**COMMITTEE OF THE WHOLE-BUDGET** **30 May 2017**
**Report No. 17-046**

## 2017-2018 Staff-Recommended Budget

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## PURPOSE:

1. To seek approval of the 2017-2018 Staff-Recommended Budget.

## CONTEXT:

2. 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 2017-2018 must be approved by the Board before the end of June 2017. The presentation of the staff-recommended budget at the 30 May 2017 meeting of the Committee of the Whole-Budget (COW-Budget) is a key step in ensuring that the Board can meet this commitment.

   Public meetings are integral to the consultation process and they encourage the sharing of priorities and strategies. In developing a recommended budget, the priorities expressed by members of COW-Budget during the meetings are considered. Also relevant are District priorities, Ministry of Education directives, stakeholder needs and obligations established under collective agreements and employment terms and conditions.

   As far back as November 2016, staff identified various financial assumptions at COW-Budget meetings. One of the most relevant was the need to identify operational savings that could be used to provide a pool of funds for reinvestment in the system and to address ongoing operational challenges. At that time, the preliminary savings target that would allow a balanced budget recommendation was set at $8.8 million. Clarification of underlying assumptions and continued discussion of District needs resulted in the savings target being reduced to $4.6 million by April 2017.

   A key milestone in the development of the annual budget was met on 25 March 2017. On that date, the Board approved academic staffing for the 2017-2018 school year. The approval is significant because it committed approximately 60%, or close to $480.0 million, of expenses in advance of the budget being formally approved by the Board. The approval allowed the District to meet its contractual obligations relating to the academic staffing process. The teaching and school leadership staffing levels ultimately approved reflected a reduction of 9.76 FTE discretionary positions exclusive of changes resulting from Student Learning and Accommodation Planning (SL/AP) reviews. The report discussing academic staffing requirements also highlighted that further reductions within non-academic groups would be necessary in order to present a balanced budget. Early estimates set the number of reductions at 20.0 FTE and noted that these would be achieved primarily through attrition.

An important consideration influencing the budget development process was the potential impact of the contract extension negotiations that were being pursued between the Ministry, federations and the Ontario Public School Board Association. In the absence of concrete information on the effects that the negotiations would have on the District, resource realignments were pursued that would allow the recommendation of a balanced budget without any reliance on the accumulated surplus. The approach leveraged previously identified savings in academic staffing and SL/AP reviews that, when combined with recommended non-academic staffing reductions, operating supplies and services changes and various revenue enhancements, allowed for some limited reinvestments in priority areas.

Subsequent to the decisions, the ratified extension agreements clarified that the Ministry would provide funds for investment in specific areas. Termed a “Local Priorities Fund” (LPF), the allocation is a particularly welcomed investment in the system. Some of the funding may be used to reinstate positions that have otherwise been identified for reductions, while other areas will experience real growth in the staffing complement.

Staff is pleased to present the 2017-2018 Staff-Recommended Budget which provides for operating expenses of $928.1 million and capital investments of $77.0 million. It is a budget that balances revenues and expenses with no reliance on the use of the unappropriated accumulated surplus. It aligns with the District’s strategic objectives by ensuring priority has been placed on providing resources to support student learning and well-being while demonstrating the Board’s prudent and sustainable management of limited financial resources.

## KEY CONSIDERATIONS:

3. **Budget Development Schedule**
The District's 2017-2018 Budget must be approved by the Board before the end of June 2017. An important consideration when developing the District's budget schedule is the timing of receipt of essential information, including information on the level of funding provided by the GSNs. The Ministry delayed its announcement of the GSNs until 12 April 2017 which, in turn, resulted in a corresponding delay in finalizing the District’s recommended budget. A revised timeline was shared with COW-Budget at the 18 April 2017 meeting.

The revised timeline continues to provide for the approval of the 2017-2018 Budget by the end of June 2017. The remaining scheduled meeting dates for COW-Budget are:

- 30 May 2017 – Presentation of the staff-recommended budget
- 05 June 2017 – Public delegations and committee questions
- 12 June 2017 – Budget debate commences
- 19 June 2017 – Budget debate (if required) and recommendation to the Board

4. **Summary of the 2015-2016 Financial Results**

A summary of the 2015-2016 financial results was provided in the 30 January 2017 report to COW-Budget. The summary has been repeated in this update because it is integral to the development of the 2017-2018 Budget.

It was noted in Report 17-008, 2017-2018 Budget Update that the 2015-2016 financial results, combined with the anticipated results of the current school year, directly affect the decisions that will be made during discussions of the 2017-2018 Budget. The financial results influence budget development in two ways:

- Trends observed through variance analyses help identify where the District may be subject to new or increasing cost pressures, highlight changes in revenue patterns that must be considered and potentially present opportunities for efficiencies; and
- Budgets are developed using forecasts of year-end results. The variance between the forecast and the actual results must be reflected in the accumulated surplus. An accumulated surplus balance may provide capacity to support unfavourable variances that are incurred and this influences how conservative the estimates may need to be.

Table 1 reflects the accumulated surplus available for compliance using actual 2015-2016 results. Most of the accumulated surplus shown is subject to Board decision; however, at the same time, most of this amount has been set aside by the Board to respond to unanticipated cost increases relating to employee future benefits and to provide additional spending capacity on supplies and services. The amount shown for committed capital is restricted, meaning that it cannot be used for any other purpose.

