



Staff Report to the Board of Education

March 13, 2024

2024/25 BUDGET UPDATE

Adrian Johnson, Secretary Treasurer

PROVINCIAL BUDGET

Ministry of Education and Child Care (MECC) staff has provided some detail on elements of the Provincial Budget for next year. Key points are:

- Funding will be provided to offset the cost of negotiated wage increases for unionized staff, about 3%.
- Funding will likely also be provided to offset the same increase for non-unionized staff, although this is yet to be confirmed.
- As in previous years, funding will not be provided to offset other inflationary pressures.
- There will be one-time additional funding for the Board to help address affordability issues for families, similar to last year's affordability fund. The amount is not yet known.

The lack of funding to offset non-wage inflationary pressures is a challenge for the Board.

MECC will provide more details on actual funding amounts on March 15th.

ENROLMENT FORECAST

School District staff provided a forecast of enrolment for next year to MECC. On March 15th, MECC will provide an estimate of next year's operating grant based on that enrolment forecast. The actual operating grant will be adjusted to reflect actual enrolment after the start of the school year.

This forecast anticipates:

- overall enrolment growth of seventy students in next school year, 2024/25.
- an increase of 100 (30%) ELL students.
- all other demographic elements, such as students with funded inclusion designations, remain the same as present.

A decline of forty students is anticipated for the subsequent 2025/26 school year.

YEAR TO DATE EXPENDITURE VS BUDGET

REVENUE

The amended budget does not reflect additional revenue expected through changes in the number of designated students in the February 2024 round of funding. The funding is yet to be finalised, but these changes are forecast to be:

Category	Change #	Funding \$ per student	Impact \$
Level 1	0	24,535	0
Level 2	28	11,640	325,920
Level 3	35	5,880	205,800
Newcomer refugees	5.125	4,313	22,104
ELL Newcomer refugees	5.125	868	4,449
K-9 online learning	-7	3,480	-24,360
10-12 online learning	19.5	6,960	135,720
Total			669,633

Staff have posted three additional education assistant positions for the remainder of the year. This addresses the immediate inclusion needs of the additional designated students. The expected cost for the remainder of the year of this change is about \$60,000.

The International program continues to thrive. An estimate of the additional profit generated this year, and not recognised in the amended budget, is about \$300,000.

EXTENDED HEALTH AND DENTAL BENEFIT COSTS

Total other benefit costs (primarily extended health and dental benefits) for all employee groups in the year to June 30, 2023, was \$4,523,906. The budget for 2023/24 is \$4,926,743, an increase of 9%.

At 9%, the increase in budget for this year compared to last year's actual costs was substantial. However, it was not enough.

The District uses two different providers for extended health and dental benefits plan. BCPSEA coordinate the plan for teachers and non-unionized staff, and PEBT administer the plan for support staff (CUPE members).

These benefit plans are Administrative Services Only plans (ASO). This means that the District pays for the actual claims and administration costs. For example, if an employee claims \$100 for a massage, it costs the District \$100 plus an administrative fee.

