



School District No. 22 (Vernon)

... a great place to learn

2016/17 Preliminary Budget Report to the Board

December 16, 2015

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 2016/17, Boards must prepare an annual budget and have it adopted by bylaw on or before June 30, 2016 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.
- helps communicate how we are utilizing our financial resources.

For the 2015/16 school year, the board has the following:

Mission: Our mission is to develop in all students a lifelong love of learning and to prepare them to thrive in a changing world.

Goal: To achieve a 100% success rate for all students.

Objectives:

- 1) Kindergarten Project
- 2) Early Learning
- 3) Literacy
- 4) Numeracy
- 5) Aboriginal
- 6) Social and Personal Responsibility
- 7) Continuous Improvement of Instruction and Assessment

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)



Expenditures

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 2016/17 school year.

CUPE employees are entitled to a 0.5% salary increase effective July 1, 2016 and an additional 1.0% effective May 1, 2017. The estimated cost increase to the district in 2016/17 is \$89,000.

CUPE employees are also entitled to a potential salary increase through the Economic Stability Dividend (ESD) calculation effective May 1, 2016 and May 1, 2017. The Province has determined that the ESD effective May 1, 2016 will be an additional 0.45% for an additional cost increase of \$57,000 in 2016/17. The increase through the ESD for May 1, 2017 and its impact is undetermined at this time.

Total projected negotiated cost increase for CUPE salary, including benefits, for 2016/17 is \$146,000.

Teachers are entitled to a 1.0% increase July 1, 2016 with an estimated cost increase for the 2016/17 school year of \$414,000.

Teachers are also entitled to a potential salary increase through the Economic Stability Dividend (ESD) calculation effective May 1, 2016 and May 1, 2017. The Province has determined that the ESD effective May 1, 2016 will be 0.45% for an additional cost increase of \$186,000 in 2016/17. The increase for the May 1, 2017 ESD and the impact are undetermined at this time.

Teachers will continue to receive improvements to their benefit plans each year over the next four years. Benefit cost increases were \$120,000 in 2014/15 and \$240,000 in 2015/16 and are estimated at \$180,000 for 2016/17.

Total projected increased costs for negotiated salary increase, including benefits, for teachers is \$780,000.

The District's average teacher salary costs often increase as our teachers advance in the 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 2016/17 school year.

Principals, Vice-Principals and other employees not covered by a collective agreement have been without compensation increases since July 1, 2009 while other unionized employees have been provided with compensation improvements in both salary and wages and benefit plans.



The Public Sector Employers' Council (PSEC), recently announced potential increases for PVPs and exempt staff of up to 2% effective July 1, 2015 and 2% effective January 1, 2016. While not yet approved, costs are being estimated for these increases.

The BC Public School Employers' Association (BCPSEA) has also been working towards new regionalized salary grids for PVPs. As compensation increases had previously not been provided since July 1, 2009, compensation structures have not remained current or competitive.

The BC Public School Employer's Association (BCPSEA) is also currently working to develop a K-12 sectoral submission to PSEC for Exempt Staff Compensation. As these other employees not covered by a collective agreement have been without compensation increases since July 1, 2009, compensation structures have not remained current or competitive. BCPSEA is undertaking 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.

The cost of implementing the regionalized PVP salary grids and the revised exempt staff salary structure is currently estimated at \$226,000.

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.

The Province has increased Medical Services Plan premiums each year for the last six years. Typically these increases are effective January 1st. The district will incur the full years' cost of the 4% increase from January 1, 2015 plus the cost of any increase effective January 1, 2016. The projected financial cost of these premium changes for 2016/17 is \$35,000.

BC Hydro announced rate increases of 9% effective April 1, 2014, another 6% effective April 1, 2015, and expected increases of 4%, 3.5% and 3% in each of the subsequent years. Estimated impact to our District in 2016/17 is \$54,000.

General inflation is predicted at 1.2% resulting in additional costs of \$113,000.

