



VANCOUVER BOARD OF EDUCATION

2016/2017 FISCAL FRAMEWORK

March 2016

VANCOUVER BOARD OF EDUCATION

2016/2017 FISCAL FRAMEWORK

1.0 Introduction

This document is focused on the Operating Fund.

1.1 Historical Information

- 1.1.1 Enrolment
- 1.1.2 Revenue and Expenditure
- 1.1.3 Staffing

1.2 2016/2017 Base Budget

- 1.2.1 Major Assumptions
- 1.2.2 2016/2017 Projected Operating Funding Shortfall
- 1.2.3 Base Budget 2016/2017 Revenue
- 1.2.4 Base Budget 2016/2017 Expenses
- 1.2.5 Base Budget Staffing

1.3 Local Capital Reserve

1.4 2017/2018 Preliminary Operating Budget Projection

1.5 Long Term Financial Sustainability

- 1.5.1 Additional Provincial Funding
- 1.5.2 Base Budget Reductions

1.0 Introduction

The Vancouver Board of Education (VBE) is estimating that it will be facing a funding shortfall for 2016/2017 of \$27.26 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 2016/2017. Additional background information will be available at the website 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 2011/2012 to 2015/2016 and comparative enrolment, staffing, revenue and expenditure information;
- 2016/2017 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 2016/2017 funding shortfall;
- updated Local Capital Reserve projection for 2016/2017; and
- preliminary operating budget projection for 2017/2018.

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.

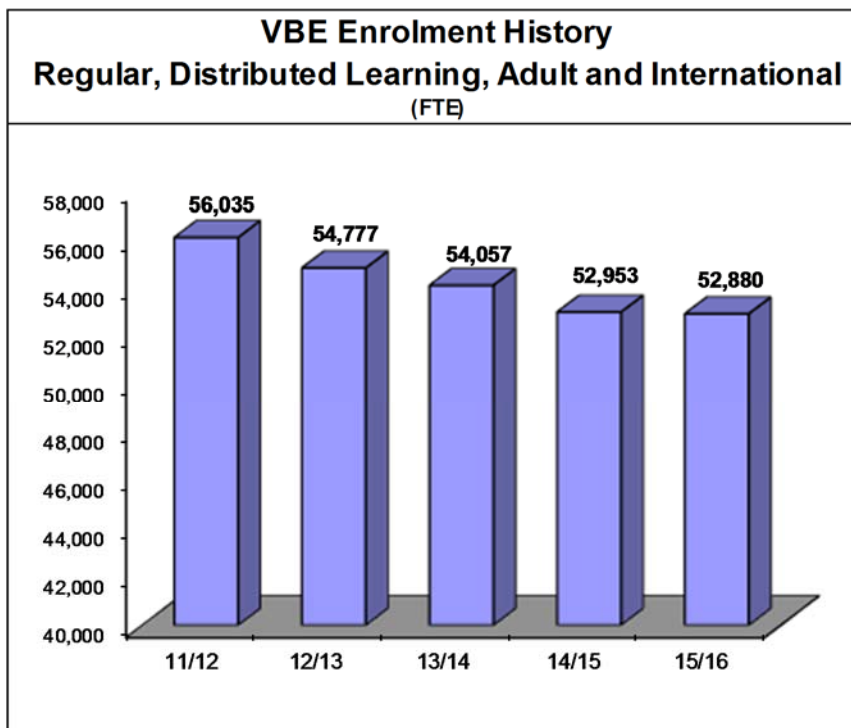
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1.1 Historical Information

The information in this section includes comparative final budget information for the years 2011/2012 to 2015/2016.

1.1.1 Enrolment

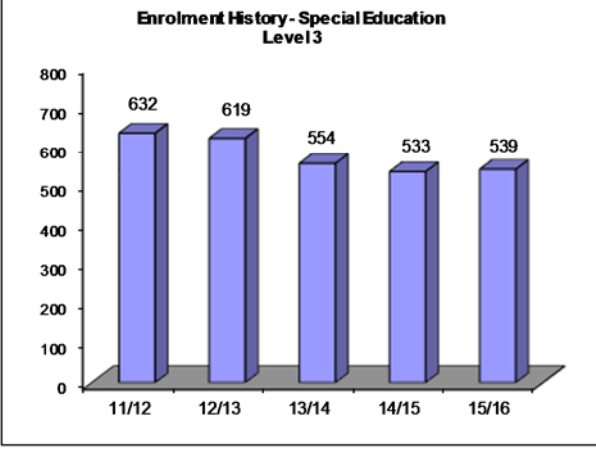
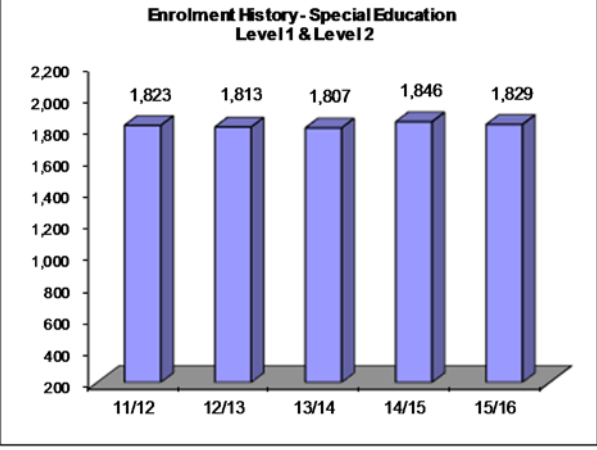
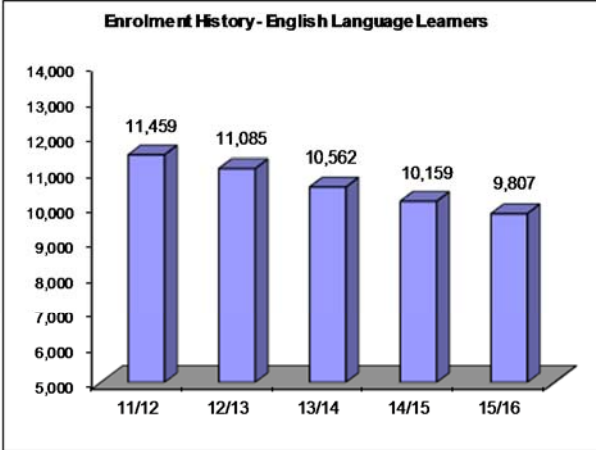
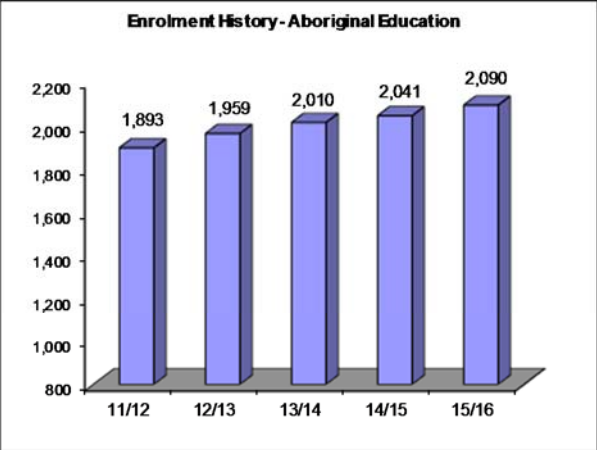
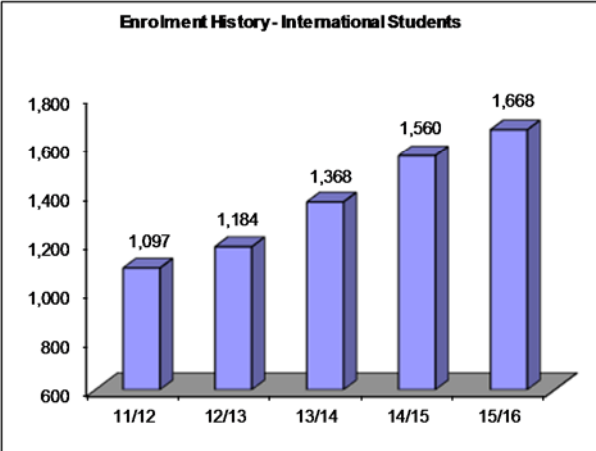
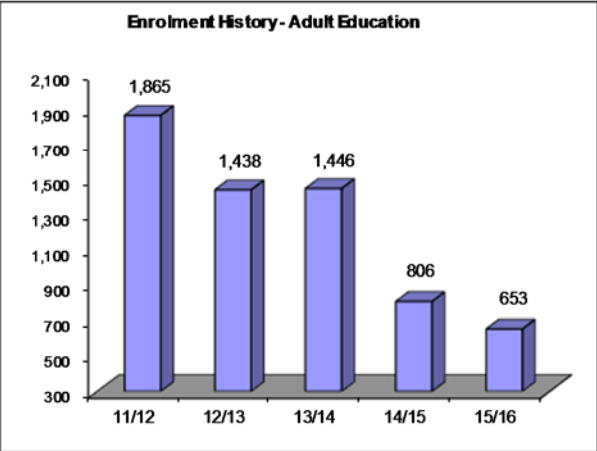
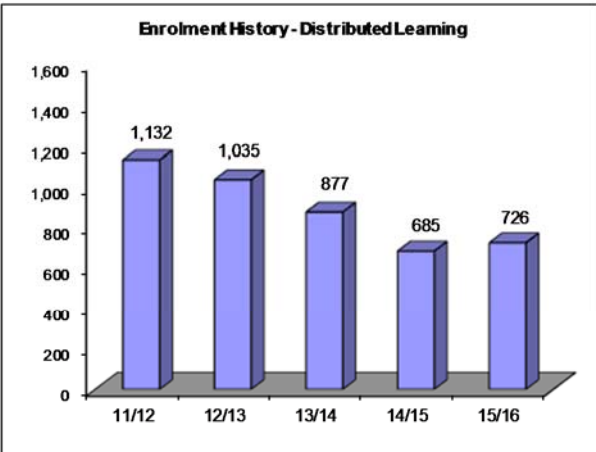
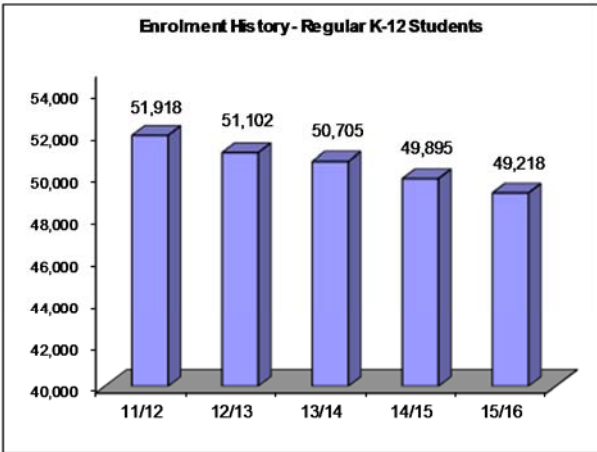
Funded student enrolment has been declining every year since 2011/2012 and has decreased by a cumulative total of 3,155 Full-Time Equivalent (FTE) students over this five-year period.



