

DATE: November 28, 2017

TO: Board of Trustees

FROM: Darrel Robertson, Superintendent of Schools

SUBJECT: Proposed Distribution of the 2016-2017 District Surplus

ORIGINATOR: Todd Burnstad, Chief Financial Officer

RESOURCE

STAFF: Krista Brandon, Vanessa Crosswell-Klettke

REFERENCE: N/A

ISSUE

Based on the audited financial statements for the year ended August 31, 2017, the District has a total of \$80.4 million accumulated operating reserved funds including a \$2.8 million school generated fund (SGF) surplus, which is internally restricted, leaving a net balance of \$77.6 million and accumulated capital reserve balance of \$63.7 million.

Operating Surplus Plan:

In conjunction with the 2017-2018 Spring Approved Budget, the Board of Trustees approved the distribution of \$27.1 million of surplus funds to be used during the 2017-2018 school year. Based on the August 31, 2017, actual ending surplus balances at schools and central decision units, the actual amount of surplus released as part of the 2017-2018 Fall Revised Budget was \$61.5 million (Attachment I).

The budget allocation model at Edmonton Public Schools attempts to distribute the provincial funding we receive across all our schools and our central decision units in a fair and equitable manner with the ultimate goal of providing the best educational experience for our students. The allocation model is largely based on providing a per student allocation. While this approach is consistent across all our schools, depending on the number and composition of students, the ability for individual schools to budget their staffing needs as well as maintain their physical site varies throughout the District. The Equity Fund was established in 2014-2015 and has helped to bridge the gap inherent in the budget allocation system by providing resources through equity fund holdback dollars to schools that encounter emergent needs related to supporting the success of their students.

The District's operating surplus also provides a unique opportunity to be able to access funds to address some of the facility inequities that currently exist at our schools from both a technology and a facility infrastructure point of view (Attachment I).

The technology plan was initiated in 2016-2017 and included the initial purchase of hardware and equipment to get schools to an equitable level. This will now evolve into providing core technology infrastructure (including servers, switches, Wi-Fi access points and internet service) on an on-going basis with required hardware or equipment being automatically updated on a regular evergreening schedule. Surplus funds would be required for the current year two of this plan, following which adjustments would be made to the allocation model where these costs would be treated like a fixed utility annual operating expense and would be reduced from the District's total annual budget prior to the school and central allocations being calculated.

The infrastructure investment framework will use operating surplus funds to address inequities around the physical state of the District's school sites. These expenses include repairs and maintenance costs, that do not qualify as capital expenditures, and that have typically been addressed through the schools own budget. An assessment of the school sites was performed in 2016-2017 and will be used to prioritize the maintenance plan.

Capital Reserve Plan:

The capital reserve plan on Attachment III, outlines committed capital costs anticipated for 2017-2018 as well as continuation of the energy retrofit initiative.

In addition, capital funds have already been targeted for future years related to constructing a purpose built in-house daycare as part of the Millcreek replacement school. In addition, the Board has targeted \$15 million to be used to self-fund a mature neighborhood replacement school.

RELATED FACTS

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

The net accumulated operating surplus balance of \$77.6 million represents approximately 7.1 per cent of our total annual operating revenue budget (\$1.1 Billion).

RECOMMENDATION

That the proposed distribution of the 2016-2017 surplus be approved as follows:

- 1. That the 2017-2018 planned use of surplus funds totaling \$61.5 million released in conjunction with the 2017-2018 fall revised budget be approved.**
- 2. That the planned use of capital reserve funds of \$5.6 million for 2017-2018 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	Detailed Breakdown for the Budgeted Utilization of Accumulated Surplus from Operations for the year ended August 31, 2018
ATTACHMENT II	2017-2018 Central initiatives to Support Schools - Notes
ATTACHMENT III	Capital Reserve Plan

