



School District No. 22 (Vernon)

... a great place to learn

2017/18 Preliminary Budget Report to the Board

December 14, 2016

Introduction

The Board of Education, School District No. 22 (Vernon) is accountable to the public for the public funds supporting the school district. One of the Board's responsibilities is the adoption of the district budget. The budget must conform to all legislative requirements and help achieve the goals of the district.

As the Board plans for the next fiscal year and prepares its budget, the District:

- 1) Projects the costs of providing existing services into the next year (Salaries, benefits, utilities, etc.);
- 2) Determines the factors that will change (Student enrolment, contract and collective agreement changes, program changes, one-time items);
- 3) Projects revenues, reviews current year's budget, and determines net budget position;
- 4) Identifies options and strategies to address net budget position and reviews guiding principles and priorities; and
- 5) Finalizes decisions.

Boards of Education operate on a fiscal year of July 1st to June 30th. Pursuant to section 156 of the *School Act*, Boards of Education are required to prepare and submit to the Minister financial reports, in the form, with the information and at the time required by the Minister.

Pursuant to section 111 of the *School Act* the Board must prepare an annual budget in the form and containing the content specified by the Minister and estimated expenditures must not exceed estimated revenues.

For 2017/18, Boards must prepare an annual budget and have it adopted by bylaw on or before June 30, 2017 as per section 113 of the *School Act*, and submitted to the Ministry by this date.



Background

The Board's annual operating budget is a financial plan reflecting the implementation and maintenance of the district's educational and operational programs and services. The budget should reflect the objectives established by the Board for the school/fiscal year to which the budget applies. The objectives reflected in the budget should be consistent with the Board's mission and goals statements. The Board's budget is a financial plan that:

- helps the Board achieve its mission, goals and objectives;
- aligns financial resources with the District's values and budget criteria;
- provides a basis to monitor actual versus planned expenditures; and
- helps communicate how we are utilizing our financial resources.

For the 2017/18 and subsequent school years, the board is in the process of developing a District Strategic Plan. The Strategic Plan is expected to be completed and approved by the Board by February 22, 2017.

The Board has developed a Technology Plan and a Long Term Facilities Plan that need to be considered as part of the budget development process.

Responsibility for the overall management of the educational and operational programs that are supported by the annual budget is that of the Superintendent. The Secretary-Treasurer is responsible for the financial management of the budget and all financial reports. The budget is a "living" document that identifies the financial resources appropriated by the Board to provide the human and material resources necessary to meet the district's educational and operational objectives. The Board provides appropriate flexibility in budget management to enable Administration to maximize the use of fiscal resources while exercising effective budget control.

It is recognized that the fiscal resources allocated may be greater or less than the cost of providing the service. All those involved in managing the budget are expected to at all times be governed by prudence, remembering that the object is to meet the District's educational and operational objectives. Any funds remaining after the objectives have been met will become reserved for general budget management purposes. (Policy 2.15)

Costs of providing existing services

The District will be projecting the costs of providing existing services into the next year (Salaries, benefits, utilities, etc). Even though we are early in the budget development process, we are already aware of a number of cost pressures that will impact the school district in the 2017/18 school year.

CUPE employees are entitled to a 0.5% salary increase effective July 1, 2017 and an additional 1.0% effective May 1, 2018. The estimated cost increase to the district in 2017/18 is \$93,000.



CUPE employees are entitled to a 1.0% salary increase effective May 1, 2017 and will also receive an additional increase of 0.35% through the Economic Stability Fund (ESD). The 2016/17 school year included the partial year cost impact with the remaining cost impacting the 2017/18 school year. The estimated cost increase to the district in 2017/18 is \$178,000.

CUPE employees are also entitled to a potential salary increase through the Economic Stability Dividend (ESD) calculation effective May 1, 2018. The increase through the ESD for May 1, 2018 and its impact is undetermined at this time.

Total projected negotiated cost increase for CUPE salary, including benefits, for 2017/18 is \$271,000.

Teachers are entitled to a 0.5% increase July 1, 2017 and a 1.0% increase May 1, 2018 with an estimated cost increase for the 2017/18 school year of \$296,000.

Teachers are also entitled to salary increases through the Economic Stability Dividend (ESD) calculation effective May 1, 2017 and May 1, 2018. The May 1, 2017 increase has been calculated at 0.35% with a cost increase of \$147,000.

The increase through the ESD for May 1, 2018 and its impact is undetermined at this time.

Teachers will continue to receive improvements to their benefit plans each year over the next three years. Benefit cost increases are estimated at \$208,000 for 2017/18.