Source: 2011/2012 Ministry Full-Year Funding Allocation System, 2012/2013-2015/2016 Interim FAS updated for February enrolment

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 has been increasing consistently for a number of years reaching a high of 1,846 FTE in 2014/2015 but has leveled off at 1,829 FTE for 2015/2016. Level 3 Special Education enrolment has declined over the same 5 year period from 632 FTE in 2011/2012 down to 539 FTE in 2015/2016.

International student enrolment has been increasing from 1,097 FTE in 2011/2012 to 1,668 FTE in 2015/2016.



Source: 2011/2012 Ministry Full-Year Funding Allocation System, 2012/2013-2015/16 Interim FAS updated for February enrolment

1.1.2 Revenue and Expenditure

From 2011/2012 to 2015/2016, budgeted revenues remained fairly steady with the exception of a large decrease in 2014/2015 due to a one-time strike savings claw back (\$17.80 million). 2015/2016 shows restored revenue levels with an increase over 2014/2015 due to higher provincial grants to fund negotiated labour settlement costs, offshore tuition fees and miscellaneous income. Annually, provincial grants account for over 92% of VBE revenues.

The following table details the categories of locally generated revenue. Offshore tuition fees represent over 58% of the VBE generated revenues.

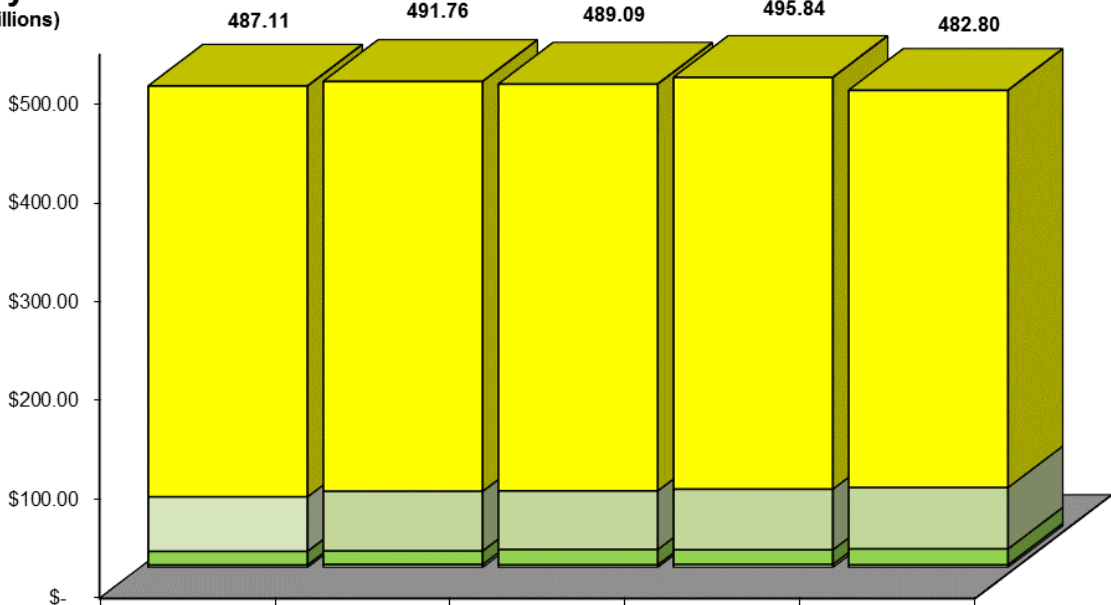
VBE Revenue by Source (\$ Millions)					
	2011/2012 Final Budget	2012/2013 Final Budget	2013/2014 Final Budget	2014/2015 Final Budget	2015/2016 Final Budget
Provincial and Other Grants	\$ 464.09	\$ 456.32	\$ 454.80	\$ 436.34	\$ 449.70
Fees, Rentals, and Other Revenue					
Francophone Education Authority	\$ -	\$ -	\$ -	\$ -	\$ -
Summer School Fees	0.61	0.70	0.71	-	1.03
Continuing Education	1.50	1.29	1.12	0.32	0.89
Offshore Tuition Fees	13.47	16.18	17.91	20.27	22.74
Miscellaneous Income	2.76	5.48	2.45	3.67	7.74
Instructional Cafeteria Revenue	1.45	1.39	1.40	1.25	1.35
Other Revenue	-	-	-	0.18	-
Transfers from Deferred Contribution - Other	-	-	-	0.03	-
Rentals and Leases	3.21	3.28	3.33	3.44	3.84
Investment Income	1.03	1.19	1.34	1.94	1.38
	\$ 24.03	\$ 29.51	\$ 28.26	\$ 31.12	\$ 38.97
Total Revenue	\$ 488.12	\$ 485.83	\$ 483.06	\$ 467.46	\$ 488.67

Source: 2011/2012-2015/2016 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

