Staff Report to the Board of Education

April 15, 2026

2026-2027 ORIGINAL ANNUAL BUDGET

Adrian Johnson, Secretary Treasurer

BACKGROUND

This narrative complements and explains the Original Annual Budget for the year to June 30, 2027. The budget itself accompanies this narrative in the Board agenda package. Page references in this narrative are to pages within the budget document.

The Annual Budget is prepared in a format prescribed by the Ministry of Education and Child Care. The Provincial Government requires that Boards adopt a budget for the 2026/27 school year by June 30, 2026.

The Board approved the amended budget for the 2025/26 school year in February 2026. This budget builds on that, removing budget amounts allocated for 2025/26 only and adjusting to reflect the proposed budget changes presented in a separate document.

The collective agreement for support staff expired on June 30, 2025. The Province, School Districts and Support Staff Unions are currently negotiating a new collective agreement. Associated wage increases are not yet known. Accordingly, this budget does not reflect wage increases for support staff.

Staff will make the necessary budget adjustments when wage increases, and associated funding, are confirmed. As the funding should match the costs, this will likely have no impact on the bottom line.

The Province and Teachers' Union have ratified a collective agreement for teachers. This budget incorporates the estimated impact on wages and benefits, and an estimate of associated funding. The budget also incorporates an estimate of funding and wage increases for non-unionized staff.

RECOMMENDATION

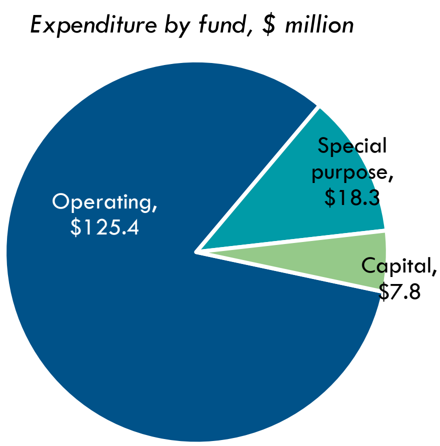
The Provincial Government requires that the Board adopts the budget by bylaw. It is proposed that the Board hold two readings of the Bylaw at the April 15, 2026, meeting, with the third and final reading in May's Regular Board Meeting.

COMPOSITION OF THE BUDGET

The 'Annual Budget Bylaw' on page 1 outlines the bylaw to be adopted by the Board.

The 'Annual Budget – Revenue and Expense' (Statement 2) on page 2 summarises the total of revenues expected, and expenses budgeted, for the twelve months between July 1, 2026, and June 30, 2027. This provides an indication of the funding the Board expects to receive and how the Board will spend that funding.

The budget has comparative information from the 2025/26 school year's amended budget to add context.



The Board manages its financial activities in three distinct areas, being the:

- Operating fund;
- Special purpose funds; and
- Capital fund.

The schedules on pages 5 to 14 provide more detail specific to each of these funds. The balances in these schedules are consistent, when combined together, with statement 2.

Schedule 2 (page 5) provides detail on the **Operating Fund**.

The Operating Fund accounts for the District's operating grants and other operating revenues. Legislation requires that the District present a balanced budget for the Operating Fund, whereby budgeted expenditure does not exceed the total of budgeted revenue and any surplus in the operating fund carried forward from previous years.

Schedule 3 (page 10) provides detail on the **Special Purpose Funds**.

The Special Purpose Funds account for grants and contributions that agreements with third parties direct towards specific activities. As these are targeted grants, the budget typically accounts for any unspent as deferred revenue, not as accumulated surplus.

Schedule 4 (page 14) provides detail on the **Capital Fund**.

The capital fund accounts for:

- The capital assets of the District, including buildings, furniture, computers and equipment;
- Grants directed by agreement with a third party for the purchase of capital assets; and
- Funds restricted by the Board for future capital asset purchases (local capital).

Statement 4 on page 4 identifies the budget amounts for the acquisition of capital assets in the year.

