

NANAIMO LADYSMITH PUBLIC SCHOOLS

Business Committee Information Sheet

DATE: September 15, 2021
TO: Board of Education
FROM: Mark Walsh, Secretary-Treasurer
SUBJECT: 2020/2021 Surplus

Background

In accordance with the Board's policy on surplus, School District reserves shall be created out of any District accumulated operating surplus to protect the District from unforeseen circumstances. Any restrictions or allocation of surplus monies is to be recommended and presented to the Board. The Operating Surplus/Deficit policy outlines the categories of accumulated operating surplus, their purpose, and the guidelines for minimum/maximum levels to be maintained in each; note the summary below.

It is important to note that this memo addresses the unallocated operating surplus as well as recommends the drawing down of the benefits premium balance as of July 1, 2021. It does not address the current year budget. Further, it does not specifically address the amounts already restricted in the September 1, 2021 memo to the Board. If it wishes, the Board may reallocate some (but not all) of the restricted totals in the September 1, 2021 memo (which is attached). For convenience, these funds are supporting a variety of goals including enhanced cleaning measures in our schools.

We note that in providing the recommendations in this memo, staff is contemplating drawing down the benefit premium balance in a meaningful way. However, we are confident that a more modest balance will still protect the Board from unexpected fluctuations while also supporting allocating resources to meet the Board goals.

At the outset, it is important to address a few areas that we are not recommending adding resources from the 2020-21 surplus (or benefits premium balance). For instance, we are not recommending adding additional EAs at this time. Increased enrollment in the current year will likely support additional hires if required. However, given the Board's support for increased EA contingency in the Spring budget process there already is additional supports in place for this year. Moreover, assigning additional EAs immediately may limit our ability to fill absences and therefore be a counterproductive measure until recruiting and training can catch up to demand. It is also important to remember that these are one-time expenditures and any increase in service (if staffing were available) would be withdrawn for the following year.

Due to significantly higher ISE enrollment than budgeted, additional staffing has flowed to secondary schools supporting additional blocks. We have also resourced additional centralized ELL support from ISE revenue in the current fiscal year. The Board was provided with an Information Sheet on September 1, 2021. Since then, our current position with respect to enrollment continues to exceed our budgeted targets so additional staffing has been flowing to schools to support increased enrollment.

Funds are available for mental health and COVID learning impacts from the Ministry of Education to support those important areas.

The recommendations are associated with Board goals and/or specific Board motions. We note that a number of the recommendations not only address Board goals but also serve to bring our future operating expenses down which will create resources accessible in the future.

Finally, we note that there is a significant focus on Syeyutsus and the environment in these recommendations. Given the funds are of a one-time nature, these investments in both infrastructure and learning are intended to have long term impacts that will demonstrably move the Board's goals forward.

Discussion

At the September 29, 2021 Board of Education meeting, staff will be proposing two recommendations:

- That the Board of Education of School District No. 68 (Nanaimo-Ladysmith) receive and approve the 2020-2021 Audited Financial Statements.
- That the Board of Education of School District No. 68 (Nanaimo-Ladysmith) approve the recommendations contained in this document to allocate the unrestricted surplus to support the Board's goals.

Goal 1: Continuous improvement of instruction and assessment

Goal 2: Safe, caring and healthy learning and working environment that is inclusive of the diversity of our entire learning community

Goal 3: To be a leader in environment stewardship and sustainability

Goal 4: Truth and reconciliation

1. \$500,000 – Equitable Access to Technology Program. These funds would be moved to local capital and would be in addition to the funds noted in the memo of September 1, 2021. As the Board is aware, many of our schools currently lack the infrastructure to support fulsome technology access. For instance, even where students bring their own device a school may have insufficient access to an internet signal to allow their device to be used as a tool. As the pandemic has made clear, technology is an important part of our education system. This investment will allow the infrastructure program to continue. We note that we have brought the program entirely in-house. (Goal 1) (LRFP Recommendation 31)
2. \$500,000 – Syeyutsus Support. These funds would support the deeper knowledge in our schools of the Syeyutsus Policy Framework. Specifically, we would allocate the funds directly to schools be used for professional development, land-based infrastructure, the inclusion of elders in schools, other resources and to support **healing and honouring the land**. Please note that the mechanism for flowing the funds (e.g. FTE or per school grant) would be determined after approval. (Goals 3 & 4)
3. \$700,000 – Environmental Upgrades – These funds would be used to lower the District's GHG emissions through facilities upgrades. Facilities would target high impact sites and look to use the funds to create synergies with other capital projects. (Goal 3) (LRFP Recommendations 10 & 18)

