Saturna Island Property Owners Association

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The Editor

The Island Tides

RE: Island Trust's Good Fiscal Management, June 2, 2011

We write in response to the letter sent by Islands Trust Council Chair, Sheila Malcolmson, which appeared in *The Islands Tides* on June 2. She took issue with what she termed inaccurate information published about the Islands Trust budget. The Saturna Island Property Owners Association (SIPOA) agrees that accuracy in published information is called for.

There does seem to be confusion about the Islands Trust budget. For example, consider two of the Trust's news releases (Jan. 24 and Feb. 17, 2011). The first requested comment on "a budget of 6.9 million", a 6.9% increase; the second heralded a "Reduction in Budget Increase" in its headline.

Despite the language of a reduction in the budget increase, the budget that was shown in a summary budget proposal dated Feb. 16, 2011 and presented to the Financial Planning Committee indicates expenditures of $6,900,075. In the Islands Trust budget document dated Feb. 19, 2011, presented at the March 9, 2011 Trust Council meeting on Galiano, expenditures are shown as $6,900,482.

For us taxpayers, it is rather difficult, therefore, to understand why there would be a news release from the Trust on Feb. 17th extolling a reduction in the budget increase when, in fact, it appears there had been no decrease at all in the Trust's proposed expenditures.

With respect to Ms. Malcolmson's letter, we are advised that in general accounting practice, the term "surplus" conveys the meaning of an excess of revenue over expenditure. Taken in this sense, a surplus normally exists only until it is allocated in some fashion. One option for allocating a surplus is to put into a "reserve" where there is a well-defined purpose for future use. However, even though a reserve has a different meaning, she again describes these funds in her letter as a "surplus". With such unconventional use of well-understood terminology, how is it possible for taxpayers to interpret where the funding they supply is in fact being directed and utilized?

In addition, this unconventional description of the funding associated with unfinished projects, termed as "surplus", only creates more confusion. Even though funding existed to support the unfinished projects, it appears that a new funding requirement for these projects was added to the list of budget expenditures requiring support through taxation in the 2011-12 year. It is difficult to see how a transfer as "surplus", or whatever, of funds associated with unfinished projects could otherwise result in a belated reduction of the taxation component in the upcoming fiscal year. In other words, there is an appearance that projects that had already been fully paid for through prior taxation were being billed to the taxpayers again for their completion.

On another point, we note in Ms. Malcomson's letter that the Trust's reserve fund currently rests at 22 per cent of the operating budget, an unusually high level. As taxpayers, we are left to wonder what special needs the Islands Trust has that would compel $1.5 million of taxpayer funds to sit in reserve as of March 2012, with even more contemplated for the future.

In light of these examples, it should not come as a surprise there is some confusion on the part of those trying to understand the Islands Trust budget management process.

SIPOA requests that in the future the Islands Trust consider using accepted accounting terminology and provide a clear description of its budget processes, policies and allocation of funds. Clarification will be helpful because, at present, it can be argued that the Trust's approach to accounting does little to enhance public confidence in its management.

In closing, we refer to Ms. Malcolmson's June 24, 2011 letter to the Minister of Transportation and Infrastructure. In it she writes, "Ferry fares have been allowed to increase at about four times the rate of inflation for the past eight years …".

SIPOA applauds the Islands Trust's strong stance in opposition to high ferry fare increases. However, coincidentally the Islands Trust budget in the same period has been allowed to increase at more than five times the rate of inflation. We point out that the consequence is a rate of tax increases by the Islands Trust that exceeds the rate of ferry fare increases.

Perhaps the Islands Trust might consider taking its own advice on what constitutes appropriate increases, thereby demonstrating consideration and concern for the taxpayers.

Sincerely,

Murray Rankin
President, SIPOA

This Portion added by TAG for a better understanding of this issue.

Related links:

Sheila Malcolmson's June 2nd, 2011 letter in The Island Tides

Letter from John Money (former trustee) which prompted Malcolmson's reply above.
This letter was not printed in its entirety, but this is the complete version.

Another letter from John Money, in response to Malcolmson's reply.
This letter did not get printed.

This letter above from Murray Rankin, President of SIPOA, was submitted to the Island Tides for publication as well, but also did not get printed.