



School District No. 22 (Vernon)

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2018/19 Preliminary Budget Report to the Board

December 20, 2017

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 2018/19, Boards must prepare an annual budget and have it adopted by bylaw on or before June 30, 2018 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 vision, mission and goals statements. The Board's budget is a financial plan that:

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

The board has developed a District Strategic Plan, Long Term Facilities Plan and Technology 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)

The Board starts its budget development process for the next school year in December and completes this process in May. To support the implementation of the Board's budget for next year, decisions should be made as early as possible. This allows the Human Resources Department time to process any changes in compliance with collective agreements and allow schools and other departments to prepare for next school year.

During the subsequent fall, adjustments are made to reflect changes in enrolment, staffing and other factors. These changes are then included in an amended annual budget which is developed in January and February and adopted by the Board.



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 2018/19 school year.

CUPE employees are entitled to a 1.0% salary increase effective May 1, 2018 and will also receive an additional increase of 0.4% through the Economic Stability Fund (ESD). The 2017/18 school year included the partial year cost impact with the remaining cost impacting the 2018/19 school year. The estimated cost increase to the district in 2018/19 is \$183,000.

CUPE employees are entitled to a 0.5% salary increase effective July 1, 2018 and an additional 1.0% effective May 1, 2019. The estimated cost increase to the district in 2018/19 is \$100,000.

CUPE employees are also entitled to a potential salary increase through the Economic Stability Dividend (ESD) calculation effective May 1, 2019. The increase through the ESD for May 1, 2019 and its impact is undetermined at this time.

Total projected negotiated cost increase for CUPE salary, including benefits, for 2018/19 is \$283,000.

Teachers entitled to a 1.0% salary increase effective May 1, 2018 and will also receive an additional increase of 0.4% through the Economic Stability Fund (ESD). The 2017/18 school year included the partial year cost impact with the remaining cost impacting the 2018/19 school year. The estimated cost increase to the district in 2018/19 is \$540,000.

Teachers are entitled to a 0.5% increase July 1, 2018 and a 1.0% increase May 1, 2019 with an estimated cost increase for the 2018/19 school year of \$325,000.

Teachers are also entitled to a potential salary increase through the Economic Stability Dividend (ESD) calculation effective May 1, 2019. The increase through the ESD for May 1, 2019 and its impact is undetermined at this time.

Teachers will continue to receive improvements to their benefit plans next year. Benefit cost increases are estimated at \$208,000 for 2018/19.

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 2018/19 school year.

Total projected increased costs for negotiated salary increases, including benefits, for teachers is \$1,073,000.



The BC Public School Employers' Association (BCPSEA) and PSEC have authorized regionalized salary grids for PVPs. These grids have been partially implemented.

The PVP grids will likely be increased consistent with increases provided to teachers which include a 0.5% increase July 1, 2018 and a 1.0% increase May 1, 2019 with additional increases for the ESD. In addition, there are residual cost impacts from anticipated increases May 1, 2018 in alignment with teacher increases. Estimated cost increases for the 2018/19 school year for salary grid increases are \$100,000.

Total projected increased costs for salary increases, including benefits, for PVPs is \$100,000.

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 was partially implemented in 2017/18.

The exempt staff grids will likely be increased consistent with increases provided to teachers which include a 0.5% increase July 1, 2018 and a 1.0% increase May 1, 2019 with additional increases for the ESD. In addition, there are residual cost impacts from anticipated increases May 1, 2018 in alignment with teacher increases. Estimated cost increases for the 2018/19 school year for salary grid increases are \$42,000.

Total projected increased costs for salary increases, including benefits, for exempt staff is \$42,000.

Trustee elections are scheduled for October 20, 2018. Costs will vary but are expected to be approximately \$40,000.

General inflation is predicted at 2% resulting in additional costs of \$210,000.

The school district has been implementing the restored language as per the Supreme Court of Canada decision and the agreement between BCPSEA and the BCTF. The cost of this restoration is expected to remain unchanged.

