

To: Board of Education

From: Secretary Treasurer
Flavia Coughlan

Re: PRELIMINARY OPERATING
BUDGET 2013/14

Date: April 24, 2013
(Public Board Meeting)

Decision

BACKGROUND/RATIONALE:

On April 9, 2013, the Proposed Preliminary Operating Budget 2013/14 was presented to the Budget Committee of the Whole and at the recommendation of the Committee the proposed budget was presented at the April 10, 2013 Public Board meeting for information. The Education Partners and the Public were invited to provide feedback on the proposed budget in writing or at the April 17, 2013 Budget Committee of the Whole meeting.

At the April 17, 2013, meeting the Board received input from CUPE, MRTA, individuals and delegations. Written submissions were also received. The majority of feedback received focused on the proposed changes to the library model in secondary schools. Concerns were also expressed related to the feasibility of implementing changes to the secondary day time custodian model during the two year trial period for converting custodial staff from 10 months to 12 months.

Based on the feedback received the proposals related to the secondary custodial model and the secondary library model have been revised. Revisions have also been made to the proposed utilization of reserves, secondary teacher allocation formula, and secondary learning resource budget allocations. Attachment A presents the revised Preliminary Operating Budget 2013/14.



PRELIMINARY OPERATING BUDGET 2013/14

MAPLE RIDGE - PITT MEADOWS SCHOOL DISTRICT NO. 42

April 24, 2013

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OVERVIEW

School District No. 42 meets the learning needs of approximately 15,000 students of all ages in Maple Ridge and Pitt Meadows, and is defined by its determination to keep student learning and growth at the heart of all its decisions.

All of the initiatives and resources in the Maple Ridge – Pitt Meadows School District are aligned to support the district's commitment to continuous improvement, excellence in pedagogy, the building and sustaining of community and partnership relationships, and the fostering and development of crucial 21st century skills.

INTRODUCTION

School District No. 42 (Maple Ridge – Pitt Meadows) is estimating that, due to several cost pressures beyond its control, it will be facing an operating budget funding shortfall of \$5.66 million for 2013/14.

In accordance with the School Act, school districts in the province must approve a balanced budget and submit it to the Ministry of Education by June 30, 2013. The Maple Ridge – Pitt Meadows School District has developed a balanced budget that supports its vision, and that considers not only its shared priorities but also the needs of its community learners.

This report provides background information for the budget process and a proposed 2013/14 Preliminary Operating Budget.

In this document you will find:

- Historical information on the 2008/09 to 2012/13 amended (final) annual operating budget and comparative enrolment, staffing, revenue and expenditure information;
- 2013/14 operating base budget information, including major assumptions made when building the base budget;
- Summary of the 2013/14 revenue and expenditures by type and the projected 2013/14 operating shortfall;
- Three year operating budget projections for 2013/14 to 2016/17;
- Budget balancing proposals.

As required by the Ministry of Education and Public Sector Accounting Standards (PSAB), SD42 tracks and reports revenue and expenditures under three separate funds: the operating fund, the special purpose fund and the capital fund.

- Operating fund: The operating fund includes operating grants and other revenues used to fund instructional programs, school and district administration, facilities operations, and maintenance and transportation.
- Special purpose fund: The special purpose fund is comprised of separate funds established to track revenue and expenditures received from the Ministry of Education and other sources that have restrictions on how they may be spent (e.g. Annual Facilities Grant, CommunityLINK, School Generated and Learning Improvement Fund).
- Capital fund: The capital fund includes capital expenditures related to facilities (purchases and enhancements) and equipment (purchases) that are funded by Ministry of Education capital grants, operating funds, and special purpose funds.

This document focuses on the Operating Fund.

BUDGET BACKGROUND INFORMATION

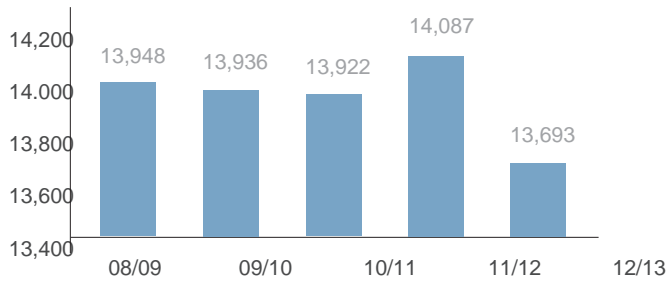
The information presented in this section is based on comparative annual operating budget information for the years 2008/09 to 2012/13.

