

York Catholic District School Board

REPORT TO: Board of Trustees
FROM: Administration
DATE: June 28, 2013
RE: APPROVAL OF 2013-2014 FINANCIAL ESTIMATES

Executive Summary:

This report is intended to present for Board approval, the final projected Financial Estimates for 2013-2014, along with other specific enabling motions.

The following summarizes the total revenue and expenditure projections to be included (subject to Board discussion and approval on June 28, 2013) in the submission to the Ministry of Education of the Board's Financial Estimates for the fiscal year commencing September 1, 2013 and ending August 31, 2014:

	<u>Total Operating & Non-Operating</u>	<u>Total Operating (note)</u>
Total Revenue Projections	\$641,993,256	\$555,345,571
Total Expenditure Projections	<u>641,993,256</u>	<u>555,345,571</u>
Difference	<u>NIL</u>	<u>NIL</u>

***Note:** For the 2013-14 financial estimate projections, the above includes \$2.075 million of capital transfer provision from Non-Operating to Operating. As a result Operating expenditures in budget material have been grossed up to \$557.42 million for reporting and monitoring purposes.*

The objectives of the June 28, 2013 meeting with respect to the 2013-2014 Financial Estimates are as follows:

- 1. Review final draft of the revenue and expenditure projections for the 2013-2014 Operating Budget, and identify changes made from previous budget modules/information presented or discussed, as well as any new assumptions;**
- 2. Present to the Board the motions required for the approval and implementation of the 2013-2014 Financial Estimates, along with related/enabling motions, and**
- 3. Allow for discussion on the follow-up required for the implementation and monitoring of the 2013-2014 budget as well as for the preparation for the development of the 2014-2015 and future Operating Budgets.**

***Note:** a) A brief PowerPoint presentation has been prepared and will be presented at the Board meeting.
b) Supplementary budget materials are included separately with the June 27, 2013 Labour Relations Committee meeting and June 28, 2012 Board meeting agendas.*

Background Information

The process used in the development of the annual operating budget for the Board has evolved over the years. Each year's budget development is influenced by many varied factors (e.g. Board's financial position, Ministry funding levels, state of labour relations/negotiations, Board priorities, Ministry directives, etc.) that can change dramatically from year to year.

A PowerPoint presentation entitled "2013-14 Allocation of Resources Budget: Introduction/Overview" was distributed (along with the Budget Binders) at the February 12, 2013 Board meeting. The 66-slide PowerPoint presentation was included to provide an introductory overview of the various issues and challenges to be considered with respect to developing the 2013-14 Financial Estimates (i.e. Operating Budget). Extracts and themes included in this presentation were highlighted as part of the presentation given at the April 9, 2013, May 21st and June 4th, June 18th Board meetings and discussions held at the March, April, May and June, 2013 Labour Relations Committee meetings (including the Final budget related June 27th Labour Relations meeting).

Budget Balancing Process

As previously discussed on many occasions, the budget balancing process and approach includes three "simple" steps:

1. Calculate Estimated Revenue Entitlements
2. Calculate Estimated Expenditure Requirements
3. Ensure that Step #1 is greater or equal to Step #2

Note: While the above approach is an overly simplistic summary of the budget balancing process, it does, however, capture the key components that Board must address to ensure compliance requirements are met.

Revenue entitlements serve to set the upper limit of what expenditures can be approved and allocated for the year. Details and assumptions used in determining revenue entitlements have been detailed in the various revenue modules presented. The FINAL June 28th Revenue module has been completed and will serve to set the ceiling of expenditures that can be supported. Based on available information, further positive material adjustments (i.e. "adding" revenue) is very unlikely.

Note: Use of FRP/POD or other one-time capital expenditure offsets will need to be treated and reflected as a reduction in expenditures and not as revenue items. Further explanation on the appropriate reporting treatment for this type of funding will be shared at the meeting.

Unlike revenue entitlements, the development of expenditure requirements is much more subjective and is influenced by many factors including Provincial regulations, Board directions, historical practices and professional opinion of Board staff.

As previously communicated, the development and approval of the Salary and Benefit projections to be included in the 2013-14 Estimates is a significant and critical component of the 2013-14 budget development process due to the fact that this expenditure category represents approximately 90% of the operating budget.

Another concept of note (also included in the February 12, 2013 PowerPoint presentation) is that from a financial position perspective, the Board's financial position is impacted by multi-year results.

- the Past financial position.....*influences/impacts*
- the Current financial position... *which influences/impacts*
- the Future financial position

As a result, any net carry forward shortfall/surplus of one financial period influences the next period.

Note 1: As previously reported to the Board and the Business & Finance Committee, the current 2012-13 financial position is tracking within budget and as a result it is NOT, at this time, anticipated that a carry forward shortfall will need to be provided in the 2013-14 estimates.

Note 2: Also as previously reported to the Board, PSAB requirements will also require provisions re: EFB (Employee Future Benefits) that will impact deficit and compliance calculations. An initial provision of \$2.04 million has been provided for 2013-14 which is a slight increase over the \$1.95 million provided in 2012-13.

Budget Balancing Worksheet

Included as Attachment #8 is a one-page worksheet that provides a high level summary of the "Operating" Revenue and Expenditures (by Object Classification) with the following three headings identified:

1. 2012-13 Revised Estimated (as filed with the Ministry of Education- December, 2012)
2. 2013-14 Projection (completed as part of the 2013-14 Budget Development process)
3. Difference 2013-14 vs. 2012-13

	2012/13 Revised Estimates	2013/14 Projections	Difference 2013-14 vs. 2012-13
REVENUE: AVAILABLE FOR OPERATING			
GSN	\$516.02	\$514.94	\$ (1.08)
Other Grants/Revenue	<u>30.39</u>	<u>40.41</u>	<u>10.02</u>
	<u>\$546.41</u>	<u>\$555.35</u>	<u>\$ 8.94</u>
EXPENDITURES: REGULAR OPERATING			
Salaries & Wages	\$424.86	\$430.72	\$ 5.86
Employee Benefits	65.38	67.53	2.15
Other Expenditures	<u>57.94</u>	<u>59.17</u>	<u>1.23</u>
	<u>\$548.18</u>	<u>\$557.42</u>	<u>\$ 9.24</u>
FRP/POD CAPITAL PROVISION	<u>\$ (1.775)</u>	<u>\$ (2.075)</u>	<u>\$ (0.30)</u>
VARIANCE	<u>\$ NIL</u>	<u>\$ Nil</u>	<u>\$ Nil</u>

NOTE: Finalization of the Salary & Wages and Employee Benefits (S&B) expenditure provisions will be completed at the June 27th Labour Relations Committee. Due to the "zero-sum" nature of the budget balancing exercise, any changes to expenditure provisions proposed at the Labour Relations on June 27th will result in changes to other non-S&B expenditure provisions.