Expenditure increases for services and supplies is estimated at \$250,000

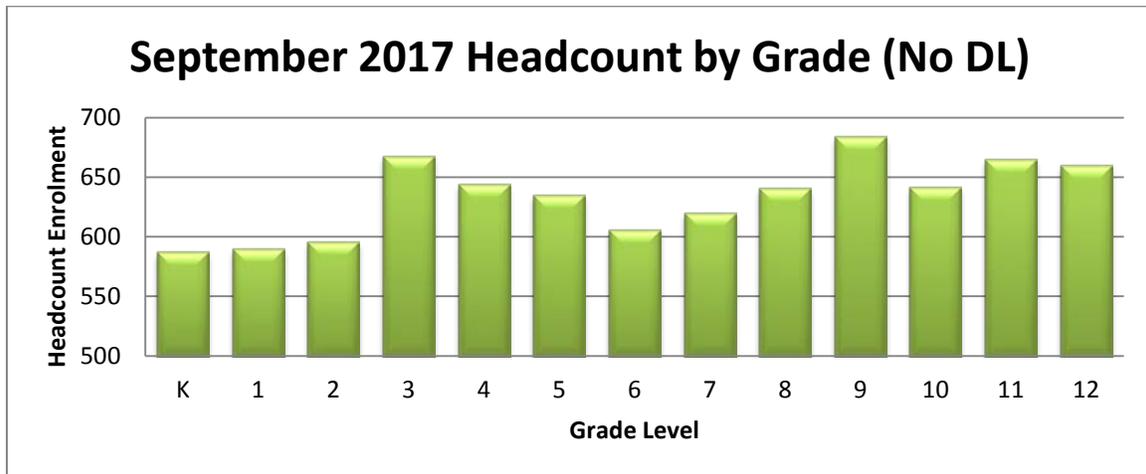
Total preliminary cost pressures identified above equal \$1,748,000.



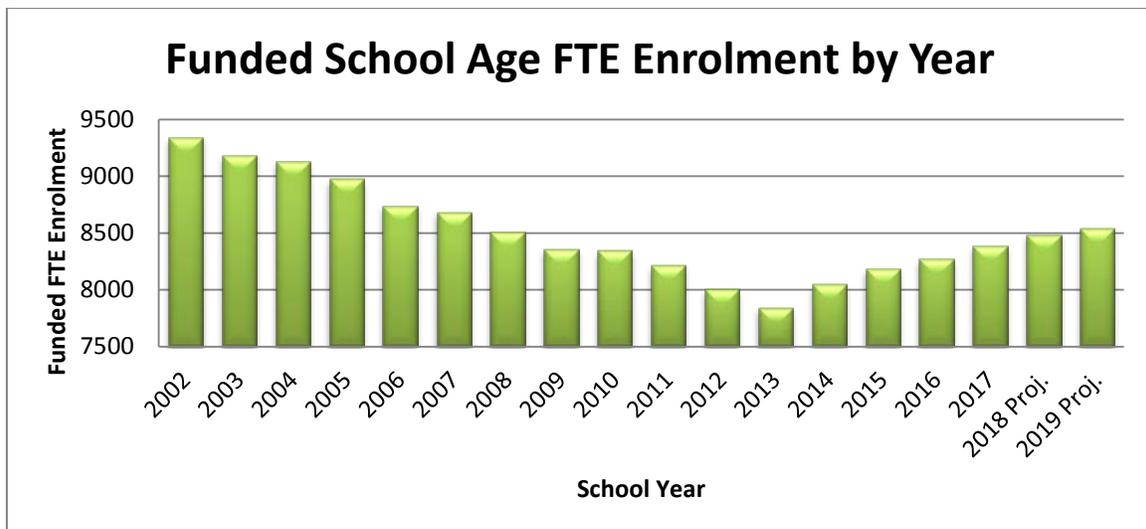
Changing Factors (i.e. Enrolment)

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 659 Grade 12 students and 586 Kindergarten students. As enrolments in Grades 10-12 are larger than enrolments in K-3, 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)

