



# Vancouver Board of Education

School District No. 39

BOARD OF SCHOOL TRUSTEES

1580 West Broadway

Vancouver, B.C. V6J 5K8

Telephone: 604-713-5000

Fax: 604-713-5049

July 7, 2016

The Honourable Mike Bernier  
Minister of Education  
PO Box 9045, Stn Prov Govt.  
Victoria BC V8W 9E2

Dear Minister Bernier:

**Re: Vancouver Board of Education 2016/17 Operating Budget**

This letter acknowledges receipt of your letter dated July 4, 2016 regarding the Vancouver Board of Education (VBE) 2016-17 Operating Budget.

On April 28, 2016, the Board rejected the 2016-17 budget proposals from senior management staff for balancing the 2016-17 VBE operating budget. The preliminary budget proposals required severe cuts to programs and services for Vancouver students. The rejection of the budget by the VBE was strongly supported by parents, students, teachers, support staff, and community organizations.

The VBE has faced significant shortfalls for more than a decade. As a result of these funding shortfalls, the VBE has had to make significant reductions in service levels for students. Included with this letter, you will find a copy of the 2016 VBE Restoration Budget. The Restoration Budget identifies the program and service cuts made over the past decade, as well as the additional funding that would be required by the VBE in order to restore the service levels that were in place more than a decade ago. Taking into account, declining enrolment and inflation, our professional finance staff have determined that the VBE would require approximately \$79.4-million in additional annual funding in order to provide the same level of service available to students prior to the 2002/03 budget cuts.

On May 3, 2016, VBE Vice-Chair, Janet Fraser, Superintendent of Schools, Scott Robinson, and I met with you and Deputy Minister David Byng to discuss the VBE 2016-17 budget shortfall. At this meeting, I requested the Ministry of Education to provide the VBE with additional funding to address the 2016-17 \$24-million (now \$21.8-million) Operating Budget shortfall. I also indicated that the VBE was particularly concerned about the Level 3 & 4 budget proposals that would have a high or severe impact on Vancouver students. During the meeting, I also informed you that should the Ministry of Education formulate other creative options for addressing the VBE shortfall without impacting future VSB budget shortfalls, I would take any such proposal to the Board for their consideration.

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Board of School Trustees:

Mike Lombardi – Chairperson

Janet Fraser – Vice-Chairperson

Joy Alexander Patti Bacchus Fraser Ballantyne

Penny Noble Christopher Richardson Stacy Robertson Allan Wong

Hon. Mike Bernier, Minister of Education  
July 7, 2016  
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At a private VBE meeting, on June 29, 2016, VBE staff and I presented your proposal dated June 28, 2016 for addressing some of the 2016-17 operating budget shortfall to the Board. Following considerable discussion, the VBE rejected the Ministry of Education proposal to use \$5.59-million of future VBE capital assets sales proceeds to address some of the VBE's 2016/17 budget shortfall. The proposal did not contain any additional provincial funding to the VBE. The Board was opposed to using capital assets to offset budget shortfalls. Additionally, the proposal did not offer adequate, stable, or predictable funding to eliminate the 2016-17 shortfall. The Board concluded that the proposal would have worsened future operating budget shortfalls. While the Board appreciated your efforts to prepare the proposal, the VBE rejected the proposal by a significant majority.

Prior to announcing the VBE decision to reject the Ministry of Education proposal at the public Board meeting on the same evening, I emailed you a letter informing you that your proposal letter contained confidential business information that was disclosed to you in confidence. The disclosure of this information would be harmful to the financial and economic interests of the VBE, and the business interests of a third party, specifically the registered holder of a lease and a right of first refusal in respect of the subject property. Pursuant to sections 17 and 21 of the BC Freedom of Information and Protection of Privacy Act, I requested that you not publicly release the proposal letter, or that in the event the letter was released, paragraphs 3, 4 and 6 of the letter be redacted before it is disclosed.

I was extremely disappointed that you chose to release details of the proposal that identified the Kingsgate Mall site. As you know, we are in discussions with the leaseholder regarding redevelopment of the site and changes to the existing lease. It is our hope these negotiations will yield funds that the VBE can use to supplement capital project budgets while increasing annual lease revenue to support district operations. Your decision to release these details of your proposal may negatively affect our ability to negotiate the best terms for the VBE, which is a serious concern.

