

York Catholic District School Board

Report

Report To: Board of Trustees
From: Administration
Date: December 20, 2016
Report: 2016-17 Revised Estimates

Executive Summary:

This report is intended to provide information with respect to the 2016-17 Revised Estimates that will be filed with the Ministry of Education.

The 2016-17 Revised Estimates will be filed with a non-compliant deficit of \$7,574,521 (vs. 2016-17 Estimates Compliance Deficit of \$5,584,120) as follows:

	2016-2017 Estimates	2016-2017 Revised Estimates	Increase (Decrease)	
			\$	%
Total Operating Revenue	\$ 575,954,601	\$ 578,305,685	\$ 2,351,084	0.4%
Salaries and Benefits	516,250,699	521,366,562	5,115,863	1.0%
Other Expenditures	63,238,322	63,006,433	(231,889)	-0.4%
Total Expenditures: Operating	\$ 579,489,021	\$ 584,372,995	\$ 4,883,974	0.8%
Net Operating Surplus (Deficit) Before PSAB Provision	(3,534,420)	(6,067,310)	(2,532,890)	71.7%
Provision EFB (PSAB)	1,366,220	1,364,272	(1,948)	-0.1%
Net Operating Surplus (Deficit) After PSAB Provision	(4,900,640)	(7,431,582)	(2,530,942)	51.6%
Committed Sinking Fund	683,480	142,939	(540,541)	-79.1%
Ministry Compliance Surplus (Deficit)	\$ (5,584,120)	\$ (7,574,521)	\$ (1,990,401)	35.6%

Background Information:

At its November 8, 2016 Special Board meeting, the Board approved the Board's 2015-16 Financial Statements with a compliant in-year deficit (as defined by the Ministry) of \$5,547,682 (vs. 1% Ministry compliance threshold was \$5,609,569).

At its June 29, 2016 Special Board meeting, the Board approved the submission of a compliant in-year deficit of \$5,584,120 (vs. 1% Ministry compliance threshold was \$5,604,550). There was also an approved motion related to the preparation of the Board's Revised Estimates as follows:

D. Preparation & Submission of Revised Estimates:

THAT Administration prepare for submissions of the Revised Estimates to the Ministry of Education, prior to December 15, 2016 and a summary of the material changes between the original and Revised Estimates be presented for review at the Board or its applicable Committees, including Labour Relations Committee, and the Accommodation and Business Affairs Committee of the Board.

Given that the Revised Estimates will be filed with a non-compliant deficit of \$7,574,521 (1% Ministry compliance threshold approximates \$5,603,192), Administration has requested a delay in filing the Revised Estimates until after presentation to the Board.

As per past practice, the 2016-17 Revised Estimates will be used to compare actuals throughout the remainder of the 2016-17 fiscal year.

Note 1: *Included is a copy of the PowerPoint Presentation providing an overview of the Revised Estimates. Administration will present the PowerPoint presentation. As per past practice, a copy of the PowerPoint will be included on the Board's website.*

Note 2: *The 2016-17 Revised Estimates Revenue Module has been included in the agenda as a separate document.*

Note 3: *The Salary and Benefits modules are included in the Board's In-camera report.*

Financial and Budgeting Cycles

There are three Ministry financial reporting cycles for school boards (and one provincial fiscal cycle for March reporting). The three school board fiscal year cycles are:

- ***Estimates in June prior to the fiscal year***, uses the prior year Revised Estimates, enrolment projections, and staffing based on projected enrolment as the basis;
- ***Revised Estimates in December during the fiscal year***, uses the Estimates as a basis and incorporates actual October enrolment and actual staffing as well as any key information impacting revenue and expenditure calculations. An additional new step this year is to assess the results of the prior year end financials and to re-assess the June Estimates' targeted cost reductions assumptions for incorporation into the Revised Estimates.
- ***Year End Financial Statements in November following the fiscal year end***, reflects actual revenues and expenditures.

This report presents the 2016-17 Revised Estimates.

2016-17 Revised Estimates:

The 2016-17 Revised Estimates have been impacted by a number of factors:

- the change in the projected enrolment based on actual October 31 2016 enrolment,
- changes in actual staffing and staffing projections based on actual enrolment to-date,
- cost reduction assumption changes after an assessment on whether and/or the amount that the reductions can be realized, and
- budget changes after an assessment of 2015-16 actual financial results
- budget changes resulting from new information

These factors have materially changed the financial position for 2016-17.

