2022-23 Revised Operating Budget

To: Special Finance, Budget and Enrolment Committee

Date: 20 June, 2022

Report No.: 06-22-4367

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:

(a) that the 2022-23 Revised Operating Budget be approved;
(b) that the draft 2023-24 and 2024-25 Deficit Recovery Plan, which will be used to inform staff's work as they develop future years' budgets, be received for information.

Context

This report provides a revised 2022-23 operating budget for Trustees' consideration and approval. Based on feedback received at the 8 June 2022 Finance, Budget, and Enrolment Committee (FBEC), and subsequent amendments to the deficit recovery plan, the revised 2022-23 deficit is projected at $40.4M or 1.4% of operating allocation.

As outlined in this report, the TDSB's 2022-23 projected deficit is primarily due to unfunded pandemic costs, ongoing Ministry funding shortfalls in a number of areas, and declining enrolment. It is important to note that without this deficit, and with adequate Ministry funding, the TDSB would be in a much more stable financial position.

Over the course of the pandemic, every available resource was put towards supporting students, and doing everything we could to keep staff, students and their families safe.

It was the responsible and necessary approach to serve our students during the COVID-19 pandemic.

TDSB staff and Trustees continue to advocate for additional and more stable funding from the province, including the reimbursement of pandemic related expenses and other revenue losses incurred, a commitment to fund the TDSB's pandemic recovery plan, and additional funding to cover inflationary cost increases that are not currently funded by the Ministry. Should these costs be reimbursed to school boards, these supports would be sufficient to address the TDSB's projected deficits in both 2021-22 and 2022-23.

The Ministry has clarified that a Three-Year Deficit Recovery plan is not required per regulation. However, because the TDSB is submitting a deficit greater than 1% for 2022-23, providing the draft Three-Year Deficit Recovery plan demonstrates that the Board's long-term financial position is not at risk.

The draft deficit recovery strategies for 2023-24 and 2024-25 also provide added transparency regarding future cost saving measures that may be required to balance the budget. It is important to note that they are for staff planning purposes and are presented to the Committee for information only. When enrolment, funding details and operational changes for those years are confirmed, staff will provide more detailed, evidence-based recommendations for those years at future FBEC meetings.

Section 231 of the Education Act requires school boards to pass balanced operating budgets each year. According to TDSB's by-laws, FBEC's mandate is to consider and make recommendations to the Board on finance matters, including strategies to balance the operating and capital budget over a multi-year period, and to make recommendations to the Board to balance the budget.

Since the 8 June 2022 FBEC meeting, staff have notified the Ministry of the proposed amendments to the projected deficit of $40.4M (1.4%) and informed the Ministry that approval will be sought for this deficit. Should the Ministry not approve the budget passed by the Board, a Special FBEC and Board meeting will be required in early July 2022 to consider a revised 2022-23 operating budget for re-submission.

The Ministry has approved an extension to the budget submission deadline, from 30 June 2022 to 8 July 2022, to allow staff additional time to submit the documentation after the Board's budget approval.

Pandemic Impacts and Board-Funded Costs

Throughout the pandemic, the TDSB made use of all available resources to keep students, staff and families safe. In addition, the TDSB prioritized student learning through virtual school during the many periods of disruption, as well as mental health and well-being supports for students. As a result, the TDSB incurred over $69M in board-funded pandemic costs that have not been reimbursed by the Ministry.

Year	Description	Amount ($Mil)
2019-20	For additional staffing and technology costs to support the pivot to remote learning, and personal protective equipment (PPE) and enhanced cleaning costs incurred in preparation for the return to in-person learning. These costs were offset by other savings due to the school closures.	24.6
2020-21	For implementation of the virtual school, enhancements to mental health supports, purchase of PPE not supported by the Ministry of Government and Consumer services, and the increase in transportation costs to enhance physical distancing.	41.6
2021-22	For purchase of simultaneous learning kits, health and safety decals, student masks, and courier and printing costs relating to the rapid test kit and PPE distributions.	3.0
TOTAL		**$69.2**

In addition to the unfunded costs above, there were also $64M in other revenue reductions since March 2020 due to the pandemic, in areas such as international students, permits, leases, Continuing Education, and cafeteria sales. These reductions in revenue could not be equally offset by an associated reduction in operating costs.

