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Budget Assumptions Report 2014-17

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Introduction

Mega-result

The Board of Trustees sets as its Mega-Result that “each student, in keeping with his or her individual abilities and gifts, will complete high school with a foundation of learning necessary to thrive in life, work and continued learning.” We therefore know that we must consider the needs of each individual student and his or her learning needs as we make budget decisions while balancing the needs across the organization.

Values

Administration’s approach to the operating budget is guided by our values:

- Students come first
- Learning is our central purpose
- Public education serves the common good.

Therefore, we will work to optimize student learning while recognizing the reality of our fiscal constraints.

We do our work within the framework of Alberta Education’s *Inspiring Education* which sets out the following values for public education: opportunity, fairness, citizenship, choice, diversity and excellence. Balancing those values with the resources at hand takes careful examination.

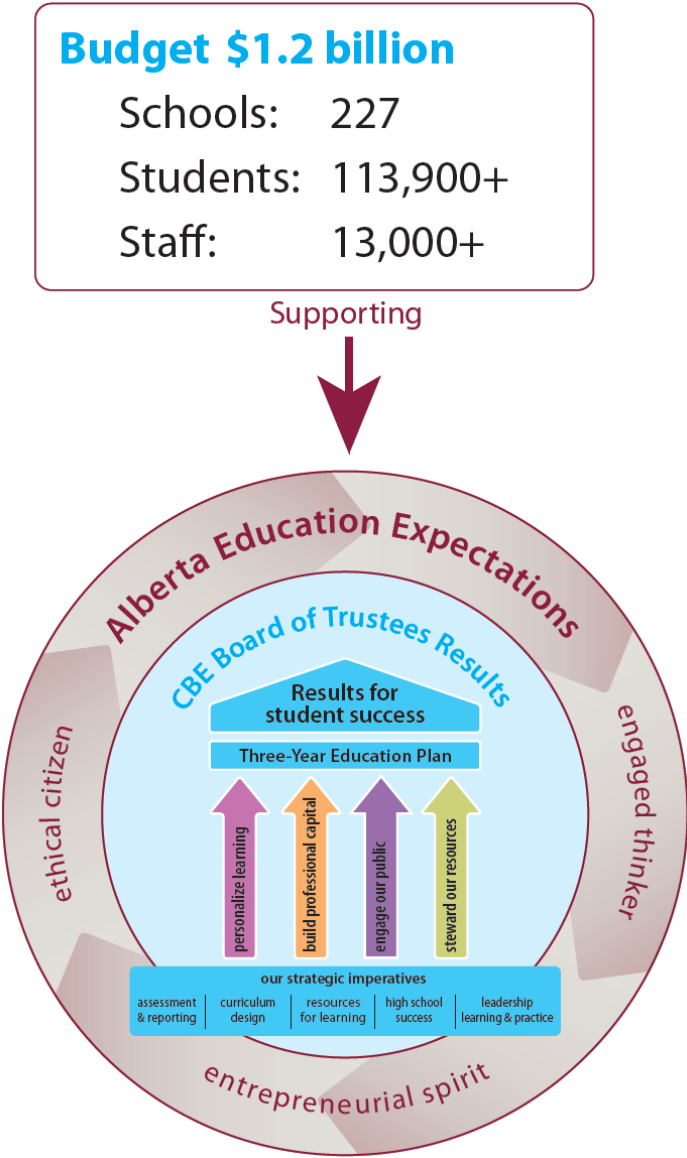
We are also guided by CBE’s Three-Year Education Plan, which focuses attention on personalized learning, building our professional capital, engaging our publics and stewarding our resources. Taken together these action areas allow us to maximize student learning.

In tackling the budget exercise we know that public education is a shared responsibility. With our students, families, employees, communities and Alberta Education in mind, we make budgetary decisions knowing we need to work together to build positive learning and working environments. By sharing a

common goal of student success, each one of us contributes to make it happen despite the difficult fiscal realities.

Guiding Documents

- [Inspiring Education](#) – Developing the qualities and abilities of ethical citizen, engaged learner and entrepreneurial spirit
- [CBE Three-year Education Plan](#) – Personalize learning, build professional capital, engage our public, steward our resources
- CBE Strategic Imperatives – assessment and reporting, curriculum design, resources for learning, high school success, leadership learning and practice.



