

# Report of the Financial and Operational Review

For the Board of Education,  
School District No. 40 (New  
Westminster)

Prepared by Joan Axford, FCMA, CMA  
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## Background:

The Board of Education, School District No. 40 (New Westminster) incurred an operating fund accumulated deficit of \$2.79 million for the 2011/12 fiscal year. The deficit was not forecasted to the Board and is unapproved by the Minister of Education. The School Act provides the following direction for Boards concerning financial management and deficits

### Accounting practices

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- (1) Subject to this section, a board must
  - (a) maintain budgetary control over expenditures,
  - (b) in accordance with the orders of the minister,
    - (i) account and keep accounting records for funds, and
    - (ii) prepare and submit to the minister financial reports and statements, in the form, with the information and at the time required by the minister, and
  - (c) designate specific funds in accordance with the requirements specified by the minister.
  
- (12) A board must not incur a deficit of any kind unless the board
  - (a) has the approval of the minister, or
  - (b) meets criteria prescribed by order of the minister.

On September 19, 2012, the Board wrote the Minister of Education Don McRae to inform him of the accumulated deficit of \$2.79 million and requesting approval to incur the deficit reported at June 30, 2012. The letter states that the current year deficit includes the unforeseen impact of:

- Significantly lower than expected distributed learning enrolment at the May enrolment count, impacting the Board's operating grant
- A significant number of staff taking extended medical leaves in the latter part of the fiscal year, requiring replacement

- School renewal projects undertaken through the Annual Facilities Grant that encountered significant difficulties and required supplemental funding from the Operating Fund
- In addition, a review of transactions processed in the latter part of the year identified issues in the school district's business processes that adversely affected the timeliness of information reported through the school district's financial system.

The Board was unaware of the 2011/12 deficit until receipt of the financial statements and regular financial reporting did not forecast this deficit.

The 2011/12 operating deficit follows a number of years of shortfalls:

<b>History of Operating Surplus/ (Deficit)</b>					
	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Opening Surplus/ (Deficit)	826,104.00	133,260.00	(889,288.00)	(204,600.00)	(521,237.00)
Current Year Surplus/ (Deficit)	(692,844.00)	(1,022,548.00)	684,688.00	(316,637.00)	(2,268,815.00)
<b>Net Surplus/(Deficit) Position</b>	<b>133,260.00</b>	<b>(889,288.00)</b>	<b>(204,600.00)</b>	<b>(521,237.00)</b>	<b>(2,790,052.00)</b>

On October 16, 2012, The Board held a public consultation meeting for parents, staff and other stakeholders and community members to outline the situation, present key budget and financial information and begin to receive feedback to inform the deficit repayment plan and management of the 2012/13 operating budget. The Secretary-Treasurer presented a series of charts that outline a comparison of how New Westminster spends its budget versus other similar sized and neighbouring districts and compared against the provincial average. This comparison outlines the following:

- New Westminster spends 89.52 percent of its budget on Instruction which is 6 percent higher than the provincial average



- New Westminster spends 1.00 percent of its budget less than similar sized districts for central office administration
- New Westminster spends 1.27 percent of its budget less than neighbouring districts on operating and maintaining its schools
- Spending on salaries and benefits is 1.89 percent of its budget greater than the provincial average
- Spending on students with special needs is at par with larger neighbouring districts but greater than comparative local districts by about 1.55 percent

At its public meeting on October 23, 2012, the Board directed the Secretary–Treasurer to take some cost control measures such as the ban on overtime and directed Senior Administration to review the 2012/13 budget to identify any structural budget issues that need to be considered as part of the deficit recovery plan. The Board also outlined their plan to engage a consultant to assist in reviewing the causes of the 2011/12 deficit, confirm the 2012/13 structural deficit, develop a deficit recovery plan and to provide recommendations on strengthening budgetary and financial management processes used by the school district.

The district faces a number of challenges in its fiscal management:

- The percentage of Students requiring English as a Second Language support is high at 12.24% which is greater than the provincial average of 11.00%
- The percentage of Students with special needs is high at 5.40 % which is greater than the provincial average of 4.45%
- New Westminster does not have operating reserves as many other districts do. Provincially, districts utilized \$48 million to balance their 2011/12 operating budgets
- New Westminster does not have local capital reserves that can be used to supplement the purchase of equipment and capital building improvements.

- New Westminster has only one professional accountant on staff and has reduced administration support over time

## Terms of Reference:

The Board of Education, School District No. 40 (New Westminster) engaged a contractor, Joan Axford, retired Secretary–Treasurer to determine to the fullest extent possible, the causal factors for the deficit, and to make recommendations to the Board on all aspects of budget and financial management.

The work to be performed consisted of:

1. Examining the operations of the Board to determine causal factors for the deficit.
2. Determine the areas and amounts that led to the deficit and which of these are ongoing and which were one–time–only.
3. Reviewing the 2012/13 budget to determine if it is affected by any ongoing expenditure that led to the \$2.79 million deficit, and recommending revisions, as needed.
4. Reviewing measures taken by the Board in response to the deficit incurred in the 2008/09 budget year to determine which of these measures can be continued, and which of these measures should be continued.
5. Reviewing the processes and procedures to effectively control expenditures to budget in the future and to ensure effective management of expenditures at all levels of the organization.
6. Preparing a deficit re–payment plan that is manageable by the Board.
7. Developing a stakeholder consultation process that a) provides information about the current budget and deficit; b) provides deficit recovery options and their implications to the Board; and c) receives feedback from stakeholders on the options and their implications.
8. Reviewing the structure of the organization and recommending changes to better manage all budgetary and financial matters and to address the need for risk management.
9. Recommending changes in policies, procedures, and practices to achieve effective accountability and transparency in budget matters at all levels of the organization.

## Executive Summary

A public education system is complex and multifaceted. In addition to the instructional services, there is finance and payroll, facilities maintenance and cleaning, transportation services, labour relations and human resource services, information technology and capital construction. With a complex provincial government funding system, cost pressures exceeding funding levels, labour relations issues within the sector, and local initiatives such as international, continuing education and business companies, school district budgeting is a challenging process in every school district. Every district requires the tools and resources to prepare a manageable budget, effectively report and monitor and ensure the safeguarding of public funds. All processes within a school district have a public responsibility to be open and accountable to the Board of Education and facilitate the Board to be effective in its leadership, stewardship and relationships with the broader community.

For this report, it is important to understand the timing of the various budgets and funding information. The following timeline should prove helpful.

2011/12					
March, 2011	Spring, 2011	Dec 2011	Feb, 2012	June 2012	Sept 2012
Prelim Govt Funding For Projected Enrolments	Annual 2011/12 Operating Budget	Amended Govt funding Based on Actual Sept Enrolments	Amended Operating Budget & Feb Enrol Funding	May enrol Funding June 30 <sup>th</sup> Year end	Audited financial statements
2012/13					
			Spring 2012		Sept 2012
			Annual 12/13 Budget		Actual Enrolments

This report provides advice on changes to processes and procedures so the district is able to spend within its budget and provide services according to the priorities established by the Board after receiving input from the community. The report outlines how to improve financial information provided at all levels in order to ensure better transparency and accountability. The options for consultation on the budget



provide for a broader understanding of the budgeted services and an opportunity for community input into the budget options and priorities. The report also outlines areas of improvement for the preparation of the budget, reporting of budget and expenditures and expectations for shared responsibility and accountability to effectively manage the expenditures to budget. The report outlines the areas of over expenditure causing the 2011/12 deficit and the effect in 2012/13. The school district has a structural shortfall where current programs and services are not affordable within current revenues.

**2011/12 Operating Deficit**

The 2011/12 operating deficit was caused by reduced revenues and spending over and above budgeted levels as follows:

• Revenue Reductions	\$168,463
• Salaries	886,939
• Employee Benefits	584,825
• Supplies and Services	1,600,601
• Difference job action grants and costs	(22,825)
• Revenue from Business Company	(427,951)
• Deficit at beginning of year	<u>\$521,237</u>
• Total Deficit at June 30, 2012	\$2,790,052

Overall, the operating deficit can be summarized as caused by three factors:

1. Increases in the ongoing costs of doing business
2. Staffing processes and budget information
3. Supplies and services spending above budget, some for one-time costs such as Annual Facility Grant projects

A deficit repayment plan must be submitted to the Minister of Education for approval. Any repayment plan should be accompanied with a fiscal management plan that can be implemented to ensure that further deficits are managed and if they occur are known well before the year end. The Minister will expect that the Board will prepare, consult and approve a 2012/13 Amended Operating Budget which is realistic and manageable within revenues.

### **2012/13 Operating Budget**

The school district will need to make structural changes to its operations to manage within available revenues and improve its monitoring of expenditures against budget to avoid future deficits. The ongoing structural shortfall needs to be addressed in 2012/13. The forecasted shortfall for the current year is as follows with greater detail provided in the report.

<b>Structural Ongoing expenditures</b>	<b>\$2.224 million</b>
<b>New Expenditure Pressures</b>	<b>\$0.340 million</b>
<b>Increase in Ministry Grants</b>	<b><u>(\$0.353) million</u></b>
<b>New Forecasted Shortfall 2012/13</b>	<b>\$2.212 million</b>

It is important to note that the new expenditure pressures would be funded by the increase in Ministry grants and the structural shortfall is not increasing.

