



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

DATE: August 28, 2024  
TO: Board of Education  
FROM: Mark Walsh, Secretary-Treasurer  
SUBJECT: 2023-24 Preliminary year-end accumulated operating surplus position

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### Background

This information sheet is to provide the preliminary 2023-24 year-end financial results with regards to the accumulated operating surplus. As in previous years the memo 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.

### Discussion

In order for the district to be in a position to respond to unforeseen financial pressures it is appropriate for the Board to maintain a reasonable operating surplus, in accordance with Policy 2.16 Accumulated Operating Surplus (Reserves). The Policy, in conjunction with Administrative Procedure 524 provides guidelines for which to manage financial risk by ensuring there are reserves available to meet both planned and unplanned obligations, while spending most of the district's surplus resources on current or multi-year programs, services, or initiatives aligned with board goals and operational plans.

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 can also be transferred to the districts Local Capital Fund in support of specific capital initiatives that have clear linkage to the Board's strategic goals. As well, to support major capital projects that are identified in the board's 5-year Capital Plan and approved by the ministry for concept plan or business case development, boards may restrict operating surplus to satisfy capital project cost share expectations at the time the project is brought forward for funding approval.

At June 30<sup>th</sup>, 2024, the district ended the fiscal year with an annual operating surplus in the amount of \$3 million dollars. This annual operating surplus, added to the districts accumulated operating surplus balance, increases it from \$8.6 to \$11.6 million. Important to note that included in the annual operating surplus is \$1 million specific to the Integrated Child & Youth Team (ICY Team,) which is unrelated to K-12 operations but per ministry direction, is accounted for within our Operating Fund.

The surplus allocation schedule below presents the district's total accumulated operating surplus balance at June 30, 2024. Then, in alignment with Policy 2.16 staff have then identified and categorized the restricted financial items and obligations against the overall balance, leaving an unrestricted balance for future planning, risk mitigation and operational needs.

### **Note 13 Accumulated Surplus**

<b>OPERATING FUND</b>	<b>2023-24</b>	<b>2022-23</b>
<b>Accumulated Operating Surplus</b>	<b>11,593,188</b>	<b>8,579,310</b>
<b><u>Restricted Surplus Reserve for Anticipated Unusual Expenses:</u></b>		
Staffing Costs (One-time anticipated expense)	500,000	250,000
Replacement Costs	250,000	250,000
2024/25 EA Staffing Supplement	150,000	484,271
Trustee By-Election Costs	100,000	-
SD68 Website Redesign	23,700	-
<b>Total</b>	<b>1,023,700</b>	<b>984,271</b>
<b><u>Restricted Surplus Reserve for Financial Constraints/Targeted Funds:</u></b>		
District Benefit Plans - Premium balance	2,124,518	2,539,431
ICY Team (23-24 Year-end balance and 24-25 funding)	1,112,851	717,241
Indigenous Education Program (23-24 Year-End balance)	290,414	131,664
NDTA Teacher Mentorship Grant (23-24 Year-end balance)	255,026	259,621
Energy Initiatives	50,000	-
District BASC Reserve	37,600	-
Trustee Professional Development/Travel (23-24 Year-End balances)	29,355	19,716
Bargaining/CUPE Table Money Carry-Over	-	41,020
<b>Total</b>	<b>3,899,764</b>	<b>3,708,693</b>
<b><u>Restricted Surplus Reserve for Operations Spanning Multiple School Years:</u></b>		
School Equipment Costs	600,000	250,000
School Opening Costs	250,000	600,000
School Year-end balances	240,733	223,356
Child Care Reserve	75,000	-
Undelivered purchase orders	-	100,490
Active Transportation	-	12,500
<b>Total</b>	<b>1,165,733</b>	<b>1,186,346</b>
<b>Summary of Accumulated Operating Surplus</b>		
<b>Total Restricted Operating Surplus</b>	<b>6,089,197</b>	<b>5,879,310</b>
<b>Total Unrestricted Surplus</b>	<b>5,503,991</b>	<b>2,700,000</b>
<b>Total Accumulated Operating Surplus</b>	<b>11,593,188</b>	<b>8,579,310</b>
<b>CAPITAL FUND</b>		
Investment in Tangible Capital Assets	29,644,677	29,935,253
Local Capital	4,210,696	4,616,185
Capital Surplus	33,855,373	34,551,438
<b>TOTAL ACCUMULATED SURPLUS</b>	<b>45,448,561</b>	<b>43,130,748</b>

## Accumulated Restricted Operating Surplus - Summary of Surplus by Category

**Anticipated Unusual Expenses** – Items that have been identified as one-time or intermittent projects not being funded by ongoing annual operating revenues include the following:

Staffing Costs - \$500,000 has been reserved to account for Salary Continuance obligations payable during the 2024-25 fiscal year and for additional classroom support if required, not funded under LOU17.

