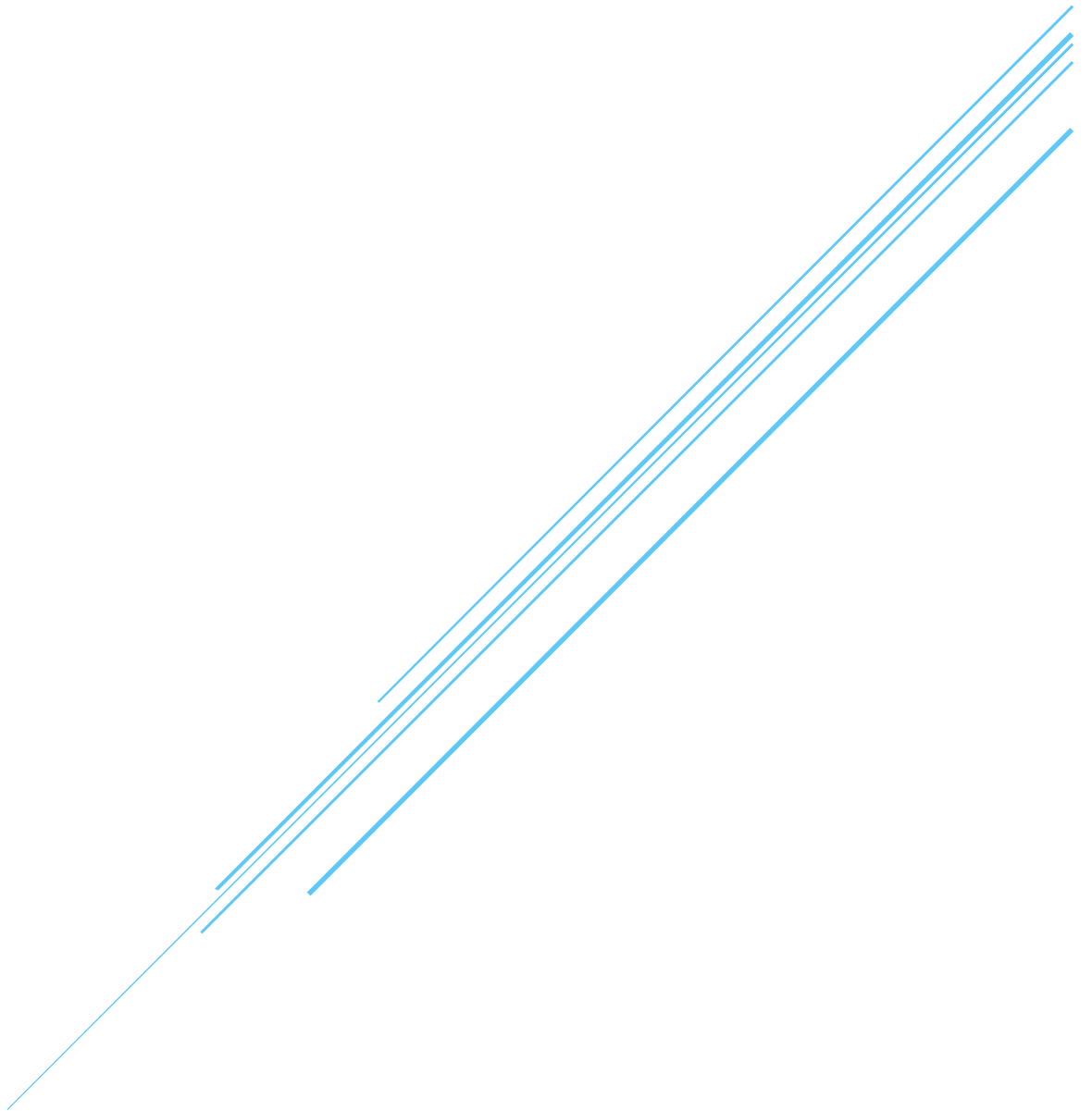


2017/2018 REVISED OPERATING BUDGET

For Approval of the Board – December 2017



2017/2018 OPERATING BUDGET

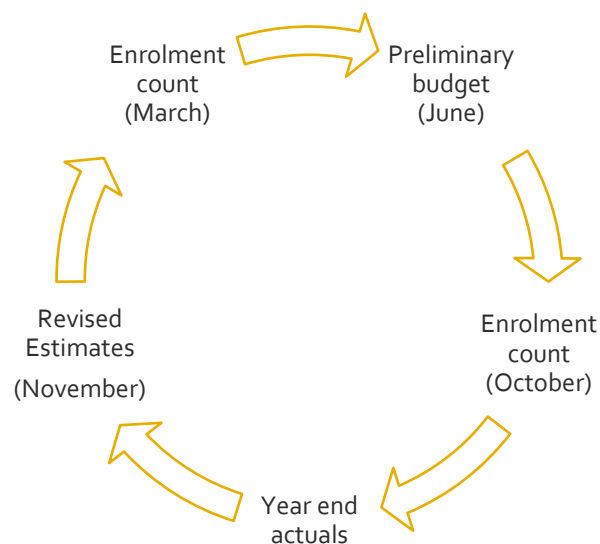
The operating budget is an important tool to ensure that resources are allocated to support the functions of the system and the priorities of the board. The approved budget governs the actions of administration in achieving the multiyear strategic plan.

The preliminary 2017/2018 operating budget was approved in June 2017 and met three objectives;

1. Present an in-year surplus of \$1million which will establish the minimum required contingency balance;
2. Adjust expenditures in line with forecasted changes in enrolment;
3. Consult with stakeholders, including staff, parents and community, throughout the process.

OVERVIEW OF ANNUAL REPORTING PROCESS

The preparation of the revised budget allows the opportunity to make adjustments based on year end financial results and the October enrolment counts.



REVIEW OF RECENT FINANCIAL SITUATION

Over the past three years, the board has moved from an in-year deficit of \$4.7 million in 2013/2014 to a budget surplus of \$334,000 in 2016/2017. This has been achieved by a combination of expenditure reductions and enrolment growth. The table below reflects the financial results over the past four years.

	2013-14	2014-15	2015-16	2016-17
	Actual	Actual	Actual	Forecast
Opening Accumulated Deficit / Surplus available for compliance	13.109	8.448	3.863	1.204
In-Year Surplus/(Deficit)	(4.661)	(4.585)	(2.659)	0.334
Ending Accumulated Surplus/(Deficit) available for compliance	8.448	3.863	1.204	1.538

(2013/2014 actual and 2014/2015 actual have been adjusted to reflect actual retroactive payment of CUPE pay equity. For more information see the 2014/2015 audited financial statements.)

REQUIREMENTS OF THE MULTI YEAR RECOVERY PLAN

