



Budget Speaking Notes

The following notes were used by Chief Superintendent David Stevenson to introduce the [2015-16 Budget](#) to the Board of Trustees on June 18, 2015. Chief Financial Officer Brad Grundy's notes follow.

Chair Bowen-Eyre and Trustees,

Today we present to you the 2015-16 budget for your consideration. Three months ago we thought we'd be presenting a much different budget than the one you are about to discuss. But the funding of education changed rapidly after the provincial election in May. Just three weeks ago, the Province provided an update on public education that restored funding to previous levels. Trustees, you worked hard to make sure the Government knew what Calgary students needed and deserved. And before you is the result: A \$1.3 billion budget that will benefit over 115,000 students and bring stability to our Board and continued stability in our values, your expected results, programming and staffing.

The budget document you see today was developed in a little over two weeks' time. We recognize that this report does not provide all the information and detail to which the board has become accustomed. Due to time constraints, this is instead a very high-level report that meets the reporting requirements of Alberta Education and will enable us to meet the June 30 budget submission deadline. Importantly, it also shows the way we are using our funds to support all of our students.

We will provide a detailed budget report in the fall after the September 30 enrolment count and, hopefully, after the government has announced its budget.

As you saw in the Budget Assumptions Report earlier this week, this budget is about stability. The CBE's funding from Alberta Education will increase by approximately \$48 million from 2014-15. For the first time since 2012, the CBE will see basic funding per student increase. This means we will have more teachers and support staff in our schools. It means that we will maintain current student to school-based staff ratios, subject to individual principal staffing deployment decisions. It means that our students' learning will be supported.

We expect this stability will have positive impacts on student learning.

- We will continue to honour each student's gifts, talents and interests. We will continue to strive for success for each student through high-quality teaching and the personalization of learning to recognize their individuality. We are offering technology to assist with this, and updating key teaching and learning support systems.
- We will support and serve our most vulnerable students by offering them the programs and services they need in a safe and caring learning environment.
- We will maintain our commitment to success for our First Nations, Metis and Inuit students.
- Our early learners will continue to be supported. By providing focused attention to them we will prepare them for success in later years. We will sustain full-day kindergarten in schools where it is most needed.

- Approximately one-quarter of our students are English Language Learners. The work we do with these students is critical to their success. Our schools can continue to offer programming and supports to these learners so they can develop their English skills and advance academically. We offer focused programming to assist these students in their transition to Canada. These students need the specialized support that we can provide, and this budget enables us to provide that support.
- High school success is a priority. We will continue to offer many pathways for our students, including:
 - Unique learning opportunities
 - Off-campus education
 - Career and technology studies
 - And online learning opportunities

These pathways provide them with the opportunity to make the choices they might need to be successful.

In summary, the funding provided to us three weeks ago stabilized our Board for the 2015-16 school year. We will be able to provide a quality education for our growing population. We are maintaining supports for students and teaching staff, while at the same time taking a close look at what can be done to streamline our organization. We look forward to continuing to offer a world-class education system to Calgarians in the 2015-16 school year.

I will now ask Superintendent Grundy to provide more detailed information.

The following notes were used by Chief Financial Officer Brad Grundy to help present the [2015-16 Budget](#) to the Board of Trustees on June 18, 2015.

Thank you Chief Stevenson.

Chair Bowen-Eyre and Trustees,

Before I get started, I would like to speak to the replacement page 4-37 being distributed.

I draw your attention to the middle of the page, the two first rows under Expenses. There is a movement of expenses from Instruction – Early Childhood Services to Instruction – Grades 1 – 12 in the Fall Budget Update 2014/15 column. ECS expenses decrease from \$430 million to \$43 million and Grades 1-12 expenses increase from \$566 million to \$953 million.

I would also like to draw to your attention another adjustment: On page 4-34, I direct your attention under the column of Instructional Supplies and Materials. The figures for waivers and uncollectible accounts expense are transposed. The amount for waivers should be \$899 thousand and the amount for uncollectible accounts should be \$261 thousand.

As mentioned by Chief Stevenson, administration is presenting today for your information, and ultimate approval, the 2015-2016 Budget for the Calgary Board of Education.

This budget report is built upon the foundation laid out in the Budget Assumptions Report presented to the Board on June 16th.