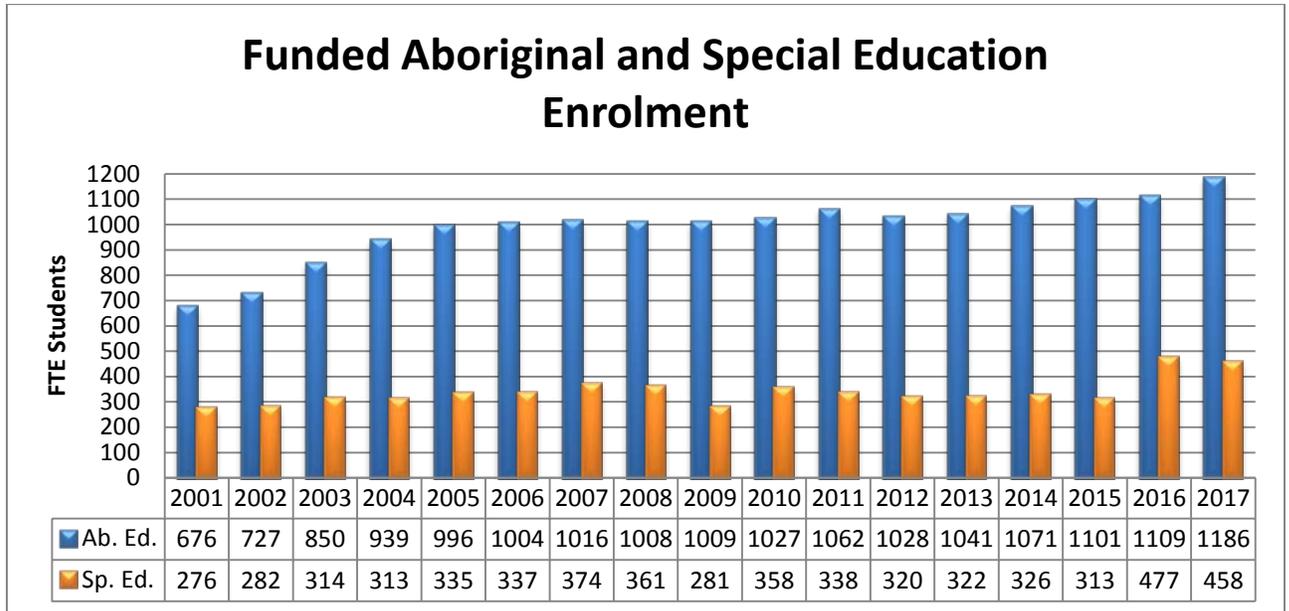


Our district’s funded enrolment declined by 1,500 students from 2002 to 2013. Since then, our enrolment has increased over the last four years by 544 students. The Ministry of Education projects our enrolment to remain relatively unchanged for the next three years. We will be updating our enrolment projections over the next few months.

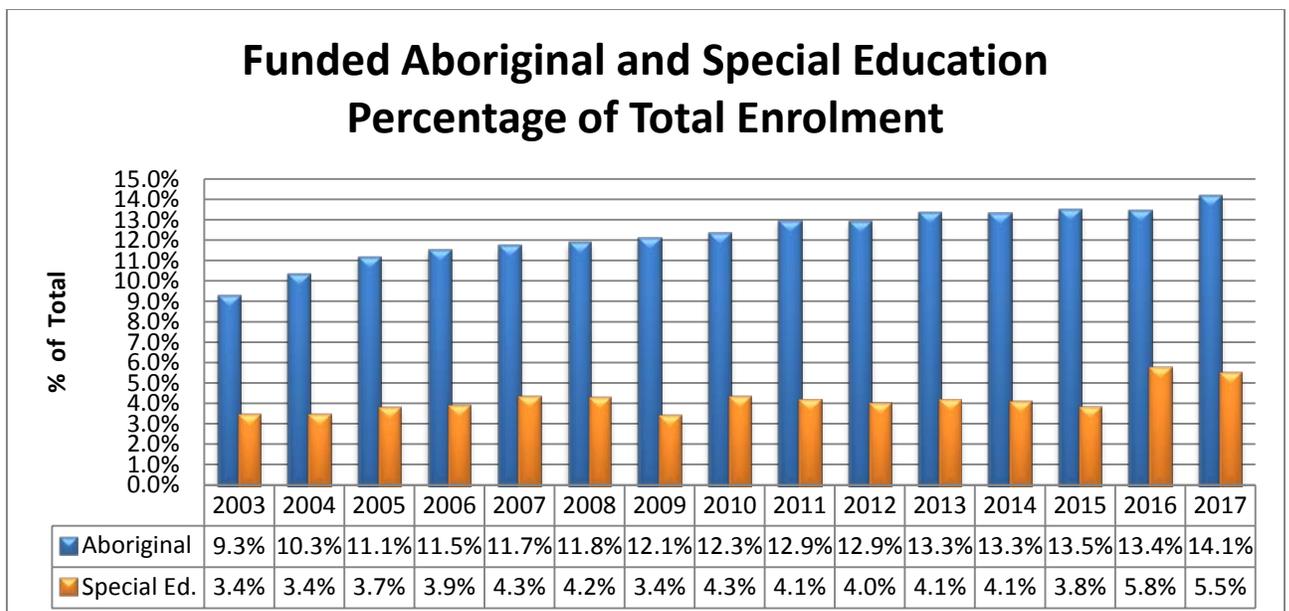




Enrolments in funded designated Special Education programs have fluctuated over the years. The district improved their assessment and reporting practices and enrolments in these special needs categories increased significantly in 2016 with a slight decline in 2017. The number of students of Aboriginal ancestry enrolled in Aboriginal programs increased from 676 students in 2001 to 1,016 students in 2007, remained relatively stable for a number of years, and has increased the last five years.



