



# Budget Process & Assumptions

Budget 2017-18

April 11, 2017

## Overview

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With the development of the new strategic plan under the *Directions 2020* goals and objectives, the Board of Education requested that the Finance Committee undertake to review the budget process to determine:

- a) how improved information about programs, initiatives and issues could be provided to the public; and
- b) how the Board could receive information from Partner Groups in advance of the April budget presentations such that they could be appropriately considered and incorporated into the draft budget.

In order to address the above, Management undertook a review of budget presentations from the past two years and prepared a list of various topical presentations to be made to the Board during Public Board meetings as a lead up to the April budget presentations to be made by Finance staff.

## Board of Education Presentations

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Below is a list of Presentation Topics that were made to provide additional information to the Board and the public about programs, initiatives and issues influencing the District and the 2017-18 budget proposal.

Board Meeting	Presentation Topic
January 10, 2017	Aboriginal Education
	Trades & Transitions
	Revised Curriculum
January 24, 2017	Framework for Enhancing Student Learning
	Learning Services: Speech Pathologist/School Psychologist Update
February 7, 2017	Substitute Reporting
	Maintenance Department Update
February 21, 2017	Music Education
	School Counsellors
	Learning Services Programs
April 4, 2017	Governance & Financial Accountability Report
	Teacher Mentoring
	Inclusion Support Team

## Partner Group Meetings

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In addition to the above presentations, the Board undertook to meet with each of the Partner Groups' Executives to engage with them and listen to their suggestions on how the budget process could be improved and what changes they would like to recommend.

The recommendations of the Partner Groups were shared with the District Leadership Team and taken into consideration when developing the 2017-18 proposed preliminary budget.

## Restoring Collective Agreement Language

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This year the budget process is more complex resulting from final funding levels related to the Supreme Court of Canada's ruling that required the restoration of 2002 language into the teachers collective agreement and the resulting *LOU #17 Education Fund and Impact of the Court Cases – Final Agreement* ('LOU#17') reached between BCPSEA and the BCTF.

The Ministry of Education has indicated they will provide funding to meet the full requirements of the restored language through a new grant titled: **Classroom Enhancement Fund**.

The fund will be initially seeded through:

- \$80 million from the LIF/EF fund. This program for teachers is discontinued effective for 2017/18. The allocation formula (previously based on a per student basis) will be determined, on an initial basis, on individual school district need as established by Ministry staff with BCPSEA input.
- \$100 million (annualized from the 2016/17 half year priority measures interim funding).

Additional funding will be provided to each school district based upon their specific requirements to fulfill their school district restored collective agreement obligations.

Coquitlam will receive \$16.940 million, however it is not clear that this will fully fund the collective agreement requirements or associated incremental overhead costs such as custodial, supplies, TTOCs, benefit costs, etc.

The Ministry of Education staff understand that determining the full impact of implementation will take a number of months and confirm that 2017/18 is a transition year. If the incremental funding is not sufficient, school districts are expected to document the shortfall and make application for additional funding.

The Ministry of Education also understands that there are ancillary costs not only in administering the collective agreement and associated remedies, but incremental costs in other

areas i.e. custodial, supplies, etc. These additional elements will be considered for supplemental funding if adequately supported.

Because of the uncertainty, we have prepared the base budget consistent with past years and will overlaid estimated funding and associated expenditures resulting from this issue.

Our initial estimates are funding for 170 FTE teachers – 43 from the EF funding, 65 from the priority measures funding and 62 FTE from further additive funds. A preliminary staffing 'needs' budget will be prepared for April 28, 2017 Ministry of Education requirements. It will not be known until classes are organized in September 2017 if this meets the needs of the School District to fulfill its obligation under the collective agreement.

The Classroom Enhancement Fund will be captured as a special purpose fund and not impact operational accounts directly. This is some impact associated with a reduction in daycare revenues, and - as a result of the timing between receipt of these additional funds and the expenditure outlay – some impact on investment revenues.

## Assumptions - Operating Budget

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### 1. Overview

Preparation for the 2017-18 budget begins by utilizing the 2016-17 amended budget as the initial basis starting point.

The amended budget is adjusted back to a “base budget” by removing one-time expenditures. Adjustments are then made to the base budget for any contractual and statutory requirements, forecasted enrolment changes and changes to other revenue accounts, including International Education. The net total of all adjustments including prior-year surplus allocations, plus any incremental grant funding considerations then determine the funds available for budget enhancements including staffing increments for the proposed year

The detailed assumptions have been incorporated into the proposed 2017/18 preliminary budget.

### 2. Enrolment

Enrolment numbers have been adjusted to reflect the School District's February 15<sup>th</sup> submission of “*Estimated Enrolments for 2017-18*” to the Ministry of Education.

### 3. Revenues

Grant revenues have been adjusted to reflect February 15<sup>th</sup> enrolment numbers.

