Balancing the 2015-2016 Operating Budget

Presentation to SEAC
February 9, 2015
Introduction

• Introduction of staff
• Brief outline of presentation
  • TDSB Profile
  • Operating versus Capital Budgets
  • Budget Risks
  • 2015-2016 financial forecast
  • Proposed options to balance budget
• Next Steps
• Capital Directions and Challenges
• Questions and Answers
The Years of Action 2013-2017

• Every Student, Every School, Every Day

• Five areas of focus
  • Student Achievement & Well-being
  • Parent & Community Engagement
  • Staff Inspiration & Support
  • Fiscal Stability & Accountability
  • Education for Sustainable Development

• We’ll have a balanced operating budget for 2015-2016 in March.
Profile

• 246,000 students in 589 schools
• Over 100,000 adult learners
• 56% of students home language other than English
• Annual operating budget of $3.1B
• Funding Sources:
  ✓ Provincial grants = $2.8B
  ✓ Other revenues = $0.3B
• Capital budget totaling $137M
• 29,000 school based and school support staff
• 1,200 central staff
Operating vs. Capital Budgets

• Operating budget (March) and a Capital Plan & Budget (May)

• An Operating Budget represents the annual expenditure plan for the board, supporting student learning and board operations.

• The Capital budget is a plan for addressing growth and retrofitting school facilities.
Simplified Budget Process for 2015-16

• In March, the Board will vote on the full operating budget for the 2015-16 school year.

• Similar process to the 2014-15 budget cycle.

• Goal of new approach is to provide a complete financial plan for well in advance of the start of the school year.
# Elementary Day School Enrolment

## (Head Count)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Kindergarten</td>
<td>34,382</td>
<td>35,153</td>
<td>36,149</td>
<td>36,513</td>
<td>36,124</td>
<td>36,075</td>
<td>36,089</td>
<td>36,259</td>
</tr>
<tr>
<td>Grades 1 to 3</td>
<td>51,465</td>
<td>51,864</td>
<td>52,579</td>
<td>53,127</td>
<td>53,992</td>
<td>54,348</td>
<td>54,281</td>
<td>53,981</td>
</tr>
<tr>
<td>Grades 4 to 8</td>
<td>86,464</td>
<td>84,793</td>
<td>83,748</td>
<td>82,603</td>
<td>82,213</td>
<td>81,362</td>
<td>81,640</td>
<td>82,445</td>
</tr>
<tr>
<td>International Students</td>
<td>177</td>
<td>164</td>
<td>136</td>
<td>103</td>
<td>136</td>
<td>128</td>
<td>128</td>
<td>128</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>172,488</strong></td>
<td><strong>171,974</strong></td>
<td><strong>172,611</strong></td>
<td><strong>172,346</strong></td>
<td><strong>172,465</strong></td>
<td><strong>171,913</strong></td>
<td><strong>172,137</strong></td>
<td><strong>172,812</strong></td>
</tr>
<tr>
<td>Year over Year Change in Enrolment</td>
<td>(514)</td>
<td>638</td>
<td>(266)</td>
<td>120</td>
<td>(552)</td>
<td>224</td>
<td>675</td>
<td></td>
</tr>
</tbody>
</table>
# Secondary Enrolment

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Regular Day School</td>
<td>84,473</td>
<td>84,506</td>
<td>82,967</td>
<td>80,444</td>
<td>76,219</td>
<td>73,312</td>
<td>71,389</td>
<td>69,845</td>
</tr>
<tr>
<td>High Credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>548</td>
<td>338</td>
<td>338</td>
<td>338</td>
</tr>
<tr>
<td>Students over 21</td>
<td>216</td>
<td>214</td>
<td>156</td>
<td>146</td>
<td>118</td>
<td>131</td>
<td>120</td>
<td>102</td>
</tr>
<tr>
<td>International Students</td>
<td>806</td>
<td>923</td>
<td>1,019</td>
<td>1,132</td>
<td>1,134</td>
<td>1,272</td>
<td>1,272</td>
<td>1,272</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>85,496</strong></td>
<td><strong>85,642</strong></td>
<td><strong>84,142</strong></td>
<td><strong>81,721</strong></td>
<td><strong>78,019</strong></td>
<td><strong>75,054</strong></td>
<td><strong>73,119</strong></td>
<td><strong>71,557</strong></td>
</tr>
<tr>
<td>Year over Year Change in Enrolment</td>
<td>147</td>
<td>(1,501)</td>
<td>(2,420)</td>
<td>(3,702)</td>
<td>(2,965)</td>
<td>(1,935)</td>
<td>(1,561)</td>
<td></td>
</tr>
</tbody>
</table>