TB:ja

**EPSB
Accumulated Operating Surplus Plan
2017-2018**

	Amount	Total Amount
Accumulated operating surplus at September 1, 2016 (excluding SGF)	\$	96,564,304
Transfer to Capital Reserves (Board approved February 28, 2017)		(15,000,000)
Net drawdown of operating reserves for the year ending August 31, 2017		(3,947,757)
Accumulated operating surplus at September 1, 2017 (excluding SGF)	\$	77,616,547

2017-2018 Planned use of surplus funds:

Surplus funds released in the 2017-2018 Fall Budget:

A School surpluses (up to 3%, net of repayment of deficits)	14,986,087	
B Core Technology Enterprise Management - Year 2	5,000,000	
C School Cabling Upgrade	1,000,000	
D Infrastructure Investment Framework - Year 2	13,270,000	
E Student Transportation (access to restricted reserve)	1,300,000	
F Student Transportation (estimated access to surplus)	3,100,000	
G Equity Fund top up (increase over Spring Budget Allocation, to bring total to \$11M)	6,939,764	
H Central initiatives to support schools - Central access to surplus:		
<u>District Business Systems and School Support Applications</u> - Funds to support the implementation customization and/or maintenance of business systems and school applications including E-Biz, Archibus, PeopleSoft, Symphony, QuickBooks, FOIP, PowerSchool and the District Intranet.	3,090,380	
<u>Strategic Planning and Administration</u> - Funds to support the data population and completion of the District Dashboard, the review and alignment of administrative regulations with the new Education Act, the development of District level strategic partnerships and the creation of a structure for principal readiness.	572,689	
<u>Facilities and Operations</u> - Funds to support school building improvements, facility assessments for schools involved with Space For Students in Mature Communities initiatives and the continuation of a fibre network connection to allow back up internet in the event of a service disruption.	1,991,340	
<u>Supports for the Establishment of New Schools and Programming</u> - Funds to support the staffing, communications, visual identity, space, and programming needs for new schools. Also included is support for expanding programs including: career pathways, evidence based decision making, locally developed course management as well as specialized assessments.	3,484,070	
<u>Supports for Schools</u> - Funds to support schools in the areas of: curriculum, career pathways, literacy, numeracy, english language learners, student assessment, data analysis, FNMI, resources, mental health and other areas of need.	6,744,909	
	61,479,239	(61,479,239)
I Plus: the following are added back in order to forecast the ending balance.		
Schools projected ending 2017-2018 surplus balance (up to 3%)	15,000,000	
Central projected ending 2017-2018 surplus balance	13,000,000	
Net effect of District capital purchases	5,000,000	
	33,000,000	33,000,000

Total forecasted accumulated operating surplus at September 1, 2018	\$	49,137,308
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EPSB
Accumulated Operating Surplus Plan
2017-2018

Targeted Reserve funds (For 2018-2019, 2019-2020 and beyond)

	Amount	Total Amount
1 Carry forward minimum reserve target	20,000,000	(20,000,000)
2 Equity fund - \$6M minimum balance per year	18,000,000	
3 Enterprise systems	4,000,000	
4 Property Management	1,100,000	
5 Infrastructure Investment Framework - years 3 & 4	6,037,308	
	29,137,308	(29,137,308)
		\$ -

Notes: Surplus Funds Released as part of the 2017-2018 Fall Budget:

