

**Toronto District School Board
Fiscal Context
Budget Consultation - 2009-2010**

May 11, 2009



Economic Factors Impacting TDSB

Financial Model Cannot be Sustained

- Day school enrolment continues to decline over the next decade by about 20,000 students.
- Cumulative decline from 2002 to 2020 estimated to be 50,500 or 18.5%.
- Increasing under utilization of schools. Number of schools virtually unchanged.
- No meaningful decrease in fixed costs over the past 4 years while Board has approved cost increases to support student program initiatives.
- Significant Capital funds have been provided to carry out critical renewal. There still remains a significant backlog of major maintenance. There are too many schools to maintain with a shrinking grant base and limited Board resources.

Economic Factors Impacting TDSB - continued

Financial Model Cannot be Sustained

- Board has used the Facility Renewal Grant to support building maintenance while Renewal requirements have been funded through GPL.
- With Ministry's expected end of new GPL funding, major renewal work will end, unless property sales are used to carry out major renewal.
- Operating costs (\$6M) for annual classroom computer renewal (7 year cycle) funded from capital – NOT operating as it should.
- Energy conservation program costs funded from capital account – savings used to reduce the Board's revenue shortfall. Result is that property sales needed to fund conservation program costs.

Enrolment Reality

Day School:

- School age student enrolment decrease (2009 to 2020) = 2,000 fte average per year;
- Next ten year decrease = 20,000 fte;
- Cumulative since 2002 to 2020
 - Elementary 26,300 (15%)
 - Secondary 24,200 (26%)
 - 50,500 (18%)
- Capacity Utilization:

	<u>2001-02</u>	<u>2007-08</u>	<u>2020</u>
→ Elementary =	83.6%	80.0%	77%
→ Secondary =	84.9%	77.3%	63%

Moving Toward a More Appropriate Financial Model

- Better Schools Brighter Futures (GAPP) will serve as the basis for:
 - Revitalization of programs for student achievement – more program options, improved learning environments; and
 - An accelerated pace of school consolidation.
- Reduction in facilities and expanding community use of schools will:
 - Create flexibility to re-direct resources to the Student Achievement agenda;
 - Expand the use of schools by community groups and through partnerships with external agencies to promote use of excess capacity in order to reduce unfunded operating costs;
 - Contribute to Board's ability to balance its operating budget;
 - Reduce the facility maintenance and major renewal requirements; and
 - Enable current and future classroom technology to be funded from operations and not property sales;
 - Enable viable energy conservation projects to be funded by savings generated.
- Toronto Lands Corporation (subsidiary of TDSB) will facilitate and contribute to the significant system capital funding requirements. They will be the source of expertise to assist the Board in maximizing the value of real estate opportunities.

Economic Outlook: Assumptions

REVENUES:

- Grant Impact of Enrolment Decline;
- Provincial grants to reflect cost of wage increases and staff changes arising from PDT agreements;
- Other grant changes not likely for 2009-10; and
- Impacts of the Ministry of Education Work Group on Declining Enrolment.

EXPENDITURES:

- Assume no NET cost to implementing labor Agreements;
- General Inflation factor – 1% per year for next 3 years for non-salary;
- Utility cost increases – held constant for next 3 years;
- Transportation fuel escalation;
- Benefit Plans cost increases;
- Property maintenance costs; and
- Pay Equity Issues – TBD.

Preliminary Forecast of Budget Gap For 2009-10

	09 - 10	10 - 11	11 - 12
• Preliminary Forecast for 2009-10			
• Preliminary Shortfall	\$ <u>10.0</u> M	<u>10.0</u> M	<u>11.0</u> M
Cost Pressures (offsets) for 2009 - 10:			
Employee Benefits	\$ 5.8 M	4.0 M	4.0 M
General Inflation for Non-salary 2% (\$200M)	5.0 M	5.0 M	5.0 M
Interest Income Reduction (Increase)	0.4 M	(0.5) M	(0.5) M
Reinstate Maintenance	40.0 M	40.0 M	40.0 M
Other Cost Pressures	2.5 M	-	-
Pool Closures Phase 2	(3.0) M	-	-
PDT Offset	(3.6) M	-	-
Cost of Restructuring	1.5 M	-	-
Total	<u>48.6</u> M	<u>48.5</u> M	<u>48.5</u> M
Sub-Total	58.6 M	58.5 M	59.5 M
Continue to defer operating maintenance to renewal	(35.0) M	(25.0) M	(20.0) M
Preliminary Shortfall (To be updated)	23.6 M	33.5 M	39.5 M
Preliminary Impact of GSN	<u>15.7</u> M	<u>3.6</u> M	<u>5.2</u> M
Revised Preliminary Shortfall	<u>\$39.3</u> M	<u>\$37.1</u> M	<u>\$44.7</u> M