Replacement Costs - \$250,000 – These funds are reserved in the event that the 2024-25 replacement costs exceed budgeted levels due to the ongoing uncertainty with the *Employment Standards Act* regulations and post pandemic usage. At June 30, 2024, the total replacement costs for 2023-24 exceeded budget by \$807K, however, these results were not anticipated and were confirmed subsequent to preliminary 2024-25 Annual Budget estimates. Replacement costs for the 2024-25 fiscal year will likely require adjustment prior to the presentation of the 2024-25 Amended Budget and this reserve may be required to offset the additional costs. If our September 2024 student enrolment estimates exceed projections and there are surplus funds available to cover this anticipated additional expense, this reserve may not be required and instead be retained for future use.

EA Staffing Supplement - \$150,000 has been reserved to respond to emergent classroom pressures, if determined needs exceed the 2024-25 Annual Budget staffing levels, and no further resources flow to the district following the September 2024 Student Data Collection.

Trustee By-Election Costs - \$100,000 has been set aside to cover the one-time unanticipated expense.

Website redesign - \$23,700 has been set aside to refresh the districts aging website.

**Financial Constraints/Targeted Funds** – Items applicable to specific grants or revenue that are targeted, and/or financial commitments that extend beyond the current fiscal year but are restricted for future use include the following:

District Benefit Plan Premium Balance - \$2,124,518 has been reserved per our benefit carrier's confirmation of premiums contributed by the board over claims paid to employees as well as to cover claims incurred but not yet recorded. Important to note in the comparison column that the balance was previously \$2.5 million in 2022-23 now reduced to \$2.1 million. For clarity, although this benefit balance is essentially our surplus on reserve with our benefit carrier, it's subject to change (+/-) depending on market value of drug costs and patient usage/claims paid versus the premiums estimated by and paid to the carrier by the board. Maintaining a majority of the balance indicated by the carrier is recommended for prudent fiscal management and risk mitigation, however, some of the balance could be utilized by the board for emergent needs.

Integrated Child and Youth Team (ICY Team) - \$1,112,851 is reserved for use by the Team in 2024-25. The total includes the 2023-24 year-end unspent balance of \$342K due to the new positions only being filled for part of year, as well as the first funding installment for 2024-25 of \$771K as it was received in June of 2024 so must be recorded in fiscal 2023-24.

Indigenous Education Target - \$290,414 was the 2023-24 Indigenous Education Program year-end balance, the underspent carries forward for use in 2024-25.

NDTA Teacher Mentorship Grant - \$255,026 remains unspent for use in 2024-25. For additional relevance, this is the carrying balance of the \$280,000 Grant provided by BCPSEA in 2020-21 for Teacher Mentorship, managed by the NDTA.

Energy Initiative - \$50,000 has been reserved to satisfy an outstanding financial targeted obligation at Brechin Elementary that was unable to be filled in 2023-24.

District Before and After School Care Reserve - \$37,600 represents the amount of funding received for the BASC program, over total expenses recorded which will be available for use in 2024-25. Much of this reserve is due to unfilled staffing and due to the Seamless Day K Special Purpose Fund still supplementing the districts programming.

Trustee Professional Development/Travel - \$29,355 represents the amount of funds unspent in 2023-24 that are targeted for use in 2024-25

**Operations Spanning Multiple School Years** – To support effective operational planning, surplus may need to be carried over to future years for item such as school rollovers, purchase order commitments, operating projects in progress and educational programs spanning multiple years such as the International Student Program.

School Equipment Costs - \$600,000 has been reserved to complete the equipment replacement initiative started in 2023-24.

School Opening Costs - \$250,000 has been set aside to support the opening of Rutherford Elementary in excess of the \$600,000 already allocated due to cost escalation and additional expense pressures.

School year-end balances - \$240,733 is the consolidated year-end school operating balance that will carry forward for use in 2024-25.

