

# Calgary Board of Education (CBE) Financial Review Report

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# 1 Executive Summary

In April 2017, the Calgary Board of Education (CBE) presented a budget to its board identifying a potential \$38.6 million shortfall for the 2017/18 school year. CBE indicated this shortfall was based on maintaining the same level of services to students as was provided in 2016/17. This raised questions regarding CBE's allocation of resources and expenditures incurred. As a result, Education Minister David Eggen ordered a financial review of the board system and administration (BSA) and transportation areas of the CBE to understand the deficit. Education's review was also extended to student programming and other areas necessary to understand further how CBE allocates funding.

This report presents findings derived from the review. The analysis generally focused on the period between September 1, 2013 and August 31, 2016, although it involved some 2016/17 and 2017/18 data available at the time of the review. CBE was fully cooperative and transparent through this process.

## Financial Information Overview

CBE's per-student funding and expenses are comparable to the other three metro boards (metros). CBE's spending allocation is also comparable.

Although CBE's revised operating budget projects an annual deficit of \$15 million in 2017/18, historically there have been large variances between budgeted deficits and actual financial results generating annual surpluses. CBE under-budgeted revenues and expenses over the past three-year period, resulting in annual surpluses. CBE also continued to receive increased funding, including enrolment growth funding from Alberta Education. From 2013/14 to 2015/16, total revenues increased 11 per cent, while expenditures increased 10 per cent. At the same time, enrolment increases over this period were six per cent.

Alberta Education's review indicates the CBE should continue to have the ability to provide high quality services with current funding from Alberta Education. However, when CBE tabled an estimated deficit significantly in excess of the final approved budget to the public, enhanced media attention and public concerns were created. CBE's administration subsequently worked to reduce the 2017/18 budgeted deficit from \$38.6 million to \$15 million in the spring of 2017 with a further revision of this deficit to \$17 million in the November 2017 fall update.

## **Board and System Administration**

Alberta Education's guidelines define BSA as the provision of board governance and system-based/central office administration and their associated subprograms. Among the metros, CBE has moved from having the highest percentage of total expenses allocated to BSA in 2012 to the lowest in 2016.

CBE reported the lowest percentage of expenditures spent on BSA from the 2013/14 school year (3.08 per cent) to the 2015/16 school year (2.56 per cent). However, Alberta Education identified approximately \$9.1 million in expenditures charged to "instruction" that, according to Alberta Education's guidelines, should have been recorded as BSA. This adjustment would result in the actual BSA percentage to be closer to 3.3 per cent in 2015/16, which is still under the allowable limit of 3.6 per cent, but higher than the other metros.

CBE leases its administration offices (Education Centre) on a long-term lease that was signed when property values in Calgary were high. As a result, the costs for the administration building are higher than other metro boards, which own their (older) buildings. There are no renegotiation terms within the lease, so the CBE is locked into the lease until 2031.

CBE also has five area offices, located in active schools within the communities they serve, through which CBE provides support to school staff and parents. Total costs associated with area offices were \$6.1 million in 2013 and are budgeted to increase to \$7.5 million with the addition of two more offices in the 2017/18 school year. These costs were allocated to instruction rather than BSA with the rationale that they contribute directly to the well-being and learning of students.

In reviewing expenses, including claims related to board and superintendents, no concerns were noted, and CBE's expense report disclosure aligns with Government of Alberta policy. Actual spending and expense allocations appear to be consistent over the past three fiscal years.

When reviewing CBE's full-time equivalent (FTE) staffing levels from Alberta Education's spending blocks perspective, the overall trend is that every year there are increases in total FTE staff numbers and higher payroll costs, but the majority of increases are spent on the instruction block. When reviewing actual CBE expenditure trends over the past three years, total department/service unit spending increases are mostly put towards schools.

## **New schools and school utilization**

School commissioning costs related to 20 new schools for the CBE are budgeted to be almost \$27.3 million for the 2016/17 and 2017/18 school years, with combined annual additional operating costs of \$13.4 million associated with these schools. New school costs can be significant, but large

numbers of school openings are not unique to CBE. School divisions must use their expertise and knowledge of their districts to make the best use of the resources that come from taxpayer dollars.

CBE school building utilization rates are continuously evaluated by the district, and CBE is developing methods for evaluating the viability of operating a school. Examining utilization on a school-by-school basis has enabled CBE to identify a number of schools that have a provincial utilization below Alberta Education guidelines. Although the recurring costs of CBE operating and maintaining underutilized schools represent a cost burden, it should be noted that there is significant complexity with respect to decision-making about closing and/or consolidating underutilized schools.

### **Student programming**

Student programming is included in this financial review, with the focus on instruction funding received by CBE, as well as the allocation and costs related to these programs.

CBE receives relatively equitable funding on a per-student basis when compared to the other metros. Funding allocations and additional funding of specific programs are a local decision. Like many other school boards, CBE provides additional funding to a number of different programs and students, such as English Language Learners (ELL), special needs programs and full-day Kindergarten. Actual spending on each program will vary depending on enrolment and the extent of the additional supports required.

In the 2011/12 school year, the funding allocation from Alberta Education for the severe disabilities funding profile was changed. Instead of a severe disability coding for students in Grades 1 to 12, the new Inclusive Education model ensured school jurisdictions had the flexibility to support the unique needs of every learner within their school districts. This was a recommendation from the *Setting the Direction* report. However, CBE continues to use the previous Alberta Education special education coding criteria and codes students with severe disabilities for the purpose of allocating resources to their schools. Under this methodology, students with severe disabilities grew by 67 per cent over five years, which is higher than increases reported by the Edmonton metros. This is in comparison to a 12.5 per cent increase in total enrolment growth over the same period. Regardless of how CBE chooses to code its students, it does not generate additional funding under the Inclusive Education model. CBE's premise for using this methodology is that students who are coded with severe disabilities require additional resources and, therefore, additional funding.

There are complexities within a metro school board that result from the diversity of programs offered and demanded by students within these communities. However, the sharing of programming ideas and funding allocation methods among the metros may lead to cost savings.

## Transportation

CBE's transportation service model has been based on providing an equal level of service at an equal cost for all students. This level of service exceeds the requirements of the *School Act*. Changes to service levels over the past few years, particularly for students who attend a program of choice, are being implemented to reduce costs.

## 2 Background and Scope of Review

In April 2017, the CBE presented a budget assumptions report to its board identifying a potential \$38.6 million shortfall for the 2017/18 school year. CBE indicated this shortfall was based on CBE maintaining the same level of services to students as was provided in 2016/17.

The final approved budget submitted to Alberta Education on June 30, 2017 reported a budgeted deficit of \$15 million in the 2017/18 school year, which reduced the previously announced \$38.6 million potential shortfall by using reserves and implementing service unit reductions. However, the tabling of an estimated deficit of \$38.6 million for 2017/18 had already been reported by the media. This more significant figure raised questions regarding CBE's allocation of resources and expenditures incurred. Alberta Education provides more than \$1.1 billion annually to CBE and recently committed to provide the board with over \$18 million to help alleviate pressures created by reduced fee revenue as a result of *An Act to Reduce School Fees* (formerly Bill 1). This funding of \$10 million was to eliminate fees for instructional supplies and materials, and the remaining \$8 million was to reduce or eliminate transportation fees for eligible students. As a result of the \$38.6 million budgeted shortfall that was announced to the public, along with concerns raised by Calgary parents, Education Minister David Eggen ordered a financial review on June 9, 2017 of the BSA and transportation areas of the CBE. This review also extended to student programming and other areas necessary to address the concerns. Information was gathered for this report for comparative purposes from the other three metros: Edmonton Public School Board, Edmonton Catholic Separate School District and Calgary Roman Catholic Separate School District. The information was obtained from audited financial statements, budget reports and Alberta Education databases. The department's analysis generally focused on the period between September 1, 2013 and August 31, 2016, although it involved some 2016/17 and 2017/18 data available at the time of the review. The observations contained in this document are a result of the review directed by the Minister of Education.

### 3 CBE Overview and Financial Reporting

#### 3.1 CBE Profile Overview

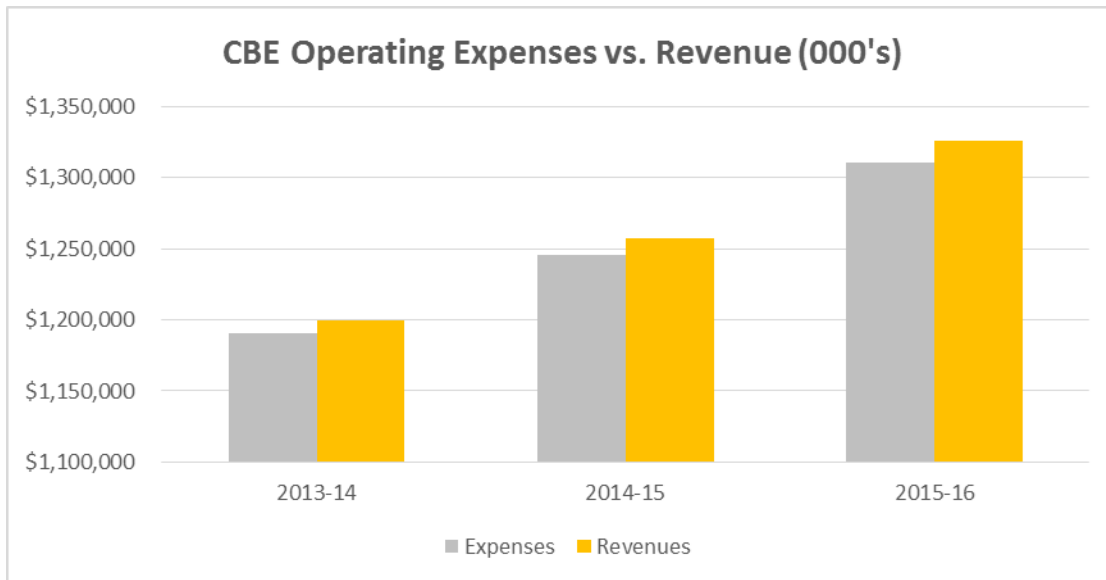
CBE is the largest school board in Alberta and one of four metro boards in the province. According to the CBE’s website, it has more than 13,000 employees serving more than 119,000 students across 235 schools in the city of Calgary<sup>1</sup>.

The table below provides a summary of CBE financial metrics for the past three fiscal years (September 1 to August 31), along with budgeted data for the 2016/17 and 2017/18 years.

	Audited Actuals			Spring Budgets	
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues	\$1,199,444,000	\$1,257,515,000	\$1,325,699,000	\$1,324,148,000	\$1,364,538,000
Expenses	\$1,190,300,000	\$1,246,153,000	\$1,311,138,000	\$1,343,974,000	\$1,379,538,000
Annual Surplus (Deficit)	\$9,144,000	\$11,362,000	\$14,561,000	(\$19,826,000)	(\$15,000,000)
Annual Surplus (Deficit) as a percentage of Expenses	0.8%	0.9%	1.1%	-1.5%	-1.1%
Adjusted Accumulated Surplus (Deficit) from Operations (ASO)	\$36,947,000	\$33,083,000	\$39,803,000	(\$8,488,000)	\$5,916,000
ASO as a percentage of Expenses	3.1%	2.7%	3.0%	-0.6%	0.4%
Capital Reserves	\$28,074,000	\$36,216,000	\$39,218,000	\$10,426,000	\$14,813,000
Capital Reserves as a percentage of Expenses	2.4%	2.9%	3.0%	0.8%	1.1%
Certificated Teacher FTE	5,990	6,106	6,228	6,362	6,531
Certificated Salaries and Benefits	\$695,584,000	\$728,526,000	\$769,872,000	\$765,635,000	\$792,282,000
Non-Certificated FTE	3,255	3,285	3,382	3,537	3,474
Non-Certificated Salaries and Benefits	\$231,845,000	\$244,699,000	\$249,335,000	\$266,330,000	\$274,142,000
Funded enrollment	104,361	107,668	110,169	112,452	119,617
Revenue per funded student	\$11,493	\$11,680	\$12,033	\$11,775	\$11,408
Expenditures per funded student	\$11,406	\$11,574	\$11,901	\$11,952	\$11,533
Students per Teacher FTE ratio	17	18	18	18	18

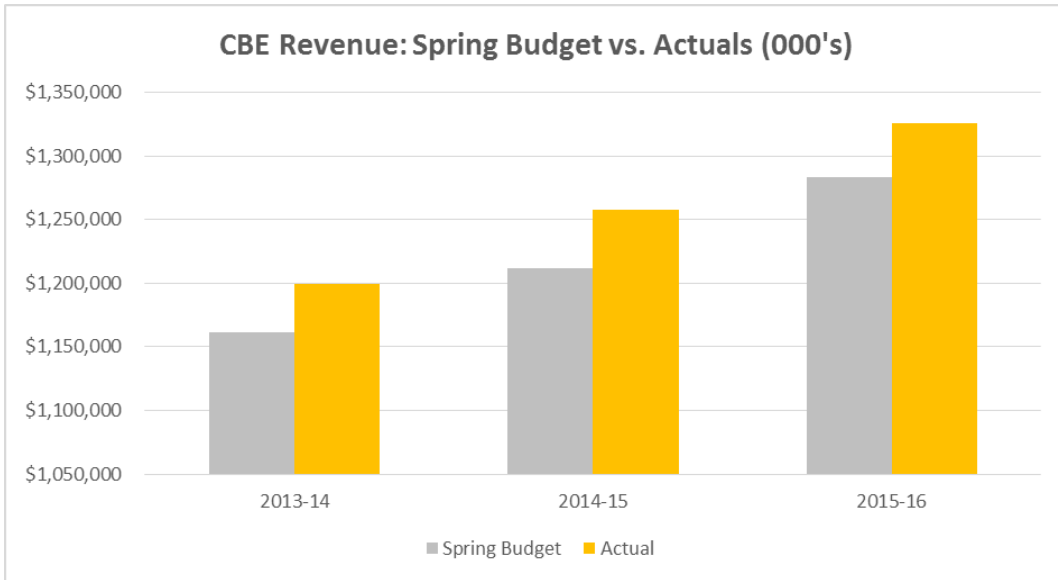
As the chart shows, CBE had total annual expenses of over \$1.3 billion, capital reserves of \$39.2 million and an adjusted accumulated surplus from operations (ASO) of \$39.8 million, which is 3.1 per cent of the total expenses, based on its 2015/16 audited financial statement. Using ASO as a percentage of total expenses to assess the financial health of school boards, including their sustainability of programs and operations and vulnerability to economic conditions, we can determine that CBE is within the normal range of one to five per cent of expenses. (The provincial average was 6.5 per cent for the 2015/16 school year.)

<sup>1</sup> Alberta Education data uses FTEs rather than total employees.

