



MEMORANDUM

Memo No. 20-111

TO: Committee of the Whole Budget

FROM: Camille Williams-Taylor, Director of Education and Secretary of the Board
Mike Carson, Chief Financial Officer

DATE: 18 August 2020

RE: **Addendum to the 2020-2021 Staff-Recommended Budget**

The 2020-2021 Staff-Recommended Budget which was presented to Committee of the Whole Budget (COW Budget) on 21 July 2020, reflected a planned operating deficit of \$17.2 million.

As outlined in Report 20-063, 2020-2021 Staff-Recommended Budget, the recommended budget focused on providing services to students; however, the increased use of the District's accumulated surplus was also reflected in the recommendations in response to a number of unique circumstances. These included:

- the need to establish a budget provision to respond to COVID-related cost pressures and expectations regarding safe and healthy work and learning spaces;
- the provision of enabling technologies amid potential pandemic outbreaks;
- offsetting a one-time funding shortfall relating to the Ministry's secondary teacher classroom staffing ratio and that was established by the District's collective agreement with the Ontario Secondary School Teachers' Federation (OSSTF); and
- addressing anticipated revenue losses resulting from decreased international student enrolment.

As explained in the report (and with reference to previous reports regarding academic and administrative and support staffing), the investments and staffing enhancements that resulted in an increased deficit are, for the most part, aligned to provide students with excellent learning opportunities reflective of the caring, supportive and innovative culture envisioned by the Board. The recommendations also reflected the District's commitment to the responsible stewardship of environmental, human and financial resources.

Supplemental COVID Response Grants

Significant new funding was announced by the Ministry of Education since the staff-recommended budget was presented. The new funding is intended to address COVID-related health and safety concerns of students, staff and the community. The new funding will provide critical resources as part of the District's school reopening plans. Some of the funding has been confirmed, while the District's share of other amounts is expected to be formalized in the near future. Table 1 presents the funding that was either confirmed or is anticipated based on the Ministry announcements dated 4 August 2020 and 14 August 2020.

Table 1 – 2020-2021 Supplemental COVID Response Grants

	Province-wide Allocation	District Share
	\$	\$
<u>Confirmed Funding – 4 August 2020</u>		
Allocation for Technology-Related Costs	15,000,000	528,561
Mental Health Supports	10,000,000	198,891
Additional Mental Health Supports	10,000,000	198,891
Enhanced Cleaning Allocation	4,000,000	140,798
Additional Staffing Support (Custodial)	50,000,000	1,816,446
Health and Safety Training for Casual Staff	10,000,000	369,988
Additional Supports for Special Education	10,000,000	265,217
	109,000,000	3,518,792
<u>Confirmed Funding – 14 August 2020</u>		
Additional Elementary Teachers	30,000,000	1,301,325
Remote Learning (Virtual Schools)	18,000,000	552,323
	48,000,000	5,372,440
Total Confirmed Funding	157,000,000	5,372,440
<u>Anticipated Funding</u>		
Masks and Personal Protective Equipment	60,000,000	2,100,000
New Enhanced Cleaning Allocation (Supplies)	25,000,000	875,000
Student Transportation Cleaning and PPE	40,000,000	1,400,000
Ventilation in Classrooms	50,000,000	1,750,000
Total Anticipated Funding	175,000,000	6,125,000
	332,000,000	11,497,440

The Ministry requires that the confirmed funding be reported as both revenues and expenses in the District's 2020-2021 operating budget. Accordingly, the recommendation shown in Report 20-063 has been revised to incorporate the new funding of close to \$5.4 million. The revised recommendation is attached as Appendix A, Addendum to the 2020-2021 Staff-Recommended Budget.

The anticipated funding of \$6.1 million shown above is not included in the recommendation. District grants from the Ministry represent about 3.5% of Ministry Grants

for Student Needs (GSNs). This percentage has been used to estimate the District's share of the province-wide allocation. The estimate is provided for information only and the actual amounts, once confirmed, will be reflected in the District's 2020-2021 Revised Estimates.

Increased Authorization to Use Accumulated Surplus

As explained in Report 20-063, the *Education Act* allows the Board to use its accumulated surplus to balance its operating budget. Use in any school year is normally restricted to 1.0% of the operating grants provided by the Ministry. This amount is \$8.8 million for 2020-2021.

The Ministry has advised that, for 2020-2021, district school boards having an available accumulated surplus may use up to 2% without requiring specific Ministry approval. The temporary authorization is intended to provide enhanced capacity to meet locally determined needs that have resulted from the pandemic. Application of the increased authority will allow the District to use close to \$17.7 million of its accumulated surplus which is an increase of \$471,791 beyond that originally presented in the 2020-2021 Staff-Recommended Budget. The revised recommendation attached as Appendix A, Addendum to the 2020-2021 Staff-Recommended Budget, shows this amount as an increase to the previously planned \$4.0 million COVID provision.

Table 2 presents the components of accumulated surplus and shows the anticipated use and alignment of the revised 2020-2021 net operating deficit \$17.7 million. The adjustment is shown as part of the unappropriated balance. The increased spending capacity has the effect of reducing resources available in 2021-2022.

