



## School District No. 22 (Vernon)

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# 2017/18 Budget Background Report

April 12, 2017

## Introduction

The Board of Education, School District No. 22 (Vernon), is accountable for the public funds supporting the school district. One of the Board's responsibilities is the adoption of the district budget.

The Board manages and budgets its financial resources in three areas:

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

Boards must prepare an annual budget and have it adopted by bylaw for the 2017/18 school year on or before June 30, 2017 and submitted to the Ministry by this date.

Pursuant to section 156 of the *School Act*, Boards of Education are required to maintain budgetary control over expenditures and prepare and submit financial reports to the Minister, in the form, with the information and at the time required by the Minister.

This background report primarily focuses on the operating fund and provides an update and additional information to the reports previously provided to the Board on December 14, 2016, February 22, 2017 and March 15, 2017. A separate report is being provided on Capital.

The previous budget reports and other external links are posted on the school district website under the Budget Process. [www.sd22.bc.ca/District/budget/](http://www.sd22.bc.ca/District/budget/)

A separate Draft 2017/18 Budget Adjustment Plan is also being provided to the Board for consideration and consultation. Between April 11, 2016 and April 26, 2016 the Board will be seeking feedback to this Draft Budget Adjustment Plan. A Final 2017/18 Budget Adjustment Plan will be presented to the Board on April 26, 2017 for approval.

The 2017/18 Annual Budget and Bylaw will be prepared in the required format and is also currently planned for presentation to the Board for first and second reading at their April 26, 2017 Board Meeting.



## **Operating Fund Background**

### **Revenues**

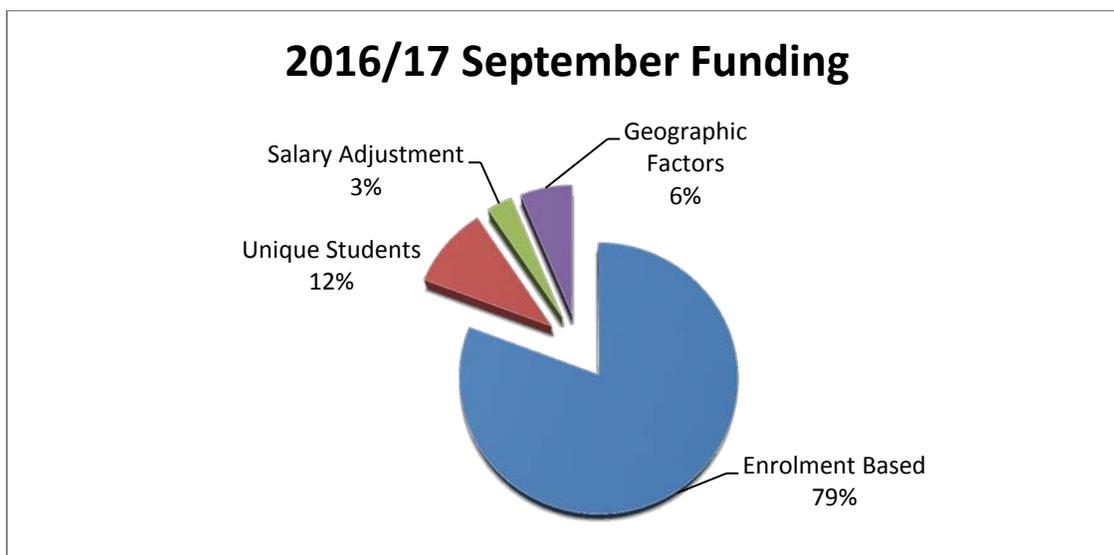
Approximately 93% of the school district's operating revenue comes from the Ministry of Education. This includes funding recovered by the Province and subsequently received from Aboriginal Bands. For 2016/17, this funding was approximately \$75.5 million.

The district operates an International Program which will generate over \$4.7 million of revenue in the 2016/17 school year, 5.8% of the district's operating revenue.

The balance of the operating revenue comes from other provincial grants, rental/lease revenue, investment income, and other miscellaneous revenue which account for 1% of the district's operating revenue.

The provincial funding to districts is primarily distributed through a Funding Allocation System that contains a number of formulae. The Ministry announces preliminary operating grants to school districts on or about March 15<sup>th</sup> each school year.

The Ministry of Education's Funding Allocation System (FAS) is primarily based upon student enrolment. There are allocations for enrolment decline, differences in teacher salary costs, geographic factors and for unique students including special education, aboriginal, and English Language Learners.