Enrolment History

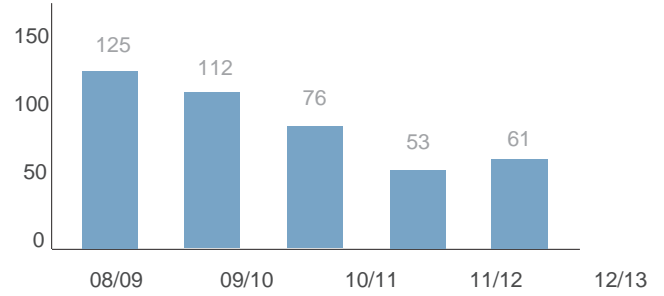
The enrolment history for regular, distributed learning, summer school, and adult learners is presented in the following chart. Despite the introduction of all-day kindergarten in 2011/12, Ministry of Education funded enrolment has decreased by 387 FTE students since 2008/09.

In the same time period, there have been changes in subcategories of students. While Students with Special Needs

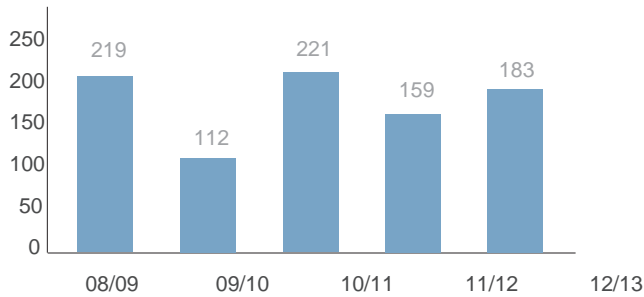
ENROLMENT HISTORY:
Regular & Alternate Education



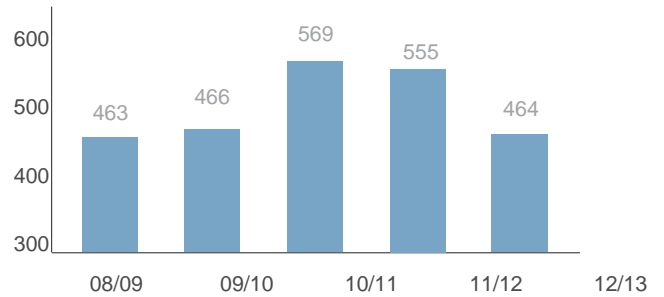
ENROLMENT HISTORY:
Distributed Learning



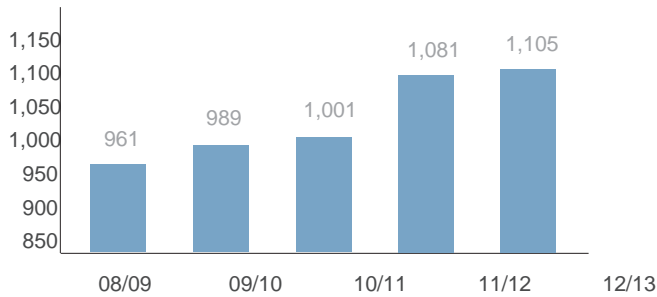
ENROLMENT HISTORY:
Adults 19 and Over



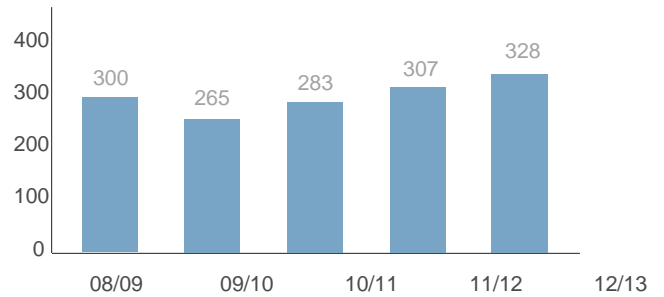
ENROLMENT HISTORY:
International Education



