DECISION ITEM
BOARD/COMMITTEE: BOARD OF DIRECTORS
MEETING DATE: APRIL 30, 2025
AGENDA ITEM: 2025-26 Budget
SPONSOR: Finance Committee

RECOMMENDATION

The Executive Committee recommends that the Board approve the 2025-26 Budget.

SUMMARY OF KEY ISSUES:

- The 2025-26 Budget is the first one to incorporate the terms and conditions of RODS' new three year funding agreements with the IRCC.
- The Budget forecasts a 9% decline in total revenue, which includes a reduction of 11% in support from the IRCC. The base funding incorporated into the three year funding agreement shows a rebound for 2026-27, however the 2027-28 base has been established at a level that would see RODS' IRCC revenue 20% below 2024-25 levels.
- RODS made several staffing reductions in the fourth quarter of 2024-25 in preparation for the reduced funding level in the new contracts. RODS does not anticipate further cuts in 2025-26. In other words, staffing levels have been "right sized" to reflect the activity levels proposed in the Budget.
- The 2025-26 Budget proposes a 3% across the board salary increase, as well as a salary grid that includes an additional two steps. These two changes mean that employees who are not at the top of their salary range will receive a lift of 5% effective April 1, 2025.
- The twin impacts of a new federal government and extreme geopolitical instability mean that RODS needs to be exceptionally flexible in the short and medium terms, regardless of the existence of the new contracts.
- The Budget does not take into account the impact of selling RODS' capital assets, nor does it reflect the likely move of the daycare to a new location. The Finance Committee monitors these items and acknowledges that the uncertainty associated with them means that their exclusion from the Budget is appropriate.
- Capital spending is expected to be nominal at $58,000. Following the sale of RODS' properties, capital spending is expected to be very small (1% of revenue or less) for the foreseeable future.

BACKGROUND AND ANALYSIS:

A highly consolidated version of the Budget appears below. Detailed information, including variance analysis, is included in the monthly Board information package.

2025-2026 Proposed Budget

(in thousands of dollars)

	2025-26 Budget	2024-25 Actual [1]	Variance to 2024-25
REVENUE			
Federal Gov't	7,184	8,086	-902
Provincial Gov't	1,929	1,938	-9
Daycare	1,274	1,291	-17
Other funding	999	1,180	-181
Donations	85	58	27
Interest	50	72	-22
Miscellaneous	118	159	-41
	11,639	12,784	-1,145
EXPENSES			
Wages	8,219	9,132	-913
Rent	1,200	1,155	45
Operations	2,141	2,419	-278
	11,560	12,706	-1,146
ACCOUNTING SURPLUS	**79**	**78**	**1**
Add: AMORTIZATION	369	369	0
Subtract: NON-CASH REVENUE	-75	-90	0
Subtract: CAPITAL EXPENDITURES	-58	-30	-28
CASH SURPLUS	**315**	**327**	**-27**

[1] Unaudited

<u>Revenue</u>

Appendix A provides an illustration of RODS' revenue since 2005. The high level of uncertainty regarding the quantity and circumstances of newcomers in the short and medium term is reflected in projected declines in base level funding.

<u>Expenses</u>

As usual, salaries and benefits account for approximately 75% of RODS' operating costs.

As a service provider, RODS is only as good as its staff. Thus, employee compensation is a key success factor for RODS.

The recently signed three year agreements provide funding increases of 3% per year to range maximums, with growth of a further 2% per year for employees who have not reached the top of their range.

Appendix B contains two graphs that show the evolution of RODS' compensation over the 20 years ending April 1, 2028. The recently completed five year contracts were a very dark time for compensation at RODS and across the sector. This has been somewhat remediated in the new three year agreements, but the Board will have to remain mindful of the value proposition that RODS is providing to its staff.

Capital

The 2025-26 Budget provides for capital expenditures of $58,000, which is primarily related to information technology equipment. Following the disposal of RODS' land and buildings, its capital assets will consist primarily of office furniture and information technology equipment, so annual capital expenditures should be nominal.

Other

- The 2025-26 Budget includes $10,000 dedicated to Board development. Until recently, the Board had not prioritized its development, and any continuing education was funded on an ad hoc basis by taking funds from other budget areas. The establishment of a budget for Board development is a significant step forward in demonstrating the Board's commitment to continuous improvement.
- The 2025-26 Budget does not include the impact of the proposed property sales nor the expected move and expansion of the daycare at Woodbine Place. These items are difficult to quantify at this point, and are not expected to materially change the short term fiscal outlook.

