

**STRATEGIC ANALYSIS FOR
SCHOOL DISTRICT NO.73
(KAMLOOPS/THOMPSON)**

by

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CMA, 1997

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ABSTRACT

School District No.73 (Kamloops/Thompson) is responsible for the education of kindergarten to grade twelve (K-12) students in the Kamloops-Thompson region of South Central British Columbia. With declining enrolment and increased pressure to operate non-core business services for less, districts are challenged to save money by considering alternate ways of doing business. This report includes a benchmarking study that compares the financial results from the 2004-05 operating statements for six neighbouring school districts within the region. The comparison establishes a potential savings in business services of \$1.6 million dollars.

SD73 Principals indicated additional funding would improve student achievement. The potential savings outlined in this report warrants a change from current business practices. Knowing about a potential savings is one thing; implementing the change to take advantage of the opportunity is quite another. Can districts rationalize and implement the change effort required to take advantage of this lower cost option for non-core business services? This analysis addresses the issues and challenges that confront public sector organizations faced with implementing change.

DEDICATION

To my wife and best friend Deborah, who shared the experience, kept me sane and whose unconditional love and support made the whole journey possible. To my daughter Jennifer who brings me great joy and provides inspiration and encouragement to me on a regular basis. I hope the program successes I shared with her will influence her decision to continue her post secondary education.

Special thanks are owed to my parents who have always been there for me, regardless of circumstance. To my mother-in-law Irene, for always stating how proud she is of her favourite son-in-law (only) and for always taking an interest in my studies.

Lastly, I want to thank our family of friends who were always available and interested to discuss program topics and related issues at our weekly Friday night dinners.

My love and thanks to all of you. . . .

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EXECUTIVE SUMMARY

This analysis provides an overview of the operating challenges and future opportunities facing School District No.73 (SD73) and K-12 public education as a whole in British Columbia. The analysis reviews current business practices, discusses alternate business models and recommends an option for change to improve non-core business processes. Recommendations will include continuity of direction, in which SD73 must commit to the development of unique skills and assets, while building on the strong reputation it has achieved to-date with students and parents. SD73's current cost based strategy has helped the district reduce some of the ongoing support costs allowing the district to achieve important efficiencies to-date. This analysis will conclude that although districts face significant challenges dealing with enrolment decline, funding decline and increased choice and competition, districts that proactively search for operating efficiencies will have the greatest probability their efforts will result in more dollars allocated to instruction; which ultimately improves the likelihood that overall student learning and achievement will be enhanced.

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1 INTRODUCTION

Strategic planning is not a once in a lifetime function, but more of a moving review on the progress achieved with an annual opportunity to tweak the strategic plan to ensure it continues to move the organization towards its overall goal. This can also be referred to as being fluid with a framework. To understand where an organization is heading, one must understand some of the history and the structure the organization currently operates within.

1.1 The Challenge

Competition for resources in the public sector remains high and continues to grow as rising health care costs continue to put pressure on public spending. Faced with declining enrolment and increased financial pressures, K-12 public schools in British Columbia must operate with mounting financial pressures as they strive to prepare children for lifelong learning. Ever-increasing competition from private schools and greater expectations from parents continue to influence public schools to implement greater choice with increased proficiency. Renewed economic demands for skilled labour and improved employment opportunities for graduates also place increased expectations and strain on the education system – strain that requires districts look at potential opportunities to gain cost-efficiencies by transforming their non-core administrative processes.

1.2 The Context

With government ultimately controlling the funding and stakeholders pushing for smaller class sizes, greater choice and improved student achievement, districts need to focus on opportunities that reduce non-instructional business services. If K-12 public education operated like a private corporation, would they continue to deliver business support services in the traditional format? How do you achieve cost efficiencies in business services while maintaining local autonomy for educational programming? Will school districts embrace a new business model or will existing stakeholders challenge and resist the effort to implement change? The analysis herein will provide a strategic direction for school districts wishing to answer such questions.

As a group of districts, the objective is to develop an understanding of the potential business opportunities available by working together on a shared service business solution. Generally speaking, the collective resources and expertise of six districts should be greater than what individual districts are currently achieving as single districts, operating in isolation. The challenge is to implement a change initiative that delivers real savings and utilizing those savings to achieve district priorities that require funding. Clearly, the challenges facing public education are complex as bureaucratic institutions tend to struggle with the idea of change, as it relates to how they do business.

1.3 Public Education

What is the purpose of public education and why should governments be involved in educating children? There are, and have been, many conflicting answers to this question. However, there are three generally-accepted primary reasons we fund education publicly: first, to ensure equal opportunity and access to education and second, if families alone were allowed to determine the level of investment in their child's education, they would base their decision on the related cost and benefit to the family, with less regard for the benefits to society as a whole. The third reason is that public education is the means by which people of diverse languages, cultures and social and economic circumstances can be integrated into a culturally diverse Canadian society. Public education is the key to whatever measure of social equality we may claim to enjoy. To ensure adequate investment in education, voters elect governments to impose taxes and fund K-12 education publicly.

If we are unhappy with public education, what options do we have to make changes? Most people feel there is a strong correlation between education, opportunity, and lifetime earning ability indicating that increased knowledge is the key to opportunity. Parents understand this concept and as taxpayers, they continue to voice their concerns over the quality of education delivered in public schools. This market pressure is forcing public educators to change curriculum, enhance programs and improve the delivery model.

If the core business for K-12 public education is the education of students, then the non-core business functions would relate to support services such as accounting, maintenance, transportation, information technology and human resources. Can we

redesign parts of our system, or do we need to take a page from Hart & Milstein's theory of creative destruction and totally redesign the system? James Collins and Jerry Porras suggest, "Vision provides guidance about what core to preserve and what future to stimulate progress toward."¹

1.4 The Ministry of Education

The Ministry of Education is responsible for the education of all children in British Columbia regardless of background, interests and abilities. Their programming is intended to meet the needs of all students, including those who face particular challenges because of geographic, physical, social, economic or special needs. The Ministry is also committed to helping both boys and girls equally. Government policy supports the principles of integration and inclusion for students who have English as a second language and students with special needs. In 2005-06, 563,864 full time equivalent (FTE) students attended public schools and approximately 55,000 students attended private schools. In other words, 91% of the provinces students attended public schools and 9% attended private schools.

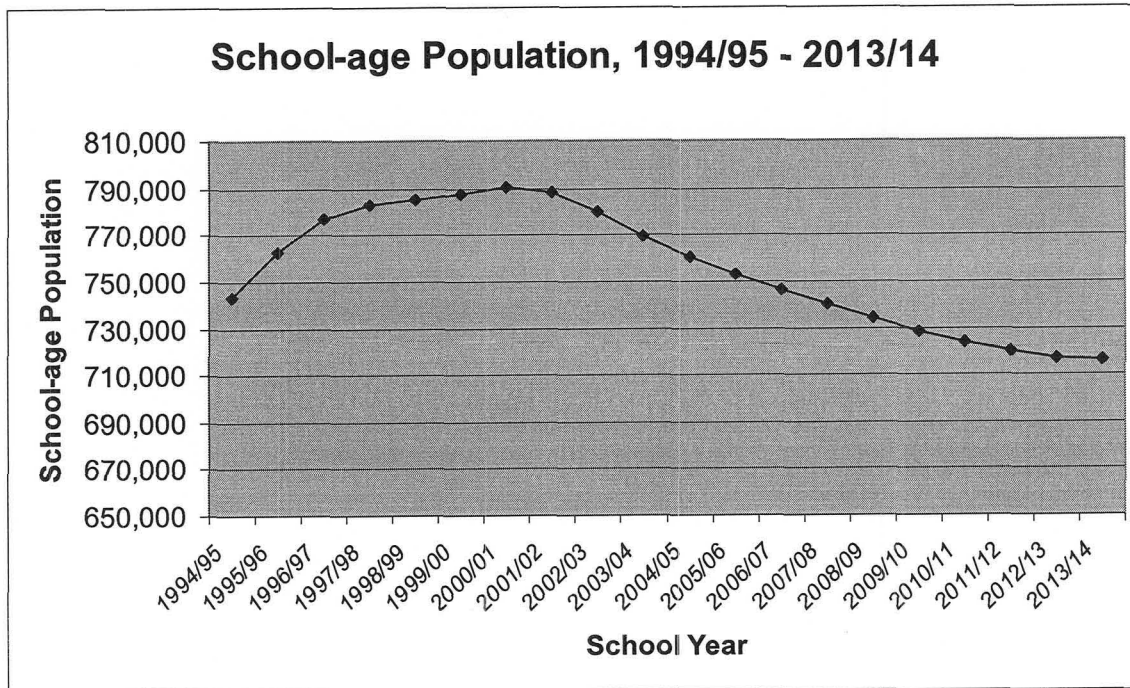
The Province of British Columbia Strategic Plan 2006/07 – 2008/09 is to "Make British Columbia the best-educated, most literate jurisdiction on the continent."² The Ministry of Education plays a significant role in achieving the government's number one goal. The graph below indicates the number of British Columbia students who attended

¹ Collins, J.C., Porras, J. I. *Building Your Company's Vision*, Harvard Business School Publishing, 1966, Page 66

² Province of British Columbia Strategic Plan 2006/07 – 2008/09, October 2006 (<http://www.bcbudget.gov.bc.ca/2006/stplan/>)

school from 1994/95 to 2005/06 as well as the enrolment trend projected from 2005/06 to 2013/14.

Figure 1.1: Provincial School-age Children from 1994/95 – 2013/14 ³



1.5 Brief History of Amalgamation

Based on the anticipated decline in enrolment that would take place after 2001/02, the Ministry of Education took a proactive step in 1997 to reduce operating costs in a number of rural districts by implementing an amalgamation plan that combined smaller districts with larger neighbouring districts in an effort to generate improved efficiencies and economies of scale. Consolidation or amalgamation of districts created significant challenges for the newly combined districts and even today, most districts would state the process had limited financial success. The consequences of amalgamation are that it

³ Figure by Author, Source – Ministry of Education, Projected data from P.E.O.P.L.E. Projection 29, BC STATS.

reduces local control, it can negatively impact educational outcomes, it eventually may lead to even higher cost structures due to the dead-weight of increased bureaucracy and finally, it is politically unpopular. Although amalgamation was a politically unpopular business solution for dealing with declining enrolment, it was the Ministry's first attempt at improving operational efficiencies in rural districts.

1.6 Declining Enrolment and School Closures

With enrolment on the decline, the need for “bricks and mortar” schools is reduced with each drop in enrolment. In an effort to keep the maximum dollars in the classroom, local Boards are forced to make difficult decisions and these decisions ultimately may include school closures. Until recently, most Boards were unfamiliar with declining enrolment and in the past, funding included an amount for classroom space utilized by districts. With Boards funded for the space they occupied, less space meant less funding. Now district funding does not include a space component and Boards have the autonomy to make school closure decisions and re-invest the savings back into the classroom.

Difficult decisions associated with declining enrolment are compounded when internal and external stakeholders maintain conflicting points of view on how enrolment decline and district budgets should be managed. Dixon Thompson argues, “Issues and suitable solutions are sometimes ignored because individuals or institutions simply deny there is a problem that needs to be solved.”⁴ Public sector unions tend to focus on maintaining or increasing government funding in their sector. This would ensure the status quo can be maintained. For example, fewer students should translate into fewer

⁴ Dixon Thompson (2002). Tools for Environmental Management, , Page 68

teaching positions and smaller district budgets. To protect jobs, the BCTF continue to focus on reducing class-sizes and adding teacher resources to deal with the class composition issue. With districts dealing with limited funding, these issues continue to add budget pressure on non-core business services costs.

Table 1.1: Provincial Funding⁵

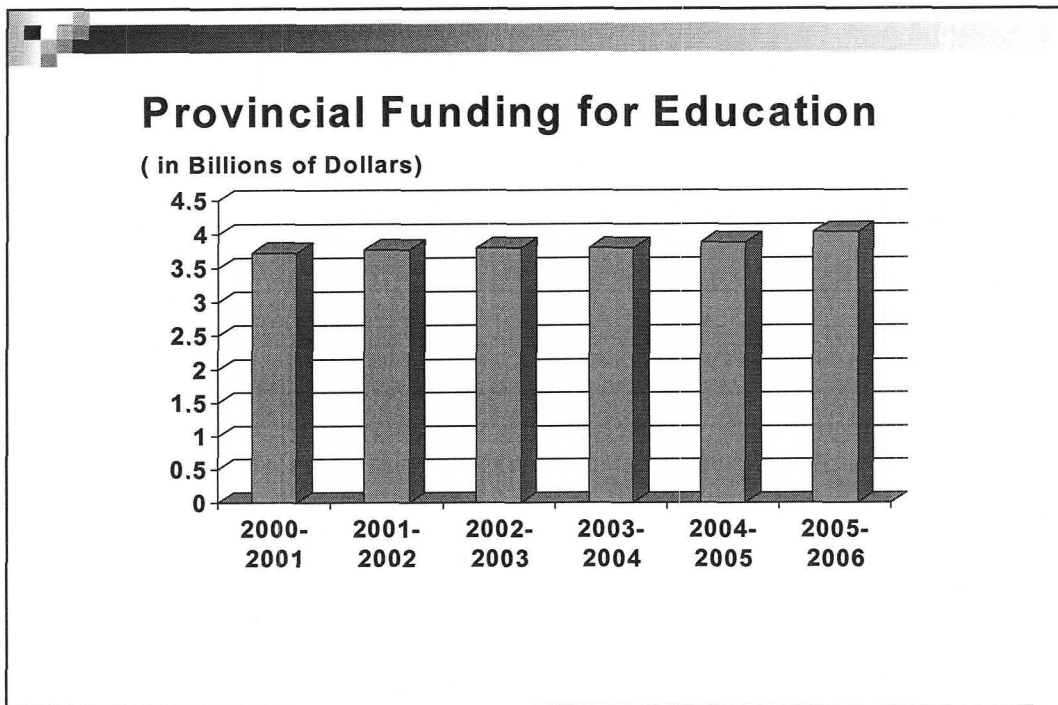
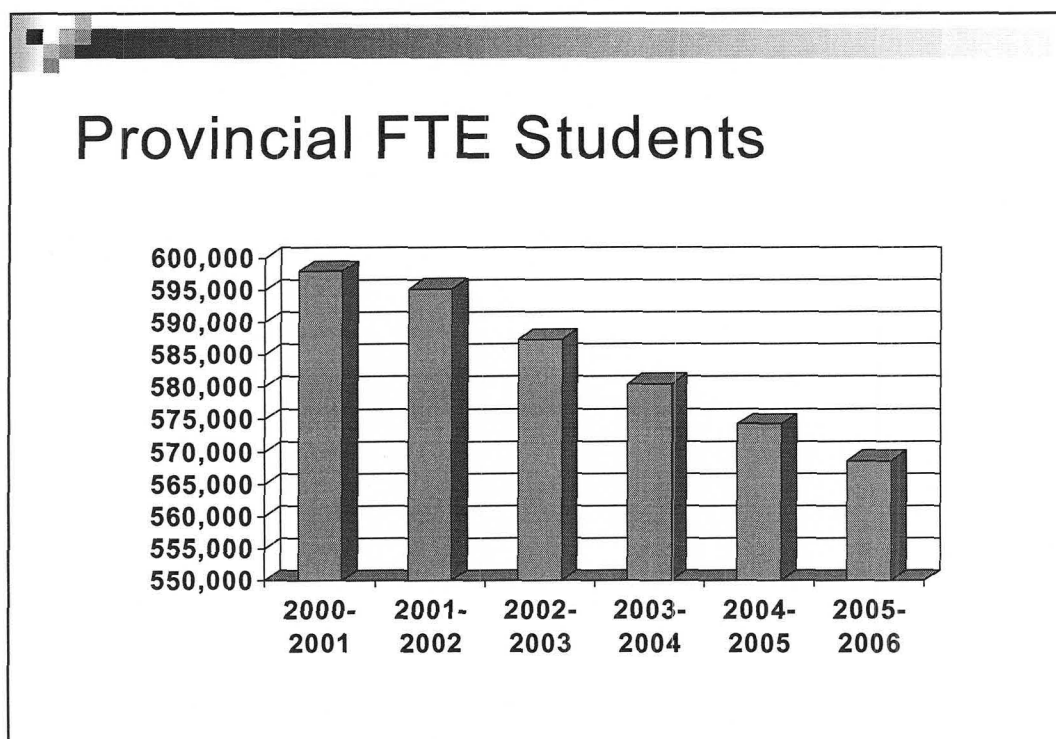


Table 1.1 above indicates the Provincial Funding for Education from 2000-2001 to 2005-2006. You will note an increase in funding over this six year period mostly due to input cost increases like wages, benefits, supplies and the cost of converting school district accounting and reporting practices to Generally Accepted Accounting Principles, (GAAP) Not-for-Profit Accounting. Although the increase in funding represents an increase in the FTE allocation per student, most districts are operating with the same or less revenue from year to year.

