



2021-22 Operating Budget

To: Finance, Budget and Enrolment Committee

Date: 16 June, 2021

Report No.: 06-21-4112

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 be approved, as outlined in this report.

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 30th 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.

Staff has had initial discussions with the Ministry around the 2021-22 operating budget and approval for a projected deficit exceeding 1%. Based on discussions with the Ministry and the B7 memo, school boards are allowed to use up to 2% of their operating budget from the reserve funds.

Staff have received a verbal confirmation from the Ministry on June 11, 2021 that they are in support of a deficit approval of up to 2%. Staff have identified the following options to reflect a 2% deficit instead of the 2.4% deficit presented at the June 1 FBEC meeting:

- 1) Release \$9.3M in contingency for staffing costs based on the August parent selection results from the newcomers' supplement. Should the funding be required based on the August parent selection results, staff will update the budget through the 2021-22 Revised Estimates in December.
- 2) The remaining \$3.8M will be targeted from in-year savings from various areas, such as permits, supply staffing costs, utilities costs, gapping and temporary staffing costs. Staff will monitor and report savings realized on a quarterly basis. \$3.8M represents 0.1% of TDSB's annual operating budget.

2021-22 Projected Board Revenues

The TDSB's 2021-22 projected revenues are forecasted to be \$3.46B. The Grants for Student Needs (GSN) represents 87.3% of the TDSB's overall revenues. A breakdown of the revenues is outlined below:

TABLE A: 2021-22 Revenue Forecast	Amount (\$ Million)	%
Grants for Student Needs (GSN)	3,015.8	87.3%
Other Revenue:		
Deferred Capital Contribution and Capital adjustment (Note 1)	207.6	6.0%
Community Services Funding	55.3	1.6%
School Generated Funds	40.0	1.2%
Leases and Permits	29.6	0.9%
Tuition Fees	26.5	0.8%
Covid-19 Support Funding	23.0	0.7%
Priorities and Partnership Fund (PPF)	17.9	0.5%
Secondments	12.2	0.4%
EarlyOn and Extended Day Program	9.3	0.3%
Interest	6.0	0.2%
Other Miscellaneous	5.2	0.1%
Continuing Education	4.8	0.1%
Cafeteria	3.3	0.1%
Sub-total	440.6	12.7%
Total 2021-22 TDSB Forecasted Revenues	3,456.3	100.0%

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.

2021-22 Projected Board Expenditures

The TDSB's 2021-22 expenses are projected at \$3.49B. 76% of the TDSB expenses relate to instruction, which is primarily comprised of staffing costs, learning materials and equipment for the classroom, and staff training. Approximately 10% of the TDSB expenses relate to school operations, which include caretaking, utilities, and school site maintenance costs. A breakdown of the projected expenditures is provided below.

<u>TABLE B:</u> <u>2021-22 Projected Expenditures</u>	Amount (in \$ millions)	%
Instruction	2,653.79	76.0%
Administration	79.60	2.3%
Transportation	66.27	1.9%
School Operation	347.27	9.9%
Amortization	232.97	6.7%
Renewal	31.50	0.9%
School Fundraising	40.00	1.1%
Debt and Other	41.70	1.2%
TOTAL	3,493.09	100%

There have also been changes to the 2021-22 department budgets presented at the 1 June, 2021 operating budget presentation at FBEC. A summary of these changes is provided in Appendix A.

2021-22 Budget Drivers

At the 21 April, 2021 Board meeting, Trustees approved the following nine 2021-22 strategic budget drivers. These budget drivers have helped guide the budget development process. Please note they are not listed in any prioritization order.

- **Early Years** - The TDSB is committed to ensuring early intervention supports. This includes implementing reading assessment programs, and literacy and math support for young learners. The TDSB will be developing plans for re-engaging students and reading assessment support through the COVID-19 funding.
- **Equitable Access to Learning Opportunities to Serve Our Students, including Indigenous Education** – The TDSB will continue to provide equitable student learning opportunities, and to center indigenous perspectives, histories and contemporary contexts into every school and every classroom, and honour

the Truth and Reconciliation of Canada's Call to Action. Through the government's newcomers funding available to school boards, the TDSB will also provide necessary resources to support newcomers and English language learners by adding 87 elementary and 58 secondary ESL teachers through the 2021-22 newcomers' supplement funding.

