

COMMITTEE OF THE WHOLE (BUDGET)
Report No. 23-014

21 February 2023

2023-2024 Budget Process

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PURPOSE:

1. To present information on the 2023-2024 budget cycle timelines and processes as well as the anticipated challenges impacting the development of the budget.

STRATEGIC LINKS:

2. The 2019-2023 Strategic Plan calls for the development of a culture of social responsibility with the stated goal of fostering "progressive stewardship of the environment, and human and financial resources." Development and approval of the annual budget is a key component of strong governance and financial stewardship. The thoughtful and prudent allocation of financial resources is required to optimize achievement of the goals that have been established for students, staff, and the District.

CONTEXT:

3. The District operates on a fiscal year that runs from 1 September to 31 August. Prior to the start of each fiscal year, and in compliance with the *Education Act*, the Board is required to approve a budget before the end of June that articulates how the District will use its resources to meet the needs of its students and the broader school community.

Planning for the 2023-2024 fiscal year has already commenced. However, the preliminary guidance from the Ministry of Education has not yet been received. District staff anticipate that the budget approval timeline established by the *Education Act* will be met.

Several budget meetings will be scheduled over the next four months. The meetings will provide the public with an opportunity to comment on the recommended spending plan. They will also allow Committee of the Whole Budget (COW Budget) to refine the allocation of resources in alignment with District priorities. Staff anticipates that the 2023-2024 Budget will be approved no later than 30 June 2023.

The discussion at the 21 February 2023 meeting is designed to share the proposed timeline and to discuss how the budget information and debate can be

aligned with the objectives presented in the 2019-2023 Strategic Plan, a copy of which is attached as Appendix A.

KEY CONSIDERATIONS:

4. Fiscal Landscape

There are many variables that impact the school board budget; some are within and many are outside the control of a school board. A regular variable which challenges the budget planning process is the timing of provincial announcements on the Grants for Student Needs. Without this information, the budget process has to begin with the assumption that funding will continue at current levels, regardless of projected changes in needs or expenditures.

Ideally, a school board budget would have a stable revenue streams and expenditures which allow for the district to maintain a reasonable level of accumulated surplus in the 2-4% range. The main purpose of an accumulated surplus is to provide the board protection against unanticipated swings in the variables and to allow for additional investments over the annual operating budgets provided by the Ministry.

In 2019 OCDSB had a healthy accumulated surplus in the 3-4% range. A large portion of the accumulated surplus was used to offer some stability though pandemic period. In 2022-2023, the surplus was used to offset the \$9M in operating costs. As a result, the planning process for the 2022-2023 budget begins with a need to find \$9M in savings, unless we experience an increase in revenues. In addition, the district has a number of increasing costs including inflation, compensation, absence replacement costs, accommodation pressures, and programming costs which Ministry funding levels. Subject to confirming provincial funding for the upcoming year, the range of variance can be projected between \$9M and \$39M.

Budget Development Schedule

An important consideration when developing the District's budget schedule is the need to ensure that committee members have sufficient time to consider staff's approach and recommendations and allow time for public consultation to occur.

As previously noted, the provincial guidance is that the District's 2023-2024 Budget must be approved by the Board by the end of June 2023. To meet this timeline, key meeting dates for the budget process are being considered and will be reflected in the 2022-2023 Board calendar once confirmed. The tentative dates are:

21 February 2023	Update on budget development and academic staffing
27 March 2023	Budget process update and academic staffing
28 March 2023	Approval of academic staffing
18 April 2023	Update, including information on Ministry grants (GSNs)
23 May 2023	Budget process update
31 May 2023	Presentation of the staff-recommended budget
6 June 2023	Public delegations, budget debate commences
12 June 2023	Budget debate continues

19 June 2023	Budget debate (if required) and recommendations to the Board
26 June 2023	Board approval of staff-recommended budget

The approval of the academic staffing recommendations represents an important budget decision. The approval will commit approximately 60% of operating costs in advance of having confirmed the funding that is available to support all budget needs. The decisions are made in March to meet collective agreement obligations as well as to ensure there is sufficient time for the staffing process to be completed prior to the start of the new school year.

The Ministry is not expected to announce the Grants for Student Needs (GSN) until late March 2023. Staff requires access to the Education Finance Information System (EFIS) and the technical papers to provide more accurate funding estimates as EFIS is used to calculate Board-specific grant information.