Due to time constraints resulting from what can only be described as an “unusual” budget year, administration is not able to prepare its normal budget package in time to meet the June 30th budget submission deadline. As we sit here today, much work is underway finalizing all of the myriad details that go into the creation of a \$1.3 billion budget.

Administration will, however, provide a fully detailed budget report comparable to the 2014-2015 budget report in the fall of 2015.

We anticipate that full 2015-2016 budget report will reach the board after the September 30th enrolment confirmation and hopefully, the new government’s first budget.

The detailed budget report will be available to the public and will provide significant additional detail to what is presented today.

Budget highlights

Turning to page 4-29, I will take a few moments to walk you through the “numbers” presented today for your consideration.

First, you will note that Administration is presenting a budget that exceeds one billion two hundred eighty three million dollars.

Second, you will note that the budget is balanced as required by law under the School Act. Further, you will note that the budget is balanced without the use of operating or capital reserve contributions.

Total Alberta Education revenue has increased over our fall 2014-2015 update by \$48 million dollars. That increase is attributed to the new government’s decision to fund enrolment growth, increase the basic per student rate, and restore the rate reductions imposed by the previous government. That funding increase has allowed Administration to maintain programs, services, and supports at or very near 2014-2015 levels.

Fee revenue from all sources is projected to increase by \$2.6 million dollars. That increase is explained by enrolment growth as there will be more students paying fees as compared to 2014-2015. I will return to fees a little later.

Other Sales and Services revenue has increased by \$4 million. That increase is due, in part, to the reclassification of some school generated funds from the Other Revenue category. As well, Other Sales and Services include an increase in

foreign tuition fees of \$2.1 million and a reduction in Chinook cafeteria sales of approximately \$2.0 million due to the closure of that service.

Other Revenue is down in comparison by \$5 million. As mentioned, the majority of that reduction is due to the reclassification of school generated funds into Other Sales and Services. Other revenue anticipates a \$200,000 increase in school gifts and donations (a source that is highly variable) and higher rental income of approximately \$316,000.

In total, CBE revenue for 2015-2016 is projected to exceed \$1,283,264,000.

Expenses

Turning to expenses, you will observe that slightly more than \$1.011 billion is devoted to salaries and benefits. That represents approximately 79 per cent of our total expenditures for the year and is generally consistent with 2014-2015.

In terms of staff, the \$1.011 billion includes an additional 114 certificated school based staff, an additional 79 non-certificated school based staff, and some very modest changes in non-school based staffing. Work on finalizing the non-school based staffing levels is ongoing.

Although not directly represented in this summary document, funds allocated directly to schools via the Resource Allocation Method are increased by \$31.2 million over the 2014-2015 fall update. That additional funding is sufficient to maintain the current ratio of students to school-based staff, subject as always, to school based resource deployment decisions.

Services, Contracts and Supplies has increased by slightly more than \$7.4 million. That increase is attributable to inflationary increases on items currently under contract. Expenses in this category include charges for software and content licensing, internet connections, and support and maintenance costs for software and hardware. Also included in this category are charges for super-net and costs to support the review of certain areas of our organization are located.

Amortization related to the use of our productive assets including school buildings, information technology systems, furniture, and other equipment is projected to increase by \$623,000. This is reflective of a concerted push in this current year to advance a number of capital projects.

The increase in **Other Interest Charges** of just over \$1 million is due to the anticipated increase in the cost of on-line transactions. With our fee payment system now on-line we anticipate a 45% increase in transaction volumes.

And finally, **Other Expenses** is projected to increase by \$1.4 million and is represented by what we accountants call “bad-debts” and waivers. Increased fee levels, the use of historic trends and the increase in the number of individuals paying fees explains this increase.

In total, the CBEs projected expenses for 2015-2016 are \$1,283,264 and equal our anticipated revenue. This means our budget is balanced.

Fees

Fee revenue for Transportation, Noon supervision and Instructional Supplies and Materials (ISM) will fully fund the gap between targeted Alberta Education funding and direct program costs, including waivers and uncollectible accounts.

As is the CBEs practice, we will not be making any contributions from the instructional budget to support centrally managed fee-based programs and services.

