



## 2021-22 Operating Budget

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

**Date:** 1 June, 2021

**Report No.:** 06-21-4102

### Strategic Directions

- Transform Student Learning
- 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
- Build Strong Relationships and Partnerships Within School Communities to Support Student Learning and Well-Being

### Recommendation

It is recommended that the 2021-22 Operating Budget report be received.

### Context

#### **2021-22 Budget Submission**

Section 231 of the Education Act requires school boards to pass a balanced operating budget 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 budget to the Ministry of Education by June 30<sup>th</sup> of each year. Staff will be submitting a request to the Ministry to extend the budget submission deadline to 9 July, 2021 to accommodate the 30 June, 2021 Board meeting date.

#### **2021-22 Projected Board Revenues**

The TDSB's 2021-22 projected revenues are forecasted to be \$3.2B (not including deferred capital contribution). The Grants for Student Needs (GSN) represents 93.3% of the TDSB's overall revenues. A breakdown of the revenues is outlined below:

<b><u>TABLE A: 2021-22 Revenue Forecast</u></b>	<b>Amount (\$ million)</b>	<b>%</b>
Grants for Student Needs	3,015.7	93.3%
Less: Deferred Capital Adjustment (Note 1)	(14.1)	(0.4%)
Subtotal	3,001.6	92.9%
<b>Other Revenue:</b>		
Community Services Funding	55.3	1.7%
School Generated Funds	40.0	1.2%
Leases & Permits	29.6	0.9%
Tuition Fees	26.5	0.8%
COVID-19 Support Funding (see Table C below)	23.0	0.7%
Priorities & Partnership Fund (PPF) (see Table D below)	17.9	0.6%
Secondment	12.2	0.4%
Early ON and Extended Day Program	9.3	0.3%
Interest	6.0	0.2%
Continuing Education	4.8	0.1%
Other Miscellaneous	4.3	0.1%
Cafeteria	3.3	0.1%
Subtotal	232.2	7.2%
<b>Total 2021-22 Forecasted Revenues before Deferred Capital Contribution (Note 1)</b>	<b>3,233.8</b>	<b>100.0%</b>

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 deferred capital contribution and capital amount will be factored into the operating budget after the 2021-22 capital budget is approved.

### **Changes to GSN Funding**

#### Technology Resources

The TDSB has purchased over 55,000 devices in 2020-21 through available COVID funding. The Ministry has committed \$1.7M in technology funding for the TDSB in 2021-22 through the Student Technology Devices per pupil amount in the GSN. This annual funding will continue beyond the next school year and will be used to support the 1:1 student to device strategy initiative commencing in 2021-22.

#### Newcomers Supplement

The TDSB will be utilizing \$25M of the newcomers' allocation towards the hiring of 87 elementary and 58 secondary English as a Second Language (ESL) teachers to provide

the same level of support as in 2019-20. The remaining \$9.3M will be used to address other staffing needs.

### **COVID-19 Supports in PPF**

<b>TABLE C: COVID-19 funding in 2021-22 Forecast:</b>	<b>Amount (\$M)</b>
Staffing Supports*	15.8
Mental Health & Special Education*	1.1
Student Transportation Health & Safety*	2.0
School Operations & Ventilation*	1.9
Re-engaging Students and Reading Assessment Supports	2.2
<b>Total</b>	<b>\$23.0</b>

\*Represents 50% of total funding announced by the Ministry. The Ministry will provide direction around the second half of the funding in the Fall of 2021, depending on the status of the pandemic and vaccine distribution.

<b>Table D: Other PPF funding in 2021-22 Forecast:</b>	<b>Amount (\$M)</b>
Education Worker Protection Funding	10.7
System Priorities Funding	4.1
Math Strategy	2.4
Human Rights Equity Advisors	0.4
French as a Second Language	0.2
<b>Total</b>	<b>\$17.9</b>

#### **Staffing Supports**

The TDSB has incorporated \$15.8M, or half of the \$31.5M in available Staffing Supports funding, into the 2021-22 budget forecast. Approximately \$3M of the \$15.75M will be used toward caretaking staff overtime to address enhanced cleaning requirements as schools open in the Fall. The remaining \$12.75M will be used to address staffing needs.

#### **Mental Health and Special Education Funding**

The TDSB is committed to utilizing the additional COVID-19 PPF funding, which includes \$1.09M in Special Education supports and \$1.23M in mental health supports. Half of this amount, or \$1.16M, was incorporated into the 2021-22 forecast. In addition, there are \$414K in additional provincial GSN allocation for student mental health. This funding can be used for staff professional learning and training, the hiring of community mental health providers, student engagement, and data collection and analysis.

### Student Transportation, Health & Safety

The TDSB has incorporated \$2.0M, or half of the \$3.95M of the total Transportation Health & Safety allocation, into the 2021-22 budget forecast. This funding will be used to address routing changes, enhanced cleaning, and any transportation cost increases resulting from changes to the 2021-22 learning model.