Note: Ministry High Credit funding change started in 2013-2014
Operating Expenditure Plan

- Supplies & Services: 10%
- Transportation: 2%
- Utilities: 2%
- Renewal: 1%
- Debt Service Cost: 1%
- Staff Costs: 84%

Note: Supplies and Services includes school budget, department supplies, maintenance and contract services.
Operating Expenditure Plan

- Staff Costs: 83%
- Teacher Costs: 54%
- School Operations: 19%
- School Office: 6%
- Continuing Education: 3%
- Administration: 2%

- Supplies & Services: 10%
- Utilities: 2%
- Transportation: 2%
- Renewal: 1%
- Debt Service Cost: 1%
### Operating Budget

## Special Education Envelope

<table>
<thead>
<tr>
<th>Type</th>
<th>Allocation</th>
<th>Amount (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocations</td>
<td>Special Education Per Pupil Amount (SEPPA)</td>
<td>$177.5</td>
</tr>
<tr>
<td></td>
<td>Special Education Equipment Amount (SEA)</td>
<td>$10.2</td>
</tr>
<tr>
<td></td>
<td>High Needs Amount (HNA)</td>
<td>$126.8</td>
</tr>
<tr>
<td></td>
<td>Special Incidence Portion (SIP)</td>
<td>$5.3</td>
</tr>
<tr>
<td></td>
<td>Section 23</td>
<td>$12.8</td>
</tr>
<tr>
<td></td>
<td>Behavioural Expertise</td>
<td>$0.8</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$333.5</strong></td>
</tr>
<tr>
<td>Expenditure Budget</td>
<td></td>
<td><strong>$354.0</strong></td>
</tr>
<tr>
<td>Shortfall</td>
<td></td>
<td><strong>$20.6</strong></td>
</tr>
</tbody>
</table>
Budget Assumptions

• Projected enrolments
  • Number of classes and teachers adjusted to enrolment
• Provincial grants based on 2014-15 funding model and announced changes
• Inflationary adjustments (utilities and payroll taxes)
• Contingency
• Labour contract settlements funded through current funding model or additional funding
Budget Risks

• Enrolment projections to actuals
• Provincial grant changes
• Inflation assumptions
• Unanticipated events (weather, public health, labour disruption, government policy changes)
• Legal
Special Education Funding

Five components of funding:

- **SEPPA** – enrolment based for all students of the TDSB.
- **SEA Equipment** – claim based.
- **SIP Amount** – claim based.
- **High Needs Amount** – transitioning to a statistical model over 4 years. First year impact $7.3M.
- **Section 23** – claim based.
2015-2016 Projected Revenues Changes

<table>
<thead>
<tr>
<th>Items</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in GSN revenue due to enrolment</td>
<td>$(24.9)</td>
</tr>
<tr>
<td>Special Education High Needs Amount</td>
<td>$(5.0)</td>
</tr>
<tr>
<td>Administration and Governance Allocation</td>
<td>$(0.5)</td>
</tr>
<tr>
<td>Declining Enrolment Allocation</td>
<td>$0.1</td>
</tr>
<tr>
<td>Change in Revenue year over year</td>
<td>$(30.3)</td>
</tr>
</tbody>
</table>
2015-2016 Projected Expenditures Changes

<table>
<thead>
<tr>
<th>Items</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes due to enrolment and staffing demographics</td>
<td>$(17.3)</td>
</tr>
<tr>
<td>Other payroll and benefit changes</td>
<td>$1.5</td>
</tr>
<tr>
<td>Utility increases</td>
<td>$2.0</td>
</tr>
<tr>
<td>Contingency</td>
<td>$5.0</td>
</tr>
<tr>
<td>Change in Expenditures year over year</td>
<td>$(8.8)</td>
</tr>
</tbody>
</table>
# Projected Financial Forecast