ALTERNATIVES:

Approve amendments to the Budget.

ADVANCED CONSULTATION: N/A

COMMUNICATION STRATEGY: N/A

REQUIRED APPROVAL:

Board of Directors

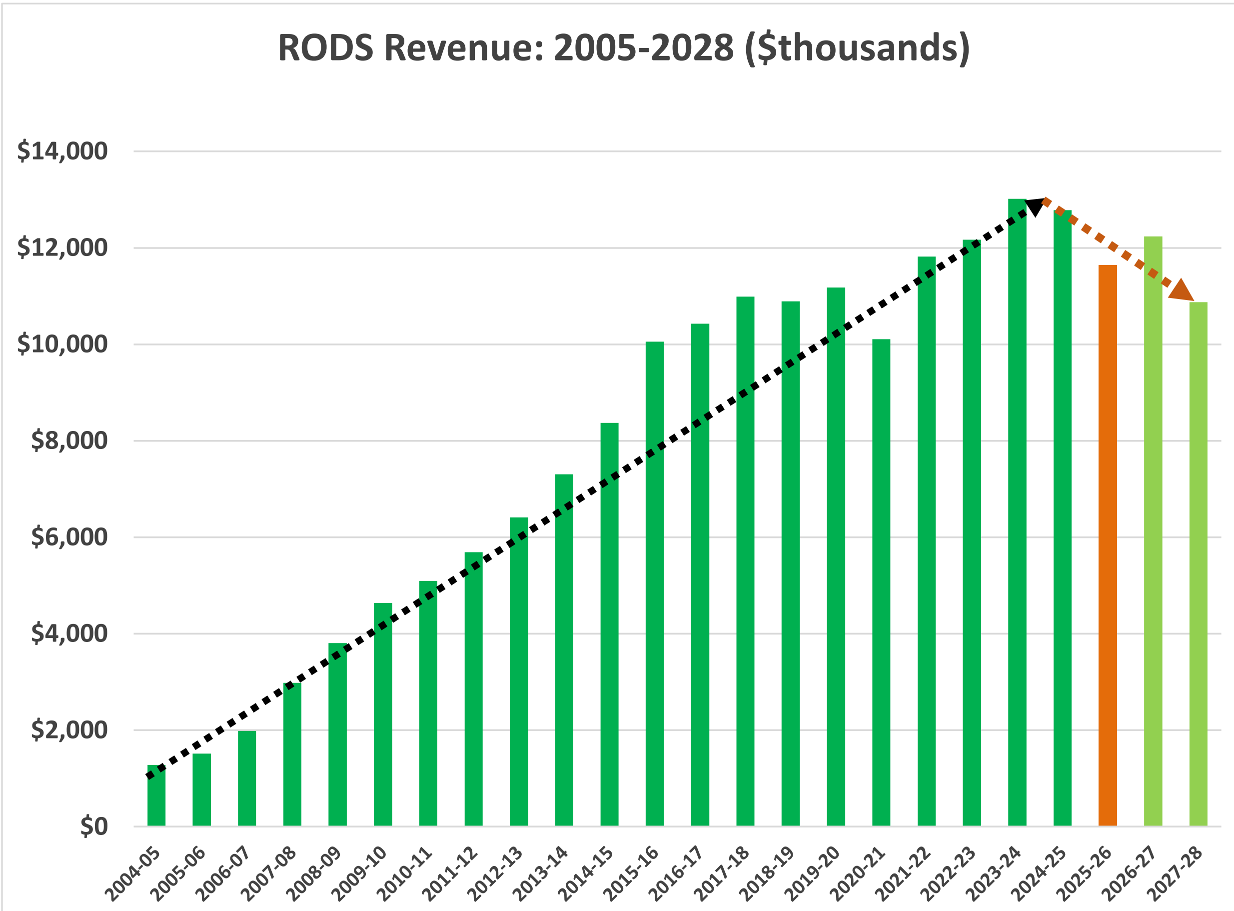
STRATEGIC ALIGNMENT:

- P1 – strengthen recruitment and onboarding capability
- P2 – improve workplace experience and employee retention

TIMEFRAME/CONSEQUENCES OF DEFERRING DECISION:

Delaying a decision will mean that RODS' management will have to make resource allocation decisions based on prior year data until new authority is provided by the Board.