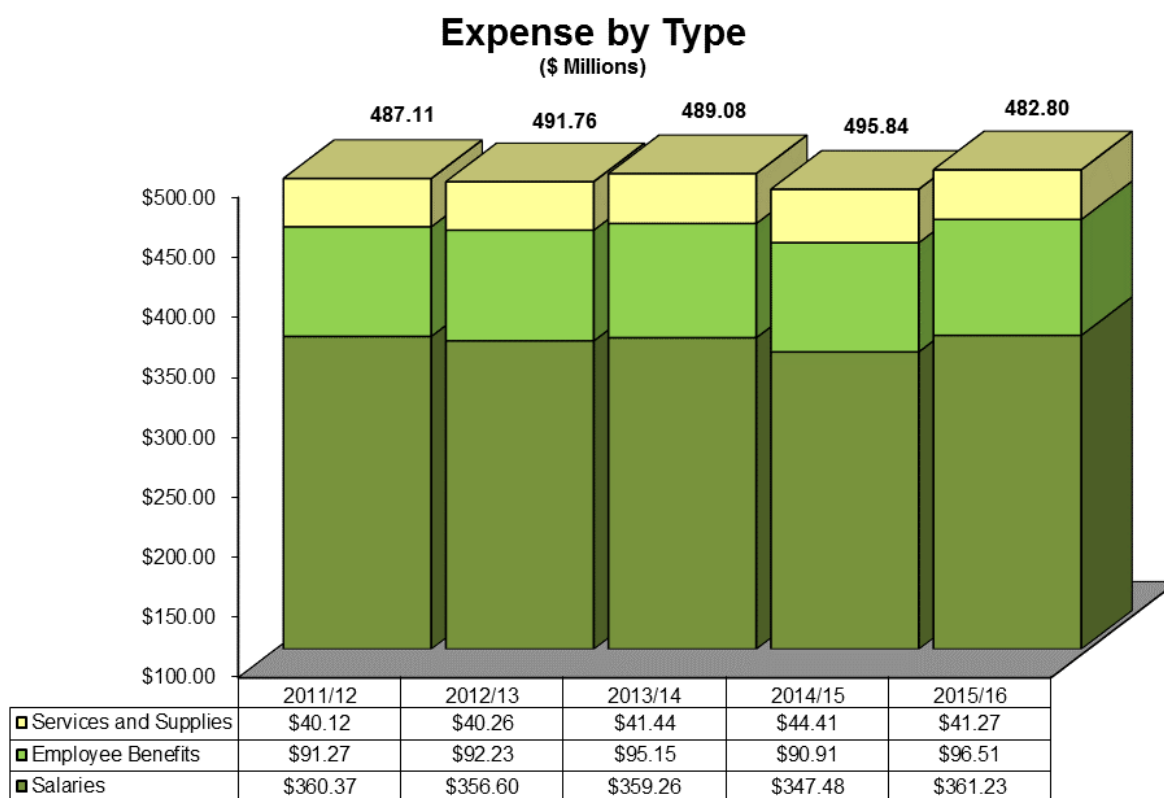
(\$ Millions)



	2011/12	2012/13	2013/14	2014/15	2015/16
Instruction	\$415.53	\$414.58	\$411.49	\$416.48	\$401.84
Operations and Maintenance	\$55.09	\$60.32	\$59.29	\$61.36	\$62.02
District Administration	\$13.83	\$13.72	\$15.55	\$14.75	\$16.11
Transportation and Housing	\$2.66	\$3.12	\$2.74	\$3.23	\$2.82
Debt Services	\$-	\$0.02	\$0.02	\$0.02	\$-

Source: 2011/2012 -2015/2016 Amended Annual Budget submissions

The budgeted expenses by object of expenditure are shown in the graph below. Every year, approximately 92% of VBE’s budget is allocated to salaries and fringe benefits, with the balance being allocated to supplies, services, utilities and other costs.



Source: 2011/2012-2015/2016 Amended Annual Budget submissions

1.1.3 Staffing

From 2011/2012 to 2015/2016, total VBE staffing has decreased by 193.43 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 208.83 FTE from 3,161.16 FTE in 2011/2012 to 2,952.33 FTE for 2015/2016 primarily due to the enrolment decline of 3,155 FTE. The increase in trustees for 2014/2015 reflects the addition of an ongoing student trustee position.

Staffing by Type					
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Teachers	3,161.16	3,080.98	3,053.39	3,039.80	2,952.33
Principals / VPs	194.30	196.94	199.39	196.52	193.63
Other Professionals	94.78	94.71	96.71	92.20	95.50
Education Assistants	849.53	868.96	869.11	884.94	877.74
Support Staff	1,258.83	1,268.39	1,263.85	1,253.59	1,244.38
Trustees	9.00	9.00	9.00	10.00	10.00
Total	5,567.61	5,518.98	5,491.45	5,477.05	5,373.58

Source: 2011/2012-2015/2016 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 10.06 students/staff in 2011/2012 to 9.66 students/staff in 2015/2016. The number of students supported by each teacher has decreased from 17.73 to 17.59. The students/staff ratio for other professionals decreased from 591.19 in 2011/2012 to 543.80 in 2015/2016 mainly due to required staff increases that followed the PeopleSoft system implementation. The largest percentage change in student/staffing ratios have been for Trustees (17%) and Educational Assistants (10%).

Students / Staff Ratios					
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Teachers	17.73	17.78	17.70	17.32	17.59
Principals / VPs *	288.39	278.14	271.11	267.92	268.20
Other Professionals	591.19	578.39	558.96	571.05	543.80
Educational Assistants	65.96	63.04	62.20	59.50	59.17
Support Staff	44.51	43.19	42.77	42.00	41.73
Trustees	6,226.12	6,086.32	6,006.33	5,265.10	5,193.25
Total	10.06	9.93	9.84	9.61	9.66

Source: 2011/2012-2015/2016 staffing based on Form 1530 submission adjusted for enrolment and Board approved changes

2011/2012-2014/2015 Ministry Full-Year Funding Allocation System, 2015/2016 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 1,236.21 FTE in 2011/2012 to 1,253.22 in 2015/2016 principally due to the increase in special education assistants for students with special needs. CUPE 407 staffing has remained contractually consistent at 101.00 FTE while Trades saw slight increases over a three year period, leveling off back at 55.00 FTE in 2015/2016. Excluded staff has decreased from 101.28 FTE in 2011/2012 down to 98.70 FTE in 2014/2015 due to staff reductions. The increase in 2015/2016 to 102.00 FTE has been largely due to dedicated ongoing support required following the PeopleSoft system implementation.

Staffing History					
	2011/20112	2012/2013	2013/2014	2014/2015	2015/2016
CUPE 15	1,236.21	1,259.86	1,256.51	1,265.83	1,253.22
CUPE 407*	101.00	101.00	101.00	101.00	101.00
IUOE	716.15	716.49	717.45	715.70	713.90
Night School Administrators	0.91	0.91	0.91	-	-
Excluded Staff and District Principals	101.28	101.21	102.30	98.70	102.00
School Administrators - Admin Time	141.83	138.05	142.76	144.04	141.66
School Administrators - Teaching Time	45.06	51.48	50.13	45.99	44.47
Teachers / ALC	3,161.16	3,080.98	3,053.39	3,039.80	2,952.33
Trades	55.00	60.00	58.00	56.00	55.00
Trustees	9.00	9.00	9.00	10.00	10.00
	5,567.60	5,518.98	5,491.45	5,477.05	5,373.58

Source: 2011/2012-2015/2016 staffing based on Form 1530 submission adjusted for enrolment and Board approved changes

1.2 2016/2017 Base Budget

The base operating budget reflects the estimated costs for 2016/2017 to maintain the same level of service as provided in 2015/2016. The 2016/2017 base budget was developed beginning in March, 2016 based on the 2015/2016 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 2016/2017.

The following sections detail major base budget assumptions, budget constraints, budgeted revenue and expense and the projected funding shortfall for 2016/2017.

