

# Memorandum

vancouver school board



ITEM 1

April 4, 2014

To: Education & Student Services and Finance & Legal Committee (Committee III/V)

From: Rick Krowchuk, Secretary Treasurer  
Lisa Landry, Director of Finance

Subject: Fiscal Framework for 2014/2015

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Attached is the Fiscal Framework report for the Vancouver Board of Education (VBE) for 2014/2015. The purpose of this report is to provide background information and context for the budget process and assist in the development of budget proposals to balance the 2014/2015 budget.

The major components of this document are as follows:

- the historical financial information section which is based on amended annual budgets for the years 2008/2009 to 2012/2013 and shows comparative enrolment, staffing, revenue and expenditure information;
- the 2014/2015 Base Budget section, which includes information on major assumptions made when building the base budget, provides a summary of revenue and expense by type and the projected 2014/2015 operating funding shortfall;
- the local capital reserve section, which provides an updated local capital reserve projection for 2014/2015; and
- the three year operating budget projection section, which details the key assumptions used in building the projections for 2015/2016 and 2016/2017.

On February 19, staff provided an update on the budget shortfall to the members of Committee. The budget shortfall was revised from \$28.7 million down to \$15.88 million. The major components of the change in the estimate were due to the current year 2013/2014 projected operating surplus of \$11.1 million, \$3.27 million of which is projected to repeat for 2014/2015, offset by \$1.53 million reduction due to revised enrolment projections.

As noted in the attached document, the VBE is currently estimating that it will be facing a funding shortfall for 2014/2015 of \$12.34 million. This further reduction in the shortfall from the February figure of \$15.88 million down to the current figure of \$12.34 million is due to the following decisions taken by the Board in the intervening period, and the balance is due to further refinements on the existing projections.

- Main Street Adult Education Centre – \$0.35 million;
- Additional School Calendar days – \$ 0.75 million;
- Roberts Adult Education Centre – \$1.38 million; and
- Lower than projected salary increments – \$ 1.03 million

In accordance with the *School Act*, school districts in the province must approve a balanced budget. Preliminary budget proposals required to balance the budget will be presented in a separate report at Committee III/V on April 8, 2014.

This report is provided for information.



**VANCOUVER BOARD OF EDUCATION**

**2014/2015 FISCAL FRAMEWORK**

April 2014

## **VANCOUVER BOARD OF EDUCATION**

### **2014/2015 FISCAL FRAMEWORK**

#### **1.0 Introduction**

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## 1.0 Introduction

The Vancouver Board of Education (VBE) is estimating that it will be facing a funding shortfall for 2014/2015 of \$12.34 million. In accordance with the *School Act*, school districts in the province must approve a balanced budget. The purpose of this report is to provide assumptions and detailed information with respect to the funding shortfall projection for 2014/2015. This document strictly addresses the budget projections and assumptions. Additional background information will be available at the website [www.vsb.bc.ca](http://www.vsb.bc.ca) under Board of Education/Financial Information.

This document includes the following information:

- historical information based on amended annual (final) budgets for the years 2008/2009 to 2013/2014 and comparative enrolment, staffing, revenue and expenditure information;
- 2014/2015 base budget information including major assumptions made when building the base budget, the impact of enrolment, summary of revenue and expense by type and the projected 2014/2015 funding shortfall;
- updated Local Capital Reserve projection for 2014/2015; and
- three year operating budget projection for 2014/2015 through to 2016/2017.

The VBE reports revenues and expenditures under three separate funds: the operating fund, special purpose fund and capital fund. The following provides a description of each fund:

- Operating Fund – includes operating grants and other revenues used to fund instructional programs as well as school and district administration, facility operations and maintenance and transportation costs;
- Special Purpose Funds – include separate funds established to account for contributions received from the Ministry of Education or other sources that are restricted for a particular purpose (e.g., Annual Facilities Grant, CommunityLINK, School generated funds, scholarships, etc.); and
- Capital Fund – includes capital expenditures on facilities and equipment funded from Ministry of Education capital grants, the Operating Fund and Special Purpose Funds.

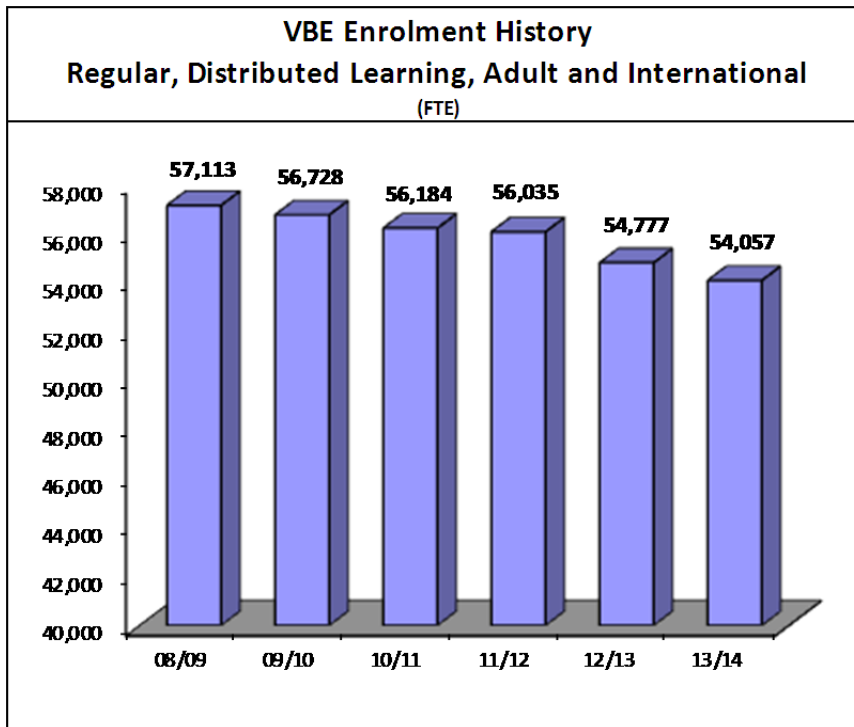
This document is focused on the Operating Fund.

## 1.1 Historical Information

The information in this section includes comparative final budget information for the years 2008/2009 to 2013/2014.

### 1.1.1 Enrolment

Funded student enrolment has been declining every year since 2008/2009 and has decreased by a cumulative total of 3,056 Full-Time Equivalent (FTE) staff over this period.

