

# Memorandum

vancouver school board

ITEM 2

March 31, 2015

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 2015/2016

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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 2015/2016 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 2009/2010 to 2014/2015 and shows comparative enrolment, staffing, revenue and expenditure information;
- the 2015/2016 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 2015/2016 operating funding shortfall;
- the local capital reserve section, which provides an updated local capital reserve projection for 2015/2016; and
- the preliminary operating budget projection section for 2016/2017, which details the key assumptions used in building the projections for 2016/2017, and
- a section on long-term financial sustainability.

As noted in the attached document, the VBE is currently estimating that it will be facing a funding shortfall for 2015/2016 of \$8.52 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.

This report is provided for information.



**VANCOUVER BOARD OF EDUCATION**

**2015/2016 FISCAL FRAMEWORK**

April 2015

**VANCOUVER BOARD OF EDUCATION**

**2015/2016 FISCAL FRAMEWORK**

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## 1.0 Introduction

The Vancouver Board of Education (VBE) is estimating that it will be facing a funding shortfall for 2015/2016 of \$8.52 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 2015/2016. 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 2009/2010 to 2014/2015 and comparative enrolment, staffing, revenue and expenditure information;
- 2015/2016 base budget information including major assumptions made when building the base budget, the projected impact of enrolment, summary of revenue and expense by type and the projected 2015/2016 funding shortfall;
- updated Local Capital Reserve projection for 2015/2016; and
- preliminary operating budget projection for 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.

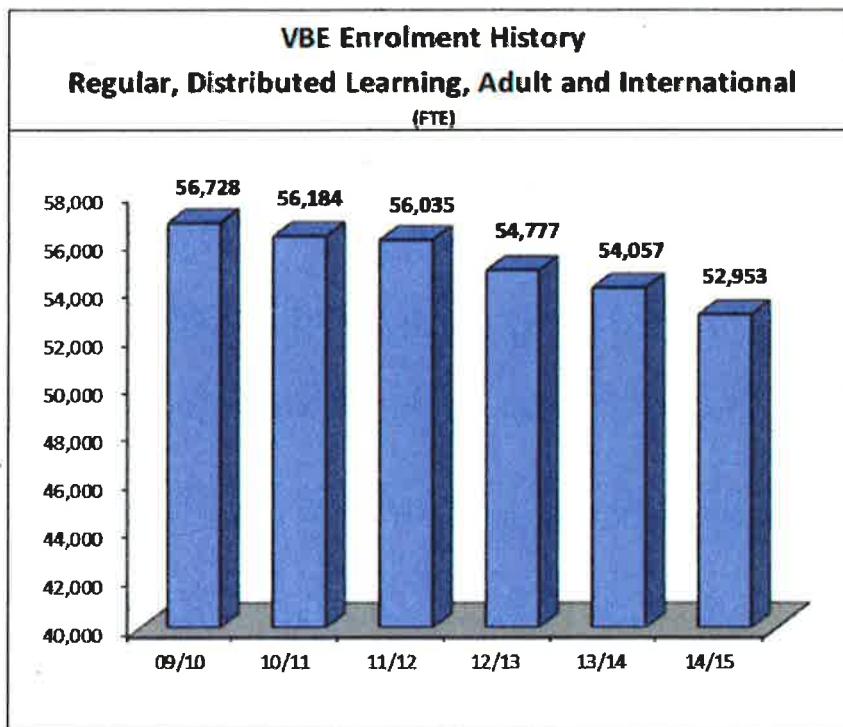
This document is focused on the Operating Fund.

## 1.1 Historical Information

The information in this section includes comparative final budget information for the years 2009/2010 to 2014/2015.

### 1.1.1 Enrolment

Funded student enrolment has been declining every year since 2009/2010 and has decreased by a cumulative total of 3,775 Full-Time Equivalent (FTE) students over this six-year period.

