



REPORT TO

CORPORATE SERVICES, STRATEGIC PLANNING AND PROPERTY COMMITTEE

BUDGET REPORT: FINANCIAL PLANNING AND CONSULTATION REVIEW

“Dear children, let us not love with words or speech but with actions and in truth”

1 John 3:18

Created, Draft	First Tabling	Review
February 21, 2018	March 8, 2018	Click here to enter a date
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RECOMMENDATION 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

1. ***This report provides a framework to Trustees and the School Community for a proposed approach to developing the next budget.*** This report provides an overview on:
 - a) Preliminary discussion on financial planning approaches for the 2018-19 fiscal year and beyond,
 - b) Pre-identified fiscal risks in the 2018-19 school year, and
 - c) The community engagement process for the upcoming budget.
2. ***This is one in a series of reports that provides budgetary information for consultation and discussion, ending in an approval of next year's budget estimates.*** The information provided in this report is based on preliminary estimates at this point in time. The 2018-19 Grants for Student Needs (GSN) announcement from the Ministry of Education (EDU) is expected at the end of March 2018 and will likely have an impact on the 2018-19 fiscal year. The following reports are expected in the series, culminating in establishing an approved fiscal year budget:
 - a) Consensus Enrolment Projections Report (March 2018)
 - b) Preliminary Teaching Staffing Projection Report (March 2018)
 - c) Financial Planning and Consultation Review Report (March 2018)
 - d) GSN and Budget Update Report (April 2018)
 - e) Budget Estimates for Approval (June 2018)
 - f) Revised Budget Estimates for Approval (December 2018)