4. \$300,000 – ICE Solar Panel Installation – These funds would allow the District to install solar panels at ICE. Preliminary estimates indicate that the project would completely serve ICE's electricity needs as well as feed electricity back to the grid and provide ongoing operational savings that can be reinvested in learning in future years. (Goal 3) (LRFP Recommendation 18)
5. \$80,000 – School Theatre Upgrades- These funds would allow for the completion of the higher priority replacement of school theatre curtains. Last year facilities completed five of the six secondary schools by reallocating internal funds. This year Cedar Elementary, Departure Bay, Ladysmith Intermediate, Seaview and Cedar Secondary would be upgraded. Currently, there are concerns about the age and condition of the remaining curtains. (Goal 2)
6. \$50,000 – COVID HR supports – These funds would allow HR to hire short term help as required to address potential issues related to COVID HR issues. (Goal 2)
7. \$40,000 – External Landscape Sustainability Project – These funds would be used to upgrade school sites that currently have maintenance issues due to a lack of ongoing resources (e.g. fringe areas, areas near parking lots etc.) The fund would allow facilities to transform the areas to lower maintenance landscapes. Further, the upgrades would be completed with the lens of the Syeyutsus Framework and focus on healing the land. (Goals 3 & 4)
8. \$50,000 – Recruitment Enhancement Fund – These funds would be used to enhance the District's recruitment program and attract candidates to Nanaimo-Ladysmith. (Goal 1)
9. \$100,000 – WorkSafe Program – These funds would be used to support employees unable to fulfill their regular duties due to a workplace injury. We would use these funds to accommodate applicable employees in work within the District. The purpose would be to continue an employee's connection to the District supporting their return to their regular position and lessen our WorkSafe BC costs through the reduction of our experience rating. The Board supported the program in 2020-21 and despite COVID the District is already anticipating a payback from decreased Worksafe premiums. (Goal 2)
10. \$56,000 – Elementary Resource Allocation – These funds (representing \$2,000 per school) are in response to our survey of administrators about resource needs at the school level. Our intention would be to place these funds in schools, allow them to carryforward unused amounts for one year and determine the level of usage of the funds to see if additional funds are required or a potential increase in the general allocation to school may serve the same purpose as this resource allocation. We also note that it is important that the resources should be purchased with the Board's sustainability goals in mind. (Goal 1) (Board motion R21/05/26-12)
11. \$250,000 – Vehicle Replacement Reserve – These funds would be transferred to local capital and support Facilities in purchasing vehicles and/or equipment including electric vehicles. Further, Facilities continues to modernize its fleet with respect to grounds equipment (mowers, snow removal etc.) Specifically, the Facilities department requires a new backhoe to support various capital projects and a Bobcat for snow removal. (Goals 2 & 3) (LRFP Recommendation 17)
12. \$110,000 – SST for ICE for the year – These funds will support an SST teacher at ICE for the year to support students with diverse learning needs. (Goal 2)