As you are aware, the Ministry of Education appointed Special Advisors to undertake reviews of VBE finances in 2010 and 2015. Both of these reviews were undertaken at considerable financial and human resource costs. It is my hope that you will consider re-allocating the financial resources dedicated for the proposed new Special Advisor to the VBE, to use in support of student learning. If the Special Advisor is appointed, the VBE will fully cooperate. In the event that you proceed with the audit, I would request additional financial support for our senior management and finance team. As you are aware, our team has been working under stressful and abnormally long hours on the budget, Long Range Facilities Plan, School Closure Process and Strategic Planning. Beyond that, to best assist the audit team, I believe it is reasonable for you to provide the extra resources required.

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Hon. Mike Bernier, Minister of Education  
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Thank you for also confirming that the VBE has the full authority to spend and manage its financial resources.

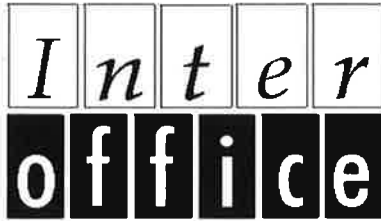
Sincerely,

A handwritten signature in black ink, appearing to read "Mike Lombardi". The signature is fluid and cursive, with the first name "Mike" being more prominent than the last name "Lombardi".

Mike Lombardi  
Chairperson

Attachment: 2016 VSB Restoration Budget

cc VBE Trustees  
S. Robinson, Superintendent  
R. Horswill, Secretary Treasurer  
D. Byng, Deputy Minister of Education



# Memorandum

vancouver school board

April 19, 2016

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

FROM: Russell Horswill, Secretary Treasurer  
Lisa Landry, Director of Finance

RE: **Restoration Budget**

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After the funding announcement from the Ministry of Education on April 4, 2016, Trustees requested staff to update the restoration budget prepared on March 31, 2016. The Ministry announced an increase in student funding of \$52 per student which resulted in \$2.625 million of additional funding for the Vancouver Board of Education.

As a result of this announcement, the funding shortfall in the Restoration Budget has reduced from \$82.0 million to \$79.4 million.

## **Purpose**

The Vancouver Board of Education (VBE), like other school boards in the Province, has faced significant funding shortfalls over the past decade. As school districts receive more than 90% of their funding from the Province, these funding shortfalls are attributable to cost increases which have not been funded by the Province and other factors. As a result of these funding shortfalls, school districts have had to make reductions to the level of services they provide in order to achieve balanced budgets, as required by the *School Act*.

The purpose of the restoration budget is to identify the additional funding that would be required by the VBE in order to restore the same level of service that was in place over a decade ago. For the purpose of this analysis, we have chosen the 2002/2003 base budget (i.e. before the budget cuts in that year) as the service level in which to restore. The 2002/2003 funding shortfall (\$25 million) resulted in significant budget and service level reductions. The VBE has faced funding shortfalls in every year since, with the exception of 2005/2006.

In 2016/2017, VBE is facing another significant shortfall of \$24 million, which will result in further reductions in service levels.

## **Methodology**

The VBE base operating budget for 2002/2003 was \$415.9 million. The intent of this analysis is to project what the VBE operating budget would be for 2016/2017 if the 2002/2003 service levels were maintained. In order to perform this analysis, the 2002/2003 base budget was adjusted to reflect the following factors over the last 14 years:

- Salary increments for teachers, administrators and excluded staff;
- Collective agreement increases;
- Changes to employee benefits;
- Inflation on goods and services; and
- Changes in enrolment.

Based on the above-noted adjustments, it is projected that the 2016/2017 operating budget would have to be in the order of \$559.4 million to be able to deliver the same level of service that was in place before the 2002/2003 budget cuts. VBE's actual base budget for 2016/2017 is \$480.0 million. Accordingly, the VBE would need approximately \$79.4 million in additional annual funding in order to provide the same level of service as was delivered prior to the 2002/2003 budget cuts.

Attachment A presents a graphic presentation of the results of this analysis. Attachment B provides a summary of the major factors which cause the 2002/2003 base budget to increase to a projected \$559.4 million by 2016/2017. Attachment C outlines the major areas that are currently underfunded compared to 2002/2003. Attachment D provides a sample of some of the service cuts that the VBE has had to make over the last decade. Attachment E provides a summary of the major provincial cost increases downloaded to school districts without a related increase in funding.