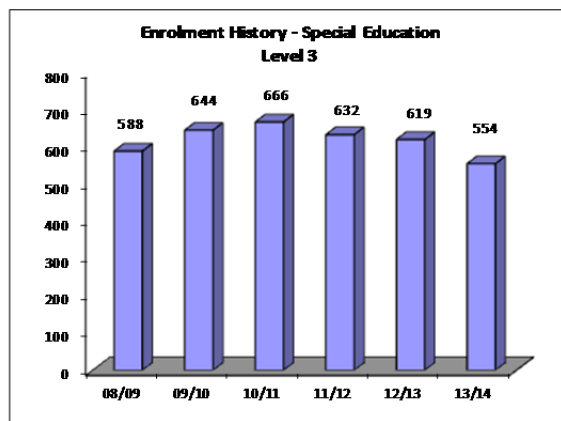
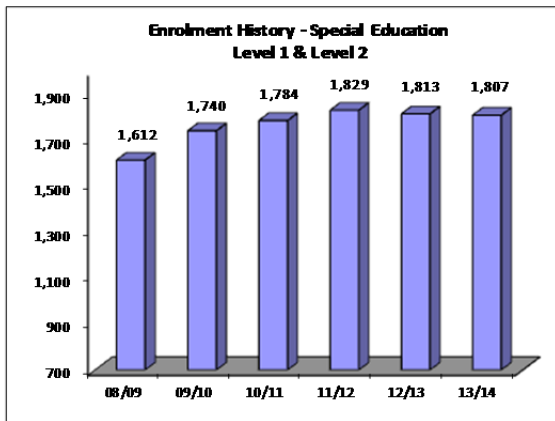
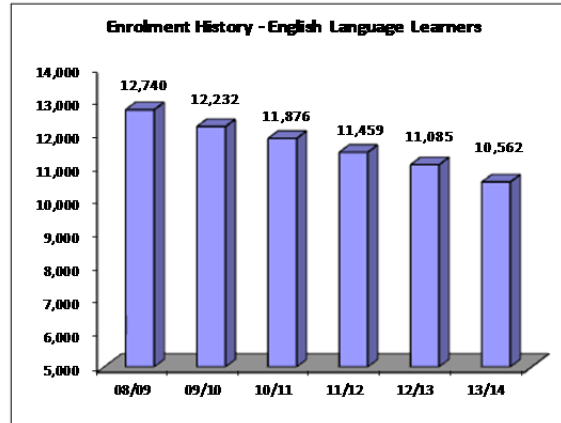
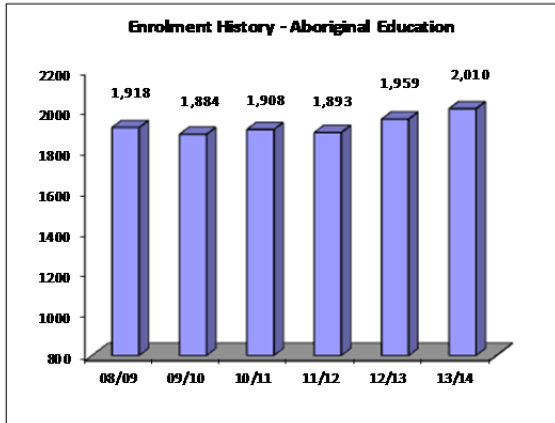
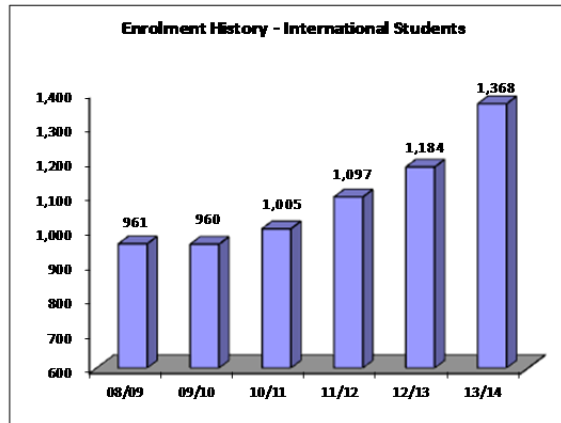
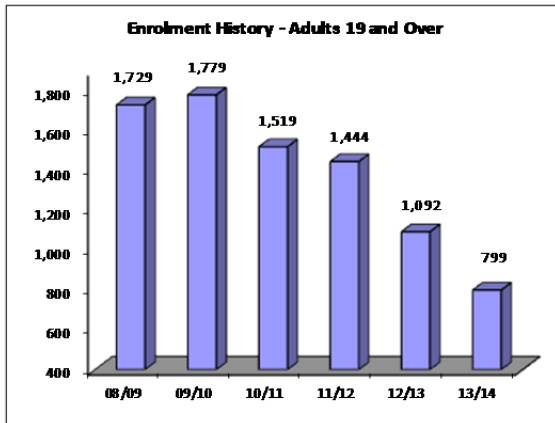
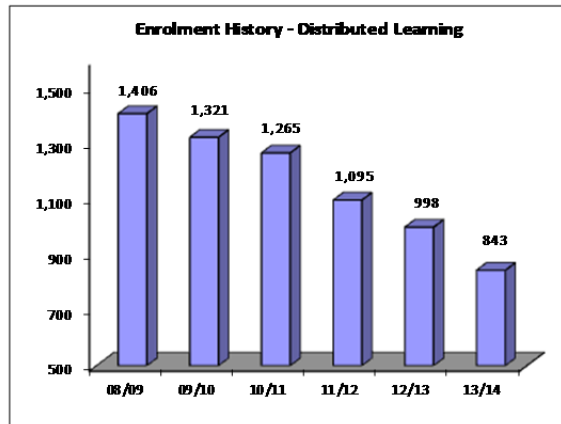
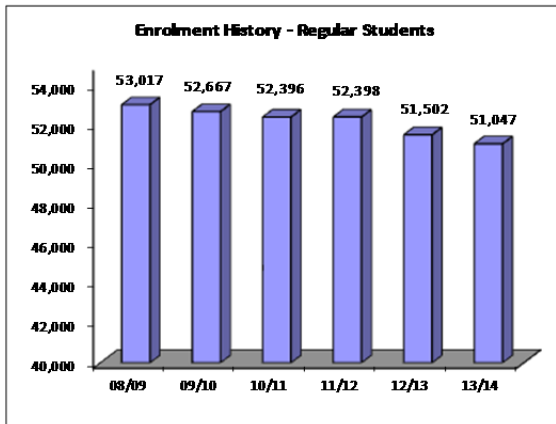


Source: 2008/2009-2011/2012 Ministry Full-Year Funding Allocation System, 2012/2013-2013/2014 Interim FAS updated for February enrolment

Note: 09/10 Distributed Learning enrolment adjusted for Distributed Learning Audit

Enrolment for regular, adult, English Language Learners and Distributed Learning enrolment have been declining. At the same time, Level 1 and 2 Special Education enrolment had been consistently increasing from 1,612 FTE in 2008/2009 and has leveled off at 1,807 FTE for 2013/2014. Level 3 Special Education enrolment started at 588 FTE in 2008/2009 peaked at a high of 666 in 2010/2011 and has decreased to 554 in 2013/2014.

International student enrolment has been increasing from 961 FTE in 2008/2009 to 1,368 FTE in 2013/2014.



Source: 2008/2009-2011/2012 Ministry Full-Year Funding Allocation System, 2012/2013-2013/14 Interim FAS updated for February enrolment

## 1.1.2 Revenue and Expenditure

Since 2008/2009, both revenue and expenditures have increased, principally due to: labour settlement costs and corresponding funding received from the province, partially offset by reductions in enrolment. It is important to note that provincial funding does not cover inflation or non-settlement salary increments, thus there is a structural deficit that arises every year. This structural deficit needs to be funded annually through cost savings and budget cuts, which are made annually in formulating the budget. The information in the following table is 'Final Budget', which is after budget cuts and savings have been identified.

Revenue and Expenditures Summary						
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
	Final Budget	Final Budget	Final Budget	Final Budget	Final Budget	Final Budget
Revenue	\$ 474.00	\$ 483.34	\$ 483.52	\$ 488.12	\$ 485.83	\$ 483.06
Expenses	(485.23)	(493.38)	(487.11)	(491.76)	(489.09)	(495.84)
Prior Year Operating Surplus + Transfer from LCR	17.96	17.09	10.08	12.89	17.79	26.96
Reduction of Unfunded Liability and Interfund Transfers	(2.86)	(4.16)	(2.42)	(3.58)	(5.24)	(3.07)
Current Year Operating Surplus Appropriated for Next Year's Shortfall	(3.87)	(2.90)	(4.08)	(5.68)	(9.29)	(11.11)
Net Unappropriated Surplus	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Source: 2008/2009-2013/2014 Amended Annual Budget submissions. Amended Annual (Final) budgets include all cuts made during budget balancing.

