



2016/17 Budget Update to the Board

April 12, 2016

Introduction

The purpose of this report is to outline the budget process for the 2016/17 fiscal year and identify a number of potential budget options for the Board of Education of School District No. 83 (the Board) to consider to address the financial challenges projected for the next fiscal year.

No recommendations are being made related to these options at this point.

Annual Budget

As is required by the *School Act*, the Board prepares and adopts an Annual Budget on or before June 30th of each year.

The Annual Budget is a consolidation of three separate funds which are restricted for certain purposes.

Operating Funds are for the educational programs and services delivered to students and other support services. This is the majority of the school district funding and provides for the salary and benefit costs of our employees and other services and supplies related to the ongoing operations of the school district.

Special Purpose Funds are restricted and targeted for certain purposes. They can only be used for specific programs and approved expenses. These include funds such as Strong Start, Ready Set Learn, Special Education Equipment, Federal French, Community LINK, Annual Facilities Grants, School Generated Funds, and Learning Improvement Funds/Education Funds.

Capital Funds are segregated and used for the renovation, replacement and purchase of property, buildings, buses, vehicles, furniture and equipment.



2016/17 Annual Budget Process

A Budget Advisory Committee was struck in December 2015. The purpose of the Committee includes the following:

1. To advise the Board of Education on the allocation of the operating budget to various programs and services to best meet our student needs within variable revenues;
2. To provide the Board with representative advice on budget issues and implications of proposed changes;
3. To provide advice on new priorities and emerging opportunities;
4. To provide a forum for open communication and understanding of the budget;
5. To assist in the effective communication of financial issues and decisions throughout the district.

The Budget Advisory Committee Guiding Principles and Budget Development Timelines (as approved by the Board) are attached.

The Committee has met three times since January. Committee work to-date has included reviewing budget suggestions from the Town Hall Meetings (held in January), identifying cost pressures of the district, and discussing/providing feedback on proposed reductions and revenue generating ideas to address budget pressures.

Enrolment

Schools are currently projecting enrolment to be down by only 38 FTE students in 2016/17.

Revenues

The primary source of operating revenue to the district is provided by the Ministry of Education through a Funding Allocation System.

The Funding Allocation System allocates the operating grants using individual district enrolments and specific factors that apply to each school district.



The operating grants are calculated based on estimated enrolment data provided by school districts. The operating grants are updated based on actual enrolment and other data collected from school districts throughout the school year.

Funding Protection is an additional amount provided to eligible school districts to ensure that districts are protected against any funding decline larger than 1.5% when compared to the previous September.

Funding Protection is determined by comparing the total recalculated operating grants from the September of the previous school year to total September operating grants for the current year. For districts where declines exceed 1.5%, Funding Protection will provide additional funding in an amount that ensures the year-to-year decline is no greater than 1.5%.

The district continues to receive Funding Protection - for the 2016/17 school year, the district is projected to receive approximately \$297,000 in Funding Protection.

Included in the total operating grant in 2016/17 is additional funding provided to school districts over the last few years to help offset the additional costs of the recently negotiated teacher and support staff collective agreements.

The provincial government also applies a reduction to the funding for “administrative” savings.

No additional funding has been added to the system to cover the additional cost pressures that school boards continue to face, such as MSP or BC Hydro rate increases.

Estimated operating revenue is now projected to be down \$827,440. The full year estimated operating grant from the Ministry is estimated at \$58,824,818 for the 2016/17 school year.

Expenditures

The district has been projecting the costs of providing existing services into the next year (salaries, benefits, utilities, etc.) and determining the factors that will change (student enrolment, contract changes, legislative changes, program changes, one-time items, etc.).

Total preliminary cost pressures remain at an amount of approximately \$1,000,000.



Net Operating Budget Position

The combination of approximately \$1,000,000 in additional cost pressures and a projected revenue decline of approximately \$830,000 results in a **projected operating budget shortfall of \$1.9 million for the 2016/17 school year.**

Considerations

The 2016/17 Annual Budget will include a number of projections and assumptions, as the 2016/17 school year has not yet commenced. Student enrolment is finalized as at September 30, 2016, with subsequent February and May counts. Funding from the Ministry is recalculated in December after actual September enrolments are known and staffing levels and other variables are adjusted.

Next Steps

Attached is a summary of the decisions made by the board to balance the 2015/16 operating budget.