2013-14 Projected Expenditures & Revenue:

At past meetings, Administration presented updates of the 2013-2014 budget development processes, including an analysis of anticipated revenue and expenditure projections and a discussion of the challenges to be faced. Further to meetings held and direction received from the Board as to approach and methodology for filing the Financial Estimates, the following has been completed:

- finalization of proposed expenditure adjustments
- review and validation of projected revenue
- development of proposed enabling recommendations

Major Budget Expenditure Grouping:

As previously communicated, the allocation of resource process for 2013-14 has been developed on the assumption that operating expenditure projections will be developed based on available projected operating revenue (exclusive of the use of reserves) and including provision for any projected 2012-13 financial shortfalls and required PSAB reporting provision requirements.

In the development process expenditures have been analyzed and separated into three distinct categories:

1. Salaries Expenditure Projections
2. Employee Benefit Expenditures Projections
3. Other Operating Expenditure Projections

1. Salaries Expenditure Projections (approximately 77.26 % of Operating Budget)

Notes:

- *Salary agreements for all employee groups have been impacted significantly by various and numerous Provincial directives which have generated additional assumptions upon which salary expenditures have been based*
- *The 2013-14 Salaries & Wages Expenditure Projection module will be reviewed and approved at the Labour Relations Committee scheduled on June 27, 2013.*

2. Employee Benefit Expenditure Projections (approximately 12.12% of Operating Revenue)

Notes:

- *Employee benefits are directly impacted by a number of staff, the participation rates and collective agreement and government provisions.*
- *The 2013-14 Employee Benefit Expenditure Projections module will be reviewed and approved at the Labour Relations Committee scheduled on June 27, 2013*

3. Other Operating Expenditure Projections (approximately 10.62% of Operating Budget)

Notes:

- *Other Operating Expenditures excluding staffing, salary and employee benefits.*
- *Includes committed (approx. 8.88%) and other (approx. 1.74%) expenditures*
- *Committed expenditures are fixed in nature and are projected as required. These expenditures include all essential/contractual expenses, e.g. utilities, transportation, network lines, etc.*

Total Operating and Non-Operating

While the Board primarily reviews and monitors the Operating Budget, the Board approves for submission of financial estimates to the Ministry of Education which include both operating and “non-operating” (includes other operating, capital program and PSAB items) projections:

The following provides a summary of the Operating and Non-Operating revenue and expenditures projections to be submitted with the 2013-14 Financial Estimates:

	<u>Operating</u>	<u>Non-Operating</u>	<u>Total</u>
Revenue Projections	\$555,345,571	\$86,647,685	\$641,993,256
Less: Provision for Prior-Year Shortfall	<u>0</u>	<u>-</u>	<u>0</u>
	<u>\$555,345,571</u>	<u>\$86,647,685</u>	<u>\$641,993,256</u>
Less: Expenditure Projections			
Salary and Benefits	\$498,253,060		\$ 498,253,060
Support Costs	59,167,511		59,167,511
FRP/POD Capital Transfer	(2,075,000)	2,075,000	0
Other Operating & Capital	<u>-</u>	<u>84,572,685</u>	<u>84,572,685</u>
	<u>\$555,345,571</u>	<u>\$86,647,685</u>	<u>\$641,993,256</u>
Balance	<u><u>Nil</u></u>	<u><u>NIL</u></u>	<u><u>Nil</u></u>

Supporting Attachments

The following attachments have been included to present a summary overview of the total projected revenue and expenditures for 2013-2014.

- ❑ Attachment #1 - Revenue Summary Comparison 2013-14 vs. 2012-13
- ❑ Attachment #2 - Revenue Summary – Pie Chart (Operating & Non- Operating)
- ❑ Attachment #3 - Revenue Summary – Pie Chart (Operating)
- ❑ Attachment #4 - Expenditure Summary Comparison 2013-14 vs. 2012-13
- ❑ Attachment #5 - Expenditure Summary Pie Chart (Operating and Non-Operating)
- ❑ Attachment #6 - Expenditure Summary – Pie Chart (Operating)
- ❑ Attachment #7 - Expenditure Summary – Pie Chart (by Category)
- ❑ Attachment #8 - Analysis By Object Budget Worksheet (2013-14 vs. 2012-13)
- ❑ Attachment #9 - Analysis By Object Budget Worksheet (2013-14 Final)

Note: Detailed budget support and back-up information for both the projected revenues and projected expenditures are included in the budget support material attached (or have been previously presented).

2013-14 Deficit Rules:

The current projected 2013-2014 Financial Estimates to be reviewed on June 28, 2013 do NOT include provisions for including a deficit in the financial estimates, however, clarification was requested as to the Ministry guidelines that Boards must follow should a deficit occur.

Ministry of Education memoranda provide guidance and rules with respect to any projected shortfall. In summary, any school board budget (original or revised) that is submitted with a deficit effectively triggers Ministry approval requirements.

“Minister approval is required when a Board’s In-Year Deficit is greater than the lesser of:

- a) The Accumulated Surplus of the Board in the Preceding Year*
- b) 1% of the Operating Allocation of the Board for the budget year being proposed.*

Boards are expected to request the necessary approvals prior to passing their budgets.”

PROPOSED RECOMMENDATIONS

The series of proposed recommendations (along with background information and rationale for each) related to the approval of the 2013-2014 Financial Estimates are included on Attachment #10. They are organized into six groupings of motions as follows:

- A - Approval & Submission of 2013-2014 Financial Estimates**
 - i) Revenue**
 - ii) Salaries & Benefits Expenditures**
 - iii) Other Expenditures**
- B - Use of Operating Budget Surplus for EDC Purposes – Policy 610**
- C - Monitoring and Allocation of 2013-2014 Financial Estimates**
- D - Preparation & Submission of Revised Estimates**
- E - Lobby Efforts Re: Fair and Equitable Funding**
- F - Development of a Budget Policy**

Provincial Perspective

As previously reported, the development and finalization of school board budgets throughout the Province has been “challenging” especially due to the recently approved Provincial budget and associated GSNs and Ministry directives with respect to labour agreements.

