REPORT TO

CORPORATE AFFAIRS, STRATEGIC PLANNING AND PROPERTY COMMITTEE

FINANCIAL UPDATE REPORT AS AT JUNE 30, 2015

Psalm 40:10
I do not hide your righteousness in my heart; I speak of your faithfulness and salvation. I do not conceal your love and your truth from the great assembly.

Created, Draft	First Tabling	Review
September 8, 2015	September 17, 2015	

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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 rooted in the love of Christ. We educate students to grow in grace and knowledge and to lead lives of faith, hope and charity

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A. EXECUTIVE SUMMARY

This Budget Status Report as at June 30th, 2015 provides a year-to-date look at both revenues and expenditures. This is the final update for fiscal 2014-15 before the audited financial statements are presented. Total expenditures are trending within budget for the year, however, revenues are trending approximately $1 million unfavourable due to reduced enrolment and tuition fees. A more detailed variance summary is attached (Appendix B1 & B2). As reported in previous financial status updates, the identified cost pressures concerning Short Term Disability Leave and Short Term Disability Leave as it relates to Maternity Leaves has had a negative effect on anticipated financial performance.

B. PURPOSE

The Budget Status report reviews expenditures, revenues, enrolment and staffing. The report tracks expenditures and revenues by category and compares YTD results to current budget and prior year actuals. Inconsistencies are investigated and analysed to detect, correct and report any unfavourable trends and events.

C. BACKGROUND

1. As part of the regular reporting cycle and consistent with best practices as outlined by both the Ministry of Education and District School Board Reporting Workgroup, a monthly Financial Report is prepared detailing any in-year expenditure variances and savings identified by analysing the 2014-15 year-to-date actual expenditures compared to the Revised Budget Estimates.

2. All June YTD revenues and expenses have been adjusted for known MOE Public Sector Accounting Board (PSAB) requirements.

3. Attached as Appendix B1 and B2 is the June YTD Revenue and Expenditure forecast which has been established as our method of reporting interim financial results.

D. EVIDENCE/RESEARCH/ANALYSIS

1. Business Services closely monitors the 2014-15 budget performance to identify areas of potential savings as well as any areas of potential cost pressures to the Board. There were variances across most expenditure categories based on the 10 months performance at June 30th, 2015 as

outlined in Appendix B1 & B2 (attached). Most classroom expenditures are incurred over a 10 month period while administrative and facilities expenditures are more likely to follow a 12 month model. There are many other factors that determine monthly expenditures but as a rule and as a simple starting point, you would expect the classroom expenditures to be 100% spent (10/10) and the administration and facilities to be 83% spent (10/12).

2. Enrolment remains the key driver for generating Grants for Student Needs (GSNs). The GSNs are calculated using a weighted average of enrolment projections for two count dates, actual enrolment on October 31st 2014 and projected enrolment for March 31st 2015. The Revised Estimates' enrolment retention for the period of October 2014 through March 2015 for elementary has been projected at 100% retention and secondary has been projected at 97.76% based on historical trends. The resulting Average Daily Enrolment is the key variable generating the grant revenues.

The Board has an estimated overall decrease in enrolment of 481 ADE in the Revised Estimates compared to the original 2014-15 Budget Estimates. Enrolment in the elementary panel was projected to decline by 263 and secondary enrolment was projected to decline by 218 ADE. Any decline in overall enrolment places pressure on the TCDSB's operating and capital budgets. These enrolment declines have been included in the revised estimates used in this report.

The Board has concluded the process of compiling the actual enrolment numbers for March 31st, 2015. This process is time consuming and requires a regimen of audits, checking and verifying before a solid number is determined. Although some reporting is still outstanding it is reasonable to conclude that enrolment will finish the year approximately .06% under budget. This would translate into a $550,000 decline in revenue for the year.

The following chart illustrates the enrolment projections for the three key reporting thresholds during the fiscal year.

	ADE	ADE	ADE
Average Daily Enrolment (ADE) Pupils of the Board	**2014-15 Budget Estimates**	**2014-15 Revised Estimates**	**2014-15 Actual Forecast @ March 31, 2015**
ELEMENTARY	60,550	60,287	60,216
SECONDARY	30,089	29,871	29,888
TOTAL	**90,639**	**90,158**	**90,104**

As calculated on page six of Appendix B2 the projected Board operating deficit of $10.375 million is within an acceptable range of the estimated deficit of $9.498 million. While unforeseen events could happen during the year-end audit, this June update has been prepared with the benefit of known July activity.

