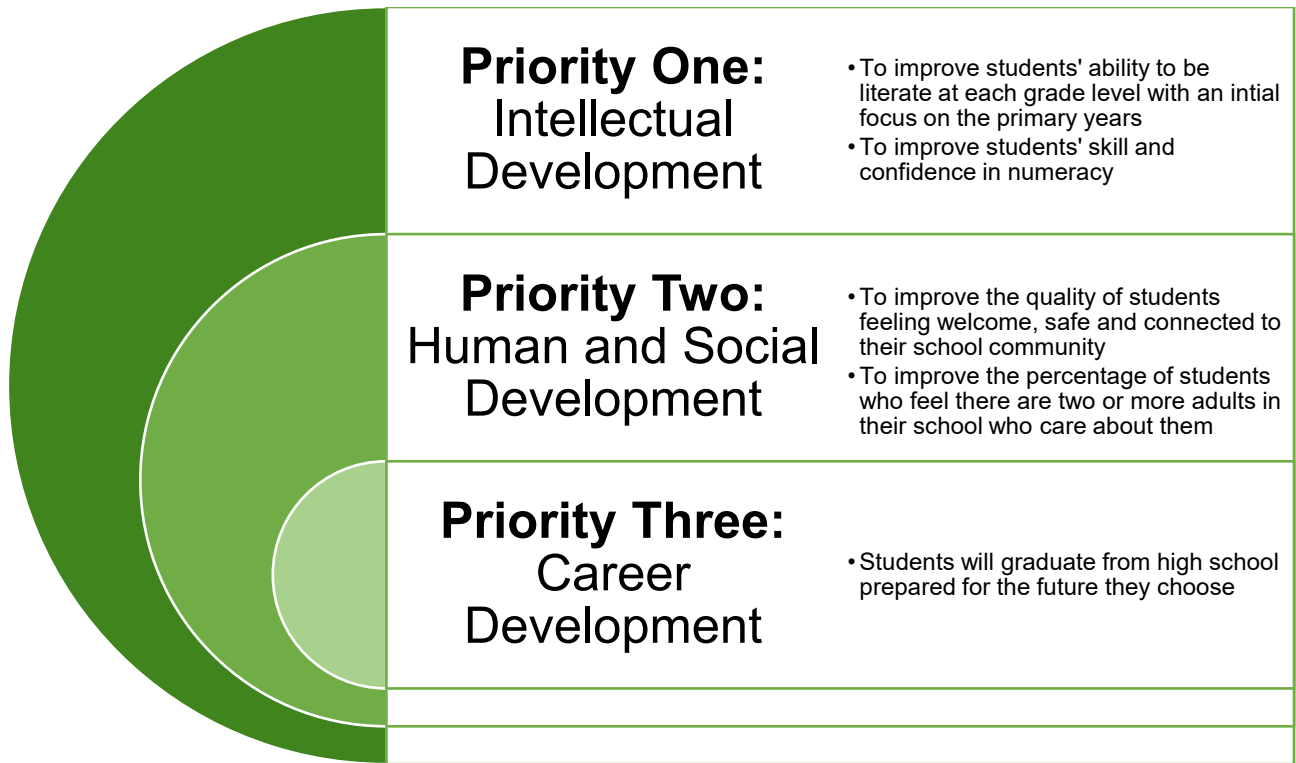
- Ensure information is current
- Provide user-friendly platforms
- Create opportunities for meaningful dialogue

Inclusive Partnerships

Goal: Cultivate opportunities for shared community awareness, engagement and resources to enhance student learning.

- Engage community participation in providing meaningful student learning opportunities
- Promote educational partnerships that enhance student learning and are beneficial to the community
- Advance active community engagement in real-world learning opportunities for students

District Priorities



Budget Development Overview

School District Budget Background

A balanced budget is a stipulation of the *School Act* (Section 113). The District's budget is prepared in accordance with Public Sector Accounting Standards (PSAB), Section 23.1 of the Provincial *Budget Transparency Act* and with Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board.

School districts in BC must submit a balanced budget to the Ministry by June 30 each year. The District starts its budget process in December and completes the process around the end of May with the Board's approval of the Preliminary budget.

School districts' budgets in British Columbia are reported as a consolidation of three separate funds: operating, special purpose, and capital.

The Operating fund budget contains the revenues and expenses for the day-to-day operation of the District. Ministry grants and other revenues, including international student program fees and facility lease rental revenues largely form the revenues for this fund. Expenses include costs for instructional programs, district administration, facilities, maintenance, and transportation.