### **Deficit Repayment Plan**

This report outlines a deficit repayment plan for proposal to the Minister that would begin in 2013/14 providing the district with an opportunity to address the structural shortfall before making deficit repayments. The plan proposes to least effect programs and services for students and would require the Minister of Education to approve a plan that takes until 2016/17 to fully repay the debt.

### **Summary of Advice with more details contained in the full report:**

1. The Board proceed immediately to a consultation process to determine the changes in expenditures needed to avoid a 2012/13 operating deficit. Due to the difficulty in making mid-year service adjustments, the Board request senior staff to prepare a list of options for the Board to use for consultation and to determine which to incorporate into the Amended 2012/13 Operating Budget.

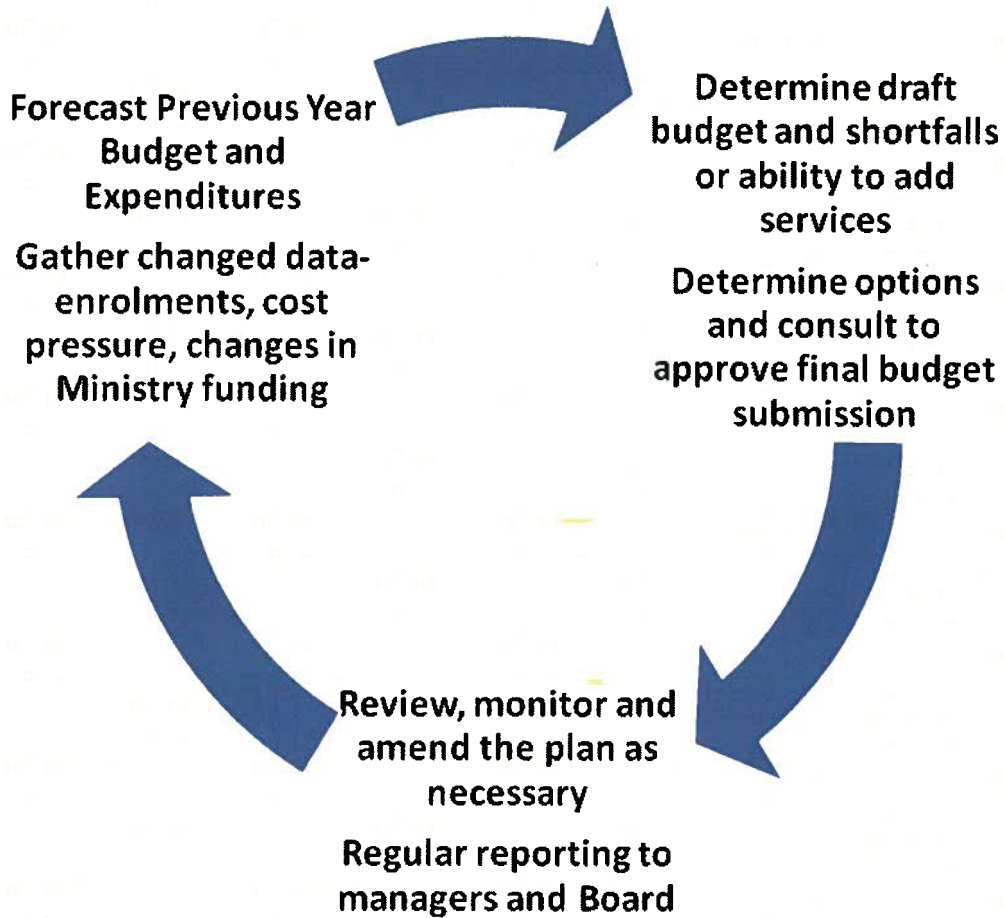
The Amended Budget plan should include an implementation plan to ensure adjustments are undertaken and the implications are monitored.

2. The Board proceed to meet with the Minister of Education and outline the proposed deficit repayment plan and approved actions to address the structural shortfall within the school district
3. The Board provide Senior Staff with the support to implement the following measures to better monitor the operating expenditures:
  - a. Regular reporting to the Board on the budget implementation plan
  - b. Breakdown the budget in the financial reporting system to better match the spending and hold managers throughout the system accountable to spend within those budget allocations
  - c. Prepare and report Operating Revenue and Expenditure reports that are forecasted to June 30, 2013 and compared against the Amended Operating Budget and take action when any expenditure is forecasted to exceed budget without an offsetting revenue increase or expenditure reduction.
  - d. Utilize the existing business software system to manage staffing according to budgeted FTE allocation.
  - e. Re-organize business functions to ensure more timely processing of expenditures
  - f. Improve procedures for monitoring salary costs against budget
4. For the 2013/14 Operating Budget establish a consultation process that provides for a full review of all the expenditures in the significant program areas. The process should include representation from all partner groups, staff, management and community. The result of this work should be greater transparency of the expenditure for programs and services and revenue that supports those programs and workable options to manage the structural

shortfall in the district and for the Board's consideration as it debates and approves the budget plan.

5. For 2013/14 the Board provide Senior Staff with the support to implement the following measures:
  - a. Establish and utilize a Budget Model to calculate on a detailed basis the budgeted revenue and expenditure plan that incorporates the decisions for 2012/13 Amended Budget
  - b. Prepare and distribute a budget implementation plan and provide regular updates on progress to the Board
  - c. Prepare regular revenue and expenditure reports that are forecasted to June 30,2014 and compared to the Budget plan
  - d. Share information with each manager who is accountable for a portion of the budget to know the services and factors included in the budget and update regular financial reporting to allow those managers to be accountable for their spending against budget
  - e. Throughout the year to make recommendations on changes to services required to remain on target with the budget

The School District needs to develop a continuous process of budget development and monitoring. This results of this process need to be communicated broadly to ensure understanding by the Board and its managers who are accountable for their spending programs and services. Over this next year a broader budget consultation processes should ensure a broad knowledge of this process and the status at each stage.



The District is to be applauded for revenue generating initiatives that support all programs in the district. Appendix C outlines the net contribution of the international student program, alternate and community education, distributed learning and the Business Company to the services provided for all students in the school district.

I appreciate the cooperation of management and staff of the school district. It is a district of caring individuals all trying to do the best for the students of New Westminster. It is hoped that this report will provide a road map for the Board and its management and staff to prepare an amended, manageable 2012/13 budget, establish new processes and procedures that will allow more accountability and effectively manage and monitor the budget, a stakeholder consultation process that works for School District No. 40 and a deficit repayment plan acceptable to the Minister of Education.



## 2011/12 Operating Deficit–Detailed Analysis

The 2011/12 Operating deficit was caused by ongoing operating expenditures exceeding available revenues. These expenditures are structural in nature based on continuing current services. The budget was not well understood throughout the entire school district and therefore not always used as a reference point when expenditure decisions were made.

Each school district prepares two budget plans, one is prepared in the spring for the following school year called the Annual Budget. It is based on projected enrolments, estimated government grants and local revenues and estimated costs. The second budget plan is prepared by February each year called the Amended Budget and is based on known September enrolments, recalculated government grants and more known costs. A budget is a plan and must be managed and monitored on an ongoing basis.

The following chart outlines that the Amended Budget provided for some of the changes in revenue due to actual enrolment information and changes in expenditures due to recognition that actual costs were greater than in those budgeted in the Annual Budget. It is important to note that the amended budget changes were primarily paid for from the holdback allocation (an allocation provided by government if overall enrolments are less than in the provincial budget) from the Ministry which is calculated year by year and cannot be relied upon as an ongoing government grants and international student revenue which is dependent on attracting those students to the district.

## Amendments between the Annual and Amended 2011/12 Budgets

	2011/12 Annual Budget	Amendments	2011/12 Amended Budget
<b>Revenue</b>		September Enrolment ( 29,552 )	
		Unique Students 524,526	
		Summer School ( 2,400 )	
		Education Guarantee 196,083	
		Holdback 714,998	
		Strong Start, FSA, Set BC 15,346	
Government Grants	54,386,169	Total Government Grants 1,419,001	55,805,170
Estimated Additional Gov't	1,000,000	( 1,000,000 )	-
French Grants	182,667	-	182,667
International Students	2,213,300	International Students 419,271	2,632,571
Summer School/Continuing Ed	352,416	Summer School 5,960	358,376
Misc. Rentals, Invest.	723,249	Misc. Rentals, Invest. 169,712	892,961
<b>Total Revenues</b>	<b>58,857,801</b>	<b>1,013,944</b>	<b>59,871,745</b>
		Salaries 900,381	
		EA Replacements 300,000	
		Benefits 212,304	
		Supplies and equipment 80,022	
<b>Expenditures</b>	<b>57,852,801</b>	<b>1,492,707</b>	<b>59,345,508</b>
Reduction in Unfunded			
Employee Benefits	5,000		5,000
Transfer from the Business Company			
<b>(Deficit)/ Deficit Repayment</b>	<b>1,000,000</b>		<b>521,237</b>

The following chart outlines that the financial statements had further changes to revenue and expenditures in relation to the Amended Budget.