The preliminary budget options for the 2016/17 year are being provided for the board's consideration to help address the financial challenges projected for the next fiscal year.

No recommendations are being made related to these options at this point.

Based on the feedback collected over the next month, the Budget Advisory Committee will continue to develop a list of recommendations for the board to consider at the Committee of the Whole Meeting in late April/early May.

Potential Options for Budget Changes

The Board was required to make budget reductions totaling \$1.7 million in 2015/16 to achieve a balanced budget. Information on these reductions is included in the 2015/16 Budget Report to the Board, May 12, 2015.

At this point, it is projected the board will be required to reduce expenditures by an additional \$1.9 million for the 2016/17 school year.



The board has received feedback over the last few years on how to address budget pressures. While responses have included comments regarding what the district was doing well, they also included suggestions to start charging families a bussing fee, school closures and consolidations, administrative efficiencies, and professional development reductions/restructuring.

The operating budget covers an extensive number of programs, services and departments that all support the mission, vision, goals, and core values, of the Board and the district as a whole.

All aspects of the district are subject to review and need to be considered as part of the budget development process. Legislative requirements and other contractual requirements, including employee collective agreements and other employment contracts, require the board to maintain certain programs, services and staffing levels with corresponding budget requirements.

The document attached provides financial information on changes approved for the 2015/16 year and projections and potential budget changes for the next two years.

While the information for two years should help the planning process, the board is only required to approve changes that will facilitate the development of a balanced budget for the 2016/17 school year.

It should be noted that the document attached includes a number of options for reductions in different areas, as well as the consideration of elimination entire programs. These programs are currently under review and recommendations will come out of these reviews over the next few weeks.

The information provided below is to help explain and give information regarding some of the components of the *potential budget changes* document.

A – Revenue

Based on the March 2016 Estimated Operating Grant announcement, revenue is expected to decline by \$837,000 in 2016/17.

The district has put aside funds to pay for the PVP/exempt salary increases – for the 2016/17 year, this amount will be approximately \$105,000. These funds will offset the associated cost pressure.



B – Cost Increases (Decreases)

Costs are projected to increase by \$1.2M in 2016/17, resulting in a Budget Reduction in the amount of approximately \$2M.

Section B – Cost Increases (Decreases) outlines a number of areas where the school district costs are projected to change and are outside the control of the school district.

C – Enrolment Decline Reductions

This section outlines budget changes that typically happen as a direct result of changing enrolments. These reductions do not typically impact the level of service provided. If enrolment declines, the district allocates less staff and less school supply funds. If enrolment increases, the district allocates more staff and more school supply funds.

While Learning Resource Teachers and Education Assistants are partially linked to overall student enrolment, they are often related to the number of special needs students. It is reasonable to assume that special education enrolment is expected to decline when the overall student population declines.

The average total cost of a teacher is around \$100,000. Based upon the current projected enrolment decline of 38 FTE, it is estimated that regular teacher and LRT staffing would be reduced by approximately 1.5 FTE teachers. Other staffing level changes as a result of student decline would have additional savings. Service and supply allocations that are related to student enrolment will also be adjusted.

Total enrolment decline reduction savings are estimated at \$205,000.

D – Instruction Program Changes

1. The proposed reductions including S.L.P. time, Deaf and Hard of Hearing Teacher time, and the Gifted program are recorded for consideration as a "default" recommendation. Learning Resource Teacher time, school counselling and Education Assistant time have received cuts yearly and to cut these services any further would directly impact service delivery to our students on a day to day basis in our classrooms. Considering the associated reduction in positions is a difficult task as these supports can directly impact a student's progress in a classroom- i.e. SLP- and a student's ability to communicate, Gifted- and an at-risk student's ability to realize their potential, Deaf and Hard of Hearing Teacher