- A School surpluses up to 3% - Schools were allowed to carryforward a surplus balance of up to the 3% of their prior year fall budget. Any surplus amount that exceeded the 3% carryforward threshold was added to the Equity Fund. The amount shown as being released is net of the repayment of school deficits of \$796,754 from the 2016-2017 school year.
 - B Core Technology Enterprise Management - currently, schools are responsible for the cost of core technology infrastructure at their respective sites. Schools are charged monthly by District Technology for service and support of this core infrastructure, which includes servers, switches, wi-fi access points and internet service. In a new enterprise management model, maintenance, management and evergreening of core technology infrastructure will become the responsibility of District Technology. Schools will no longer be responsible for budgeting for the maintenance and replacement of their core technology infrastructure. Following 2017-2018, funds to sustain this model will be provided out of the District's operating budget as a fixed annual cost.
 - C School Cabling Upgrade - replacement of outdated cabling infrastructure within schools to adequately support modern equipment requirements including building systems (security, HVAC, phone), administrative servers and computers, as well as classroom wireless networks.
 - D Infrastructure Investment Framework - Year 2 - Investment in District infrastructure will continue in an effort to narrow the equity gap between schools. Items addressed will include: interior paint (\$2.5M), student furniture (\$5M), school front entrances and minor instructional upgrades (\$1M), gym floors (\$800K), air duct cleaning (\$800K), flooring (\$1M), Archibus (\$450K), ceiling upgrades (\$1M), and parking lot improvements (\$720K).
 - E Student Transportation (restricted reserve) - For 2017-2018 Student Transportation anticipates an increase in total ridership and operating costs, however there will be fewer riders eligible to pay a transportation fee (in compliance with Bill 1). In lieu of transferring the increased costs to the eligible riders, the District will deplete the existing restricted transportation surplus and will also access additional surplus funds as noted below.
 - F Student Transportation (operating surplus) - This access to surplus request is in addition to depleting the transportation restricted reserve balance, as noted above, and is required to offset the anticipated additional costs associated with an increase in ridership and operating costs without transferring this to students/families in the form of an increase in Student Transportation Fees for eligible riders.
 - G Equity fund: In the spring an allocation of \$4 Million was established. For the fall, school surplus balances in excess of the 3% carryforward threshold (\$1.9 Million) plus an additional \$5 Million was also added bringing the total Equity Fund balance to just under \$11 Million. 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.
 - H Central initiatives to support schools: Where schools are allowed access of up to 3% of their surplus, Central Decision Units decided to pool their unrestricted operating surplus funds and using a collaborative approach, prioritize initiatives that directly support the District's Strategic Plan. Details of the planned initiatives have been included on Attachment II.
 - I School & Central surplus carryforward - 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 2017-2018. These funds will then be available to redistribute in 2018-2019.
- Net effect of District capital purchases - Includes current year capital additions (funded by the District) offset by depreciation of prior year capital purchases.

EPSB
Accumulated Operating Surplus Plan
2017-2018

Notes: **Targeted: Reserve Funds (for 2018-2019, 2019-2020 and beyond)***

- * Given the dependence and uncertainty around Provincial funding for EPSB, it is difficult to project the District's accumulated surplus position beyond one year. As such, administration has identified the below list of targeted reserve funds required for future years.

- 1 Carry forward minimum reserve target: To be financially responsible and prudent the District is targeting to maintain a minimum reserve balance of \$20 Million.

- 2 Equity fund: This reserve fund is used to guarantee a minimum balance per year for 2018-2019 through 2020-2021 school years. The Equity Fund was established in 2014-2015 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.

- 3 Enterprise systems: 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 systems capabilities, several other systems now need to be updated (e.g. PeopleSoft HR, Budget, etc). In addition, the District has also identified the need to move towards an electronic recruiting application process. The governance of these resources would be addressed through the establishment of an Information Technology Council.

- 4 Property management: (*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, etc.). This fund would cover major costs such as boilers and roofs that cannot be paid with IMR dollars.

- 5 Infrastructure Investment Framework - Year 3 & 4 - 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.