As a labour intensive organization, any and all directives/regulations/decisions which impact on labour costs will directly influence the available funding for other Board initiatives and ability to meet compliance obligations.

Much has been reported in the media as to the varying approaches being followed as well as associated public relations. Clearly there is a heightened awareness and focus on the needs for school boards to be transparent and compliant with Ministry rules and regulations.

Administration will continue to monitor the provincial perspective and report regularly to the Board and/or Business & Finance Committee.

Supplementary Budget Materials

Included separately with this agenda are the following supplementary budget support documents:

- Revenue Module (35 page document summarizing total operating and non-operating projected revenues of \$ 641.99 million)
- Revenue Module Power Point (5 slides highlighting changes in Revenue projections)
- Other Expenditures Module (10 page document which summarizes projected non-salary and benefits operating expenditures of \$ 59.17 million)
- Accumulated Surplus/Deficit & Deferred Revenues-Reserves Module (7 page document which present information related to the Board's financial compliance and "reserve" status)

Budget support documentation with respect to the projected \$ 498.25 million of salary & wages and employee benefits have been included separately as part of June 27th Labour Relations Committee agenda.

Note: A power point presentation with respect to the 2013-14 Financial Estimate submission has been prepared and will be distributed at the meeting on June 28th.

Summary/Conclusion

As noted at past Board meetings, the development of budget information has been focused on capturing accurate data and providing accurate revenue and expenditure projections based on assumptions identified.

Various individuals have been involved in the development and coordination of budgetary information. Unless identified in this report, all assumptions, issues and concerns presented at the previous meetings remain unchanged.

The final draft of expenditure projections and revenue projections meet the overall requirement to have revenue projections = expenditure projections (i.e., No Deficit).

Note: As previously reported, expenditures must be categorized according to Ministry-defined envelopes. Based on preliminary categorization of expenditure projections included in the final projection, the Administration and Governance envelope will be exceeded, but will be less than the Ministry-approved threshold (i.e. 15%).

The next steps following review of final draft projections and approval of the proposed recommendations are as follows:

1. Complete and submit Estimates to Ministry of Education in prescribed format and code of account groupings immediately following Board approval on June 28, 2013.
2. Prepare for implementation of the 2013-2014 Operating Budget effective for September 1, 2013, including continuation of budgetary restraints and strategies utilized in 2012-13 and recently discussed with the Board and Labour Relations Committee.
3. Prepare for the monitoring of budget initiatives and directives including regular reporting to the Board via the Labour Relations and the Business & Finance Committees of the Board.

4. Prepare and complete Revised Estimates for submission to the Ministry of Education prior to December 14, 2013. *Note. Preparation of the 2013-14 Revised Estimates is anticipated to be a more significant exercise than in the past due in large part to lack of clarity on labour cost provisions and funding provisions at the time of preparing original estimates. Board approval will be required for submission of Revised Estimates.*
5. Continue lobby efforts directly and through OCSTA to ensure the short and long term financial stability of the Board.

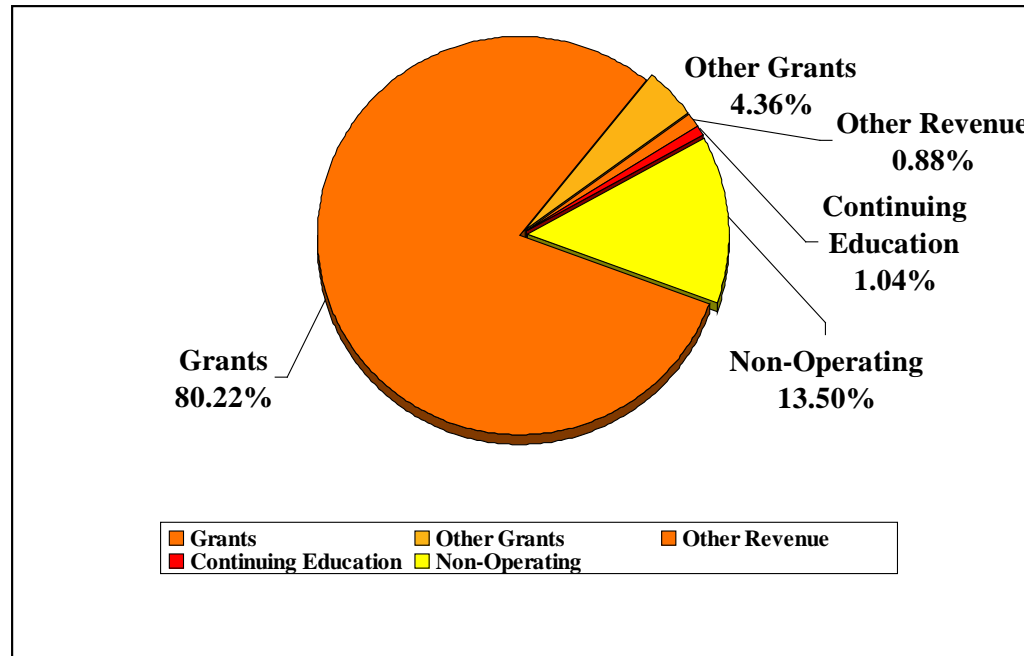
Should you have any questions, please do not hesitate to contact Administration.

Prepared and submitted by: John A. Sabo, Associate Director: Leading Services & Treasurer of the Board
Endorsed by: Patricia Preston, Director of Education

