



2021-22 Revised Estimates

To: Finance, Budget and Enrolment Committee

Date: 13 January, 2022

Report No.: 01-22-4229

Strategic Directions

- 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 2021-22 Revised Estimates report be received.

Context

The purpose of this report is to provide Trustees with TDSB's financial projection as of December 15, 2021. As part of annual financial reporting requirements, school boards are required to submit their revised estimates to the Ministry of Education by December 15th of each year.

To help address the impact of the pandemic for the 2021-22 school year, the Ministry of Education increased the school boards' maximum allowable deficit threshold, without Ministry of Education approval, to 2% of the annual operating allocation. Should a school board determine that its deficit will exceed 2%, either before or after the revised estimates submission, Ministry of Education approval is required. As part of the TDSB's budget process, the Board had previously approved the forecasted deficit of \$59.0M (2% of operating allocation) at the June 30, 2021 Board meeting.

As outlined in this report, the TDSB's current forecasted deficit is projected to be \$65.1M (2.2% of operating allocation). TDSB staff had obtained the Ministry of Education's verbal approval to exceed the 2% deficit prior to report submission. Staff will be providing the Ministry with additional information to support the projected in-year deficit and the financial recovery plan in the coming weeks.

This report outlines the TDSB's projected financial position based on the most current information available and covers the following areas:

- Assumptions used to build the forecast, including revenue impacts due to enrolment changes and cost impacts relating to staffing and operating expenses.
- Revised financial position based on assumptions
- Potential risks that may impact TDSB's financial position

Assumptions

In developing this revised forecast, the following assumptions were used:

Changes to Projected Enrolment:

Funding is generally based on student enrolment, or pupil average daily enrolment (ADE). TDSB's enrolment projection is typically updated in the Fall after the October 31 student count, and analysis of forecasted attrition rates.

Outlined below are the updated pupil average daily enrolment (ADE) projections:

Grade	Original Projection	Updated Projection	Enrolment Decrease
Junior Kindergarten	16,228.0	14,764.0	(1,464.0)
Kindergarten	16,287.0	15,802.0	(485.0)
Grades 1 to 3	51,363.0	49,311.0	(2,052.0)
Grades 4 to 6	50,976.5	49,240.5	(1,736.0)
Grades 7 to 8	33,370.5	32,648.0	(722.5)
Grades 4 to 8	84,347.0	81,888.5	(2,458.5)
Total Elementary	168,225.0	161,765.5	(6,459.5)
Grades 9 to 12	69,519.0	69,087.0	(432.0)
Independent Study	66.0	40.0	(26.0)
Total Secondary	69,585.0	69,127.0	(458.0)
Total Day School	237,810.0	230,892.5	(6,917.5)

GSN Revenue Impacts:

Grants for Student Needs (GSN) - Amount is based on projected enrolment data and funding announced by the Ministry of Education. The enrolment-related funding impacts to the GSN are outlined below:

GSN Revenue Changes (in \$ millions)

	Estimates	Revised Estimates	Increase/ (Decrease)
Pupil Foundation Allocation	1,347.8	1,308.0	(39.8)
School Foundation Allocation	178.6	174.7	(3.9)
Special Education Allocation	344.5	339.0	(5.5)
Language Allocation	121.0	121.0	
Learning Opportunities Allocation	157.3	157.1	(0.2)
Continuing Education Allocation and Other Program	27.5	27.5	-
Cost Adjustment and Teacher Qualification Allocation - Note 1	292.8	281.9	(10.9)
New Teacher Induction Program Allocation	1.0	1.0	-
ECE Qualification & Experience Allocation	17.2	16.2	(1.0)
Restraint Savings Allocation	(0.9)	(0.9)	
Transportation Allocation	63.4	63.4	-
Administration and Governance Allocation	60.9	59.7	(1.2)
School Operations Allocation	272.1	264.8	(7.3)
Community Use of Schools Allocation	3.7	3.7	
Declining Enrolment Adjustment - Note 2	4.3	23.7	19.4
Indigenous Education Allocation	5.2	5.2	-
Mental Health and Well-Being Grant	10.3	10.1	(0.2)
Supports for Students Fund	23.9	23.9	
Program Leadership Grant	1.7	1.7	
Permanent Financing of NPF	20.5	20.5	
School Renewal Allocation	47.6	46.6	(1.0)
Trustees' Association Fee	0.05	0.05	
Capital Debt Interest Payment - OFA	15.0	15.0	
Total	3,015.8	2,964.2	(51.6)