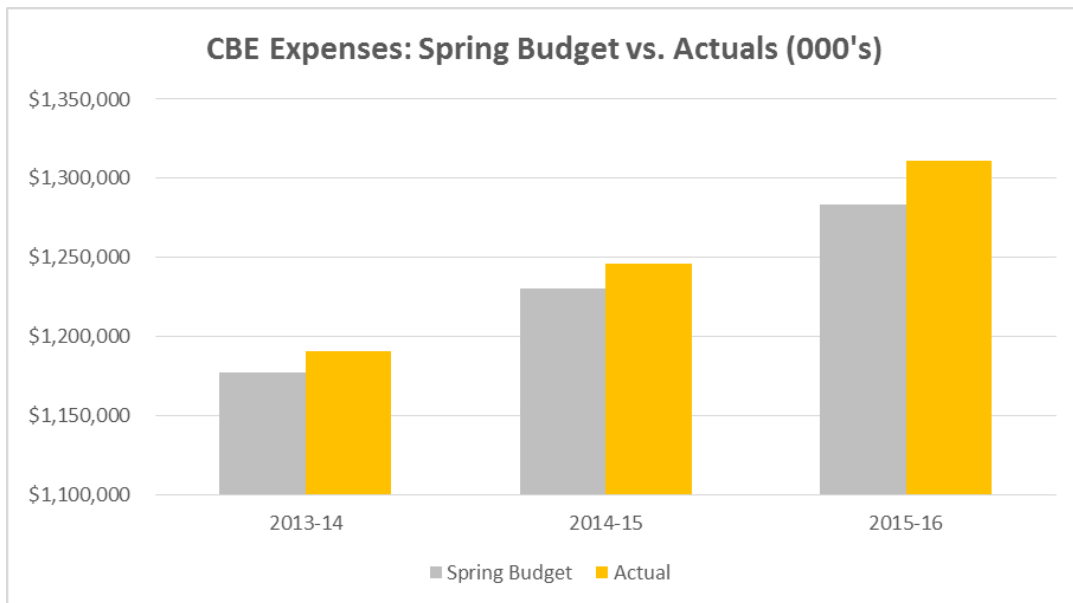


The chart above shows CBE’s total revenue increased 11 per cent in the past three fiscal years, from \$1.199 billion to \$1.326 billion, while total expenditures increased 10 per cent in the same period – from \$1.190 billion to \$1.311 billion. This resulted in CBE reporting an increasing annual surplus over three years, ranging from \$9.1 million in 2013/14 to \$14.6 million in 2015/16.

- The expense increase of 10 per cent over the three years compares to an enrolment increase of six per cent in the same period.
- CBE’s enrolment was 110,169 students in 2015/16, and it spent \$11,901 per student compared to per-student revenue of \$12,033. Per-student expenses increased by \$496 from 2013/14 to 2015/16 compared to a \$540 per-student revenue increase in the same period.
- CBE projects (based on its 2017 spring budget) revenues in 2017/18 to increase three per cent from 2015/16 actual levels – to \$1.364 billion – while total expenses are projected to increase by five per cent in the same period. This has led to budgeted annual deficits of \$19.8 million and \$15 million in 2016/17 and 2017/18 respectively. However, historically there have been large variances between budgeted deficits and actual financial results generating annual surpluses, as shown in the charts below.

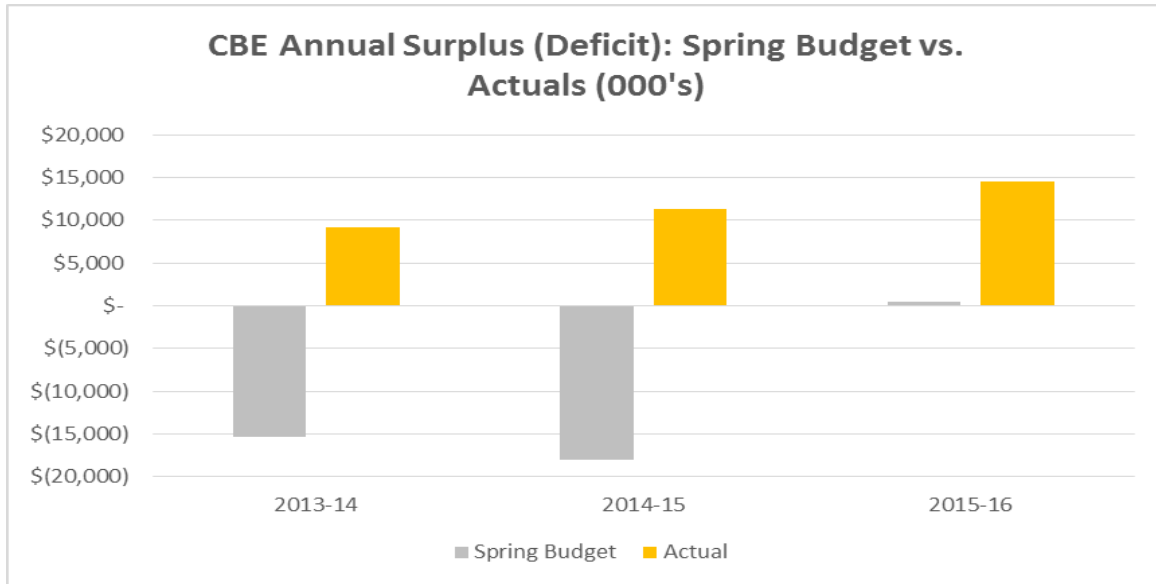


CBE’s actual revenue has historically been three to four per cent higher than amounts included in the spring budget. This resulted in actual revenue being \$38 million to \$45 million higher than budgeted revenue in the past three years.



CBE’s actual expenses have historically been one to two per cent higher than amounts included in its spring budget. This resulted in actual expenses being \$13 million to \$28 million higher than budgeted expenses in the past three years.





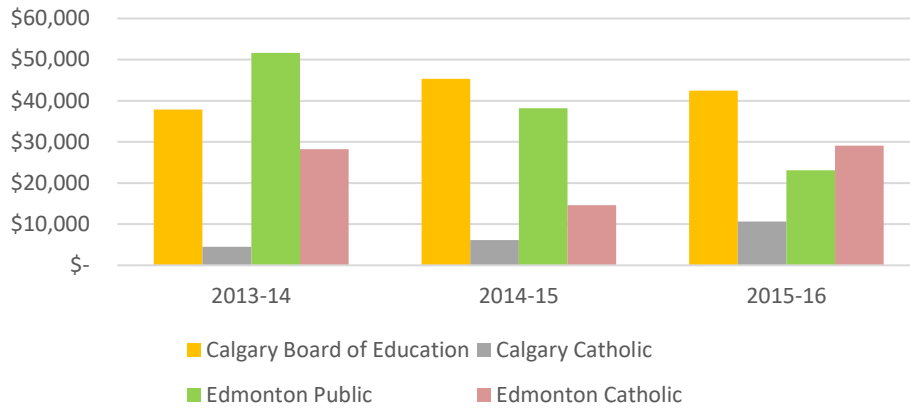
CBE has under-budgeted revenues and expenses over the past three-year period. CBE budgeted either a deficit or balanced budget in each of the last three fiscal years. Actual results were annual surpluses of \$9.1 million, \$11.4 million and \$14.6 million (0.8 per cent, 0.9 per cent and 1.1 per cent of total expenditures, respectively) over the same period.

Budgets are prepared in the spring based on an estimated enrolment for a budget year that begins the following September. As revenues and expenses are driven largely by the number of students, differences in actual enrolment in September led to differences in revenues and expenses from what was budgeted.

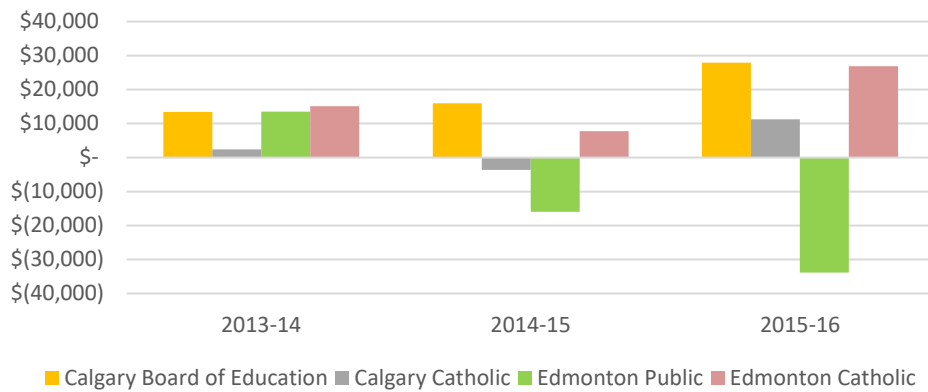
### 3.2 Metro Boards: Actuals Versus Budget

The following three charts outline the budgeting differences between the four metro boards. Over the past three-year period, all four metros under-budgeted revenues, which appears to be the main cause for the significant positive differences in actual surplus (deficit) projections, as shown by the charts below. This is a common conservative budgeting practice used by many school boards.

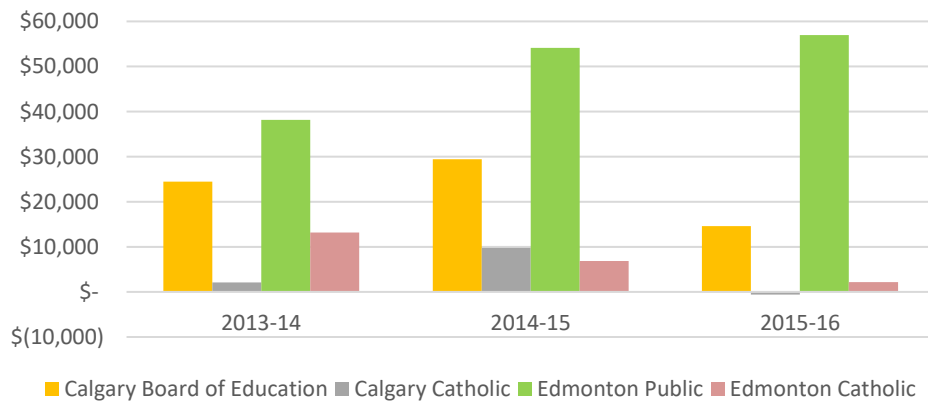
### Difference in Revenue Actuals vs. Spring Budget (000's)

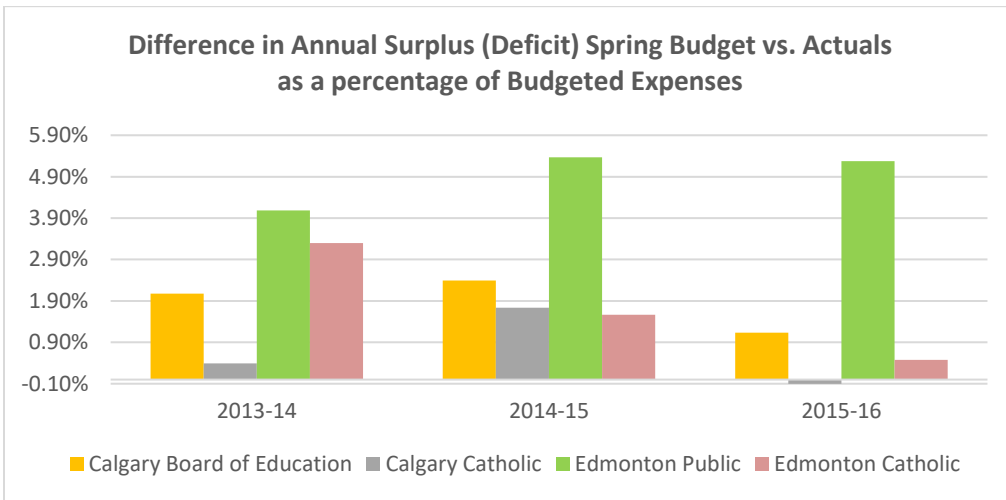


### Difference in Expenses Actuals vs. Spring Budget (000's)



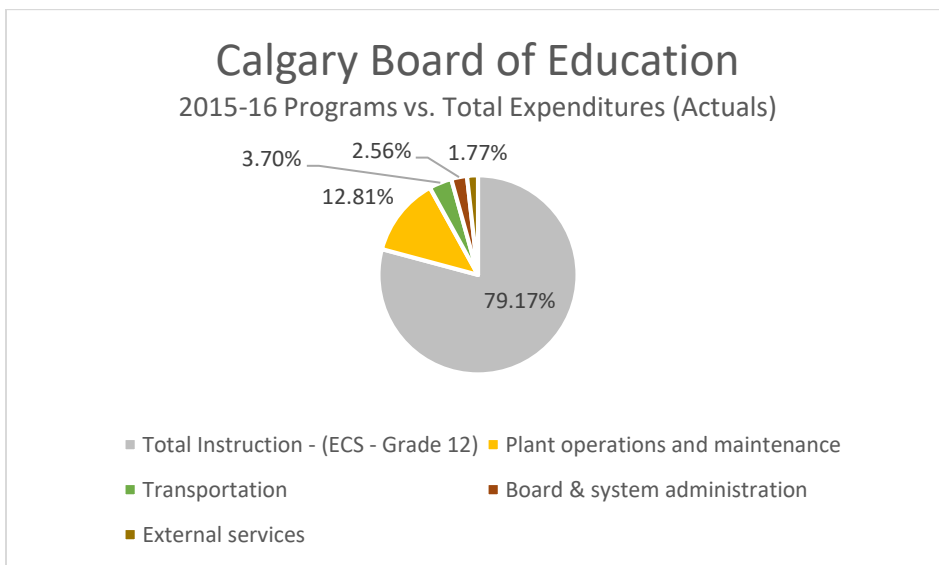
### Difference in Annual Surplus (Deficit) Actuals vs. Spring Budget (000's)





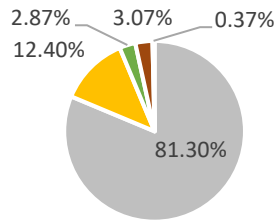
### 3.3 Program Spending Allocation of Metro Boards

The pie charts below show how the four metro boards spend their funds and how CBE spends percentage amounts comparable to the other metros. Further analysis of the BSA indicates CBE’s percentage of BSA expenditures identified in the 2015/16 audited financial statements may be understated. (See Section 4.5.2.)



