



Three Year Financial Projection

To: Special Finance, Budget and Enrolment Committee

Date: 12 March, 2020

Report No.: 03-20-3856

Strategic Directions

- Allocate Human and Financial Resources Strategically to Support Student Needs

Recommendation

It is recommended that the Three Year Financial Projection be received.

Context

The annual operating budget for the Toronto District School Board (TDSB) is \$3.4B. Approximately 86% of the operating budget is associated with staff costs, with 65% of the operating budget associated specifically with school-based staffing. The TDSB is committed to using these resources as responsibly and effectively as possible. However, the funding provided by the government does not fully meet the needs of students in Toronto. This has resulted in significant funding gaps in areas such as Teacher costs, Special Education and Supply Staff. In order to address these funding gaps, and ensure that the needs of our students are met as much as possible given the limited resources we receive, the TDSB is required to find savings in other areas of the Board to balance the budget every year. A full listing of these gaps as reported in Financial Facts and can be found in Appendix A.

In June 2019, the Board passed a balanced budget, with total reductions of \$67.8M over two years (2019-20 and 2020-21). The first year had reductions totalling \$46.8M, with \$21.0M of additional reductions planned for 2020-21.

The original 2020-21 budget projections were developed several months ago and there have been a number of changes in the TDSB's operations that have had an impact on these original projections. The changes fall into the following categories:

- 1) Changes in revenues and costs arising from 2019-20 operations to date
- 2) Amendments to the year 2 budget savings targets
- 3) Additional pressures anticipated for the 2020-21 school year

Changes Related to 2019-20 Operations:

In the 2019-20 first quarter report, the following items were identified as additional pressures on the TDSB's operating budget. These costs are of a permanent nature and will therefore also impact the 2020-21 school year operations.

Item	Amount	Description
GSN Transportation	(\$1.3) M	Increase in funding for transportation in the GSN
GSN Continuing Education Grant	(\$3.0) M	Funding to support instructors wages
Insurance Premiums	\$5.0 M	Increase property insurance for Jan. to Aug.
Benefit cost increases	\$5.5 M	Benefit cost increases in WSIB claims
Total	\$6.2 M	

The cost increases above have resulted in an increase to the \$27.2M from the original \$21.0M operating deficit originally forecast for 2020-21.

Amendments to Year 2 Savings Targets:

The chart below provides an update on the Year 2 options to balance passed at board in June 2019:

Item	Original Budgeted Savings	Current Projected Savings	Update	Impact
Learning Centres	(\$1.4)M	\$0.0M	Plan was to reinstate these positions if the budget allowed. It is not anticipated that these positions can be reinstated given the current budget pressures.	The postponement of reinstating 12 learning coaches will impact the professional development of classroom teachers.
Outdoor Education	\$1.51M	\$0.5M	Collective Agreements settled with CUPE have protected compliment articles that do not allow for reductions.	This reduction will impact the location and teacher supports available in outdoor education.
International Baccalaureate	\$1.54M	\$1.54M	These fees provide cost recovery of program costs to operate this program.	A financial assistance program has been established to ensure equity of access.
Student Support Services	(\$0.9)M	0.0M	Plan was to reinstate positions if budget allowed. It is not anticipated that these positions can be reinstated given budget pressures.	Reductions in Speech and Language Pathologists and Social Workers will impact services to students.
Leadership and Learning	(\$1.2)M	0.0M	Plan was to reinstate positions if the budget	Delaying this reinstatement will

			allowed. It is not anticipated that these positions can be reinstated given the current budget pressures.	impact Research and Central Academic departments ability to provide services.
International Visa Students	\$2.0M	\$2.0M	Staff continues to monitor the impact of worldwide health concerns and will update as new information becomes available.	This increase is both in fees and enrolment. Increase fees may make TDSB less attractive as a learning destination.
Supplementary Teachers – French	\$12.15M	\$2.0M	The full amount of savings will take some time to achieve. Planning and allocations are being implemented to gain further savings in future years.	It will take longer to achieve the optimal class sizes.
Supplementary Teachers – Gifted	\$3.4M	\$0.5M	The full amount of savings will take some time to achieve. Planning and allocations are being implemented to gain further savings in future years.	It will take longer to achieve the optimal class sizes.
Transportation – Gifted and French	\$1.9M	\$0.0M	This reduction was removed as it would not be possible to implement in an equitable way until programs locations are adjusted.	Not implementing this will mean no changes to either Gifted or French transportation.
Transportation – Bell Times	\$2.5M	\$2.5M	Implementation of adjusted bell times underway.	This will impact both parents and staff as they adjust

				to new schedules.
Professional Development	(\$2.5)M	\$0.0M	Plan was to reinstate allocations if the budget allowed. It is not anticipated that these positions can be reinstated given the current budget pressures.	Limited professional development will occur in central departments. Only PD that is required to maintain department certification or legal requirements will be done.
Lunchroom Supervisors	\$2.0M	\$1.0M	Collective Agreements settled with CUPE have protected compliment articles that do not allow for reductions.	This will mean that local decision making to support schools will be limited.
Totals	\$21.0M	\$10.0M		

Additional Pressures Anticipated for the 2020-21 School Year:

In addition, the following new cost pressures have been identified for the 2020-21 school year:

Item	Amount	Description
Future Employee Benefits	\$2.5M	Continued reduced funding for future employee benefits.
Property insurance annualization	\$2.5M	This represents the new premiums from Sept. to Dec. of 2020 associated with the increase in insurance costs
Student Information System (SIS)	\$7.0M	A new SIS system is required. This amount represents both the implementation costs of new software, as well as annual licensing fees.
Employee tax costs	\$1.0M	Inflationary amounts for CPP, EI and Omers.
Cost savings various	(\$2.5)M	Various small costs which will not reoccur in 2020-21.
Provincial STEM Funding	\$3.8M	Additional funding was available to school boards during their staffing adjustment to new class sizes in secondary to support STEM programs. As the TDSB will achieve a class size average of 23 to 1 in 2020-21, this funding is no longer available.
Total	\$14.3M	

Note: The recent Ministry directive to staff Secondary at 23:1 does not impact overall funding except that TDSB will no longer qualify for additional STEM funding, which was part of the Attrition funding provided to boards.

Revised Forecast for 2020-21:

With these various cost pressures considered, the revised forecast deficit in 2020-21 is \$41.5M as outlined below. This deficit can be partially offset by year 2 savings and internal reserves from one-time savings that can be applied to the operating results. \$10.2M of additional cost savings will need to be found in 2020-21.

This forecast is a preliminary forecast based on the best information available at this time. This forecast will be updated once collective agreements are ratified and GSN is released to school boards.

Item	Amount	Percentage of Total Operating Budget
Original operating deficit per board motion	\$21.0M	0.62%
Revised costs identified in 2019-20 that have an impact in 2020-21	\$6.2M	0.18%
New costs identified in 2020-21	\$14.3M	0.42%
Total Operating Deficit	\$41.5M	1.22%
Achievable savings from year two options approved by Board	(\$10.0)M	(0.29)%
Revised operating deficit	\$31.5M	0.93%
One-time surplus in reserves from other board operations	(\$16.9)M	(0.50)%
Additional grants available in 2020-21	(\$4.4)M	(0.13)%
Cost savings needed to be identified in 2020-21	\$10.2M	0.30%

It should be noted that the cost pressures of \$16.9M will remain in 2021-22 given that reserves will be used in 2020-21 to offset these costs and permanent savings will need to be found. This forecast would see the board finding cost savings in 2020-21 of \$10.2M and a further reduction of expenditures in 2021-22 of \$16.9M.

This preliminary forecast is based on the information that staff currently have. The forecast and budget will be updated when the Ministry of Education releases the Grants for Student Needs (GSN) in the coming months, which will allow the Board to finalize its forecast for 2020-21.

Strategies to Balance the Budget:

Over the past 10 years, the TDSB has been required to cut over approximately \$200M from its operating budgets as a result of inadequate funding or funding reductions from the province. Despite the Board's efforts to mitigate impacts, these reductions have had a very negative impact on the system, resulting in significant reductions to staff, programs, services and supports we offer the students of Toronto.

At this point, with the information we know, in 2021, cost savings of \$10.2M which represents 0.3% of the TDSB's operating budget will need to be found. Staff are working to identify manageable reductions that can be made in the coming year to achieve savings based on the strategic budget drivers approved by the Board. These will be developed and presented in the coming weeks for discussion.

In addition, there are a number of system-wide, transformative strategies currently underway, such as the Secondary Program Review, that will result in long-term operational efficiencies and reduce costs. Therefore, staff will be working with the Ministry to request the ability to develop and pass a multi-year plan to reduce costs and balance the budget. This will allow the TDSB to focus on the long-term strategies to reduce costs, as opposed to being required to make immediate and reactive cuts to staff, programs and services to balance the 2020-21 budget.

In addition to the request to develop a multi-year plan, staff will also continue to develop solutions to find cost savings for the coming year, including by:

- Approaching the Ministry for funding to support the implementation of the Student Information System (SIS), which make up the majority of the savings to be found. This request will also include an alternative of the use of Proceeds of Disposition as a source of funding, as these costs could be capitalized.
- Communicating with the Ministry concerning our funding gaps and that these gaps require the board to use funds that would otherwise go to support students.
- Continuing to ask for relief from the funding shortfall that was created for TDSB when class sizes in grades 4 to 8 were increased, but TDSB local agreement would not allow for a similar change at TDSB thereby creating a \$9.9M shortfall in funding.

Three Year Forecast:

Attached in Appendix B is the three year operating forecast for TDSB. As GSN funding has not been announced and several collective agreements still to be negotiated only known operating pressures have been identified in future years.

Action Plan and Associated Timeline

Staff will report back on an updated Financial Forecast and options to balance when the Grants for Student Needs (GSN) is released and staff have completed their analysis of the funding for 2020-21.

Resource Implications

The Board is required to pass a balanced budget for the 2020-21 school year and submit to the Ministry of Education by June 30, 2020.

Communications Considerations

All budget documents will be posted to the Budget website.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

- Appendix A: Funding Gap
- Appendix B: Three Year Financial Forecast

From

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