From 2008/2009 to 2013/2014, budgeted revenues have increased by \$9.06 million. This increase is mainly due to increases in provincial grants to fund negotiated labour settlement costs and offshore tuition fees. Annually, provincial grants account for over 92% of VBE revenues. The following table details the categories of locally generated revenue. Offshore tuition fees represent over 63% of the VBE generated revenues.

VBE Revenue by Source						
(\$ Millions)						
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
	Final Budget	Final Budget	Final Budget	Final Budget	Final Budget	Final Budget
<b>Provincial and Other Grants</b>	\$ 446.30	\$ 458.99	\$ 460.09	\$ 464.09	\$ 456.32	\$ 454.80
<b>Fees, Rentals, and Other Revenue</b>						
Francophone Education Authority	\$ 1.01	\$ -	\$ -	\$ -	\$ -	\$ -
Summer School Fees *	0.42	0.13	0.41	0.61	0.70	0.71
Continuing Education	3.86	2.26	1.52	1.50	1.29	1.12
Offshore Tuition Fees	12.51	12.53	12.95	13.47	16.18	17.91
Miscellaneous Income	2.70	3.43	2.68	2.76	5.48	2.45
Instructional Cafeteria Revenue	2.51	2.51	2.16	1.45	1.39	1.40
Rentals and Leases	2.54	2.54	2.89	3.21	3.28	3.33
Investment Income	2.15	0.95	0.82	1.03	1.19	1.34
	\$ 27.70	\$ 24.35	\$ 23.43	\$ 24.03	\$ 29.51	\$ 28.26
<b>Total Revenue</b>	\$ 474.00	\$ 483.34	\$ 483.52	\$ 488.12	\$ 485.83	\$ 483.06

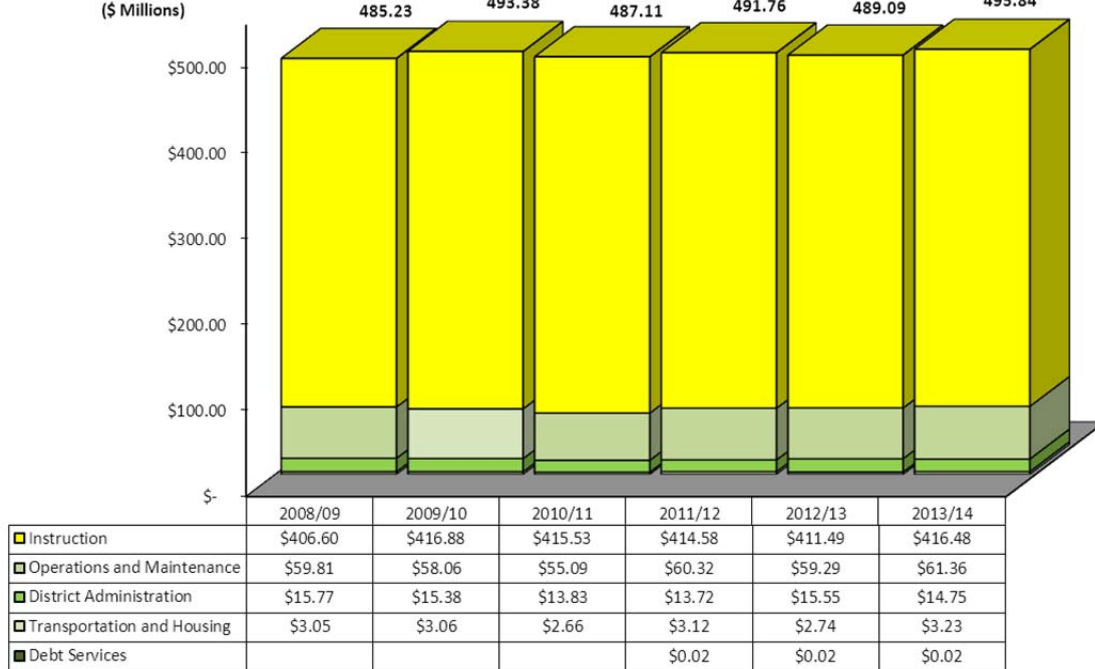
Source: 2008/2009-2013/2014 Amended Annual Budget submissions

\* Summer school funded by Ministry of Education as part of the operating grant starting in 2007/2008.



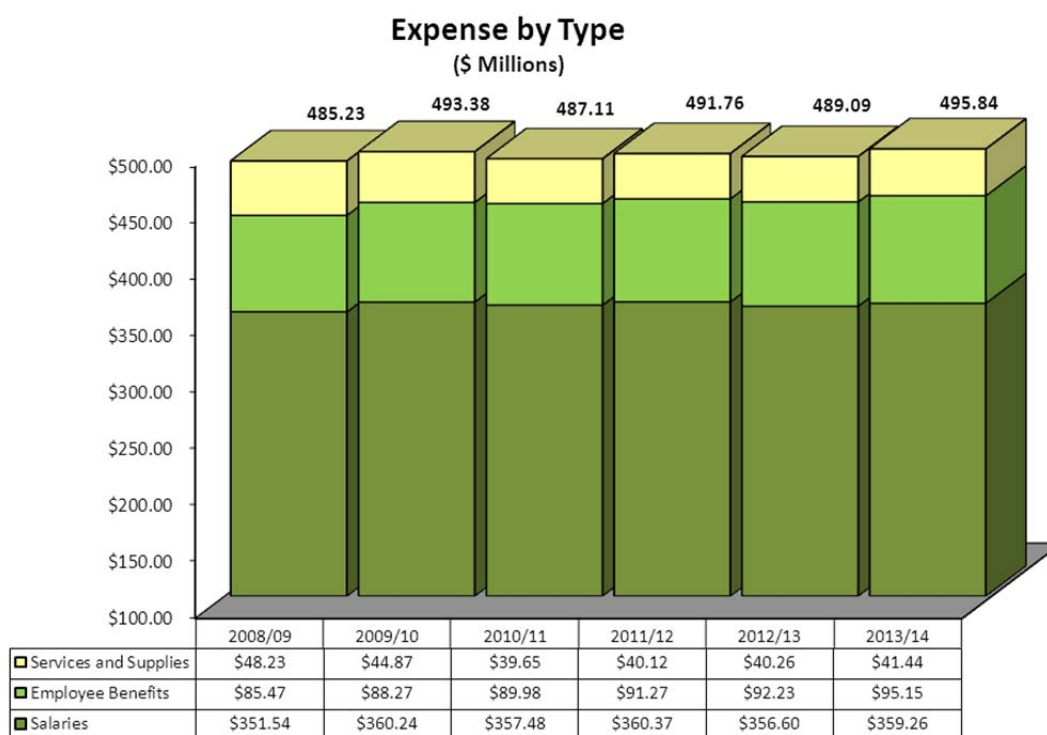
The budgeted expenses by function are shown in the following graphs below. In each year, approximately 84% of the total expenses were allocated to instruction, followed by operations and maintenance, district administration, transportation and housing, and the reduction of unfunded employee future benefits liability and interfund transfers.