The board entered into a multi-year recovery plan which included two main outcomes. Ministry of Education outlined their expectations in a letter from ADM Gabriel Sékaly dated March 12, 2015 an excerpt which is shown below.

We commend the board for initiating this past summer a review of the boards operations including consultations with communities in order to determine the necessary measures to address the financial situation. The financial recovery plan should reflect cost saving strategies that are both attainable in the short term and sustainable in the long term. The board is required to eliminate its structural in-year deficit by **2016-17** and should also aim at attaining an unappropriated accumulated surplus balance of 1% of operating revenues, but no less than 0.3% for contingency purposes.

The 2016/2017 budget included a small surplus, however the actual operating results at August 31, 2017 were significantly better than forecasted. The result is an increase in accumulated surplus greater than was known at the preparation of the budget in June 2017.

The accumulated surplus balance for **August 31, 2017** for each component are as follows:

	Forecast	Actual
Unappropriated Surplus	173,219	1,622,576
Internally Appropriated Surplus	1,365,372	1,555,679
Available for Compliance	\$ 1,538,591	\$ 3,178,255
Unavailable for Compliance	24,300,625	25,478,938
Total Accumulated Surplus	\$25,839,216	\$ 28,657,193
Operating allocation	\$212,728,770	\$212,728,770
Unappropriated Surplus	0.08%	0.76%

The increase in unappropriated surplus to 0.76% of revenues meets the final requirement of the recovery plan.

The 2016/2017 budget achieved the goal of eliminating the structural in-year deficit; and the 2016/2017 in year surplus achieved the goal of a minimum of 0.3% unappropriated accumulated surplus for contingency purposes. At this time the board has achieved both requirements of the multiyear recovery plan.

