



2022-23 Operating Budget and Three-Year Deficit Recovery Plan

To: Finance, Budget and Enrolment Committee

Date: 8 June, 2022

Report No.: 06-22-4341

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 Operating Budget and Three-Year Deficit Plan be approved, as outlined in this report.

Context

2022-23 Budget Submission

Section 231 of the Education Act requires school boards to pass balanced operating budgets each year. Budgets are intended to align both human and financial resources to system priorities. School boards are required to submit their annual balanced operating budgets to the Ministry of Education by June 30 of each year.

Staff has had initial discussions with the Ministry around the 2022-23 operating budget and approval based on a preliminary projected deficit of \$38.4M, or 1.3% of operating allocation. Should changes be required to the operating budget after this meeting, staff will provide the Ministry with an updated 2022-23 operating budget and three-year deficit plan on 9 June 2022. The Ministry has indicated that approval will take approximately two to three weeks. Staff will be seeking an extension of the budget submission deadline to 8 July 2022 to allow staff sufficient time to submit the documentation after the Board approval on 29 June 2022.

2022-23 Projected Board Revenues

The TDSB's 2022-23 projected revenues are forecasted to be approximately \$3.4B. The Grants for Student Needs (GSN) represents roughly 85-88% of the TDSB's overall revenues. A preliminary breakdown of the revenues is outlined below, prior to incorporating the deferred capital contribution amount. The deferred capital contribution will be calculated after approval of the 2022-23 capital budget and is estimated at roughly \$250M:

TABLE A: 2022-23 Revenue Forecast	Amount (\$ Million)
Grants for Student Needs (GSN)	2,987.9
Other Revenue:	
Deferred Capital Contribution and Capital adjustment (Note 1)	TBD
Community Services Funding	52.0
School Generated Funds	10.0
Leases and permits	34.3
Tuition Fees	24.8
Priorities and Partnership Fund (PPF)	16.0
Secondments	12.9
EarlyOn and Extended Day Program	11.3
Interest	9.0
Other Miscellaneous	4.6
Continuing Education	4.5
Cafeteria	4.3
Sub-total	183.7
Total 2022-23 TDSB Forecasted Revenues	3,171.6

Note 1: Deferred capital contribution is the net of capital revenues being recognized at the same time as the associated depreciation costs of the assets.

The following 2022-23 Priorities and Partnership Funding (PPF) is included in the 2022-23 budget forecast:

PPF Funding in 2022-23 Budget	Amount (\$M)
Tutoring Supports*	10.4
Math Strategy	4.5
Graduation Coach	0.2
De-streaming Implementation Supports	0.2
Special Education Supports	0.2
Other	0.5
Total	16.0

*This represents 50% of the \$20.8M in tutoring support grants available. \$10.4M was to be spent from April 2022 to August 2022 and \$10.4M to be spent from Sept 2022 to Dec 2022.

2022-23 Projected Board Expenditures

The TDSB's 2022-23 projected expenditures are forecasted to be approximately \$3.4B. The COVID-19 pandemic has had a significant impact on school board operations in the past three school years. It is anticipated that majority of TDSB operations will return to pre-pandemic levels in 2022-23. As such, staff have built the 2022-23 operating budget with the assumption that the TDSB will not experience significant pandemic-related expenditures.

2022-23 Strategic Budget Drivers

At the 16 February 2022 Board meeting, Trustees approved the following 10 strategic budget drivers for 2022-23. These budget drivers have helped guide the budget development process. Below are descriptions and examples of the alignment of 2022-23 funding allocations to the TDSB's strategic budget drivers.

1. **Mental Health and Well-Being** – The TDSB will continue to align resources to support student mental health and well-being. \$6.5M of the \$31.5M in the COVID Learning Recovery Fund was allocated for 16 FTE social workers, 35 FTE child and youth workers and 15 FTE child and youth counsellors to support system needs.
2. **Staff Allocation to Support All Students** – The TDSB will continue to align staffing resources to support the TDSB Multi-Year Strategic Plan and the Pandemic Recovery Plan. The TDSB will be receiving \$16M in 2022-23 Priorities and Partnership funding for tutoring staff costs, math strategy supports for the implementation of the Grade 9 de-streamed math course, the hiring of Indigenous graduation coaches, Special Education supports, and summer learning staffing supports, etc.

