

# COMMITTEE MEETING

**PLENARY COMMITTEE III/V – FINANCE & LEGAL  
EDUCATION & STUDENT SERVICES**

**Wednesday, 2010 March 3 at 5:30 pm**  
**Room 400, VSB Education Centre**

## **A G E N D A**

1. Budget Briefing Report  
(Material to be provided at the meeting)
2. 2010/2011 Stakeholder Budget Process
3. New Business

Next Meeting: Thursday, March 18, 2010, Room 400

VSB

ITEM 1

**BACKGROUND INFORMATION  
FOR THE 2010/2011  
BUDGET PROCESS**

Vancouver School Board  
February, 2010

## **INTRODUCTION**

Like most school districts in the Province, the Vancouver School Board (VSB) is facing a substantial budget funding shortfall for 2010/2011. The precise magnitude of the funding shortfall for the VSB will not be known until the Province announces the 2010/2011 preliminary operating grants for school districts on March 15, 2010. However, at this time, it is projected that the VSB will be facing a preliminary cost-based operating funding shortfall of \$17.6 million. Also, if the Annual Facilities Grant funding is not restored and funding is not provided to fund the final salary increase for the teachers and the previously implemented labour market adjustments the projected 2010/2011 funding shortfall could increase by \$17.2 million to \$34.8 million.

In accordance with the School Act, school districts in the Province must approve a balanced budget. The purpose of this report is to outline the options that are available to eliminate the funding shortfall and to be able to approve a balanced preliminary 2010/2011 operating budget by the end of April, 2010.

The Board of Trustees has approved a budget process and timeline for 2010/2011. Budget proposals will be developed and presented to stakeholders and the public for discussion and comment in early April, 2010.

Apart from the budget balancing approaches outlined in this report, the Board of Trustees will continue to advocate the Province for adequate funding for public education. If adequate funding is not provided, as this report outlines, a significant reduction in expenditures and the level of educational service and programs in the VSB will result.

## **BACKGROUND**

The VSB tracks and 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); and
- Capital Fund – includes capital expenditures on facilities and equipment funded from Ministry of Education capital grants, the Operating Fund and Special Purpose Funds.

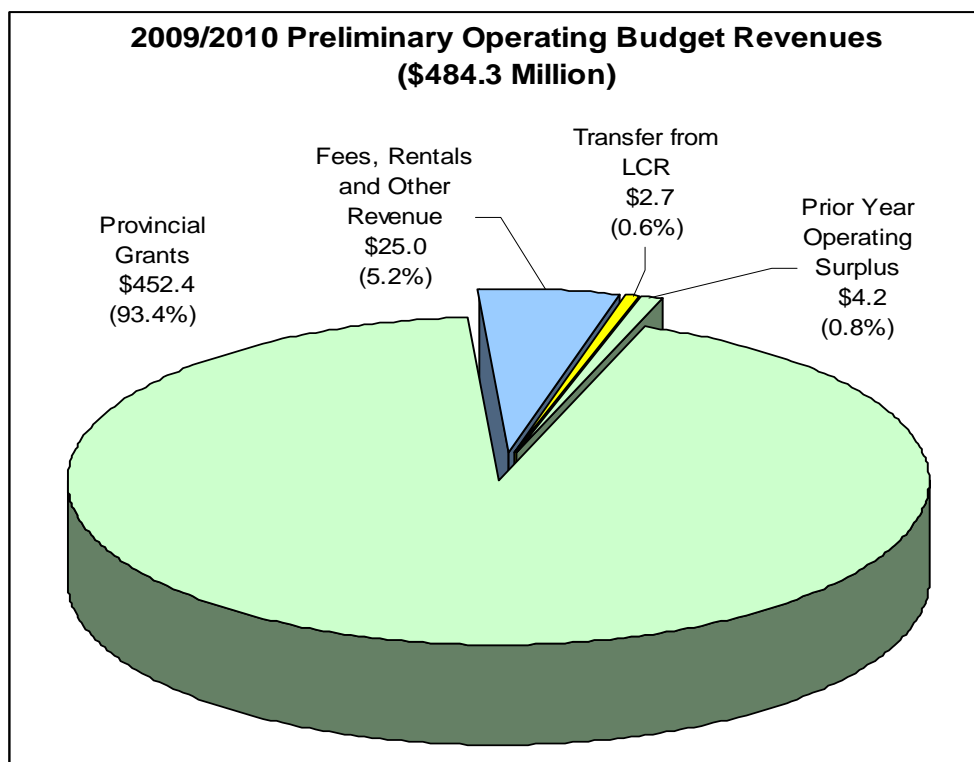
The 2010/2011 funding shortfall and budget process relates primarily to the operating fund. However, a projected funding shortfall of \$600,000 for Community LINK Programs (i.e. Community School Teams, School Meals Program and Youth and Family Workers Rehab), is also expected for 2010/2011 based on projected cost increases (e.g. teachers salary increase, inflation on goods and services) and assuming the same level of provincial funding for 2010/2011. This shortfall could be greater if the Province makes changes to the district allocations of Community LINK funding for 2010/2011. Budget proposals to deal with the projected funding shortfall for Community LINK programs for 2010/2011 will be developed and presented in conjunction with the operating budget process.