Staff expects to present the recommended budget to COW Budget on 31 May 2023. It will reflect the previously approved academic staffing costs and present other recommended adjustments to revenues and expenses.

Education Funding Overview

A key requirement for effective decision making is a shared understanding of the constraints and opportunities that are presented to COW Budget and the Board. Appendices B and C are two Ministry publications that may assist in the development of that shared understanding.

Appendix B, 2019-20 Education Funding-A Guide to the Grants for Student Needs, summarizes the provincial funding model employed by the Ministry to allocate funds to all Ontario school boards. It elaborates on the different grants that comprise the GSN and, importantly, acknowledges that local school boards have significant flexibility in how the funds are used to meet local priorities in support of student achievement. The 2019-20 guide is being shared because the Ministry has not released a more recent version.

Appendix C, 2022-23 Education Funding-A Guide to the Special Education Grant, provides additional detail on special education funding.

Budget Development Considerations

Strategic Plan 2019-2023

The Ottawa-Carleton District School Board (OCDSB) is in the final year of its current strategic plan that supports students, staff and families. As is always the case, some realignment of resources and changes in activities may be required to respond to evolving needs; however, it is unlikely that additional new funding will be available to address all of the opportunities. Staff will endeavour to make the alignment between the budget and the strategic plan more visible.

Pending Education Funding Issues

Although no formal notification regarding the funding information for the 2023-2024 school year has been received, the following issues have been raised:

- The OCDSB, along with most other school boards in the province, has experienced a significant increase in the use of sick leave and other leave provisions included in collective agreements. The cost of these absences has doubled during COVID-19 and continues to increase. The Ministry funding formula for absence replacement costs does not currently meet the needs of the Board;
- The province continues to negotiate with ETFO, OSSTF and OSSTF-EW. Any increase in salaries or benefits would be expected to be included in any future funding formulas but confirmation has not yet been provided;
- Continued negotiations include the ongoing funding of the Supports for Students Fund (SSF) grant. In 2022-2023, the OCDSB received \$7.1 million in grant funding that is tied to the education sector's collective agreements. This funding is integral to supporting investments in school-based and student-focused staff across all bargaining units;
- It is unclear whether the COVID-19 Learning Recovery Fund will continue to be provided to address learning recovery, the continued implementation of a fully de-streamed Grade 9, the delivery of remote learning, supports for special education, and maintaining enhanced cleaning standards. The funding was \$10.0 million in 2022-2023; and
- The District continues to experience supply chain and labour issues which affect the ability to move forward with two major capital projects to address the growing student population. This, coupled with an inflation rate that is outpacing Ministry funding has caused a necessary large investment in portables. It is hoped that the Ministry will provide some relief in this area.

OCDSB Financial Position

The District's 2022-2023 Budget assumed a \$9.1 million deficit to be supported using the District's accumulated surplus. The most recent forecast, which is presented in Report 23-006, 2022-2023 Revised Estimates, anticipates no change to the original deficit.

Having a healthy accumulated surplus is important because the *Education Act* allows the Board to use it to balance its operating budget. However, the *Act* also restricts use of accumulated surplus in any school year to 1% of the operating grants provided by the Ministry. This amount is expected to be in the range of \$4.7 million in 2023-2024.

Table 1 presents the components of accumulated surplus and shows the anticipated use of \$9.1 million. The proposed alignment of accumulated surplus at the end of the year is also shown.

Table 1 – Accumulated Surplus Available for Compliance

	Projected as at 31 Aug 2023	Actual as at 31 Aug 2022	Change increase (decrease)
Available for compliance	\$	\$	\$
Restricted-committed capital	15,575,490	11,642,459	3,933,031
Internally appropriated			
Extended Day Program	(1,471,265)	(1,471,265)	-
Budgets carried forward	2,387,089	2,387,089	-

Business Systems	1,000,000	1,000,000	-
Contingencies	2,832,267	14,000,000	(11,167,733)
Unappropriated	-	1,926,714	(1,926,714)
	20,323,581	29,484,997	(9,161,416)

Enrolment

Enrolment is a key factor in the funding that the District receives. Enrolment growth provides additional flexibility in responding to funding changes and service demands while declining enrolment reduces this flexibility and generally creates a need to look for savings opportunities to offset the lost revenue.

