



**NANAIMO LADYSMITH PUBLIC SCHOOLS
BUSINESS COMMITTEE MEETING
INFORMATION SHEET**

DATE: May 10, 2023
TO: Business Committee
FROM: Mark Walsh, Secretary-Treasurer and Taunia Sutton, Director of Finance
SUBJECT: 2022/23 Third Quarter Financial Report

Background

This information sheet provides the districts third quarter operating results, as compared with the Amended Annual Budget presented in February.

Important to note that following the approval of the Amended Budget the district received anticipated Labour Settlement funding for the negotiated general wage increases for CUPE, the NDTA and Exempt Staff. This significant increase in revenue has now been incorporated into the Post-Amended Budget along with the associated salary and benefit expenses.

The report also provides a forecast of operating expense between April 1st and June 30th along with an estimated year-end financial position, and an adjusted Accumulated Operating Surplus balance based on that figure.

Discussion

Presented on the following page are the districts third quarter financial results for 2022/23 along with the same period in 2021/22 as a comparator.

Of note:

- 1) District revenues are recorded as received by the funding party and vary in schedule over the fiscal year, at Q3 we expect to have collected approximately 70%
- 2) With school-based operations being 10 months, Teacher, EA and Substitute salary expenses should be approximately 70% spent at Q3
- 3) Principals, Vice Principals and Other Professionals are 12-month staff so expense levels should be approximately 75% spent
- 4) The Support Staff (not including EA's) category has a blend of 10- and 12-month staff which puts their expected % spent between 70 and 75
- 5) Benefit costs are expected to be approximately 65% spent at Q3. Costs are lower in the first three quarters and higher in the final as we account for 10-month employee benefits over the summer months in June
- 6) Supply and Services accounts are applicable to both 10- and 12-month operations so this category is expected to be upwards of 70% spent by Q3, however, depending on budgeted surplus appropriations, planned spending and market/vendor complexities this category may be lower.

Third quarter results shows that the district is on target in both Revenues and Expense, there are no areas of concern to report.

Nanaimo Ladysmith Public Schools						
<i>Financial Results at March 31, 2023 - Q3</i>						
	2022/23 Amended Budget	Actuals at March 31	% Collected or Spent	2021/22 Amended Budget	Actuals at March 31	% Collected or Spent
Operating Revenues						
Ministry of Education Grants	146,190,852	106,633,246	72.9%	144,240,639	100,281,919	69.5%
Other Provincial Grants	286,862	265,220	92.5%	275,416	312,312	113.4%
Tuition	5,206,015	4,204,821	80.8%	4,322,250	3,275,469	75.8%
Other Revenue	2,407,572	1,777,499	73.8%	2,080,954	2,318,650	111.4%
Rentals and Leases	530,000	480,298	90.6%	400,000	343,243	85.8%
Investment Income	900,000	751,141	83.5%	186,000	151,972	81.7%
Total Operating Revenue	155,521,301	114,112,225	73.4%	151,505,259	106,683,565	70.4%
Operating Expenses						
Teacher Salaries	68,734,754	50,411,645	73.3%	68,106,949	46,998,776	69.0%
Principals/Vice Principal Salaries	9,078,112	6,908,496	76.1%	8,917,757	6,437,132	72.2%
Educational Assistant Salaries	11,358,923	7,742,039	68.2%	11,246,819	7,191,157	63.9%
Support Staff Salaries	12,672,136	9,489,766	74.9%	12,936,224	9,245,226	71.5%
Other Professional Salaries	4,873,454	3,743,641	76.8%	4,957,424	3,499,817	70.6%
Substitute Salaries	5,596,052	3,872,606	69.2%	4,863,800	3,892,846	80.0%
Total Salaries	112,313,431	82,168,193	73.2%	111,028,973	77,264,954	69.6%
Employee Benefits	28,252,635	18,927,580	67.0%	27,622,707	17,509,899	63.4%
Total Salaries and Benefits	140,566,066	101,095,773	71.9%	138,651,680	94,774,853	68.4%
Services and Supplies	16,836,373	12,023,529	71.4%	16,524,434	10,704,731	64.8%
Total Operating Expense	157,402,439	113,119,302	71.9%	155,176,114	105,479,584	68.0%
Net Revenue (Expense)	(1,881,138)	992,923		(3,670,855)	1,203,981	
Budgeted Surplus Appropriation	2,881,138			8,858,355		
Tangible Capital Assets Purchased		(707,960)			(172,861)	
Transfer to Local Capital	(1,000,000)	(1,000,000)		(5,187,500)	(5,299,500)	
Surplus (Deficit), for the year	0	(715,037)		-	(4,268,380)	
Summary of Accumulated Operating Surplus						
Accumulated Operating Surplus, beginning of year		7,818,360			13,158,740	
Adj for Q3 Operating Surplus (Deficit) per above		(715,037)			(4,268,380)	
Accumulated Operating Surplus at Q3		7,103,323			8,890,360	