Table 1 – Accumulated Surplus Available for Compliance

| | Actual as at 31 Aug 2016 | Actual as at 31 Aug 2015 | Change Increase (decrease) |
|---|---|---|---|
| | $ | $ | $ |
| Unappropriated | 501,000 | 6,501,000 | (6,000,000) |
| Internally Appropriated | | | |
| Employee Future Benefits | 3,400,000 | 4,339,000 | (939,000) |
| Supplies and Equipment | 62,000 | 34,000 | 28,000 |
| Subject to Board Decision | 3,963,000 | 10,874,000 | (6,911,000) |
| Restricted-Committed Capital | 582,000 | 5,938,000 | (5,356,000) |
| Total | 4,545,000 | 16,812,000 | (12,267,000) |

It is important to highlight that in 2015-2016 a significant change in how the District supports amortization expenses of capital assets (committed capital) that have traditionally been supported by the use of accumulated surplus was implemented. The change was made in consultation with the Ministry and has leveraged past Ministry capital grants to allow for the release of close to $5.1 million that had been restricted to support committed capital. When combined with the in-year application in support of amortization expenses, the reduction to committed capital was just under $5.4 million.

Use of the capital grants has had a beneficial effect on the composition of the accumulated surplus and places the District in a position that aligns with the Ministry's expectations reflected in the District's multi-year financial recovery plan (MYFRP).

5. **Multi-Year Financial Recovery Plan**

In June 2016, the Board approved the District's MYFRP. The plan was mandated by the Ministry, given its concerns that the District had what is termed a structural deficit. A structural deficit is a deficit that recurs each year in the absence of corrective measures. The key requirements of the plan are to eliminate structural issues that have contributed to deficits in past years and to establish an accumulated surplus balance by the end of 2017-2018 that is at least 0.5% of the operating allocation and increasing to at least 1.0% the following year (approximately $3.8 million and $7.6 million, respectively).

As part of the 2017-2018 Budget process, the MYFRP will be amended to reflect necessary updates. In addition to decisions made during the current budget process, the update will account for anticipated savings that were not achieved through the review of various programs.

A major initiative that had been reflected in the MYFRP was the impact of the SL/AP reviews. Staff had identified related savings commencing in 2017-2018 of $2.0 million, but now expects those savings to be $1.2 million. The remainder will be achieved in subsequent years once all of the reviews have been completed, programs fully realigned and closed facilities liquidated. The reduced savings amount has been reflected in the recommended budget.

6. **Strategic Priorities**

The budget development process is always aligned with the strategic priorities of the District and stewardship is one of the District's five key strategic priorities. Effective stewardship involves the responsible and sustainable management of resources and this priority continues to guide the District's budget development process. The changes shown in the recommended budget maintain the District's commitment to learning and well-being. The following principles have guided staff:

- Where possible, enhance student learning through program reviews and optimize any grant funding opportunities;
- Identify operational efficiencies to generate savings that can be used to offset cost pressures or that can be reinvested to address emerging needs;
- Review staffing allocation models to ensure equity, reduce duplication and overlays, and ensure sustainability in alignment with funding;
- Use attrition as the mechanism for FTE reductions wherever possible; and
- Look for opportunities to defer expenditures until savings can be generated in future years from the more efficient use of space.

7. **Budget Risk**

The element of risk is considered when developing budget estimates. Risk relating to enrolment variability, fluctuations in revenues and expenses, and in-year pressures are three of the more significant factors affecting the budget.

Enrolment Variability

One of the most influential metrics affecting the development of the 2017-2018 Budget is the projection of student enrolment for that year. The projections are developed based on trends, knowledge of changing municipal demographics and District-specific events, such as the opening of new schools and the closing of schools resulting from SL/AP reviews. On a system basis, enrolment projections have usually been close to 1% of actuals; however, there can be larger school-by-school variances which can create staffing pressures or savings opportunities.

Enrolment is measured twice each year and reflected as average daily enrolment (ADE). The recommended budget shows projected 2017-2018 day school ADE of 71,833. This number represents an ADE increase of 1,068 (1.5%) relative to the 2016-2017 ADE of 70,765. The projected enrolment is also in general alignment with that shown in the 2016-2017 Revised Estimates.

As has been noted in previous reports, increased enrolment is accompanied by additional funding and, potentially, additional student support costs. If enrolment is greater than projected, a report recommending any additional needed investments would be brought to Committee of the Whole during the 2017-2018 school year.

Fluctuations in Revenues and Expenses

The revenues and expenses shown in the recommended budget were prepared based on recent experience and influenced by assumptions regarding anticipated changes. For example, the recommended budget shows a $700,000 increase in the staff replacement budget which is based on recent experience and premised on new investments in Human Resources department personnel whose role will be to assist employees to return to work earlier than they otherwise might have. Although the increased provision is believed appropriate, there are always fluctuations in the actual patterns experienced. These fluctuations create variances that are monitored on a continual basis in an effort to improve budget accuracy.

In-Year Pressures

From time to time, departments and schools must respond to emerging needs not specifically provided for in the budget. In the past, the District has had to address pressing health and safety issues and respond to extenuating weather-related maintenance needs which create spending pressures. Monitoring actual performance in relation to the Board's approved budget allows for the identification of opportunities to reallocate resources to meet such needs. This approach is particularly important because the District's accumulated surplus cannot readily support significant overspending.