13. \$200,000 – Cilaire Portable Upgrade – These funds would allow the Facilities department to complete another learning studio project at the Woodlands site in collaboration with Learning Alternatives and bring the unit to modern standards (including environmental) to be returned to Cilaire or reallocated to another site if Cilaire's population does not support the need for the unit. (Goals 2 and 3)
14. \$500,000 – John Barsby Contribution – These funds would be added to any funds of the City of Nanaimo (CoN) for the creation of a joint use all weather sports facility on CoN land at John Barsby. The agreement would be based on the NDSS template which has been a positive addition to the school and broader community. Further, the athletics program at John Barsby is limited by weather conditions to ensure the maintenance of the grass field. This upgrade would create increased opportunities to athletics and practice time. As our enrollment continues to grow this will serve the District well. Please note that this expenditure is tentative as CoN has not received confirmation of funding for this project. (Goal 1) (LRFP Recommendation 22)
15. \$400,000 – Outdoor Learning – These funds would support schools in the creation of outdoor learning opportunities. These funds can be used for the creation of outdoor learning spaces or for professional development and time for staff to gain expertise and/or equipment for such a program. (Goal 1, 2, 3 and 4) (LRFP Recommendation 20)
16. \$125,000 – Traffic Safety Enhancements – These funds would be used to augment support from the annual facilities grant to address significant traffic safety issues at Ecole North Oyster. (Goal 2)
17. \$1,200,000 – School Site Acquisition Fund - These funds will allow the Board to acquire land as it becomes available in appropriate areas of growth, and plan for the future. Further, if we purchase land with homes, they can be used in the interim to provide reasonable rent accommodation for our staff (if approved by the Ministry). Alternatively, if NDSS is approved this year, these funds (if not expended) can support a District contribution to the project. (Goal 2) (LRFP Recommendation 6)

Summary of Accumulated Operating Surplus Categories, as per AP 524

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

Allocation Recommendations

While the 2020/21 financial statements have not yet been finalized, the audit is substantially complete. Staff recommends allocating the draft Accumulated Operating Surplus balance as per the below schedule.

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				
Outreach Program	278,348				
Teacher Mentorship Grant 20/21	277,051				
COVID Response Fund	240,000				
International Student Program Contingency	200,000				
Schools Year-End Balance Rollover	189,061				
2021/22 Annual Budget Balancing	157,684				
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,	3,046,019	138,180,191	2.20%	0.50%	690,901
				2.00%	2,763,604
Less proposed transfer to Local Capital					
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%	690,901
				2.00%	2,763,604

Restricted Operating Surplus

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 in order to assist with inflationary pressures or new Board initiatives.

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.

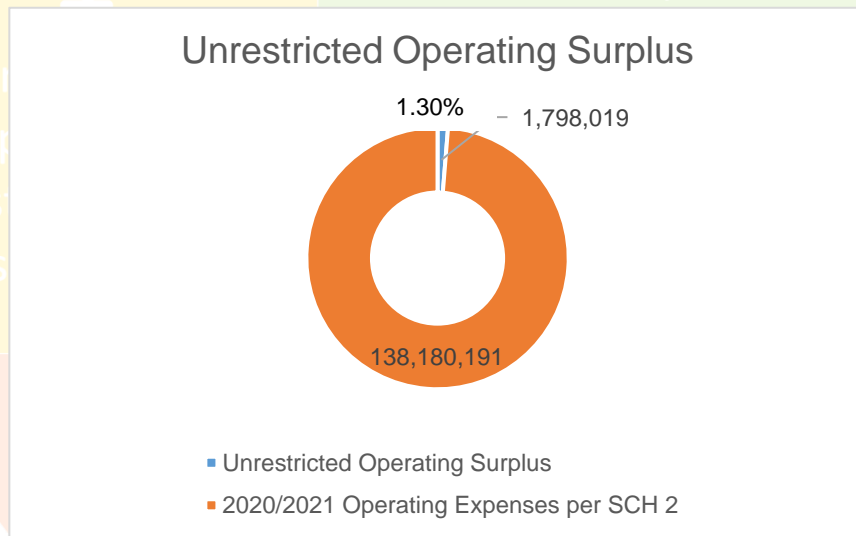
Unrestricted Operating Surplus

The District's Surplus/Deficit Policy suggests that the Board review the Unrestricted Operating Surplus balance per the audited financial statements and consider allocations to other reserve accounts to provide funding for strategic and other initiatives. Per the Operating Surplus/Deficit Administrative Procedure, an unrestricted operating surplus represents funds that have not been designated for particular use and therefor remain available for emergent and working capital purposes.

The policy recommends that the District maintain an unrestricted operating surplus balance of between 0.5% and 2.0% of actual operating expenses of that fiscal year. At June 30, 2021 this equates to a range of \$690,901 - \$2,763,604.

The current balance is \$3,046,019, which is 2.20% of the 2020/21 Operating Fund expenses, exceeding the recommended range; 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.