Note1: Actuals from each Fiscal's Q3 GRE Report - Schedules 2 and 2B

Reconciliation

In order to ensure the district will finish the fiscal year in a financially sound position, staff have estimated expenses for the fourth quarter, April to June. Further, this forecast allows us a preliminary look at what our Accumulated Operating Surplus balance will be, based on this figure.

As noted above, on March 31st revenue over expenses were \$992,923. We then have to account for any transfer of Operating Funds over to Local Capital, as well as any assets that were purchased with Operating Funds. The remaining balance is the districts overall year-end surplus/deficit amount which is then added/subtracted from our prior year Accumulated Operating Surplus balance to get the revised surplus balance.

Preliminary estimates show that the district looks to end the year in a favorable position with a \$1.19 million Operating Fund surplus (revenues over expenses). Following the transfer of funds to Local Capital and accounting for Capital Assets Purchased with operating funds, we will have utilized \$519k of our Accumulated Operating Surplus, leave a balance for future operations of \$7.3 million.

Nanaimo Ladysmith Public Schools <i>Financial Results at March 31, 2023 with Forecast to Year-End</i>							
	2022/23 Amended Annual Budget	Adjustment	2022/23 Post Amended Budget	Actuals at March 31st	Forecast to June 30th	Total Estimated Year End Actuals	Estimated YE Actuals Vs. Budget Variance
<u>Operating Revenue</u>							
Ministry of Education	146,190,852	5,780,973	151,971,825	106,633,246	45,255,719	151,888,965	(82,860)
Provincial Grants	286,862		286,862	265,220	21,642	286,862	-
Tuition	5,206,015		5,206,015	4,204,821	1,214,725	5,419,546	213,531
Other	2,407,572		2,407,572	1,777,499	565,446	2,342,945	(64,627)
Rentals and Leases	530,000		530,000	480,298	147,140	627,438	97,438
Investment Income	900,000		900,000	751,141	328,859	1,080,000	180,000
Total Operating Revenue	155,521,301	5,780,973	161,302,274	114,112,225	47,533,531	161,645,756	343,482
<u>Operating Expense</u>							
Teacher Salaries	68,734,754	2,436,200	71,170,954	50,411,645	21,351,788	71,763,433	592,479
Principals/Vice Principal Salaries	9,078,112	296,732	9,374,844	6,908,496	2,301,825	9,210,321	(164,524)
Educational Assistant Salaries	11,358,923	482,715	11,841,638	7,742,039	3,686,629	11,428,668	(412,970)
Support Staff Salaries	12,672,136	535,354	13,207,490	9,489,766	3,611,731	13,101,497	(105,994)
Other Professional Salaries	4,873,454	176,341	5,049,795	3,743,641	1,225,030	4,968,671	(81,124)
Substitute Salaries	5,596,052	169,913	5,765,965	3,872,606	1,793,570	5,666,176	(99,789)
Total Salaries	112,313,431	4,097,255	116,410,686	82,168,193	33,970,572	116,138,765	(271,921)
Employee Benefits	28,252,635	1,089,627	29,342,262	18,927,580	10,018,760	28,946,340	(395,922)
Total Salaries and Benefits	140,566,066	5,186,882	145,752,948	101,095,773	43,989,332	145,085,105	(667,843)
Services and Supplies	16,836,373	594,091	17,430,464	12,023,529	3,349,102	15,372,631	(2,057,833)
Total Operating Expense	157,402,439	5,780,973	163,183,412	113,119,302	47,338,434	160,457,736	(2,725,676)
Net Revenue (Expense)	(1,881,138)	-	(1,881,138)	992,923	195,097	1,188,020	(2,382,194)
Budgeted Surplus Appropriation	2,881,138		2,881,138				
Capital Assets Purchased				(707,960)		(707,960)	
Transfer to Local Capital	(1,000,000)		(1,000,000)	(1,000,000)		(1,000,000)	
Surplus (Deficit), for the year	-	-	-	(715,037)	-	(519,941)	-
<u>Summary of Accumulated Operating Surplus</u>							
Accumulated Operating Surplus, beginning of year				7,818,360		7,818,360	
Adjustment for Annual Operating Surplus (Deficit), for the year, per above				(715,037)		(519,941)	
Estimated Accumulated Operating Surplus, at year end				7,103,323		7,298,419	