## Budget 2009/2010

The preliminary 2009/2010 operating budget totalled \$484.3 million. The details for this budget are contained in the graphs below.

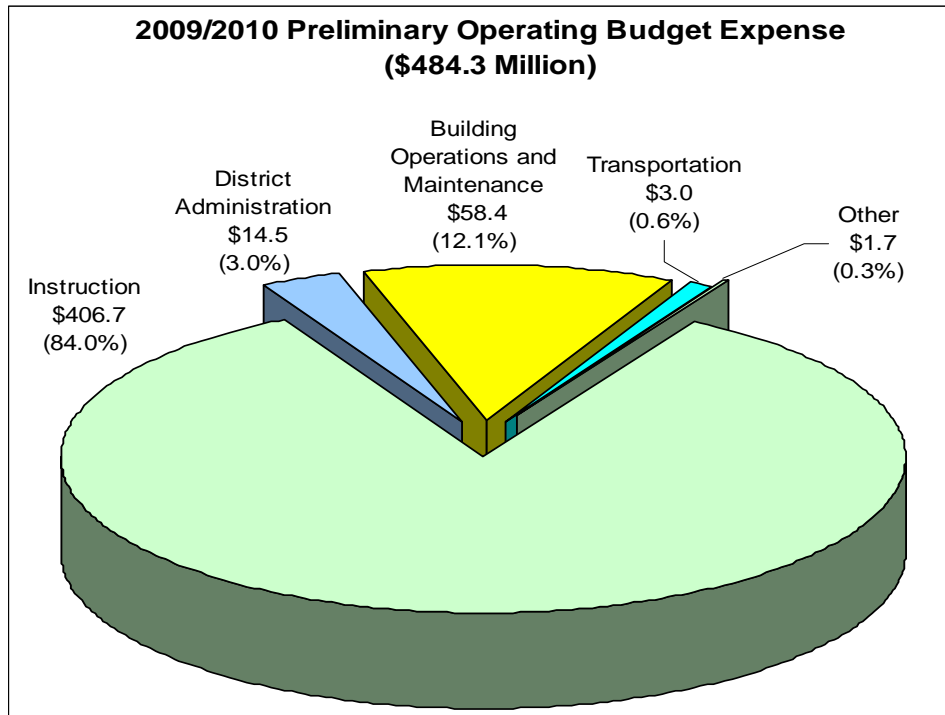
### Revenue

The majority (93.4%) of revenues is 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 VSB generated revenue budget is about 5.2% of the operating revenues and is primarily from international and continuing education student fees and rentals, leases and investment income. The revenue sources are detailed in the graph below.

