



COMMITTEE OF THE WHOLE-BUDGET Report No. 16-034

09 February 2016

2016-2017 BUDGET PROCESS UPDATE

Key Contact: Michael Carson, Chief Financial Officer 613-596-8211 Ext 8881

PURPOSE:

1. To provide additional information on the development and direction of the 2016-2017 staff recommended budget.

CONTEXT:

2. At the Committee of the Whole Budget meeting of 10 November 2015 and 11 January 2016, staff presented preliminary information for the 2016-2017 budget and the proposed timelines leading to approval of the budget in June 2016.

During those discussions, trustees and other members of the Committee expressed their concern that budget decisions need to support the direction outlined in the OCDSB Strategic Plan, attached as Appendix A. Trustees requested that members of the Committee should understand how each department's work aligns with the objectives of the plan.

While acknowledging that difficult decisions would be required, trustees noted that it would be essential for them to understand the range of possible budget pressures and reductions when making decisions regarding academic staffing in March 2016.

KEY CONSIDERATIONS:

3. Multi-Year Planning

During the approval of the 2015-2016 budget, staff identified that the District would need to align its expenditures to revenues over a three-year period. In fact, as part of its approval of the 2015-2016 budget, the Ministry has requested the

development of a plan that would result in a surplus of approximately \$4.0 million in 2017-2018.

The Ministry's School Board Efficiency and Modernization Strategy, designed to reduce the number of surplus student spaces across the province, will result in reduced funding for facility operations and changes to funding for other school facilities funding. Since 2013-2014, this component of the grant has decreased by \$3.4 million. The grant will continue to be reduced over the next two years. Once fully implemented, staff estimates an overall reduction of approximately \$7.0 million.

This reduction has been partially offset by improvements to some of the cost benchmarks, but it is clear that the OCDSB cannot continue to operate as many school facilities as it does currently.

As the OCDSB proceeds with the Student Learning-School Accommodation Review, there will be opportunities to reduce the number of school facilities, and related costs, while improving the environment and opportunities for student learning. However, most of these changes cannot be implemented prior to September 2017. These will need to be pursued if we wish to minimize the impacts of budget reductions inside the classroom.

4. OCDSB Budget Situation

As previously reported, the District incurred a deficit of \$17.2 million in 2014-2015. This left an accumulated surplus of \$16.8 million as of 31 August 2015.

Staff is projecting a deficit in 2015-2016 in line with the \$11.9 million shortfall approved with the passing of the 2015-2016 budget. It should be noted that this does not include the financial impact related to the recently negotiated collective agreements. A formal funding regulation will be required to implement the reimbursement from the province.

Table 1 uses this amount and shows the accumulated surplus projected to be available for compliance at the end of the year as compared to the previous years' actual. The table also shows the amounts that have been internally appropriated for specific purposes and amounts that have not been appropriated.

Table 1 – Accumulated Surplus Available for Compliance

	Actual as at 31 Aug 2015	Actual as at 31 Aug 2014	Decrease from Prior Year
	\$	\$	\$
Internally appropriated			
Gratuities/WSIB Liabilities	4,339,000	8,588,000	4,249,000
Supplies and Equipment	34,000	3,945,000	3,911,000
Committed Capital	5,938,000	8,129,000	2,191,000
Total internally appropriated	10,311,000	20,662,000	10,351,000
Unappropriated	6,501,000	13,314,000	6,813,000
Total available	16,812,000	33,976,000	17,164,000

Previous reports have outlined that accumulated surpluses had been used to support improvements in learning as well as the strategy to obtain appropriate funding for transportation through the province's Effectiveness and Efficiency (E&E) process. However the OCDSB no longer has the ability to use reserves to offset funding reductions. There will be a need to reduce overall expenditures and increase revenue over the next two years to be able to approve a budget in compliance with Ministry requirements.

Appendix B provides a financial overview which shows the OCDSB projected 2015-2016 results.

