



## 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.
- 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.

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

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:

- 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?

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Mike Carson  
Chief Financial Officer  
Ext. 8881

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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



Appendix A to Report 19-047

## MEMORANDUM

**Memo No. 19-046**

**TO:** Trustees  
Student Trustees

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

**DATE:** 19 March 2019

**RE: Ministry of Education Memo 2019:B08  
Preliminary Analysis of Financial Impact**

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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 announcements are normally made annually in late March.

On March 15, 2019, the Minister of Education announced changes to education funding and policies, and released Memo 2019:B08 which provided additional, although incomplete, details. The changes that are planned will have a significant impact on the funding received by the District. From a funding perspective, the changes include:

- A reduction in the early childhood educators Kindergarten classroom staffing ratio change from 1.14 FTE to 1.0 FTE;
- An increase in the average class size of grades 4 to 8 (from 23.84 to 24.5 ADE);
- An increase in the average class size of grades 9 to 12 (from 22.0 to 28.0 ADE);
- Elimination of the secondary programming amount in the Pupil Foundation Grant which has been used to support an estimated 22.0 FTE;
- Removal of Local Priorities funding which was used to support close to 87.0 FTE across the system;
- Changes to the school operating and renewal benchmarks that will be phased-in over five years to reflect changes in secondary class sizes; and
- New top-up funding to offset costs relating to attrition protection for teachers who may be impacted by the changes to class sizes.

Staff has reviewed the information in the B memo and has also participated in two teleconferences to obtain a better understanding of the planned changes including the effect on funding. The analysis attached as Appendix A presents each Ministry initiative and, where quantifiable, staff's preliminary assessment of the change in funding that may result.

The analysis shows significant net revenue reductions will result in 2019-2020; however; it is also important to highlight that additional information is required from the Ministry before a comprehensive assessment of funding changes can be prepared. For example, the Ministry has confirmed that changes to the School Facility and Renewal Operating Grant will only be available with the release of the 2019-2020 Technical Paper. Similarly, additional detail on how the new attrition protection top-up funding will be administered is required as this will offset funding reductions relating to changes in class sizes. Again, this information will only be available at a later date.

If you have any further questions, please do not hesitate to contact Kevin Gardner at [kevin.gardner@ocdsb.ca](mailto:kevin.gardner@ocdsb.ca) or at 613-596-8211, extension 8350.

Attach

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



Ministry of Education Memo 2019: B08  
Preliminary Analysis of Financial Impact

Appendix A to Memo No 19-046

Description	Funding Changes *	Approximated Impact **		
		2019-20	2020-21	2021-22
Kindergarten	Funded Early Childhood Educators (ECE) classroom staffing ratio change from 1.14 FTE to 1.0 FTE	\$	\$	\$
Grades 1 to 3	Funded average class sizes remains at 19.8	1,998,000		
Grades 4 to 8	Funded average class size adjusted from 23.84 to 24.5	-		
Grades 9 to 12	Funded average class size adjusted from 22.0 to 28.0	2,473,000		
E-learning	Funded average class size adjusted to 35.0 starting in 2020-21 school year	17,962,000		
Secondary Programming amount in Pupil Foundation Grant	Funding to end August 31, 2019	-		
Local Priorities Fund	Funding to end August 31, 2019	2,007,000		
Cost Adjustment Allocation	Base amount to end August 31, 2019	8,087,000		
Human Resource Transition Supplement	Funding to end August 31, 2019	1,188,000		
Classroom Loading Factors in School Facility Operations and Renewal Grant	Five-year phase-in of a new Supplementary Area Factor for school facility operations to reflect proposed secondary class size changes. <i>To be determined with release of technical paper</i>	338,000		
School Facility Operations and Renewal Grant (Utilities)	A 2 per cent update to the non-staff portion of the operating cost benchmark under the School Facility Operations and Renewal Grant (School Operations Allocation) to assist in managing increases in commodity prices (electricity, natural gas, facility insurance, and other costs). <i>To be determined with release of technical paper</i>	TBD		
		TBD		

Ministry of Education Memo 2019: B08  
Preliminary Analysis of Financial Impact

Appendix A to Memo No 19-046

Description	Funding Changes *	Approximated Impact **		
		2019-20	2020-21	2021-22
Student Transportation	A 4 per cent cost update adjustment, net of previous years' transportation surplus, if any. Funding for school boards running transportation deficits and have demonstrated efficient consortia operations.	\$	\$	\$
Salary Benchmarks	Revenue To be adjusted by 1 per cent to support previously negotiated central collective agreements, as well as the amount for the provincial terms and conditions agreement for Principals and Vice-Principals.	(2,000,000) Cost neutral		
<b>Estimated net funding reductions</b>		<b>32,053,000</b>		

\* Proposed funding changes are subject to consultations, negotiations and potential legislative changes.

\*\* Calculations reflect projected ADE for 2019-20

\*\*\* The Attrition Protection funding amount is provided to demonstrate that reduced GSN funding resulting from changes in class sizes will be offset based on staff attrition rates. The actual funding will be determined with the release of the 2019-20 Technical Paper and details of the Ministry's implementation strategy.