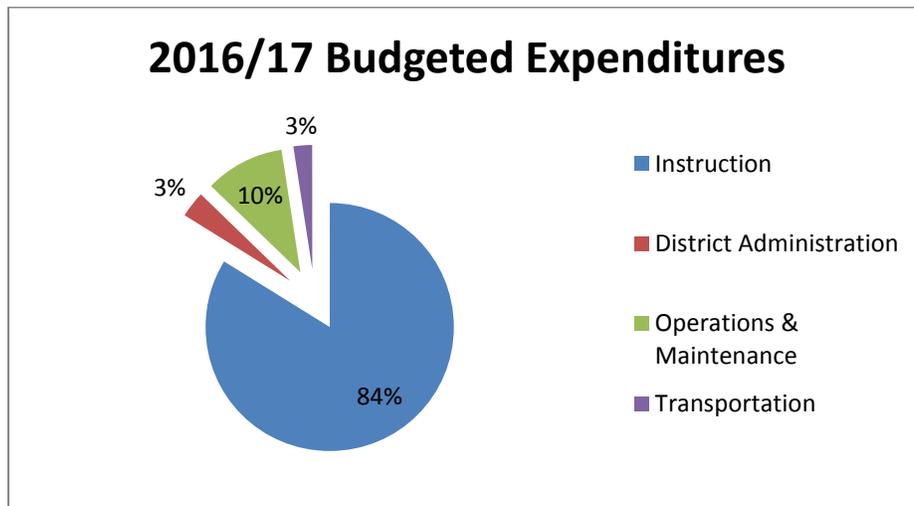
With 91% of funding tied directly to the number of students enrolled, including unique students, any change in enrolment significantly impacts the district's revenue. All of the other factors are also linked to some degree to the enrolment of the district.



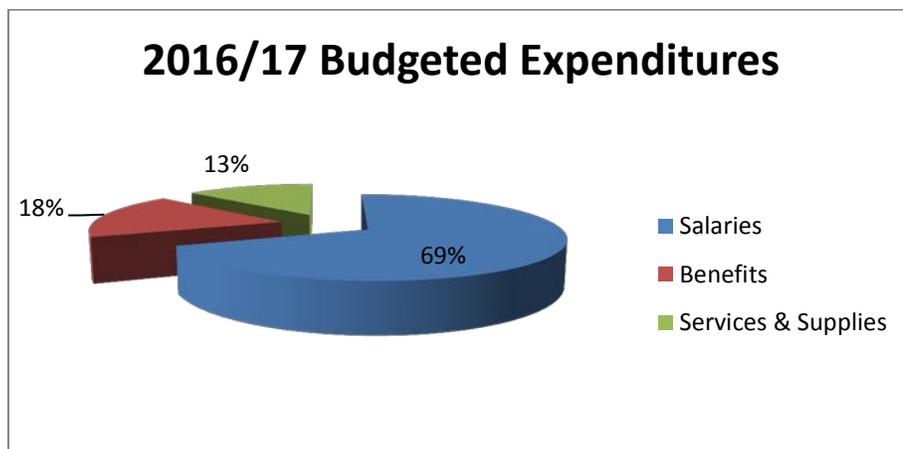
## Expenditures

The Board budgets expenditures into four functions:

- **Instruction** – programs related to the instruction of students.
- **District Administration** - programs related to district governance and district administration of educational, business, human resource and labour relations.
- **Operations and Maintenance** - programs related to the district's responsibility for the operation, maintenance and safety of sites, buildings, grounds, furniture and equipment, and computer equipment.
- **Transportation** – programs related to the transportation of students.



The district budgets 84% of the Boards operating expenditures towards instructional programs.



