



BUDGET ADVISORY COMMITTEE MEETING

Thursday, January 25, 2018
3:00 pm, School Board Office

Committee Members:

Tim Dunford, Chair
Dave Eberwein, Superintendent of Schools
Jason Reid, Secretary Treasurer
Scott Stinson, Assistant Superintendent
Mark Fraser, Assistant Superintendent,
Megan Cimaglia, Director of Finance
Nancy Borden, Trustee

Elsie McMurphy, Trustee
Don Peterson, STA
Christine Gaudet, CUPE Local 441
Gord Redlin, SAA
Karen Fello, SAA
Spencer Gray, SIS
Ashley Sonosky, COPACS

AGENDA

1. Welcome
2. Review timeline and guiding principles (attachments 1 & 2)
3. Review draft committee terms of reference
4. Review Budget Consultation Plan
5. Next meeting: Tuesday, February 27, 3:00-5:00pm

School District No. 63 (Saanich)
2018/19 PRELIMINARY OPERATING BUDGET
TIMELINES / PROCESS

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|-------------|--|
| January | Management develops 2018/19 enrolment projections |
| January 25 | Budget Advisory Committee meeting, 3:00 – 5:00 pm <i>Review timeline, guiding principles, committee terms of reference, and budget process consultation plan.</i> |
| February 6 | Finance, Facilities and Technology Committee meeting <i>Report on work to date</i> |
| February 14 | School Board Meeting, 7:00 pm |
| February 20 | <i>Provincial Budget 2018 released</i> |
| February 27 | Budget Advisory Committee meeting, 3:00 – 5:00 pm |
| March 6 | Finance, Facilities and Technology Committee meeting |
| March 14 | School Board Meeting, 7:00 pm |
| March 15 | <i>2018/19 District funding allocations from government</i> |
| April 4 | Budget Advisory Committee meeting, 3:00 – 5:00 pm |
| April 10 | Finance, Facilities and Technology Committee meeting |
| April 11 | School Communities and Public Budget Meeting at Bayside School, time tba |
| April 18 | School Board Meeting, 7:00 pm |
| April 19 | Management Team working session, 2:00 – 4:00 pm |
| April 25 | Budget Advisory Committee meeting, 3:00 – 5:00 pm |
| May 7 | Committee of the Whole/Special School Board Public Budget Meeting, time tba |
| May 8 | Finance, Facilities and Technology Committee meeting |
| May 16 | School Board Meeting, 7:00 pm <i>Approval of budget and submission to Ministry of Education by June 30, 2016</i> |

Saanich Schools



School District 63 (Saanich)

2018/19 BUDGET GUIDING PRINCIPLES

The Saanich Board of Education will keep support for students at the forefront of its decisions. The Board will be guided in making difficult budget decisions by its values of Compassion, Honesty, Fairness, Respect and Responsibility and its beliefs that:

Public education is fundamental to society and schools must prepare young people as citizens.

Public education is the responsibility of the whole community.

Healthy relationships are the foundation of a successful public education system.

- In establishing the 2018/19 annual budget the Board will, to the greatest extent possible, maintain or enhance programs and services for the students of School District No. 63.
- The Board reaffirms its commitment to the comprehensive student service support model and the goals of the enhancement agreement.
- In reviewing programs and services as part of budget deliberations, the Board will endeavour to support programs in the most effective, cost efficient and culturally appropriate manner.
- The Board is committed to administrative and operational efficiency, and appropriate management of risk including the provision of safe and healthy learning environments and sustainable environmental practices.
- The Board will consider options related to the number, locations and use of facilities and the school calendar.
- The Board recognizes that committed reserves are an important element of sound budget management and will not consider them for offsetting budget challenges.
- As a sound financial practice, the Board recognizes that a contingency reserve is prudent to address unforeseen budget pressures.
- The Board is committed to responsible long term financial planning.
- The Board will continue to review opportunities to enter into additional revenue generating activities.
- The Board is committed to continued advocacy for stable, adequate funding and a fair allocation system.

JR/klg

30November2017



TERMS OF REFERENCE

Purpose

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 provide advice on and assist in the effective communication of financial issues and decisions throughout the district, and beyond.

Membership:

- Finance Facilities and Technology Committee Chair is Chair of the Budget Advisory Committee
- Other Finance Facilities and Technology Committee Trustees
- Executive Staff
- Director of Finance
- Two representatives from school administration (Saanich Administrators' Association)
- Two representatives from Saanich Teachers' Association
- Two representatives from CUPE 441
- Two representatives from COPACS
- One representative from SISP

Meetings are public and gallery seating will be available for non-members.

Meetings:

To meet at least three times between January and May.

Report To:

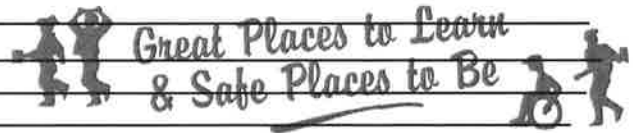
Finance, Facilities and Technology Committee of the Board.