The TDSB has also allocated COVID Learning Recovery Funds for various school-based supports, such as elementary teachers, lunchroom supervisors, school-based safety monitors, caretakers, vice-principals, and library and guidance staff.

As approved at the 3 March 2022 FBEC, the 2022-23 school-based staff allocation will see \$2.18B allocated to support all students. In addition to this allocation, there have also been further ESL teachers allocated to support the increase in the number of newcomers to our system. The TDSB is also maintaining the 43 FTE central itinerant ESL teacher allocation for 2022-23.

3. **Equitable Access to Learning Opportunities to Serve Our Students, including Indigenous Education** – The TDSB will continue to align resources to ensure that

all students have access to opportunities, learning resources and tools for success, with the goal of improving the outcomes of the most marginalized students.

Specifically, resources will also be aligned to centre Indigenous perspectives, histories and contemporary contexts into every school and every classroom and honour the Truth and Reconciliation Commission of Canada: Calls to Action. In addition to the \$5.4M in Ministry's enveloped funding provided for Indigenous education, the TDSB has committed an additional \$1.6M to support department needs.

The TDSB has also continued to allocate funding in 2022-23 to support the launch of the Centre of Excellence for Black Student Achievement.

4. **Student Success** – The TDSB will implement equitable practices to improve student learning by delivering programs that fit their needs. The TDSB will also implement re-engagement strategies to help students achieve their full potential. The objective is to provide students with the necessary tools to support their learning.

Similar to prior years, the TDSB is allocating \$6.2M to support Model Schools for Inner Cities initiatives and schools above 150 on the Learning Opportunity Index. There is also \$3.5M allocated to Urban Priority High Schools (UPHS) and \$8.7M to support student success initiatives.

5. **Human Rights** – There are targeted resources allocated towards Human Rights initiatives to support the Human Rights Action Plan. The plan is intended to identify, address, remedy and prevent racism, discrimination and systemic barriers in our schools. The TDSB will redirect resources to support anticipated costs associated with Human Rights investigations.
6. **Modernization and Accessibility** – The TDSB is working to develop modern learning spaces to provide a more inclusive learning environment for our students. The TDSB has allocated \$8M for the 1:1 student device technology initiative, and an additional \$2M for other IT licensing and maintenance costs in 2022-23. The TDSB will also utilize \$4.4M of the new broadband network operations support funding for 2022-23 to support network infrastructure, connectivity and security needs.
7. **Pandemic Recovery** – The TDSB is committed to ensuring that the necessary resources are in place to continue supporting students as they transition into a post-pandemic learning environment. This includes supporting the strategies and interventions listed in the TDSB's Pandemic Recovery Plan and the re-engagement of students.

8. **Parent Engagement and Student Voice** – The Parent and Community Engagement office has been actively promoting parent involvement, and there will be ongoing support in this area. There will be an increase to the Community support worker and other support staff allocation to address the needs of school councils to improve engagement. There will also be additional resources allocated to support the department's interpreter, translation, and sign language needs. The investment in the Combatting hate and racism – Student learning strategy will also be used towards cultural relevant resources, educational partnerships and other initiatives to enhance student voice and student engagement.
9. **Professional Development** - Professional development continues to be a key focus of the Board. The TDSB is committed to providing system-wide training in areas of equity, human rights, anti-oppression and anti-racism, as well as other staff learning opportunities.

In 2022-23, \$0.3M in budget resources have been allocated towards the Combatting Hate and Racism – Student Learning Strategy, which will be used for professional learning and educational tools to support the proactive and student-centred approach to creating respectful and culturally safe learning environments for all students. The TDSB is also investing in four additional equity coaches to support training needs.

10. **Early Years** - The TDSB is committed to ensuring early intervention supports. This includes the implementation of reading assessment programs, and literacy and math support for young learners.

The TDSB has utilized some of the \$2.2M in 2021-22 re-engagement funding for tools and materials that have been distributed to students. This includes the purchase of decodable books, and providing each Senior Kindergarten, French and English students in the 52 Early Intervention Schools with a backpack of resources to build literacy skills. There are also 48 FTE central coaches and teachers allocated to the 2022-23 school year to support early reading.