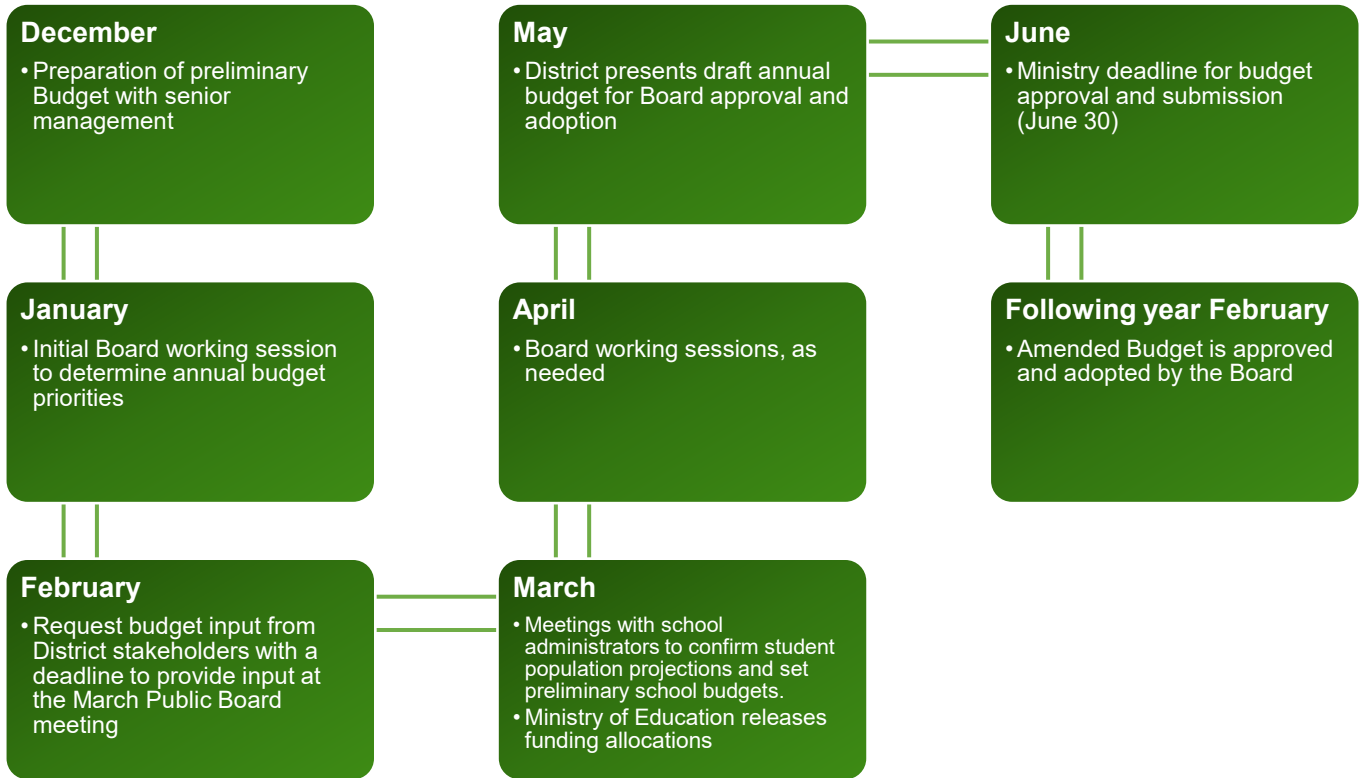
Special purpose fund(s) budgets contains "restricted contributions" defined as legislative or contractual stipulations, or restrictions, as to the use of funds. Ministry funds including the Annual Facilities Grant (AFG) and Classroom Enhancement Fund (CEF), together with other funds, including School Generated Funds (SGF) and scholarships, are reported in this fund.

The Capital fund budget for the District primarily comprises building renewal and playground replacement projects funded from externally restricted capital revenues (mainly from the Ministry).

Projects funded from operating or special purpose funds are largely for smaller building and facilities maintenance projects, technology and equipment replacement, and playground restorations.








Budget Development Process and Timeline Consultation

The District’s budget process starts in the year prior to when the budget will take effect. An important aspect of the budget process is consultation and engagement with our District Partner groups and the community. The process itself takes place over several months, as follows:



December

The finance team, along with senior management, prepares a preliminary budget based on known cost factors and changes from the prior year. Ministry operating grant funding is estimated at this stage. Department budgets are reviewed for strategic alignment, opportunities, and challenges. The preliminary budget is based on the Board approved current year Annual Budget, which is adjusted for the following:

-  Forecasted student enrolment population changes;
-  Projected Ministry operating grant funding based on the forecasted enrolment changes;
-  Projected revenue from other sources (e.g., international tuition revenue, rental revenues, investment income, etc.);
-  Contractual and statutory changes to employee salaries and benefits;
-  Contractual rate and cost changes to services, supplies and utilities;
-  Projected changes to staffing due to forecasted enrolment or revenues; and
-  Adjustments for one-time revenue or expenses included in the prior year budget.

January

The Budget development process begins through working sessions with the Board of Education to determine annual budget priorities. Budget assumptions are discussed and specific priority areas for the annual budget are identified.

February

The District requests budget input from all district stakeholders with a deadline to provide input at the March Public Board meeting.

March (Early)

Senior management holds budget meetings with school administrators to finalize initial student population projections and set preliminary school budgets.

Mid-March

Budget information is further refined after the Ministry releases funding allocations for the next school year. This is when the actual budget balance is known, and final balancing recommendations can be prepared

April

Board working sessions as needed.

May

The District presents a draft annual budget for the Board of Education approval and adoption.

June








Ministry deadline for budget approval and submission (June 30).

February (subsequent calendar year)

Finally, as the next school year progresses, the original budget is monitored and adjusted, and an Amended Budget is approved and adopted by the Board.

District Budget Guidelines

The District has established budget guidelines for preparing the Annual and Amended Budgets to ensure:




-  The preparation of a balanced budget for recommendation to the Board in accordance with *School Act* requirements;
-  Consistency and transparency in preliminary budget preparation;
-  Expected revenues and costs reflect the most up-to-date knowledge of enrolment estimates, contractual obligations, and effective rates;
-  Calculations are prepared based on applicable financial standards, principles, and practices
-  Newly added services are added based on an approved budget change proposal (business case presented and approved by the Board);
-  Budget changes are recommended by a committee of staff representing all areas of the district; and
-  Budget changes are strategically aligned and made by Board approval.

2023/24 Ministry Operating Grant Allocation Formula

Public school districts in B.C. are primarily funded through an operating grant provided by the British Columbia Ministry of Education and Child Care, as summarized in the 2023/24 Preliminary Operating Grant Announcement outlined below:

The operating grant block is projected to grow by \$620 million to over \$6.622 billion in 2023/24. The increase is the result of the addition of \$537 million to fully fund wage increases for teachers, support staff and union exempt staff plus estimated enrolment growth totalling \$83 million.