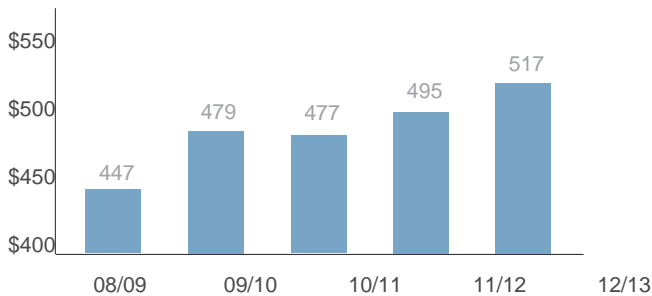
ENROLMENT HISTORY:
Aboriginal Education



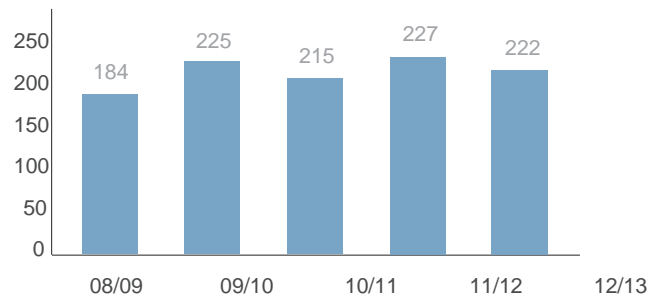
ENROLMENT HISTORY:
English Language Learners



ENROLMENT HISTORY:
Students with Special Needs (Level 1 & 2)



ENROLMENT HISTORY:
Students with Special Needs (Level 3)



Source: 2008/09-2012/13 Funding Allocation System - Full Year (excluding Summer School)

Operating Revenue and Expenditures

Since 2008/09, both revenue and expenditures have increased due to labour settlement costs and a corresponding increase in provincial funding. In the same time period, expenditure reductions have been made to compensate for student enrolment decline. The following table summarizes the revenue and expenditures submitted as part of the Amended (Final) Annual Budgets.

	2008/09 Final Budget	2009/10 Final Budget	2010/11 Final Budget	2011/12 Final Budget	2012/13
Operating Revenue	121.14	124.16	126.14	128.38	126.10
Prior Year Operating Surplus	4.38	3.61	2.91	2.67	4.14
Operating Expenses	(124.67)	(127.12)	(128.30)	(130.28)	(128.41)
Transfers to Other Funds	(0.40)	(0.65)	(0.75)	(0.59)	(1.83)
Reduction in Unfunded Liability	(0.45)				
Budgeted Surplus	0.00	0.00	0.00	0.18	0.00

Source: 2008/09 - 2012/13 Amended Annual Budget Submissions

From 2008/09 to 2012/13, budgeted revenues have increased by \$4.96 million. This increase is mainly due to provincial grants received to fund negotiated labour settlement costs for all employee groups. Annually, grants from the Provincial government account for over 90% percent of the Revenues.

For the same period, other revenues have declined by approximately \$1.2 million. Although there are a number of factors that have changed, the principal changes relate to investment income and to a change in the accounting treatment of International Education fees. While prior to 2012/13 monies collected for medical fees and home-stay costs were treated as revenue when received and as an expense when paid, beginning in 2012/13, the money was treated as a liability and is now no longer recorded as either revenue or expense.

The budgeted expenses by function are outlined below.

Each year, approximately 84% of the district's expenses are allocated to instruction. Operations and maintenance, district administration, transportation and the reduction of unfunded employee future benefits, capital assets purchases and other interfund transfers account for the remainder of the expenses.

For the time shown, SD42 has on average spent 86% of its budget on salaries and benefits. The balance is used to cover supplies, utilities, services and other costs.

BUDGETED OPERATING EXPENSES BY ERATING

EXP

Budget 485.6 million in Tf/S fund Aers.

Staffing

From 2008/09, total staffing in the Maple Ridge – Pitt Meadows School District has increased by approximately 61.6 FTE. This number includes positions funded from the Learning Improvement Fund (LIF).

While Teaching Staff, Principal/Vice-Principal, and Other Professionals positions have been reduced due to general enrolment decline, Education Assistant staffing has increased principally due to higher enrolment of students with special needs, and Support Staff staffing has increased due to the transfer of contracted services for IT support and home

2013/14 BASE OPERATING BUDGET

The Base Operating Budget reflects the estimated revenue and expenses for 2013/14 if the school district were to maintain the same level of service that it provided for the 2012/13 school year. The Base Operating Budget is based on the Board-approved 2012/13 Amended Annual Budget. It has been adjusted for:

- Projected enrolment changes;
- Projected changes to revenue and staffing due to changes in enrolment;
- Estimated changes to employee salaries and benefits;
- Estimated changes to services, supplies and utilities due to inflation;
- Adjustments for one-time revenue or expenditures in the prior year budget.