### Changes in Costs as Compared to the Amended Budget

	2011/12 Amended Budget	Amendments	2011/12 Financial Statement
<b>Revenue</b>			
Government Grants	55,805,170		
Estimated Additional Gov't	-		
French Grants	182,667		
International Students	2,632,571	Job Action ( 393,256 )	
Summer School/Continuing Ed	358,376	Feb and May ( 49,822 )	
Misc. Rentals, Invest.	892,961	Other Revenue ( 118,641 )	
<b>Total Revenues</b>	<b>59,871,745</b>	Revenue Changes ( 561,719 )	<b>59,310,026</b>
		Job Action ( 416,081 )	
		Teachers 860,661	
		Other salaries 26,278	
		Benefits 584,825	
		Supplies and Equipment 1,600,601	
<b>Expenditures</b>	<b>59,345,508</b>	Expenditure Changes 2,656,284	<b>62,001,792</b>
Reduction in Unfunded			
Employee Benefits	5,000		5,000
Transfer from the Business Company			427,951
<b>(Deficit)/ Deficit Repayment</b>	<b>521,237</b>		<b>( 2,268,815 )</b>
		Planned Deficit Repay ( 521,237 )	
		<b>Total Operating Deficit ( 2,790,052 )</b>	

In summary the operating deficit was the result of the following reductions in revenues and expenditures over budget:

#### Revenue Changes:

Reduced February and May grants for DL and CE	\$ 233,704
Release by the Ministry of final holdback funds	\$(183,882)
Reduced Other Revenues	<u>\$118,641</u>
Contribution to deficit	<b>\$168,463</b>

**Teacher Staffing** in excess of the amended budget plan as managed by dollar value rather than FTE allocation.

- 6.98 FTE Teachers \$511,713
- Teachers on Paid Leave \$686,633
- Average Teacher actual cost greater than budgeted \$284,234
- Less increase in amended budget (\$621,919)
- Net Contribution to deficit **\$860,661**

**Other staff Salaries** **\$26,278**

**Employee Benefit Cost increases:**

- Benefit Cost Increases during the year \$288,234
- Servicing Employee Unfunded Liability \$261,400
- Benefits for Increased staffing levels \$119,708
- Benefit Costs Increased for Part Time Staff \$ 63,730
- Benefits Costs for Staff on Paid Leaves \$ 63,956
- Less increase in amended budget (\$212,304)
- Net Contribution to deficit **\$584,825**

**Supplies and Services in excess of the budget plan**

- School/Programs Supplies and services \$317,033
- School/Program Equipment Leases \$293,491
- Professional Development \$ 15,618
- District Educational Programs \$ 22,764
- Operations and Maintenance \$ 253,058

**Annual Facilities Grant Expenditures:**

Portables	\$207,000	
New Westminster Secondary	\$ 58,880	\$ 265,880
District Supplies and Equipment		\$ 28,907
Amended Budget reductions		\$ 483,872
Less Increase in Amended Budget		(80,022)
Net Contribution to deficit		\$1,600,601
Difference between job action grants and costs		(22,825)
Revenue from Business Company		(427,951)
Deficit at beginning of year		\$521,237
<b>Total Deficit at June 30, 2012</b>		<b>\$2,790,052</b>

The 2011/12 operating deficit was caused by reduced revenues and spending over and above budgeted levels can be summarized as follows:

• Revenue Reductions	\$ 168,463
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• Difference job action grants and costs	(22,825)
• Revenue from Business Company	(427,951)
• Deficit at beginning of year	<u>\$521,237</u>
• Total Deficit at June 30, 2012	<b>\$2,790,052</b>

Overall, the operating deficit can be summarized as caused by three factors:

1. Increases in the ongoing costs of doing business
2. Staffing processes and budget information
3. Supplies and services spending above budget, some for one-time costs such as Annual Facility Grant projects

The majority of these costs, except for the Annual Facilities Grant costs of \$ 265,880 are ongoing costs of providing programs and services at the current level. The school district will need to make structural changes to its operations to manage within available revenues and improve its monitoring of expenditures against budget to avoid future deficits.

Interviews conducted with program staff assured me that those managing the areas of the budget were conscientious about trying to control expenditures but were not given appropriate tools and information to understand their budget target and the relationship of their expenditure plans to the entire district budget. All those interviewed expressed concern about the timeliness and detail level of the reporting of expenditures against budget. The Human Resources department has processes in place to track support and education assistant staff hires against staffing numbers provided from the Student Services and Operations departments but those are not reconciled on an ongoing basis to the budget plan. For teacher staffing, the Human Resources department reconciles staffing in September to a total salary and benefit amount which is not adjusted to recognize the budget amount needed to pay for maternity and paid long term illness leaves. As well, this process is done for school year start up but not throughout the school year. The International, Continuing Education and Distributed Learning areas best understand the revenue and expenditure picture for their programs but do not know how their programs are budgeted to contribute to the overall district budget.



## 2012/13 Operating Budget- Detailed Analysis

Due to the timing of preparation of the 2012/13 Operating Budget, it has been prepared without knowing the 2011/12 expenditure level of the organization. As the expenditure levels in the previous school year are structural and ongoing in nature, the 2012/13 spending level is currently greater than budget. A Forecasted Statement comparing expenditures to June 30, 2013 has been prepared and is in Appendix A and outlines the following comparison of spending to budget if current spending patterns continue.

	2011/12 Financial Statement	2012/13 budget	2012/13 Forecast	
<b>Revenue</b>				
Government Grants		55,130,544	55,483,958	
Estimated Additional Gov't				
French Grants		182,667	182,667	
International Students		2,750,800	2,750,800	
Summer School/Continuing Ed		352,416	352,416	
Misc. Rentals, Invest.		516,249	516,249	
<b>Total Revenues</b>	<b>59,310,026</b>	<b>58,932,676</b>	<b>59,286,090</b>	
				<b>Areas of Overexpenditure</b>
				Teachers ( 1,550,426 )
				Substitutes ( 330,000 )
				Benefits ( 344,825 )
				Supplies ( 340,361 )
<b>Expenditures</b>	<b>62,001,792</b>	<b>59,127,676</b>	<b>61,693,288</b>	<b>( 2,565,612 )</b>
Reduction in Unfunded				
Employee Benefits	5,000	5,000	5,000	
Transfer from the Business Company	427,951	200,000	200,000	
<b>(Deficit)/ Deficit Repayment</b>	<b>( 2,268,815 )</b>	<b>0</b>	<b>( 2,212,198 )</b>	

The following costs and revenue changes would need to be added to the 2012/13 Operating budget to reflect the structural overspending in 2011/12, current service and spending levels and updated revenues. A school district cannot submit a deficit budget per instructions from the Ministry of Education.

**Revenues:**

Ministry of Education Grants	(\$353,414)
Release of Holdback funds	?

**Expenses:**

Average teacher salary cost from 2011/12	\$284,234
Teacher staffing over budget by 2.65 FTE	\$265,545
Average salary cost greater than budgeted 12/13	\$314,014
Teachers on Paid Leave	\$686,633
Staff replacement costs from 2011/12	\$330,000
Employee benefits from 2011/12	\$584,825
Employee benefit costs less than 12/13 due to less staff	(\$240,000)
Equipment leases	\$293,491
Student transportation	\$ 46,870

**Forecasted Shortfall for 2012/13** (\$2,212,198)

Overall, the district has a debt of \$2.79 million debt to repay over time and the district is currently providing services in excess of known revenues in 2012/13 by \$2.212 million. The deficit repayment can be likened to a credit card debt and the structural

shortfall to a household budget where spending needs to be adjusted to live within means.

Structural Ongoing expenditures	\$2.224 million
New Expenditure Pressures	\$0.340 million
Increase in Ministry Grants	<u>(\$0.353) million</u>
New Forecasted Shortfall 2012/13	\$2.212 million

This indicates that once the district addresses its structural ongoing expenditures, the new pressures are covered by new revenues.

This forecast assumes that other supply and services expenditures can be managed to budget.

The Board will need to make difficult budget decisions for the amended 2012/13 budget. As the school year has begun and programs and services are in place, there are limited areas that changes can be made. Some reductions made in 2012/13 may need to be one-time with ongoing reductions implemented in 2013/14. Areas for review for possible expenditure and revenue changes in the short term:

- Release of holdback funds by the Ministry of Education
- Second semester teacher and support staffing
- Replacement staffing practices
- Unfilled staff positions
- Equipment purchases
- 2011/12 Deficit Recovery Strategies list
- Supply and Services accounts at the district level
- Revenue options such as community use fees

## Management of Expenditures

In order to effectively manage expenditures, systems must be in place to process information on a timely basis and provide that information in a form that is readily understood by all those that manage budgets. The Board is responsible for oversight of the entire district budget and therefore requires reporting that is comprehensive and provides a clear understanding of the financial bottom line. It is advised that the following improvements would assist in better understanding of the budget and the associated expenditures.