E. METRICS AND ACCOUNTABILITY

The following are trends and issues that have been identified:

1. Enrolment

   Enrolment is the pressure point on the Board's revenue for this year. It has been projected to decline this year as well as the next few years. On March 31st, the actual count has for the most part, been completed and all indications point to enrolment declining at a faster pace than predicted. To mitigate enrolment declines, management has been proactive with managing extended student absences past the March break and is still analysing the actual results for any opportunities. Tuition fees were reduced mostly due to refunds and commission payments. No significant variances are expected for other revenue types.

   Enrolment is only one variable in the calculation of grant eligibility during the year end process. Other variables can influence the final grant and these calculations are still pending.

2. Benefits

   Benefit expenses are trending lower in all categories against the expected trends. This trend was investigated in February and the following conclusions were made:

   I. Most employees have maxed out CPP and EI deductions prior to the first four months of the fiscal period. The expense starts again in

January so these expenditures should be accelerated from now through June.

II. The teacher holdbacks for equalization pay are not taxed for statuary deductions until they are paid out in June. The June equalization payment has been released and the benefits expense for this payment has been reflected in the actuals.

It appears that the actual benefit expense is lagging behind both the planned increase in this year's benefit budget as well as trends established at this period in the previous fiscal year. The forecast has been adjusted to reflect some of these favourable observations and will likely finish the year under budget in aggregate.

3. <u>Salaries</u>

Classroom salaries have a mix of 10 and 12 month employees but is more heavily skewed to the 10 month side. It is expected that the classroom salaries would be close to 100% spent at this time. Classroom, Occasional, Paraprofessional, Library and Guidance salaries have all finished the year over budget. Some salary savings are expected in Con Ed, Department Heads, and School Office.

Administrative salaries are trending on budget, however, Supervisory Officers will finish over budget due to the departure of Superintendents who had accumulated vacation that was paid out. Facilities & Operations salaries will finish over budget mostly due to the replacement of sick staff. The one risk for non-classroom salary types is the possibility of an unusually high vacation accrual at the end of the year. Human Resources is tracking vacations to ensure that employees are taking vacation in the year they are earned and are not being carried forward.

4. <u>Grievances and Labour Relations Issues</u>

Business Services consults monthly with the Labour Relations department on outstanding grievances and legal actions against the Board. If the Board suspects that it will have a liability at the end of the fiscal year due to one of these actions, it must record the expense in the current year. It has been determined that current issues at this time, have the potential to add a significant expense at year end. These are contingent liabilities and an actual expense is not realized until it is paid.

5. <u>Expenses – Other</u>

Other expenses are budget checked and an expenditure cannot be incurred in excess of approved budget allocations. School Block budgets that are not spent in the current year are carried forward to the next fiscal year. The forecast beginning in April has been adjusted to reflect some efficiencies realized in the Administrative envelope due to Professional Development restrictions. The forecast has also been adjusted in Facilities & Operations to reflect pressures from increased electricity rates and repair demands. Significant positive variances have been realized in Paraprofessional and Computer supplies due to work that will now be completed next year.

The financial results for the Toronto Catholic District School Board at this time are within the required margins of 2014-15 Revised Budget Estimates after significant adjustments to forecasted Revenues and Expenditures. Areas of concern reported in previous financial status reports such as Enrolment, Short Term Disability Leave and Short Term Disability Leaves as it relates to Maternity Leaves has been realized and will negatively affect the Board's bottom line for fiscal 2014-15.

F. CONCLUDING STATEMENT

The financial results and forecast to August 31st 2015 identifies cost pressures arising from declining enrolment trends and increasing usage of Short Term Disability Leaves. The adjusted forecast to year-end includes the anticipated loss in revenues due to declining enrolment and the increased cost pressures in teacher salaries and benefits, resulting in a restated projected in-year deficit from $9.498M to $10.375M. This restated forecast, however, may be mitigated by funding adjustments related to the final grant calculations.

This report is for the consideration of the Corporate Affairs, Strategic Planning and Property Committee.