1.2.1 Major Assumptions

The base budget estimates for 2016/2017 are based on the following key assumptions:

- The projections for 2016/2017 are based on the enrolment projections provided to the Ministry of Education in February, 2016 which estimated declines of 249 FTE in regular student enrolment, 497 FTE in English Language Learners enrolment, 83 FTE in adult education and increases of 10 FTE in aboriginal education and 49 FTE in distributed learning.
- It is estimated that salary costs will rise by \$5.28 million due to collective agreement increases which will only be partially offset by funding from the Ministry. The net cost to the VBE for 2016/2017 for these increases is expected to be \$2.15 million.
- Staffing entitlements for teachers and educational assistants have been adjusted to reflect the projected enrolment levels for 2016/2017. It is estimated that the enrolment decline of 249 FTE in students would require net 13.91 FTE less teachers and 2.0 FTE less administrators.
- It is estimated that salary costs will increase by \$3.23 million due to salary increments for teachers, school administrators and exempt staff and other salary adjustments, offset by turnover savings due to an estimated 92 retirements in 2016/2017 (\$1.97 million).
- It is estimated that benefit costs will decrease by \$2.84 million overall due to estimated rate decreases of 1.8% for TPP and 3.3% for WCB; these savings will be offset by expected increases of 4.0% for MSP, 3.4% for MPP and overall higher costs for Extended Health and Dental Plans due to rate increases based on the average of actual claims paid across all policies.
- Ongoing NGN fees that were downloaded to school districts by the Ministry in 2015/2016 (\$1.29

million) will see a further cost adjustment of \$0.96 million in 2016/2017, bringing the ongoing annual expense to \$2.25 million.

- It is estimated that in 2016/2017 the cost of goods and services will increase on average by 1.9% due to inflation of \$0.47 million. The cost of utilities is estimated to increase by \$0.15 million mainly due to average rate increases with BC Hydro of 2.7% and the City of Vancouver for sewer and water of 9.9% and 4.2% respectively. An average expected inflation of 1.9% is expected across all other utilities.
- In balancing the budget for 2015/2016, 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 2015/2016:
 - Use of 2013/2014 unrestricted surplus - \$5.83 million
 - Surplus carried forward from 2014/2015 to 2015/2016 - \$7.70 million
 - Reversal of budgeted holdback allocation from 2015/2016 - \$0.87 million
 - 2015/2016 Sale and Leaseback of furniture and equipment - \$2.93 million
 - Budgeted deferral of furniture and equipment purchases - \$0.38 million
 - Budgeted deferral of maintenance services - \$0.50 million
 - Reversal of budgeted benefit surplus withdrawal savings - \$1.95 million
 - 2015/2016 HR Teacher staffing savings - \$1.47 million
 - Impact of Adult Education Program closure - \$0.56 million

1.2.2 2016/2017 Projected Operating Funding Shortfall

Based on projected cost increases and enrolment changes for 2016/2017, the operating budget funding shortfall for the VBE is projected to be \$27.26 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.

2016/2017 Projected Operating Budget Shortfall (\$ millions)			
	February 2016	Revised Projection	Change
Costs Not Funded by the Province			
Salary Increments ¹⁾	\$ (1.23)	\$ (2.12)	\$ (0.89)
Employee Benefits Increase ²⁾	3.15	2.84	(0.31)
Inflation ³⁾	(0.77)	(0.63)	0.14
	\$ 1.15	\$ 0.09	\$ (1.06)
Enrolment Change ⁴⁾	\$ (1.02)	\$ (1.03)	\$ (0.01)
Other Factors			
2015/2016 Projected Operating Surplus Carry forward to 2016/2017 ⁵⁾	\$ 1.23	\$ 1.23	\$ -
Prior Year One-Time Revenue and Expenses ⁶⁾	(21.13)	(19.59)	1.54
Prior Year Ongoing Revenue and Expenses ⁷⁾	(1.53)	(2.65)	(1.12)
Ministry of Education Operating Grant Changes ⁸⁾	(2.69)	(1.99)	0.70
Ministry Grant Announcement - March 2016 ⁹⁾	-	(3.11)	(3.11)
Use of 2014/2015 Unrestricted Surplus	0.73	0.73	-
2016/2017 Ministry Directed Administrative Savings	(2.31)	(2.31)	-
2014/2015 Ministry Attendance Support and Wellness Grant	(0.32)	(0.32)	-
International Education Tuition Increase ¹⁰⁾	1.61	1.67	0.06
Other	(0.11)	0.02	0.12
	\$ (24.51)	\$ (26.32)	\$ (1.81)
Total Projected Surplus / (Shortfall)	\$ (24.38)	\$ (27.26)	\$ (2.88)

- 1) Includes cost increases for salary increments (for teachers, administrators and exempt staff) and collective agreement increases, partially offset by teacher turnover savings.
- 2) Includes rate decreases of 1.8% to Teacher's Pension Plan (TPP) and 3.3% to Worksafe BC; these savings are offset by average increases to MSP and MPP of 3.6% and a higher cost of Extended Health and Dental premiums based on average of actual claims paid across all policies.
- 3) Based on 1.9% inflation per year for supplies and generally higher rates of increase for utilities and other items under contract.
- 4) Projected enrolment decline as of February 2016 of 249 FTE compared to the 2015/2016 and Laurier Annex non-operational due to zero enrolment.
- 5) Board approved carry forward of projected surplus from 2015/2016 Amended Annual Budget to 2016/2017.
- 6) One-time savings included in the 2015/2016 Amended Annual Budget that will not repeat for 2016/2017: 2014/2015 projected surplus carried forward (\$7.70 million), 2014/2015 April holdback release (\$0.87 million), equipment sale and leaseback (\$2.93 million), delay of furniture and equipment replacement (\$0.38 million), maintenance service reduction (\$0.50 million), and benefit surplus withdrawal (\$1.95 million), use of 13/14 unrestricted surplus (\$5.83 million); offset by impact of Adult Education program changes (\$0.56 million).
- 7) Ongoing 2016/2017 projected costs: Employee benefits (\$1.33 million), NGN costs downloaded from Ministry (\$1.29 million), administrators compensation increase (\$0.77 million), teacher average salaries (\$0.40 million), teacher sick replacement and paid leave (\$0.39 million), and others (\$0.07 million); offset by savings from ongoing enrolment impact (\$0.63 million), IT savings (\$0.51 million), cafeteria revenue (\$0.17 million), increase in international visitors (\$0.13 million), and special education enrolment audit staffing impact (\$0.11 million).
- 8) Decreased funding due to a projected decrease in Funding Protection of \$1.99 million.
- 9) Due to MOE not fully funding collective agreement increases (\$2.15 million) and increase in NGN costs (\$0.96 million).
- 10) Increase in tuition rates for International students from \$13,000 to \$14,000.

Schedule 1 – Salary Increment Changes

2016/2017 Base Budget Estimated Salary Changes	
(\$ millions)	
Salary Increments	
Teachers (1.170%)	\$ (2.86)
District Teachers (1.174%)	(0.20)
Administrators (0.453%)	(0.11)
Trustees (1.994%)	(0.00)
Exempt Staff (0.456%)	(0.04)
Total Salary Increments	\$ (3.23)
Estimated Teacher Turnover Savings	\$ 1.96
Administrator's Salary Increase (1.219%)	\$ (0.31)
Estimated Excluded Staff's Salary Increase*	\$ (0.55)
Total Salary Changes	\$ (2.12)

* Estimated compensation increase for excluded staff. This amount will be finalized in April 2016 and require BCPSEA and Board approval.