### Financial Reporting

- Update budget information in the financial system to be at a level that the managers are managing their budget or that expenditures are summarized to the budget level so it is clear where spending is exceeding budget.
- Budgets reported must be well understood by the managers as to the services expected from those budgets

### Budget model

A model is used to ensure that the factors used to develop the budget such as FTE teachers, employee benefit factors, international student FTEs are documented and can be managed by those that are responsible for program areas. The factors can be used to monitor the spending against budget, consultation with stakeholders on future budgets, and ensure the budget is a manageable, realistic representation of the district operations. A number of options for obtaining a model are:

- School District No. 62 (Sooke) is in the process of revising their model and it may be possible to share in this work
- A model used by School District No. 63 (Saanich) was provided to the Secretary-Treasurer and it could be revised to work in SD 40
- Reinstate a previous model used in SD 40 programmed in File Maker pro and unused due to lack of expertise with the product
- Investigate the use of another product called My Budget File used by many school districts in the province

## Forecasted expenditure reporting– ongoing review by the Board

- Currently the Senior Accounting clerk does a good job of reconciling expenditures in the general ledger into the detail contained in Board budget documents. These spreadsheets should be modified to forecast those expenditures to year end.
- Board should receive on a regular basis, a financial report which forecasts expenditures to the fiscal year end compared to revenues and budget. A sample is contained in Appendix A.
- When the forecasts are received, action needs to be taken immediately if there is a forecasted deficit. During the fiscal year, these actions should be recommended by senior management after a review of operations.

## Salary and Benefit Costs:

As salary and benefit expenditures comprise 88 percent of the school district budget, it is imperative that processes are in place to budget for these costs and to control expenditures against the budget. Staffing can be managed in a number of ways including by position code where each staff position is numbered by the budget and staffing against that number, or by determining the FTE budgeted and hiring is reviewed against that FTE . The cost of salaries can be managed by averages or by individual staff and their salaries. Benefits are usually budgeted as a percent of salary but must be reviewed on an ongoing basis. The allocation of staff budgets to individual schools and departments must be well understood by those doing the staffing.

After review of the processes in New Westminster, the following advice is provided:

- Budget for teaching staff by FTE and utilize a feature of the current business systems software called the FTE Allocator to compare actual staffing to the budget FTE allocation on a regular basis and share the information with each department/school.

- Currently, a systems program is used to allocate budgeted teacher FTE to elementary and middle schools which should be expanded to the secondary school as another tool to manage and understand staffing numbers.
- The average teacher salary is calculated each September through the submission of Form 2003 to the Ministry of Education which should be used as a tool to determine if the budgeted average compares to actual. Throughout the fiscal year, the payroll costs needs to be monitored against budget.
- Each September, Form 1530 is submitted to the Ministry of Education reporting the FTE staff by program. This is an opportunity to compare actual staffing gathered from the Human Resources system with the budget model data.
- Each quarter, school districts report staff numbers and salaries and benefits to BCPSEA and these numbers can also be used to monitor the reasonableness of the budgeted costs.

### Invoice processing needs to be current

In discussions with staff, it is clear that the current workload of the accounting staff and procedures used to process payments are resulting in a delay of the reporting of actual expenditures. The result is that many departments do not use the district reporting to manage their budgets but create their own spreadsheets. The danger here is that actual general ledger expenditures are not managed. As well, there is workload pressure on the entire system which should be handled by the financial system software. The district has an additional administrative burden of commitment accounting to offset the delay. A review of this area should be undertaken to better support these processes and improve processing and reporting.

### Consultation Processes

A definition of group consultation or engagement processes consists of activities designed to increase group awareness and understanding, so that the group or organization can take steps to improve the way it operates. Guiding Principles for consultation processes would be:



- Provision of understandable information in order to provide input
- Clear terms of reference to ensure all participants know the input needed
- Set timelines so all participants know the time available to provide input
- Provision of a variety of ways to provide input
  - Viewing and commenting on materials on a web site
  - Paper and electronic surveys
  - Face to face input
  - Mailbox for written submissions and phone contact numbers
- Clear questions to illicit feedback that can be well summarized
- Ensure that all you provided feedback and input are acknowledged
- Clear follow up as to how the overall result of the consultation was utilized by the Board to make decisions

A number of processes are used by school districts and Boards to garner input into their decision making. Examples are:

- Special meeting with school administrators and managers
- School Community meetings with representatives from each school
- Public meetings
- Special Budget Advisory Committees with broad representation
- Trustees meeting with local service clubs such as Rotary
- Extensive use of the web site, e-mail, surveys, news media

Examples of recent processes used in Saanich are included in Appendix-B

In this situation, I would advise the Board that two processes are required. For 2012/13 Amended Budget, have budget reduction options prepared by Senior Management for consultation with key stakeholders in a condensed process. The work could include an electronic survey on the district web site to garner broader public input.

For 2013/14, a detailed review of all budgeted expenditure areas be undertaken to provide greater transparency into district spending. A process such as that used in Saanich in 2010/11 may be appropriate in this situation and is included in Appendix B.

The consultation process must fit the culture of the New Westminster school district and input received must be received by the Board and considered by them in their decision making.

## Deficit Repayment Plan

The proposed deficit repayment plan recognizes the significant challenge the district faces to address the structural shortfall in 2012/13 so does not propose to begin the deficit repayment plan in this current year. As well, it recognizes that the current lease cost expenditures for the district office is related to the replacement of the secondary school and is a valid capital expense when the replacement project is underway. The plan also looks to least affect programs and services for students. A deficit repayment plan approved by the Board must be submitted to the Minister of Education as his approval is required for the 2011/12 deficit and future deficit balances until the deficit debt is fully retired.

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Opening Deficit</b>	( 2,790,052.00)	( 2,790,052.00)	( 2,440,052.00)	( 1,500,000.00)	( 750,000.00)
<b>Repayment Plan</b>					
Lease Costs on Administration during construction of NWSS (\$1.8 million)			600,000.00	600,000.00	600,000.00
Reduce equipment upgrades by 10% per year (\$600,000)		150,000.00	150,000.00	150,000.00	150,000.00
Business Company Profit (\$390,052)		200,000.00	190,052.00		
<b>Deficit Balance</b>	<b>( 2,790,052.00)</b>	<b>( 2,440,052.00)</b>	<b>( 1,500,000.00)</b>	<b>( 750,000.00)</b>	<b>-</b>

In addition, the Board consider seeking advice and permission from the Ministry to charge the 2011/12 Annual Facilities Grant (AFG) over expenditure of \$265,880 against the 2012/13 AFG funding as part of the deficit repayment plan.

## Policies Procedures and Practices

Currently, the school district has limited written policies and procedures for financial management. Once the district has updated its practices, they should be documented in policies and procedures to ensure practices remain in place.

## Risk Management, Stewardship and Organization Structure

Risks in the financial management area are that:

- Expenditures will not be managed to available revenues;
- Services will not be provided according to the Board direction which is the budget plan;
- Internal controls will not be adequate to prevent fraudulent expenditures;
- Financial statements will not be prepared according generally accepted accounting principles and a qualified audit report is the result.

The School Act outlines specific fiduciary responsibilities of the Board as governors, specific responsibilities of the Secretary–Treasurer and specific reporting which must be submitted in the form and timelines outlined.

The Board must determine its risk tolerance and the mitigation measures to manage to that risk tolerance level. In this regard, the Board needs to determine if they have the people, systems and processes to manage the financial risk. It is clear that operating in a deficit position is not a risk that the Board can tolerate as the School Act is clear that no deficit can be incurred without approval and the budget instructions are clear that the Minister will only approve a deficit with an acceptable deficit repayment plan that has the district repaying this debt and therefore reducing district services.

Detailed review of the organization structure is not part of the terms of reference of this review but it is clear that the following must be addressed as outlined in the previous sections of the report:

1. A budget development process that ensures that the Board understands the services and priorities being approved and those services are translated into budgets that managers understand
2. A financial reporting system that summarizes expenditures against the approved budget in order to ensure that each manager responsible for the budget can know their status
3. Accounts payable processed on a more timely basis with procedures that current staff can manage
4. Human Resources managing staffing by FTE with understanding of the staffing numbers budgeted
5. The Secretary–Treasurer, as the only professional accountant in the district, must be given the time to focus on the financial area of his responsibilities. Over the next six months, this must be about 70% of his time, with 20% for other responsibilities such as facilities and IT and 10% on governance, media relations and stakeholder engagement. This means that current expectations must change and with no additional staffing, this change would need to be long term. In this regard, consideration should be given to moving Health and Safety to HR and payroll to Finance and the Senior Accounting Clerk able to direct the work of accounts payable and payroll services as needed.



