

NANAIMO LADYSMITH PUBLIC SCHOOLS

BUSINESS COMMITTEE PUBLIC MEETING

ACTION SHEET

DATE: September 13, 2023
TO: Business Committee
FROM: Mark Walsh, Secretary-Treasurer and Taunia Sutton, Associate Secretary-Treasurer
SUBJECT: 2022-2023 Surplus Allocation

Recommendation:

The Business Committee recommends that the Board of Education of School District No. 68 (Nanaimo-Ladysmith) approve the recommendations contained in this Action Sheet to allocate the unrestricted surplus to support the Board's goals.

Background:

On August 30, 2023, staff presented the Board with the preliminary 2022-2023 year-end surplus (the information sheet is attached). The district ended the year in a positive financial position, adding to the accumulated operating surplus balance. Much of the surplus is already accounted for, however, there are also amounts available to the Board to support the district's needs. The purpose of the memo is for the Board to consider the recommended surplus allocation for debate and approval.

Discussion:

In accordance with the Board's Accumulated Operating Surplus (Reserves) policy 2.16, 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.

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.

While the 2022-23 financial statements have not yet been finalized, the audit is substantially complete. Following the Board's approval of the recommended surplus allocations, Note 13 of the financial statements as outlined below, will be updated accordingly.

Restricted Operating Surplus

We note that the Board does not have a lot of discretion with respect to the restricted surplus balance of \$5,407,558 as these reserves are either contractually required, targeted for a particular purpose, or reserved for predetermined future obligations or identified risks. Therefore, while the Board will be asked to support these restrictions there is in reality not a lot of discretion with respect to these dollars.

Note 13 Accumulated Surplus		
OPERATING FUND	2022-2023	2021-2022
Accumulated Operating Surplus	8,579,310	7,818,360
<i><u>Restricted Surplus Reserve for Anticipated Unusual Expenses:</u></i>		
Staffing Contingencies	250,000	600,000
Replacement Cost Contingencies	250,000	400,000
	<u>500,000</u>	<u>1,000,000</u>
<i><u>Restricted Surplus Reserve for Financial Constraints/Targeted Funds:</u></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><u>Restricted Surplus Reserve for Operations Spanning Multiple School Years:</u></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><u>Unrestricted Operating Surplus Reserve:</u></i>	3,171,752	2,744,479
Summary of Accumulated Operating Surplus		
Total Internally Restricted Surplus Appropriated by the Board	5,407,558	5,073,881
Total Unrestricted Surplus	3,171,752	2,744,479
Total Accumulated Operating Surplus	8,579,310	7,818,360
CAPITAL FUND		
Investment in Tangible Capital Assets	29,935,253	27,909,196
Local Capital	4,616,185	7,221,058
Capital Surplus	34,551,438	35,130,254
TOTAL ACCUMULATED SURPLUS	43,130,748	42,948,614
<i>Proposed transfer to Local Capital</i>	2,700,000	1,000,000
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

Information pertaining to the restricted surplus recommendations was presented to the Board on August 30th, a copy of the Information Sheet has been attached for reference purposes. (Appendix A)

Unrestricted Operating Surplus

After the allocation of the accumulated operating surplus into the restricted reserves noted above, the unrestricted operating surplus balance for 2022-23 is \$3,171,752. Currently, staff is making three recommendations with respect to this balance.

1. Transfer to Local Capital – To fund the annual technology plan as well as to support the three-year local capital planning. The current Local Capital schedule is provided below for updated information as well as to provide relevance to support the recommended transfer of **\$2,700,000**

Local Capital 2023-24					
Multi-Year Local Capital Plan					
	2022/23 YE Financial Position	Budget 2023-24	Budget 2024-25	Budget 2025-26	4 + Yrs.
Revenue					
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	-
Operating Fund and/or Accumulated Surplus Transfers					
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
Planned Local Capital Projects					
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					
Syeytus 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
Fund Balance	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

2. Inclusion Supports - We continue to see a large number of students with additional needs arriving at all schools, and teams are stretched to provide safe support for them. One-time surplus funds will be used to provide additional inclusion supports including educational assistant support across the system.
3. ELL Supports - There are increasing numbers of students arriving through the Central Vancouver Island Multicultural Society (CVIMS), many of whom are refugees and may require additional interventions. One-time surplus funds will increase the English Language Learner (ELL) specialist teacher time (school-based) for a number of schools, as well as increasing the district-ELL supports, likely in the form of teacher time (district-based) to provide comprehensive support across the system.

The combined allocation for item #2 and #3 would be to the max of the remaining unrestricted surplus balance after the transfer to Local Capital, which is **\$471,752**

Important reminder that surplus allocations are one-time cost items that do not carry into subsequent years, unless further surplus allocations support the continuation, or budgetary reallocations provide the resources to add the staffing to the operating budget on a go-forward basis.

Summary

In accordance with Policy 2.16 and Administrative Procedure AP524, a reasonable operating surplus can protect the district from unforeseen circumstances including a potential deficit, to roll over targeted monies in the Operating Fund to a future year, to fund onetime initiatives that would otherwise not be supportable, to respond to emergent circumstances or needs, and to mitigate financial risk. An accumulated operating surplus indicates that a school district has net resources that can be used to provide future one-time or multi-year services, which are in addition to ongoing operational costs.

With the district ending fiscal 2022-23 in a favorable surplus position the Board is able to provide the onetime staffing needs identified by our educational leaders, in addition, to continue to support district technology initiatives and local capital operations.

Appendix A - Surplus information Sheet August 30, 2023

Appendix B – Draft Financial Statements Discussion and Analysis

Appendix C – Draft 2022-23 Audited Financial Statements