2013-14 REVENUE SUMMARY

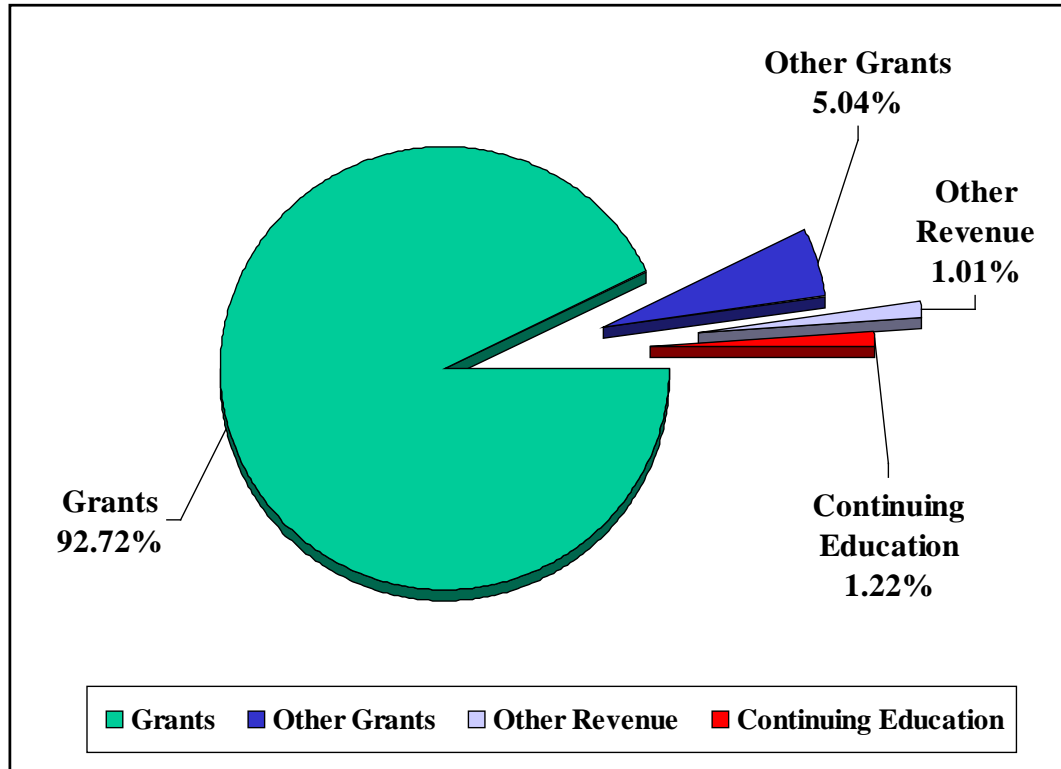
	2012/13	2013/14	<u>Difference</u>	
	Revised Estimates	Revenue Projections	Increase (Decrease)	%
OPERATING REVENUE				
Grants for Student Needs	\$ 516,021,681	\$ 514,943,156	\$ (1,078,525)	-0.21%
Other Grants	\$ 19,570,637	\$ 28,010,164	8,439,527	43.12%
Other Revenue	\$ 4,838,754	\$ 5,631,630	792,876	16.39%
Continuing Education-Other	\$ 5,978,748	\$ 6,760,621	781,873	13.08%
TOTAL OPERATING REVENUE	\$ 546,409,820	\$ 555,345,571	\$ 8,935,751	1.64%
NON-OPERATING REVENUE	89,054,679	86,647,685	(2,406,994)	-2.70%
TOTAL REVENUE	\$ 635,464,499	\$ 641,993,256	\$ 6,528,747	1.03%

2013-14 OPERATING & NON-OPERATING REVENUE PROJECTIONS



Grants for Student Needs	\$ 514,943,156	80.22%
Other Grants	28,010,164	4.36%
Other Revenue	5,631,630	0.88%
Continuing Education	6,670,621	1.04%
Non-Operating	86,647,685	13.50%
Total Operating & Non-Operating Revenue	641,993,256	100.00%

2013-14 OPERATING REVENUE PROJECTIONS

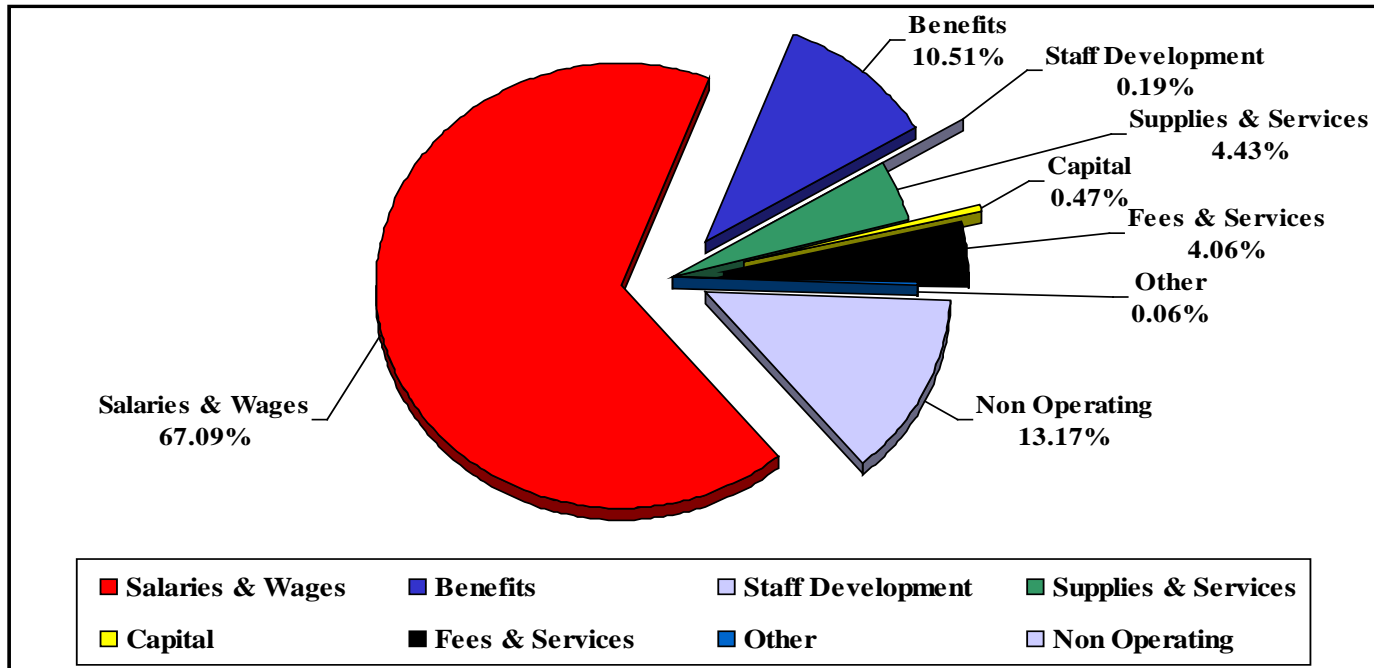


Grants for Student Needs	\$514,943,156	92.72%
Other Grants	28,010,164	5.04%
Other Revenue	5,631,630	1.01%
Continuing Education	6,670,621	1.22%
Total Operating Revenue	555,345,571	100.00%