Financial Forecast 2009-10

Possible Risk Factors

- Utility Pricing – what pricing will the Board be able to obtain for natural gas for 2009-10;
- Pay Equity – the Board continues to negotiate several pay equity issues with union employee groups;
- Allocation of Maintenance to Renewal (**\$40M**) – the ability to maintain the transfer of maintenance projects to renewal is dependent on Capital Funding continuing;
- Classroom Computers and Networking – the funding of classroom technology (**\$6M**) through the Capital fund is not a sustainable option;
- Benefit Costs – inflationary impact on benefit costs to the Board in future years; and
- Accessibility for Ontarians with Disabilities Act – this act will require changes to our facilities, the cost and funding of which is unknown at this time. Likely to impact 2010-11.

Preliminary Analysis of 2009-2010 GSN Impact

This multi-year analysis assumes that 100% of the revenue loss is equally offset by in-year expenditure reductions

Grant	Comments	2009-2010 Grant Increase / (Decrease)	2010-2011 Grant Increase / (Decrease)	2011-2012 Grant Increase / (Decrease)	Notes	
Community Use of Schools	Increase in benchmark for Utilities	\$ 65,000	\$ -	\$ -	We are assuming that we can maintain costs at the 08-09 level. Therefore this grant should offset some of the lost revenue.	
School Operations	Utilities benchmark increase	1,800,000	-	-		
Textbooks	Reduction in Textbook benchmark in Foundation Grant	(3,129,582)	-	-	We will have to reduce school or central budgets to offset. The reduction is a permanent one according to the Ministry staff.	
Professional Development from:			-	-		
a) Foundation Grant	Reduction in benchmark for only 09-10	(2,691,480)	2,691,480		The total "PD" grant cut is \$8.5M. PD will need to be examined to determine how much we can reduce. Foundation grant is a one year reduction only.	
b) Special Education	Reduction in SEPPA benchmark of 0.78%	(1,036,000)	-	-		
c) LOG Grant	Reduction in Demographic component of 3.8%	(4,800,000)	-	-		
Classroom Computers	Reduction in Foundation benchmark for two years	(3,133,600)	-	3,133,600	This is a problem as we fund computers from capital. To avoid increasing our shortfall, we will have to reduce other technology expenses.	
Transportation	1% annual reduction in grant allocation for routing reduction	(485,004)	-	-	This is a result of the fact that we have not yet set up the transportation as a "consortia" with the Catholic Board. This will be eliminated once we have a Ministry of Education defined consortia and a "high" efficiency rating.	
	Reduction of 50% of stabilization of Declining enrolment	-	(305,435)	(266,244)		The ministry has taken away the stable funding for transportation. It will now be subject to declining enrolment impacts.
	Increase for fuel and inflation escalation Reversal of allocation of fuel and inflation escalation	960,307 (960,307)	944,656 (944,656)	929,938 (929,938)		
Declining Enrolment	Reduction to third year amount	(1,344,126)	(827,738)	(1,508,363)	This reflects the changes in the grant formula compared to our calculations done for the same period forecast. The main difference is the reduction of the "third" year subsidy from 25% to 5%	
Special Education-High Needs	Special Education Funding for 5% of 08-09's high needs grant to be calculated based on new parameters for 09-10.	(942,444)	-	-	The impact of the funding change is \$942,444. Details will be provided shortly.	
Board Administration	\$8.7M reduction province wide		(934,428)	-	This is the board's portion of the provincial reduction.	
Top-Up Grant Operating	Reduction of percentage to 18% in 10-11 & 15% in 11-12		(3,739,639)	(5,886,687)	The Ministry of Education is reducing top-up funding of schools from 20% to 15%. In making this change the Ministry of Education is assuming that Boards will reduce their unfunded capacity (school closures).	
Top-Up Grant Renewal	Reduction of percentage to 18% in 10-11 & 15% in 11-12		(450,907)	(709,967)		
Total Revenue Loss (numbers are not cumulative, but in-year loss to revenue)		(15,697,236)	(3,566,667)	(5,237,661)		
Previously Reported Shortfall	TO BE AMENDED	(23,600,000)	(33,500,000)	(39,500,000)		
Revised Revenue Shortfall		\$ (39,297,236)	\$ (37,066,667)	\$ (44,737,661)		