#### Update from Prior Year's Restoration Budget

For the 2015/2016 year, the restoration budget was projected at \$553.7 million. The update for 2016/2017 adds another \$5.7 million in costs, totalling \$559.4 million.

| 2002/03 Budget Restated (\$millions)    | 2015/2016 Restoration | Update     | 2016/2017 Restoration |
|---|-----------------------|------------|-----------------------|
| 2002/03 Base Budget                     | 415.9                 |            | 415.9                 |
| <b>Cost Increases Since 2002</b>        |                       |            |                       |
| Collective Agreements Increases         | 72.5                  | 5.7        | 78.2                  |
| Salary Increments                       | 40.1                  | 2.7        | 42.8                  |
| Employee Benefits Cost Increases        | 38.1                  | (0.7)      | 37.4                  |
| Inflation on Goods and Services         | 11.7                  | 0.9        | 12.6                  |
| Expenditure Impact of Enrolment Changes | (9.9)                 | (1.7)      | (11.6)                |
| Employee Turnover Salary Savings        | (14.7)                | (1.2)      | (15.9)                |
| <b>Subtotal of cost increases</b>       | <b>137.8</b>          | <b>5.7</b> | <b>143.5</b>          |
| <b>Total</b>                            | <b>553.7</b>          |            | <b>559.4</b>          |

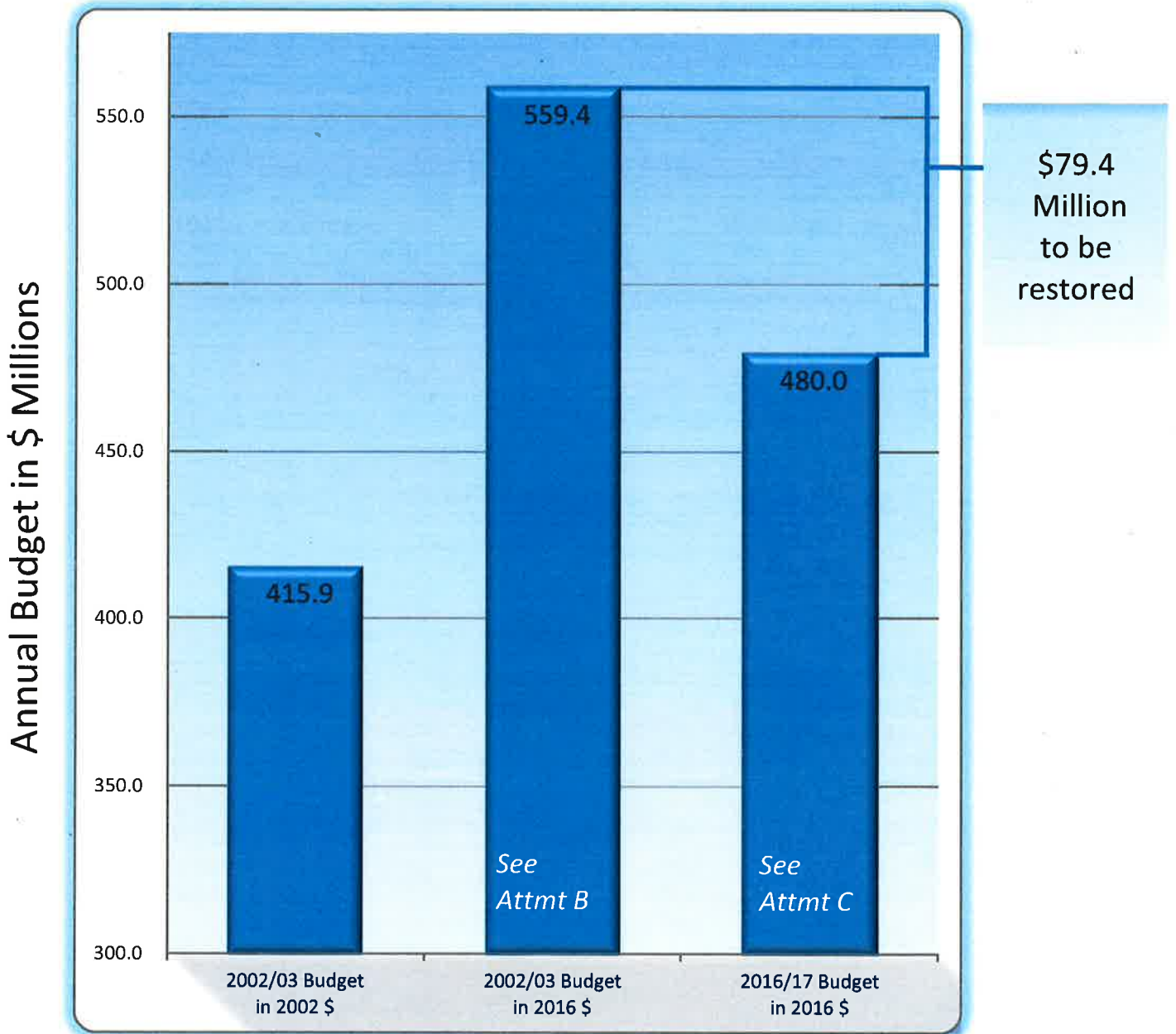
The above summarizes the impact on expenditures (\$5.7 million). It is also important to note that revenues have decreased a net of \$14.2 million dollars. Thus, the total increase in the restoration budget for 2016/2017 is \$19.9 million (\$5.7 million additional expenditures plus \$14.2 million less revenue). The revenue decrease is mainly due reduction of prior year's surplus (\$11.9 million), declining K-12 enrolment (\$7.9 million), the second year of MOE directed administration cuts (\$2.3 million), loss of funding protection (\$1.1 million), offset by change in per student funding (\$4.3 million), increase in international education revenue (\$2.3 million), MOE holdback distribution (\$1.4 million) and sale and leaseback revenue (\$1.0 million).