2013-14 EXPENDITURE PROJECTIONS, OPERATING AND NON OPERATING

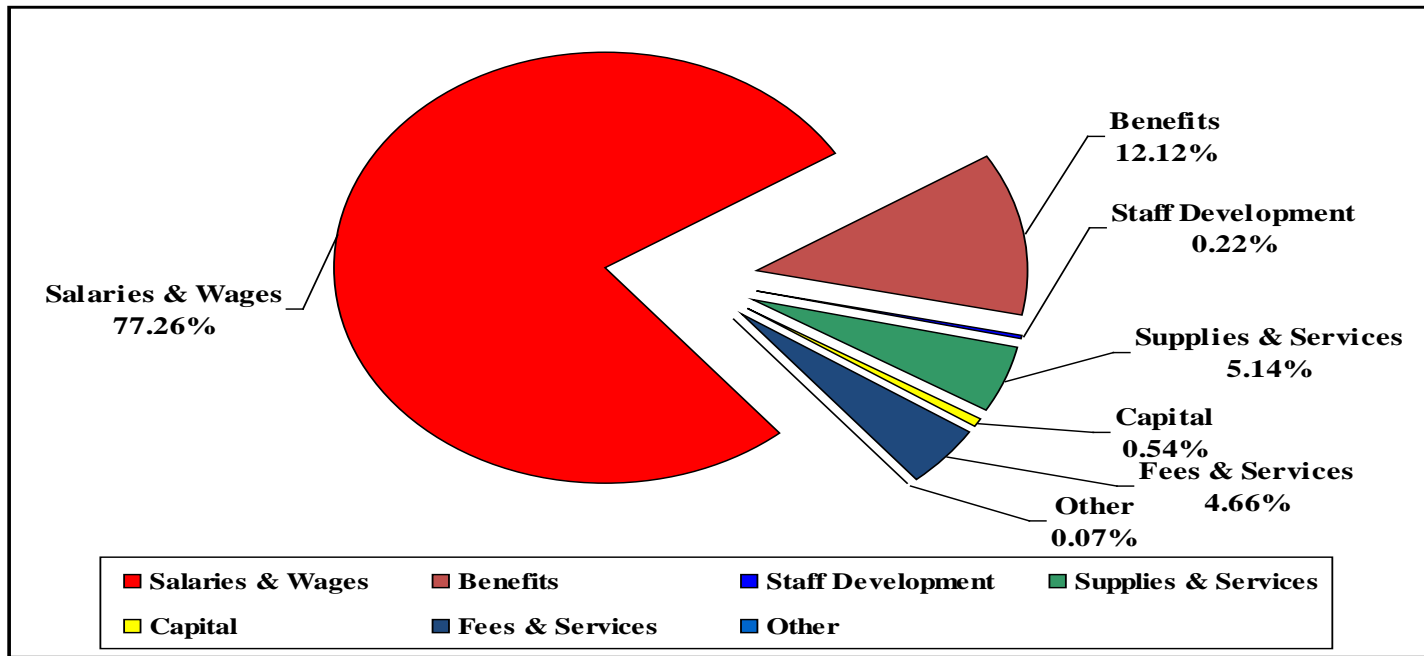
	2012-13 Revised Estimates	2013-14 Projections	Increase/(Decrease)	
			\$	%
Operating:				
Salaries & Wages	\$424,861,459	\$ 430,719,702	\$ 5,858,243	1.38
Employee Benefits	65,384,957	67,533,358	2,148,401	3.29
Total Salaries & Benefits	\$ 490,246,416	\$ 498,253,060	\$ 8,006,644	1.63
Staff Development	1,097,946	1,247,101	149,155	13.58
Supplies & Services	27,894,157	28,551,701	657,544	2.36
Capital Expenditures	4,023,304	3,025,985	(997,319)	(24.79)
Fees & Services	24,601,647	25,962,945	1,361,298	5.53
Other Expenditures	321,350	379,779	58,429	18.18
Total Support Costs	\$ 57,938,404	\$ 59,167,511	1,229,107	2.12
Total Operating	\$ 548,184,820	\$ 557,420,571	\$ 9,235,751	1.68
Non-Operating:				
Capital Program	\$87,279,679	\$84,572,685	\$(2,706,994)	(3.10)
Total Expenditures	\$635,464,499	\$641,993,256	\$6,528,757	1.03