Expenditure increases for services and supplies is estimated at \$202,000

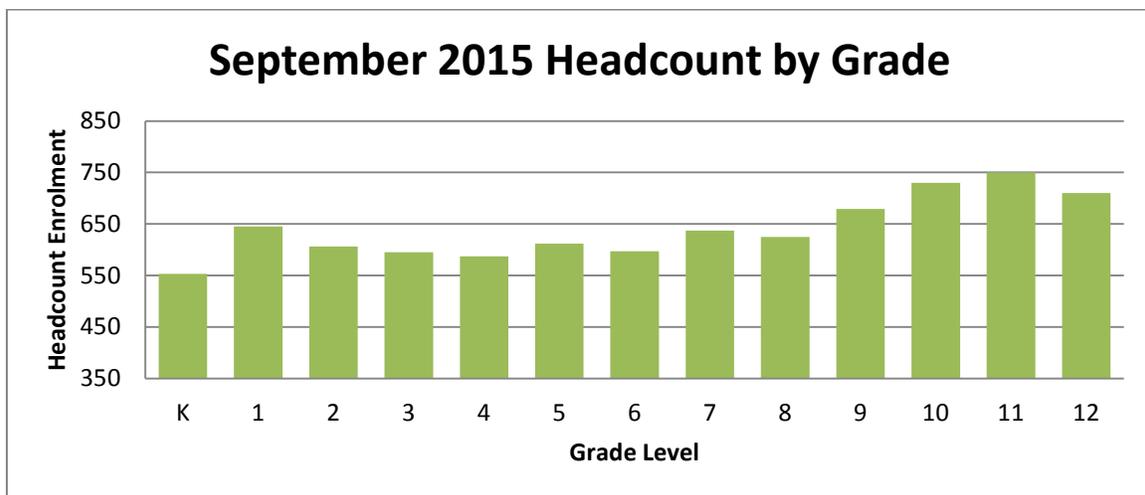
Total preliminary cost pressures identified above amount to \$1,354,000.



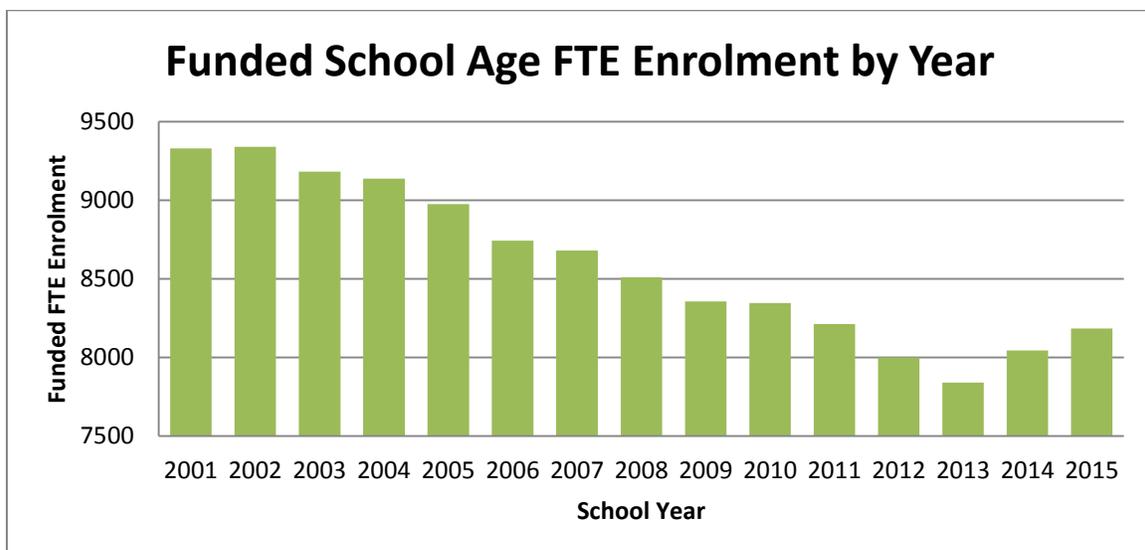
Changing Factors (i.e. Enrolment)

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 710 Grade 12 students and 553 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.

