



School District No. 33
RICHMOND

Memorandum

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TO Board of Education (Richmond) – PUBLIC

April 15, 2010

RE *Expenditure Reduction Measures - 2010-2011 Preliminary Operating Budget*

As Trustees are aware, the Board of Education is required to submit a preliminary operating budget for the next fiscal year by June 30, 2010.

The preliminary budget is based upon:

- Projected student enrolment for the upcoming year,
- Preliminary Provincial Operating Grant funding for the Richmond School Board as announced by the Ministry of Education on March 15th based upon projected student enrolment, and;
- Anticipated changes in costs and other revenues.

An analysis of this information with respect to its implications for the District has resulted in the calculation of a funding shortfall in the amount of approximately \$5.89 million for the 2010/2011 fiscal year; this estimate was based upon maintaining the current level of programs and services in place across the District.

The following comprise the primary reasons for the funding shortfall:

- The Operating Grant remains insufficient to provide for all inflationary pressures,
- Annual Facilities Grant funding, while partially restored for 2010-2011, was not granted in 2009-2010,
- The District's ability to sell surplus property is restricted by Ministerial order,
- The 2009-2010 fiscal year was balanced using one-time funds, which are now exhausted, and;
- Income from short-term investments for the upcoming fiscal year continues to be significantly below that of prior years.

Shortfalls are not a new experience for the School District. Attached please find a history of reductions made in 2009-2010 to achieve a balanced budget.

In accordance with the School Act, the preliminary operating budget cannot result in a deficit for the Board, without approval of the Province.

The Action Plan contained in the recommendation below was developed and evaluated with the primary goal of minimizing the impact on student learning in schools and upon district services that provide support for schools. Staff has also been mindful of our

Developmental Objectives of student success, organizational sustainability, environmental stewardship and communication. Care has also been taken such that service levels are not reduced to a point that will compromise safety, and every attempt has been made to address issues surrounding what is practical and sustainable in the long term.

Recommendation

In accordance with the above considerations, it is recommended:

THAT, in order to achieve the level of expenditure reduction necessary to ensure a balanced operating budget for the 2010-2011 fiscal year as required by the School Act, the Board of Education (Richmond) approve the following budget measures:

School District #38 (Richmond)				
Action Plan to Balance 2010 - 2011 Budget Shortfall				
	Description		FTE	
Ref.	FTE Reductions	Action	Reduction	Value
1	School-Based Elementary Administration	Restructure	1.2	140,000 est.
2	School-Based Secondary Administration	Restructure	1.2	140,000 est.
3	Exempt Staff	Reduce	1.0	75,000 est.
4	BCeSIS Administration	Restructure	1.0	70,000 est.
5	District Admin-LSD, retirement mid year	Reduce	0.5	60,000 est.
6	Educational Assistants	Reduce	15.0	611,000 est.
7	Early Day Shift Custodians	Reduce	11.0	500,000 est.
8	Secondary Youth Workers	Restructure	8.0	360,000 est.
9	District Clerical Staff	Reduce	3.0	151,000 est.
10	Secondary Clerical Staff	Adjust to Formula	3.0	150,000 est.
11	Unassigned Non EA CUPE Staff	Reduce	10.0	70,000 est.
12	Print Services, Administration Building	Restructure	1.0	40,000 est.
13	Learning Resource Teachers	Reduce	18.0	1,080,000 est.
14	Teacher-Librarians	Reduce/Restructure	8.4	498,000 est.
15	Elementary Band Program	Reduce/Restructure	5.0	300,000 est.
16	Learning Services Staff	Reduce	2.1	120,000 est.
17	ESL Support beyond 5 years	Reduce	1.4	84,000 est.
18	Grad Transition	Reduce	1.4	84,000 est.
19	Athletic Facilitator	Restructure	0.5	40,000 est.
20	Career Prep Blocks	Reduce	2.0	120,000 est.
	Subtotal, FTE Reductions		94.6	\$ 4,693,000
	Non-FTE Reductions			
21	Staff Absence Holiday coverage			20,000 est.
22	Common Pro-D Days			100,000 est.
23	Secondary Counsellor Summer Work (days in lieu)			25,000 est.
24	Staff Absence - 2 Day Sick Coverage			500,000 est.
25	School Interchangeable accounts-Reduce 10%			300,000 est.
26	Learning Resource Funding, provision in alternate years			240,000 est.
27	Close Administration Office, Works Yard between Xmas and New Year			20,000 est.
	Subtotal, Non-FTE Reductions			\$ 1,205,000
	Grand Total, All Reductions			\$ 5,898,000

Careful and sustained scrutiny of program and expenditure inputs, associated outcomes and strategic fit must be done on an ongoing basis, if the present recovery is to be sustained into the future.