The District's average teacher salary costs often change as our teacher's average number of years of service and the level of education they have obtained and negotiated salary increases are implemented. The district will be projecting any changes to the average teacher salary costs for the 2017/18 school year.

Total projected increased costs for negotiated salary increases, including benefits, for teachers is \$651,000.

The BC Public School Employers' Association (BCPSEA) and PSEC have authorized new regionalized salary grids for PVPs. PVPs have been placed at the lowest step on the salary grid. Cost to move PVPs to the next step on the salary grid is estimated at \$120,000 for the 2017/18 school year.

The PVP grids will likely be increased consistent with increases provided to teachers which include a 0.5% increase July 1, 2017 and a 1.0% increase May 1, 2018 with additional increases for the ESD. Estimated cost increases for the 2017/18 school year for salary grid increases are \$39,000.

Total projected increased costs for salary increases, including benefits, for PVPs is \$159,000.



The BC Public School Employer's Association (BCPSEA) and PSEC have developed a K-12 sectoral Exempt Staff Compensation. BCPSEA undertook a comprehensive market review to ensure the development of a revised exempt staff salary structure for each school district — on a total compensation basis — consistent with the relevant comparator labour market and the district's internal organizational structure. Transition to the new salary structure in 2017/18 is estimated to cost \$67,000.

The exempt staff grids will likely be increased consistent with increases provided to teachers which include a 0.5% increase July 1, 2017 and a 1.0% increase May 1, 2018 with additional increases for the ESD. Estimated cost increases for the 2017/18 school year for salary grid increases are \$18,000.

Total projected increased costs for salary increases, including benefits, for exempt staff is \$85,000.

While benefit plans have been improved for both teachers and CUPE staff, no improvements have been provided to PVPs and other exempt staff. PVPs and exempt staff now have benefit plans that are less than unionized employees. Improvements to these plans will be necessary to ensure they are at least comparable to the benefit plans provided to the other employee groups. The cost of revising these benefit plans is currently being assessed along with implementation options.

The Province has increased Medical Services Plan premiums each year for the last six years. Typically these increases are effective January 1st. Increases for this year were not increased as originally announced. The typical financial cost of the premium increases were \$35,000 per year.

BC Hydro announced rate increases of 9% effective April 1, 2014, another 6% effective April 1, 2015, 4% effective April 1, 2016 and expected increases of 3.5% and 3% in each of the subsequent years. Estimated impact to our District in 2017/18 is \$36,000.

General inflation is predicted at 2% resulting in additional costs of \$200,000.

Worksafe BC premiums will be increasing with an expected cost increase of \$78,000.

The Board approved a number of one time expenditures in 2016/17 from recurring revenues. As the revenue continues into 2017/18, these funds are available to support ongoing expenses. If the Board decides to continue with any of these one-time items, they will become an increased cost for 2017/18.

Expenditure increases for services and supplies is estimated at \$349,000

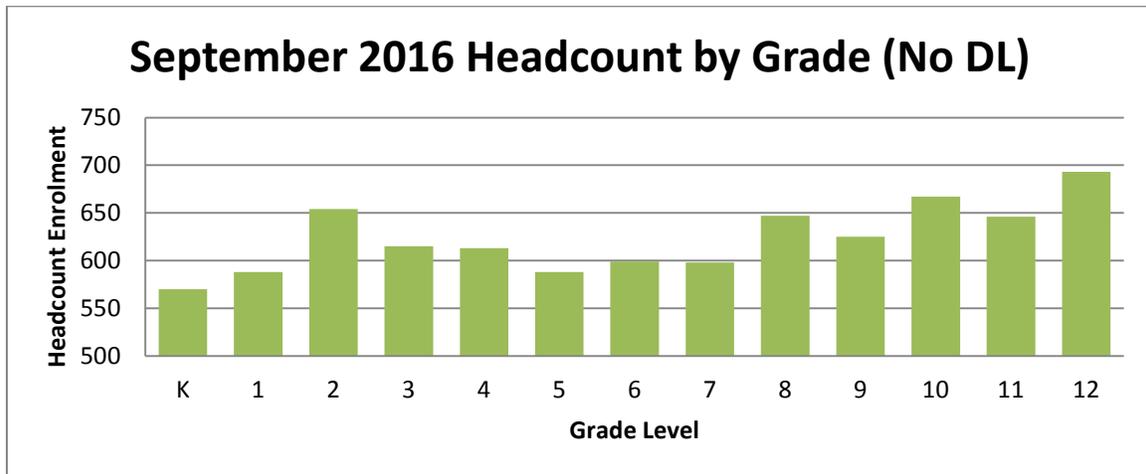
Total preliminary cost pressures identified above equal \$1,515,000.