Staff is forecasting a slight increase in enrolment in both the elementary and secondary panels. At this time we are unable to determine what the increased projection will be. The increase is in comparison to enrolment projections reflected in the 2022-2023 Budget.

The additional revenue would be used to support increased compensation costs as a result of increased academic staffing and student support needs.

Cost Pressures

The changing needs of students continue to require additional resources to ensure that the District can provide optimal learning conditions. This necessitates the allocation of resources in a number of areas:

- A significant increase in funding will be required for staff replacement costs;
- Delays in capital projects will require an increased investment in portables; and
- Providing funds to address the changing nature of learning. Significantly, recent investments in technology to enable remote learning will influence maintenance and replacement costs for these assets in the coming years.

The Ministry has indicated that it recognizes the inflationary pressures and extraordinary needs being experienced by the education sector but no formal announcement has been made regarding how these issues will be addressed.

Revenue Generating and Self-Funded Programs

The 2022-2023 Budget reflected a resumption in service demand in two areas as Ottawa returned to a more normal daily life.

The first area is the Community Use of Schools division which oversees the public's after-hours use of school facilities such as gymnasiums and sports fields. Rental rates have increased slightly in 2022-2023. The second area is the Extended Day and Child Care programs where revenues are anticipated to increase due to increased participation and additional municipal funding. Staff is optimistic that facility utilization and program participation rates will continue to normalize in 2023-2024.

In addition to the internally managed programs, the OCDSB is experiencing increased enrolment of international students through the Ottawa-Carleton

Education Network (OCENET) in the 2022-2023 school year. International student enrolment is expected to increase over the next few years.

Staff will be performing a more detailed analysis on these and other programs as part of the budget development process. The review will quantify the revenues and expenses that are shown in the 2023-2024 Staff-Recommended Budget.

RESOURCE IMPLICATIONS:

5. The Board's past decision to establish a provision for contingencies as an appropriation within the accumulated surplus has allowed the District to support larger than expected deficits projected in recent years. In the absence of this critical decision, it is likely that some recent decisions to invest in system priorities would have instead been removed from the Board-approved budget in the 2022-2023 school year. However, in planning for the 2023-2024 school year, these contingencies will not be available and a balanced budget will be required by the Ministry.

The District is expected to have a combined operating and capital budget in excess of \$1.0 billion. Continuing with a prudent approach to managing these financial resources is essential to ensuring the budget development process results in a sound financial plan for 2023-2024. The spending plan, which will be aligned with the strategic plan, will serve as the foundation for financial plans that will be presented in subsequent years.

COMMUNICATION/CONSULTATION ISSUES:

6. The District's website provides a landing page for financial information. On this page is a quick link to both the current budget and budgets for prior years. Relevant supporting information such as budget questions and answers is also available. All public documents, such as budget reports and staff presentations, are easily accessed from the webpage.

As has been done in the past, an email link for budget questions and comments has been established. While individual responses are not always possible, every effort will be made to answer these questions in a timely manner. Answers will be posted to the website and will be considered by staff in developing the budget recommendations.

The budget consultation process will reach out to parents, school councils, students, OCDSB advisory groups, staff and the public. The goal of the consultation will be to make the community aware of the budget process and provide them with an opportunity to provide feedback to staff, trustees and other Budget Committee members. The consultation process will involve a variety of formats in order to maximize the opportunity to reach these groups.

Staff customarily attends meetings of other committees including the Special Education Advisory Committee (SEAC), the Parent Involvement Committee (PIC) and the Advisory Committee on Equity (ACE). Comments received during those meetings help staff understand the concerns and priorities of those committees.

Similar to the advisory committee meetings, trustees have received valuable input through zone meetings in past years. Staff will provide support for those meetings this year, if required and schedules allow.

All input during the consultation phase would ideally be received by mid-March 2023.

GUIDING QUESTIONS:

7. The following questions are provided to support the discussion of this item:
- What are the emerging issues and opportunities that members believe should be considered during the development of the 2023-2024 Staff-Recommended Budget?
 - What information will help inform the decisions that will be made following the presentation of the 2023-2024 Staff-Recommended Budget?

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Appendices:

Appendix A – 2019-2023 Strategic Plan

Appendix B – 2019-20 Education Funding-A Guide to the Grants for Student Needs

Appendix C – 2022-23 Education Funding-A Guide to the Special Education Grant