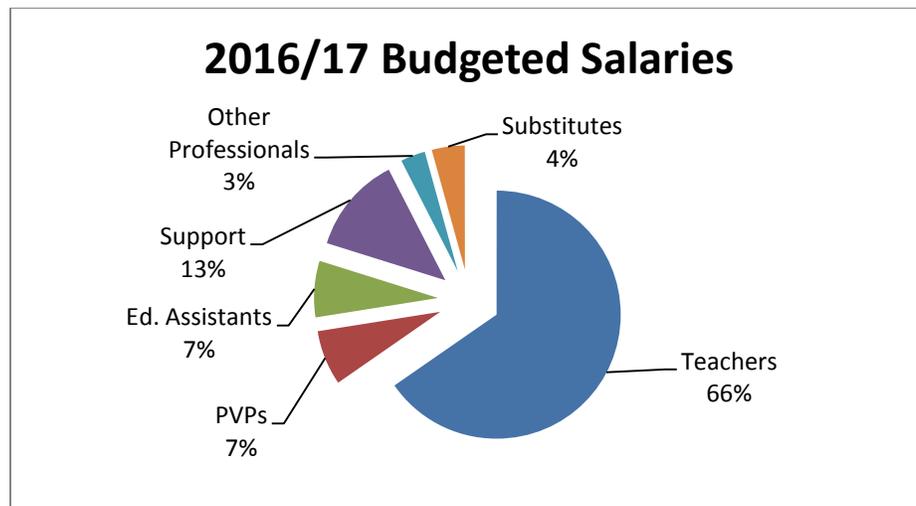
Salaries and benefits comprise the majority of the district's operating budget with 87% of the Boards operating expenditures related to the employment of staff.



## **Salaries**

Salary costs comprise 69% of the operating budget and approximately \$56 million annually.

Salaries are broken down into five main categories: Teachers, CUPE (Support and Ed. Assistants), Principals/Vice-Principals, Other Professionals, and Substitutes.



Both teachers and CUPE staff employees covered by collective agreements have negotiated settlements through to June 30, 2019. Included in those settlements are a number of salary increases and benefit changes.

Principals and Vice-Principals and Exempt staff are employed through individual employment contracts and their salary and benefits are controlled through the BC Public School Employers' Association (BCPSEA) and the Public Sector Employers' Council (PSEC).

## **Benefits**

Benefit costs make up 18% of the budget.

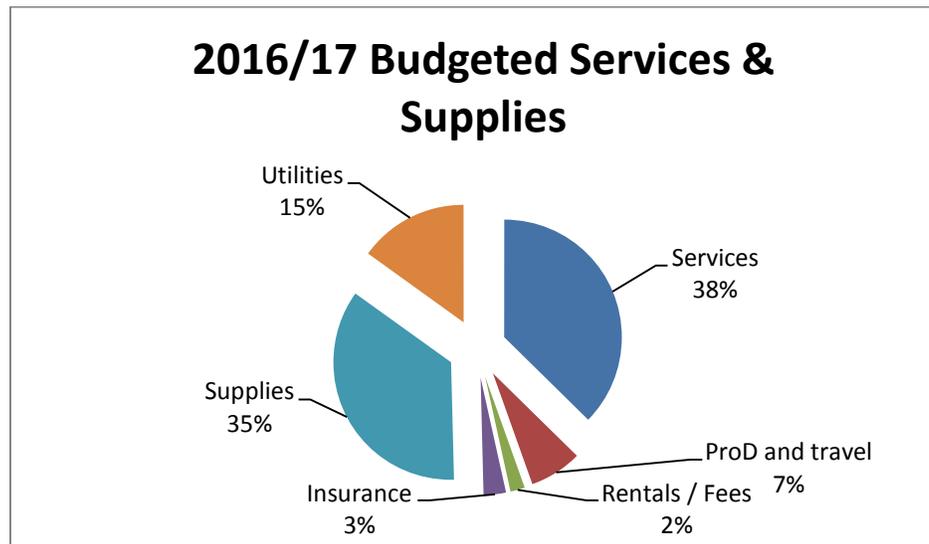
Benefit costs continue to escalate under existing benefit plans. Premiums and other costs related to Basic Life, Extended Health, Dental plans, CPP and EI changes, and any contribution rates employee pension plans typically increase each year.

For 2017/18, extended health and dental benefit premiums will increase 8.5% for PVP/Exempt, 16% for CUPE employees and 19.2% for Teachers. This premium cost increase results from an increase in the use of these benefits provided by the school district.



## **Services and Supplies**

Services and supply costs for all aspects of the district make up the remaining 13% of the operating budget and are comprised of the following type of expenditures.



## **Capital from Operating Funds**

Funding from the Ministry through the Funding Allocation System includes funding to support purchases for computers, equipment, furniture, vehicles, and other improvements that are required to be capitalized.

The Ministry does not provide any capital funding for these items and districts are required to fund these purchases from the operating grants provided.