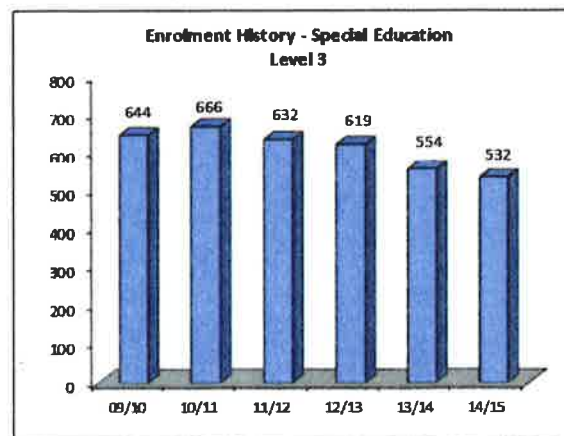
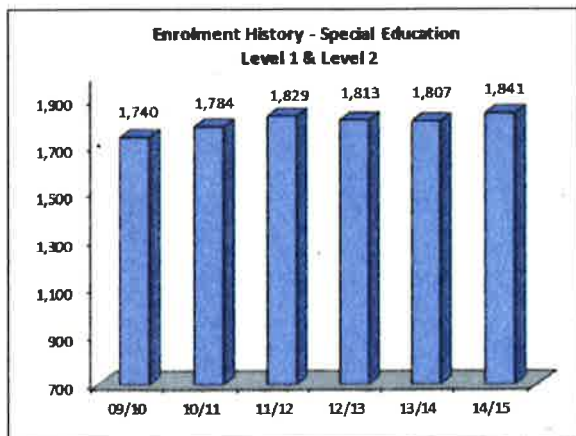
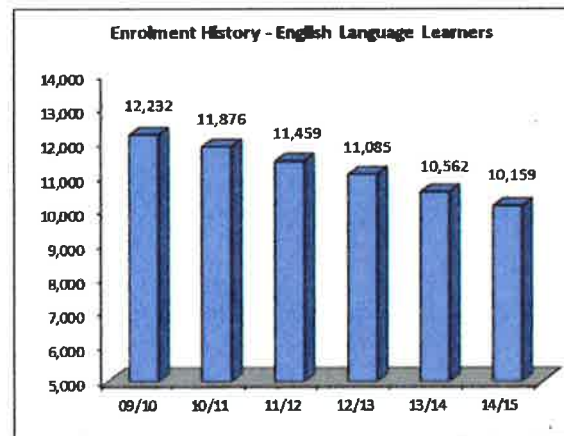
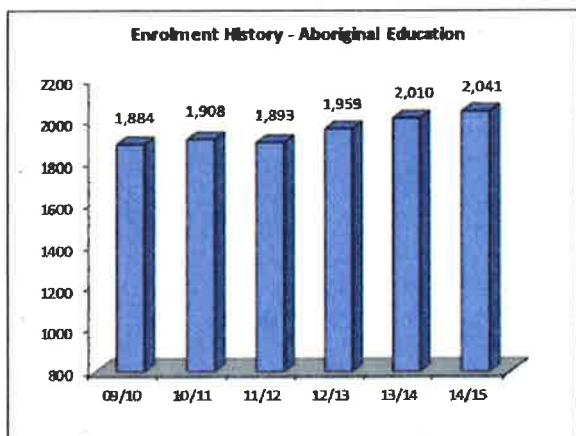
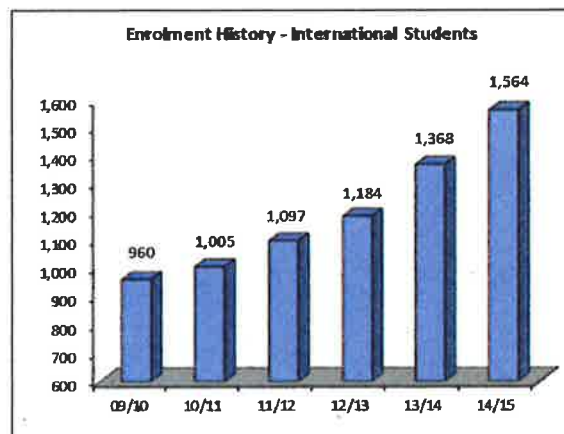
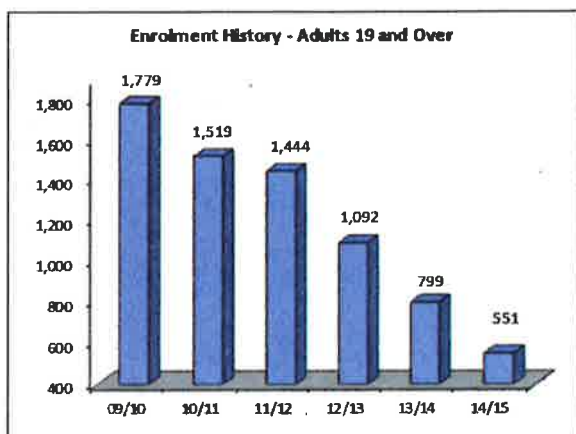
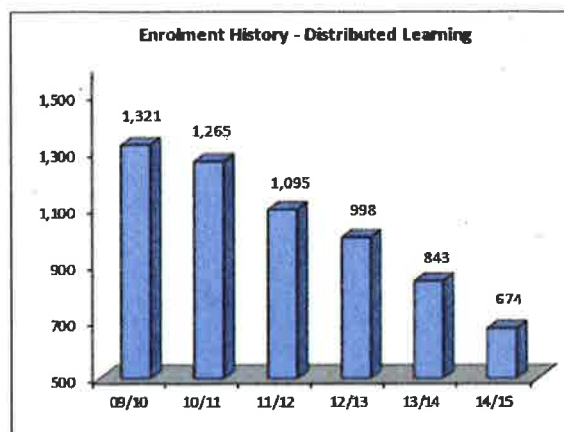
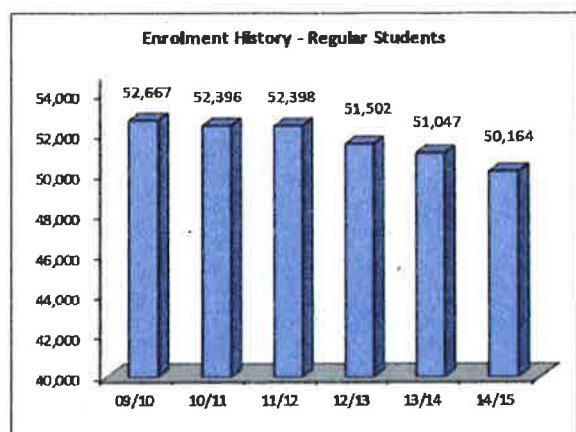


Source: 2009/2010-2011/2012 Ministry Full-Year Funding Allocation System, 2012/2013-2014/2015 Interim FAS updated for February enrolment

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 1,740 FTE in 2009/2010 and has leveled off at 1,841 FTE for 2014/2015. Level 3 Special Education enrolment started at 644 FTE in 2009/2010 peaked at a high of 666 in 2010/2011 and has decreased to 532 in 2014/2015.

International student enrolment has been increasing from 960 FTE in 2009/2010 to 1,564 FTE in 2014/2015.



Source: 2009/2010-2011/2012 Ministry Full-Year Funding Allocation System, 2012/2013-2014/15 Interim FAS updated for February enrolment

## 1.1.2 Revenue and Expenditure

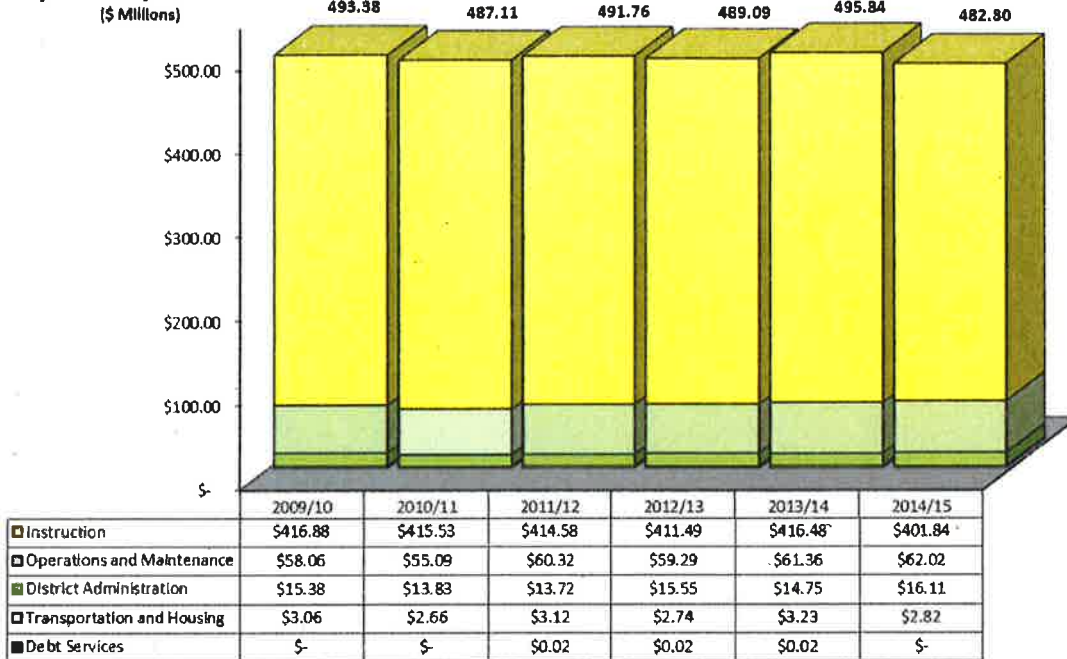
From 2009/2010 to 2013/2014, budgeted revenues remained fairly steady but decreased by \$15.60 million in 2014/15 due to a one-time strike savings claw back (\$17.80 million), offset by increases in provincial grants to fund negotiated labour settlement costs and offshore tuition fees. Annually, provincial grants account for over 93% 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)						
	2009/2010 Final Budget	2010/2011 Final Budget	2011/2012 Final Budget	2012/2013 Final Budget	2013/2014 Final Budget	2014/2015 Final Budget
<b>Provincial and Other Grants</b>	\$ 458.99	\$ 460.09	\$ 464.09	\$ 456.32	\$ 454.80	\$ 436.34
<b>Fees, Rentals, and Other Revenue</b>						
Francophone Education Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Summer School Fees	0.13	0.41	0.61	0.70	0.71	-
Continuing Education	2.26	1.52	1.50	1.29	1.12	0.32
Offshore Tuition Fees	12.53	12.95	13.47	16.18	17.91	20.27
Miscellaneous Income	3.43	2.68	2.76	5.48	2.45	3.67
Instructional Cafeteria Revenue	2.51	2.16	1.45	1.39	1.40	1.25
Other Revenue	-	-	-	-	-	0.18
Transfers from Deferred Contributi	-	-	-	-	-	0.03
Rentals and Leases	2.54	2.89	3.21	3.28	3.33	3.44
Investment Income	0.95	0.82	1.03	1.19	1.34	1.94
	\$ 24.35	\$ 23.43	\$ 24.03	\$ 29.51	\$ 28.26	\$ 31.12
<b>Total Revenue</b>	\$ 483.34	\$ 483.52	\$ 488.12	\$ 485.83	\$ 483.06	\$ 467.46