Following this transfer, the remaining Unrestricted Surplus would be \$1,798,019, which is 1.30% of the 2020/21 Operating Fund expenses, falling within the recommended range.



Local Capital

The Local Capital fund balance at June 30, 2021 was \$3,977,668. The additional proposed transfer from the Unrestricted Surplus of \$1,248,000 would bring the fund to \$5,225,668. The following shows the Local Capital schedule at September 8, 2021.

Local Capital Schedule <i>at September 8, 2021</i>	
<u>Revenue</u>	2021-22 Annual Budget
Deferred Revenue from 2020-21	3,977,668
	<u>3,977,668</u>
Transfer from Operating - WiFi/Tech	1,100,000
Transfer from Operating - E-Bus	120,000
Transfer from Operating - Outstanding PO	28,000
Total Transfer from Operating	<u>1,248,000</u>
Investment Income	30,000
	<u>1,278,000</u>
Total Funding Available	<u>5,255,668</u>
<u>Projects/Expenses</u>	
LC035 District WiFi Initiative - Y2	2,200,000
LC609 Technology Plan	1,000,000
LC210 Dover Bay Expansion	380,404
LC723 Environmental Upgrades - General	350,000
LC997 Enrollment Growth Space Needs	250,000
LC888 Dover Bay PA/Phone System Upgrade	250,000
LC580 Vehicle Replacement Program	153,074
LC823 School Signs	150,000
LCCAP Support of Pending/New Capital Projects	141,000
TBD E-Bus	120,000
LC681 Accessibility	80,000
LC846 Lead in Water	52,190
LC400 Asset Management Plan	50,000
MISC Outstanding Purchase Order	28,000
LC328 Departure Bay Washroom	21,000
Total Projects/Expenses	<u>5,225,668</u>
<u>Fund Balance</u>	30,000

* Fund Balance is the estimated interest revenue

During the budgeting process, 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. The proposed transfer would replenish both of those programs and bring the total funds set aside for Wi-Fi to \$2,200,000 and technology to \$1,000,000.

In addition, the transfer includes the required additional funding for the E-buses/infrastructure. 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.

Other significant projects that will require Local Capital funds are as follows:

- Dover Bay Expansion - The District has committed \$400,000 to support the expansion program at Dover Bay. At June 30, 2021 approximately \$20,000 had been spent towards this project therefore the remaining funds have been set aside.
- Environmental Upgrades – These funds are for environmental initiatives to support the Board goal of being a leader in environmental stewardship and sustainability.
- Enrolment Growth Space Needs - As advised over the past few years, the Ministry is not funding new classroom requirements being driven by inclining enrolment and the reinstatement of teacher collective agreement contract language, therefore related costs need to be funded by Local Capital.
- Dover Bay Secondary PA System – The PA and phone systems at Dover Bay are 30 years old and required immediate replacement. This project was completed over the summer of 2021.
- Vehicle Replacement Program – These funds are to ensure the district is continuously upgrading vehicles as needed.
- School Signs – The replacement of the secondary school signs commenced in 2018/19 with John Barsby, Cedar and Wellington. These funds are to complete the sign replacement project at the remaining three secondary schools.
- Support of pending/new capital projects – These funds are set aside for the portion of the Pleasant Valley HVAC upgrade not funded by the Ministry (\$41k), as well as funds for upcoming child-care/capital project support (\$100k).
- Accessibility – These funds are to address any student or staff accessibility issues throughout all district facilities.
- Lead in Water – This is phase 2 of the district's auto-flushing upgrade. The project is currently underway.
- Asset Management Plan - Long-range strategic management of our infrastructure requires that the district ensure supportive resources are available.

- Outstanding PO's – These funds are for projects that have been committed prior to the 2020/21 year-end.
- Departure Bay Elementary Washroom – These funds are for a washroom addition at Departure Bay Elementary as a result of WorkSafe requirements. This project is currently underway.

Appendices

Appendix A: 2020-2021 Audited Financial Statements

Appendix B: Financial Statement Discussion & Analysis Report

Appendix C: Surplus/Deficit Policy

Appendix D: Surplus/Deficit Administrative Procedure