Funds are transferred to the Local Capital Fund to support these purchases/improvements through either a transfer for tangible capital assets purchased from Operating or through transfers of funds from Operating to Local Capital.

## **Surplus Funds**

Consistent with the budget criteria approved by the Board, budget estimates reflect anticipated costs. Ongoing costs are expected to be not greater than ongoing revenues. One-time revenues and surpluses are only to be used to cover one-time costs. Any surpluses appropriated from prior years for one-time costs are included in amended budgets and offset by the one-time expenses.

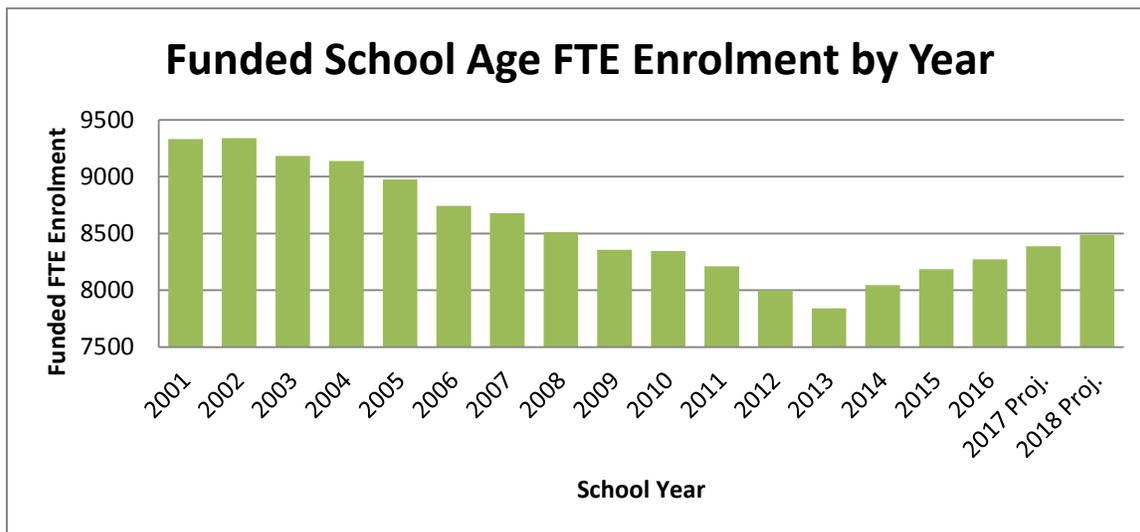
The district established and maintains a contingency reserve of approximately 1.3 % of operating expenses for unforeseen issues.



## **Student Enrolment**

The district is currently projecting an increase for regular enrolment of 80 students for the 2017/18 school year. Enrolment increases are also projected for 2018/19.

Individual student projections from schools are lower than the district projections. As funding is determined and finalized on actual enrolments, budgeting and staffing will likely need to be conservative to reflect these differences.



Enrolments in Special Education programs are expected to continue to increase with enhanced assessments and reporting practices being implemented and with our overall student population increase. Increases have been projected for both Level 2 and Level 3 Category students.

Changing enrolment affects school district revenue. Revenue changes from enrolment changes are mainly offset by increases or decreases in expenditures as staffing and services and supplies are related to enrolment. As funding is determined and finalized on actual enrolments, budgeting and staffing is conservative to reflect the risk of actual enrolment being lower than projected.

## **Base Budget**

The district starts the budget planning from a status quo, base budget perspective. Any one-time costs funded from surpluses are removed. All current ongoing programs and services and staffing levels are expected to continue unless otherwise changed.

From this basis, a Budget Adjustment Plan is prepared to identify cost changes for existing services or for program and service changes being proposed.



## **Operating Fund Changes**

### **Revenues**

As identified previously, approximately 93% of the school districts operating revenue comes from the Ministry of Education through the Funding Allocation System (FAS).

The FAS contains a number of formulae and is primarily based upon student enrolment. There are allocations for enrolment decline, differences in teacher salary costs, geographic factors and for unique students including special education, aboriginal, and English Language Learners.

The BC Government presented its budget on February 21, 2017. The budget included budget estimates for the Ministry of Education. The budget included funding for all previously announced funding but did not include any additional funding to support the implementation of the restored collective agreement language.

The Ministry announced preliminary 2017/18 operating grants to school districts on March 15, 2017. The Ministry of Education has provided additional funds for enrolment growth and increased the funding amounts to offset the costs of negotiated salary and benefit for teachers and CUPE staff. No additional funding has been added for other cost pressures.