8. **Summary of Changes in the Operating Budget**

The District is a complex organization. Schools and central departments collaborate to ensure that an effective learning environment is provided for students. As is always the case, an effort is made to minimize the effects that budget decisions have on the student learning environment. All decisions, whether relating to investments in staff, contracted supports or supplies and services, are made based on identified priorities and emerging needs. Ensuring that the recommendations minimize potential adverse effects on staff and staffing levels is also a consideration.

Significant changes in both revenues and expenses are reflected in the recommended budget. In fact, revenues and expenses have both increased by 7.3% relative to the approved 2016-2017 Budget. The majority of expense-related changes relate to employee compensation and stem from provisions of centrally ratified agreements. These include cost of living increases, salary grid movements and costs relating to employee life and health trusts (ELHTs).

The recommended budget also reflects that centrally ratified agreements included significant new investments in classroom teachers and educational assistants. In addition, the agreements provided funds to maintain and/or enhance staffing in the District's administrative support, custodial and maintenance groups. The investments will be supported by the new LPF allocation of the GSN. Specific details on how the new investments will be used have not yet been determined because the ratified agreements require that local federations be consulted. The consultation process has not yet been completed, but this is a high priority initiative. Additional information regarding the LPF initiative and potential staffing enhancements is provided in a subsequent section.

The changes resulting from identified savings, when combined with anticipated changes in revenues and other system-driven costs, result in a planned surplus of $4,000 as reflected in the 2017-2018 Staff-Recommended Budget. Table 2 compares the revenues and expenses reflected in the staff-recommended budget with the approved 2016-2017 Budget. The anticipated year-over-year decrease in the surplus is a modest $9,700.

Table 2 – Comparison of Approved Budget and Staff-Recommended Budget

| | 2017-2018 Recommended Budget | 2016-2017 Approved Budget | Change increase (decrease) |
|---|---|---|---|
| | $ | $ | % |
| Revenues | 928,126,900 | 864,805,100 | 7.3 |
| Expenses | 928,122,900 | 864,791,400 | 7.3 |
| Surplus | 4,000 | 13,700 | |

9. **Changes in Revenues**

The Ministry announced the GSNs on 12 April 2017 through the release of Memo 2017: B04. The memo confirms that there will be a continued phase-in of changes introduced in 2014-2015 that reduce the Facilities Operations/Renewal Grant and impact upon the Special Education and Administration and Governance grants. Other significant changes for 2017-2018 include:

- Increased salary benchmarks to support ratified collective agreements;
- Increased funding to support reduced class sizes in full-day kindergarten and grades 4 to 8;
- Enhanced enveloping requirements to ensure funding provided through the Indigenous Education Grant is directed to support programs and initiatives aimed at improving indigenous student achievement and well-being;
- Enhanced School Operations Grant benchmarks to assist boards in managing cost increases relating to supplies, services and utilities; and
- Increased funding to support facilities renewal, school condition improvement and greenhouse gas reductions.

The District also receives revenues in addition to GSN funding. Although non-grant revenues represent a proportionally smaller amount of overall financial resources, they are extremely important to the activities they support. In many cases, changes in revenues result in directly-related changes in expenses. For example, the recommended budget shows increased international student revenues and, accordingly, cost estimates relating to the program have increased. Similarly, Extended Day Program (EDP) revenues have increased to support the underlying expenses.

A comparative table of revenues is attached as Appendix A – Summary of Grants and Other Revenues.

10. **Changes in Operating Expenses**

The District's operating expenses for 2017-2018 is budgeted at $928.1 million, which is a $63.3 million increase when compared to the current year. Much of the increase is directly attributed to compensation costs and results from recent collective bargaining efforts as well as the formalization of certain benefit costs that, in accordance with Ministry directives, had not been budgeted for in 2016-2017. Appendix B – Analysis of Changes in 2017-2018 Budgeted Expenses summarizes the changes relative to the current year and additional detail is provided in the 2017-2018 Staff-Recommended Budget Binder.

Changes in Compensation Costs (Contractual Changes)

Roughly 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. The increased costs shown in the recommended budget have resulted from the recently ratified agreements and are supported by incremental funding.

Included in the various agreements were provisions for wage increases of 1.5% effective 1 September 2017 and a lump sum payment of 0.5% based on 2016-2017 earnings. The latter is being provided to offset personally-incurred professional expenses. Provision for grid movement for eligible staff has also been reflected in the estimates. In total, these changes increase the costs by $20.4 million when compared to the 2016-2017 Budget.

Another significant change that originated with the 2014-2017 collective agreements was the establishment of ELHTs for most employee groups. The District is in the process of transferring staff's benefit coverage administration to the Ontario Teachers' Insurance Plan (OTIP). The trusts have fixed unit contribution rates based on full-time equivalent staffing and costs attached to an employee bargaining unit as reported for 2014-2015. The costs were increased by 4.0% for the two following years to reflect inflation.

ELHT costs were not included in the 2016-2017 approved budget in accordance with Ministry directives but they, along with further negotiated increases effective for 2017-2018, have been captured in the recommended budget. Of the $16.6 million cost increase shown, $3.9 million relates to 2017-2018. In addition to a further 4% inflationary adjustments, the increase includes the inclusion of the annual costs of the remaining staff (principals, vice-principals and union exempt groups) and adjustments to annualize the costs for those groups that had transferred in November 2016.

The total increase due to contractual obligations (legislative changes) is shown in the 2017-2018 Staff-Recommended budget as $37.1 million.