The number of funded students in Aboriginal and Special Education programs has increased over the years even while total enrolments were declining. This has increased the percentage of the district's student population comprised of special needs and Aboriginal students.





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 information.

Each year a board must submit to the Ministry of Education on or before February 15th an estimate of the number of students who may be enrolled in educational programs provided by the board in the next school year. The Ministry uses these estimates in the Funding Allocation System to determine preliminary operating grants to school districts. Staff will be working with schools and departments to provide estimates to the Ministry by this date.

District staff will continue to review and revise enrolment estimates and projections throughout the spring for staffing and budgeting purposes.

The school district has been implementing the restored language as per the Supreme Court of Canada decision and the agreement between BCPSEA and the BCTF. The school district and the local teachers association have an outstanding dispute regarding the definition of a student with special needs for determining class composition. This dispute is scheduled for arbitration this spring and the resolution of this dispute could result in changes to staffing and budget allocations.

The district relocated five portables this year and has made two catchment boundary changes to help address school capacity constraints. At this point, the district expects to be able to accommodate students next year with the current facilities.

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 an energy management project.

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

Revenues

Approximately 92% 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, 2018 for the 2018/19 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.



The Ministry of Education is undertaking a comprehensive review of the Funding Allocation System. This review is expected to take a number of months to complete and is expected to result in changes for the 2019/2020 school year. Because this review is being undertaken, it is expected that little or no changes will be made to the formulae that would impact the 2018/19 school year.

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 Minister of Education mandate letter indicates fast-track enhancements to K-12 education funding, providing additional annual funding to ensure students have the school supplies they need to succeed, and to create an ongoing capital fund for school playgrounds. No details have been provided to the district at this point.

The district is expecting funding to cover additional costs associated with the teacher and support staff negotiated union collective agreements.

It is expected that the additional Labour Settlement funding, including the Economic Stability Dividend, will be included in the Funding Allocation System for 2018/19. Our district should be entitled to additional funding to help offset the costs of the negotiated teacher and support staff agreements.

The district currently receives additional grants that were recently initiated by the Ministry. The expectation is that these grants will continue in 2018/19 and include:

Classroom Enhancement Fund	\$5,464,692
CUPE Learning Improvement Fund	312,446
Community LINK	644,729
Rural Education Enhancement Fund	443,320
Student Transportation Fund	361,094

These additional grants are a significant component of the district's revenue. Any reduction or elimination of these grants would require offsetting adjustments.

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 \$1,356,000.



Surplus

The adoption of the 2017/18 Amended Annual Budget is scheduled for February 28, 2018. At this point, no surplus is anticipated from the current 2017/18 school year to support the 2018/19 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.

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.

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.

Projected Net Budget Position

The district is expecting that the negotiated salary and benefit cost increases for both teachers and support staff will be fully funded by the Ministry.

The district also is expecting that the Ministry will fully fund additional costs resulting from the restored teacher collective agreement language.

The combination of \$1,748,000 in projected cost pressures along with a projected revenue increase of \$1,356,000 results in a **projected budget shortfall of \$392,000** for the 2018/19 school year.

This budget shortfall would be the result of the Ministry not funding PVP and exempt staff salary and benefit increases and other cost pressures.



Next Steps

The Board is required to approve an annual budget on or before June 30, 2018 for the 2018/19 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 2018/19 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.

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



2018/19 Preliminary Budget Development Timelines

January 24 (Wednesday) 7:00pm	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
February 14 (Wednesday) 4:00pm	<ul style="list-style-type: none"> • Potential Board Committee Meeting - Preliminary Budget Discussions
February 28 (Wednesday) 7:00pm	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
March 14 (Wednesday) 7:00pm	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
April 11 (Wednesday) 6:00pm	<ul style="list-style-type: none"> • SPECIAL Public Board Meeting - Draft 2018/19 Budget Adjustment Plan
April 17 (Tuesday) 6:00 Location TBD	<ul style="list-style-type: none"> • Budget Information / Feedback Meeting for Staff and Public
April 25 (Wednesday) 6:00pm	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Approve 2018/19 Budget Adjustment Plan - First & Second Reading of 2018/19 Budget Bylaw
May 23 (Wednesday) 6:00pm	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Final Reading & Adoption of 2018/19 Budget Bylaw

Note: Board meetings will be held in the Kalamalka Secondary Library