Revenues: The revenue forecast to year-end includes all additional items that are either known or estimated to be recorded between April 1st and June 30th.

As previously indicated, since the Board approved the 2022/23 Amended Annual Budget in February the Ministry of Education and Child Care provided the funding for general wage increases due to all employee groups following ratification of the CUPE and NDTA Collective Agreements, as well as for Exempt Staff, in alignment with those negotiated increases. The additional \$5.78 million has been added to the Post-Amended Budget and all staffing categories have been increased accordingly, offsetting the actual costs up to March 31st.

Under the Ministry of Education category there are two items that we have been advised will change the current revenue amount. The first relates to the K-12 Enrolment Compliance Audit that the district recently went through which resulted in a relatively small loss of funding (\$210,540). The other was an increase in funding of \$127,680 due to an error made by Ministry when calculating our February Data Collection; overall result is a reduction of (\$82,860).

With regards to our International Student Program, a final reconciliation of estimated revenue for 2022/23 vs the Amended Budgeted amount in February means a small variance as we are expecting to collect \$214K more than originally anticipated.

The remaining adjustments include an increase in our Rentals and Leases estimates per current community use and rental agreements, a small decrease to a Contract for Service, and an increase in the amount of investment income we estimate for the full fiscal year.

For additional information on our investment portfolio, please note the following.

Investment	Purchase Date	Rate	Total Investment
Central Deposit Program (CDP)	<i>historical balance</i>	5.20%	12,875,512 [1]
Royal Bank of Canada - GIC - 2 year with quarterly payouts	01-Dec-21	1.31%	2,000,000 [2]
Coast Capital Savings - GIC - 4 year fixed	03-Nov-22	5.45%	4,000,000
Coast Capital Savings - GIC - 1 year fixed	28-Apr-22	3.15%	2,500,000 [3]
First West Credit Union - GIC - 1 year cashable after 90 days	16-Feb-23	5.24%	3,613,432

[1] - The CDP rate fluctuates based on the Bank of Canada interest rate announcements

[2] - the RBC GIC has been maturing every 3 months and now holds a value of \$756,078

[3] - This GIC matured April 28, 2023 and was cashed into our RBC Operating Account

Currently the district holds funds in three different places which include the CDP, Royal Bank, and Canaccord. The Bank of Canada has adjusted interest rates by 425 basis points since March 2022 resulting in a significant increase in rates not only in the district's current Operating and Central Deposit Program (CDP) accounts but also in the rates available on Guaranteed Investment Certificates (GIC's).

With the current investment levels and interest rates we will record an estimated \$180,000 additional revenue for the year, over the previous budgeted amount.