Based upon the updated funding amounts to recognize the costs of negotiated salary and benefit increases and the district's projected enrolment changes, the district is projected to receive approximately \$2.45 million in additional revenue. Funding for enrolment increases included in this amount are estimated at \$1,530,598. This funding will cover the costs of the negotiated salary and benefit increases and provide funds to support programs and services for the increased student population.

The district submitted an application for the Rural Education Enhancement Fund and was successful in receiving additional funding in the amount of \$443,320.

The Ministry has changed the way the administrative savings is distributed. In 2016/17 the Ministry retained savings in the amount of \$382,586 but didn't charge districts for Next Generation Network (NGN) costs. For 2017/18 they are providing these grants but now charging districts for these NGN costs.

As noted earlier, individual student projections from schools are lower than the district projections. As funding is finalized on actual enrolments, a provision for uncertain student growth revenue is provided in the amount of \$1,530,598.

**Increased operating revenue is projected at \$1,742,787.**



## **Base Cost Increases (Decreases)**

There are a number of changes to costs related to maintaining the ongoing level of programs and services. The Draft Budget Adjustment Plan outlines these cost pressures.

**Total Cost Increases are projected at \$ 1,100,156.**

**This results in an amount of \$ 642,631 available for additional program and service adjustments after covering budget adjustments for existing programs and services.**

## **Other Operating Budget Changes**

The Board is being provided with a number of other budget changes for their consideration in a Draft Budget Adjustment Plan. These additional budget changes, for the most part, need to be offset with a corresponding increase in revenue or reduction in expenditure to net to zero.

The board approved a Strategic Plan on February 22, 2017 which will require potential budget changes to implement.

The district is reviewing various programs areas such as career programs to determine what budget changes should be recommended to improve program areas.

Based upon the Supreme Court of Canada decision, BCPSEA and the BCTF reopened the collective agreement and reached an agreement for the restored language. Implications of this restored language can be categorized in four areas; local process language, non-enrolling ratios, class size, and class composition.

Government has created a Classroom Enhancement Fund to support the implementation of the new language. Included in this Fund is funding to support overhead costs which could be utilized to address local process language for determining staffing, student placement and other issues. Local process language includes processes at the school level and at the district level. These processes will increase administration time and costs and there may be costs incurred in settling disputes over the interpretation and application of the processes.

With the increase in teaching staff to staffing service levels provided in 2002, the district has also been reviewing staffing levels for Education Assistants that were in place in 2002. Other existing staffing levels may be reviewed and changed to reallocate staff to support programs and services differently.

The Draft Budget Adjustment Plan outlines a number of potential changes and other budget changes may be identified through the budget development plan process.



## **Surplus**

The district expects that there may be a surplus from this year's operating budget that may allow for one-time items to be supported. Increased cost pressures on the district's substitute budgets are reducing any projected surpluses. The board receives separate financial position updates that provide information regarding the current status and projections for the year.

## **Other Funds**

While this report has focused on the Operating Fund, the Board manages and budgets its financial resources in three areas:

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

All of these Funds are included in the Board's Annual Budget.

## **Special Purpose Funds**

The district receives special purpose funding for StrongStarts, Ready Set Learn, Special Education Equipment, Federal French, Community LINK, Annual Facilities Grants and Learning Improvement Funds.

Funding for most of these special purpose funds expects to remain relatively unchanged except for the Learning Improvement Fund and the creation of a new Classroom Enhancement Fund. The board also had a new Priority Measures Fund that was initiated late in 2016/17 but will not remain in 2017/18.

The Learning Improvement Fund previously contained funding for the Teacher Education Fund and funding for CUPE support staff. This Fund has now been changed to only provide funding for CUPE support staff. The provincial amount of \$20 million for CUPE remains unchanged and our district allocation remains relatively unchanged for 2017/18. These funds, through an agreement with CUPE, provide for increases in hours to existing Education Assistants or employment of additional Education Assistants.

The Ministry is creating a new Classroom Enhancement Fund. This fund is to cover costs associated with any restored language in the teacher's collective agreement. The Ministry currently provides our school district with \$1,224,334 through the Teacher Education Fund and recently provided Priority Measures funding of \$768,040 (\$1,536,080 annualized). This funding has all been combined into a new Classroom Enhancement Fund totaling \$4,758,133 including an amount of \$460,338 for overhead costs. These funds will be funded and accounted for in a special purpose fund.