In terms of specific categories of fees, I would note the following:

School based fees are projected to increase by \$2.3 million based on past trend data and anticipated changes in enrolment. With more students doing similar activities we anticipate additional revenue;

Noon supervision fees are projected to increase by \$1.3 million to cover the increased costs of providing those services to a larger student population. In addition to increased usage, we are including a \$5 fee increase across all categories;

Instructional Supplies and Materials fee rates are maintained at 2014-2015 levels.

Chinook adolescent registration fees are increasing by \$400,000 to address increased program costs associated with enrolment growth; and

Transportation fees will decrease by \$1.3 million due to changes in services levels and a related decrease in the annual fee amount. Transportation fees for 2015-2016 will be reduced from \$330 to \$300, a reduction of just over 9%.

Board Funded Capital Expenditures

Non-facility board funded capital project spending is projected to be \$27.8 million which will all us to invest in a range of strategic projects that will sustain critical systems and enable the system continue to personalize learning and address enrolment growth both now and into the future. A couple of examples. The CBE will enhance its wi-fi coverage model, begin the replacement of the existing Student Information System, fund school program moves and expansions, replace our intrusion alarm system and generally refresh our technology.

Reserves

A few words on reserves.

As noted in the Budget Assumptions Report and Chief Stevenson's introductory remarks to that report, this 2015-2016 budget is about **stability**. We have been able to maintain programs, services, and supports at 2014-2015 levels.

In the absence of new or different sources of revenue that are long-term, stable, and predictable we do not believe the time is right to add new programs, services and supports. Hiring staff today to have to turn around tomorrow to lay them off does not serve our students or our staff. In administration's assessment, the use of reserves to support new programs and services does not meet the test of long-term, stable and predictable.

Having said that, there are a number of pressures and challenges facing the CBE that do merit consideration as we contemplate our reserves.

Capital Reserves

The CBE's capital reserves have remained generally fairly steady at a level of just under \$30 million for the past few years. Given our aging infrastructure and growing deferred maintenance levels, the CBE knows it needs to be cautious and strategic in the use of these reserves. Our deferred maintenance backlog is approaching \$1 billion (Ten-Year Student Accommodation and Facilities Strategy 2015-2024 document) and our facilities continue to age. Upgrading and/or replacing our infrastructure can quickly deplete those reserves.

Operating Reserves

Our Operating Reserves have fluctuated between \$35 and \$40 million over the past several years, with the most recent Q3 report showing a balance of about \$31 million available. The Board's direction is to maintain, where and when feasible, operating reserves of 1% which is approximately \$13 million or about two days of operating expenses.

While \$31 million appears to be a significant sum, there are many known pressures that bear contemplation.

New school commissioning costs that are beyond current provincial funding are estimated at \$19 million and that is at the lean end of the spectrum.

Moving from a coverage model for wireless connectivity in our schools to a capacity model would likely exceed \$20 million.

When the Education Act is proclaimed there will be a number of implementation costs for the CBE that could easily exceed \$1 million in the near term.

A number of collective agreements expire in the coming year. While we will be taking our lead from the Province the impact of any settlements could be significant. For example, a 1% increase in Staff Association salaries equals \$1.75 million.

These really are one time dollars that serve to protect the CBE when unexpected events occur. Any investments with one time dollars are susceptible to unavailable funding sources into the future, and would introduce a measure of instability for any

programs. It could be detrimental to students to offer programming or supports funded by one time dollars as the support is not sustainable in a long term way.

Looking forward

The provincial budget update announced in May, 2015 makes it possible for the CBE to maintain services and supports to students in 2015-16 while we prepare for the opening of 16 new schools in 2016-17. The Province of Alberta is still facing a challenging economic environment and so we will continue to review its programs and operations and make changes where necessary in order to maximize efficiency and value of resources.

We have a new government that has not yet come forward with a budget for 2015-16 or commented on future years beyond a commitment to stable and predictable. Any projections at this time would be pure speculation. By the fall we may know more and be able to provide that additional information.

The new school openings beginning September 2016 will increase cost pressures. A new school requires a principal, assistant principals, secretaries and custodians. As well, new schools consume additional utilities and require facility maintenance services. Beyond these costs, new schools need teachers, learning assistants, library assistants, as well as other services and supports to maximize student learning. Some of these will transfer over from our existing facilities and some may require additional dollars to deploy.

We would now be pleased to take your questions.