Pandemic Impact on Other Revenues:

In $Million	*A*	*B*	*C*	*D*	*A X 3 – (B+C+D)*
Revenues	**2018-19 Actuals**	**2019-20 Actuals**	**2020-21 Actuals**	**2021-22 Projected**	**Cumulative 2019-2022 Other Revenue Reductions**
Rental & Permit	33.0	24.5	20.5	29.6	24.6
Tuition Fees	32.2	30.4	21.3	18.0	27.0
Cafeteria	5.3	3.1	1.6	3.3	7.8
Continuing Education	4.0	2.8	0.9	3.8	4.5
Total	**74.5**	**60.8**	**44.3**	**54.7**	**63.9**

The TDSB's 2022-23 deficit of $40.4M is comprised of the Board's structural deficit (e.g. unfunded portion of CPP/EI, transportation cost increases), revenue losses associated with the pandemic (e.g. international student tuition revenue), and unanticipated cost increases that are temporary or cyclical in nature (e.g. maintenance and utility cost inflation). The reduction strategies outlined for 2022-23 to balance the budget will have a limited impact on programs and services for students and will be implemented using principles of equity.

Key Investments in the 2022-23 Budget

While the 2022-23 budget contains reduction strategies needed to balance the budget, it also includes key investments, based on the approved budget drivers, such as:

- An additional 16 FTE social workers, 35 FTE child and youth workers and 15 FTE child and youth counsellors, totalling $6.5M.
- 40 FTE additional School-Based Safety Monitors, totalling $2.3M.
- Additional allocations in the following positions through the Supports for Student Fund and Learning Recovery Fund to help offset reductions caused by the end of Investment in System Priorities and Education Worker Protection Fund: Special Education Support Staff (101.0FTE), School Office Clerical (48.5 FTE), Lunchroom Supervisors (200.0 FTE) and Caretaking (108.5 FTE).
- 48 FTE central coaches and teachers were allocated to support early reading. The Board will also commit to reviewing the recommendations outlined in the Right to Read Inquiry report and invest resources to support direct instruction reading programs and other reading materials.
- $1.8M allocated to hire an additional 15 ESL teachers to support the increase in the number of newcomers to our system.
- $1.6M, in addition to the $5.4M in Ministry's enveloped funding, to support Indigenous education.
- $2.1M to support the Centre of Excellence for Black Student Achievement.
- $6.2M to support Model Schools for Inner Cities initiatives and schools above 150 on the Learning Opportunity Index, $3.5M allocated to Urban Priority High Schools (UPHS) and $8.7M to support student success initiatives.
- $1.8M allocated to support the TDSB's Human Rights Action Plan.
- $8M for the 1:1 student device technology initiative and an additional $2M for other IT licensing and maintenance costs.
- $4.4M to support network infrastructure, connectivity, and security needs.
- $0.3M allocated towards supporting professional learning for the Combatting Hate and Racism – Student Learning Strategy, as well as four additional Equity coaches to support training needs.

For more information about these and other investments for 2022-23, please see the Operating Budget report from the 8 June 2022 FBEC and staff allocation report from 3 March 2022 FBEC.

2022-23 Financial Forecast

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

TORONTO DISTRICT SCHOOL BOARD
2022-23 Projected Forecast
($ million)

		$M	%
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 Draft Three-Year Deficit Recovery Plan

Staff are proposing the following strategies to reduce the 2022-23 deficit to $40.4M or 1.4% of operating allocation. Descriptions of these changes are provided below:

(In $million)	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Notes
Deficit Position – Beginning of year	**($52.2)**	**($40.4)**	**($15.1)**	
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**
Umbrella childcare agreement cost recoveries		4.0	2.0	**11**
Central department staff gapping savings	2.5			**12**
School budget allocation reductions	3.0			**13**
School Cash Online platform licensing fees – Charges to school budgets and/or fundraising	0.3			**14**
International student tuition fee increase			1.5	**15**
Total savings	**11.8**	**25.3**	**23.2**	
(Deficit)/Surplus Position - End of year	**($40.4)**	**($15.1)**	**$8.1**	
% (Deficit)/Surplus of Operating Allocation	**(1.4%)**	**(0.5%)**	**0.3%**	

Notes:

1. The TDSB anticipates an increase in international students of approximately 340 ADE 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 an increase in pupils of the Board of approximately 450 ADE for each of 2023-24 and 2024-25 school years, based on an increase to newcomers and recent enrolment data.