Indicators of Success:

- All members are aware of the contents of the operating budget and communicate positively about that understanding;
- All members understand the budget issues and work together to solve them;
- There is a good level of trust, openness and sharing on the committee among all members;
- All employees and partners in the district are receiving effective communication about the budget;
- Committee provided useful advice to the Board of Education.

Saanich Schools

BRIEFING NOTE



To: Budget Advisory Committee

Prepared By: Jason Reid
Secretary Treasurer

Subject: **2018/19 Budget Process Planning**

Date: January 23, 2018

Background and Purpose

In November 2017, the Board of Education approved the 2018/19 budget timeline, which reflected certain revisions to the historical timing of meetings/events in order to better align with the release of key information impacting budget planning such as the Provincial budget and 2018/19 funding rates. The timeline revisions also reflected an opportunity for BAC to consider changes to the information and analysis used to support the process in response to changes to the budgetary context (described further below). As a result, the revised purpose of the January 25, 2018 BAC meeting is to *“Review timeline, guiding principles, committee terms of reference, and budget consultation plan”*.

The purpose of this document is to present a budget consultation plan for discussion and consideration by the Budget Advisory Committee (BAC).

Historical Budget Context

For more than a decade Saanich and many other school districts experienced significant financial pressure resulting from declining enrolment, unfunded inflationary pressures, the administrative cost savings mandate, increasing compliance requirements, and depletion of accumulated operating surplus and local capital reserves. As a result, the budgetary process evolved and was shaped over time by the need to find significant budgetary reductions year after year.

This need to identify “where can we cut?” over time shifted the focus more towards matters of compliance (“what do we have to do?”) rather than the optimal allocation of resources to support strategic outcomes and to address significant risks (“what should we do?”). This doesn’t mean the identification and shared understanding of strategic priorities was not a consideration. For example, to the extent possible important strategic initiatives such as the new curriculum, the comprehensive learning services model, mental health supports, and indigenous supports were funded. However, while these strategic priorities informed where reductions could not be made, the need to find budgetary reductions each year both shaped the process and reduced the district’s ability to invest in strategic priorities. One result of this focus is that some historical budget reductions have proven to be unsustainable and/or have increased operational or program risk.

The need to identify “where can we cut?” also influenced the information and data used to guide the budgetary process. While it is always relevant to consider opportunities for efficiency, it has for years been the primary focus of the budgetary process.

Another significant change the budgetary context was the recent restoration of teacher class size and composition contract language. This restoration had the following two significant impacts on the budget process for 2017-18:

1. Restoration of the contract language resulting in a significant increase in teacher staffing to reduce class sizes and support complex needs. While increasing support to classrooms, it also removed the option of budgetary reductions that would impact teacher staffing levels for enrolling positions and certain non-enrolling positions. This effectively removed the Board’s discretion over approximately half of the operating budget and greatly narrowed the options available for finding budgetary reductions.
2. At the time of the 2017-18 preliminary budget process, the proposed funding through the Classroom Enhancement Fund (“CEF”) was insufficient to fund full restoration of the contract language. This necessitated analysis and consultation with the ministry and also consideration of program reductions (including elimination of lower enrolment courses) to achieve both budget balance and compliance with the contract. Subsequent to the adoption of the 2017-18 budget full funding for the restoration was confirmed.

The combination of a historical process, restoration of the contract language and response to matters that arose during the process shaped the information presented to the committee last year. In addition to enrolment projections, fiscal forecasts, historical financial data, stakeholder feedback, funding information and related budget and cost pressure information, the following information and analysis was presented to the Budget Advisory Committee last year in the development of the 2017/18 preliminary budget:

- Comparison of SD63 detailed budgetary allocations by program/function and by expenditure type with those of similarly sized school districts and the provincial average. This information was presented as percentage of budget and allocation per funded student FTE. (February 2017 and April 2017 Facts Package)
- Comparison of actual service and supplies expense with those of comparably sized school districts. (February 2017 Facts Package)
- Detailed comparison of staff FTE by both program/function and by staff category with those of comparably sized school districts. This included comparisons of the ratio of categories of staff to student enrolment as applicable. (February 2017 Facts Package)
- Teacher staffing levels in relation to the restored contractual language. (April 26 BAC Materials, May 3 Special Budget Meeting Materials, and June 2 Briefing Note to FF&T)
- Operating Budget pressures related to restoration of the contractual language and the Classroom Enhancement Fund. (April 26 BAC Materials and May 3 Special Budget Meeting Materials)
- Comparison of Board Office Administrative Staffing with comparable school districts. (April 26 BAC Materials)

As noted, the purpose of much of this information was to identify opportunities for potential staffing or other budgetary reductions.

Changing Budgetary Context

The school district's fiscal and budgetary context has changed significantly during the past few years.

Increasing Enrolment – After more than a decade of enrolment decline, enrolment stabilized for a few years and has now started to grow. September 30, 2017 funded enrolment increased to 7,004, an increase of 95 FTE or 1.38% over the previous year. This consisted of an increase of 125 FTE at elementary offset by decline at middle and secondary. Our preliminary enrolment projections predict similar overall growth for September 2018¹. It is well understood that the funding formula can favour growing districts by increasing financial flexibility; however, there can be additional cost pressures that result from growth (discussed further below).

