

Memorandum

To: Chair and Members
Dufferin-Peel Catholic District School Board

From: Chair
Co-Management Committee

Date: November 28, 2006

Re: Implementation of Expenditure Constraints

Background

Organizations experiencing financial difficulty traditionally employ a number of standard expenditure reduction techniques. Two of the more common are a:

- freeze on, or executive approval for, all vacant positions that occur during the budget year, and
- reduction in discretionary expenditures for all cost centres.

The Dufferin Peel Catholic DSB Deficit Management Plan proposed both of these measures.

The review of all vacant positions by Executive Council has been in place since April 2005. Principals/Managers are required to detail the need for the position, the financial and staffing implications and re-deployment possibilities. Based on this information, Executive Council decides whether to replace, fully or partially, to redeploy or to freeze the vacancy. Savings of over \$2.2M were achieved through the implementation of this measure in 2005-2006. A projection of savings for the 2006-07 budget year will be available in December 2006.

The deficit management plan also contained a proposal for a 10% reduction in discretionary expenditures for a projected savings of \$2.9M. This measure has not been implemented to date.

Reduction in Discretionary Expenditures

If a balanced financial position is to be obtained for the 2007-08 budget year, discretionary expenditure controls must be implemented immediately. Without them the projected deficit at the end of 2006-07 will rise from \$2.5M to \$5.4M.

Consequently, all cost centres will be required to develop a plan that will reduce their non-contracted discretionary expenditures for the balance of this budget year by 10%. This will be a temporary measure designed to achieve one-time savings of \$2.9M.

In addition there will be a Board-wide emphasis on improved planning and control by all managers and an enhancement of improvements in board procurement practices through leveraging purchasing power, expanding the use of bulk purchased and inter-agency consortia.

Cost centres will be provided with a set of guidelines to guide their prioritization of expenditures for the coming year. Plans will be reviewed with the appropriate Supervisory Officer to ensure that resources within families of schools and service department continue to support the key priorities of the board. The implementation of the plan will be monitored to assess impacts and savings achieved.

Over the next few weeks the budgets of selected central departments will be examined to determine if further opportunities for reduction exist.

Implications

The implementation of the expenditure controls is not without risk. To suggest otherwise would be disingenuous. Current plans will need to be reprioritized. Some expenditures may need to be deferred and opportunities to support new initiatives may decrease.

There is, however, greater risk in not proceeding. Without these reductions the deficit at the end of 2006-07 will be in excess of \$5M. Given the budget pressures projected for the next academic year a balanced position would not be attainable without significant reductions in staff and programs supporting our students. All prudent steps that can be taken in the short term to avoid such an eventuality must be taken.

Executive Council believes that the leadership skills of our principals and senior managers will ensure that the reductions are not only attained but also managed to mitigate most risks. This approach also provides the flexibility for cost centres to respond with proposals that reflect the unique requirements of each department /school within the board.

Furthermore, this is a measure, unlike many others, that can be reversed should unexpected savings or increases in revenue make further constraint unnecessary.

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Chair
Co-Management Committee

Cc Michael Bator
Director of Education
Dufferin-Peel Catholic District School Board