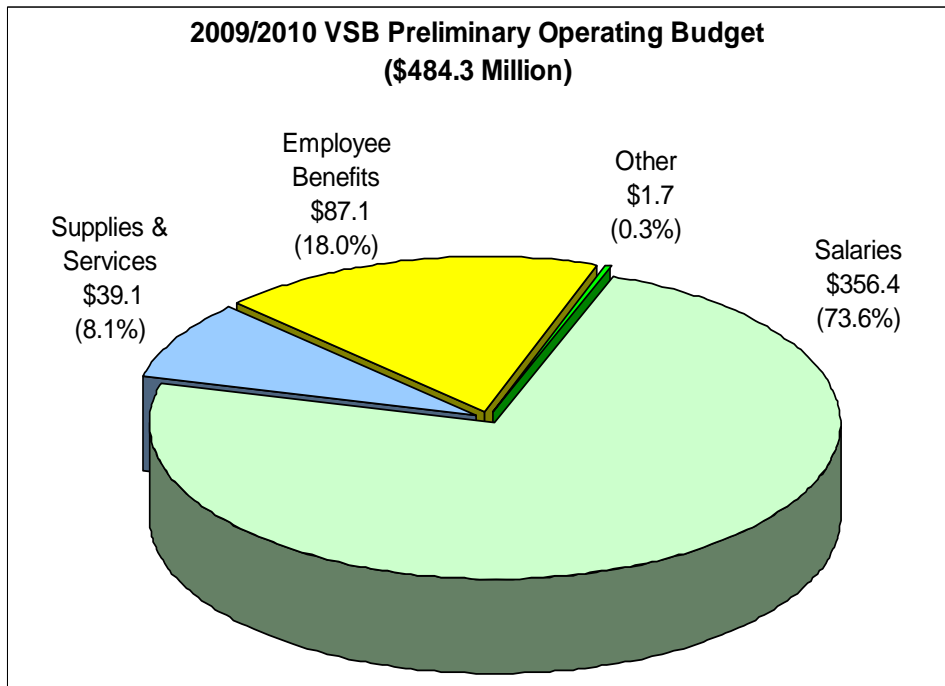


### Expenditure

Approximately 84.0% of the \$484.3 million 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 12.1% of expenditures, district administration 3.0% and transportation for special needs students 0.6%. Provisions for the reduction in the unfunded liability for employee future benefits (e.g. early retirement incentive plan) and interfund transfers for such things as furniture and equipment capital purchases represent 0.3% of expenditures. The following graph outlines the operating expenditures by function for 2009/2010.



The following graph outlines the operating expenditures by type for 2009/2010. Approximately 91.6% of the \$484.3 million operating budget is expected to be spent on salaries and benefits (\$443.5 million). Utilities, services and supplies, and purchases of capital assets account for approximately 8.4% of the budget or \$40.8 million.



## 2010/2011 Projected Operating Budget Shortfall

Based on projected cost increases and enrolment changes for 2010/2011, the operating budget shortfall for VBE is projected to be \$17.6 million. The following table outlines the major components of the projected funding shortfall. A significant portion of the funding shortfall for 2010/2011 relates to the one-time funding from prior year surpluses and transfers from LCR that was used to help fund the 2009/2010 budget. This funding is not available in 2010/2011. Other major components of the 2010/2011 cost based funding shortfall are included in the table below and relate to preliminary enrolment decline projections, increased salary and employee benefits costs not funded by the Province. However, if the Annual Facilities Grant funding is not restored and funding is not provided to fund the final salary increase for the teachers and the previously implemented labour market adjustments the projected 2010/2011 funding shortfall could increase by a further \$17.2 million to \$34.8 million.

<b>Projected Operating Budget Shortfall 2010/2011 (\$ Millions)</b>	
Cost and Enrolment Based Increases	
One-Time (2009/2010) <sup>1)</sup>	\$ (7.7)
Enrolment Decline <sup>2)</sup>	(1.0)
Salary and Employee Benefits Increase <sup>3)</sup>	(4.7)
Teachers' Pension Plan <sup>4)</sup>	(2.8)
MSP Rate Increase <sup>5)</sup>	(0.2)
Carbon Offsets & Cost of SMARTTtool <sup>6)</sup>	(0.3)
Inflation <sup>7)</sup>	(0.9)
	\$ (17.6)
Uncertain Funding	
AFG Funding	(10.6)
Teacher Collective Agreement Increase	(5.6)
Trades Adjustment & Labour Market Adjustment	(1.0)
	\$ (17.2)
<b>Total Projected Funding Shortfall</b>	<b>\$ (34.8)</b>

- 1) Including 2008/2009 appropriated surplus of \$4.26 million, transfer of \$2.70 million from the Local Capital Reserve and a preliminary projected funding shortfall of \$1.0 million for 2009/2010 expenditures.
- 2) Estimates decline of 578 FTE regular students and 200 FTE ESL students, offset by a projected increase of 33 international students.
- 3) Includes cost increases for salary increments (for teachers, administrators and PASA members) and employee benefits, offset by teacher turnover savings.
- 4) Approximately 8% increase in Teachers' Pension Plan contributions effective July 1, 2010.
- 5) MSP rate increase of 6% effective January 1, 2010.
- 6) Estimated carbon offsets costs based on \$25 per tonne of green house emissions.
- 7) Based on 2% inflation for supplies and generally higher rates of increase for utilities.