In view of this, senior staff identified other areas that require further analysis and review in the future.

These include continued pursuit of savings through energy management programs, reviews of specific areas of operational units including District Administration, Maintenance Operations and Transportation, Financial Services, and other measures such as early retirement incentives.

One hopeful element to current and future efficiency reviews is that the stage has been set through the recent budget input process for the necessary conversations required at all levels of the organization to achieve true strategic transformation, which will be necessary in order to have a clear and sustainable route to financial recovery.



Monica Pamer
Superintendent of Schools

MP:cb

Attachment

School District #38 (Richmond) – Budget History

Background

While the Board is currently facing a \$5.89 million operating budget shortfall, this is not the first time the district has been in this position. During the past decade, the district has been chronically under-funded relative to inflationary pressures such as escalating benefit costs, and overall increases in the costs of good and services.

A review of the 2009-2010 Operating Budget shows that approximately 96 per cent of the district's funding comes from provincial grants. All other revenues are considered "variable", in that they are subject to change from year to year. Variable revenues can also be subject to cyclical or economic fluctuations, as can be seen from the prolonged downturn in investment interest rates.

When attempting to balance the budget over the year, staff have continually looked first to applying one-time sources of funding together with maximizing its variable revenues (such as international student programs, facility rentals, sales of surplus property, and investment income) to cover shortfalls, thus mitigating the impact on programs and services. These measures have over time resulted in an ever decreasing proportion of the operating budget allocated to services and supplies in order to protect staffing. The drift between salary and benefit costs relative to services and supplies within the operating budget has now approached the level of 92 per cent to 8 per cent respectively. This level has now approached a point that is no longer sustainable over the long term. Thus, the Board's budget challenges have now begun to affect staffing.

2009-2010 Budget Reductions – April, 2009

When the base preliminary operating budget projection for 2009-2010 was prepared, the district faced a potential deficit at that time of \$4.6 million.

Also at about this time, the Throne Speech was delivered, which underscored the government's intention to reduce administrative costs in municipalities, universities, schools, and hospitals by 3%, an amount that was equal to \$12 million provincially. The district's share of this amount was approximately \$450,000.

As a result of this, the following district administrative cost reductions were identified, mostly through attrition that together with funding of \$115,000 received from BC Hydro for the position of Energy Manager, amounted to a total reduction of \$610,000:

District Administrative Costs:

FTE	Description
1.0	District Administrator, Personnel Services
1.0	Accounting Supervisor
1.0	Operations Foreperson
0.6	Works Yard Clerical (evening callboard)
0.2	Roots of Empathy Co-ordinator
0.2	Special Education Technology Trainer
1.5	Elementary VP Reduction

In addition, the following reductions were made to district non-administrative staffing for a total of \$775,000:

District Non-Administrative Costs:	
FTE	Description
4.0	Inclusion Support Team
1.0	School-Based Support Team
0.8	Speech and Language Pathologist
0.4	Action Schools Helping Teacher
3.0	Custodians
1.0	Plumber
0.4	Courier Truck Driver

School operating grants were also affected by the spring, 2009 reductions. A further \$100,000 was reduced from the amount normally received each year by elementary schools from revenue received from daycare rentals, while secondary School-based Team budgets were also reduced by \$100,000. District goods and service budget reductions were implemented in the amount of \$800,000, and a fund balance of approximately \$1.3 million was targeted to be achieved by June 30, 2009 through decreased spending across district accounts in the last quarter of 2008-2009.

While not announced by the Ministry at the time, the preliminary 2009-2010 operating budget was prepared with the assumption that the Annual Facilities Grant (AFG) in the amount of \$4 million would be provided. Thus, it was anticipated that \$915,000 of AFG funding would be used to maintain facilities.

The total effect of these reductions amounted to **\$4.6 million**.

2009-2010 Budget Reductions – October, 2009

Despite the above measures implemented to balance the preliminary budget for 2009-2010, further adjustments became necessary. This was primarily because:

- The District did not achieve the targeted year end fund balance at June, 2009,
- The Annual Facilities Grant (AFG) was cancelled in its entirety, and;
- The Ministry of Education withheld funds necessary for the Conseil Scolaire Franophone to pay its rent for the use of the Kilgour Elementary School facility for 2009-2010.