For the coming fiscal year, we are assessing our portfolio for two reasons, first we anticipate that rates will soften over the year and therefore we'll need to decide on long-term vs short-term options depending on return rates. As well, we need to ensure we maintain sufficient accessible cash balances to cover ongoing operating costs, as well as cost pressures, without concern. As noted above we've already cashed the Coast Capital GIC of \$2.5 million and reinstated our cash balances which will bear interest per RBC's rate. In late May the First West Credit Union GIC matures and we may also cash this in as opposed to reinvesting, depending on rates and investment options at the time. The reduced portfolio will have no impact on 2022/23 as we estimated revenues based on cashing out both investments. Although for 2023/24 we estimated based on lower investment balances, depending on upcoming rates, we may need to adjust our preliminary estimates for the Amended Budget.

Expenses: The expense forecast to year-end estimates our salary, replacement and benefit costs between April 1st and June 30th using the most recent payroll costs and projecting them out for the duration of the remaining fiscal year, per employee category. Important to note that this is an extremely complex process with many variables that can change over the period such as leaves, assignment/replacement salary differentials, benefit usage, recruitment challenges, etc. Therefore, figures are best estimates, subject to change based on actual operational costs over the balance of the fiscal year.

Similarly with Supplies and Services, estimated expenses to year-end assume the same rate of consumption in prior periods, however, increased year-end spending, market availability, resource acquisitions (received by June 30th or thereafter), and inflationary costs, make this difficult to estimate with certainty.

Overall, the estimated surplus of \$1.19 Million revenues over expenses puts the district in a positive year-end position, maintaining a reasonable Accumulated Operating Surplus balance, in alignment with our Accumulated Operating Surplus (Reserves) Policy 2.16

Special Purpose Summary:

The following provides the third quarter financial results for the districts Special Purpose Fund, as compared to the Amended Budget. At March 31st both revenues and expenses are at 68.1% which is within the expected range. Any year-end surplus balances will be retained by the district, for use in the coming fiscal year, in support of the intended programming.

Special Purpose Summary at March 31, 2023			
<u>Special Purpose Revenues</u>	22/23 Amended Budget	Actuals at March 31	% Collected or Spent
Annual Facilities Grant	573,245	555,746	96.9%
Learning Improvement Fund	498,816	352,908	70.7%
French Programs	291,264	184,085	63.2%
Ready Set Learn	103,236	24,813	24.0%
Strong Start	288,849	179,011	62.0%
Community Link	2,445,727	1,548,938	63.3%
Classroom Enhancement Fund	11,765,443	8,331,549	70.8%
CR4YC	30,386	8,230	27.1%
Mental Health	137,838	41,552	30.1%
BCTEA Transportation Fund	272,353	118,129	43.4%
Federal COVID Fund	249,739	249,739	100.0%
School Generated Funds	2,705,000	1,919,988	71.0%
Other Misc. and Deferred Revenue	2,569,906	1,412,905	55.0%
Total Special Purpose Revenue	21,931,802	14,927,593	68.1%
<u>Special Purpose Expenses</u>			
Teacher Salaries	8,454,447	5,986,353	70.8%
Principals/Vice Principal Salaries	404,696	289,965	71.7%
Educational Assistant Salaries	1,937,582	1,323,142	68.3%
Support Staff Salaries	529,417	400,535	75.7%
Other Professional Salaries	208,284	164,980	79.2%
Substitute Salaries	816,410	462,052	56.6%
Total Salaries	12,350,836	8,627,027	69.8%
Employee Benefits	3,106,496	2,149,588	69.2%
Total Salaries and Benefits	15,457,332	10,776,615	69.7%
Services and Supplies	6,474,470	4,150,978	64.1%
Total Special Purpose Expense	21,931,802	14,927,593	68.1%
Surplus (Deficit), end of year	-	-	

Note: Substitute Salaries shows as 56.6% spent, however, the Classroom Enhancement Fund has a large budget for expected Remedy cost which may or may not be utilized in the current year, unspent remedy will be accounted for per agreement between the NDTA and the district.