**Expense by Function**



Source: 2008/2009 -2013/2014 Amended Annual Budget submissions

The budgeted expenses by object of expenditure are shown in the graph below. Every year, approximately 90% of VBE’s budget is allocated to salaries and fringe benefits, with the balance being allocated to supplies, services, utilities and other costs.



Source: 2008/2009-2013/2014 Amended Annual Budget submissions

### 1.1.3 Staffing

From 2008/2009 to 2013/2014, total VBE staffing has decreased by 73.89 FTE. Varying from this trend, educational assistants (for students with special needs) and support staff have shown increases over this time period. Since 2008/2009, support staff changes have included additional supervision aides for student safety. The number of teachers has decreased by 132.95 FTE from 3,186.34 FTE in 2008/2009 to 3,053.39 FTE for 2013/2014 primarily due to the enrolment decline of 3,056 FTE.

	<b>Staffing by Type</b>					
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
<b>Teachers</b>	3,186.34	3,201.77	3,136.91	3,161.16	3,080.98	3,053.39
<b>Principals / Vice Principals *</b>	198.30	199.83	193.80	194.30	196.94	199.39
<b>Other Professionals</b>	114.90	114.19	100.69	94.78	94.71	96.71
<b>Education Assistants</b>	801.25	835.36	831.16	849.53	868.96	869.11
<b>Support Staff</b>	1,259.63	1,281.93	1,258.36	1,258.83	1,268.39	1,263.85
<b>Trustees</b>	9.00	9.00	9.00	9.00	9.00	9.00
<b>Total</b>	5,569.42	5,642.08	5,529.92	5,567.61	5,518.98	5,491.45

Source: 2008/2009-2013/2014 staffing based on Form 1530 submission adjusted for enrolment and Board approved changes

\* includes District Principals and Adult Education Centre administrators; does not include Night School administrators.

The following table provides a history of the students to staff ratio for each staffing category. Although not all staff vary directly with the number of students, it is a broad measure of the ability of staff to support the needs of students and the district.

Overall, enrolment has decreased while staffing has decreased by a lesser amount over this period. Accordingly the number of students supported by each staff member in the district has decreased from 10.25 students/staff in 2008/2009 to 9.84 students/staff in 2013/2014. The number of students supported by each teacher has decreased from 17.92 to 17.70. The students/staff ratio for other professionals increased from 497.07 in 2008/2009 to 558.96 in 2013/2014 mainly due to staff reductions in the order of 16%. The largest percentage change in student/staffing ratios has been for educational assistants (13%).

<b>Students / Staff Ratios</b>						
	<b>2008/2009</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>
<b>Teachers</b>	17.92	17.72	17.91	17.73	17.78	17.70
<b>Principals / VPs *</b>	288.01	283.88	289.91	288.39	278.14	271.11
<b>Other Professionals</b>	497.07	496.77	557.98	591.19	578.39	558.96
<b>Educational Assistants</b>	71.28	67.91	67.60	65.96	63.04	62.20
<b>Support Staff</b>	45.34	44.25	44.65	44.51	43.19	42.77
<b>Trustees</b>	6,345.91	6,303.11	6,242.71	6,226.12	6,086.32	6,006.33
<b>Total</b>	10.25	10.05	10.16	10.06	9.93	9.84

Source: 2008/2009-2013/2014 staffing based on Form 1530 submission adjusted for enrolment and Board approved changes  
2008/2009-2012/2013 Ministry Full-Year Funding Allocation System, 2013/2014 Interim FAS updated for February enrolment

\* includes District Principals and Adult Education Centre administrators; does not include Night School administrators.

The following table provides a history of staffing by union group. CUPE 15 staffing has increased from 1,183.03 FTE in 2008/2009 to 1,256.51 in 2013/2014 principally due to the increase in special education assistants for students with special needs. CUPE 407 staffing funded from the Operating Fund has increased from 80 FTE in 2008/2009 to 101 FTE in 2013/2014 due to the reallocation of staffing from the Annual Facilities Grant to the Operating fund. Trades staffing has decreased from 76 FTE in 2008/2009 to 58 FTE in 2013/14 due to the reallocation of staffing from the Operating fund to the Annual Facilities Grant fund and increased in 2012/2013 due to the reinstatement of painters which were reduced in 2011/2012. Excluded staff has decreased from 120 FTE in 2008/2009 to 102 FTE in 2013/2014 due to budget reductions.

<b>Staffing History</b>						
	<b>2008/2009</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/20112</b>	<b>2012/2013</b>	<b>2013/2014</b>
CUPE 15	1,183.03	1,239.44	1,221.37	1,236.21	1,259.86	1,256.51
CUPE 407*	80.00	80.00	101.00	101.00	101.00	101.00
IUOE	721.85	721.85	720.15	716.15	716.49	717.45
Night School Administrators	2.14	2.14	0.91	0.91	0.91	0.91
Excluded Staff and District Principals	119.90	119.19	105.69	101.28	101.21	102.30
School Administrators - Admin Time	149.25	151.58	138.19	141.83	138.05	142.76
School Administrators - Teaching Time	41.91	41.11	49.70	45.06	51.48	50.13
Teachers / ALC	3,186.34	3,201.77	3,136.91	3,161.16	3,080.98	3,053.39
Trades	76.00	76.00	47.00	55.00	60.00	58.00
Trustees	9.00	9.00	9.00	9.00	9.00	9.00
	<u>5,569.42</u>	<u>5,642.08</u>	<u>5,529.92</u>	<u>5,567.60</u>	<u>5,518.98</u>	<u>5,491.45</u>

Source: 2008/2009-2013/2014 staffing based on Form 1530 submission adjusted for enrolment and Board approved changes

\*CUPE 407 staff were paid from non-operating funds until 2010/2011.

## 1.2 2014/2015 Base Budget

The base operating budget reflects the estimated costs for 2014/2015 to maintain the same level of service as provided in 2013/2014. The 2014/2015 base budget was developed beginning in March, 2014 based on the 2013/2014 Board approved Amended Annual Budget adjusted for projected enrolment changes, enrolment driven revenue and staffing changes, estimated salary and employee benefit increases, inflation and other factors anticipated for 2014/2015.

The following sections detail major base budget assumptions, budget constraints, budgeted revenue and expense and the projected funding shortfall for 2014/2015.

### 1.2.1 Major Assumptions

The base budget estimates for 2014/2015 are based on the following key assumptions:

- The projections for 2014/2015 are based on the enrolment projections provided to the Ministry of Education in February, 2014 which estimated declines of 850 FTE in regular student enrolment, 412 FTE in English Language Learners enrolment, 661 FTE in adult education, an increase of 90 FTE in aboriginal education and an increase of 7 FTE in distributed learning.
- Staffing entitlements for teachers and educational assistants have been adjusted to reflect the projected enrolment levels for 2014/2015. It is estimated that the enrolment decline of 850 FTE in students would require 28.78 FTE less teachers.
- It is estimated that salary costs will increase by \$2.96 million due to salary increments for teachers, school administrators and exempt staff, and other salary adjustments offset by turnover savings due to an estimated 75 retirements in 2014/2015 (\$1.67 million).
- It is estimated that benefit costs will increase by \$1.19 million due to estimated rate increases for benefits (MSP increase of 3.9%) and salary related benefits due to increments offset by savings on Extended Health and Group Life due to rate decreases based on the average of actual claims paid across all policies.
- It is estimated that in 2014/2015 the cost of goods and services will increase on average by 1.8% or \$0.45 million. The cost of utilities is estimated to increase by \$0.39 million mainly due to an increase in BC Hydro costs of 9% and expected inflation on other utilities costs of 2%.
- It is estimated that salary costs for support staff will increase by \$3.62 million in 2014/2015 due to the wage increases negotiated but not funded by the Province.
- No net cost increases for future labour settlements have been included in our estimates (assumes no increases for other employee groups or that the increases will be fully funded by the Province).

