REPORT TO

REGULAR BOARD

FINANCIAL UPDATE REPORT AS AT APRIL 30, 2016

1 Corinthians 16:13
Be on your guard; stand firm in the faith; be men of courage; be strong.

Created, Draft	First Tabling	Review
May 31, 2016	June 9, 2016	

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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

LIVING OUR VALUES
STRENGTHENING PUBLIC CONFIDENCE
INSPIRED AND MOTIVATED EMPLOYEES
EXCELLENCE IN GOVERNANCE
STEWARDSHIP OF RESOURCES
STUDENT ACHIEVEMENT AND WELL BEING

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A. EXECUTIVE SUMMARY

This Budget Status Report as at April 30th, 2016 provides a year-to-date look at both revenues and expenditures. Expenditures are under considerable pressure due to cost increases in the Occasional Teacher line. All other expenditures are trending within the revised budget for the year.

Presently, preliminary elementary enrolment numbers for the March count date indicate an increase of 116 pupils of the board, as well as increased English as a Second Language (ESL) and French as a Second Language (FSL) enrolments. These enrolment increases are projected to generate an additional $2.759M in-year for 2015-16.

At the May 12th Corporate Services meeting, staff forecasted a ($7.0M) in-year deficit due to the pressure on the occasional teacher line. Staff also forecasted that this pressure would increase the accumulated deficit to ($22.3M). However, the additional enrolment revenue and cost savings decreases the projected 2015-16 deficit to ($2.8M) and reduces the 2015-16 projected accumulated deficit from ($22.3M) to ($18.1M).

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 2015-16 year-to-date actual expenditures compared to the Revised Budget Estimates.

2. All April YTD revenues and expenses have been adjusted for known Ministry of Education Public Sector Accounting Board (PSAB) requirements.

3. Attached as Appendix B1 and B2 is the April Year-to-date 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 2015-16 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 8 months performance at April 30th, 2016 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 80% spent (8/10) and the administration and facilities to be 67% spent (8/12). When comparing this year to the same period last year one must be mindful that there are 3 less teaching days to date this year. If we use teaching days as the yardstick for teaching salaries then the expectation for April 2015 would be 154/194 (79.4%) and April 2016 would be 151/194 (77.8%).

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 2015 and projected enrolment for March 31st 2016. The Revised Estimates' enrolment retention for the period of October 2015 through March 2016 for elementary has been projected at 100% retention and secondary has been projected at 98.11% based on historical trends. The resulting Average Daily Enrolment is the key variable generating the grant revenues.

   The Board has an estimated overall increase in enrolment of 630 ADE in the Revised Estimates compared to the original 2015-16 Budget Estimates. Enrolment in the elementary panel was projected to increase by 291 and secondary enrolment was projected to increase by 339 ADE. Any increase in overall enrolment increases revenue and also requires additional staff to meet class size requirements. These enrolment increases and corresponding staff requirements have been included in the revised estimates used in this report.

The following chart illustrates the enrolment projections for the two key reporting thresholds during the fiscal year and also provides last years revised estimates as a comparator.

	ADE	**ADE**	**ADE**
Average Daily Enrolment (ADE) Pupils of the Board	**2014-15 Revised Estimates**	**2015-16 Budget Estimates**	**2015-16 Revised Estimates**
ELEMENTARY	60,287	60,027	60,318
SECONDARY	29,871	29,488	29,827
TOTAL	**90,158**	**89,515**	**90,145**

E. METRICS AND ACCOUNTABILITY

The following are trends and issues that have been identified:

1. Benefits

Benefit expenses are trending similar to last year in most categories. Although it is too early to make a forecast, it is known that last year's benefits finished the year significantly under budget. Benefits will be monitored closely in the periods to come but at this point there is a positive variance. The following are some other observations we have made in the past regarding benefits:

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 we should notice these expenditures begin to ramp up from then until the end of the fiscal year.

II. The teacher holdbacks for equalization pay are not taxed for statutory deductions until they are paid out in June.

III. The Occasional Teacher Benefit budget is trending significantly under budget and a savings of $1 million is projected by year end.

2. <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 77.8% spent at this time if using teaching days as the key benchmark. The actual percentage spent for Classroom Teachers is 74.25%. The anticipated 1% lump sum salary pay-out, which was negotiated as part of the central labour negotiations, will negate most of this favourable variance. The major concern continues to be Occasional Teacher Salaries which is becoming increasingly unfavourable with each passing month. It has already consumed 115.36% of the annual budget with two months to go. Given the analysis to date, we anticipate a deficit of approximately $8 million in Occasional Salaries. Management staff is committed to mitigating this risk to the greatest extent possible.

Administrative salaries are trending slightly lower due, for the most part, to vacant positions at the beginning of the year.

A 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 in which the vacation entitlement is earned and are not being carried forward.

A risk for all categories of salary expenses is the recently ratified labour agreements. Board staff are working diligently to get clarification on issues, apply interpretations in a consistent manner, and continually looking for unanticipated costs stemming from these agreements.

3. <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 Information Technology and Maintenance & Operations budgets will experience considerable pressure this year. IT has lost the advantage of leasing classroom computers due to changes in Ministry reporting which greatly reduces their purchasing power. Maintenance and Operations is experiencing pressure from increased facility leasing costs and increased repair demands on a shrinking budget base.

Toronto Catholic District School Board's financial results are currently trending higher than the 2015-16 Revised Budget Estimates. Preliminary analysis indicates the net deficit could be around $2.8M; consisting of $6.1M unfavourable in Expenditures and $2.8M favourable in Revenues. There are many variables still at play that could cause this number to change. Other variables outside of the Board's control include fluctuations in the actual enrolment count reports being finalized for March, which can also pose a significant impact on planned revenues. The March enrolment figures for Elementary students are final and an increase in enrolment has been factored into the projected deficit. Secondary numbers are not available until the next scheduled report for May and have the potential to either increase or decrease the projected deficit.

At the present time, preliminary elementary enrolment numbers for the March count date indicate an increase of 116 pupils of the board, increased English as a Second Language (ESL) and increased French as a Second Language (FSL) enrolments. The effect of these enrolment increases is projected to generate an additional $2.8M in-year for 2015-16. The additional revenues and projected cost savings are projected to reduce the 2015-16 accumulated deficit from ($22.3M) to ($18.1M).

F. CONCLUDING STATEMENT

This report is for the consideration of the Board.