The cumulative staff time required to prepare this report was 20 hours

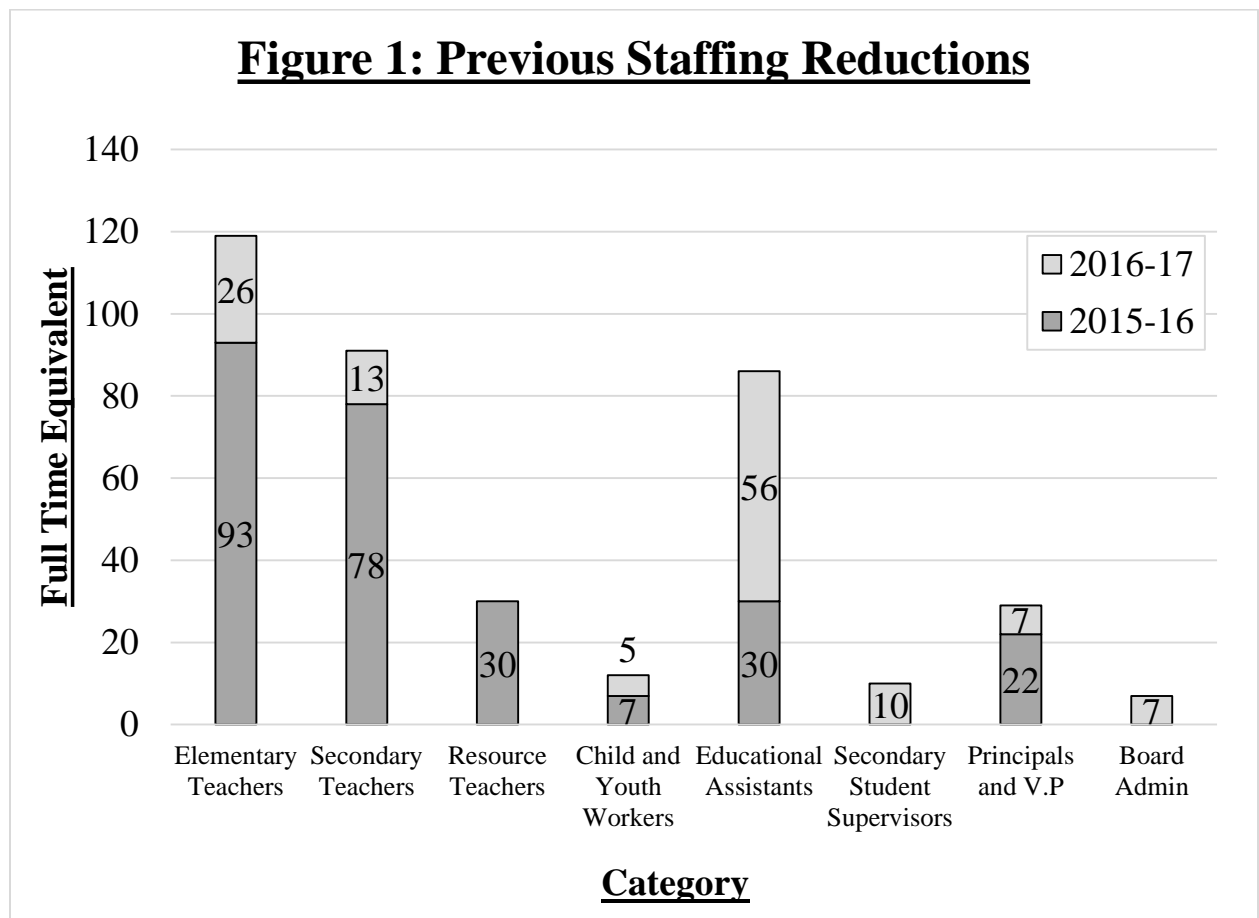
B. PURPOSE

1. ***This report introduces the 2018-19 budget process.*** This report seeks to inform Trustees and the School Community on the proposed financial planning framework for this year's budget process and also comments on future enhancements to the process. It provides an early indication of potential fiscal pressures that may arise within the development of the budget. Finally, it seeks Board approval of the Community Consultation plan.

C. BACKGROUND

1. ***Budget setting for a School Board is a legislated process, but has strategic importance.*** Under the Education Act (Section 232), the Board is required before the beginning of each fiscal year to prepare and adopt estimates of its revenues and expenses for the fiscal year and must submit this information to the Ministry by end of June each year. 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 the Board's students.
2. ***The Multi-Year Strategic Plan (MYSP) provides the overarching directions and principles that should drive the budget process.*** Students are always the Board's primary focus and are represented in all six strategic directions found within the MYSP. TCDSB is committed to offering programs and services, which challenge all students to achieve their personal best. TCDSB also strives to make efficient, effective, 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.
3. ***The previous few budget years have experienced significant fiscal constraints.*** The following list of fiscal challenges have exerted considerable influence on the Board's last few budget processes and have necessitated very difficult decisions regarding a wide array of program and staffing issues.
 - a) Changes to the GSN Model have resulted in reductions to TCDSB's operating funds in certain areas. The changes include the continued phase-in of changes to the School Foundation Grant, Differentiated Special Education Needs Amount (DSENA), Administration and Governance, School Operations and Declining Enrolment Adjustment grants.
 - b) These reductions along with pressures in the areas of Special Education, Transportation and Occasional Teachers led to the TCDSB being in a deficit position and engaging in a four-year Multi-Year Recovery Plan (MYRP) since 2015-16.
 - c) During the Provincial Bargaining Table contract extension discussions last year with various employee groups, the TCDSB was allocated \$9.5M to invest in system priorities. Up to \$7.5M of this was used to offset GSN reductions and planned MYRP expenditure reductions for the 2017-18 fiscal year.

- d) TCDSB has made reductions totalling \$44.7M over the past two years to balance its budget in-year. Figure 1 presents the reductions in staffing levels that was required to facilitate a sustainable budget going forward. It should be noted that not all reductions were isolated to staffing. This chart is provided for illustrative purposes only.



4. ***TCDSB has achieved its MYRP's objective, and is projecting an accumulated surplus at the end of this current fiscal year.*** The 2017-18 Revised Estimates project an in-year surplus of \$0.1M and a projected year-end accumulated surplus of \$25.0M. The projected accumulated surplus at the end of August 31, 2018 is based on the assumption that the TCDSB will receive the Administrative Services only (ASO) surplus funding of \$10.5M.
5. ***Strategic Investments.*** In the 2017-18 revised budget estimates the Board of Trustees approved the one-time Strategic Investments of \$7.9M from the Accumulated Surplus and an increase to the base budget of \$2.4M phased in future years.