- time- a student with hearing loss will not have as regular a 1:1 support from these teachers. All of these services are valued and are a part of a team approach to meet the needs of our unique and/or special learning population. Often a classroom of 25-30 and possibly an EA does not meet all the needs of all the students in the classroom.
2. The district's Learning Intervention / Literacy programs are funded through both operating funds and the district's special purpose Education Fund (Learning Improvement Fund). These reductions reduce the positions funded through operating funds at 4 schools.
 3. The district's Alternate Programs have been reviewed and closures to the two Early Intervention Programs and the two Junior Programs are being recommended to occur. The funding currently allocated to the Alternate Programs will be redirected into LRT behavior support in neighborhood schools – resulting in minor cost savings.
 4. A review of the work being performed by teacher librarians is currently being undertaken to determine the clerical components of the work.
 5. The district's Career Program has been identified for review.
 6. Through attrition, the district has lost two Mental Health Counsellors, which (if not replaced) will save the district approximately \$120,000. The district may choose to replace the Mental Health Counsellors with Social Workers, at a lower cost of \$80,000 – net savings of \$40,000. The service provided will not be equivalent to that of a Mental Health Counsellor.
 7. The district's Education Outreach Program (Distributed Learning) has been identified for review.
 8. The district provides supplemental teacher staffing at two of the secondary schools (over and above the staffing allocation). This reduction would remove that support. Administrators at these schools feel this supplement time is critical to the delivery of a small secondary educational program.
 9. If the district moves forward with an updated technology framework, there is a contractual requirement to provide teachers with in-service training to ensure they are adequately trained to use the new technology. These costs have been estimated to be approximately \$35,000.



10. In the previous year, middle school administrative time was reduced from 1.2FTE to 1.11FTE. It is recommended that this reduction be restored.
11. The district would like to put a Numeracy Program in place. The addition of a Numeracy Program would have a significant impact on students at all levels that are struggling with math (modeled similar to the district's current Literacy Program). The program would require one teacher and some support hours at an estimated cost of \$130,000.

E– Admin / Operations / Transportation

1. Management staff from all departments have done an in-depth review of their services and supply budgets. Each department has identified potential reductions that could be made.
2. Although contractual, Central staff employees have agreed to a potential reduction in their Pro-D budgets.
3. The district is currently reviewing its administrative structure. Information is being collected from other districts for comparative purposes. Four district administrative positions are identified for potential reduction. Other changes being considered may result in additional reductions or a realignment of responsibilities involving Human Resources and Technology departments.
4. Principal administrative time would be reduced from a minimum of 0.6 FTE to a minimum of 0.5 FTE.
5. Restoration of legal budgets, previously reduced to zero.
6. Cost pressure of \$20,000 to recruit an HR Manager (HR Officer recruitment process was unsuccessful).
7. The district has had to appoint new financial auditors – cost pressure of \$15,000.
8. The Ministry is implementing a shared service for Purchasing/Procurement. If successful, the district should be able to reduce its purchasing staff.
9. Through attrition, the district has chosen not to replace the Operations Maintenance Planner position for a savings of approximately \$100,000. This will be offset by a small cost of approximately \$8,000 to increase the duties and



responsibilities of some of the current Operations staff – net savings of approximately \$92,000.

10. The district incurs a number of water utility bills from local governments to water and maintain our fields. The fields are typically used by the community during the summer more than for school purposes. Either a reduction in billings should occur or a reduction in water consumption and maintenance should occur.
11. Board Governance includes 9 elected trustees and a 0.6 FTE communication staff. The board has been elected for a four year term. Any changes to the number of trustees that would result in savings are outside the three year projections.
12. This proposal would see the implementation of a bus fee being charged to all students riding district buses. A number of districts have implemented the charging of fees with varying levels of success. If supported, a fee schedule would need to be developed. The revenue amount of \$350,000 is based upon 2,000 riders at \$200 per year, less \$50,000 to administer the initiative.
13. No budget changes have been identified for these three issues. If supported, the district could review these items for consideration in 2017/18.

F– LTFP Long Term Facilities Plan

Any of the current recommendations approved for implementation in 2016/17 would be included in the 2016/17 budget.

G – Program Enhancements / Other Costs

This section includes the costs of implementing the technology recommendations from the district’s Education Technology Framework report and an upgrade to the district’s Finance/HR/Payroll software.

H – Budget Changes

The total identified potential FTE and financial changes resulting from all the items in the document and presented for consultation with no recommendations at this time.



I – Surplus / (Deficit) Position

This line shows the variance between what is required and what is identified as potential changes. Currently, more reductions are identified in 2016/17 than required to balance the budget.

Special Purpose Funds

The district receives special purpose funding for a number of programs, including Strong Start, Ready Set Learn, Community LINK, Special Education Equipment, Federal French, Annual Facilities Grants and Learning Improvement Funds.