Source: 2009/2010-2014/2015 Amended Annual Budget submissions

The budgeted expenses by function are shown in the following graphs below. In each year, approximately 83% 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.

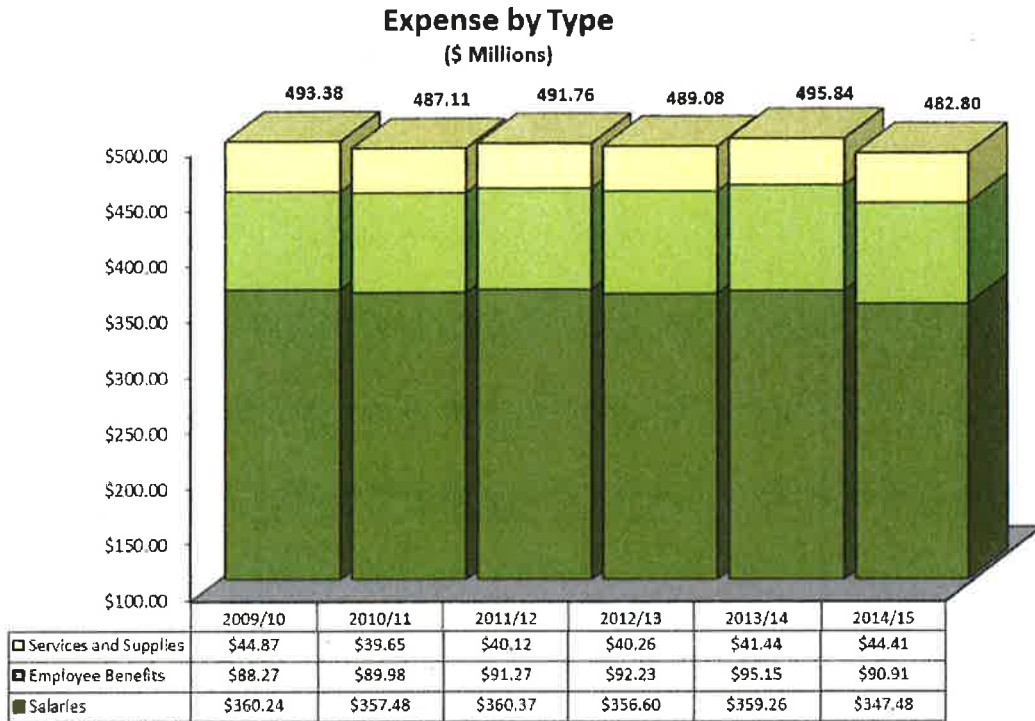
### Expense by Function



Source: 2009/2010 - 2014/2015 Amended Annual Budget submissions



The budgeted expenses by object of expenditure are shown in the graph below. Every year, approximately 91% of VBE's budget is allocated to salaries and fringe benefits, with the balance being allocated to supplies, services, utilities and other costs.



Source: 2009/2010-2014/2015 Amended Annual Budget submissions

### 1.1.3 Staffing

From 2009/2010 to 2014/2015, total VBE staffing has decreased by 165.03 FTE. Varying from this trend, educational assistants (for students with special needs) have shown increases over this time period. The number of teachers has decreased by 161.97 FTE from 3,201.77 FTE in 2009/2010 to 3,039.80 FTE for 2014/2015 primarily due to the enrolment decline of 3,775 FTE. The increase in trustees for 2014/2015 reflects the addition of a student trustee position.

Staffing by Type						
	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Teachers	3,201.77	3,136.91	3,161.16	3,080.98	3,053.39	3,039.80
Principals / Vice Principals *	199.83	193.80	194.30	196.94	199.39	196.52
Other Professionals	114.19	100.69	94.78	94.71	96.71	92.20
Education Assistants	835.36	831.16	849.53	868.96	869.11	884.94
Support Staff	1,281.93	1,258.36	1,258.83	1,268.39	1,263.85	1,253.59
Trustees	9.00	9.00	9.00	9.00	9.00	10.00
<b>Total</b>	<b>5,642.08</b>	<b>5,529.92</b>	<b>5,567.61</b>	<b>5,518.98</b>	<b>5,491.45</b>	<b>5,477.05</b>

Source: 2009/2010-2014/2015 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 10.05 students/staff in 2009/2010 to 9.61 students/staff in 2014/2015. The number of students supported by each teacher has decreased from 17.72 to 17.32. The students/staff ratio for other professionals increased from 496.77 in 2009/2010 to 571.05 in 2014/2015 mainly due to staff reductions in the order of 19%. The largest percentage change in student/staffing ratios have been for Trustees (16%) and Other Professionals (15%).

Students / Staff Ratios						
	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Teachers	17.72	17.91	17.73	17.78	17.70	17.32
Principals / VPs *	283.88	289.91	288.39	278.14	271.11	267.92
Other Professionals	496.77	557.98	591.19	578.39	558.96	571.05
Educational Assistants	67.91	67.60	65.96	63.04	62.20	59.50
Support Staff	44.25	44.65	44.51	43.19	42.77	42.00
Trustees	6,303.11	6,242.71	6,226.12	6,086.32	6,006.33	5,265.10
<b>Total</b>	<b>10.05</b>	<b>10.16</b>	<b>10.06</b>	<b>9.93</b>	<b>9.84</b>	<b>9.61</b>

Source: 2009/2010-2014/2015 staffing based on Form 1530 submission adjusted for enrolment and Board approved changes

2009/2010-2013/2014 Ministry Full-Year Funding Allocation System, 2014/2015 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 1,239.44 FTE in 2009/2010 to 1,265.83 in 2014/2015 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 2009/2010 to 101 FTE in 2014/2015 due to the reallocation of staffing from the Annual Facilities Grant to the Operating fund. Trades staffing has decreased from 76 FTE in 2009/2010 to 56 FTE in 2014/15 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 119.19 FTE in 2009/2010 to 98.7 FTE in 2014/2015 due to budget reductions.

