



## School District No. 22 (Vernon)

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# 2018/19 Preliminary Budget Report to the Board

February 28, 2018

## 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.

The Board manages its financial resources in three distinct 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.

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.

The Board was provided with a 2018/19 Preliminary Budget Report on December 20, 2017. This report provides a summary of that information and new information.

The December 20, 2017 report, the Boards Budget Development Guiding Principles and Criteria, 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/)



## Costs of providing existing services

The District is projecting the costs of providing existing services into the next year (Salaries, benefits, utilities, etc). A number of cost pressures that will impact the school district in the 2018/19 school year identified to date are:

### **Total salary and benefit costs increases are \$1,498,000.**

- Negotiated CUPE salary and benefits are \$283,000.
- Negotiated teacher salary and benefits are \$1,073,000.
- Salary and benefit increases for PVPs are \$100,000.
- Salary and benefit increases for exempt staff are \$42,000.

### **Expenditure increases for services and supplies is estimated at \$700,000**

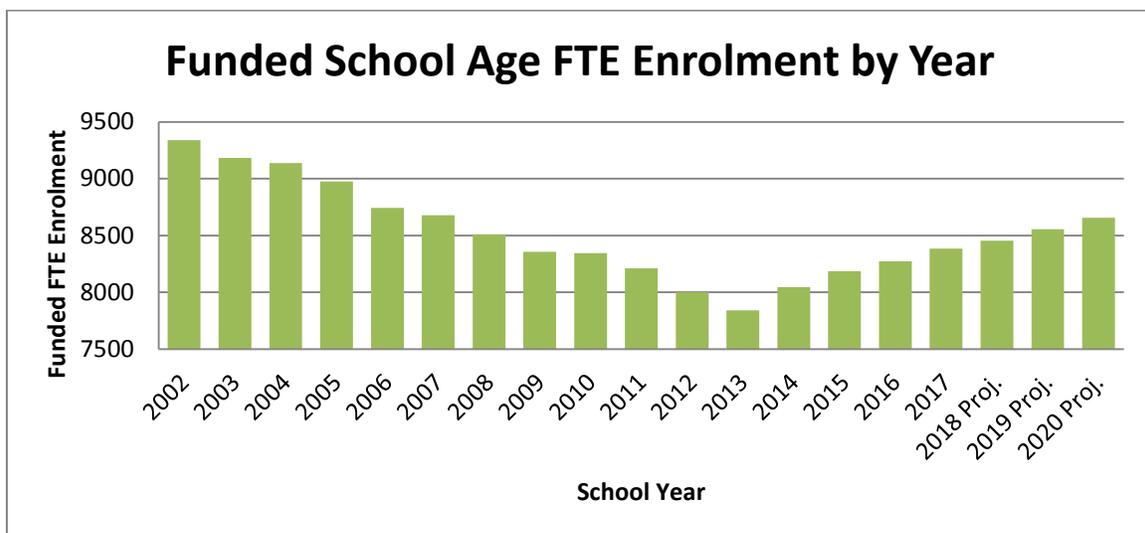
- Trustee Elections increase of \$40,000.
- General inflation is predicted at 2% resulting in additional costs of \$210,000.
- Health Payroll Tax of \$450,000

The Board approved a one-time expenditure of \$300,000 for photocopiers in 2017/18 from recurring revenues which are available in 2018/19 to support ongoing expenses.

### **Total net preliminary cost pressures identified above equal \$1,898,000.**

## Changing Factors ( 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. At this point, we are projecting our enrolments will increase by 70 students next school year and an additional 100 students per year in each of the next two school years.





## **Other Changing Factors**

The BC Government presented its budget on February 20, 2018. It appears that government is providing additional funding for actual and projected enrolment growth and Labour Settlement Costs. This is as expected.

The provincial budget also provides for an initial investment in new early learning initiatives to support Government's Child Care BC initiative. No details have been provided on how this budget will be allocated to districts.

Capital funding is being increased including the implementation of an annual \$5million Playground Equipment Program. Ministry support for our district's capital plan projects and the district's allocation of the playground program are unknown.

Government will be eliminating MSP premiums effective January 1, 2020. The Province is replacing the revenues from MSP premiums with an employer health tax. This new payroll tax will come into effect January 1, 2019 with a rate of 1.95% on our total payroll. This new payroll tax is greater than our total MSP premiums by approximately \$224,000.

The timing of the implementation of the reductions of MSP premiums and the new payroll tax create budget implications for the 2017/18, 2018/19, 2019/20, and 2020/21 school years. The following show the estimated impact by year:

2017/18	(\$120,000)
2018/19	\$450,000
2019/20	\$232,000
2020/21	(\$338,000)
<u>Total</u>	<u>\$224,000</u>

The reductions for 2017/18 were previously included in the 2017/18 budget planning. For the 2018/19 school year an additional cost pressure of \$450,000 is estimated.

In addition to the factors identified above, other changing factors may be identified over the next few months and included in future budget considerations.

## **Revenues**

The BC Government's budget presented on February 20, 2018 included budget estimates for the Ministry of Education. While the budget provides some insight into changes to the overall Ministry of Education budget, it provides limited information to help school districts determine their individual allocations for next year.

The Ministry will announce preliminary operating grants to districts on or before March 15, 2018 for the 2018/19 school year. This announcement provides the district with the majority of its information to determine revenue projections for the district's budget.



Any additional revenue from changes in enrolment will likely offset additional costs of current staffing levels and resource requirements and therefore no budget impact 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 salary and benefit increases. Government has also committed to fund enrolment growth. The district also expects funding to continue for the restored language in the teacher's collective agreement along with other additional grants currently provided by the Ministry.

No additional funding is expected to cover other cost increases identified above.

**Total additional operating revenue is projected at \$1,356,000.**

### **Projected Net Budget Position**

The combination of \$1,898,000 in net projected cost pressures along with a projected revenue increase of \$1,356,000 results in a **projected deficit budget of \$542,000** for the 2018/19 school year.

This budget shortfall is primarily the result of the Ministry not funding PVP and exempt staff salary and benefit increases and not funding the new Employer Health Tax.

### **Next Steps**

The Board is required to approve an annual budget on or before June 30, 2018 for the 2018/19 school year. Over the next few months, additional information will be collected and provided to the Board. Options and strategies will be identified and developed to address the net budget position to ensure a balanced budget.

Attached is the previously approved budget development guiding principles and budget criteria and a budget development timeline.

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.



## **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 Budget Development Timelines

December 20 (Wednesday) 7:00pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - 2018/19 Budget Update</li> </ul>
January 24 (Wednesday) 7:00pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - 2017/18 Amended Budget Update</li> </ul>
February 28 (Wednesday) 7:00pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - 2018/19 Budget Update</li> </ul>
March 14 (Wednesday) 7:00pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - 2018/19 Budget Update</li> </ul>
April 11 (Wednesday) 6:00pm	<ul style="list-style-type: none"> <li>• SPECIAL Public Board Meeting - Draft 2018/19 Budget Adjustment Plan</li> </ul>
April 18 (Wednesday) 6:00 Location Kal Secondary	<ul style="list-style-type: none"> <li>• Budget Information / Feedback Meeting for Staff and Public</li> </ul>
April 25 (Wednesday) 6:00pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - Approve 2018/19 Budget Adjustment Plan - First &amp; Second Reading of 2018/19 Budget Bylaw</li> </ul>
May 23 (Wednesday) 6:00pm	<ul style="list-style-type: none"> <li>• REGULAR BOARD MEETING - Final Reading &amp; Adoption of 2018/19 Budget Bylaw</li> </ul>

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