

NANAIMO LADYSMITH PUBLIC SCHOOLS

BOARD OF EDUCATION SPECIAL MEETING

INFORMATION SHEET

DATE: September 1, 2021
TO: Board of Education
FROM: Mark Walsh, Secretary-Treasurer
SUBJECT: 2020/21 Surplus – Allocation Recommendation

Background:

In accordance with the Board's policy on surplus, reserves shall be created out of any District accumulated operating surplus to ensure there are financial resources available to meet both planned and unplanned obligations, as well as react to unforeseen circumstances, while spending as much of the district's funds as possible on current year's programs and services. Operating surplus allow for support of one-time services that would not be available under current year funding envelopes, however, it should not be used to sustain ongoing operational costs.

Any restrictions or allocation of surplus monies is to be recommended and presented to the Board and must fall within the minimum/maximum levels per identified category, pursuant to the Operating Surplus/Deficit policy and AP, which are presented below:

Category of Accumulated Operating Surplus	Purpose	Minimum Level	Maximum Level
Restricted Reserves			
Staffing/Unusual Expenses Reserve	For unusual/non-recurring expenses anticipated to be spent in upcoming fiscal year that will not be funded by revenues of that year.	1.2% of actual operating expenses of that fiscal year	2.5% of actual operating expenses of that fiscal year
Targeted Constraints Reserve	For monies that have constraints on how they are to be spent.	n/a	n/a
Unrestricted Reserve			
Unrestricted Operating Surplus	For working capital purposes within the Operating Fund, for unforeseen general operating emergency expenditures, and future school years beyond the next two years.	0.5% of actual operating expenses of that fiscal year	2% of actual operating expenses of that fiscal year

This memo is provided to the Board as information; it will return to the business committee and then again to the Board later this month to determine and approve the allocation of the restricted surplus, as well as any allocation of unrestricted surplus.

Information Sheet: 2020/21 Surplus Allocation Recommendation

The surplus allocation schedule below represents items staff have identified as restricted which include outstanding financial obligations, targeted funds such as school year-end balances and the Indigenous Education program, COVID response funds, items previously approved by the Board that are within the Annual Budget, carryover of multi-year supports, and items deemed highly important or emergent. Further, restricted items that are capital in nature, are presented as a direct transfer to Local Capital, where the expense will be recognized.

The 2020/21 Financial Statements are currently prepared in draft, pending discussions and approval of the restricted surplus allocations by the Board of Education.

Accumulated Operating Surplus per AP524	2020/2021	20/21 Operating Expenses per SCH 2	%	Minimum/Maximum of Current Year Operating Expenses	
Accumulated Operating Surplus at June 30, 2021	13,158,740			Range	
Internally Restricted:					
Staffing/Unusual Expenses Reserve					
Staffing Contingencies	750,000				
Replacement Cost Contingencies	750,000				
COVID - Enhanced Cleaning Protocols	400,000			1.20%	1,658,162
Total Staffing/Unusual Expense Reserve	1,900,000	138,180,191	1.38%	2.50%	3,454,505
Targeted Constraints Reserve					
NEW - Benefit Premium Balance	5,663,366				
Indigenous Ed - Target	457,476				
COVID Response Fund	240,000				
Outreach Program	278,348				
International Student Program Contingency	200,000				
Schools Year-End Balance Rollover	189,061				
2021/22 Annual Budget Balancing	157,684				
Teacher Mentorship Grant 20/21	277,051				
Support for SD84 Incoming Programs	139,000				
Summer Outreach Program	127,212				
Multi-Year Painting Program	100,000				
Administrator Professional Development Program	76,000				
School Bus Seat Belt Pilot Program	65,104				
Support for Collective Bargaining	50,000				
Seamless Day Kindergarten Pilot	50,000				
Trustee Professional Development/Travel	40,000				
Student Management System Upgrade for ICE	30,000				
Ecole Hammond Bay Welcome Pole	20,000				
Wellington School External Upgrade	20,000				
CUPE Professional Development	17,419				
Health & Safety Confined Space Program	15,000				
Total Targeted Constraints Reserve	8,212,721				
Less Benefit Premium Balance	(5,663,366)				
Restated Targeted Constraints Reserve	2,549,355				
Unrestricted Operating Surplus,					
Less proposed transfer to Local Capital	3,046,019				
Technology / Infrastructure Upgrades	(1,100,000)				
Funding for E-Buses / Infrastructure	(120,000)				
Purchase of Hoists	(28,000)				
Total Transfer to Local Capital	(1,248,000)				
Revised Unrestricted Operating Surplus	1,798,019	138,180,191	1.30%	0.50% 2.00%	690,901 2,763,604