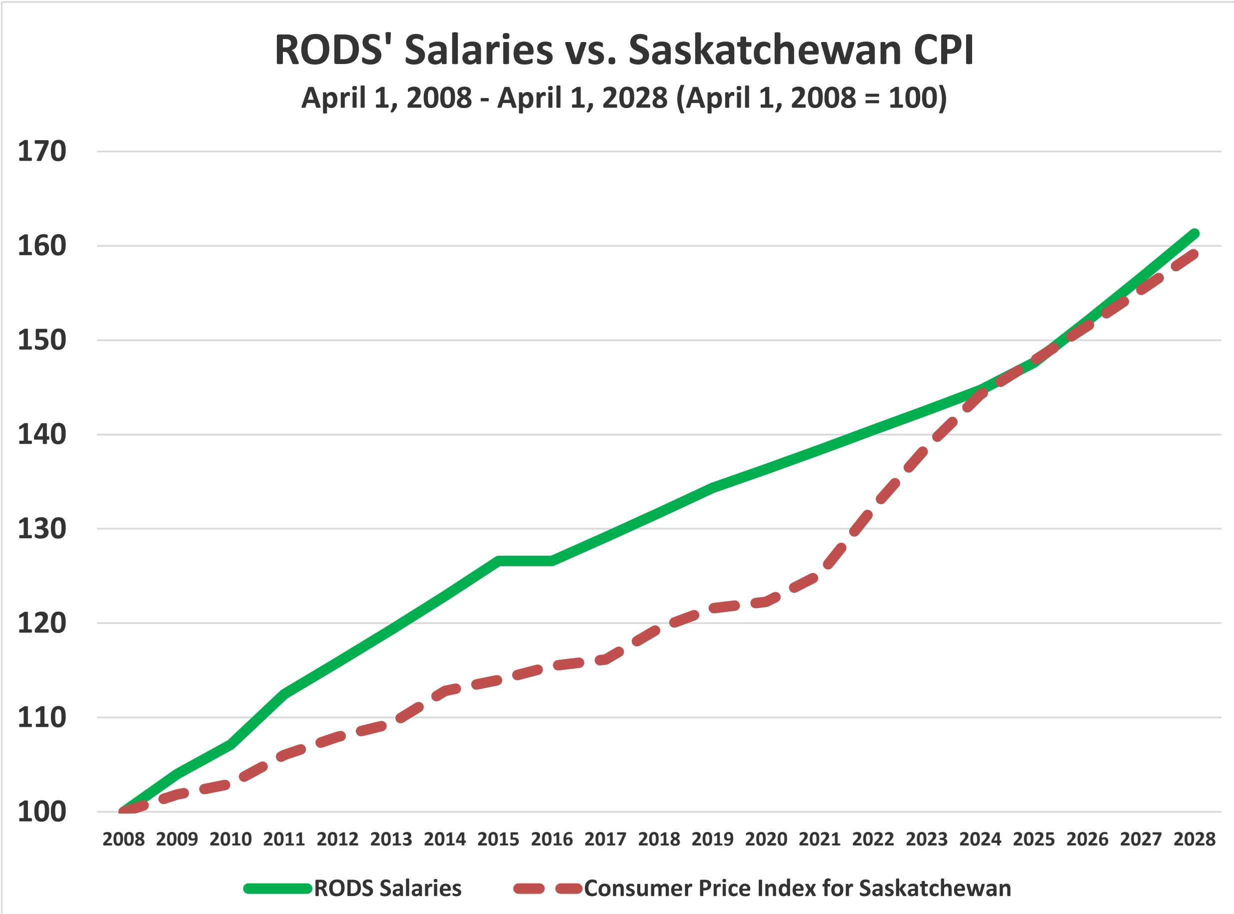
APPENDIX A – HISTORY OF RODS' REVENUE



Conclusions:

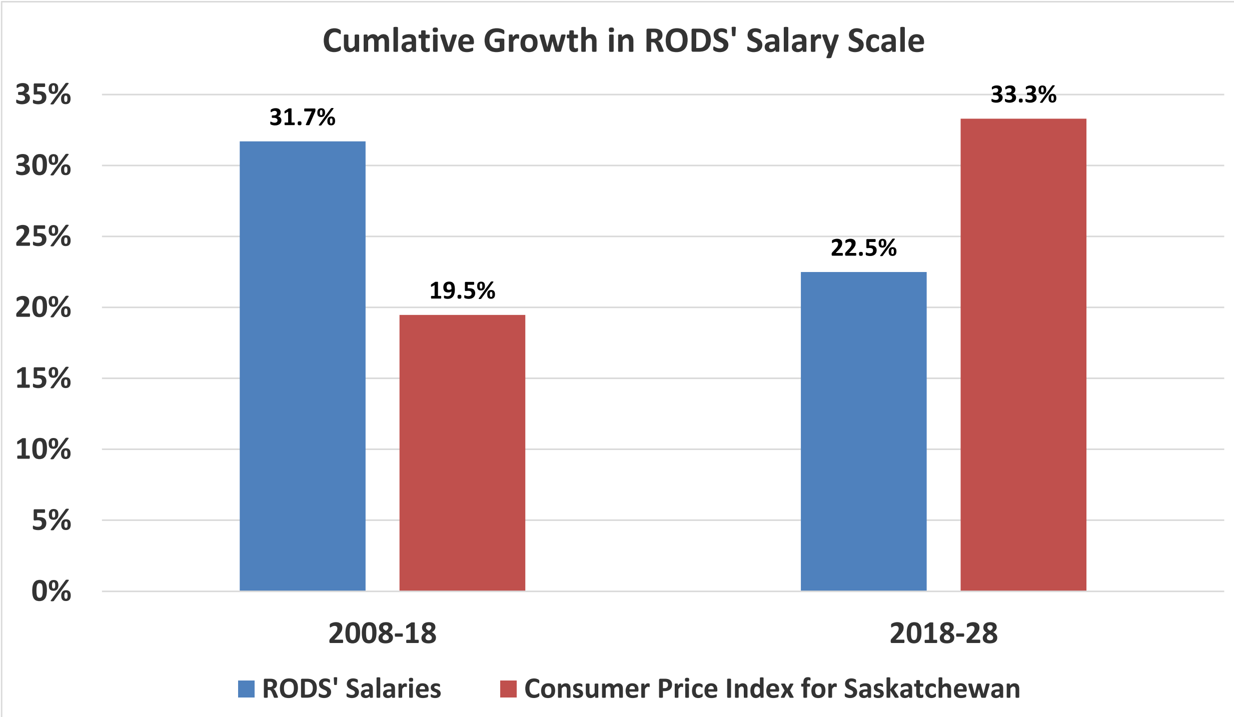
- RODS' revenues are expected to decline by approximately 9% in 2025-26. Further declines are possible based on the figures provided in the recently signed three year agreements with the IRCC. The revenue projections for 2026-27 and 2027-28 assume no changes from 2025-26 other than the adjustments to base funding proposed by the IRCC.
- Given the above average level of uncertainty in the current environment, RODS will continue to need to maintain flexibility in the size of its work force and in the scalability of its physical facilities.

APPENDIX B – HISTORY OF RODS' SALARIES



Conclusions:

- From 2008 until COVID, RODS made significant progress in offering salary increases that exceeded inflation in Saskatchewan. This reflected a conscious strategic decision by the Board to improve the competitiveness of RODS' compensation package following an extended period of wage freezes (note: the Saskatchewan Pension Plan participation was initiated during this period).
- The five year contracts that RODS signed with the IRCC effective April 1, 2020 contained very low salary growth (1.5% per year), which proved to be very unfair to staff when inflation surged during the pandemic. The gains that had been won prior to the 2020 contract have been lost, and RODS' staff are in approximately the same position as they were in 2008, after accounting for inflation.
- The disparity in wage growth between the two ten year periods is captured in the graph on the following page.



Until recently, RODS could offer employees decent job security, however this now is also eroding with changes to immigration policy. The impact of inadequate wage increases in recent years is presumably already baked into the current staffing situation (i.e. people who may have been inclined to leave for better wages have likely already done so), however the Board must remain mindful of this situation and perhaps even consider devoting a portion of its financial reserves to strengthening its compensation proposition.