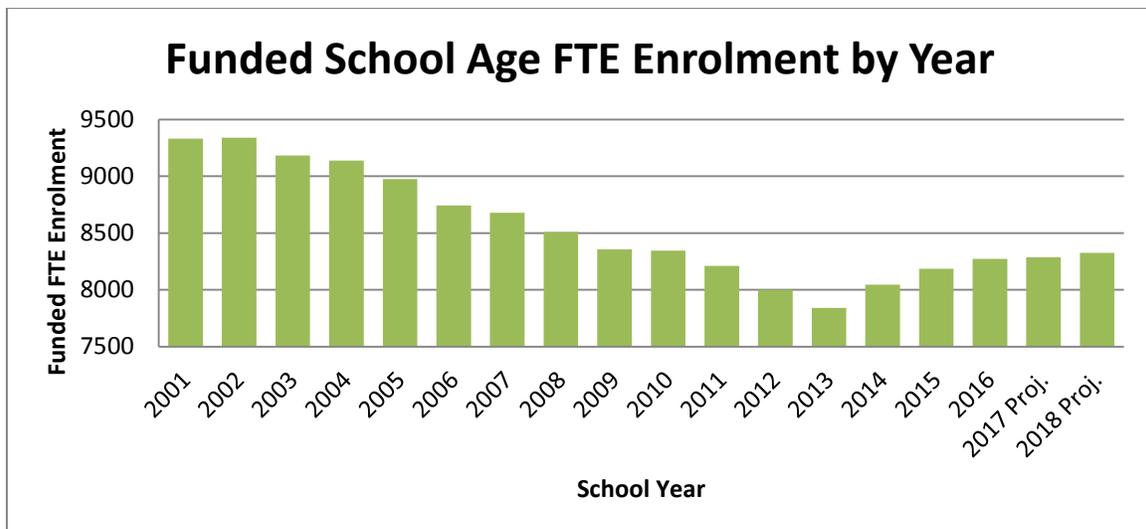
Changing Factors (i.e. Enrolment)

Student Enrolment is the primary factor impacting the number of staff we employ, the number of classrooms and schools we need, and how much funding the District receives from the Ministry of Education.

Our District currently has 693 Grade 12 students and 570 Kindergarten students. As enrolments in Grades 8-12 are larger than enrolments in K-7, it could be expected that our enrolments would decline for the next few years as the number of students graduating surpasses the number of students entering in Kindergarten. (Not including Distributed Learning DL)

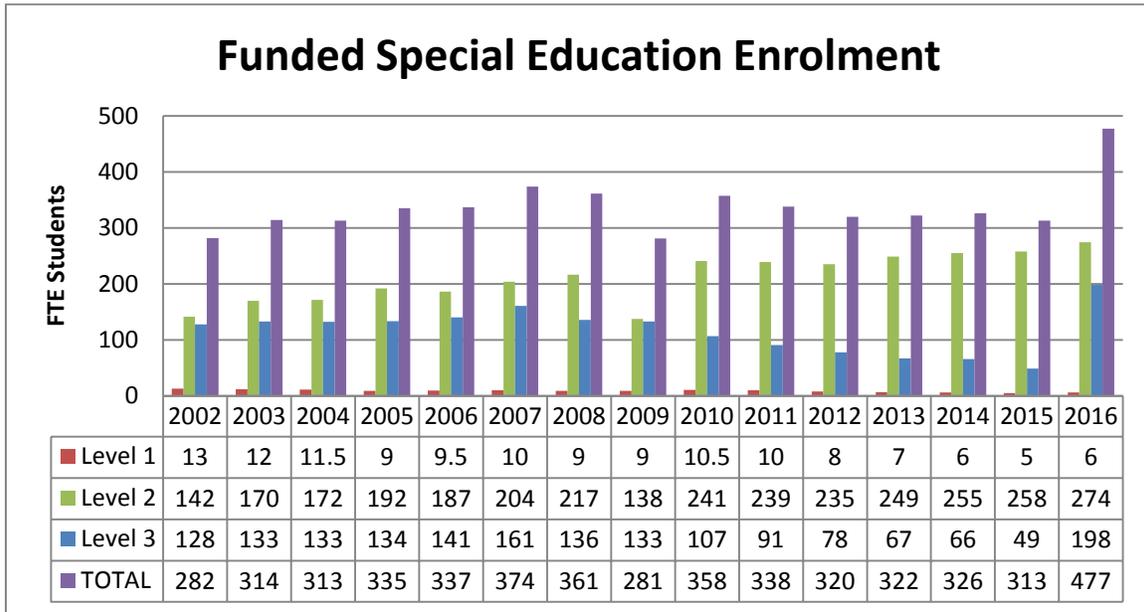


While our district’s funded enrolment declined by 1,500 students (16%) from 2002 to 2013, our enrolment has increased over the last three years by 433 students. The Ministry of Education projects our enrolment to remain relatively unchanged for the next three years. We will be updating our enrolment projections over the next few months.