Current Context

The March 6 provincial budget has presented challenges for the CBE which are similar to those we have experienced often in recent years. Net funding has increased, for which we are grateful. However, for the fourth year in a row our per-student funding has decreased, and the CBE is faced with the familiar requirement to adjust its spending to balance the budget. This is another lean budget for the CBE, and we will be faced with making difficult decisions during this budget process, which may affect students and parents. The assumptions underlying those decisions are presented in this report.

The provincial budget provided additional funding to cover increased enrolment but not enough to cover other cost increases. These cost increases include such things as inflation on goods and materials, salary grid movement and negotiated increases for unionized employees.

For instance, about half of CBE teachers are eligible for grid movement, which are time-based increases in salary. Grid movement for teachers will increase costs for the CBE by about \$7.6 million in 2014-15. In addition, the Alberta Teachers' Association and provincial government ratified the Framework Agreement in May 2013. This included a number of enhancements expected to cost \$1.8 million in 2014-15 and an additional \$1.8 million in 2015-16.

As a result, the CBE will have to make choices as it faces a lean budget situation for 2014-15. We have limited reserve funds to tap. Reserves have been steadily diminished over the past four years of challenging budgets. In addition, significant staffing cuts were made to central services last year and schools (high schools). The impact of those cuts on the CBE's ability to support student success is being carefully monitored. Therefore, there is little room to cut administrative costs which we will keep well within the government-mandated 3.6 per cent or school budgets.

In short, the CBE is a system that is under strain as a result of rapidly growing enrolment, high student and parent expectations for educational choice, increasing costs and government revenues that haven't kept pace over the past four years. The challenge is to ensure that we do not put the organization at risk as we are

required to do more with less. The organization is also managing an extreme school accommodation crunch which further increases cost pressures.

This budget assumption report provides the first look into how administration proposes to optimize student learning while balancing the budget.

Background

Alberta Education provides 92 per cent of CBE funding. Fees, sales and services, and other small revenue sources account for the remaining eight per cent. Alberta Education funding is expected to increase to \$1,115.0 million from \$1,071.7 million budgeted in 2013-14. This is a \$43.3 million increase, or four per cent.

Despite the increase, the per-student funding provided by Alberta Education is down three per cent from \$10,077 in September 2011 to \$9,780 expected in 2014-15. At the same time, enrolment is forecast to be 113,995 for 2014-15. This is a year-over-year increase of 3.3 per cent or 3,619 new students to be accommodated within the system.

In all, 86 per cent of provincial funding is spent on staffing costs. 91 per cent of staff positions are working directly in schools (based on the 2013-14 budget data).

The CBE's programs and services are delivered under collective agreements with four unions: Alberta Teachers' Association, Staff Association, skilled trades and Canadian Union of Public Employees.

The CBE also has about 200 staff that are exempt from the above noted unions. This group makes up two per cent of total staff positions. Other than superintendents and directors, 86 per cent of the exempt group (172 positions) are not in senior leadership positions. This group of employees includes, but is not limited to, administrative assistants; human resources, communications and finance personnel; business analysts; engineers; managers and supervisors from various service units.

In addition, the CBE has entered into a number of long-term service agreements to support the delivery of programs and services. These agreements are in the area of information technology, utilities, transportation and leased facilities. Long-term agreements support cost certainty and increased cost effectiveness.

Additional costs are incurred because we have 27,000 students transported daily via 981 bus routes using more than 750 buses. In addition, 42,600 students are supervised over the noon hour (2013-14 data) in CBE schools.

In response to student needs and high public demand and expectations, the CBE offers a wide variety of programs and program delivery options, including but not limited to community school based programs, summer school, off campus programs, outreach, Chinook Learning, online learning, homeschooling, Aboriginal programs, art-centred learning, English language learners, Canadian studies, language programs, science schools, Montessori, Traditional Learning Centres and gender specific schools.

A pressure on the system is the fact that 57 per cent of CBE schools were built prior to 1970 and are in need of maintenance and repairs. The CBE's deferred maintenance has increased to \$969 million. This is growing at a rate of approximately \$40 million per year.

Given all of this, with anticipated revenues of \$1,207.7 million and expenses projected to be \$1,235.4 million, the current 2014-15 shortfall is \$27.7 million.

General Assumptions

The budget will:

- Support the CBE mega-result, operational expectations and core values:
 - Students come first;
 - Learning is our central purpose; and
 - Public education serves the common good.

