

COWICHAN VALLEY SCHOOL DISTRICT

May 2, 2012

Board of Education
School District No. 79 (Cowichan Valley)
2557 Beverly Street
Duncan, BC
V9L 2X3

Madame Chair and Trustees,

The Board is currently building the 2012/13 budget for School District 79. The Board has just given first reading to the 2012/13 budget bylaw and budgeted expenditures exceed the grant from the Ministry of Education by some \$3.8 million. By giving first reading, the Board has embarked on a pathway towards a deficit budget.

There is a saying – when you chose a pathway you also chose its destination. So we would like to summarize the 2 pathways – and their destinations – that are in front of you.

Deficit Budget Pathway

Section 111 of the *School Act* states:

Preparation of annual budget

- 111 (1) In this section:
- "**estimated expenditures**" means the estimated expenditures plus any operating deficit that the board must fund in the fiscal year;
 - "**estimated revenues**" means the estimated revenues plus appropriated operating reserves.
- (2) The board must prepare an annual budget in the form and containing the content specified by the minister.
 - (3) Subject to subsection (4), estimated expenditures in the annual budget must not exceed estimated revenues.
 - (4) The estimated expenditures in the annual budget, other than the debt service expenses estimate referred to in section 110, may exceed the estimated revenues if the board has held a referendum under section 112 and the referendum approved the amount in excess of the estimated revenues.

Clearly the Board is acting outside of the law if it submits a deficit budget. History has shown that the Lieutenant Governor in Council has dismissed Boards and appointed an official trustee where Boards have submitted deficit budgets. An official trustee does not answer to the community and may make decisions not supported locally. It is our opinion that we can anticipate nothing different if this Board of Education adopts the deficit budget bylaw now being considered for second reading.

We appreciate that tonight the Board made a decision to staff only to the extent we have funding to do so. Additional staffing identified in the “Restoration Budget” will be committed only if the Province provides additional funding. That decision has avoided the instability that would have come with staffing beyond our means.

Balanced Budget Pathway

Submitting a balanced budget won't fix all of the District's financial challenges. For the 2012/2013 year, our funding will decrease by \$803,457. We expect that our funding will continue to drop by about \$1 million a year for the foreseeable future because of declining enrollment. With the current funding model, the Ministry of Education assures us that the provincial grant for one year won't drop below 98.5% of the previous year's provincial grant, hence the \$1 million drop in funding per year. In the next several years, we will have to contend with decreased funding as well as having to contend with inflationary pressures. Other districts facing declining enrollment and excess space have had to look at reorganizing grades and close schools to make their operation financially sustainable. This district will have to look at these and other measures in order to bring some financial stability to its operations.

Caution

We feel obligated on moral, ethical and legal grounds to caution the Board of Education against passing a deficit budget for the 2012/2013 year. It is contrary to the School Act.

In 2002, our School District had a graduation rate of 68.4% compared to the provincial average of 76.5%. In 2011, 77.6% of our students graduated; the provincial average was 81%. So in spite of cuts to our budget in the past decade, we have gradually improved our graduation rate in absolute terms and in relation to the rest of the province. Additionally our transition rates for grade to grade movement have improved.

The province has announced that in 2012/2013 this district will receive \$896,000 of \$60 million province-wide from the Learning Improvement Fund. While this extra money will do nothing to balance our budget, it will provide additional support to our vulnerable students, whether they are designated or not. This fund will continue into the future and will increase to \$75 million province-wide – some \$1.1 million locally – in 2014/2015 and remain at that level for the foreseeable future.

Our employees are our most valuable asset and we have confidence that they will continue to make a difference in our students' lives and in their academic achievement.

Recommendations

We believe that we must do more than caution the Board against passing a deficit budget. In its work last week, the Finance Committee developed a balanced budget before adding back the "Restoration" items. That balanced budget is attached to this letter for your consideration. It is not pain-free but it is achievable. In the longer term, we need to address the way we deliver services so that we can focus more strongly on student achievement.

So in conclusion, we believe the Board of Education has a viable option to balance its budget for the 2012/2013 year and we strongly urge trustees to do so in compliance with the requirements of the *School Act*.

Respectfully submitted,



Joe Rhodes
Superintendent of Schools



Robert A. Harper, CGA
Secretary-Treasurer