2022-23 Financial Forecast

Below is the Board's 2022-23 projected forecast and revenue and expense changes since 2021-22 Revised Estimates:

TORONTO DISTRICT SCHOOL BOARD		
2022-23 Projected Forecast		
	(\$ million)	
	<u>\$M</u>	<u>%</u>
21-22 Financial deficit as reported at the January 13, 2022 FBEC	(\$65.1)	-2.2%
Revenue changes		
GSN decrease relating to declining enrolment	(18.8)	
GSN increase - Teacher qualification & experience funding	8.5	
GSN increase - Broadband, mental health and other funding	8.4	
One-time COVID Learning Recovery Fund	31.5	
Decrease in EWPF and ISP funds	(14.8)	
Increase in international student tuition revenues	4.5	
Increase in interest income	3.0	
Increase in permit revenues	3.0	
Increase in lease recoveries	0.5	
Total Revenue Changes	25.8	
Compensation expense changes		
Reduction in school-based staffing due to enrolment, net of rate changes	18.2	
Cost reduction from end of EWPF and ISP funds	14.8	
Increase in staffing costs from use of COVID Learning Recovery Fund	(31.5)	
Increase in central staffing costs, and CPP and EI increases	(4.6)	
Increase in long term disability costs due to rate changes	(3.3)	
Central staff gapping savings	5.0	
Increase in 4 Vice Principals and 8 School based safety monitors	(1.1)	
Increase in central staffing costs from department requests	(1.0)	
Total Compensation Changes	(3.5)	
Operational expense changes		
Insurance cost savings	2.0	
Reduction in Board funded COVID expenses	1.0	
Utilities and other facilities cost increases	(7.0)	
Investment in Combatting Hate and Racism: Student Learning Strategy	(0.3)	
1:1 Student device strategy costs	(3.1)	
IT licensing and maintenance fee increases	(2.0)	
Total Operating Expense Changes	(9.4)	
Changes to financial position	12.9	
Updated 2022-23 Financial Position – (Deficit)	(52.2)	-1.8%

2022-23 Revised Budget and Three-Year Deficit Recovery Plan

Staff are proposing the following strategies to reduce the 2022-23 deficit to \$38.4M or 1.3% of operating allocation. Descriptions of these changes are provided below:

(In \$million)	<u>Year 1</u> 2022-23	<u>Year 2</u> 2023-24	<u>Year 3</u> 2024-25	<u>Notes</u>
Deficit Position – Beginning of year	(\$52.2)	(\$38.4)	(\$13.1)	
International students projected revenue increase		4.5	4.5	1
Regular students projected revenue increase		3.0	3.0	2
Permit revenue increase	0.5			3
Supply teacher budget reduction	2.3			4
Savings from annual insurance premiums		1.5	0.2	5
Central department budget reductions/reallocations	1.5			6
Offsite storage and record digitalization savings		0.3		7
Program realignment and staffing changes	1.7	6.5	6.5	8
Special Education program – reduction in resource teachers or changes to programs based on enrolment		5.0	5.0	9
Outdoor Education – savings to be identified		0.5	0.5	10
Central department staff gapping savings	2.5			11
School budget allocation reductions	3.0			12
School budget carryover adjustments	2.0			13
School Cash Online platform licensing fees – Charges to school budgets and/or fundraising	0.3			14
Umbrella childcare agreement cost recoveries		4.0	2.0	15
Total savings	13.8	25.3	21.7	
(Deficit)/Surplus Position - End of year	(\$38.4)	(\$13.1)	\$8.6	
% (Deficit)/Surplus of Operating Allocation	(1.3%)	(0.4%)	0.3%	

Notes:

1. The TDSB anticipates roughly 340 ADE increase in international students for each of the 2023-24 and 2024-25 school years with the lifting of travel restrictions. It is assumed that student enrolment will gradually return to pre-pandemic levels over time.