DEFINITIONS OF ACCUMULATED SURPLUS (DEFICIT)

The accumulated surplus (deficit) is made up of three distinct parts.

1. **Unappropriated surplus.** These are the funds resulting from in-year income that are available for use by the board in subsequent years and are contingency funds.
2. **Internally Appropriated surplus.** These are funds that have been previously set aside by the Board of Trustees for specific purposes. These balances were formerly known as reserves.
3. **Accumulated surplus unavailable for compliance.** The largest components of this amount are the land owned by the board, and school generated funds. These balances are not accessible to the board.

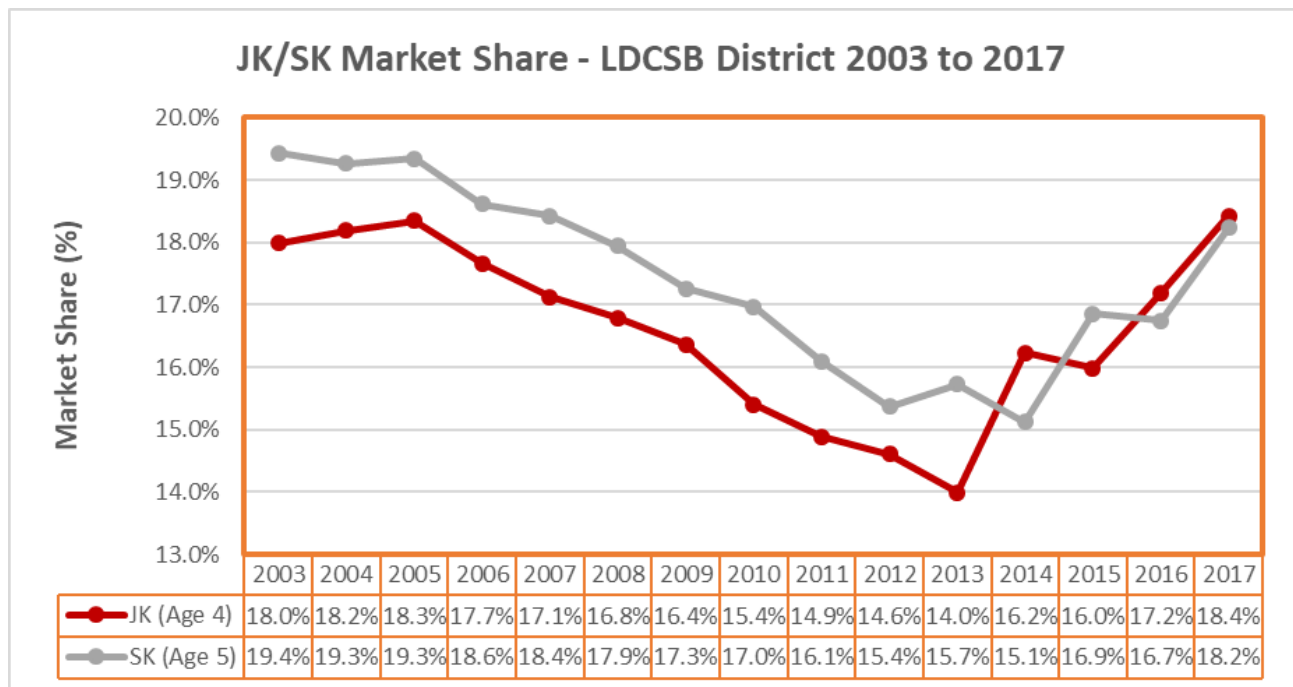
The sum of (1) and (2) reflect the surplus available for compliance.

UPDATED ENROLMENTS – OCTOBER 31ST COUNT

Enrolments are the key factor in determining the resources available to the board. Over the past several years there has been a demographic decline in the number of school aged children due to the echo effect of the baby boom, and the decline in the number of babies born per family. This trend has begun to reverse, and the board has seen positive growth in elementary enrolments.