The Ministry's Funding Allocation System allocates the general operating grants using individual district enrolments and specific factors that apply to each school district. Per student funding rates have increased by an average of 9.4 percent. Other changes include:

-  An additional \$94.6 million for students with special needs (12.7 percent increase)
-  An additional \$9.6 million for the Indigenous Education Targeted Funding (9.6% increase)
-  An additional \$14.9 million for English and French Language Learners (ELL/FLL) (12.8% increase)

The Operating Grants are calculated based on estimated enrolment data provided by school districts. The operating grants are updated based on actual enrolment and other data collected from school districts throughout the school year.



Funding Adjustments

-  Districts' preliminary allocations are adjusted after each of the enrolment counts; September, February, and May;
-  A district's preliminary allocation will increase if actual enrolment is higher than district estimated enrolment and will consequently decline if actual enrolment is lower than district estimated enrolment;
-  Funding Protection is calculated following the September enrolment count only – this supplemental grant is calculated last and ensures that districts do not experience a funding decline of greater than 1.5% compared to the previous year for the September count;
-  The full operating funding block must be allocated to districts by June 30 of the current school year;
-  Funding is disbursed in a “just in time” manner to closely match district cash needs.




2023/24 Budget Overview

The Annual Operating Budget for 2023/24 is \$88.7 million, up by \$1.4 million from the 2022/23 Amended Annual Operating Budget of \$87.3 million.

The district anticipates a decrease in enrolment of 41 full-time enrolled (FTE) students for the 2023/24 school year, bringing the student full-time equivalent (“FTE”) total from 5,881 in the 2022/23 Amended Annual Operating Budget to 5,839 student FTE. The Annual Operating Budget for 2023/24 is \$77.4 million, up by \$2.1 million from the 2022/23 Amended Annual Operating Budget of \$75.3 million.

The District is projecting a small surplus in its Annual Operating Budget for 2023/24. At \$0.4 million, the surplus makes up approximately 0.5% of the 2023/24 budgeted operating revenue.

To balance the budget in a sustainable and measured way, the district is proposing a budget balancing strategy based on the following themes:

-  Ensuring that the proposed reductions have the least impact on students;
-  Decreasing program areas that have had limited impact on student success and wellbeing using a data-based approach; and
-  Mitigating risk and ensuring long-term sustainability by reducing the reliance on Reserve funds.

Approximately 85% of the district's operating costs are staffing related.

Ministry of Education Funding Announcement

Based on last year's Ministry Operating Grant Formula, the district had anticipated funding of \$83.0 million. This year, the Operating Grant Funding changed solely based on enrolment. The Per Pupil amounts have increased for 2023/24. The district received additional operating grant funding of \$1.3 million for labour settlement funding and from other small formula driven changes (Unique Geographic Factors, Student Location Factor, Salary Differential, Equity of Opportunity Supplement).

Current Financial Circumstances

Even though we have a small surplus in our 2023/2024 budget, we have had large deficits in 2021/22 and 2022/23 using up most of our prior year surpluses. These deficits will dictate how we budget for the coming years.

In last couple of years, we have had one time funding from the province in relating to Covid (2020/21 \$2.6 million and 2021/22 \$0.3 million) to help keep staff and students safe and provide support to vulnerable student populations in times of increased needs. This funding enabled the district to conserve its own reserves.

In 2022/23, district received another one-time funding from the province of \$0.7 million for Student & Family Affordability fund. These funds enabled the district to provide support for vulnerable students and families facing affordability concerns from high cost of living. High cost of living also affected the district with high utilities and fuel costs, supplies and construction costs resulting in another year of deficit.

The ongoing impact of the pandemic and cost of living still presents uncertainty over future cash flows and may have significant impact on future operations including continued increased replacement costs for sick teachers and support staff and staffing shortages.

None of these one-time sources of funding are available for 2023/24. Their absence from the 2023/24 budget is highly significant and will be felt throughout the district.

Another factor affecting this year's budget is the impact of the pandemic on our International Student Program. Enrolment in the program has decreased resulting in reduced revenues that previously would have been used to top up the district's Reserves and to supplement the available Ministry funding to support students and educational facilities.

A gentle approach to balancing the budget was possible due to the ability to remove contingency staffing amounts from the budget that did not fund the positions of specific individuals. However, removing the contingency staffing amounts means there is even less flexibility in the budget this year. As a result, our capacity to top up district Reserve funds, which are often used to find dollars for initiatives that are not in the budget, is reduced.



In summary, we have developed increased funding needs and enhanced service expectations, yet we are now facing a significantly tighter budget with decreasing Reserves. As a result, we believe the appropriate financial approach going forward is a cautious one.

The District remains committed to fully funding its operating costs without undue reliance on funding sources that are not certain in these uncertain times. The budget has been balanced by reducing expenses with the least possible impact to students. The District continues to be committed to holding sufficient Reserve funds to buffer potential revenue shortfalls.

Every department has examined its budget to identify possible efficiencies and areas for reduction. Unfortunately, balancing options that avoid impacts on the classroom are limited resulting in difficult choices this year.

Budget Initiatives

Reduction in Supplies and Expense Allowances (\$648,000)

-  Reduction in District Administration Expenses (\$20,000). This relates to reductions in supplies and expenses in the Superintendent's and Secretary Treasurer's Offices, Facilities and Planning, Finance and Management Services and District Governance.
-  Reduction of Operations and Maintenance (\$142,000). The district maintains an overall budget of \$3 million. This reduction will come from the decrease in outsourced custodial and reduction of equipment & supplies maintenance costs

- 👤 Reduction of Transportation expenses (\$222,000). This relates to no longer outsourcing mechanical work in Fernie / Elk Valley as well as reduction in lease cost as only having to lease two buses.
- 👤 Reduction of technology funds (\$236,000). The district maintains an overall technology budget of \$1.1 million. This reduction will come from the technology replacement fund, as the district move to leasing computers. Expect short term cashflow savings of approximately \$230,000.
- 👤 Reduction of Health & Wellness (\$28,000). This reduction relates shifting providers for EFAP program.