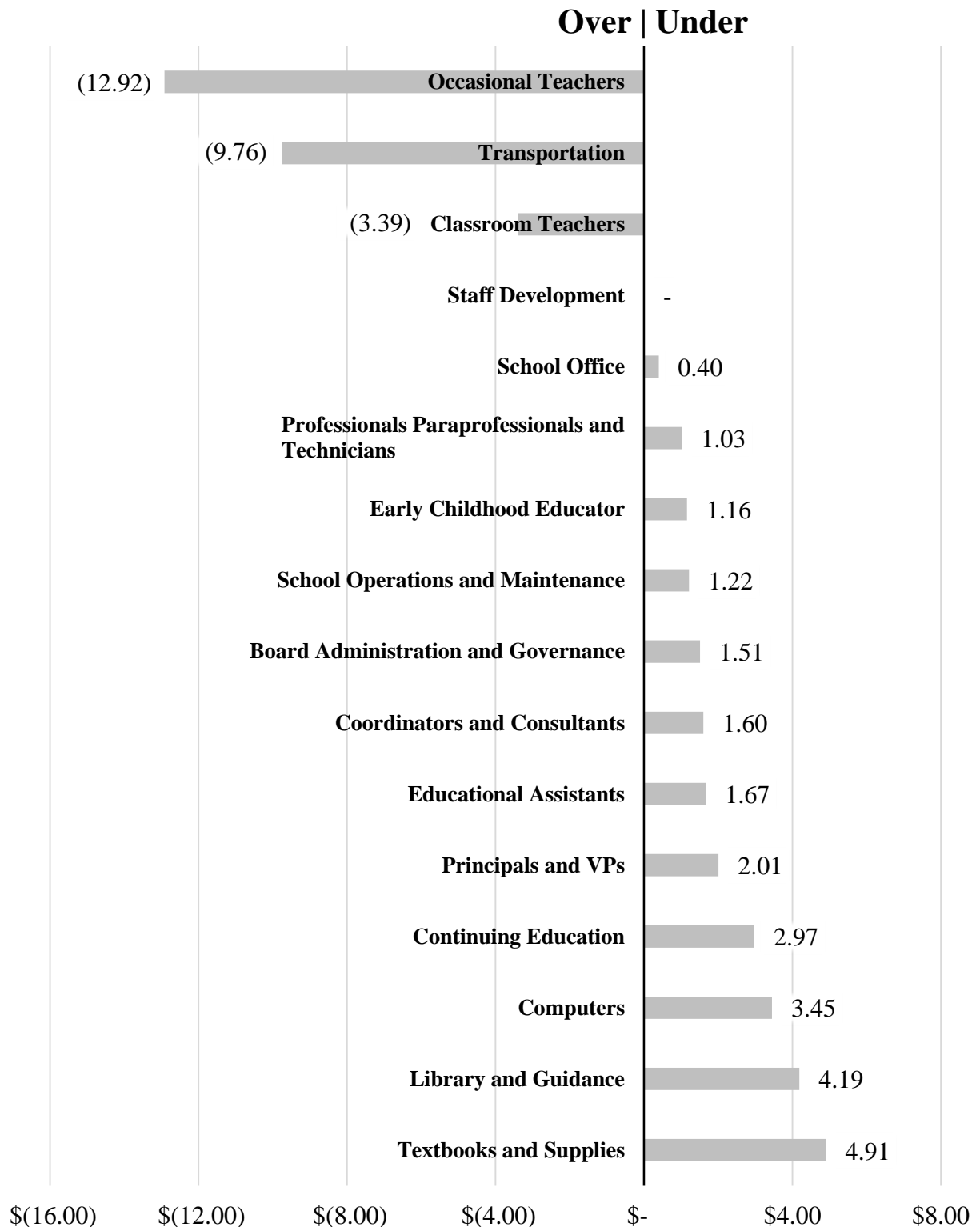
D. EVIDENCE/RESEARCH/ANALYSIS

1. This section is broken down further in to the following two sub sections:
 - a) Financial Planning Framework
 - b) Budget Risks and Uncertainties