⁵ Table by Author, Source – Ministry of Education, <<http://www.bced.gov.bc.ca/k12funding>>

Table 1.2 below indicates the Provincial FTE Students attending K-12 schools over the same six year period. Managing this decline in enrolment is the focus of this study.

Table 1.2: Provincial FTE Students⁶



1.7 Catchments Areas and Schools of Choice

Prior to September 2003, students attended their neighbourhood school with limited options to attend elsewhere. Now parents and students have the option to choose any school in the province with available space. That means students can attend a school in their “home” district or any other district. Parents may choose a school or program because of their child’s specific learning needs or interests. Most districts offer a number of choices, such as: traditional or alternative schools, Aboriginal education, French

⁶ Table by Author, Source – Ministry of Education, <<http://www.bced.gov.bc.ca/k12funding>>

immersion, schools with a fine arts or athletic focus, and distance learning via the internet where students can learn at home. Parents have the opportunity to research a school, develop an understanding of the school's philosophy and establish what additional resources the school has available, such as extracurricular activities, library books or computer equipment. Choice creates competition and competition raises the bar on the programming and ultimately the quality of education being offered in public schools.

1.8 Summary

With enrolment on the decline and competition for resources in the public sector growing, the Ministry of Education is increasing the pressure on districts to operate more efficiently. In most cases, districts have implemented cost-based strategies that focus on reducing operational costs within their district. The next level of operating efficiency will involve districts sharing efficiencies, synergies and best practices by working together within a geographic region. In the past, most districts operated with little or no regard for how neighbouring districts operate. Districts are managing their operations in isolation. This study demonstrates that districts have numerous opportunities to work together to improve their educational mandate. By working outside the confines of their district, they will be exposed to a larger resource pool of talent for both business and educational opportunities. This analysis will provide opportunity and strategic direction for School District No.73 (SD73) and its neighbouring districts.

2 SCHOOL DISTRICT NO.73

SD73 is a public entity entrusted with the education of K-12 children in the Province of British Columbia. SD73 is a large, complicated, bureaucratic organization. A standard dictionary definition characterizes a bureaucracy as a “government characterized by a rigid hierarchy of bureaus, administrators, and petty officials”, or “administration characterized by excessive red tape and routine.”⁷ A bureaucrat, likewise, is “An official of the bureaucracy, or an official who works by fixed routine without exercising intelligent judgement.”⁸

Times have changed and tax-paying citizens are demanding much more from their bureaucratic officials than they did in the past. But, based on the dictionary definition of the existing workplace for public education, change is not easy. How we operate is governed by the *School Act* of British Columbia and any material transformation of how we do business may require a change in legislation. This chapter will provide background details on the organizational structure, the funding, the market and the stakeholders for K-12 education and specifically SD73.

2.1 Internal Analysis

School District #24 (Kamloops) was incorporated in 1947. In 1997, School District #24 (Kamloops) was amalgamated with School District #26 (Clearwater) to become School District #73 (Kamloops/Thompson) The combined district serves the

⁷ The Random House College Dictionary, The Definition of Bureaucracy, page 180

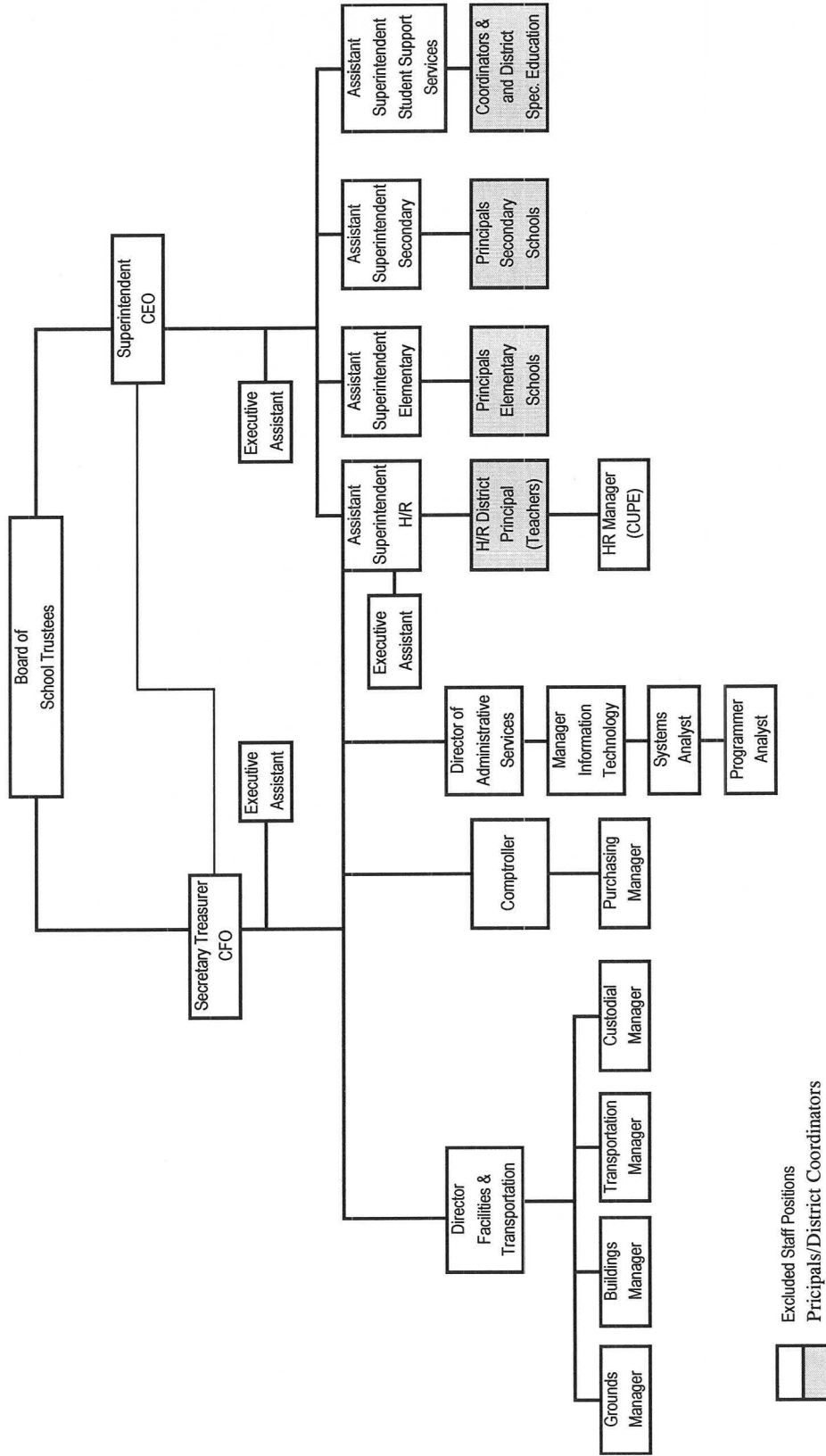
⁸ The Random House College Dictionary, The Definition of a Bureaucrat, page 180

needs of a diverse geographic region in the central interior encompassing 26,172 square kilometres.

In the school year ending June 30, 2005, School District #73 served a student population of 15,244 with 8,158 attending elementary school and 7,086 attending secondary school, 121.5 attending adult education, 83 special education students and 198 attending virtual school. Thirteen percent of the student population or 2,059 students are of Aboriginal ancestry and 3.6% or 546 of the students are low incidence, special education students.

The district is facing declining enrolment due to a prolonged reduction in the birth rate and the economic challenges created by a declining resource-based economy. There is renewed optimism that the recent increase in mineral pricing will spur renewed economic development but early estimates indicate at best this renewed economic activity will slow the decline in enrolment, not turn it into a period of enrolment growth.

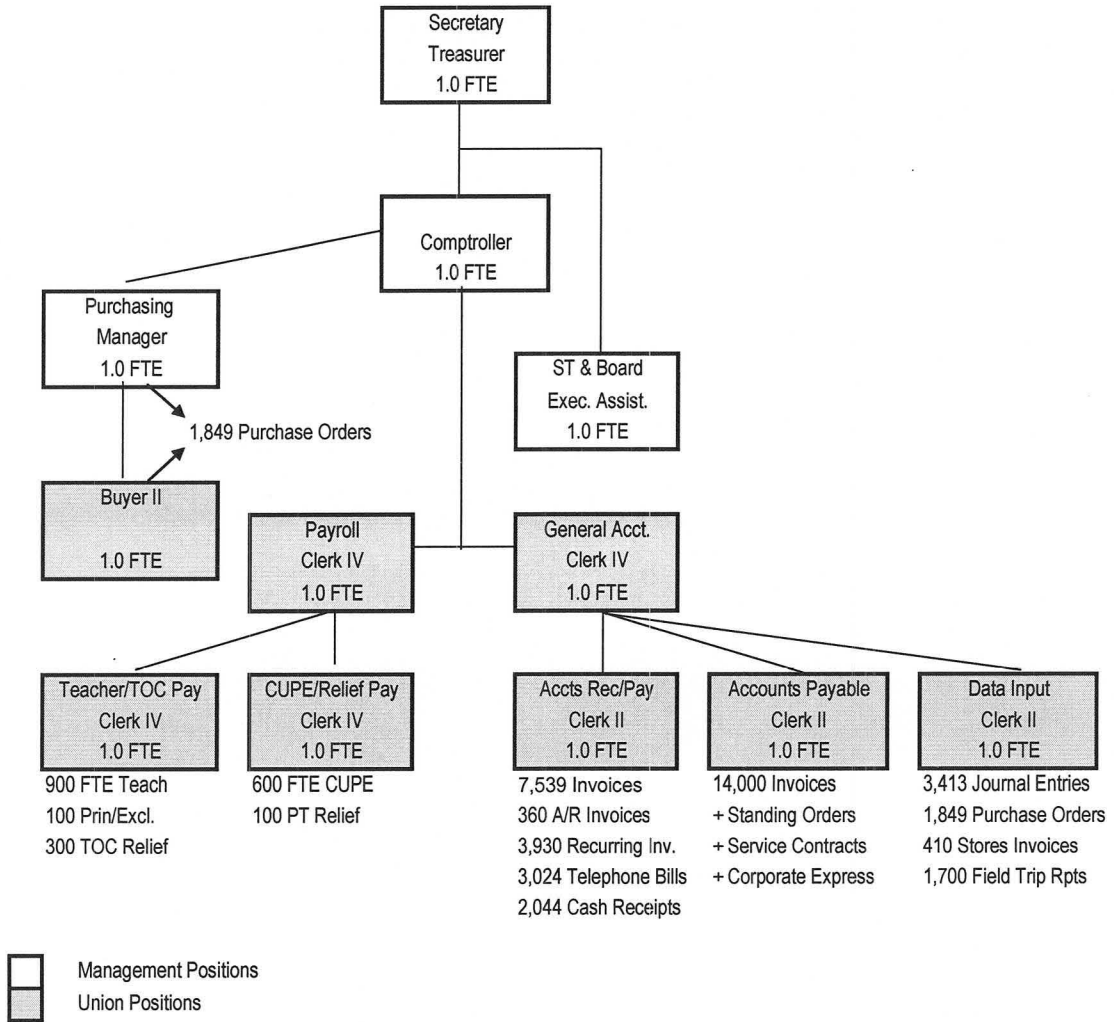
Figure 2.1: Organizational Chart – School District No. 73 (Kamloops/Thompson)⁹



⁹ Table by Author, Used by permission – School District No.73 (Kamloops/Thompson)

Figure 2.2: Support Department Organizational Chart¹⁰

Business Services Department



Annual Operating Budget \$106,485,404.00
 Full-time equivalent students 15,244.
 Full-time equivalent employees 1,402
 Management staff 21
 Total employees 1,600

¹⁰ Figure by Author, Used by permission – School District No.73 (Kamloops/Thompson)

Table 2.1: Product-Student Matrix for School District #73¹¹

**Product-Student Matrix
For the School Year 2004-05**

| Products | Students | | | | | | | | | | Total |
|-------------------|------------|---------|-----------|--------|---------|--------|--------|---------|-------|-------|----------|
| | Elementary | | Secondary | | | | | Virtual | Sp.Ed | Adult | |
| | K-3 | 4-7 | 8 | 9 | 10 | 11 | 12 | | | | |
| Kindergarten (PT) | 421.0 | | | | | | | | | | 421.0 |
| Kindergarten (FT) | 36.0 | | | | | | | | | | 36.0 |
| Grade 1 | 985.0 | | | | | | | | | | 985.0 |
| Grade 2 | 1001.0 | | | | | | | | | | 1,001.0 |
| Grade 3 | 1080.0 | | | | | | | | | | 1,080.0 |
| Grade 4 | | 1096.0 | | | | | | | | | 1,096.0 |
| Grade 5 | | 1120.0 | | | | | | | | | 1,120.0 |
| Grade 6 | | 1161.0 | | | | | | | | | 1,161.0 |
| Grade 7 | | 1172.0 | | | | | | | | | 1,172.0 |
| Grade 8 | | | 1367.0 | | | | | | | | 1,367.0 |
| Grade 9 | | | | 1397.0 | | | | | | | 1,397.0 |
| Grade 10 | | | | | 1370.0 | | | | | | 1,370.0 |
| Grade 11 | | | | | | 1509.0 | | | | | 1,509.0 |
| Grade 12 | | | | | | | 1248.0 | | | | 1,248.0 |
| Sub-total | | 8,072.0 | | | 6,891.0 | | | | | | 14,963.0 |
| Spec. Education | | 34.0 | | | 49.0 | | | | 83.0 | | 83.0 |
| Virtual School | 18.0 | 34.0 | 26.0 | 25.0 | 34.0 | 39.0 | 22.0 | 198.0 | | | 198.0 |
| Grand Total | | | | | | | | | | | 15,244.0 |
| Adult Education | | | | | | | | | | 121.5 | 121.5 |

The Product-Student Matrix indicates the breakdown of 15,244 FTE students in SD73 schools for the fiscal year ending June 30, 2005. The elementary school division has 8,158 FTE students from Kindergarten to grade 7 and the secondary school division has 7,086 FTE students from grade 8 to grade 12 students with 198 FTE students in Virtual school students, 83 FTE Non-Classified Special Education students and 121.5 FTE Adult learners. The Product-Student Matrix highlights the declining enrolment trend when comparing the difference between the grade 12 enrolment and the grade 1 enrolment.