2013-14 PROJECTED OPERATING & NON-OPERATING EXPENDITURES – BY OBJECT



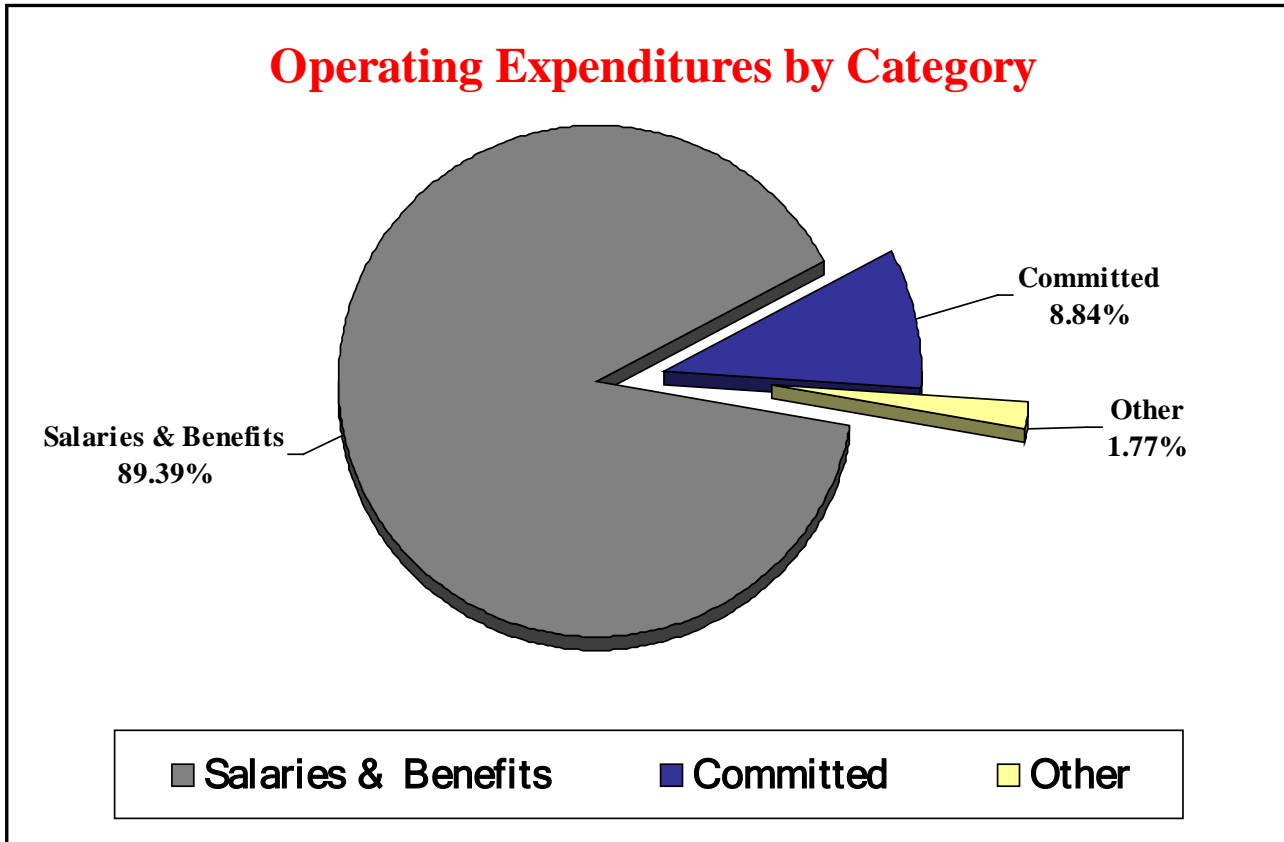
Salaries & Wages	\$ 430,719,702	67.09%
Employee Benefits	67,533,358	10.51%
Staff Development	1,247,101	.19%
Supplies & Services	28,551,701	4.43%
Capital Expenditures	3,025,985	.47%
Fees & Services	25,962,945	4.06%
Other	379,779	.06%
Non-Operating	84,572,685	13.17%
TOTAL	\$ 641,993,256	100.0%

2013-14 PROJECTED OPERATING EXPENDITURES – BY OBJECT



Salaries & Wages	\$ 430,719,702	77.26%
Employee Benefits	67,533,358	12.12%
Staff Development	1,247,101	0.22%
Supplies & Services	28,551,701	5.13%
Capital Expenditures	3,025,985	0.54%
Fees & Services	25,962,945	4.66%
Other	379,779	0.07%
Expenditures (Regular Operating)	\$ 557,420,571	100.00%

2013-14 PROJECTIONS



Salaries & Benefits	\$ 498,253,060	89.39%
Committed	49,300,058	8.84%
Sub-total	\$ 547,553,118	98.23%
Other	9,867,453	1.77%
TOTAL	\$ 557,420,571	100.00%

York Catholic District School Board
2013/14 Financial Estimates

Budget Balancing Worksheet

	2012/13 Revised Estimates	2013/14 Estimates (Reallocation Incorporated) June 28, 2013	Difference 12/13 Rev Est. to 13/14 Estimates	
			\$	%
Revenue: Available for Operating				
Grants (GSN)	516,021,681	514,943,156	(1,078,525)	
Other Grants	19,570,637	28,010,164	8,439,527	
Other Revenue	4,838,754	5,631,630	792,876	
Continuing Education	5,978,748	6,760,621	781,873	
Total Revenue Available for Operating	546,409,820	555,345,571	8,935,751	1.64%
Expenditures: Regular Operating				
Salary and Wages:				
<u>Academic</u>				
Teacher	304,986,889	307,177,317	2,190,428	
Principals	21,169,932	21,069,941	(99,991)	
Sub total	326,156,821	328,247,258	2,090,437	
Business Support	90,838,889	94,010,685	3,171,796	
Continuing Education	7,865,749	8,461,759	596,010	
Sub total	424,861,459	430,719,702	5,858,243	1.38%
Employee Benefits:				
<u>Academic</u>				
Teacher	36,617,376	37,352,543	735,167	
Principal	2,070,100	2,072,396	2,296	
Sub total	38,687,476	39,424,939	737,463	
Business Support	23,726,034	24,967,002	1,240,968	
Continuing Education	1,021,447	1,098,014	76,567	
Sub total Benefits	63,434,957	65,489,955	2,054,998	
PSAB Provision	1,950,000	2,043,403	93,403	
Sub total	65,384,957	67,533,358	2,148,401	3.29%
Total Salaries and Benefits	490,246,416	498,253,060	8,006,644	1.63%
Other Expenditures:				
Professional Development	1,097,946	1,247,101	149,155	13.58%
Supplies and Services	27,894,157	28,551,701	657,544	2.36%
Capital Expenditures	4,023,304	3,025,985	(997,319)	-24.79%
Fees & Contractual Services	24,601,647	25,962,945	1,361,298	5.53%
Other	321,350	379,779	58,429	18.18%
Total Other Expenditures	57,938,404	59,167,511	1,229,107	2.12%
Expenditures (Regular Operating)	548,184,820	557,420,571	9,235,751	1.68%
Net - Revenue less Expenditures	(1,775,000)	(2,075,000)	(300,000)	0.00%
FRP P.O.D. Capital Provision	1,775,000	2,075,000	300,000	16.90%
Net-Revenue and P.O.D. Prov. Less Expenditures	(0)	0	0	0.00%
To Be Allocated in 2013/14	0	0	0	0.00%
Net (Revenue less Expenditures & to be Allocated)	(0)	0	0	0.00%

**York Catholic District School Board
2013/14 Financial Estimates**

Budget Balancing Worksheet

	2013/14 Estimates (Reallocation Incorporated) June 28, 2013
Revenue: Available for Operating	
Grants (GSN)	514,943,156
Other Grants	28,010,164
Other Revenue	5,631,630
Continuing Education	6,760,621
Total Revenue Available for Operating	555,345,571
Expenditures: Regular Operating	
Salary and Wages:	
<u>Academic</u>	
Teacher	307,177,317
Principals	21,069,941
Sub total	328,247,258
Business Support	94,010,685
Continuing Education	8,461,759
Sub total	430,719,702
Employee Benefits:	
<u>Academic</u>	
Teacher	37,352,543
Principal	2,072,396
Sub total	39,424,939
Business Support	24,967,002
Continuing Education	1,098,014
Sub total Benefits	65,489,955
PSAB Provision	2,043,403
Sub total	67,533,358
Total Salaries and Benefits	498,253,060
Other Expenditures:	
Professional Development	1,247,101
Supplies and Services	28,551,701
Capital Expenditures	3,025,985
Fees & Contractual Services	25,962,945
Other	379,779
Total Other Expenditures	59,167,511
Expenditures (Regular Operating)	557,420,571
Net - Revenue less Expenditures	(2,075,000)
FRP P.O.D. Capital Provision	2,075,000
Net-Revenue and P.O.D. Prov. Less Expenditures	0
To Be Allocated in 2013/14	0
Net (Revenue less Expenditures & to be Allocated)	0

**SUMMARY OF RECOMMENDATIONS:
FINAL APPROVAL OF THE 2013-2014
FINANCIAL ESTIMATES**

Recommendations have been developed for the approval of the 2013-2014 Operating Budget and submission of the 2013-2014 Estimates to the Ministry of Education.