<table>
<thead>
<tr>
<th>Items</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant and Revenue changes</td>
<td>$(30.3)</td>
</tr>
<tr>
<td>Projected Expenditure changes</td>
<td>$(8.8)</td>
</tr>
<tr>
<td>Projection Financial Position Surplus/(Deficit)</td>
<td>$(21.5)</td>
</tr>
</tbody>
</table>
## 2014-2015 Options to Balance

<table>
<thead>
<tr>
<th>Options</th>
<th>Amount Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in overtime in Facility Services</td>
<td>900,000</td>
</tr>
<tr>
<td>Facilities productivity savings</td>
<td>2,300,000</td>
</tr>
<tr>
<td>Non-school based staffing reductions through attrition</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Transportation alignment of costs</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Efficiencies in Permit department</td>
<td>100,000</td>
</tr>
<tr>
<td>Attendance Management</td>
<td>1,800,000</td>
</tr>
<tr>
<td>Efficiencies in Payroll Services</td>
<td>200,000</td>
</tr>
<tr>
<td>Policy review of mileage claims</td>
<td>100,000</td>
</tr>
<tr>
<td>In-Year Savings</td>
<td>3,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,400,000</strong></td>
</tr>
</tbody>
</table>
Proposed Options to Balance for 2015-16

<table>
<thead>
<tr>
<th>Options</th>
<th>Amount Recommended</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>($21,500,000)</td>
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</tbody>
</table>

Total $21,500,000
Budget Reductions Required in Prior Years

$ Millions

Operating Budget – Next Steps

• Community Budget Sessions throughout February

• Proposed Balanced Budget to Board March 11th

• Community Information Sessions on Proposed Long Term Program and Accommodation Plan – April/May

• Multi-year Proposed Capital Budget to Board end of May
Capital Directions and Challenges
Overview – The Context

The Renewal Challenge

- **588** operating schools
- **102** Schools below 60% capacity
- **66** properties sold
- **$405 M** in proceeds
- **$3.0 B** in current renewal needs
- **$5.6 B** projected by 2028
- **226** schools in *critical* condition
- **55** schools need extensive renovations

Capital funding for growth since 2008-2009:

**$107.3 M**

The Growth Challenge

- City’s Residential Intensification continues
- Building applications for **275,000** residential units in process
- Enrolment up by **20,000** students by 2039
- **$300 M** lost in potential Education Development Charges

*Ministry of Education FCI ranking: critical = >65%*
Overview – The Reality

To finance growth and renewal needs, we need to sell properties.

The City and local communities fight to preserve school green space.

The process takes at least a year … if all goes well.

We need a new strategy.
Ageing Schools → Need for Renewal

Facility Condition Index (FCI): Building industry standard for calculating facility condition on a scale from 1 to 100.

FCI rating: The ratio of a facility’s renewal needs to its replacement cost, expressed as a percentage.

Critical: FCI rating of 65% or greater; previously defined by Ministry as prohibitive to repair, (i.e., renewal not financially feasible: cost of needs too high compared to facility value).

CURRENT MINISTRY FCI RATINGS OF OPEN AND OPERATING TDSB SCHOOL BUILDINGS

<table>
<thead>
<tr>
<th>FCI CATEGORY</th>
<th>FCI RATING RANGE</th>
<th>NUMBER OF SCHOOLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOOD</td>
<td>&lt;10%</td>
<td>63</td>
</tr>
<tr>
<td>FAIR</td>
<td>10&lt;FCI&lt;30%</td>
<td>113</td>
</tr>
<tr>
<td>POOR</td>
<td>30&lt;FCI&lt;65%</td>
<td>155</td>
</tr>
<tr>
<td>CRITICAL</td>
<td>ABOVE 65%</td>
<td>226*</td>
</tr>
</tbody>
</table>
The Renewal Challenge

Facility Condition Index Projections

Source: TDSB Planning Department

*These FCI projections are based on the most recent ministry FCI data and reflect the current (2014) status of TDSB’s infrastructure.
The Growth Challenge
City of Toronto Population Projections

By 2031, the City of Toronto will be home to 3.2 million people.