2013/14 Budget Assumptions

The base budget estimates for 2013/14 are based on the following forecasts and assumptions. These projections have been prepared in accordance with public sector accounting standards (PSAB) without not-for-profit provisions.

Enrolment

In February 2013, the school district submitted its enrolment estimate to the Ministry of Education. The enrolment forecast is used by the Ministry of Education to determine funding for the school district. For 2013/14, the school district is forecasting a decline in enrolment of 197.5 FTE students.

- School age, including Alternate Programs, is forecasted to decline 177 FTE students.
- Continuing Education is forecasted to decline 11.50 FTE students.
- Distributed Learning is forecasted to decline 9 FTE students.

Operating Revenue

Operating Grant

Operating Grant calculations are based on the preliminary operating grants announced by the Ministry of Education on March 14, 2013.

The Ministry of Education has retained a \$59.6 million provincial holdback for 2013/14 to ensure there are enough funds to cover any variances from preliminary enrolment estimates.

SD42 represents approximately 2.4% - 2.6% of the provincial enrolment and/or funding envelope. It is prudent, however, to estimate holdback expectations conservatively as funding mandates could change mid-year and could therefore change eligibility criteria for these funds.

There are no provincial holdback distributions included in these estimates.

Other Revenue

Other sources of revenue have been adjusted to reflect known factors.

Staffing

The Maple Ridge – Pitt Meadows School District estimates that the enrolment decline of 197.5 FTE students will result in 7.0 FTE fewer teachers. Other enrolment related staffing changes have not been forecasted at this time.

Changes in Salary and Benefit Costs

The teacher salary budget is forecasted to increase by \$0.59 million due to salary increments (\$0.82 million), offset by



Schedule 3 2013/14 PROJECTED ENROLMENT DRIVEN CHANGES

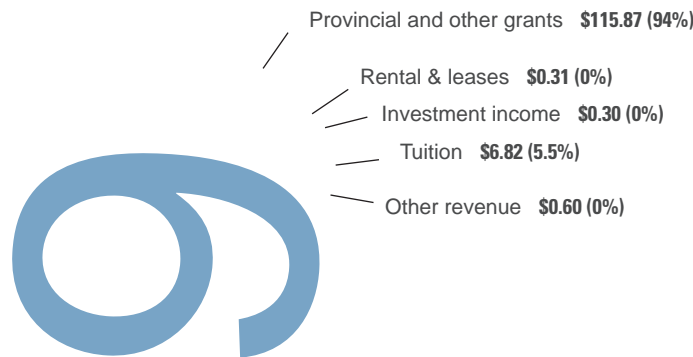
Regular and Continuing Ed. School Aged
Distributed Learning
Adults
Special Education
Level 1
Level 2
Level 3
English Language Learners
Aboriginal Education
February and May enrolment changes
Other changes in Operating Grant funding
Enrolment decline grant
2012/13 Holdback allocation
Supplement for Education Plan
Funding protection
Salary differential
Unique geographic factors
Total Change in Operating Grant

2013/14 Base Operating Budget Revenue

The majority of school district revenues are received from the provincial government in the form of the Ministry of Education Operating Grant and other provincial grants (94%). The level of provincial funding consequently has a significant impact on the educational services and programs that can be offered.

Because the primary determinant of provincial funding is enrolment, a forecasted decline in enrolment puts pressure on programs and services. Outside of provincial grants, International Education fees are the primary source of revenue which accounts for 5% of total revenue. See Figure 1.

FIGURE 1 2013/14 BASE OPERATING BUDGET REVENUE BY SOURCE (\$ millions)



2013/14 Base Operating Budget Expenditures

The projected expenditures for the 2013/14 Base Operating Budget total \$129.57 million, which is \$5.66 million more than the projected revenue.

Approximately 84% of the budget will be spent on instruction related costs. This includes school-based teachers, SEAs, school administrators and school based support staff and supplies.