## Appendix A – 2012/13 Operating Budget and Expenditures

2012/13 Structural Shortfall	Annual Budget	Change for September Enrolment	Ongoing Costs from 11/12	New Cost Pressures	Forecasted 2012/13
Revenue					
Provincial Grants	55,130,544	353,414			55,483,958
<b>Release of Holdback</b>		<b>?</b>			<b>?</b>
French Grants	182,667				182,667
Summer School	40,416				40,416
Continuing Education	312,000				312,000
Offshore Tuition	2,750,800				2,750,800
Other Revenue	461,617				461,617
Rentals and Leases	34,632				34,632
Investment	20,000				20,000
<b>Total Operating Revenue</b>	<b>58,932,676</b>	<b>353,414</b>	<b>-</b>	<b>-</b>	<b>59,286,090</b>
Expenditures					
Salaries					
Teachers	27,915,207		970,867	579,559	29,465,633
Principals and VP	2,063,492				2,063,492
Education Assistants	4,834,227				4,834,227
Support Staff	5,314,072				5,314,072
Other Professionals	1,999,328				1,999,328
Substitutes	1,343,446		330,000		1,673,446
<b>Total Salaries</b>	<b>43,469,772</b>		<b>1,300,867</b>	<b>579,559</b>	<b>45,350,198</b>
<b>Employee Benefits</b>	<b>9,717,095</b>		<b>584,825</b>	<b>(240,000)</b>	<b>10,061,920</b>
Services and Supplies					
Services	1,321,137		293,491		1,614,628
Student Transportation	144,225		46,870		191,095
Professional Dev. And Travel	397,722				397,722
Rentals and Leases	917,559				917,559
Dues and Fees	95,306				95,306
Insurance	94,800				94,800
Supplies	1,690,205				1,690,205
Utilities	1,029,855				1,029,855
<b>Total Services and Supplies</b>	<b>5,690,809</b>		<b>340,361</b>	<b>-</b>	<b>6,031,170</b>
<b>Total Operating Expenses</b>	<b>58,877,676</b>		<b>2,226,053</b>	<b>339,559</b>	<b>61,443,288</b>
Net Transfers from other Funds	(55,000)				(55,000)
<b>Budgeted Surplus (Deficit)</b>	<b>-</b>	<b>353,414</b>	<b>2,226,053</b>	<b>339,559</b>	<b>(2,212,198)</b>



Forecast Statement based on October, 2012 Actuals:

**Actual Expenses Comparison: Operating Fund, Special Purpose & SD40BC**

		2012/13 Actual Expenses						
Acct #	Account Description	Annual	Month Ended Final Oct 2012				SF	Total
		Op. budget	Operating	%pert	Forecast to June 30/13	Difference		
110	Teacher	\$ 27,915,207	\$ 5,950,701	21.32%	29,465,619.00	(1,550,412.00)	\$ 56,535	\$ 6,007,236
105	Principals & Vice Principals	2,063,492	728,031	35.28%	2,184,093.00	(120,601.00)	-	728,031
123	Educational Assistants	4,834,227	978,463	20.24%	4,892,315.00	(58,088.00)	82,711	1,061,174
120	Support Staff	5,314,072	1,597,522	30.06%	5,171,566.00	142,506.00	14,967	1,612,489
130	Other Professionals	1,999,328	654,213	32.72%	1,962,689.00	36,689.00	60,547	714,760
140	Substitutes	1,343,446	334,793	24.92%	1,673,965.00	(330,519.00)	281	335,074
200	Benefits	9,717,095	2,451,230	25.23%	10,061,921.00	(344,826.00)	58,815	2,510,045
<b>Subtotal Salaries &amp; Benefits</b>		<b>\$ 53,186,867</b>	<b>\$ 12,694,953</b>	<b>23.87%</b>	<b>55,412,118.00</b>	<b>(2,225,251.00)</b>	<b>\$ 273,857</b>	<b>\$ 12,968,810</b>
310	Services	\$ 1,321,137	\$ 742,275	56.18%	1,614,628.00	(293,491.00)	\$ 5,275	\$ 747,550
330	Student Transportation	144,225	38,219	26.50%	191,085.00	(46,870.00)	-	38,219
340	Professional Development & Travel	397,722	54,339	13.66%	397,722.00	-	799	55,138
360	Rentals & Leases	917,599	325,988	35.53%	917,599.00	-	-	325,988
370	Dues & Fees	95,306	76,510	80.28%	95,306.00	-	12,524	89,034
380	Insurance	94,800	100	0.11%	94,800.00	-	-	100
412	Interest	-	-	-	-	-	-	-
510	Supplies	1,680,205	598,290	35.40%	1,680,205.00	-	33,502	631,792
540	Utilities	1,029,855	111,023	10.78%	1,029,855.00	-	-	111,023
551	Gas - Heat	-	28,521	-	-	-	-	28,521
555	Carbon Tax Expense	-	-	-	-	-	-	-
560	Water & Sewage	-	60,628	-	-	-	-	60,628
570	Garbage & Recycle	-	19,880	-	-	-	-	19,880
580	Furniture & Equip. Replacem't	-	43,269	-	-	-	3,889	47,108
590	Computer & Equipment Replacem't	-	4,795	-	-	-	-	4,795
780	Sites	-	-	-	-	-	-	-
781	Buildings	-	-	-	-	-	82,625	82,625
<b>Subtotal Services &amp; Supplies</b>		<b>5,680,809</b>	<b>2,103,847</b>	<b>36.97%</b>	<b>6,081,170.00</b>	<b>(340,361.00)</b>	<b>138,562</b>	<b>2,242,409</b>
Schod District No. 40 Business Compar		-	-	-	-	-	494,320	494,320
Schod Generated Funds		-	-	-	-	-	518,294	518,294
<b>Total Operating Fund Expenses</b>		<b>58,877,676</b>	<b>14,798,800</b>	<b>25.13%</b>	<b>61,443,288.00</b>	<b>(2,965,612.00)</b>	<b>906,739</b>	<b>3,255,023</b>

## Appendix B – Consultation Processes

Samples of Consultation processes and Board materials from School District No. 63 (Saanich)



**2010/11 PRELIMINARY OPERATING BUDGET  
TIMELINES / PROCESS**

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**2010**

February 2 and 10	Finance and Facilities and Board Meetings
February 4	Management Team discussions
February 23	Budget Advisory Committee Meeting
February 23 and March 3	Finance and Facilities and Board Meetings – approval of budget options to share with public for implications and implementation strategies
February 25	Management Team discussions
March 15	District funding allocations from government
March 16	Budget Advisory Committee Meeting
March 30 and April 7	Finance and Facilities and Board Meetings
April 1	Management Team discussions
April 7	School Communities Meeting at Bayside, 3:30-5:00 pm
April 13	Budget Advisory Committee Meeting - <i>The Committee may provide further advice by email between April 21 and April 26 to the Finance and Facilities Committee Meeting should the Public Meeting input affect the advice provided at the April 13<sup>th</sup> meeting.</i>
April 21	Public Budget Meeting at Bayside, 7:00 pm
April 27	Finance and Facilities Meeting
May 5	Board Meeting – approval of budget and submission to Ministry of Education by June 30, 2009



## 2010/11 BUDGET PREPARATION / CONSULTATION PROCESS

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### 1. Context:

- Following the 2010/11 Provincial Budget, Saanich calculates a budget shortfall of \$3.1 million or 4.36% of our Operating Budget;
- Government Funding projections outline that increases to funding for 2010/11 will cover full day kindergarten enrolment and the teacher July 1, 2010 labour settlement. No increase is provided for medical service plan increase, HST implementation, teacher pension contribution increase, and carbon offset costs;
- The Board continues to be challenged with the implementation of Government mandated processes like BCeSIS, carbon tax reporting, employment data collection, monthly financial reporting;
- The District implemented \$3.6 million in reductions in 2009/10 resulting in the most significant teacher reduction in Saanich history which increased the number of classes over 30 students from 54 in 2008/09 to 82 in 2009/10 and classes with greater than 3 designated students rose from 142 in 2008/09 to 189 in 2009/10;
- Saanich spends 85.5% of its budget on instructional programs which is 2% above the provincial average;
- In 2009/10 the Board made administrative reductions of \$315,000 or 4.3% of the administrative budget and increased local revenues by \$945,000.
- It is the Board's intent to adopt a budget that best meets the learning needs of students.

### 2. Board to set Guidelines

- The Board of Education met in January, 2010 and established guidelines and priorities for the expenditure/service reduction options needed to balance the budget;
- The guidelines may include direction on areas of the budget that should not be reduced or areas of the budget where additional expenditures are desired or areas of the budget where administrative efficiencies are expected.

### 3. Process to Determine Budget Expenditure Reduction and Revenue Generation Options

- Establish subcommittee of Superintendent, Secretary-Treasurer, Assistant Superintendents, Director of Finance and Trustee;
- Review the budget reductions proposed in 2009/10 to determine if there additional viable options to implement that adhere to Board guidelines and the implications of those options and review all areas of the budget for further reduction options;
- Meet with individual managers as needed;
- Subcommittee to submit options to Budget Advisory Committee for further discussion.

### 4. Consultation with Budget Advisory Committee, Management Team, School Communities and Public on Options

- Budget Advisory Committee and Management Team meetings to determine implications and implementation strategies around the options;
- School Communities and Public Meetings to seek advice on which options to adopt.

### 5. Board Decision and Implementation of Budget Plan

### 6. Timelines:

- (a) Board Planning Session in December 2009;
- (b) Subcommittee process in January and February 2010;
- (c) Budget Advisory Committee, Management Team considerations in February to April, 2010;
- (d) Funding announcement from Government March 15, 2010;
- (e) School Communities and Public Meetings in March and April 2010;
- (f) Adoption of Budget in early May 2010.

