

Policy 17

POLICY 17 - ACCUMULATED OPERATING SURPLUS

The purpose of the Accumulated Operating Surplus Policy (Policy) is to provide guidelines and rules to ensure accountable and transparent financial planning, and develop procedures that guide the accumulation, spending and reporting of operating surplus funds. An accumulated operating surplus is achieved by spending less than the revenue the school district receives. The Board of Education (Board) is required by legislation to approve a balanced annual operating budget, which may include use of accumulated surplus funds from the previous year. The Board will engage the local community prior to approving restrictions on the spending of surplus funds. The restriction of accumulated surplus funds will be guided by the Board's strategic priorities. This policy aligns with and ensures compliance with the Ministry of Education (Ministry) Accumulated Operating Surplus Policy.

Specifically

Engagement with Local Community, First Nations and BC Metis Nation

When developing local budgets (including the use of operating surplus) boards will ensure that they consult and engage their local communities by providing information on:

- Where, when and how long the community will have the opportunity to provide input, feedback and ask questions on the Board's annual budget;
- Specific opportunities for the local community to provide feedback on how the use of operating surplus supports the Board's strategic priorities; and
- How the Board will report out to the community on its progress towards meeting its strategic priorities (including the use of surplus).

This engagement may occur in conjunction with the public and partner budget feedback sessions.

Internally Restricted Operating Surplus

The restriction of accumulated operating surplus will be reported in three categories:

1. Restricted due to the nature of constraints on the funds. These funds have external restrictions that are not at the discretion of the Board;
2. Restricted for anticipated unusual expenses identified by the Board; and
3. Restricted for operations spanning multiple school years. These funds will include items that the Board of Education has determined are required to be held for use in a future year.

Examples include:

- a. Held to offset a funding shortfall in future years;
- b. Held to plan for a future new school contribution; and
- c. Held to assist schools and departments plan for multi-year expenditures.

Unrestricted Operating Surplus (Contingency)

The Board shall maintain a contingency reserve of at least 1% and not exceeding 3% of operating expenditures.

The Board may approve the use of the contingency reserve under the following circumstances:

- The elimination of any deficit arising at the end of a fiscal year of operations;
- The funding of new cost pressures in a fiscal year that were not known at the time of budget development;
- The payment of severances (wages and benefits) upon termination of employment;
- The settlement of any legal action that is not covered by insurance;
- Initial one-time cost outlays for new education programs;
- Coverage for disaster recovery expenditures;
- Extraordinary utilities cost pressures;
- Replacement of equipment essential to the continuation of educational programming in schools or District facilities;
- To assist in balancing future years' budgets.

In recognizing the use of the contingency reserve represents a one-time source of funding, the Board will incorporate into its future budget planning processes strategies to re-establish the contingency reserve. Such strategies may be implemented over a period of two years.

Restricted for Future Capital Cost Sharing

To support major capital projects that are identified in the Board's Five-Year Capital Plans and approved by the Ministry of Education for concept plan or business case development, the Board may restrict operating surplus to satisfy capital project cost share expectations at the time the project is brought forward for funding approval.

Local Capital

Local capital includes the Board's portion of any proceeds from the disposition of capital assets, transfers from operating funds and interest earned on local capital funds restricted for the purchase of tangible capital assets. Transfers from operating funds to local capital must be made only for specific initiatives that have a clear linkage to the Board's strategic priorities, or that address capital asset investment, or that meet the specific needs of the school district.

The Board will approve planned interfund transfers in alignment with the approval of the Annual Operating Budget. Subsequent requests will be presented to the Board of Education for approval as required. Capital assets purchased out of departmental operating budgets do not require subsequent board approval.

Reporting

The Board is required to provide the Ministry with an annual report on its budget allocation decisions (including operating surplus and local capital), demonstrating that approved allocations support the Board's strategic priorities. This reporting ensures that the Ministry receives all information relevant

to operating surplus. The Board will provide additional narrative-type information explaining how the funds were accumulated and how the operating surplus will be used through the Financial Statement Discussion and Analysis (FSD&A).

Legal Reference: Sections 65, 85.2, 110, School Act