

DATE: November 27, 2018

TO: Board of Trustees

FROM: Darrel Robertson, Superintendent of Schools

SUBJECT: Proposed Distribution of the 2017-2018 District Surplus

ORIGINATOR: Todd Burnstad, Chief Financial Officer

RESOURCE STAFF: Vanessa Croswell-Klettke, Jeremy Higginbotham, Madonna Proulx, Amanda Wong

REFERENCE: N/A

ISSUE

Based on the audited financial statements for the year ended August 31, 2018, the District's total accumulated operating surplus is \$67.5 million. Included in this balance are internally restricted school generated funds of \$2.8 million, leaving a net balance of \$64.7 million. This amount represents approximately 5.4 per cent of our total annual operating budget (\$1.2 billion).

In addition to the accumulated operating reserve the District also has an accumulated capital reserve of \$56.8 million.

Accumulated Operating Surplus Plan:

In conjunction with the 2018-2019 spring approved budget, the Board of Trustees approved the distribution of \$39.1 million of surplus funds to be used during the 2018-2019 school year. Based on the August 31, 2018, actual ending surplus balance, the updated amount of surplus released as part of the 2018-2019 fall revised budget equals \$48.6 million (Attachment I).

The District's accumulated operating surplus provides a unique opportunity to be able to address some of the facility inequities that currently exist at our schools from both a technology and a facility infrastructure point of view. As such, the infrastructure investment framework will continue for another year. The surplus also provides an opportunity for central decision units to carry out one time strategic planning and administrative initiatives and supports for schools and programming (Attachment II).

Based on this plan, the District's accumulated operating surplus is projected to be approximately \$34 million at the end of the 2018-2019 school year or just under three per cent of the District's annual operating budget.

Capital Reserve Plan

The majority of the capital reserve funds required for 2018-2019 have been previously approved and include the balance of work required for the energy retrofit initiative, the relocation of modulars, the completion of the Millcreek Daycare and the District's committed cost sharing portion of the Westlawn cluster replacement school (Attachment III).

New for 2018-2019, is the addition of \$2.1 million required for capital infrastructure requirements planned for the Centre for Education.

RELATED FACTS

Administration believes that having reserve funds is a sound financial practice which helps to shield students and schools from unpredictable provincial funding and/or unforeseen events that could otherwise financially impact the District in any given year.

As reflected in the table below, the District has been drawing down the accumulated operating surplus over the last three years.

History of Accumulated Operating Surplus (AOS) Excluding School Generated Funds

	<u>AOS</u>	<u>% of Budget*</u>
September 1, 2016	96,564,304	8.8%
Net drawdown of surplus during the year	(18,947,757)	
September 1, 2017	77,616,547	6.7%
Net drawdown of surplus during the year	(12,929,039)	
September 1, 2018	64,687,508	5.4%
Proposed net use of Surplus (2018-2019):	(30,582,302)	
<i>September 1, 2019 (Projected)</i>	34,105,206	2.8%

* - Previous year's Fall Revised Operating Budget

RECOMMENDATION

That the proposed distribution of the 2017-2018 surplus be approved as follows:

1. That the 2018-2019 planned use of surplus funds totaling \$48.6 million released in conjunction with the 2018-2019 fall revised budget be approved.
2. That the additional planned use of capital reserve funds of \$2 million for 2018-2019 be approved.

OPTIONS

Based on the information provided in this report, the following options are considered most appropriate:

1. Support the recommended distribution of the operating and capital reserves as outlined in the above recommendations.
2. Revise recommendations.

NEXT STEPS

Administration will proceed with the proposed distribution of accumulated operating surplus and capital reserve funds.

ATTACHMENTS and APPENDICES

ATTACHMENT I	2018-2019 Accumulated Operating Surplus Plan
ATTACHMENT II	2018-2019 Central Initiatives to Support Schools-Notes
ATTACHMENT III	2018-2019 Capital Reserve Plan

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EPSB
Accumulated Operating Surplus Plan
2018-2019

ATTACHMENT I

	Amount	Total Amount
Accumulated operating surplus at September 1, 2017		\$ 80,420,780
Less: School Generated Funds (SGF) - held at schools		(2,805,832)
Operating deficit for the year ending August 31, 2018		(10,156,794)
Net impact of capital items (reclassification entry required at year end)		(2,770,646)
Accumulated operating surplus at September 1, 2018 (excluding SGF) - DRAFT	5.4% *	\$ 64,687,508

2018-2019 Planned use of surplus funds:

Surplus funds released in the 2018-2019 Fall Revised Budget:

A	Infrastructure Investment Framework (Schools) - Year 3	\$ 14,925,000	
B	Student Transportation (amount required to offset the approved 2018-2019 fee increase)	375,000	
C	Student Transportation (funding shortfall - surplus required to cover operations)	3,393,308	
D	District-wide Junior High Core Course Resources	1,200,000	
E	School surpluses (release up to three per cent)	10,949,022	
F	Equity Fund Top up (increase over Spring Budget Allocation, to bring total to \$11.4M)	3,614,238	
G	Central initiatives to support schools - Central access to surplus (\$14,125,734):		
	<u>Strategic Planning and Administration</u> - Funds to support the data population and completion of the District Dashboard, the review and development of a District branding identity, the creation of a structure for principal readiness, and contracting consultants for probationary teacher support.	2,122,787	
	<u>Supports for Schools and Programming</u> - Funds to support the programming needs and supports for schools. It includes support for expanding programs and research based projects such as: career pathways, locally developed course management, early years research, comprehensive school health, as well as specialized assessments.	12,002,947	
	Subtotal use of surplus funds proposed for release in the 2018-2019 Fall Revised Budget	<u>\$ 48,582,302</u>	(48,582,302)
H	Plus: <i>the following are added back in order to forecast the ending balance.</i>		
	Schools projected ending 2018-2019 surplus balances (up to 3 per cent)	10,000,000	
	Central projected ending 2018-2019 surplus balances	5,000,000	15,000,000
	Total net use of surplus funds proposed to release in 2018-2019		<u>\$ (33,582,302)</u>
	Net impact of capital items (reclassification entry required at year end)		3,000,000
	Estimated accumulated operating surplus balance as at August 31, 2019 (excluding SGF)	2.84% *	\$ 34,105,206

Targeted Reserve Funds (for 2019-2020 and beyond):

1	Carry Forward Minimum Reserve	\$ 20,000,000	
2	Enterprise Business Systems	4,000,000	
3	Property Management	1,100,000	
4	Investment Framework - Year 4	5,000,000	
5	Third Party Leases	2,000,000	
6	Central Access to Surplus	2,005,206	
		<u>\$ 34,105,206</u>	<u>(34,105,206)</u>
			<u>\$ -</u>

* Percentage based on a \$1.2 Billion annual operating budget.

EPSB
Accumulated Operating Surplus Plan
2018-2019

Notes: **Surplus funds proposed to be released as part of the 2018-2019 Fall Revised Budget:**

- A Infrastructure Investment Framework (Schools) - Year 3 - (\$14.9M) - Investment in District infrastructure will continue in an effort to narrow the equity gap between schools. This year items addressed will include: interior paint (\$2.85M), student furniture (\$4.25M), school front entrances and minor instructional upgrades (\$900K), gym floors (\$400K), air duct cleaning (\$400K), data cabling (\$1M), ceiling upgrades (\$1M), parking lot improvements (\$500K), individual safe spaces (\$1M), swipe card access (\$500K), water fountains (\$300K), high school accommodation (\$1.25M), mop sinks (\$100K), and Archibus upgrade (\$475K).
- B Student Transportation (amount required to offset the approved 2018-2019 fee increase)- (\$0.4M) - This amount is being funded from surplus instead of transferring the increased cost to students/families in the form of an increase in Student Transportation Fees for eligible riders.
- C Student Transportation (funding shortfall - surplus required to cover operations) - (\$3.4M) - As reflected in the May 22, 2018, Board report on student transportation fees, in addition to approving a five per cent fee increase, Administration will attempt to reduce transportation costs by implementing operational efficiencies in 2018-2019 such as: making minor changes to bell times so more schools can share buses, sharing busing resources with Edmonton Catholic Schools and implementation of a new carrier contract that minimizes the impact of fluctuating fuel prices. These efficiencies are expected to save approximately \$1.7M. However, these operational efficiencies and savings are still not enough to cover the costs of providing transportation services to our students.
- D District-wide Junior High Core Course Resources (\$1.2M) - This new initiative will be created by experienced teachers working collaboratively with grass roots teachers. The project will involve the creation of an online resource to deliver consistent curricular outcomes for junior high students. Curriculum standards and outcomes will also be developed.
- E School surpluses up to three per cent (\$10.9M) - Schools are allowed to carry forward a surplus balance of up to the three per cent of their prior year fall budget. Any surplus amount that exceeds the three per cent carry forward threshold will be added to the Equity Fund balance in the fall revised budget. This balance also includes school deficit repayments of \$1.5M.
- F Equity fund (\$3.6M) - In the spring an allocation of \$7.8M was established. For the fall, school surplus balances in excess of the three per cent carry forward threshold (\$1.6M) plus an additional \$2M from surplus funds will bring the total Equity Fund balance to just over \$11.4M. The Equity Fund is used to enhance opportunities for all schools in the District and to support the District's Four Cornerstone Values: Collaboration, Accountability, Integrity, and Equity. This fund will support school catchment work and address individual school emergent circumstances.
- G 2018-2019 Central initiatives to support schools (\$14.1M) - Starting in 2015-2016, where schools were allowed access of up to 3 per cent of their surplus, Central leaders decided to pool their unrestricted operating surplus funds and using a collaborative approach, prioritize initiatives that directly support the District's Strategic Plan. This process has continued for 2018-2019 and details of the planned initiatives have been included on Attachment II
- H School and Central surplus carry forward (\$15M) - In compliance with the Administrative Regulation CVB.AR – Guidelines for Carry Forward of Funds for Central and School Decision Units and based on historical trends, it is reasonable to assume that both schools and central decision units will not expend the full amount of the funds that were allocated to them in 2018-2019. These funds will then be available to redistribute in 2019-2020.