Capital Update:

The following Capital schedule reflects the ongoing capital projects with expenses to March 31st.

2022-23 Capital Budget - Revenue/Expense Schedule								
March 31, 2023								
Capital Projects			Total Project COA	WIP Yr 1	WIP Yr 2	Annual Budget	Expenses at March 31	Project Funding Balance
School Addition	C344B	Hammond Bay	11,277,098	1,955,466	5,293,754	4,027,878	2,883,812	1,144,065
School Reno	C210A	Dover Bay	2,344,274	360,925	-	1,983,349	1,291,190	692,159
BEP = Building	C337A	Forest Park	31,000	6,132	12,209	12,659	3,400	9,259
Envelope Program	C211C	John Barsby	24,250	6,947	8,341	8,962	70	8,892
	C348B	LIS	33,000	6,495	18,588	7,917	33	7,884
	C352A	Mountain View	44,250	9,695	20,812	13,743	241	13,503
	C358A	NOE	1,322,000	4,722	29,911	1,287,367	634,246	653,121
Seismic	C324C	Cilaire	10,027,544	1,639,939	5,129,007	3,258,598	1,358,238	1,900,360
	C366B	Pleasant Valley	6,713,304	994,187	3,526,325	2,192,792	1,425,796	766,997
SEP/CNCP =	C344A	Hammond Bay	159,000	132,672	18,135	8,193	-	8,193
School	C366A	Pleasant Valley (HVAC)	375,000	511,552	-	136,552	16,717	(153,269)
Enhancement	C324A	Cilaire (HVAC)	1,000,000	1,000,000	-	-	-	-
Program and	C209A	Cedar Secondary	400,000	400,000	-	-	-	-
Carbon Neutral	C348A	Ladysmith Intermediate	350,000	90,467	-	259,533	375,714	(116,181)
Capital	C211A	John Barsby Ph2 HVAC	868,000	9,144	-	858,856	86,005	772,851
Program	C211B	John Barsby	508,000	45,029	-	462,971	393,788	69,183
	C101A	NDSS Charging Station	70,900	-	-	70,900	70,900	-
BUS	CP682	District - Bus x 3	642,287	-	-	642,287	-	642,287
Playground	C324B	Cilaire	165,000	-	-	165,000	-	165,000
Child Care	C322A	Chase River	2,196,213	292,203	1,096,612	807,398	819,394	(11,996)
	C337B	Forest Park	2,123,636	505,560	1,343,209	274,867	134,298	140,569
	C349A	LPS	2,206,255	240,656	666,495	1,299,104	1,035,871	263,233
	C370A	QQS	1,976,689	17,018	-	1,959,671	45,501	1,914,170
	C376A	Rock City	2,436,717	24,418	60,011	2,352,288	1,509,209	843,079
	CP457	Cilaire	2,698,085	-	-	2,698,085	-	2,698,085
	C341A	Georgia Ave	2,431,273	432	-	2,430,841	58,572	2,372,269
	CP459	Pleasant Valley	2,838,069	-	-	2,838,069	-	2,838,069
	CP460	Quarterway	1,073,279	-	-	1,073,279	3,651	1,069,628
	C380A	Seaview	2,594,173	4,257	-	2,589,916	5,306	2,584,610
StrongStart	CP452	Bayview	34,286	-	-	34,286	-	34,286
Project Totals			58,963,582	8,257,917	17,223,408	33,482,257	12,151,951	21,330,306

Note 1: Annual Budget figures are the Total Project COA, less prior year(s) WIP

Note 2: WIP (Work in Progress) - Prior year(s) project expenditures; per Schedule 4B of the Annual Financial Statements

Note 3: COA (Certificate of Approval) - The current approved funding envelope, subject to change by the funding party

Note 4: This list is exclusive of AFG (Annual Facilities Grant) and Local Capital

Local Capital Update:

For the third quarter report we are presenting only the Local Capital projects and balances to March 31st. In September staff will provide the Board with the Local Capital year-end financial position, the three-year Local Capital Plan, and a recommended fund transfer from our Accumulated Operating Surplus to support future planning.