## Calgary Catholic

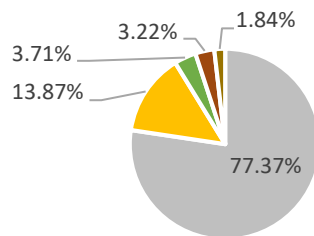
2015-16 Programs vs. Total Expenditures (Actuals)



- Total Instruction - (ECS - Grade 12)
- Plant operations and maintenance
- Transportation
- Board & system administration
- External services

## Edmonton Public

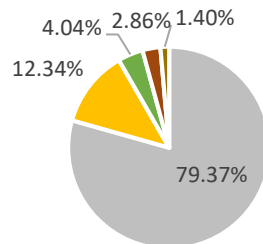
2015-16 Programs vs. Total Expenditures (Actuals)



- Total Instruction - (ECS - Grade 12)
- Plant operations and maintenance
- Transportation
- Board & system administration
- External services

## Edmonton Catholic

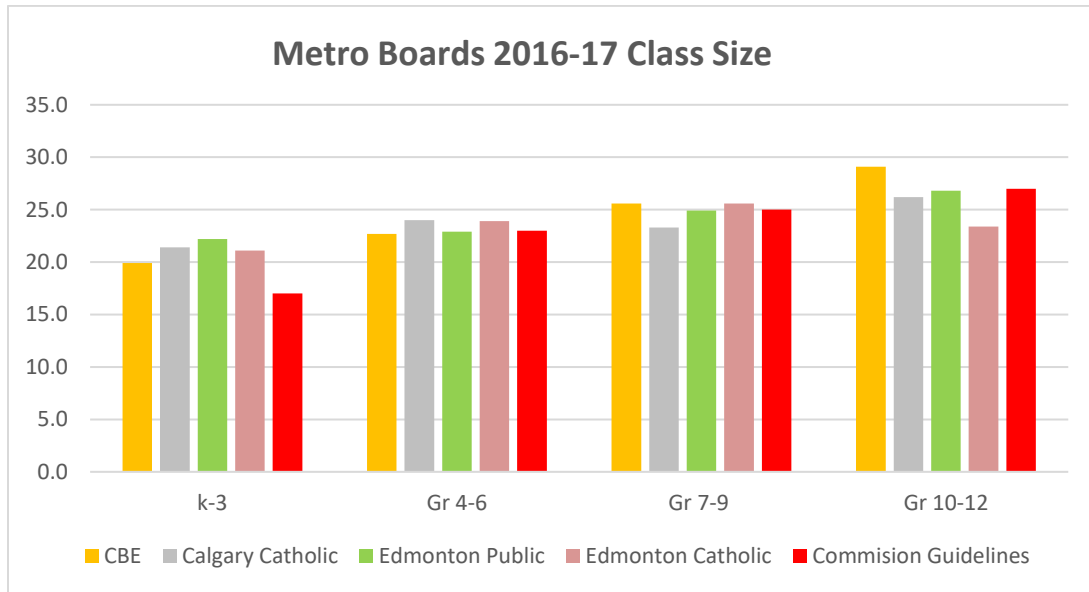
2015-16 programs vs. Total Expenditures (Actuals)



- Total Instruction - (ECS - Grade 12)
- Plant operations and maintenance
- Transportation
- Board & system administration
- External services

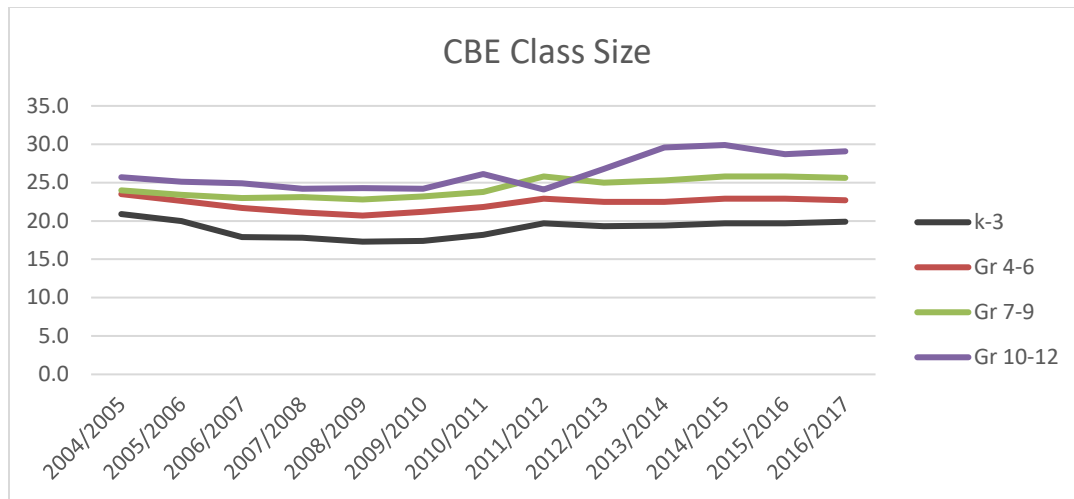
### 3.4 Class Size

Alberta Education’s small class size initiative was introduced in the 2004/05 school year based on the October 2003 Alberta’s Commission on Learning (ACOL) Report. The province provides small class size funding to school jurisdictions on a per-student basis for Early Childhood Services (ECS) to Grade 3 students to enable school boards to hire teachers to lower and maintain low class size averages.



School boards across Alberta complete an annual class size survey. The chart above shows a comparison of the four metro boards based on the 2016/17 class size survey results. CBE met the class size guideline only in the Grade 4 to 6 level. CBE has continued to use class size funding to reduce Kindergarten to Grade 3 class sizes, as shown by having the lowest Kindergarten to Grade 3 average class size of all the metros.

CBE did not meet the class size guideline of 27 in the Grades 10 to 12 level. CBE’s high school class sizes increased from 26.8 in the 2012/13 school year to 29.1 in the 2016/17 school year.



CBE received over \$54 million in class size funding in the 2016/17 school year. The board has received approximately \$544 million in total class size funding since the inception of the initiative in 2004/05.

Overall, the class sizes in CBE are comparable to other metros, and the funding provided appears to be maintaining class sizes at or near the ACOL guidelines.

## 4 Board and System Administration

### 4.1 General

CBE, along with all school boards in Alberta, must report BSA costs as a line item in the statement of operations in its audited financial statements. Alberta Education’s Guidelines for the Preparation of Audited Financial Statements (the AFS guidelines) defines BSA as the provision of board governance and system-based/central office administration and their associated subprograms. This excludes system instructional support, which is considered instructional. Common elements of BSA include: board of trustees, office of the superintendent, business administration/finance, human resources (HR), communications, information technology, central purchasing and costs associated with administration buildings.

Besides BSA, other financial cost categories include instruction, student transportation, plant operations and maintenance, and external services. The AFS guidelines offer further guidance as to how expenditures are to be classified. However, some expenses may require some discretion in determining a cost category. For instance, supports provided to teachers and principals from administration office-based supervisors may be considered BSA by some school jurisdictions and instruction by others, depending on the local context.

Alberta Education has imposed certain limitations as to how school jurisdictions may spend their funding. In accordance with page 10 of the 2017/18 *Funding Manual for School Authorities*, “the

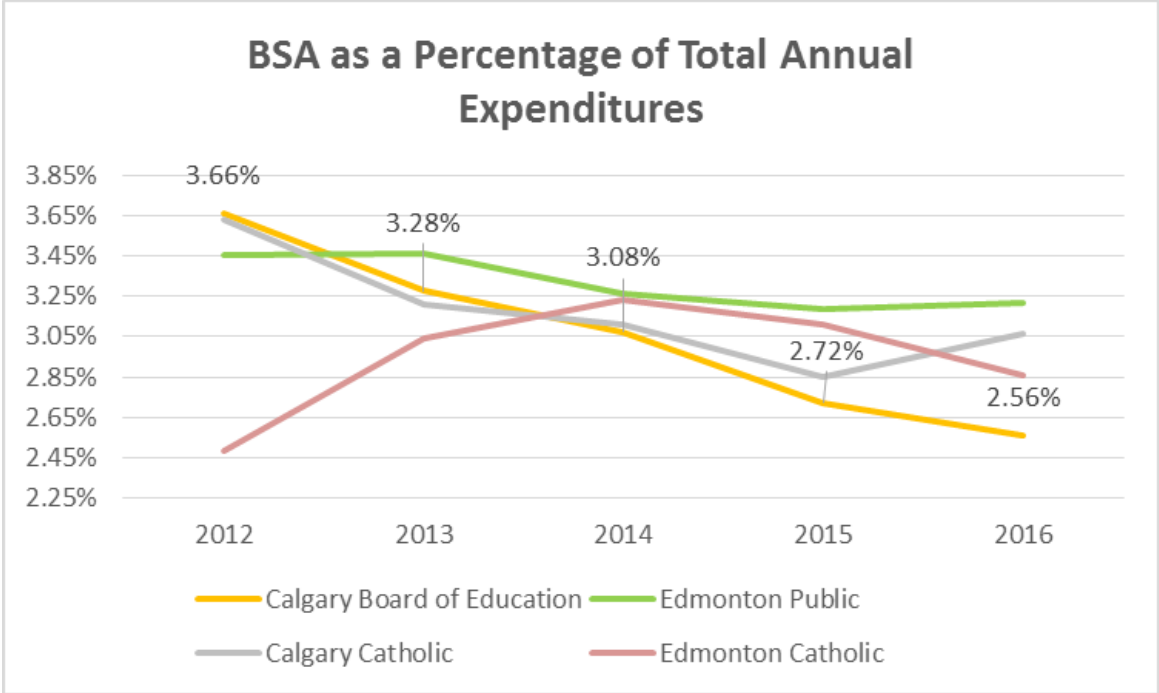
maximum expenditure for system administration and school board governance will range from 3.6 per cent to 5.4 per cent of total annual expenses, depending on student enrolment.” For school jurisdictions with greater than 6,000 students, school jurisdictions’ BSA expenses cannot exceed 3.6 per cent. This restriction was reduced from four per cent in the 2013/14 school year.

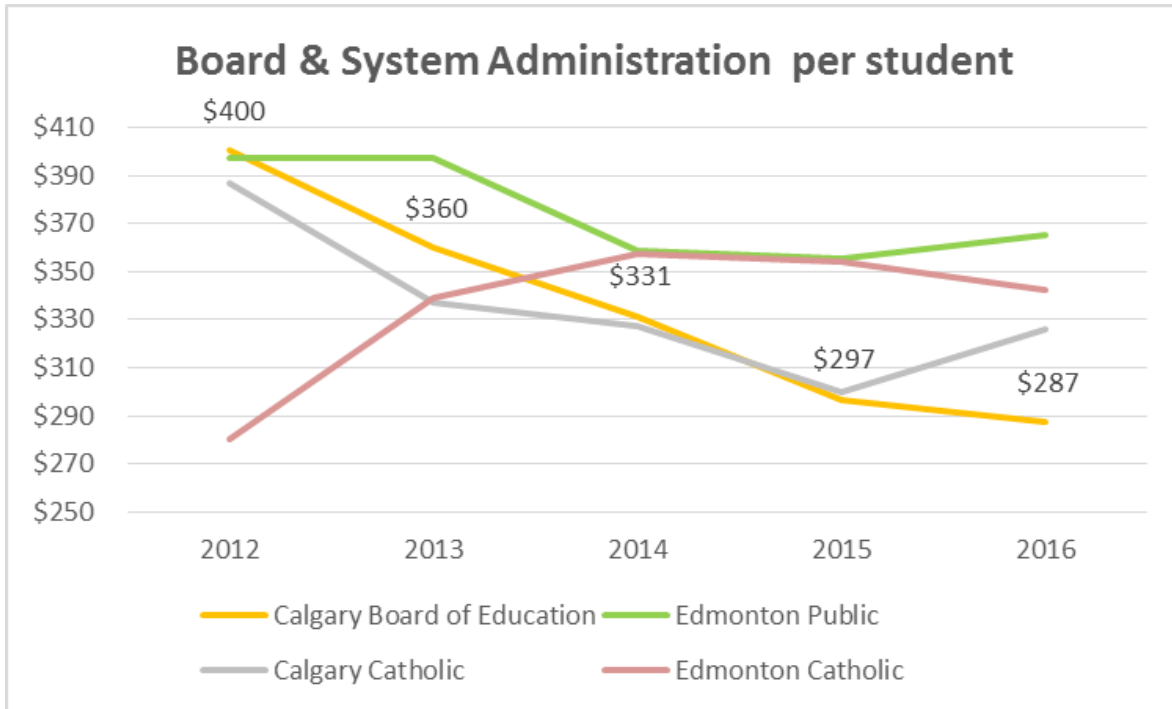
Effective administration is essential in ensuring schools are resourced properly and operate smoothly. Administration also provides checks and balances to ensure staff and programs are properly supported, and the spending cap is intended to maximize amounts spent in classrooms.

CBE moved from having the highest percentage of total expenses allocated to BSA in 2012 to the lowest in 2016 when compared to the other three metro boards, despite having the greatest committed costs associated with board and administration office space. The chart and graph below represent BSA information gathered from the four metro boards’ audited financial statements.

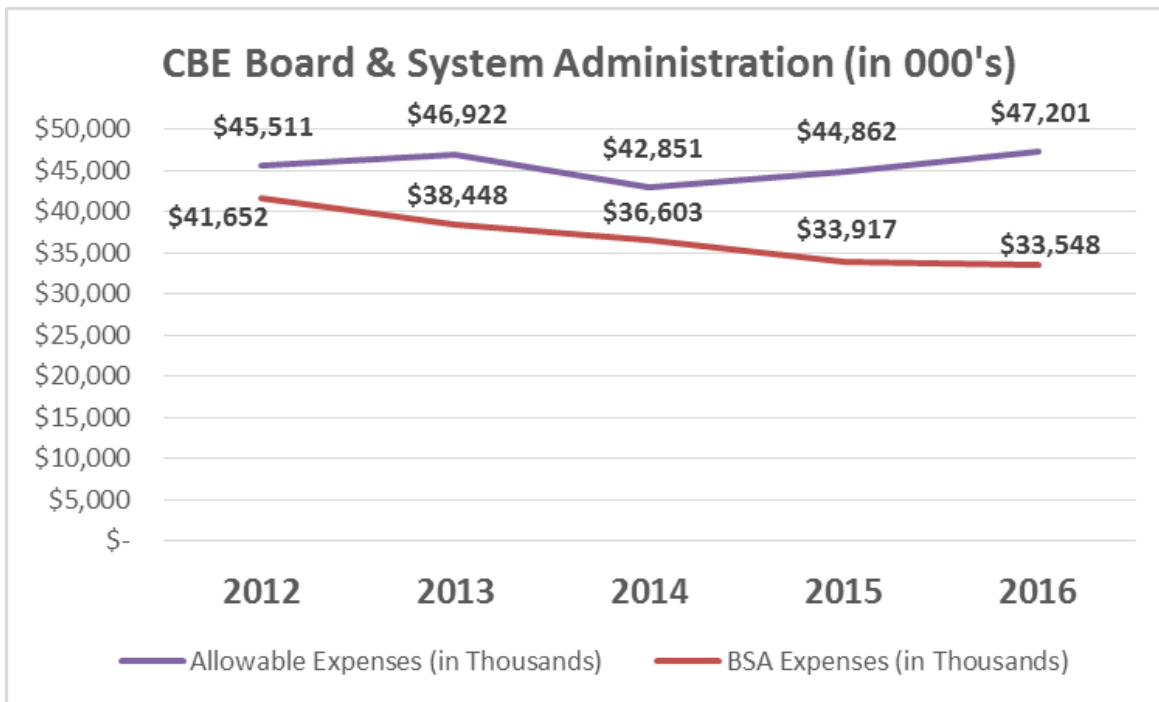
**Board & System Administration as a percentage of Total Annual Expenses**

	2012	2013	2014	2015	2016
Calgary Board of Education	3.66%	3.28%	3.08%	2.72%	2.56%
Edmonton School District No. 7	3.46%	3.46%	3.26%	3.19%	3.22%
Calgary Roman Catholic Separate School District No. 1	3.63%	3.21%	3.11%	2.85%	3.07%
Edmonton Catholic Separate School District No. 7	2.48%	3.04%	3.23%	3.11%	2.86%





CBE’s BSA steadily decreased from 3.66 per cent in 2012 to 2.56 per cent in 2016. Alberta Education reviewed this specific category to investigate how the largest school jurisdiction is able to decrease its proportionate share of BSA as compared with other school jurisdictions.



