



COMMITTEE OF THE WHOLE BUDGET Report No. 19-047

16 April 2019

2019-2020 Budget Process Update

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 and support the objectives contained in the Strategic Plan. In fact, one of the current plan's stewardship objectives 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 originally planned to present a recommended budget to Committee of the Whole Budget (COW Budget) on 13 May 2019. Staff had expected that provincial announcements regarding the Grants for Student needs (GSNs) would have been announced by late March 2019, as has been the case in prior years.

As trustees are aware, the GSN announcement has been delayed until after the tabling of the provincial budget on 11 April 2019. Staff, at the time of writing this report, has had no specific confirmation of the timing of that announcement other than before the end of April. Should information become available prior to 16 April 2019, an additional update will be provided at the meeting.

KEY CONSIDERATIONS:

3. **2018-2019 Updated Financial Forecast**
Report 19-040, 2018-2019 Updated Financial Forecast, 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 currently projecting a 2018-2019 operating surplus of approximately \$7.8 million.

4. **Budget Development Considerations**

During planning discussions and internal budget discussions staff has tried to ensure adherence to the following principles:

- that student learning and well-being are key priorities of budget recommendations;
- that, wherever possible, investments which support students with the greatest needs will be protected;
- that budget recommendations are aligned with District priorities and an explanation of how key investments support strategic direction is provided;
- every effort will be made to offset budget pressures for next year through effective planning of current year expenditures where possible;
- operating budgets will be reviewed to reduce any unnecessary administrative or operational costs and find service efficiencies; and
- staff will ensure costs to third party partners and fees for services are reasonable and responsible.

a) Grants for Student Needs:

The District receives the majority of government funding from the Ministry of Education in the form of 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.

On 15 March 2019 the Ministry of Education released planning considerations for school boards as they began to proceed with staffing decisions for the 2019-2020 school year.

In Trustee Memorandum No. 19-046 (attached as Appendix A), staff summarized the financial impact of these changes upon full implementation, in year five. At that time, the estimated reduction in funding, net of a slight increase in transportation support, was approximately \$32.0 million.

The Ministry has also announced that the change in secondary class sizes will be phased in, and that they will be providing financial support so that the reduction in classroom teaching positions will be limited to those eliminated through attrition. While staff await the final details of the calculation it would appear that this calculation would lessen the net reduction in revenue to approximately \$8.0 million for that line item, reducing the total anticipated funding reduction to approximately \$24.0 million in 2019-2020.

This number will be refined as more detailed information is provided from the Ministry with respect to this calculation.

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 staff examines fixed costs.

At this time, staff is estimating that the growth would generate net revenue, beyond the mandatory teaching costs of approximately \$8.0 million.

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. Staff will 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 approved its academic staffing complement for 2019-2020. As a result of the uncertainties around the funding of teaching positions, the staff recommendation was conservative. The approved staffing included a reduction in discretionary positions that provides some financial flexibility in developing the next phase of the budget.

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.

It is very likely that these budgets will see no increase, and in some cases, will be reduced.

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 (EAs), early childhood educators (ECEs) and school administrative staff.

Past 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 this difficult issue continues to be addressed. 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.

Considering the ongoing challenge in retention of occasional teachers, and anticipated reductions in Education Programs-Other (EPO) support, this reinstatement will likely be lower than expected.

h) Budget Estimates

Staff has previously indicated that a large part of the current year surplus is due to a large divergence between assumptions contained in the budget and actual experience in the last 2 or 3 years. These assumptions relate mainly to turnover, and differences in salary of the newly-hired staff, mainly teaching staff. Staff is of the opinion that the use of more accurate assumptions could reduce budgeted expenditure by approximately \$10.0 million.

i) Additional Staffing and/or Resources

In the recommended budget, staff intends to bring recommendations forward for some additional staffing supports in the area of special education, as well as other targeted areas. This continues to be dependent upon the Ministry's funding announcements.

j) Summary

These changes can be summarized as follows:

Net change in 2019-2020 revenue before attrition support	\$32.0
Attrition support (estimated)	(8.0)
	24.0
Enrolment increase, net of mandatory teaching and ECE costs	(8.0)
	16.0
Change in assumptions re: salary costs	(10.0)
Potential shortfall, before further enhancements	\$6.0

Staff continues to keep the Ministry informed of the District's progress in the development of the budget and the likelihood that there will be a requirement to include a transfer from reserves to address some infrastructure costs, such as the network renewal.

RESOURCE IMPLICATIONS:

5. The budget will set the Board's fiscal operating plan for 2019-2020. The surpluses realized in 2016-2017 and 2017-2018 should provide the District some

flexibility in planning for 2019-2020, but there is a risk the Ministry may restrict access to those operating reserves.

COMMUNICATION/CONSULTATION ISSUES:

6. **Budget Development Schedule**

The schedule outlined in the 2018-2019 Board calendar may require alteration depending on the timing and nature of information released by the Ministry:

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
26 March 2019	Board approval of Academic staffing
16 April 2019	Update on budget development process
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 included approval of academic staffing which represented a key budget decision. Academic staffing decisions were required to 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 schedule assumes the budget will be approved at a special board meeting to be held on the same evening that COW Budget presents its 2019-2020 Budget recommendations to the Board. Accordingly, tentative special board meetings have been scheduled for each of the June meeting dates.

The District's website provides a landing page for financial information. Located 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, staff will provide support at those zone meetings.

As noted earlier, staff has continued to review the information received through ThoughtExchange, as part of the strategic planning process. 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:

7. 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 outlined in the Board calendar?
- Do the assumptions provided 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?

Mike Carson
Chief Financial Officer
Ext. 8881

Camille Williams-Taylor
Director of Education and Secretary of
the Board

Appendix A– Memo No. 19-046, Ministry of Education Memo 2019:B08, Preliminary Analysis of Financial Impact