

NANAIMO LADYSMITH PUBLIC SCHOOLS

BOARD OF EDUCATION SPECIAL MEETING

INFORMATION SHEET

DATE: August 31, 2022
TO: Board of Education
FROM: Mark Walsh, Secretary-Treasurer
SUBJECT: 2021/22 Summary of Accumulated Operating Surplus

Background:

In accordance with the Board's Accumulated Operating Surplus (Reserves) policy, it is appropriate for the Board to maintain a reasonable operating surplus, with consistent rules and guidelines in place to manage financial risk by ensuring there are the resources necessary to meet both planned and unplanned obligations, while spending as much of the district's resources as possible on current or multi-year programs, services, or initiatives.

District surplus is categorized as either internally restricted for particular use, or unrestricted. Under restricted surplus there are three unique categories:

- Financial Constraints/Targeted Funds: Grants, revenues, or financial commitments that extend beyond the current fiscal year are restricted for future use.
- Anticipated Unusual Expenses: Identified one-time or intermittent projects not able to be funded by current year revenues.
- Operations Spanning Multiple School Years: Situations where operating surplus funds may need to be carried over to future years.

Accumulated surplus may also be used to support the districts Local Capital balance, for specific capital initiatives that have clear linkage to the Board's strategic goals, as well as any future capital cost share expectations related to major capital projects that are identified in the board's five-year Capital Plan and approved by the Ministry for concept plan or business case development at the time the project is brought forward for funding approval.

This memo is provided to the Board as information; it will return to the Business Committee and then again to the Board in September to determine and approve the allocation of the restricted surplus, as well as any allocation of unrestricted surplus.

The surplus allocation schedule below represents the 2021-22 accumulated surplus and the items staff have identified as restricted categorized into the reserve balances as described above.

The 2021/22 financial statements are currently prepared in draft, pending final discussions and approval of the restricted surplus allocations by the Board of Education.

Information Sheet: 2021/22 Surplus Allocation Recommendation

OPERATING FUND	2021-2022	2020-2021
Accumulated Operating Surplus	7,818,360	13,158,740
<u>Restricted Surplus Reserve for Anticipated Unusual Expenses:</u>		
Staffing Reserve	600,000	750,000
Replacement Cost Reserve	400,000	750,000
COVID - Enhanced Cleaning Protocols	-	400,000
	<u>1,000,000</u>	<u>1,900,000</u>
<u>Restricted Surplus Reserve for Financial Constraints/Targeted Funds:</u>		
District Benefit Plans - Premium Balance	2,575,232	5,663,366
Undelivered PO's at June 30th	563,342	-
Indigenous Education Programs	415,443	457,476
Teacher Mentorship Grant 21/22 unspent per COVID	261,758	277,051
School Supplies	134,367	189,061
Outreach Program	55,938	278,348
Seamless Day Kindergarten Pilot	50,000	50,000
Health & Safety	17,800	15,000
International Student Program Contingency	-	200,000
COVID Response Fund	-	240,000
2021/22 Annual Budget Balancing	-	157,684
SD84 Amalgamation	-	139,000
Summer Outreach Program	-	127,212
Painting Project	-	100,000
UBC TELP Program	-	76,000
School Bus Seat Belt Pilot Program	-	65,104
Bargaining	-	50,000
Trustee Professional Development/Travel	-	40,000
Student Management System for ICE	-	30,000
Ecole Hammond Bay Welcome Pole	-	20,000
Wellington School Play Site	-	20,000
CUPE Professional Development	-	17,419
	<u>4,073,880</u>	<u>8,212,721</u>
<u>Restricted Surplus Reserve for Operations Spanning Multiple School Years:</u>		
N/A	-	-
Total	-	-
<u>Unrestricted Operating Surplus Reserve:</u>	<u>2,744,480</u>	<u>3,046,019</u>
Summary of Accumulated Operating Surplus		
Total Internally Restricted Surplus Appropriated by the Board	5,073,880	10,112,721
Total Unrestricted Surplus	<u>2,744,480</u>	<u>3,046,019</u>
Total Accumulated Operating Surplus	7,818,360	13,158,740
CAPITAL FUND		
Investment in Tangible Capital Assets	53,625,926	53,293,432
Local Capital	<u>7,221,058</u>	<u>3,977,668</u>
Capital Surplus	60,846,984	57,271,100
TOTAL ACCUMULATED SURPLUS	68,665,344	70,429,840
 <i>Proposed transfer to Local Capital</i>	 2,000,000	 <u>1,248,000</u>
Revised Unrestricted Operating Surplus Balance, pending Board approval	744,480	1,798,019
Revised Local Capital Balance, pending Board approval	9,221,058	5,225,668