2. The TDSB anticipates a roughly 450 ADE increase in pupils of the Board for each of 2023-24 and 2024-25 school years, based on an increase to newcomers and recent enrolment data.
3. Staff are recommending an increase to the TDSB's permit fee rate in 2022-23 based on Consumer Price Index increases, and in accordance with the P011 Community Use of Board Facilities policy. It is anticipated that these changes will generate an additional \$0.5M in revenues for the Board in 2022-23.
4. Based on an assessment of historic supply teacher costs for 2022-23, staff have identified a \$2.3M decrease in supply teacher costs compared to the original budget. Note this is simply a change to projected cost and does not result in any actual staffing changes.
5. Due to improvements in market conditions and a positive insurance claims experience, it is anticipated that the TDSB's insurance premiums will decrease by \$1.5M in 2023-24 and \$0.2M in 2024-25.
6. Through the zero-based budgeting process, a detailed analysis of department budgets was conducted to identify \$1.5M in savings for 2022-23. Budget resources will also be reallocated based on the Board's strategic budget drivers to align with priorities of the Board.
7. Staff will be conducting a review of system-wide records management practices. With the implementation of the SAP Concur expense reimbursement system and a reduction in offsite storage fees, the TDSB anticipates achieving \$0.3M in savings in Year 2.
8. During the pandemic changes in the work environment have resulted in efficiencies. Service delivery and operational models are being reviewed to capture changes that will be cost effective. Staff will leverage these operational efficiencies to further reduce costs in future years. As such, some administrative central staff roles may be redefined, with a continued view to support service excellence.

Additionally, staff are building on opportunities offered during the pandemic, where appropriate, to modernize the approach to professional capacity building while effectively engaging staff (e.g., virtual professional learning sessions). The TDSB is exploring a transition to a more decentralized support model, with direct training provided to school staff, instead of through central teachers and coaches. Approximately 18 FTE reductions of staff is expected in Year 1 and 50

to 70 FTE reductions in each of the next two years. This will generate roughly \$1.7M in savings in Year 1 and \$6.5M in savings in each of the next two years.

9. Due to declining enrolment in Special Education, staffing and program will be adjusted to reflect the decrease in the number of students. While adjustments will occur, these changes are not intended to reduce services to students with Special Education needs. Discussions will cover Intensive Support Programs (ISPs) and congregated sites. In accordance with the TDSB's commitment to inclusion, our focus will remain on ensuring appropriate levels of service based on individual student needs.
10. Staff will conduct a review of the outdoor education sites for potential consolidation or closure, depending on changes to lease costs upon contract renewal. There will also be a review of outdoor learning program delivery model to ensure the efficient use of resources. There will be reductions to weekend programming to prioritize our core business of supporting students through partnerships and weekday programming. For schools over 150 on the LOI, transportation costs for excursions to overnight centres will be charged to school budgets instead of centrally. Superintendents of Education will work closely with schools during the first year of implementation to ensure that no student or school is deterred from participating in these important programs.
11. There will be planned delays in the hiring of non-critical staff positions, and a reduction in positions that are no longer required, primarily through attrition. The TDSB will maintain current service levels, while reviewing potential staffing changes because of process efficiencies gained during the pandemic.
12. To address the deficit, staff are recommending a \$3M reduction to school budget allocations across schools, where feasible. There will be a detailed analysis around the budget reduction methodology. Based on initial analysis, it is anticipated that the reduction to the secondary school budget allocation will be up to 10%, and the elementary school budget allocation will be up to 5%. PPF and other grants (such as Model Schools, Urban Priority High School funding, Student Success, etc.) will be adjusted to ensure that schools are not significantly impacted by the reductions. It is important to note that, as of May 2022, close to 48% of the \$90M in 2021-22 school budgets remain unspent.
13. The TDSB will review the school budget carry forward policy during the 2022-23 school year to ensure effective and equitable distribution of resources to TDSB schools. The TDSB will engage in information gathering from all schools to review their budget plans and determine how to establish criteria for school

budget carryovers in the future. It is anticipated that the TDSB will apply a one-time school budget carryover reduction of \$2M for schools as there have been significant carryovers due to the pandemic. These reductions will consider the individual financial status of each school and future budget plans. This amount is subject to change depending on the school budget information gathered.

14. The KEV School Cash Online annual licensing fees have been centrally funded since the implementation of the online payment platform in 2016. A portion of these costs will be charged to school budgets starting in 2022-23, and schools can offset these costs through HST rebates generated from the system or from school fundraising proceeds.

