



Memorandum

vancouver school board

VSBC

ITEM 5

February 20, 2015

To: Finance and Legal Committee (Committee V)

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

Subject: 2015/2016 Shortfall Update

An initial estimate of the 2015/2016 projected funding shortfall was made as a part of the 2014/2015 budget process back in April 2014. At that time, the projected funding shortfall was estimated at \$27.64 million.

This report provides a further update to the 2015/2016 funding shortfall estimate, given developments that have taken place since April, 2014.

At the January 14, 2015 Committee V meeting, staff presented a number of initiatives to reduce the 2015/2016 projected operating funding shortfall. The Committee adopted a number of the recommendations which resulted in the projected funding shortfall being reduced to \$18.34 million.

Initial Projected Funding Shortfall (\$ millions)	
Costs Not Funded by the Province	
Salary and Employee Benefits Increase	\$ (2.80)
Inflation	(0.71)
	<u>\$ (3.51)</u>
Other Factors	
Initial Projected Enrolment Change	\$ (3.01)
2013/2014 Projected Operating Surplus carry forward to 2014/2015	(11.11)
Prior Year One-Time Revenue and Expenses	(7.56)
Ministry of Education Operating Grant Changes	(1.77)
2014/2015 School Calendar Savings	(0.75)
Other	0.07
	<u>\$(21.12)</u>
Initial Projected Surplus / (Shortfall)	<u><u>\$(27.64)</u></u>
Subsequent Changes to the Estimate	
2013/2014 Unrestricted Surplus carry forward to 2014/2015	5.83
Benefits Surplus	1.94
2015/2016 Funding Protection Impact - Projected	1.53
January 2015 Projected Surplus / (Shortfall)	<u><u>\$(18.34)</u></u>

The individual items of the forgoing chart are further explained below.

Costs Not Funded by the Province

The provincial funding formula for K-12 education does not provide for the following:

- Salary increments for employees who are on a salary grid system (e.g. teachers, school administrators and exempt staff) - \$1.23 million.
- Known or projected increases in employee benefit costs due to rate increases (e.g. MSP, CPP, EI, extended health, dental) - \$1.57 million.
- Inflation on goods and services - \$0.71 million.

Other Factors

Other factors that impact the projected funding shortfall for next year include:

- Enrolment was expected to decrease by 530 FTE students for 2015/2016 resulting in a net negative budget impact - \$3.01 million.
- The one-time appropriation of the 2013/2014 Amended Annual Budget used to balance the Preliminary 2014/2015 Budget - \$11.11 million.
- One-time funds or cost savings for 2014/2015 which cannot be assumed to continue for 2015/2016 (e.g. Benefit Premium Holidays, use of the Local Capital Reserve and anticipated holdback allocation from the Ministry) - \$7.56 million.
- Changes to the Ministry of Education Operating Grant - \$1.77 million.
- Adoption of School Calendar - \$0.75 million.

Subsequent Changes to the Estimate

- On December 1, 2014, the Board approved the carry-forward of the \$5.83 million 2013/2014 Unrestricted Operating Surplus to assist in offsetting the projected funding shortfall in 2015/2016.
- On January 14, 2015, a report to Committee V indicated that our benefits provider, Morneau Shepell, advised there was \$1.94 million in surplus in our employee benefits plans as of November 30, 2014. The Board subsequently approved the lump sum withdrawal and premium holidays, and applied these funds to further reduce the 2015/2016 funding shortfall.
- As reported to Committee V on January 14, 2015 the Ministry of Education's funding announcement for 2014/2015 had a minimal impact to the current year's funding estimate. However, it was noted that the 2015/2016 funding estimate would be \$1.53 million higher than originally projected mainly due to a projected increase in funding protection.

These amounts make up the estimate of the shortfall of \$18.34 million estimated as of January 14, 2015.

The following table provides a further update to the projected funding shortfall estimate based on other initiatives currently under consideration.

Revised Projected Funding Shortfall (\$ millions)	
January 2015 Projected Surplus	\$ (18.34)
Further Budget Updates	
Sale & Leaseback	2.92
Furniture & Equipment	0.38
2014/15 Amended Budget Surplus Carryforward (excluding Benefits savings above)*	5.41
2014/15 Amended Budget Estimated Ongoing Impact to 2015/2016	0.84
2015/2016 Enrolment Update	(0.40)
School Calendar	0.63
Revised Projected Surplus / (Shortfall)	\$ (8.57)
*The total 2014/15 surplus is \$5.41 million plus the \$1.94 million withdrawal from benefits surplus for a total of \$7.35 million.	

The individual items are further explained below.

- In a report to Committee V on January 14, 2015, it was recommended that the Board approve continuing to lease furniture and equipment for a net estimated budget savings of \$2.92 million. A further report has been provided with respect to this item as part of this Committee agenda.
- Also during the January, 2015 Committee V meeting, it was recommended that the \$0.38 million reduction of the major furniture and equipment budget held by Purchasing and Administration made as part of the 2014/2015 budget be continued for 2015/2016. A further report has been provided with respect to this item as a part of this Committee agenda.
- Revised projections have been made for the current fiscal year ending June 30, 2015, and these projections indicate that there will be surplus in the current 2014/2015 fiscal year. The details of the projected surplus are included in a separate report to the Committee. Approximately \$0.84 million of the surplus for the current year is projected to be on-going and therefore will result in incremental savings for 2015/2016.
- A revised enrolment projection has been prepared for 2015/2016, resulting in a reduction in funding of \$0.40 million. A decline of 419 FTE students is now projected for 2015/2016 which represents a lower decline compared to the prior enrolment projection for regular K-12. However, English Language Learners are now projected to decrease by 444 FTE.
- A school calendar proposal of five days is under consideration for 2015/2016. If approved, this will result in expenditure savings of \$0.63 million.

Further developments in Funding from the Province

The 2015 Provincial budget was presented on February 17, 2015. The Province indicated they are targeting a decrease in administrative costs of \$29 million province wide in the coming year (2015/16), and a further \$25 million in the following year (for a total of \$54 million by 2016/2017).

Administrative costs include the costs related to school administration (school principals and office staff), district office staff and the administrative component of building operations and maintenance. The Ministry has indicated the overall province wide figure, but has yet to indicate how much of the targeted savings will be allocated to VBE. Using the proxy that VBE costs are just under 10 percent of the provincial total, we could anticipate that reductions required of VBE may be in the range of \$2.5 million to \$2.9 million. Staff will advise as this information becomes known.

Staff will continue to refine these estimates as additional information becomes known during the budget deliberations. In particular, an updated projected funding shortfall will be included as part of the Fiscal Framework report to be presented to Committee III/V on March 31, 2015.

This report is provided for information.