Although CBE’s revenue and expense base continued to expand, the gap between the amount it could spend and the amount it did spend on BSA continued to widen from the 2011/12 school year to the



2015/16 school year. These are positive results, and part of the review involved investigating how these results were achieved.

- The 2015/16 year-end audited figures show the board had a difference of \$13.7 million between what had been allocated to BSA (\$33.5 million) and the maximum amount permissible (\$47.2 million).
- This amounts to 2.6 per cent of expenditures versus the allowable 3.6 per cent (see Section 4.5.2).

Alberta Education reviewed the board meeting minutes, expenditures and supporting working papers of the CBE and observed the following:

- Board minutes:
  - All board meeting minutes are recorded and disclosed on the CBE website. The minutes for the last five years were reviewed, and no unusual items related to the scope of this financial review were noted.
    - In conjunction with the review of the budget assumptions reports (BAR) and final approved budgets, the final budget balance submitted to Alberta Education for 2017/18 included a budget deficit of \$15 million, plus school commissioning costs. This final approved deficit was significantly lower than the \$38.6 million preliminary deficit that was originally presented to the board in April 2017.

	Preliminary Budget Presented to the Board	Budget Report Presented to the Board	Final Budget Submitted to Alberta Education
2017/18	\$38.6 million deficit	\$10.3 million deficit	\$15 million deficit
2016/17	N/A	\$20 million deficit	\$19.8 million deficit
2015/16	N/A	\$0 surplus/deficit	\$0 surplus/deficit

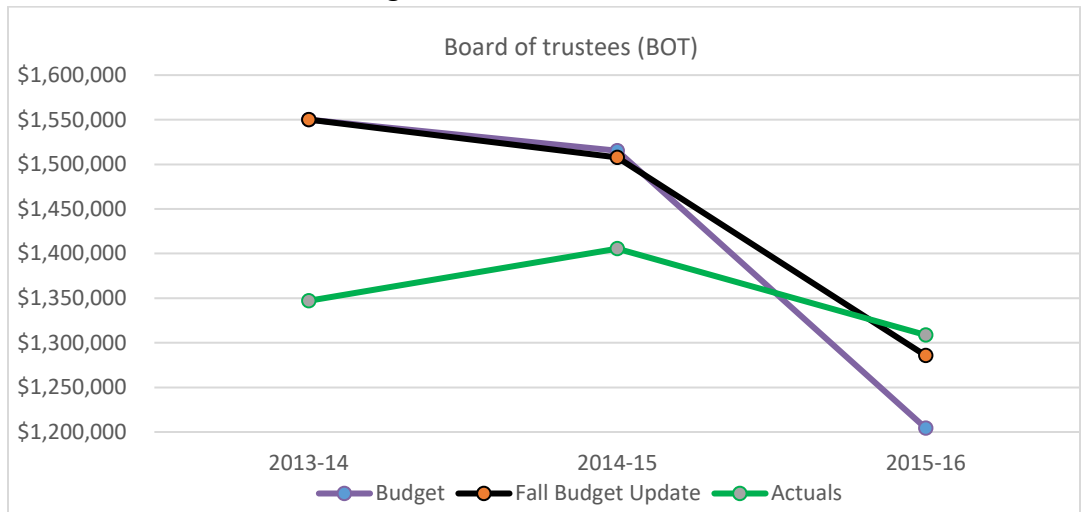
- Compared to prior years (see chart above), the variance between the \$38.6 million released in April 2017 and the final budget deficit is \$23 million. The final budgeted deficit of \$15 million actually submitted to Alberta Education is just slightly over one per cent of the total budgeted revenue for 2017/18. The fact that the preliminary unapproved budget deficit information was tabled before administration identified cost-saving measures and before a final budget deficit was approved is a concern. It is important for CBE and all school boards to work with Alberta Education before making preliminary budget information public.
- Expenditures:
  - The reasonability of the expenditures for the 2016/17 year was observed by reviewing sample transactions from the current year payment register. This included reviewing the types of expenditures, names and type of vendors, and amounts recorded. No questionable vendors were noted; the types of expenditures all appear to be relevant to

school business, and no unusual transactions were noted that would require further investigation.

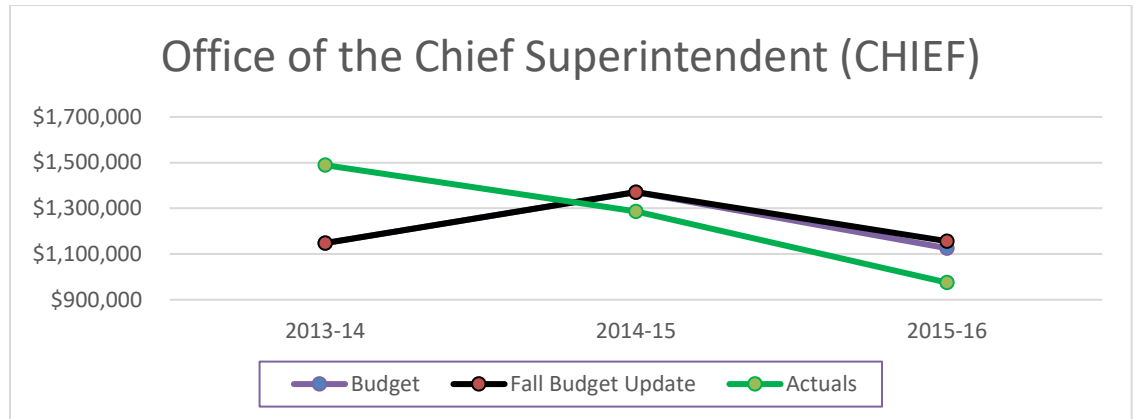
## 4.2 Board of Trustees/Office of the Superintendent

Alberta Education reviewed the spending and expense allocations of the seven elected trustees and the office of the superintendent within BSA.

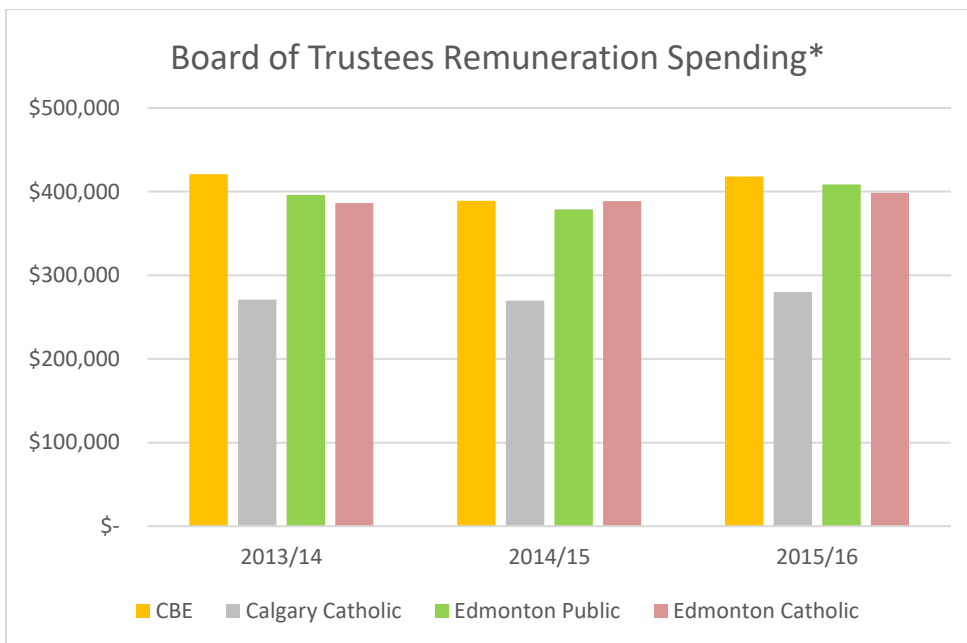
- Funding allocation method: Based on the review of the CBE funding allocation model and block coding documents, as well as discussion with management, the funding allocation for all service units (SUs), including board of trustees/superintendents/service unit directors, is outside of the resource allocation method (RAM) budget allocation to schools. Budgets for SUs are based on the prior year's fall update budget of each program/block. Minimum adjustments are made to account for changes such as wage/benefit rates, non-discretionary/contractual agreements, etc. Cost reduction strategies are considered during budget preparation every year, and the goals are to have a balanced budget and to minimize the funding allocation increase to SUs and leave more funding for schools.
- Review of the three-year comparison of budgets and actuals for board of trustees and office of the chief superintendent found the following data:



- Total actual expenditures for the board of trustees remained stable at around \$1.3 million to \$1.4 million for these three years.

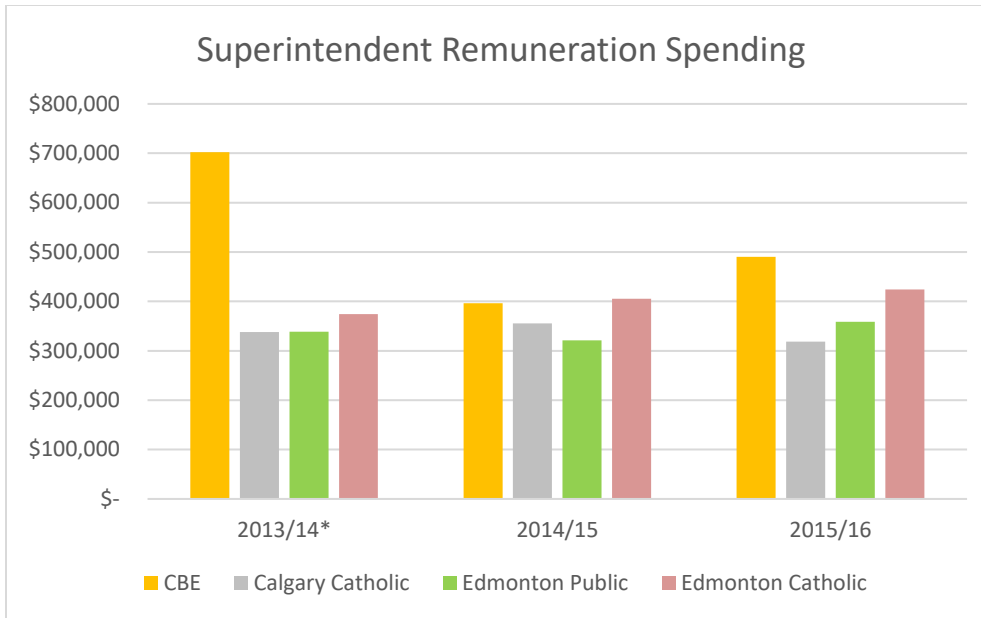


- Year-to-year comparison indicated actuals for the office of the chief superintendent has declined over three years, from \$1.5 million in 2013/14 to \$1 million in 2015/16.
- Overall, the analyses reflect CBE management’s strategy of minimum budget increases on these SUs. The actual spending on the above two areas as a percentage of total CBE expenditures appears to be consistent over the past three fiscal years.
- The charts below show the totals of the remuneration, benefits, allowances, other accrued benefits and expenses for the four metro boards, as reported in their audited financial statements.



\*Note: Edmonton Public has nine trustees; the other three metros have seven trustees.

- The CBE board of trustees remuneration spending is comparable to the two Edmonton boards, but significantly higher than Calgary Catholic.



\*Note: The superintendent's 2013/14 remuneration included Early Retirement Incentive Plans (ERIPs)/Other benefits of \$287,834, which includes termination benefits such as severance pay, retiring allowances (ERIPs), sick leave and other settlement costs due to loss of employment.

- CBE superintendent remuneration accounted for almost half of the total expenditures of the office of the chief superintendent but is reasonable in comparison to the other metro boards.
- Expense reports:
  - Alberta Education examined a sample of CBE expense reports for the board of trustees, superintendents, directors and area directors.
  - Reasonableness tests were performed by reviewing sample expense reports, including receipts. In all samples reviewed, the type, amount and relevancy of each expense was examined. Nothing came to attention that required further follow-up. The disclosures align with the Government of Alberta's *Public Disclosure of Travel and Expense Policy*.
  - The appropriateness of the out-of-province travel in the sampled expense reports was also examined. The description and rationale for each out-of-province travel expense identified no further issue, as it was relevant to the position of the traveler.
  - Alberta Education was aware of a media article reporting inappropriate spending by CBE in 2014 prior to the commencement of this review. The article focused on a leadership gathering at a golf and country club. Though the amounts were insignificant, to address the media's comments Alberta Education followed up with CBE and found:
    - The cost for the leadership gathering was for food at a year-end staff appreciation event. Fifty-six people attended the event, mostly principals. In February 2017, a more stringent administrative regulation regarding employee business and travel expenses was put in place.
    - The response from CBE management regarding the \$573 on coffee, drinks and muffins was "the cost was for the snacks at the area's RAM reconciliation session attended by the area's principals, finance and human resource staff. It is a

significant session held every year for each area where principals come together with the area director, finance and human resources to validate and have their budget and staffing plans approved for the upcoming year. The session is at least four hours long.”

- To confirm the appropriateness of the spending, Alberta Education reviewed:
  - A sample of the 2015/16 and 2016/17 expense reports to observe whether the same type of expenses were reimbursed to staff and the board of trustees, and there were none noted. The 2016/17 cheque register was examined to see if payments were made to the same vendor, and none were found. A sample of payments made to a similar type of vendors (vendors that were in the food/catering industry) were reviewed to test for reasonableness of the amount for each transaction selected, and they appeared to be reasonable. No unusual vendors were noted.
  - A sample of purchase-card transactions for the past three fiscal years was also reviewed. The review focused on vendors that would imply a corporate event. The samples selected were examined to determine the type of event, the relationship to school business and the amount spent. In 2014, Alberta Education identified three events that were for area office meetings and year-end events, with an average cost of \$2,900. Looking at similar types of expenditures for 2015 and 2016, two events were identified, but the amounts spent on these functions were significantly reduced.
- CBE has implemented new employee business and travel expense policies. These new policies were reviewed and compared to the old policies. The new policies have stricter parameters, and no irregularities were found in the reviewed expense report samples.

### 4.3 Department Staffing Levels

#### Alberta Education’s Program Categories Analysis

The staffing analysis prepared by Alberta Education is derived from a CBE report using the fall budget updates’ final FTE staffing numbers. FTE staffing numbers provided are the maximum permanent, ongoing staffing levels for the year. This is represented by the fall budget FTEs, as CBE is not able to track when vacancies occur in its systems. Total comprehensive payroll figures broken down by Alberta Education’s programs (instruction, BSA, transportation, plant operations and maintenance, and external services) were also provided. Figures for CBE’s individual departments/SUs for the 2016/17 school year and all previous school years back to 2012/13 were included as well. The budgeted figures

for the upcoming 2017/18 school year were also included. With the data, Alberta Education calculated the amount of variances and percentage changes for the 2015/16, 2014/15 and 2013/14 school years<sup>2</sup>.