¹¹ Table by Author, Used by permission – School District No.73 (Kamloops/Thompson)

2.2 Operational Strengths

Governments have a vested interest in maintaining a healthy public education system. K-12 public schools enjoy a significant list of advantages over their private school competitors. Public schools offer a learning environment with more exposure to students with a diversity of cultural and religious backgrounds. Public schools are in a better position to assess children with learning disabilities and to design educational programs to support their learning disadvantages. Public schools tend to be located where students live and if not, bus transportation, bus passes or transportation assistance is provided. This list of core competencies enjoyed by public schools is sufficient to attract the largest market share of the student population appealing to approximately 91% of the market. Private or Specialty schools draw approximately 9% of the student population.

Other advantages for public schools are as follows:

- Public schools, due to their size, enjoy economies of scale and scope.
- Public schools have more funding available to be creative in programming.
- Public schools have the resources and expertise to focus on revenue opportunities like on-line courses via the internet and/or video conferencing options.
- Public schools enjoy greater opportunities for staff development and career advancement.

When it comes to operational strengths, a larger district should enjoy economies of scale. Districts enjoy economies of scale based on the fixed and variable cost of doing business. A simple example could be applied to the payroll function of a district. With technology, the clerical and computing time it takes to balance, run and remit a payroll

for 10 employees will generally take about the same amount of time for a 100 employee payroll. Therefore, the difference in payroll processing time between the 10 and the 100 employee example will generally occur based on the variable time spent on each individual time card. Analyzing the various business applications from the study districts will be useful for calculating efficiencies in the various business applications. Knowing the extent and the dollar value associated with these efficiencies will assist in developing a strategy to capitalize on any potential savings.

Also due to size, SD73 has the luxury of an in-house technology department available to assist with the implementation and operation of all our computer related activities. The final strength worth mentioning relates to the results of Sd73's triennial district review. SD73 was acknowledged as the district with the best review in the province; achieving scores in all ten categories like "meeting expectations," to "sustaining improvement." The review indicated SD73's strengths were as follows:

- Pervasive focus on improving student achievement
- Strong school and community connections
- Drug and alcohol intervention initiatives
- Leadership Development Program
- Mentorship programs for teachers and administrators

Given the opportunity to participate, other smaller districts in the study group may want to develop an improved working relationship with SD73 in hopes of gleaning ideas, sharing resources and implementation strategies based on SD73's district review.

2.3 Operational Weaknesses

Geographic challenges of delivering a quality educational product over a large physical area is one of the biggest challenges rural districts face. As indicated in the funding section, Transportation and Housing grants barely meet the annual cost of delivering the transportation and housing services to rural students. With fuel prices increasing dramatically, this area will be a drag on funds earmarked for educational programming. Another area that will require further analysis relates to the number of students that opt for Private, French or Religious schooling instead of the public school programming. Specialty schools draw students from our district reducing enrolment and its associated funding. The final area of weakness is a cause and effect of a strong economy. Grade 11 and 12 students may opt for a good job while the economy is strong versus attending high school. Dropping out of school affects high school completion rates and ultimately the operating grants districts would receive for these grades 11 and 12 students.

2.4 Structure of the Business Services Department

SD73 has 1,402 FTE employees broken down into 887 FTE educators and 515 FTE Support staff employees. The role of the business services department is to support the educational initiatives developed and implemented by the district educators. SD73 has 100 Clerical staff, 102 Custodians, 184 School Support Workers, 55 Maintenance staff, 47 bus drivers, 14 Information Technology staff and 13 managers/executive assistants. With the exception of the 10 Managers and 3 Executive Assistants, all support staff employees are members of the Canadian Union of Public Employees. The business services department is responsible for maintaining the buildings, paying staff and

suppliers, keeping information systems operational, hiring and training staff, transporting students to school as well as providing support to educators in the classroom.

2.5 Funding Issues

As a public organization, our roles and responsibilities evolve as governments change. The decision mechanism can shift from a more centralized decision model to a more decentralized decision model based on a change in government. The Ministry of Education is currently working with districts interested in embracing change to a “Shared Service Business model.”¹² The Shared Service Business model strives to deliver economies of scale and scope for business services while allowing districts to retain autonomy over educational programming. Another Ministry initiative is a “Student Centred Leadership”¹³ model which strives to push wage and supply decisions down from the district Board Office to individual schools. This model effectively moves the resource allocation decision closer to the students in an effort to improve student choice, participation and buy-in. The Ministry of Education continue to introduce decision models they feel will improve public education and improve student performance. The Ministry has also indicated that districts willing to embrace these new models will be supported by the Ministry for both the development and the implementation of change initiatives that support improving student achievement.

¹² School Centred Leadership and Shared Business Systems Meeting – Ministry of Education, February 1, 2006

¹³ School Centred Leadership and Shared Business Systems Meeting – Ministry of Education, February 1, 2006

2.5.1 Operating Funds

In 1990 Block funding replaced the Fiscal Framework model for funding public education in BC. Today the Block Funding model is referred to as the Funding Allocation System (FAS) and this system provides a basic allocation per student based on the number of Full Time Equivalent (FTE) students multiplied by a Ministry calculated dollar value per student registered at September 30th each year. The Ministry calculated dollar value of funding is then guaranteed for a three-year period. The balance of a district's operating grant is based on six supplementary components: Enrolment Decline, Unique Student Needs, Salary Differential, Unique Geographic Factors, Transportation and Housing and Generally Accepted Accounting Principles (GAAP) funding. The base allocation, the enrolment decline and the unique student needs are adjusted each year when final student counts are determined at September 30th. Based on this FAS funding model, districts have the autonomy to determine the educational and support service levels required to deliver a quality product, while delivering a balanced budget based on their operating grant.

2.5.2 Supplementary Funding

The Ministry of Education attempt to address demographic and geographic differences in districts by providing supplementary funding based on specific formulas. The supplementary funding formulas attempt to address the complexities of location, size and composition of student populations. Unique geographic factors and Transportation and Housing grants are calculated and capped once every three years. With rising utility costs and transportation input costs, northern districts with a geographically disbursed student population find significant challenges with funding predetermined and capped for

a three year period. The Ministry provides support for rural students indicating they are entitled to “equal opportunity and access to education.” That said, transportation costs do not drop by 4-5% when the FTE student count drops by 4-5%. For example, if you run a bus for 60 students and you loose 5% of the students or 3 students, your bus costs are about the same for 60 students as it is for 57 students. When the Ministry of Education cap transportation funding, the funding does not account for declining enrolment or price increases for transportation input costs. These issues add financial pressure to rural districts.

2.5.3 One-time Funding

One-time or targeted funding generally flows from the Ministry geared to address specific problems or programming issues. One-time grants allow the Ministry to announce their support of public education by targeting how the issues are being addressed with this additional funding source. This funding, however, arrives with strict guidelines for how it is to be spent in support of the intended purpose. This source of funding generally increases prior to provincial elections. In an election year these additional one-time grants are announced on almost a weekly basis to the point where districts refer to this type of funding as “drive-by funding.” This type and frequency of funding forces districts to scramble to implement programs or spending initiatives within a very narrow time slot in support of this new and additional source of funds.

2.5.4 Special Purpose Funds

Special Purpose funds are generally restricted by the external body that is providing the funds. For example, the Ministry of Education provides our Annual

Facilities Grant (AFG) which is used specifically to maintain schools and service facilities. Districts also receive grant money for provincial resource programs and distance education programs where funds are provided for very specific use and similar to one-time funding, districts must spend the funds for the intended purpose.

2.5.5 Capital Funds

School Boards prepare five year capital plans and submit them to the Ministry of Education estimating their capital asset project needs. Projects for consideration within this area of funding are new buses, new classroom space for enrolment growth, and for replacing or refurbishing existing school facilities that have reached the end of their economic life. The ministry establish criteria for evaluating capital project requests from school boards and then they allocate available resources based on district needs and government objectives.

Government policy has changed as it relates to capital and special purpose funds for ongoing maintenance of district facilities. Previous government policy funded districts based on educational space, with funding removed if a school was closed. Now funding is based on per FTE students with limited regard for the amount of space occupied. This change in policy allows districts to reduce classroom space with no negative impact on their operating funds and districts now keep the savings from utilizing less space.

The internal analysis above provides a basic introduction to SD73, the organization chart, the Product-Student Matrix, the operational strengths and weaknesses as well as the funding sources for our educational programming. The internal analysis

explains how the funding sources have been modified to promote government policy and to encourage districts to strive for improvements in student achievement. Some initiatives increase our ability to operate and compete against our public sector rivals. Some policies make competition more challenging.

2.6 External Analysis

There are 60 public school districts in the province of British Columbia. The districts range in size from 288.125 FTE students in district No.49 - Central Coast to 61,170.666 FTE students in district No. 36 – Surrey. In 2004-05, 563,863.77 FTE students attended public schools in BC. The operating grants provided to public schools in 2004-05 totalled \$3.877 Billion dollars. The \$3.877 Billion dollar figure does not include capital funding or the cost to operate Ministry offices in Victoria. The composition of the 60 districts in the province based on Full Time Equivalent students is as indicated in Table 2.2 below:

Table 2.2: District Size Based on Full Time Equivalent (FTE) Students¹⁴

| School Districts in British Columbia | |
|---|----------------------------|
| Size of District by FTE | Number of Districts |
| Less than 500 FTE | 4 |
| 501 - 3,000 FTE | 14 |
| 3,001 - 6,000 FTE | 13 |
| 6,001 - 10,000 FTE | 13 |
| 10,000 + FTE | 16 |
| Total Number of Districts | 60 |

¹⁴ Table by Author, Source – Ministry of Education <<http://www.bced.gov.bc.ca/k12funding/>>

Competition for K-12 students increases with each passing year as education stakeholders and students push for improved programming, greater choice and more flexibility in education options. The government changed legislation to allow students to attend schools outside their catchments area. School districts responded by adding specialty program options that improve choice in an effort to maintain their student base and attract students from other districts. Parents are responding by moving their children to schools that provide specialty programming options. Stakeholders are encouraging increased competition by allowing school choice and improved programming options which force districts to operate within a market environment similar to most industries. Budget pressures stemming from the cost of improved programming coupled with declining enrolment are escalating the demand within districts to operate more efficiently.

2.7 Internal Customers

The support department has two main customer groups; the students as the external customer base and the educators as the internal customer base. District Education Officers, Principals, Vice-Principals, Teachers and Teachers-on-call are charged with the responsibility of improving student achievement in the district. Support department staff work in the following capacities: Teacher Aids and or Support Workers, Clerical staff, Custodial Staff, Maintenance Staff, Transportation Staff, Information Technology Staff, Human Resources staff and Accounting Staff for Payroll and Accounts Payable functions.

2.8 External Customers

SD73 does very little contracting-out of services, “for a fee,” to outside agencies. Although it is an area worth looking at for possible opportunities to recapture some of our regular operating costs. We contract out maintenance services to Interior Health for building services we provide the Helmcken Hospital in Clearwater. SD73 provide a limited service to the Ministry of Children and Families delivering a meals program to district schools and some educational services for the Federal Ministry of Fisheries and Oceans teaching elementary students about the life-cycle of salmon that spawn in local rivers like the South Thompson and the Adams River. In recent years, the district started to lease some of their excess classroom space to daycares, pre-school Montessori programs and the Big Little Science Centre. SD73 also enjoys a joint-use agreement with the City of Kamloops (City) providing space in the schools for community rooms. This agreement allows a sharing of facilities and their associated operating costs with the City of Kamloops based on the percentage of space utilized by the community rooms at the various elementary school locations. The joint-use agreement allows the district to use City facilities like swimming pools and hockey arenas and the City to use SD73 playing fields and gymnasiums in off hours for little or no charge.

2.9 Competitive Landscape

The K-12 curriculum, with the support of teachers and parents, allows students to develop formal learning plans to guide them with their course selection. Students may select courses that will either help them meet the entrance requirements of a post-secondary institution or prepares them for transition to an apprenticeship or to the general workplace. Competition for students is increasing with the implementation of schools of

choice, specialty schools, distance education options as well as options available through the Open Learning Agency. These alternatives allow parents and students greater choice and say over the educational programming in the K-12 public education system.

The educational marketplace is evolving and districts continue to react to changing rules and competition. At a time when public schools are experiencing declining enrolment, private school enrolment is growing. Districts need to monitor their private sector competition and to ensure they understand why parents choose this option versus a public school option and address any factors within their control. Understanding the competitive market you operate within is very important for addressing educational issues and challenges.