Note that at the end of the third quarter, the Local Capital balance is \$5.4 million, however, there are outstanding financial commitments pending for acquisition of technology, and fourth quarter project expenses to account for on June 30th.

2022-23 Local Capital - Quarterly Financial Update				
March 31, 2023				
Revenue		WIP - Work in Progress prior Year	Annual Budget	Expenses to Mar 31 (Q3)
Deferred Revenue per F/S			7,221,058	Budget Remaining
		-	7,221,058	
Operating Fund and/or Accumulated Surplus Transfers				
Technology / Infrastructure Upgrades			1,000,000	
Total Transfer from Operating		-	1,000,000	
Investment Income			200,000	
Total Revenue		-	8,421,058	
Planned Projects				
Board Goal - Continuous improvement of instruction and assessment				
LC035	Equitable Access to Technology (Wi-Fi)	755,643	1,500,000	951,723
LC609	Technology Plan		1,000,000	94,111
LC800	Learning Studios		275,000	30,137
Board Goal - To be a leader in environmental stewardship and sustainability				
LC682	Solar Panel Project	4,193	250,000	15,425
LC683	Landscape Sustainability Project		10,000	-
LC723	Environmental Upgrades - General	33,159	775,000	815,605
LC724	E-Bus		225,000	-
LC561	Outdoor Learning Fund	88,245	300,000	88,429
Board Goal - Safe, caring and healthy learning and working environment that is inclusive of the diversity of our entire learning community				
LC681	Accessibility		40,000	22,551
LC750	School Enhancement Projects	21,000	88,000	16,833
Board Goal - Truth and Reconciliation				
LC203	Syeyutsus Support	8,257	175,000	15,879
Long Range Facilities Plan (LRFP)				
LC580	Vehicle Replacement Program/AMP		381,179	81,179
LC581/LC823	District Equipment/Signage	11,945	200,000	164,005
LC997	Enrollment Growth Space Needs	1,524	500,000	240,495
LCSSA	School Site Acquisition Fund		400,000	234,685
LCCAP	Support of Pending/New Capital Projects		211,359	184,473
LCTFR	Turf Field Reserve		500,000	-
LC324	Cilaire Parking Lot		50,000	-
TBD	Randerson Drainage Support		200,000	-
LC66C	Pleasant Valley HVAC Support		125,000	52,920
TBD	LIS/NDSS Capacity and Seismic Capital Contribution		-	-
LCXXX	Residual Prior Yr Project Expense		-	2,664
Total Projects/Expenses		923,964	7,205,538	3,011,113
Fund Balance			1,215,520	5,409,945

Note 1: The current allocations are subject to change if emergent needs arise

Note 2: WIP (Work in progress) is equal to the costs incurred in previous years for projects not yet complete at the end of 2021/22.

Note 3: The amount indicated as the transfer necessary to fund three year planning will be adjusted +/- depending on the year-end Local Capital Balance

Note 4: The ending Fund balance will be less expenses between April and June

Note 5: The actual year-end balance will be presented in September 2023, along with a recommended transfer to support three-year Local Capital Planning

Financial Summary:

Overall staff are confident that the district is in a positive financial position, however, we reiterate that much can change in a single quarter and year-end results may vary from the current forecast.

Also, important to note that the district is in a healthy accumulated operating surplus position, provided we don't end the year with an unlikely operating deficit, which will allow the Board to continue to support some one-time educational initiatives in 2023/24 as well as provide financial resources for our three-year Local Capital Plan. This Plan has a focus on long range capacity pressures, continued support of technology, environmental sustainability, school growth and accessibility, as well as asset management, all of which must be resourced by the district as not funded by the Ministry of Education and Child Care.