In framing their deliberations, each working group is expected to apply these guidelines:

- To focus on the expectations of the Achievement Contract and Enhancement Agreement
- To comply with legislation, board policy and collective agreements
- To develop findings in the context of efficiency, effectiveness and sustainability
- To consider safe and healthy learning environments
- To respect the legislative commitment to free public education paid for from provincial general revenues and the Board's commitment to avoid imposing fees for learning experiences on parents or guardians

Each working group will report on the following:

1. Membership and meeting dates for the group
2. Information received, analysis undertaken, research and other factors considered, programs and services reviewed
3. Legislation and policy considerations
4. The relationship to the other program areas
5. The findings of the working group including the affordable expenditures within current funding levels (should include a detailed budget plan for program areas and the implications and effect on student achievement of these findings)
6. Any efficiencies included in the findings
7. Programs and services which would improve student achievement or the effective operation of the school district which are desirable but affordable within current funding levels (costed as possible).

**TECHNICAL WORKING GROUPS**

**TERMS OF REFERENCE**

1. Technical working groups will be established for the major program areas of the district as follows:
  - Regular Instruction, Library, Counselling, and Career Programs
  - Special Education, ESL, and Aboriginal Education
  - International Program
  - Distributed Learning Program
  - School and District Administration
  - Operations and Maintenance and Transportation
2. Each technical working group will be comprised of knowledgeable representatives of each program area;
3. Each technical working group will receive advice from the Board to guide its work;
4. Each technical working group will be provided with information on spending in each program area;
5. Each technical working group will work to understand expenditures and how its program area is funded;
6. Each technical working group will ensure that recommended expenditures comply with legislation and collective agreements.
7. Each technical working group will determine the main components of service delivery, the affordable expenditures within current funding levels and the gap to what would better serve students;
8. Each technical working group will use research and evidence to guide its findings;
9. Each technical working group will advise on the relationship to other program areas;
10. Each technical working group will provide a report to the Finance and Facilities Committee of the Board.

**Working Group Membership**

1. **Regular Instruction, Library, Counselling, and Career Programs**
  - 3 Teachers (STA)
  - 2 Support Staff (CUPE)
  - 3 School Administration
  - 2 Parents (COPACS)
  - Gregg Ferrie, Director of Information Technology
  - Paul Standing, Director of Human Resources
  - Ed Sykora, Director of Finance
  - Chair Nancy MacDonald, Assistant Superintendent Instructional Services
  
2. **Special Education, ESL, and Aboriginal Education and ILC**
  - 3 Teachers (STA)
  - 2 Support Staff (CUPE)
  - 3 School Administration
  - 2 Parents (COPACS)
  - Kathryn Farr, Human Resources Advisor
  - Heather Burkett, District Principal
  - Joan Axford, Secretary-Treasurer
  - Chair Marlene Dergousoff, Assistant Superintendent Student Services
  
3. **International Program**
  - 1 Teacher (STA)
  - 1 Support Staff (CUPE)
  - 1 School Administration
  - 1 Parent (COPACS)
  - Karen Lorimer, Accountant
  - Joan Axford, Secretary-Treasurer
  - Chair Bob Lee, Principal, International Program
  
4. **Distributed Learning Program**
  - 1 Teacher (STA)
  - 1 Support Staff (CUPE)
  - 1 Parent (COPACS)
  - Nancy MacDonald, Assistant Superintendent, Instructional Services
  - Keven Elder, Superintendent of Schools
  - Wendy MacDonald, Principal, Individual Learning Centres
  - Kim Milburn, Director of Facilities
  - Ed Sykora, Director of Finance
  - Chair Kevin White, Principal, SIDES

**TECHNICAL WORKING GROUPS**

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5. School and District Administration

- 1 Teacher (STA)
- 1 Support Staff (CUPE)
- 3 School Administration
- 2 Parents (COPACS)
- Ed Sykora, Director of Finance
- Chair Keven Elder, Superintendent of Schools

6. Operations and Maintenance and Transportation

- 2 Teachers (STA)
- 2 Support Staff (CUPE)
- 2 School Administration
- 2 Parents (COPACS)
- Joan Axford, Secretary-Treasurer
- Gregg Ferrie, Director of Information Technology
- Jay Armstrong, Energy Manager
- Wayne Wickett, Manager of Transportation
- Dennis Powell, Manager of Custodial and Community Services
- Chair Kim Milburn, Director of Facilities





School District No. 63 (Saanich)

## **Executive Summary 2011/12 Operating Budget Working Group Reports**

Prepared by  
Joan Axford, Secretary-Treasurer

March 7, 2011

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Over the past ten years, education delivery costs have increased by 65% primarily because of provincial labour settlements; however, increases in government revenue net of reductions due to enrolment decline have only amounted to 40% over this same period. This gap is expected to continue to widen as enrolment declines further and the cost of doing business continue to increase. Recent fuel price increases will be a challenge for a district with 22 bus routes. Enrolment is projected to decline by another 526 FTE by 2015 and the total decline since 2002 will be 2,357.2 FTE or 31.71% of our enrolment.

In the past five years, Saanich has:

- Reduced teaching staff by 9.50% (39 FTE positions) as enrolment has declined by 804 students or 9.50%.
- Approved budget reductions of \$8.47 million or 12% of our budget since 2006.
- Completed five school consolidations by September 2008.
- Introduced a significant school technology plan with local capital to reduce operating costs.
- Utilized shared services for purchasing, energy management and WorkSafe claim management.
- Improved our facilities to ensure energy cost savings, approved the use of bio-diesel in our buses, curtailed the expansion of playground space, lease our unused space to the community, moved our Sidney learning centre to an owned building,

Government has announced limited funding increases over the next three years. The district must continue to address shortfalls between the costs of providing public education and the funding allocated to Saanich.

The 2011/12 Budget process includes a detailed and extensive review of all programs and services to determine what is affordable with government grants, what is being supplemented by local revenues and what is the gap to meet the educational needs of students. The goal of this process was to ensure efficiency, effectiveness in how Saanich spends its dollars and provide evidence on what is affordable within government funding levels.

All groups received the following comparative information to better understand our need for local revenues and the shortfall between funding and costs. It was noted that local revenues have increased by \$3 million since 2000/01:

**How Does Saanich Spend its Dollars in 2010/11?**

<b>Programs</b>	<b>2010/11 Budgeted Expenditures</b>	<b>"Allocated per 2000/01" Government Funding</b>	<b>Local Reserves/ Revenues</b>	<b>Difference</b>
Regular Instruction:				
Regular	\$ 31,694,299			
Library	1,080,282			
Counselling	671,378			
Languages	2,995,409			
In-service	251,596			
Instructional Support	275,249			
Regular Instruction	36,968,213	33,514,194	1,379,925	(2,074,094)
Career Programs	604,968	1,676,220	-	1,071,252
Special Education	10,224,844	7,626,353	374,401	(2,224,090)
English as a Second Language	319,470	297,480	-	(21,990)
Aboriginal Education	696,931	526,640		(170,291)
International	1,516,526	-	2,527,200	1,010,674
SIDES	6,266,355	6,960,089	692,685	1,386,419
School Based Administration	3,273,348	4,003,528		730,180
<b>Total Instruction</b>	<b>59,870,655</b>	<b>54,604,504</b>	<b>4,974,211</b>	<b>(291,940)</b>
Administration	2,202,546	1,765,244	200,000	(237,302)
Operations and Maintenance	6,629,968	6,826,678	266,047	462,757
Transportation	1,246,217	1,037,528	275,174	66,485
<b>Total Budget</b>	<b>\$ 69,949,386</b>	<b>\$ 64,233,954</b>	<b>\$ 5,715,432</b>	<b>-</b>

A recent review by the Office of the Comptroller General outlined a number of best practices for school district budgeting. Conducting a program and services review to determine what could be supported within existing revenues was recommended.

Other key recommendations of the Comptroller General, Saanich has already undertaken:

1. Long range planning and consolidation of facilities
2. Shared services and economies of administration expenditures
3. Forecast of expenditures to year end on a regular basis
4. Monitoring of and use of reserves
5. Appropriate stewardship by making the structural reductions needed to balance the budget
6. Long term strategic planning-the current strategic directions process led by the Superintendent of Schools will work closely with this budget process
7. Eliminated non-core services such as music, social worker, numeracy, comprehensive school health and student advocate
8. Increased local revenues from the international student program, bus fees and the lease of closed facilities

The working groups were given a common terms of reference as established by the Board of Education as follows:

1. Technical working groups will be established for the six major program areas of the district as follows:
  - o Regular Instruction, Library, Counselling, and Career Programs
  - o Special Education, ESL, and Aboriginal Education
  - o International Program
  - o Distributed Learning Program
  - o School and District Administration
  - o Operations and Maintenance and Transportation
2. Each technical working group will be comprised of knowledgeable representatives of each program area
3. Each technical working group will receive advice from the Board to guide its work
4. Each technical working group will be provided with information on spending in each program area
5. Each technical working group will work to understand expenditures and how their program area is funded
6. Each technical working group will ensure that recommended expenditures comply with legislation and collective agreements
7. Each technical working group will determine the main components of service delivery, the affordable expenditures within current funding levels and the gap to what would better serve students
8. Each technical working group will use research and evidence to guide its findings
9. Each technical working group will advise on the relationship to other program areas
10. Each technical working group will provide a report to the Finance and Facilities Committee of the Board.