- Adjustments have been made for the following one time funding sources in 2013/2014:
  - Surplus carried forward from 2012/2013 to 2013/2014 - \$9.29 million
  - Transfer from Local Capital Reserve - \$4.37 million
  - Budgeted Distribution of Holdback funding from the Ministry of Education - \$1.00 million
  - Reversal of savings related to the 2012/2013 Local School Calendar - \$0.50 million
  - 2013/2014 withdrawal of benefit plan surpluses and reserves - \$0.41 million
  - Budgeted deferral of furniture and equipment purchases - \$0.38 million.
- On April 2, 2014 the Facilities Committee (Committee II) recommended that the Roberts Adult Education Centre would be closed and that students would be accommodated within the other existing Adult Education Centres. This will result in an annual savings of \$1.38 million. At the time of printing, this amount has been reflected in the 2014/2015 base budget on the assumption that the Board will approve the Committee II recommendation on April 7, 2014.

### **1.2.2 2014/2015 Projected Operating Funding Shortfall**

Based on projected cost increases and enrolment changes for 2014/2015, the operating budget funding shortfall for the VBE is projected to be \$12.34 million. The following table outlines the major components of the projected funding shortfall. Cost increases not funded by the Province and enrolment declines represent the largest contributing factor to the projected funding shortfall. Another significant factor relates to the one-time funding from the prior year surplus and cost saving measures approved to be in effect for only one year.

2014/2015 Projected Operating Budget Shortfall				
(\$ millions)				
	February 2014	Revised Projection	Change	
<b>Costs Not Funded by the Province</b>				
Salary Increments <sup>1)</sup>	\$ (1.86)	\$ (0.83)	\$ 1.03	
Employee Benefits Increase <sup>2)</sup>	(1.48)	(1.19)	0.29	
Inflation <sup>3)</sup>	(0.67)	(0.84)	(0.17)	
	\$ (4.01)	\$ (2.86)	\$ 1.15	
<b>Enrolment Change <sup>4)</sup></b>	\$ (3.92)	\$ (3.54)	\$ 0.38	
<b>Other Factors</b>				
2013/2014 Projected Operating Surplus Carry forward to 2014/2015 <sup>5)</sup>	\$ 11.11	\$ 11.11	\$ -	
Prior Year One-Time Revenue and Expenses <sup>6)</sup>	(16.03)	(15.97)	0.06	
Prior Year Ongoing Revenue and Expenses <sup>7)</sup>	0.91	1.10	0.19	
Ministry of Education Operating Grant Changes <sup>8)</sup>	0.70	0.70	-	
2014/2015 School Calendar Savings <sup>9)</sup>		0.75	0.75	
2014/2015 Support Staff Wage Increase <sup>10)</sup>	(3.59)	(3.62)	(0.03)	
2014/2015 Employee Future Benefits Amortization <sup>11)</sup>	(1.05)	(1.05)	-	
Main Street Education Centre Move to Gladstone <sup>12)</sup>		0.35	0.35	
IT Initiatives (Wi-Fi Lease, PLN Upgrade, Firewall Upgrade) <sup>13)</sup>		(0.61)	(0.61)	
Closure of Roberts Adult Education Centre <sup>14)</sup>		1.38	1.38	
Other <sup>15)</sup>		(0.07)	(0.07)	
	\$ (7.95)	\$ (5.94)	\$ 2.01	
<b>Total Projected Surplus / (Shortfall)</b>	<b>\$ (15.88)</b>	<b>\$ (12.34)</b>	<b>\$ 3.54</b>	

- <sup>1)</sup> Includes cost increases for salary increments (for teachers, administrators and exempt staff) partially offset by teacher turnover savings. (See Schedule 1)
- <sup>2)</sup> Includes increase to Medical Services Plan (MSP) of 3.97% and to Teacher's Pension Plan due to salary increments offset by savings on Extended Health based on average of actual claims paid across all policies. (See Schedule 2)
- <sup>3)</sup> Based on 1.8% inflation per year for supplies and generally higher rates of increase for utilities and other items under contract.
- <sup>4)</sup> Projected enrolment decline as of February 2014 of 850 FTE regular school aged students and 633 FTE adult education students compared to the 2013/2014 Final Budget offset by the projected increase in the Enrolment Decline Supplement by \$1.14 million. (See Schedule 3)
- <sup>5)</sup> Board approved carry forward of projected surplus from 2013/2014 Amended Annual Budget to 2014/2015.
- <sup>6)</sup> One-time savings included in the 2013/2014 Final Budget that will not repeat for 2014/2015: 2012/2013 projected surplus carried forward (\$9.29 million), Board approved transfer from Local Capital Reserve (\$4.37 million), Distribution of Holdback funding from the Ministry of Education (\$1.00 million), Board approved benefit premium holidays (\$0.41 million), delay of furniture and equipment replacement (\$0.38 million), delayed purchasing (\$0.05 million), Local School Calendar savings (\$0.50 million). (See Schedule 4)
- <sup>7)</sup> Ongoing 2013/2014 projected savings in: school-based teacher allocation and utilities; offset by increased cost for special education assistants and an increase for student transportation. (See Schedule 5)
- <sup>8)</sup> Increased funding due to a projected increase in Funding Protection of \$2.13 million and higher Salary Differential Funding by \$0.74 million offset by the loss of Provincial Holdback of \$2.08 million.
- <sup>9)</sup> Board approved 2014/2015 School Calendar.
- <sup>10)</sup> Increased costs due to the support staff wage increases not funded by the Province.
- <sup>11)</sup> Increased costs for the amortization of employee future benefits based on actuarial estimates.
- <sup>12)</sup> Full year impact of the savings on facilities related cost from moving the Main Street Adult Education Centre to Gladstone Secondary (\$0.3m already taken in prior year for a full cost savings of \$0.65 million).
- <sup>13)</sup> On going costs associated with the implementation of Wi-Fi at schools and network upgrades required.
- <sup>14)</sup> Closure of Roberts Adult Education Centre to accommodate Roberts Elementary. This figure has been updated from the Comm II report as funding protection on the operating grant from the ministry mitigates the projected loss of enrolment for 2014/2015.
- <sup>15)</sup> Additional costs for Norma Rose Point being fully operational, one-time costs for the 2014 Civic Election offset by expected rental revenue increase from leasing the 4th floor of the Education Centre.