FINANCIAL PLANNING FRAMEWORK

2. ***The internal budget process began in January.*** For the 2018-19 Budget year, TCDSB staff commenced its budget development process in January 2018 with the development of timelines and preliminary projection assumptions. A summary of the 2018-19 Budget process and timelines is provided in the report.
3. ***The budget is the Board's fiscal plan that supports the delivery of educational programs and services.*** The fiscal plan should be driven in large part by the Board's MYSP. It also provides the authority for administration to spend funds on a variety of programs and services. It is important that the budget be developed in a thoughtful manner and that the decisions respecting the expenditure of funds carefully weigh the impacts and benefit to stakeholders across the near and long-term horizons.
4. ***The Board's historic budget decisions have led to the current mix of under and over spending that define the Board's current service levels.*** The Board continues to monitor its programs and staffing allocations to ensure that it is providing services to its students while complying with Ministry requirements and pursuing the system priority of student achievement. Figure 2 provides the current areas in which the Board has chosen to under and over spend in order to provide student achievement and wellness goals while maintaining a balanced budget. As an example, the Board has over spent in Transportation and under spent in Board Administration and Governance.
5. ***The budget process is the opportunity to revisit whether this mix of service levels is the most optimal.*** The current mix of programs and services strives to achieve the MYSP goals and objectives and most importantly, maximize student achievement and well-being.

Figure 2: TCDSB 2017-18 Under and Over Spending by Expense Category (\$ in Millions)



6. ***The current year's financial planning begins with understanding projected student enrolment and staffing.*** The projected student enrolment and staffing projection reports align with each other and will be submitted for approval in March. Once these levels are determined, TCDSB programs and services will continue to be reviewed for equitable, effective and efficient measures to improve delivery of services to all students. Figures 3, 4 and 5 provide very early estimates of revenue/expense, student enrolment and accumulated surplus/deficit for 2018-19 along with historical comparisons. These estimates will change as better data is obtained related to student enrolment, staffing projections, GSN formula changes and more information becomes available regarding other identified risks. These early estimates show a balanced budget based on a static year over year budget and a growing student enrolment, however as stated earlier many factors still need to be considered before arriving at a preliminary budget for consideration by the Board.

