



**COMMITTEE OF THE WHOLE, BUDGET (PUBLIC)  
Report No. 14-023**

**11 February 2014**

**2014-2015 BUDGET PROCESS AND OVERVIEW**

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**PURPOSE:**

1. To provide preliminary information about the 2014-2015 budget cycle, the budget schedule and the plan for public consultation.

**CONTEXT:**

2. The OCDSB, like all school districts, is required to approve and submit its annual budget in June for the coming school year. The annual budget is a key part of the annual planning process, in support of the priorities contained in the strategic plan.

This report identifies the background for this process including both the provincial and local perspective as well as affirming the key dates in the budget development and approval process.

The discussion at this meeting is a preliminary opportunity for members of the Committee to identify their budget priorities for the coming year, and to provide input on some assumptions made by staff in developing preliminary estimates.

There is a need to make certain decisions with respect to academic staffing prior to the adoption of the complete budget. This requires the commitment of a significant portion of the District's discretionary spending.

**KEY CONSIDERATIONS:**

3. Board and staff have expressed our commitment to ensuring that the recommendations and decisions made in the development and approval of the annual budget support the achievement of the 10 objectives contained in the strategic plan. In considering budget pressures for next year, staff has been encouraged to ensure there are clear linkages to those objectives.

#### 4. **Funding Issues**

The Grants for Student Needs (GSN's) provided by the province are the primary source of revenue for school districts. Calculation of these provincial grants is mainly driven by student enrolment numbers, as well as a number of different elements such as special education needs, level and nature of second language instruction, the age and type of schools, and unique geographic needs. Some of the grants are special purpose in nature and their use is restricted.

At this point in the year, discussions on budget are complicated by uncertainty as to the exact amount and nature of provincial funding. Specific information about the GSN's is normally not available until after the release of the federal and provincial budgets. The Ministry has indicated they anticipate the release of the grant regulation by the end of March.

Notwithstanding the above, development of forecasts for 2014-2015 have begun based on the 2013-2014 experience anticipated cost pressures such as inflation, the ongoing impact of collective agreements and related memoranda of understanding (MOU's), as well as the final year rollout of Full-Day Kindergarten.

In order to meet collective agreement timelines for staffing and to assist with effective planning for September, decisions regarding teaching staffing need to be made in March. This is in advance of the grant announcement, development of staff's final recommendations, and the Board's debate of the following year's budget.

#### 5. **Provincial Budget Situation**

The Ontario Economic Outlook and Fiscal Review 2013 published by the Ministry of Finance reaffirms the government's intent to eliminate the annual provincial deficit by 2017-2018, and in fact, the actual deficits reported in each of the last four years have been lower than originally forecast.

The economic recovery and its impact upon provincial revenues continue to be uncertain. Additionally, the Ministry, school districts and unions, will be involved in negotiations for new collective agreements for the coming years. It is unknown how these will factor into the government's funding decisions.

At a recent meeting, superintendents of business were advised by Ministry staff that it is always prudent to plan for a 1% reduction in revenues, however it was emphasized that no decisions have been taken and internal discussions are continuing.

#### 6. **OCDSB Budget Situation**

While there is uncertainty about future years, the OCDSB is in a strong financial situation. As previously reported, in 2012-2013, the District incurred a slight deficit of \$194,000. This left the District with operating reserves of 45.8 Million as of August 31, 2013. (Appendix A)

Additionally, staff reported on the revised estimates for 2013-2014 that despite the need for some unforeseen additional expenditures, the projected deficit for

the year is expected to be less than budgeted. A more accurate forecast of this amount will form part of the 2014-2015 budget document.

At this stage in the cycle, staff is of the opinion that its recommended budget will likely require the use of reserves of the maximum 1% as allowed by the Ministry to balance the budget. As well, approval to fund from reserves, the phase in of the PSAB adjustment related to the future cost of benefits will be sought.

## 7. **Risk Factors in Budgeting**

In developing the budget, staff considers the element of risk in its estimates, whether revenue or expenses.

One of the major risk factors in budget preparation lies in enrolment projections. On a system basis, enrolment projections have usually been well within 1% of actuals, however, there can be larger school-by-school variances which can create staffing pressures.

Currently, staff is projecting a slight decrease in enrollment of 437 ADE in grades 1 to 12 for the 2014-2015 year, based on last years' experience. This reflects the fact that the final additional kindergarten students will become full-time rather than half-time.

Approximately 80% of the District's total expenditures is for salary and benefit costs. The Ministry has confirmed that it will be providing funding to cover the elementary teacher increase on August 31, 2014, but it is difficult to estimate the ultimate cost, or funding that will be available for the renewal of collective agreements. Upward pressure on benefit costs continues and this will need to be reflected in our costs.

A significant part of the budget-setting process will be completed upon teaching staffing decisions which are made by the Board in March. As noted previously, these decisions must be made based on estimates and projections for the coming year, without final confirmation of the grants for the coming year.

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.

