



School District No. 22 (Vernon)

... a great place to learn

2017/18 Budget Update Report to the Board

November 22, 2017

Introduction

The Board manages its financial resources in three district areas: the operating fund, special purpose funds, and capital funds. The Board's annual budget encompasses all three of these areas. This report deals primarily with the operating fund of the Board's annual budget.

Pursuant to section 111 of the *School Act*, Boards of Education must prepare an annual budget in the form and containing the content specified by the Minister. Estimated expenditures must not exceed estimated revenues plus appropriated operating reserves.

Pursuant to section 113 (1) of the *School Act* the Board, by bylaw,

- (a) must adopt an annual budget on or before June 30 of each year for the next fiscal year, and
- (b) may amend the annual budget adopted under paragraph (a).

The Board adopted a 2017/18 Annual Budget Bylaw on May 24, 2017 for the fiscal year of July 1, 2017 to June 30, 2018.

Pursuant to section 113 (2) of the *School Act*, if an operating grant to a Board is amended under section 106.3 (6) or a grant is withheld or reduced under section 117 (1), the minister may order that

- (a) the Board, by bylaw, must amend its annual budget, and
- (b) the Board must send a certified copy of the amended annual budget to the minister within 60 days of the order of the minister.

The district expects that the Ministry will be announcing the 2017/18 Recalculated Funding Allocations prior to December 22, 2017 and also expects that the Minister will require an Amended Annual Budget to be prepared, adopted by bylaw and submitted by February 28, 2018.

Based on this, the district is planning to present a 2017/18 Amended Annual Budget Bylaw with attached Schedules to the Board for their consideration for first and second reading on January 24, 2018 and for final reading and adoption on February 28, 2018.

This report outlines changes that will result in amendments to the annual budget which will be incorporated into the Amended Annual Budget Bylaw.



Enrolment

Student enrolment is the primary driving factor in school districts. The number of students impacts the number of staff we employ and how much funding a school district receives from the Ministry of Education.

Funded enrolments are categorized as School Age / Aboriginal / Special Needs / English Language / Adults. School age enrolments are the largest category.

The table below shows the anticipated actual funded FTE change from September 2016 to September 2017 and the change from projections.

| Category | Sept. 30 2017 | Sept. 30 2016 | Change from previous year | 2017 Projections | Change from projections |
|---------------------|--------------------------|--------------------------|--|-----------------------------|--|
| School Age | 8,385 | 8,273 | 112 | 8,388 | (3) |
| Adults | 3 | 3 | - | 3 | - |
| English Language | 51 | 35 | 16 | 45 | 6 |
| Aboriginal | 1,186 | 1,109 | 77 | 1,100 | 86 |
| Special Ed. Level 1 | 5 | 5 | - | 5 | - |
| Special Ed. Level 2 | 290 | 274 | 16 | 300 | (10) |
| Special Ed. Level 3 | 163 | 198 | (35) | 220 | (57) |

The District had originally projected to have increased enrolment in most categories. Through the budget development process it was determined that the enrolment projections may not be achieved and the district subsequently decided to plan on the basis of limited enrolment increases. Actual regular school age enrolment and English Language and Aboriginal enrolment increased while enrolment in Special Education programs increased in Level 2 but decreased in Level 3.

The majority of the funded enrolments are determined as at September 30th each year. The Ministry also recognizes and funds enrolments at two additional dates. In February, the Ministry collects enrolment data on Distributed Learning and Continuing Education enrolments and changes in Special Education enrolments. The Ministry also collects information on Distributed Learning and Continuing Education enrolments in May. Actual changes from projections for the February and May data, once known, will result in additional revenue changes that will be reflected in the actual results reported in the 2017/18 Financial Statements.



Revenues

Approximately 96% of our School District's operating revenue comes from the Ministry of Education through the Funding Allocation System. This includes funding recovered by the Province and subsequently received from the Okanagan Indian Band.

Operating revenue is expected to increase by approximately \$800,000 based upon the increase in school age students.

The district expects to receive an additional \$90,000 for targeted aboriginal programs based upon the change in enrolment.

With the expected increase of Level 2 students funded at \$19,070 and the decrease of Level 3 students funded at \$9,610, funding for special education will decrease by approximately \$30,000.

Other District operating revenues adjusted for anticipated changes will be updated and included in the budget schedules presented to the Board in January.

The school district submitted information to the Ministry for Classroom Enhancement Funding. Funding was approved for staffing and overhead associated with the implementation of the teacher's collective agreement restored language. The district will be submitting additional requests for funding to cover remedies and for additional staffing. It is unknown to what extent these requests will be supported.