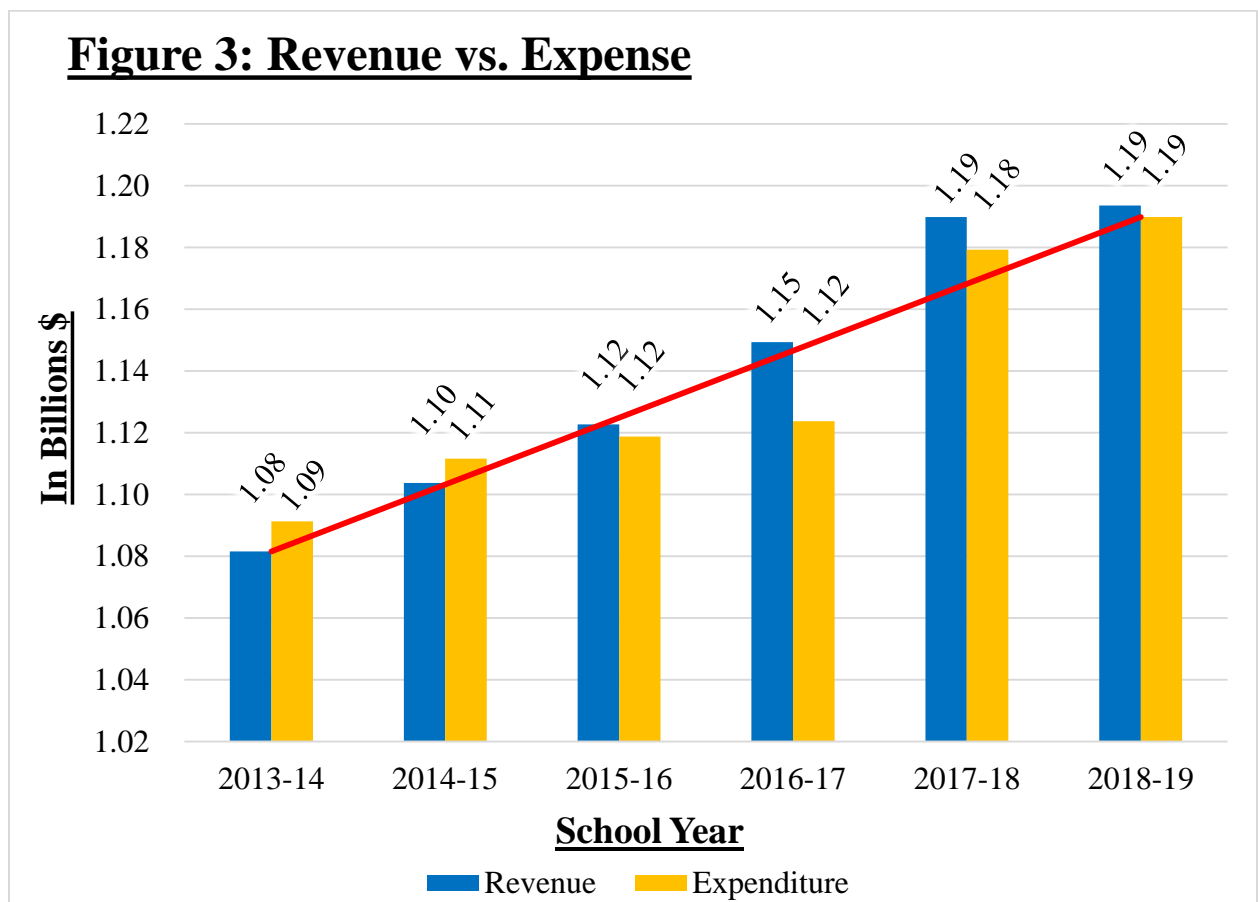


Figure 4: Total Average Daily Enrolment

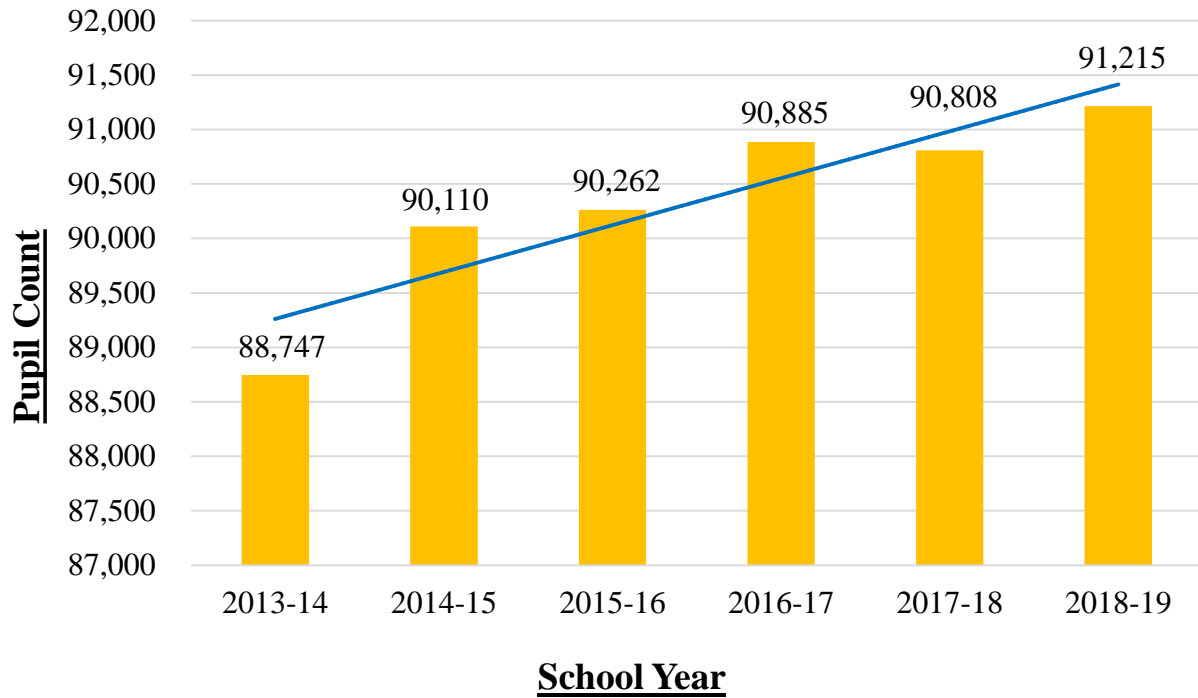
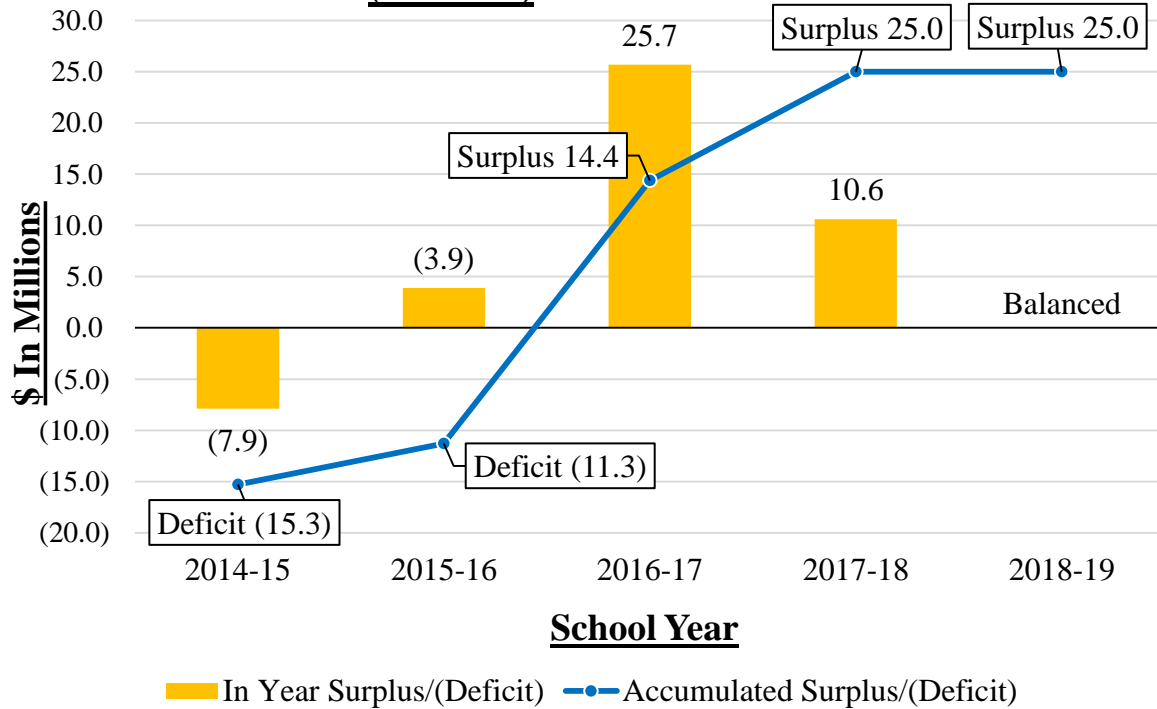


Figure 5: In-Year Accumulated Surpluses / (Deficits)



7. ***Some new elements will be added to the 2018-19 budget process.*** As a part of continuous improvement, staff have identified a few areas of concentration for the presentation and content of this year's budget submission. These elements are listed below.
- a. ***Preliminary linking of budget to MYSP.*** The MYSP provides direction to align operating and capital budgets to the MYSP. This budget process will begin the preliminary work of creating high-level linkages to illustrate to the School Community how the budget delivers on the MYSP.
 - b. ***Preliminary improvements on the presentation of the budget.*** A budget can be viewed as a major communication tool between the Board, the School Community, staff at all levels and the public at large. Staff will begin work on moving towards a "Budget Book" format that will act as a communication tool and provide context for meaningful debate on the allocation of resources.
 - c. ***Provide fiscal risk management and accumulated deficit/surplus strategies.*** Outside of quarterly financial reporting to the Board to monitor the progress of the budget, the initial budget should include consideration towards treatment of surpluses and deficits. Appropriate contingencies should be established as well as recommendations on reserving for or investing in one-time service enhancements resulting from accumulated surpluses.
8. ***Additional improvements will be planned for the 2019-20 budget process and beyond.*** In an effort to plan in advance and work within staffing capacity constraints, some improvements will be planned and implemented in the following budget process and may include:
- a. ***Further linkage of MYSP with budgeting process.*** Staff would strive to bring the linkages to a more detailed level. This would also include linkage to ecological justice principles per the MYSP as well as equity/diversity initiatives.
 - b. ***Move to full Budget Book format.*** This would move the budget presentation to a streamlined and fully communicative format to help with School Community engagement and understanding of the budget figures.

