Toronto District School Board

2022-23 Preliminary Financial Forecast

To: Finance, Budget and Enrolment Committee

Date: 16 February, 2022

Report No.: 02-22-4244

Strategic Directions

- Create a Culture for Student and Staff Well-Being
- Provide Equity of Access to Learning Opportunities for All Students
- Allocate Human and Financial Resources Strategically to Support Student Needs

Recommendation

It is recommended that the 2022-23 Preliminary Financial Forecast report be received.

Context

In preparing the 2022-23 financial forecast, three key events have significantly impacted the Board's operations and financial position. These events are as follows:

- Declining enrolment because of the pandemic;
- Collective agreements are ending on August 30, 2022 and the funding associated with the letter of understanding around job security and protected complement will also be expiring; and,
- Ministry funding for pandemic and post pandemic recovery supports have not yet been announced for future years.

Any of these three events individually would have a significant impact on the Board's operations and financial position. But together, they create an even greater challenge in maintaining stability in our system and the implementation of our Pandemic Recovery Plan.

As a result of the uncertainties around the pandemic and its impact on projected enrolment in 2023-24 and 2024-25, staff have decided to present a one-year forecasted financial position of the Board, as opposed to the three-year projection normally presented in February of each year. Also, this projection represents our most conservative estimate of our financial position, assuming no additional funding will be provided by the Ministry. As such, this year's forecast will continue to evolve throughout the budget process as additional information becomes available.

Identified below is information that will inform the development of the budget:

- The Ministry has not yet released guidance to school boards regarding the 2022-23 program delivery model, and what financial supports may be available if the pandemic continues into the 2022-23 school year. Also, the post-pandemic Ministry funding support for mental health and well-being is not yet confirmed at this time. The Ministry is expected to release its 2022-23 Ministry Grants for Student Needs funding memorandum in April 2022.

- As the Ministry of Health and Toronto Public Health provide information and guidance around the evolving status of the pandemic and the variants on Toronto communities, this information will help inform any necessary budget impacts, subject to any operational, program and staffing changes.

Projected 2021-22 Financial Position

As reported at the January 13, 2022 Finance, Budget & Enrolment Committee (FBEC) meeting, the TDSB is forecasting a $65.1M in-year operating deficit for the 2021-22 fiscal year. The deficit is primarily due to the following:

- The TDSB had a $36.3M structural deficit at the start of the pandemic. This is a cumulative figure from pre-pandemic funding shortfalls. The TDSB budget has provided for additional financial support to help meet the unique needs of education programs and services in Toronto's urban environment. The TDSB has also made allocations beyond the funding benchmarks to meet Board decisions and to provide necessary system support. These additional costs are typically financed by in-year budget savings, efficiencies, and Board reserves. In some years, however, the savings are not sufficient to cover all funding gaps.

- The 2021-22 enrolment projection at Revised Estimates is 6,918 ADEs lower than the projection at 2021-22 Estimates. The decrease in grants net of cost changes contributes to $14.8M of the $65.1M projected deficit.

- International student enrolment has declined significantly in 2020-21 and 2021-22. The projected revenue decline for 2021-22 is approximately $7M.

Fiscal year	Elementary ADE	Secondary ADE
2018-19	398.5	1,835.9
2019-20	426.5	1,724.6
2020-21	189.0	1,097.5
2021-22 (Revised estimates)	135.0	1,023.0

- The 2022 CPP maximum annual pensionable earnings and rate increased by $3,300 and 0.25% respectively. The unfunded CPP and EI increases contributes to $7M of the 2021-22 projected deficit and $4.8M of the 2022-23 projected deficit. In prior years, TDSB was able to absorb the increases in CPP and EI costs through operational savings. But as the Ministry has not provided funding to cover CPP and EI cost adjustments in the GSN, this will continue to be a cost pressure for Boards in years with high rate increases.

Projected 2022-23 Financial Position

Between February 2022 and June 2022, staff will be engaging in a zero-based budget development process. Each department and program budget of the TDSB will be reviewed as part of this process. All budget allocated will be justified based on system needs and aligned with the Board's strategic priorities.

Please note that the chart below represents a preliminary estimate of the TDSB's financial position under a conservative approach, assuming the absence of any additional grant supports.