General Changes in Expenses

Cost adjustments arise for various reasons. Some result from contractual obligations with third parties based on service levels, some changes are based on enveloping requirements of funding partners and others are adjusted based on anticipated changes to utilization patterns.

An example of a cost adjustment relating to a service level is that of student transportation services provided by Ottawa Student Transportation Authority (OSTA). OSTA has advised that costs will increase by $2.2 million next year. The costs reflect a $1.0 million increase based on enhanced service levels for students affected by SL/AP reviews. The remaining increase reflects increased demand for both small and large buses observed during the current year, cost increases for OC Transpo student passes, increased demand and general inflationary costs. The increase is offset by additional related revenue totalling $636,800.

Cost pressures relating to staff replacement and commitments to pay earned vacation are also included in this category. Earlier estimates reflected that the pressure in this area could be as high as $1.5 million, but believe a $700,000 provision is more appropriate. The reduction reflects ongoing discussions with local federations with regard to taking proactive steps to improve workplace climate and leading to reduced absenteeism. Absence management activities will be supported by new Human Resources employees that are being recommended as discussed in section 10. In addition to the staff replacement costs, payouts are incurred when staff is unable to take vacation leave due to operational needs and $266,000 has been added for this purpose.

An important base budget adjustment was identified during the preparation of compensation cost estimates of early childhood educators (ECEs). The province’s Early Learning strategy has ECEs partnering with teachers during the core day to provide support to the kindergarten program and some of these ECEs also staff the EDP, either before or after school hours. An analysis identified that core day costs relating to approximately 32.0 FTE had been excluded in past budget estimates. The omission has resulted in cost overruns in recent projections of current year results. The recommended budget reflects this base adjustment as a $1.7 million increase in compensation costs.

The net cost increase as a result of changes in established service contracts, funding agreements and other needs is $15.5 million. These adjustments are detailed in Appendices A and B of the 2017-2018 Staff-Recommended Budget Binder.

Student Learning and Accommodation Planning

In September 2016, the District commenced a number of SL/AP reviews. The reviews involved 26 schools in the Bell, Merivale, Sir Robert Borden and Woodroffe “families of schools”. Three additional high schools (Rideau HS, Gloucester HS and Colonel By SS) were reviewed during the same timeframe. The purpose of each review was to improve student learning, reduce the amount of underutilized school space, and to facilitate the use of resources more effectively.

Recommendations arising from the reviews were approved by the Board in March 2017. The recommendations will result in the closure of schools and the realignment of programs commencing 2017-2018. As noted in section 5, related savings commencing in 2017-2018 of $2.0 million had been identified in the MYFRP. Actual staff-related savings of $2.2 million have been achieved as detailed in Table 3.

Table 3 – Student Learning and Accommodation Planning Staffing Savings

| Employee Group | | 2017-2018 Savings |
|---|---|---|
| | FTE | $ |
| Principals/Vice-Principals | (7.33) | (963,500) |
| Teachers | (4.00) | (406,700) |
| School Office and Educational Assistants | (9.20) | (497,800) |
| Custodial | (6.00) | (353,800) |
| | (26.53) | (2,221,800) |

Facility operating savings are also expected and this brings the gross savings to $2.4 million. Although some costs will continue to be incurred to maintain the closed buildings, there will be reduced costs relating to utilities, recycling and waste disposal. The facility savings amount to $211,600 and have been reported within the Facilities department’s operating budget.

It is important to recognize that funding reductions within the School Foundation Grant reduces the actual savings to $1.2 million.

Additional detail is provided in the 2017-2018 Staff-Recommended Budget Binder as Appendix C – Staffing Impact of Accommodation Reviews.

Academic Staffing

On 25 March 2017, the Board approved academic staffing for the 2017-2018 school year. The approval is significant because it committed approximately 60%, or close to $480.0 million, of expenses in advance of the budget being formally approved by the Board. The approval ensured that the District met its contractual obligations relating to the District’s academic staffing process. The academic staffing changes are summarized in Table 4.

Academic staffing requirements are directly related to enrolment. Most of the positions are dictated by contract or legislation and reflect expectations regarding class size averages and caps. Enrolment growth in both the elementary and secondary panels has resulted in the need for additional teachers relative to the 2016-2017 approved complement. In total, 64.53 FTEs at an estimated cost of $6.4 million are reflected in the recommended budget.

The Board also approves what are termed discretionary teaching positions. These positions represent roughly 16% of the total teaching complement and their roles are varied. Most are assigned to support special education needs and English language learners, but others serve as instructional coaches or are deployed to support program overlays and other priorities. After adjusting for changes resulting from the SL/AP reviews that were accounted for as anticipated MYFRP savings, the net reduction of discretionary teaching staff was 10.76 FTE and accounts for savings of $1,084,200.

The Board also approved a change to the vice-principal complement. In past years, a teacher had been performing various responsibilities in support of English language learners. The duties have evolved to a point where it is appropriate to staff the position with a vice-principal. Accordingly, an additional 1.0 FTE vice-principal has been assigned to the Family Reception Centre at a cost of $122,700. This cost is substantially offset by the corresponding reduction of the 1.0 FTE teacher position.

