REPORT TO

CATHOLIC PARENT INVOLVEMENT COMMITTEE

2021-22 BUDGET ASSUMPTIONS AND PRESSURES

"Making a whip of cords, he drove all of them out of the temple, both the sheep and the cattle. He also poured out the coins of the ***money changers*** *and overturned their tables."*
John 2:15

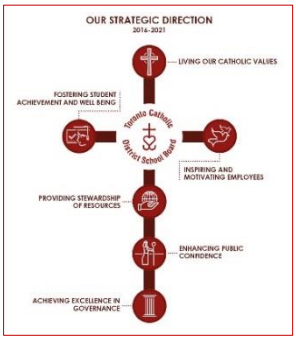
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February 25, 2021	March 11, 2021	April 19, 2021

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INFORMATION REPORT

Vision:
At Toronto Catholic we transform the world through witness, faith, innovation and action.

Mission:
The Toronto Catholic District School Board is an inclusive learning community uniting home, parish and school and rooted in the love of Christ.
We educate students to grow in grace and knowledge to lead lives of faith, hope and charity.



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A. EXECUTIVE SUMMARY

This is one in a series of reports that provides the Board of Trustees with a preliminary view into the assumptions that staff are using to plan the 2021-22 budget as well as the cost pressures that may arise during the budget setting process for the following school year.

The 2021-22 Grants for Student Needs (GSN) announcement from the Ministry of Education is expected at the end of March or early April 2021 and will drive the development of final budget for the 2021-22 fiscal year.

The following reports are expected in the series, culminating in establishing an approved fiscal year budget:

a) Budget Consultation Plan (February 2021)
b) Budget Assumptions and Pressures (March 2021)
c) Consensus Enrolment Report (March 2021)
d) Staffing Allocation Report (March 2021)
e) GSN Update Report (April 2021)
f) Preliminary Budget Estimates for Consultation (May 2021)
g) Budget Estimates for Approval (June 2021)
h) Revised Budget Estimates for Approval (December 2021)

Passing a balanced budget is legal requirement for all school board in Ontario. While the final figure may change with the Ministry funding announcement in April, the size of this preliminary estimate suggests that a significant amount of change will need to occur to bring the budget back into balance. Given the key drivers of this change is declining revenues from less enrolment and loss of one-time COVID-19 funding, the key factors that will drive a balanced budget next year will most likely come from a reduction in one-time COVID-19 costs and from right-sizing staffing levels to match actual student enrolment in the system. Furthermore, in the coming year, passing a balanced budget is an operational imperative because the TCDSB's Operating Contingency Reserve has been significantly reduced from $47.6M to $7.8M in response to the COVID-19 pandemic.

Information provided in this report is based on high-level estimates with our knowledge. This report is not a budget, it is preliminary information only.

The cumulative staff time required to prepare this report was 35 hours.

B. PURPOSE

The purpose of this report is to provide the Board of Trustees with a preliminary view into the assumption and cost pressures that may arise during the budget setting process for following school year.

C. BACKGROUND

1. ***Budget setting for a school board is a legislated process with strategic importance.*** The budget process is an important planning tool for the development of an effective and balanced budget in order to provide a range of necessary resources, supports and programs to TCDSB students. The TCDSB is required, before the beginning of each fiscal year, to prepare and adopt a set of estimates (budget) of its revenues and expenses for the coming fiscal year. The approved budget must be submitted to the Ministry of Education by end of June each year.

2. ***Under Part IX (Finance) section of the Education Act, the TCDSB must adopt a balanced budget each year***. This requirement under the Education Act assures that Ontario school boards submit estimates that are in line with the funding they are expecting from the Ministry of Education in any given year. ***The Education Act does allow for some ability to approve "in-year deficits" to the Budget, but such approvals are subject to the approval of the Minister of Education.***

3. ***The Multi-Year Strategic Plan (MYSP) and other supporting plans provide the overarching strategic direction and principles underlying the yearly budget***. The TCDSB is committed to offering high quality programs and services to all students and while continuously working to improve services and operations year-over-year. TCDSB also strives to make effective, efficient, and innovative use of resources, based on sound planning, and the best available information. Inherent in the budget process is the allocation of available resources to address student needs and improvements to supporting services.

4. ***The standard internal budget process began in January.*** For the 2021-22 budget year, TCDSB staff commenced its budget development process in January 2021 with the development of timelines and preliminary projection assumptions.