Draft Reduction Plan

Revised Preliminary Shortfall			(\$39.3)	M
Possible Changes in Assumptions				
	• Employee Benefits - Improved Experience Anticipated	\$3.0	M	
	• Reduce general inflation to 1% plus provisions for Transportation	2.3	M	
	• Student Data System - Now funded	1.2	M	6.5 M
School Staff Reductions Approved by Board			8.9	M
Revised Shortfall			(\$23.9)	M
Proposed Reductions Being Considered by Staff:				
	• Professional Development			3.7 M
	• School Budgets			3.0 M
	• Central Program School Services (original plan)			2.4 M
	• Central Board Administration (Staffing of about 30 FTE)			2.0 M
	• Continuing Education Operations			2.2 M
	• Central Departmental Discretionary Reductions			5.0 M
	• Energy Savings			0.5 M
	• Operating Efficiencies			0.5 M
	• Trustee Services			0.2 M
	• Preliminary Projected 2008-09 Surplus			3.0 M
	• Other - to be determined`			1.4 M
Projected Position			NIL	M
Potential of Other Variables:				
1.	Final 2008-09 Surplus			TBD
2.	Impact of some pools remaining open			TBD
3.	Possible Grants to be used to offset reductions in GSN (one time only)			TBD
4.	Reduced utility costs depending on market conditions			TBD
5.	Potential revenue generation (school closures, enrolment growth)			TBD

Description of the Proposed Expenditure Reductions

- **Professional Development (PD)** – This is a preliminary target. The Ministry of education reduced grants to the Board under the caption of PD amounting to \$8.5M. The amounts taken from the LOG grant of \$4.8M do not represent costs the Board incurred. Therefore, we set the target at \$3.7M. In 2007-08 the amount of PD expenses identified was \$9.4M. The expected spending in 2008-09 will be at least at the 07-08 level. Based on the analysis, about \$4.9M in 2007-08 was spent from Ministry funded initiatives (EPO Grants). A further \$1.0M was spent in support of Literacy and Numeracy. \$3.7M

Staff are examining what reduction may be possible and the related impacts.

- **School Budgets (5% Reduction)** – The Ministry reduced the allocation for textbooks for 2009-10 by \$3.1M. This represents a significant reduction. The schools are allocated by formula about \$60M annually. The formula is based on various factors and enrolment is used to generate the school's allocation. In addition, there are a number of grants and EPO's that are used, in part, to support local school initiatives. In 2007-08 total additional funds transferred to schools was about \$11 million. This has been a pattern for the past several years. These additional allocations are expected to continue into the future. Staff believe that schools can adjust to the reduced allocation. \$3.0M
- **Central Program School Services** – Staff have re-aligned areas in order to reduce staff and their related expenses. The staff have been reassigned to school duties. The number of staff involved are 22.5 FTE and discretionary expenditure reduction amount to about \$0.4 million. \$2.4M

Description of the Proposed Expenditure Reductions

- **Central Board Administration (Staffing of about 30 FTE)** – Staff will be identifying at least 30 positions that can be reduced permanently. Many of the positions have become vacant during 2008-09 and will not be replaced. Departments will realign the workload allocation to manage with less support. Details of the final reduction will be presented with the detailed budget in early June. \$2.0M
- **Continuing Education Operations** – Staff are in the process of reviewing all Continuing Education operations to identify opportunities to reduce costs. The net cost after grants and revenue amounts to \$5.1M. This net cost includes about \$2.2M of facility charges for the use of space in the delivery of all Continuing Education programs. Although there was an additional grant allocation in 2008-09 it was not enough to eliminate the net costs. Staff are examining all programs with emphasis on the administration and supervision of the various Con. Ed. Programs. Also, program delivery is being examined to identify any efficiencies that may be possible to achieve at least \$2.2M reduction. \$2.2M
- **Central Department Discretionary** – Staff have assigned non-salary target reductions to all departments. The departments involved are all central ones from School Services Program areas to the operating departments of Facility Services, Legal, Employee Services, Business Services, Communications and Information Technology. This has been a target of annual reduction for a number of years. Each reduction means somewhat reduced level of service. The Departments will identify the impacts of the reductions agreed to and will be included as part of the Board's detailed budget in early June, 2009. \$5.0M