The following recommendations present, for Board approval, the necessary motions to complete the 2013-2014 Budget development process and related items. They have been organized into the following six groupings of motions:

- A - Approval & Submission of 2013-2014 Financial Estimates**
 - i) Revenue**
 - ii) Salaries & Benefits Expenditures**
 - iii) Other Expenditures**
- B - Use of Operating Budget Surplus for EDC Purposes – Policy 610**
- C - Monitoring and Allocation of 2013-2014 Financial Estimates**
- D - Preparation & Submission of Revised Estimates**
- E - Lobby Efforts Re: Fair and Equitable Funding**
- F - Development of a Budget Policy**

A. APPROVAL AND SUBMISSION OF 2013-2014 FINANCIAL ESTIMATES

The 2013-2014 Final Draft Operating Budget revenue and expenditure estimates are based on all notes and assumptions, previously presented Board motions and directives, and information available as at June 28, 2013.

Approval of the annual operating budget estimates provides the authority for administration to proceed with its implementation in accordance with past policies, procedures and practices and current Board direction. Included in the implementation of the budget is the establishment of specific budget categories and the monitoring and control of those budget categories.

Subsequent to Board approval of the 2013-2014 Operating Budget, documentation must then be filed with the Ministry of Education in the prescribed format. *Note: Any material submitted to the Ministry will reflect Board approvals/directions.*

Submission of the 2013-2014 Estimates to the Ministry of Education includes both in-year operating and non-operating expenditure projections for 2013-2014 in the amount of \$641,993,256.

These expenditures are to be funded by 2013-2014 Revenues in the projected total amount of \$641,993,256. Of the \$641.99 million in total expenditures, \$557.42 million (86.83%) is comprised of regular 2013-2014 operating expenditures, \$32.36 million (5.04%) is comprised of capital program expenditures, \$1.28 million (0.01%) is comprised of Expenditures with grant offsets and \$50.93 million (7.93 %) for provision of required PSAB compliance and other reporting provisions.

Budget material presented provides support information related to the proposed “operating” budget for the Board. The “non-operating” Capital Grants & Other Capital Revenue (excluding Capital Grant Depreciable TCA) allocation reflects funding and expenditures related primarily to long-term debt repayments, along with facility renewal and other major capital related funding, which is restricted/controlled through the requirement of Ministry approvals. Page 27-28 of the 2013-14 Revenue Module (June 28, 2013) provides supporting information.

The projected total budget amount of \$641,993,256 is based on the 2013-2014 operating budget expenditure projections (including capital transfer of \$2,075,000) of \$557,420,571. Of the \$557.42 million in operating expenditure projections, \$ 498.25 million (or 89.38 %) is comprised of salaries & employee benefits, while \$ 59.17 million (or 10.62%) is comprised of other support costs.

2013-2014		
<u>Operating Expenditures (Note 1)</u>		
Salaries & Wages: (Note 2)	\$ 430,719,702	(77.26%)
Employee Benefits: (Note 2)	<u>67,533,358</u>	<u>(12.12%)</u>
	498,253,060	(89.38%)
Other Support Costs:	<u>59,167,511</u>	<u>(10.62%)</u>
Total Operating	<u>\$557,420,571</u>	<u>(100.00%)</u>

Note #1: Operating Expenditures above includes the PSAB annual provision of \$2.0 million.

Note #2: The Salaries & Employee Benefit expenditure projections reflect the permanent staffing compliment (approximately 5,580 FTE) and related (permanent & temporary) salary and employee benefit provisions as reviewed and approved at the Labour Relations Committee meeting held June 27, 2013

The recommendation presented for Board approval to facilitate filing of the 2013-2014 Financial Estimates have been broken down into three main groupings:

- i) Revenue Projections for 2013-2014 (Total \$641,993,256):**
 - This includes the total projected operating and non-operating revenue in the amount of \$641,993,256, as detailed in the 2013-2014 “Revenue Final Estimates” module dated June 28, 2013.
- ii) Salaries and Employee Benefits Expenditure Projections for 2013-2014 (Total \$ 498,253,060):**
 - This includes the total projected operating expenditure in the amount of \$ 498,253,060 for salaries and benefits, as detailed in the 2013-2014 “Salaries & Wages and Employee Benefits” expenditure modules dated June 27, 2013 and reviewed and approved at the Labour Relations Committee of June 27, 2013.
- iii) Support Expenditure Projections for 2013-2014 (Total \$ 143,740,196):**
 - This includes all expenditure projections (operating and non-operating) excluding salaries and benefits, as detailed in (ii) above.
 - This amount reflects \$59,167,511 of operating and \$84,572,685 of non-operating expenditure projections.

The combination of these groupings above would reflect the following 2013-2014 Financial Estimates to be filed, and would reflect a compliant submission.