When reviewing FTE staffing levels from Alberta Education's programs perspective, the overall trend is that every year there were increases in total FTE staff numbers and higher payroll costs, but the majority of increases were spent on the instruction program. Over the period analyzed, total instruction FTE staff numbers increased by 542 or 6.78 per cent (enrolment growth was approximately six per cent over same period), with a corresponding three-year cost increase of \$103.3 million or 12.23 per cent. The transportation program, as well as the plant operations and maintenance program, both saw cost increases every year over the same time period, despite some fluctuations in FTE staff numbers. Considering increases in student population and number of schools (plus factoring in aging), the increase in these costs is not unusual. The BSA and external services programs saw a decrease in costs over the examined time period overall. (Note that CBE only associates FTE with permanent positions. Temporary staffing charges are not associated with FTE numbers, so FTE variances cannot be compared on a direct basis with total comprehensive payroll costs provided.)

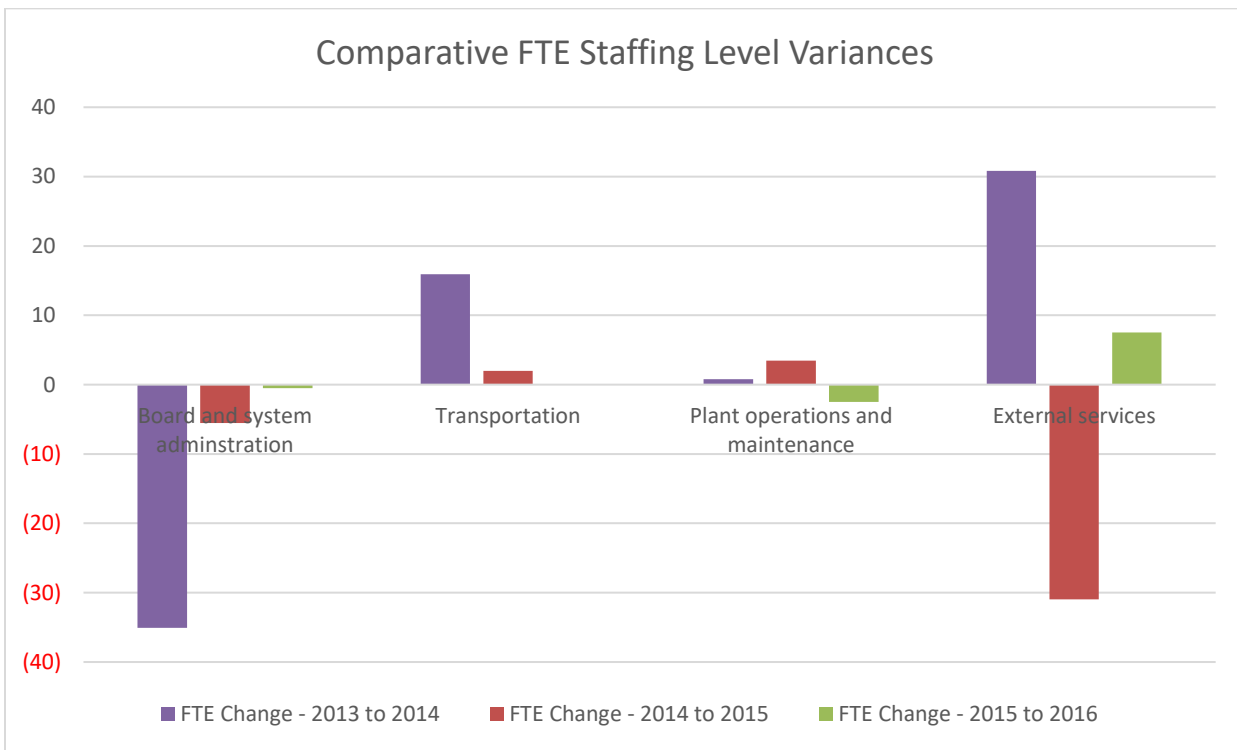
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<sup>2</sup> 2017/18 and 2016/17 were not examined, as the 2017/18 set of figures provided were the preliminary spring budget figures, and the 2016/17 total comprehensive payroll data are fall budget update numbers and not actuals; therefore, both are non-comparable to the rest of the data.

The following four pages contain data compiled from the analysis.

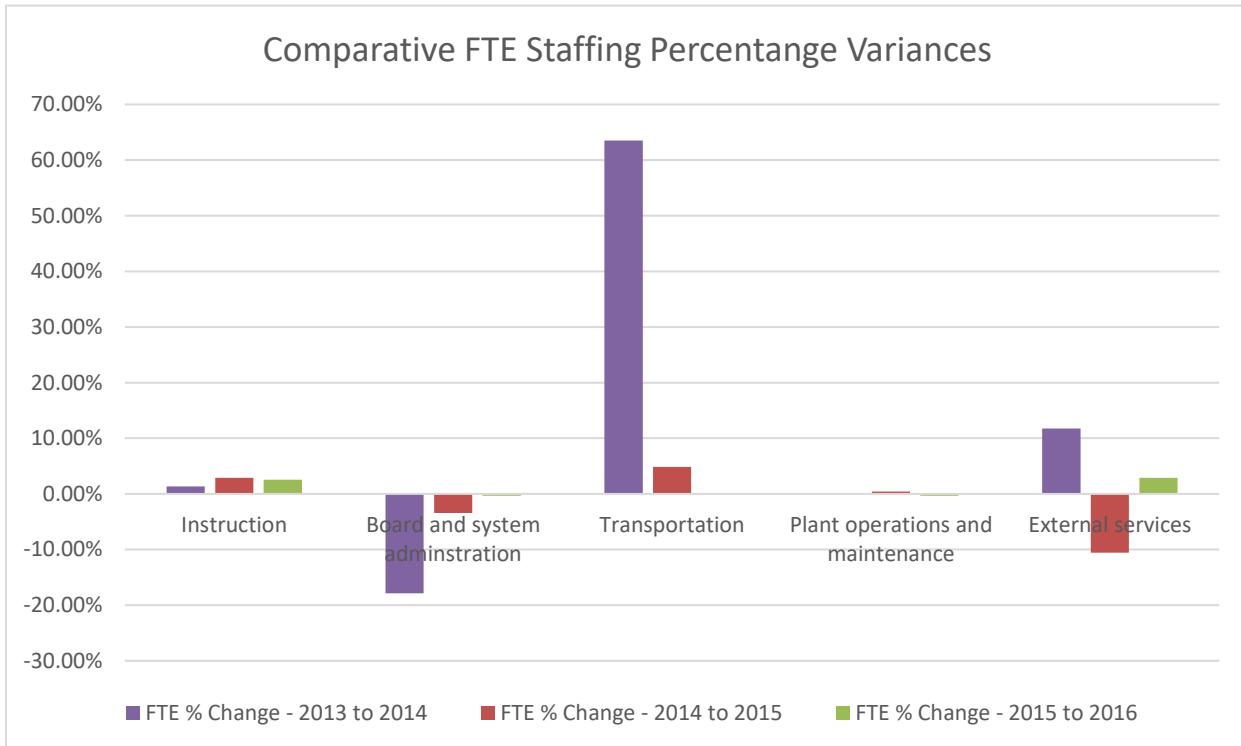
Blocks	FTE Change - 2013 to 2014	FTE Change - 2014 to 2015	FTE Change - 2015 to 2016
Instruction	106	230	206
Board and system administration	(35)	(6)	(1)
Transportation	16	2	0
Plant operations and maintenance	1	3	(2)
External services	31	(31)	8
<b>Overall</b>	<b>119</b>	<b>198</b>	<b>211</b>

The table above shows the calculated variances in FTE numbers between different school years. Graphical representation of the above data is presented below, with the exception of the instruction program; as stated previously, this is where the majority of FTE numbers increased, and these substantial increases would make changes in other program areas difficult to assess on the same visual scale.



Blocks	FTE % Change - 2013 to 2014	FTE % Change - 2014 to 2015	FTE % Change - 2015 to 2016
Instruction	1.36%	2.90%	2.52%
Board and system administration	-17.84%	-3.42%	-0.32%
Transportation	63.49%	4.83%	-0.06%
Plant operations and maintenance	0.10%	0.42%	-0.30%
External services	11.73%	-10.55%	2.87%
Overall	1.30%	2.15%	2.23%

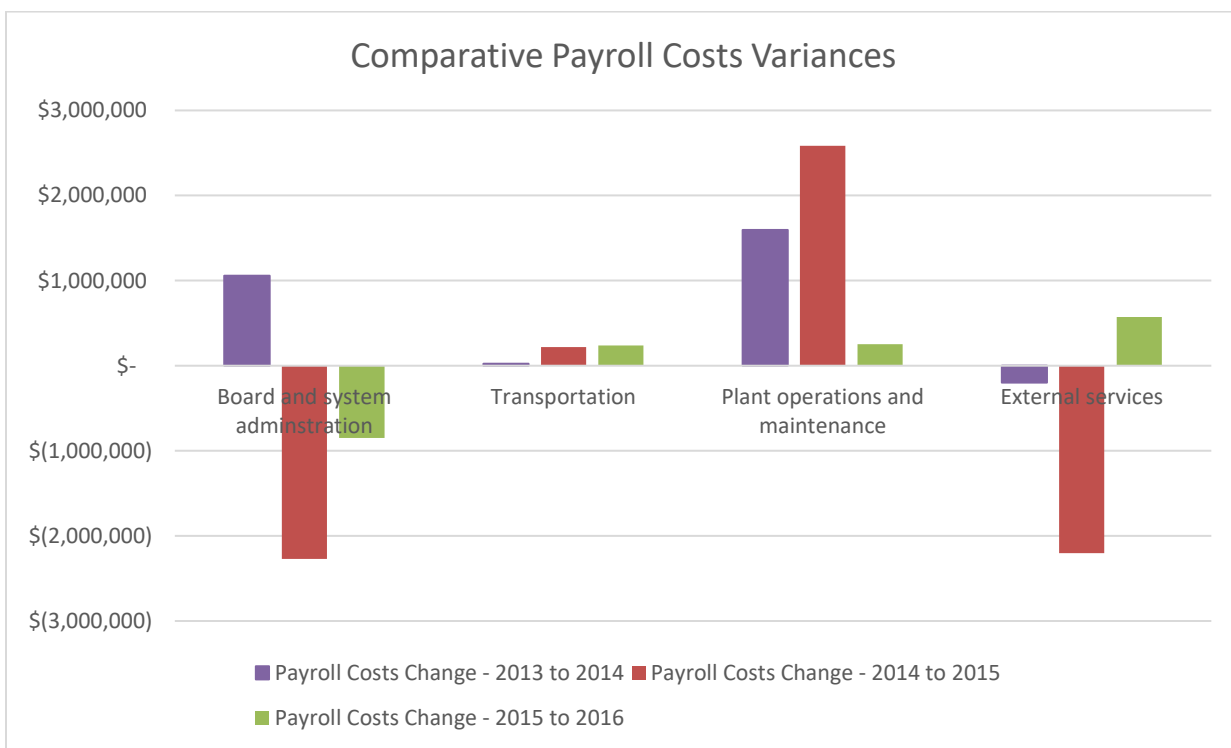
The table above shows the calculated percentage variances of the change in FTE numbers between different school years. Graphical representation of the above data is presented below.





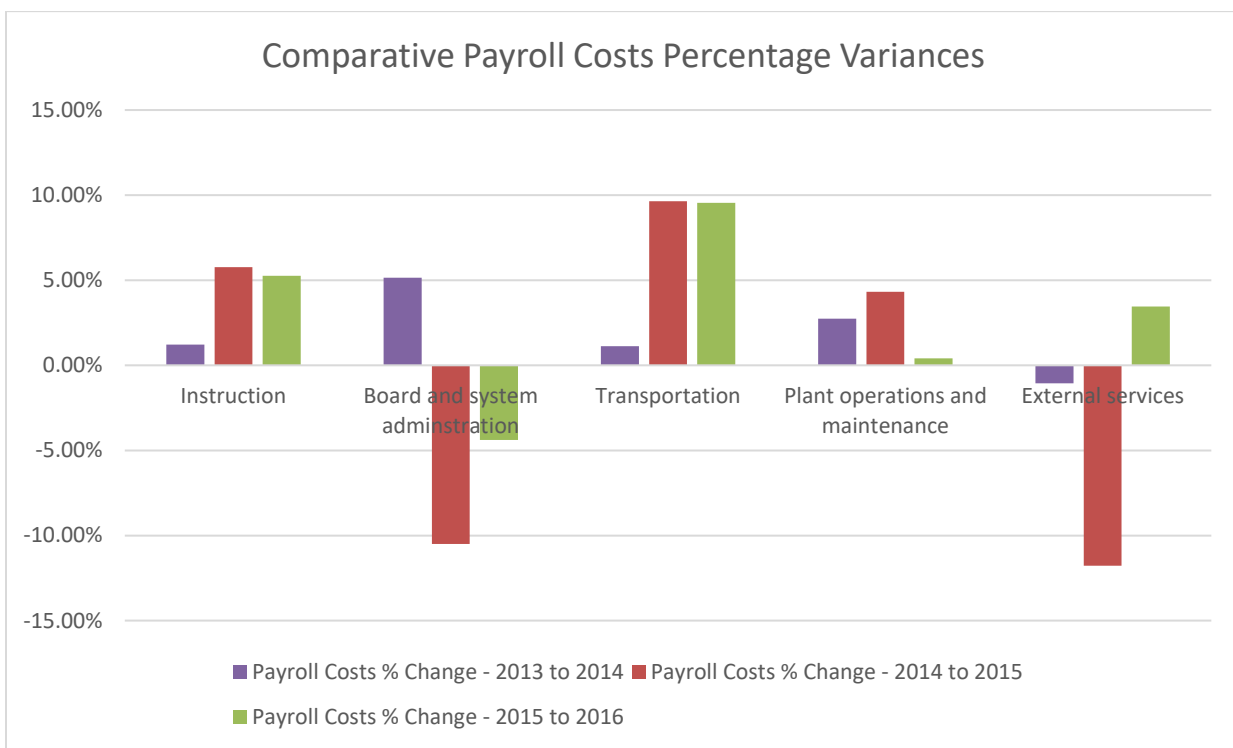
Blocks	Payroll Costs Change - 2013 to 2014	Payroll Costs Change - 2014 to 2015	Payroll Costs Change - 2015 to 2016
Instruction	\$ 9,976,194	\$ 47,502,640	\$ 45,798,430
Board and system administration	\$ 1,057,909	\$ (2,272,134)	\$ (849,107)
Transportation	\$ 25,030	\$ 218,046	\$ 236,535
Plant operations and maintenance	\$ 1,593,535	\$ 2,585,174	\$ 251,915
External services	\$ (198,705)	\$ (2,203,966)	\$ 571,323
Overall	\$ 12,453,963	\$ 45,829,760	\$ 46,009,096

The table above shows the calculated variances of total comprehensive payroll between different school years. Graphical representation of the above data is presented below, with the exception of the instruction program; this is where the majority of staffing costs increased, and these substantial increases would make changes in other program areas difficult to assess on the same visual scale.



