

### **Briefing Note on Accumulated Surplus**

The Vancouver Board of Education (VBE) receives over 90% of its revenue from the Province by way of operating grants. The majority of these grants are provided on a per student basis. Some provincial funding is provided in the form of targeted grants for special purposes.

The VBE uses the grant funding, together with its own revenue sources, to pay for operating expenditures (e.g. salaries, employee benefits, services and supplies). Any revenue that is not expended in a fiscal year is recorded as a restricted or unrestricted surplus at year end and is carried over to the following fiscal year.

As at June 30, 2014, the VBE reported a restricted surplus of \$23.7 million and an unrestricted surplus of \$5.8 million. Attachment A includes Note 17 from the 2013/2014 Audited Financial Statements which provides details with respect to the components of the restricted surplus. The major components include the following:

- \$11.1 million projected surplus for 2013/2014 which was committed by the Board of Trustees to be carried-forward and used to help offset the projected funding shortfall for 2014/2015 (see Attachment B – 2014 / 2015 Projected Budget Shortfall);
- \$3.3 million in funds required to complete projects that were in progress as at June 30, 2014 (see Attachment C);
- \$2.4 million for the remaining funds to complete commitments made with respect to various miscellaneous grants which are targeted for a specific purpose (see Attachment D);
- \$2.4 million for school budget balances to purchase school supplies and services;
- \$1.7 million for outstanding purchase orders that have been issued to suppliers but in which goods or services have not yet been received; and
- \$1.2 million for professional development commitments pursuant to collective agreements.

As indicated above, all of the restricted surplus funds are committed for various purposes and therefore are not available to be used to help fund the 2015/2016 projected funding shortfall.

As at June 30, 2014, the VBE also reported an unrestricted surplus of \$5.8 million. This surplus was largely related to additional savings in 2013/2014 as a result of the teachers strike in May and June of 2014. As these savings were not known until after the Board had balanced its 2014/2015 budget, these savings were not used to help offset the 2014/2015 funding shortfall. The Board subsequently decided to commit the entire unrestricted surplus of \$5.8 million to help offset the 2015/2016 projected funding shortfall. However, as shown in Attachment E, even after taking into account the full \$5.8 million, the VBE is still projecting a remaining funding shortfall for 2015/2016 of \$8.5 million.

In summary, none of the \$23.7 million restricted surplus is available to fund the 2015/2016 projected funding shortfall. With respect to the \$5.8 million unrestricted surplus as at June 30, 2014, all of this amount has been used to help offset the 2015/2016 funding shortfall; however, even after this allocation, an \$8.5 million funding shortfall remains for 2015/2016.

**SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 and JUNE 30, 2013**

**17 Accumulated Surplus**

	30-Jun-14	30-Jun-13
Invested in Capital Assets	\$ 111,397,152	\$ 114,188,805
Local Capital Fund	3,991,970	7,301,611
Capital Fund Balance	\$ 115,389,122	\$ 121,490,416
Internally Restricted		
Prior Year Unrestricted Unrestricted to Fund Next		
Year's Budget	\$ 703,284	\$ -
School Budget Balances	2,415,594	1,117,341
Collective Agreement Requirements	1,157,894	1,830,568
Purchase Order Commitments	1,785,255	1,676,738
Funds Required to Complete Projects in Progress	3,306,536	3,429,269
Distributed Learning Funding for Courses in Progress	213,699	213,699
Financial Provisions	-	150,000
Miscellaneous Grants Funding	2,427,459	2,437,202
Current Year Operating Surplus Transferred to Fund	11,110,322	9,292,174
Next Year's Budget		
April MOE Funding Holdback Release	585,537	-
	\$ 23,705,579	\$ 20,146,991
Unrestricted Operating Surplus	5,833,522	2,519,132
Unfunded Accrued Employee Benefits	(1,109,375)	(1,242,138)
Accumulated Surplus	\$ 143,818,848	\$ 142,914,400

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>	\$ (15.88)	\$ (12.34)	\$ 3.54	

- <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.

## Attachment C

### Funds Required to Complete Projects in Progress

The Education Plan	\$ 1,678,254
Ministry of Children and Family - Genesis Program	269,856
HRIS Risk Management	251,934
Aboriginal Education	216,955
Emergency Radio Purchase	180,000
SPED - Equipment - Installation of Toilets/Lifts/Bars	75,000
Records Management	60,000
IT - Data Storage Environment	50,000
SPED - Renovations on Program Moves - LifeSkills	50,000
LS - Program Materials - Literacy, Social Responsibility	50,000
Media Library Services	49,592
School Day Software Phase 2	46,000
Montessori	45,161
DPAC	43,206
Mandarin Bilingual Program	38,021
SPED - Sound Field Replacement	31,000
LS - Program Implementation Release Time	25,000
Records Management - Ed Centre	22,836
Adult Ed - MSEC Furniture Purchase	20,000
SPED - Start Up for new District SPED Programs	20,000
SPED - Protocols for Assessment	20,000
Social Responsibility - MindUP	16,802
Social Responsibility - Sustainability	12,226
LS - Learning Technology Mentor Support	12,000
SPED - Technology Replacement for SPED District Programs	10,000
SPED - Renovations on Program Moves - Special Remedial	5,000
SACY	4,693
IT - Furniture and Equipment	3,000
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	\$ 3,306,536