- Support the direction provided by *Inspiring Education*, the Three-Year Education Plan and the CBE's strategic imperatives which focus on:

- Assessment and reporting
 - Curriculum development
 - Resources for learning
 - High school success; and
 - Leadership learning and practice.
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- Recognize that principals make the ultimate school-based spending decisions, including staffing, within the resources allocated.

 - Support the provision of safe and healthy learning environments for students and staff.

 - Provide for CBE-funded capital projects to meet the priorities established by our Three-Year Education Plan and strategic imperatives.

 - Take a CBE-wide approach, bearing in mind that all work is done in support of student learning. This means that the budget will ensure that the organization can continue to provide basic supports to comply with Board of Trustees' mandated Operational Expectations, legal requirements and the School Act.

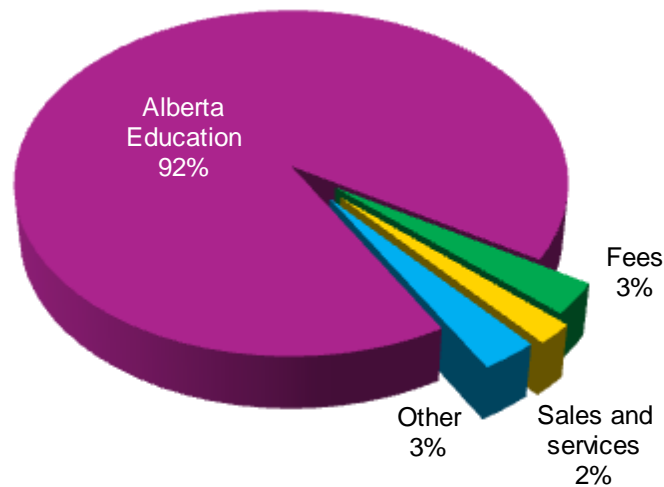
 - Support our commitment to attracting and retaining the highest quality employees that will enable the organization to achieve its policies.

 - Prioritize investment in infrastructure and programs to address current challenges and anticipate future-year enrolment growth. We will make critical investments now that will position us for the future.

 - Avoid putting the organization in long-term fiscal jeopardy.

 - Be balanced.

Revenue Assumptions



Our budget revenue assumptions are:

- Operating reserves will be applied in a manner consistent with Alberta Education’s encouragement to use reserves to support the delivery of services: “Many school boards have savings for a rainy day. Government encourages school jurisdictions to make every effort to maintain the level of services to ensure student success.” *Alberta Education (March, 2014)*

A prudent level of reserves will be retained to address unanticipated operational costs. Operational Expectation 5: Financial Planning requires that Administration “strive to develop and maintain an operating reserve base equal to one per cent of jurisdiction revenues, whenever possible”.

- Alberta Education will fund:
 - enrolment growth at 2013-14 rates
 - a two per-cent-rate increase for Inclusive Education and the Small Class Size Initiative
 - the 0.41 per cent general wage increase under the Alberta Teachers’ Association collective agreement
- We will apply Alberta Education targeted funding for the specified purpose as directed.
- All revenue from Alberta Education related to transportation, noon supervision and instructional materials and supplies (ISM) is fully applied to the cost of these services. There will be no contribution from the

instructional budget to support fee-based programs and services. The full Transportation Fee Reserve at Aug. 31, 2014 will be applied to moderate transportation fee increases. Fee revenue for transportation, noon supervision, and instructional materials and supplies will fully fund the gap between Alberta Education funding and direct program costs, including waivers and bad debts.

- Opportunities to grow non-Alberta Education revenue will be explored where it is consistent with our vision and values.
- Lease revenues from charter schools will continue to be restricted by Alberta Education. In most cases revenue is \$1 per year.
- Facility rental rates are set to break-even (cover direct costs) as set out in Administrative Regulation 8004.
- Revenue from the sale of CBE-owned property is not anticipated because all such properties are currently utilized.
- The CBE will continue to participate in the Joint Use Agreement framework with the City of Calgary and the Calgary Separate School District respecting land and schools.
- All opportunities to recover flood-related costs will be pursued.
- Investment income on CBE cash balances will be assumed to accrue at a rate averaging six per cent over the medium to long term. Short-term investments will average one per cent.