## 8. **Budget pressures for 2014-2015**

The OCDSB faces a number of financial pressures in 2014-2015, some of which are shared by all school districts; however, the extent of the impact will vary from board to board. Presentations to Board on progress towards achievement of the goals in the strategic plan, a review of issues raised by trustees and others throughout the year, as well as staff discussions, has identified a preliminary list of budget pressures.

We have divided these pressures into 2 categories for discussion purposes; many pressures cross both categories:

**a) Program and Practice**

- Full-Day Kindergarten will be fully implemented in 2014-2015. The expansion of the final 25% of classes will necessitate additional expenses for teachers and early childhood educators (ECEs) as well as additional support from a number of different departments. The program is also at a stage where more formalized orientation and induction is required for ECEs and teachers involved in the program. In addition to the regular funding received for this program, districts had received transitional funding to assist with the implementation costs. We await word as to whether the transitional funding will continue, and at what level. (Objectives 6 and 9)
- The expansion of the Extended Day Program, with increased enrolments and revenue, will require additional investments to ensure the quality of the program and to meet the demands for timely and accurate information as well as improving processes around billing and collection, etc. (Objective 6)
- As part of the District's commitment to "Closing the Gap", staff is considering additional supports for English language learners (ELLs). This could include additional staffing. (Objective 1)
- The continued work on implementing the revised Special Education policy along with the additional pressures being faced in meeting the demands from Full-Day Kindergarten and the focus on mental health will require the addition of some new resources. A number of options are being considered in this area to support the implementation of the central IPRC process and the geographic model. (Objectives 4 and 7)
- Staff is reviewing the work to be done in supporting the work of the Board Improvement Plan for Well-Being. While much of this work will be done through cross-departmental cooperation, there may be need for additional resources to move this forward. Additional support to schools is also being considered. (Objective 7)
- An extension of the above involves working with community partners to help support the Healthy Schools initiative, working with District staff. (Objectives 4 and 5)
- Curriculum Services is evaluating options that would respond to the need for additional support to serve increasing numbers of students in Co-op and Student Success programs. The need to support schools in their well-being work is also being considered in the assignment of work among instructional coaches. (Objectives 2 and 4)

- Staff is looking at the impact of differentiated allocation of resources to better meet the diverse demands of our schools. Similar to the discussions around vice-principal allocation, changes in the allocation method could require either reductions to some schools or an overall increase in the allocation. (Objectives 1, 4 and 8)

**b) Infrastructure**

Staff has identified a number of areas which support students and teachers in the classroom. These range beyond the usual definition of bricks and mortar and computer networks, although they continue to be of ongoing concern.

- As the District continues to move to a more data-driven approach it is clear that a combination of capacity building and some additional resources will be required. The demand for analysis of student achievement data, surveys such as Tell Them From Me, or an employee satisfaction survey, is being examined to ensure that we can meet our expectations in the areas of “Closing the Gap” and improving school climate. (Objectives 2,3,8,9)
- Similarly, the increased demand for policy development, more readily available information for parents, schools and stakeholders, is placing tremendous pressure on administrative and support staff. It is likely that some additional staffing will be required to meet these needs. (Objective 10)
- For several years the District has identified the continued backlog in deferred maintenance. Like most of the public sector organizations, there has never been sufficient funding to meet these demands. This situation exists in our facilities, our schools' external environments, our specialty classrooms such as labs, and our IT infrastructure. Staff is reviewing and attempting to prioritize areas which could be addressed, even in the absence of new Ministry funding. (Objective 7)
- The full introduction of Full-Day Kindergarten, significant changes to health and safety legislation, as well as the ongoing implementation of the most recent collective agreements has placed large demands on staff in all support departments. Staff is considering a range of potential approaches to address
- The District has already committed to providing busing to secondary students who reside inside the urban transit area in September 2014. (Objective 7)

**9. Approach to 2014-2015 Budget**

In June 2011, the Board adopted a new strategic plan which establishes a clear set of priorities for the District based on the pillars of well-being, engagement, leadership, and learning. The strategic plan provided a framework for the allocation of budget resources in the 2012-2013 budget. Staff intends to continue moving towards a better alignment of resources with strategic priorities and objectives.

The OCDSB remains committed to "Closing the Gap" and ensuring that the needs of all students are being addressed. It is clear that not all budget

pressures can or should be solved with an infusion of new money; however staff remain committed to bringing forward recommendations that will continue to address the needs of all our students. The focus on "Closing the Gap" means there will be a focus on meeting the needs of those groups which have been previously identified.

Statements by the federal and provincial governments have made it clear that they continue to be focused on deficit reduction, and that additional funding to transfer payment organizations will be extremely limited. As a result, staff will be cautious in recommending any new ongoing expenditure commitments.

It is staff's intent to develop a budget that would provide for the use of reserves to balance expenditures. We anticipate that this would utilize up to the 1% threshold previously identified. As cost estimates are revised and better estimates of revenues become available, staff may also recommend some further expenditure beyond the 1%. Additionally, staff will recommend that the costs of the PSAB adjustment continue to be funded from reserves.