Maintenance accounts for 10%, district administration is 4% and transportation is 1%. The remaining 1% is spent on capital purchases.

Approximately 89% of the budget is spent on salaries and benefits, while services, supplies, and utilities represent 11%. Figures 2 and 3 below show the allocation of expenses by function and type of expenditure.

FIGURE 2 2013/14 BASE OPERATING BUDGET BY FUNCTION

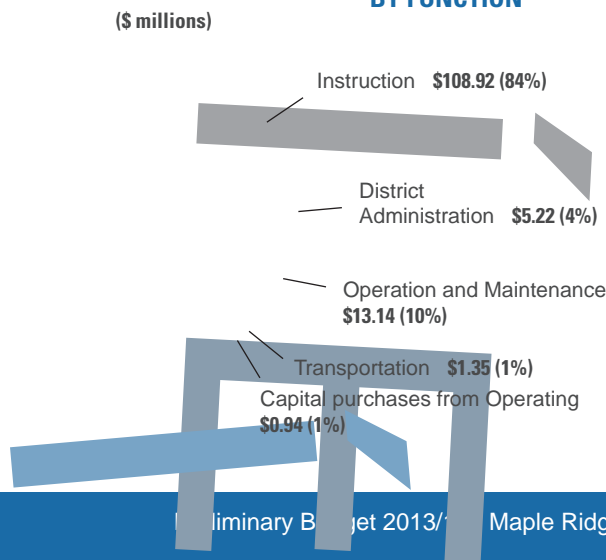
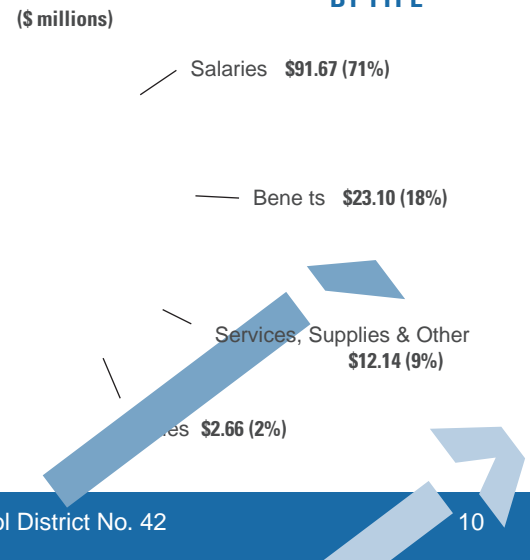


FIGURE 3 2013/14 BASE OPERATING BUDGET BY TYPE



2013/14 Base Operating Budget Staffing

The base budget adjustments will result in a net decrease of 11.40 FTE. The following table provides a summary of the staffing adjustments by employee group.

2013/14 BASE OPERATING BUDGET PROJECTION STAFFING (FTE) BY TYPE

	2012/13 Final	Adjustments	2013/14 Base
Teachers	813.40	(11.40)	802.00
Principals/Vice-Principals	56.00		56.00
Other Professionals	30.00		30.00
Education Assistants	297.00		297.00
Support Staff	323.40		323.40
Trustees	7.00		7.00
	1,526.80	(11.40)	1,515.40

7 FTE reduction is due to forecasted enrolment decline.

4.4 FTE reduction is due to one-time staffing given to secondary schools to reduce teacher allocation ratio from 1:26.5 to 1:26.

CONTINGENCY RESERVE AND OPERATING SURPLUS

The Board's Contingency Reserve is comprised of previous years' operating surpluses, which are transferred to the Long-Term Capital Reserve (LCR). With Board approval, funds in the LCR can be used to assist in funding the Operating Budget. The LCR can also be used to fund major initiatives that are not funded by the Province.

The current balance in the Contingency Reserve is \$1.53 million.

As of March 31, 2013, the available operating surplus has been forecasted at approximately \$1.40 million (this amount does not include the contingency reserve of \$1.53 million). This estimated surplus is the result of lower than budgeted teacher salaries (\$0.65 million), lower than budgeted expenditures for services, supplies, utilities and transportation (\$0.65 million), and a slight anticipated increase in International Education and Continuing Education revenue (\$0.1 million).

In addition, the operating surplus to be carried forward to 2013/14 to fund contractual obligations is estimated to be approximately \$0.77 million. This amount includes carry forwards for Aboriginal Education, Professional Development, Schools Budgets, and other projects underway.