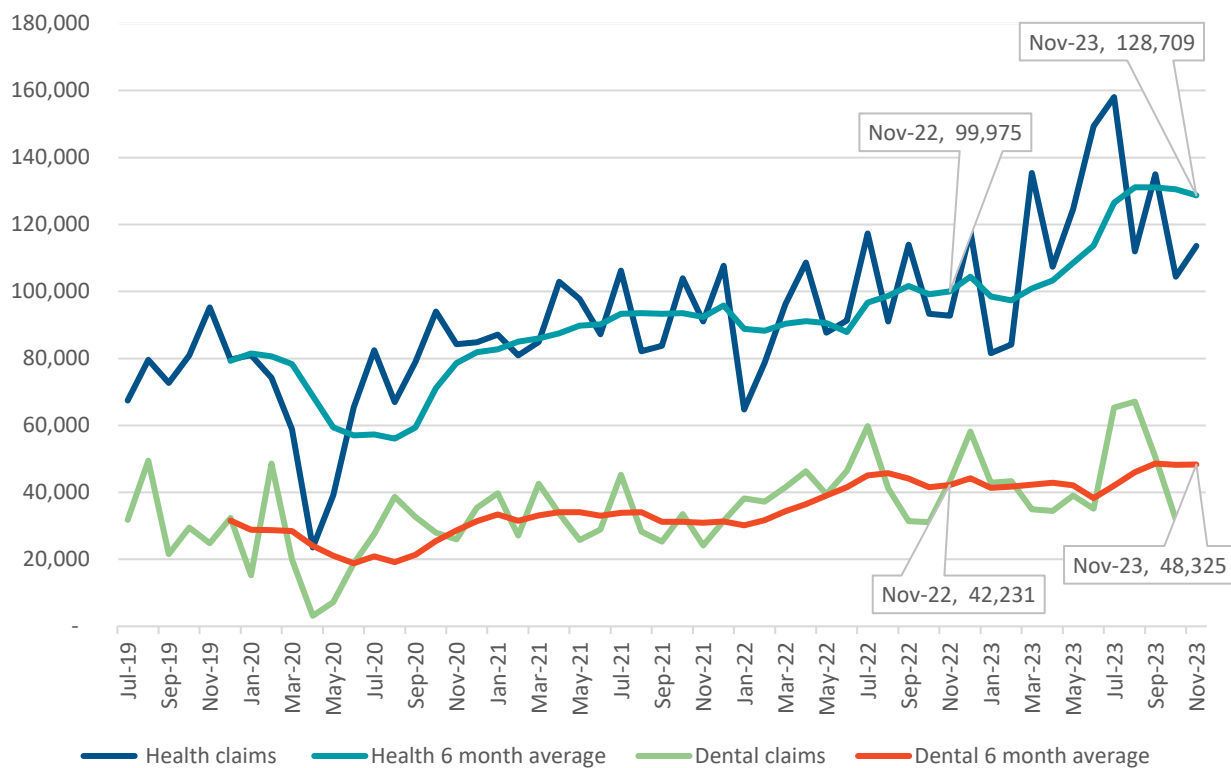
For ease of administration, the District pays the plan provider monthly premiums rather than paying for each transaction. The premium amount is based on an estimate of what the monthly claims will be. If the estimate is too high (premiums greater than cost), then surplus builds up. If the estimate is too low, a deficit builds up. The annual financial statements include an expense adjustment to capture any surplus or deficit as an asset or liability.

The time lag in claim submissions and processing by the benefit provider means that the budget is based on claims information up to November 30 of the previous year. For example, this 2023/24 school year's budget is based on claims information up to November 30, 2022.

The benefits providers typically compile claims information and provide it to the District in February of each year. This allows two things:

- a 'truing-up' of premiums versus cost, and calculation of the adjustment needed to the benefits expense for the current year.
- a forecast, by the benefits providers, of the benefits premiums and expense for the next school year.

Chart: Extended health and dental claims per month for support staff, \$



As at November 30, 2022, the six-month rolling average of support staff health claims was \$99,975 a month. The benefit costs anticipated in the 2023/24 school year budget are based on that, with an adjustment for inflation.

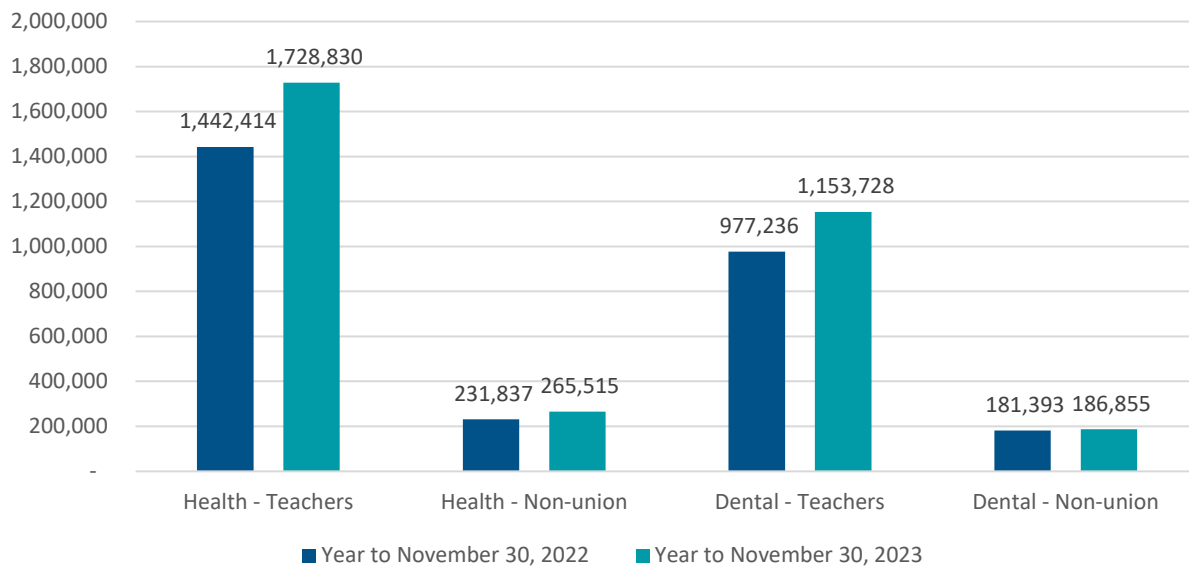
The six-month rolling average to November 30, 2023, of support staff health claims is \$128,709 a month, an increase of 29%. This is substantially more than anticipated when preparing this year's budget.