Summary of Surplus by Category:

Anticipated Unusual Expenses:

The Anticipated Unusual Expense Reserve is for identified one-time or intermittent projects not able to be funded by current year revenues. This category has changed from previous fiscal years as a result of the revisions made in fiscal 2021/22 to the district's Accumulated Operating Surplus (Reserves) Policy to be in compliance with the guidance provided by the Ministry of Education and Child Care. Amounts included here are now anticipated expenditures as opposed to contingency amounts as in previous years.

The following amounts have been added to this reserve category in 2021/22:

Staffing - \$600,000 - Per the restored Class Size and Composition Language (LOU17) we are provided with funding from Ministry in order to ensure compliance, however, actual student enrolment and student designations must be confirmed in September 2022 where the number of teacher FTE required/substantiated under the Special Purpose Fund (CEF) could be less than currently funded which would mean transferring that cost to the Operating Fund. Also, enrolment is trending lower than our projections which may require additional funds to address funding shortfalls per actual enrolment.

Replacement Costs - \$400,000 - This is for the anticipated increase in costs above the annual budgeted amount related to employee replacement costs as a result of the new Employment Standards Act regulations, as well as to address the landscape we are now in as a result of COVID-19 where we are seeing unusually high absenteeism, and it is still unknown if this trend will continue.

Financial Constraints/Targeted Funds

The Financial Constraints/Targeted Funds Reserve is for grants, revenues, or financial commitments that extend beyond the current fiscal year but are restricted for future use.

The restricted items within this reserve total \$4,073,880, the largest being the benefit premium balance of \$2,575,232. This item was added for the first time in 2020/21 per requirement from our auditors to be in compliance with Public Sector Accounting Standards. The balance has declined significantly due to a withdrawal of \$2,862,981 during the year to fund the initiatives approved by the Board in 2021. Currently the majority of this amount is restricted by the providers, however the district can access some of the funding by way of a benefit "holiday" if required. Staff do not recommend this as the district withdrew a significant amount in the prior year. Future benefit costs along with higher-than-normal employee benefit claims will impact the amount available so in order to mitigate risk we advise that the balance remain on account with the carrier in 2022/23, to be reviewed in 2023/24.

The remaining items total \$1,498,648 which include the Indigenous Education year-end balance, school supplies, unspent 21/22 Teacher Mentorship Grant, Outreach Program, Seamless Day Kindergarten Pilot, and contractual obligations (undelivered PO's at June 30th).

Operations Spanning Multiple School Years

Staff has not identified any items to include in this reserve in 2021/22.

Unrestricted Operating Surplus

After the allocation of the accumulated operating surplus into the restricted reserves noted above, prior to any transfers to Local Capital, the unrestricted operating surplus is \$2,744,480. A transfer of \$2,000,000 is being proposed to Local Capital in order to fund the district's annual technology plan as well as to maintain the planned required purchases within the three-year Local Capital Schedule that was presented as part of the 2022-23 annual budget.

Following this transfer, the remaining unrestricted operating surplus would be \$744,480.

As mentioned above, this memo is provided to the Board as information and will return to the Business Committee and then again to the Board in September, along with recommended allocation of any unrestricted surplus.

In addition, and pursuant to the revised Accumulated Operating Surplus (Reserve) Policy, we will also provide the three-year local capital schedule along with a detailed restricted surplus financial schedule which will indicate the intended purpose, timeline for the expense, and reference to a Board goal.