These grants are externally restricted and must be spent according to specific expenditure guidelines. These programs typically operate within the additional funding provided, and any changes to funding results in changes to the programs and services. There is no impact on the operating budget unless the board subsidizes or maintains these programs and services if the special purpose funding is reduced or eliminated.

Capital Funds

The board continues to dispose of a number of surplus properties. Disposing of these properties provides opportunities to reduce maintenance and utility costs associated with these properties. Current properties for sale include the old Board Office, North Canoe Annex and South Canoe School.

Proceeds from property disposals must be deposited into the board's capital fund accounts and are not available to support ongoing operating expenditures. Local Capital funds are internally restricted to support capital projects that are not otherwise supported or funded by the Ministry of Education.

Conclusion

The Board can receive feedback on these options over the next month and develop additional options for consideration. The Board is also proceeding with a number of public consultation processes related to the Long Term Facilities Plan.

Based on the feedback collected over the next month, a list of recommendations for the board to consider will be provided to the Board at a Committee of the Whole meeting in late April/early May. At the May 10, 2016 Regular Board Meeting, the board will adopt a balanced budget for the 2016/17 school year to meet their legislative requirements.

SCHOOL DISTRICT #83 - BUDGET CHANGES

	Approved 2015/16		Potential 2016/17		Potential 2017/18	
	FTE	\$'s	FTE	\$'s	FTE	\$'s
Projected September FTE Enrolment (Includes Alternate / DL)	5,950		5,912		5,900	
STUDENT ENROLMENT DECLINE	84		(38)		(12)	
A REVENUE						
Funding Allocation System (FAS)						
Enrolment Decline		\$ (984,000)		\$ (837,000)		\$ (700,000)
Savings - PVP/Exempt				\$ 105,000		
FAS Change	-	(914,035)	-	(732,000)	-	(700,000)
Other Revenue		(70,000)		(50,000)		(30,000)
REVENUE CHANGE		\$ (984,035)		\$ (782,000)		\$ (730,000)
B COST INCREASES (DECREASES)						
Teacher Wage Increases		\$ 165,000		\$ 305,000		\$ 215,000
CUPE Wage Increases		131,000		90,000		\$ 190,000
PVP / Exempt Staff Wage Increases		70,000		105,000		\$ 105,000
Economic Stability Dividend				153,000		
Substitute Wage Increase		28,000		24,000		\$ 31,000
Average Teacher Salary Increase		100,000		100,000		100,000
Teacher Pension Plan - rate decrease				(84,500)		
Medical Services Plan		28,000		31,500		
Other Benefit Increases		36,000		130,000		35,000
Benefits - Dual Coverage				30,000		
Utility Increases		37,000		60,000		
Trustee Elections		(25,000)		10,000		
Next Generation Network (NGN)		195,000		-		
Contingency				200,000		
COST INCREASES		\$ 765,000		\$ 1,154,000		\$ 676,000
BUDGET REDUCTION REQUIRED		\$ (1,749,035)		\$ (1,936,000)		\$ (1,406,000)
C Enrolment Decline Reductions						
School PVP Time	(0.10)	\$ (10,000)	(0.05)	\$ (5,000)	(0.05)	\$ (5,000)
School Supply Allocations		(20,000)		(10,000)		(10,000)
Classroom Teachers	(4.00)	(400,000)	1.00	(100,000)	(2.00)	(200,000)
Learning Resource Teachers	(1.00)	(100,000)	(0.50)	(50,000)	(0.50)	(50,000)
Education Assistants	(2.00)	(85,000)	(1.00)	(40,000)	(1.00)	(40,000)
School Clerical / LHS						
Enrolment Decline Reductions	(7.10)	(615,000)	(0.55)	(205,000)	(3.55)	(305,000)
D Instruction Program Changes						
Adult / CE Program						
Alternate Program Teachers	(1.00)	(100,000)				
School Supply Allocations						
Crossing Guards						
Family Life						
Counselling Teachers						
Library Teachers						
1 Speech Language Pathologists			(0.60)	(60,000)	(0.50)	(50,000)
1 Deaf/Hard of Hearing	(0.60)	(60,000)	(0.40)	(40,000)		
Students Services Helping Teacher	(0.20)	(20,000)				
1 Gifted			(0.80)	(80,000)		
Family School Liason (LINK)	(0.35)	(29,750)				
Grief Counsellor (LINK)	(0.21)	(14,000)				
Healthy Living Coach						(35,000)
2 Literacy Intervention Teachers	(0.80)	(80,000)	(2.40)	(240,000)	(1.00)	(100,000)
Secondary Literacy Teacher	(0.14)	(14,300)				
Literacy Helping Teacher					(0.20)	(20,000)
District Honour Choir Teacher	(0.10)	(10,000)				
Learning Resource Teachers					(2.00)	(200,000)
Education Assistants	(4.00)	(170,000)				
3 Alternate Program Reconfiguration				(150,000)		
Secondary Staffing - Classes under 20	(1.00)	(100,000)				
4 Library Program				(758,000)		
4 Library Program - technicians			6.00	300,000		
Late French Immersion						
5 Career Program				(600,000)		
6 Mental Health Counsellors			(2.00)	(120,000)		