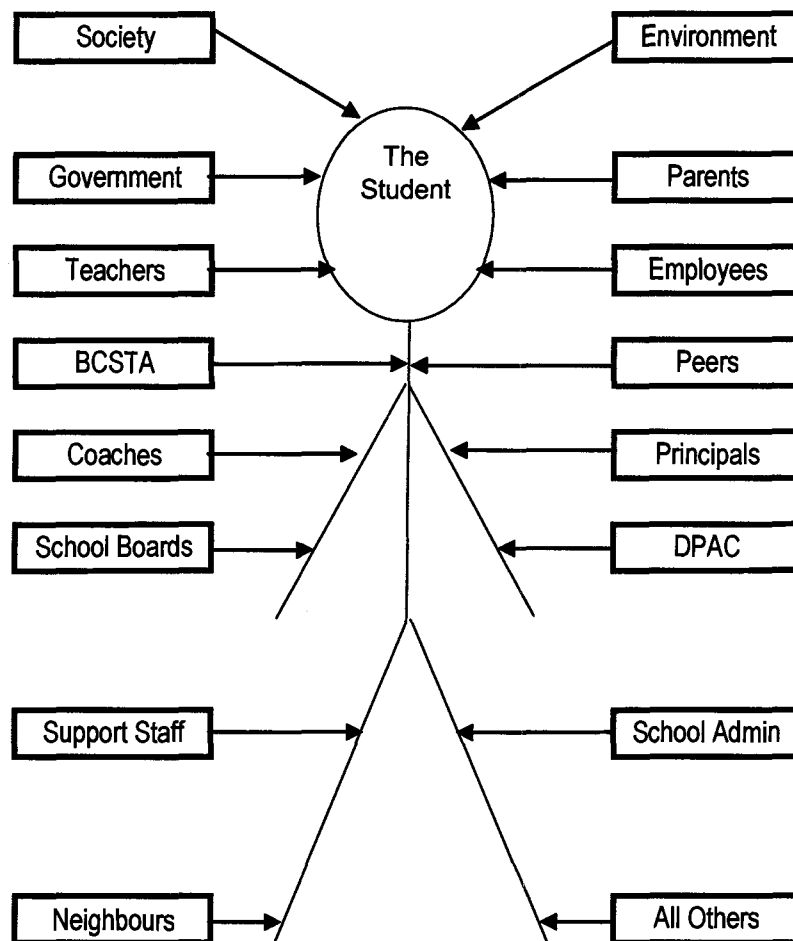
2.10 The Stakeholders

The K-12 Education Program is divided into three levels: primary (Kindergarten to Grade 3), intermediate (Grades 4-10) and graduation years (Grades 11 and 12). Each level has a particular emphasis, reflecting the range of knowledge, skills and attitudes that students develop during those years. K-12 education ensures students learn to read, write, do basic mathematics, solve problems and use computer-based technology. The intent of a common set of skills students learn is to ensure students gain the knowledge, critical thinking and problem solving skills they will need to support life-long learning. To achieve an enhanced learning experience, school districts work closely with parents, the British Columbia School Trustees Association (BCSTA), School Boards, District Administration, Parent Advisory Council (PAC), District Parent Advisory Council (DPAC), employee groups as well as developing work-school partnerships, community group partnerships and partnerships with social agencies within their communities. The

African proverb sums up the role stakeholders play in the education and development of children: “It takes a village to raise a child.” Our village is symbolized in Table 2.3: The Student.

Figure 2.3: The Student ¹⁵

Factors effecting student achievement



Children are the priority of the public education system. Currently there are a number of programs available to support students in schools. Healthy children attending school and improved graduation rates are important areas of focus, therefore, SD73 has

¹⁵ Figure by Author

programming geared specifically toward that end. Student health & wellness initiatives inform students about the maintenance of good health. Student safety programs, such as anti-bullying and traffic safety programs, aim to keep children safe while they are at school. Career and Personal Planning (CAPP) programs help older students to recognize the value of education in terms of their life plans. Foundation Skills Assessment (FSA, grades 4, 7, 10) and satisfaction surveys measure student performance and student attitudes towards school. Finally, specialized programs, such as the Beattie Elementary School of the Arts and the district First Nations Programs, attempt to deliver the BC curriculum in innovative ways.

2.11 British Columbia School Trustees Association (BCSTA)

The BCSTA was founded in 1905 when 20 school trustees representing eight school boards met to discuss common problems and ways to improve public education. The BCSTA has a good understanding of the intimate connection between public education and democracy. School board governance means that, on behalf of all the people who own the public school system, the school board defines the local community's public interest in its schools. These public interests reflect local priorities, values and expectations. There is also a complementary balance between the broad provincial interest and local community interest in schools requiring a sharing of governance between school boards and the provincial government.¹⁶ The BCSTA believe that "Citizens are created in public schools!"¹⁷ To that end, they are dedicated to

¹⁶ British Columbia School Trustees Association, Key Work Resources Page 1-1

¹⁷ British Columbia School Trustees Association, Key Work Resources Page 1-1

working with the various stakeholders to improve student achievement and public education as a whole.

2.12 School Boards

The responsibilities of school boards are detailed in the *School Act of British Columbia*. School board decisions take the form of plans, policies and budgets – all of which need to be aligned in order to achieve the vision for public education held by the community and defined by the school board. The Board of School Trustees believe that schools are significant units of change and that the real work of improving the achievement levels and life chances of all students happens in the classroom each day. The board encourages and supports schools in the development and sustainability of the following attributes of effective schools:¹⁸

- Strong and distributed leadership
- Unity of purpose focused on quality learning
- Collaborative inquiry and teamwork
- Focus on continuous improvement and growth based on data
- Regular monitoring of student growth and success rates
- Strong parental and community involvement
- Quality instruction based on research
- Research-based interventions for “at risk” learners
- Fair and equitable assessment practices
- Safe, orderly and healthy school environments

¹⁸ Annual Report from the Board of School Trustees, Sustaining Improvement 2004-2005, Page 3

School Boards lead by defining their communities' vision for the future of public education and by translating that vision into action through their decisions. School Boards utilize District Accountability contracts to set goals, action plans and to evaluate progress. School Boards work with District Administration to develop and deliver strategic plans and long term goals for the district.

2.13 School District Administration

SD73's mission statement is, "Working together for quality Public Education." On the education side, school districts provide Accountability Contracts to the Minister of Education, which are based on the School Improvement Plans developed in each of the schools. The goal of School Improvement Plans is to improve literacy, numeracy, social responsibility and to improve the overall achievement results for students. Student achievement is affected by variables outside the school which are referred to as "Input Variables" as well as variables influenced directly by the school which are referred to as "School Variables." School Variables can be easier or more difficult to implement based on the input variables that change from community to community. Socioeconomic factors such as Peer Group Influence, Attendance, Punctuality, Social Integration, Disruptive Incidents, Quality of Instruction and Principal Leadership impact on the distinct culture at each school. Therefore, to improve student achievement, districts must make every effort to implement programs that enhance school culture and improve the learning environment for students.

2.14 The Parent Advisory Council (PAC) Network

The PAC is the voice of parents at the school level; advising on issues relevant to their children in a school. The individual PACs report to their District Parent Advisory Council who in turn work as a conduit informing, advising and educating school PACs. The DPAC also work as the voice on the provincial BC Confederation of Parent Advisory Councils. (BCCPAC) The BCCPAC is the collective voice of parents, PACs and DPACs in BC. The purpose of DPAC is to promote and enhance meaningful parent participation in an advisory role at the school, school district and provincial levels. The PAC also works in conjunction with School Planning Councils to prepare the annual school plan and provide valuable input in the direction of the Public education system.

2.15 Employee Groups (KPVPA, KTTA and CUPE Local 3500)

Public sector employees working for the Ministry of Education are generally dedicated to the support and education of children. Whether the employees are Principals, Teachers, Secretaries or Bus Drivers, their daily priorities are the education and safety of children. Providing a positive influence to a child can be a very rewarding experience and something the employees cherish their whole life.

Although SD73 Principals and Vice Principals are represented by the Kamloops Thompson Principals and Vice Principals Association (KTPVPA), they are a management association and not a union. Their relationship to the district does not allow Principals to go on strike or withhold their services as a method of settling a contract disagreement with senior management. SD73 Teachers are represented by the Kamloops Thompson Teachers Association (KTTA) for local contract wording issues and the British Columbia Teachers Federations (BCTF) for the provincial bargaining of monetary

issues. Canadian Union of Public Employees (CUPE) is similar with local bargaining for non-monetary contract language and provincial bargaining for monetary issues.

Communication with employee groups is paramount for the success of any change initiative at the district; especially if the change contemplates reconfiguring business processes and staff duties or responsibilities in the work place. Without their support, change is unlikely. One of the bigger challenges public sector organizations face relates to conflicting interest of the various stakeholders. The BCSTA, School Boards and PAC groups are interested in the quality of the educational experience for children. Public education employee groups always state their contract demands relate only to improving learning conditions in the classroom for children but make no mistake; the children are often used as pawns to achieve contract demands. SD73 has two full-time KTTA union reps and one full-time CUPE union rep. Issues raised by their membership are their number one concern and districts consume significant resources dealing with grievances and work related issues.

Employee wages and benefits amount to approximately 80% of annual operating budgets for school districts. How employee relationships are managed at school districts is critical for their ongoing success. Material changes to work conditions and staffing levels will require some discussion with the various unions representing staff. Allowing staff and their union reps to participate in the decision process will generally improve buy-in and increase the likelihood the change initiative will be successful. If the employee groups are not in support of the change initiative, a successful implementation may be in jeopardy. Employees consume the largest portion of our operating budget and employees tend to be our greatest advocates for improved sustainability, but how the

employee/employer relationship is nurtured will be critical to the success of any change implementation.

2.16 Summary

Public education stakeholders are numerous and active participants in how districts do business. Often the stakeholders have conflicting interests. The bulk of school district business is conducted at meetings open to the public. Information like budgets, financial statements, board policies, school improvement plans, school accountability plans, student Foundation Skills Assessment (FSA) results and capital and operational plans are public documents. Striving to achieve consensus on important issues involving all the stakeholders can be a long and tedious, but necessary task. It can be especially challenging when the stakeholders keep their information to themselves and utilize public information from the district to enhance their particular positions. Developing and nurturing relationships with district stakeholders is critical to the ongoing success of the district. This can be a challenging task as most stakeholders are very focused on issues that relate to their specific purpose.

3 JUDGING PERFORMANCE OF THE DISTRICT

3.1 Benchmarking Study

The benchmarking study included in this report focuses on school districts adjacent to SD73. The data was collected from the Ministry of Education web-site detailing the Final Operating Grants for 2004-05

<<http://www.bced.gov.bc.ca/k12funding/>> and School District web-sites for their

Audited Financial Statements. The six (6) districts included in the study were as follows:

- SD19 Revelstoke, 1,299.6875 FTE Students <<http://www.sd19.bc.ca/>>
- SD74 Gold Trail, 1,812.0000 FTE Students <<http://www.sd74.bc.ca/>>
- SD58 Nicola-Similkameen, 2,866.7500 FTE Students <<http://www.sd58.bc.ca/>>
- SD27 Cariboo-Chilcotin, 6,309.0000 FTE Students <<http://www.sd27.bc.ca/>>
- SD83 North Okanagan-Shuswap, 7,548.5916 FTE Students
<<http://www.sd83.bc.ca/>>
- SD73 Kamloops-Thompson, 15,244.0714 FTE Students
<<http://www.sd73.bc.ca/>>

3.2 Operating Grants – Education

Table 3.1 below illustrates the Operating Grants and the Instructional cost per FTE student indicating a significant variance in the Instructional Cost per FTE Student within the six study districts. There is in excess of \$10.734 million dollars in potential savings if the five neighbouring districts delivered their instruction at SD73's delivery

cost per FTE. The Instructional Cost per FTE Student is more complex than other comparisons because it is cluttered with funding for Unique Students Needs like: Special Needs, ESL, Aboriginal Education, Adult Education as well as Unique Student Factors and funding for geographic challenges. Although the variance for instructional costs per FTE was the largest variance of the four categories calculated, the delivery of education and school programming is not the focus of this study.

Table 3.1: Instructional Cost per FTE Student¹⁹

| School District | SD 19 | SD 74 | SD 58 | SD 27 | SD 83 | SD73 | |
|--------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|
| Student (FTE) Base | 1,299.7 | 1,812.0 | 2,866.8 | 6,309.0 | 7,548.6 | 15,244.1 | |
| (in '000's) | | | | | | | |
| Instruction: | | | | | | | |
| Salaries | 6,266.5 | 10,188.7 | 14,075.1 | 29,600.8 | 34,051.3 | 68,105.6 | |
| Less Salary Differential | - 200.9 | - | - 498.5 | - 672.6 | - 1,256.4 | - 3,181.8 | |
| Employee Benefits | 1,346.7 | 2,351.8 | 2,898.1 | 6,249.8 | 7,156.6 | 13,856.4 | |
| Total Salaries & Benefits | 7,412.2 | 12,540.5 | 16,474.7 | 35,178.0 | 39,951.5 | 78,780.2 | |
| Services and Supplies | 438.8 | 1,835.3 | 1,845.6 | 2,377.4 | 3,340.5 | 6,263.1 | |
| Total Salaries & Services | 7,851.0 | 14,375.8 | 18,320.2 | 37,555.4 | 43,292.0 | 85,043.4 | |
| | | | | | | | Average |
| Instructional Cost / FTE | 6.041 | 7.934 | 6.391 | 5.953 | 5.735 | 5.579 | 6.272 |
| Savings: | | | | | | | |
| At SD73 Instruction Rate | 600.3 | 4,267.0 | 2,327.3 | 2,358.8 | 1,180.0 | 0.0 | 10,733.5 |
| Based on Average Rate | | 3,011.1 | 340.2 | | | | 3,351.3 |

The educational staff within the six district study group will be interested in researching the cost drivers that make up this variance with the intent to pursue any opportunities for making improvements to the instructional cost per FTE student at a later date. The benchmarking study also indicated potential savings in educational

¹⁹ Table by Author

administrative costs over the six study districts in the neighbourhood of \$1.165 million dollars annually.

Table 3.2: Educational Cost per FTE Student ²⁰

| School District | SD 19 | SD 74 | SD 58 | SD 27 | SD 83 | SD73 | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Student (FTE) Base | 1,299.7 | 1,812.0 | 2,866.8 | 6,309.0 | 7,548.6 | 15,244.1 | |
| (in '000's) | | | | | | | |
| Administration - Education | | | | | | | |
| Salaries | 95.9 | 180.1 | 141.8 | 602.0 | 501.2 | 571.5 | |
| Employee Benefits | 22.4 | 34.6 | 31.9 | 134.0 | 91.1 | 104.9 | |
| Total Salaries & Benefits | 118.3 | 214.7 | 173.8 | 736.0 | 592.3 | 676.4 | |
| Services and Supplies | 15.2 | 74.0 | 44.5 | 81.0 | 199.9 | 156.9 | |
| Total Salaries & Services | 133.5 | 288.7 | 218.2 | 817.0 | 792.2 | 833.2 | |
| | | | | | | | Average |
| Admin Education Cost / FTE | 0.103 | 0.159 | 0.076 | 0.129 | 0.105 | 0.055 | 0.105 |
| Savings: | | | | | | | |
| SD73 Admin-Education Rate | 62.4 | 189.6 | 61.5 | 472.2 | 379.6 | 0.0 | 1,165.3 |
| Based on Average Rate | | 99.2 | | 157.5 | 3.1 | | 259.8 |

The Educational cost per FTE student compares the Salaries, Employee Benefits and Services and Supplies expensed charged to Expense by Function and Program on district financial statements category 4.11. To ensure comparability, districts will need to meet to confirm who and what charges are booked to this functional category in the financial statements. If districts are following Ministry guidelines for the preparation and presentation of financial statements, the savings indicated are real and sharing expertise in this category would generate over \$1.165 million in combined savings annually.

²⁰ Table by Author

3.3 Operating Grants – Governance & Business Administration

The district comparison for the governance cost centre relates to the number of School Trustees elected to govern the district. The savings in governance is small compared to the opportunities in the other areas and a savings in governance would negatively impact on the autonomy districts currently enjoy.