**Miscellaneous Grants - Fund 12 (Donations)**

Project	Description	Balance
8736	SET BC-Visiontech-Donations	206,904.08
8742	SET-BC - Database - Donations	91,775.87
8723	SET BC Equip Lab-Vanc Found	75,426.37
8749	PSAP-Resource Dev-Donations	52,455.41
8754	Glad-Stay in School Program	49,689.78
8739	Set-BC-Virtual Voices-Donation	41,290.07
8735	SET-BC-Woodward Fndn-PRCVI	27,254.27
8748	SET-BC-Braille Quest-Donations	26,091.83
8759	Every Kid Counts	18,259.31
8722	Minister's Award for Education	14,058.22
8755	Maple Grove Montessori Program	12,754.77
B	Blank	12,481.68
8706	SET-BC-Accessible Books Donatn	10,951.59
8758	Windermere Reach for the Top	10,430.34
8704	Invest-School Funds-Nightingal	7,496.84
8712	VanCity Savings -1st Nations	7,192.47
8763	COMPACT	6,540.00
8724	Family Math Program	5,525.15
8725	P-Grey Scholarship Fund-Capita	5,011.13
8717	Shared Visions/Shared Concerns	4,689.46
8761	Doreen Takahara Mem Art Sch.	3,492.00
8730	SH Educ Ctr-G.Steiner Memorial	2,990.11
8771	Supplementary Learning Environ	2,543.99
8760	Brenna Innes Memorial Fund	2,500.00
8764	Kindness Foundation	2,112.14
8743	Forest Renewal BC Bursary Pgm	2,089.75
8811	Aboriginal Elem supplement.exp	2,000.00
8791	Gordon Andrews Legacy Fund	1,942.35
8733	ESL - Trust Account	1,809.83
8718	Grade 7 Gift - Donations	1,729.40
8714	Safety & Health - Awards	1,588.94
8775	Sheila Tripp Endowment forArts	972.61
8727	Q. Victoria Computr Trust Fund	907.97
8757	Grandview Visions Program	870.84
8751	J.WELLS-Chld Hosp.Library Fund	819.40
8746	International Educ Consortium	533.38
8719	Adult Basic Educ Assoc Award	442.78
8732	Carletn Comm Sch-Daycare Contr	374.61
8744	Cynthia Taylor-Inner City Fund	326.75
8609	VDSC - Beyond Borders	305.42
8721	Buddhist Foundation Fund	0.47

**Adjustment: Correction**

Program 1803 should be Fund 11	18.00
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<b>Subtotal</b>	<b>716,649.38</b>
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**Miscellaneous Grants - Fund 14**

Program	Description	Balance
8164	CIBC WoodGundy-Caring For Kids	765,402.46
9515	Strong Start Centre	137,247.51
8165	Dream Big Productions	131,133.22
9596	EngagingYouthForSaferCommuniti	75,058.42
8161	Scientist in Residence	60,708.53

8167	Chef Program	42,984.81
9576	Secondary School Apprenticeshi	42,817.91
9510	Family Literacy Initiatv	39,740.00
9559	Pinnacle	36,850.43
9540	Intl Leadership Pgm	33,834.00
9595	Islands Fund Grant-Brit. Sec.	22,540.29
8125	Special Purpose Funds	20,510.00
9560	FLEM-COV-Miti.&Grnds. Work	17,143.00
9514	BCSTA Early Learning-Rev	16,489.00
9513	Literacy Innovation	15,184.00
9572	Raise A Reader	15,000.00
9521	Youth Funders Project	12,854.00
8162	Student Emergency	8,565.39
9600	Urban Aboriginal Strategy	7,956.21
9566	Vancouver Foundation – Learner	7,139.00
9573	Montessori	6,088.00
8169	Blue Planet	5,768.00
9547	E-Child Devel.Steering Com	5,475.00
9564	District Review	5,000.00
9552	Van Schools Heritage Prj	4,756.61
9519	School Commun Connections	4,375.00
9555	Fashion Design	4,111.00
9503	Restorative Practices Grant	3,621.00
9531	Leadership Training	2,400.00
9527	Working Lives (Van Fdn)	2,145.00
9508	Graduation Port. Innovation	2,014.00
9550	Reading Recovery	1,767.00
9533	Windows of Opport. Ph.2	1,623.00
9545	Community Computer Site	1,606.00
9538	Race Rel Yth Adv Comm	976.00
9554	District Literacy Plan	829.00
9549	West Coast Alternate	810.00
1899	DLS - Non-Program Related	364.00
8163	Tzu Chi Buddhist	172.00
<b>Subtotal</b>		<b>1,563,058.79</b>