15. The TDSB has engaged in ongoing discussions with the City of Toronto around the Umbrella childcare agreement that was signed in September 1998. This evergreen agreement stipulates a per square foot lease rate of \$6.50 per square foot. This rate has not been adjusted since the implementation of the agreement, despite significant annual cost inflations. As a result, the TDSB has incurred \$6M in annual shortfalls resulting from the arrangement. The TDSB, in partnership with the City of Toronto Children's Services, will work with the Ministry of Education to implement changes to this arrangement in order to eliminate this shortfall. It is expected that these changes will be implemented in January 2024 to allow the City and the TDSB 1.5 years to analyze options.

Based on the strategies outlined above, it is anticipated that the TDSB will eliminate the \$52.2M deficit by Year 3 with a \$8.6M surplus to address other budget needs that may arise during this 3-year period. It is important to note that the majority of the suggested deficit reduction measures proposed in Year 1 do not have a significant impact on programs and services. The measures outlined in Year 2 and 3 may need to be modified in future years, depending on any enrolment fluctuation and Ministry funding changes. This deficit recovery plan has factored in a contingency for future budget needs that may arise, such as any necessary resources to address the Right to Read inquiry recommendations and any unplanned costs related to the approved Student Interest Programs policy.

The TDSB will also continue to review other options to offset the deficit for Year 2 and Year 3, as additional information becomes available. Staff will provide updates at future FBEC meetings.

2022-23 Operating Budget Assumptions and Risks

The following items have been identified as budget assumptions and risk factors that could impact the 2022-23 operating budget:

Revenue Impact – As the pandemic situation improves, revenues from international students, permits, cafeteria sales, leases, extended day programs and community programs are expected to gradually return to pre-pandemic levels. However, it is difficult to accurately project the TDSB's other revenues due to uncertainties around these timelines. The TDSB observed \$30M in reductions in these revenues in 2020-21 and \$20M in reductions in these revenues in 2021-22 compared to pre-pandemic 2018-19 levels.

Enrolment – Student enrolment has a significant impact on funding and is therefore a risk to any financial projection. Staff have based the financial position of the Board on the most current information available. The enrolment forecast will be updated in the fall, after the 31 October count of students is completed. This enrolment information will be used to update the financial forecast for the Revised Estimates submission to the Ministry in November and will be included in the first quarter update to Trustees.

Use of Benefit Reserves – There is risk in using benefit reserves for the in-year deficit. Should actuarial costs increase above the remaining reserves, the additional cost would impact the operating budget of the Board. As the TDSB is anticipating a \$60M deficit for the 2021-22 school year, all working funds reserves and 34% of the benefit reserves will be used to offset the deficit.

Cost Inflation – Fluctuations in pricing (if significant and above those budgeted) would impact the operating budget of the Board. The TDSB is engaging in hedging measures for the purchase of natural gas to mitigate against the risk of further cost inflations in 2022-23. There are also cost increases related to transportation, long-term disability, CPP/EI and maintenance costs that are not fully funded through Ministry benchmarks.

Pandemic Costs – While it is expected that the pandemic impacts will lessen over the upcoming school year, should there be a significant change in the course of the pandemic, and should no additional funding be provided by the Ministry, there could be an impact to the Board's operations and financial position.

Action Plan and Associated Timeline

Once the Board approves the 2022-23 operating budget and capital budget on 29 June, 2022, staff will complete and submit the required budget documentation to the Ministry of Education on or before 8 July, 2022.

Resource Implications

The TDSB will be using its reserves to balance the operating budget for the 2021-22 school year. Based on the latest 2021-22 financial projection as reported on 7 April 2022, the estimated reserve balance as of 31 August 2022 is as follows:

Reserves (in \$ millions)	Actual Reserves as of Aug 31, 2021	2021-22 Projected use of reserves	Estimated Reserves, as of Aug 31, 2022
Working Funds Reserve	\$22.7M	(\$22.7M)	-
Benefit Funds Reserve	109.8M	(\$37.1M)	72.7M
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	(\$59.8M)	\$141.9M

Communications Considerations

This revised report will be posted on the TDSB budget webpage.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

Not applicable.

From

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