Expense assumptions

Our budget expense assumptions are:

- The budget will include the costs of covering current collective agreement increases, including general wage increases, employee salary grid movement, and benefits.
- Other salary adjustments which impact 2014-15 will be funded through access to operating reserves.
- For the second budget year in a row, there will be no salary increase for Superintendents Team.
- CBE expenses increase in relation to enrolment growth. Enrolment projections are based on the Sept 30, 2013 actual enrolment of 110,763 and reflect the City of Calgary forecasted population changes, market share, and student retention rates. Forecast enrolment figures are:

○ 2014-15	113,995
○ 2015-16	117,301
○ 2016-17	120,060
- Consistent with the Alberta Education budget, no inflationary increases have been built into the 2014-15 budget. Projections for 2015-16 and 2016-17 will include an inflationary increase of 1.6 per cent based on the five-year trend for Calgary.
- The CBE will meet all contractual obligations. All known changes in contractual obligations will be included based on current information. Examples include:
 - The budget will cover significant increases in the cost of insurance premiums and uninsured losses. The increase in 2014-15 is budgeted at 72.6 per cent, or \$2.1 million.
 - The cost of utilities continues to increase with a year-over-year increase of 1.4 per cent.
- The CBE will face continued accommodation challenges (new schools don't come into service until fiscal 2016-17) as enrolment numbers increase and more students from the outer areas are bussed to schools with available capacity.

- System administration costs will remain within the provincially mandated cap of 3.6 per cent of total expenditures. Current projections suggest that the CBE's administrative costs in 2013-14 will be at 3.1 per cent.

Note: The average of the three other Alberta metro boards for 2013-14 is reported at 3.1 per cent: Calgary Catholic School Division is reported at 3.3 per cent, Edmonton Public Schools at 3.2 per cent, and Edmonton Catholic Schools at 2.5 per cent.

Opportunities and Risks

The single biggest opportunity presented by these assumptions is that the resulting budget will continue to support the reliable achievement of the Board's mega-result consistent with the values of students come first, learning is our central purpose, and public education serves the common good.

The assumptions included in this report were developed based on the best information currently available. Given that assumptions have been made and there are uncertainties in the related estimates, there is a risk that actual results may differ. Notable risk areas include:

- The budget is lean. Choices made in reaching the final budget may impact students' success.
- Actual costs may be higher than assumed. Specific areas of concern include the cost of utilities, wages, insurance premiums and uninsured losses.
- As the deferred maintenance backlog continues to grow, our facilities are more susceptible to extreme weather events. This reality could increase costs beyond assumed levels.
- Four years of reductions in funding per student have resulted in support services that are minimally resourced. Significant events or broad system changes could impact the continuity of operations.

Conclusion

These assumptions will allow us to build a budget that is balanced and stays true to our values.

Inevitably, this challenging budget will impact students and families and require us to make choices around the use reserves, increases in fees, and learning supports and school spending levels. Our choices will be guided and informed by our values.

Glossary of terms

Alberta Education revenue	All funds received from Alberta Education, including amortization of Alberta Education-funded facilities. This is sometimes referred to as provincial funding.
Board-funded capital	The acquisition of all capital assets other than those specifically funded by Alberta Education. This includes technology, maintenance equipment, furniture and fixtures, musical instruments, and other capital purchases
Capital assets	These are goods that are acquired that have a useful life that extends beyond one year and are of more than minor value. For example, computers, most musical instruments, furniture, machinery, etc.
Collective agreement	An agreement between a union or association that sets out terms and conditions of employment including general wage increases, benefits, grid movement, and other employment terms.
Enrolment	Total number of students including those enrolled in Home Education, outreach programs and Chinook Learning Services.
Exempt employee	Employees who are not covered by a collective agreement (approximately 200 positions). Exempt employees do not experience grid movement. Superintendents and directors make up the minority of this group. Approximately 86 per cent of the exempt group are staff who are not in senior leadership positions. This group of employees includes, but is not limited to, administrative assistants; human resources, communications and finance personnel; business analysts; engineers; and, managers and supervisors from various service units.
Grid movement	The increase in the salary paid to an employee based on movement through progressive salary grid levels. The movement is based on the passage of time. Employees covered by a collective agreement may benefit from grid movement.
Operational Expectations	Policies established by the Board of Trustees by which the Chief Superintendent's performance and successful operation of the organization is evaluated

Reserves	Dollars that have been accumulated from prior years that are available to support current year projects, programs and services. Reserves can be restricted by board motion or external parties.
System administration	The overall management, administration and educational leadership of the CBE at the system level. Also includes Board of Trustees remuneration and office budgets. Examples include functions in human resources, finance, information technology, legal and communications that provide system-level support.
Total revenue	All funds received from Alberta Education plus all other revenues.