BUDGET PREPARATION

District staff use software called MyBudgetFile to:

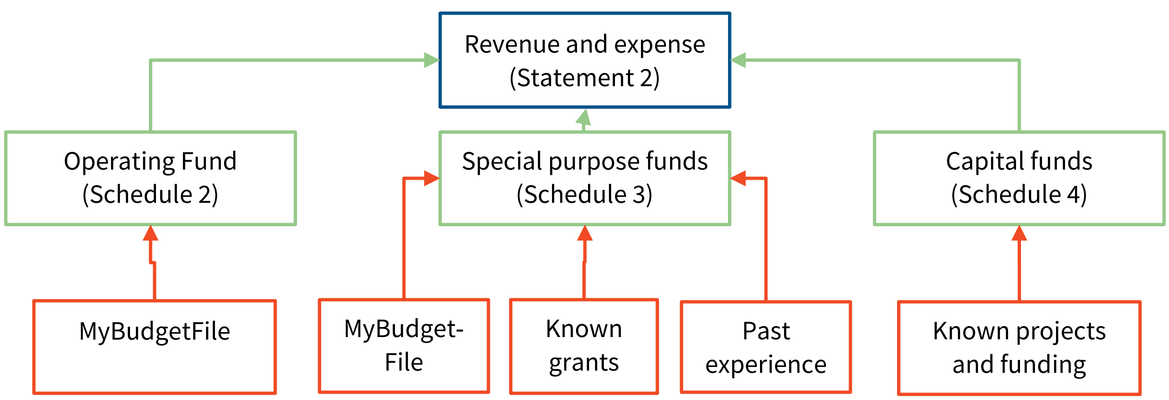
- calculate budgeted operating and certain special purpose fund revenue based on enrolment data, MECC funding announcements, and known or expected other grants;
- allocate staff FTE and service and supply funds to schools and departments;
- calculate salary and benefit costs, by position, based on the FTE assigned, average or actual staff wages, and estimates of benefit costs; and
- track the allocation by department managers or School Principals of service and supply funds between different categories (e.g. utilities and phone costs)

This software provides good visibility over the many components of the complex budget and reduces the risk of calculation error.

Finance staff calculate the school generated fund and scholarship fund budget disclosed in schedule at a high level and based on previous years' experience. School and department management perform detailed monitoring of expenditure in those funds.

Finance and facilities staff prepare capital fund budgets based on known capital projects and capital funding.

Finance staff create the budget bylaw document directly from data extracted from these various sources as the following diagram illustrates:



OPERATING FUND

Staff presented a detailed analysis of the 2025-26 Amended Budget operating fund expenditure allocations at the February Regular Public Board meeting. This budget builds on that, removing budget amounts allocated for 2025/26 only and adjusting to reflect the Superintendent's recommended changes included in the April 15, 2026, agenda package.

The 2025-26 amended budget allows for the expenditure of certain restricted reserves. This provides the departments with the authority to spend these amounts as appropriate. The original budget for 2026-2027 will assume that these amounts are fully spent by this year-end, June 30. 2026. In practice, it is likely that significant restricted amounts will remain at the year-end, and the Board will likely have similar restricted amounts that the 2026-2027 Amended Budget will then reflect.

Schedule 2 of the Budget Bylaw shows $ 0 of Operating Fund reserves needed to balance the budget.

Schedule 2B summarizes the proposed budget for operating expenses in comparison to the current year's budget. The changes are consistent with the Superintendent's budget recommendations.

- Teacher's salary budget increases due to negotiated wage increases.
- Principal and Vice Principal salary budget increase due to
    - the proposed addition of a Vice Principal at Seaton Secondary and Vernon Secondary Schools, and
    - expected wage increases.
- Educational Assistant and Support Staff salary budget decreases due to the fewer number of instructional days next school year. Wage increases for Education Assistants and Support Staff have yet to be confirmed and the budget does not reflect any wage increase for these roles. Staff expect any wage increase to be fully funded.
- Substitute costs budget increase due to negotiated wage increases.
- Employee benefit costs budget increase due to increases in extended health benefit premiums and the proportionate increase driven by salary increases.
- Service and supply budgets broadly stay the same, with some decreases due to restricted reserve usage in this year's budget, and some non-discretionary inflationary increases.