### School Operations and Ventilation

Approximately \$1.9M, or half of the \$3.72M in additional School Operations Support allocation, was incorporated into the forecast and will be used to support costs relating to operating HEPA units and filter changes. The filters of the units have a useful life of about 3 years, and the cost to replace all filters across the 11,500 HEPA units currently used in the system is projected to be approximately \$3.2M.

### Re-engaging Students and Reading Assessment Supports

The TDSB's allocation of \$2.21M will be used to ensure support for students returning from virtual school to in-person learning. In addition, funds will be used to work with Indigenous partners and organizations to develop culturally relevant activities that bridge community and school-based learning, and outreach to community partners to support pathway planning. Part of this funding can also be used towards reading assessment supports, such as licenses and local programs to identify the learning needs of early readers.

## **2021-22 Projected Board Expenditures**

The COVID-19 pandemic has had a significant impact on school board operations in the past two school years. As many students, families and education workers are expected to be fully vaccinated by the Fall of 2021, it is anticipated that operations will gradually return to pre-pandemic levels. As such, staff have built the 2021-22 operating budget with the assumption that there will not be any significant pandemic impacts beyond those funded by the Ministry of Education and that the TDSB will implement a local school model for elementary and secondary schools for 2021-22.

The 2021-22 projected operating deficit is primarily due to the structural deficit prior to the COVID-19 pandemic, and the impact of maintaining programs during the pandemic while funding has been impacted by declining enrolments. The 2021-22 deficit is anticipated to be \$72.1M or 2.4% of the TDSB's operating budget. As the deficit is expected to exceed 1% of the operating budget, the TDSB will be seeking Ministry approval for this deficit and will be required to utilize its benefit funds reserves to offset the projected deficit. Please refer to the chart below for the detailed forecast.

## 2021-22 Revised Forecast and Working Funds Reserves

<b>Revised 2021-22 Financial Position as at June 1, 2021 (in \$ millions)</b>	
Structural Deficit prior to Pandemic	\$(36.3)
<b>Revenue changes:</b>	
ESL Stabilization	25.0
Secondary Online Learning Model Impact on Foundation Funding	(2.9)
Visa Student Revenues	(2.3)
Net Impact of School Operations Funding Offset by Supplementary Area Factor Adjustment	1.4
Benefit Benchmark Annual Reduction for Retirement Gratuities	(2.5)
	\$18.7
<b>Cost changes:</b>	
Semi-Fixed Operating Costs impacted by Enrolment Reduction	(17.3)
Additional Teacher Allocation to Support ESL at 19-20 Levels	(25.0)
Student Information System Implementation Year 2	4.2
Insurance Premium Increases	(1.6)
Pay Equity	(2.4)
Actuarial Future Employee Benefit Costs	(1.0)
One-time HST Rebate	(2.0)
Annual Increase in Employer Costs of CPP	(8.0)
Additional Vice Principal Staffing Approved by Board	(1.4)
	\$(54.5)
	\$(72.1)
<b>Projected 2021-22 Deficit:</b>	

### **Explanation of Operating Revenues and Expenses:**

#### **Revenue Changes:**

Item and Amount	Description
ESL Stabilization	Funding provided by the Ministry to support newcomers at the same level as 2019-20.
Secondary Online Learning Model	The Ministry of Education has changed the secondary teacher allocation to assume that 8% of students will take online learning courses towards their diploma requirements in 2021-22.
Visa Student Revenue	Reduced enrolment of international students in 2021-22 due to the impact of the pandemic and restrictions on international travel.

School Operations funding	Net impact of increased funding to support utility costs offset by a change in supplementary area factor. Due to proactive purchases of natural gas at lower prices, funding will flow to bottom-line.
Benefit Benchmark	This is an additional reduction to the benefit benchmark relating to retirement gratuities.

### **Expenditure Changes:**

Semi-Fixed Operating Costs	Due to the rapid reduction in newcomer enrolments during the pandemic, compensating reductions to operating expenditures could not be realized without significantly impacting students and staff during the pandemic.
Additional Teacher Allocation	Due to the additional funding provided for ESL stabilization, an additional 145 ESL teachers will be allocated to bring ESL supports back to the 2019-20 level. The remaining funds will be held as a contingency should additional teachers be needed to support virtual learning.
Student Information System	Reduction in operating costs as the second year of Student Information System implementation commences.
Insurance Premium Increase	Anticipated increases in insurance premiums.
Pay Equity	Increased cost due to continuation of pay equity project.
Future Employee Benefits	Increase cost of future employee benefits based on actuarial estimates.
One-time HST Rebate	The TDSB engaged an external HST consultant to recover HST rebates from school generated funds and other accounts not claimed in prior years. However, due to the school shutdown and inability to access financial documents, the HST amendments were deferred.
CPP Employer costs	Annual increase in the employer portion of CPP payments.
Additional Vice-Principals	The Board approved an increase in Vice-Principal allocation to support virtual learning.

