



## **2021-22 Draft Financial Forecast**

**To:** Finance, Budget and Enrolment Committee

**Date:** 24 February, 2021

**Report No.:** 02-21-4040

### **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 the 2021-22 Draft Financial Forecast report be received.

### **Context**

Due to the uncertainties around the pandemic and its impact to the Board's budget, staff have decided to present a one-year forecasted financial position of the Board, as opposed to the three-year projection normally presented in February of each year.

Typically, this forecast report provides an initial projection of the financial position, and minor changes are incorporated into the forecast throughout the budget development cycle. As such, this year's forecast will continue to evolve throughout the budget process as additional information becomes available.

Identified below are two significant pieces of information that will inform the TDSB's final budget but have not been determined as of this time:

- Ministry Direction – Currently, the Ministry has not released any guidance to school boards regarding school opening in September 2021, or what financial supports may be available if the pandemic continues into the 2021-22 school year. The Ministry is expected to provide this guidance in the coming months. The only current guidance provided to school boards is to develop budgets based on a typical year with no pandemic funding and school boards are to meet their collective agreement timelines.

- Status of the Pandemic – As the Ministry of Health and Toronto Public Health provide future information and guidance around the evolving status of the pandemic and the variants on Toronto communities, this information will inform school re-opening plans and budget impacts.

Based on the Ministry of Education's current direction, which is to assume the absence of any pandemic funding, staff have created this forecast assuming there is no pandemic-related financial impact. This means that the projection is based on normal operations of schools and support systems. This forecast will be updated as further guidance and information becomes available.

Staff have built a financial forecast based on the Board's financial position (absent the pandemic) and updated for known changes. Prior to the pandemic, staff informed Trustees that there was a structural deficit of \$41.5M prior to savings planned in 2020-21, as reported to Board on March 12, 2020 for the 2020-21 school year. The initial planned savings were \$10.0M for 2020-21, however savings of only \$5.2M were achieved, leaving a structural deficit of \$36.3M prior to the pandemic.

### **Draft Financial Position**

Based on the information above, TDSB is currently forecasting a projected deficit of \$57.3M or 1.9% of the operating budget in 2021-22. Staff are exploring options to address the deficit and will report back at a later date.

While this is an early estimate of the financial position of the Board based on a non-pandemic school re-opening, no system reductions have been planned to offset this deficit. School-based staffing levels have been adjusted to reflect anticipated enrolments and no system structural reductions are being recommended by staff at this time. Planning continues as additional information becomes available and staff will continue to update Trustees as appropriate.

### **Assumptions**

The following major assumptions have been used in developing this forecast:

Class sizes – Per Ministry guidance, staffing of classrooms is based on collective agreement and regulated class sizes within funding levels.

Staffing – While school-based staffing has been adjusted to enrolment projections, central teachers allocated to virtual school have been returned to their central departments in the 2021-22 budget.

Labour and benefit costs – The Ministry will fund all labour agreement increases for both salaries and benefits. In addition, funding will be provided for any increases in statutory benefit costs.

Interest rates – Interest rates will remain at current levels during the 2021-22 school year.

Based on these assumptions and updated information available, the following preliminary forecast for 2021-22 has been developed:

### Draft Financial Forecast for 21-22

(Millions)

Item	Amount	
Initial Projected Deficit 20-21 Prior to Pandemic as at March 12, 2020		(\$41.5)
Less: Year two savings achieved		\$5.2
Revised structural deficit prior to impact of pandemic		(\$36.3)
<b>Revenue changes 20-21 vs 21-22 Increases/(Decreases)</b>		
ESL enrolment impacts	(\$17.3)	
GSN funding for COVID costs	(\$2.1)	
Permits and Lease Revenues	\$1.2	
Net forecasted Revenue Changes		(\$18.2)
<b>Changes to 21-22 forecast Savings/(Costs)</b>		
SIS project implementation cost reduction	\$4.2	
Insurance Premium increases	(\$1.6)	
Pay Equity	(\$2.4)	
Future Employee Benefits	(\$1.0)	
One time HST rebate	(\$2.0)	
Net forecasted Expenditure Changes		(\$2.8)
Net Draft Financial Position as at February 2021		(\$57.3)