SCHOOL DISTRICT #83 - BUDGET CHANGES

	Approved 2015/16		Potential 2016/17		Potential 2017/18	
	FTE	\$'s	FTE	\$'s	FTE	\$'s
6 Social Workers			2.00	80,000		
7 DL - Education Outreach Program				(350,000)		
8 Small School Supplement - Teachers			(4.75)	(475,000)		
9 In-Service - Technology				35,000		
10 Middle School Admin Time			0.09	10,000		
11 Numeracy Program - teacher and support			1.20	130,000		
Instruction Budget Changes	(8.40)	(598,050)	(1.66)	(2,318,000)	(3.70)	(405,000)
E Admin / Operations / Transportation						
Substitute / Replacement Budgets						
1 Board Governance Services and Supplies		(2,000)		(2,000)		
1 Ed. Admin Services and Supplies		(10,000)		(120,000)		
2 Ed. Admin Pro-D				(8,000)		
3 District VP - Early Learning	(0.20)	(20,000)	(0.10)	(10,000)	(0.20)	(20,000)
3 District VP - Music					(0.60)	(60,000)
3 District VP - Careers	(0.10)	(10,000)				
3 District Admin. - Student Services					(0.50)	(50,000)
3 District Administrative Structure						
4 PVP Admin Time Change					(0.80)	(80,000)
School Clerical (12 to 10)	(0.62)	(28,000)				
District Music Clerical	(0.14)	(6,429)				
District Student Services Clerical	(0.80)	(36,000)				
1 Business Admin Services and Supplies		(90,000)		(20,000)		
2 Business Admin Pro-D				(2,500)		
5 Business Admin Legal / Insurance		(35,000)		20,000		
6 Business Admin - HR				20,000		
7 Business Admin - Audit				15,000		
District Furniture and Equipment		(30,000)				
8 District Purchasing Staff					(0.50)	(26,000)
District Administrative Payroll Staff	(0.50)	(26,000)				
Operations Services and Supplies		(35,000)				
Maintenance Project work						
9 Maintenance Grounds Staff	(1.00)	(58,000)	0.14	8,000		
Maintenance Manager	(1.00)	(100,000)				
Maintenance Carpenter	(1.00)	(72,000)				
Maintenance Electrician	(1.00)	(72,000)				
Maintenance Painters	(2.00)	(144,000)				
Maintenance Clerical	(0.57)	(27,000)				
10 Water Utility Costs						(20,000)
Operations - Closed Classrooms		(184,556)				
9 Operations - Maintenance Planner			(1.00)	(100,000)		
1 Transportation Services and Supplies		(30,000)		(58,000)		
11 Trustee Variation						
12 Charging Bus Fees						(350,000)
13 International Education						
13 Increase School Rental Fees						
13 Implement four day school week						
F LTFP/School Reconfigurations - Potential Changes						
North Shuswap K - 8 (Bus Run)				(50,000)		
Falkland K - 8 (Bus Run)				(50,000)		
Other recommendations						
Admin / Operations / Transportation	(8.93)	(1,015,985)	(0.96)	(357,500)	(2.60)	(606,000)
G Program Enhancements / Other Costs						
Annual Software		100,000				
1 One Time Technology Enhancements		380,000		(380,000)		
Finance/HR/Payroll Software Upgrade				100,000		
Program Enhancements / Other Costs	-	480,000	-	(280,000)	-	-
H BUDGET CHANGES	(24.44)	\$ (1,749,035)	(3.17)	\$ (3,160,500)	(9.85)	\$ (1,316,000)
I SURPLUS / (DEFICIT) POSITION		\$ (0)		\$ 1,224,500		\$ (90,000)