During a presentation at the 10 November 2015 Committee of the Whole Budget meeting, staff identified that planning for deficit reduction would begin with a target of approximately \$14.4 million. Table 2 demonstrates how that starting point for the upcoming discussion was determined. It should be noted that the starting point already reflects the increase in transportation funding as the result of a successful E&E review as well as the impact of the recently approved Extended day fees.

Table 2 –Starting Point for Deficit Reduction Planning

	\$
2015-2016 Approved Budget Deficit	11,897,000
Enhanced Revenue from Transportation Grant	(5,000,000)
	6,897,000
Grant Reduction (1% of GSN operating allocation)	7,500,000
Starting Point for Deficit Reduction Plan	14,397,000

Although the total operating budget for the school district is approximately \$900M, the majority of the budget is allocated based on Ministry directed staffing formulae, established contracts and other fixed costs. The \$14M identified for reduction will have to be found within those areas of the budget which are discretionary. To achieve savings of this magnitude, reductions will be required in operating expenditures, both non-salaried costs and salary expenditures.

5. **Risk Factors in Budgeting**

In previous reports staff has identified the major risk factors involved in budget development:

- Enrolment projections;
- Timing of decisions regarding staffing vs. Ministry announcement of Grants for Student needs; and
- Estimates of changes in specific grant calculations by the Ministry, (changes in enveloping or sweating).

Approximately 80% of the District's total expenditures are for salary and benefit costs and approximately 2/3 of that amount represents the cost of teacher salaries. A significant part of the budget-setting process will be completed based upon teaching staffing decisions which must be made by the Board by the end of March to meet collective agreement requirements and to ensure effective staffing of schools for September.

The remaining 20% of the budget relates to supplies and services covering the entire spectrum of costs including computer and telephone networks, student supplies, custodial supplies, maintenance, student transportation and utility costs.

6. **Progress to date**

At the 11 January 2016 meeting staff advised that budget planning had begun with the assumption that a combination of revenue increases and cost reductions totaling \$14.4 million would be required to balance the 2016-2017 budget, even after the anticipated transportation recovery.

Table 3 below, uses the Deficit Reduction Plan Starting Point from Table 2 (above) and has been updated to reflect the recent extended day decision and other possible reductions, including the possible revenue enhancements associated with the proposed changes to French Immersion (FI) delivery in JK/SK and potential savings from the changes in delivery of the Learning Disabilities program. Decisions on these program issues will be made later this month. Assuming that those changes could be realized, staff identified a preliminary reduction target of \$10 million. The following table identifies the total

possible savings/revenues from these decisions; those numbers are subject to change based on final Board decisions.

Deficit Reduction Plan Starting Point	(\$14,397,000)
Increase in extended day fees	\$1,315,000
Reductions to date	(\$13,082,000)
Projected JK/SK EFI Decision (TBC)	\$2,700,000
Projected LD Program changes (TBC)	\$400,000
Balance remaining	(\$10 Million)

7. **Going forward**

Staff has identified a number of areas of non-salary operating cost reductions. This includes a review and reduction of routine operating expenditures, improved controls and guidelines on use of cell phones and other electronic devices, reduced energy costs and the changed accounting treatment of staff in Design and Construction. These types of reductions are critical to ensuring operating efficiency and help to minimize the impact of budget pressures on staffing levels. To date that work has generated potential savings of \$2.5 to \$3.0 million.

There still remains approximately \$7.0 million to be reduced. Unfortunately, budget reductions of this magnitude cannot be achieved without looking at staffing reductions. To do that, there are some parameters related to staffing which must be considered:

- The 2015-2016 budget provides for 3,070 FTE elementary teachers of which only 600 FTE are “discretionary”;
- Similarly, of 1,600 FTE secondary teachers only 184 are discretionary;
- The OCDSB employs approximately 2,500 FTE unionized education workers. Recent collective agreements have placed restrictions on the ability to reduce staffing levels except for those due to enrolment declines or attrition; and
- There are also 160 FTE union-exempt staff and approximately 250 FTE in the principal /vice principal cadre.

