



# Memorandum

vancouver school board

The logo for the Vancouver School Board, consisting of the letters "VSB" in a stylized, handwritten font.

Item III-A-2

September 9, 2009

To: Trustees

From: Brenda Ng  
Rick Krowchuk

Subject: **Three-Year Operating Budget Projection**

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Attached is a summary of the three-year operating budget projection for the VSB. It should be noted that this is a preliminary, high-level estimate based on assumptions as to the major budget change factors over the next three years. Accordingly, these projections should be considered as a range estimate rather than discrete numbers.

The projections are based on the following key assumptions:

- general student enrolment will continue to decline by 578, 571 and 550 FTE students over the next three years;
- ESL students will continue to decline by 200 FTE per year (no change is assumed for other students with unique needs);
- there will be continued cost increases of 1.5% per year for employee benefit costs and inflation for goods and services;
- assumes that the Province will fund the teacher salary increase of 2% for July 1, 2010 (\$4.8 million) included in the current collective agreement;
- no net cost increase for future labour settlements (assumes no increases or that they are fully funded by the Province);
- no change in per student operating grants from the Province or in the provincial funding formula;

- no net cost impact to the VSB as a result of implementing all day Kindergarten;
- assumes no rebate for the 7% provincial portion of the HST effective July 1, 2010; and
- the Annual Facilities Grant reduction of \$10.6 million for 2009/2010 is a one-time reduction and is reinstated for 2010/2011 and future years.

Based on the above assumptions, a funding shortfall in the range of \$14.8 million is estimated for 2010/2011. Additional funding shortfalls in the range of \$6.5 million would be faced for 2011/2012 and 2012/2013.

A key assumption is that the \$10.6 million AFG grant would be reinstated in 2010/2011. If this is not the case, the projected funding shortfall could be in the range of \$25 million for 2010/2011 (\$14.8 million plus \$10.6 million).

If the Province increased the per student operating grants over this period, the projected funding shortfall would be reduced.

Currently, the VSB has \$1.35 million uncommitted funds remaining in its Local Capital Reserve (about 0.28% of the annual expenditure budget).

This projection will be updated as additional information becomes available.

This report is provided for information.

# Operating Budget Three Year Projection

	2010/2011	2011/2012	2012/2013
One-Time (2009/2010) <sup>1)</sup>	\$ (6.96)	\$	\$
Enrolment Decline <sup>2)</sup>	(1.30)	(1.29)	(1.29)
Salary and Fringe Benefit Increase <sup>3)</sup>	(4.00)	(4.07)	(4.13)
Inflation <sup>4)</sup>	(0.94)	(0.98)	(1.02)
Carbon Offsets <sup>5)</sup>	(0.28)		
HST <sup>6)</sup>	(1.00)		
MSP rate increase <sup>7)</sup>	(0.21)	(0.22)	(0.23)
BCeSIS	(0.15)		
<b>Total Projected Deficit <sup>8)</sup></b>	<b>\$ (14.84)</b>	<b>\$ (6.56)</b>	<b>\$ (6.67)</b>

1) Prior Year Appropriated Surplus \$4.26 million and Transfer from LCR \$2.70 million

2) Estimated 200 ESL student FTE decline for each of the years, regular decline 578,571,550 student FTE

3) Includes cost increases for Salary Increments and Fringe Benefits, offset by Teacher Turnover Savings

4) Based on 1.5% inflation and estimated utility rates

5) Estimated carbon offsets cost to be updated when carbon offset pricing and measurement methodology confirmed

6) HST impact estimated with no rebate for 7% provincial portion

7) MSP rate increase of 6% per year 2009/2010 - 2012/2013

8) Assumes current level of provincial funding is maintained and does not include any provision for additional expenditure requirements (for programs or infrastructure). Additional costs for carbon offsets, H1N1, and the 6% MSP rate increase for 09/10 will have to be covered in the 09/10 amended budget. No net cost increases for labour settlements or all day kindergarten. Also assumes that the \$10.6 million AFG grant will be reinstated for 2010/2011 and future years.