Staffing History						
	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
CUPE 15	1,239.44	1,221.37	1,236.21	1,259.86	1,256.51	1,265.83
CUPE 407*	80.00	101.00	101.00	101.00	101.00	101.00
IUOE	721.85	720.15	716.15	716.49	717.45	715.70
Night School Administrators	2.14	0.91	0.91	0.91	0.91	-
Excluded Staff and District Principals	119.19	105.69	101.28	101.21	102.30	98.70
School Administrators - Admin Time	151.58	138.19	141.83	138.05	142.76	144.04
School Administrators - Teaching Time	41.11	49.70	45.06	51.48	50.13	45.99
Teachers / ALC	3,201.77	3,136.91	3,161.16	3,080.98	3,053.39	3,039.80
Trades	76.00	47.00	55.00	60.00	58.00	56.00
Trustees	9.00	9.00	9.00	9.00	9.00	10.00
	5,642.08	5,529.92	5,567.60	5,518.98	5,491.45	5,477.05

Source: 2009/2010-2014/2015 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 2015/2016 Base Budget

The base operating budget reflects the estimated costs for 2015/2016 to maintain the same level of service as provided in 2014/2015. The 2015/2016 base budget was developed beginning in March, 2015 based on the 2014/2015 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 2015/2016.

The following sections detail major base budget assumptions, budget constraints, budgeted revenue and expense and the projected funding shortfall for 2015/2016.

### 1.2.1 Major Assumptions

The base budget estimates for 2015/2016 are based on the following key assumptions:

- The projections for 2015/2016 are based on the enrolment projections provided to the Ministry of Education in February, 2015 which estimated declines of 419 FTE in regular student enrolment, 444 FTE in English Language Learners enrolment, 195 FTE in adult education, 41 FTE in aboriginal education and an increase of 65 FTE in distributed learning.
- Provision has been made the additional costs and funding due to collective agreement increases.
- Staffing entitlements for teachers and educational assistants have been adjusted to reflect the projected enrolment levels for 2015/2016. It is estimated that the enrolment decline of 419 FTE in students would

require 16.54 FTE less teachers and 3.0 FTE less administrators.

- It is estimated that salary costs will increase by \$3.28 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 2015/2016 (\$2.03 million).
- It is estimated that benefit costs will increase by \$0.87 million due to estimated rate and YMPE increases for benefits (MSP increase of 4.18% and Worksafe BC increase of 8.90%), offset by savings in Dental and Group Life Plans due to rate decreases based on the average of actual claims paid across all policies.
- It is estimated that in 2015/2016 the cost of goods and services will increase on average by 2.0% due to inflation or \$0.51 million. The cost of utilities is estimated to increase by \$0.17 million mainly due to an increase in BC Hydro costs of 6% and expected inflation on other utilities costs of 2%.
- In balancing the budget for 2014/2015, a number of one-time cuts and savings were made which were not anticipated to recur, and so adjustments have been made for the following one time funding sources in 2014/2015:
  - Surplus carried forward from 2013/2014 to 2014/2015 - \$11.11 million
  - Additional surplus from the April 2014 Holdback Allocation carried forward from 2013/2014 to 2014/2015 - \$0.59 million
  - Transfer from Local Capital Reserve - \$2.50 million
  - Budgeted Distribution of Holdback funding from the Ministry of Education - \$1.50 million
  - Savings related to the 2015/2016 School Calendar will be less compared to the 2014/2015 School Calendar due to one less closure day - \$0.13 million
  - Unrestricted surplus carried forward from 2012/2013 to 2014/2015 - \$0.70 million
  - Budgeted deferral of maintenance services - \$0.50 million
  - Budgeted deferral of out-of-district travel - \$0.05 million
  - Budgeted deferral of furniture and equipment purchases - \$0.38 million
  - Budgeted deferral of funding provided for the District Parent Advisory Council - \$0.04 million.

### **1.2.2 2015/2016 Projected Operating Funding Shortfall**

Based on projected cost increases and enrolment changes for 2015/2016, the operating budget funding shortfall for the VBE is projected to be \$8.52 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.

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
	\$ (3.51)	\$ (2.80)	\$	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>	5.83	5.83		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
	\$ (7.07)	\$ (2.40)	\$	4.67
<b>Total Projected Surplus / (Shortfall)</b>	<b>\$ (14.77)</b>	<b>\$ (8.52)</b>	<b>\$</b>	<b>6.25</b>

- <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).

**Schedule 1 – Salary Increment Changes**

<b>2015/2016 Base Budget Estimated Salary Changes</b> (\$ millions)		
<b>Salary Increments</b>		
Teachers (1.23%)	\$	(2.94)
District Teachers (0.98%)		(0.16)
Administrators (0.58%)		(0.14)
Exempt Staff (0.28%)		(0.03)
Adult Education Instructors (0.10%)		(0.01)
<b>Total Salary Increments</b>	<b>\$</b>	<b>(3.28)</b>
<b>Estimated Teacher Turnover Savings</b>	<b>\$</b>	<b>2.03</b>
<b>Total Salary Changes</b>	<b>\$</b>	<b>(1.25)</b>

**Schedule 2 – Employee Benefits Changes**

<b>2015/2016 Base Budget Estimated Benefit Cost Changes</b> (\$ millions)		
Wage related benefit rate changes <sup>1)</sup> (CPP, EI, WCB, MPP, TPP, Deferred Savings)	\$	(0.56)
Non-wage related benefits rate changes <sup>2)</sup> (MSP, Dental, Extended Health, Group Life)		(0.26)
Vested & Non-Vested Benefits <sup>3)</sup>		(0.04)
Other <sup>4)</sup>		(0.02)
<b>Total Estimated Benefit Cost Changes</b>	<b>\$</b>	<b>(0.87)</b>

**Estimated changes and budget assumptions:**

- 1) CPP rate estimated to remain at 4.95%, YMPE estimated to change from \$52,500 to \$53,600  
EI rate estimated to remain at 1.92%, YMPE estimated to change from \$48,600 to \$49,500  
WCB estimated to increase by 8.9%, YMPE estimated to change from \$78,600 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 remains at \$52,500
- 2) Medical Services Plan (MSP) to increase average of 4.18% effective January 1, 2016 based on rates announced by the Province.  
Dental Plan increase of 0.26% based on average of actual claims paid across all policies  
Extended Health increase of 0.58% based on average of actual claims paid across all policies  
Group Life decrease of 2.22% 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 (\$4,604) and vested benefits (\$0.03 million)
- 4) Employee Assistance Plan costs to increase based on regular inflation (\$0.01 million)  
S&A Insurance estimate to increase by 10% (\$0.01 million)

