



Update on Revised Estimates 2020-21

To: Special Finance, Budget and Enrolment Committee

Date: 25 November, 2020

Report No.: 11-20-3998

Strategic Directions

- Allocate Human and Financial Resources Strategically to Support Student Needs

Recommendation

It is recommended that the Update on Revised Estimates 2020-21 be received.

Context

As part of the regular reporting requirements to the Ministry of Education, the deadline for the Revised Estimates is 15 December 2020. Typically, the main purpose of the Revised Estimates is to update the Ministry of Education on changes to a school board's forecast based on actual enrolments experienced in October of each year and any known changes. This year, with the pandemic, many school boards are experiencing significant changes from their original budget. The Toronto District School Board (TDSB) is no different in this regard. The purpose of this report is to provide Trustees with the most current information regarding the impact of the pandemic on the TDSB's projections.

Due to the pandemic this year, the Ministry of Education increased school boards' maximum allowable deficit without Ministry of Education approval from 1% to 2%. 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, in summer 2020, the Board approved a 2% deficit in order to support additional teachers and smaller class sizes.

As outlined in this report, the TDSB's current forecasted deficit is projected to be approximately 3.25%, which means TDSB staff will be seeking Ministry of Education approval prior to submitting the Board's Revised Estimates. It is anticipated that many boards across the province will be in a similar position due to the pandemic. An update will be provided at the January 2021 Finance, Budget and Enrolment Committee (FBEC) meeting should there be any changes to the final 2020-21 forecasted financial position.

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 include:
 - o Updated enrolments for this school year
 - o Revenue Impacts due to enrolment change and other factors
 - o Cost impacts relating to staffing and operating expenses
- Projected financial position based on assumptions
- Potential risks to financial position

Assumptions

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

Enrolment Data – Elementary:

Enrolment used for funding purposes is the Average Daily Enrolment (ADE) of pupils. This is calculated based on an average of full time equivalent (FTE) students reported as of the 31 October and 31 March count dates in each school year. The Planning department's annual enrolment projection is based on the count of students as of 31 October 2020, adjusted by the forecasted attrition rates as of the 31 March 2021 count date, to arrive at the elementary enrolment for this school year.

Enrolment Data – Secondary:

As a result of the pandemic and the quadmester schedule, secondary school enrolment will be based on the count of students on the 16th day of each quadmester. Due to the count date for the second quadmester being in December, the Planning department has used actual enrolment from the first quadmester and projected enrolment for the second quadmester to arrive at the enrolment projection for the first half of the year. This data is then used to forecast the enrolment for the balance of the year.

Due to the timing of this report and the use of projections for the second quadmester, staff will report to FBEC in the January cycle of meetings on the actual enrolment for the second quadmester and the impact on funding.

Updated Enrolments:

Outlined below are the updated average daily enrolment (ADE) projections from the Planning department based on the assumptions above:

Grade	Original Projection (ADE)	Updated Projection (ADE)	Variance (ADE)
Junior Kindergarten	16,930.0	15,115.0	(1,815.0)
Kindergarten	17,830.0	16,985.6	(844.4)
Grades 1 to 3	53,548.0	52,266.0	(1,282.0)
Grades 4 to 6	51,780.0	51,071.0	(709.0)
Grades 7 to 8	34,281.0	33,803.0	(478.0)
Grades 4 to 8	86,061.0	84,874.0	(1,187.0)
Total Elementary	174,369.0	169,240.6	(5,128.4)
Grades 9 to 12	69,296.0	69,014.0	(282.0)
Independent Study	83.5	50.0	(33.5)
Total Secondary	69,379.5	69,064.0	(315.5)
Total Day School	243,748.5	238,387.9	(5,443.9)

It should be noted that many school boards are facing similar declines in enrolment due to the pandemic. The TDSB and other boards have advocated to the Ministry of Education to fund at the original enrolment projections prior to the pandemic, as boards are facing significant funding reductions. The Ministry of Education is reviewing this request of school boards and will advise if any additional funding will be made available to address the decline in enrolment.

Revenue Impacts:

- *Grants for Student Needs (GSN)*: Amount is based on projected enrolment data provided by the TDSB's Planning Department and funding announced by the Ministry of Education.