Removing dollars from supplies and expense allowance funds alleviates the need to reduce funding from actual filled positions or other critical initiatives.

Streamlining Staffing and Processes at the District Level

- 👤 During 2023 district has made few changes to streamline the staffing and processes at the Board level, which will provide savings over the long term. For 2023/24 the savings will not be obvious in the budget due to the salary increases of approximately 6.5% approved by the ministry as of July 1, 2023.

Additional Cost This Year - \$163,000

While we have looked to reduce costs wherever possible, the following additional cost is required to support school and district operations:

- 👤 Addition of Human Resources Vice Principal (\$163,000). This addition specifically increases staffing, to support Human Resources department and supporting schools.



Commentary

This year, we requested public input to give stakeholders an opportunity to provide their feedback and ideas into our annual budget process. We continue to recognize that these are not ordinary times and with continued operating budget shortfalls, largely as a result of increased employee absences and aging facilities, we find ourselves faced with another difficult budget year and some hard decisions to make. The engagement process provided an opportunity to have valuable conversations with our stakeholders. The Board of Education has continued to support health and safety initiatives such as increased custodial staff in our schools and programs meant to reduce violence in the workplace in an aim to alleviate the significant employee absence issues we face.

We are extremely thankful to have received additional provincial funding for labour settlement wage increases to help support our staff with ongoing affordability concerns.

The Board of Education is committed to balancing the budget in a way that focuses on what is best for students, while at the same time protecting the school district from risk and ensuring alignment with our strategic priorities. We examined all areas for possible efficiencies to free up operating funds for additional classroom supports and continue to prioritize the wellbeing of our students and staff.



Nick Taylor, Secretary Treasurer
School District No. 5 (Southeast Kootenay)



Multi-Year Reports

The District prepares its Annual budgets based on the prior year’s Amended Annual Budget which it updates for estimated enrolment changes, the resulting staffing level and funding impacts, updated salaries, benefit rates, contract obligations and other known cost considerations. Changes in initiatives and programs are also integrated at this time or later at the Amended Budget stage in February of the Budget year, as applicable.

Multi-Year Student Enrolment and Enrolment Trends

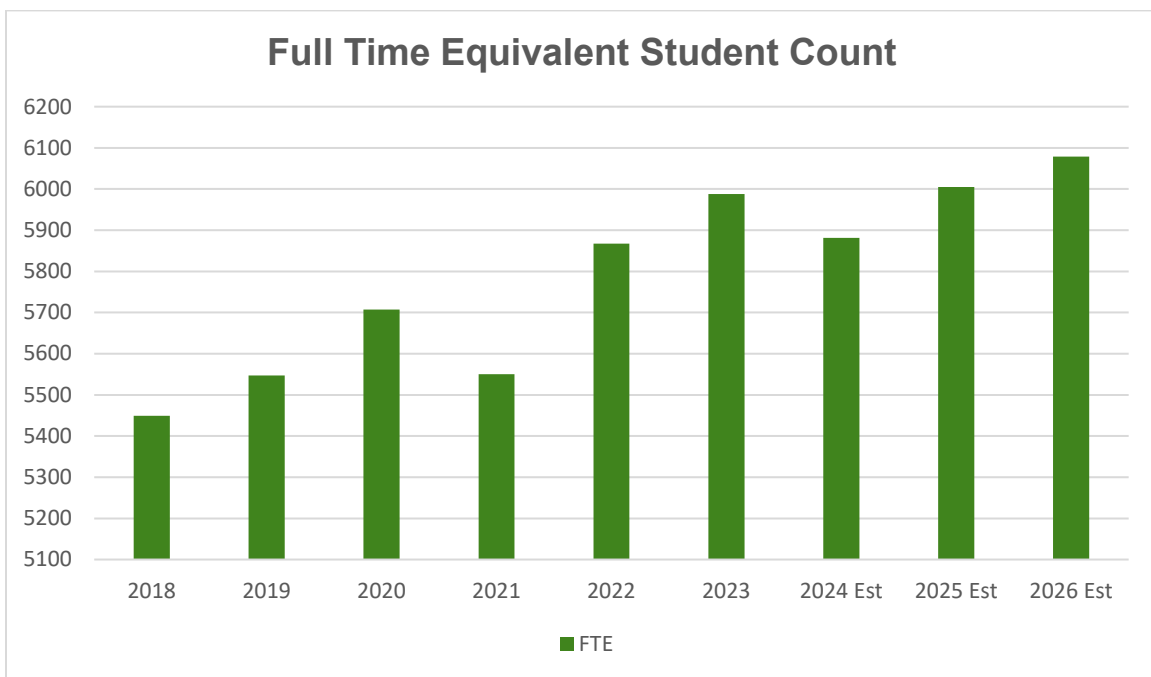
British Columbia K-12 Education funding is largely enrolment driven. 98.2% of the district’s 2022/23 Ministry Operating Grant is based on enrolment. Please see the section on the Ministry Operating Grant for per pupil funding amounts and a full description of the funding formula. Student enrolment also drives staffing levels. Funding levels and staffing levels interact differently with enrolment however and this difference is one of the key drivers of whether budgets balance in any given year.

Student Enrolment

The District’s school-aged student enrolment FTE (full-time equivalent) including distributed learning for 2023/24, 2024/25 and 2025/26 has been projected at 5,881, 6,005 and 6,079, respectively. School-aged enrolment makes up a projected 96% of the district’s Ministry funded enrolment for 2023/24. Alternate School and Online learning FTE make the remainder 4% of the total. Similar ratios apply to the enrolment of other school years.