Notes: **Targeted: Reserve Funds (for 2019-2020 and beyond)****

- ** Given the dependence on and uncertainty around provincial funding for the District, it is difficult to project the District's accumulated surplus position beyond one year. As such, administration has identified the following list of targeted reserve funds required for future years.
- 1 Carry forward minimum reserve target (\$20M): To be financially responsible and prudent the District is targeting to maintain a minimum reserve balance of \$20 million which represents approximately 1.7 per cent of our annual operating budget.
- 2 Enterprise systems (\$4M): These resources would be used for the purchase, installation, and upgrade of key enterprise systems, e.g., PeopleSoft HR, PowerSchool, Archibus, Intranet, etc. Although the E-Biz project went live in October 2015 to maximize the system's capabilities, several other systems now need to be updated (e.g., PeopleSoft HR, Budget). In addition, the District has also identified the need to move towards an electronic recruiting application process. A new Fee Management system(FMS), OHS and Student Incident system is required over the next three years. The governance of these resources would be addressed through the establishment of an Information Technology Council.
- 3 Property management (\$1.1M): *(Closed buildings, non-instructional spaces and operational spaces with District tenants)* - Under the Infrastructure Investment Framework, Property Management reserves will be used for lifecycle needs on our closed school buildings and buildings used for Central DUs (e.g., Centre for Education, Distribution Centre). This fund would cover major costs such as boilers and roofs that cannot be paid with IMR dollars.

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Accumulated Operating Surplus Plan
2018-2019

- 4 Infrastructure Investment Framework (\$5M): Investment in District infrastructure will continue in an effort to narrow the equity gap between schools. Items such as interior paint, furniture and equipment, minor instructional upgrades, gym floors, air ducts, interior and exterior entrance areas, and general office areas will continue to be addressed.
- 5 Third Party Leases (\$2M): These funds are being held to offset potential lease rate increases, relocation and/or leasehold improvement costs where the District is a tenant under a third party lease agreement.
- 6 Central Access to Surplus (\$2M): Central led initiatives that directly support the District's Strategic Plan.

EPSB
Central Initiatives to Support Schools - Notes
2018-2019 Access to Surplus

ATTACHMENT II

Initiative Name	Description	Funding Requested For 2018-2019
Strategic Planning and Administration		
Survey	Support to conduct an annual survey of the District's reputation among parents.	11,000
District Dashboard Teacher Support	One-year teacher consultant contract to support Dashboard communications and awareness for teachers in the classroom.	128,018
District Dashboard Development Support	Ongoing development and training required to support new additions to the Dashboard. This work will be completed in a mentorship model with an outside vendor.	70,000
District Dashboard Project Coordinator	One-year position to bridge between business teams and technical development teams. Also to coordinate the development of foundational documentation in support of the Dashboard.	104,593
District Identity	Review the current state of the District's brand identity to assist in the development of a future effective branding strategy.	184,593 *
Consultation of the Districts ERP systems	This was a collaborative project where a consultant was engaged to conduct a review of the District's integrated (or what should be integrated) enterprise resource planning systems with the goal of determining where we are today and where we should be heading into the future. Small carry forward required to complete the project.	20,834 **
Budget and Planning Implementation	As the next phase of E-Biz, Finance purchased the Oracle Budget and Planning Module. This work began in 2017-2018 and implementation in Finance will be completed in 2018-2019.	539,884 **
Principal Readiness	Continue to provide support for principal development programs. This work was started in 2017-2018 but was not completed.	19,040 **
HR Administrative Regulations	Update and align Administrative Regulations with new HR framework. This work was not completed in 2017-2018.	125,000 **
Performance Management System	Current performance management practices are inconsistent across staff groups and are not in alignment with the District's Corner Stone Values of collaboration and accountability. This work is ongoing in 2018-2019.	69,825 **
Probationary Teacher Support	Continue another year of three teacher consultants to support probationary teachers new to our District. The department contracted three consultants in January to June of this year and so far have noted very positive results.	315,000
Temporary Support staff	Hiring of support staff to assist all units in the HR department with heavy workloads during peak times.	65,000
Rebuild OHS module in PeopleSoft	Rebuild the OHS customizations in the PeopleSoft system to meet the current needs of the District. A new and separate OHS, Employee Health Services, and Student Incident system will be required in the near future.	25,000 *