ELEMENTARY ENROLMENTS

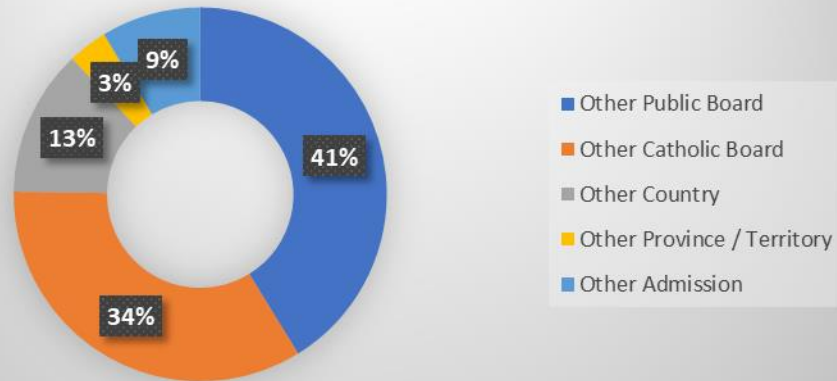
The chart below outlines the percentage of 4 and 5-year-old children who were enrolled in the LDCSB, and shows a decline from 19.4% in 2003 to a low of 15.7% in 2013. The bounce back began in September 2014 as is attributed to the full implementation of Full Day Kindergarten. The 2017 enrolment is extended this positive trend.



Elementary Enrolments increased by 301FTE over budget across all grades. This resulted in additional staffing and facility requirements.

Approximately 50% of the students transferring into the board (not new to school) are from outside the area. While 13% are coming from other countries, there is substantial migration into the London area. The 41% that are transferring from a public board, may be new to the area or from the coterminous board.

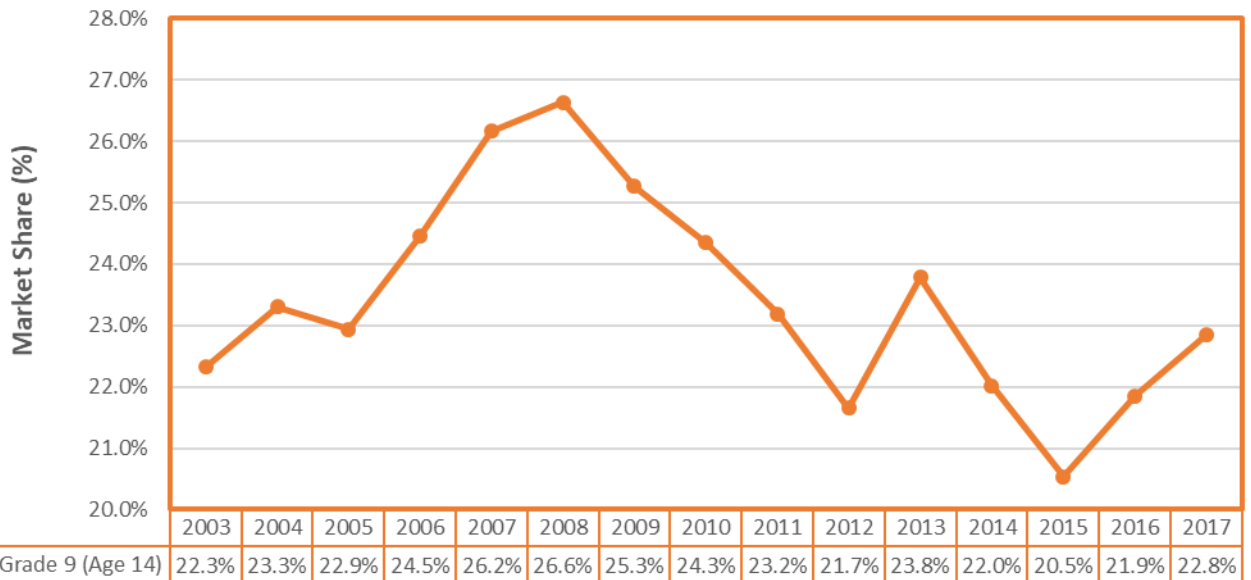
Transfer Elementary Students to LDCSB



SECONDARY ENROLMENTS

In September 2017 the board had an increase in the percentage of Grade 9 students choosing catholic education for the second year.