Table 3.3: Governance Cost per FTE Student²¹

| School District | SD 19 | SD 74 | SD 58 | SD 27 | SD 83 | SD73 | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Student (FTE) Base | 1,299.7 | 1,812.0 | 2,866.8 | 6,309.0 | 7,548.6 | 15,244.1 | |
| (in '000's) | | | | | | | |
| Governance: | | | | | | | |
| Salaries | 40.6 | 67.6 | 73.8 | 71.4 | 111.0 | 85.4 | |
| Employee Benefits | 1.4 | 0.7 | 1.3 | - | 9.1 | 1.6 | |
| Total Salaries & Benefits | 41.9 | 68.3 | 75.0 | 71.4 | 120.2 | 87.0 | |
| Services and Supplies | 25.5 | 51.0 | 50.3 | 38.7 | 67.7 | 99.1 | |
| Total Salaries & Services | 67.5 | 119.3 | 125.4 | 110.1 | 187.9 | 186.1 | |
| | | | | | | | Average |
| Admin Governance Cost / FTE | 0.052 | 0.066 | 0.044 | 0.017 | 0.025 | 0.012 | 0.036 |
| Savings: | | | | | | | |
| At SD73 Governance Rate | 51.6 | 97.2 | 90.4 | 33.1 | 95.7 | 0.0 | 368.0 |
| Based on Average Rate | 20.7 | 54.1 | 22.2 | | | | 96.9 |

The Governance cost per FTE student compares the Salaries, Employee Benefits and Services and Supplies expensed charged to Expense by Function and Program on district financial statements category 4.40. To ensure comparability, districts will need to meet to confirm who and what charges are booked to this functional category. The combined savings in this category based on the SD73 Governance Rate is .368 million.

²¹ Table by Author

Table 3.4: Business Administration Cost per FTE Student²²

| School District | SD 19 | SD 74 | SD 58 | SD 27 | SD 83 | SD73 | |
|--------------------------------------|--------------|--------------|--------------|----------------|----------------|----------------|--------------|
| Student (FTE) Base | 1,299.7 | 1,812.0 | 2,866.8 | 6,309.0 | 7,548.6 | 15,244.1 | |
| (in '000's) | | | | | | | |
| Business Administration: | | | | | | | |
| Salaries | 197.5 | 300.1 | 173.9 | 712.2 | 813.1 | 944.0 | |
| Employee Benefits | 37.9 | 94.3 | 39.5 | 157.3 | 141.8 | 165.7 | |
| Total Salaries & Benefits | 235.4 | 394.3 | 213.4 | 869.5 | 954.8 | 1,109.7 | |
| Services and Supplies | 74.2 | 194.4 | 163.4 | 612.8 | 349.2 | 761.2 | |
| Total Salaries & Services | 309.6 | 588.7 | 376.7 | 1,482.3 | 1,304.0 | 1,871.0 | |
| | | | | | | | Average |
| Business Admin. Cost / FTE | 0.238 | 0.325 | 0.131 | 0.235 | 0.173 | 0.123 | 0.204 |
| Savings: | | | | | | | |
| At SD73 Bus. Admin. Rate | 150.1 | 366.3 | 24.9 | 708.0 | 377.5 | 0.0 | 1,626.8 |
| Based on Average Rate | 44.2 | 218.8 | | 194.3 | | | 457.3 |

The Business Administration cost per FTE student compares the Salaries, Employee Benefits and Services and Supplies expensed charged to Expense by Function and Program on district financial statements category 4.41. To ensure comparability, districts will need to meet to confirm what charges are booked to this functional category. As indicated on the chart above, if the five neighbouring districts operated at SD73's cost of 0.123/FTE (in thousands) or \$122.73/FTE, the savings for the five other districts would total \$1.627 million dollars annually.

3.4 Revenue Impact – Declining Enrolment

The analysis on Table 3.5 demonstrates the impact of declining enrolment and how a drop in 100 FTE students would impact on the overall revenue for the district. SD19's revenue would be impacted by 6.1% with the drop of 100 FTE Students and SD73's revenue was only impacted by .05%. Declining enrolment impacts smaller

²² Table by Author

districts more than larger districts. Smaller districts have the same base operating costs spread over a much smaller variable revenue base making enrolment decline more challenging.

Table 3.5: Revenue Impact – Declining Enrolment²³

| | SD 19 | SD 74 | SD 58 | SD 27 | SD 83 | SD73 |
|--|--------------------|---------|---------|---------|---------|----------|
| Student (FTE) Base | 1,299.7 | 1,812.0 | 2,866.8 | 6,309.0 | 7,548.6 | 15,244.1 |
| | ln ('000's) | | | | | |
| Student Base Allocation Grant | 7,175 | 10,002 | 15,825 | 34,826 | 41,670 | 84,148 |
| Enrolment Decline | 121 | 315 | - | 443 | 284 | 297 |
| Unique Student Needs | 427 | 2,709 | 3,235 | 5,108 | 5,696 | 9,625 |
| Salary Differential | 201 | - | 498 | 673 | 1,256 | 3,182 |
| Additional Operating Funds | 59 | 84 | 129 | 288 | 342 | 688 |
| Grants based on Education | 7,984 | 13,110 | 19,687 | 41,338 | 49,249 | 97,940 |
| Fixed Revenue: (Three Years) | | | | | | |
| Unique Geographic Factors | 1,315 | 4,550 | 1,907 | 5,588 | 2,889 | 4,103 |
| Transportation and Housing | 166 | 1,287 | 757 | 4,198 | 2,650 | 3,489 |
| GAAP Funding | 83 | 120 | 176 | 402 | 275 | 953 |
| Grants based on Other Factors | 1,564 | 5,956 | 2,840 | 10,188 | 5,814 | 8,546 |
| Total Operating Budget | 9,548 | 19,066 | 22,527 | 51,526 | 55,063 | 106,485 |
| Revenue Impact-Declining Enrolment: | | | | | | |
| Base Allocation per FTE Student | 5.82 | 5.82 | 5.82 | 5.82 | 5.82 | 5.82 |
| Decline of 100 FTE Students | (100) | (100) | (100) | (100) | (100) | (100) |
| Effect on Revenue | (582) | (582) | (582) | (582) | (582) | (582) |
| As Percent Operating Budget | -6.1% | -3.1% | -2.6% | -1.1% | -1.1% | -0.5% |

The question needed to be asked is: “If enrolment drops by 10%, do we cut clerical hours by 10%?” Chances are districts do not reduce clerical hours in a direct

²³ Table by Author

correlation to the drop in FTE enrolment. This analysis demonstrates the advantage larger districts enjoy when economies of scale reduce the impact of volume changes. Districts currently maintain a step-cost approach to managing decline where the drop in volume must be significant enough to eliminate one entire position instead of a reducing staff hours each year to match the decline in enrolment. If districts were in a position to contract accounts payable services, payroll processing or purchasing services based on a cost per volume of thru-put, their business service costs would be adjusted annually as a factor of FTE employees and FTE students. This would introduce a cost structure that matches increasing or declining enrolment.

3.5 Expense Impact – Price Increases

The final benchmarking worksheet analyzes the impact of price increases on revenue items that remain relatively fixed over three year increments. Transportation costs were fixed in 2003 for a three year period and districts were left to absorb price increases from general operating grants. The larger the geographic area being serviced, the greater the exposure to price increases for fuel and other supplies. Table 3.6 is a benchmarking worksheet that demonstrates the impact of a 5% price increase on the transportation and housing expenses for the six study districts.

Table 3.6: Expense Impact – Price Increases²⁴

| | SD 19 | SD 74 | SD 58 | SD 27 | SD 83 | SD73 |
|--|--------------------|--------------|--------------|--------------|--------------|-------------|
| Student (FTE) Base | 1,299.7 | 1,812.0 | 2,866.8 | 6,309.0 | 7,548.6 | 15,244.1 |
| | In ('000's) | | | | | |
| Variable Revenue: | | | | | | |
| Student Base Allocation Grant | 7,175 | 10,002 | 15,825 | 34,826 | 41,670 | 84,148 |
| Enrolment Decline | 121 | 315 | - | 443 | 284 | 297 |
| Unique Student Needs | 427 | 2,709 | 3,235 | 5,108 | 5,696 | 9,625 |
| Salary Differential | 201 | - | 498 | 673 | 1,256 | 3,182 |
| Additional Operating Funds | 59 | 84 | 129 | 288 | 342 | 688 |
| Grants based on Education | 7,984 | 13,110 | 19,687 | 41,338 | 49,249 | 97,940 |
| Fixed Revenue: (Three Years) | | | | | | |
| Unique Geographic Factors | 1,315 | 4,550 | 1,907 | 5,588 | 2,889 | 4,103 |
| Transportation and Housing | 166 | 1,287 | 757 | 4,198 | 2,650 | 3,489 |
| GAAP Funding | 83 | 120 | 176 | 402 | 275 | 953 |
| Grants based on Other Factors | 1,564 | 5,956 | 2,840 | 10,188 | 5,814 | 8,546 |
| Total Operating Budget | 9,548 | 19,066 | 22,527 | 51,526 | 55,063 | 106,485 |
| Transportation & Housing: | | | | | | |
| Expenses -Transportation & Housing | 252.9 | 1,221.9 | 742.7 | 3,806.1 | 2,576.5 | 3,456.0 |
| Expense Impact-Price Increases: | | | | | | |
| Increase in Input Costs | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Annual Cost Implication | 13.0 | 61.0 | 37.0 | 190.0 | 129.0 | 173.0 |

As you can see, potential exposure on price increases for the districts with large geographic areas to service ranges from \$13/FTE (in thousands) or \$12,647 in SD19 to \$190/FTE (in thousands) or \$190,303 in SD27. These price increases must be absorbed within the operating grant and remain a challenge for most districts. This study does not address how districts manage price increases outside their control, but does raise it as an issue rural districts face that a three year funding model ignores.

²⁴ Table by Author

3.6 Benchmarking Results

The initial results of the Benchmarking Study indicate a potential savings in the Business Services department of \$1,626,823, when comparing SD73's cost base against the cost base for other districts as a factor of FTE students serviced for the dollars spent. This initial result indicates the five neighbouring districts analyzed have a tremendous opportunity to save significant operating dollars by doing business differently. If the study districts were divisions of a private sector company with operations in the geographic areas examined by this study, how long would it take to get senior management approval to gather the necessary information required to support an implementation plan for execution? Armed with this initial finding, this study will deal with the challenges public sector employers face as they work through the relevant issues in an effort to improve operational efficiencies.

When analyzing a Benchmarking Study that compares neighbouring districts, one must ensure comparability of the results calculated. The first step involves determining if the published results all used the same definitions and allocation process to ensure the comparability is accurate. For example, is the Secretary Treasurer's salary allocated between the Accounting Department and the Maintenance or Transportation departments? This would reduce the cost of this position in the Business Services department being analyzed. As the focus of this report is the Business Services department, one would like to see an organizational chart for each district with FTE employee numbers recorded beside the positions being charged to the functional code 4.41 on the Financial Statements and a list of duties and volumes performed by each FTE position. This information would enable accurate comparability of districts allowing

analysis that isolates inefficiencies due to a lack of economies of scale, scope and other factors affecting the overall cost in the department. Clarification of the benchmarking numbers will take place in the Business Strategy section below.

3.7 Summary

The benchmarking study compares the 2004-05 Financial Statement information reported by the six districts in the study group to the 2004-05 FTE students reported by the Ministry of Education. This information is used to calculate a cost per FTE student by Financial Statement category and function. The significant variance in the cost per FTE student begs further analysis and study. Clearly, economies of scale are impacting on SD73's results when compared to smaller rural districts in the province. Therefore, it seemed appropriate to compare SD73's results to larger districts in the province to establish approximately what FTE count would achieve the lowest cost per FTE? At what FTE count do you maximize efficiencies achieved through economies of scale. Table 3.7 below compares SD73–Kamloops/Thompson's financial results to SD23–Central Okanagan, SD39–Vancouver and SD36–Surrey.

The preliminary results are not conclusive but they do indicate that districts larger than SD73 are delivering improved costs per FTE in almost all categories, for both city and rural settings. Therefore, SD73 could add volume to their existing business processes and continue to reduce their operating costs per FTE. Reducing SD73's operating base would add savings to the SSBC solution.

Table 3.7: SD73 Comparability to Larger Districts in the Province²⁵

| | Rural Districts | | City Districts | |
|---|-----------------|--------------|----------------|--------------|
| | SD73 | SD23 | SD39 | SD36 |
| Student (FTE) Base | 15,244.1 | 21,287.8 | 55,500.4 | 61,170.7 |
| | In ('000's) | | | |
| Student Base Allocation Grant | 84,147.3 | 117,508.7 | 306,362.5 | 337,662.1 |
| Unique Student Needs | 9,624.6 | 9,369.7 | 48,373.5 | 44,431.1 |
| Salary Differential | 3,181.8 | 2,269.5 | 12,786.7 | 4,662.6 |
| Instruction: | | | | |
| Salaries | 68,105.6 | 87,257.3 | 261,849.4 | 273,569.7 |
| Less Salary Differential | - 3,181.8 - | - 2,269.5 - | - 12,786.7 - | - 4,662.6 |
| Employee Benefits | 13,856.4 | 18,657.9 | 58,004.3 | 55,555.1 |
| Total Salaries & Benefits | 78,780.2 | 103,645.6 | 307,067.1 | 324,462.2 |
| Services and Supplies | 6,263.1 | 6,765.2 | 20,979.8 | 22,486.4 |
| Total Salaries & Services | 85,043.4 | 110,410.9 | 328,046.9 | 346,948.7 |
| Instructional Cost / FTE | 5.579 | 5.187 | 5.911 | 5.672 |
| Administration - Education | | | | |
| Salaries | 571 | 662 | 1,768 | 1,775 |
| Employee Benefits | 105 | 126 | 370 | 325 |
| Total Salaries & Benefits | 676 | 788 | 2,138 | 2,100 |
| Services and Supplies | 157 | 119 | 264 | 348 |
| Total Salaries & Services | 833 | 907 | 2,402 | 2,447 |
| Admin. Education Cost / FTE | 0.055 | 0.043 | 0.043 | 0.040 |
| Administration - SD Governance | | | | |
| Salaries | 85.4 | 103.5 | 377.0 | 230.9 |
| Employee Benefits | 1.6 | 1.7 | 71.9 | 14.7 |
| Total Salaries & Benefits | 87.0 | 105.2 | 448.9 | 245.5 |
| Services and Supplies | 99.1 | 129.1 | 342.3 | 254.2 |
| Total Salaries & Services | 186.1 | 234.3 | 791.2 | 499.7 |
| Governance Cost / FTE | 0.012 | 0.011 | 0.014 | 0.008 |
| Administration - Business Admin. | | | | |
| Salaries | 944.0 | 1,244.4 | 3,645.3 | 4,126.3 |
| Employee Benefits | 165.7 | 231.7 | 819.9 | 874.1 |
| Total Salaries & Benefits | 1,109.7 | 1,476.1 | 4,465.2 | 5,000.4 |
| Services and Supplies | 761.2 | 452.5 | 956.7 | 1,271.6 |
| Total Salaries & Services | 1,871.0 | 1,928.6 | 5,421.8 | 6,271.9 |
| Business Admin. Cost per FTE | 0.123 | 0.091 | 0.098 | 0.103 |

²⁵ Table by Author

4 THE SHARED SERVICES MODEL

The results of the large market benchmarking study indicate districts larger than SD73 can achieve improved costs per FTE student in all areas, especially in the area of Instructional costs per FTE and Business Administration costs per FTE. Drawing from these results, all six districts in the study group have an opportunity to reduce operating costs and enhance current business practices by operating the six districts as one. The challenge is to move the study group away from operating in a single district silo to working as a collective team on solving and implementing business processes that drive down business service costs.

