



## Information Release

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**From:** Craig Spence, Communications Manager

**Date:** Tuesday, February 23, 2010

**Topic:** 2009-2010 Deficit

**Attachments:**

### **Why is Langley School District incurring a deficit in 2009-2010?**

A combination of factors has resulted in Langley School District's deficit, some specific to Langley, others provincial in nature:

- In response to the 2008-2009 deficit the Finance Department has been conducting a full review of processes and procedures. The purpose of this review is to identify weaknesses and shortcomings in the financial management process. Accounting and budgeting errors that occurred prior to August 2009 are still being discovered as this review is being completed.
- School districts throughout the province are dealing with budgetary shortfalls and Langley is not alone in incurring a deficit in the 2009-2010 operating year. Two factors that have contributed to this situation are: cancellation of the Annual Facilities Grant for 2009-2010 (\$1.1 million); the provincial calculation of the teacher salary differential (\$1.5 million).
- The financial environment Langley School District operates in has changed, and systemic changes will be necessary to align the district's financial management and planning with the new realities it faces. The Decentralized Decision Making model, which is key to budget planning in Langley, and has long been cornerstone of the district's corporate culture, needs to be revisited and redefined.

### **How does the budget approval process work?**

Finance Department staff in consultation with departments, schools, partner groups, senior management and trustees is preparing a budget for presentation to the Board. In April a preliminary Budget Bylaw for the coming fiscal year (July 1 to June 30) will be approved by the Board of Education for signature by the Board Chair and the Secretary Treasurer.

**Who is responsible to address the deficit?**

The Superintendent of Schools as Chief Executive Officer, and the Secretary Treasurer as Chief Financial Officer are responsible for addressing the circumstances that have resulted in district deficits, and for implementing changes that will avoid future deficits.

Administrative and Management staff at all levels, who have day to day responsibility for areas of Langley School District's budget, will be supported as the district moves to improve its financial practices, including: budget planning, consultation, monitoring and reporting.

**What has the district done to reduce the likelihood future deficits?**

Since August 2009 Langley School District has committed itself to a complete review and renewal of its budgeting and financial management procedures. Initial restructuring will be in place by July 2010 as the district enters its next budget period. To date the Finance Department has:

- Improved communications between the Finance Department, schools and other departments.
- Developed templates that will allow consistent, improved budget planning and reporting on the part of school administrators and department managers.
- Adopted a zero-based budgeting model, which promotes greater accountability in planning.
- Improved internal controls and procedures.
- Strengthened the district's accounting and reporting systems.

In the longer term, the district will have to review and redefine the Decentralized Decision Making model to make it more responsive to the environment school districts now operate in.

**Is the district likely to incur future deficits?**

Under the School Act districts must balance their budgets. In unusual circumstances where districts incur deficits, they must submit a Deficit Elimination Plan to pay the debt back. Langley School District will take every measure it can to avoid a deficit in its 2010-2011 Budget.

**How much will the district owe after the 2009-2010 deficit is added to its debt?**

The total debt resulting from the 2008-2009 deficit and the 2009-2010 projected deficit will be \$13.5 million. In the four months remaining in the district's current fiscal year, steps will be taken to reduce the projected deficit for 2009-2010.

**How will the district pay back this money?**

The district will have to achieve enough savings in its operations to pay down its debt. The annual cost of paying down the debt will depend on the deficit elimination timeframe permitted by the Ministry of Education. A Deficit Elimination Plan has already been submitted to the Ministry with respect to the 2008-2009 deficit. The district has advised Ministry staff that another deficit is anticipated in 2009-2010, and that the Deficit Elimination Plan will have to be renegotiated. In realizing necessary savings, priority will be given to retaining programs and services to students, with reductions made as much as possible to other operational areas.

**Will the Ministry of Education be willing to ‘forgive’ any of this debt?**

No. Under the School Act Boards of Education must operate with balanced budgets. When Boards do incur deficits a Deficit Elimination Plan must be worked out with approval of the Ministry.

**What conditions will the Ministry of Education set for repayment?**

The Ministry will set a timeline for repayment and will expect to see the Deficit Elimination Plan that is submitted for approval by the Board acted upon.

**How will the deficit affect delivery of programs and services?**

In realizing necessary savings, priority will be given to retaining programs and services to students, with reductions made as much as possible to other operational areas. However, most of the school district’s budget is allocated to programs in schools and some reductions will be necessary. The district is considering reductions of 1 per cent in direct allocations to elementary schools and 2 per cent to secondary schools. Some centralized services that are delivered to students will also be affected.

**Why are there large differences in some of the figures reported on the fall Budget Bylaw compared to the spring Budget Bylaw?**

These differences are due to changes in recording costs as per Ministry accounting guidelines, as well as changes between spring and fall numbers.