Grant revenues have also been adjusted to reflect the increased student grant amount which provides for contractual wage and compensation increases, as well as increases to fund wages resulting from the economic stability dividend outcome.

Grant revenues have been adjusted to reflect the anticipated decrease in the teacher salary differential as a result of an increased number of new teachers being on-boarded, which is decreasing the average teacher salary wage.

One-time grant revenues have been removed. Any unspent funds from the Student Learning Grant will be captured as a Board Restricted Surplus at the June 30, 2017 year-end.

International Education revenues have been adjusted to a base level of 1,500 students: 100 more than 2016/17. This is consistent with our measured approach to not create a financial reliance on IE revenues until they are realized, and then to utilize any incremental net funds in subsequent years as part of the multi-year sustainability policy adopted by the Board.

Continuing Education revenues are expected to remain consisted with the current year 2016/17 budget and outcomes.

Increments to investment revenues have been made in proportion to additional cash on hand as estimated throughout the 2017-18 year.

Rental revenues have been adjusted to remove daycare revenue in those schools where it is necessary to reclaim classroom space to meet requirements under LOU #17.

Miscellaneous income has been adjusted to remove one-time revenues received in the current year and not anticipated to be repeated.

#### **4. Staffing Levels**

Given the concern regarding potential teacher shortages, it is our intention to **not** lay off any teachers this year. We believe this is an appropriate risk to undertake in order to ensure that the School District maximizes its retention of teaching staff. This will allow the District to continue providing a full range of educational offerings to our students while producing a balanced budget without sacrificing stability and sustainability.

##### Teacher Staffing: (-24.32 FTE)

- Reduce 11.65 FTE – resulting from a decline in projected enrolment
- Reduce 22.37 FTE – resulting from an adjustment of International Education enrolment to a base of 1500 combined with a projected increase in Summer Learning revenue and reduced medical fees. Once international education enrolment is confirmed, adjustments will be made to the number of teaching positions required to maintain teacher to student staffing ratio.

- Add 9.70 FTE – resulting from budget proposals to enhance current staffing by adding and reallocating teaching positions as follows:
  - Retention of 2.1 Tech Support Teachers, 2 Learning Support Teachers, 2 School Psychologists and 1 Speech Language Pathologist
  - Addition of 1.1 School Psychologist positions and 1 Speech Language Pathologist
  - Transfer of 1.5 Coordinator positions from Special Purpose Funds
  - Reduction of 1.0 regular school teaching position

Support Staff: (+1.5 FTE)

- Transfer 0.5 Clerical position from Strong Start to the Operating Budget
- Add 1 Delivery/Grounds person for improved delivery service and coverage required for illness and vacation of current staff

Education Assistants and Youth Workers: (+6.86 FTE)

- Add 10 FTE EA positions for projected net increase in Special Needs Students
- Reduce 1.14 EA positions associated with PLEA funding
- Transfer 2.0 FTE YW positions to Community LINK

Education Assistant FTEs have been increased by 10 FTE consistent with the anticipated enrolment increase and consistent with historical calculations on an hour per student basis.

Administration: (+1.0 FTE)

- Add 1 Vice Principal at Moody Middle to support enrolment growth, programs of choice (French Immersion and School of the Arts) and new reopening.

Other Professionals: (+0.9 FTE)

- Add 1 Safety Coordinator position to proactively address workplace injuries and assist with large volume of claims
- Reduce HR recruiting manager position from 0.6 to 0.5 FTE

## 5. Expenses

### Salaries

All Salary lines have been adjusted to reflect changes in Staffing levels.

Teacher salaries have been incremented by 0.35% effective May 1, 2017, 0.5% effective July 1, 2017 and 1% effective May 1, 2018 consistent with the Collective Agreement. Teacher salaries have also been incremented to reflect step increases on the teacher salary grid.

Exempt staff (Principals, Vice Principals and other professionals) salary increases are not funded by the Ministry of Education. The School District has set aside funds to allow for a 3% wage increase.

Education Assistant and Support staff wages have been increased by 1.35 % effective May 1, 2017, 0.5% effective July 1, 2017 and 1% effective May 1, 2018, consistent with contractual wage and economic stability dividend increases.

Substitute expenditures are expected to remain consistent with the 2016-17 budget and will be budgeted at the same level as the 2016-17 amended budget. To compensate for the potential shortage of teachers teaching on call, some teachers teaching on call will be hired on a continuing contract basis, especially those with specialized degrees.

### Benefits

All benefit lines have been adjusted to reflect changes in staffing levels.

CPP rates are determined on a calendar year basis. Rate levels are known for the first six months of the school year to December 31, 2017 and have been increased by 4% for the second six months, consistent with historical trends.

Employment Insurance rates are determined on a calendar year basis. Rate levels are known for the first six months of the school year to December 31, 2017 and have been increased by 2% for the second six months consistent with normal historical trend. Note: rates decreased in 2017 – the first time in many years.