Table 2 – Revised Accumulated Surplus Available for Compliance

	Projected as at 31 Aug 2021	Projected as at 31 Aug 2020	Change increase (decrease)
	\$	\$	\$
Available for compliance			
Restricted-committed capital	10,438,731	8,785,584	1,653,147
Internally appropriated			
Extended Day Program	685,616	940,000	(254,384)
Budgets carried forward	1,656,145	1,656,145	-
Business Systems	500,000	2,000,000	(1,500,000)
Contingencies	5,000,000	17,200,000	(12,200,000)
Unappropriated	893,029	6,245,448	(5,352,419)
	19,173,521	36,827,177	(17,653,656)

In-Year Deficit Elimination Plan

The Ministry requires that a board approve a deficit elimination plan when a district is projecting an adjusted in-year deficit. The plan must identify how the adjusted deficit will

be eliminated within two fiscal years. The adjustment relates to the amortization of Board-approved capital projects incurred between 01 September 2010 and 31 August 2019.

A review of the committed capital projects has resulted in a reduction of the amounts identified as having been incurred between the noted dates. The effect of the change is a \$482,779 increase in the adjusted deficit that must be eliminated in 2021-2022.

Attached as Appendix B is a revised Deficit Elimination Plan which replaces the original one shown as page 27 in the 2020-2021 Staff-Recommended Budget Binder. In addition to showing the effect of the capital adjustment, the increased provision for COVID-related needs is shown.

The recommendation shown in Appendix A, Addendum to the 2020-2021 Staff-Recommended Budget has been updated to show that the deficit elimination plan was amended.

Summary

The effect of the new funding and increased use of the accumulated surplus will affect both the revenues and expenses shown in the staff-recommended budget. Table 3 shows the revised 2020-2021 budget amounts assuming the recommendations are approved.

Table 3 –Comparison of Revised Staff-Recommended Budget to Approved Budget

	2020-2021 Recommended Budget	2019-2020 Approved Budget	Change	Increase
	\$	\$	\$	%
Revenues	996,537,510	971,802,494	24,735,016	2.5
Expenses	1,014,191,166	980,245,968	33,945,198	3.5
Deficit	17,653,656	8,443,474	9,210,182	

Should you have any questions, please contact Mike Carson, Chief Financial Officer, at michael.carson@ocdsb.ca

Appendix A - Addendum to the 2020-2021 Staff-Recommended Budget
Appendix B - Deficit Elimination Plan (Revised)

cc Senior Staff
Manager of Board Services
Manager of Financial Services
Corporate Records

Addendum to Report 20-063, 2020-2021 Staff-Recommended Budget

RECOMMENDATION:

- A. THAT the unconsolidated 2020-2021 operating budget of \$1,008.3 million as presented in Report 20-063, 2020-2021 Staff-Recommended Budget and detailed in the 2020-2021 Staff-Recommended Budget Binder be approved, subject to Ministry authorization to use the accumulated surplus in the amount required to balance the budget;
- B. THAT the 2020-2021 capital budget of \$97.9 million as presented in the 2020-2021 Staff-Recommended Budget Binder, be approved; and
- C. THAT the In-Year Deficit Elimination plan presented in the 2020-2021 Staff-Recommended Budget Binder, as amended, be approved.
- D. THAT the accumulated surplus be used to further increase the recommended \$4.0 million COVID expense provision by \$471,491.
- E. THAT the new funding of \$3.5 million as shown in Ministry of Education Memo 2020:B11, Investments to Support School Reopening in Response to the COVID-19 Outbreak, be added to the 2020-2021 Staff-Recommended Budget operating revenues and that a corresponding increase in planned operating expenses be reflected.
- F. THAT the new funding of \$1.9 million as shown in Minister of Education Memo dated 14 August 2020, Additional Guidance and Funding for School Reopening, be added to the 2020-2021 Staff-Recommended Budget operating revenues and that a corresponding increase in planned operating expenses be reflected.

Deficit Elimination Plan

Deficit Approval Request for 2020-2021

Analysis of Significant Factors	
One-Time Revenue Gain from the Return of the Former Employee Benefit Plan's Surplus	\$ (3,250,000)
Net Revenue Loss for Lower International Student Enrolment due to the COVID-19 Pandemic	2,975,000
Delayed Implementation of the 23:1 Secondary Classroom Teacher Ratio (net 38.0 FTE)	4,100,000
Provision for Extraordinary COVID-19 Expenses	4,471,791
Transportation Costs in Excess of Funding	2,738,753
Net Instruction Spending	5,957,660
Capital Asset Amortization Supported by Accumulated Surplus	482,779
Adjusted Deficit Subject to Deficit Elimination Plan	\$ 17,475,983
Capital Asset Amortization Supported by Accumulated Surplus excluded from Deficit Elimination Plan	177,673
Planned Deficit	\$ 17,653,656

Deficit Elimination Plan - Fully Implemented in 2021-2022	
Revenue Increase (Decrease)	
International Student Enrolment Returns to Historic Levels	\$ 2,975,000
Reduced Spending on MTCA (Current MTCA Budget is \$13.0 M)	3,974,000
Eliminate the One-Time Revenue from the Return of the Former Employee Benefit Plan's Surplus	(3,250,000)
Facility Rental Market Rate and Usage Adjustments	200,000
Total Revenue Increase (Decrease)	\$ 3,899,000
Expense Decrease	
Eliminate the Provision for Extraordinary COVID-19 Expenses	\$ 4,471,791
Full Implementation of the 23:1 Secondary Classroom Teacher Ratio (net 38.0 FTE)	4,100,000
Review of Discretionary Staffing Levels and Transportation Model	5,005,192
Total Expense Decrease	\$ 13,576,983
Adjusted Deficit Eliminated	\$ 17,475,983

Revised 18 August 2020