#### Miscellaneous Grants - Fund 11 (Energy Project Grant)

Program	Description	Balance
0	Blank	(35,692.74)
0000	General Programs	8,905.71
1785	Sustainability	(755.50)
5051	Grnd Rountine - Maintenance	404.00
5616	Maint/Constr Repay - Flex	1,338.00
6001	Energy Savings	126,939.97
6007	BCH PS Incentive Programs	46,967.39
6105	Fac. Rent Out of Pocket	(42.44)
6131	Car Co-op	(314.71)
<b>Subtotal</b>		<b>147,749.68</b>

<b>Total</b>	<b>2,427,475.85</b>
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2015/2016 Projected Operating Budget Shortfall (\$ millions)				
	February 2015	Revised Projection	Change	
<b>Costs Not Funded by the Province</b>				
Salary Increments <sup>1)</sup>	\$ (1.23)	\$ (1.25)	\$	(0.02)
Employee Benefits Increase <sup>2)</sup>	(1.57)	(0.87)		0.70
Inflation <sup>3)</sup>	(0.71)	(0.68)		0.03
	<u>\$ (3.51)</u>	<u>\$ (2.80)</u>	\$	0.71
<b>Enrolment Change <sup>4)</sup></b>	\$ (4.19)	\$ (3.33)	\$	0.87
<b>Other Factors</b>				
2014/2015 Projected Operating Surplus Carry forward to 2015/2016 <sup>5)</sup>	\$ 7.35	\$ 7.70	\$	0.35
Prior Year One-Time Revenue and Expenses <sup>6)</sup>	(18.61)	(18.77)		(0.16)
Prior Year Ongoing Revenue and Expenses <sup>7)</sup>	0.84	3.40		2.56
Ministry of Education Operating Grant Changes <sup>8)</sup>	0.55	1.79		1.24
Use of 2013/2014 Unrestricted Surplus <sup>9)</sup>	<u>5.83</u>	<u>5.83</u>		0.00
2015/2016 Ministry Directed Administrative Savings <sup>10)</sup>	(2.90)	(2.68)		0.22
Ministry Provided Shared Services Savings <sup>11)</sup>	-	0.37		0.37
Other <sup>12)</sup>	(0.13)	(0.05)		0.08
	<u>\$ (7.07)</u>	<u>\$ (2.40)</u>	\$	4.67
<b>Total Projected Surplus / (Shortfall)</b>	<u>\$ (14.77)</u>	<u>\$ (8.52)</u>	\$	6.25

<sup>1)</sup> Includes cost increases for salary increments (for teachers, administrators and exempt staff) partially offset by teacher turnover savings.

<sup>2)</sup> Includes increase to Medical Services Plan (MSP) of 4.18% and to Worksafe BC of 8.9%, offset by savings in Dental and Group Life premiums based on average of actual claims paid across all policies.

<sup>3)</sup> Based on 2.0% 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 2015 of 419 FTE compared to the 2014/2015.

<sup>5)</sup> Board approved carry forward of projected surplus from 2014/2015 Amended Annual Budget to 2015/2016.

<sup>6)</sup> One-time savings included in the 2014/2015 Final Budget that will not repeat for 2015/2016: 2013/2014 projected surplus carried forward (\$11.11 million) and 2013/2014 April holdback release (\$0.59 million), Board approved transfer from Local Capital Reserve (\$2.48 million), budgeted distribution of holdback funding from the Ministry of Education (\$1.50 million), elimination of Inflation on Services & Supplies (\$0.45 million), delay of furniture and equipment replacement (\$0.38 million) and consolidated purchasing (\$0.10 million).

<sup>7)</sup> Ongoing 2014/2015 projected savings in: Employee benefits (\$2.71 million), average teacher's salaries (\$1.33 million), average P/VP salaries (\$0.33 million), student transportation (\$0.16 million), special education assistants (\$0.41 million), carbon tax refund revenue (\$0.48 million), offset by increased costs for HCM/Peoplesoft licensing (\$1.29 million), and a projected increase in heating costs (\$0.29 million).

<sup>8)</sup> Increased funding due to a projected increase in Funding Protection of \$2.93 million and \$1.02 million higher than anticipated funding for collective agreement increases offset by the loss of Provincial Holdback of \$2.38 million.

<sup>9)</sup> Board approved carryforward of 2013/2014 unrestricted surplus.

<sup>10)</sup> Expected savings in 2015/2016 of administrative costs as directed by the Ministry of Education.

<sup>11)</sup> 2014/2015 Ministry Attendance Support and Wellness Grant (\$0.32 million) and 2015/2016 one-time savings from estimated Ministry shared legal services (\$0.05 million).

<sup>12)</sup> Net cost of change in School Calendar for 2015/2016 (\$0.13 million) and additional costs for the Mandarin Bilingual Program (\$0.02 million).