Child Care Reserve - \$75,000 is the consolidated reserve related to the four Child Care sites operated by third party providers (Revenues over Expenses). These funds are reserved for future capital upgrades.

#### Accumulated Unrestricted Operating Surplus

After the allocation of the accumulated operating surplus into the restricted reserves noted above, the unrestricted operating surplus balance is \$5.5 million.

#### **Policy alignment**

In order to comply with Policy 2.16 - Accumulated Operating Surplus (Reserves) and Ministry of Education and Child Care's directive with regards to financial transparency, the district must have a supportive financial schedule that includes a list of surplus reserves, the timelines associated with planned expenses (1 or more years), and which identifies a direct link to a Board goal, or either the districts Strategic or Operational Plan.

The following Schedule presents this information, along with multi-year planning based on the estimated usage over the next two fiscal years, pending finalization of the audited financial statements:

<b>Accumulated Operating Surplus Schedule</b>			
<i>2023-24 to 2025-26</i>			
	<b>2023-24</b>	<b>Timeline/Notes:</b>	<b>Board Goals</b>
<b><u>Accumulated Operating Surplus</u></b>	<b>11,593,188</b>		
<i>Restricted Surplus Reserve for Anticipated Unusual Expenses:</i>			
Staffing Costs (One-time anticipated expense)	500,000	2024-25	1
Replacement Costs	250,000	<i>Potential cost overrun mitigation</i>	1
2024/25 EA Staffing Supplement	150,000	2024-25	1
Trustee By-Election Costs	100,000	2024-25	1,2,3
SD68 Website Redesign	23,700	2024-25	1,2,3
<b>Total</b>	<b>1,023,700</b>		
<i>Restricted Surplus Reserve for Financial Constraints/Targeted Funds:</i>			
District Benefit Plans - Premium balance	2,124,518	<i>Balance subject to fluctuations (+/-) per usage/costs</i>	
ICY Team (23-24 Year-end balance and 24-25 funding)	1,112,851	2024-25	1,2
Indigenous Education Program (23-24 Year-End balance)	290,414	2024-25	1,3
NDTA Teacher Mentorship Grant (23-24 Year-end balance)	255,026	2024-25	2
Energy Initiatives	50,000	2024-25	N/A
District BASC Reserve	37,600	2024-25	N/A
Trustee Professional Development/Travel (23-24 Year-End balances)	29,355	2024-25	2
<b>Total</b>	<b>3,899,764</b>	2023-24	
<i>Restricted Surplus Reserve for Operations Spanning Multiple School Years:</i>			
School Equipment Costs	600,000	2024-25	1,2,3
School Opening Costs	250,000	2024-25	1,2
School Year-end balances	240,733	2024-25	1,2,3
Child Care Reserve	75,000	2024-25	N/A
<b>Total</b>	<b>1,165,733</b>		
<b><u>Summary of Accumulated Operating Surplus</u></b>			
Total Restricted Operating Surplus	6,089,197		
Total Unrestricted Surplus	5,503,991		
<b>Total Accumulated Operating Surplus</b>	<b>11,593,188</b>		
<b><u>Multi Year Financial Planning</u></b>			
<b><u>2024/25 Fiscal Year - Opening</u></b>			
Estimated appropriation of restricted surplus used in 24/25	11,593,188		
Less, proposed transfer to Local Capital	(2,356,802)	<i>Benefit Premiums/ICY/Replcmt Costs/NDTA \$ carried</i>	
Less, estimated appropriation/use of Unrestricted Surplus in 24/25	(3,000,000)	<i>Pending Board approval</i>	
<b>Total estimated retained surplus balance at June 30, 2025</b>	<b>(1,000,000)</b>	<i>Pending recommendations/Board approval</i>	
<b>Total estimated retained surplus balance at June 30, 2025</b>	<b>5,236,386</b>		
<i>2024/25 year-end annual operating surplus</i>	-	<i>Assumes no surplus or deficit</i>	
<b><u>2025/26 Fiscal Year - Opening</u></b>			
Estimated appropriation of restricted surplus used in 25/26	5,236,386		
Less, Transfer to Local Capital	(2,000,000)	<i>Estimated usage of regularly restricted items; balance carried</i>	
Less, estimated appropriation/use of Unrestricted Surplus in 25/26	(1,000,000)	<i>Pending future planning/Board approval</i>	
<b>Total estimated retained surplus balance at June 30, 2026</b>	<b>(250,000)</b>	<i>Pending future recommendations/Board approval</i>	
<b>Total estimated retained surplus balance at June 30, 2026</b>	<b>1,986,386</b>	<i>Future Balance/Planning TBD</i>	