CONTINGENCY RESERVE AND OPERATING SURPLUS

	2012/13 (\$ millions)
Contingency Reserve	1.53
2012/13 Operating Surplus	1.40
Contingency Reserve and Operating Surplus	2.93

THREE YEAR OPERATING BUDGET PROJECTIONS

The following table presents three year operating budget projections for the Maple Ridge – Pitt Meadows School District. The projections are high-level estimates based on assumptions about major budget change factors over the next three years. These assumptions are:

- that there will be no change in the per student operating grants from the province;
- that there will be no change in other provincial funding (AFG, Community Link, Pay Equity);
- that general student enrolment will decline by 150 FTE in both 2014/15 and 2015/16;
- that the decline in general student enrolment will result in a 6.0 FTE reduction in teacher staffing;
- that there will be continued cost increases for employee benefits that will not be provincially funded;
- that there will be CPI inflation for supplies and services, and rate increases for utilities, amounting to approximately \$160,000 for 2014/15 and 2015/16;
- that there will be no net cost increases for future labour settlements, or that any increases will be funded by the Province.

OPERATING BUDGET THREE YEAR PROJECTIONS (\$ millions)

Costs

PRELIMINARY OPERATING BUDGET BALANCING PROPOSALS

- REVISED -

The proposals contained in this section are presented in order to achieve a balanced operating budget for 2013/14. In total, these proposals would result in increased revenues or decreased expenditures of \$5.66 million in order to balance the budget given the projected funding shortfall.

The preliminary budget proposals have been developed based on the feedback received from meetings with partner groups and the results of the public budget survey. The preliminary proposals were revised based on input received from education partner groups and the public.

Proposed Use of Reserves

The estimated shortfall of \$5.66 million represents 4.36% of operating expenditures. A reduction of this magnitude in any given year cannot be achieved without significant changes to the way a district operates. While changes that are consistent with established practice can be implemented in a relatively short time frame, strategic initiatives that require multiple years to be realized.

In order to allow for time to research and implement strategic initiatives, it is proposed that \$1.52 million of the available

Also, at the secondary level the library support model is proposed to be changed from full time librarians in every school to full time library operations shared between teacher librarians (0.625 FTE) and library clerks (20 hours/week). This change will result in savings of \$0.14 million (2.22 FTE teachers reduction offset by 1.35 FTE library clerks increase). e

Teachers

STUDENT/STAFF RATIOS	2008/09	2009/10	2010/11	2011/12	2012/13 proposed	2013/14 proposed with LIF/LSC
Teachers	17.88	17.85	18.07	18.00	17.71	18.23
Principals/Vice-Principals	249.23	260.01	266.78	266.75	257.15	263.02
Other Professionals/Exempt	461.08	453.50	472.96	492.00	480.03	473.44
Education Assistants	56.75	54.57	54.37	53.01	48.49	47.82
Support Staff	46.33	45.89	45.64	44.96	44.53	44.32
Trustees	2,107.78	2,089.36	2,112.60	2,121.98	2,057.26	2,029.04
	9.82	9.74	9.81	9.72	9.43	9.55

Source: Restated 1530 submissions and enrolment based on full-year funding allocation system and projected enrolment for 2013/14.