School-aged enrolment for 2023/24 is anticipated to drop by -1.7% when comparing September to the prior September. This is due to a change in the number of students graduating versus the intake of newly enrolled kindergarten students.

We are presently projecting an increase of 2.1% or 124 students for 2024/25 followed by another increase of 1.2% or 74 students for 2025/26. This can be seen in seen in the table below:



Students with Ministry special education designations within the overall student enrolment total has been increasing since 2017/18 when it was approximately 7% of our total enrolment. In 2023/24 this is now 10. Projections for 2024/25 and 2025/26 are estimates based on the most current actual information. We anticipate this percentage to remain fairly consistent going forward and have held this constant for 2024/25 and 2025/26 until more detailed information becomes available. Should enrolment increase in this area, beyond the projected numbers, supplemental Ministry funding would also increase, and would then become available to support services.

Multi-Year Operating Revenue

In the operating fund sections below, we have provided high-level summary tables of budget dollars that provide an overview of the trend from the prior year's audited financial statements, to a forecast of the current year, to three budgeted future years, 2023/24, 2024/25 and 2025/26.

Operating Revenues

A significant portion of the budgets are expected to remain relatively stable, year-over-year. This can be observed in the revenue table below.

Also visible are areas where changes do occur or are expected to occur. Areas of change have been marked, and the reason for the change has been provided here.

Please see the comments below:

Ministry of Education funding increased 2023/24 even though we are expecting a decline in enrolment as of current bargaining cycles resulted in an increase in funding to match bargaining related increases in salary and benefit related costs. Changes in enrolment also result in changes in funding for 2024/25 and 2025/26.

Other Revenues are made up of revenues from other districts for international students. We have seen a decline in the numbers in 2022/23 fiscal year. The program area in question is cost neutral and is not budgeted in the Annual Budget because it only firms up when the year is underway. We are not expecting a big change in the this category in the next three years.

Rentals of district facilities are expected to stay in the same range as we have a signed lease agreement with Teck Coal till 2026.

Investment income is impacted by current interest rates and the amount of cash invested. An estimate of rates and the amount invested results in the level of budgeted investment income shown.

BUDGETED OPERATING REVENUES					
(millions)	2022/2023 ACTUAL	2022/2023 FORECAST	2023/2024 BUDGET	2024/2025 BUDGET	2025/2026 BUDGET
Revenues					
Provincial Grants - MOECC	\$ 73.80	\$ 70.00	\$ 77.11	\$ 80.50	\$ 83.46
Provincial Grants - Other	0.06	0.07	0.07	0.07	0.07
Other Revenue	0.96	1.00	0.81	0.81	0.81
Rentals and Leases	0.23	0.20	0.20	0.20	0.20
Investment Income	0.12	0.03	0.08	0.08	0.08
Total Revenue	\$ 75.17	\$ 71.29	\$ 78.26	\$ 81.66	\$ 84.62

The distribution of the district's main Operating Fund revenue sources is based on the 2023/24 budget. At 99%, Ministry of Education funding is the main funding source of the District All other types of funding are significantly smaller.

Multi-Year Operating Expenses - Staffing

Salary increases generally increase over time to keep up with the cost of living. While different processes are in place that drive these cost adjustments, they are a part of every labour category shown below. In the balanced 2023/24 Budget specifically though, labour settlement increases for teachers and support staff have included as bargaining has been concluded.

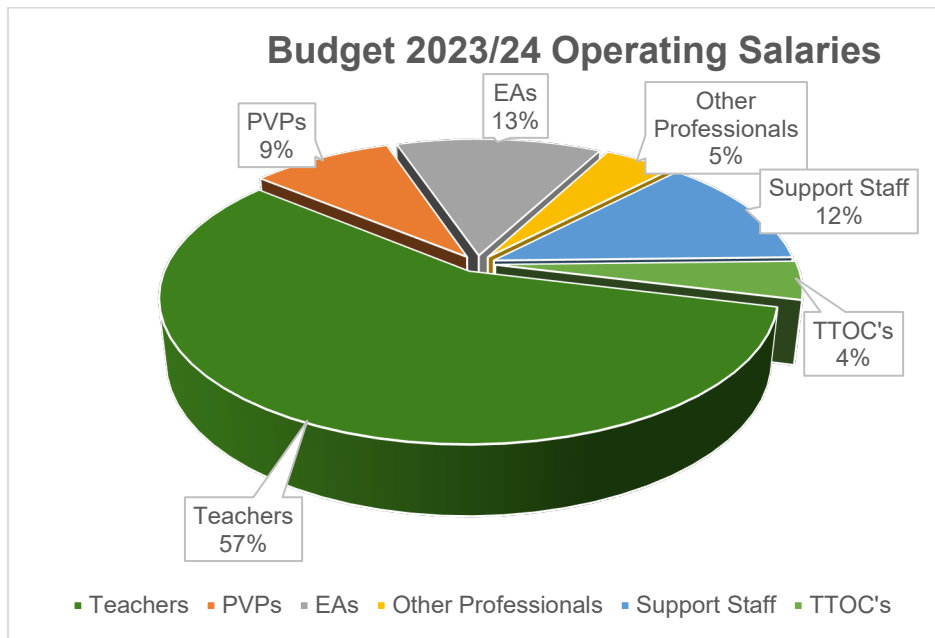
Teacher and Education Assistant salaries have increased in 2023/24 for the cost of living increases agreed in the labour settlements.

Support staff salaries are higher in 2023/24 to incorporate the wage increases as per the labour agreement settlement reached in Spring 2023.

