



## **COMMITTEE OF THE WHOLE BUDGET Report No. 19-014**

**22 January 2019**

### **2019-2020 Budget Process**

**Key Contact: Mike Carson, Chief Financial Officer, 613-596-8211 ext. 8881**

#### **PURPOSE:**

1. To provide information on the issues affecting the 2019-2020 budget cycle and to provide the timelines and processes.

#### **CONTEXT:**

2. The annual budget development process is a key part of the annual planning cycle. The budget, once approved, will align with the objectives contained in the 2015-2019 Strategic Plan (attached as Appendix A). In fact, the plan's stewardship objective identifies that, by 2019, the District will optimize learning conditions for all students through the responsible and sustainable management of resources.

The District operates on a fiscal year that runs from 1 September to 31 August. In compliance with the *Education Act*, the District's budget for 2019-2020 must be approved by the Board before the end of June 2019. To meet this timeline, staff plans to present a recommended budget to Committee of the Whole Budget (COW Budget) on 13 May 2019. Staff is expecting that provincial announcements regarding the Grants for Student needs (GSNs) will be announced by late March 2019.

Several meetings are scheduled during the months of May and June of 2019 in order to provide the public with an opportunity to comment on the recommended spending plan and to allow COW Budget to refine the allocation of resources in alignment with District priorities. Staff anticipates that the 2019-2020 Budget will be approved no later than the 17 June 2019 Board meeting.

Staff has ongoing internal budget discussions and are working to develop a presentation that will more clearly show the alignment between the staff-recommended budget and the Board's 2015-2019 Strategic Plan. Information gathered through the ThoughtExchange phase of the Strategic Plan consultation will also be considered when developing the budget.

## KEY CONSIDERATIONS:

### 3. **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. The District's 2019-2020 Budget must be approved by the Board before the end of June 2019. To meet this timeline, meeting dates for COW Budget are reflected in the 2018-2019 Board calendar. These dates are:

22 January 2019	Update on budget development process
05 March 2019	COW consideration of Academic staffing (discussion)
19 March 2019	COW consideration of Academic staffing (approval)
26 March 2019	Board approval of Academic staffing
13 May 2019	Presentation of the staff-recommended budget
29 May 2019	Public delegations and committee questions
03 June 2019	Budget debate
10 June 2019	Budget debate (if required)
17 June 2019	Budget debate (if required)

The dates above include approval of academic staffing which represents a key budget decision. Academic staffing decisions must be made in March 2019 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 timeline assumes the budget will be approved at a special board meeting to be held on the same evening that COW Budget makes its 2019-2020 Budget recommendation to the Board. Accordingly, tentative special board meetings have been scheduled for each of the June meeting dates.

### 4. **2018-2019 Revised Estimates**

Report 19-002, 2018-2019 Revised Estimates explains the most recent projection of year-end results. The report highlights the anticipated changes in revenues and expenses since the approval of the 2018-2019 Budget. At this time, staff is conservatively projecting a 2018-2019 operating surplus of approximately \$2.8 million.

### 5. **Budget Development Considerations**

#### a) Grants for Student Needs:

The District receives the majority of government funding from the Ministry of Education in the form of grants for student needs (GSNs). The GSNs are determined annually based primarily on enrolment, student needs and school attributes. They reflect Ministry-determined cost benchmarks with the funding being used to support student needs, the operation of District schools and buildings, and overall administrative needs. GSN funding announcements are normally made annually in late March.

The current government's statements on the need for expenditure changes to reduce the provincial deficit are concerning. The health care and education sectors consume the largest share of the provincial budget and we can expect that there will be reductions in funding over the next two to three years.

In the absence of any further information, staff is assuming that there may be a need to use some reserves in 2019-2020 to mitigate the impact of possible funding cuts.

- b) Enrolment:  
Staff anticipates that there will be continued enrolment growth in 2019-2020. This modest growth will result in increased revenue and provide some flexibility as we examine our fixed costs.
- c) Compensation Cost Pressures:  
Approximately 80% of the District's budget relates to compensation costs. These costs are tied to a combination of mandated staffing levels based on class size averages and discretionary staffing decisions, reflective of District priorities. About two-thirds of this amount is incurred for teaching staff. With agreements expiring at the end of the current fiscal year, it is difficult to predict what the changes might look like. We will; however, assume that the Ministry will continue to meet its obligation to fund the cost of the provincially negotiated settlements with the federations.
- d) Staffing:  
The OCDSB has made significant reductions in staff over the past years in order to improve its financial stability. As always, we will continue to look at areas of opportunity for new investment in staff beyond those required to meet legislative or collective agreement requirements; however, staff is also mindful that approximately 87 positions were created or saved using the Local Priorities Funding of \$6.7 million which was provided as part of the settlement of various collective agreements. Currently, there is no commitment that these funds will continue to be provided in 2019-2020. As a result there is a need to be extremely cautious when looking ahead to new expenditures.
- e) Supplies and Services Budgets:  
The budget for supplies and services represents approximately 20% of the District's costs. The category covers the entire spectrum of costs including computer and telephone networks, student supplies and learning materials, student support services contracts, custodial supplies, maintenance services, student transportation and utility costs. Budgets established for many of these costs have seen the smallest of increases over the past few years and, in some cases, they have been reduced. Staff intends to recommend that a provision to address inflationary pressures should be reflected in next year's budget.