## Schedule 3 – Enrolment Changes

Enrolment Driven Changes (\$ Millions) vs 2014/2015 Final					
	Enrolment Changes (FTE)	Staffing Changes (FTE)	Salaries and Benefits		Net Change
				Revenue	
Regular School Age	(418.85)	(22.90)	\$ 1.04	\$ (2.86)	\$ (1.82)
Distributed Learning (school aged)	76.69	2.36	\$ (0.14)	\$ 0.67	\$ 0.53
Course Challenge	-	-	\$ -	\$ (0.01)	\$ (0.01)
Homeschoolers	-	-	\$ -	\$ 0.00	\$ -
English Language Learning	(444.00)	-	\$ -	\$ (0.59)	\$ (0.59)
Newcomer Refugees	-	-	\$ -	\$ (0.03)	\$ (0.03)
Special Education					
Level 1	(5.00)	(5.00)	\$ 0.25	\$ (0.18)	\$ 0.07
Level 2	(26.00)	(8.30)	\$ 0.41	\$ (0.52)	\$ (0.11)
Level 3	(22.00)	-	\$ -	\$ (0.21)	\$ (0.21)
Adult (include Distributed Learning)	(128.97)	(17.79)	\$ 0.21	\$ 0.51	\$ 0.72
Aboriginal Education	(41.00)	-	\$ -	\$ (0.05)	\$ (0.05)
Graduated Adult	(73.76)	-	\$ -	\$ (0.16)	\$ (0.16)
International	-	-	\$ -	\$ 0.06	\$ 0.06
Enrolment Decline Supplement	-	-	\$ -	\$ (1.67)	\$ (1.67)
Transportation	-	-	\$ -	\$ 0.05	\$ 0.05
Salary Differential	-	-	\$ -	\$ (0.09)	\$ (0.09)
<b>Total</b>		<b>(51.63)</b>	<b>\$ 1.78</b>	<b>\$ (5.10)</b>	<b>\$ (3.33)</b>

## Schedule 4 - 2015/2016 One-Time Revenue, Savings and Expenses

2015/2016 One-Time Revenue, Savings and Expenses (\$ millions)					
	Revenue	Prior Year Surplus	Expenses	Capital Purchases	Total
2012/2013 Projected Surplus Carried Forward	\$ -	\$ (11.70)	\$ -	\$ -	\$ (11.70)
Estimated MOE Holdback Allocation	(1.50)				(1.50)
Copier Sale & Leaseback	(1.48)				(1.48)
Furniture & Equipment			(0.38)		(0.38)
Maintenance Service Reductions			(0.40)		(0.40)
Local Capital Reserve	(2.48)				(2.48)
12/13 Unrestricted Surplus		(0.70)			(0.70)
Other	-	-	(0.14)	-	(0.14)
<b>Total</b>	<b>\$ (5.47)</b>	<b>\$ (12.40)</b>	<b>\$ (0.91)</b>	<b>\$ -</b>	<b>\$ (18.77)</b>

**Schedule 5 - 2015/2016 Ongoing Revenue, Savings and Expenses**

<b>2015/2016 Ongoing Revenue, Savings and Expenses</b> (\$ millions)					
	<b>Revenue</b>	<b>Prior Year Surplus</b>	<b>Expenses</b>	<b>Capital Purchases</b>	<b>Total</b>
Carbon Tax Refund Revenue	\$ 0.48	\$ -	\$ -	\$ -	\$ 0.48
Heating Costs	-	-	(0.29)	-	(0.29)
P-VP Average Salaries	-	-	0.33	-	0.33
Teacher's Average Salaries	-	-	1.33	-	1.33
Employee Benefits costs	-	-	2.71	-	2.71
HCM/Peoplesoft Licensing and Staffing Costs	-	-	(1.29)	-	(1.29)
Other	-	0.10	0.03	-	0.13
<b>Total</b>	<b>\$ 0.48</b>	<b>\$ 0.10</b>	<b>\$ 2.82</b>	<b>\$ -</b>	<b>\$ 3.40</b>

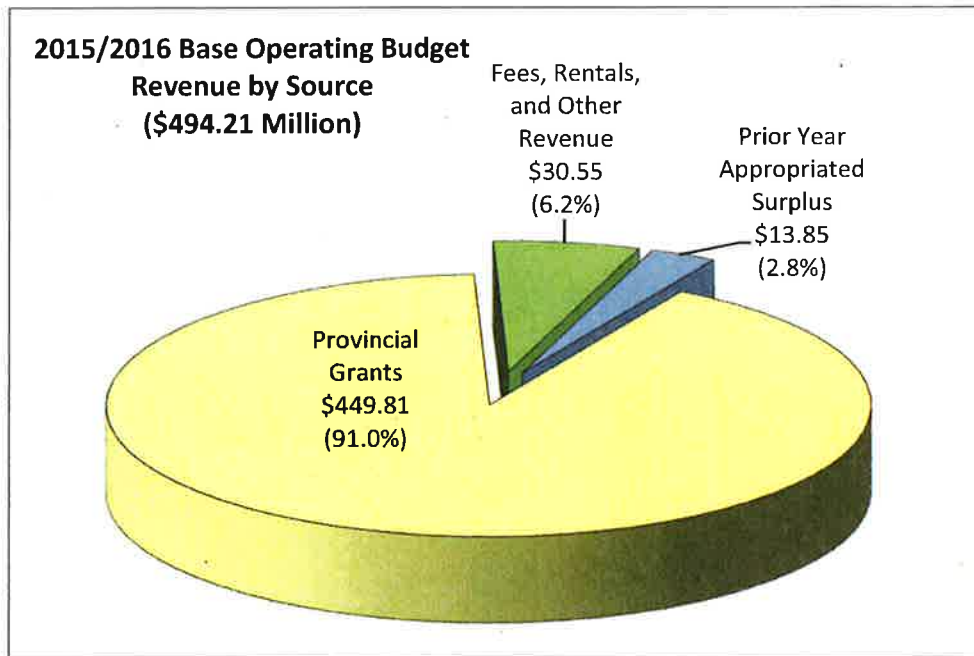
**Schedule 6 – Collective Agreement Cost Increases Funded by the Province**

<b>Employee Group</b>	<b>Percentage Increase</b>	<b>Salaries Plus Wage Related Benefits</b>
CUPE 15	1.00%	664,745
CUPE 407	1.00%	56,764
IUOE	1.00%	289,902
Teachers	3.25%	10,242,930
Trades	1.00%	58,298
<b>Total</b>		<b>11,312,640</b>



### 1.2.3 Base Budget 2015/2016 Revenue

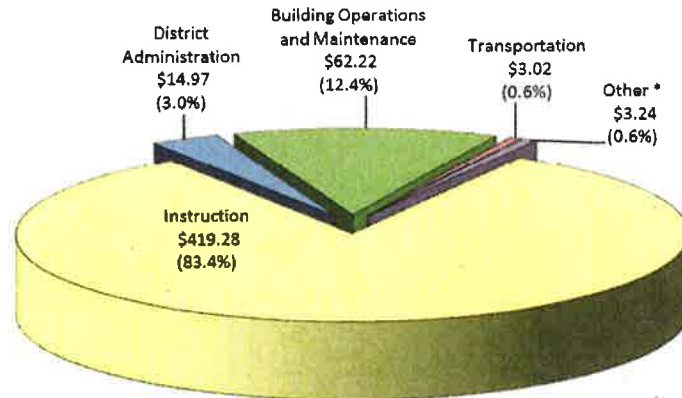
The majority of revenues (91.0%) are derived from provincial grants. The level of provincial funding, therefore, has a very significant impact on the educational services and programs that can be provided. The operating grant received from the Ministry of Education is calculated based on enrolment therefore changes in enrolment can significantly impact the grants available to the Board. Projected revenues and other funding sources for 2015/2016 total \$494.21 million. VBE generated revenues represent 6.2% of total operating revenues and are primarily derived from international education student fees, rentals, leases and investment income.



