



**NANAIMO LADYSMITH PUBLIC SCHOOLS
BOARD OF EDUCATION
INFORMATION SHEET**

DATE: August 30, 2023
TO: Board of Education
FROM: Mark Walsh, Secretary-Treasurer
SUBJECT: 2022/23 Summary of Accumulated Operating Surplus

Background:

This memo is intended to provide the Board with a preliminary review of the district's end of fiscal year financial position. Like in previous years it will provide a general overview that aligns with the draft financial statements to be presented at the September Business Committee along with recommended motions associated with the surplus.

Overall, the District continues to maintain a positive financial position without growing its surplus which shows that the Board is able to maintain a prudent reserve while at the same time support today's students with today's dollars.

Discussion:

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:

- Anticipated Unusual Expenses: Identified one-time or intermittent projects not able to be funded by current year revenues.
- Financial Constraints/Targeted Funds: Grants, revenues, or financial commitments that extend beyond the current fiscal year are restricted for future use.
- 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.

Information Sheet: 2022/23 Surplus Allocation Recommendation

The surplus allocation schedule below presents the 2022-23 accumulated surplus position which includes the items staff have identified as restricted, categorized into the reserve balances as described above, as well as the unrestricted balance.

The 2022-23 financial statements are currently prepared in draft, pending completion of the final stages of the audit, and discussions and approval of the restricted surplus allocations by the Board of Education. Pending approval, the information below would be reflected as Note 13 in the audited financial statements.

Note 13 Accumulated Surplus		
OPERATING FUND	2022-2023	2021-2022
Accumulated Operating Surplus	8,579,310	7,818,360
<i>Restricted Surplus Reserve for Anticipated Unusual Expenses:</i>		
Staffing Contingencies	250,000	600,000
Replacement Cost Contingencies	250,000	400,000
	<u>500,000</u>	<u>1,000,000</u>
<i>Restricted Surplus Reserve for Financial Constraints/Targeted Funds:</i>		
District Benefit Plans - Premium Balance	2,539,431	2,575,232
Revenue for 23/24 received in 22/23 for ICY Team	717,241	-
Teacher Mentorship Grant	259,621	261,758
Indigenous Education Programs	144,184	415,443
Bargaining/CUPE Table Money Carry-Over	41,020	-
Trustee Professional Development/Travel	19,716	-
Outreach Program	-	55,938
Seamless Day Kindergarten Pilot	-	50,000
Health & Safety	-	17,800
Total	<u>3,721,213</u>	<u>3,376,171</u>
<i>Restricted Surplus Reserve for Operations Spanning Multiple School Years:</i>		
School Opening Costs - Yr. 1 Operating Costs	600,000	-
School Equipment (Enrolment)	250,000	-
School Supplies	223,356	134,367
Undelivered purchase orders /outstanding obligation at June 30th	100,490	563,343
Active Transportation	12,500	-
Total	<u>1,186,346</u>	<u>697,710</u>
<i>Unrestricted Operating Surplus Reserve:</i>	3,171,752	2,744,479
Summary of Accumulated Operating Surplus		
<i>Total Internally Restricted Surplus Appropriated by the Board</i>	<i>5,407,558</i>	<i>5,073,881</i>
<i>Total Unrestricted Surplus</i>	<i>3,171,752</i>	<i>2,744,479</i>
Total Accumulated Operating Surplus	<u>8,579,310</u>	<u>7,818,360</u>
CAPITAL FUND		
Investment in Tangible Capital Assets	29,935,253	27,909,196
Local Capital	4,616,185	7,221,058
Capital Surplus	<u>34,551,438</u>	<u>35,130,254</u>
TOTAL ACCUMULATED SURPLUS	<u>43,130,748</u>	<u>42,948,614</u>
<i>Proposed transfer to Local Capital</i>	<i>2,700,000</i>	<i>1,000,000</i>
Revised Unrestricted Operating Surplus Balance, pending Board approval	471,752	1,744,479
Revised Local Capital Balance, pending Board approval	7,316,185	8,221,058

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. The following amounts have been added to this reserve category in 2022-23:

Staffing - \$250,000 – These funds are reserved to respond to the restored Class Size and Composition

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Language (LOU17). We have received preliminary funding, however it may or may not be adequate pending the September 30 compliance requirement. If on September 30, these funds are not required, the board will have the opportunity to utilize them for additional staffing if they choose, or the funds would remain unspent and become part of the unrestricted surplus balance.

Replacement Costs - \$250,000 – These funds are reserved in the event that the 2023-24 replacement costs exceed budgeted levels due to the ongoing uncertainty with the *Employment Standards Act* regulations and post pandemic usage. In 2022-23, the district used approximately \$125,000 of the contingency and with the end of year trend of less failure to fills the amount remains but has been lowered.

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 \$3,721,213 the largest being the benefit premium balance of \$2,539,431. 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 majority of this amount is restricted by the providers to cover claims incurred but not yet recorded, however some of the balance could be utilized by the board.