Summary of Surplus by Category:

Staffing/Unusual Expenses Reserve

The revised Operating Surplus/Deficit Administrative Procedure recommends that the district maintain a Staffing/Unusual Expenses Reserve of 1.2% to 2.5% of actual operating expenses of the fiscal year. At June 30, 2021 the districts total operating expense was \$138,180,191 which allows for a category range of between \$1,658,162 to \$3,454,505

The District has maintained a staffing/unusual expense reserve of approximately \$1,500,000 for staffing and replacement cost contingencies for the past 6 years (since 2014/15), it is recommended that remain in place.

In addition, as COVID continues, we have been advised that enhanced cleaning protocols will once again be required so at this time are recommending setting aside \$400,000 for this purpose. We note that there is an additional \$240,000 for COVID response in the Targeted Constraint Reserve.

A total of \$1,900,000 in this category puts the District within the acceptable range, at 1.38%

Targeted Constraints Reserve

The Targeted Constraints Reserve has no minimum or maximum, it must be based on monies that need to be brought forward into the next fiscal year or that can only be expended on a specific (restricted) item.

Restricted items within the Targeted Constraints Reserve total \$8,212,721, however, note the newly added benefit premium balance of \$5,663,366, per accounting reporting requirements as determined by our auditors.

In previous years this benefit amount has been outside of the financial statements as is the practice in many Districts. However, in consultation with the auditor the practice with respect to benefits balances has shifted and NLPS is aligning with current practice to include the total in our Restricted Surplus. Due to COVID the amount of the balance (which includes all employee groups) has increased due in part to the limitations of access to various services (e.g. dental, massage etc.). Currently, the amount is externally restricted by the providers, however, the District can access some of the funding. For instance, staff is anticipating a partial benefit “holiday” for the 2022-23 to assist with any inflationary pressures that the District may face.

The remaining items total \$2,549,355 which include the Indigenous Education year-end balance, school supplies, outreach program support, COVID response funds, contractual obligations, outstanding financial obligations such as the teacher mentorship grant that was unable to be spent in 2020/21 per COVID, multi-year initiatives such as the painting program, upcoming cost pressures such as bargaining, and other items determined by staff as one-time costs that require financial support in the coming fiscal year that the Board approved in the 2021-22 budgeting process.

In addition, the ISE program has seen a significant increase in enrollment from the budgeted projections. The creation of a contingency allows staffing to flow to schools sooner and support incoming students while allowing the District to maintain conservative enrollment estimates at budget time.

Unrestricted Operating Surplus

The District's Surplus/Deficit Policy provides for an unrestricted operating surplus of between .5% and 2% of the total operating expense.

Per the Operating Surplus/Deficit Administrative Procedure, an unrestricted operating surplus represents funds that have not been designated for particular use and therefore remain available for emergent and working capital purposes.

The unrestricted surplus balance is \$3,046,019 however, there are recommended direct transfers to Local Capital given the lack of funding to support these associated costs, therefore staff recommends that \$1,248,000 be transferred to Local Capital.

Specifically, to ensure a balanced budget the Board did not budget a local capital transfer to support technology replacement nor additional resources for the wi-fi upgrade project. This transfer would replenish both programs.

With respect to the e-Buses, the Board approved the purchases of two buses (with the base diesel models funded by the Ministry of Education). Pursuant to the LRFP, the Board is committed to the electrification of our bus fleet. The delta between diesel and electric buses, including infrastructure, will be covered by the proposed \$120,000 transfer to Local Capital.

Following this transfer, the remaining unrestricted surplus balance would be \$1,798,019, which is 1.30% of the 2020/21 annual operating expense, falling within the recommended range.

Staff will bring a number of options to the September business committee for consideration for expenditure of the unrestricted surplus in line with the Board's goals.