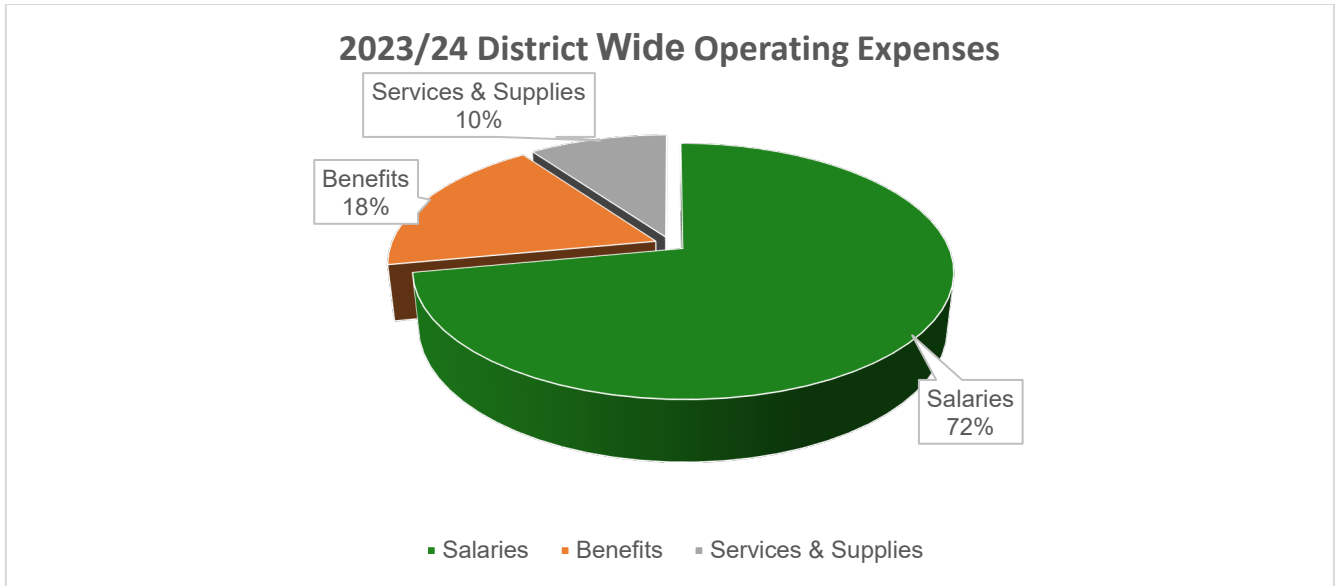
Substitute labour is higher in 2021/22 and 2022/23 due to absences and added TTOCs and casual staffing connected to COVID related support initiatives. The new Employment Standards Act provided **sick leave for casual employees** has not been funded to date. It is hoped that Ministry funding for this ongoing cost will be eventually provided.

Benefit costs The 2023/24 benefits are higher compared to 2022/23 due to benefit rate increases.

The chart below indicates the labour and benefit costs that pertain to the staffing FTE in the table above and provides the cost percentages assigned to each labour category. Substitute labour, the green slice, does not have FTE attached because labour in this category is replacement labour or casual labour that accumulates on a short-term basis of days or even partial days.



Staffing and benefit costs make up the bulk of the district's Budgets. Please see the distribution below as it pertains to the Operating Fund. It is this distribution between staffing and non-staffing costs that makes it difficult to make large budget reductions from supplies and services alone.



Multi-Year Operating Expenses – Supplies and Services

The combined amount of services and supplies exhibit the following cost behaviour over the periods shown below:

- **In 2021/22**, additional COVID costs were funded from Accumulated Operating Surplus funds, which resulted in increased operating costs. Cost categories impacted more significantly included extra supplies, and services as we had to contract some of the custodial and mechanical services to contractors to fill the gaps and utilities due to additional heating costs incurred to compensate for greater ventilation derived from open windows.
- **For 2022/23**, we saw another year with deficits due to still needing to contract out custodial and mechanical services and increasing costs of natural gas and other utilities.
- **The 2023/24** an effort was made to reduce costs by cutting back on contract services and reduction from the technology replacement fund, as the district move to leasing computers and costs reduction in the district administration supplies and services.
- **In 2024/25 and 2025/26**, costs are reduced because reserve additions are presently not sufficiently well known and do not warrant adding into the Budget at this time. The district is tracking inflationary pressures and expects that, as we approach preparing the full annual budgets for 2024/25 and 2025/26, costs will have to increase beyond what is known to date.



The chart below provides a typical distribution of the district’s non-staffing related budget:

BUDGETED OPERATING EXPENSES					
(millions)	2022/2023 ACTUAL	2022/2023 FORECAST	2023/2024 BUDGET	2024/2025 BUDGET	2025/2026 BUDGET
Expenses					
Services	\$ 2.29	\$ 2.01	\$ 2.04	\$ 2.10	\$ 2.16
Student Transportation	0.14	0.14	0.14	0.15	0.15
Professional Development	0.86	0.85	0.84	0.87	0.90
Rentals & Leases	0.23	0.24	0.12	0.12	0.13
Dues & Fees	0.07	0.07	0.07	0.08	0.08
Insurancrce	0.15	0.17	0.17	0.18	0.18
Supplies	3.34	3.39	3.02	3.11	3.21
Utilities	1.72	1.32	1.26	1.30	1.34
Total Services & Supplies	\$ 8.81	\$ 8.20	\$ 7.67	\$ 7.90	\$ 8.14

Multi-Year Operating Surplus/Deficit and Estimated Accumulated Operating Surplus Impact (after balancing 2023/24)




The term Accumulated Operating Surplus refers to the accumulation of prior year funds sitting in a surplus position. The word “surplus” refers to there being net resources available to fund future initiatives and does not indicate that there are excess funds.

An Accumulated Operating Surplus occurs when funding available in a particular year exceeds expenses paid.