The Board provided guidance to each group as follows:

In framing their deliberations, each working group is expected to apply these guidelines:

- To focus on the expectations of the Achievement Contract and Enhancement Agreement
- To comply with legislation, board policy and collective agreements
- To develop findings in the context of efficiency, effectiveness and sustainability
- To consider safe and healthy learning environments
- To respect the legislative commitment to free public education

Membership of the groups totaled 61 and included parents, teachers, support workers, school administration and district administrators and teachers. The Working Groups have each provided a report for the Finance and Facilities Committee.

**Appendix A contains a listing of the definitions of the terms used in many of the reports.**

**A. General Findings of the Working Group Reports:**

- Overall the working groups found that funding was being spent effectively to prioritize meeting student needs
- Concern about the loss of funding as the per pupil core funding from the province covers special education, administration, operations and maintenance of schools as these costs are not declining in relation to the loss of funding
- Enrolment in special programs is increasing as a percentage of overall enrolment and more students are assessed in the higher need categories. Students with severe mental health issues and behavioural challenges are on the rise and at the same time counselling and behaviour support time has decreased significantly
- Previous reductions to student services in the area of social worker, support teacher time in numeracy, comprehensive school health, student advocacy, aboriginal education, literacy and counseling are reducing the ability to meet student needs
- Reductions at the school and district level place greater pressure on school administrators who need to take care of those additional duties. It was noted that the workload for district special education leadership is not sustainable
- Cost of replacement staffing may be a result of added stress and pressures to meet student needs. All groups expressed an interest in reducing the cost of staff replacements in some manner
- Distributed Learning is spending according to its funding levels for the provision of day to day services and utilizes past reserves to complete needed program development
- Distributed Learning pays for building and administration costs of \$1.2 million per year to offset district costs in these areas
- The current International student enrollment of just over 200 FTE is sustainable at current operational expenditures. This enrolment level generates a net profit for the school district with \$1 million
- The community services that support our students are facing budget reductions and the families look to the school system for the support such as health, mental health, family counseling, etc.

- The high cost of housing directly impacts on the number of families who can afford to live in the Saanich school district and this contributes to the decline in enrolment. The direction that community and city planning takes ultimately determines enrolment at a school level
- It is important to continue to find ways to engage parents and the broader community in support of Public Education
- The working groups preferred the decentralized model of service we use in Saanich, keeping funding as close as possible to students. Through district comparisons, it seems that a centralized approach to student services may be more cost efficient
- The 'Saanich Way' – those things that make us unique and different (e.g. inclusive model, emphasis on relationships, respectful tone) – is worth preserving
- Cuts to non-enrolling teachers in 2010/11 did not affect all non-enrolling teachers, primarily those in student services both at the district and school levels which adversely affect services to students with special needs. Any future reductions to non-enrolling staff need to be more fairly distributed
- District and school based administration across the district is effective and efficient. Further, it is clear that all employees and all areas of the organization are challenged by the increased complexity and compliance, monitoring and reporting requirements during times of diminishing resources
- Compliance with class size legislation will continue to present challenges and any reduction in teacher staffing will exacerbate this issue. Funding has already been allocated to "resolve" class size/composition situations with a budget of \$200,000. There were 73 classes over 30 students in the district and 181 classes with more than 3 students with special needs in 2010/11
- A number of groups indicated that further local revenue opportunities and opportunities to increase enrolment through the addition of specialized programs should be investigated
- It is time to look for efficiencies that may come from **shared services** with our neighbouring districts which can result in savings at the management level
- Investigate shared services within our district in the areas of technology, library services, accounting, replacement staffing, counseling
- Engaging staff and students in energy conservation and waste management with savings coming from enhanced recycling and reduced usage of heat and light.

All groups commented on the reduction in funding as a result in student decline that is not directly related to enrolment decline. This breakdown was determined based on the 2000/01 funding allocation formula which was the basis of the per pupil funding today:

Every full time student is funded at \$6,740.

It is to fund:

Regular instruction, library, counseling, in service, school administration	\$ 4,651
Career programs	\$ 195
Special education (high Incidence, health, services, assessment)	\$ 319
District administration	\$ 673
Operations and maintenance	\$ 902

**B. Efficiency and Effectiveness - Reduced expenditures or increased revenue opportunities:**

Finding	Estimated Savings	Implications
Manage elementary and middle school counseling by our school zones	\$20,000	Counseling will focus on the most needy children and some students may not receive services
Change the support staff replacement staffing process to reduce costs especially in the area of replacement for reasons other than illness such as vacation, joint meetings, union business	\$20,000	Some support staff will not be replaced or vacation time off will only be approved during non-instructional times
Reduction of surplus seven portable classrooms as enrolment declines.	\$44,000	Schools will need to accommodate students within the buildings
Investigation of alternate transportation allowances or services that may allow full-service special education routes to be modified or more efficient	\$5,000	Some students with special needs may not receive school bus services
Increased e-learning or e-book resources to replace hardcover textbooks	\$50,000	Increased need for technology in schools
Reduce supplies and services at the district level	\$23,000	District may not be able to address unexpected
Reduce school administration costs in the area of supplies and equipment	\$70,000	More pressure on PACs to fund raise for supplies and equipment for schools
Two Week Spring Break or 5 closure days and save on staff replacement costs, busing and crossing guards	\$125,000	Some staff see reductions in paid time and families will be pressured to find alternative care arrangements
Review the number of part time teaching positions to reduce employee benefit costs	\$30,000	Some employee needs may not be met
Explore the role of secondary counselors, especially as it relates to student scheduling, timetabling, with the thought that some of these jobs can be done by other staff.	\$85,000	Need for training of support staff Risk of students receiving incorrect advice
Reduce supplies budgets to schools by 5% overall.	\$100,000	More pressure on PACs to fund raise for supplies and equipment for schools

Finding	Estimated Savings	Implications
Reducing staffing by 5 FTE teachers. This option is subject to a number of parameters outlined in the regular instruction group report	\$425,000	Increasing class sizes at Secondary Reduced non-enrolling services like librarians
Savings in Special Education through a reduction in occupational therapists and supply and equipment budgets	\$30,000	Some students with special needs will not receive the services they need
Reduce elementary computer technical support	\$30,000	Support will need to come from the district information systems

**Total Estimated Expenditure Savings \$1,057,000**

**Findings where revenues can be generated to fund current programs and services in the school district:**

- Consideration for an increase to the sharing ratio by local municipalities towards the cost of crossing-guards, since this is not a requirement of the School Act, but a public safety responsibility of the communities served.
- The requirement of Vancouver Island Health Authority for differing standards for after-school program play structures poses a requirement that diverts current staff resources.
  - Encourage daycare licenses to exclude play-structures from their operation or provide for a fee of \$50 per month per structure to defray increased labour costs.
  - Alter policy to provide for parent advisory groups to deposit a maintenance/replacement fund for failed or unsafe parts as well as \$6,500 annual fall protection maintenance materials for play-structures.
- Increasing revenue from the international program. **We understand from the SISP working group that it is feasible to increase revenue to the district by as much as \$400,000.** In relation to administration, this would see the SISP infrastructure needing to be enhanced in a number of ways including having the principal position be increased to full-time. This could result in having the Parkland administration team reshaped with reduced costs and enhanced services.
- Generating revenue through international distributed learning. As described in the DL working group report, the province is poised to offer BC distributed learning courses to off-shore international students, and SIDES is ideally situated to do just that.
- Generating revenue through contracting information technology services to other districts. Perhaps also through a business company, offering contracted services from our IT department would serve three purposes: generating revenue; allowing our very strong staff to be retained as we move toward anticipated downsizing that comes with efficiencies (planned self-obsolence); and, allowing our staff to be retained rather than be attracted to better opportunities elsewhere.