### 1.2.4 Base Budget 2015/2016 Expenses

Projected expenditures for the 2015/2016 base budget total \$502.73 million (\$8.52 million higher than projected revenues). Approximately 83.4% 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 3.0% 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 0.6% of expenditures. The following graph outlines the operating expenditures by function for 2015/2016.

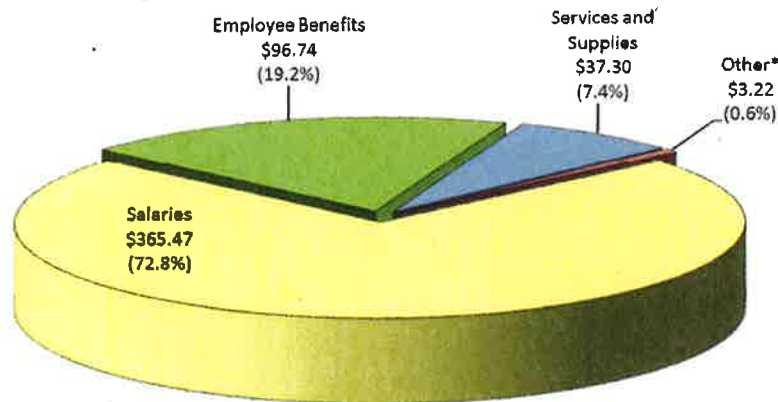
**2015/2016 Base Operating Budget  
Expenditure by Function  
(\$502.73 Million)**



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

Approximately 92.0% of the \$502.73 million operating budget is expected to be spent on salaries and employee benefits (\$462.21 million). Services, supplies, utilities, and other minor expenditures account for approximately 7.4% of the budget. The following graph outlines the operating expenditures by type for 2015/2016.

**2015/2016 Base Operating Budget  
Expenditure by Type  
(\$502.73 Million)**



\*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 45.63 FTE. The following table provides a summary of the staff adjustments by employee group.

2015/2016 Base Budget Projection - Staffing (FTE) by Type			
	2014/2015 Final	Adjustments	2015/2016 Base
CUPE 15	1,265.83	(16.80) <sup>1)</sup>	1,249.03
CUPE 407	101.00	-	101.00
IUOE	715.70	-	715.70
PASA / Excluded / District Principals / Trustees	108.70	3.60 <sup>2)</sup>	112.30
School Administrators - Admin Time	144.04	(1.41) <sup>3)</sup>	142.63
School Administrators - Teaching Time	45.99	(2.48) <sup>3)</sup>	43.51
Teachers	2,975.35	(16.54) <sup>4)</sup>	2,958.81
Adult Learning Centre Instructors	64.45	(16.00) <sup>5)</sup>	48.45
Trades	56.00	4.00 <sup>6)</sup>	60.00
	5,477.05	(45.63)	5,431.42

Source: 2014/2015 Form 1530 submission adjusted for enrolment and Board approvals, 2015/2016 per projected changes

- 1) Change primarily due to enrolment related reduction in Special Education Assistants entitlement (13.30 FTE), Alternate Program Youth Family Worker (1.00 FTE), Adult Education clerical support (0.50 FTE), and net reduction due to Peoplesoft implementation impact (2.00 FTE)
- 2) Change due to new positions to support Peoplesoft (4.00 FTE), offset by enrolment impact on adult education center advisor entitlement (0.40 FTE)
- 3) Change due to the estimated enrolment decline impact on school vice principal (3.00 FTE) and adult education centers administrators entitlements (0.89 FTE)
- 4) Change primarily due to impact of projected 2015/2016 enrolment decline.
- 5) Change due to reduction of Adult Education instructors due to enrolment decline.
- 6) Change due to reversal of 14/15 Board decision of one-time Trades reduction (4.0 FTE).

## 1.3 Local Capital Reserve

The Local Capital Reserve (LCR) 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. SIS implementation, International Village completion). As shown in the table below, the LCR is in a deficit position.

The projected balance available in the Local Capital Reserve at the end of 2014/2015 is \$(0.46) million after including the \$2.48 million transfer from the Operating Fund to the LCR to help offset the 2014/2015 funding shortfall. Net revenues of approximately \$1.17 million are also expected to accrue to the Local Capital Reserve during 2015/2016 which will help fund proposed projects totalling \$2.53 million. This is expected to bring the estimated available balance at the end of 2015/2016 to \$(2.09 million).

Based on the above, the following table outlines the projected financial position of the Local Capital Reserve from 2015/2016 to 2017/2018.

<b>Projected Local Capital Reserve Fund Balance</b>				
(\$ Millions)				
	2014/2015	2015/2016	2016/2017	2017/2018
<b>Opening Balance as at July 1</b>	<b>\$ 3.99</b>	<b>\$ (0.46)</b>	<b>\$ (2.09)</b>	<b>\$ (1.53)</b>
Revenue	1.17	1.17	1.17	1.17
Expenditure	(0.27)	(0.27)	(0.27)	(0.27)
Board Approved Interfund Transfers and Work In Progress				
Board Approved Transfer	(2.48)			
SFE Implementation	(0.03)			
Renovation of Tupper	(0.04)			
Records Management	(0.23)			
Relocation of Learning Services	(0.42)			
Relocation of Main Street Adult Ed centre	(0.54)			
SIS Implementation	(0.60)	(0.73)	(0.33)	
Funding for International Village	(1.00)	(1.80)	-	-
	(5.35)	(2.53)	(0.33)	-
<b>Closing Balance as at June 30</b>	<b>\$ (0.46)</b>	<b>\$ (2.09)</b>	<b>\$ (1.53)</b>	<b>\$ (0.64)</b>

#### 1.4 2016/2017 Preliminary Operating Budget Projection

The following table presents a preliminary operating budget projection for the VBE for 2016/2017. A projected funding shortfall of \$21.33 million is estimated for 2016/2017. It should be noted that this is a preliminary high-level estimate based on assumptions as to the major budget change factors. Accordingly, this projection should be considered as a range estimate rather than a discrete number. It should also be noted that the projection for 2016/2017 may be impacted due to the approval of any budget proposals for 2015/2016.