Accumulated Operating Surplus Funds (also called “Reserve Funds”) are a **key financial management tool** as they help support effective planning and risk mitigation strategies.

Policy 23 (Financial Planning and Reporting) and Administrative Procedure 500 (Budget Development, Monitoring and Reporting) provide governance of reserve funds and for the priority in which they are used.

This policy outlines:

-  the **purpose and use** of operating surplus funds,
-  the **way in which the Board restricts** operating surplus,
-  **how financial risk will be mitigated** by establishing contingency surplus funds subject to certain limits and criteria.

Accumulated surplus funds are earmarked in the following priority sequence:

-  Funds set aside due to an **imposed constraint**
-  Funds required to **balance an approved budget**
-  Funds set aside for **anticipated unusual expenses identified by the Board**
-  Funds for **operations spanning one or multiple school years**

There is an expectation for Boards to maintain reasonable unrestricted operating funds to support effective planning, which includes risk mitigation. From time to time, boards may require emergency funds or contingency funds for unexpected increases in expenses or in one-time costs or for decreases in anticipated revenues. In these situations, boards need to have enough funds to continue to provide educational services and maintain regular operations without implementing one-time service cuts.

District revenues consist of funding from the Ministry of Education, and other miscellaneous sources. Given the uncertain nature of the global economy, the board has always taken a conservative approach to forecasting revenues. As a result, the District has ended the year with a surplus.

International Student Program performance has been negatively impacted by travel restrictions due to COVID and this impact has not yet reversed. Program enrolment and funding levels are still reduced, which is expected to have an impact on the availability of accumulated operating surplus funds for 2023/24 as described in earlier sections of this report. In 2022/23, the International program net contribution was \$0.4 million.

No “Budget Balancing” dollars have been set aside as none are required for the fully balanced 2023/24 Budget.

School Accumulated Surplus Funds - Schools are in the same position as the District with respect to planning for the unforeseen, saving up for certain initiatives and having cost cycles that do not align perfectly with the fiscal year.


The unrestricted funds provide funding for operating situations that cannot be anticipated and budgeted for and/or where it may not be feasible to absorb the cost in any given year, or also, to offset unrealized revenues. The funds set aside in this report make up 1% of the balanced 2023/24 Operating Budget Bylaw amount.


Available funding in this report represents estimates that take into consideration the District's 2022/23 Amended Budget and high-level estimates to June 30, 2023. Estimated spending for 2023/24 considers known realities up to September 10, 2023.

Spending estimates for 2023/24 and 2024/25 reflect currently known funding needs where the dollars are presently available. The future availability of funding is not reasonably predictable in these uncertain times. Spending has not been estimated where sufficient initiative information is not yet available or where the funding level available presently would result in deficit spending which is not an option under the School Act.

Availability of funds

For financial planning purposes, **it is important to understand the nature of the costs that are being supported from reserve funds.**

-  **For instance**, planned **one-time costs** do not need to be replenished once the funds are spent.

 **By comparison, continuing costs** need a continuing funding source. As reserves are of a one-time nature, the sustainability of such costs needs to be re-evaluated each year anew.

For timely consideration, it is important to know where future accumulated surplus funding will come from and what the likelihood of future funding availability is. The trend of increased enrolment, increased investment income, lease rental revenues offset by increasing inflationary pressures will further impact the availability of additional one-time funding. We anticipate a tight, but balanced budget. This, in turn, will determine whether initiatives that have been funded out of Accumulated Operating Surplus funds can continue or, what other district Operating areas must absorb the financial pressure that this creates.

We are currently forecasting a small surplus in each forecasted year.

Special Purpose Fund Budget

The following Special Purpose Fund schedules provide information on “restricted contributions” where the term “restricted contributions” is defined as legislative or contractual stipulations, or restrictions, as to the use of funds. These funds include, among others, funds that are designated to be Special Purpose Funds by the Ministry of Education (e.g.: Annual Facilities grant), School-Generated funds and Scholarship Funds.

The 2023/24 table below summarizes the estimated opening balance of the Special Purpose funds as of July 1, 2023, the anticipated receipts and expenses for the 2023/24 school year, and the closing balance as at June 30, 2023. Most receipts shown below for 2023/24 are provided by the Ministry of Education and have been announced. All have been incorporated into the 2023/24 Annual Budget.

The funding for many of the District’s Special Purpose Funds shown below, is not announced until March of the year before the funding is provided. Many funds have however exhibited funding patterns over the years that allow for an assumption of predictable continuance as shown in the estimated Special Fund Budget tables for 2023/24 and 2024/25 below.

Description of Special Purpose Funds

<p>ANNUAL FACILITIES GRANT: The Annual Facilities Grant provides funding for planned repair and maintenance costs. This funding can also be used for Capital projects. The expectation is that funding is fully spent during the year, as seen here.</p>
<p>LEARNING IMPROVEMENT GRANT: This grant is intended to provide Education Assistants with additional time for enhanced consultation, collaboration, and planning time, to attend IEP and other school-based meetings. It is allocated in annual consultation with CUPE.</p>
<p>SCHOLARSHIPS: The District manages a group of scholarship and memorial funds on behalf of various families and groups of individuals wishing to provide funding for specific educational initiatives in the memory of special educators and loved ones. The individual funds have different stipulations. Some scholarships are paid from investment income, others draw down the main contribution itself.</p>
<p>SCHOOL GENERATED FUNDS (SGF) are collected and managed directly at our schools with financial oversight by the District. Fundraisers, parent contributions to school trips, PAC donations to the school, etc. are a few of the funding sources reported here.</p>
<p>VARIOUS ANNUAL EDUCATION GRANTS: Several annual, education-initiative-specific funds, largely provided by the Ministry of Education meet the criteria of a special purpose funds and are reported as such. These include the following: StrongStart and Ready-Set-Learn for early</p>