3. As per P011 Community Use of Board Facilities Policy, the TDSB permit fee rate will increase in 2022-23 based on Consumer Price Index increases. 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 costs 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 digitalization of files to reduce 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 for central departments. Service delivery and operational models are being reviewed to capture cost effective changes. 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. The TDSB will continue to support the programming requirements of all students with special education needs, while making adjustments to resource allocation to match enrolment.

   Over the past 10 years, the TDSB has experienced a decrease in the number of students identified with special education needs in the following areas:

   - Learning Disability - 4264 students
   - Mild Intellectually Delayed - 926 students
   - Behaviour Designation - 457 students

   Over the same period of time, the TDSB has also experienced an increase to the number of students identified with Autism (1107 students). Staffing and program will be adjusted to reflect these enrolment changes and to ensure that we are supporting the students we have in our system. Please note, while adjustments will occur, the TDSB will continue to maintain similar levels of support, focusing on the individual needs of each student. Any changes will be proportionate to changes in student enrolment.

   Discussions will also 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. There are currently two TDSB outdoor education sites up for contract lease renewal next year. If there are significant changes to the lease costs that make it cost prohibitive to run the programs, staff will conduct a review for potential consolidation or closure of these sites. 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. 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 time to analyze options. An additional update will be provided to Trustees at an FBEC meeting next school year.

12. 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.

13. Staff are recommending a $3M reduction to school budget allocations to be implemented using an equitable approach. Before implementation, there will be a detailed analysis around the budget reduction methodology and its impact on schools. Based on staff's initial analysis, it is anticipated that the reduction to the secondary school budget allocation will be approximately 10%, and the elementary school budget allocation will be approximately 5%. Program Priorities Funding (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 18 May 2022, close to 48% of the 2021-22 school budgets (including carryover and grants) remain unspent.

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.

Changes to the Deficit Recovery Plan

At the FBEC meeting on 8 June 2022, staff received feedback from Trustees on the Deficit Recovery Plan and have made the following changes:

International Student Tuition Fee Increase (Chart – Note 15):

Trustees requested additional revenue generation strategies to address the Board's projected deficit. One of the strategies that was proposed is an increase to the international students' annual tuition fee rate from $16,000 to $17,500. Staff will conduct a market scan and feasibility review of the fee increase. This increase, if deemed feasible, will be implemented in 2024-25, to align with the timing of student pre-registrations and to allow time for staff to develop a communication plan. Staff is projecting a $1.5M revenue increase in Year 3 should the changes be implemented.

School Budget Carry Forwards:

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 to determine how to establish criteria for school budget carryovers in the future. It is important to keep in mind that school budgets are intended to be used to benefit current students. Unless there is a specific, long-term plan around the use of the funds, schools should not be carrying over budgets for an extended amount of time.

Summary

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 are draft and 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 other unplanned costs.

The TDSB will also continue to review other options to offset the deficit for Year 2 and Year 3, including revenue generation strategies. Staff will provide updates at future FBEC meetings.

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 and 2022-23 school years:

Reserves (in $ millions)	Actual Reserves as of Aug 31, 2021	2021-22 Projected use of reserves	2022-23 Projected use of reserves	Estimated Reserves, as of Aug 31, 2023
Working Funds Reserve	$22.7M	($22.7M)		-
Benefit Funds Reserve	109.8M	($37.1M)	($20.4M)	52.3M
School Support & Other	51.7M		($20.0M)	31.7M
Environmental Legacy	2.7M			2.7M
Artificial Turf Fund	0.5M			0.5M
Sinking Fund Interest	14.3M			14.3M
Total working funds and internally restricted funds	**$201.7M**	**($59.8M)**	**($40.4M)**	**$101.5M**

Communications Considerations

This revised report will be posted on the TDSB budget webpage. Following the Board meeting, a news release will be issued regarding approval of the 2022-23 budget.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

Not applicable.

From

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