## **BUDGET BALANCING OPTIONS**

At a high level, there are three options for dealing with the projected funding shortfall for 2010/2011:

- utilize remaining financial reserves and/or sell existing assets;
- increase VSB generated revenues; and
- decrease expenditures.

Each of these options has different constraints, potential and impact. The remainder of this report will discuss the constraints and potential for each option. In reality, given the size of the projected funding shortfall, budget proposals may likely be developed with respect to all three options. The impact of these options will depend on the specific budget proposals recommended.

## **UTILIZATION OF RESERVES AND ASSETS**

The primary financial reserve available to provide funding to the operating fund is the Local Capital Reserve. In the past, the balance in the Local Capital Reserve has been in the \$3 - \$4 million range, and has been as high as \$8.8 million. However, the reserve has been used to help offset the operating budget funding shortfalls in recent years and to fund major new capital projects not funded by the Province (e.g. BCeSIS implementation and the Computer Sustainability Plan). The projected balance available in the Local Capital Reserve at the end of 2009/2010 is \$2.66 million as outlined in the following table. This amount in the Reserve could help offset the projected operating budget funding shortfall for 2010/2011. However, it would be strongly recommended that at least \$1.0 million be maintained in the Reserve to provide some protection against possible negative budget variances that may arise during the year. In addition, net revenues of approximately \$0.9 million accrue annually to the Local Capital Reserve and could also be used to offset possible budget variances during 2010/2011 or to allocate for special one-time expenditures.

<b>Projected Local Capital Reserve Fund Balance</b>	
<b>2009/2010</b>	
(\$ Millions)	
<b>Opening Balance</b>	<b>\$5.15</b>
<b>Revenue</b>	
• Lease Revenue	0.89
• Investment Income	0.02
• Other Revenues	0.17
	1.07
<b>Expenditure</b>	
• Property Expenses	(0.18)
• BCeSIS Implementation	(1.08)
• Computer Sustainability Plan	(2.25)
• Class-size/Class Comp. Support	(0.50)
• Transfer to LCR - Reduction of Unfunded Employee Future Liability	0.44
	(3.56)
<b>Closing Balance</b>	<b>\$2.66</b>

At this time, an estimated budget surplus of \$2.9 million is projected for 2009/2010. This projected surplus is going to be appropriated to help offset the 2010/11 estimated funding shortfall.

In terms of the sale or lease of fixed assets, the largest potential would be from the sale or lease of land or facilities after the closure of a school. The following projected operating costs could be saved from the closure of a school:

- typical elementary annex - \$200,000
- typical elementary school - \$400,000
- typical secondary school - \$1,400,000

In addition, if a school facility is declared surplus, additional revenue could be accrued from the lease or sale of the land and facilities. Long-term lease (beyond 10 years) or sale of a school site requires approval by the Province. Given the possible need of additional school capacity for expanded early learning and kindergarten programs, the Province has recently placed a moratorium on the sale of surplus school sites.

In summary, in terms of utilizing existing financial reserves and/or the sale of assets, the greatest potential would be to transfer up to \$1.66 million from the Local Capital Reserve and to use any unrestricted operating surplus for 2009/2010 (currently estimated to be \$2.9 million) to help offset the projected operating budget funding shortfall.

## INCREASE REVENUES

As mentioned earlier in this report, 93.4% of VSB revenues are derived from the Province. Apart from advocacy efforts, the VSB has little control over these revenues.

The VSB generates revenues from international and continuing education programs, facility rentals and leases, cafeteria sales and investment income. In total, these VSB generated revenue sources are estimated at \$25.0 million for 2009/2010. As outlined in the table below, actual VSB generated revenues have been in the \$25 - \$30 million range for the last seven years. However, it should be noted that these are gross revenues and do not include related program expenditures. After related expenditures are included, some, but not all, of these programs yield net revenues.