The impact on the GSN due to the enrolment change, and other small grant changes, is outlined below:

	Estimates	Revised Est.	Variances
Pupil Foundation Allocation	\$1,370,679,838	\$1,338,350,041	\$(32,329,797)
School Foundation Allocation	180,890,861	177,931,353	(2,959,508)
Special Education Allocation	348,799,042	343,452,230	(5,346,812)
Language Allocation (Note 1)	120,422,076	105,793,676	(14,628,400)
Learning Opportunities Allocation	154,579,288	154,454,576	(124,712)
Continuing Education Allocation and Other Program	27,041,868	26,913,168	(128,700)
Cost Adjustment and Teacher Qualification Allocation (Note 2)	280,857,016	286,405,854	5,548,838
New Teacher Induction Program Allocation	1,520,493	1,163,084	(357,409)
ECE Q&E Allocation	16,747,050	16,588,169	(158,881)
Restraint Savings Allocation	(949,625)	(949,625)	-
Transportation Allocation	63,515,116	63,455,172	(59,944)
Administration and Governance Allocation	62,312,101	61,337,096	(975,005)
School Operations Allocation	276,396,663	270,713,791	(5,682,872)
Community Use of Schools Allocation	3,723,914	3,723,914	-
Declining Enrolment Adjustment	0	14,508,256	14,508,256
Indigenous Education Allocation	5,296,734	5,279,891	(16,843)
Mental Health and Well-Being Grant	9,923,158	9,823,520	(99,638)
Supports for Students Fund	23,923,094	23,923,094	-
Program Leadership Grant	1,645,378	1,645,378	-
Support for Covid-19 Outbreak Allocation (Note 1)		2,111,295	2,111,295
Permanent Financing of NPF	20,498,586	20,498,586	-
Total School Renewal Allocation.	48,407,324	47,659,917	(747,407)
Trustees' Association Fee	43,316	43,316	-
Capital Debt Interest Payment - OFA	15,885,181	15,885,181	-
Total	\$3,032,158,472	\$2,990,710,931	\$(41,447,539)

Notes:

- 1) The Language Allocation and the Support for Covid-19 Outbreak Allocation were not included in the October 14 FBEC update to Trustees.
- 2) Cost Adjustment and Teacher Qualification Allocation variance is comprised of \$11.4M in increased funding due to an increase to teacher average salary.

- *Federal and Provincial Government Funding:* The first phase of federal and provincial funding (related to the pandemic) announced in the fall have been included in this forecast. Funding from the second phase has not been included in the revised estimates projection as the amount is not known at this time.
- *Permit, Parks and Recreation Revenues:* These are anticipated to decrease by a total of approximately \$4.3M due to ongoing provincial restrictions that have limited community activities and gatherings. \$2.3M of this loss was already captured in the original 2020-21 budget estimates, resulting in an additional revenue reduction of \$2.0M.
- *International Student Revenues:* The revenue from international student enrolment is anticipated to decrease by approximately \$0.8 million based on October and November 2020 enrolment data, compared to the initial budget projection.
- *Extended Day Program:* The operating deficit for the Extended Day Program is anticipated to increase by \$1.2M due to a decrease in revenues. This is based on the current 45% vacancy rate, as students pivot to virtual school, in addition to an increase in prepackaged food program costs.
- *Nutrition Services:* The operating deficit of Nutrition Services is anticipated to increase by approximately \$1.2M due to the forecasted ongoing closure of cafeterias. Cafeteria services staffing costs continue to be incurred as staff are redeployed to support school nutrition programs.

Cost Impacts:

Teacher Costs:

Teacher costs have changed in the amount of approximately \$2.3M. Several factors have impacted the overall teacher costs as outlined below:

- Additional long-term occasional staffing costs are projected to be incurred, due to the running of both in-person and Virtual School, at an estimated cost of \$45.1M.
- More students have chosen Virtual School than originally anticipated. We had estimated approximately 20% of students would choose Virtual School. As of today, that number is approximately 38%. As you are aware, we established smaller class sizes at in-person schools which resulted larger class sizes in the Virtual School. The increased enrolment in virtual school, coupled with the larger

class sizes, has resulted in 220 fewer teachers being required (\$23.7M reduction).

- Short-term supply costs for the year are forecasted to be lower as a result of the decrease in teacher daily absenteeism experienced to date. The projected savings for the full year is anticipated to be \$11.4M if this trend continues.
- As a result of redeploying central teachers to support students in both in-person and virtual schools, the Board is projected to save \$18.8M in central teacher costs.
- The Board's average teacher salary costs are based on the experience and qualifications of teachers. Based on teachers' actual experience and qualifications, it is anticipated that the increase in average salary will result in an additional cost of \$11.1M. This additional cost was offset by increased funding under the Teacher Qualification and Experience grant.