Table 4 – 2017-2018 Academic Staffing Changes

| | FTE | Amount |
|---|---|---|
| | | $ |
| ADE-Related: | | |
| Elementary Teachers | 42.86 | 4,226,000 |
| Secondary Teachers | 21.67 | 2,213,600 |
| | 64.53 | 6,439,600 |
| Board Decisions: | | |
| Elementary Teachers | (9.76) | (982,100) |
| Secondary Teachers | (1.00) | (102,100) |
| Principals/Vice-Principals | 1.00 | 122,700 |
| | (9.76) | (961,500) |
| Total Academic Staffing Changes | 56.77 | 5,478,100 |

Additional detail is provided in the 2017-2018 Staff-Recommended Budget Binder as Appendix D – Board Decisions.

Recommended Changes

Staff is recommending a number of changes in addition to those previously discussed. The changes focus on identifying operational efficiencies to allow for necessary reinvestments in other priority areas. Some of the reinvestments result in the addition of staff to support schools, either directly or indirectly, while other changes establish resources to acquire goods and services or to provide professional development opportunities. This broad category is considered to be system infrastructure and encompasses investments in both schools and central departments. Table 5 summarizes the recommended changes to net staffing levels and operating budgets.

Table 5 –Recommended Changes in 2017-2018 Budgeted Expenses

| | FTE | Amount |
|---|---|---|
| | | $ |
| School Administration – Office Administrators | (13.00) | (768,800) |
| Learning Support Services | (2.00) | (165,700) |
| Facilities Maintenance and Operations | (10.00) | (555,900) |
| Human Resources and Payroll Support (Net) | 4.00 | 254,800 |
| Business and Learning Technologies | 5.00 | 431,800 |
| Net Reductions to Non-Teaching Complement | (16.00) | (803,800) |
| Net Increase in Operating Budgets | | 1,826,200 |
| Net Reductions to Non-Teaching Complement | (16.00) | 1,022,400 |

Some of the more significant investments in system infrastructure include:

- Technology

  There is a reliance on computing infrastructure. The District has investments in hardware and software that must be maintained and outdated equipment and systems that must be replaced. A high priority need relates to the District's human resources, payroll and financial systems that are nearing the end of their product lifecycle. The systems need to be upgraded to newer versions reflecting modern web-based user interfaces and improved functionality. The vendor of these systems is expected to stop providing product support of the existing software versions by the end of 2017-2018. Use of unsupported products would represent a significant risk to the District. Staff has recommended the formation of an operating unit to provide ongoing support for these and other related business applications at a net cost increase of $219,300. In addition to ensuring the systems are maintained in the current state, the unit will assess opportunities to enhance how systems are used to improve service delivery and provide new efficiencies.

  Investments in technology are also focused on meeting the needs of students. These include a parent portal to provide parents with secure access to their child's information ($140,300), acquisition of a system to allow the District to manage individual education plans for identified students ($130,000), an investment in electronic forms supporting Ontario student records ($50,000) and resources to acquire classroom technology to assist with student learning ($700,000).

- Health and Safety
  Investments are necessary to ensure the continued well-being of our school communities and to comply with various statutes and regulations. Examples of such investments include ensuring that the District's learning and working environments are healthy and safe and meet or exceed expected standards. These include school auditoriums, science laboratories, technology shops and art rooms. The investments are integral to the District's overall approach to managing risk management and the operating budget specifically identifies $250,000 to support this priority area. Additional investments will be made using capital grants, the details of which will be formalized after the start of the school year.

- Human Resources and Payroll Staffing
  Student support needs at individual schools evolve over time and central departments work in collaboration with schools to realign limited resources. A particular area of need for support staff is in the Human Resources department and the Finance department's Payroll division. The departments provide direct support to all areas of the organization and, from an organizational perspective, a focus on managing employee absences is critical in stemming further growth in related costs. The budget recommendation is to provide three additional staff at a cost of $228,900 whose focus will be to promote wellness and facilitate the return to work process. The inclusion of these positions in the recommended budget has allowed for a reduced cost pressure to be shown for staff replacement costs. The creation of a systems support unit will allow the reduction of 0.5 FTE HR administrator position and save $49,000.

  Another change in the Human Resources department staffing is the regularizing of a position to support the New Teacher Induction Program. The program funding allows for use of funds to establish the position. As such, there is no incremental cost.

  The increase in the Payroll division complement formalizes the requirement for an ongoing position to support the increase in payroll activities that has occurred over the years due to a growth in staff level and the complexities involved in implementing negotiated contracts. This position will cost $68,700.

- Professional Development and System Supports
  Significant reductions were made to budgets established for professional learning opportunities during the past two budget cycles. The savings last year were assumed to result from the one additional professional development (PD) day that had been provided to teachers in the recently ratified collective agreements. A review of requirements in this area has confirmed the need to reinstate some of the investments to cover the areas of Curriculum Services, Learning Support Services and School Leadership. The total investment in this area is $880,000.

Although there have been reductions in staff in various areas to allow for reinvestments, this approach was consistent with that shared during previous meetings with COW-Budget. The reductions have been fully offset by investments made through the LPF initiative as discussed in the next section.

Additional detail on the recommended changes is shown in Appendices E and F of the 2017-2018 Staff-Recommended Budget Binder.

## 11. Local Priorities Fund

The ratified extension agreements clarified that the Ministry would provide funds for investments to address a range of priorities including more special education staffing to support children in need, at-risk students and adult education. The agreements also provide that funds be used to maintain and/or enhance staffing in the District's office support, custodial and maintenance groups. The LPF is a particularly welcome investment in the system as it will provide much needed resources to promote student achievement.