The remaining items include revenue received in 22/23 specifically for the 23/24 Integrated Child and Youth (ICY) Clinical Counsellors and Youth Peer Support Working positions as part of the ICY teams, unspent Teacher Mentorship Grant, the Indigenous Education year-end balance (significantly less than previous years), a planned surplus from our CUPE bargaining process, and Trustee professional development funding.

Operations Spanning Multiple School Years

This year there are a number of items in the Operations Spanning Multiple Years Reserve. A few of the items were previously placed under the financial constraint envelope (e.g., purchase order) but have been shifted based on Ministry guidance. The items are as follows:

- School opening costs – These funds are to support costs associated with reopening Rutherford Elementary which could include capital costs (e.g., furniture and desks), as well as first year operating costs.
- School Equipment (Enrolment) – The District has a budget to support additional enrolment (e.g., desks for a new class). However, these funds are insufficient in the current year to cover the additional needs particularly at the secondary level.
- School Supplies – Monies left unspent in schools and remaining in school budgets. These may be for supplies or larger projects and are at the discretionary use of schools.
- Purchase Orders – Purchases made in the previous school year that had yet to be delivered.
- Active Transportation – Projects planned in 2022-23 that were not able to be expended, therefore the funds are restricted to be used in 2023-24.

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 \$3,171,751.

A transfer of \$2,700,000 is being proposed to Local Capital in order to fund the district's annual technology plan as well as to support planned projects and capital acquisitions during the multi-year Local

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Capital Schedule as presented below.

Local Capital 2023-24					
<i>Multi-Year Local Capital Plan</i>					
<u>Revenue</u>	2022/23 YE Financial Position	Budget 2023-24	Budget 2024-25	Budget 2025-26	4 + Yrs.
Deferred Revenue per F/S	7,221,058	4,616,185	2,550,000	1,400,000	-
Other - Project reclassification	31,115				
	7,252,173	4,616,185	2,550,000	1,400,000	-
<u>Operating Fund and/or Accumulated Surplus Transfers</u>					
Transfer necessary to support three-year planning	-	1,850,000	-	-	-
Technology / Infrastructure Upgrades	1,035,546	850,000	750,000	-	-
Total Transfer from Operating	1,035,546	2,700,000	750,000	-	-
Investment Income	237,421	200,000	175,000	175,000	175,000
Total Revenue	8,525,140	7,516,185	3,475,000	1,575,000	175,000
<u>Planned Local Capital Projects</u>					
Board Goal - Continuous improvement in students with complex and unique abilities, Indigenous and overall student population on student achievement					
Equitable Access to Technology (Wi-Fi)	1,227,252	900,000	-	-	-
Technology Plan	547,841	850,000	250,000	250,000	-
Learning Studios	31,714	275,000	250,000	250,000	-
Board Goal - To be a leader in environmental stewardship and sustainability					
Environmental Sustainability	11,233	50,000	50,000	50,000	-
Landscape Sustainability	3,327	5,000	-	-	-
Environmental Upgrades - General	811,443	-	-	-	-
E-Bus	157,074	50,000	50,000	-	-
Outdoor Learning Fund	130,364	261,000	-	-	-
Board Goal - Safe, caring and healthy learning and working environment that is inclusive of the diversity of our entire learning community					
Accessibility	23,936	50,000	50,000	50,000	-
School Enhancement Projects	16,833	50,000	50,000	50,000	-
Board Goal - Truth and Reconciliation					
Syeyutsus Support	34,233	50,000	50,000	50,000	-
Long Range Facilities Plan (LRFP)					
Vehicle Replacement Program/AMP	81,179	650,000	300,000	300,000	-
District Equipment/Signage	164,005	25,000	25,000	25,000	-
Enrollment Growth Space Needs	263,958	750,000	500,000	450,000	-
Bayview Acquisition Fund	236,471	50,000	-	-	-
Support of Pending/New Capital Projects	112,507	250,000	100,000	100,000	-
Turf Field Expense	-	700,000	-	-	-
Pleasant Valley HVAC Support	52,920	-	-	-	-
LIS/NDSS/Rutherford - Capital Contributions	-	-	400,000	-	2,500,000
Residual Prior Yr. Project Expense	2,664	-	-	-	-
Contingent Reserve	-	185	-	-	-
Total Projects/Expenses	3,908,955	4,966,185	2,075,000	1,575,000	2,500,000
<u>Fund Balance</u>	4,616,185	2,550,000	1,400,000	-	(2,325,000)

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

The Local Capital schedule represents the district’s long-range planning that falls outside of the Capital Programs that are funded by the Ministry of Education and Child Care. This schedule will be presented to the Business Committee in September as part of the newly required Multi Year Financial Plan but is being shared in advance to provide additional relevance to the district’s operating surplus and Local Capital positions.

It is important to note that the districts accumulated Local Capital balance will reduce as spent year-over-year. An increase in the balance is contingent on transfers from the Operating Fund, the Accumulated Operating Surplus balance, or from the sale of district properties. Further, the projects identified within

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the Local Capital schedule are future commitments for the most part, major changes would require significant discussion and planning.