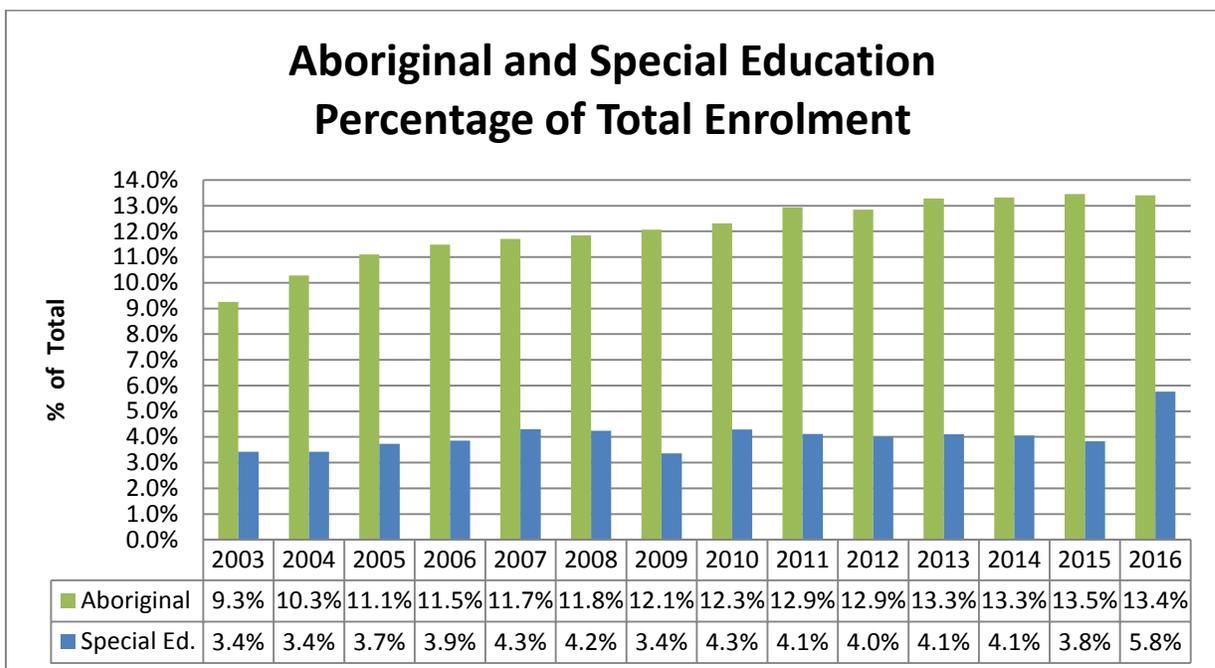




Enrolments in funded designated Special Education programs have fluctuated over the years. The district has been improving their assessment and reporting practices and enrolments in these special needs categories have increased.



The number of students of Aboriginal ancestry enrolled in Aboriginal programs increased from 676 students in 2001 to 1,016 students in 2007 and has remained relatively stable since then with 1,109 students in 2016. Over the years, the percentage of the district's student population comprised of special needs and Aboriginal students has increased.





Other enrolments in our Distributed Learning (vLearn) and International programs are expected to remain fairly constant. All projected enrolments will be revised over the next few months as we receive and collect other information.

The district has developed a Long Term Facilities Plan (LTFP). The Board has adopted a Five Year Capital Plan and submitted that to the Ministry of Education and has also developed a Local Capital Budget Plan. The Board has established two committees from the LTFP, one committee to review potential boundary and program location changes and another to review the district's alternate program structure. Financial impacts from these reviews are unknown at this time.

The district has developed a Technology Plan. Current budgets provide the necessary resources to continue the implementation of this Plan.

The District's Strategic Plan that is being developed is expected to be completed and approved by February 22, 2017. The Board will need to determine what changes in resource allocations are necessary to support the Strategic Plan through the 2017/18 budget development process.

Based upon the Supreme Court of Canada decision, BCPSEA and the BCTF will be reopening the collective agreement and the parties will be bargaining from the restored language. It is unknown what resource allocations will be necessary to support the outcome of these discussions or what additional revenues will be provided.

The Ministry continues to advance shared service initiatives. The district is assessing these initiatives and determining to what extent they may provide additional value and savings to the school district. The district is participating in a bus optimization project and has also applied to be part of an energy management project.