## Schedule 1 – Salary Changes

<b>2014/2015 Base Budget Estimated Salary Changes</b>	
(\$ millions)	
<b>Salary Increments</b>	
Teachers (1.12%)	\$ (2.43)
District Teachers (1.05%)	(0.12)
Administrators (0.85%)	(0.18)
Exempt Staff (0.33%)	(0.03)
Adult Education Instructors (2.52%)	<u>(0.20)</u>
<b>Total Salary Increments</b>	<b>\$ (2.96)</b>
<b>Estimated Teacher Turnover Savings</b>	<b>\$ 1.67</b>
<b>Other</b>	
P/VP Average Salary Savings	0.46
<b>Total Salary Changes</b>	<b><u>\$ (0.83)</u></b>

## Schedule 2 – Employee Benefits Changes

<b>2014/2015 Base Budget Estimated Benefit Cost Changes</b>	
(\$ millions)	
Wage related benefit rate changes <sup>1)</sup> (CPP, EI, WCB, MPP, TPP, Deferred Savings)	\$ (1.82)
Non-wage related benefits rate changes <sup>2)</sup> (MSP, Dental, Extended Health, Group Life)	0.73
Vested & Non-Vested Benefits <sup>3)</sup>	(0.04)
Other <sup>4)</sup>	<u>(0.07)</u>
<b>Total Estimated Benefit Cost Changes</b>	<b><u>\$ (1.19)</u></b>

**Estimated changes and budget assumptions:**

- 1) CPP rate estimated to remain at 4.95%, YMPE estimated to change from \$51,100 to \$52,500  
 EI rate estimated to increase from 1.88% to 1.92%, YMPE estimated to change from \$47,400 to \$48,600  
 WCB estimated to increase from 0.54% to 0.56%, YMPE estimated to change from \$75,700 to \$77,900, plus small increase due to employee salary increments  
 MPP employer contribution estimated to change from 9.11% to 9.88%, plus small increase due to employee salary increments  
 TPP rate to remain at 14.63% (below YMPE) and 16.13% above YMPE, YMPE increase from \$51,100 to \$52,500, plus increase due to employee salary increments (\$0.5 million)
- 2) Medical Services Plan (MSP) to increase average of 3.97% effective January 1, 2015 based on rates announced by the Province.  
 Dental Plan decrease of 0.54% based on average of actual claims paid across all policies  
 Extended Health decrease of 7.89% based on average of actual claims paid across all policies  
 Group Life decrease of 8.44% based on average of actual claims paid across all policies, plus small increase due to employee salary increments
- 3) Expected change in non-vested benefits (\$4,505) and vested benefits (\$0.03 million)
- 4) Employee Assistance Plan costs increase due to higher utilization (\$0.10 million)  
 Additional recovery from non-Operating funds due to salary increments (\$0.04 million)

## Schedule 3 – Enrolment Changes

Enrolment Driven Changes (\$ Millions) vs 2013/2014 Final					
	Enrolment Changes (FTE)	Staffing Changes (FTE)	Salaries and Benefits		Net Change
			Revenue		
Regular School Age	(849.94)	(28.78)	\$ 2.05	\$ (5.87)	\$ (3.82)
Distributed Learning (school aged)	7.00	0.36	\$ (0.04)	\$ 0.04	\$ -
English Language Learning	(412.00)			\$ (0.55)	\$ (0.55)
Newcomer Refugees	(7.00)			\$ (0.03)	\$ (0.03)
Special Education					
Level 1	(2.00)	(2.00)	\$ 0.09	\$ (0.07)	\$ 0.02
Level 2	4.00	7.05	\$ (0.32)	\$ 0.07	\$ (0.25)
Level 3	(4.00)			\$ (0.04)	\$ (0.04)
Adult (include Distributed Learning)	(374.13)	(14.54)	2.93	\$ (2.02)	\$ 0.91
Aboriginal Education	90.00			\$ 0.10	\$ 0.10
Graduated Adult	(259.19)			\$ (1.15)	\$ (1.15)
International	10.00			\$ 0.13	\$ 0.13
Summer School Funding				\$ 0.00	\$ -
Enrolment Decline Supplement				\$ 1.14	\$ 1.14
<b>Total</b>		<b>(37.91)</b>	<b>\$ 4.71</b>	<b>\$ (8.25)</b>	<b>(3.54)</b>

## Schedule 4 - 2014/2015 One-Time Revenue, Savings and Expenses

2013/2014 One-Time Revenue, Savings and Expenses (\$ millions)					
	Revenue	Prior Year Surplus	Expenses	Capital Purchases	Total
2012/2013 Projected Surplus Carried Forward	\$ -	\$ (9.29)	\$ -	\$ -	\$ (9.29)
Board Approved Transfer from Local Capital Reserve		(4.37)			(4.37)
Provincial Holdback Funds	(1.00)				(1.00)
Benefits Premium Holidays			(0.41)		(0.41)
Furniture & Equipment Replacement			(0.38)		(0.38)
Delayed Purchasing			(0.05)		(0.05)
Adoption Of Local School Calendar			(0.50)		(0.50)
Other			0.03		0.03
<b>Total</b>	<b>\$ (1.00)</b>	<b>\$ (13.67)</b>	<b>\$ (1.31)</b>	<b>\$ -</b>	<b>\$ (15.97)</b>

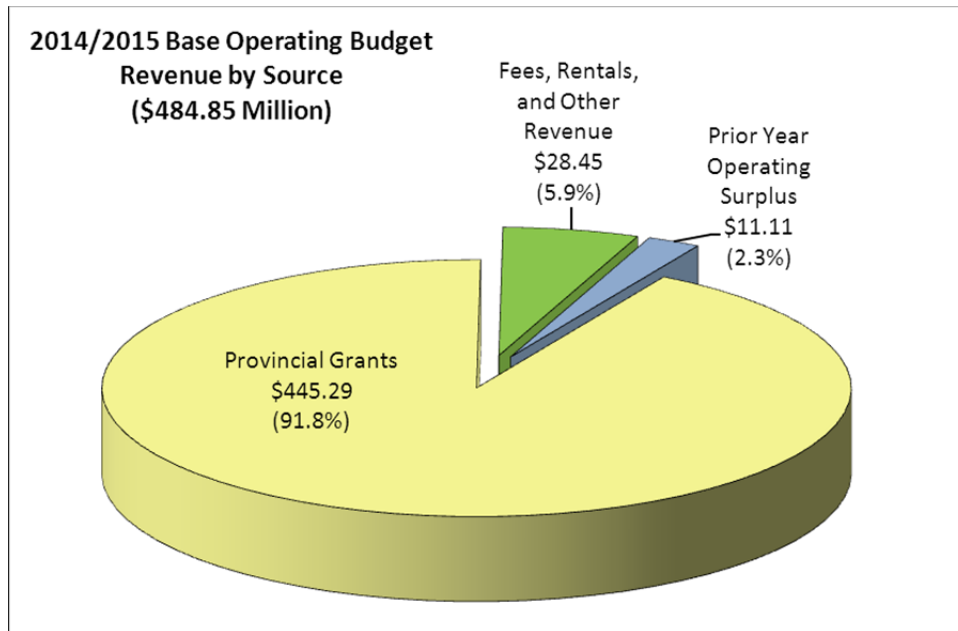
## Schedule 5 - 2014/2015 Ongoing Revenue, Savings and Expenses

2013/2014 Ongoing Revenue, Savings and Expenses (\$ millions)					
	Revenue	Prior Year Surplus	Expenses	Capital Purchases	Total
School-Based Teacher Allocation			\$ 2.17		\$ 2.17
Utilities			0.43		0.43
Special Education Assistants			(1.00)		(1.00)
Student Transportation Rate Increase			(0.16)		(0.16)
Other	(0.63)		0.41	(0.13)	(0.35)
<b>Total</b>	<b>\$ (0.63)</b>	<b>\$ -</b>	<b>\$ 1.86</b>	<b>\$ (0.13)</b>	<b>\$ 1.10</b>