The estimates for 2015/2016 and 2016/2017 are based on the following key assumptions:

- estimated changes in general student enrolment based on a decline of 183 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 that they are fully funded by the Province);

2016/2017 Preliminary Projection (\$ millions)			
	2015/2016		2016/2017
<b>Costs Not Funded by the Province</b>			
Salary Increments <sup>1)</sup>	\$	(1.25)	\$ (1.23)
Employee Benefits Increase <sup>2)</sup>		(0.87)	(0.85)
Inflation <sup>3)</sup>		(0.68)	(0.77)
	\$	(2.80)	\$ (2.85)
<b>Enrolment Change <sup>4)</sup></b>	\$	(3.33)	\$ (0.94)
<b>Other Factors</b>			
2014/2015 Projected Operating Surplus Carry forward to 2015/2016 <sup>5)</sup>	\$	7.70	\$ (7.70)
Prior Year One-Time Revenue and Expenses <sup>6)</sup>		(18.77)	
Prior Year Ongoing Revenue and Expenses <sup>7)</sup>		3.40	
Ministry of Education Operating Grant Changes <sup>8)</sup>		1.79	(0.65)
Use of 2013/2014 Unrestricted Surplus <sup>9)</sup>		5.83	(5.83)
2015/2016 Ministry Directed Administrative Savings <sup>10)</sup>		(2.68)	(2.31)
Ministry Provided Shared Services Savings <sup>11)</sup>		0.37	(0.37)
Other <sup>12)</sup>		(0.05)	(0.68)
	\$	(2.40)	\$ (17.54)
<b>Total Projected Surplus / (Shortfall)</b>	\$	(8.52)	\$ (21.33)

<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 2014/2015; further projected decreases of 183 FTE for 2016/2017.

<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.

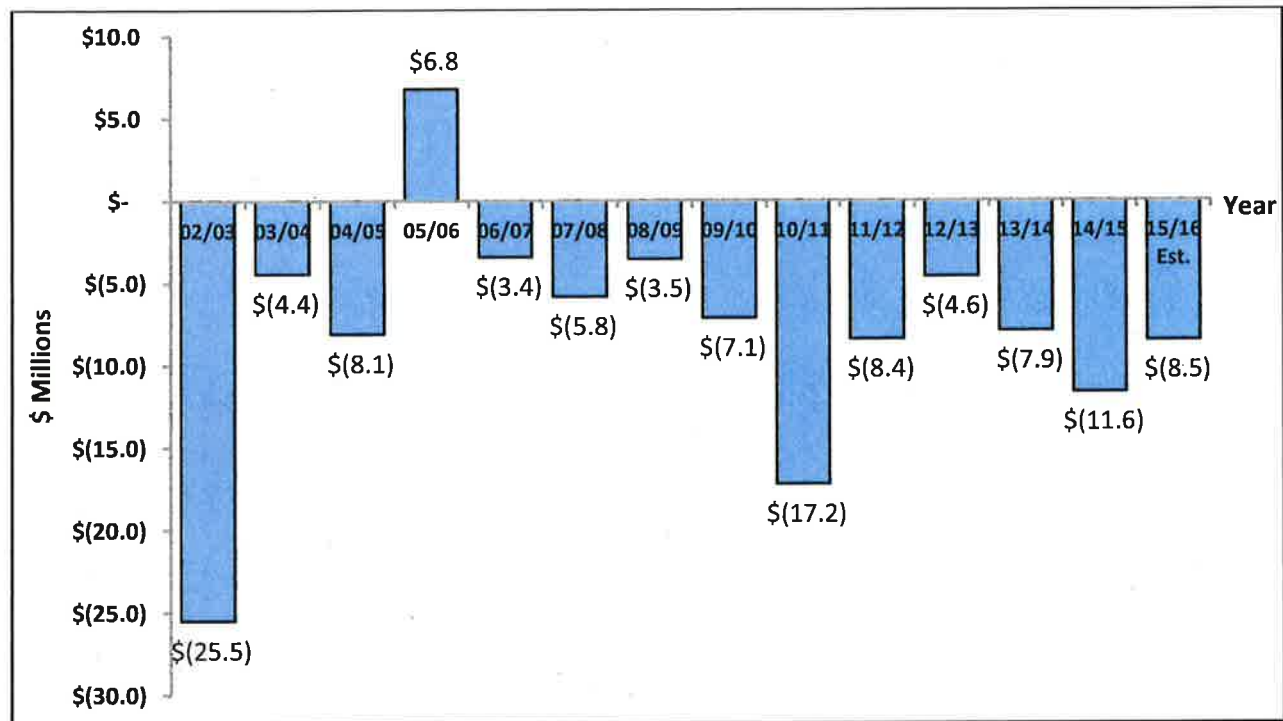
<sup>11)</sup> 2014/2015 Ministry Attendance Support and Wellness Grant (\$0.32 million) and 2015/2016 one-time savings from estimated Ministry shared legal services (\$0.05 million).

<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).

## 1.5 Long Term Financial Sustainability

The VBE has faced annual funding shortfalls every year, except for one, since 2002, as indicated in the following chart.

### History of Operating Budget Projected Funding Surplus / (Shortfall)



The reasons for the annual funding shortfalls include the following:

- Cost increases not funded by the Province (e.g. salary increments, employee benefit cost increases and inflation on goods and services),
- Decline in enrolment, and
- Prior year's one-time funding initiatives (that do not result in on-going budget savings). For example, use of the Local Capital Reserve, benefits surpluses or annual budget surpluses.

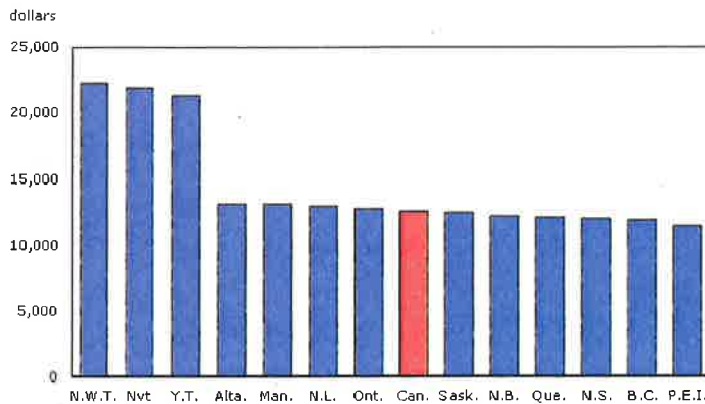
Every year the Board has to approve budget proposals which will offset the funding shortfall and result in a balanced budget. The budget proposals are comprised of on-going reductions to the base budget (either as a result of reductions in staff and supplies or revenue increases) or one-time adjustments (e.g. withdrawals from the Local Capital Reserves, benefits surpluses, school calendar changes or annual budget surpluses). It is becoming more and more challenging to achieve a balanced budget. The increased reliance on one-time funding sources increases funding shortfalls in the future and therefore the risk of achieving balanced budgets. In order to be financial sustainable, the VBE needs to identify more permanent long-term solutions.

### 1.5.1 Additional Provincial Funding

Part of a long-term solution would be for the Province to provide additional funding for K-12 public education. As outlined in the September, 2014 submission by the VBE to the Select Standing Committee on Finance and Government Services, British Columbia is falling behind the rest of Canada in terms of spending per student, growth in education expenditures since 2006/2007 and student-educator ratios, as exhibited in the following graphs.