New Government – The new government has communicated a number of priorities which may translate into additional funding for school districts. The Minister of Education's July 2017 mandate letter included the following priorities: fast-track enhancement to K-12 education funding, additional funding for school supplies, capital funding for playground equipment, and additional support to provide new technology, lab equipment and learning materials. While there have been no funding announcements related to these priorities yet, our hope is they will be reflected in the 2018/19 Provincial Budget to be released on February 20th.

Restored Contract Language – as described above the restored contract language significantly impacts staffing and budgeting. Last year the budget process changed in response to this change; however, as this changed was reactive as events unfolded there are further changes that can be made to the budget process to reflect this new context.

Growing enrolment and new government priorities will likely mean more opportunity to invest in strategic priorities in the years ahead. Deciding where the district should increase funding will not be as straightforward as deciding where we can cut as options for finding reductions are greatly narrowed by matters related to compliance with contracts, regulations or other requirements. How do we shift the narrative from “where can we cut?” with the accompanying analysis of how we compare to other districts, to “what are our risks and strategic priorities and how can we best allocate resources in support of outcomes?”

¹ At this time, work is underway to refine enrolment forecasts for local knowledge including the present capacity of facilities and the current status of residential development. Refined forecasts will be available in February and will inform both the budget process and facilities planning.

Evolution of the Process

While an understanding of what is important has always informed the budget process, information and analysis presented to and considered by BAC has focused more on where reductions could be made (and not made). Such information remains relevant as efficiency of programs should always be a consideration; however, as described above with increased financial flexibility comes a greater need to enhance the linkage between budgetary decisions and strategic planning and risk management to ensure funding is optimally allocated.

Restoration of local teacher class size and composition contract language has resulted in a significant reinvestment in classroom support and has also effectively “locked in” about half of the operating budget. As a result, some of the budget and staffing information reviewed historically is no longer relevant because staffing is now determined by contract.

In response to this evolving budgetary context the following changes to the information and analysis presented to BAC are planned:

- Risk Management Reporting – This work is currently underway and will be used to support planning and strategic decision making including the allocation of resources determined through the 2018/19 budget process. This process will consider risks both to operations and the achievement of strategic priorities.
- Strategic Priorities – Other information on strategic priorities will be presented as required.
- Staff FTE Analysis – this will be revised to exclude detailed comparisons of teacher staffing by function with other school districts. This will be replaced with analysis of teacher staffing in relation to the local collective agreement including how contractual remedy was allocated.
- Operating Budget Analysis – this will be revised to exclude detailed comparisons of teacher staffing budget allocations with other school districts.
- Classroom Enhancement Fund (CEF) – As teacher staffing is funded through both the operating fund and the CEF, these figures will be considered together in the information presented. The CEF also funds administrative costs related to the implementation (“CEF-Overhead”). Allocation of CEF-Overhead will be presented for information.

2018/2019 Budgetary Considerations

A calculation of budgetary balance will be completed for February BAC following release of the Provincial Budget. For the committee’s information I have summarized significant budgetary changes known at this time:

- International Revenues – Net revenue to the district is projected to increase by \$200,000 to \$250,000.

- MSP Savings – Effective January 1, 2018, MSP rates decreased by 50%. As this rate change will be in effect for the full 2018/19 fiscal year, we expect further annual cost savings of approximately \$250,000.
- Projected Enrolment Growth – enrolment is expected to continue growing modestly. More than half of this incremental funding will be allocated to additional teacher staffing. There will be additional costs associated with growth including the need for additional space, equipment and supplies.
- Accumulated Surplus applied to Staffing – in order to balance the 2017/18 budget, reductions were proposed to non-enrolling staffing positions where the ratio of teachers to students exceeded what was required by the restored collective agreement language. In the final budgetary changes these proposed reductions were decreased by \$180,000. Accumulated surplus generated through staffing budget savings during 2016/17 was used to accomplish this reduction. As this was a one-time funding source, this \$180,000 now represents a cost pressure in 2018/19.
- Information Technology – For many years, renewal of IT infrastructure and devices has been funded with local capital generated through the sale of properties. As this funding source is now fully depleted, investment in information technology required to support both district operations and educational programs will need to be funded through operations. At this time, the resulting budget pressure is expected to range from \$300,000 to \$500,000 per year.

To the extent inflationary pressures are not funded, this would also result in a significant budgetary pressure as it has over the last decade. Following confirmation of the Provincial education budget on February 20th, the overall budget pressure for 2018/19 will be estimated.

Next Steps

For the February BAC the following information and analysis will be presented:

- enrolment forecast by school and estimated provincial grants;
- quantification of known budget pressures to date and fiscal forecast;
- historical budget reductions and financial trend information;
- staffing FTE analysis; and
- preliminary risk listing.

I welcome feedback from BAC related to information the committee requires to support the budget consultation process.

With respect,



Jason Reid
Secretary Treasurer

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