Blocks	Payroll Costs % Change - 2013 to 2014	Payroll Costs % Change - 2014 to 2015	Payroll Costs % Change - 2015 to 2016
Instruction	1.22%	5.76%	5.25%
Board and system administration	5.14%	-10.50%	-4.38%
Transportation	1.12%	9.65%	9.54%
Plant operations and maintenance	2.73%	4.32%	0.40%
External services	-1.05%	-11.77%	3.46%
Overall	1.36%	4.94%	4.73%

The table above shows the calculated percentage variances of the change in total comprehensive payroll between different school years. Graphical representation of the above data is presented below. Actual staffing costs in a program can fluctuate year over year depending on vacancies. Contractors may be hired to fill vacant positions, and these are not coded to salaries and benefits.



Costs for staffing increased most for instruction and plant operations and maintenance. Cost factors that created this include grid movement for teachers, increased number of FTEs and, in past years, negotiated settlements. Plant operations and maintenance increases are in line with a greater number of school facilities, with facility age factored in as well.

### CBE's Department/SU Analysis

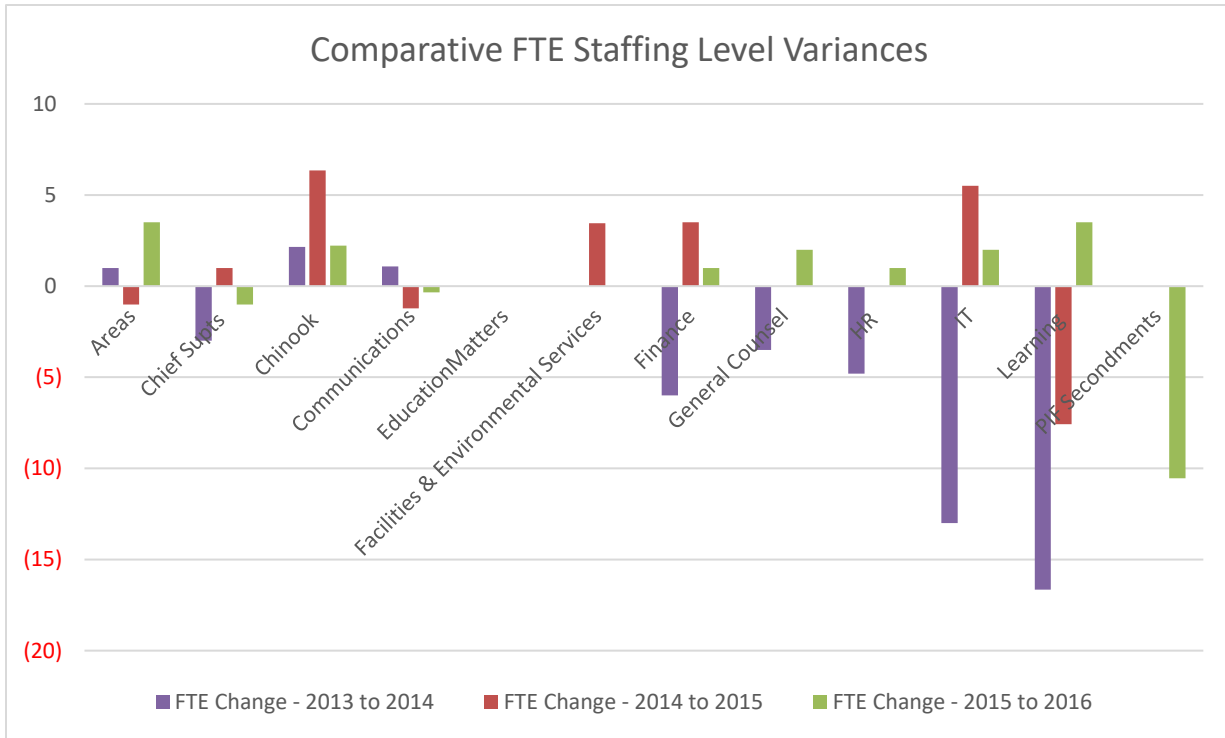
The overall trends of FTE staffing levels and total comprehensive payroll figures of CBE's individual departments/SU correlates with Alberta Education's categorization of programs. The data presented here are affected by CBE's decision to allocate costs to particular accounts, which pertain to the entire

organization but are coded to the SU as having oversight for that work. For example, post-employment benefit adjustments due to actuarial review are coded to the Finance system account rather than to all departments for ease of year-end accounting. Severance costs relating to reorganizations/system decisions are also coded to Finance. The majority of increases are spent on schools (FTE staff numbers increased over three years by 557 or 7.17 per cent). Facilities and environmental services (FES) also correlate with a block trend, as cost increases occurred every year over the time period. This is not unusual given the increase in the number of schools and aging facilities. CBE’s finance department costs also went up every year. During the time period examined, all other departments/SUs experienced FTE/cost rises and falls with operational fluctuations. In terms of costs alone, when all variances are aggregated together, CBE’s area offices, general counsel and IT departments/SUs all had overall increases in spending. The departments/SUs of chief superintendent, Chinook, communications, EducationMatters, human resources, learning and Professional Improvement Fellowship secondments had aggregated reduced spending. Excluding schools, increased staffing in other departments’/SUs’ FTEs appear reasonable given the growth in the numbers of schools and students within CBE. (As noted above, CBE only associates FTEs with permanent positions. Temporary staffing charges are not associated with FTE numbers, so FTE variances cannot be compared on a direct basis with total comprehensive payroll costs provided).

The tables and graphs below present the data compiled from our analysis.

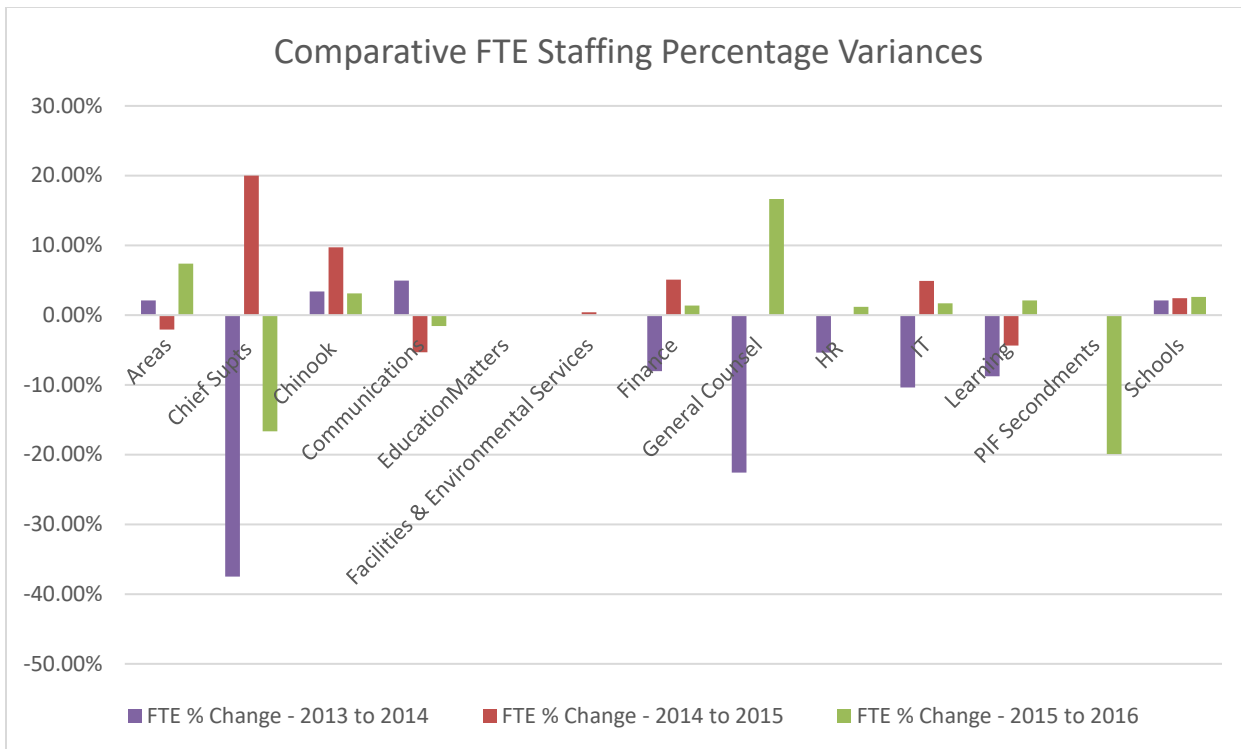
Departments/Service Units	FTE Change - 2013 to 2014	FTE Change - 2014 to 2015	FTE Change - 2015 to 2016
<b>Areas</b>	1	(1)	4
<b>Chief Supts</b>	(3)	1	(1)
<b>Chinook</b>	2	6	2
<b>Communications</b>	1	(1)	0
<b>EducationMatters</b>	0	0	0
<b>Facilities &amp; Environmental Services</b>	0	3	0
<b>Finance</b>	(6)	4	1
<b>General Counsel</b>	(4)	0	2
<b>HR</b>	(5)	0	1
<b>IT</b>	(13)	6	2
<b>Learning</b>	(17)	(8)	4
<b>PIF Secondments</b>	0	0	(11)
<b>Schools</b>	161	189	207

The table above shows the calculated variances in FTE numbers between different school years. Reorganizations periodically occur and contribute to FTEs and their cost fluctuations between SUs. Graphical representation of the above data is presented below, with the exception of the schools block. As stated before, this is where the majority of FTE numbers increased, and these substantial increases would make other block changes difficult to assess on the same visual scale.



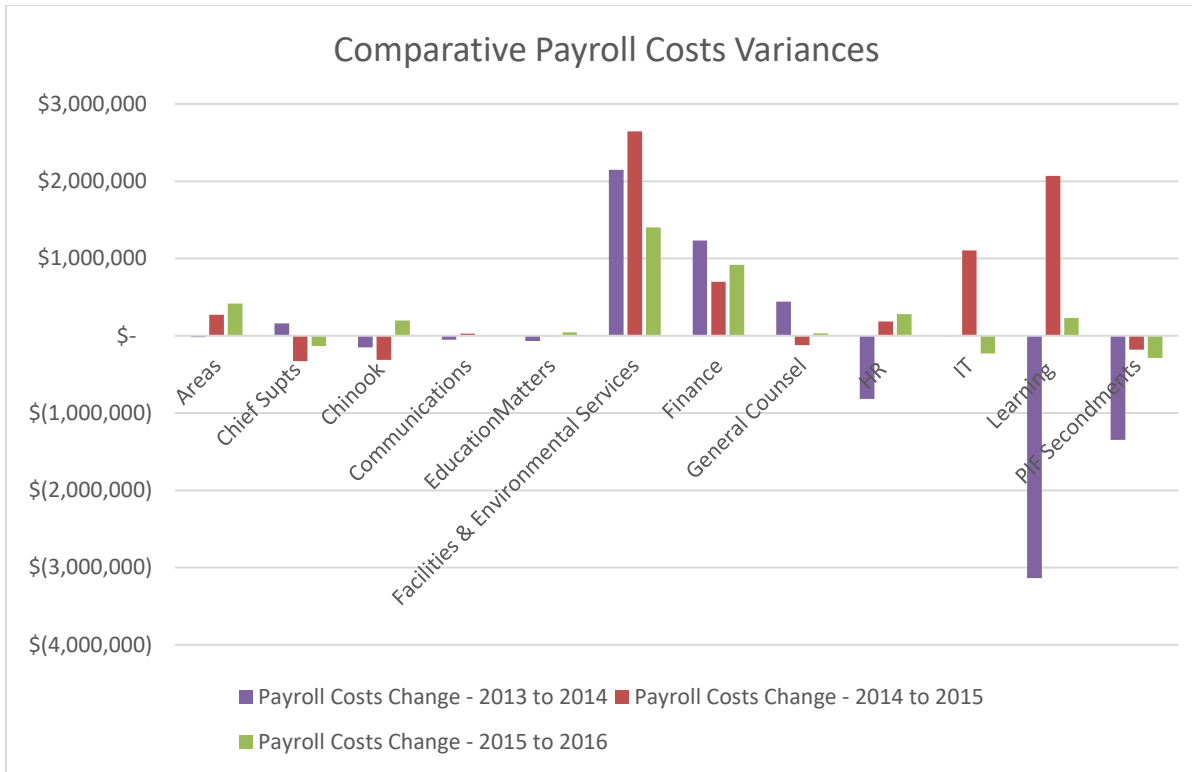
Departments/Service Units	FTE % Change - 2013 to 2014	FTE % Change - 2014 to 2015	FTE % Change - 2015 to 2016
<b>Areas</b>	2.11%	-2.06%	7.37%
<b>Chief Supts</b>	-37.50%	20.00%	-16.67%
<b>Chinook</b>	3.40%	9.72%	3.11%
<b>Communications</b>	4.94%	-5.32%	-1.57%
<b>EducationMatters</b>	0.00%	0.00%	0.00%
<b>Facilities &amp; Environmental Services</b>	0.00%	0.41%	0.00%
<b>Finance</b>	-8.05%	5.11%	1.39%
<b>General Counsel</b>	-22.58%	0.00%	16.67%
<b>HR</b>	-5.39%	0.00%	1.19%
<b>IT</b>	-10.36%	4.89%	1.69%
<b>Learning</b>	-8.75%	-4.37%	2.11%
<b>PIF Secondments</b>	0.00%	0.00%	-19.91%
<b>Schools</b>	2.13%	2.44%	2.60%

The table above shows the calculated percentage variances of the change in FTE numbers between different school years.



