



## School District No. 22 (Vernon)

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# 2017/18 Preliminary Budget Report to the Board

February 22, 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.

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 2017/18 Preliminary Budget Report on December 14, 2016. This report provides a summary of that information and additional information.

The December 14, 2016 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 2017/18 school year identified to date are:

### **Total salary and benefit costs increases are \$1,166,000.**

- Negotiated CUPE salary and benefits is \$271,000.
- Negotiated teacher salary and benefits is \$651,000.
- Salary and benefit increases for PVPs are \$159,000.
- Salary and benefit increases for exempt staff are \$85,000.

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

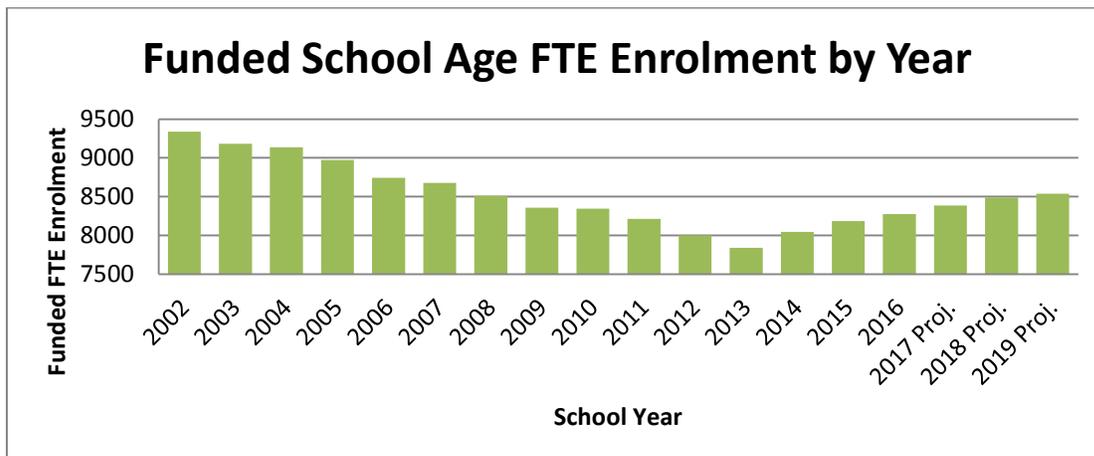
- Medical Services Plan premiums increase of \$35,000.
- BC Hydro increases of \$36,000.
- General inflation is predicted at 2% resulting in additional costs of \$200,000.
- WorkSafeBC premiums will be increasing by \$78,000.

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

## Changing Factors ( Enrolment )

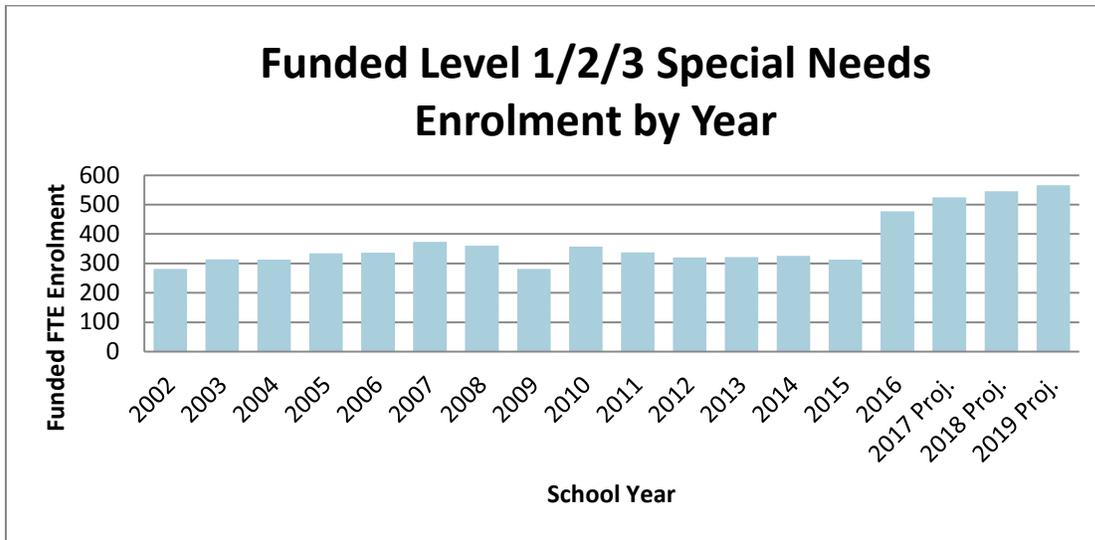
Student Enrolment is the primary factor impacting the number of staff we employ, the number of classrooms and schools we need, and how much funding the District receives from the Ministry of Education.