Schedule 2 – Employee Benefits Changes

2016/2017 Base Budget Estimated Benefit Cost Changes	
(\$ millions)	
Wage related benefit rate changes ¹⁾ (CPP, EI, WCB, MPP, TPP, Deferred Savings)	\$ 4.28
Non-wage related benefits rate changes ²⁾ (MSP, Dental, Extended Health, Group Life)	(1.44)
Vested & Non-Vested Benefits ³⁾	-
Other ⁴⁾	-
Total Estimated Benefit Cost Changes	\$ 2.84

Estimated changes and budget assumptions:

- 1) CPP rate estimated to remain at 4.95%, YMPE estimated to change from \$53,600 to \$54,900.
EI rate estimated to remain at 1.92%, YMPE estimated to change from \$49,500 to \$50,800.
WCB estimated to decrease by 3.3%, YMPE estimated to change from \$78,600 to \$80,600, plus small increase due to employee salary increments.
MPP employer contribution estimated to change from 10.10% to 10.44%, plus small increase due to employee salary increments.
TPP rate to decrease by an average of 1.82%. Employer rate of 14.63% to drop to 12.81% (below YMPE) and 16.13% to 14.31% (above YMPE), YMPE estimated to change from \$53,600 to \$54,900.
- 2) Medical Services Plan (MSP) to increase by 4% effective January 1, 2017 based on expected BC Budget announcement by the Province.
Dental Plan increase of 3.37% based on average of actual claims paid across all policies.
Extended Health increase of 6.02% based on average of actual claims paid across all policies.
Group Life increase of 4.78% based on average of actual claims paid across all policies, plus small increase due to employee salary increments.
- 3) No expected change in the estimate for vested and non-vested benefits.
- 4) No expected increase to Employee Assistance Plan costs, current contracted levels of service will continue into 2016/2017.
No expected increase in S&A Insurance based on 2016/2017 renewal rates.

Schedule 3 – Enrolment Changes

Enrolment Driven Changes (\$ Millions) vs 2015/2016 Final					
	Enrolment Changes (FTE)	Staffing Changes (FTE)	Salaries and Benefits	Revenue	Net Change
Regular School Age	(248.81)	(15.71)	\$ 1.14	\$ (1.78)	\$ (0.64)
Distributed Learning (school aged)	48.19	(1.96)	\$ 0.14	\$ 0.29	\$ 0.43
Course Challenge	-	-	\$ -	\$ -	\$ -
Homeschoolers	-	-	\$ -	\$ -	\$ -
English Language Learning	(487.00)	-	\$ -	\$ (0.68)	\$ (0.68)
Newcomer Refugees	10.00	-	\$ -	\$ 0.04	\$ 0.04
Special Education					
Level 1	(9.00)	(15.00)	\$ 0.75	\$ (0.34)	\$ 0.41
Level 2	(38.00)	(13.00)	\$ 0.65	\$ (0.70)	\$ (0.05)
Level 3	(35.00)	-	\$ -	\$ (0.33)	\$ (0.33)
Adult (include Distributed Learning)	(114.34)	(7.48)	\$ 1.26	\$ (0.10)	\$ 1.15
Estimated Adult Ed Severance	-	-	\$ 0.80	\$ -	\$ 0.80
Aboriginal Education	10.00	-	\$ -	\$ 0.01	\$ 0.01
Graduated Adult	(31.00)	-	\$ -	\$ (0.13)	\$ (0.13)
International	(60.50)	-	\$ -	\$ (0.85)	\$ (0.85)
Summer School Funding	-	-	\$ -	\$ 0.37	\$ 0.37
Enrolment Decline Supplement	-	-	\$ -	\$ (0.45)	\$ (0.45)
Transportation	-	-	\$ -	\$ (0.09)	\$ (0.09)
Salary Differential	-	-	\$ -	\$ (0.06)	\$ (0.06)
Laurier Annex Non-Operational		(6.50)	\$ 0.46	\$ -	\$ 0.46
Enrolment Driven VP Reduction		(0.20)	\$ 0.04	\$ -	\$ 0.04
One-time Staffing Efficiency		20.69	\$ (1.47)	\$ -	\$ (1.47)
Total		(39.16)	\$ 3.78	\$ (4.81)	\$ (1.03)

Schedule 4 - 2016/2017 One-Time Revenue, Savings and Expenses

2016/2017 One-Time Revenue, Savings and Expenses (\$ millions)					
	Revenue	Prior Year Surplus	Expenses	Capital Purchases	Total
2014/2015 Projected Surplus Carried Forward	\$ -	\$ (7.70)	\$ -	\$ -	\$ (7.70)
Estimated MOE Holdback Allocation	(0.87)	-	-	-	(0.87)
15/16 Sale & Leaseback	(4.34)	-	1.42	-	(2.93)
Furniture & Equipment	-	-	(0.38)	-	(0.38)
Maintenance Service Reductions	-	-	(0.50)	-	(0.50)
Benefit Surplus Withdrawal	-	-	(1.95)	-	(1.95)
13/14 Unrestricted Surplus	-	(5.83)	-	-	(5.83)
Impact of Adult Education Program Changes	-	-	0.56	-	0.56
Total	\$ (5.21)	\$ (13.53)	\$ (0.85)	\$ -	\$ (19.59)

Schedule 5 - 2016/2017 Ongoing Revenue, Savings and Expenses

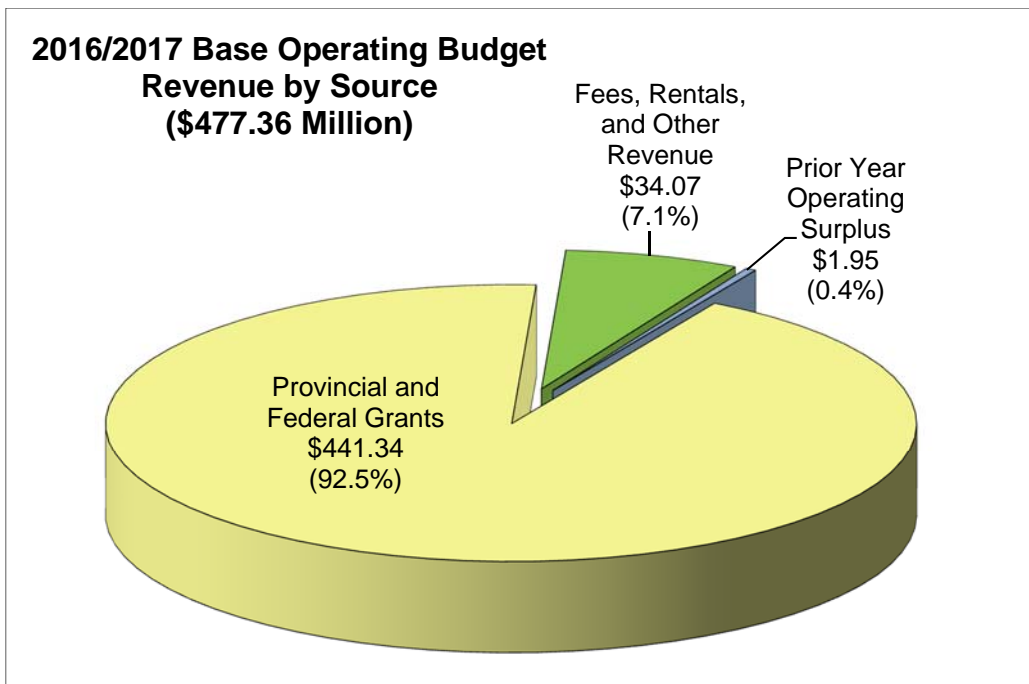
2016/2017 Ongoing Revenue, Savings and Expenses					
(\$ millions)					
	Revenue	Prior Year Surplus	Expenses	Capital Purchases	Total
Employee Benefits costs	\$ -	\$ -	\$ (1.33)	\$ -	\$ (1.33)
NGN Costs Downloaded from Ministry	-	-	(1.29)	-	(1.29)
Administrator's Compensation Increase	-	-	(0.77)	-	(0.77)
Teacher's Average Salaries	-	-	(0.40)	-	(0.40)
Teacher's Paid Leaves	-	-	(0.39)	-	(0.39)
Ongoing Enrolment Impact	(1.53)	-	2.16	-	0.63
IT Savings	-	-	(0.03)	0.54	0.51
Cafeteria Revenue	(0.07)	-	0.24	-	0.17
International Visitor	0.13	-	(0.00)	-	0.13
Special Education Enrolment Audit Staffing Impact	-	-	0.11	-	0.11
Other	0.20	-	(0.27)	0.04	(0.03)
Total	\$ (1.27)	\$ -	\$ (1.96)	\$ 0.58	\$ (2.65)