5. ***Every year staff provide trustees with a primary look at budget assumptions and pressures.*** While the budget consultation and deeper development process cannot begin until the Ministry of Education announces its funding for the next

school year, staff are trying to plan ahead and have started to look at various cost pressures and assumptions that may impact the budget for next year. This report is providing the Board of Trustees with early information and context into next year's budget.

D. EVIDENCE/RESEARCH/ANALYSIS

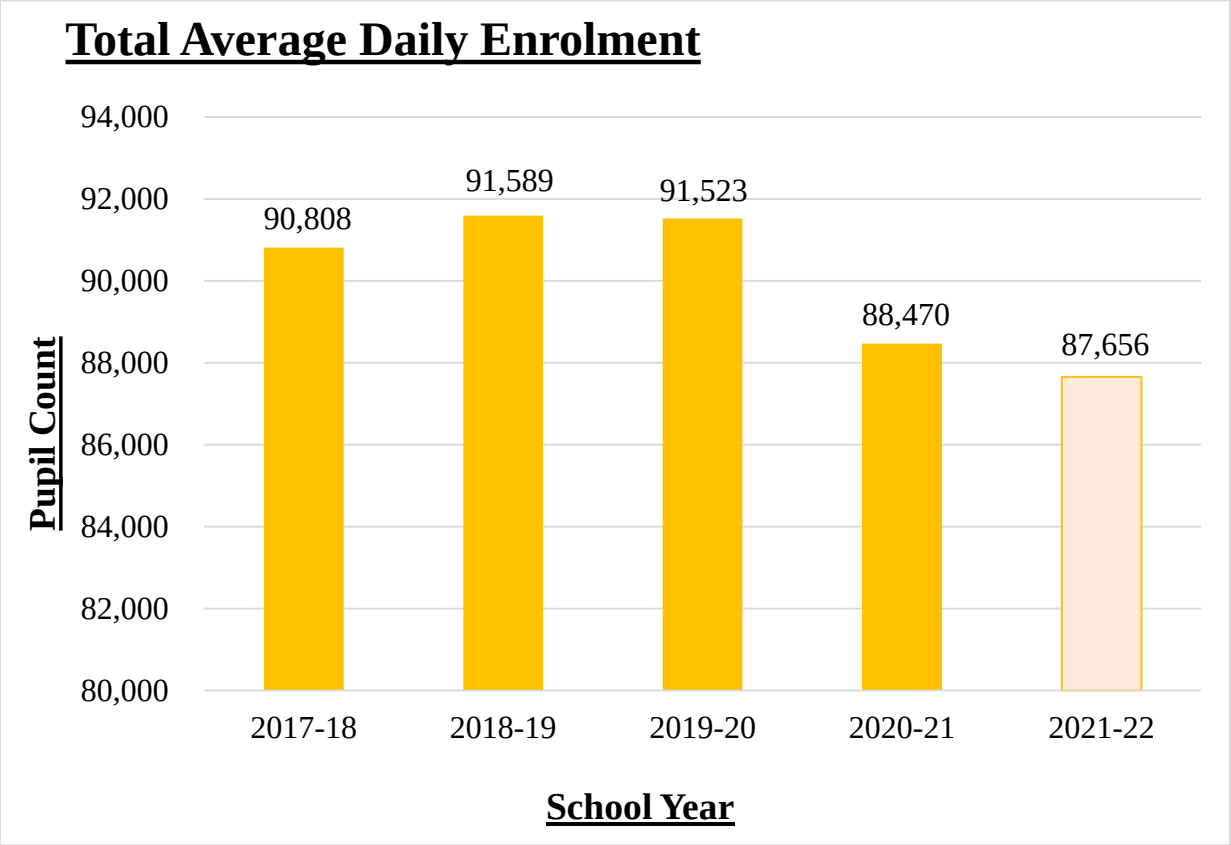
1. This section provides a high-level overview of information staff have at this time regarding the budget for next year. This section is broken down into 4 sub-sections:
    a) ***Revenue/Funding Assumptions*** – the current best-known information about the expected revenues the TCDSB will receive next year
    b) ***Strategic Reserve*** – the current state of strategic reserves
    c) ***Known Cost Pressures*** – Cost pressure that staff believe are likely to have a budget impact.
    d) ***Other Budget Pressures and Uncertainties*** – Other pressures and potential risks that might have an impact on the budget, but that staff are still trying to assess, confirm, or clarify.