Enrolment:

Updated with actual enrolments at October 31, 2016 and revised projections from the Planning Department, overall enrolment increased by 23.14 Average Daily Enrolment (ADE) between 2016-17 Estimates projected in June to Revised Estimates. Compared to 2015-16 actual enrolment, overall enrolment decreased by 197.97 ADE.

The following should be noted:

- Pupils of the Board (including High Credit and 21& over pupils) enrolment decreased by 73.86 ADEs from Estimates and decreased by 314.72 from 2015-16 enrolment
- Visa students enrolment increased by 96.00 ADEs from Estimates and 115.75 from 2015-16 actual enrolment
- There is one Native Student for 2016-17. When First Nation students who reside in a First Nation community attend publicly funded schools, a formal agreement must be developed between the First Nation and the board (Ontario Education Act Section 188). The Ontario Education Act provides that school boards may enter into agreements in accordance with the Fee Regulation. The Board has entered into an agreement with the Chippewas of Georgina Island First Nation.
- There is one Age \geq 21 pupil for 2016-17. Pupils who are already 21 years of age or over or who will turn 21 on or before December 31, 2016, are funded using the lower Continuing Education funding rates (not Regular Day School Foundation Allocation rates). The principal will ensure that the only adult pupils who are included in the secondary school register are those who are enrolled in day school courses that are taught by teachers who are members of the board's regular staff and who are not continuing education teachers.

Enrolment Changes: 2016-17 Estimates to Revised Estimates				
	2016-17 Estimates	2016-17 Revised Estimates	Difference	
			#/\$	%
ENROLMENT (excludes High Credit & Visa students)				
Elementary	36,277.21	36,406.22	129.01	0.36%
Secondary	18,100.75	17,905.13	(195.62)	-1.08%
Total Enrolment	54,377.96	54,311.35	(66.61)	-0.12%
ENROLMENT (High Credit)				
Secondary	15.25	7.00	(8.25)	
ENROLMENT (Age \geq21)				
Secondary	-	1.00	1.00	
ENROLMENT (Visa students)				
Elementary	52.00	63.00	11.00	21.15%
Secondary	282.00	367.00	85.00	30.14%
Total Enrolment	334.00	430.00	96.00	28.74%
ENROLMENT (Native students)				
Secondary	-	1.00	1.00	
ENROLMENT (includes Visa students)				
Elementary	36,329.21	36,469.22	140.01	0.39%
Secondary	18,398.00	18,281.13	(116.87)	-0.64%
Total Enrolment	54,727.21	54,750.35	23.14	0.04%

Enrolment Changes: 2015-16 Actuals to 2016-17 Revised Estimates

	2015-16 Actual	2016-17 Revised Estimates	Difference	
			#/\$	%
ENROLMENT (excludes High Credit & Visa students)				
Elementary	36,753.44	36,406.22	(347.22)	-0.94%
Secondary	17,863.75	17,905.13	41.38	0.23%
Total Enrolment	54,617.19	54,311.35	(305.84)	-0.56%
ENROLMENT (High Credit)				
Secondary	16.88	7.00	(9.88)	
ENROLMENT (Age ≥ 21)				
Secondary	-	1.00	1.00	
ENROLMENT (Visa students)				
Elementary	50.50	63.00	12.50	24.75%
Secondary	263.75	367.00	103.25	39.15%
Total Enrolment	314.25	430.00	115.75	36.83%
ENROLMENT (Native students)				
Secondary	-	1.00	1.00	
ENROLMENT (includes Visa students)				
Elementary	36,803.94	36,469.22	(334.72)	-0.91%
Secondary	18,144.38	18,281.13	136.75	0.75%
Total Enrolment	54,948.32	54,750.35	(197.97)	-0.36%

Revenues:

The Board's Revised Estimates operating revenues has increased from Estimates by \$2,351,084 (\$4,486,408 including "non-operating" revenues):