Schedule 6 – Collective Agreement Cost Increases Funded by the Province

Employee Group	Percentage Increase	Salaries Plus Wage Related Benefits
Teachers	1.45%	3,780,504
Adult Education Instructors	1.45%	48,937
Summer School Teachers	1.45%	36,234
CUPE 15	1.15%	742,943
Cafeteria Workers	1.15%	21,114
Custodian, Building Enginee	1.13%	274,916
Supervision Aides	1.15%	36,748
Trades	1.12%	64,677
CUPE 407	1.12%	66,009
Teacher on call	1.45%	206,043
Total		5,278,125

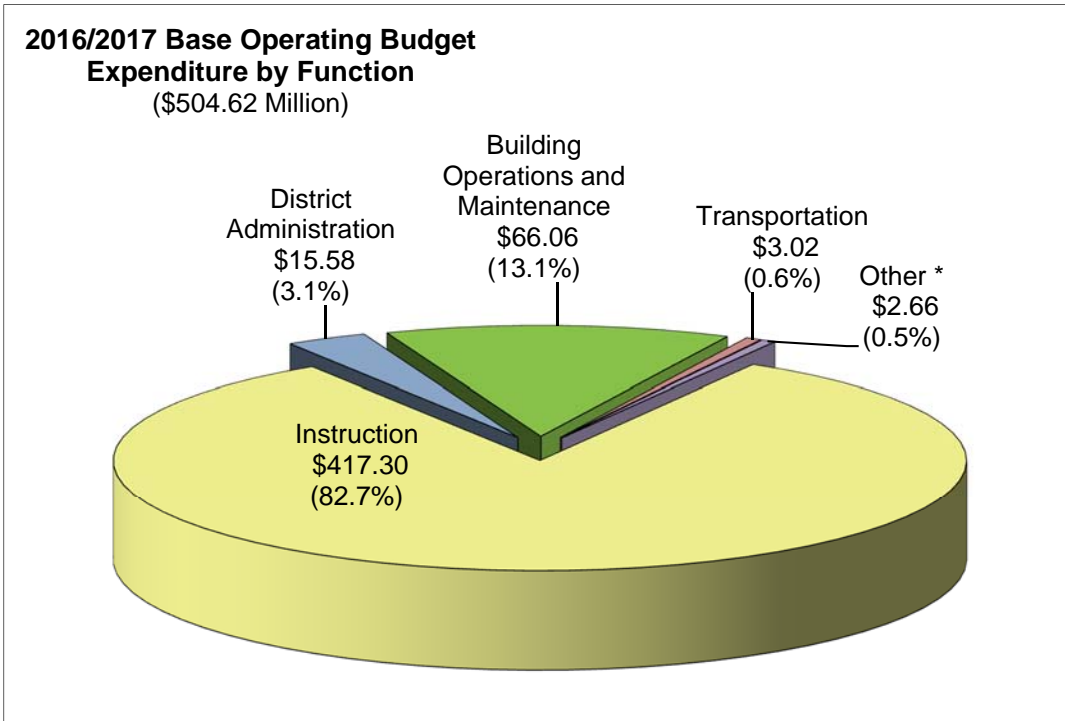
1.2.3 Base Budget 2016/2017 Revenue

The majority of revenues (92.5%) 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 2016/2017 total \$477.36 million. VBE generated revenues represent 7.1% of total operating revenues and are primarily derived from international education student fees, rentals, leases and investment income.



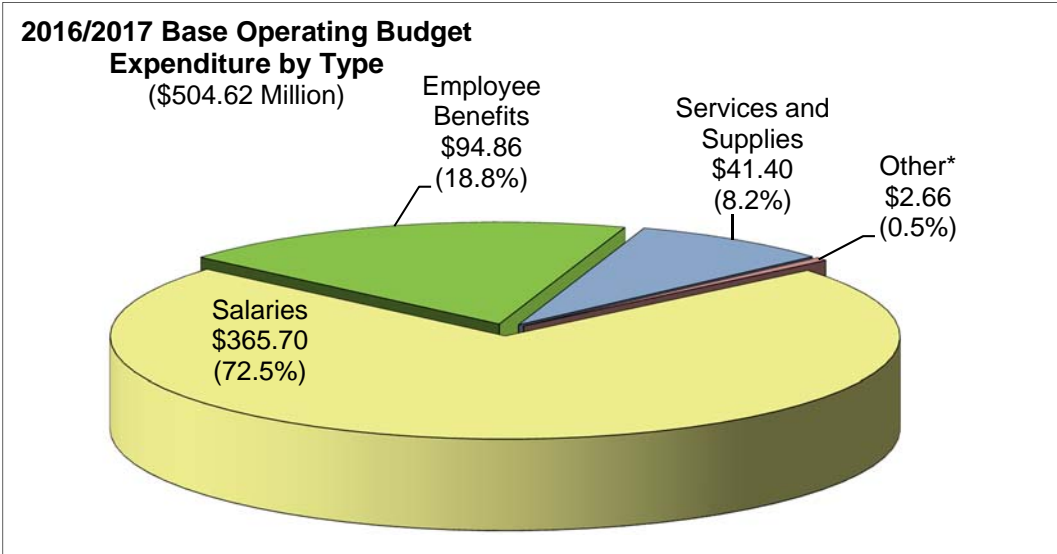
1.2.4 Base Budget 2016/2017 Expenses

Projected expenditures for the 2016/2017 base budget total \$504.62 million (\$27.26 million higher than projected revenues). Approximately 82.7% 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 13.1% of expenditures, district administration for 3.1% 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 0.5% of expenditures. The following graph outlines the operating expenditures by function for 2016/2017.



* Reduction of Unfunded Liability and Interfund Transfers

Approximately 91.3% of the \$504.62 million operating budget is expected to be spent on salaries and employee benefits (\$460.56 million). Services, supplies, utilities, and other minor expenditures account for approximately 8.2% of the budget. The following graph outlines the operating expenditures by type for 2016/2017.



* Reduction of Unfunded Liability and Interfund Transfers

1.2.5 Base Budget Staffing

The base budget adjustments will result in a net decrease of 35.41 FTE. The following table provides a summary of the staff adjustments by employee group.

2016/2017 Base Budget Projection - Staffing (FTE) by Type			
	2015/2016 Final	Adjustments	2016/2017 Base
CUPE 15	1,253.22	(32.25) ¹⁾	1,220.97
CUPE 407	101.00	-	101.00
IUOE	713.90	(2.50) ²⁾	711.40
PASA / Excluded / District Principals / Trustees	112.00	-	112.00
School Administrators - Admin Time	141.66	0.11 ³⁾	141.77
School Administrators - Teaching Time	44.47	(2.11) ³⁾	42.36
Teachers	2,914.48	3.82 ⁴⁾	2,918.30
Adult Learning Centre Instructors	37.85	(7.48) ⁵⁾	30.37
Trades	55.00	5.00 ⁶⁾	60.00
	5,373.58	(35.41)	5,338.17

Source: 2015/2016 Form 1530 submission adjusted for enrolment and Board approvals, 2016/2017 per projected changes

- 1) Change primarily due to enrolment related reduction in Special Education Assistants entitlement (30.25 FTE), enrolment decline to 8J9J Alternative Program (2.00 FTE), Laurier Annex non-operational due to zero enrolment (1.00 FTE), offset by reinstating Capital Accountant position (1.00 FTE).
- 2) Change due to Laurier Annex non-operational (1.0 FTE head custodians and 1.5 FTE supervision aides).
- 3) Change due to Laurier Annex non-operational (1.0 FTE) and enrolment driven VP reduction (1.0 FTE).
- 4) Change primarily due to impact of projected 2016/2017 K-12 enrolment (14.67 FTE), Laurier Annex non-operational (2.80 FTE), and decline in 8J9J Alternative Program (1.00 FTE); offset by reversal of prior year K-12 teacher allocation savings (20.69 FTE) and adding back teaching time from VP reductions (1.60 FTE).
- 5) Change due to reduction of Adult Education instructors due to enrolment decline.
- 6) Change due to reversal of 15/16 Board decision of one-time Trades reduction.