Notes:

- 1) Cost Adjustment and Teacher Qualification Allocation variance of \$10.9M relates to the decrease in elementary and secondary teacher FTEs and lower average teacher experience factors.
- 2) The Declining Enrolment Adjustment (DEA) provides school boards with transitional support, recognizing that it takes time for school boards to adjust their cost structures to reflect declines in enrolment. The DEA adjustment of \$19.4M is based on the enrolment decline projection reported. The purpose of this allocation is to mitigate losses in the Pupil Foundation, Special Education, Language, Board Administration and Governance and School Operations grants.

Other Revenue Impacts:

Ministry's 2021-22 COVID 19 supports - On May 4, 2021, the Ministry released the 2021: B07 memo which instructed school boards to incorporate only the first half of the 2021-22 COVID-19 funding supports in their budget. On November 18, 2021, the Ministry confirmed that the second half of the COVID-19 funding of \$20.8M will be provided to the TDSB and this amount has been adjusted in this budget forecast.

International Student Revenue – As a result of the ongoing pandemic, international student tuition revenues are anticipated to decrease by approximately \$7M from the original budget projection.

Cost Impacts:

Teacher Cost Savings – There is a projected savings of \$37.0M compared to original estimates, primarily due to the decrease in student enrolment.

Benefit trust true up and other adjustments – The benefit trust amounts are funded based on the average employee full time equivalent (FTE) count as of October 31st and March 31st of each year. The \$1.8M reduction in expenditures is based on a reconciliation of the projected costs between the 2021-22 original estimates and the actual costs based on the October 31, 2021 staff count.

Additional hiring from second half of COVID-19 funding - Approximately \$12.1M of the \$20.8M in COVID funding will be spent on additional staff hires in the second half of the year to address system needs. The incremental spending is as follows:

- \$1.3M (16 FTEs) Social workers
- \$1.9M (35 FTEs) Child and youth workers
- \$1.1M (15 FTEs) Child and youth counsellors
- \$1.6M (40 FTEs) School-based safety monitors
- \$3.0M for additional caretaking staff and overtime costs
- \$1.5M (22.5 FTEs) Educational assistants (Special Education)
- \$1.1M in other Mental health and Special education staffing supports
- \$0.5M (4.0 FTEs) Secondary teachers (Caring and Safe schools)
- \$0.1M for other administrative and temporary staff to support system needs

The remaining \$8.7M will be used to offset expenditures in these areas:

- \$2.0M in student transportation costs due to the inability to optimize routes and for enhanced cleaning and personal protective equipment (PPE) on buses.
- \$1.9M in operating costs relating to enhanced cleaning and ventilation.
- \$4.8M in other staffing costs relating to virtual learning, vaccination policy, screening, health & safety, and other system needs.

Professional Development - The revised forecast includes \$1.4M in additional costs allocated to the Professional Learning department for Compliance and Mandatory training for school-based support staff and Occasional Teachers.

Contract Management - An additional \$0.3M was allocated to the TDSB contract management project. The new contract management software application is intended to improve process efficiencies around contract development and records retention, and will help mitigate against financial, legal, and other risks.

Other Savings – Central department staffing costs are projected at full complement and opportunities for savings exists due to the time required to fill those vacancies. The forecast has been adjusted to include \$3.7M in these anticipated savings. An additional \$3.0M in in-year savings is anticipated from other areas, such as utilities and temporary staff costs. Note that operating costs are impacted by school closures and transitions to remote learning.

Financial Position

The chart below summarizes the items above and presents the overall projected financial position of the Board.