History Of VSB Generated Revenue								
	2002/2003 Actuals	2003/2004 Actuals	2004/2005 Actuals	2005/2006 Actuals	2006/2007 Actuals	2007/2008 Actuals	2008/2009 Actuals	2009/2010 Preliminary Budget
Francophone Education Authority	1,530,941	1,530,238	1,564,099	1,702,425	1,741,018	1,570,623	990,410	
Summer School Fees *	3,122,492	2,952,763	2,798,263	2,844,789	2,686,590	392,844	86,447	490,108
Continuing Education	4,432,892	4,448,284	4,121,497	3,439,331	4,209,310	3,849,987	2,432,936	3,856,606
Offshore Tuition Fees	11,177,572	10,867,680	11,901,860	11,331,567	11,229,443	12,601,281	12,765,693	11,263,872
LEA/Direct Funding from First Nations				7,070	22,632		16,160	
Miscellaneous								
Miscellaneous Income	1,400,236	788,797	766,543	1,243,767	1,132,077	3,771,408	3,871,295	2,177,684
Instructional Cafeteria Revenue	1,627,344	2,250,804	2,263,910	2,282,788	2,501,633	2,334,154	2,373,935	2,510,494
Transfers from Deferred Contribution - Other						951,530	177,122	
Rentals and Leases	1,737,327	1,731,891	1,922,508	2,072,827	2,219,284	1,337,434	2,644,838	2,541,642
Investment Income	1,211,163	1,108,610	957,715	1,803,280	2,601,663	3,020,757	1,886,652	2,150,636
<b>Total Other Revenue</b>	<b>26,239,967</b>	<b>25,679,067</b>	<b>26,296,395</b>	<b>26,727,844</b>	<b>28,343,650</b>	<b>29,830,018</b>	<b>27,245,488</b>	<b>24,991,042</b>

\* Summer school funded by Ministry of Education as part of the operating grant starting in 2007/2008.

There is potential to increase the revenues beyond the estimated \$25.0 million. However, any proposed increase is dependent on the demand for these services.

## DECREASE IN EXPENDITURES

Approximately 91.6% of the operating expenditures are comprised of salaries and benefits. The following table provides a summary of the VSB staffing by type for 2009/2010. Of the total 5,545 full-time equivalent staff, 3,156 FTE, or 57%, are teachers, 200 FTE are principals/vice-principals, 796 FTE are educational assistants (e.g. Special Education Assistants, Youth and Family Workers, Aboriginal Education Enhancement Workers, Multicultural Home School Workers), 1,279 FTE are support staff (e.g. school and office clerical, trades, custodians) and 114 FTE are other professional (e.g. excluded managers and supervisors).

<b>Operating Budget Staffing by Type 2009/2010 Preliminary Budget</b>		
	FTE	Salary & Benefits (\$ Millions)
Teachers	3,155.81	\$ 284.0
Principals and Vice Principals	199.83	25.1
Educational Assistants	796.38	39.7
Support Staff	1,279.43	67.0
Other Professionals	114.19	13.6
Substitutes		14.0
	<u>5,545.64</u>	<u>\$ 443.5</u>

The operating budget expenditures for salaries and benefits total \$443.5 million for 2009/2010. Reductions in staffing will have to be made to realize reductions in salaries and benefits. However, the School Act, the collective agreements and other legislative constraints establish minimum staffing levels for certain categories of employees.

The following table summarizes the minimum salaries and benefits which would be required pursuant to the legislative and collective agreement requirements. It should be noted that these numbers represent a general order of magnitude. However, approximately two-thirds of salaries and benefits are estimated to be required to meet minimum legislative and collective agreement provisions. The table also outlines the salaries and benefits which are not subject to legislative and contractual constraints and therefore could be subject to reduction. It should be noted, however, that the current staffing levels are required to support the existing functions and services. If reductions are made in staffing, reductions in services and programs would result.

<b>Operating Budget Salary and Benefits 2009/2010 Preliminary Budget (\$ Millions)</b>			
	2009/2010 Budget	Minimum Based on Legislative /Collective Agreements	Salaries/Benefits not Subject to Legislative /Collective Agreement Constraints
Teachers / Substitutes	\$ 298.0	\$ (221)	\$ 77
Principals/Vice-Principals	\$ 25.1	(14)	11
Educational Assistants and Support Staff	\$ 106.8	(70)	37
Other Professionals	\$ 13.6	(1)	13
Total	<u>\$ 443.5</u>	<u>\$ (306)</u>	<u>\$ 138</u>

The budgeted expenditures for supplies and services total \$40 million for 2009/2010, or approximately 8% of the total operating budget of \$484.3 million. The following table outlines the major functions for budgeted supplies and services expenditures.