#### Spending per student lags the Canadian average.

Chart 19.1.1  
Total expenditures per student in public elementary and secondary schools, 2010/2011 (in current dollars)

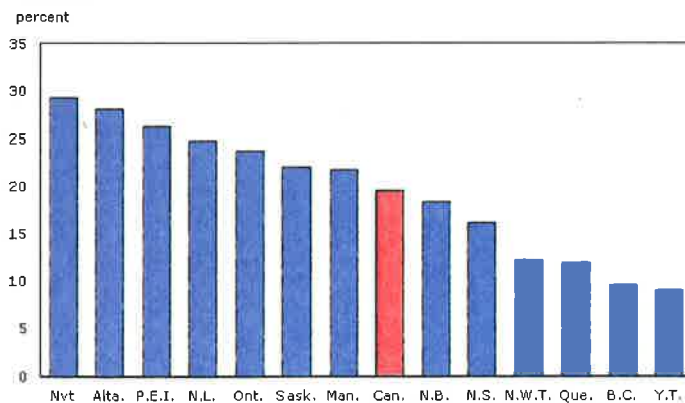


Source: Statistics Canada, Elementary-Secondary Education Survey.

The average expenditure per student nationally for 2010/2011 (the most recent Statistics Canada figures) was \$12,557. BC remains at \$11,832.

#### Growth in education expenditures since 2006/2007 is far below the Canadian average.

Chart 16.2  
Percentage change between 2006/2007 and 2010/2011 for operating expenditures in public elementary and secondary schools



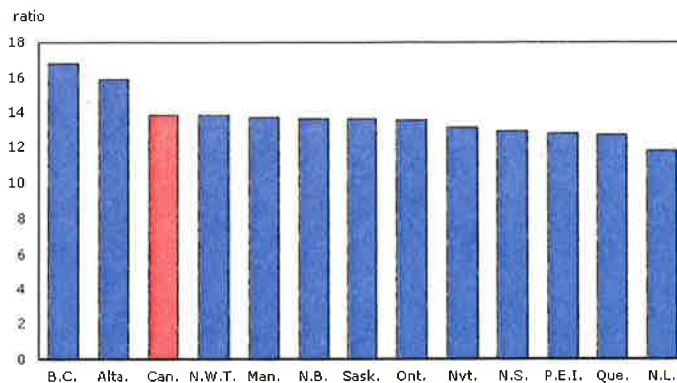
Source: Statistics Canada, Elementary-Secondary Education Survey.

Operating expenditures in public elementary and secondary schools in Canada grew by 19.6% between 2006/2007 and 2010/2011.

Operating expenditures for K-12 education in BC over this time period grew by only 9.6%. Only the Yukon Territories had a lower expenditure growth over this time period.

BC has the most students allocated per educator of all the provinces.

**Chart 13.1**  
Student-educator ratio in public elementary and secondary schools, 2010/2011



The average educator in Canada supports 13.8 students. In BC, that figure is 16.8.

Source: Statistics Canada, Elementary-Secondary Education Survey.

### 1.5.2 Base Budget Reductions

Although an argument can be made for increased provincial funding for K-12 public education in British Columbia, the VBE cannot rely on the Provincial Government to provide increased funding. As the Ministry of Education funds all school districts based on the same funding formula, the VBE cannot expect to receive additional funding for Vancouver only. Accordingly, the VBE will need to rely on on-going base budget reductions in order to continue to balance budgets in the future. The challenge is deciding which budgets and staffing should be impacted.

In order to assist the Board in this difficult task, an analysis of key staffing ratios compared to a subset of comparable school districts in the Province was undertaken. The source of information was based on staffing and enrolment data submitted by each school district to the Ministry of Education, supplemented by more detail obtained from the comparable school districts included in the subset. The following table provides a summary of the staffing ratios for Vancouver compared to the subset of comparable school districts, and the increase or decrease in staff if Vancouver was to staff at the subset level.

Student / Staff Ratios - 2014			
	Vancouver	Subset Districts	FTE Under / (Over) Subset*
Teachers	16.9	17.6	(114.4)
Educational Assistants	56.9	57.4	(7.6)
Principals / Vice Principals	256.3	259.4	(2.3)
Excluded and Support Staff	42.9	53.0	(227.0)
<b>Total District Staffing</b>	<b>9.6</b>	<b>10.3</b>	<b>(347.0)</b>

\*Staffing impact if Vancouver was to staff at the subset staffing ratios.



It should be noted that there are differences in programming and staffing structures in each district, so these staffing ratios should be considered a broad means of comparison.

The two areas of significant difference compared to the subset districts are in teachers and excluded and support staffing. Higher teacher staffing could be related to the number of smaller elementary schools we have in Vancouver and to the larger number of alternative and special programs at the secondary level. The higher staffing for excluded and support staff is primarily related to the Facilities area.

The following table provides a summary of the staffing ratios (students per staff FTE) in the Facilities area compared to the subset districts, plus the increase or decrease in staff if Vancouver was to staff at the subset level.

<b>Student / Staff Ratios – Facilities - 2014</b>			
	<b>Vancouver</b>	<b>Subset Districts</b>	<b>FTE Under / (Over) Subset*</b>
Building Operations	121.1	178.0	(133.0)
Building Maintenance	441.2	600.1	(30.0)
Grounds	744.7	1,622.4	(37.0)
<b>Total</b>	<b>84.3</b>	<b>126.6</b>	<b>(200.0)</b>

*\*Staffing impact if Vancouver was to staff at the subset staffing ratios.*

The reason for the higher staffing ratios in the Facilities area in Vancouver is primarily due to two factors; the greater amount of space per student and staffing per square foot ratios included in collective agreements. Space per student is 157 square feet in Vancouver, compared to 123 square feet per student in the subset districts (28% greater). The additional square footage accounts for approximately 80 FTE of the additional 133 FTE in building operations. The remaining 53 additional FTE in building operations is as a result of the staffing ratios per square foot included in the collective agreements. The additional staffing for building maintenance is primarily due to the amount of additional space to maintain, while the additional staff in grounds is related to the number of schools and the minimum staffing levels included in the collective agreement.

In summary, the following factors are the major reasons why the VBE may find it more challenging to be financially sustainable than other school districts in the Province:

- Excess facility space which results in higher facility operations and maintenance costs,
- Staffing ratios and minimum staffing levels for building operations and grounds included in collective agreements, and
- Higher teacher staffing.

The excess facility space will be one of the issues addressed in the Long Range Strategic Facilities Plan to be completed by June 30, 2015. The two major reasons for the excess space are likely the higher number of older schools (which generally tend to be larger) and the reduction in enrolment over the last number of years. Significant operating expenditures may be able to be achieved with a reduction in facility space. However, it should be acknowledged that this would require support by the Board and community and a number of years to achieve.

Staff ratios and minimum staff levels for building operations and grounds are embedded in collective agreements and will be challenging to address.

Higher teacher staffing could be partly adjusted in the short-term, however in the long-run, adjustments may be required in the number of schools and programs which have low student/teacher ratios.

In addition to the above, given the annual funding shortfalls faced by the Board, it is important to focus available resources on core K-12 instructional services. The three large non-core programs previously provided by the Board include Continuing Education (non-credit programs), Adult Education and International Education. Continuing Education and Adult Education have operated at a deficit. The Board eliminated the Continuing Education program last year based on an agreement with Langara College to integrate with their programs. A review of Adult Education is currently underway. International Education provides close to \$10 million in net revenue to support K-12 services.

Future budgets will have to address the above fiscal challenges for the Vancouver School Board in order to achieve financial sustainability.