Revenue Summary

	2016-17 Revenue Estimates	2016-17 Revenue Revised Estimates	Difference Estimates vs Revised Estimates	
			#/\$	%
<u>OPERATING REVENUE</u>				
Grants for Student Needs (GSN)	\$ 560,273,884	\$ 560,413,151	\$ 139,267	0.02%
Other Grants		(118,069)	(118,069)	
Other Revenue	8,280,900	10,129,900	1,849,000	22.33%
Continuing Education Other	7,399,817	7,880,703	480,886	6.50%
TOTAL OPERATING REVENUE (before Grants/Revenue with Expense offsets/ Capital/ PSAB)	\$ 575,954,601	\$ 578,305,685	\$ 2,351,084	0.41%
Grants/Revenue with Expense offsets	\$ 4,295,080	\$ 5,502,192	\$ 1,207,112	28.10%
Capital Program Revenue	\$ 22,432,155	\$ 22,823,903	\$ 391,748	1.75%
PSAB Items	\$ 53,290,205	\$ 53,826,669	\$ 536,464	1.01%
TOTAL REVENUE	\$ 655,972,041	\$ 660,458,449	\$ 4,486,408	0.68%

The details of the Revenue increases are:

OPERATING REVENUE INCREASE DETAILS				
GSN changes:				
Special Education SEA revenue	\$	75,000		
ESL/FSL		505,906		
Benefits clawback		(234,577)		
Continuing Ed		(238,061)		
Declining Enrolment		264,756		
Enrolment Impact		(887,728)		
Q&E impact		453,971		
Interest on capital		200,000	\$	139,267
Other Grants:				
Clawback of 15/16 Cont Ed grants		(118,069)		(118,069)
Other Revenue:				
OSBIE claims experience rebate		595,000		
Tuition Fees (VISA students)		1,254,000		1,849,000
Continuing Education Other:				
Donations		300,000		
General		180,886		480,886
Operating revenue increase			\$	2,351,084

Expenses – Salaries & Benefits:

The Board’s Revised Estimates salaries and benefits have increased from Estimates by \$5,115,863:

Expenditures	2016-2017 Estimates	2016-2017 Revised Estimates	Increase (Decrease)	
			\$	%
Salaries & Wages	445,723,369	450,195,899	4,472,530	1.0%
Employee Benefits	70,527,330	71,170,663	643,333	0.9%
Total Salaries & Benefits	\$ 516,250,699	\$ 521,366,562	\$ 5,115,863	1.0%

The salary budget increase is primarily due to bringing the 2016-17 Revised Estimates budget to 2015-16 levels for supply staff costs to reflect actual experience. A summary of salary budget increase is as follows:

Salary Budget Increase Summary	
Increase in Supply/Maternity/LTO budgets (to 15/16 levels):	4,826,728
CEC Staff Reduction beyond target \$1M	(237,489)
Curriculum Staff Reduction to target \$1.1M	74,833
Continuing Education	(100,823)
Staffing Adjustments:	(90,719)
Total Salary Budget Increase	\$ 4,472,530

Note: A detail report on the Salary and Benefits modules is provided in the In-Camera Agenda.

Expenses – Non-Labour:

The Board’s Revised Estimates non-labour expenses have decreased from Estimates by \$231,889:

Other Expense Budget Increase Details				
Budget Adjustments/Unrealised Reductions:				
Professional Development (against target \$1M)	\$	221,950		
Unrealizable Reductions		300,000		
Adjustments for missed items		(29,593)		
OSBIE Premium Reduction		(900,000)		
GSB Over budget		(400,000)	(807,643)	
Expense Increases with Revenue Offsets			395,754	
Approved Increases to meet Enveloped/Mandatory Requirements			180,000	
Total Expense Budget Decrease			\$ (231,889)	

The significant expense budget increases represent the following:

- \$221,950 of Professional Development (PD) budgets that were reinstated for non-discretionary. For example, PD required under contract terms;
- \$300,000 of unrealized reductions include: \$100,000 of mothballing initiatives, \$200,000 in Transportation reductions;
- Offsetting increases are credits from \$900,000 OSBIE Insurance premium costs, \$400,000 in over-budget of GSB and a net of \$29,593 credit from other items;
- \$395,754 expense increases have specific offsetting revenue increases. These include \$110,000 increase in VISA agency fees due to increase in VISA students and Continuing Education expense;
- \$180,000 expense increases were approved to meet enveloped or mandatory requirements.