The TDSB is hopeful that the Ministry will provide additional funding to support school boards' pandemic and post-pandemic recovery needs. However, in order to reduce the projected deficit, the TDSB must be able to use any additional funding announced by the Ministry on existing budgeted expenses.

If the additional funding is tied to a new cost (e.g. additional staff above what is currently budgeted for), this funding will not reduce the projected deficit.

The TDSB is currently forecasting a projected deficit of $79.3M, or 2.7% of the operating budget, in 2022-23. The projected revenue and cost changes are outlined below:

Preliminary Financial Forecast for 2022-23 (in $Million)		
Structural deficit prior to the impact of the pandemic		$(36.3)
Revenue and cost impacts in 2021-22:		
Net revenue and expense impact due to enrolment decrease	(14.8)	
Costs from CPP and EI rate increase not funded from Ministry	(7.0)	
Decrease in international student revenue	(7.0)	
		(28.8)
Revenue Increases/(Decreases) - 2022-23:		
GSN changes due to declining enrolment	(36.1)	
GSN change assuming no Recent Immigrant Supplement	(24.7)	
Decrease in SSF, System Priorities & EWPF	(38.7)	
GSN changes to Online Learning Adjustment factor from 8% to 16%	(0.8)	
		(100.3)
Staffing Cost (Increases)/Decreases - 2022-23:		
Reduction in school-based staffing from declining enrolment	60.5	
Cost reduction from end of SSF, System Priorities & EWPF	38.7	
Continuation of Social workers, CYCs/CYWs, SBSMs from 21-22 COVID funding	(8.8)	
Costs from CPP and EI rate increases not funded by Ministry	(4.8)	
		85.6
Operating Cost (Increases)/Decreases - 2022-23:		
Savings from reduction in Insurance premiums	2.6	
Cost increase from long-term disability rate change	(3.1)	
Reduction in Board funded COVID-19 expenses	1.0	
		0.5
Preliminary 2022-23 Financial Projection, as at February 16, 2022		$(79.3)
% of Operating Allocation of $2.905B		-2.7%

Staff will continue to provide updates to our Trustees throughout the budget development process, including recommendations to support the Board's financial recovery plan and Ministry funding announcements as they become available.

Management Assumptions

In preparing this 2022-23 Draft Financial Forecast report, staff have also made the following assumptions:

Pandemic Supports - Staff have created this forecast assuming normal school operations. The forecast has also assumed no additional pandemic funding supports.

The projection also assumes that all incremental pandemic costs, including new staffing support that were put in place through the 2021-22 Ministry COVID funding, will no longer continue into the 2022-23 school year, except for the additional Social worker, Child & Youth Counsellors (CYC), Child & Youth Workers (CYW) and School based safety monitor (SBSM) positions allocated from the 2021-22 COVID funding. Those positions, with a cost of roughly $8.8M, will continue into the 2022-23 school year. This is in accordance to the Pandemic Recovery Plan, as approved by the Board on November 25, 2021, to support the mental health and well being of students.

Job Security and Protected Complement Funding – Based on the terms outlined in the current Elementary Teachers' Federation of Ontario (ETFO), Ontario Secondary School Teachers' Federation (OSSTF), Ontario Council of Education Workers (OCEW) and Canadian Union of Public Employees (CUPE) collective agreements, school boards are required to create new positions and/or prevent the reduction of staffing positions from the eligible position categories in each bargaining unit, in accordance with the Board's staff selection process.

There are approximately $38.7M in total funding supports from these three categories of funding: Student Support Fund (SSF), Investments in System Priorities (ISP) fund and the Education Worker Protection Fund (EWPF). The letter of understanding around job security and protected complement will be expiring on August 30, 2022.

With the end of these funding supports, the 2022-23 financial forecast is presented based on the assumption that these positions will not continue in the 2022-23 school year. As such, there will be $38.7M in staffing cost reductions. These reductions will be considered as part of the school-based staff allocation process, which is tracking to the March 2022 FBEC and Board meeting for approval.

Labour and benefit costs – The current collective agreement will end on August 30, 2022 and the negotiation process for the new collective agreement is still pending. This projection also assumes that the Ministry will fund any labour agreement increases relating to salaries and benefits upon ratification.

Enrolment projections – The forecast assumes a decrease of 3,999.0 Elementary student ADE and 230.0 Secondary Pupils of the Board ADE from the 2021-22 to 2022-23 school year. It also assumes that the international student enrolment will show a gradual improvement in 2022-23 as compared to 2021-22 but will not fully return to pre-pandemic levels.

