OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Learning Well-being Social Responsibility

COMMITTEE OF THE WHOLE (BUDGET) **28 May 2025**
Report No. 25-035

Financial Sustainability Plan and Fiscal Year 2025-2026 Budget Landscape

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PURPOSE:

1. To discuss the current financial landscape of the Ottawa-Carleton District School Board (OCDSB) and present the District's Financial Sustainability Plan.

STRATEGIC LINKS:

2. The budget and financial sustainability are directly connected to an organization's ability to deliver its mandate and progress its strategic plan. Last school year, the District engaged in extensive consultation to develop a renewed strategic plan for the period 2023-2027. The stewardship of financial resources continues to be one of the primary functions of the Board, and the budget will set the operating plan for the coming school year.

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.

While the Ministry of Education continues to share that they are investing record amounts in public education, there remains a shortfall between the funds provided for centrally-approved pay raises and the actual costs for these raises. Further, the most recent additional funds are not new additions to the school board budgets that allow for additional investments in the classroom. These funds are only partially covering the added salary expenses of the existing staff framework which is already in place related to retroactive Bill 124 and centrally-negotiated pay raises related to cost of living increases. At the same time, the announcement of new grants often collapses old ones. In essence, the funding levels are below what is required just to maintain the previous status quo which is why more than two-thirds of the districts across the province are running deficits and making system-wide reductions.

Over the last four years, the District has been in a deficit position. The first two deficits were planned as a response of COVID uncertainties in order to provide stability to the organization. The third year, trustees passed a balanced budget after staff made significant changes to reduce costs. Notwithstanding those reductions, the Ministry approved Bill 124 retroactive pay adjustments as well as multiple multi-year collective agreement contract increases. Underfunding both the in-year and benchmark rates of those increases caused a deficit in Fiscal Year (FY) 2023-2024 and FY 2024-2025. Staff had no time to address the FY 2023-2024 deficit and were expecting a surplus before the Bill 124 and Collective Agreement updates at the end of the FY. Staff have been actively working on in-year activities to address the FY 2024-2025 deficit and have already reduced that deficit from the initial $8.7 million to $4.2 million and are continuing to make other adjustments with the objective of eliminating most if not all of the deficit by the end of this fiscal year.

The reality remains that there are several areas that are underfunded by the technical papers and the resultant funding formula as well as provincial restrictions like the moratorium on closing schools that force the District to utilize funding meant to support students and operations to cover the underfunded corporate costs of the organization. Staff recognize that without change there will continue to be financial deficits until major program changes are implemented.

Staff developed a Financial Sustainability Plan in October 2024 based on the FY 2023-2024 results and the forecasted FY 2024-2025 results. The Financial Sustainability Plan covered short term, medium term, and long term objectives to address the current year and out-year financial challenges.

KEY CONSIDERATIONS:

4. **Financial Pressures for the 2025-2026 School Year**
A key part of the budget process is identifying the financial pressures facing the District. Many of these have been reviewed with members of the Committee of the Whole - Budget in recent months, but the key pressures are highlighted below.

5. **Moratorium Impact**
The OCDSB has over 17,000 vacant pupil places, across the system, which are significantly consolidated in some areas. The funding formula for the operations of the Facilities Department is based on a per pupil amount, meaning the organization is not properly funded to support the administrative infrastructure and operating costs of under-utilized schools. The District does not receive enough funding to heat, cool, clean, remove snow, and provide the necessities for maintenance of those buildings. This forces funds to be taken from other programs to support the maintenance of these sites, estimated at a loss of revenue of approximately $20 Million, as the District is not funded by square footage to maintain underutilized schools and is not authorized to close them.

6. **Statutory Benefits**
The OCDSB has over 12,000 employees who are entitled to statutory benefits. The actual expense is in the vicinity of 23% of salary costs. Significant growth in the employer share of these responsibilities in areas like Enhanced Canada Pension Plan (CPP) and Workplace Safety and Insurance Board (WSIB) have

not been properly funded by the Ministry of Education. The OCDSB has an estimated financial pressure of $10 million related to statutory expenses.

7. **Inflation**
Globally, inflation continues to be a significant issue, specifically affecting buying power and putting pressure on schools and departments to make difficult decisions when making purchasing decisions. The rising cost of living is also part of contract negotiations, with unions positioning for higher wages for its members which adds further pressure to the ability to meet the operational needs of schools and central buildings. While it is difficult to put an exact amount on the amount of pressure that inflation is having on school boards, it is safe to say that the 2% that the Ministry provides on some envelopes is far below both Consumer Price Index (CPI) and experienced increases in core services like cleaning supplies, snow removal, and software contracts which have gone up over 30-50% in the past two years. Overall, staff estimate this pressure to be approximately $12 million which must be found from other areas.