Grade 9 Market Share - LDCSB District 2003 to 2017



The percentage of 14-year-old students who are choosing Catholic Education has fluctuated significantly in the past few years from a high of 26% of the market to a low of 20.5%. Retention information on the transision of students from grade 8 to grade 9 are being compiled.

Overall projected secondary enrolment for was greater than budget by 149FTE and 85 FTE higher than the Average Daily Enrolment (ADE) for 2016/2017.

IMPACT ON 2017/2018 REVISED BUDGET

	2017/2018 Revised Estimates	2017/2018 Preliminary Estimates	Variance Revised Estimates to Preliminary Estimates	
Average Daily Enrolment (ADE)	#	#	#	%
Elementary	13,193.00	12,892.00	301.00	2.28
Secondary	6,490.13	6,341.13	149.00	2.30
Secondary > 34 Credit	76.88	36.88	40.00	52.03
Total ADE	19,760.01	19,270.01	490.00	2.48

The increased enrolment has a positive impact on Provincial Grants, and in some cases results in additional expenditures related to staffing and learning materials.

The detailed adjustments to the revised budget are outlined in appendix A.

The result of adjustments to the revised budget is an in-year surplus of \$1.3 million which is greater than the preliminary budget.

PRESSURE POINTS FOR 2017/2018 BUDGET

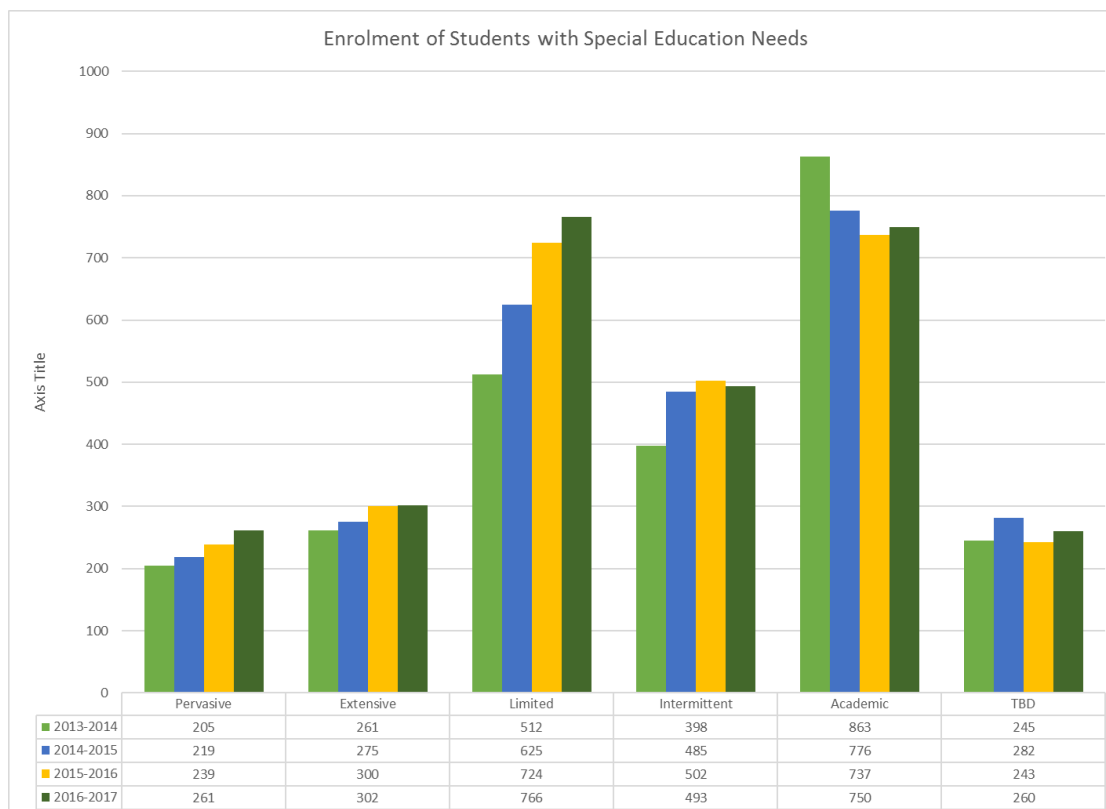
Through the preliminary budget process, several pressure points were identified and specifically addressed in the 2017/2018 operating budget. However, two areas continue to have outstanding needs.