Revenue/Funding Assumptions

2. ***The Ministry of Education funding for next year has not yet been announced, but based on high-level discussions with Ministry staff, the TCDSB is expecting a "normal" funding announcement in April.*** Given this information, staff are currently making the following assumptions in our budget process. These assumptions may change after the Ministry GSN announcement in April:

    a) One-time COVID-19 related funding from the Federal and Provincial will not continue
    b) Base per student GSN funding will remain generally the same as this year
    c) The government will provide a small revenue increase to match centrally negotiated salary increases in collective agreements
    d) School Renewal Funding will remain the same
    e) Class size regulation will remain unchanged from the current year.
    f) School boards will not receive additional funding for virtual learning modes

3. ***Next year's budget planning begins with developing an understanding of student enrolment.*** The overall student enrolment drives most of the TCDSB revenue for the year. TCDSB is projecting an overall average daily enrolment (ADE) of 87,656. This constitutes an overall projected decrease of approximately 1.0% from current year and a drop of 4.2% from 2019-2020 levels. Furthermore, for 2020-21 (current year) the TCDSB had projected and staffed schools based on an enrolment of 91,224 but actual enrolment was only 88,470. Enrolment details will be presented the *Census Enrolment Projection Report*.



4. ***Revenues from International Students is not expected to return and may drop further.*** The current fiscal year saw as significant drop in International Students due to the COVID-19 Pandemic resulting in $11.6M loss of revenue. Staff believe this will continue into 2021-22 with a further decline in revenues of $2.5M. This estimate is based on confirmed and paid international students.

5. ***The Ministry's enrolment stabilization funding is expected to cease.*** The Ministry of Education provided an enrolment stabilization funding for the current fiscal year to help offset the sudden drop in enrolment at school boards. The

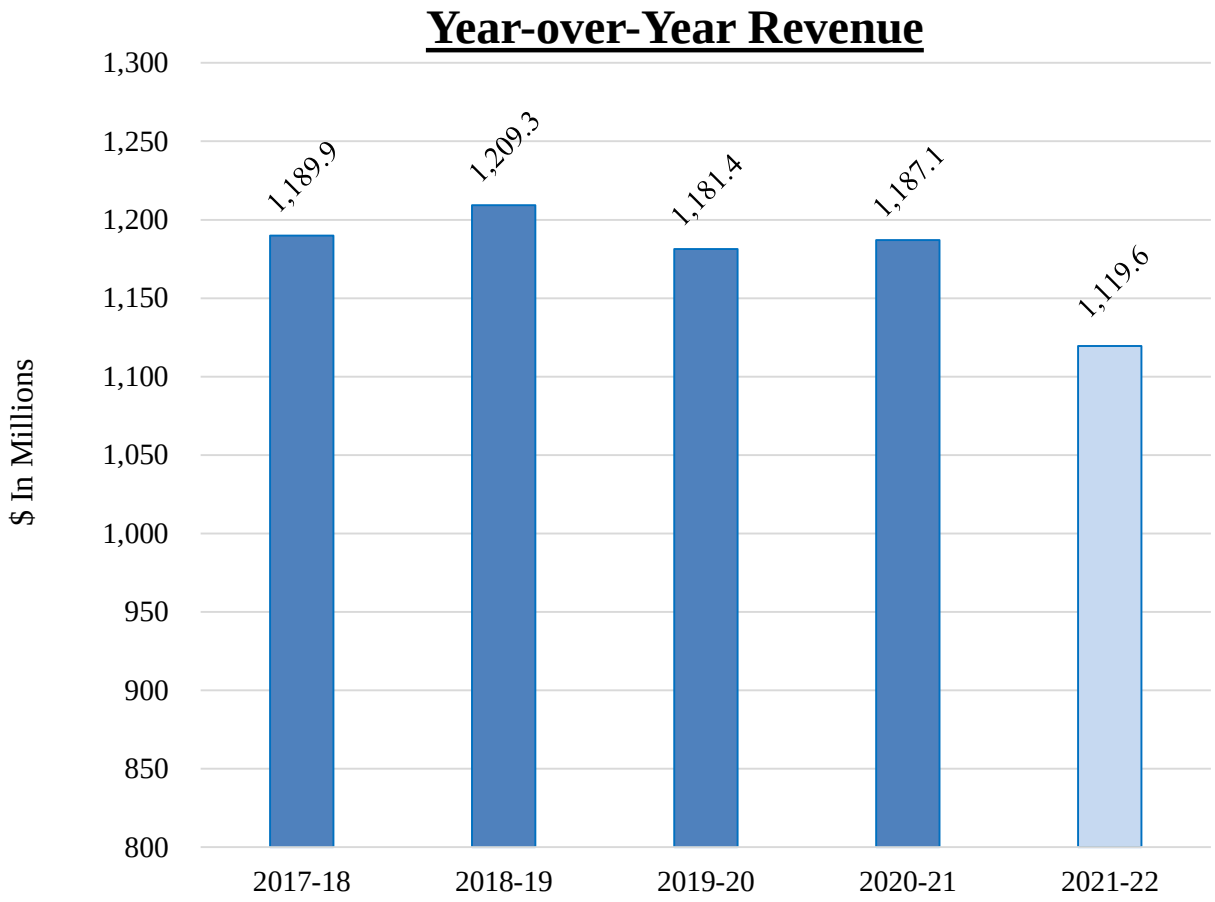
TCDSB received $22.7M this year to partially offset the unexpected revenue decline from enrolment of $24.3M from domestic students.