To ensure the Board can make an informed decision, additional information can be found below. This schedule presents the accumulated surplus position, the recommended surplus allocations, as well as multi year financial planning that reflects the estimated unspent surplus balances that will carry to subsequent years, showing the amount available for future operations over the course of the financial plan.

The figures shown assume that there will be no annual operating surpluses that would increase the accumulated balances in each of the three years presented, nor annual operating deficits that would reduce the available balances.

Accumulated Operating Surplus Schedule			
<i>2022-23 to 2024-25</i>			
	2022-23	Timeline/Notes:	Board Goals
<u>Accumulated Operating Surplus</u>	8,579,310		
<i><u>Restricted Surplus Reserve for Anticipated Unusual Expenses:</u></i>			
Staffing Contingencies	250,000	Allocated per emergent needs	1,3
Replacement Cost Contingencies	250,000	Allocated per emergent needs	1,3
	<u>500,000</u>		
<i><u>Restricted Surplus Reserve for Financial Constraints/Targeted Funds:</u></i>			
District Benefit Plans - Premium Balance	2,539,431	Balance may vary per Carrier - TBD	
Revenue for 23/24 received in 22/23 for ICY Team	717,241	2023-24	1,2,3
Teacher Mentorship Grant - Jointly managed with NDTA	259,621	Multi Years	1,3
Indigenous Education Programs	144,184	2023-24	1,3,4
Bargaining/CUPE Table Money Carry-Over	41,020	2023-24	1,3
Trustee Professional Development/Travel	19,716	2023-24	3,4
	<u>3,721,213</u>		
<i><u>Restricted Surplus Reserve for Operations Spanning Multiple School Years:</u></i>			
School Opening Costs - Yr. 1 Operating Costs	600,000	2024-25	1,2,3,4
School Equipment (Enrolment)	250,000	2023-24	1,2,3
School Supplies	223,356	2023-24	1,3,4
Undelivered purchase orders /outstanding obligation at June 30th	100,490	2023-24	1,2
Active Transportation	12,500	2023-24	2,3
	<u>1,186,346</u>		
Total Restricted Operating Surplus	<u>5,407,559</u>		
Opening Unrestricted Operating Surplus	3,171,751		
Less, Proposed transfer to Local Capital	<u>(2,700,000)</u>	See Local Capital 3 Year Plan/Schedule	
Closing Unrestricted Operating Surplus Balance (pending Board approval)	<u>471,751</u>		
<u>Multi Year Financial Planning</u>			
<i><u>Anticipated carry-forward to 2023-24</u></i>			
Unrestricted Surplus Balance	471,751		
District Benefit Plans - Premium Balance (Financial Obligation, Retained)	2,539,431	Balance may vary per Carrier - TBD	
Teacher Mentorship Grant (Estimated unspent portion retained)	250,000	Residual Balance TBD	
School Opening Costs - Yr. 1 Operating Costs	600,000		
Replacement Cost Contingencies (Potentially unspent in 23/24)	250,000	Emergent needs or carried forward	
Total Estimated retained Surplus Balance, carried to 2024-25	<u>4,111,182</u>		
<i><u>2024-25 Anticipated use of Surplus</u></i>			
Opening Surplus Balance (Assumes no 2023/24 year end surplus/deficit to affect balance)	4,111,182		
Less District Benefit Plans - Premium Balance as must be retained	(2,539,431)	Balance may vary per Carrier - TBD	
Less Teacher Mentorship Grant - Jointly managed with NDTA (Financial obligation)	<u>(250,000)</u>		
Surplus available for future operations	<u>1,321,751</u>		
Proposed transfer to Local Capital to support multi year planning	<u>(750,000)</u>	See Local Capital 3 Year Plan/Schedule	
Accumulated Surplus Balance available for future operations (25/26)	<u>571,751</u>	Planning TBD	

Board Goals

- 1 Continuous improvement in students with complex and unique abilities, Indigenous and overall student population on student achievement
- 2 Safe, caring and healthy learning and working environment that is inclusive of the diversity of our entire learning community
- 3 To be a leader in environmental stewardship and sustainability
- 4 Truth and Reconciliation

AS

previously noted, the Ministry of Education and Child Care now requires the Board to maintain a Multi Year Financial Plan, currently being completed in draft for presentation at the September Business Committee Meeting. The financial plan includes estimated current and future year's resources, including

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any planned appropriation of accumulated operating surplus, to prepare, plan and implement strategies to achieve strategic long-term goals and priorities both operationally, as well as to enhance student outcomes.

Note that the anticipated carryforwards presented under the Multi Year Financial Planning section of the schedule are best estimates, actual year end results will adjust the figures and future financial plans accordingly.

As presented in the Surplus Schedule, if the Board approves the recommended transfer of \$2,700,000 from the \$3,171,751 unrestricted operating surplus balance, the remaining balance available for allocation at this time would be \$471,751. However, the Board may also choose to retain some or all of the balance for future operations.

It should be noted that staff have determined that significant additional ELL needs have arisen through summer enrollment. In addition, support for inclusion is also a priority and the Board can anticipate recommendations associated with these need areas for the use the of funding.

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.