In addition to operating fund revenue, the district receives grants for capital upgrades, Learning Improvement Fund, Special Education Equipment, StrongStart, Community LINK, Federal French OLEP, and Ready/Set/Learn. These grants and associated expenses are recorded in either the Special Purpose Fund or Capital Fund.

Expenses

Expense budgets will be adjusted to reflect changes to staffing levels from enrolment changes. Teacher staffing and education assistant staffing have been increased from the preliminary budget. Other allocations that are linked to student enrolments, including school allocations will be amended for these changes.

To facilitate any transportation improvements contemplated in the change to the Board's Regulation, an increase to transportation budgets will be required.

Salary and benefit accounts will be adjusted to better match the expected actual cost of providing the programs and staffing levels. For example, the teacher salary budgets will be adjusted for both the number of teachers and the average salary cost of teachers.



Aboriginal Education program budgets have been adjusted to be consistent and in compliance with the targeted grant requirements of the Ministry of Education.

School and department budgets have been increased to coincide with the carry forward of operating surpluses identified in the Surplus/Reserve section of this report. In total, \$1,007,620 of additional one-time budgeted expenses will be included in the budget.

Special Purpose and Capital Fund expenses are expected to be within the specific grants provided for these programs, services, and purchases.

Purchases for computers, equipment, furniture, vehicles, and other improvements that are required to be capitalized, funded out of operating revenues, need to be purchased through the Capital Fund. Budgets are established to cover the costs of these items through interfund transfers for Tangible Capital Assets Purchased and Local Capital.

The district's current photocopier contract expires on December 31, 2017. The district has been working through a Request for Proposal process to select a service provider. The district currently leases photocopiers and has determined that it is financially beneficial to purchase the equipment instead of leasing the equipment. This change would require an upfront cost of approximately \$300,000.

Prior Year's Surplus / Reserve

An operating surplus of \$1,602,957 was carried forward at the end of the 2016/17 fiscal year. Within that amount, a variety of department or school level unused budget surpluses were rolled forward into the following fiscal year. The following operating surpluses will be included in the amended 2017/18 operating budget and will be offset by increased one-time budgeted expenses:

| | |
|-------------------------------|----------------------------|
| School Supplies and Projects | \$ 226,953 |
| School Student Learning Grant | \$ 293,334 |
| Union Obligations | \$ 447,315 |
| Aboriginal Education | \$ 40,018 |
| <u>TOTAL</u> | <u>\$ 1,007,620</u> |

The district has established a contingency fund for unforeseen issues. This contingency fund will not be budgeted and will show as a projected accumulated surplus for the end of the 2017/18 year.

| | |
|---------------------------|----------------------------|
| District Contingency Fund | \$ 595,337 |
| <u>TOTAL</u> | <u>\$ 1,602,957</u> |

The target for the contingency fund has been established at a level of \$1 million. The June 30, 2017 contingency reserve of \$595,337 is not sufficient to adequately mitigate the risk of unforeseen circumstances.



Conclusion

With the changes in enrolment and other factors, both revenues and expenses have changed from our preliminary estimates. It is expected that the combination of these changes will result in a balanced budget situation.

Staffing and resources have already been increased to reflect the increase in the overall student population. Education assistant staffing has been increased to a level greater than last year without any corresponding increase in special education funding.

The District will need to consider plans to replenish the contingency fund as part of the amended 2017/18 budget cycle and the 2018/19 budget cycle. Any year-end annual operating surplus at the end of the 2017/18 school year may also be restricted to the contingency fund.

An increase to transportation budgets may be required to facilitate any changes required from the proposed changes to the Board Regulation.

The district currently leases photocopiers and has determined that it is financially beneficial to purchase the equipment instead of leasing the equipment. This change will require an upfront cost of approximately \$300,000 which would be facilitated by an additional transfer to Local Capital.

Recommendations / Next Steps

The 2017/18 Amended Annual Budget Bylaw will be presented to the Board for their consideration at the January 24, 2018 Board meeting and will be in compliance with legislative requirements. The amended budget will be prepared based on a number of assumptions and projections and consistent with the Board's Budget Guiding Principles and Budget Criteria.

The amended budget should include a provision for the change from leased equipment to purchased equipment.

The district should replenish the contingency fund as part of the amended 2017/18 budget cycle to the extent possible.

Work has already commenced on the 2018/19 budget development process and a report is expected at the December 20, 2017 Board meeting.



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