FIGURE 2 BUDGET BALANCING PROPOSALS

PROPOSAL	STAFFING IMPACT	BUDGET IMPACT			
	REDUCTION (INCREASE)	SALARIES & BENEFITS	SUPPLIES	REVENUE	TOTAL
USE OF RESERVES (revised)				1,514,837	1,514,837
STAFFING					
ADMINISTRATION					
Education and Administration Leadership Restructure		19,564			19,564
Elementary Administrator Formula	0.60	55,372			55,372
Secondary Administrator Formula	2.00	247,650			247,650
SUPPORT STAFF					
Secondary Library Model (revised)	(1.35)	(69,204)			(69,204)
School Clerical Allocation Formula		43,733			43,733
General Clerical Reduction	1.27	62,068			62,068
Staff Replacement Model Change		150,000			150,000
Maintenance Staff Reduction	1.00	75,000			75,000
Maintenance Grounds Staff Reduction	1.00	53,305			53,305
Maintenance Custodial Staff Reduction (revised)	1.00	52,430			52,430
TEACHERS					
Secondary Administrator Formula	(1.60)	(147,707)			(147,707)
Helping Teachers	2.95	279,194			279,194
Student Support Services	2.00	189,284			189,284
Secondary Library Model (revised)	2.22	210,105			210,105
Alignment of Class Size Ratio (revised)	16.50	1,561,593			1,561,593
Other - JECIC for One Year		33,000			33,000
SUBTOTAL STAFFING (revised)	27.59	2,815,387	-	-	2,815,387
UTILITIES, SUPPLIES & SERVICES					
General Services and Supplies Reduction			328,000		328,000
Board Operations, Finance, Secretary Treasurer's Office			57,000		57,000
Superintendent, Communications, HR, IT, Pro-D Meals			118,200		118,200
Printing and Copying Costs			10,000		10,000
Transportation			80,000		80,000
Maintenance, Supplies, and Services Reduction			177,484		177,484
Efficient Use of District Facilities			192,000		192,000
Basic Supply, Learning Resources & School Fees Allocations - Secondary			132,512		132,512
Eliminate Financial Support for Other Organizations			10,000		10,000
School Equipment Budget for One Year			170,000		170,000
Other - JECIC for One Year			12,000		12,000
SUBTOTAL SUPPLIES	-	-	1,287,196	-	1,287,196
REVENUE					
Facilities Rental				14,080	14,080
Investment Income				24,570	24,570
SUBTOTAL REVENUE	-	-	-	38,650	38,650
GRAND TOTAL	27.59	2,815,387	1,287,196	1,553,487	5,656,070

FIGURE 3 SUMMARY OF OPERATING REVENUE AND EXPENSE

Operating Revenue by Source

	Base Budget	Proposals	Preliminary Budget	% Change
Grants				
Provincial Grants - Ministry of Education	113,816,390		113,816,390	0.00%
Other Ministry of Education Grants	1,710,548		1,710,548	0.00%
Provincial Grants - Other	359,663		359,663	0.00%
Total Grants	115,886,601	0	115,886,601	0.00%
Tuition	6,816,825		6,816,825	0.00%
Other Revenue	606,086		606,086	0.00%
Rentals & Leases	305,000	14,080	319,080	4.62%
Investment Income	300,000	24,570	324,570	8.19%
Total Operating Revenue	123,914,512	38,650	123,953,162	0.03%

Operating Expense by Source

Salaries				
Teachers	59,456,808	(1,639,426)	57,817,382	-2.69%
Principals and Vice-Principals	5,723,261	(242,894)	5,480,367	-4.24%
Education Assistants	9,072,287	0	9,072,287	0.00%
Support Staff	10,554,234	(177,099)	10,377,135	-2.03%
Other Professionals/Exempt	2,888,789	(15,714)	2,873,075	-0.54%
Substitutes	3,976,464	(188,083)	3,788,381	-4.76%
Total Salaries	91,671,843	(2,263,216)	89,408,627	-2.47%
Employee Benefits	23,104,996	(552,171)	22,552,825	-2.39%
Total Salaries and Benefits	114,776,839	(2,815,387)	111,961,452	-2.45%
Services and Supplies				
Services	4,660,152	(320,841)	4,339,311	-6.88%
Student Transportation	1,274,055	(80,000)	1,194,055	-6.28%
Professional Development	749,357	(58,500)	690,857	-7.81%
Rentals and Dues	314,469	0	314,469	0.00%
Insurance	319,514	0	319,514	0.00%
Supplies	3,882,548	(581,855)	3,300,693	-14.99%
Utilities	2,657,026	(192,000)	2,465,026	-7.23%
Total Services and Supplies	13,857,121	(1,233,196)	12,623,925	-8.90%
Total Operating Expenses	128,633,960	(4,048,583)	124,585,377	-3.15%
Interfund & Local Capital				
Interfund	249,999		249,999	0.00%
Local Capital	686,623	(54,000)	632,623	-7.86%
Total Interfund and Local Capital	936,622	(54,000)	882,622	-5.77%
Total Expenses	129,570,582	(4,102,583)	125,467,999	-3.16%
Use of Prior Year Surplus or Reserves	-	1,514,837	1,514,837	
Projected Operating Surplus/(Deficit)	\$(5,656,070)	\$5,656,070	\$ -	