Initiative Name	Description	Funding Required for 2017-2018
District Business Systems and School Support Applications		
Development and implementation of an effective and consistent performance management system	Our current performance management practices are inconsistent across staff groups and not well defined for some staff groups. Additionally, they do not support our culture of collaboration, accountability and learning. The objective of this work is to define a consistent district performance management process, supported by automated workflow for implementation in 2017-18.	185,000
Onboarding	Development and implementation of a comprehensive onboarding process for new and transitioning staff. This will be fundamental in supporting success as individuals move into new roles.	75,000
District Intranet	Contract support to assist with the review and updating of documents and the development and testing of the District intranet.	534,000
Next Phase of E-Biz	An enterprise reporting and business analytical application to enhance reporting and planning tools for schools, district leaders, and external stakeholders. The Oracle Enterprise Planning and Budgeting cloud application was purchased in May 2017. An implementer will be engaged during the winter of 2017, with the goal of pilot testing the system in conjunction with the Fall 2018-2019 budget.	1,200,000
ERP Consultant	Engagement of a consultant to facilitate an enterprise approach to the District's ERP applications and business operations including a review of the Oracle E-Business Suite, Oracle Enterprise Planning and Budgeting and Peoplesoft (HCM). The consultant will play a critical role in making sure our enterprise systems are envisioned, designed and deployed across the District to meet current and future business needs and opportunities. In a collaborative approach, this work is being overseen by a committee with representatives from Finance, HR, and IT.	125,000
Evidence-based decision making	Includes assessment and research consultants in the area of high school humanities and math. (HLAT & MIPI work) in order to support ongoing work around the MIPI and HLAT writing tests and ongoing support for GKB.AR as well as other District work including: District-wide focus on Reading, Gifted and Talented, Career Pathways, building capacity in evidence-based decision making and assisting schools in data analysis.	795,000
My Blueprint E. Portfolio	Support the implementation of myBlueprint Education Planner tool across the District. The yearly cost of using the system across the District is currently \$91,380 and includes the following: All About Me Portfolio K-6; Education Planner 7-12 (Alberta Edition); Data Services; (PowerSchool API, SSO, Staff Portal Training, Proactive Support and Dedicated Service; Resource Centre, Lesson Plans, Tutorial Videos; Complimentary Upgrades to New Versions; Setup, Maintenance, Secure Canadian Hosting; French Editions (K-12)). A commitment was made to pay for this licence centrally for three years. This is year three of the project.	91,380
District Phone Consultant	Phase II of project. (Roadmap for District Phone system)	85,000
Subtotal District Business Systems and School Support Applications		\$3,090,380
Strategic Planning and Administration		
HR Administrative Regulations	Update and implement HR administrative regulations to align with new HR framework and the Education Act.	125,000
Dashboard - Priorities Two and Three	Funding to support taking the development and implementation of the dashboard through to completion. These dollars do not reflect the human resources drawn out of Central decision units.	326,361
EPSB Foundation - Development Support	The EPSB Foundation is attempting to increase the amount of donations in support of full day Kindergarten. This requires additional support to develop the website/Facebook/newsletters and an increase in social media presence. Support is also required for event planning, promotion of the employee campaign and stewardship framework. This would be for a one year term.	36,328
Principal Readiness	To continue to provide support for Principal Development Programs	80,000
Policy Advisory Committee	Creation of 2 advisory committees for review of Multiculturalism Policy and SOGI policy	5,000
Subtotal Strategic Planning and Administration		\$572,689