Special Education

The 2017/2018 preliminary budget included expenditures for special education greater than the funding received while demand for services in this area continue to increase.

Special Education funding is based on the total enrolment and is not based on the number of students receiving supports in the schools.

Over the past four years there the number of students receiving special education supports has increased from 2,484 in 2013/2014 to 2,832 in March 2017. The number of students with pervasive and extensive needs has also increased significantly.



The demand for additional supports for special education students is reflected in four main areas; Student Program Support Teachers (SPST), Educational Assistants, Professional Support services and Equipment.

Student Program Support Teachers provide services to all students with a focus on students whose needs are limited, intermittent and academic.

Educational Assistants provide services to all students with a focus on students whose needs are Pervasive and Extensive. Some Pervasive students require the support of a full time Educational Assistant and in some cases two.

Professional Support services are provided in the areas of Psychological Services, Speech Services and Social Services.

Equipment needs are provided through a separate enveloped grant allocation and this is not a pressure point.

The preliminary operating budget included increases in staffing for students with special needs funded through the Local Priorities fund and the Global budget.

Full Time Equivalent	2016/2017	2017/2018	Increase
Student Program Support Teachers	67.52	76.76	9.24
Educational Assistants	245.00	262.00	17.00

**The complement of Student Program Support Teachers includes 4.0 FTE for Reading Intervention.*

The increase in the number of Educational Assistants (EA) included in the preliminary budget has not been sufficient to meet the needs. Since September 2017 41 students with special education needs have transitioned into the board. These students were not known at the time of the preliminary budget. Last year the board made application for 12 students who require constant support of 2 EAs. This has increased to 14 students for this year. One of these students requires 3:1 EA support.

The revised budget increases the number of Educational Assistants by an additional 12.0FTE with an annual cost of approximately \$600,000. This cost has been included in the revised budget.

Innovative and Collaborative Technology Services

The board has invested significantly in computer technology which is not fully funded and places pressure on the overall budget. The grant amount for computers has not increased for several years and is set at \$34.52 per elementary student and \$45.03 for each secondary student.

Pressure in ICTS rests in two main areas; Infrastructure renewal, and classroom technology refresh. Each area represents a significant investment which was previously funded through budget surpluses. There are limited funds in the base budget to replace equipment.

The ICTS proposes an infrastructure renewal model, that will help minimize the risks of equipment failure, data loss, lost staff productivity, and loss of student learning opportunities. The chart below outlines the additional funding the model requires for Infrastructure over a four-year period to mitigate risk:

ICTS Infrastructure Budget Requirements					
	2017-2018	2018-2019	2019-2020	2020-2021	Total
Internet Access / Wide Area Network					*
Firewall, Web Filtering and Security Devices					*
Network Switches				950,000	950,000
Local Area Networks	200,000	200,000	200,000	200,000	800,000
Wireless Device Access		900,000			900,000
CEC Data Centre (Servers and Storage)	1,000,000				1,000,000
School Servers			250,000		250,000
Board Room	80,000	80,000			160,000
Phone System	100,000	150,000	150,000	150,000	550,000
					-
Annual Cost	1,380,000	1,330,000	600,000	1,300,000	4,610,000
* Costs not yet forecast for this area					

The cost for these items were not included in the preliminary operating budget.

The revised budget includes a surplus of \$1.3million. Given the positive results from the 2016/2017 operations, administration is recommending that the parameter for an in-year surplus of \$1 million be reduced to \$500,000; and that an additional \$800,000 be set aside to replace the data servers and storage infrastructure.

SUMMARY

The revised budget for 2017/2018 meets the three parameters as set out in the preliminary report:

- The budget shows an in-year surplus which will establish the minimum required contingency balance;
- Reflect staffing required due to elementary enrolment increases; and
- Address the need for additional resources in Special Education and ICTS.

RECOMMENDATION FOR REVISED BUDGET

THAT THE REVISED BUDGET FOR 2017/2018 BE APPROVED WITH AN IN-YEAR SURPLUS OF \$500,000 AND AN ADDITIONAL ONE TIME INVESTMENT TO ADDRESS THE NEED FOR ADDITIONAL RESOURCES IN ICTS.

