



COMMITTEE OF THE WHOLE (BUDGET)

28 January 2025

Report No. 25-006

2024-2025 Revised Estimates

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PURPOSE:

1. To explain changes reflected in the District's 2024-2025 revised estimates as compared to the District's 2024-2025 estimates.

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 estimates 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 Ministry of Education (MOE) requires school boards to approve and submit annual estimates by the end of June preceding the beginning of a new school year.

The Ministry also requires that the approved estimates be revised after the start of the school year to reflect the financial impact resulting from actual enrolment levels. Changes in revenues and expenses not related to enrolment are also included. The update to the Board approved estimates is referred to as the revised estimates.

The revised estimates are prepared early in the school year. Continuing with past practice, a conservative approach has been adopted when estimating the revenues and expenses shown. The approach limits revenue estimates to the lower value of anticipated cash inflows while the expenses use the higher end of cost estimates.

The purpose of this report is to inform the Board of areas of concern and includes information on how the District is managing those concerns to ensure we meet the Ministry requirement of a balanced budget.

The following areas will be discussed in further detail in the body of this report:

- The change in enrolment based on original projections;
- The funding/expense issues related to the change in projections;
- Costs related to the continuing issue of replacements costs; and,
- Continued pressures related to school maintenance, underfunding and other pressures.

KEY CHANGES FROM ESTIMATES AND AREAS OF CONCERN:

4. Projected Deficit: The Board of Trustees passed a balanced budget for the 2024-2025 school year. Since then, teachers reached a contract settlement including increases in salaries that were not reflected in the salary benchmarks when the 2024-2025 estimates were remitted to the Ministry. Although benchmarks were increased, the costs of the salary increases surpassed the funding provided by the Ministry to the District resulting in a projected \$4.2M deficit for the 2024-2025 school year. This will be the fourth deficit in the row for the OCDSB.

Change in Enrolment: Most of the funding provided by the Ministry is tied directly to the average daily enrolment (ADE) of a school district. Average daily enrolment or ADE is the aggregate total of full time students eligible for funding. The enrolment projections used to determine estimates for 2024-2025 fell short of actual attendance as at 31 October which is one of two reporting periods for ADE to the Ministry. The other being 31 March of each school year. This is the second year in a row estimates enrolment fell short at revised estimates. Moving forward, the District will have to take an even more conservative approach when determining ADE for the purposes of Ministry funding.

The number of ADE reduced for the elementary component was 745.00 ADE however, the secondary component went up by 166.92 ADE for a total reduction of 578.08 ADE over the reported enrolment for the 2024-2025 estimates. The ADE for Elementary at revised estimates is 50,938 ADE (51,683 ADE at estimates) while ADE for Secondary is 25,058.27 (24,891.45 ADE at estimates).

Bill 124 & Other Salary Increase Funding: At the time of the 2024-2025 estimates, Bill 124 funding had not been built into the funding formulas. As well, the teacher increases were still outstanding leading to accruals reflected in other areas of the Ministry reporting. Both of these salary increases have been incorporated into the salary benchmarks which explains the large increase in funding in revised estimates which is approximately \$64.6million.

Although Ministry funding (Appendix A - Section 1A) increased by \$64.6 million, the overall increase to the revenues was smaller at about \$35.5 million (Appendix B - Revenues). This is due to the reporting of Bill 124 being reported separately at the time of 2024-2025 Estimates.

Teacher Funding: As a result of the change in enrolment, the elementary teacher staffing component was reviewed, and 42 FTE positions were eliminated for an overall savings of \$4.7 million. All these positions had been filled with occasional teachers resulting in no layoffs of permanent staff. The increase in secondary ADE did not cause an increase in secondary school teaching positions.

Replacement Staff Costs: The District is currently experiencing a decrease in replacement costs over the 2023-2024 school year, with savings of about \$1million over this time last year. Although this is good news, the funding is still significantly lower than actual costs. The cost of replacements in the 2023-2024 school year was \$32.1 million (not including Bill 124 prior period payments) while funding was \$16.6 million.

School Operation and Maintenance: School Operation and Maintenance continues to struggle to meet the needs of schools within the current funding formulas. The expenses for the 2023-2024 school year were about \$6 million over original estimates and it is expected they will again exceed the 2024-2025 estimates, although it is difficult to determine the amount at this time. Many of the costs are contingent on the amount of snowfall in regard to snow removal and other contract needs outside of the control of the District. Any savings within that department will likely have to be reinvested in other areas of the department.

Inflation: The District is unable to increase non-salary budgets for areas such as supplies and services. The Ministry has not fully funded the pay increases; therefore, savings must be found in other non salary budget areas. During the revised estimates exercise, \$6 million was reduced against the supplies and services to reduce the projected deficit.

Summary: As this is the fourth consecutive deficit budget submitted to the Ministry, we are still awaiting approval. If the Ministry denies our request, we will be required to find another \$4.2 million in savings to meet a balanced budget.

Regardless of the Ministry's decision, the District will need to find significant savings in the current year and in the next school year. All areas will need to be reviewed to determine how to move forward.

RESOURCE IMPLICATIONS:

5. The District's 2024-2025 estimates reported a balanced budget, but this has changed for revised estimates. The 2024-2025 projected deficit is currently \$4.2 million.

COMMUNICATION/CONSULTATION ISSUES:

6. The 2024-2025 revised estimates were prepared by Finance staff in consultation with other departments.

GUIDING QUESTIONS:

7. The following questions are provided to support the discussion of this item:
- Does the analysis explain the significant changes in revenues and expenses?
 - What steps are being taken 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 – Section 1A - Core Education Funding

Appendix B – Schedule 9 - Revenues

Appendix C – Schedule 10 - ADJ - Expenses