A fast-growing city

2,615,060: Toronto population in 2011
7.8% of Canada’s total population
(2011 Can. Census)

Growing much faster than before

111,779: Toronto’s population increase from 2006-11
5 times the population growth rate during previous five-year period

Growing much faster than GTA as a whole

22.4% of all the growth in the GTA from 2006-2011, up from just 4.6% during 2001-2006
34.0% of GTA increase in occupied dwelling units between 2006 and 2011.

Sources: City of Toronto “Backgrounder”, Feb. 8, 2012; 2011 Canada Census, Population and Dwelling Counts
Note: The above projections include adjustments for undercoverage. Undercoverage is the portion of the population that is not captured by the Census.
The Growth Challenge
Planned Future Residential Development

Current Active Development Project Applications expected to yield:
275,000 residential units
19,000 projected elementary TDSB students
10,000 projected secondary TDSB students

Source: TDSB Planning Department
The Growth Challenge
Dispelling the Myth of Elementary Underutilization

PROJECTED ELEMENTARY SPACE REQUIREMENTS 2012–2032

Utilization Rate
- Below 60%
- 60% - 75%
- 76% - 85%
- 86% - 100%
- 100% - 110%
- Over 110%

Ward

ACTUAL 2012

PROJECTED 2017

PROJECTED D 2032

Source: TDSB Planning Department
The Growth Challenge
Secondary Utilization: A More Complex Picture

Secondary numbers expected to return to 2013 levels by 2038. **BUT** other factors will affect actual capacity, including:
- Transit expansion
- Unpredictable policy changes

Source: TDSB Planning Department
Choosing the Right Approach

1. Provincial Funding for Growth

CONCEPT:
TDSB must have the same access to Provincial funds to support enrolment growth as all other Ontario school boards.

COMMENTS:
- $2.4 B capital funding for Ontario school boards since 2008-2009
- $107.3 M capital funding for TDSB since 2008-2009
- 12.6% TDSB percentage of Ontario students
- 5.2% TDSB percentage of Provincial capital funding
Choosing the Right Approach
2. Education Development Charges (EDC)

CONCEPT:
Changes needed to the *Education Development Charges Act*.

COMMENTS:
- New development having a substantial impact on existing schools.
- TDSB expected to use proceeds from site sales in other communities to finance growth needs.
- EDC regulation does not take Toronto’s Official Plan for residential intensification into account. Per O. Reg 20/98, TDSB is ineligible due to projected excess capacity system-wide.
- With 275,000 additional residential units in process over the next few years, TDSB has the potential to generate nearly $300 million in revenues to help support urgent school infrastructure needs for a growing City population.
Choosing the Right Approach

3. Capital Levy on Property Taxes

CONCEPT:
Province introduces an infrastructure levy.

CONSIDERATIONS:
• Potential public concern regarding increased taxes i.e. impact on cost of living and doing business in Toronto.

COMMENTS:
• Would help all school boards address infrastructure needs with sustainable annual revenue.
Choosing the Right Approach

4. Innovative Partnerships

CONCEPT:
Development opportunities for TDSB are based on future development in Toronto.

COMMENTS:

• Opportunity limited to sites in areas undergoing development pressures:
• Only about 25 possible viable projects.
• Complex and time-consuming Municipal Planning process.
Choosing the Right Approach

5. Creating Community Hubs

CONCEPT:
Encourage special service sector to relocate into underutilized public schools.

COMMENTS:

• Ministry of Education is encouraging the creation of community hubs.

• Service supports to students would be conveniently located and easy to access.

• Service partners would need to fund any facility improvements specifically required for their operations.

• Requires complex operating agreements.

• Requires compatibility to ensure success for the school community and the organizations.
Choosing the Right Approach

6. Reviewing School Sites

CONCEPT:
Consider program consolidations where student program can be enhanced.

COMMENTS:
• Would require careful consideration of program consolidations.
• May have long-term implications for the accommodation needs resulting from future growth.
• Impact on community green spaces.
Questions?