<p>learning initiatives, the Federal French Grant which provides supplemental funding for Official Language Education initiatives, Community LINK funding which supports academic achievement and social functioning of vulnerable students.</p>
<p>POPARD: The Provincial Outreach Program for Autism Related Disorders (POPARD) provides professional support for school districts around British Columbia with respect to autism related orders. The program is administered by the District for the Province of British Columbia. The fund is to be spent fully each year.</p>
<p>CLASSROOM ENHANCEMENT FUND: Three Special Purpose Funds, provide the Ministry of Education funding support for the additional costs of teacher staffing, teacher remedies and overhead costs provided by the restored collective agreement language dating back to 2002 under LOU 17.</p>
<p>YOUTH TRAIN IN TRADES: The Youth Train in Trades program is the in-class component of a high school apprenticeship. Youth Train in Trades students are youth apprentices registered with the Industry Training Authority. The Youth Train in Trades programs are usually offered by a partnership between school districts and post-secondary institutions.</p>
<p>NETWORK OF INQUIRY AND INDIGENOUS EDUCATION: The District provides financial services to the Network of Inquiry and Indigenous Education (NOIIE), which is a voluntary network of inquiry-based schools and school districts in British Columbia, with partner networks around the world. Using an inquiry-oriented, evidence-based approach to learning and teaching through the Spiral of Inquiry, teams work towards improving outcomes for all learners in their settings and submit case studies to share their progress in a spirit of generosity, curiosity and growth.</p>

Capital Fund Budget

K-12 capital assets are largely Ministry-funded but also include assets funded by the District from Operating or Special Purpose funds and from other Non-Provincial funds as in the case with PAC-funded playground equipment. Ministry-funded capital assets can be Major Capital projects, with a value per project in the millions, including new school buildings, whole building upgrades/replacements or structural seismic projects. Alternatively, they can be Minor Capital projects, including the Ministry-funded projects listed below that provide for partial building upgrades and replacement of aging building systems. The Annual Facility Grant is intended for annual facility maintenance projects to bring facility assets through their anticipated economic useful life and to prevent premature deterioration.

Capital expenditures typically relate to facility enhancements, furniture and equipment, maintenance vehicle replacements, education technology, and infrastructure.

The table below summarizes the anticipated capital budget for 2023/24. The first line items (blue) list district funded projects that include estimates of capital purchases from budgeted dollars and capital projects funded from the Accumulated Operating Surplus. The latter are included in the initiatives shown in the Accumulated Operating Fund Surplus section for 2023/24 above and fall into the technology and facility project categories. The PAC funded playground dollars have been estimated. The Ministry funded projects and Annual Facility Capital grant consist of Ministry approved Minor Capital projects for 2023/24.

Capital Budget 2023/24	
Project	Amount
Mount Baker Secondary School Fire Suppression Upgrades	\$711,000
Sparwood Secondary School Electrical Upgrades	\$252,000
Rocky Mountain Elementary School Electrical Upgrades	\$46,721
Frank J Mitchell Elementary School Accessible Playground	\$195,000

Capital Budgets for 2024/25 and 2025/26 are comprised of high-level estimates at this early stage. District funded projects and PAC Playgrounds are base level estimates where actual dollars are not yet available. Accumulated Operating Surplus funded projects have not yet been included. Ministry funded Minor Capital project estimates for these years have been submitted to the Ministry as part of the District's 5-year capital plan submission. The listed projects represent the District's highest priority projects on the capital plan. However, funding is not approved and therefore not guaranteed until the 4th quarter of the school year beforehand. The Ministry-funded Annual Facility Grant is also an estimate. Year-over-year actual receipts have been very consistent and, in the absence of a change in how the Annual Facility Grant is funded, these estimates are anticipated to be close to accurate.

Minor Capital Projects 2024/2025

Project	Amount
Cranbrook Board Office Electrical Upgrade	\$ 798,800
Fernie Maintenance Shop Electrical Upgrade	200,000
Mount Baker Senior Secondary <ul style="list-style-type: none"> Phase Two of the Fire suppression System Metal shop HVAC Upgrade 	1,214,000 1,149,000
Gordon Terrace Elementary <ul style="list-style-type: none"> Roof Boiler System Upgrade and Equipment Purchase Phase One 	750,000 1,142,000
Elkford Secondary <ul style="list-style-type: none"> Metal Shop HVAC Upgrade 	361,000
Laurie Middle <ul style="list-style-type: none"> Dust Collection System 	383,000
Playground <ul style="list-style-type: none"> Rocky Mountain Elementary 	195,000
Bus <ul style="list-style-type: none"> Cranbrook Replacement (0056) Elk Valley Replacement (0055) 	494,000

Minor Capital Projects 2025/2026

Project	Amount
Mount Baker Senior Secondary <ul style="list-style-type: none">Phase Three of Fire Suppression System	\$ 993,000
Sparwood Secondary <ul style="list-style-type: none">Boiler Upgrade	665,000
Jaffray Elementary Junior Secondary <ul style="list-style-type: none">Dust Collection System	403,000
Kootenay Orchards Elementary <ul style="list-style-type: none">HVAC Upgrade Phase OneDesign, Geoexchange Field, Solar PV	1,377,000

Engagement Process Summary

Requests for input in the annual budget are distributed via local news outlets, social media, District website, and at public Board meetings. All viewpoints and perspectives are welcomed and help to better develop an informed budget that reflects the District's stakeholders unique needs and desires.

Contacting Management

This budget report is designed to provide the School District's stakeholders with a general overview of the District's finances and to demonstrate the District's transparency and accountability for the money it receives. If you have questions about this report or need additional financial information, please contact nick.taylor@sd5.bc.ca.