It should be noted that this is a high-level analysis meant to identify the order of magnitude of

additional funding that would be required to restore the same level of service as was in place prior to the 2002/2003 budget cuts. The projection is dependent on the methodology employed and assumptions made.

This report is provided for information.

## Projected Restoration Budget for 2016/17



## Attachment B

| 2002/03 Budget Restated to Current 2015 Dollars | (\$million)  | (\$million)                   |
|---|--------------|-------------------------------|
| 2002/03 Base Budget                             | 415.9        |                               |
| <b>Cost Increases Since 2002</b>                |              | <b>Change from Prior Year</b> |
| Collective Agreements Increases                 | 78.2         | 5.7                           |
| Salary Increments                               | 42.7         | 2.7                           |
| Employee Benefits Cost Increases                | 37.4         | (0.7)                         |
| Inflation on Goods and Services                 | 12.6         | 0.9                           |
| Expenditure Impact of Enrolment Changes         | (11.6)       | (1.7)                         |
| Employee Turnover Salary Savings                | (15.9)       | (1.2)                         |
| <b>Subtotal of cost increases</b>               | <b>143.4</b> | <b>5.7</b>                    |
| <b>Total</b>                                    | <b>559.4</b> |                               |

Table A: The 2002/2003 base budget is notionally adjusted to reflect the change in the purchasing power of money from 2002 to 2016.

This takes into account changes in the following factors over the intervening period:

- × Collective agreements provides for the salary increases negotiated in collective agreements
- × Salary increments within pay bands for teachers, school administrators and exempt staff.
- × Inflation on goods and supplies at rates that reflect general inflation

These increases in costs are offset by:

- × Reduction in enrolment in the period. 2016 enrolment is lower than 2002 enrolment, and this has been accounted for as a reduction
- × Turnover savings, due to retiring teachers at the top end of salary scales being replaced by new teachers

## Attachment C

| Areas Reduced during 2002/03 to 2016/17 | (\$million)   |
|---|---------------|
| Teachers                                | (59.6)        |
| Education Assistants                    | 3.4           |
| Other Staff                             | (9.9)         |
| Services & Supplies                     | (13.2)        |
| <b>Total</b>                            | <b>(79.4)</b> |