6. ***One-time COVID-19 funding from the Federal and Provincial governments will not be continuing.*** The Provincial and Federal governments provided additional one-time budget of $16.5M and $17.48M respectively. This total of $33.98M in funding was used to support a number of initiatives related to COVID-19. The funds were used for several improvements including:

   a) HEPA Air Purifiers for classrooms
   b) Personal Protective Equipment for staff
   c) Plexiglass barriers
   d) Improvement to HVAC systems
   e) Additional cleaning supplies
   f) Addition staffing to support increase absenteeism and cohorting,
   g) Additional Support for Special Education
   h) Additional support for Mental health
   i) Health and Safety training for staff
   j) Improved transportation cleaning,
   k) additional support workers (EA, CYW)
   l) additional custodial staff and HVAC technicians,
   m) additional teachers to reduce average class sizes in "hotspots"
   n) Additional student devices

7. ***As an on-going impact from COVID-19, revenues from permits and other sources will continue to be depressed.*** Declines in permit fees and community use of schools, outside agency use of our facilities saw a decline in revenues of about $5.3M this year. This revenue is not expected to return for some time.

8. ***Based on the above most current information the TCDSB is projecting overall revenue to be approximately $1,119.6 Million (~$1.12 Billion) for 2021-22 fiscal year.*** This revenue would be approx. $67.5M less than the current fiscal year. The chart below shows the revenue change year-over-year.



Strategic Reserves

9. ***The TCDSB Operating Contingency Reserve has could be depleted to $7.8M from and in-year total of $47.6M as a result COVID-19 related expenditure in the current fiscal year.*** The Operating Contingency Reserve was used to support COVID-19 related expenditures over and above the one-time funding provided by the Provincial and Federal governments and to avoid mid-year reductions in staffing as result of lower enrolment.