- c. ***Consolidation of the Operating and Capital budget processes.*** Operating and Capital budgets are inherently related. Providing one streamlined process for both is common in several other School Boards and the Public Sector at large. It will also help consolidate the School Community engagement.
- d. ***Calendarization of budgets.*** This means approving budgets on an annual basis, but also determining the month-to-month forecast of the annual budget. This will help analyse with higher accuracy the Board's performance against its budget during the year.

BUDGET RISKS & UNCERTAINTIES:

- 9. ***Certain fiscal risks will unfold over the proceeding couple of months that will impact the budget process.*** These will need to be monitored closely as budget development progresses. Staff will report on these risks as part of the Preliminary and Budget Estimate presentations. Depending on the magnitude of the impacts, the Board may be faced with service level reduction decisions later in the process. A list of these risks ranked by likelihood and impact is provided below.

- a) ***Legal Challenges to Collective Agreements have created cost pressures.*** The number of Special Education Teachers in the Elementary panel have a prescribed staffing to student ratio as prescribed by the collective agreement, and recent legal challenges have resulted in the requirement to deploy additional teachers in this capacity. The essence of the legal challenge more narrowly defines the types of elementary special education teachers to be counted as part of the staffing ratio as defined in Appendix G of the Elementary Teachers Collective Agreement.
- b) ***As Bill 148 is implemented, several new cost pressures may arise.*** The Fair Work Places & Better Jobs Act passed on November 22nd, 2017 and will result in an increased cost for Parental Leave Entitlements, Critical Illness Leaves, General Minimum wage increases. In addition, Equal Pay for Equal Work and paid Vacation Entitlements may also increase costs for TCDSB. An internal staff team has been created to determine the Board's legal position and potential cost impacts leading in to the 2018-19 budget process. Not only direct payroll costs are impacted but also secondary costs associated with vendors i.e. Transportation Services.

- c) ***Occasional Teacher Costs continue to rise.*** For the current 2017-18 fiscal year, Occasional Teacher costs are trending close to budget at this point in time. The risk is that these costs could increase this year assuming a full Occasional Teacher roster, and/or staff absenteeism rates continue to increase.
- d) ***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 cost pressure in this area. The current trend is that utility costs are trending at 15% on average over 5 years well above the EDU funded increase for inflationary costs of 2%.
- e) ***Benefit Trusts producing higher costs than expected.*** The amount budgeted for group benefits are based on estimations and the information provided by the Ministry of Education (EDU). As the various employee groups such as Other Non-Union employee's, Principals and Vice-Principals move to their respective Benefit Trusts, the remaining employee groups waiting to transition may experience higher premiums due to the reduced number of employees remaining in the Group Benefits Pool. This could increase benefit costs for TCDSB.
- f) ***Accumulated Surplus may be lower than expected.*** TCDSB has historically provided group benefits, i.e. Health & Dental, in a self-funded manner also known as an Administrative Services Only (ASO) self-insurance arrangement. This fund has accumulated a surplus in excess of costs incurred to the present date. To date, staff have identified \$10.5M that can be used from the projected ASO benefit surplus (subject to Ministry approval) expected in Fiscal 2017-18 or Fiscal 2018-19.
- g) ***Enrolment projections to actuals could be lesser than expected.*** Any variances to planned consensus enrolment projections may impact final calculated GSN revenues.
- h) ***Capital project risks may materialize.*** Capital projects that are higher than the provincial benchmark will result in deficits for the project that will not be funded by the EDU's Capital program. These shortfalls would need to be covered through the operating budget, which could result in shortfalls in the operating budget. Staff monitor these capital projects closely to ensure this risk is highly mitigated.