Notwithstanding the availability of the LPF, the District continued its approach to establish a recommended budget that included reduced staffing levels. The reductions, which were highlighted in past budget updates and staffing reports, would have been made regardless of the LPF initiative. Although some of the funding may result in the reinstatement of positions that have been recommended for elimination, all areas will experience real growth in the staffing complement.

The ratified agreements require that local federations be consulted to determine how best to use the new funds. Table 6 identifies the possible enhancements based on average compensation costs, but the consultation process is ongoing and the number of FTEs generated by the funding may change to reflect the actual compensation of the positions that are ultimately created. Also included in the table is the net impact that LPF will have in relation to the previously discussed staffing adjustments. It is important to highlight that almost all areas will experience a net increase in the number of FTEs, inclusive of enrolment-related changes.

Table 6 – Impact of Local Priorities Fund on Staff Complement

| Employee Group | Potential Investment | | Net of Other Changes |
|---|---|---|---|
| | $ | FTE | FTE |
| Elementary Teachers (ETFO) | 2,008,200 | 20.25 | 50.35 |
| Secondary Teachers (OSSTF) | 1,194,400 | 11.50 | 31.17 |
| Educational Assistants (EA) | 1,617,800 | 28.50 | 28.00 |
| Early Childhood Educators (ECE) [1] | - | - | 32.20 |
| Professional Students Support Workers (PSSP) | 176,400 | 1.50 | 0.50 |
| Maintenance and Custodial Staff (PSSU) | 812,800 | 13.00 | (3.00) |
| Office Staff and Technicians (ESP) | 694,200 | 12.00 | 0.30 |
| Union Exempt | - | - | 1.00 |
| Principals/Vice-Principals | - | - | (6.33) |
| Occasional Teacher Professional Dev (ETFO) | 225,000 | - | - |
| | 6,728,800 | 86.75 | 134.19 |

[1] The FTE net of other changes reflects the adjustment to the ECE base.

The LPF also provided $682,000 to support adult education. The District has a robust adult education program which operates at Adult High School. The school offers to students 18 years and older a full range of academic credit courses for grades 9 through 12. In essence, the school operates as a regular high school but it is funded at a significantly lower per pupil rate.

Given that the District's current level of support of adult education is appropriate, the LPF funding has been identified to support the acquisition of classroom technology and instructional equipment for use throughout the District.

Additional detail is provided in the 2017-2018 Staff-Recommended Budget Binder as Appendix G – Local Priorities.

12. **Capital Budget**

In addition to funding provided to support the annual costs that were discussed above, the District receives funding to support investments in facilities and other assets. The Ministry has responded to requests from school districts and has provided enhanced funding to support facilities renewal and improvement.

Significant effort was expended by staff over the years to demonstrate the District's needs as they relate to the condition of existing school facilities and the requirement for new schools in growth areas. The Ministry has provided funding commitments for various high needs projects and has continued the commitment to provide enhanced funding to support school renewal, school condition and greenhouse gas reduction. The capital funding available to support 2017-2018 spending is summarized in Table 7.

Table 7 – 2017-2018 Capital Funding

| | Spending |
|---|---|
| Ministry Capital Grants | |
| Capital Priorities | 4,446,600 |
| School Renewal | 8,422,000 |
| School Condition Improvement | 51,839,400 |
| Greenhouse Gas Reduction Fund | 3,470,800 |
| | 68,178,800 |
| Land (Education Development Charges) | 8,000,000 |
| Furniture, Equipment & Computers (Operating Grants) | 832,100 |
| | 77,010,900 |

Certain projects require specific approval from the Ministry and/or Board prior to commencement of construction activities or the acquisition of major equipment. Such approvals are sought in compliance with Ministry and Board requirements.

13. **Accumulated Surplus**

As a reminder, most of the accumulated surplus is subject to Board decision but a substantial portion has been set aside by the Board to respond to unanticipated cost increases relating to employee future benefits and to provide additional spending capacity on supplies and services. The balance also includes a restricted amount for committed capital which supports amortization expenses relating to capital assets acquired in past years. The restriction means that the funds cannot be used for any other purpose.

Table 8 displays the projected accumulated surplus for both the current year and for 2017-2018. The most recent projection of 2016-2017 financial results anticipates a small deficit of $86,000. This amount has been used to update the projection of accumulated surplus as at 31 August 2017. As detailed in the table, the projected accumulated surplus available to support the 2017-2018 Budget is $4.5 million, of which $3.9 million is subject to Board decisions.

The 2017-2018 Staff-Recommended Budget shows a modest surplus of $4,000 which includes the use of accumulated surplus to support a small amount of amortization expense (committed capital). This level of activity would maintain the accumulated surplus of $4.5 million, while increasing the balance subject to Board decisions to $4.0 million as a result of changes in the balance identified for committed capital.

Table 8 – Accumulated Surplus Available for Compliance (Projected Results)

| | Projected as at 31 Aug 2018 | Projected as at 31 Aug 2017 | Change Increase (decrease) |
|---|---|---|---|
| | $ | $ | $ |
| Unappropriated | 507,000 | 464,000 | 43,000 |
| Internally Appropriated | | | |
| Employee Future Benefits | 3,400,000 | 3,400,000 | - |
| Supplies and Equipment | 80,000 | 80,000 | - |
| Subject to Board Decision | 3,987,000 | 3,944,000 | 43,000 |
| Restricted-Committed Capital | 476,000 | 515,000 | (39,000) |
| Total | 4,463,000 | 4,459,000 | 4,000 |

The amount subject to Board decision at the end of 2017-2018 aligns with expectations identified in the MYFRP.