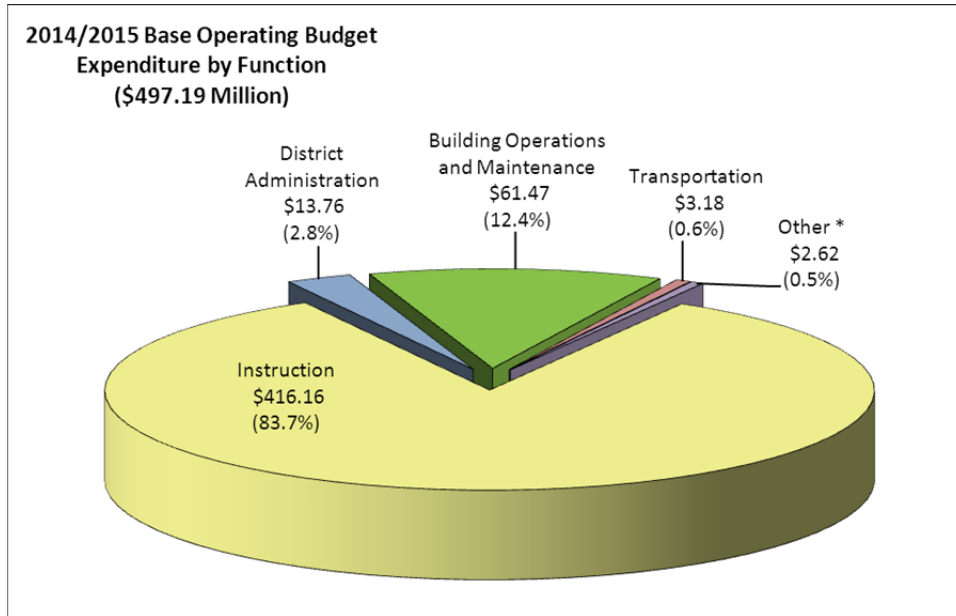
### 1.2.3 Base Budget 2014/2015 Revenue

The majority of revenues (91.8%) are derived from provincial grants. The level of provincial funding, therefore, has a very significant impact on the educational services and programs that can be provided. The operating grant received from the Ministry of Education is calculated based on enrolment therefore changes in enrolment can significantly impact the grants available to the Board. Projected revenues and other funding sources for 2014/2015 total \$484.85 million. VBE generated revenues represent 5.9% of total operating revenues and are primarily derived from international education student fees, rentals, leases and investment income.



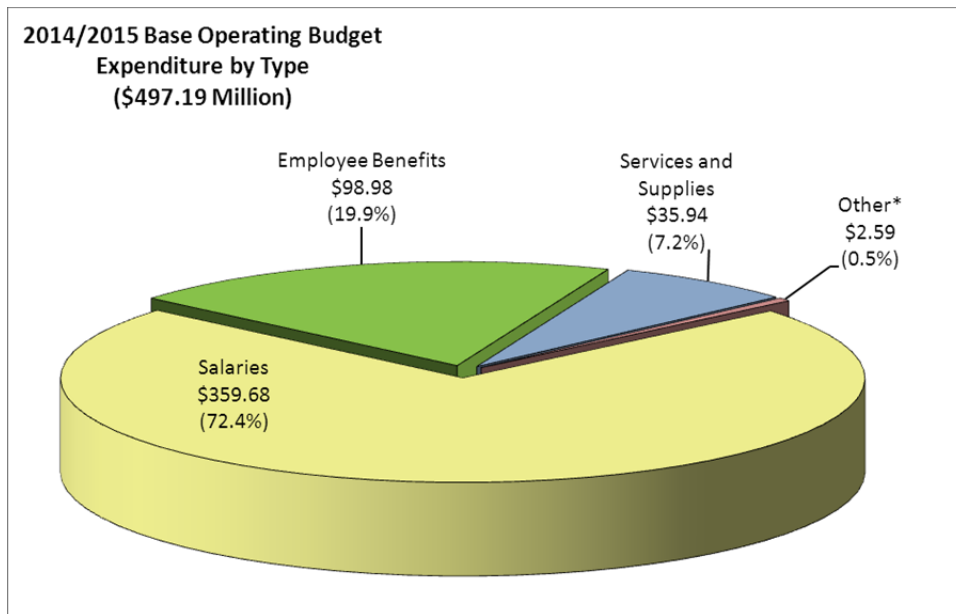
### 1.2.4 Base Budget 2014/2015 Expenses

Projected expenditures for the 2014/2015 base budget total \$497.19 million (\$12.34 million higher than projected revenues). Approximately 83.7% of the operating budget is expected to be spent on instruction related costs. This includes teachers, educational assistants, school administrators and support staff and school based supplies and services. Facilities operations and maintenance accounts for 12.4% of expenditures, district administration for 2.8% and student transportation for 0.6%. Provisions for the reduction in the unfunded liability for employee future benefits and interfund transfers for such things as furniture and equipment capital purchases represent 0.5% of expenditures. The following graph outlines the operating expenditures by function for 2014/2015.



\*Reduction of Unfunded Liability, Interfund Transfers, and Debt Services

Approximately 92.3% of the \$497.19 million operating budget is expected to be spent on salaries and employee benefits (\$458.66 million). Services, supplies, utilities, and other minor expenditures account for approximately 7.2% of the budget. The following graph outlines the operating expenditures by type for 2014/2015.



\*Reduction of Unfunded Liability and Interfund Transfers; does not include Debt Services (\$0.03) as this is included in Services and Supplies

### 1.2.5 Base Budget Staffing

The base budget adjustments will result in a net decrease of 23.62 FTE. The following table provides a summary of the staff adjustments by employee group.

<b>2014/2015 Base Budget Projection - Staffing (FTE) by Type</b>			
	<b>2013/2014 Final</b>	<b>Adjustments</b>	<b>2014/2015 Base</b>
CUPE 15	1,256.51	6.44 <sup>1)</sup>	1,262.95
CUPE 407	101.00	-	101.00
IUOE	717.45	3.30 <sup>2)</sup>	720.75
Night School Administrators	0.91	-	0.91
PASA / Excluded / District Principals / Trustees	111.30	(1.20) <sup>3)</sup>	110.10
School Administrators - Admin Time	142.76	(0.18) <sup>4)</sup>	142.58
School Administrators - Teaching Time	50.13	(0.82) <sup>4)</sup>	49.31
Teachers	2,968.57	(12.79) <sup>5)</sup>	2,955.78
Adult Learning Centre Instructors	84.82	(20.37) <sup>6)</sup>	64.45
Trades	58.00	2.00 <sup>7)</sup>	60.00
	<u>5,491.45</u>	<u>(23.62)</u>	<u>5,467.83</u>

Source: 2013/2014 Form 1530 submission adjusted for enrolment and Board approvals, 2014/2015 per projected changes

- 1) Change primarily due to additional Special Education Assistants entitlement (5.05 FTE), July 2012 Board approved addition for Alternative Program support (1.0 FTE).
- 2) Change due to Norma Rose Point additional custodial staff (3.3 FTE).
- 3) Change due to closure of Roberts Adult Education Centre (1.2 FTE).
- 4) Change due to closure of Roberts Adult Education Centre (1.0 FTE) and redistribution of administrator teaching and administration time.
- 5) Change primarily due to impact of projected 2014/2015 enrolment decline.
- 6) Change due to reduction of Adult Education instructors due to enrolment decline.
- 7) Change due to reversal of 13/14 Board decision of one-time Trades reduction (2.0 FTE).