No projected costs have been determined at this point from these initiatives.

Other changing factors will be identified over the next few months and included in future budget considerations.

Revenues

Approximately 98% of our District's revenue comes from the Ministry of Education. This includes funding recovered by the Province and subsequently received from Aboriginal Bands. The Ministry of Education determines the total amount of funding provided to Districts.

The Ministry will be announcing preliminary operating grants on or before March 15, 2017 for the 2017/18 school year. The provincial funding to districts is distributed through a Funding Allocation System that contains a number of formulae. The Ministry is also required to announce any changes to the Funding Allocation System at that time.



Based upon our current enrolment and the current funding formulae, our district's revenue from the Funding Allocation System would not change. Any additional revenue from changes in enrolment would likely offset additional costs and therefore no projections are provided at this point.

The district is expecting funding to cover additional costs associated with the teacher and support staff negotiated union collective agreements. Government has also committed to fund enrolment growth. No additional funding is expected to cover other cost increases.

It is expected that the additional Labour Settlement funding, including the Economic Stability Dividend, will be included in the Funding Allocation System for 2017/18. For 2017/18, our district should be entitled to approximately \$922,000 of additional funding to help offset the costs of the negotiated teacher and support staff agreements.

The Board approved a number of one time expenditures in 2016/17 from recurring revenues. As the revenue continues into 2017/18, these funds are available to support ongoing expenses. This available annual revenue is \$948,000.

The District also receives Ministry operating funding outside of the Funding Allocation System for Pay Equity, Carbon Tax and BC Education Plan. Additional funding for Special Purpose Funds includes the Learning Improvement Fund, Special Ed Equipment, Strong Starts, Ready/Set/Learn, Federal French, Community LINK and Annual Facility Grants. Any changes in revenue are offset by changes to expenditures.

Other revenue is received through the rental and leasing of properties, investment income, and other miscellaneous items.

Total additional available operating revenue is projected at \$1,870,000.

Surplus

The adoption of the 2016/17 Amended Annual Budget is scheduled for February 22, 2017. At this point, no surplus is anticipated from the current 2016/17 school year to support the 2017/18 Budget.

Financial updates will be provided to the Board throughout the year which may identify projected surpluses.

Included in the budget guiding principles and budget criteria approved by the board directly relate to the issue of surpluses.

- ▶ District contingency reserve is established and maintained;
- ▶ Ongoing costs should not be greater than ongoing revenues; and
- ▶ One-time revenues and surpluses shall only be used to cover one-time costs.



Based upon these criteria, any surplus available could be utilized for one-time enhancements but should not be used to balance the budget or cover recurring costs related to programs and services.

Projected Net Budget Position

The combination of \$1,515,000 in projected cost pressures along with a projected revenue increase of \$1,870,000 results in a **projected available budget of \$355,000** for the 2017/18 school year.

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 has started its planning processes for next year. Over the next few months, additional information will be collected and provided to the Board and the budget consultation process will be finalized.

Attached is the previously approved budget development guiding principles and budget criteria to support the budget development process. A preliminary 2017/18 budget development timeline is also attached.

Options and strategies will be identified and developed to address the net budget position to ensure a balanced budget.

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.

The Board will need to stay informed on issues related to the Supreme Court of Canada decision and the reopening the teacher's collective agreement. Some analyses will be required to determine the potential impact of this decision.

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 to request a presentation time and be scheduled and placed on the agenda.

Other public input methods to the Board will also be provided.

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.



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"> • REGULAR BOARD MEETING - 2017/18 District Budget Report provided
January 25 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
February 8 (Wednesday) 4:00pm @SBO	<ul style="list-style-type: none"> • Potential Committee Meeting - Preliminary Budget Discussions
February 22 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
February 23 - April 14	<ul style="list-style-type: none"> • Public Input to the Board through the district Web Site: www.sd22.bc.ca
March 8 (Wednesday) 4:00pm @SBO	<ul style="list-style-type: none"> • Potential Committee Meeting - Preliminary Budget Discussions
March 15 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
April 12 (Wednesday) 4:00pm @SBO	<ul style="list-style-type: none"> • SPECIAL Public Board Meeting - Draft 2017/18 Budget Adjustment Plan
April 19 (Wednesday) TBD	<ul style="list-style-type: none"> • Budget Information / Feedback Meeting for Staff and Public
April 26 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Approve 2017/18 Budget Adjustment Plan - First & Second Reading of 2017/18 Budget Bylaw
May 24 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Final Reading & Adoption of 2017/18 Budget Bylaw