An important component of this strategy is to ensure that the amount of any year-end surplus be minimized. While it is always prudent to expend slightly less than provided in grants, it is our responsibility to use the funds received to provide the best possible learning opportunities for our students and families. Our experience in recent years is that a break-even year-end position can only be achieved by budgeting for a deficit. This is due to the strong culture of economical and financial controls which have resulted in surpluses in recent years.

At the same time it is also important to ensure stability and sustainability of programs and services. With the volatility of the current provincial situation, it will be important to balance all of the coming demands for additional expenditures.

Based on our preliminary review of 2013-2014 revenue and expense projections, staff is confident that the OCDSB budget for 2-14-2015 will allow us to maintain services to meet the needs of our students and allow continued progress towards the achievement of our strategic objectives. Until we have further clarity on the amount and specificity of funding to be provided next year, we remain very cautious about our ability to add additional expenditures beyond those already committed by Board and/or Ministry mandate.

10. **Budget Schedule**

The Budget Committee schedule is as follows:

11 February 2014	Review of 2012-2013 results
20 February	Budget process discussion
31 March	GSN Discussion and Budget update
13 May	Presentation of staff recommended Budget
26 May	Delegations/Budget debate
2 June	Delegations(if required)Budget debate
9 June	Budget debate(if required)
16 June	Budget debate/Recommendation to Board
23 June	Budget Approval (Board meeting)

In addition to the Budget Committee meeting schedule, academic staffing decisions will be made at the 4 March 2014 Committee of the Whole.

**RESOURCE IMPLICATIONS:**

- 11. The budget will set the Board’s fiscal operating plan for 2014-2015. The Board cannot approve a budget with a deficit, but can use reserves as part of balancing revenue and expenditures. The process will need to accommodate the grant announcements with the need for earlier commitments of academic staffing. It has just been announced that the federal budget is now scheduled for release on February 5.

**COMMUNICATION/CONSULTATION ISSUES:**

- 12. Meetings in February and March will be used for initial consultation on the budget process and environment. The goal of the consultation process is to make the community aware that the budget process is underway and that the District is planning a budget without significant changes to service levels pending further information from the Ministry and the government.

The budget consultation process will reach out to parents, school councils, students, OCDSB advisory groups, staff and the public at large. In order to maximize the opportunity to reach these groups, the consultation process will involve a variety of formats.

Following the Budget Committee meeting, staff will prepare a budget information document that will include some of the background information being provided this evening. The same document will be used for all consultations and will be posted to the District website, linked to our social media sites, and made available at all consultation meetings.

Trustees may wish to consider a similar approach for zone meetings during the February/March timeframe. Any trustee or group of trustees with a scheduled zone meeting during that period may choose to invite a staff member to attend the meeting to support the budget discussions. All input during this phase of consultation should be submitted by the end of March.

As in the past, an email link for budget questions and comments will be established. While individual responses will likely not be possible, every effort will be made to answer these questions in a timely manner. Answers will be posted to the website and will be considered by staff in developing the budget recommendations.

### **STRATEGIC LINKS:**

13. The budget will set the Board's operating plan for 2014-2015. An effective debate leading to approval of the budget is a cornerstone of sound governance practice.

### **GUIDING QUESTIONS:**

14. The following questions are provided to support the discussion of this item:
  - Are the general assumptions about the financial environment reasonable?
  - Have the appropriate risk factors been identified?
  - Are there specific priorities or initiatives that require additional resources to be achieved?

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Jennifer Adams  
Director of Education and  
Secretary of the Board

### **APPENDIX**

Appendix A-Accumulated Surplus Available for Compliance



**Ottawa-Carleton District School Board  
Accumulated Surplus Available for Compliance**

Years Ended August 31	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Available for Compliance			
- Unappropriated	<u>19,499,000</u>	<u>26,941,000</u>	<u>17,826,000</u>
Available for Compliance			
- Internally Appropriated			
Employee Future Benefits (Gratuities/WSIB)	12,417,000	9,541,000	7,000,000
Budget Carry-Forwards	2,271,000	1,085,000	800,000
Computer System Replacement	200,000	200,000	-
Committed Capital Projects	8,482,000	3,850,000	7,153,000
Cafeteria Equipment	1,235,000	1,228,000	1,237,000
Pupil Accommodation	932,000	932,000	1,932,000
Special Education Training Initiatives	660,000	660,000	660,000
Health and Safety	-	1,150,000	-
Enrolment Reviews	<u>97,000</u>	<u>400,000</u>	<u>-</u>
Total Internally Appropriated	<u>26,294,000</u>	<u>19,046,000</u>	<u>18,782,000</u>
Total Accumulated Surplus Available for Compliance	<u><u>45,793,000</u></u>	<u><u>45,987,000</u></u>	<u><u>36,608,000</u></u>