



Memorandum

vancouver school board

VSB

January 9, 2015

To: Finance and Legal Committee (Committee V)

ITEM 6

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

Subject: 2015/2016 Shortfall Update

An initial projection of the funding shortfall for 2015/2016 was made in April, 2014 as part of the 2014/2015 budget process. At that time, the 2015/2016 funding shortfall was projected to be \$27.64 million.

This report provides an updated 2015/2016 funding shortfall estimate, given developments that have arisen since April, 2014, including the recommendations made in separate reports as part of this Committee agenda. The following table provides a summary of the revised projected funding shortfall for 2015/2016.

Revised Projected Funding Shortfall for 2015/2016	
Costs Not Funded by the Province	(\$ millions)
Salary and Employee Benefits Increase	\$ (2.80)
Inflation	(0.71)
	<u>\$ (3.51)</u>
Enrolment Change	\$ (3.01)
Other Factors	
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>\$ (27.64)</u>
Budget Updates	
2013/2014 Unrestricted Surplus carry forward to 2014/2015 (Q1)	4.05
Full carryforward of 2013/2014 Surplus - Q1 Revision	1.78
Benefits Surplus	1.94
Sale & Leaseback	2.92
Furniture & Equipment Update	0.38
2015/2016 Funding Protection Impact - Projected	1.53
Revised Shortfall	<u>(15.05)</u>

The following provides further information with respect to the revised funding shortfall projection.

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 Initial Factors

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

- Enrolment was expected to decrease by 503 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 operating grant from the ministry (mainly the loss of funding protection) - \$1.77 million.
- One-time savings from the adoption of Local School Calendar for 2014/2015 - \$0.75 million.

Subsequent Changes to the Initial Estimate

- On November 14, 2014 the Board approved the carry forward of the \$5.83 million 2013/2014 unrestricted surplus to assist in offsetting the projected funding shortfall in 2014/2015 (which was projected to be at \$1.78 million at the time) and the remaining \$4.05 million to be carried forward to assist in offsetting the 2015/2016 projected funding shortfall. However, at this time, it is forecasted that there will not be a funding shortfall for 2014/2015. Accordingly, the full \$5.83 million 2013/2014 unrestricted surplus will be available to be carried forward to 2015/2016.
- In separate report as part of this Committee agenda, staff is recommending that the Board approve withdrawing funds from the projected benefits surplus estimated by our benefits advisor Morneau Shepell - \$1.94 million.
- In a separate report presented at this meeting, staff is recommending the sale and leaseback of technology and furniture & equipment (\$2.92 million) as well as a reduction to the budget in the purchase of furniture and equipment (\$0.38 million).
- On December 19, 2014, the Ministry announced the interim operating grants for 2014/2015, which included a distribution of the holdback allocation of \$2.38 million. As presented in a prior report at this meeting, it is estimated that this will increase the projected operating grant for 2015/2016 by \$1.53 million.

The above changes bring the estimated funding shortfall for 2015/2016 to \$15.05 million.

Staff will continue to refine these estimates as additional information becomes known. In particular, an updated projected funding shortfall will be included as part of the Second Quarter Financial report to be presented to Committee V on February 25, 2015.

This report is provided for information.