These factors combined to create an additional funding shortfall of approximately \$1.8 million, which was somewhat mitigated by actual enrolment which turned out to be slightly higher than originally anticipated. After the direct costs of instruction were isolated, staff estimated that the incremental net revenue attributable to these students would be ~\$500,000, thus reducing the expected deficit to ~\$1.34 million.

As a result, the following additional reductions were applied to the 2009-2010 operating budget, in October of 2009:

School Staffing Costs	
FTE	Description
4.0	Secondary teaching staff, withheld from allocation in September

In addition, substitute coverage for elementary clerical staff working in multi-person offices was held back until after the first day of illness or leave. In a like manner, certain categories of non-enrolling teaching staff would also not receive substitute coverage until after the first day of illness or leave.

District Administrative and Staffing Costs:	
FTE	Description
1.0	Executive Secretary to the Superintendent of Schools
1.0	Manager of Field Financial Services
0.4	Web Designer (previously expected to be employed for 4 months.)
1.0	Area Counsellor
1.0	Educational Psychologist (effective January, 2010)
1.0	Painter
1.0	Plumber (September and ongoing)
1.0	Painter (September and ongoing)
1.0	Custodian (small reductions to several assignments)

These staffing reductions amounted to approximately \$1,146,200. Reductions to goods and services budgets in the Maintenance and Operations area were also implemented, in the amount of \$365,000, for a total of \$1,511,200.

Further to the aforementioned budget cuts, additional cost pressures amounting to \$168,000 for the district after June 30, 2009, specifically:

- Medical service plan increases of \$115,000,
- Influenza exposure control, e.g. possible increased substitute and custodial costs, estimated at \$50,000, and;
- BC School Sports fee of \$3,000.

Thus the net reductions implemented in the fall of 2009 amounted to **~\$1.34 million**.

Further developments at this time also included Ministry restrictions on sales of land, which effectively impaired the District's ability to sell surplus property, (from which District funded Local Capital in the past i.e. where computers, vehicles, and furniture are purchased.)

2009-2010 Budget Reductions – January, 2010

When the mid-December final operating grant announcement was made for the 2009-2010 fiscal year, most of the components of the funding template had already been anticipated e.g. the expected funding from additional enrolment, as well as summer school and special needs funding based upon the student enrolment count on September 30.

What was not expected was a decrease in the operating grant amounting to \$1.14 million, attributable to a change in the provincial baseline component of the salary differential funding calculation. This change came without prior notice, and resulted in a decrease in educational funding province-wide in the amount of \$25 million.

At this point in the year, the effects of H1N1 had increased the district's costs of absence, and in addition. In addition, costs for maternity leaves were higher than expected resulting and both of these factors combined to add additional costs of \$550,000. This increase was somewhat mitigated by the absence practice implemented earlier which amounted to the non-replacement of certain staff until one day of absence.

These factors combined to produce an unanticipated mid-year shortfall in the amount of approximately \$1.55 million.

To address the shortfall the following measures were implemented, and the funds identified below were applied to offset Operating Fund expenditures:

- \$900,000 previously set aside for emergency AFG-related repairs,
- A portion of school interchangeable account balances carried forward from 2008-2009 in the amount of \$200,000
- District supply reductions of a further \$250,000, and;
- A utilities budget reduction of \$200,000, which was enabled by a mild winter.

The total of **these cuts amounted to \$1,550,000.**

Conclusion

As can be seen from the above, the budget-cutting process has become all too familiar for the Board.

The Board of Education is no longer able to apply one-time funding solutions, as through the budget reductions process noted above, these have now all been exhausted. In addition, the following options which staff have looked to first to provide relief from budgetary pressures, have become increasingly difficult to implement, while simultaneously the gap between remuneration costs and supplies continues to widen:

- Delayed projects
- Supply and Service cuts
- Staff reductions through attrition

Short-term reactive cost-cutting measures have provided some relief over time, but this has overall been a temporary solution, and these types of cuts have also been painful and not sustainable over time.

Over the years, the Board has also increasingly looked for efficiency gains from reviews of its internal operations and those infrastructures supporting the education process. These have been shown to also render fairly fast results, which tend to last longer than short-term cuts, but these are also not a long-term solution to the challenges now faced by the Board.

None of the options noted—one-time funding solutions, short-term cost-cutting measures, and efficiency reviews—are enough to address the magnitude of the structural adjustments the Board is now currently facing, and thus it is no longer possible to avoid direct impacts upon people and programs.