- **Human Rights** - This year, there will be targeted resources for 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. The government has committed to \$0.4M in other PPF funding for hiring of Human Rights Equity Advisors, which is comparable to the 2020-21 funding. There will be also be an addition of a Senior Human Rights Officer in the Urban Indigenous Education Centre budget for 2021-22.
- **Student Success** – The TDSB will implement equitable practices to improve student learning by delivering programs that fit their needs, and to develop a student re-engagement framework to support the return to in-person learning. Staff are still in the early planning stages of the student re-engagement framework and will provide more information in the coming weeks.
- **Staff Allocation to Support All Students** – The TDSB will continue to align staffing resources to support student mental health and well-being and align staffing resources to support the TDSB Multi-Year Strategic Plan.
- **Modernization and Accessibility** – The TDSB is working to develop modern learning spaces to provide a more inclusive learning environment for our students, and to work towards the 1:1 student device technology initiative. Ministry funding during the pandemic and the ongoing increase in technology funding has supported this direction.
- **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. Part of the COVID-19 Special Education and Mental Health PPF will also be used towards professional learning opportunities.
- **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.
- **Pandemic Support** - As staff and students return to school in September, the TDSB will continue to ensure adequate supply of personal protective equipment

and maintenance of ventilation systems, to ensure health & safety of staff and students. The TDSB will also endeavour to ensure that the necessary staffing resources are in place so that students can transition back to a normal, post-pandemic learning environment.

2021-22 Revised Forecast and Working Funds Reserves

Revised 2021-22 Financial Position as at June 11, 2021 (in \$ millions)	
Structural Deficit prior to Pandemic	\$(36.3)
Revenue changes:	
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
Cost changes:	
Semi-Fixed Operating Costs impacted by Enrolment Reduction	(17.3)
Additional Teacher Allocation to Support ESL at 19-20 Levels	(15.7)
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)
Additional In-Year Savings	3.8
	\$(41.4)
	\$(59.0)
Projected 2021-22 Deficit:	

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 secondary 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.
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.
Additional In-Year Savings	In-year savings will be identified from various areas, such as permits, supply staffing costs, utilities costs, gapping and temporary staffing costs. Staff will monitor and report savings realized on a quarterly basis. This represents 0.1% of TDSB's annual operating budget.

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 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 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 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 are recommending 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 \$59.0M.

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 reserves	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			(1.4)	14.3
Total working funds and internal restricted		176.7	0.0	10.3	(22.9)	164.1
Compliance Requirements						
Preliminary financial position for 21-22					A	\$(59.0)
Projected financial position for 20-21 as of June 1st 2021					B	\$(21.5)
Total projected two-year deficit					C=A+B	\$(80.5)
Boards are required to use reserve up to 2% of 21-22 operating allocation					D	\$59.0
Board use of reserves:						
Working funds reserves to be used in 20-21					E=-B	\$21.5
Working funds reserves to be used in 21-22					F=R1	\$15.6
Proposed Benefit reserves to be used in 21-22					G=-C-E-F	\$43.4
Total use of reserve in two years					H=E+F+G	\$80.5

TDSB is currently projecting the use of reserves in the amount of \$21.5M in 2020-21 and \$59.0M in 2021-22, totalling \$80.5M over the two years.

The Ministry of Education released memorandum 2021:SB12 on June 11, 2021, which provides clarification on the use of school board reserves and eligibility criteria for the COVID-19 support funding. Based on the criteria outlined, TDSB will not be eligible for

the Supplementary COVID-19 Support funding or the Stabilization COVID-19 Support funding. Under the Supplemental COVID-19 Support funding, school boards are required to fund pandemic costs up to 2% of their operating allocation through their reserves for the 2020-21 and 2021-22 school years. The Ministry will only fund pandemic costs beyond 2% of the Board's operating allocation. The Stabilization COVID-19 Support funding is only targeted for school boards with a low level of reserves remaining at the end of the 2020-21 school year. For details, please refer to Appendix B and C.

School boards are required to submit a balanced budget to the Ministry of Education by June 30th 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) without Ministry 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: Summary of changes to the Detailed Department Budgets 2021-22
- Appendix B: Update regarding Stabilization and Supplementary COVID Funding
- Appendix C: Ministry 2021:SB12 Memo: Additional COVID-19 Support Funding

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