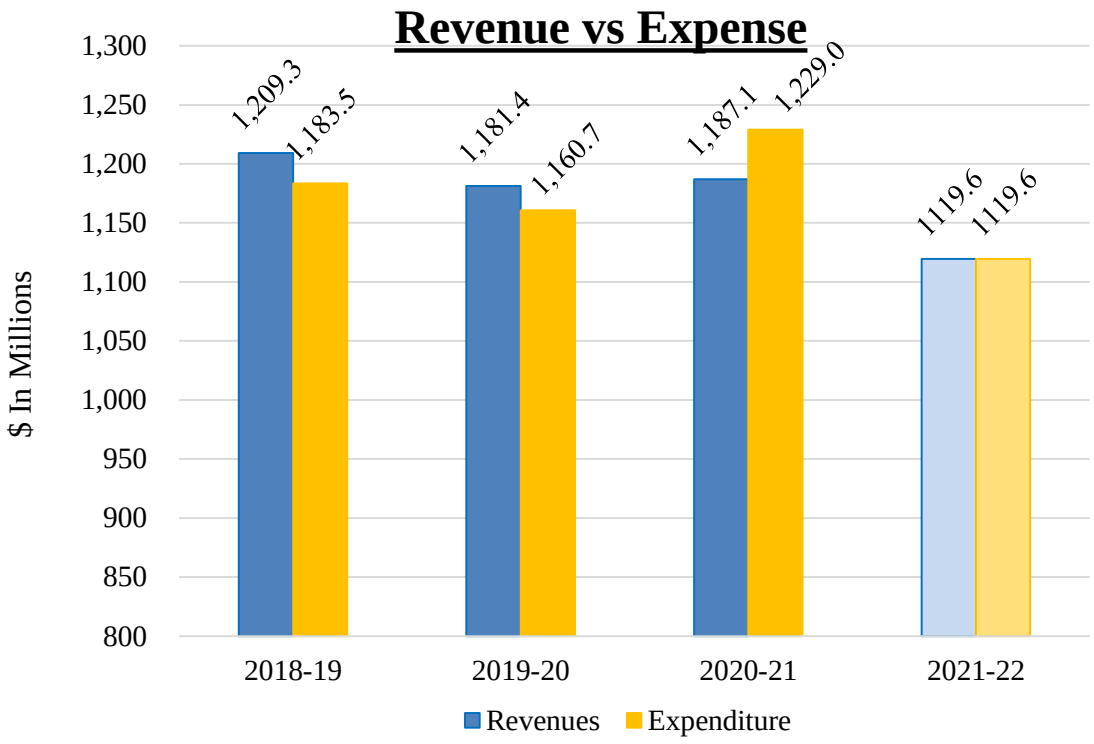
Changes to Operating Reserve Balances – 2020-21	**$M**
Opening Reserve Balance in November	***47.5***
Deferred Bell time optimization for 2020-21	(1.6)
COVID-19 and enrolment related expenditure withdraw	(38.1)
Available for 2021-22	***7.8***

10. ***In addition to the Operating Contingency Reserve, the TCDSB has a number of strategic reserves and other Board reserves it manages for various purposes.*** These reserves have the following balances and commitments in millions of dollars.

Reserves	Balance Nov 2020	Committed	Uncommitted Balance
IT Strategic Systems	24.2	(18.3)	5.9
IT Infrastructure	6.9	(6.9)	0.0
Administrative Facilities	3.1	(3.1)	0.0
Student Equity	3.1	(3.1)	0
2019-20 Trustee Strategic	0.1	0	0.1
2020-21 Playgrounds	1.2	(1.2)	0

Known Cost/Expense Pressures

11. ***In the last few years, expenses have been below projections resulting in end of year surpluses. This trend ended this year with 42M deficit.*** Going forward the TCDSB is planning to have balanced budgets. It is important to note that these revenues assumptions for next year are not yet confirmed and actual revenue might be lower or higher than shown below for 2021-22.



12. ***Enrollment has declined significantly in 2020-21 but the TCDSB did not reduce staffing levels to match.*** *Staff levels increased in both panels while enrollment decreased* by 4.2% from 2019-2020 levels. Enrolment details will be presented the *Census Enrolment Projection Report*.

13. ***Inflation Assumptions could be higher than expected.*** Utility costs continue to trend higher and the budget estimates are based on historical costs and projected increases. If costs increase higher than anticipated, this could create a costs pressure in this area. The current trend is that utility costs are trending at 7.8% well above the Ministry of Education funding increase for inflationary costs of 2%. In addition, the new Greenhouse Gas Pollution Pricing on natural gas will increase the Board's utility costs by approximately $1.6M.

14. ***Bell-time optimizations at International Language Schools ($1.6M) were cancelled***. Previously, the TCDSB delayed the operationalization of bell-time optimization at International Languages Schools to September 2021. At the Feb 11, 2021 Corporate Service meeting the Board of Trustees approved a motion to maintain the current bell-times at the affected 15 schools. This will result in additional cost pressure of $1.6M next year.

15. ***The TCDSB is expecting additional one-time transportation costs of $2.6M resulting from new school construction.*** These costs are a result of transporting students from an existing school location to a temporary school location while a new school is being built. This $2.6M is addition to the approximately $5M the TCDSB current spends on transportation over and above the funding received from the Ministry of Education. Furthermore, the Ministry is in the middle of reviewing the student transportation model across the whole province which could have further impact.

Other Budget Pressures and Uncertainties

16. ***The demand for virtual schooling (St Anne) could continue into next year without additional revenue to support it.*** The ongoing provision of two learning modalities is currently not fully funded by the existing GSNs. There is presently no indication that the Ministry of Education will modify the GSNs in such a manner to fully fund the administrative and operational costs to sustain a dedicated virtual school. Staff are currently reviewing various operating models for next year, should a virtual school be required.

