



# Vancouver Board of Education

School District No. 39

BOARD OF SCHOOL TRUSTEES

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Tuesday, April 13, 2010

Hon. Dr. Margaret MacDiarmid, MLA  
Minister of Education  
PO BOX 9045 STN PROV GOVT  
Victoria, BC V8W 9E2

Dear Ms. MacDiarmid:

It is our understanding you have made statements recently pertaining to the Vancouver Board of Education's surplus. We wish to bring your attention to the facts of the situation.

The figures reported in any financial statement represent a snapshot in time showing an account balance on a particular date. In our case, it is at June 30, 2009 – the last day of our budget year. The number shown as an operating fund surplus for any Board of Education typically includes a restricted and unrestricted component. The restricted component is committed for particular purposes, including the payment for outstanding purchase orders or the completion of approved projects, as well as funds committed to help fund the next years funding shortfall. The unrestricted portion is uncommitted as at June 30.

All but \$117,419 of the \$16.6 million operating fund surplus at the end of 2008-'09 was restricted. Generally accepted accounting principals stipulate we cannot record expenditures before goods and services are received, but we still have to report the money designated to pay for these items.

If we translate this to personal finances, the operating fund balance at June 30 would be the equivalent of checking a bank balance in the days before bills are due or a mortgage payment is scheduled to come out. It shows money in the account, but the full amount is not available to be spent unless one is prepared to overdraw the account.

In the VBE's 2008-'09 audited financial statements, \$9.2 million of the surplus was committed to pay for goods and services ordered, but not yet received before June 30 or for the completion of approved projects. These funds were not available to assist in funding the future year's funding shortfall.

Additionally, \$4.26 million of the surplus was funds trustees voted in April 2009 to appropriate from 2008-'09 in order to help lessen the impact of the funding shortfall in 2009-'10. These funds were the result of higher-than-anticipated regular and distributed learning enrolments, which resulted in additional grants from the ministry late in the

#### Board of School Trustees:

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school year. The additional revenue was not forecast, and therefore not included as part of the district's preliminary budget estimates.

As well, in response to dealing with the 2009/2010 estimated funding shortfall of \$7.12 million, trustees elected to transfer \$2.7 million from the local capital reserve (LCR) to the operating budget to lessen the impact of the cuts. This transfer is also included in the \$16.6 million reported surplus for 2008/2009.

However, it should be noted that even after the carry forward of the \$4.26 million and the transfer of the \$2.7 million, the VSB was still faced with cuts of nearly \$ 5 million for 2009/2010.

Cuts to programs and services were faced, and continue to be faced, by virtually all Boards of Education in the Province, not just Vancouver. These cuts are as a result of the chronic underfunding of public education by the Province. For example, you are aware that school boards are facing cost increases next year related to teachers pension, MSP, salary increments, employee benefits and carbon offsets. However, the Province has stated that they are not funding any of these cost increases. These costs, therefore, must be absorbed by school district operating budgets.

I trust this clarifies the issue for you, and request you **correct the public record**. It's important that all our public statements are clear and transparent so that the public is not misled about the government funding for education.

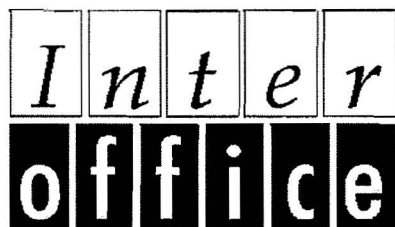
Sincerely,



Patti Bacchus  
Chairperson

encl.

cc. Steve Cardwell, Superintendent of Schools  
Brenda Ng, Secretary-Treasurer  
VBE trustees  
BCSTA  
VSB Advocacy Committee



# Memorandum

vancouver school board



April 9, 2010

To: Finance and Legal Committee  
(Committee V)

From: Brenda Ng  
Rick Krowchuk

Subject: **Vancouver Board of Education – Appropriated Surplus**

The Minister of Education stated in the Legislative Assembly that the Vancouver Board of Education (VBE) reported a surplus of \$16.7 million at the end of 2008/2009. Although the VBE did report an accumulated operating fund surplus of \$16.59 million on its 2008/2009 financial statements, only \$0.11 million was unrestricted. The balance (\$16.48 million) was funds that were restricted for particular purposes as at June 30, 2009. The following provides a summary of the major components of the accumulated surplus as at June 30, 2009:

	<u>\$Million</u>
Internally Restricted (appropriated) by Board for:	
• School Fund Balances	\$1.58
• Collective Agreement Requirements	0.53
• Purchase Order Commitments	2.33
• Amount Required to Complete Approved Projects	2.97
• Distributed Learning	0.39
• Miscellaneous Grants Funding	1.32
	<u>9.12</u>
• Funding for Anticipated 09/10 Budget Deficit	6.96
• Funding from 08/09 Provincial Holdback Release for Anticipated 09/10 Budget Deficit	0.40
	<u>0.40</u>
Sub-Total Internally Restricted	16.48
Unrestricted Operating Surplus	0.11
	<u>0.11</u>
Total	<u>\$16.59</u>

The internally restricted funds represent commitments made against approved budgets (\$9.12 million) and funds appropriated to help offset the funding shortfall for 2009/2010 (\$7.36 million). In terms of the \$9.12 million in commitments, as services were not completed or goods were not yet received by June 30, 2009, based on generally accepted accounting principles, they could not be recorded as expenditures for the year. However, these restricted funds must be used to pay for the commitments once the goods and services are received; they are not available to assist in funding future years' funding shortfalls.

The \$7.36 million of funds appropriated to help offset the funding shortfall for 2009/2010 includes the following:

- \$4.26 million projected operating surplus for 2008/2009 owing largely to greater than anticipated regular and Distributed Learning enrolment;
- \$2.70 million transferred from the Local Capital Reserve; and
- \$0.40 million Provincial Holdback funding released by the Province on June 30, 2009.

Even after the \$4.26 million of appropriated funds from 2008/2009 was taken into account, the VBE was still faced with a \$7.12 million funding shortfall for 2009/2010. The transfer of \$2.70 million from the Local Capital Reserve was used to reduce the actual cuts to programs, services and staff in 2009/2010 owing to the projected funding shortfall. However, cuts to programs and staff were still required. The \$0.40 million in Provincial Holdback funding was initially going to be "clawed-back" by the Province, but was eventually released in late 2009 and included in VBE's final 2009/2010 budget.

In summary, the VBE, like most Boards of Education in the Province, is regularly faced with annual funding shortfalls. These shortfalls are largely as a result of the provincial funding formula for public education not funding a number of cost increases faced by Boards, including the following:

- salary increments for employees on pay grid systems such as teachers, administrators and other professionals;
- increases in employee benefit costs such as CPP, EI, WCB, MSP, extended health and dental benefits and pensions; and
- inflation on goods and services.

At times, the VBE and other Boards of Education may experience lower costs or greater enrolment than anticipated for a particular year. Any net savings from one year are typically carried forward to offset the projected funding shortfall for the next year. Unfortunately, even after carried forward savings are taken into account, most Boards of Education are faced with remaining funding shortfalls. From 2002/2003 to 2009/2010, the VBE faced net funding shortfalls totaling \$51 million.

This report is provided for information.