The following is a summary of special purpose funds.

<b>Name of Fund</b>	<b>Revenue</b>
Annual Facility Grant	356,510
Classroom Enhancement Fund	4,758,133
Learning Improvement Fund (CUPE)	312,446
Scholarships and Bursaries	133,500
School Generated Funds	2,400,000
StrongStart	128,000
Ready, Set, Learn	34,300
OLEP (French)	170,911
Community LINK	644,729
<b>TOTAL</b>	<b>\$ 8,938,529</b>

These grants are externally restricted and must be spent consistent with expenditure guidelines.

Annual Facility Grants are split between special purpose funds (SPP) and capital funds. The district receives \$356,510 in SPP grants and \$1,320,095 through capital for a total of \$1,676,605. School Generated Funds are funds collected at the school level for grad activities, field trips, and other school activities.

These programs typically operate within the additional funding provided and any changes to funding results in changes to the programs and services. The Board subsidizes the Community LINK program with operating funds. There is no impact on the operating budget unless the Board subsidizes or maintains these programs and services if funding is reduced or eliminated.

### **Capital Funds**

The district receives funding from the Ministry of Education for specific approved capital projects. These projects are typically funded through bylaw capital and certificate of approvals / lines of credit.

Purchases for computers, equipment, furniture, vehicles, and other improvements that are required to be capitalized, need to be funded out of operating revenues but purchased through the Capital Fund. Budgets are established to cover the costs of these items through the transfer to Local Capital. The Board is being provided with a separate report on Capital.



## **New Planning for 2017/18**

Based upon the Supreme Court of Canada decision, BCPSEA and the BCTF reopened the collective agreement and reached a Memorandum of Agreement (MOA) for the restored language. Government has created a new Classroom Enhancement Fund (CEF) to support the implementation of the new language. This new Fund includes funding previously distributed to Boards through the LIF / Teacher Education Fund and the Priority Measures Fund.

The district has been working to determine staffing levels for next year based upon the restored language. As mentioned previously, local process language includes processes at the school level and at the district level. As the district determines staffing levels there may be disagreements. The MOA has a dispute resolution process to address disputes arising regarding the interpretation or application of the MOA.

Non-Enrolling teacher ratios have been restored in the collective agreements. These ratios pertain to learning specialists including teacher librarians, counsellors, learning assistance teachers, special education resource teachers, and English as a second language teachers. For the purposes of the last three categories, these three categories may be combined into a single category for posting and/or filling and ratio obligations.

The district has completed a review of the staffing requirements from these restored ratios and has determined that we are approximately 2.5 FTE less than required for teacher librarians, 4.2 FTE higher than required for counsellors, and 21 FTE higher than required for learning assistance, special education resource and ESL teacher ratios. At this point, we understand we will be eligible to use funding from the CEF to achieve the teacher librarian ratio requirement and add 2.5 FTE teacher librarians.

Previous language on Discretionary Staffing has now been restored. Discretionary staffing is to be made available on a minimum basis of 1% of the total FTE teachers in the district from the previous year's September 30<sup>th</sup> staffing levels and allocated to schools in a manner consistent with the letter of intent. At this point, we understand we will be eligible to use funding from the CEF to implement this Discretionary staffing estimated at 5.0 FTE teachers.

Staffing for class size and composition continues to be developed consistent with our understanding and interpretation of the restored language. At this point, we understand we will be eligible to use funding from the CEF to implement additional classroom divisions or teaching blocks utilizing our best efforts to achieve compliance as outlined in the MOA.

The district previously employed teachers through processes and funding from the Learning Improvement Fund / Teacher Education Fund and the Priority Measures Fund. These processes are no longer in effect and the funding has been incorporated into the Classroom Education Fund.



The district currently has five surplus portables located at the school district office. As the district determines school space needs, some or all of these portables may need to be relocated to schools. Based upon early analysis, schools projected to potentially need portables could include Silver Star Elementary, Hillview Elementary, Alexis Park Elementary and Harwood Elementary.

## **Next Steps**

The Board is required to approve an annual budget on or before June 30, 2017 for the 2017/18 school year.

The District is developing staffing plans based upon changes required for enrolment projections and revised staffing requirements resulting from the Supreme Court decision.

The Board will need to determine what changes in resource allocations are necessary to support the District Strategic Plan through the 2017/18 budget development process.