Our benefits consultants provided the following explanation:

Most school districts are experiencing double digit increases to the Health and/or Dental rates for both PEBT and BCPSEA as a result of increases to claims utilization and rising costs of claims due to inflationary pressures. In addition, higher than anticipated claims resulting from the plan design enhancements implemented in 2023 is also an influencing factor.

Similarly, dental claims have increased by 14%.

Annual data, not monthly data, is provided by BCPSEA for teachers and non unionized staff. It is a similar picture for these employee groups, with cost increases being significantly greater than expected.

Chart: Extended health and dental claims per year for teachers and non-unionized staff, \$

The benefit claim cost estimate for the current 2023/24 school year budget was based on information to November 30, 2022. Actual increases are substantially more than anticipated.

Benefit	Percentage increase year to Nov 30, 2023
Health - Teachers	20%
Health - Non-union	15%
Dental - Teachers	18%
Dental - Non-union	3%

In summary, extended health and dental benefit costs are expected to be about \$1 million more than budgeted this year. The Board has sufficient reserves to cover this variance.

A substantial increase to the benefits budget will be needed in 2024/25 which will reduce the funds available for educational programs. The Superintendent will recommend budget changes to address that challenge. In doing so, the Superintendent will consider the Board's strategic plan and consultation input received.

EXPENDITURE

The following table compares year-to-date expenditure against budget. The expenditure does not yet reflect the adjustment to extended health and dental benefits costs. That adjustment will increase expenditure for the full year by about \$1 million.

	Actual to Feb 29, 2024 \$	2024 amended budget \$	% budget spent	Bench- mark	Commentary
Instruction					
Salaries & benefits	53,400,216	89,203,460	59.9%	60.0%	Expenditure is approximately in line with the benchmark.
Services and supplies	4,644,233	7,367,249	63.0%	60.0%	Expenditure is typically weighted towards the beginning of the year as classroom supplies are purchased for the year ahead.
Total	58,044,449	96,570,709			
District Administration					
Salaries & benefits	2,215,825	3,260,965	67.9%	66.7%	Expenditure is approximately in line with the benchmark.
Services and supplies	589,347	1,101,364	53.5%	66.7%	Expenditure is approximately in line with the benchmark.
Total	2,805,172	4,362,329			
Operations & Maintenance					
Salaries & benefits	4,208,539	6,530,861	64.4%	66.7%	Expenditure is approximately in line with the benchmark. Wage expenditure varies with allocations to capital projects.
Services and supplies	2,954,303	4,281,505	69.0%	66.7%	Expenditure is approximately in line with the benchmark.
Total	7,162,842	10,812,366			
Transportation					
Salaries & benefits	1,229,603	1,916,433	64.2%	62.1%	Expenditure is approximately in line with the benchmark.
Services and supplies	285,880	635,924	45.0%	60.0%	Variance is largely due to timing differences in fuel deliveries.
Total	1,515,483	2,552,357			
	69,527,946	114,297,761	60.8%	60.9%	

Overall, and prior to the benefits cost adjustment, expenditures are trending to be on budget.

At a more detailed level, teacher sick leave costs are trending to exceed budget by about \$300,000. This could change though. The cost was trending on budget until February, which saw unusually high absences.

SPECIAL PURPOSE FUNDS

Special purpose funds track the use of funding which is targeted towards a specific purpose. Broadly, expenditure is in line with budget.

CAPITAL EXPENDITURES

Staff expect to complete existing capital projects within budget.

FORECAST YEAR-END UNRESTRICTED RESERVES

The table below outlines the changes to forecast revenues and expenditures from the amended budget.

	\$
Unrestricted reserves brought forward from last school year	1,785,888
2023/24 Amended budget – use of unrestricted reserves	<u>-468,343</u>
Amended budget year-end reserves	1,317,545
Changes since amended budget	
Additional revenues	669,633
Additional supports for inclusion students	-60,000
Extended health and dental benefits variances	-1,000,000
Teachers' sick leave	-300,000
International program revenue	<u>300,000</u>
Total changes	<u>-390,367</u>
Forecast year-end unrestricted reserves	927,178

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Board policy 611 Operating Reserves was updated in December 2023 to include the following:

Generally, management will propose budget strategies to the Board to achieve or maintain a contingency reserve of no less than 2% and no more than 5% of total operating budget. The Board will consider these strategies in the context of all the Board's strategic goals.

The arrows in the chart on the left illustrate that range. The green dot shows forecast reserve levels, which are significantly below the desired range.

The Superintendent will propose strategies to address this gap in her budget recommendations to the Board in April.