



BOARD OF EDUCATION

SCHOOL DISTRICT NO. 61 (GREATER VICTORIA)
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April 15, 2014

The Honourable Peter Fassbender
Minister of Education
PO Box 9045 Stn Prov Govt
Victoria, BC V8W 9E2

Dear Minister Fassbender:

RE: Capital/Seismic Project Capital Cost Sharing

As part of the cash management strategy introduced in Budget 2014 Deputy Minister Rob Wood, in a letter to Superintendents dated April 2, 2014, states "Where boards of education may have previously designated funds for operating or capital priorities, these priorities will need to be reassessed. This may result in a board having to shift funds from a previously approved school district priority to a major capital project to be cost shared with government."

The notion of shifting operating and capital funds from a previously approved school district priority to a major capital project restricts local school district fiscal flexibility, and decision making autonomy. With already tight provincial and school district resources, this could lead to capital projects being held in abeyance due to lack of funds and student safety will be compromised. As well, the possibility of so called 'surplus' funds no longer being available to meet commitments will lead to reductions in programs and supplies necessary for schools and students.

Our Board is dismayed that Boards have not been consulted with prior to this new cash management strategy being introduced. This approach does not speak well to the true intent of "our collaborative relationship in our co-governance education system" as stated by you in your March 31, 2014 letter to Teresa Rezanoff, President of the BC School Trustees Association. In fact, this new strategy appears short sighted in view of the impact on Boards' abilities to prudently manage both operating and capital monies, already a difficult task in light of continued restraint by Government in supporting Boards of Education to fulfill their duties to the students of this province.

In a Vancouver NEWS1130 article on April 7, 2014 you are quoted as saying "some school districts have extra cash that could help with capital projects" and cite Greater Victoria as having \$17 million available. This statement causes confusion for the public at a time when our school district is facing a deficit for the coming school year. Our Board would like to provide clarifying information with respect to the referenced \$17 million.

There is a distinction to be made between "surplus" cash which is unencumbered and cash committed but not yet spent. The accounting principles that must be followed when preparing the financial statements do not permit outstanding commitments of any kind at the end of the school year to be included in the expenditure total; however all revenue sources must be included. Consequently, the unspent amounts set aside to fund these commitments result in a positive cash position at the end of the school year. As reported in the Greater Victoria School District audited financial statements for the year ending June 30, 2013, the operating fund had an ending balance of \$17,350,653. The following explains what this money was committed for:

• Secondary, Middle and Elementary Student Supplies Funds	\$ 5,060,084 (Note A)
• Planned Budgeted Surplus to be used in 2013-2014	\$ 8,300,000 (Note B)
• Unspent Aboriginal Targeted Funding	\$ 222,299
• Collective Agreement Contractual Obligations (Pro-D)	\$ 115,582
• Department Carry Forward Funds for On-going Projects	\$ 793,067 (Note C)
• Unspent Grants Dedicated to Specific Purposes	\$ 1,097,251
• Outstanding Purchase Orders	<u>\$ 1,055,387</u> (Note D)
Total Internally Restricted Funds	\$16,643,670
Total Unrestricted Funds	<u>\$ 706,983</u> (Note E)
Total Operating Fund Ending Balance	<u>\$17,350,653</u>

Note A: To ensure the efficient utilization of school budgets, unspent funding at the school level at year end is carried forward into the next year's operating budget. This gives schools the opportunity to accumulate balances for new textbooks for curriculum changes; equipment replacement/improvements (eg. teaching kitchens, technology for use in the classroom, shop equipment); and also avoids "year-end buying frenzies".

Note B: In order to mitigate the budget reductions required to balance the 2013-2014 budget, the planned budget surplus was approved in the 2013-2014 Annual Budget Bylaw. This money is required to fund expenditures during the 2013-2014 school year, and is currently committed.

Note C: Department carry forward funding is earmarked to complete unfinished projects. For example, schools send requests to the Facilities Department to have work done at their schools. Funding to complete the work is transferred from the schools to the Facilities Department and is carried forward for any work that is not completed by June 30.

Note D: As at June 30, there are outstanding purchase orders for which goods and services have not been received. The budgeted funds for the commitment are carried forward to pay for the goods and services when they are received in the next school year.

Note E: The unrestricted funds were used to pay for the CUPE support staff increase in 2013-2014 as part of the Cooperative Gains Mandate.

We understand the reality of the global economic situation and the budget challenges that the Province and school districts continue to face.

The Greater Victoria Board of Education continually strives to maximize programs and services for students. Over the past ten years, this Board has closed schools, reduced staffing, cut discretionary budgets, participated in shared services initiatives and worked to develop additional sources of revenue. Our district is carrying a structural deficit of \$8.1 million for the 2014/2015 school year due to the impact of declining enrolment and the fact that funding increases provided by the Ministry have not kept pace with cost pressures. A key strategy for our board in minimizing the budget and service reductions required to balance the 2014/2015 budget is to apply any cost savings and additional revenues from the current year to help offset a portion of the funding shortfall; however, our Board is faced with difficult decisions to reduce the budget by \$1.8 million.

As can be seen from the above explanation, the school district does not have \$17 million available in the operating budget to contribute to the cost of capital projects. We ask that you revisit the suggested cash management strategy in collaboration with Boards of Education and the BC School Trustees Association.

Yours truly,



Peg Orcherterton
Board Chair

Cc Board of Trustees

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