



AUDIT COMMITTEE
Report No. 24-127

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Analysis of the District's 2023-2024 Financial Results

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PURPOSE:

1. To provide to the Audit Committee, for discussion, information regarding the District's financial results for the year ended 31 August 2024.

STRATEGIC LINKS:

2. The 2023-2027 Strategic Plan is built on three areas of focus: learning, well-being and social responsibility. Review and analysis of financial results, in relation to the Board's approved budget and revised estimates helps to inform future financial planning and decision-making. Responsible and transparent fiscal practices will ensure the successful implementation of all three areas of focus of the plan for current and future students and employees at the OCDSB.

CONTEXT:

3. The District's financial results represent a significant portion of what is reported in the draft 2023-2024 Consolidated Financial Statements. An analysis of the District's results provides insight into relevant changes that occurred during the year and any significant variances from the approved 2023-2024. The narrative reflects areas discussed in forecasts presented during the year and amounts have been updated based on actual results.

KEY CONSIDERATIONS:

4. In June 2023, the Board approved the 2023-2024 Budget authorizing expenses totaling \$1,101.0 billion. Funding of the expenses was provided through grants and other revenues totaling \$1,101.0 billion. This resulted in a balanced budget.

The District's 2023-2024 actual result is an operating deficit of \$12.1 million which is primarily due to wage increases including Bill 124 and Cost of Living Allowances (COLA). The total salary variance is \$24.6 million with Bill 124 & COLA increases making up \$19.3 million of that deficit (see Table 1). The Ministry of Education (MoE) provided funding for these retroactive payments based on the technical paper formulas; however, the OCDSB consistently

spends in excess of funding on supply staff to ensure classrooms remain open and Special Education students receive proper care when an employee is unable to attend work. Any retro payments to replacement staff exceeding the formulas would not be funded. The outcome is a significant portion of the retroactive payments to this group needed to be funded using other funding sources.

5. Revenues

Appendix A:

Pupil Foundation Allocation (PFA): The increase in PFA is almost entirely related to Bill 124 and COLA payouts to teachers and support staff. The MoE also included funding for future costs for principals, vice principals and union exempt staff. Principals only recently ratified their agreements for Bill 124 & COLA increases therefore, payout will happen in the 2024-25 school year. Total increase in funding for in year expenses related to pay increases was \$26.8 million.

Special Education Allocation: As with the PFA, the increase in the Special Education Allocation is also primarily due to funding related to Bill 124 and COLA increases. Total funding for in year expenses related to pay increases was \$6.5 million.

Language Allocation: The District experienced another increase in English Second Language (ESL) student funding in the 2023-24 school year with an increase of 911 students over Estimates. The increase can also be attributed to funding the Bill 124 & COLA payments. The total increase in funding relative to 2023-24 Estimates is \$6.7 million. It should be noted, the federal government recently announced changes to immigration policies which may result in a future loss of funding to the OCDSB.

Teacher Qualification Allocation: As with other envelopes, the funding increase can be directly tied to the Bill 124 and COLA paid to teachers in the 2023-24 school year. The increase for this allocation is \$7.9 million.

Transportation Allocation: The Transportation Allocation changed significantly in the 2023-24 school year. Over the course of the year, the MoE revised funding to include increases to the fuel benchmark, driver compensation, the retention and recruitment bonus, and increased funding for other vehicles. The total increase to the Transportation Allocation is \$1.4 million over initial 2023-24 Estimates.

Prior Period Allocation: The MoE provided funding for Bill 124 and COLA for staff relating to periods prior to the 2023-24 school year. Bill 124 retroactive payments go back to the 2019-2020 school year while COLA retroactive payments go back to the 2022-23 school year. The total prior period funding for Bill 124 and COLA retroactive payments is \$64 million.