14. **Summary**
The 2017-2018 Staff-Recommended Budget provides for operating expenses of $928.1 million and capital investments of $77.0 million. It is a budget that balances revenues and expenses with no reliance on the use of the unappropriated accumulated surplus. It aligns with the District's strategic objectives by ensuring priority has been placed on providing resources to support student learning and well-being while demonstrating the Board's prudent and sustainable management of limited financial resources.

## RESOURCE IMPLICATIONS:

15. The budget sets the Board's fiscal operating plan for 2017-2018 and aligns with expectations established in the District's MYFRP. The key requirements of the MYFRP are to eliminate structural issues that have contributed to deficits in past years and to establish an accumulated surplus balance by the end of 2017-2018 that is at least 0.5% (approximately $3.8 million) of the operating allocation and increasing to 1.0% (approximately $7.8 million) the following year.

The District's MYFRP, which was initially approved by the Ministry in October 2016, will be amended to incorporate changes occurring since its approval. This will include decisions formalized with the passing of the 2017-2018 Budget.

For 2017-2018, the recommended budget reflects operational savings through reductions in staffing levels consistent with contractual obligations, significant increases in compensation costs resulting from recently ratified central agreements, adjustments to operating budgets in line with cost structures and beneficial LPF investments.

The budget, once approved, will set the stage for planning of the 2018-2019 Budget. Staff anticipates that there will be further need for cost containment in that year to respond to evolving priorities and to meet the objective of re-establishing an accumulated surplus that can support unanticipated budget variances.

## COMMUNICATION/CONSULTATION ISSUES:

16. The budget consultation process continues to reach out to parents, school councils, students, OCDSB advisory groups, employees and the general public. The goal of the consultation is to make the community aware of the budget process and provide an opportunity to give feedback to staff, trustees and other Budget Committee members. The consultation process involves a variety of formats in order to maximize the opportunity to reach these groups.

The District's website includes a landing page for financial information. On this page is a quick link to both the current budget and budgets for prior years. Relevant supporting information such as budget questions and answers are also available. The webpage has been updated so that focus is placed on the development of the 2017-2018 Budget. Access to all public documents, such as budget reports and presentations, is 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 is made to respond to questions in a timely manner.

Staff has attended meetings of the Special Education Advisory Committee (SEAC), Parent Involvement Committee (PIC) and the Advisory Committee on Equity (ACE).

Trustees may have received valuable input through their own zone meetings and shared these concerns and views at public meetings.

## STRATEGIC LINKS:

17. 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 budget will set the operating plan for the coming year. An effective debate leading to approval of the budget is a cornerstone of sound governance practice.

## RECOMMENDATIONS:

A. THAT the unconsolidated 2017-2018 operating budget of $928.1 million as presented in Report 17-046 and detailed in the 2017-2018 Staff-Recommended Budget Binder be approved; and

B. THAT the 2017-2018 capital budget of $77.0 million as presented in Report 17-046 and detailed in the 2017-2018 Staff-Recommended Budget Binder be approved.

| | |
|---|---|
| Mike Carson<br>Chief Financial Officer | Jennifer Adams<br>Director of Education and<br>Secretary of the Board |

## Appendices:

Appendix A – Summary of Grants and Other Revenues
Appendix B – Analysis of Changes in 2017-2018 Budgeted Expenses

# Summary of Grants and Other Revenues

| | 2015-2016 Actual | 2016-2017 Budget | 2017-2018 Recommended |
|---|---|---|---|
| **Grants for Student Needs (GSN)** | | | |
| **GSN - Operating Purposes** | | | |
| Pupil Foundation | $ 371,209,974 | $ 373,614,330 | $ 386,112,343 |
| School Foundation | 48,468,034 | 49,143,504 | 50,277,487 |
| Special Education | 90,409,239 | 90,442,010 | 92,036,958 |
| French as a Second Language | 14,435,456 | 16,706,432 | 17,197,933 |
| English as a Second Language | 8,970,012 | 11,119,655 | 11,569,540 |
| Indigenous Education Allocation | 995,510 | 1,207,547 | 1,237,022 |
| Learning Opportunities | 17,435,038 | 18,270,179 | 26,279,271 |
| Safe School Supplement | 1,842,093 | 1,846,201 | 1,817,028 |
| Continuing Education | 3,817,769 | 3,900,302 | 3,909,573 |
| Adult Education | 2,736,488 | 3,031,503 | 3,040,243 |
| Teacher Qualifications and Experience | 60,771,595 | 58,225,634 | 84,684,560 |
| New Teacher Induction Program | 443,793 | 806,083 | 604,462 |
| Student Transportation | 37,818,894 | 38,317,295 | 38,954,113 |
| Administration and Governance | 17,904,776 | 18,274,548 | 19,122,150 |
| School Operations (Facilities) | 74,075,018 | 73,445,366 | 73,764,989 |
| Community Use of Schools | 1,042,678 | 1,033,282 | 1,062,318 |
| Declining Enrolment Grant | 1,386,276 | 921,600 | 87,455 |
| Restraint Savings | (279,158) | (279,158) | (279,158) |
| Transfer to Deferred Revenue | (1,888,483) | (2,740,577) | (1,358,052) |
| **Total Operating Grants** | **$ 751,595,002** | **$ 757,285,736** | **$ 810,120,235** |
| **GSN - Capital Purposes** | | | |
| Facilities Renewal | $ 5,688,945 | $ 5,087,333 | $ 5,683,122 |
| Temporary Accommodations | 2,028,537 | 1,434,000 | 900,000 |
| Interest on Ontario Financing Authority Debt | 7,185,472 | 6,878,679 | 6,547,454 |
| Interest non-Ontario Financing Authority Debt | 2,523,115 | 2,523,115 | 2,523,115 |
| Interest on Capital Projects under Construction | 314,370 | 469,182 | 407,241 |
| **Total Capital Grants** | **$ 17,740,439** | **$ 16,392,309** | **$ 16,060,932** |
| **Total GSN for Operating and Capital Purposes** | **$ 769,335,441** | **$ 773,678,045** | **$ 826,181,167** |