EPSB
Central Initiatives to Support Schools - Details
2017-2018

Initiative Name	Description	Funding Required for 2017-2018
Facilities and Operations		
Furniture & Fixtures	Office furniture and fixtures for central decision units ordered but not received prior to the end of 2016-2017.	73,128
Inclusive Learning Relocation	To fit up Inclusive Learning space at alternate sites.	950,000
Projector Equity Project	Year 2 - completion (final year).	968,212
Subtotal Facilities and Operations		\$1,991,340
Supports for the Establishment of New Schools and Programming		
Logistics for New Schools	Costs related to the logistics & storage of furniture and equipment for new schools (space) anticipated to open in January 2018.	400,000
New school grand opening costs	Each school has a budget of \$10k for their grand opening, which includes printing and purchase of the gift from the Board of Trustees.	110,000
Student Senate	Costs associated with the running of the Student Senate (including a portion of a teacher leader).	30,000
Early Years Program Moves	Due to growth pressures, two existing early years sites will be moving. This involves the moving of 4 classrooms from Homesteader to John Barnett and 4 classrooms from Waverly being relocated to Duggan.	400,000
Early Years Expansion	Implementation of the Early Years resources (inquiry and play) to support professional learning for EAs and teachers.	175,500
EYE Implementation	The EYE is used as a baseline data tool for Early Years programming.	125,000
Locally Developed Courses (LDC) Management and Development	1.0 FTE teacher consultant, 0.2 admin support and funds for teacher supply coverage for the review, management and development of LDCs.	156,849
Digital Module Developer/Videographer	Videographer to capture, edit, format and create online digital modules to support and archive professional learning delivery.	100,000
Review of special education and other programs	District Level initiatives re: Austim and Gifted program reviews. Includes project lead and backfill consultant time on school-linked teams.	228,000
Graphic design support	Continuation of graphic design contract FTE for an additional school year to meet school and Central demand.	104,593
Building Capacity in Quantitative data analysis.	Data Analysts to support Assessment, research and Career Pathways.	265,000
Career Pathways implementation across grades and divisions.	Consultants including program evaluators and communication consultants and a full time admin assistant to support the transition of career pathways from project to K-12 teaching and learning.	1,389,128
Subtotal Supports for the Establishment of New Schools and Programming		\$3,484,070

EPSB
Central Initiatives to Support Schools - Details
2017-2018

Initiative Name	Description	Funding Required for 2017-2018
Supports for Schools		
Commit to Kids	District initiated program to identify and prevent situations where students may be at risk of sexual abuse.	30,000
Dashboard - Evidence Based Decision Making	Supporting the development and roll out (training of school staff) of the internal dashboard; supporting catchment strategic planning through the use of data analysis protocols - based on achievement and survey data. Working with provincial achievement data to make it more actionable for schools and training staff to use the data (and align gaps with research to identify strategies for closing the gaps). Support high school department heads in using diploma exam data to improve teaching and learning. Build capacity in evidence-based decision making and assisting schools in data analysis.	118,000
Research Team - creating a culture of research/evidence based decision making	Supporting all district priorities through a foundation of research, evidence/research based decision making, best practices and evaluation of projects. In addition, building central staff capacity by the development of protocols and practices for evaluation, data analysis and reporting.	187,000
Career Pathways	Ongoing work related to Phase 2 of Career Pathways as it expands across schools and division levels. Staff to support the development of curriculum resources, to support the implementation of the CTF and CTS courses and to build teacher capacity in the integration of Career Pathways in CTF and CTS.	337,000
Assessments and Assessment Regulations	Supporting ongoing work around the MIPI and HLAT writing tests and ongoing support for matters related to GKB.AR as well as other District work – i.e. District-wide focus on Reading, Gifted and Talented, Career Pathways. Build capacity in evidence-based decision making and assisting schools in data analysis. Also includes funds for external contracts for specialized assessments (Psychologist and Academic Assessments).	224,000
Enhanced training for critical incident support services (CISS)	Contract external trainers for district social workers and psychologists working on the CISS team.	70,000
2018 Summer Institutes	Continuation of the Summer Institutes initiative.	325,000
RDS Resource Strategy Implementation	1.0 FTE teacher consultant and funds to support implementation of the RDS Resource Strategy.	150,757
Building Capacity in Provincial Curriculum Implementation	Provide subject area support working with teachers directly in their classrooms. Also, consultant support for readiness for the provincial curriculum implementation and support for 7 subject areas. Note that this is ongoing; the increased request for this year is to accommodate receiving a full 12 months of service.	1,865,662
One additional School-linked Inclusive Learning Team	Increase in FTE to multi-disciplinary teams to provide direct support to schools. With 11 new schools opening, anticipated distribution is 23 schools per team.	2,374,000
PD - Self-Regulation Project, Circle Way Practicum, Connections Program, Physical Literacy training & Alternative and Augmentative Communication Training.	Includes Stuart Shakers Train the Trainier program (self-regulation, physical literacy and personal well-being). The Circle Way Practicum is for engaging parents and community partners in deeper dialogue about issues related to culture, diversity, and mental health. Connections program is a 5-day intensive provincial camp on Diversity, Leadership, Multiculturalism, and Environmentalism. Physical literacy involves bringing Dr. Dean Dudley from Australia to speak to EPSB staff - shared cost between GETCA, 4 School Boards, and the U of A. Alternative and Augmentative Communication training is directed towards IL and Pre-K staff.	116,500
Diversity Day 2018	The initial Diversity Day held in partnership with Phoenix Society for Interfaith Harmony was a huge success. Funds are needed to support continuation of this initiative for Diversity Day 2018 and to provide kickstart funds for school-based diversity initiatives.	40,000
Diversity & Comprehensive School Health Team	Includes funds for 0.5 Admin Assistant, a full time coordinator for the Comprehensive School Health initiatives and additional dollars to continue with enhanced opportunities for training in the area of Mental Health supports (MHFA, Go To Educator and roll out of the District's Mental Health Framework).	51,990
Language & Literacy - Hanen Summer Institute and training	Planning underway for Summer Institute training for SLPs in Pre-K and K to support early childhood educators in Language and Literacy.	75,000
First Nations Metis Inuit Consultants	Increased demand to staff for early years liaison. This work is an on-going project and has already started.	260,000
High School Graduation Coaches.	This work is an on-going project and has already started.	260,000
Family support workers: early intervention pilot	This work is an on-going project and has already started.	260,000
Subtotal Supports for Schools		\$6,744,909