As part of the budget development process, staff has been examining all possible areas of reduction and considering strategies to help guide the development of budget recommendations.

More work needs to be done before the academic staffing report comes forward in early March, however, at this stage preliminary estimates of possible staffing reductions could include some combination of the following alternatives:

- Approximately 35 FTE teaching positions which are not required by regulation or collective agreement. This would represent slightly less than 4% of the discretionary positions (\$3.5 million);
- Approximately 50 FTE of education support staff. This represents approximately 2% of the total complement. More work is required to refine the number based on estimates of where and when attrition will occur within this diverse work group. It is possible that not all of these savings could be realized during 2016-2017. (\$2.5 million); and
- Between 5 and 10 FTE from the group of union-exempt positions and principals and vice-principals which would represent a reduction of between 2 and 4% of that group, exclusive of 150 school-based principals (\$0.5 to \$1.0 million).

It is anticipated that these reductions can be made through attrition and will not require direct lay-offs.

A key element of our budget discussions is how to minimize the direct impact on students while addressing the changes to the funding model. Reductions of this scale will have an impact on the services provided by the District, and will require some changes to service delivery models in both schools and in administration.

8. **Timelines**

There are some complexities to the decision-making timelines for budget purposes. The provincial grant announcements are usually made in mid to late March. Academic staffing timelines require decisions prior to the final details of the grant announcement. While it is difficult to work with estimates rather than actual budget figures, staff believes it is prudent to ensure a plan is in place that could respond to the estimated reduction of 1%. Should this prove to be overly conservative, a decision could be made to reinstate some of the reduced positions later in the spring. This would complicate staffing processes and planning but could be managed.

Staff is aware that more detail would be preferred by all. The accelerated schedule to share the progress and direction of staff's work means that this report does contain broad estimates, which will continue to be refined.

RESOURCE IMPLICATIONS:

9. The budget will set the Board's fiscal operating plan for 2016-2017. The Board will have little flexibility to approve a budget with a deficit, and is required to move to a balanced budget no later than 2017-2018. The areas identified will continue to be the areas of focus of staff work over the next weeks while preparing academic staffing recommendations. It is possible that those recommendations may vary depending on further analysis of the specific job classes and positions under

consideration. Depending on the impact of final enrolment projections, and the ultimate amounts of the Grants for Student Needs (GSNs), some positions could be reinstated as the budget process continues.

COMMUNICATION/CONSULTATION ISSUES:

10. To date input has been sought from staff, and meetings were held with federation representatives in December, highlighting the scope of this year's challenge. Information has been provided by the non-voting representatives to their stakeholders. Additionally, staff will have attended zone meetings of 5 Trustees by the end of this month.

Until the release of the GSNs, staff cannot predict with certainty the final details of the recommended budget, however the academic staffing report will come to the Committee of the Whole for discussion at the first meeting in March, action at the second meeting and approval by Board at the end of the month.

STRATEGIC LINKS:

11. The budget will set the Board's operating plan for 2016-2017. An effective debate leading to approval of the budget is a cornerstone of sound governance practice. The Board's stewardship of the District's financial resources has always been one of its primary functions.

GUIDING QUESTIONS:

12. The following questions are provided to support the discussion of this item:
 - What further information will the Committee require, and when, to assist in its decision making?
 - Are there specific areas that could be examined for further reductions?
 - Are there specific priorities or initiatives that require additional resources to be achieved?

Michael Carson
Chief Financial Officer
(ext.8881)

Jennifer Adams
Director of Education and
Secretary of the Board

Appendix A -2015-2019 Strategic Plan
Appendix B-Financial Overview



OUR VISION

The OCDSB is a dynamic, creative learning organization that fosters the achievement, well-being, and dignity of every student.