	<u>Operating</u>	<u>Non-Operating</u>	<u>Total</u>
Revenue Projections	\$555,345,571	\$86,647,685	\$641,993,256
Less: Provision for Prior-Year Shortfall	<u>0</u>	<u>-</u>	<u>0</u>
	<u>\$555,345,571</u>	<u>\$86,647,685</u>	<u>\$641,993,256</u>
Less: Expenditure Projections			
Salary and Benefits	\$498,253,060		\$ 498,253,060
Support Costs	59,167,511		59,167,511
FRO/POD Capital Transfer	(2,075,000)	2,075,000	0
Other Operating & Capital	<u>-</u>	<u>84,572,685</u>	<u>84,572,685</u>
	<u>\$555,345,571</u>	<u>\$86,647,685</u>	<u>\$641,993,256</u>
Balance	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

RECOMMENDATIONS:

i) Revenue Estimates for 2013-2014:

THAT the Board approve the submission of the Revenue Financial Estimates to the Ministry of Education for the fiscal year September 1, 2013 to August 31, 2014, in the total amount of \$641,993,256 (based on operating and non-operating) as presented in the budget documentation dated June 28, 2013.

ii) Salaries and Benefits Estimates 2013-2014:

THAT the Board approve the submission of the Salary and Benefits Expenditure Estimates to the Ministry of Education for the fiscal year September 1, 2013 to August 31, 2014, in the total amount of \$498,253,060 (based on operating only) as presented in the budget documentation dated June 27, 2013 and endorsed by the Labour Relations Committee of the Board.

iii) Support Costs (Other Than Salary and Benefits):

THAT the Board approve the submission of the Support Costs Expenditure Estimates to the Ministry of Education for the fiscal year September 1, 2013 to August 31, 2014, (based on operating and non-operating) in the total amount of \$143,740,196 as presented in the budget documentation dated June 28, 2013.

B. USE OF OPERATING BUDGET SURPLUS FOR EDC PURPOSES

Ontario Regulation 20/98 (Education Development Charges) requires “A statement from the board stating that it has reviewed its operating budget for savings that could be applied to reduce growth-related net education land costs, and the amount of any savings which it proposes to apply, if any.”

The Board approved the following motion in April, 2004, related to the passage of the EDC By-Law. The same policy statement was continued as part of the passage of the 2009 EDC By-Law on June 2, 2009:

“THAT the Board continues to endorse Policy 610 – School Sites – Operating Budget Surplus and will annually review its budget in accordance with same.

THE Board has reviewed its Operating Budget for savings that could be applied to reduce growth-related net education land costs, and currently no surpluses exist which it proposes to apply to the EDC reserve.”

The Board's Policy #610 (approved June 8, 1999) in response to Regulation 20/98 also requires a motion annually, at budget approval time, stating that the Board has reviewed the use of operating budget surpluses for the acquisition of school sites. Based on the proposed final draft of the 2013-2014 Operating Budget, the following motion is presented:

RECOMMENDATION:

THAT the Board not designate 2013-2014 Operating Budget funds for the purpose of acquisition of school sites.

C. MONITORING AND ALLOCATION OF 2013-2014 FINANCIAL ESTIMATES

Budget Estimates are based on many assumptions and information available at the time of preparation. The current reporting and monitoring practices through the Business and Finance Committee of the Board are proposed to be continued for the 2013-2014 budget year to inform the Board of changes in budget projections due to changes in assumptions, to advise of budget transfers, as well as to monitor budget and internal audit activities. Specific budgetary issues associated with staffing and employee benefits will be reported via the Labour Relations Committee of the Board. Further, Ministry directives received by the Board, will require more frequent and structured monitoring and reporting of Board approved Budget strategies

RECOMMENDATIONS:

THAT Administration report to the Board, through the Business & Finance Committee, a summary of any significant changes in budget assumptions and provide an estimate of their projected impact on the 2013-2014 Operating Budget Estimates and Revised Estimates.

THAT due to the uncertainty of certain key budget assumptions with respect to labour costs for 2013-14, administration be directed to apply effective restraint measures to the release of budget allocations until the 2013-14 Revised Estimates are approved and greater certainty on assumptions are realized.

D. PREPARATION & SUBMISSION OF REVISED ESTIMATES

The Ministry of Education requires that school boards submit Revised Estimates subsequent to school start-up and October 31st staffing and enrolment statistics. Those Revised Estimates will result in changes to original budget estimates due in most part to enrolment changes and staff statistics (particularly teacher grid placement). In addition, budget transfers (as per Board guidelines) may result in changes to projected expenditure and revenue amounts and/or groupings.

RECOMMENDATIONS:

THAT Administration prepare for submission of the Revised Estimates to the Ministry of Education, prior to December 15, 2013, and that a summary of the material changes between original and Revised Estimates be presented for review at the Business and Finance Committee of the Board and approval by the Board.

E. LOBBYING OF GOVERNMENT

Over the years, this Board has been a strong lobbyist for equitable and fair funding for all pupils. While the new funding model had been developed with the objective to address the issues of equity, there remains concern over the "adequacy" of funding. In particular, the funding model does not support a number of strategies that the Board believes has contributed to the top student performance results that have been generated over the past few years.

In addition concerns remain over provincial benchmarks used in developing funding levels for a number of areas noted in the recent past, such as Special Education, ESL, Technology and, Employee Benefits. A new area of concern over funding relates to the provision for funding of 21st Century Learning and incremental costs associated with recent Provincial Labour agreements

Efforts must be made to ensure a coordinated approach with the Ministry of Education on this matter.

RECOMMENDATIONS:

- i) THAT the Board continue to lobby the government to ensure equitable and adequate funding is available for all students in Ontario, and**
- ii) THAT Administration be directed and authorized to lobby on behalf of the Board for changes in the new funding model where, in the opinion of administration, the principles of equity and adequacy are not being met.**
- iii) THAT the Board in cooperation with the Ontario Catholic School Trustees Association undertake a review of data regarding school board budgets with the objective of developing a coordinated approach with the Ministry of Education for addressing the short and long-term financial needs of school boards.**

F. DEVELOPMENT OF A BUDGET POLICY

A level of frustration and confusion has been expressed over the past few years (by both trustees and administration) over the budget development process. Some issues communicated include lack of key budget principles to be followed and lack of appropriate forum to discuss and review budget issues, concerns and realities.

The current and projected state of education funding and labour relations will require all Boards to further scrutinize and analyze annual budget provisions, and to do so on a more timely basis.

The recent operational reviews, coupled with the development of a new strategic plan for the Board, presents an opportunity for the Board to reassess how the annual budget (and anticipated adjustments) is developed and processed.

A formal Budget Policy including assignment of a standing committee to develop budget proposals for the Board to consider is an option being suggested at this time.

RECOMMENDATIONS:

- i) That the Board approve the development of a formal Budget Policy to be used to guide the Board in the development of its annual and multi-year budgets.**
- ii) That such a Budget policy provide clarification as to:**
 - a. Key principles**
 - b. Development timelines**
 - c. Committee or forum to facilitate dialogue on budget development**
 - d. Program and Service review guidelines and timelines**