SPECIAL PURPOSE FUNDS

Schedule 3 (page 10) summarises the budget for the special purpose funds.

The budgeted revenue and expenditures are broadly in line with the 2025-26 amended budget. Notable changes are the removal of several child-care related grants. The Board's child care operations have become more established. The majority of child care related revenues are not targeted, and so the budget reflects them in the operating fund. Grant and fee revenue continues to offset associated child care expenditures.

CAPITAL FUNDS

OVERVIEW

Schedule 4 (page 15) outlines the budget for investment in capital assets in 2026-27. It has two components – invested in tangible capital assets and the local capital fund.

INVESTED IN TANGIBLE CAPITAL ASSETS

The revenue in the capital fund comprises solely of amortization of deferred grant revenue. The amount of revenue recognised is entirely based on capital grants received in previous years, amortized over the estimated lifetime of the associated capital assets.

The only expense in the capital fund is the amortization of the assets. This is also calculated based on previous years' asset purchases, with the cost of those assets amortized over their estimated lifetime. Amortization is similar year on year, reflecting a consistent pace of capital investment.

The budget reflects $598,860 of capital assets being purchased directly from the operating and special purpose funds. Management accounts for these purchases by an equivalent transfer directly to the capital fund in the year the Board purchases the assets.

CAPITAL EXPENDITURE

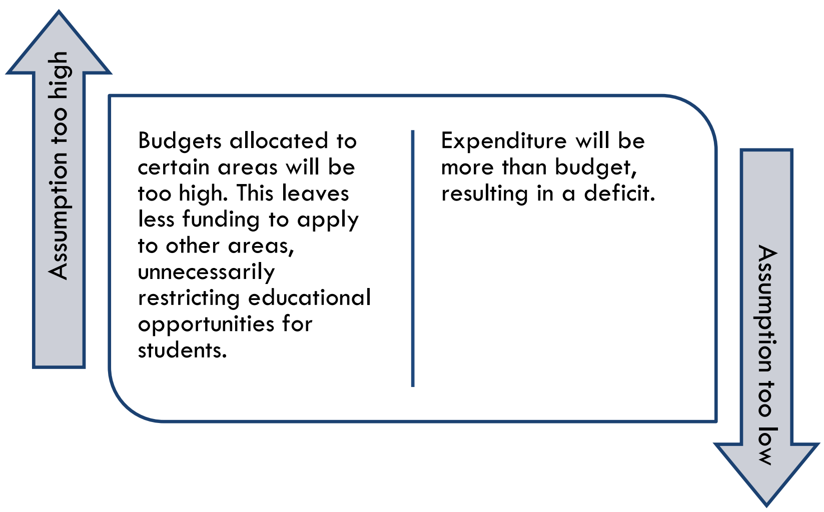
Statement 4 on page 4 of the budget bylaw document identifies the budget for the acquisition of capital assets in the year. Total capital asset acquisition cost budgets for next school year are $6.2 million.

POSSIBLE BUDGET VARIANCES

OVERVIEW

The balances reported in this budget are estimates. Actual costs will differ from these estimates, sometimes by large amounts.

When preparing budgets, management make assumptions about how much things will cost.



Over the past few years, the Board has experienced notable variances in benefit costs, sick leave costs, and average wage assumptions. These have generally amounted to less than 1% of total operating costs. This is a small percentage; however, a 1% variance is about $1.3 million.

Management reviews and adjusts cost assumptions on an ongoing basis. This helps ensure that the budget allocates as much funding as is reasonably possible to educational activities. It also reduces the likelihood of unexpected surpluses or deficits materialising at the year-end.