Options and strategies have been identified and developed to address the updated net budget positions to ensure a balanced budget and to provide options for changes. The Board is provided with a Draft Budget Adjustment Plan outlining these options.

The previously approved budget development guiding principles and budget criteria to support the budget development process are included to support the budget decision making process. The 2017/18 budget development timeline is also provided.

Through the public budget consultation process the Board can receive input from various stakeholders, including employees and members of the public. The public is invited to attend any of the public board meetings. Anyone wishing to present to the Board can contact Lynn Jameson, Executive Assistant to the Secretary Treasurer, at 250-549-9226 or [ljameson@sd22.bc.ca](mailto:ljameson@sd22.bc.ca) to request a presentation time and be scheduled and placed on the agenda.

To help facilitate the implementation of the Board's budget for next year, it is recommended that decisions be made as early as possible. This will allow the Human Resources Department time to process any changes in compliance with collective agreements and allow schools and other departments to prepare for next year.

This draft budget adjustment plan is presented on April 12, 2017. A public meeting is scheduled to receive input on April 18, 2017 and a finalized plan will be provided for approval on April 26, 2017.. This will allow departments time to prepare and implement plans for the next school year.

Final reading of the 2017/18 Budget Bylaw is scheduled for May 24, 2017.



## **Budget Development Guiding Principles and Budget Criteria**

The school district's budget is a financial plan that:

- helps the Board achieve its mission, vision and goals;
- reflects the district's educational and operational plans;
- provides a basis to monitor actual versus planned expenditures; and
- helps communicate how we are utilizing our financial resources.

As the Board develops a budget, the following budget guiding principles and budget criteria should be utilized:

### **Guiding Principles:**

1. Complies with the *School Act*, collective agreements, other regulatory requirements and Board policy;
2. Priority on student learning;
3. Recognizes the important role of instructional, administrative and operational support in promoting student learning;
4. Forward looking;
5. Communication and consultation with partners/stakeholders; and
6. Transparent process

### **Budget criteria:**

- ▶ Supports district and school learning plans
- ▶ Ensures healthy and safe learning and working environments
- ▶ Facility and technology budgets to sustain the infrastructure
- ▶ Administration levels supporting necessary administrative activities
- ▶ Compensation frameworks that are rational, defensible, and competitive
- ▶ New initiatives are sustainable for at least three years
- ▶ Budget allocations are equitable, understandable, and predictable
- ▶ Budget estimates reflect anticipated costs
- ▶ District contingency reserve is established and maintained
- ▶ Initiatives not within our K-12 mandate are at least cost neutral
- ▶ Maximize surplus from revenue generating initiatives to enhance services
- ▶ Ongoing costs should not be greater than ongoing revenues
- ▶ One-time revenues and surpluses shall only be used to cover one-time costs
- ▶ Encourages efficiencies and best practices



## 2017/18 Preliminary Budget Development Timelines

December 14 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> <li>• <b>REGULAR BOARD MEETING</b> - 2017/18 District Budget Report provided</li> </ul>
January 25 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> <li>• <b>REGULAR BOARD MEETING</b> - Budget Update</li> </ul>
February 22 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> <li>• <b>REGULAR BOARD MEETING</b> - Budget Update</li> </ul>
February 23 - April 14	<ul style="list-style-type: none"> <li>• Public Input to the Board through the district Web Site: <a href="http://www.sd22.bc.ca">www.sd22.bc.ca</a></li> </ul>
March 15 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> <li>• <b>REGULAR BOARD MEETING</b> - Budget Update</li> </ul>
April 12 (Wednesday) 6:00pm @SBO	<ul style="list-style-type: none"> <li>• <b>SPECIAL Public Board Meeting</b> - <b>Draft 2017/18 Budget Adjustment Plan</b></li> </ul>
April 18 (Tuesday) 6:00 TBD	<ul style="list-style-type: none"> <li>• Budget Information / Feedback Meeting for Staff and Public</li> </ul>
April 26 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> <li>• <b>REGULAR BOARD MEETING</b> - <b>Approve 2017/18 Budget Adjustment Plan</b> - <b>First &amp; Second Reading of 2017/18 Budget Bylaw</b></li> </ul>
May 24 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> <li>• <b>REGULAR BOARD MEETING</b> - <b>Final Reading &amp; Adoption of 2017/18 Budget Bylaw</b></li> </ul>