Table 1: Bill 124 & Cost of Living Allowances Revenues & Expenses

2023-24 Estimates		2023-24 Finals			
Salaries	Benefits	Salaries	Benefits	Difference	
729,922,681	126,853,508	875,565,950	150,828,619	169,618,380	
				(14,000,000)	23/24 Accrual
				155,618,380	Total Salary Increase
				(129,332,633)	Ministry Funding
				(1,670,439)	Secondment Exp Recovery
				24,615,308	Net Increase
				(2,693,869)	WSIB Increase
				(2,655,637)	Other Increases
				19,265,802	Underfunding

Appendix B:

Other Revenues: Federal Funding increased due to grants for School Operations and Maintenance of \$1.7 million related to Covid-19 Resilience Infrastructure projects. Community Use increased by \$1.4 million and Interest income increased by \$1.8 million. The total increase of miscellaneous revenue, excluding Educational Development Charges, items is \$3.5 million.

Appendix C:

Priorities and Partnership Funding (PPF): The overall funding for non Bill 124 PPFs decreased in 2023-24 by \$3.3 million. This was mainly due to the end of the Tutoring Supports Program (\$4.5 million). Additional funding was allocated for Bill 124 totalling \$9.3 million.

6. Expenses

Appendix D:

Salary Costs: Along with Bill 124 and COLA increases, other increases in costs including the Benefit Trust program, the new two tier CPP program and increased WSIB costs are all stressors to the OCDSB. Specifically, the cost of future WSIB payments increased in 2023-24 by \$3.7 million, exceeding the budgeted amount by \$2.7 million. This increase is based on several factors but primarily due to more injuries and more costly injuries.

Supply Staff: Post pandemic replacement costs continue to add pressure when compared to the funding provided by the MoE for the 2023-24 school year. Funding was approximately \$17 million while costs, not including Bill 124 or COLA payments, was \$32 million.

Comparing expenses over 2022-23, not including Bill 124 or COLA payments, expenses decreased by \$3.7 million. However, costs exceeded 2023-24 Estimates slightly by \$559,000.

Future Contingencies: Provisions for union exempt and principal/vice principal future payments for Bill 124 and COLA were not isolated in the financial statements. Instead, they were allocated to the appropriate expense lines in Schedule 10. The union exempt costs were adjusted by \$2 million while principals/vice principals by \$7.8 million to reflect the future expenses.

School Operations and Maintenance: School Operations and Maintenance consists of costs such as custodial and maintenance salaries, utilities, contracts such as snow removal and portable moves. Many of the costs related to this area are not within the control of the OCDSB; therefore, must be reviewed regularly against the approved budget. The net deficit in the 2023-24 school year can be attributed to inflationary pressures on supplies and services required to adequately maintain schools.

Table 2: School Operations and Maintenance Budget vs Expenses

	2023-24	
	Estimates	Revised Estimates
Budget	95,753,914	97,206,789
Actual Expenses	111,870,605	111,870,605
Bill 124 & Cola	10,081,822	10,081,822
Federal Funding	1,746,552	1,746,552
Net Expenses	100,042,231	100,042,231
	(4,288,317)	(2,835,442)

Ottawa-Carleton Education Network (OCENET): The revenues for OCENET increased in the 2023-24 school year over the 2022-23 school year by \$872K but fell short of Estimates by about \$659,000. This was due to several factors including changes in work or study permits, limited flights available to China and other Asian countries, and permit rejections. The recent change in the federal immigration policy may bring challenges to the growth of the program.

In addition to normal profit-sharing revenues, the District will receive \$788,000 from OCENET to offset the International Student Recovery amount and \$1 million in equity return funding.

Extended Day (EDP)/Childcare: Both programs experienced surpluses in 2023-2024. The EDP program generated \$885K while the Child Care program had a modest surplus of \$14,000 resulting in an overall surplus of \$900,000. These increases are due to a year over year increase of about 200 registrants in EDP as well as a restructuring of fees and a change in municipal funding.