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. We are projecting our enrolments will increase by 100 students in each of the next two school years, 2017 and 2018, and an additional 50 students in 2019.





The district has improved its assessment and reporting of special needs students who are eligible for funding from the Ministry in Level 1/2/3. Enrolment and funding increased through these efforts in 2016 and are expected to increase slightly in each of the next three years.



### **Other Changing Factors**

The board is in the process of finalizing a District Strategic Plan. The Strategic Plan is expected to be completed and approved by the Board on February 22, 2017. An Implementation Plan will then need to be developed which will help define potential resource allocation needs.

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 be considered an additional cost for 2017/18.

The district has developed a Long Term Facilities Plan (LTFP), has adopted and submitted a Five Year Capital Plan 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.

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 future savings to the school district. The district is participating in a bus optimization project and an energy management project.



Based upon the Supreme Court of Canada decision, BCPSEA and the BCTF have reopened the collective agreement and the parties are bargaining from the restored language.

Implications of this restored language can be categorized in four areas; local process language, non-enrolling ratios, class size, and class composition.

Local process language outlines processes for determining staffing, student placement and other issues. This will likely increase administration time and costs and possibly increase disputes over the interpretation and application of the processes.

Non-enrolling ratios determine the minimum number of teachers the district must employ for Library, Counselling, Learning Assistance, Special Education Resource, and English as a Second Language support. The district will need to determine where they are under and over these ratios and make decisions regarding any increases and/or decreases from these areas.

Class size language determines the number of students the district is permitted to have in individual grades and classes. A reduction in class size limits would impact the number of divisions and course offerings.

Class composition includes staffing and student placement issues pertaining to situations such as the number of students with special education needs that may normally be integrated at the same time into any one regular classroom. This may also impact the number of divisions and course offerings.

In addition to staffing costs related to collective agreement changes, the district expects issues related to the available space in individual schools. The number of divisions required will increase from any reductions in class size which will increase the number of classrooms required.

The school district may be required to change catchment areas, restrict student transfers, and /or add portables to accommodate any changes. Short term changes may be required while the Board's established committees to review potential boundary and program location changes and to review the district's alternate program structure complete their deliverables.

At this time, bargaining continues and no projected costs have been identified or quantified for these factors. The district will need to implement strategies to ensure sufficient flexibility to achieve a balanced budget. Notice will need to be given to facilitate potential staffing changes to comply with collective agreement provisions regardless of the level of funding that is provided from the Ministry of Education.

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 is expected to present its budget on February 21, 2017. This budget will include 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, 2017 for the 2017/18 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 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 cover costs associated with any restored language in the teacher's collective agreement. Costs of these increases have not been determined and no estimate of revenue is provided at this time. The Ministry currently provides our school district with \$1,224,334 through the Teacher Education Fund and recently provided Priority Measures funding of \$768,040 (\$1,536,080 annualized). This funding may likely be required to support the implementation of any restored language.

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

It is expected that additional Labour Settlement funding, including the Economic Stability Dividend, will be included in the Funding Allocation System 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 salary and benefit increases.

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 has submitted an application for the Rural Education Enhancement Fund and should be notified of the status of the application by March 15, 2017.

The district also receives Ministry operating funding outside of the Funding Allocation System for Pay Equity, Carbon Tax and BC Education Plan. Other revenue is received through the rental and leasing of properties, investment income, and other miscellaneous items.

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



## **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.

**This projection is based upon an expectation that government will be fully funding the costs of negotiated labour settlements and fully funding the costs of any staffing required from the reopening of the collective agreement and the restored or amended language.**

## **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.

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. As further information becomes available, analyses will be required to determine potential impacts.

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



## 2017/18 Preliminary Budget Development Timelines

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