Medical Service Plan (MSP) rates are determined on a calendar year basis. Rates are known for the first six months of the school year to December 31, 2017. Effective January 1, 2018, as announced by the Provincial Government in its February 21, 2017 budget, MSP premiums will be reduced by 50% for households with income up to \$120,000. Employers who are paying a portion or the entire MSP premium should benefit from these savings. However, it is likely necessary for the employee to register with the government to secure these savings. It is not possible to determine the amount of savings at this time and no reduction has been incorporated into the budget.

Work compensation expenditures are known for the first six months of the school year to December 31, 2017, and have been increased by 1% for the second six months.

The Employee and Family Assistance Program (EFAP) rates have been decreased to reflect the new negotiated contract rates with a new benefit provider.

Life insurance expenses have been increased to reflect the new rates that will come into effect July 1, 2017.

The Board has moved to close the Post Retirement Group Benefit Plan to new enrollees effective December 31, 2017. These funds are the source funding for current discussions with CUPE on transitioning to the Municipal Pension Plan or lacking an agreement, to make regulatory required solvency funding payments. As a result, all but \$400,000 of these funds have been fully retained in the budget to service the final outcome.

All other benefit costs have been held at the 2016-17 budget levels.

## **6. Other Expenses**

Inflationary adjustments to service and supply accounts are generally not incorporated into the budget as grant funding does not provide for inflationary costs.

### Services

One-time expenses for snow removal and other services have been removed.

### Supplies

Reflect an increase for Learning Technology Replacement Initiative. School supply budgets that were incremented by \$400,000 in 2016/17 from one-time non-required utility funds have been reset to the base budget level.

### Transportation

Transportation expenses have been retained at the 2016-17 level with the exception of a small provision for fuel increases.

### Dues and Fees

Reflect increases in fees related to increase in International students.

### Professional Fees & Travel

Retained at 2016-17 levels.

### Insurance

Insurance expenses have been adjusted to reflect the decrease in MSP premium payments for International students.

### Utilities

Utility expenses have been restored to a budget level equal to that of the preceding three years.



The Provincial Government announced in the February 21, 2017 budget that PST on electricity purchases would be eliminated in the upcoming year. Effective October 1, 2017, the tax rate on electricity will be reduced to 3.5% from 7%. Effective April 1<sup>st</sup>, 2019, electricity will be fully exempt from PST. However, effective April 1<sup>st</sup>, 2017 a 3.5% rate increase will be taking effect and on April 1, 2018, a planned 3% rate increase is planned. These planned increases effectively offset any savings resulting from the PST elimination.

Continued utilization of capital funds toward improving energy efficiency in schools has resulted in reducing energy costs such that no additional budget funds to this line item are required.

## **7. Other Considerations**

Debt is assumed to have been paid off in the 2016-17 year which result in un-encumbering approximately \$1.25 million for utilization in the 2017/18 budget.

In accordance with the Board's previous motion pertaining to multi-year stability funding, \$800,000 from the 2014-15 year accumulated surplus has been utilized in the 2017-18 budget. This uses up the remaining balance of the accumulated surplus from 2014-15.

In addition, \$1.35 million of accumulated surplus resulting from the 2015-16 year has been utilized in the 2017-18 budget. This is the second of three installments and one installment remains for use in the 2018-19 budget process.

It is estimated that there will be a surplus arising from the 2016-17 school year. \$1.2 million of the surplus has been utilized in the 2017-18 budget. This includes \$200,000 towards IT computer replacements in schools.

## **Special Purpose Funds**

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### **1. Classroom Enhancement Fund**

SCC – Restored Collective Agreement Language – Impact on Teacher Staffing  
Resulting from the agreement between the BCTF and BCPSEA, the LIF (Educational Fund) has been eliminated and those funds have been incorporated into the Classroom Enhancement Fund. This results in the retention/realignment of approximately 43 teaching positions.

In January 2017 an interim agreement and interim funding of approximately 53 teaching positions were created for 5 months of the 2016/17 school year. These positions have been funded for the entire 2017/18 school year and all positions fully retained. This staffing positions will be incorporated into the Classroom Enhancement Fund and are estimated to annualize at 65 FTE teacher positions.

2. The Learning Improvement Fund has been retained for support staff (Education Assistant positions) only.
3. The Annual Facilities Grant has been fully retained at existing funding levels, however incremental support to NGN will reduce the net amount provided to School Districts.
4. CommunityLink funds have been slightly increased to cover collective agreement wage increments.

## Capital Fund

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The Capital Fund is budgeted to reflect the appropriate recognition of deferred capital revenue and capital amortization expenses as well as a calculated level of interest revenue related to retained capital funds – primarily in local capital.

Lease Revenue associated with closed leased schools has been captured.