Compliance Provisions –Employee Future Benefits (PSAB) and Committed Sinking Fund Interest:

	2016-2017 Estimates	2016-2017 Revised Estimates	Increase (Decrease)	
			\$	%
Provision EFB (PSAB)	1,366,220	1,364,272	(1,948)	-0.1%
Committed Sinking Fund	683,480	142,939	(540,541)	-79.1%
Compliance Provisions	\$ 2,049,700	\$ 1,507,211	\$ (542,489)	-26.5%

There are two other non-expenditure charges against the compliance position:

1. Provision for Employee Future Benefit (also known as PSAB Provision): This provision of \$1,364,212 is to amortize the Retirement Gratuities liability balance against the Board’s Accumulated Surplus and will continue for another 21 years.
2. Committed Sinking Fund Interest Earned: The annual amortization of \$142,939 has been reduced from \$683,480 due to the reduction of the Committed Sinking Fund Interest Earned as a result of the approval to utilize \$12 million in Proceeds of Disposition (POD) funds to release the committed amount. This reduction generated a position variance of \$540,541 used against other deficit generating items in Revised Estimates.

Accumulated Surplus/ (Deficit):

The Board's Accumulated Surplus / (Deficit) for the 2016-17 Revised Estimates reflects the 2016-17 compliance deficit of \$7,574,521 (shown as In-Year decrease under Total Accumulated Surplus/(Deficit) – Available for Compliance) and a total in-year deficit of \$5,441,320:

Projected Accumulated Surplus / Deficit 2016-17			
	2015-16 Accumulated Surplus / (Deficit)	Total In- Year Increase / (Decrease)	2015-16 Accumulated Surplus / (Deficit)
Board Established: - Available for Compliance ("ASD-AFC") Unappropriated			
Funding Stability	10,112,188	(7,431,582)	2,680,606
Board Established: Total Unappropriated	10,112,188	(7,431,582)	2,680,606
Board Established: AS-AFC Appropriated			
<i>General School Budgets (GSB Carryforward)</i>	581,529		581,529
<i>Unfunded Employee Future Benefits:</i>	5,007,986		5,007,986
Board Established: Total Appropriated	5,589,515	-	5,589,515
Total Board Established: ASD-AFC Before Committed Items	15,701,703	(7,431,582)	8,270,121
Registered Charity	217,306		217,306
Committed Sinking Fund interest earned	3,030,310	(142,939)	2,887,371
Total Accumulated Surplus/(Deficit) - Available for Compliance	18,949,319	(7,574,521)	11,374,798
Accumulated Surplus/(Deficit) - Unavailable for Compliance ("ASD-UFC")			
Employee Future Benefits:			
Retirement Gratuities (3)	(12,278,449)	1,364,272	(10,914,177)
Other Benefits (WSIB & LTD Waivers) (2)	(5,007,986)		(5,007,986)
Debt Interest Accrual	(4,128,404)	238,587	(3,889,817)
School Generated Funds	7,834,525		7,834,525
Revenues Recognized for Land	211,740,044	530,342	212,270,386
Total Accumulated Surplus/(Deficit) - Unavailable for Compliance	198,159,730	2,133,201	200,292,931
Total Accumulated Surplus/(Deficit)	217,109,049	(5,441,320)	211,667,729

2016-17 Revised Estimates Summary:

The Revised Estimates are to be filed annually with the Ministry of Education and incorporates actual October 31st enrolment information, related staffing and placement changes, and any other new information. For staffing, salary and wages projections, the actual October 31, 2016 staffing and grid placements have been used.

Future reports to the Board will compare actual financial results to the Revised Estimates, i.e., the Revised Estimates will represent the **base amount** for 2016-17 operating budget estimates and monitoring.

Attached under separate cover is the Revenue Module which has recalculated the projected revised revenue (Operating and Capital) for 2016-17.

Adjusting the 2016-17 Estimates with the increases and decreases identified through the Revised Estimates process resulted in a non-compliant deficit of \$7,574,521:

	Operating Expenditures	Non-Operating Expenditures	Total
Revenues	\$ 578,305,685	\$ 82,152,764	\$ 660,458,449
Salary and Wages	\$ 450,195,899		\$ 450,195,899
Employee Benefits	71,170,663		71,170,663
Other Expenditures	63,006,433		63,006,433
Non-Operating		82,152,764	82,152,764
Total Expenditures	584,372,995	82,152,764	666,525,759
Net Operating Surplus (Deficit) Before PSAB Provision	\$ (6,067,310)	\$ -	(6,067,310)
Provision EFB (PSAB)	1,364,272		1,364,272
Committed Sinking Fund	142,939		142,939
Net Operating Surplus (Deficit) After PSAB Provision & Commitments	\$ (7,574,521)	\$ -	\$ (7,574,521)

Submission of 2016-2017 Revised Estimates:

The 2016-2017 Revised Financial Estimates are based on all notes and assumptions, previous Board motions and directives, and information available as at December 15, 2016.