Personal Protective Equipment (PPE) and Cleaning Supplies:

The Ministry of Government and Consumer Services (MGCS) has been tasked with providing school boards with PPE and cleaning supplies at no cost. From September 2020 to date, the TDSB has had to procure approximately \$3.2M of PPE and cleaning supplies from its own suppliers to ensure adequate supplies for the system. While the supply chain through MGCS is improving and more supplies are being acquired through them, the TDSB forecasts the overall cost to the Board by year-end will be \$7.7M. The TDSB and other school boards are advocating to the Ministry of Education to have these costs funded. The Ministry of Education has announced \$0.46M in 2020-21 COVID-19 funding to offset these PPE costs. Initially, staff had forecasted spending \$5.7M in the first four months of the school year. Therefore, the revised forecast of \$7.7M results in an additional cost pressure of \$2.0M.

Future Employee Benefits Costs:

Future Employee Benefits Costs are anticipated to increase by \$5.5M based on this year's actuary projection. The increase is attributed to costs relating to long-term disability and WSIB.

Virtual School Administration:

Provincial and Federal funding for remote learning administration totaled \$5.4M for the TDSB. The projected cost for remote learning administration at the TDSB is \$8.4M. Therefore, the total cost over funding is \$3.0M.

Designated Early Childhood Educators (DECE):

To ensure that all Kindergarten students, including those in Virtual Schools, are supported by a DECE (when the class size is over 15 as per Regulations under the Education Act), while also ensuring the least amount of disruption for staff, students and families, an additional \$2.4M was allocated to support the hiring of additional DECEs.

Other Costs:

Various other minor variances across central departments in the amount of \$2.5M are forecasted.

Financial Position

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

Projected Financial Position		
(millions)		
Forecasted 20-21 Financial Position as at July 7, 2020 Surplus/(Deficit)		(\$29.3)
Revenue Impacts		
GSN decrease due to enrolment reduction	(\$41.4)	
Permit revenue	(\$2.0)	
International student revenue reduction	(\$0.8)	
Extended Day Program	(\$1.2)	
Nutrition service operation	(\$1.2)	
Total Revenue Impacts		(\$46.6)
Costs Impacts		
Teacher Costs	(\$2.3)	
Additional PPE and cleaning supplies	(\$2.0)	
Future Employee Benefits	(\$5.5)	
Virtual School Administration Costs	(\$3.0)	
Designated Early Childhood Educators	(\$2.4)	
Other Costs	(\$2.5)	
Total Cost Impacts		(\$17.7)
Revised Financial Position for 20-21 as at Nov. 20, 2020 - Surplus/(Deficit)		(\$93.6)

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) 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.
- 2) Enrolment: Due to the unknown nature of the pandemic, predicting future enrolment trends is difficult. Given that enrolment is the most significant factor in determining the TDSB's overall grant revenue, any significant change in actual enrolment compared to forecast will impact the TDSB's financial position.
- 3) Supply Costs: The ongoing pandemic will significantly impact supply costs. If the TDSB needs to revert completely to virtual learning once again, there could be significant savings. However, should the pandemic continue as it is currently projected and schools remain open, supply costs could significantly increase above what is currently projected.
- 4) PPE and Cleaning Supplies: Depending on supply chain availability of PPE and cleaning supplies from MGCS, the TDSB may have to continue to purchase supplies from its own vendors at a cost to the board.
- 5) Technology and Software Supports: The TDSB is endeavouring to provide all students with access to technology and internet connectivity, as well as having the appropriate virtual academic resources. Depending on funding available and impact of the pandemic on the learning environment (i.e. bricks and mortar versus remote learning), there may be a significant need for additional technology in the future.
- 6) Other Unknown Financial Challenges: As this is the first time school boards have had to operate during a pandemic, it is difficult to forecast what unknown financial challenges there will be in the balance of the year. School boards are still awaiting information from the Ministry of Education on the second round of Federal funding, as well as what other funding the Ministry of Education will provide to address the additional costs resulting from the pandemic.

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 will begin discussions with the Ministry of Education on revised projections and seek approval of the revised deficit of 3.25%. As well, staff will continue to advocate to the Ministry of Education to fully fund the costs of the pandemic to school boards and update Trustees on Ministry of Education communications.

Resource Implications

School boards are required to have a balanced budget.

Communications Considerations

This report will be posted on the Board budget website.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

Not applicable.

From

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