E. IMPLEMENTATION, STRATEGIC COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT PLAN

1. ***This year's budget process will include a comprehensive community consultation component.*** Based on the information being considered for the 2018-2019 Budget, the community engagement will be conducted at the level of “**Consult**” – which has a higher involvement ranking than the usual “Inform” level. The consultation level normally alternates between the “Inform” and “Consult” levels. The “**Consult**” level as defined in the policy is:

“To obtain input from community members and the general public on proposed Board directions and decisions.”

The policy also states that:

“TCDSB Staff and Trustees will invite community members with diverse perspectives to participate and will listen and seek to understand all concerns.”

While also ensuring that:

Community members and the public will participate and provide input.

The continuum comprises six increasing levels of engagement that may be sought with community members: Inform, Consult, Involve, Collaborate, Consensus, and Empower.

2. ***Consultation is in accordance with policy.*** The consultation plan is in compliance with Community Engagement Policy T.07, and reflects the desire expressed by Trustees to ensure that the communications and community engagement process involve all TCDSB community stakeholders.
3. ***Trustees to receive community feedback for consideration in budget setting.*** Input and feedback received during this process will be presented at the May 10, 2018 Corporate Services Committee meeting to inform Trustees as they finalize the budget for the 2018-2019 fiscal year for submission to the Ministry of Education by the June 30, 2018 deadline.

4. ***Consultations are rooted in inclusivity.*** To optimize stakeholder input, the parameters for public consultation and communication is guided by these key factors:

- a) A section of the TCDSB web site will be transformed to a “mini-website” dedicated informing the community about the 2018-2019 Budget consultation including: A Frequently Asked Questions (FAQs) information sheet and an online budget feedback tool used in previous consultations for the MYRP, and 2017-2018 budget process.
- b) To facilitate the need to be as inclusive as possible by overcoming language access barriers, a customized TRANSLATE tool has been developed to take advantage of GOOGLE Translator so that it can assist TCDSB stakeholders to access all budget information on the budget website in the language of their choice.
- c) Enhance face-to-face opportunities by aligning consultation process with dates for pre-scheduled Standing Board/Committee meetings (see Appendix A), parent engagement committees (CPIC, OAPCE-Toronto), Board advisory committees (e.g. SEAC), and Student leadership meetings (ESCLIT, CSLIT).

5. ***Several channels of engagement will be used to reach a wide group of participants.*** The Communications Plan will also be aligned to support budget engagement process through:

- Director’s Bulletin Board
- Weekly Wrap Up, web (TCDSB’s external and internal portal)
- Social media (i.e. Twitter)
- E-newsletters and traditional school newsletters.
- Collaboration with the Archdiocese to publish information for inclusion in individual parish bulletins and parish web site links

The following stakeholders are intended to be participate:

- Parents/Guardians
- Student Leaders (CSLIT and ECSLIT)
- Community Leaders and Members (CSPCs, CPIC, OAPCE-Toronto etc.)
- All Employees and employee groups (Teachers/Support Staff including the federations TECT, CUPE and TSU)
- Special Education Advisory Committee (SEAC)

- Principals/Vice Principals
 - Parishioners and Catholic Stakeholders (via Archdiocese)
 - General Public (via PSAs, Community newspaper calendars, Twitter, TCDSB website)
6. The public consultation process includes many opportunities. Please refer to Appendix A for a more detailed view of the 2018-19 consultation process and activities.

F. STAFF RECOMMENDATION

1. That the Financial Planning Framework and Community Consultation plan as described in this report for the 2018-19 Budget be approved; and
2. That staff present the finalized Budget estimates for 2018-19, which will be reflective of the Community Consultations and feedback received at various Committee meetings throughout the spring, to the Board of Trustees at the Corporate Services Committee meeting scheduled for June 6th, 2018.