

**report to
Board of Trustees****Budget 2015-16 Balancing**

Date	April 21, 2015
Meeting Type	Regular Meeting, Public Agenda
To	Board of Trustees
From	David Stevenson, Chief Superintendent of Schools
Purpose	Information
Originator	Brad Grundy, Superintendent, Chief Financial Officer, Corporate Treasurer
Governance Policy Reference	Operational Expectations OE-5: Financial Planning
Resource Persons	Superintendents' Team Finance & Supply Chain Services staff Communications staff

1 | Recommendation

This report is being provided for the information of the Board. No decision is required at this time.

2 | Issue

This report describes further information regarding the Board of Trustees' direction to Administration to use \$18 million of "Accumulated Surplus from Operations" (ASO) herein referred to as Operating Reserves to be allocated directly to schools to fund growth and maintain class sizes, based on the current projections.



3 | Background

Operational Expectation 5: Financial Planning, sub-provision 5.4 requires the Chief Superintendent to disclose budget-planning assumptions. On April 14, 2015 Administration presented Budget Assumptions Report 2015-18.

As a result of that report, the Board of Trustees directed administration to use \$18 million of Operating Reserves in the proposed 2015-16 budget to be allocated directly to schools to fund growth and maintain class sizes, based on the current projections.

As part of Operational Expectation 5: Financial Planning, sub-provision 5.4 contains a requirement to disclose assumptions based on materiality of impact. This report describes the materiality and risks associated with the motion made on April 14, 2015.

4 | Analysis

On March 26, the Provincial government tabled Budget 2015 with the promise of ensuring long-term financial stability for Alberta and reducing the government's reliance on non-renewable resource revenue. With the announcement of the recent election, Budget 2015 was not passed. Accordingly, the budget presented by the new government after the May 5th election may differ from Budget 2015. This analysis is subject to any budgetary changes implemented by the new government after the May 5th general election.

In addition to significant budget reductions the Provincial government has changed how the CBE can use its Operating Reserves to lessen the impact on student outcomes. The CBE must now seek the Minister's approval prior to using any reserves for non-budget balancing transitional purposes and approval is by no means certain.

Beginning with this budget and by Provincial government direction, the CBE must present a balanced budget without the use of Operating Reserves. The Provincial government has directed that Operating Reserves may only be used as one-time funding for transition strategies to a revised financial/cost structure for the 2016-17 school year.

Any transition strategies are subject to Ministry approval.

The CBE has a long history of investing its Operating Reserves to support ongoing operations. This was most recently illustrated when the Board of Trustees approved the use of all available Operating Reserves to fund operations for fiscal 2014-15. The inability to use Operating Reserves to balance the budget increases the risk that student success in the classroom will be negatively affected.

Administration is appreciative of the level of support for students that the Board has provided with their motion.

The Board motion, within the context of balancing our budget, has been illustrated in the chart below:

Budget Gap based on status quo level of services & supports to students and growth in enrolment (\$ millions)		\$29.3
Balanced through the use of reserves:		
Maintain RAM allocations for ELL supports in years 6 & 7 as well as the provision of full day Kindergarten for 16 locations	\$6.4	
Maintain RAM allocations for all other class size and enrolment growth	10.7	
Maintain supports for vulnerable students	<u>0.9</u>	
Subtotal – use of Operating Reserves		(18.0)
System conservatism – anticipated positive variances from budget		(5.0)
Permanent reductions in Service Units		(13.3)
Add back funding for transformational strategies		3.0
Add back funding to maintain legislative compliance		2.0
Add back funding for unanticipated impact of <i>Education Act</i> and additional growth pressures		2.0

There are risks associated with the use of reserves that do not receive Ministerial support. Most notably:

- Financial support for amounts allocated to schools (approximately 2.5% of total allocations through the RAM) would be lost. This means additional other funding sources would need to be found or a reorganization of services and supports or a reduction of funding provided through the RAM.
- If funds are lost through the RAM, Spring Staffing decisions will need to be revisited by principals and adjusted, which may mean a reduction in staff and the related collective agreement implications with staff “bumping” or being displaced.
- The timing of these decisions may be during July and August, when most schools are closed and school based staff (including principals) are away, meaning, staff may need to return to schools to plan and enact the required adjustments at some cost.
- The timing of these decisions may be during July and August, when most parents are away, meaning communication with parents may be difficult before school begins.
- Budget 2015 predicted flat funding into the 2016-17 and 2017-18 school year. The CBE will need to continue to find new lower cost structures to transition into the future.

5 | Financial Impact

The financial consequences of the Minister not approving the use of Operating Reserves as requested by the Board of Trustees carry financial risk. The Minister may approve any amount up to the amount requested.

In the event the full request was not granted, Administration would work to ensure that as many resources as possible are directed to schools where principals are best suited to make decisions regarding supports and services to students. This may mean a re-examination of budget assumptions and budget balancing activities.

At this time, Administration is not certain that schools, and the RAM model, could be protected in the event of the Minister did not approve the use of Operating Reserves.

6 | Implementation Consequences

The RAM distribution model begins the Spring Staffing process. The Spring Staffing process is one of the largest processes at the CBE and is the process by which schools are staffed for the beginning of the next school year. Lead time is necessary to ensure proper compliance with collective agreements (for example, placement of staff returning from leaves, planning processes with staff and school community regarding school programming) as well as teacher exchanges, administrative postings, confirmation of temporary and probationary contract teachers, etc.

The consequence of changing the amount of resources distributed is that certain decisions that have been made would need to be revisited and changed.

There is a very short window within which to affect change before most schools close for the summer holidays in July.

7 | Conclusion

The information above on the risks, impacts and consequences of the use of Operating Reserves in the 2015-16 Budget accomplishes the above-noted Operational Expectation provision and interpretation and is submitted for consideration by the Board of Trustees.

DAVID STEVENSON
CHIEF SUPERINTENDENT OF SCHOOLS

GLOSSARY – Developed by the Board of Trustees

Board: Board of Trustees

Governance Culture: The Board defined its own work and how it will be carried out. These policies clearly state the expectations the Board has for individual and collective behaviour.

Board/Chief Superintendent Relationship: The Board defined in policy how authority is delegated to its only point of connection – the Chief Superintendent – and how the Chief Superintendent's performance will be evaluated.

Operational Expectations: These policies define both the nonnegotiable expectations and the clear boundaries within which the Chief Superintendent and staff must operate. They articulate the actions and decisions the Board would find either absolutely necessary or totally unacceptable.

Results: These are our statements of outcomes for each student in our district. The Results policies become the Chief Superintendent's and the organization's performance targets and form the basis for judging organization and Chief Superintendent performance.