*Numbers may not add due to rounding*

| | 2015-2016 Actual | 2016-2017 Budget | 2017-2018 Recommended |
|---|---|---|---|
| **Non Grant Revenue** | | | |
| Rentals | $ 4,009,520 | $ 3,951,720 | $ 4,027,703 |
| Continuing Education | 5,579,322 | 4,807,510 | 5,161,392 |
| Other Ministry of Education Grants | 6,423,089 | 4,275,206 | 4,579,425 |
| Staff on Loan | 7,166,128 | 7,155,455 | 7,432,169 |
| Tuition Fees | 7,202,561 | 6,648,725 | 8,330,000 |
| Interest Income | 457,094 | 900,000 | 250,000 |
| Miscellaneous Revenues | 5,159,021 | 5,649,183 | 6,696,687 |
| Early Learning Extended Day Program | 12,720,320 | 14,068,777 | 16,609,528 |
| Infant, Toddler and Preschool Child Care Centres | 1,551,302 | 1,820,000 | 1,576,000 |
| Specialized Program Funding | 950,000 | 1,500,000 | 1,500,000 |
| **Total Non Grant Revenues** | **$ 51,218,357** | **$ 50,776,576** | **$ 56,162,904** |
| **Deferred Capital Contributions (Ministry Approved Capital)** | **$ 39,448,242** | **$ 40,350,446** | **$ 45,782,874** |
| **Total Revenue** | **$ 860,002,040** | **$ 864,805,067** | **$ 928,126,945** |
| **Use of Accumulated Surplus** | | | |
| Other Program Spending | 28,034 | - | - |
| Board Supported Capital Projects | 271,272 | 400,701 | 38,999 |
| **Use of Accumulated Surplus** | **$ 299,306** | **$ 400,701** | **$ 38,999** |
| **Total Revenue and Use of Accumulated Surplus** | **$ 860,301,346** | **$ 865,205,768** | **$ 928,165,944** |

*Numbers may not add due to rounding*

Appendix B
to Report 17-046

# Analysis of Changes in 2017-2018 Budgeted Expenses

| | | |
|---|---|---|
| **Approved Expenditure 2016-2017 Budget** | | **$ 864,791,351** |
| **Contractual Changes** | | |
| | Change in Compensation Base and Professional Development | $ 3,248,063 |
| | Cost of Living | 8,697,300 |
| | Increments | 8,497,687 |
| | Increase in Fringe and Statutory Benefits (Including Life and Benefit Trust) | 16,622,048 |
| | **Sub-Total** | **$ 37,065,098** |
| **Changes in Costs** | | |
| | **Sub-Total** | **$ 9,726,559** |
| **Changes in Grants, Public Sector Accounting Board and Legislation** | | |
| | **Sub-Total** | **$ 5,744,034** |
| **Impact of Accommodation Review** | | |
| | Elementary Staffing (Excluding impact of School Foundation Grant) | $ (1,474,625) |
| | Secondary Staffing (Excluding impact of School Foundation Grant) | (747,148) |
| | Operations | (211,591) |
| | **Sub-Total** | **$ (2,433,364)** |
| **Board Decisions: Academic Staffing** | | |
| | Elementary Teachers | $ (982,143) |
| | Elementary Teachers - Impact of Average Daily Enrolment | 4,225,996 |
| | Elementary - Administration | 122,750 |
| | Secondary Teachers | (102,150) |
| | Secondary Teachers - Impact of Average Daily Enrolment | 2,213,591 |
| | **Sub-Total** | **$ 5,478,044** |
| **Recommended Changes in Staffing** | | |
| | Administration - Schools | $ (768,766) |
| | Administration - Learning Support Services | (165,761) |
| | Facilities - Learning Environment | (555,884) |
| | Central Departments | 686,614 |
| | **Sub-Total** | **$ (803,797)** |
| **Recommended Changes in Operating Budget** | | |
| | Schools | $ (15,000) |
| | Learning Support Services | 230,000 |
| | Central Departments | 1,611,187 |
| | **Sub-Total** | **$ 1,826,187** |
| **Recommended 2017-2018 Budget before Impact of Local Priorities Funding** | | **$ 921,394,112** |
| **Impact of Local Priorities Funding** | | |
| | Special Education Investment | $ 3,516,802 |
| | Secondary Programming | 715,041 |
| | Priority Fund Investment | 989,919 |
| | System Priorities Investment | 1,507,072 |
| | **Sub-Total** | **$ 6,728,834** |
| **Recommended 2017-2018 Budget** | | **$ 928,122,945** |

*Numbers may not add due to rounding*