In the past, submission of the Revised Financial Estimates provides Administration the authority to proceed with its implementation in accordance with past policies, procedures and practices and current Board direction. Included in the implementation of the revised budget is the establishment of specific budget categories and the monitoring and control of those budget categories.

Ministry Compliance:

School boards are required to pass a balanced budget. In accordance with section 231 of the Education Act and as outlined in Ministry Memo 2016:SB13-2016-17 Estimates, school boards must seek the Minister's approval for any in-year deficit that exceeds the lesser of:

- 1) the accumulated surplus available for compliance from the preceding year or
- 2) one percent of the board's operating allocation (***for YCDSB, \$5.6M***)

Boards must seek Ministry approval prior to the board's final approval of the budget. The approval from the Ministry must be obtained at any point during the fiscal year when it becomes known to the board that its projected in-year deficit will exceed the threshold set out in section 231 of the Education Act. Therefore, YCDSB must request the Minister's approval to file a non-compliant 2016-17 Revised Estimates.

Due to the current fiscal situation of the Board's finances, Administration requested Ministry approval to file a non-compliant deficit for Revised Estimates as per above. Administration also requested permission to file Revised Estimates after the due date of December 15, 2016 to allow for presentation to the Board prior to the Revised Financial Estimates submission to the Ministry of Education.

Note: Submissions made to the Ministry of Education must be in the prescribed format dictated and may contain differences. Any material differences will be brought back to the Board.

Submission of the 2016-17 Revised Estimates to the Ministry of Education includes both in-year

operating and non-operating expenditure projections for 2016-2017 in the total amount of \$666,525,759.

The following summarizes the 2016-17 Revised Estimates submission of a non-compliant (as defined by the Ministry) in-year deficit:

	2016-2017 Revised Estimates	%
Grants for Student Needs (GSN)	560,413,151	96.91%
Other Grants	(118,069)	-0.02%
Other Revenue	10,129,900	1.75%
Continuing Education Other	7,880,703	1.36%
Total Operating Revenue	\$ 578,305,685	100.00%
Salaries and Wages	450,195,899	77.04%
Employee Benefits	71,170,663	12.18%
Other Expenditures	63,006,433	10.78%
Total Expenditures: Operating	\$ 584,372,995	100.00%
Net Operating Surplus (Deficit) Before PSAB Provision	(6,067,310)	-1.05%
Provision EFB (PSAB)	1,364,272	0.24%
Net Operating Surplus (Deficit) After PSAB Provision	(7,431,582)	-1.29%
Committed Sinking Fund	142,939	0.02%
Ministry Compliance Surplus (Deficit)	\$ (7,574,521)	-1.31%

Multi-Year Savings Strategy Plan (MYSSP) / Multi-Year Recovery Plan (MYRP)

The Ministry has assessed the board as “high-risk” during the 2016-17 estimates risk assessment cycle.

Though the ministry has not formally requested that the board develop a Multi-Year Recovery Plan (MYRP) which may change with the submission of a non-compliant Revised Estimates, the Board wrote to the Ministry in August indicating commitment to work with a Ministry supported consultant to identify multi-year savings opportunities to address the board’s structural budget pressures. The consultant will provide recommendations for savings strategies to the senior administration that, if adopted, will assist the board in developing budget plans to reduce in-year deficits for 2017-18 and 2018-19, and to achieve a balanced budget by year 2019-2020.

The Ministry, the consultant (Deloitte) and the Board’s Steering Team (Director, Associate Director and CFO) met on December 12, 2016 to begin the scoping exercise. The preliminary plan will see Deloitte starting in January 2017 with final recommendations in April 2017. Data collection will begin upon receipt of data request from Deloitte.

Summary:

The 2016-17 Revised Estimates will be filed with the Ministry by December 23, 2016. Ministry approval of the Board's In-year non-compliant deficit of \$7,574,521 is being requested. The 2016/17 Revised Estimates will be used as the comparator to Actuals in future reports presented to the Board. Updates on the Board's financials and the MYSSP/MYRP will continue at every Board meeting.

Prepared by: Jackie Porter, Coordinating Manager, Budget and Audit Services
Submitted by & Endorsed by: Anna Chan, Chief Finance Officer and Treasurer of the Board