8. **Staff Replacement Costs**
Staff replacement costs have historically been a budget pressure since the change in centrally-bargained sick leave benefits by the province. School boards have experienced a significant increase in those costs that continue to add pressures to the budget. The current budget for staff replacement costs, based on an adjustment last school year, is $31.5 million which better aligns with expenditures of previous years. Staff have seen improvements in these expenses based on wellness programs and other return-to-work initiatives. The District will continue to invest in these programs, but this remains one of the single largest under-funded pressures for the organization, and continued advocacy is required to align funding with expenses. The Ministry of Education funds approximately $14.7 million of these expenses leaving a budget pressure of $16.8 million.

9. **Temporary Accommodation (Portable Costs)**
Due to inflationary pressures and labour shortages in the region, new school builds were delayed, causing other schools in the District to experience student growth that cannot be accommodated without portables. The Ministry of Education does provide funding for portables and the cost of moving them, but the amount is insufficient. A projection of $3.0 million in portable expenses is anticipated, but only $800 000 in funding has been received, leaving a deficit of $2.2 million. The remainder will come from the surplus/deficit.

Although staff have new school builds currently underway and new ones approved, these builds take time to complete and portable pressures are expected to continue to address short term needs.

Table 1 - Portable Breakdown (amounts in millions)

	2023-2024	**2024-2025**
Revenues	1.3	0.8
Expenses	3.0	3.0
Surplus/(Deficit)	**($1.7)**	**($2.2)**

10. **Special Education Supports**
As part of the District's commitment to equity and wellness is an increase in resources to those students who have high needs. This is also supported by the legal requirements in the Education Act to provide all students with appropriate educational opportunities and the Ontario Human Rights Code. Over the past several years, the OCDSB, like most other school boards in the province, has had significant financial pressure relating to supporting special education programs. In FY 2024-2025, the financial pressure was $14 million over the funding provided by the Ministry of Education that had to be found in other areas.

11. **Elementary Program Review**
The OCDSB has recently undertaken a program review at the elementary level. Program reviews of this nature are required, over time, to determine if they are meeting the needs and expectations of the community and if they are sustainable. Several concerns with regard to community schooling, streaming, and equity, and long-term sustainability were raised prior to the launch of the Elementary Program Review (EPR) in the Spring of 20254. Although the EPR was not directly part of the Financial Sustainability Plan, one of the goals of the EPR is to allow the OCDSB to better focus its resources supporting two versus four programs and to make some reductions to the number of specialized program classes. The first portion of the EPR was approved and over the next few years staff will see a more consolidated effort of resources for the two streamlined programs, Enhanced English (EE) and French Immersion (FI). Unfortunately the Special Education portion did not pass which will continue to put further financial pressure on the District.

12. **Financial Sustainability Plan**
Members of staff have been working on a Financial Sustainability Plan since October 2024. The plan consists of three phases which are immediate actions; a cost quality medium- to long-term program evaluation; and an enrolment and program branding moving forward highlighting the strengths of program offerings, system-wide, for the District.

13. **Immediate and short term actions**
The messaging to the system leaders was a slowdown in spending and to only focus on necessities. A review of professional development, guest speakers, travel, and other expenses not related to the classrooms was implemented. This also included a hiring process to ensure all requests were reviewed by the Director's Executive Council. It is anticipated that these initiatives as well as the reduction in portable moves and other activities will generate $6 million in savings, overall.

14. **Program Review and medium term actions**
Staff started a benchmarking study to identify positions that are outside other districts and funding models. Staff also evaluated several programs like Adult High School and Ottawa-Carleton Virtual (OCV) for potential savings by sharing resources. As a result, a number of items in the recommended budget but this is ongoing work as will better align programs and/or services to the resources received. It is anticipated that $15-20 million in reductions will result over the next two years. The District should also see the divestment of some surplus properties to help generate revenue to cover the deficit and rebuild some of the reserves.

15. **Rebranding and Long Term Actions**
A rebranding campaign will highlight the high-quality programs and/or services offered across the OCDSB. A commitment to bringing better business practices to decision making at all levels of the organization and a commitment to continuing to align revenues and expenses with the Ministry of Education's funds/grants.

RESOURCE IMPLICATIONS:

16. The District will need to produce a balanced budget which will have significant reductions from previous years to address the chronic underfunding in some areas of the funding formula. The areas that remain for reduction are limited as the organization has reduced expenses since the end of the pandemic period. The OCDSB must also commit to better business practices and a continued effort to align revenues and expenses to carefully eliminate structural deficits.

COMMUNICATION/CONSULTATION ISSUES:

17. The technical papers were released by the Ministry of Education on 23 May 2025. They were delayed due to the federal election and staff are working through the papers to build the Recommended Budget. The budgetary consultation process has been opened to the public on Engage.

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