Class sizes – Per Ministry guidance, staffing of classrooms is based on collective agreement and regulated class sizes within funding levels.

Interest rates – It is assumed that interest rates will maintain at current levels during the 2021-22 school year.

Other Revenues – It is assumed that all permits, Continuing Education, cafeteria, and childcare revenues will return to pre-pandemic levels.

Explanation of 2022-23 Revenue Changes

- Based on the current projected enrolment decline in 2022-23, there will be a negative financial impact to our GSN of about $36.1M, compared to the current year's forecasted enrolment.

- In 2021-22, the Ministry also announced the recent immigrant supplement to help offset negative enrolment impacts from the decline in newcomers arriving to Canada. The Ministry has not yet confirmed whether this funding will be available next year. If this GSN funding does not continue, the GSN will be reduced by $24.7M. The TDSB's preliminary projection and staffing allocation have been prepared based on the assumption that this funding will not be available in the 2022-23 school year.

- As part of the 2021-22 GSN announcement, the ministry updated its funding methodology for online courses by adjusting benchmark funding for classroom teacher staffing through the Secondary Pupil Foundation Allocation and related grants, based on a differentiated funded average class size for online and in person learning. The change in the online learning credit load benchmark assumes 16% of secondary students will take one online course in 2022-23. This results in a decrease funding of approximately $0.8M. The credit load benchmark will further increase to 26% for the 2023-24 school year.

Explanation of 2022-23 Cost Changes

- Due to declining enrolment, it is projected that there will be a $60.5M reduction in school-based staffing costs compared to 2021-22.

- There are insurance premiums savings of $2.6M in 2022. These savings relate to a reduction in property, general liability, and school council insurance premiums.

- Based on the recommendations from the Board's recent employee benefits actuary report, and the increase in long-term disability claims, the TDSB's contribution rate will be increased from 2.35% to 2.92% of payroll to fund the expected cost of claims.

- As reported in TDSB's revised estimates, the Board is anticipating about $1M in board funded pandemic expenditures in the 2021-22 school year. For the purpose of this forecast, these pandemic costs are expected to cease in the 2022-23 school year.

Risks

While this is a preliminary forecast of the financial position of the Board for 2022-23, there are a few significant risks that need to be considered. A complete listing of risks will be included in the final draft budget presented to Board when more information is known.

Staffing – Staffing levels are based on normal, non-pandemic, system operations. Should additional staffing not funded by Ministry grants be required to support students, there would be a significant impact to the financial position of the Board.

Supply Teacher Costs – The current projection does not include any increase to supply teacher costs over this year’s levels.

Enrolment – Projections have been based on the best information available and will continue to be updated as needed. Should there be a significant change in projected enrolments, there will be a corresponding impact on the financial position of the board.

Cost inflation – There have been increases observed in utility prices, gas/diesel rates, and other facilities and operational costs such as maintenance and supplies. These costs may fluctuate throughout the year based on rate of inflation and could have an impact to the Board’s expenditures.

Action Plan and Associated Timeline

As additional information becomes available, staff will provide updates to the 2022-23 financial position.

The 2022-23 draft operating budget is planned to be presented to Finance, Budget and Enrolment Committee in May 2022, with the final approval by Board in June 2022.

Resource Implications

School boards are required to submit a balanced budget to the Ministry of Education by June 30, 2022.

As discussed above around the significant issues that impacts the operational stability during the pandemic and financial position of the Board. Until such time as the Ministry announces funding for the 2022-23 school year that provides stability for school boards, TDSB will not be able to accurately assess its financial position and ensure that the Pandemic Recovery Plan will continue as planned.

For 2021-22, school boards were provided an exception to the 1% deficit rule and allowed school boards to have a deficit of up to 2% of the school board's operating allocation without Ministry approval. The Ministry has not yet confirmed if school boards are permitted to have a deficit of greater than 1% for the 2022-23 fiscal year.

When the Grants for Student Needs are announced and staff have had an opportunity to update the financial forecast, additional information will be provided on the impact to the reserve status of the Board.

Communications Considerations

This report will be posted on Board budget websites. Staff will also work on a communication plan.

Board Policy and Procedure Reference(s)

List all Board policies and procedures that relate to this matter.

Appendices

- Not Applicable

From

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