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Central Initiatives to Support Schools - Notes
2018-2019 Access to Surplus

Initiative Name	Description	Funding Requested For 2018-2019
Exploring requirements for a potential online training system	Hire a consultant to review and explore the requirement of a Learning Management System for all staff groups	75,000 *
Resources to Screen Applications	Additional staffing resources are required to review application packages and interview potential high quality staff.	125,000 *
Leadership Development	Contracting an outside consultant to assist with the design, development, and delivery of programs for new and aspiring principals.	160,000
District Phone Consultant	Continuation on the update of the District's phone system	85,000 **
Total Strategic Planning and Administration		\$2,122,787

Supports for Schools and Programming

Commitment to Kids	A District initiated program to identify and prevent situations where students maybe at risk of sexual abuse. Sessions to be delivered in May 2019.	16,578 **
Program Review Requirements	Temporary additional staff are required to review program requirements. This work began in 2017-2018 and will continue in 2018-2019.	100,000 **
Inclusive Learning Relocation	To support the cost associated with relocating Inclusive learning from Parkallen to another District site. This work was started in 2017-2018 and is expected to wrap up in 2018-2019.	750,000 **
Early Years Program Moves	Due to the growth pressures, early years sites are moving from one location to another. Additional work to complete this project is required at the Duggan site.	75,000 **
Multi-disciplinary school-linked team	With increased enrolment and additional schools, demand for support from multi-disciplinary schools is increasing beyond team capacity. The access to surplus allocation will be used to supplement the base allocation for the additional school-linked team.	714,000
Specialized Academic and Psychological Assessments	The requirement for academic and psychological assessments continues to exceed the capacity of the Inclusive Learning teams. This allocation will be used to enter into contracts with external specialists.	250,000 *
Special Education Programming projects	Following through with initiatives with programming for students with autism and gifted and talented needs.	60,000
Support for Self regulation	Ongoing capacity in the area of self regulation.	20,000
Social Thinking Project	Support to backfill occupational therapist time so that there can be further development of the social thinking project. The project is designed to better assist students who are experiencing daily behavioural and emotional challenges.	90,000

EPSB
Central Initiatives to Support Schools - Notes
2018-2019 Access to Surplus

Initiative Name	Description	Funding Requested For 2018-2019
Resources for Behavioural Programming Supports	Staffing supports required to support and build capacity in complex emotional-behavioural programs.	125,000 *
Language and Literacy Project Expansion	Support for the comprehensive project to expand capacity building and student success within the current language and literacy model.	747,000
Early Years Initiatives	Support for the research study on the impact and effectiveness of early years programming on later success in schools. The study will begin in 2018-2019 for a four-year period.	200,500 *
Family Oriented Programming	The programming is intended to increase parent engagement for Kindergarten programming by increasing teacher capacity in the delivery of parent in-services that support understanding of their child's growth and development.	50,000
EYE-TA (Early Years Evaluation-Teacher Assessment) tool	The EYE-TA is used as baseline data for early years programming. The initiative includes yearly implementation costs, supply coverage and District reports and maps. This work began in 2017-2018 and is ongoing for another year.	125,000
Continued Support for Hanen work	Continued support for Hanen training for educational assistants and teachers. This work began in 2017-2018 and is continuing into 2018-2019.	33,128 **
Augmentative and Alternative Communication (ACC) and Assistive Technology for Learning (ATL)	Advanced training in the work of ACC and ATL for consultant staff to support children from pre-K through Grade 12.	30,000
Diversity Day, Connections Program, Policy Advisory Committee	Support continued for the Diversity Day initiative; a small carry forward for data gathering on the value of a diversity course that was delivered in 2017-2018; continued financial support for a committee to review a policy related to multiculturalism.	36,800 **
Diversity Education and Comprehensive School Health Unit	Development of a comprehensive school health unit to support escalating needs in our schools such as mental health capacity, physical literacy, and professional learning needs in school health.	861,414
Supports for ELL and Mental Health	Translation of District documents to support ELL and their families; staffing resources for intercultural services and mental health framework initiatives.	248,005
Research and Innovation	Ongoing work to support Career Pathways and Campus EPSB. New initiatives include the support and expansion of Inquiring Minds site schools, Learning Partnership initiative, CTF and CTS programming support, myBlueprint, expansion of market place, supporting high school redesign, and parent advisory councils.	1,119,560