Description of the Proposed Expenditure Reductions

- **Trustee Services** – Staff are considering the reduction of Trustee expense allocation from \$30,000 each/year to \$20,000 each/year. \$0.2M
- **Preliminary Projected 2008-09 Surplus** – Staff are currently projecting a small surplus for 2008-09 fiscal year of \$3.0M. This surplus would be carried forward and used to support the funding for 2009-10. \$3.0M
- **Energy Savings** – Facility Services staff have a number of energy conservation projects started in 2007-08 and 2008-09 and are expected to be completed during the 2008-09. Savings from these projects are forecasted to generate at least \$0.5 million in savings in 2009-10 which will be used to reduce the total utility costs of the Board. \$0.5M
- **Operating Efficiencies** – Staff are exploring cost savings to achieve cost reductions or revenue generating opportunities of \$0.5 million. Further details will be made available in June, 2009 when the detailed Board budget is presented. \$0.5M
- **Other** – To be determined – Staff are in the process of developing the detailed budget of the Board for 2009-10. We will be seeking further reductions in expenditure categories as we proceed toward finalizing all areas of revenue and expenditures. \$1.4M

TOTAL

\$23.9M

Description of the Proposed Expenditure Reductions

- In addition to the above, the Board approved in March, 2009 “New Fiscal Direction” containing over 35 recommendations to seek new revenue opportunities and realign certain operations.
- **Any school closures** may result in further operational savings such as Timothy Eaton. TBD
- **Impact of some pools remaining open in 2009-10** – The preliminary forecasted deficit does not have any costs for the Board operated 39 pools nor any provision for aquatic programs for pupils except for Special Education. TBD

Possible Realignment

Operating Costs

- Consider a strategic realignment of resources (staffing) to support expansion or new critical initiatives needed to serve our most vulnerable students and schools;
- Identify and pursue student services that may be accessed through municipal and community agencies such as community liaison workers. This requires the establishment of formal partnerships with external agencies;
- Implement the Board decision to decommission school pools effective June 30, 2009 if permanent funding is not secured; and
- Other options will be developed during the Budget Planning process.

Capital

Disposition of properties and increased revenue from leases through the Toronto Land Corporation could be a major opportunity to support capital expenditures:

- New or deeply retrofitted schools;
- Equipment and space for improved secondary programs; and
- Strategic IT infrastructure investments.

Key Dates on Budget and Community Consultation

- March 11, 2009 – Board approved recommendations for 2009-10 school based staffing;
- Week of May 11th for Regional Community Budget Consultations;
- May 20, 2009 – AFA Committee meeting to review expenditure reduction/revenue improvement recommendations to achieve a balanced budget;
- Other meetings as required to consider community feed back and review of staff recommended revenue/expenditure changes;
- June 17, 2009 – Review and final recommendations to the Board of the 2009-10 Budget; and
- June 24, 2009
 - Approval of the Final Budget for 2009-10;
 - Submission of the Ministry Estimates for 2009-10.

Facilities and Capital Funding



Facility Costs

- The budget reduction strategy in the last two years included a reduction of the *operating budget* for maintenance of \$40M, which was offset through the utilization of the Good Places to Learn grant to address facility renewal requirements;
- GPL is a 4 year major capital renewal program announced by the province to address the growing backlog of school facility issues across the province;
- In the first three phases of the program, TDSB received \$371 M. The 2008-09 GPL grant is expected to provide a further \$48M. This funding has made a significant difference;
- The Ministry has indicated that no further GPL funding will be provided for 2009-10;
- As noted earlier, this will create a risk for 2009-10 in the Board's ability to sustain the \$40M operating transfer to Renewal;
- One source of possible offset could be to use the Board's own capital funds to be generated through the work of the TLC; and
- Ministry has recently announced a significant capital grant for energy conservation of \$54 million over the next 2 years. Details to follow.