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 2015/2016 is \$(1.42 million). Net revenues of approximately \$1.28 million are also expected to accrue to the Local Capital Reserve during 2016/2017 which will help fund proposed projects totalling \$0.33 million. This is expected to bring the estimated available balance at the end of 2016/2017 to \$(0.62 million).

Based on the above, the following table outlines the projected financial position of the Local Capital Reserve from 2015/2016 to 2018/2019.

Projected Local Capital Reserve Fund Balance				
(\$ Millions)				
	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>
Opening Balance as at July 1	\$ 1.58	\$ (1.42)	\$ (0.62)	\$ 0.51
Revenue	1.28	1.28	1.28	1.28
Expenditure	(0.16)	(0.16)	(0.16)	(0.16)
Board Approved Interfund Transfers and Work In Progress				
Records Management	(0.20)			
SIS Implementation	(1.12)	(0.33)		
Funding for International Village	(2.80)			
	<u>(4.12)</u>	<u>(0.33)</u>	<u>-</u>	<u>-</u>
Closing Balance as at June 30	\$ (1.42)	\$ (0.62)	\$ 0.51	\$ 1.63

1.4 2017/2018 Preliminary Operating Budget Projection

The following table presents a preliminary operating budget projection for the VBE for 2017/2018. A projected funding shortfall of \$4.55 million is estimated for 2017/2018. 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 2017/2018 may be impacted due to the approval of any budget proposals for 2016/2017.

The estimates for 2016/2017 and 2017/2018 are based on the following key assumptions:

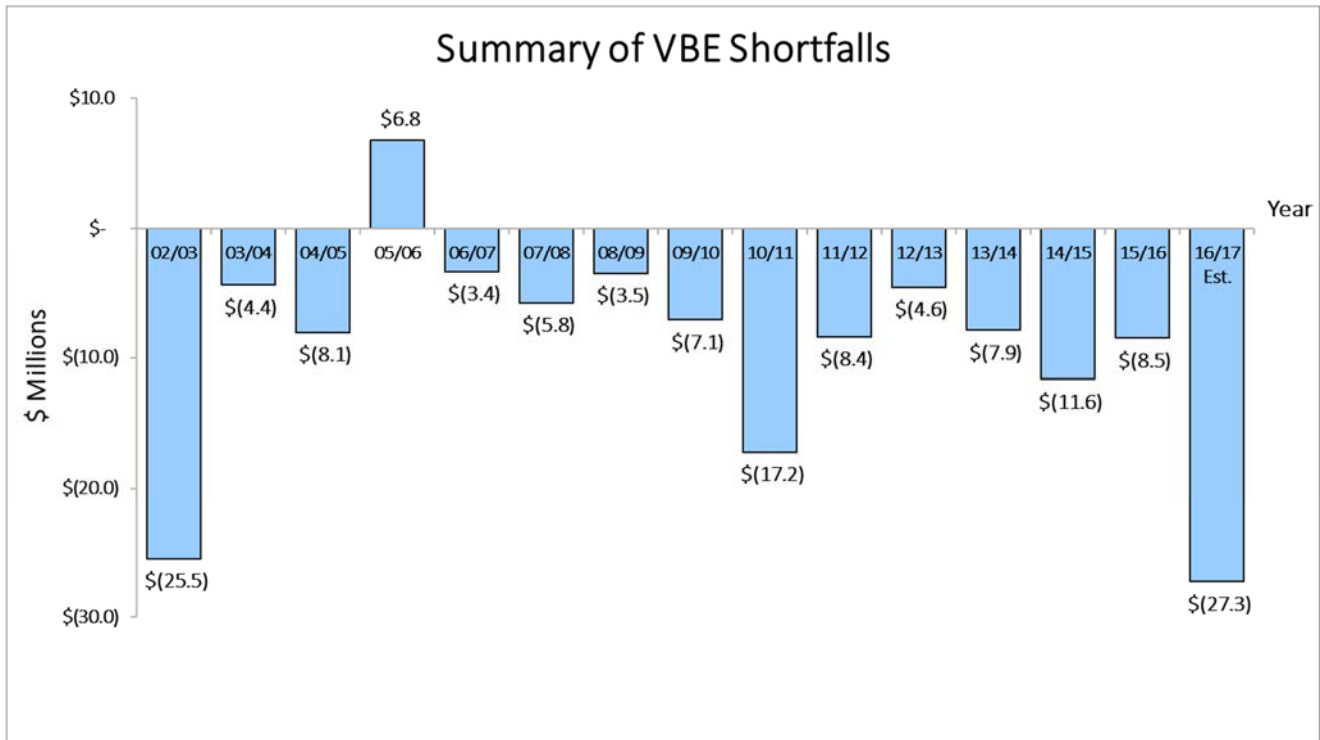
- estimated changes in general student enrolment based on a decline of 196 FTE for 2017/2018;
- there will be continued inflationary increases for employee benefit costs and utilities;

2017/2018 Preliminary Operating Budget Projection		
(\$ millions)		
	2016/2017	2017/2018
Costs Not Funded by the Province		
Salary Increments ¹⁾	\$ (2.12)	\$ (1.26)
Employee Benefits Increase ²⁾	2.84	(0.42)
Inflation ³⁾	(0.63)	(0.19)
	<u>\$ 0.09</u>	<u>\$ (1.87)</u>
Enrolment Change ⁴⁾	\$ (1.03)	\$ (1.51)
Other Factors		
2015/2016 Projected Operating Surplus Carry forward to 2016/2017 ⁵⁾	\$ 1.23	\$ (1.23)
Prior Year One-Time Revenue and Expenses ⁶⁾	(19.59)	1.61
Prior Year Ongoing Revenue and Expenses ⁷⁾	(2.65)	
Ministry of Education Operating Grant Changes ⁸⁾	(1.99)	
Ministry Grant Announcement - March 2016 ⁹⁾	(3.11)	
Use of 2014/2015 Unrestricted Surplus	0.73	(0.73)
2016/2017 Ministry Directed Administrative Savings	(2.31)	
2014/2015 Ministry Attendance Support and Wellness Grant	(0.32)	
International Education Tuition Increase ¹⁰⁾	1.67	
Other ¹¹⁾	0.02	(0.81)
	<u>\$ (26.32)</u>	<u>\$ (1.17)</u>
Total Projected Surplus / (Shortfall)	<u>\$ (27.26)</u>	<u>\$ (4.55)</u>

- 1) Includes cost increases for salary increments (for teachers, administrators and exempt staff), collective agreements increases, partially offset by teacher turnover savings.
- 2) Includes a 1.0% inflationary increase across wage-related and premium based benefit plans.
- 3) Includes a 2.33% average rate increase for BC Hydro based on the multi-year rate increase plan and a general average 2.0% inflationary increase expected for all other main utilities and contracts.
- 4) Projected enrolment decline as of February 2016 of 248 FTE compared to 2015/2016 and a further projected decrease of 196 FTE for 2017/2018.
- 5) Board approved carry forward of projected surplus from 2015/2016 Amended Annual Budget to 2016/2017.
- 6) One-time savings included in the 2015/2016 Amended Annual Budget that will not repeat for 2016/2017: 2014/2015 projected surplus carried forward (\$7.70 million), 2014/2015 April holdback release (\$0.87 million), equipment sales and lease back (\$2.93 million), delay of furniture and equipment replacement (\$0.38 million), maintenance service reduction (\$0.50 million), and benefit surplus withdrawal (\$1.95 million), use of 13/14 unrestricted surplus (\$5.83 million); offset by impact of Adult Education program changes (\$0.56 million). 2016/2017 reverse one-time severance cost of Adult Education program changes.
- 7) Ongoing 2016/2017 projected costs: Employee benefits (\$1.33 million), NGN costs downloaded from Ministry (\$1.29 million), administrators compensation increase (\$0.77 million), teacher average salaries (\$0.40 million), teacher sick replacement and paid leave (\$0.39 million), and others (\$0.07 million); offset by savings from ongoing enrolment impact (\$0.63 million), IT savings (\$0.51 million), cafeteria revenue (\$0.17 million), increase in international visitors (\$0.13 million), and special education enrolment audit staffing impact (\$0.11 million).
- 8) Decreased funding due to lower Funding Protection of \$1.99 million.
- 9) Due to MOE not fully funding collective agreement increases (\$2.15 million) and increase in NGN costs (\$0.96 million).
- 10) Increase in tuition rates for International students from \$13,000 to \$14,000.
- 11) 2017/2018 impact due to reversal of local school calendar savings (\$0.63 million) and sale and leaseback (\$0.18 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.