### **2021-22 Operating Budget Assumptions and Risks**

The following items have been identified as budget assumptions and risk factors that could impact the 2021-22 operating budget:

**Revenue Impact** – As the pandemic situation improves, revenues from permits, cafeteria sales, leases, international students, childcare, extended day programs and community programs are expected to gradually return to pre-pandemic levels.

However, public health restrictions around travel and physical distancing may not be fully lifted until the second half of the 2021-22 school year, or until the city reaches its targeted vaccination rates. It is difficult to accurately project the TDSB's other revenues due to uncertainties around these timelines.

**Staffing costs** – To maintain physical distancing and the cohorting of students, additional teaching staff will likely be required in the first half of the 2021-22 school year as more students return to in-person learning. Since the selection form release date has been postponed to mid-August, the allocation of teaching staff will not be fully finalized until late August 2021.

The allocation of additional teachers will be targeted to support the re-engagement of virtual students returning to in-person learning in 2021-22. Parameters considered in the allocation of teachers will be the percentage of students returning to in-person learning and the learning opportunity index (LOI) ranking of each school. Allocation of resources will be focused on student re-engagement and well-being.

**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 October 31 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 included in the first quarter update to Trustees.

**Use of Benefit Reserves** – There is risk in using benefit reserves for the in-year deficit because should actuarial costs increase above the remaining reserves, the additional cost would impact the operating budget of the Board.

**Utilities Costs** – Fluctuations in pricing (if significant and above those budgeted) would impact the operating budget of the Board.

**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 capital budget is approved by the Finance, Budget and Enrolment Committee on 1 June, 2021 the capital costs will be incorporated into the operating budget, to be presented at the Finance, Budget & Enrolment Committee on 16 June, 2021. Once the Board approves the 2021-22 operating budget and capital budget on 30 June, 2021,

staff will complete and submit the required budget documentation to the Ministry of Education on or before 9 July, 2021.

## Resource Implications

Staff will be recommending on 16 June 2021 that reserves be used to balance the operating budget for the 2021-22 school year, to avoid reducing programs to students during the pandemic.

The TDSB's 2021-22 deficit is forecasted to be \$72.1M. The Ministry of Education has announced additional funding to school boards that have approved budgets which utilize more than 2% of their reserves over the 2020-21 and 2021-22 school years. This funding will be provided for any costs which exceed the use of reserves over 2%. TDSB is currently projecting the use of reserves in the amount of \$21.5M in 2020-21 and \$72.1M in 2021-22, totalling \$93.6M over the two years. Since the Ministry will fund any use of reserves over 2% or approximately \$59.0M, this will result in funding of approximately \$34.6M at year end 2021-22 based on financial statements. The chart below outlines the reserve balances projected at the end of this fiscal year and the forecast use of funds at the end of 2021-22.

Reserves (in Millions)	Actual Reserves (As at Aug 31, 2020)	Benefit Surplus pending on distribution	POD transfer approved by Ministry	20-21 Projected use of working funds	Estimated Reserve balance as of Aug 31, 2021	
Working Funds Reserve	R1	16.8	10.0	10.3	(21.5)	\$15.6
Benefit Funds Reserve	R2	106.2	(10.0)			\$96.2
School Support	R3	34.9				\$34.9
Environmental Legacy Fund	R4	2.7				\$2.7
Artificial Turf Fund	R5	0.4				\$0.4
Sinking Fund Interest (restricted)	R6	15.7				\$15.7
<b>Total working funds and internal restricted</b>		<b>176.7</b>	<b>0.0</b>	<b>10.3</b>	<b>(21.5)</b>	<b>\$165.5</b>
<b>Compliance Requirements</b>						
Preliminary financial position for 21-22				A		\$(72.1)
Projected financial position for 20-21 as of June 1st 2021				B		\$(21.5)
Total projected two-year deficit				C=A+B		\$(93.6)
Boards are required to use reserve up to 2% of 21-22 operating allocation				D		\$59.0
Ministry funding to support deficit over 2% of operating allocation				E=C-D		\$34.6
<b>Board use of reserves:</b>						
Working funds reserves to be used in 20-21				F=B		\$21.5
Working funds reserves to be used in 21-22				G=R1		\$15.6
Proposed Benefit reserves to be used in 21-22				H=D-F		\$21.9
Total use of reserve in two years				I=F+G+H=D		\$59.0



School boards are required to submit a balanced budget to the Ministry of Education by June 30<sup>th</sup> of each year. School boards can have a deficit of up to the lesser of 1% of their operating revenue or accumulated surplus for the preceding school year (as set out in Ontario Regulation 280/19). If a school board anticipates an in-year deficit of greater than 1% in its operating allocation, then they must seek the Ministry's approval.

## **Communications Considerations**

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

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

Not applicable.

## **Appendices**

- Appendix A: Detailed Department Budgets 2021-22

## **From**

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