LEARNING

A culture which develops creative, confident and engaged learners who model the Characteristics and Skills expressed in our Exit Outcomes for graduates.

Learning Objective: By 2019, the District will improve the achievement of students in all educational pathways.

Strategies:

- ♦ Promote and encourage the personalization of learning and enhance instructional practice to meet the individual needs of learners;
- ♦ Improve and increase access to the educational pathways for every student; and
- ♦ Optimize School Learning Plans to develop strategies to support achievement in targeted areas (e.g. numeracy and literacy).

EQUITY

A culture that continually balances equity of opportunity and access for all.

Equity Objective: By 2019, the District will reduce barriers to learning to improve equity of access and opportunity for all students.

Strategies:

- ♦ Develop and implement enhanced methodologies to differentiate the allocation of resources to improve equity of opportunity for all students;
- ♦ Identify students and groups of students who face barriers to learning and differentiate supports to close achievement gaps;
- ♦ Review and ensure effective use of First Nations, Métis, and Inuit funding to increase First Nations, Métis, and Inuit graduation rates.

OUR MISSION

Educating for success — inspiring learning and building citizenship.

WELL-BEING

A culture which supports and respects the well-being of every individual in safe and caring learning and working environments.

Well-being Objective: By 2019, the District will enhance the use of resources and supports to improve the well-being of all learners and staff.

Strategies:

- ♦ Build capacity to improve mental health supports;
- ♦ Increase opportunities to support and encourage creative expression, physical health and physical literacy; and
- ♦ Develop and implement the well-being framework and School Well-being Plans to enhance school climate.

EQUITY

LEARNING

WELL-BEING

2015 – 2019 STRATEGIC PLAN

STEWARDSHIP

ENGAGEMENT

STEWARDSHIP

A culture that practices ethical decision-making, and social, economic and environmental sustainability.

Stewardship Objective: By 2019, the District will optimize learning conditions for all students through the responsible and sustainable management of resources.

Strategies:

- ♦ Improve access to learning environments and optimize the use of all resources through school accommodation and program review planning; and
- ♦ Enhance operational practices to effectively and responsibly manage human and financial resources in support of students;
- ♦ Model sustainability, smart energy use and sound environmental practices for students.

ENGAGEMENT

A culture which actively encourages involvement in public education to support positive outcomes.

Engagement Objective: By 2019, the District will increase opportunities for engagement with and among our students, staff, families and broader community.

Strategies:

- ♦ Develop tools to support parent involvement in learning and well-being; and
- ♦ Develop strategies to enhance communication and dialogue with and among staff, students, families and community partners to improve the delivery of public education.

EXIT OUTCOMES — What we want for our graduates

CHARACTERISTICS

SKILLS

Goal-oriented

Innovative/
Creative

Collaborative

Globally Aware

Resilient

Ethical
Decision-makers

Digitally Fluent

Academically
Diverse

Effective
Communicators

Critical Thinkers

Financial Overview

In \$ Millions

2015-2016 Budget	
Projected Revenues	844.1
Projected Expenses	856.0
Projected Deficit	(11.9)
Use of Reserves to fund deficit	11.9
Balance of Unappropriated Reserves at end of 2015-2016	(0.5)
Pending approval and allocation of Effectiveness and Efficiency Review (E & E) funding *	5.0
Revised balance of Unappropriated Reserves at end of 2015-2016	4.5

* E & E funding applies to current and subsequent year

Reserves				Without E & E Adjustment	With E & E Adjustment
	2013-2014 Actual	2014-2015 Actual	2015-2016 Projected	2016-2017 Opening Projected	2016-2017 Opening Projected
Unappropriated	13.3	6.5	(0.5)	(0.5)	4.5
Appropriated	20.7	10.3	5.4	5.4	5.4
Total	34.0	16.8	4.9	4.9	9.9