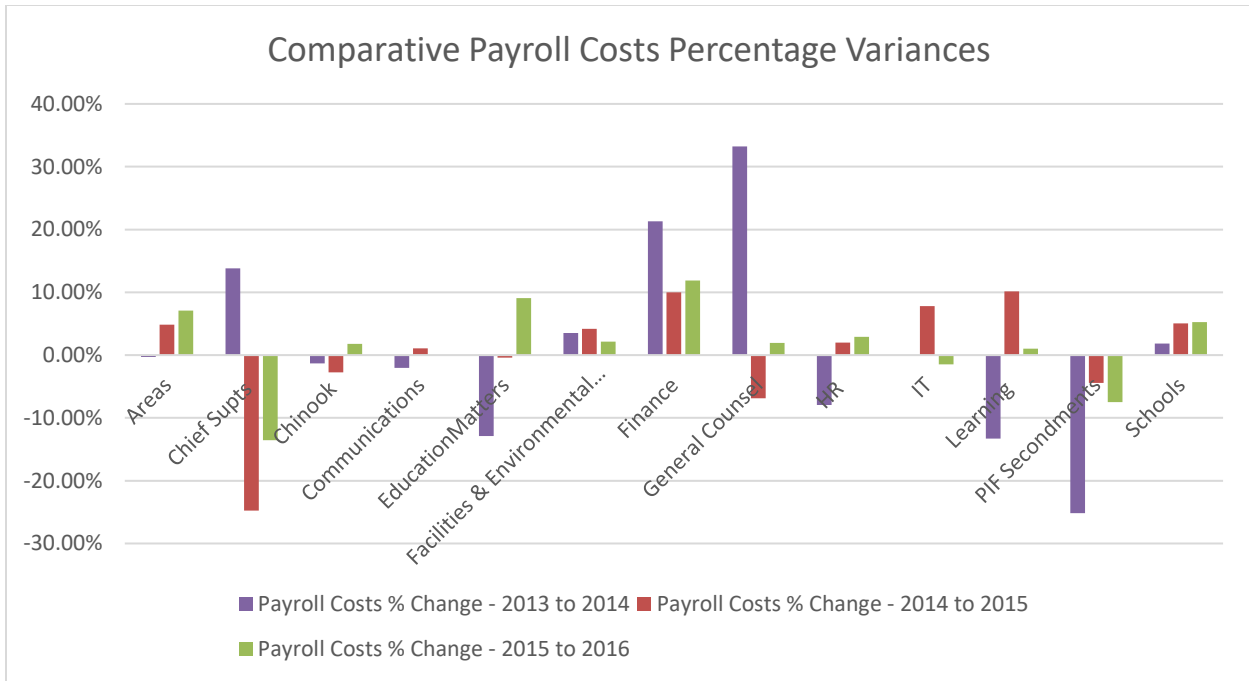
Departments/Service Units	Payroll Costs Change - 2013 to 2014	Payroll Costs Change - 2014 to 2015	Payroll Costs Change - 2015 to 2016
<b>Areas</b>	\$ (16,589)	\$ 271,581	\$ 417,066
<b>Chief Supts</b>	\$ 161,613	\$ (329,590)	\$ (136,118)
<b>Chinook</b>	\$ (150,093)	\$ (312,992)	\$ 198,912
<b>Communications</b>	\$ (50,649)	\$ 26,108	\$ (520)
<b>EducationMatters</b>	\$ (69,000)	\$ (2,000)	\$ 42,000
<b>Facilities &amp; Environmental Services</b>	\$ 2,149,159	\$ 2,644,538	\$ 1,401,076
<b>Finance</b>	\$ 1,230,444	\$ 698,833	\$ 915,677
<b>General Counsel</b>	\$ 441,604	\$ (122,279)	\$ 31,691
<b>HR</b>	\$ (818,100)	\$ 186,019	\$ 279,108
<b>IT</b>	\$ (6,990)	\$ 1,104,696	\$ (229,320)
<b>Learning</b>	\$ (3,137,515)	\$ 2,068,061	\$ 232,067
<b>PIF Secondments</b>	\$ (1,349,513)	\$ (178,125)	\$ (286,790)
<b>Schools</b>	\$ 14,069,592	\$ 39,774,910	\$ 43,144,248

The table above shows the calculated variances of total comprehensive payroll between different school years. Graphical representation of the above data is presented below, with the exception of the schools block. This is where the majority of staffing costs increased, and these substantial increases would make other block changes difficult to assess on the same visual scale.



Departments/Service Units	Payroll Costs % Change - 2013 to 2014	Payroll Costs % Change - 2014 to 2015	Payroll Costs % Change - 2015 to 2016
<b>Areas</b>	-0.30%	4.85%	7.11%
<b>Chief Supts</b>	13.81%	-24.74%	-13.58%
<b>Chinook</b>	-1.30%	-2.75%	1.80%
<b>Communications</b>	-2.05%	1.08%	-0.02%
<b>EducationMatters</b>	-12.90%	-0.43%	9.05%
<b>Facilities &amp; Environmental Services</b>	3.50%	4.16%	2.12%
<b>Finance</b>	21.30%	9.97%	11.88%
<b>General Counsel</b>	33.20%	-6.90%	1.92%
<b>HR</b>	-7.97%	1.97%	2.90%
<b>IT</b>	-0.05%	7.79%	-1.50%
<b>Learning</b>	-13.31%	10.12%	1.03%
<b>PIF Secondments</b>	-25.19%	-4.44%	-7.49%
<b>Schools</b>	1.82%	5.06%	5.23%

The table above shows the calculated percentage variances of the change in total comprehensive payroll between different school years. Graphical representation of the above data is presented below.



Based on these fluctuations and trends, funding provided by Alberta Education allowed CBE’s administration the freedom to work with and address the specific circumstances faced by the district. Overall, there was relative stability and growth in FTE staffing levels and costs.

#### 4.4 Department Spending Levels

CBE provided a total department/ SU spending report from its financial reporting system, which included all spending blocks (instruction, BSA, transportation, plant operations and maintenance, and external services) for the 2016/17 school year and all previous school years back to 2012/13. Note: The 2016/17 school year had not ended at the time data was provided.

The tables below present the data compiled from the analysis.

Expenses and Percentage allocated to Instruction and BSA per Dept/SU									
Departments / Service Units	2013-14			2014-15			2015-16		
	Total Expenses of Dept/SU	% of Expenses allocated to Instruction	% of Expenses allocated to BSA	Total Expenses of Dept/SU	% of Expenses allocated to Instruction	% of Expenses allocated to BSA	Total Expenses of Dept/SU	% of Expenses allocated to Instruction	% of Expenses allocated to BSA
Corporate*	\$ 129,887,732	22.11%	4.44%	\$ 154,013,307	19.30%	4.49%	\$ 179,647,676	17.36%	4.29%
Board of Trustees	\$ 1,346,944	0.00%	100.00%	\$ 1,405,450	0.00%	100.00%	\$ 1,308,706	0.00%	100.00%
Communications	\$ 2,610,479	24.07%	75.93%	\$ 2,567,543	29.06%	70.94%	\$ 2,524,235	32.06%	67.81%
FES	\$ 68,301,135	12.34%	6.03%	\$ 58,094,194	15.68%	7.17%	\$ 51,100,551	17.39%	8.11%
General Counsel	\$ 1,829,180	9.27%	90.73%	\$ 1,714,991	11.34%	88.66%	\$ 1,758,324	11.26%	88.74%
Finance & IT	\$ 29,673,253	44.82%	38.49%	\$ 31,846,409	52.68%	29.95%	\$ 27,329,524	59.75%	32.85%
Human Resources	\$ 11,355,773	26.14%	70.54%	\$ 11,122,000	36.58%	60.37%	\$ 10,819,123	33.72%	62.82%
Learning	\$ 39,362,384	83.71%	2.02%	\$ 40,568,551	84.32%	1.28%	\$ 40,466,217	84.96%	1.04%
Schools	\$ 904,443,089	90.34%	0.00%	\$ 946,681,905	90.91%	0.00%	\$ 995,208,629	94.70%	0.00%
Chiefs	\$ 1,489,045	0.00%	100.00%	\$ 1,286,520	0.00%	100.00%	\$ 975,196	8.48%	91.52%

Expenses per Dept/SU: Actuals vs. Actuals Comparison						
Departments / Service Units	Expense Variance 2014 (Change)	2014 % of total expenditures of Dept/SU	Expense Variance 2015 (Change)	2015 % of total expenditures of Dept/SU	Expense Variance 2016 (Change)	2016 % of total expenditures of Dept/SU
Corporate*	\$ (3,654,454)	10.91%	\$ 24,125,575	12.33%	\$ 25,634,369	13.70%
Board of Trustees	\$ (770,100)	0.11%	\$ 58,506	0.11%	\$ (96,743)	0.10%
Communications	\$ (160,867)	0.22%	\$ (42,936)	0.21%	\$ (43,309)	0.19%
FES	\$ 12,386,537	5.74%	\$ (10,206,941)	4.65%	\$ (6,993,643)	3.90%
General Counsel	\$ 82,723	0.15%	\$ (114,190)	0.14%	\$ 43,333	0.13%
Finance & IT	\$ (8,038,204)	2.49%	\$ 2,173,156	2.55%	\$ (4,516,886)	2.08%
Human Resources	\$ 48,470	0.95%	\$ (233,773)	0.89%	\$ (302,877)	0.83%
Learning	\$ (3,289,163)	3.31%	\$ 1,206,167	3.25%	\$ (102,334)	3.09%
Schools	\$ 18,906,872	75.98%	\$ 42,238,816	75.78%	\$ 48,526,724	75.90%
Chiefs	\$ 61,397	0.13%	\$ (202,525)	0.10%	\$ (311,324)	0.07%

\*Corporate comprises a multitude of expenses pulled from all other departments/SUs that are for the entire CBE, including expenses such as: amortization expense; transportation; maintenance and repair; utilities; rental equipment and facilities; professional services; certificated salaries and benefits; insurance; other supplies; other (uncollectible accounts); non-certificated salaries and benefits; interest and finance charges; dues and fees; and minor equipment.

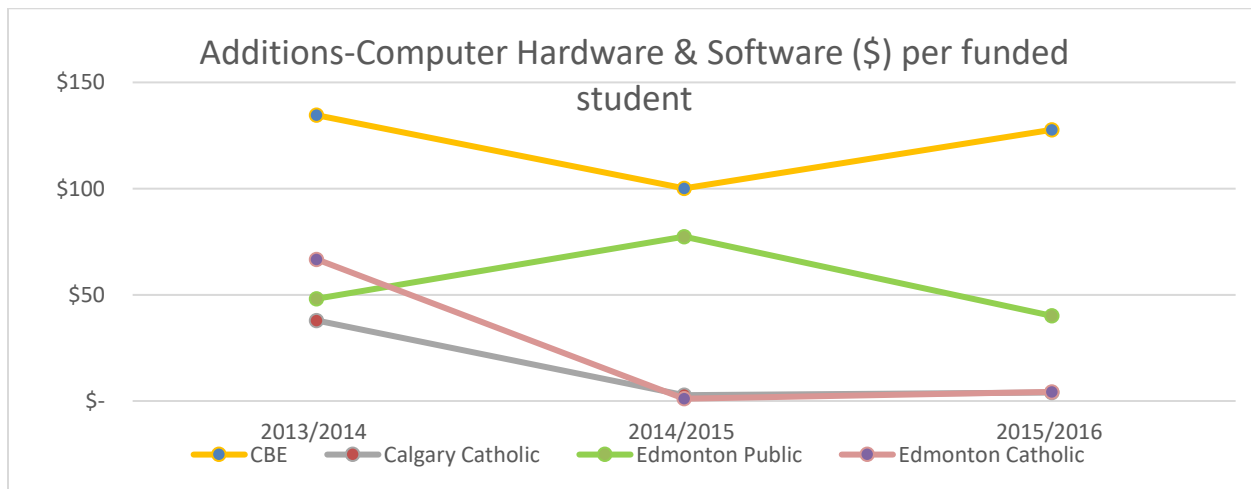
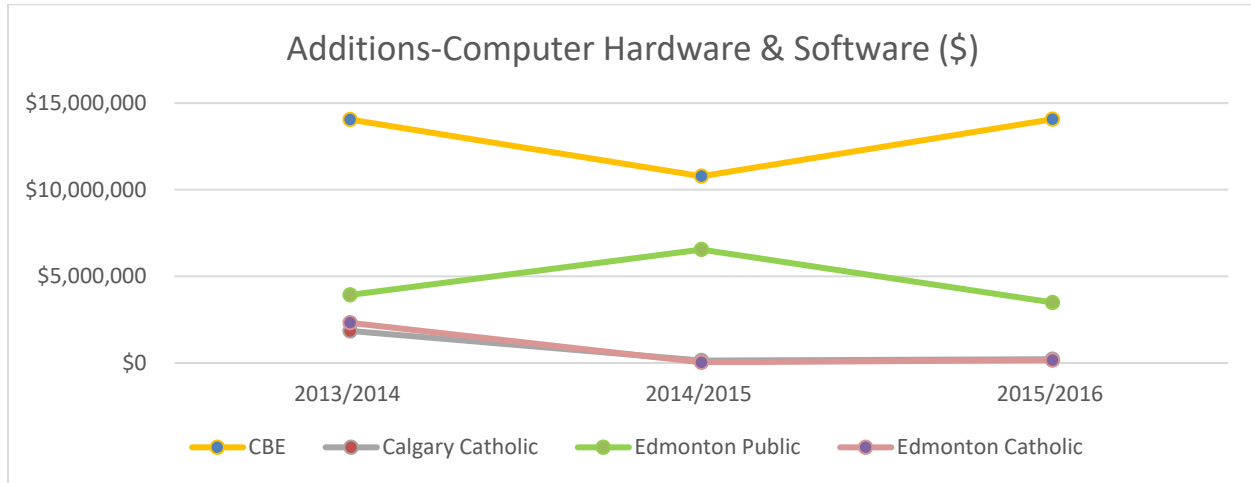
A review of actual expenditure trends over the past three years shows total department/SU spending increases mostly put towards schools. CBE maintains a level of just under 76 per cent of total spending in schools. When taken into account together, the total variance amounts for all years combined and almost all departments/SUs (excluding schools) see decreases in expenditures with two exceptions: general counsel, which increased slightly; and corporate costs, which increased substantially in the 2015/16 and 2014/15 comparisons. According to CBE, corporate costs represent system accounts for items managed on behalf of the entire CBE. The movement of expenditures to corporate costs is to try to keep a department's/SU's amounts restricted to controllable costs only.

The analysis of instruction and BSA percentages in comparison to total actual expenses of each department/SU showed a considerable amount of the corporate expense, communication, finance and IT, and HR was allocated to instruction. Communication, FES, general counsel, finance and IT, and HR saw a greater percentage of costs allocated to instruction each year. The only decrease in BSA



percentage was in FES. The percentages allocated to BSA in corporate, communication, general counsel, finance and IT, HR, learning and chief superintendent all decreased over the time period.

#### 4.4.1 Information Technology (IT)



Based on the audited financial statements for the three-year review, of the four metro boards, CBE’s hardware and software capital asset additions are the highest, with a total of \$38.9 million in additions. This may be a result of capitalizing more IT projects than expensing them in comparison or that CBE has higher total IT spending compared to the other metros.

CBE indicated it was working on a technology standards plan to determine the appropriate student-to-technology ratio.