Capital Program Forecast of Approved Project Costs to August 31, 2013

Description	(Millions)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Opening Balance - Interim Borrowing	\$ 53.9	\$ 71.3	\$ 83.8	\$ 60.6	\$ 23.9
North Toronto	21.0	27.1	-	-	-
School Facilities Revitalization Master Plan II & III	18.0	13.1	8.5	-	-
Renewal Projects & Debenture & Others	17.9	3.3	-	-	-
Classroom Computers & Technology Networking	6.0	6.0	-	-	-
Energy Conservation Phase VI	7.4	4.6	4.3	-	-
Current Year Capital Costs	70.3	54.1	12.8	-	-
Total Capital Costs prior to Interest Charges	124.2	125.4	96.6	60.6	23.9
Interest Costs (Note 2)	2.7	3.4	4.0	3.3	1.7
Net Capital Costs to be financed	126.9	128.8	100.6	63.9	25.6
Less: Approved for Disposition by TLC (Note 1)	(36.4)	(25.0)	-	-	-
Proceeds of Disposition - North Toronto	(19.2)	-	-	-	-
Properties to be approved by TDSB for Sale (total \$125M)	-	(20.0)	(40.0)	(40.0)	(25.0)
Closing Balance - Interim Borrowing	\$ 71.3	\$ 83.8	\$ 60.6	\$ 23.9	\$ 0.6

Note 1: The timing of future property sales could be well extended beyond 2010-2011. The properties included will need School Board approval and then scheduled for marketing by Toronto Lands Corporation in a way that would provide optimal proceeds. In the interim, interest costs will be accrued.

Note 2: Interest rates used are as follows: **08-09** 2.35% **09-10** 2.85% **10-11** 3.65% **11-12** 4.05% **12-13** 4.55%.

Capital Program Financing Options for Existing Interim Borrowing

- Board must address, in concert with the Ministry, the funding of the existing capital deficit before any new projects can proceed.
- Ministry is firm about projects not proceeding unless financing has been determined. This affects all future projects.
- The Board may need to consider some reduction in planned spending in 2009 and 2010 to lower the projected interim borrowing. Staff will be examining options.
- Staff will be examining financing options in concert with TLC and Ministry staff.

Future Directions

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Future Funding Direction

Short and Long Term

- Consider implementation plan for new revenue generating proposals (from the “New Fiscal Directions”). Continue to pursue operating and capital efficiencies;
- Fair and equitable share of provincial funding revenue for all students – active participants in Funding Model Review;
- Explore the option of reinstatement of local levy for capital purposes;
- Potential increased enrolment revenue through implementing Better Schools Brighter Futures;
- Realizing maximum value on property sales and capitalizing on property/developer opportunities through TLC;
- Positioning, where possible, new school funding from the Ministry; and
- Cooperative opportunities with other school boards to combine certain administrative services.

2009–2010 Budget Development Plan

Note: Ad Hoc Budget Review Committee will be meeting during this time frame and providing input as appropriate.

September	AFA	<ul style="list-style-type: none"> • Consideration of Budget strategy and process
November	Trustee seminar	<ul style="list-style-type: none"> • Presentation of Environmental Scan • Financial Forecast • Discussion of Next Steps
January 28	AFA	<ul style="list-style-type: none"> • Revised Projection for 08-09 based on Revised Estimate • System Enrolment Projections • Updated Budget Projections 2009 - 10
February 18	Trustee Seminar	<ul style="list-style-type: none"> • Information on Staffing and options being considered • Discussion of Trustee Priorities and potential impacts on budget planning for 09-10 (assuming they have been established)
March 4	AFA	<ul style="list-style-type: none"> • Budget Planning Discussions on expenditure reduction/program re-alignment options to achieve a balanced budget • Determination of public consultation process • Opportunity for Budget Delegations
Mach 5	Trustee Meeting of Planning & Priorities	<ul style="list-style-type: none"> • Review of Staffing recommendations • Budget Reduction Options

2009–2010 Budget Development Plan - Continued

March 11	Board	<ul style="list-style-type: none"> • Approval of School Staffing recommendation • Review of GSN announcement and implications (or Trustee briefing)
April 14	AFA	<ul style="list-style-type: none"> • Revised budget forecast for 09-10 based on GSN announcement • Discussion of 09-10 budget issues • Review of 08-09 financial position based on 2nd quarter projection • Consideration of input received from public consultation
Week of May 11	Public Meetings	<ul style="list-style-type: none"> • Public Consultation Sessions
May 20	AFA	<ul style="list-style-type: none"> • Budget Planning Discussions continue • Consideration of public input • Review and consideration of expenditure reduction plan
June	AFA	<ul style="list-style-type: none"> • Review and Approval of Final Budget for 09-10
June	Board	<ul style="list-style-type: none"> • Approval of Final Budget for 09-10 • Submission of Ministry Estimates 09-10