17. ***Occasional Teacher costs continue to rise.*** As a general trend for last several years, occasional teacher costs have been trending higher than budget. The risk is that these costs could continue to increase assuming a full Occasional Teacher roster and higher fill rates for daily open jobs.

18. ***The Ministry of Education continues not to fund International Language (IL) during the day.*** The day-time International Languages Elementary Program provides valuable opportunities to learn a third language and has been part of the TCDSB for decades. The Board recently reviewed this program and re-affirmed its commitment to it. The program cost approximately $6.8M per year and is offered at 44 schools. The Ministry of Education provided partial funding of $3.6M in 2018-2019 but has not provided funding this year. The Ministry has not indicated whether they will support the program into the future. Senior staff will continue to discuss this matter with the Ministry of Education.

19. ***TCDSB is currently in "local bargaining" with all its union partners.*** The Province wide collective bargaining process completed in late 2019 and the local bargaining process has recently started. The local bargaining processes continues. It is possible that cost could increase as result of these negotiations. Senior staff will continue to work with our union partners to find cost neutral arrangements or savings in the collective agreements.

20. ***TCDSB could incur on-going COVID-19 related expenses into the fall without additional funding to support these costs.*** As the progress of the pandemic is uncertain and vaccine rollouts have been stalled, there is uncertainty related to COVID-19 expenses that could occur over and above what is covered by the Ministry of Education. These expenses may include additional cleaning, HVAC systems costs, devices and internet for students, and additional teaching staff to reduce class sizes.

21. ***The Board of Trustees has asked staff to investigate enriched before and after programs for students. The revenue and cost for these programs are unknown.*** At the February 11, Corporate Services Committee meeting, the Board of Trustees passed a motion to cancel the bell time optimization and to explore working with school communities, that do not have student before and after school programs, to develop enrichment programs that will assist with supervision of students. Staff are currently exploring options, but the costs are not yet known.

22. ***The Board of Trustees has asked staff to provide a report on the possible setup real property subsidiary.*** At the February 28, 2020 Board Meeting, The Board of Trustees ask staff to bring a report regarding the setup of separate company to manage the property of the TCDSB. The revenue and cost of such a change are still unknown. Staff are continuing to work to bring a report and recommendation forward to the Board of Trustees.

Summary of Potential Budget Impacts

23. ***The following is a summary of the potential impacts to the budget as compared to this current fiscal year.*** The first table summary the loss of one-time funding from the government and the second table summarizes the additional budget pressures that staff can currently quantity. It's important to note, again, that these are high-level estimates and may change significantly in the coming weeks.

Revenue Pressures

Loss of One time Revenue expected for 2022-21	**$M**
Loss of one-time provincial COVID-19 funding	(16.5)
Loss of one-time federal COVID-19 funding	(17.5)
Loss of enrolment stabilization	(22.7)
Decline in Enrolment for 2021-22	(8.3)
Decline in International Students 2021-22	(2.5)
Total Change	**(67.5)**

New Cost Pressures

Changes to Expenditures	**$M**
Cancellation of Bell Time Optimization	(1.6)
Utility Cost increase	(1.6)
Additional Transportation costs	(2.6)
Total	**(5.8)**

24. ***Reducing one-time COVID-19 costs and right-sizing staffing levels will be the main path to a balanced budget.*** Given the key drivers of the budget will be declining revenues, the key factors that will drive a balanced budget next year will most likely come from a reduction in one-time COVID-19 costs and from right-sizing staffing levels to match actual student enrolment in the system.

25. ***Staff are also considered additional revenue generating options but estimates have not yet materialized.*** These may include:
    a) A communication campaign to encourage enrolled kindergarten students to attend next year and therefore generate additional GSN revenues
    b) Options to encourage home schooled student to attend virtual learning
    c) Outreach to permit users to encourage use, if COVID-19 restrictions subside
    d) Working with the City to streamline film and TV permits process and therefore by opening more opportunities for using TCDSB sites for film and TV productions.

26. ***Staff will continue to review incoming information and develop a fulsome budget for June 2021.*** As more information released by the Ministry and estimate start to materialize staff will provide updates to trustees and adjust public information on website to provide the latest information.

E. CONCLUDING STATEMENT

This report is for the consideration of the Catholic Parent Involvement Committee.