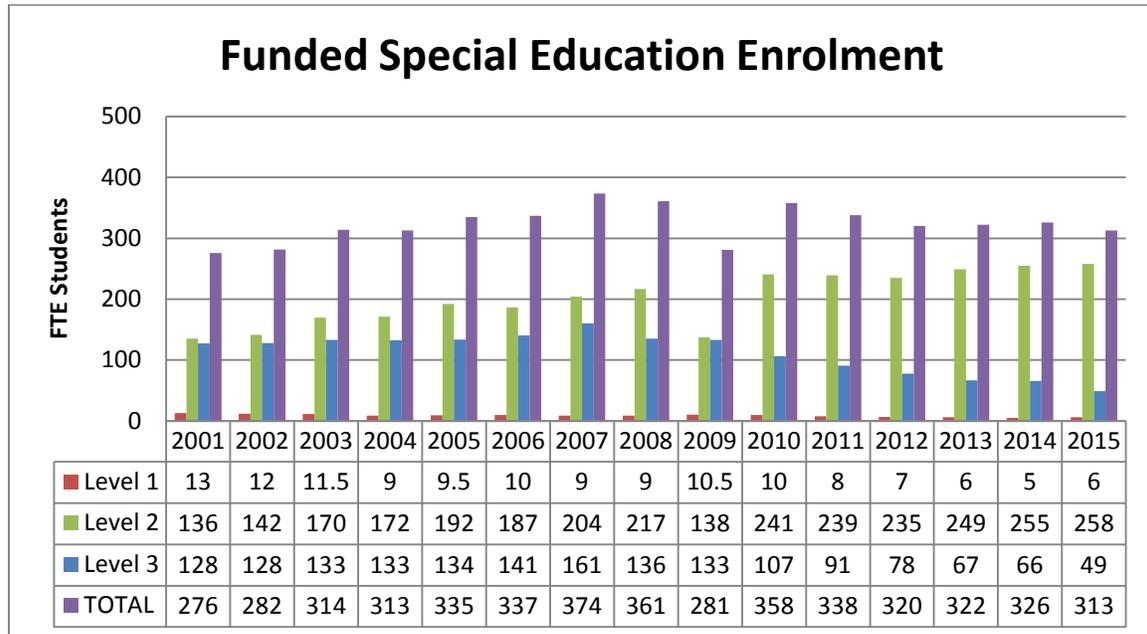


While our district’s funded enrolment declined by 1,500 students (16%) from 2002 to 2013, our enrolment has increased over the last two years by 344 students. The Ministry of Education projects our enrolment to remain relatively unchanged for the next four years. We will be updating our enrolment projections over the next few months.

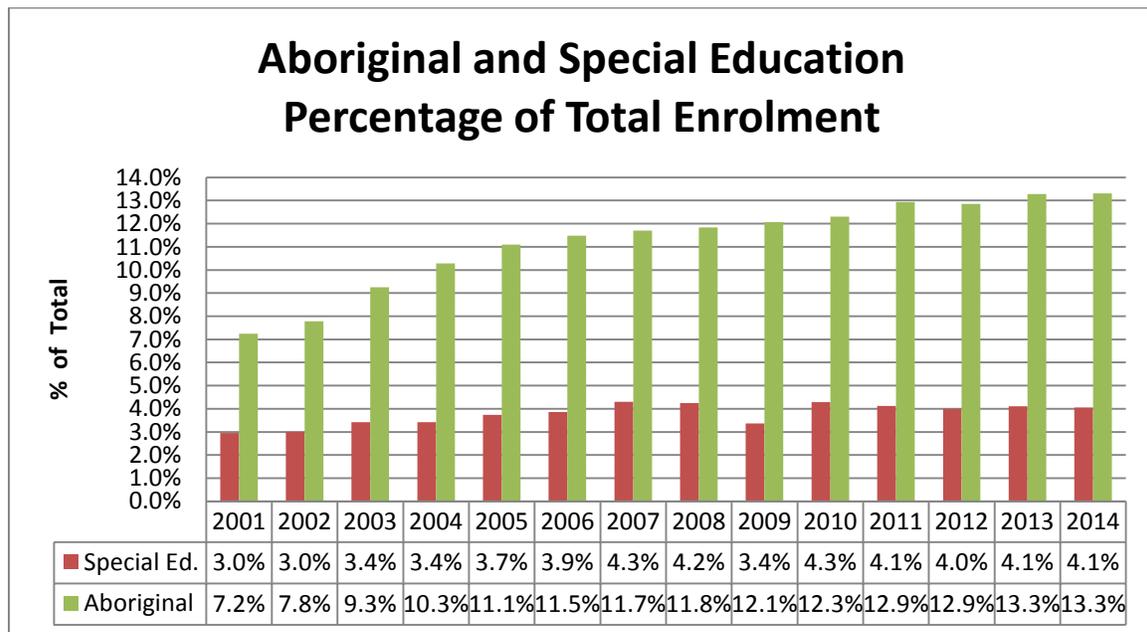




Enrolments in funded designated Special Education programs have fluctuated over the years. The district is currently reviewing their assessment and reporting practices and expects that enrolments in these special needs categories will increase next year.



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 1,101 students in 2015. 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.

In addition to potential enrolment changes, the district will continue to implement changes negotiated to collective agreements and other contractual changes.

The district has recently started a process to develop a Long Term Facilities Plan (LTFP). The LTFP process is currently evaluating proposals from qualified consultants through a Request for Proposal process and will be selecting a consultant shortly.

A comprehensive LTFP forms the basis for a Board of Education's capital investment decisions. Such plans take into consideration education program requirements and trends; operating capacities and current condition of existing facilities; current and anticipated changes in land use; student yield rates; community demographics; local community and economic development strategies; and other long-term planning considerations. The LTFP provides the rationale for specific projects that may be proposed as part of a Board of Education's five year capital plan. In addition, the LTFP provides a district-wide framework for other key local decisions, such as school catchment areas and locations for district programs including vLearn and alternate education programs.