4.1 Current Strategy

To deliver a value-added product based on the current provincial funding formula requires school districts focus on a low-cost delivery model. This model concentrates on reducing costs in the support service areas and channelling the savings back into the classroom. This cost based strategy, although effective to-date, it does not take into account opportunities that may be achievable with a business model that applies to multiple districts in a geographical area. Can a six district business solution provide operational efficiencies beyond the efficiencies SD73 are currently achieving?

4.2 Business Model Options

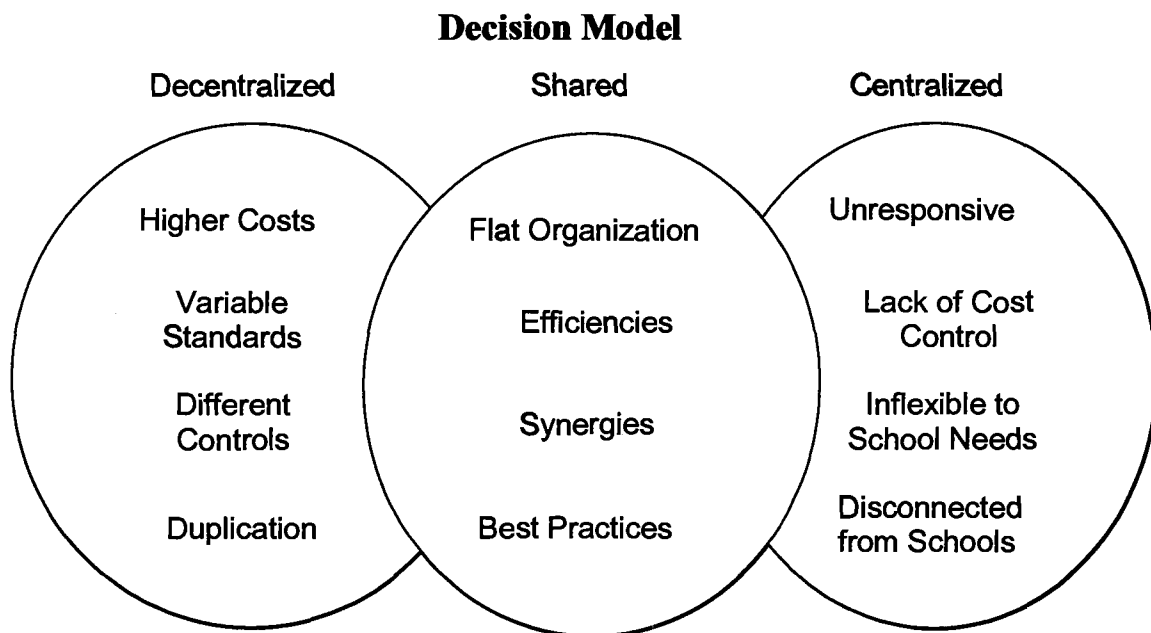
The Ministry of Education has wrestled with what business model will deliver improved student achievement at the lowest cost. What parts of the decision process

should be centralized, what decisions should be decentralized and is there an opportunity to add a shared business decision model to the current mix? The delivery of bad news is generally better received when the decision is the product of a decentralized decision process. For example, the decision to close a school is more palatable if the decision is a local decision and not a decision imposed from outside the affected community. A decentralized decision like this ensures districts have the opportunity to recognize local priorities through increased input from local stakeholders. If a school closure decision was made centrally, it would be disconnected from the school in question and inflexible to the needs of the district involved. That said, a decentralized decision model may introduce varying operating standards, duplication of effort and higher costs. Centralized decisions tend to enjoy economies of scale due to volume but they also tend to be unresponsive to local school district needs. The “Business Models” picture, (Figure 4.1) illustrates the Shared Business model as middle ground between the Decentralized and the Centralized decision model.

The Ministry of Education is pitching the benefits of a shared business model stating it is the model that enjoys improved efficiencies, synergies and best practices all delivered from a relatively flat organizational structure. The Ministry shared a Decentralized/Shared/Centralized decision model similar to the one below with districts at a meeting held in Vancouver on February 1, 2006:²⁶

²⁶ School Centred Leadership and Shared Business Systems Meeting – Ministry of Education, February 1, 2006

Figure 4.1: Business Models ²⁷



4.3 Expected Performance if the Current Strategy is Maintained

Maintaining the status quo is always an option, but not an option the government is willing to keep funding. With declining enrolment and funding pressures on government, the Ministry of Education is pushing hard on projects that have the potential to improve student learning while reducing education costs in the non-instructional areas. Costs associated with delivering business services, transportation, human resources, information technology, building maintenance and administration are being scrutinized more closely each year. In 2005, Deloitte Research prepared a study on the consolidation or amalgamation of school districts and included in the study was their version of a Shared Services model and their study sited, “Consolidation can have some serious

²⁷ Figure by Author, Based on Concept Presented at School Centred Leadership and Shared Business Systems Meeting – Ministry of Education, February 1, 2006

downsides: politically unpopular, reduces local control and can negatively impact educational outcomes.²⁸ In short, consolidation or amalgamation is not the most effective strategy to help districts direct more money into the classroom.

If amalgamation is unpopular and the status quo unacceptable, what options are available to districts as they strive to reduce non-instructional costs? One option that appears to have the Ministry's favour is the Shared Services Business Model.²⁹ A sharing of services has the potential to create economies of scale, increasing managerial expertise, improving consistency in processing work and ensuring districts have the autonomy of a decentralized decision model for curriculum, education and other aspects of non-shared processes. Many small and medium-sized districts find it expensive to provide the full array of support and administrative services in-house. What are the benefits of sharing services?

- Reduced redundancy in activities, processes, employees and IT systems.
- Lower personnel costs through economies of scale in administrative and support staffing as well as the sharing of specialized staff.
- Enhanced purchasing power and the ability to buy more products at a lower cost.
- Shared services help to standardize approaches to problems across the organization.
- Pool resources to attract more highly qualified staff.
- Retain local control over instructional budgets while maintaining the benefits from cost savings for non-instructional services.

²⁸ Driving More Money into the Classroom, Deloitte Research, 2005, Page 1

²⁹ School Centred Leadership and Shared Business Systems Meeting – Ministry of Education, February 1, 2006

- Sharing of services is more popular cost-cutting option than amalgamation.

The following is a list of potential areas where districts could collaborate on in a shared service model application:

- Business Applications and Support
- Accounts Payable & Payroll Applications
- Bulk Purchasing, Bus Purchasing and Shared Warehousing
- Capital and Enrolment Planning
- Transportation
- Education Delivery
- Virtual School/Video Conferencing
- Electronic Tutorial
- Specialty Course Delivery
- Professional Services/Technology
- WCB Claims Management
- Technology Training
- Sharing Specialized Staff/Help Desk/BCeSIS
- Electronic File Storage
- Web based design and maintenance
- Data Warehousing
- Legal Opinions
- Leadership Curriculum Sharing
- Special Education – Recruitment

- Health and Safety
- Web Classes for Staff Training

The above list is not all inclusive but it does indicate numerous opportunities for districts to share expertise and save money.

A cost strategy was effective in trimming non-instructional costs to the current operating levels for SD73. The benchmarking study also indicates SD73's cost per FTE student is considerably less than the smaller, neighbouring districts. Do public education administrators remain satisfied with the current operating cost levels or do they consider investing energy and effort into finding additional operating savings from doing business differently?

4.4 Integration of Strategy into a Shared Services Business Model

The Ministry of Education held a meeting on February 1, 2006 where they invited districts interested in the concept of "Shared Business Services" and at that meeting, they outlined the objectives which focused on identifying key questions, issues and opportunities for common shared business services and to determine if districts are interested in sharing business services and participating in a working group to develop a common approach.

The Ministry discussed the challenges small and remote districts face indicating the province has 31 districts with less than 6,000 students and within that total, 17 of the school districts have less than 3,000 students. The discussion on shared service concepts related to improving resource allocations, improving the ability to plan, minimizing duplication and overlap, improving effectiveness of education systems through improved

decision making, enabling districts to more efficiently share data and reporting while improving accountability.

The meeting concluded with the Ministry seeking districts willing to collaborate and develop a common plan and to determine the scope of potential business areas and delivery options. To achieve this objective, the ministry offered to facilitate planning, training and implementation efforts for staff at all levels. They also agreed to provide financial incentives to districts that commit to participate and finally they agreed to assist districts with the procurement of new business systems in support of a share services delivery model for non-core business services.

4.5 Goals

The benchmarking study uncovered a potential savings of \$1.6 M in the various business departments of the six study districts. Knowing there is a potential savings by doing business differently is one thing, but changing past practices without pressure from the Ministry is quite another. The short term goal will involve taking time to introduce the concept of sharing business services with the six district study group emphasizing how the proposal will help all districts achieve a lower cost for delivering business services in their districts. The information exchange will involve determining if the districts collectively have the business applications needed in the proposed service centre or if the districts would need to either develop the product in-house or purchase the product from an outside software vendor. The initial business processes under review would be purchasing, accounts payable and payroll.

This analysis will form the basis for the learning experience and will be an integral part of the development process that will need to take place as the districts move through the planning stage to implementation. A change of this magnitude will require a project team with one representative from each district working together addressing the issues raised and communicating with the stakeholders. The project team will need to develop an attitude of openness, flexibility, creativity and quick response if they are to be successful with this change initiative.

4.5.1 Short-Range Goal

With the shared services business model considered a relatively new concept for school districts, the short range goal will involve developing a framework for agreeing on the ground rules used during the process of discussing, developing and implementing the project. The project team will need to establish the goals and underlying interests of the districts and a process for how the decisions will be made. The project team will need to structure the new Shared Service Business Centre (SSBC) to allow for a sharing of profits/savings based on an agreed revenue and expense sharing model. And finally, the project team will need to develop a time table and a set of guidelines on how the process will be structured. The project cannot proceed with any form of implementation without agreement on the short range goals.

4.5.2 Mid-Range Goal

With the structure and the operating model in place, the mid-range plan will involve developing and implementing products and services that will reside in the SSBC. This stage will map out the potential products for development and will include cost

estimates and a delivery time for each product or service. Products may be developed in-house or may be contracted to outside vendors for implementation.

4.5.3 Long-Range Goal

If the short and mid-range plans deliver cost savings, the long-range plan will include a process for developing depth within the SSBC staff group for expansion outside the six district study group. To-date, the SSBC work will be performed by in-house staff in conjunction with Ministry staff and a select group of consultants in their specific areas of expertise. As the project develops momentum, districts outside the core study group may express interest in participating in specific areas on either a “contract in” or a “contract out” basis. Service levels to the study group must meet or exceed benchmarked targets agreed to during the strategic planning stage. The ability to deliver superior service at a reduced cost will depend on the resources available and the on-going support for the SSBC from the various stakeholders. The SSBC will continue to identify key benchmarks to measure its ongoing performance.

4.6 Develop Products for Sharing

The key to developing momentum for the SSBC rests with how the project is introduced and the ability to deliver a successful product quickly during the initial stages of implementation. SD73 recently developed an on-line purchasing system that would be an excellent first project for the SSBC. As the largest of the six study districts, SD73 currently has a full time Purchasing Manager and a full time Buyer. From November 2005 to May 2006, SD73 designed, programmed and implemented an on-line purchasing system used by SD73 schools to order goods and services. The program reduced the

cycle time for ordering and receiving goods and services by approximately one week on any given order. The SSBC concept could be utilized by the six districts to order school supplies through SD73's purchasing department.

The study group would determine the annual fee for set-up with a cost per order and possibly a cost per line item ordered. Initially, the fees generated from the on-line purchasing system would be used to reduce the cost of the existing Purchasing Manager /Buyer at SD73. If other districts have purchasing staff, the system could be used to off set their costs as well. When existing staff are operating at capacity, revenue from this service could be used to hire additional staff to meet services expectations. What are the pro's and con's of implementing the on-line purchasing system:

Pro's:

- Short set-up time
- On-line Purchasing System reduces cycle-time for ordering/receiving product.
- On-line access to the Purchase Order status (in for approval, in purchasing, being delivered, or goods received, invoice in for payment)
- SSBC model increases the volume of products ordered; reducing the cost of each item ordered.
- Larger buying group could afford to pay for increased purchasing expertise over current procurement model.

Con's:

- If purchasing is currently performed off the corner of someone's desk, the new service may be an extra cost to the district.

- Increasing the geographical area of service may increase the delivered price of products to accommodate the larger area being serviced.

Shifting costs from one district to another does not save money overall but it will ensure improved levels of service. The sharing of technical expertise between districts may be cheaper than the existing method of procurement. School Districts spend approximately 80% of their annual operating budget on salaries and benefits. The bulk of the savings from a SSBC model will come from reduced staffing and improved efficiencies. Smaller communities have a greater likelihood of job loss as employees with more education and professional expertise tend to enjoy living in communities with more services. This fact will be a major impediment to making the SSBC model work for the smaller rural districts.

4.7 Example of a Shared Service Product – SD23

School District #23 (Central/Okanagan) have initiated a shared services product for workers compensation claims through WORKSAFE BC. Their program charges a fee based on the Assessable Annual Payroll and for the annual fee, SD23 will perform the following services: Worksafe BC Claims, Relief of Costs and Experience Rating and Assessments. Districts are not required to participate but if a district can justify the fee for the potential savings by improving their WCB claims and subsequently their claims history, districts may opt into SD23's program. SD23 used the revenue generated from the program to pay for staff and any excess revenues over expenses contribute to the overall financial health of the district. For the six years listed in the study, SD73's ERA has been below the industry average, making the annual savings to SD73 less than the proposed fee SD23 would charge SD73 to run their WCB program.

4.8 Develop Staff to Support Shared Business Centre Products

The key to developing staff that embrace change will involve honest and open conversation about why the SSBC is being considered and what the SSBC is intended to deliver when fully operational. Existing staff have a wealth of education and experience they can share when making changes to existing practices. Seeking their input early will assist in the development of the systems and processes required to ensure the day-to-day activities are reasonable and not unattainable goals set to make the project look viable. SD73 takes employee suggestions very seriously giving employee ideas every consideration. Changes based on employee suggestions really increase ownership in the solution and are very important in developing the employees' sense of value and worth to the district. To achieve savings in the business department, the SSBC will create redundancy in some positions. Knowing about the potential redundancies early will allow Human Resource departments the opportunity to develop staff retraining programs and early retirement plans to deal with redundant positions.

4.9 Work with other Districts to Share Areas of Strength

Until the study group meet to discuss operational strengths and weaknesses, the study group may find they have some excellent systems already in place at other districts. This would make the identification and implementation of the SSBC model faster, less costly, with a quicker return of operating savings than estimated prior to the initial discussions. Another good reason to gather the study group for discussions is the meeting may uncover a significant duplication of effort with similar business processes. Any opportunity to eliminate a duplication of effort would make implementation of the new SSBC model even more cost effective.