### 1.3 Local Capital Reserve

The Local Capital Reserve (LCR or the Reserve) is comprised of proceeds from the sale and lease of Board owned property and previous years' operating surpluses transferred to the Reserve. Funds in the Reserve can be used to assist in funding the operating budget, with approval by the Board of Trustees. The Reserve has also been used to assist in funding capital initiatives not funded by the Province (e.g. eSIS implementation, Computer Sustainability Plan).

The projected balance available in the Local Capital Reserve at the end of 2013/2014 is \$2.63 million after including the \$4.37 million transfer from the Operating Fund to the LCR to help offset the 2013/2014 funding shortfall. Net revenues of approximately \$1.16 million are also expected to accrue to the Local Capital Reserve during 2014/2015, bringing the estimated available balance at the end of 2014/2015 to \$3.03 million.

Based on the above, the following table outlines the projected financial position of the Local Capital Reserve for 2014/2015.

<b>Projected Local Capital Reserve Fund Balance</b>		
(\$ Millions)		
	<u>2013/2014</u>	<u>2014/2015</u>
<b>Opening Balance as at July 1</b>	<b>\$ 7.41</b>	<b>\$ 2.63</b>
Revenue	1.16	1.16
Expenditure		
Property Expenses	(0.16)	(0.16)
Provision for 10/11 Budget Decisions - Severance Costs	(0.02)	
Class Size Arbitration Costs	(0.01)	
Provision for SmartFindExpress Project	(0.12)	
Board Approved Transfer	(4.37)	
Capital Purchases - Technology Infrastructure	(0.01)	
Renovation of Tupper	(0.04)	
Records Management	(0.24)	
Relocation of Learning Services	(0.42)	
Relocation of Main Street Adult Education centre	(0.56)	
	<u>(4.78)</u>	<u>1.00</u>
Proposed Projects		
SIS Implementation		(0.60)
	<u>-</u>	<u>(0.60)</u>
<b>Closing Balance as at June 30</b>	<b><u>\$ 2.63</u></b>	<b><u>\$ 3.03</u></b>

### **1.4 Three Year Operating Budget Projection**

The following table presents a three-year operating budget projection for the VBE. A projected funding shortfall of \$26.60 million is estimated for 2015/2016. An additional funding shortfall of \$3.89 million is also projected for 2016/2017. It should be noted that these are preliminary high-level estimates based on assumptions as to the major budget change factors over the next three years. Accordingly, these projections should be considered as range estimates rather than discrete numbers. It should also be noted that the projections for 2015/2016 and 2016/2017 may be impacted due to the approval of any budget proposals for 2014/2015.

The estimates for 2014/2015 and the two years following are based on the following key assumptions:

- no change in other provincial funding (e.g. AFG, CommunityLINK, Pay Equity);
- estimated changes in general student enrolment based on a decline of 503 FTE students in 2015/2016

and another 257 FTE for 2016/2017;

- there will be continued cost increases for employee benefit costs, utilities and goods and services;
- no net cost increase for future labour settlements (assumes no increases or that they are fully funded by the Province);

Operating Budget Three Year Projection			
(\$ millions)			
	2014/2015	2015/2016	2016/2017
<b>Costs Not Funded by the Province</b>			
Salary Increments <sup>1)</sup>	\$ (0.83)	\$ (1.23)	\$ (1.25)
Employee Benefits Increase <sup>2)</sup>	(1.19)	(1.57)	(0.60)
Inflation <sup>3)</sup>	(0.84)	(0.71)	(0.73)
	\$ (2.86)	\$ (3.51)	\$ (2.58)
<b>Enrolment Change <sup>4)</sup></b>	\$ (3.54)	\$ (3.01)	\$ (0.63)
<b>Other Factors</b>			
2013/2014 Projected Operating Surplus Carry forward to 2014/2015 <sup>5)</sup>	\$ 11.11	\$ (11.11)	TBD
Prior Year One-Time Revenue and Expenses <sup>6)</sup>	(15.97)	(6.52)	TBD
Prior Year Ongoing Revenue and Expenses <sup>7)</sup>	1.10		
Ministry of Education Operating Grant Changes <sup>8)</sup>	0.70	(1.77)	(0.68)
2014/2015 School Calendar Savings <sup>9)</sup>	0.75	(0.75)	
2014/2015 Support Staff Wage Increase <sup>10)</sup>	(3.62)		
2014/2015 Employee Future Benefits Amortization <sup>11)</sup>	(1.05)		
Main Street Education Centre Move to Gladstone <sup>12)</sup>	0.35		
IT Initiatives (Wi-Fi Lease, PLN Upgrade, Firewall Upgrade) <sup>13)</sup>	(0.61)		
Closure of Roberts Adult Education Centre <sup>14)</sup>	1.38		
Other <sup>15)</sup>	(0.07)	0.07	
	\$ (5.94)	\$ (20.08)	\$ (0.68)
<b>Total Projected Surplus / (Shortfall)</b>	<b>\$ (12.34)</b>	<b>\$ (26.60)</b>	<b>\$ (3.89)</b>

- 1) Includes cost increases for salary increments (for teachers, administrators and exempt staff) partially offset by teacher turnover savings.
- 2) Includes increase to Medical Services Plan (MSP) of 3.97% and to Teacher's Pension Plan due to salary increments offset by savings on Extended Health based on average of actual claims paid across all policies.
- 3) Based on 1.8% inflation per year for supplies and generally higher rates of increase for utilities and other items under contract.
- 4) Projected enrolment decline as of March 2014 of 850 FTE compared to the 2013/2014 Final Budget; further projected decreases of 503 FTE for 2015/2016 and 257 FTE for 2015/2016.
- 5) Board approved carry forward of projected surplus from 2013/2014 Amended Annual Budget to 2014/2015.
- 6) One-time savings included in the 2013/2014 Final Budget that will not repeat for 2014/2015: 2012/2013 projected surplus carried forward (\$9.29 million), Board approved transfer from Local Capital Reserve (\$4.37 million), Distribution of Holdback funding from the Ministry of Education (\$1.00 million), Board approved benefit premium holidays (\$0.41 million), delay of furniture and equipment replacement (\$0.38 million), delayed purchasing (\$0.05 million), Local School Calendar savings (\$0.50 million). \$6.52 million is the impact of the 2014/2015 one-time budget proposals which would be reversed in 2015/2016.
- 7) Ongoing 2013/2014 projected savings in: school-based teacher allocation and utilities; offset by increased cost for special education assistants and an increase for student transportation.
- 8) Increased funding due to a projected increase in Funding Protection of \$2.13 million and higher Salary Differential Funding by \$0.74 million offset by the loss of Provincial Holdback of \$2.08 million.
- 9) Board approved 2014/2015 School Calendar.
- 10) Increased costs due to the support staff wage increases not funded by the Province.
- 11) Increased costs for the amortization of employee future benefits based on actuarial estimates.
- 12) Full year impact of the savings on facilities related cost from moving the Main Street Adult Education Centre to Gladstone Secondary (\$0.3m already taken in prior year for a full cost savings of \$0.65 million).
- 13) Ongoing costs associated with the implementation of Wi-Fi at schools and network upgrades required.
- 14) Closure of Roberts Adult Education Centre to accommodate Roberts Elementary.
- 15) Additional costs for Norma Rose Point being fully operational, one-time costs for the 2014 Civic Election offset by expected rental revenue increase from leasing the 4th floor of the Education Centre.