A brief explanation of the items outlined above has been provided below:

#### **Revenue**

Based on the current enrolment forecasts, there will be no increases to the number of newcomers arriving in Canada during the pandemic. This results in a Grant for Student Needs (GSN) decrease. When this is combined with adjusted teacher staffing, it results in a net negative financial impact of \$17.3M, compared to the current forecasted enrolments for 2021-22. Should immigration patterns change, this enrolment forecast will be updated.

One-time funding of COVID costs, included in the GSN of \$2.1M in the prior year, have been removed from the forecast.

Staff are forecasting a slight increase in Permits and Lease revenues of \$1.2M for the last half of the school year as the pandemic situation improves.

### **Expenditures**

Student Information System (SIS) implementation continues into 2021-22; however, the bulk of these expenditures were incurred in 2020-21. Therefore, the carryover impact on the budget is a reduction of \$4.2M.

Insurance premiums are forecasted to increase, primarily in the area of property insurance, in the amount of \$1.6M.

Accruals for pay equity are forecasted to cost \$2.4M in 2021-22.

Accruals for Future Employee Benefits are forecasted to increase in 2021-22 by \$1.0M

One-time HST Rebate – Since 2018, TDSB has engaged in the recovery of HST rebates from school generated funds that were not claimed in prior fiscal years. It is projected that TDSB will not recover the same level of HST rebates in the 2021-22 school year, as the pre-2017 HST rebates surpass the four-year claim period.

### **Risks**

While this is a preliminary forecast of the financial position of the Board for 2021-22, there are a couple of significant risks that need to be considered. A complete listing of risks will be included in the final draft budget presented to Board when more information is known.

Staffing – Staffing levels are based on normal (non-pandemic) system operations. Should additional staffing (not funded by Ministry grants) be required to support students, there would be a significant impact to the financial position of the Board.

Supply Teacher Costs – The current projection does not include any increase to supply teacher costs over this year's levels.

Enrolment – Projections have been based on the best information available and will continue to be updated as needed. Should there be a significant change in actual vs. projected enrolments, there will be a corresponding impact on the financial position of the board.

### **Action Plan and Associated Timeline**

As additional information becomes available, staff will continue to update the draft 2021-22 budget projection. There are certain key pieces of information which will impact the final draft budget which are still to be determined. They are as follows:

- Ministry of Education guidance to the school board sector on planning and funding for September 2021. This includes the announcement of the Grant for Student Needs (GSN), as well as guidance to the sector on planning for school opening in September during the pandemic.
- Status of the Pandemic – Further information will be made available regarding the status of the pandemic and the impact of COVID-19 variants on communities, which will inform future planning. In addition, updates and guidance from the Ministry of Health and Toronto Public Health will inform school re-opening and budget impact of these plans.
- Vaccine rollout – Depending on the status of the vaccine rollout by the Federal government, the need to be able to support and accommodate students and staff safety will be impacted.

The final draft budget is currently planned to be presented to Finance, Budget and Enrolment Committee in May 2021, with the final approval by Board in June 2021.

## **Resource Implications**

School boards are required to submit a balanced budget to the Ministry of Education by June 30, 2021. School boards can have a deficit of up to the lesser of one percent of the school board's operating revenue or the accumulated surplus of the preceding school year (consistent with the requirements set out in regulation Ontario Regulation 280/19). If a school board anticipates an in-year deficit of greater than one percent in its operating allocation, then Minister approval is required. Under either scenario, the school board must provide a deficit recovery plan.

## **Communications Considerations**

This report will be posted on Board budget websites.

## **Board Policy and Procedure Reference(s)**

List all Board policies and procedures that relate to this matter.

## **Appendices**

- N/A

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