In addition, we are looking at reinstating a budget to replace worn furniture and equipment. Over the past several years, one of the cost reduction strategies to help establish a balanced budget was to defer and/or eliminate purchases of furniture and equipment. The system now needs an injection of funding this year and this investment should continue on an annual basis.

f) Staff Replacement Costs:

Utilization of leaves, particularly those relating to illness and personal reasons, has substantially increased over the past few years. These absences often result in incremental staffing costs, especially when the absent individual is based at a school. Replacement costs are commonly incurred for teachers, educational assistants, early childhood educators and school administrative staff.

The past couple of budgets have augmented the provisions established for replacement staff. For example, for the last two years, additional funding was set aside to support such costs and staff is assessing whether further resources are required.

Another important initiative underway is to improve attendance in an effort to reduce pressure on staff replacement budgets. District staff has been pursuing enhancements to its attendance support program in terms of both effectiveness and efficiency. Work has continued with supervisors and federation representatives to look at ways to positively engage all staff as we continue to address this difficult issue. More important than the financial issue is the reality that these absences have a serious impact upon the classroom environment and student learning and achievement.

g) Professional Development:

In the past two years, the District has pursued changes that allowed for the passing of balanced budgets commencing in 2016-2017. One measure that figured prominently in meeting this goal was a multi-year reduction totalling \$3.0 million in budgets established for staff professional development. Staff had indicated that the reinstatement of some of the reductions would be necessary to assist in meeting priorities articulated in the strategic plan.

Notwithstanding the challenge of recruiting and retraining sufficient replacement staff, it is important to provide financial resources that will support the ongoing professional development of staff as well as renewing resource materials for use in schools.

As well, staff will be taking into account the issues raised by the Special Education Advisory Committee (SEAC) and the Board with respect to efforts to provide professional development for all staff in our support for students with special needs.

## **RESOURCE IMPLICATIONS:**

6. The budget will set the Board's fiscal operating plan for 2019-2020. The surpluses realized in 2016-2017 and 2017-2018 will provide the District some flexibility in planning for 2019-2020, but the OCDSB must continue to be prudent. Experience has shown that variances approximating 2.0% annually are not unusual. The existing accumulated surplus allows the District to manage such swings without having to make severe mid-year reductions in service.

## **COMMUNICATION/CONSULTATION ISSUES:**

7. The budget consultation process will reach out to parents, school councils, students, OCDSB advisory groups, staff and the general 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.

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 from previous years. Relevant supporting information, such as budget questions and answers, are also available. Access to 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. Responses will be posted to the website and will be considered by staff in developing the budget recommendations.

In the past, trustees have received valuable input through their own zone meetings. Where schedules allow and if required, staff will provide support at those zone meetings, if required.

As noted earlier, staff are also looking the results of the information received through ThoughtExchange. Over 6000 people have shared suggestions about what they see as priorities for the District.

Staff customarily attends meetings of other committees including the Special Education Advisory Committee (SEAC) and the Advisory Committee on Equity (ACE). The presentations provided at the meetings are based on those presented at COW Budget.

## **STRATEGIC LINKS:**

8. The strategic plan's stewardship objective identifies that, by 2019, the District will optimize learning conditions for all students through the responsible and sustainable management of resources. The Board's stewardship of the District's financial resources has always been one of its primary functions and the positive financial results of the past two years reflect the work of staff and the Board in this process. An effective debate leading to approval of the budget is a cornerstone of sound governance practice.

## **GUIDING QUESTIONS:**

The following questions are provided to support the discussion of this item:

- Does the Committee agree with the schedule of meetings as shown in the Board calendar?
- Do the assumptions shown in the report identify the more significant challenges that must be considered when developing the staff-recommended budget?
- What areas might be targeted for additional support and how would these investments be balanced with competing needs, given the District's limited financial resources and the anticipated reductions in Ministry funding?

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Director of Education and Secretary of  
the Board

## **Appendices:**

Appendix A– 2015-2019 Strategic Plan