4.10 Ongoing Support for the New SSBC Model

Another function of the implementation process would involve reporting progress on the SSBC initiative to the Ministry of Education and ultimately to the other 54 districts in the province. By communicating the opportunities, challenges and results, the study group may find support for their projects from districts currently working through similar challenges. SD73 is the 13th largest district in the province and some of the larger districts may have already developed viable solutions to similar business challenges. Communicating developments to the Ministry and to the other 54 districts may be a very cost effective way to initiate and implement a workable solution from a previously untapped source. If the study group delivers process savings from the new model, the Ministry may enhance their commitment by adding analysis and implementation support not available to-date.

4.11 Support Expansion and Marketing of New Products

As indicated in the Benchmarking study, the business component of the study generated only \$1.6 M in savings whereas the instructional cost component indicated a cost savings in excess of \$10 M. An in-depth look at the instructional cost per FTE area of the district may uncover larger savings than the business component and those savings could be re-introduced back into instructional programs to enhance the student learning experience.

4.12 Estimated Costs and Timetable for Implementation

The first series of expenditures would involve semi-monthly meetings to flesh out the scope of the SSBC project and determine if sufficient savings are available to warrant

further study and implementation of a system or systems capable of capturing the potential savings. The meetings will require a facilitator and travel costs for the applicable districts. The estimated cost would be \$1,250/meeting for the facilitator and \$750/meeting for district mileage costs. Ten meetings are estimated to cost \$20,000.

The three functions discussed for SSBC application relate to Purchasing, Accounts Payable (AP) and Payroll. Modifying SD73's existing on-line purchasing system would involve approximately six weeks of programming time and some training time for the employees at the schools in each district. By utilizing a "Train-the-trainer" format, each district would send one or two representatives for training and once trained, they would return to their respective districts and train the local staff scheduled to utilize the system. This would minimize the training and implementation cost of transferring the expertise to the neighbouring districts. The estimated cost to implement the on-line purchasing package is \$15,500. (See Table 4.1 below for details.)

The second business service for consideration would be managing the accounts payable function for the six district study group. The on-line purchasing system would advise vendors of the shipping location with the SSBC office as the billing location. Invoices would be approved on-line and paid by the SSBC. The SSBC would provide a weekly journal entry to the districts with an invoice for the AP service and the funds paid out on their behalf. Training would not be required and system changes would be minimal. The existing AP system is in place and will not require any material modifications. It is also assumed the neighbouring districts' general ledger accounts and vendor names and addresses can be exported and imported electronically eliminating data

entry costs. The estimated cost to implement the AP – GL package is \$10,500. (See Table 4.1 below for details.)

The third business service for consideration would be the most costly and involve the purchase of a payroll system capable of managing on-line timecards, electronic transfer of remittance advices to employees and the electronic fund transfers to financial institutions. SD73's Human Resources department is in the process of sourcing a system capable of on-line reporting for payroll with the hope it will tie into their existing automated dispatch system. The automated dispatch system deploys teachers-on-call (TOC's) and CUPE relief staff by telephone or on-line.

Preliminary estimates indicate a payroll system capable of this type of time card reporting would require a capital investment of \$250,000 with an annual licensing fee of approximately \$15,000. Also, a system change of this nature would require comprehensive training and a lengthy implementation period. SD73's HR department indicated this project would require an investment of just over \$400,000 and a two year implementation period for the six district study group.

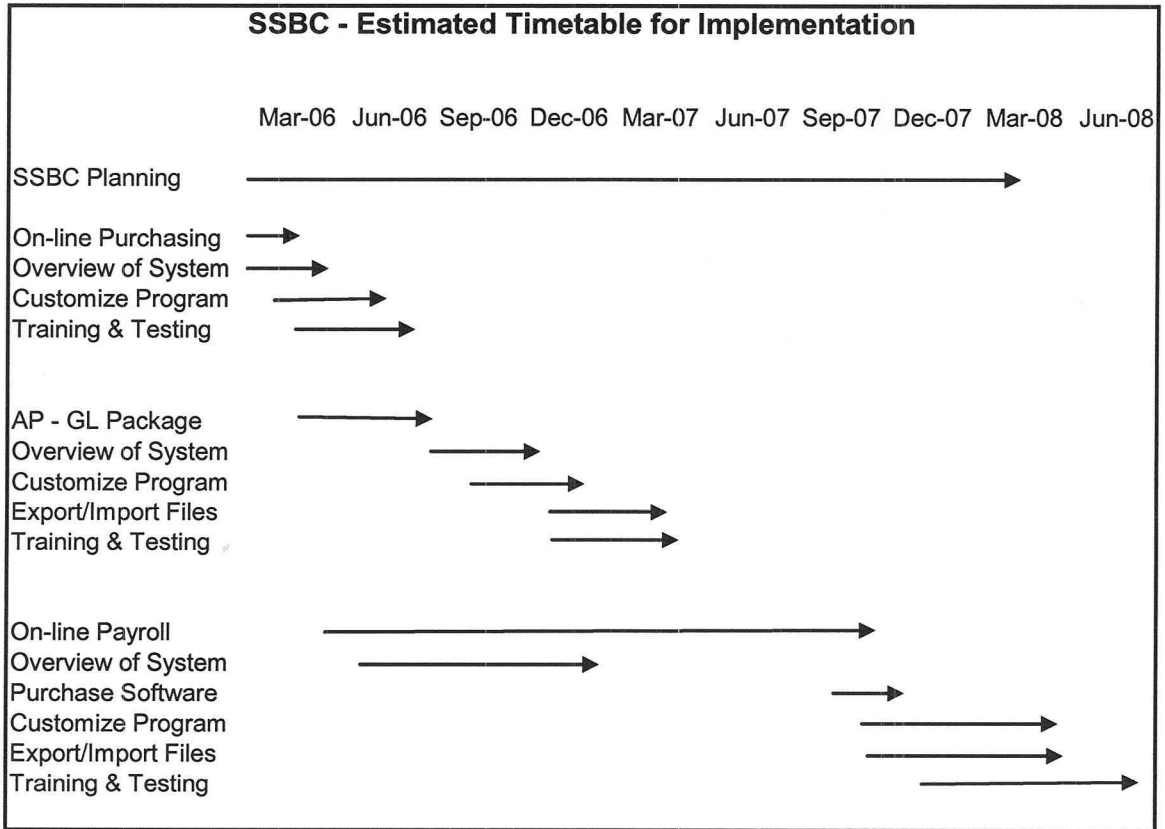
The total costs to implement business systems capable of managing the six district study group would be around \$500,000. Although the projected savings is 1.6 million dollars annually, it would be unrealistic to expect the project will save every dollar indicated by the study. The study does acknowledge the potential for saving money utilizing a SSBC model is very good.

Table 4.1: Estimated Cost for Implementation³⁰

| SSBC - Estimated Cost for Implementation | | | | | | |
|---|----------------------------|-----------------|-----------------|-----------------|----------------|----------------------|
| Product | Planning | Software Design | Documentation | Assembly & Test | Cost | Total Time (in Days) |
| SSBC Planning Sessions | 10 meetings (2 Yr. Period) | | | | 20,000 | 10 |
| | | | | | <u>20,000</u> | <u>10</u> |
| On-line Purchasing Overview of System | 2 meetings | In place @ SD73 | In place @ SD73 | | 1,500 | 2 |
| Customize Program | | 1 wk/district | 2 meetings | | 1,500 | 25 |
| Training & Testing | | | | 1 wk/district | 12,500 | 25 |
| | | | | | <u>15,500</u> | <u>52</u> |
| AP - GL Package Overview of System | 2 meetings | In place @ SD73 | | | 1,500 | 2 |
| Customize Program | | 3 days/district | 2 meetings | | 1,500 | 15 |
| Export/Import Files | | | 2 days/district | | 5,000 | 10 |
| Training & Testing | | | | 1 day/district | 2,500 | 5 |
| | | | | | <u>10,500</u> | <u>32</u> |
| On-line Payroll Overview of System | 10 meetings | | | | 7,500 | 10 |
| Purchase Software | | | | | 250,000 | |
| Customize Program | | 3 wks/district | | | 37,500 | 75 |
| | | | 5 meetings | | 3,750 | 5 |
| Export/Import Files | | | 3 wks/district | | 37,500 | 50 |
| Training & Testing | | | | 3 wks/district | 37,500 | 50 |
| | | | | | <u>373,750</u> | <u>190</u> |
| Contingency at 10% | | | | | 46,575 | 38 |
| Total cost and number of days to implement | | | | | <u>466,325</u> | <u>322</u> |
| Facilitator at meetings | | \$1,250/meeting | | | | |
| Travel costs for districts attending | | \$750/meeting | | | | |
| Training and testing costs | | \$500/day | | | | |

³⁰ Table by Author

Table 4.2: Estimated Timetable for Implementation³¹



³¹ Table by Author

4.13 Summary

The Implementation Plan includes the estimated costs and the timetable for implementing portions of the SSBC applications being considered. Preparing this list without meeting and discussing the issues is somewhat premature but it does provide a one-district solution that frames the preliminary costs for discussion. The physical location of the work would be determined by the study group based on the results of the study group meetings. The primary objective is to work towards reducing the business service costs for the study group with the preliminary numbers providing a framework for on-going discussion.

Sharing business services will be a leap that most districts will struggle to make. Fear of the unknown and the lack of desire to change will create significant hurdles. The Shared Service Business model is a relatively new concept for school districts and educating the participants as well as communicating issues and developments with the participating districts will be most of the challenge. If the participants are motivated and empowered to make this initiative a reality, developing and implementing products and services will be an exciting and challenging initiative.

5 IMPLEMENTATION PLAN

Before a formal implementation plan can be developed, districts will meet to discuss what opportunities are real and attainable and what opportunities have limited likelihood for success. The key to saving money is districts will have the autonomy to decide how savings from business process improvements will be used to address specific issues in their district. Table 5.1 provides a summary list of the survey results from SD73 Principals who provided ideas on what and how districts should allocate additional funds to enhance student achievement. As districts, business departments are the support system for the educators, not the other way around. District management must keep their eye on the objective and work diligently at pursuing opportunities to augment the learning experience of children. The project team will have a tremendous opportunity to create a new vision of cooperation and coordination for the SSBC initiative.

5.1 Develop a Business Plan for Implementation

Ultimately, the business model with the greatest likelihood of success is one that is designed, developed and implemented with input from all six of the study districts. A meeting of the Superintendents and Secretary Treasurers from all six districts would allow issues to be raised and discussed so consensus could be reached on the topics raised. As indicated in Tables 3.1, 3.2, 3.3 and 3.4, there is potential to enjoy economies of scale and scope in all four of the cost centre functions analyzed: Instructional Cost per FTE, Admin-Educational Cost per FTE, Admin-Governance Cost per FTE and Admin-Business Services Cost per FTE. Making hard decisions without the pressure to deliver

savings may be sufficient to kill the project in its tracks. The Superintendents may focus on educational savings outlined in the benchmarking study due to the size of the savings indicated in the area of Instructional costs. But, regardless of the area of focus, the project team will need direction and support as they move forward. Without their support and blessing, the whole exercise would be a waist of time for everyone involved.

The focus of this study is on Administrative Business services in the six study districts, therefore our discussion should emphasize how districts can move to a more shared service business model striving to achieve a cost structure equal to or better than SD73. The benchmarking study indicates a potential to save \$1,626,823 in the five neighbouring districts. The following is a list of the steps and functions required to advance the process:

1. Request Organization Charts with FTE's and Process details for each business office function.
2. Use the above information to confirm potential savings based on volumes processed by the activity indicated.
3. If the savings can be attributed to specific positions, develop a plan to address how business processes could be modified to achieve the potential savings calculated in the benchmarking study.
4. If the benchmark savings are accurate, discuss funding support from the Ministry.
5. Invite the six districts to a meeting to discuss issues and the topic of "Shared Business Services." Present the information and discuss how the project will proceed.

6. The Ministry may provide a facilitator in an effort to encourage active participation and they may agree to cover the initial costs to meet, select a project team and develop the business strategy.
7. Use the face-to-face meeting(s) to determine if there is an appetite for change and to capture the issues that need to be addressed.
8. Discuss options for resolving the challenges introduced at the meeting.
9. Discuss revenue/cost saving amounts and discuss potential methods for sharing the savings from the change in business processes.
10. Develop a list of next steps with a timeframe for gathering data and researching issues related to the initiative.
11. If challenges are not insurmountable, meet to share research results and to develop a plan to advance the project.
12. Develop a project timetable.
13. Work through project timetable addressing the challenges as they present themselves.

By the time the districts have met and determined there are potential opportunities and savings by doing business differently, the project team can outline projects for further development and implementation. The implementation plan will include project goals which include the following analysis:

- Objective
- Project Requirements
- Technical Requirements
- Financial Support Required

- Projected Savings from the initiative.
- Time Table for Design, Develop, Document, Assemble, Train, Test, Implement and Follow-up.

This project is a dramatic change in the current business model for school districts and it requires the project team develop an attitude of openness, flexibility, and creativity if they are to be successful with a SSBC business model implementation. The project team must reach common ground with respect to the “why and how” and they should reach consensus with the “why and how” before they actually try to do business together.

Implementing a common On-line Purchasing system may be the easiest SSBC project to make operational with limited affect on the staff at all six districts. It would be relatively easy to implement and with limited impact on the staff. That said, it will not generate significant savings. Implementing a common accounts payable system would be the next easiest module to set in place with slightly improved savings. The final project with the largest savings would be implementing an on-line payroll and human resources system. The largest budgets for districts relate to payroll and benefits. A SSBC product that manages the HR/Payroll/Benefit functions for the six district study group will generate the largest savings for the business departments at the various districts. Also, a significant focus for the recently negotiated teachers’ collective agreement involved a move to harmonization of the salary grids for all teachers in the province. Developing a system that is capable of paying teachers in sixty districts utilizing sixty different salary grids is very complicated. The latest collective agreement moves the teachers’ one step closer to a common payroll grid. It appears the long range provincial plan is to move the teachers to a common payroll system for the whole province. The downside to a very

large system is it may become bureaucratic and overly expensive whereas a system capable of paying and administering the number of employees in our study group may be sufficient to maximize economies of scale and deliver very effective savings for the SSBC model.

5.2 Communication Strategy

The initial communication with the six study districts will involve the confirmation of the Business Office FTE's and processing totals so the benchmarked savings can be calculated and confirmed. This information will isolate specific opportunities within the Business Office for shared service considerations. The initial meeting(s) will also provide a flavour for how receptive districts are to the idea of sharing business services.

5.3 Three Year Strategic Plan for a Shared Service Business Centre (SSBC)

The results from the communication strategy will frame the scope of the project, the opportunities for savings and the mood for change. This information will be used to develop a three-year SSBC strategy. This SSBC strategy will include setting overall goals and defining the shared business service vision. The three year strategy will be broken down into individual projects based on the effort required to design, source, develop, train and implement the various components of the total project. With the Ministry in support of this initiative, now would be the appropriate time to discuss how the Ministry could add real value and support to this initiative.