The reasons for the annual funding shortfalls include the following:

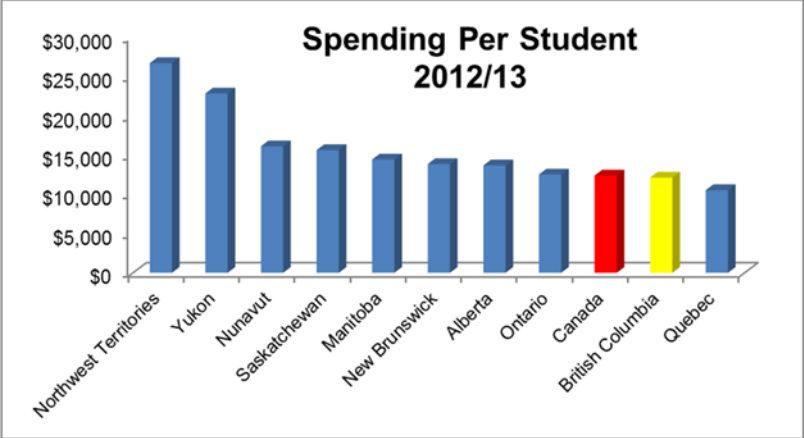
- Cost increases not funded by the Province (e.g. salary increments, employee benefit cost increases and inflation on goods and services),
- Decline in enrolment, and
- Prior year's one-time funding initiatives (that do not result in on-going budget savings). For example, use of the Local Capital Reserve,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

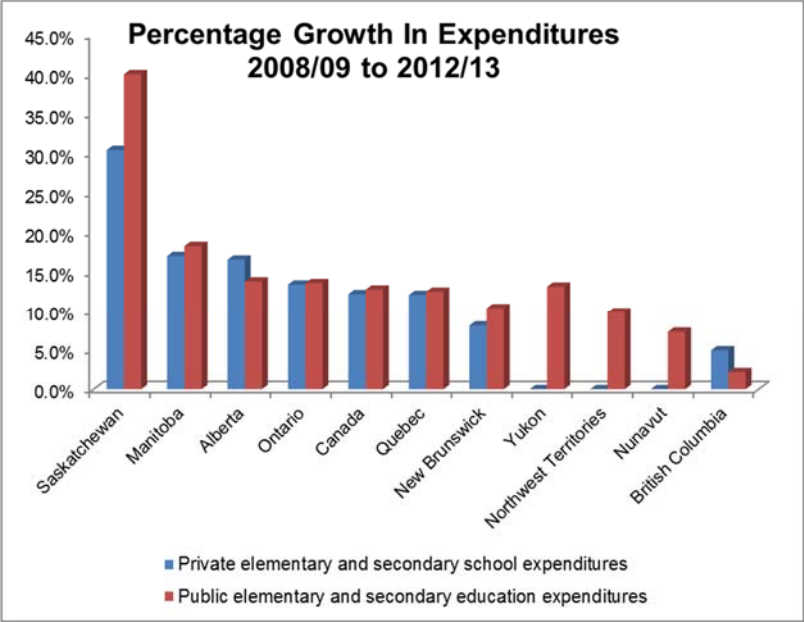
Part of a long-term solution would be for the Province to provide additional funding for K-12 public education. As outlined in the September, 2015 submission by the VBE to the Select Standing Committee on Finance and Government Services, British Columbia is falling behind the rest of Canada in terms of spending per student, growth in education expenditures since 2008/2009 and student-educator ratios, as exhibited in the following graphs.

Spending per student lags the Canadian average.



The average expenditure per student nationally for 2012/2013 (the most recent Statistics Canada figures) was \$12,377. BC remains at \$12,113.

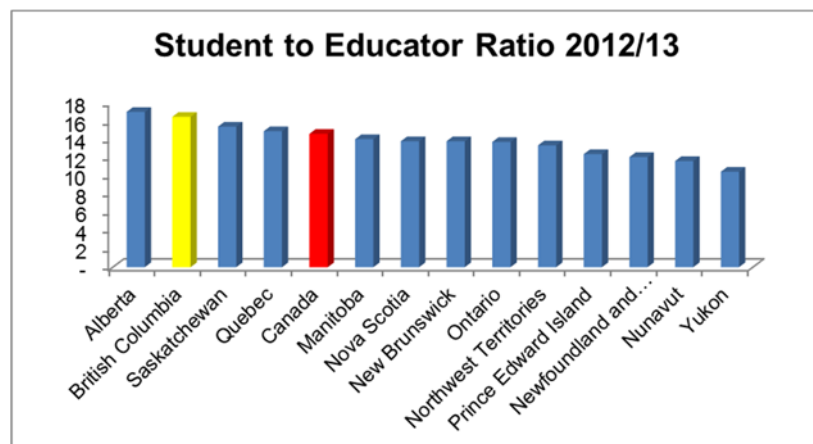
Growth in education expenditures since 2008/2009 is far below the Canadian average.



Operating expenditures in public elementary and secondary schools in Canada grew by 12.8% between 2008/2009 and 2012/2013.

Operating expenditures for public K-12 education in BC over this time period grew by only 1.2% while private education grew by 4.9%.

The number of BC students vying for educator support is the second highest in Canada.



The average educator in Canada supports 14.6 students. In BC, that figure is 16.5.

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 ongoing 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 student to 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.

Staffing Ratios:

Student / Staff Ratios – District - 2015			
	Vancouver	Subset Districts	FTE Under / (Over) Subset*
Teachers	16.9	17.6	(112.0)
Educational Assistants	56.5	55.1	23.0
Principals / Vice Principals	256.7	262.2	(4.0)
Excluded and Support Staff	42.6	53.4	(236.0)
Total District Staffing	9.6	10.3	(329.0)

*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 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 facilities area using space and non-space related measures as a ratio of staff, compared to the subset districts. The summaries look at the increase or decrease in staff if Vancouver was to staff at the subset level.

Facilities Staffing Ratios:

Space / Staff Ratios – Facilities - 2015			
	Vancouver	Subset Districts	FTE Under / (Over) Subset*
Building Operations**	19,144.3	22,057.6	(85.0)
Building Maintenance**	69,935.2	72,932.8	(26.0)
Grounds***	3.5	6.2	(7.0)
Total			(118.0)
Non-Space / Staff Ratios – Facilities - 2015			
	Vancouver	Subset Districts	FTE Under / (Over) Subset*
Building Operations**	120.3	181.9	(55.0)
Building Maintenance**	439.5	601.3	(5.0)
Grounds***	741.2	1,628.6	(29.0)
Total	83.8	128.6	(89.0)
Grand Total – Facilities Space & Non-Space Ratios			(207.0)

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

**Staffing ratios are based on building square footage for Operations and Maintenance staff.

***Staffing ratios are based on hectares of land for Grounds staff.

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 159 square feet in Vancouver, compared to 121 square feet per student in the subset districts (31% greater). The additional square footage accounts for approximately 85 FTE of the additional 140 FTE in building operations. The remaining 55 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, 2016. 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 in 2014/2015 based on an agreement with Langara College to integrate with their programs. The Adult Education program was reviewed and subsequently consolidated through site closures in 2015/2016 and now operates on a revenue neutral basis. International Education provides over \$11 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.