EPSB
Capital Reserve Plan
2017-2018

ATTACHMENT III

	Amount	Total Amount
Accumulated capital reserve at September 1, 2016		57,063,531
Capital transactions during 2016-2017		(8,372,300)
2016-2017 Transfer of surplus to capital reserves		15,000,000
Total capital reserve balance at September 1, 2017		63,691,231
Planned use of capital reserves in 2017-2018:		
1 Energy retrofit (On-going annual commitment) - (Year 1 of 2)	5,000,000	
2 Relocation of modular classrooms	600,000	
	5,600,000	(5,600,000)
Forecasted accumulated capital reserve balance at September 1, 2018		58,091,231
Targeted use of capital reserves beyond 2018:		
1 Energy retrofit (On-going annual commitment) - (Year 2 of 2)	5,000,000	(5,000,000)
3 Millcreek - purpose built in-house daycare - (2018-2019)	1,000,000	(1,000,000)
4 Self funded mature neighborhood replacement school	15,000,000	(15,000,000)
Remaining capital reserve balance:		37,091,231

Notes:

1 Energy retrofit - In 2016-2017 initial funds were used to establish an energy efficiency (retrofit) contract. Starting in 2017-2018 a two to three year ongoing 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.

2 Relocation of modular classrooms - per approved Caucus recommendation report dated June 6, 2017. Funds are required to relocate three modulars for the 2017-2018 school year. The intent would be to have funds reimbursed by Alberta Education once approvals are received. Self-funding commitment would allow an immediate sourcing of modular units and improve the District's ability to timely deliver units to site in order to address enrolment demands.

3 Millcreek - The Board has approved up to \$1M to be used to construct a purpose build in-house daycare facility in conjunction with the construction of the Millcreek replacement school. Additional discussions with potential partner agencies will yield potential business models and refined plans / cost estimates. One option within this concept, is that the capital construction costs would be recovered through a Property Management lease arrangement with the partner agency.

4 Self funded mature neighborhood replacement school - Approximate cost for a single replacement School - a partnership with Alberta Education for anticipated replacement schools in a mature community.