5.4 Reality Check, is this Achievable?

The benchmarking study results were discussed with the Superintendent of SD73 to seek his advice on the appetite and the likelihood for change from a Superintendent's perspective. The Superintendent of SD73 was receptive to the study and felt the initial benchmarking results were worth pursuing further. The next step involved a tactful introduction of the concept of change to the other five districts. It was agreed an introductory e-mail would be sent to the Secretary Treasurers and then to the Superintendents framing the project as a business paper to fulfil the requirements of an MBA degree. The e-mail would introduce the topic utilizing a three question survey to get some initial feedback on how receptive other districts were to change and doing business differently. The survey questions were e-mailed to the Secretary Treasurers and the Superintendents on November 3, 2006.

5.5 The Questions

A series of three questions were developed to gain a sense of how other districts felt about change and if they were willing to meet to discuss current business practices and alternate ways of doing business. If the study group of districts uncovered opportunities to save money by doing business differently, would they be willing to develop a business strategy to implement the necessary changes. The e-mail read as follows:

Fellow Secretary Treasurers':

I'm in the process of completing an MBA from Simon Fraser University and my final paper requires I write a business paper on something work related. The topic involves districts pooling resources to achieve efficiencies for business and educational services. The focus of the

analysis is a benchmarking study that indicates varying cost structures and operational efficiencies for six neighbouring school districts in a study group. The implementation strategy would confirm potential savings complete with a plan that addresses the public sector challenges districts would face with a change initiative like this. If you have 5 minutes to answer three questions, I would appreciate your comments. Your individual reply to the survey will be confidential and anonymous.

Also, I would appreciate your Superintendent's perspective to the questions as well. I will send the three questions directly to him/her for his/her response under separate cover this afternoon.

ST – SD73 (Kamloops/Thompson)

Please respond to the following questions:

1. How receptive are you to changing the way you do business? On a scale of 1 (Not Receptive) to 10 (Very Receptive)
2. Would you be willing to meet, at no cost to your district, to discuss the operational challenges we face and to participate with a focus group of six neighbouring districts willing to look at alternative ways of doing business? 1 (Not Willing) to 10 (Very Willing)
3. If the focus group discussions uncovered opportunities to save money by operating differently, would you be willing to participate in a further discussions and to participate in developing a new business model for rural school districts? 1 (Not Receptive) to 10 (Very Receptive)

Thank you in advance for your quick response to this questionnaire.

All interviewees were given the same introductory e-mail with the same set of questions. The results of the questionnaire speak volumes for the challenges we face as a Ministry.

5.6 The Findings

Of the six Superintendents and five Secretary Treasurers surveyed, there was only one respondent from the Superintendents and five respondents from the Secretary

Treasurers group. Of the respondents that replied, the survey results indicated a strong willingness to meet to discuss issues facing rural districts in British Columbia, but in most cases the caveat being “Subject to impact on their district or Subject to accountability within our community.” In other words, the districts were interested in talking about the challenges they face but the general tone of the reply indicated if there is a negative impact on their community; they will not be very receptive to doing business differently. In most cases, people tend to feel change is always bad and unless there is a strong reason to change, change is difficult.

One issue that needs clarity is districts are not funded for business support services. If a district can operating these services for less money, the district will have more money for teaching or support positions in the schools. All representatives from the Ministry of Education state at every meeting, “The money is the money.” Districts have a responsibility to deliver the best educational product for the funding and spending less money on non-core business activities is good business practices.

5.7 Level of Interest

Based on the level of interest garnered in the response to the survey questions, it appears the idea of doing business differently is a concept that most people struggle with and it makes them feel uncomfortable when they are forced to work outside their comfort zone. The project team will need to develop a system based on process, not people and their specific jobs. This will be a big challenge during the initial meetings because people have a tendency to personalize everything to specific individuals and that kind of thinking will not deliver a new business model.

5.8 Interest and Impact of SSBC on SD73

Most educators are not business people and therefore when it comes to business services, they are only interested in great service with minimal cost and effort on their part. Educators are not interested in doing more work or receiving less service than they currently enjoy. One of the questions raised by the survey group related to who would benefit from the savings generated by the new SSBC model and how these savings would be distributed? How will my schools or my district benefit from this new business model?

5.9 If the SSBC generates a savings, what do we invest the savings into?

To get an understanding of this question, it was decided district Principals would be in the best position to provide input on what districts and schools would use additional money for if the SSBC generated additional funds for the schools. After speaking to the Assistant Superintendent – Secondary, Elementary and Special Education, a two question survey was developed for distribution to the Principals in SD73. The two questions were as follows:

1. If the district received additional funding and these funds were outside of the existing funding formula, what would you recommend the money be spent on to improve student achievement and why?
2. Should the decision(s) be district wide or school based?
 - a. If you answered district wide, explain why?
 - b. If you answered school based, explain why?

The internal questionnaire was e-mailed to SD73's Elementary and Secondary Principals indicating the survey response was in support of an "MBA – Applied Project" and that the results would be used in support of that project but the results would not indicate the individual source of the information supplied.

5.10 Conduct Internal Survey

The internal survey was e-mailed to thirty-five Elementary School Principals and Eleven Secondary School Principals. Nineteen of the thirty-five Elementary School Principals responded or 54% and five of the eleven Secondary School Principals responded or 45%. Overall twenty-four of the Principals e-mailed a response to the two question survey on how to spend additional funding to improve student achievement.

5.11 The Findings

Twenty-four of SD73's forty-six Principals responded and the response to question one regarding what to spend additional funding on was as follows:

- Thirty-nine percent of the Principals indicated more staff would achieve improved student learning.
- Twenty-five percent felt Teachers-on-call (TOC's) would be a very effective resource for freeing up classroom teachers to focus on student achievement issue.
- Twenty five percent of the responses felt additional Classroom resources and Technology enhancements were the key to our next level of improvement.
- The remaining ten percent of the respondents indicated that school Programming and focusing on Special Education Students with behavioural problems would derive our best value for the additional funds expended.

The second question related to who decides what to do with the extra money?

Should the decision be district wide or school based? The results were:

- Fifty-three percent of the respondents indicate the funding decisions should be made by the district and forty-seven percent indicated the funding decisions should be made at the school level. Respondents in favour of the district decision mechanism felt administration were in a better position to determine district priorities. The Principals that indicated a school based decision was better specified a more detailed targeting would take place at the school level when you allow Principals flexibility in how the funding should be allocated.

The survey results were valuable in providing feedback on resource challenges at the schools. The various e-mail replies provided a fairly clear understanding of the issues and challenges Principal's face each day. The feedback was very useful for developing an understanding of their issues.

Table 5.1: Principal's Survey Results³²

**School District No. 73 (Kamloops/Thompson)
Results - Principal's Interview Questions - "How to Spend Additional Funding"**

| | Resources | | | | | Decision | | Summary - Verbal Response |
|----|-----------|----------------------|-------------|---------------------------|-----------------|------------------|-----------------|--|
| | People | Books/ Technology | Programming | Special Ed (Behaviour) | Release Time | District Wide | School Based | |
| | | 1.00 | | | | 1.00 | | Supplies to Support Programs |
| | | 0.67 | | | 0.33 | 1.00 | | Invest in long term programming |
| | 1.00 | | | | | 1.00 | | Invest in Reading Recovery |
| | 1.00 | | | | | | 1.00 | Learning Assistance Time |
| | 0.25 | 0.25 | | 0.50 | | 0.50 | 0.50 | Special Ed-Behaviour Support |
| | | | | 1.00 | | | 1.00 | More SSW's |
| | 0.50 | | | | 0.50 | | 1.00 | Teacher Pro D. |
| | | 1.00 | | | | 1.00 | | Student Workbooks |
| | 1.00 | | | | | | 1.00 | More Staff-Low Achieving Students |
| | 0.33 | 0.67 | | | | 1.00 | | People Books and Technology |
| | 0.33 | 0.34 | | | 0.33 | 0.50 | 0.50 | School Improvement Plans |
| | | 0.67 | | | 0.33 | 1.00 | | Resources and Board Office Decision |
| | | 1.00 | | | | 0.50 | 0.50 | Supplies to Support Programs |
| | | | | | 1.00 | | 1.00 | Invest in Team Teaching/Mentoring |
| | | | | | 1.00 | 1.00 | | TOC Release Time |
| | 1.00 | | | | | 1.00 | | Reading Programs |
| | 0.50 | | | | 0.50 | 0.50 | 0.50 | TOC Time re Math |
| | 1.00 | | | | | 1.00 | | Learning Assistance Teachers |
| | | | | | 1.00 | | 1.00 | Invest in "Best Practices" in Teaching |
| 19 | 6.91 | 5.60 | 0.00 | 1.50 | 4.99 | 11.00 | 8.00 | Total Elementary |
| | | | | | 1.00 | | 1.00 | Collaboration & Sharing |
| | 1.00 | | | | | | 1.00 | Add Staff re Student Achievement |
| | 0.50 | 0.50 | | | | 0.75 | 0.25 | Professional Learning Communities |
| | 1.00 | | | | | | 1.00 | Socioeconomic Barriers-Tutoring |
| | | | 1.00 | | | 1.00 | | Transition Training |
| 5 | 2.50 | 0.50 | 1.00 | 0.00 | 1.00 | 1.75 | 3.25 | Total Secondary |
| 24 | 9.41 | 6.10 | 1.00 | 1.50 | 5.99 | 12.75 | 11.25 | Total Elementary/Secondary |

³² Table by Author

5.12 Will Additional Funds Improve Student Achievement?

The bulk of the Principals that responded indicated additional funding would improve student achievement. The road map to improved student achievement was provided by the Principals and their spin on how we accomplish improved student achievement was as numerous as the number of respondents. A common theme indicated that Principals felt teachers need time to collaborate and share best practices with their colleagues. The concepts of Professional Learning Communities, Investing in Best Practices, Investing in Team Teaching, Investing in Mentoring programs and Investing in Support Programs were areas on which Principals would spend additional funding. The survey results were summarized and e-mailed to the Principals as feedback for providing their insight.

5.13 The Role of the Ministry

The Ministry of Education indicated a desire to assist districts that want to pursue a shared services business model and armed with this study, the project team should seek their support. Financial support to encourage the six study districts to meet for the initial discussions would help to encourage attendance at the inaugural meeting to discuss doing business differently. Funding to pay for a professional facilitator would ensure preliminary discussions were focused and to ensure the discussions do not get bogged down by non-issues. Participants need to be engaged in a conversation about business process improvement and not about the impact the project would have on district staff.

5.14 Recommendations

The survey results from the Principals questionnaire indicate as a district, SD73 could enhance student achievement with additional funding. The project team must keep reminding themselves what their core business is and remain focused on that objective. Spending money on non-core business functions reduces the funding available for student achievement. The benchmark study reveals varying operating costs between the six districts. These operating variances point to the need for further study to determine if there are opportunities to improve how we deliver business services. There is little or no cost to study the project further. Districts need to take a pro-active role in creating opportunities before the Ministry impose their “Made in Victoria” solution. As a member of the six district study group, the position of this author is to pursue talks on opportunities to improve the delivery of business services in our districts.

6 CONCLUSION

This project is a tremendous opportunity to work with other districts in an effort to drive down non-core operating costs and channel that savings back into the classroom. Change is challenging, time consuming and frustrating but when change is successful, transforming an organization in a positive way can be a wonderfully rewarding experience. Being proactive allows us participation in a process that will ultimately change how school districts do business. There is tremendous value in developing a solution for implementation versus having a business process imposed on school districts. If the project is a success, the study group of districts would be ahead of the curve on business process change in public education. If the project fails, the results of the findings may be useful in the development of some other business process solution. Either way, if hindsight is 20-20, a reflective look back on the project will be very useful as districts focus on continuous improvement in K-12 public education.

6.1 Expectations

Positive people always enter projects involving change with a high expectation of success. Why attempt to implement a major change in how districts do business if going into the project, participants have a very low expectation of success? A major change initiative in the public sector is fraught with challenges due to the size of the organization contemplating the change, the anticipated resistance from the stakeholders to change and the apparent lack of pressure to do just that.

6.2 Needs of the Other Stakeholders

Most unionized organizations feel improved efficiencies will reduce employment for their membership. That may be the case for the non-core business related jobs but if districts had more funds available to educate children, the additional funds would be used to hire staff on the education side to enhance the learning and educational experience for the children. That is not to say the stakeholders will be happy to participate but they will want to participate to ensure their interests are represented.

6.3 Survey Comments

The survey comments were instructive. It was disappointing to only receive one response from the Superintendents group. The Secretary Treasurers' from the study districts indicated a willingness to meet to discuss the challenges rural districts face in the delivery of educational services in British Columbia. If nothing else, they would have an opportunity to discuss what drives their current cost base and determine if there is an opportunity for other districts to glean ideas away from the group for use in their home district. One e-mail survey comment from a Principal in SD73 was, "Reinventing the wheel is time-consuming: I would rather sit with my colleagues and become a "professional thief" about good ideas in other schools."³³ The comment is absolutely right. By operating as a single district we are operating based on the viewpoint of one district. Would the districts and their students be better off if the study districts operated their business offices using the collective knowledge from a group of districts in instead of using a one district perspective? My surveys provided numerous points of view

³³ Comment from the e-mail survey of SD73 Principals, November 6, 2006

allowing me abundant options for investing money saved from this project. More than one perspective will always deliver more opportunities to enhance what we do.

6.4 Closing Comments

This strategic analysis has raised many challenges and opportunities. Districts tend to protect and support their home turf regardless of the financial benefits a SSBC may offer. Some of the biggest challenges will be in how the stakeholders are included in the change process and when you're dealing with a public entity, there will be numerous stakeholders. This study deals with the basic issues and provides recommendations for advancing the Shared Services Business Model for the six district study group.

A strong communication plan will be required to demonstrate open and honest communication. Will the best interests of K-12 public education be served with this change? Is there a sense of urgency to change how we do business? The short answer is no! But given the fact the Ministry continue to hold meetings on "Shared Business Services" would be an indication it's only a matter of time before they implement their own solution.

The success or failure of this change initiative will key on the ability of the team to build, grow and maintain relationships. The project team will need to break the issues into smaller problems for solving and to develop some momentum by solving some of the minor issues first. The team will need to develop a list of expectations and work to accomplish those expectations. The project team will need to develop the ability to listen prior to analysis and judgement; they don't want to jump to solution with little thought of

the process. The team will need to work through the issues achieving small gains early if we want the project to succeed. The final ticket to a successful implementation is to focus on the problem, not the people.

School districts are operating in changing times and that's due primarily to the fact that the status quo has no status anymore. With a significant number of baby boomers about to retire, younger more recently trained managers will inherit existing systems and legacies. Now is the time to replace those legacy systems with on-line products and systems that manage business systems and processes, seamlessly over the internet.

Overall, the conclusion strongly points to district management becoming more business oriented while remaining sensitive to the specific needs of the various districts in the study group. If the SSBC is to establish a competitive advantage for this group of districts, the group must work as a team to adapt this differentiated strategy for delivering improved business services.

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