Revised 2021-22 Financial Position		
(in \$ millions)		
Projected deficit as reported at June 16, 2021 FBEC		\$(59.0)
Revenue Changes		
Decrease in GSN due to enrolment decrease	(51.6)	
Decrease from International student enrolment change	(7.0)	
Increase from second half of the COVID funding	20.8	
Total Revenue Changes		(37.8)
Cost Changes		
Decrease in teacher costs due to enrolment decrease	37.0	
Increase in staffing in the 2nd half of year to support system needs	(12.1)	
Increase in training costs for temporary staff & occasional teachers	(1.4)	
New contract management project costs	(0.3)	
Benefit trust true up adjustment	1.8	
Savings from timing of filling positions	3.7	
Other in-year savings	3.0	
Total Cost Changes		31.7
Revised Projected 2021-22 Deficit		\$(65.1)

Risks

The following items have significant risk to the financial forecast of the Board should the assumptions underlining them not match the Board's experience:

- 1) Switching between in-person and virtual for the second semester: Staff are currently in the process of reviewing the Elementary switch selections and the impact to classroom reorganization. In the event there are significant increases to in-person learning in certain classes, additional teachers and support staff may be required and this will result in a change to TDSB's financial position.
- 2) Changes in program and service delivery: Should the system be shut down for in-person classes as a result of the pandemic, there will be varying financial impacts to the Board in such areas as supply costs, technology spending, leasing, permits, construction and transportation.
- 3) Enrolment: Due to the unknown nature of the pandemic, predicting future enrolment trends is difficult. Given enrolment is the most significant factor in determining the TDSB's overall grant revenue, any significant change in actual enrolment compared to the forecast will impact the TDSB's financial position.
- 4) Supply staff costs: The ongoing pandemic will significantly impact supply staff costs. If the TDSB pivots to fully remote learning, there could be significant financial savings. However, should in-person classes continue, supply costs could increase if there is a rise in staff on medical leave or quarantine.
- 5) PPE and cleaning supplies: Depending on supply chain availability of PPE and cleaning supplies from the Ministry of Government and Consumer Services, there is a risk that TDSB may need to fund its own supplies needs.
- 6) Technology supports: The TDSB is endeavouring to provide all students with access to technology and internet connectivity, as well as appropriate digital learning resources. This continues to be a cost pressure for TDSB. The government has not provided school boards with COVID funding for pandemic related technology needs in the 2021-22 school year. TDSB also requires additional funding resources to support the 1:1 student device initiative, which costs about \$11M annually.
- 7) Other Unknown Challenges: It is difficult to forecast other unanticipated financial challenges that may emerge in the second half of the school year.

Staff will continue to monitor these risks and will update Trustees as new information or risks become known.

Action Plan and Associated Timeline

Staff will continue to update Trustees as new information becomes available. In addition, quarterly updates of the financial position will be provided to FBEC, including forecasts for the balance of the year.

Staff have been in discussions with the Ministry of Education around the 2.2% projected deficit as reported in the 2021-22 Revised Estimates. Staff are required to provide the Ministry with additional information to support the projected operating deficit and a financial recovery plan.

Resource Implications

Staff recommends that reserves be used to balance the operating budget for the 2021-22 school year to avoid impact to programs and students during the pandemic.

TDSB is currently projecting the use of reserves in the amount of \$65.1M for 2021-22. The chart below outlines the reserves balance projected at the end of this fiscal year and the forecasted use of the working fund and benefit fund reserves.

Reserves (in \$ millions)	Actual Reserves as of August 31, 2021	2021-22 Projected use of reserves	Estimated Reserves, as of August 31, 2022
Working funds Reserve	\$22.7M	(\$22.7M)	-
Benefit funds Reserve	109.8M	(42.4M)	67.4M
School Support & Other	51.7M		51.7M
Environmental Legacy Fund	2.7M		2.7M
Artificial Turf Fund	0.5M		0.5M
Sinking Fund Interest (restricted)	14.3M		14.3M
Total working funds and internally restricted funds	\$201.7M	(\$65.1M)	\$136.6M

Communications Considerations

This report will be posted on the Board budget website.

Board Policy and Procedure Reference(s)

Not applicable

Appendices

- Not applicable

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