<b>Operating Supplies and Services Budget 2009/2010 Preliminary Budget (\$ Millions)</b>	
Instruction	\$ 16.0
District Administration	3.0
Operations and Maintenance	8.4
Utilities	8.7
Transportation	3.0
Capital Furniture & Equipment Purchases	0.8
	\$ 40.0

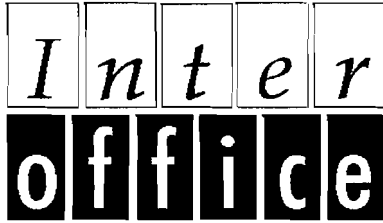
Most of the supplies and services expenditures are spent on supporting classroom instruction (\$16.0 million). This includes expenditures for learning resources and general classroom and school supplies. Building operations and maintenance supplies and services also account for \$8.4 million in expenditures and \$8.7 million is also required for utilities includes building heat, electricity, water, and sewer costs. Although some reduction in supplies and services costs may be achievable, the amount of any possible reduction is anticipated to be relatively small as budget allocations are already at minimum levels as a result of several years of budget cuts.

## **SUMMARY**

The following summarizes the major points noted in this report:

- The 2009/2010 preliminary operating budget expenditures for the VSB total \$484.3 million.
- Of the operating budget expenditures, \$443.5 million is estimated for salaries and benefits and \$40.0 million for supplies and services.
- It is projected that the VSB will be facing a preliminary cost-based operating funding shortfall of \$17.6 million. Also, if the Annual Facilities Grant funding is not restored and funding is not provided to fund the final salary increase for the teachers and the previously implemented labour market adjustments the projected 2010/2011 funding shortfall could increase by \$17.2 million to \$34.8 million.
- Three potential options exist to offset the projected funding shortfall:
  - utilize existing financial reserves and/or dispose of assets
  - increase VSB generated revenues
  - decrease expenditures
- In terms of financial reserves, \$1.66 million may be available from the Local Capital Reserve. However, this would leave only \$1.0 million in the Reserve to deal with budget uncertainties during the year in addition to the annual reserve revenues of \$0.9 million. In addition, the estimated unrestricted operating surplus of \$2.9 million could help offset the projected operating budget funding shortfall.
- In terms of VSB generated revenues, the VSB is expected to earn \$25.0 million in 2009/2010. There may be some potential to increase VSB generated revenues depending on the continued demand for these services.

- Given the relatively small funds that may be derived from utilizing existing financial reserves and increasing revenue, most of the 2010/2011 projected funding shortfall will have to be offset through reductions in expenditures.
- As approximately 92% of expenditures represent salaries and benefits, most of the expenditure reductions will have to come from reductions in staff.
- Approximately two-thirds of salaries and benefits are required to meet legislative and collective agreement requirements. Accordingly, significant reductions may be required in staffing areas that are not subject to legislative and collective agreement requirements.
- Supplies and services expenditures represent \$40 million or approximately 8% of the operating budget for 2009/2010.
- Building utility costs represent \$8.7 million of the \$40.0 million in supplies and services costs. No significant decrease can be expected in utility costs unless existing facilities are closed.
- Reductions in other supplies and services costs are expected to be minimal given that these budgets are already at minimal levels as a result of several years of budget cuts.



# Memorandum

vancouver school board



**Date:** February 26, 2010

**To:** Education and Student Services; Finance and Legal  
(Committee III/V)

**From:** Steve Cardwell, Superintendent of Schools  
Brenda Ng, Secretary-Treasurer

**Subject:** Stakeholder Input: 2010/2011 Budget Process

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As part of the process for preparing the 2010/2011 Preliminary Operating Budget, a budget survey has been developed to solicit input from various stakeholders and community members.

The budget survey consists of eight questions:

1. What processes would help stakeholders and the public understand the challenges posed by the financial realities as we establish our 2010/2011 budget?
2. We anticipate having to reduce spending to balance our 2010/2011 budget. What are the areas most likely to be considered in developing a "long list" of possible reductions?
3. What revenue enhancements might be possible given our priorities, context and contractual agreements?
4. Do you see any potential for cost savings through shared services/programs, or opportunities for revenue enhancements in 2010/2011, and over the next three to five years? If so, what are they and what do we need to do to facilitate these improvements?
5. What should be done, even in these challenging times, to ensure quality education for all children?
6. What kinds of flexibility, regulatory changes or other supports could we seek in the district or request of government?
7. If you had to cut from a school budget, what reductions would you make?
8. If you could protect three programs or services from cuts, which three would you protect?

The survey is also available on the district's website ([www.vsb.bc.ca](http://www.vsb.bc.ca)) and is linked from the 2010/2011 Budget Process page. Also available on this page is a PDF of the budget dialogue presentation being used by the Superintendent of Schools Steve Cardwell.

Committee III/V members are asked to review, consider and come prepared to discuss and provide input to the eight questions at our March 3, 2010.