| Sample of Budget Cuts                                | Year      | FTE      | Net Amount   |
|--|-----------|----------|--------------|
| K-12 Teaching Allocation                             | 2015/2016 | (10.73)  | (1,055,632)  |
| Adult Education Program Change                       | 2015/2016 | (16.71)  | (526,212)    |
| Maintenance Service Reduction (one-time)             | 2015/2016 | (5.00)   | (504,628)    |
| Band and Strings Reduction                           | 2015/2016 | (3.00)   | (340,950)    |
| Furniture and Equipment Reduction (one-time)         | 2015/2016 | -        | (375,000)    |
| District Administration                              | 2014/2015 | (4.40)   | (509,500)    |
| Continuing Education                                 | 2014/2015 | (9.21)   | (514,400)    |
| Suspend selected maintenance for one year            | 2014/2015 | (4.00)   | (399,600)    |
| Alternative Programs                                 | 2014/2015 | (2.89)   | (224,836)    |
| Literacy Mentor and Consultant                       | 2014/2015 | (1.40)   | (133,494)    |
| Reduction of Enrolling Teachers                      | 2013/2014 | (4.00)   | (285,040)    |
| Reduction of Youth and Family Workers                | 2013/2014 | (2.00)   | (116,000)    |
| Suspend selected maintenance for one year            | 2013/2014 | (2.00)   | (177,500)    |
| Adult Education Program: Self-Paced Program          | 2012/2013 | (4.50)   | (402,120)    |
| District Management Reorganization                   | 2011/2012 | (8.00)   | (301,851)    |
| Vice Principal Reduction                             | 2011/2012 | (3.00)   | (171,336)    |
| Reduction in Cafeteria Subsidies                     | 2011/2012 | (3.00)   | (200,000)    |
| Reduction of Summer School Teachers and Supplies     | 2011/2012 | (3.20)   | (237,500)    |
| Adult Education - Teacher Assistants and Instructors | 2011/2012 | (4.75)   | (464,610)    |
| Non-enrolling teachers                               | 2010/2011 | (20.10)  | (1,360,971)  |
| Suspend interior painting for one year               | 2010/2011 | (12.00)  | (1,146,000)  |
| Teaching Staff reduction                             | 2009/2010 | (13.15)  | (853,521)    |
| Reduction of Vice Principal                          | 2007/2008 | (1.46)   | (153,329)    |
| Reduction of Teachers                                | 2007/2008 | (40.00)  | (2,480,000)  |
| Non-enrolling Teachers                               | 2006/2007 | (37.60)  | (2,266,000)  |
| Elementary VPs                                       | 2004/2005 | (3.00)   | (252,000)    |
| Finance & Administration                             | 2004/2005 | (4.00)   | (338,450)    |
| Learning & Information Technology                    | 2004/2005 | (2.50)   | (176,375)    |
| Operations & Maintenance                             | 2004/2005 | (6.70)   | (600,000)    |
| Supervision Aides                                    | 2004/2005 | (16.00)  | (154,304)    |
| Community Facilities/Swimming                        | 2004/2005 | -        | (102,281)    |
| Associate Superintendent                             | 2003/2004 | (1.00)   | (160,000)    |
| Closure of Shannon Park Annex                        | 2003/2004 | (4.20)   | (400,000)    |
| Learning and Information Technology Reorganization   | 2003/2004 | (8.00)   | (549,500)    |
| Principals   | 2003/2004 | (3.30)   | (377,000)    |
| Human Resources Reorganization                       | 2003/2004 | (7.00)   | (503,510)    |
| Finance and Administration Reorganization            | 2003/2004 | (4.00)   | (186,000)    |
| Teaching Staff reduction                             | 2002/2003 | (200.00) | (12,095,735) |
| Instructional Supplies & Expenses                    | 2002/2003 | -        | (2,463,942)  |
| Superintendent's Short Term Assignments              | 2002/2003 |          | (128,000)    |
| Elementary Extra Clerical                            | 2002/2003 | (10.00)  | (400,000)    |
| Multicultural Home School Workers                    | 2002/2003 | (9.50)   | (392,118)    |
| Elementary & Secondary Vice Principals               | 2002/2003 | (9.30)   | (502,000)    |
| District Administration                              | 2002/2003 | (9.20)   | (630,031)    |
| Operations & Maintenance                             | 2002/2003 | (35.40)  | (2,509,239)  |
| Multicultural Home School Workers                    | 2002/2003 | (9.50)   | (392,118)    |

| Selected Provincially Downloaded Costs     | Year                 | Amount  |
|--|----------------------|---|
| NGN Cost Increase                          | 2016/2017            | 958,825   |
| NGN Cost                                   | 2015/2016            | 1,293,664   |
| Teacher's Pension Plan                     | 2013/2014            | 3,517,802   |
| MSP  | 2009/2010 to Present | 1,294,246   |
| Carbon Offsets                             | 2009/2010 to Present | 2,408,461   |
| School Protection Plan Deductible increase | 2009/2010            | The deductible for insurance increased from \$3,000 to \$10,000 |