EPSB
Central Initiatives to Support Schools - Notes
2018-2019 Access to Surplus

Initiative Name	Description	Funding Requested For 2018-2019
Career Pathways Symposium	Request required to cover the cost of the key note speaker, the facility, food, and material costs for the symposium	85,000 *
Assessment	Continuation of two Student Assessment consultants to support the Math Intervention Programming Instrument (MIPI), HLATs, LEAP, etc. The one-time allocation will also be used to provide classroom support as a result of the upcoming new curriculum. In total, this allocation will be used for 3.5 FTEs as well as supply cost for staff to work on HLAT marking, MIPI design, etc.	514,194
Research and Innovation - Research	Continuation of additional research consultants, a teacher consultant, and a data analyst. These positions are critical to meet the needs for evaluations at the school, catchment, central and District level. The staff will also allow the team to continue to support external researchers in conducting research that aligns with Board Policy and Administrative Regulations.	499,609
FNMI support	Addition of two education consultants, two high school completion coaches, and two family support liaison workers as well as an additional allocation for supplies and services. The surplus dollars will support high school completion, home visits, attendance tracking, parental and community engagement. Staffing and resources will also support the new TQS relative to Indigenous history and education.	660,401
Curriculum and Resource Support - ongoing work	The request is required to ensure classroom teachers can access curriculum, instructional professional learning, coaching resource supports. Includes staff to support the following areas: curriculum, locally developed courses, math and numeracy, digital module development, literacy interventions, and secondary literacy.	3,849,115
Curriculum and Resource Support - project work	Project work related to: District-wide focus on reading initiative, locally developed courses, teaching and learning resources, and Summer Institutes 2019.	653,103
Support for Language Centre at Woodcroft	To bring the language consultant position from a .5 to a full-time FTE for another year	58,540
Support for Student Restorative Practices	Support in order to provide restorative practices to address student conflict, misconduct, and attendance issues.	31,000 *
Total Supports for Schools and Programming		12,002,947

* Amount is either a revision or a new request from the initiatives approved as part of the spring approved budget.

** - Carry forward funds for projects that were started and/or committed in 2017-2018 but not completed

EPSB
Capital Reserve Plan
2018-2019

ATTACHMENT III

	Amount	Total Amount
Accumulated capital reserve at September 1, 2017		\$ 63,691,231
Board Approved use of Capital Reserve - Transactions during 2017-2018		(6,853,637)
Total capital reserve balance at September 1, 2018		\$ 56,837,594
Previously approved use of capital reserves in 2018-2019:		
1 Balance remaining on approved projects from prior years	\$ 3,880,000	
2 Energy retrofit - (Year 2 of 2)	5,000,000	
3 Westlawn Cluster replacement school - in partnership with Alberta Education	15,000,000	
Planned use of capital reserves in 2018-2019:		
4 Infrastructure Investment Framework (Central)	2,075,000	
	<u>\$ 25,955,000</u>	(25,955,000)
Forecasted accumulated capital reserve balance at September 1, 2019		\$ 30,882,594

Notes:

- 1 Balance remaining on approved projects from prior years - Air Handling Unit (\$80K), Energy Retrofit Year 1 of 2 (\$1.2M), Modular relocations (\$2.4M) and Millcreek Daycare (\$200K).
- 2 Energy retrofit (Year 2 of 2) - In 2016-2017 initial funds were used to establish an energy efficiency (retrofit) contract. Starting in 2017-2018 a two to three year contractual commitment will be required to replace old mechanical and electrical systems in selected schools. The upfront costs associated with this initiative is more than offset by future utility cost savings.
- 3 Westlawn Cluster replacement school - EPSB's committed portion of a partnership with Alberta Education for a replacement school in a mature community.
- 4 Infrastructure Investment Framework (Central) - Investment into the Centre for Education (CFE) Infrastructure will address current requirements including: CFE new exterior visitor parking lot (\$800K), CFE front door replacement to address safety concerns (\$400K), Cooling Tower (\$500K), and other CFE capital items (\$375K).