**Board Goals**

- Student Success
- Student and Employee Wellness
- Truth and Reconciliation

In addition to Policy 2.16 – Accumulated Operating Surplus (Reserves) is Policy 2.21 – Financial Planning and Reporting to the surplus schedule, which requires the district to maintain a multi-year Local Capital Schedule that must include all proposed projects over the term along with any interfund transfers to support long-term planning. As noted above, staff are recommending a \$3 million dollar transfer for 2024-25 and a future transfer of \$1 million in 2025-26.

The following multi-year Local Capital Schedule, which is preliminary at this time, reflects those transfers accordingly.

<b>Local Capital 2024-25</b>				
<i>August-24</i>				
<b><u>Revenue</u></b>	<b>2023/24 YE Financial Position</b>	<b>Budget 2024-25</b>	<b>Budget 2025-26</b>	<b>Budget 2026-27</b>
Deferred Revenue per Financial Statements	4,616,185	4,210,696	3,635,696	2,275,000
<b><u>Operating Fund and/or Accumulated Surplus Transfers</u></b>				
Transfer necessary to support three-year planning	-	2,000,000	500,000	2,000,000
Technology / Infrastructure Upgrades	2,000,000	1,000,000	500,000	500,000
<b>Total Transfer from Operating</b>	<b>2,000,000</b>	<b>3,000,000</b>	<b>1,000,000</b>	<b>2,500,000</b>
Investment Income	300,470	225,000	150,000	100,000
<b>Total Revenue</b>	<b>6,916,655</b>	<b>7,435,696</b>	<b>4,785,696</b>	<b>4,875,000</b>
<b><u>Planned Local Capital Projects</u></b>				
<b>Board Goal - Student Success</b>				
LC035 Equitable Access to Technology (Wi-Fi)	437,491	500,000	500,000	500,000
LC609 Technology Plan	727,918	750,000	750,000	750,000
LC800 Learning Studios	147,220	300,000	250,000	250,000
LC997 Enrollment Growth Space Needs	366,585	600,000	300,000	300,000
LC561 Outdoor Learning Fund	82,648	200,000	35,696	-
<b>Board Goal - Student and Employee Wellness</b>				
LC681 Accessibility	34,909	75,000	75,000	75,000
LC750 School Enhancement Projects	23,895	150,000	100,000	100,000
<b>Board Goal - Truth and Reconciliation</b>				
LC203 Syeyutsus Support	14,924	-	-	-
<b>Long Range Facilities Plan (LRFP)</b>				
LC724 E-Bus	44,041	-	-	-
LC580 Vehicle Replacement Program/AMP	484,416	425,000	300,000	300,000
LC823 District Equipment/Signage	28,424	-	-	-
LCSSA School Site Acquisition Fund	29,499	-	-	-
LCCAP Support of Pending/New Capital Projects	278,691	200,000	100,000	100,000
LCXXX Residual Prior Yr. Project Expense	5,298	-	-	-
TBD LIS/NDSS/Rutherford - Capital Contributions	-	600,000	100,000	2,500,000
<b>Total Projects/Expenses</b>	<b>2,705,959</b>	<b>3,800,000</b>	<b>2,510,696</b>	<b>4,875,000</b>
<b><u>Fund Balance</u></b>	<b>4,210,696</b>	<b>3,635,696</b>	<b>2,275,000</b>	<b>0</b>

As a reminder to the Board, in September 2023 we set aside \$600,000 of our accumulated operating surplus to support the opening of Rutherford Elementary. These funds were added to the 2024-25 Annual Budget and transferred over to Local Capital so the funds could be available over this year to procure equipment and supplies in advance of the school opening in September 2025.

At the September Business Committee Meeting staff will be recommending a \$3 million dollar transfer to Local Capital as indicated in the Surplus and Local Capital Schedules presented in the information sheet, note that this includes the \$600K for Rutherford, the remaining \$2.4 million supports the balance of planned projects over the term of Local Capital Schedule.

In summary, this memo is intended to provide the Board with preliminary financial information pending completion of the internal audit and will return to the Business Committee and then again to the Board in September, along with the recommended transfer to Local Capital and any recommended unrestricted surplus allocations.