Table 3: EDP/ITP Revenues and Expenses

<u>EDP</u>			
	Budget	Actual	Increase/(Decrease)
Revenues	\$ 17,251,445	\$ 18,318,280	\$ 1,066,834
Expenses	17,150,840	17,432,805	281,965
Total	\$ 100,605	\$ 885,474	\$ 784,869
<u>Child Care</u>			
Revenues	\$ 1,833,376	\$ 1,924,852	\$ 91,476
Expenses	1,881,976	1,910,652	28,676
Total	(48,600)	14,200	62,800
Combined Surplus	52,005.28	899,673.91	847,668.64

7. Areas of Concern

Supply Staff Costs: Although absenteeism decreased in 2023-2024, the cost of replacements is still significantly outpacing funding. This will continue to be a significant pressure to the OCDSB and other Districts unless the funding model is reconfigured to be more inline with the provincial program.

School Operations and Maintenance: The costs of maintaining and ensuring the safety of students in our school buildings increases year over year. This year the costs to operate schools outpaced funding and other revenues such as community rentals by about \$4.3 million compared to Estimates. This area continues to struggle with inflation when purchasing basic cleaning supplies and other supplies to maintain the hygiene and safety of the schools. External contracts such as snow removal continue to increase as well.

Slowing Growth of Average Daily Enrolment (ADE): Student growth at the OCDSB has been slowing down. In the 2023-24 school year, there was a slight overall growth in ADE of 222 in comparison to the 2022-2023 school year. However, Elementary was lower by about 373 ADE while Secondary grew by 595. However, based on 2023-24 Estimates, the outcome was a decrease of 1,000 ADE in Elementary with a slight increase of Secondary students of 150 ADE for an under projection of 870 ADE. Uncertainty over future student growth will require the OCDSB to be very conservative when developing budgets and forecasts.

Table 4: Average Daily Enrolment Breakdown:

	2022-23	2023-24			
	Final	Estimates	Revised Estimates	Final	Increase/Decrease
Elementary					
JK/SK	4,413.00	4,487.00	4,397.50	4,382.77	(104.23)
Gr 1 to 3	4,911.00	5,073.00	4,768.50	4,765.00	(308.00)
Gr 4 to 6	15,422.11	15,569.50	15,379.00	15,347.00	(222.50)
Gr 4 to 8	26,856.05	27,120.00	26,731.00	26,734.50	(385.50)
Total	51,602.16	52,249.50	51,276.00	51,229.27	(1,020.23)
Secondary					
Gr 9 to 12	24,058.35	24,503.46	24,783.44	24,653.63	150.17
Grand Total	75,660.51	76,752.96	76,059.44	75,882.90	(870.06)

Lack of Reserves: The decision to fund services beyond the MoE funding during Covid has depleted the savings of the District. In the 2023-2024 school year, Bill 124 and COLA increases were underfunded by \$19.3 million. The OCDSB was able to achieve savings and additional revenues including savings in supplies and services, reducing minor tangible capital assets (MTCA) based purchases and additional miscellaneous revenues reducing the deficit. However, the OCDSB does not have the reserves to absorb the reported deficit of \$12.1 million. The OCDSB is posting a deficit for a third year in a row. Moving forward, there will need to be significant efforts to adjust spending to meet funding while rebuilding the surplus.

RESOURCE IMPLICATIONS:

12. The District's 2023-2024 actual results showed a deficit of \$12.1 million. The deficit is noncompliant with the Ministry's budget compliance framework.

COMMUNICATION/CONSULTATION ISSUES:

13. The 2023-2024 analysis was prepared by Finance staff in consultation with other departments.

GUIDING QUESTIONS:

14. The following questions are provided to support the discussion of this item:
- Does the analysis explain the significant changes in revenues and expenses relative to the approved budget and revised estimates?
 - What steps are being taken or will be taken in future decision-making and planning to mitigate adverse financial impacts and to leverage opportunities that were identified during the preparation of the analysis?

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Appendices:

Appendix A – Comparative of Ministry Based Funding
Appendix B – Comparative of Revenues
Appendix C – Priorities and Partnerships Fund
Appendix D – Comparative of Expenses