- Attracting students to specialized programs or perhaps even specialized schools. One example of a specialized program is the new climbing academy at Stelly's. Examples given were:
  - Due to low enrollment at Parkland it might be wise to consider reconceiving Parkland as a specialized magnet school of some kind
  - Policy 2210 – take a hard look to see whether there are options for external source funding or partnerships, such as support/sponsorship from local businesses
  - Continue to expand Continuing Education opportunities, especially at Saanichton where there is room to offer programs to the community, e.g. Early Childhood Education diploma through Camosun (maximize provincial funding)
  - Continuation of the French Immersion and Core French Programs
  - Continued support for career programs such as carpentry and cosmetology

**C. Gap between Ability to Provide Services and Needed Services for Students:**

The district has reduced many services over the last ten years that has reduced services to students and reduced the effective operation of the school district. The working groups have found that the following services should be reinstated:

<b>Improvement</b>	<b>FTE Addition Required</b>	<b>Associated Cost</b>
Lower middle and secondary class size	10.0 FTE	\$936,400
Restore literacy support	1.0 FTE	\$93,640
Restore numeracy support	1.0 FTE	\$93,640
Restore Student Advocate/Comprehensive Health	.5 FTE	\$46,820
Restore technology support	.5 FTE	\$46,820
Restore school plan funding	.5 FTE	\$146,569
Restore career staffing and budget	.75 FTE and supplies	\$246,000
Restore literacy at secondary	.75 FTE	\$70,230
And, given new initiatives related to personalized learning, professional growth, pilot implementation	Teacher leadership, release time	\$100,000
Further implementation to support the Enhancement Agreement and Completion goals	Leadership and supplies	\$100,000
Two carpenters who are temporarily funded through non-structural seismic grants		\$138,136
Building materials and vehicle repair costs have escalated an average of 35%		\$100,000
Building technology renewal program		\$100,000
Replacement of aging vehicle fleet		\$270,000
Indoor air quality improvement program		\$70,000



<b>Improvement</b>	<b>FTE Addition Required</b>	<b>Associated Cost</b>
Reinstate Secretary-Treasurer's department to 100%		\$30,000
School Administration support at SIDES		\$130,000
Central call In for Teachers on Call		\$100,000
Reinstate learning assistance, behaviour support, counselors, support for students with outstanding capabilities and student advocacy		\$394,407
District instructional support for diverse needs in classrooms		\$85,000
Mental Health Professional support		\$75,000
Increase First Nations Support and district administration support from existing resources		\$30,000
Re-instate the social worker position		\$75,000
Increase District Psychology time		\$17,000
Provide a family worker to connect with children and families		\$40,000
Increase District Principal to full time and add a vice-principal at CDC		\$11,000
<b>TOTAL GAP</b>		<b>\$3,545,662</b>

**Next Steps in the Preparation of the 2011/12 Operating Budget:**

The Provincial Budget tabled on February 25, 2011 outlined that there would be no additional funding for public education other than funding the full day kindergarten. The Board now awaits the allocation of those funds to individual school districts by March 15, 2011. The findings of the working group process will form part of the next steps in preparing a 2011/12 operating budget as follows:

1. Consultation with Budget Advisory Committee,

Management Team, School Communities and Public on Options:

- Budget Advisory Committee and Management Team meetings to review findings of working groups and resulting budget plan and if needed, determine additional changes needed to balance the budget
- Provide the budget plan resulting from the working groups and Budget Advisory Committee and Management Team processes on the district web site and provide a survey for feedback and advice to the Board
- School communities and public meetings to seek advice on resulting budget plan
- Updates on this work will be provided to the Board through the Finance and Facilities Committee.

**2. Board Decision and Implementation of Budget Plan**

- Board debates the resulting budget plan on April 27, 2011 and determines any changes and approves a budget for submission to the Ministry
- Continuous tracking and reporting to the Board of the implementation of the budget plan.

**3. Next Steps - Timelines**

- (a) Publish working group reports on the district web site
- (b) Budget Advisory Committee, Management Team considerations in March and April, 2011
- (c) Funding announcement from Government on March 15, 2011;
- (d) Survey on budget in early April
- (e) School communities meeting on April 12 and public meeting on April 19, 2011
- (f) Adoption of budget on April 27, 2011.

## **Appendix A Definitions of Terms used in Reports**

FTE	Full time equivalent staff – many staff work less than full time so an employee who works half time would be .50 FTE
ProD	Professional development which is the training and professional improvement activities of our staff
ILC	Individual Learning Centres which provide alternative education programs in two sites, Saanichton and Broadmead for students who choose a setting other than other than the regular secondary schools
CDC	Children’s Development Centre is a school which offers extensive support to elementary and middle school aged students who need support to be successful back in their regular classroom
SIDES	South Island Distance Education School is a school in Saanich which provides distributed learning courses (previously called correspondence courses) to students who wish to take credit courses on line.
Local Revenues	Revenues earned by the school district through local initiatives which is over and above provincial grants

### **Functions and Programs:**

#### **FUNCTION 1: INSTRUCTION**

This function incorporates all programs related to the instruction of students. This function includes regular instruction, career programs, special education, aboriginal education, English as a second language, school administration, international, and SIDES

#### **FUNCTION 4: DISTRICT ADMINISTRATION**

This function incorporates the cost of all programs related to district governance and district administration of educational, business, human resource and labour relations activities.

#### **FUNCTION 5: OPERATIONS AND MAINTENANCE**

This function incorporates all programs related to the district's responsibility for the operation, maintenance and safety of sites, buildings, furniture and equipment, and computer equipment. Also included in the individual program is the cost of maintenance for vehicles used by personnel charged to the program.

#### **FUNCTION 7: TRANSPORTATION AND HOUSING**

This function incorporates programs involving the transportation and housing of students.

**Employee Benefits:** The employer cost of their share of Canada Pension, Employment Insurance, WorkSafe BC, Pension plans, medical, dental, extended health and life insurance premiums

## **Appendix A Definitions of Terms used in Reports**

<b>Level 1, 2 and 3</b>	<b>Ministry of Education Provides additional funding for students with special needs:</b> <ul style="list-style-type: none"><li>▪ For each Level 1 FTE student (includes students identified as Physically Dependent or Deaf blind) \$36,600</li><li>▪ For each Level 2 FTE student (includes students identified as Moderate to Profound Intellectual Disability, Physical Disability or Chronic Health Impairment, Visual Impairment, Deaf or Hard of Hearing, Autism Spectrum Disorder) \$18,300</li><li>▪ For each Level 3 FTE Student (includes students identified as Intensive Behaviour Interventions or Serious Mental Illness) \$9,200</li></ul>
<b>Low Incidence</b>	<b>Students assessed in Level 1, 2 and 3 funding categories</b>
<b>High Incidence</b>	<b>Students funded in the core funding who have special needs such as moderate behaviour</b>
<b>TOC</b>	<b>Teacher on call who replaces teachers when absent</b>



## Appendix C – Programs that Contribute to the District Finances

**Schedule does not include an Allocation of Facility or Administration Costs**

**International Program**

	<b>Annual 11/12 Budget</b>	<b>Amended 11/12 Budget</b>	<b>Actual 11/12 Expense</b>	<b>Annual 12/13 Budget</b>
Revenue	2,213,300.00	2,632,571.00	2,697,118.00	2,750,800.00
Expenses				
Teachers	37,512.00	37,512.00	46,971.00	37,512.00
Support	62,148.00	62,148.00	67,332.00	62,148.00
Other Professionals	310,137.00	310,137.00	296,166.00	310,137.00
Replacement Staff	19,869.00	19,869.00	6,537.00	19,869.00
Total Salaries	429,666.00	429,666.00	417,006.00	429,666.00
Employee Benefits	89,896.00	89,896.00	84,108.00	89,896.00
Supplies and Services	456,451.00	436,451.00	548,736.00	456,451.00
Total Expenses	976,013.00	956,013.00	1,049,850.00	976,013.00
<b>Contribution to the District</b>	<b>1,237,287.00</b>	<b>1,676,558.00</b>	<b>1,647,268.00</b>	<b>1,774,787.00</b>

**Continuing Education**

Revenue (School Age)	1,932,874.00	1,958,314.00	2,001,736.00	1,942,798.00
Expenses				
Teachers	1,652,889.00	1,652,889.00	1,711,531.80	1,652,889.00
Support	95,827.00	95,827.00	78,192.00	95,827.00
Other Professionals	13,176.00	13,176.00	-	13,176.00
Replacement Staff	4,711.00	4,711.00	5,389.00	4,711.00
Total Salaries	1,766,603.00	1,766,603.00	1,795,112.80	1,766,603.00
Employee Benefits	30,002.00	30,002.00	20,526.00	30,002.00
Supplies and Services	105,309.00	105,309.00	169,285.00	105,309.00
Total Expenses	1,901,914.00	1,901,914.00	1,984,923.80	1,901,914.00
<b>Contribution to the District</b>	<b>30,960.00</b>	<b>56,400.00</b>	<b>16,812.20</b>	<b>40,884.00</b>

**Summer School**

Revenues	234,016.00	237,576.00	237,576.00	231,616.00
Expenses	222,389.00	222,389.00	222,389.00	213,454.00
<b>Contribution to the District</b>	<b>11,627.00</b>	<b>15,187.00</b>	<b>15,187.00</b>	<b>18,162.00</b>

**Distributed Learning-Home Learners**

Revenue	2,594,756.00	2,410,112.00	2,189,756.00	2,186,027.00
Expenses	1,732,525.00	1,732,525.00	1,617,317.53	1,732,525.00
<b>Contribution to the District</b>	<b>862,231.00</b>	<b>677,587.00</b>	<b>572,438.47</b>	<b>453,502.00</b>

**Contribution from the Business Company**

			427,951.00	200,000.00
<b>Total Contribution to Facilities Costs and District Wide Programs</b>			<b>2,679,656.67</b>	<b>2,487,335.00</b>



## Glossary

FTE	Full Time Equivalent Staff which takes the time worked as a percentage of the full time days or weekly hours
DL	Distributed Learning which is offered on line and in New Westminster at Alternate Learning Centre–Virtual School, Home Learners Programs
CE	Continuing Education which is students returning to school for upgrading and completion of courses which are funded by the Ministry if leading to graduation. It is offered at Alternate Learning Centre–Columbia Square
Employee Benefits	This is the employer’s share of the cost of statutory benefits of Canada Pension, Employment Insurance, Workers’ Compensation, and Pension plans, Medical, Dental, Extended Health,