The district is also in the process of developing a technology plan. The district previously engaged the services of IBM and invested funds to upgrade both the infrastructure and systems to help better deliver programs and services. The district invested one time funds to implement these changes and now needs to develop a plan that can support the ongoing maintenance and refresh of the equipment and systems.

The Ministry of Education is implementing a new Framework for Enhancing Student Learning. The district will be reviewing its current practices and researching best practices on building effective school and district planning processes.

The Ministry is also implementing new curriculum and has made amendments to the School Calendar Regulation. Additional hours of non-instructional time have been added to provide teachers with an opportunity to participate in discussions and activities relating to the implementation of the new curriculum.

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.

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. At this point, government has communicated that there will be no additional funding except for funding the Teacher and Support staff negotiated union collective agreements.

The Ministry will be announcing preliminary operating grants on or before March 15, 2016 for the 2016/17 school year. The Ministry is also required to announce any changes to the Funding Allocation System at that time.

The provincial funding to districts is distributed through a Funding Allocation System that contains a number of formulae. The Ministry is currently determining how to incorporate the additional funding for the collective agreement changes, reviewing the process and calculations of their holdback funding structure, reviewing the location factor funding formula, and reviewing the funding mechanisms for the Funding Protection grants. No other potential changes being considered are known at this point in time.

It is expected that the additional Labour Settlement funding, including the Economic Stability Dividend, will be included in the Funding Allocation System for 2016/17. For 2016/17, our district should be entitled to approximately \$926,000 of additional funding to help offset the costs of the negotiated teacher and support staff agreements.

The Ministry of Education reduced funding to school districts and directed boards to find administrative savings to offset these reductions in funding. In total, the Ministry is to reduce our funding by \$813,759 over two years. The reduction for administrative savings was \$437,019 in 2015/16 leaving an additional \$376,740 reduction in funding for the 2016/17 school year.

Based upon our current enrolment and the current funding formulae, our district's revenue from the Funding Allocation System should increase by approximately \$549,260 for 2016/17.

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 operating revenue change at this point is projected at \$549,260.



Surplus

The adoption of the 2015/16 Amended Annual Budget is scheduled for February 24, 2016. At this point, no surplus is anticipated from the current 2015/16 school year to support the 2016/17 Budget.

Projected Net Budget Position

The combination of \$1,354,000 in projected cost pressures along with a projected revenue increase of \$549,260 results in a **projected budget shortfall of \$804,740** for the 2016/17 school year. This is a result of government not funding cost pressures and reducing school district funding for non-instructional programs and services.

Next Steps

The Board is required to approve an annual budget on or before June 30, 2016 for the 2016/17 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 a preliminary 2016/17 budget development timeline.

The district should develop guiding principles and budget criteria to support the budget development process.

Options and strategies will be identified and developed to address the net budget position to ensure a balanced budget while helping achieve our mission, goals and objectives. Through a review of existing budgets reductions may be available to offset the majority of this shortfall without reducing programs and services.

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.

The Board will be establishing other opportunities for the DPAC, First Nations representatives, and Union representatives to discuss the budget development with the Board. 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.



2016/17 Preliminary Budget Development Timelines

December 16 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - 2016/17 District Budget Report provided
January 13 (Wednesday) 4:00pm @SBO	<ul style="list-style-type: none"> • Closed Committee Meeting * - Preliminary Budget Discussions
January 27 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
February 10 (Wednesday) 4:00pm @SBO	<ul style="list-style-type: none"> • Closed Committee Meeting * - Preliminary Budget Discussions
February 24 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
February 25 - April 6	<ul style="list-style-type: none"> • Public Input to the Board through the district Web Site: www.sd22.bc.ca
March 16 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Budget Update
March / April	<ul style="list-style-type: none"> • Trustees meet with PACs and Community groups for budget information/discussion • School District Employee Budget Meeting • DPAC Budget Meeting • First Nations Education Council Meeting
April 13 (Wednesday) 4:00pm @SBO	<ul style="list-style-type: none"> • Closed Committee Meeting * - Final Budget Discussions
April 27 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Approve 2016/17 Budget Adjustment Plan - First & Second Reading of 2016/17 Budget Bylaw
May 11 (Wednesday) 4:00pm @SBO	<ul style="list-style-type: none"> • Closed Committee Meeting * - Staffing Update Discussions
May 25 (Wednesday) 7:00pm @SBO	<ul style="list-style-type: none"> • REGULAR BOARD MEETING - Final Reading & Adoption of 2016/17 Budget Bylaw
	* Board may invite individuals and groups to provide input