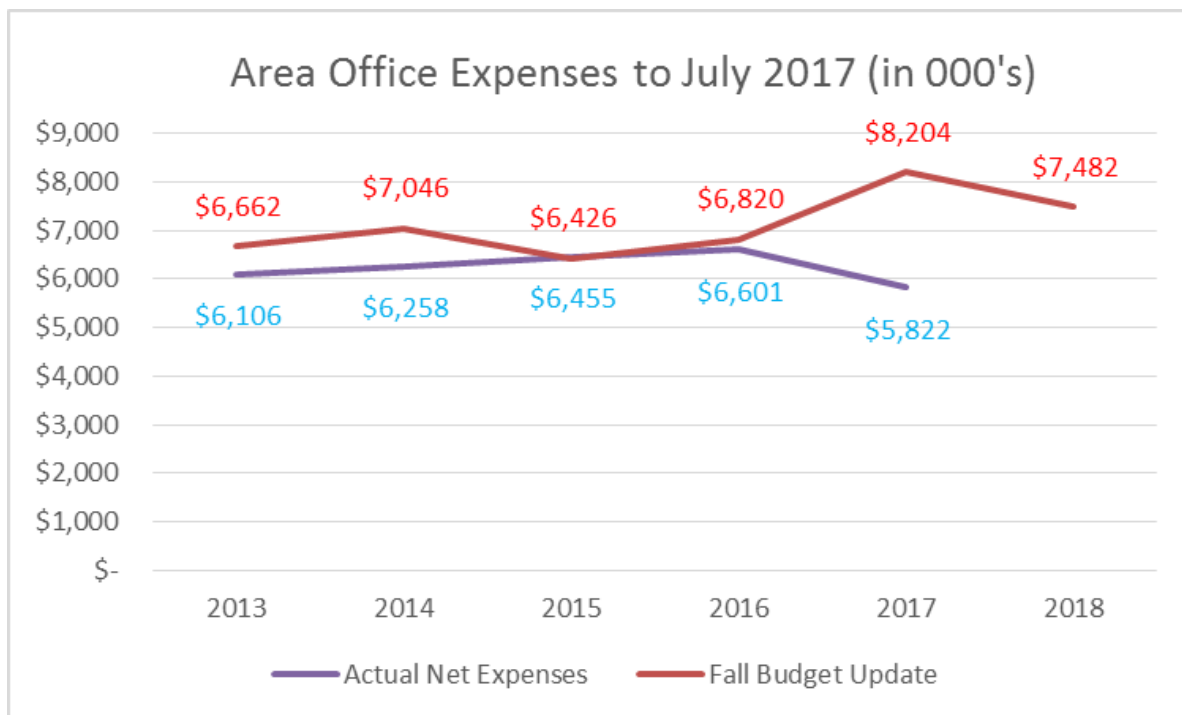
## 4.5 Central Office

As a general practice, a school jurisdiction's central administration office houses the majority of BSA expenditures. CBE's administration office expenses were reviewed for level of expenditure, as well as for how these expenditures were allocated. As CBE also has area offices to provide support to its schools, the costs and purpose associated with these offices were reviewed.

### 4.5.1 Area Offices

Each of the schools within CBE is supported by an area office that provides support to principals, parents and schools within a reasonable proximity to the area office. Each area office is the first point of contact for principals and parents should they require additional assistance and resources for unique and unexpected circumstances. These offices act as a liaison for the schools and coordinate available resources with the needs of schools and students. Support is facilitated close to the schools to increase CBE presence in the community and reduce travel costs. Each area office operates from an active school site, although Dr. Norman Bethune School housed Juno Beach Academy of Canadian Studies until June 2017 and will house overflow from Lord Beaverbrook during its modernization in 2017/18. Parkdale Centre currently houses Westmount Charter School.

- Each area offices is led by an area director and several staff, including:
  - a system principal;
  - an administrative assistant;
  - a school/family liaison worker (point of contact); and
  - four to six additional certificated teachers acting as strategists, providing specialized support to the schools they serve.
- In 2017, CBE will add two more area offices for a total of seven, each providing support to between 32 and 38 schools.
- The number of offices expanded from five to seven due to the increasing number of new schools (15 in 2016/17).
  - Setup and planning for the two additional area offices commenced in the 2016/17 school year, but these offices did not commence operations until the 2017/18 year.
  - New staff in each new area office include one area director, an administration assistant and a system principal, with existing strategists and specialists to be redistributed from the original five offices.
- Area office costs are allocated to instruction with the rationale that they contribute directly to student learning and support.
- The following graph illustrates actual and budgeted area office expenses (net of revenue recovery):



- Actual net expenses for 2017 do not include the full-year or final allocation of expenditures. The 2017 fall budget update figures also include set-up costs of \$1.1 million for the two new area offices to begin operations in 2018.
- Between 2013 and 2016, area office expenses (net of revenues) are lower than the fall budget update, except for 2015, which was \$29,000 more.
  - During this period, expenses increased by approximately eight per cent, or \$496,000.
  - With the addition of two area offices in 2018, the average net cost per area office will be reduced from \$1.3 million to just over \$1 million per office. Each office will go from serving as many as 56 schools to 33 to 38 schools. Although final expenses were not available during the review, the August 31, 2017 expenses will include an amount analogous to the \$1.1 million budgeted to set up the new area offices at Forest Lawn High School and Dr. Norman Bethune School.

#### 4.5.2 CBE Education Centre

The administration offices of the CBE are housed in a six-year-old building that was built to the specifications of CBE after a financing and lease agreement was reached in 2006 with Bentall Kennedy, the leasing company. This agreement took place at the height of real estate prices in Calgary, before the economic downturn. CBE took occupancy of the building in 2011 and has a 20-year lease with an optional purchase option (at market value) at the end of the lease term (March 2031). The total annual operating cost of the central administration building is \$13 million (including the Education Centre and Safran Centre). CBE currently generates revenue under a sublease of the top two floors of the Education Centre to commercial tenants. If that sublease were to expire, CBE's revenue from this arrangement could be less than the current agreement due to changed market conditions. In

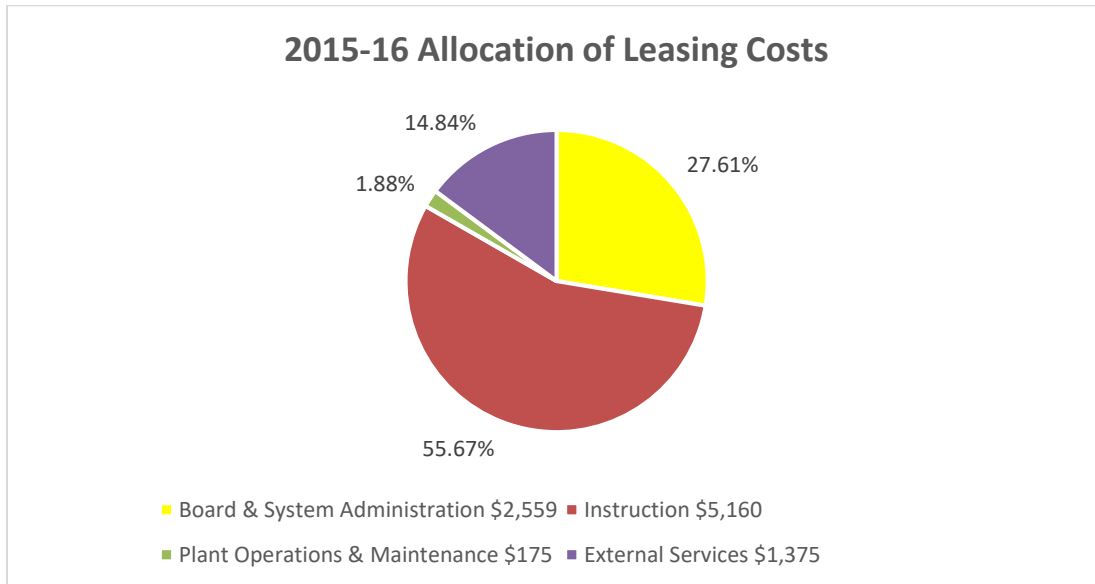
comparison to CBE, all three other metro boards, along with the majority of all boards, own the central administration buildings they occupy.

In Alberta Education's review of CBE's BSA, it was noted that over half of the central administration building's costs are allocated to instructional programming costs instead of being charged to administration overhead. Provincial policy, in accordance with the AFS guidelines, suggests that such an allocation is high and resulted in Alberta Education performing further analysis.

The CBE Education Centre consists of the following structures:

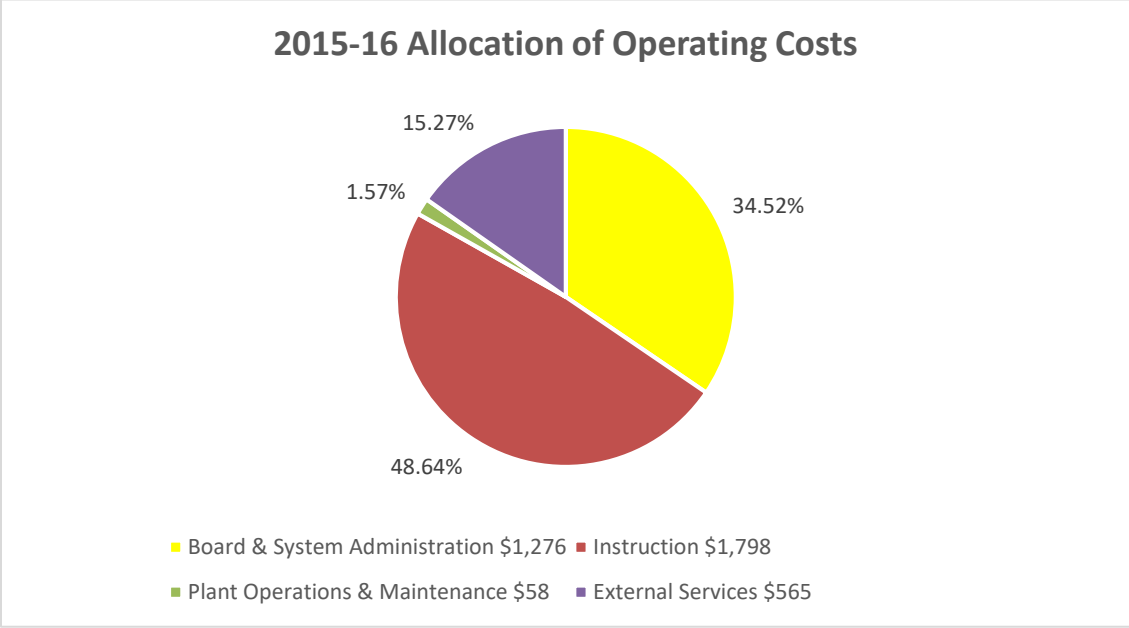
- Seven floors house the corporate offices of the CBE (Education Centre):
  - Includes learning, finance, communications and HR.
  - The Education Centre also contains numerous meeting spaces sprinkled throughout to accommodate meetings within the division, including school-based principal meetings.
- Dr. Carl Safran Centre (Safran Centre), a modernized sandstone high school next to the Education Centre:
  - Safran Centre, owned by the CBE, was restored to house the CBE boardroom, trustee work spaces, legal affairs and several additional meeting rooms, including two state-of-the-art conference rooms.
- The Safran Centre and Education Centre are connected by a large atrium complete with a large video screen intended for overflow public engagement at trustee meetings.
- Lease payments are expensed for CBE financial statement purposes, and neither the building nor the lease obligation appear on the statement of financial position (treated as an operating lease).
- Historically, CBE began looking for a new administration building in 2000 while in its previous building on McLeod Trail SE.
  - The previous administration building was past its useful life, with its staff spread over seven buildings.
  - CBE entered into an agreement with Bentall Kennedy for its current location in 2006 when typical leasing costs in downtown Calgary were as much as \$50 per square foot.
  - The initial lease rate for the CBE's office space in the Education Centre was approximately \$39 per square foot.
- With a built-in escalation rate of 2.5 per cent per year, the lease rate will be \$62 per square foot in the final year of the existing agreement.
- In 2016, annual lease costs were \$9.3 million for the Education Centre, including the underground parking stalls used by the division.
  - Contracted maintenance services for both the leased premises and for the Safran Centre was an additional \$3.7 million for a total of \$13 million.
    - This amount will increase to as much as \$17 million in the final year of the lease (2030/31).

- \$2.6 million of the total lease cost (or 28 per cent) and \$1.3 million of the total operating costs (or 35 per cent) for the CBE administration building was charged to BSA.
  - The majority of leasing costs were allocated to instruction (system instructional support) and some to external services, through which costs must be recovered.
  - The following chart illustrates that over 55 per cent of leasing costs are charged to instruction, which is twice as much as the portion charged to BSA.



- Almost 500 employees are housed in the Education Centre, including more than 300 instructional positions and almost 150 administrative staff.
  - Instruction positions include psychologists, information technology support for schools, speech language pathologists and Alberta Teachers' Association specialists.
- Over half of the Education Centre lease and operating costs are allocated to instruction.
  - Between one-quarter and one-third of these are allocated to BSA, as building costs are allocated in proportion to the programs to which the FTEs work at the centre.
- CBE allocates Education Centre costs by prorating according to the number FTE staff working in each program, as defined by Alberta Education:
  - instruction;
  - plant operations and maintenance;
  - transportation;
  - BSA; and
  - external services.
- The AFS guidelines are provided to school jurisdictions by Alberta Education to obtain consistent reporting information.
  - The guidelines state costs associated with administrative buildings are to be classified as BSA, including operating costs, lease payments, interest payments or amortization.

- Alberta Education’s review identified \$6.7 million in leasing costs classified to other blocks that should have been classified as BSA.
- \$1.3 million of \$3.7 million (or 34.5 per cent) of the operating costs for the Education Centre and Safran Centre are allocated to BSA, leaving another \$2.4 million in operating costs that should have been charged to BSA.



- A total of \$9.1 million in lease and operating costs represent an understatement of BSA associated with Education Centre and Safran Centre costs alone.
- Jurisdictions may expend between 3.6 per cent and 5.4 per cent on BSA, per the guidelines.
- CBE reported its percentage of expenses spent on BSA as continually decreasing since 2012, despite the increased BSA amount that it could spend.
  - If the additional \$9.1 million in lease and operating costs were included in BSA, the amount would be \$42.6 million (3.3 per cent), which is still below the allowable 3.6 per cent or \$47.2 million.
    - This is more in line with the other metro boards based on the costs associated with central office lease.

The CBE Budget 2017/18 document indicates “the CBE has system administration costs of approximately 2.7 per cent, which is well below the provincially mandated cap of 3.6 per cent of total expenditures. This means that \$12.2 million (the difference between 3.6 per cent and 2.7 per cent of total expenditures) of allowable administrative allocation is made available to fund other supports to the students.”

- If building costs are allocated to BSA in the budget as per the AFS guidelines, the \$12.2 million difference would be substantially reduced.

- Leasing and maintenance costs represent a substantial commitment in administrative-related costs. The other three metro boards own their administration buildings.
- Other metro boards' buildings represent lower committed costs.

## 5. New School Openings

Alberta's growing population over the past several years has resulted in an increased demand for schools. Alberta Education has embarked on an unprecedented school building capital program. New school openings are a welcome and necessary investment in communities, but have an impact on a school jurisdiction's operating budget. Alberta Education funds construction costs for new schools and provides an allowance for furniture and equipment. School jurisdictions are responsible for additional costs, including additional furniture, supplies and other start-up or set-up costs (e.g., books for a library). These commissioning costs are associated with the cost of getting the school operationally ready for students and staff. Once open, there are fixed costs associated with new schools, such as administration, building operating costs and teachers.

At the CBE, commissioning costs are approved by the superintendent's team for each school opening and monitored by the commissioning principals and/or manager integration and environmental services. Elementary or middle school commissioning normally begins with the principal and administrative assistant beginning to prepare the school in March/April prior to a September opening. An assistant principal is brought in one to three months prior to opening. The decision as to how and when to staff new schools is a local board decision.

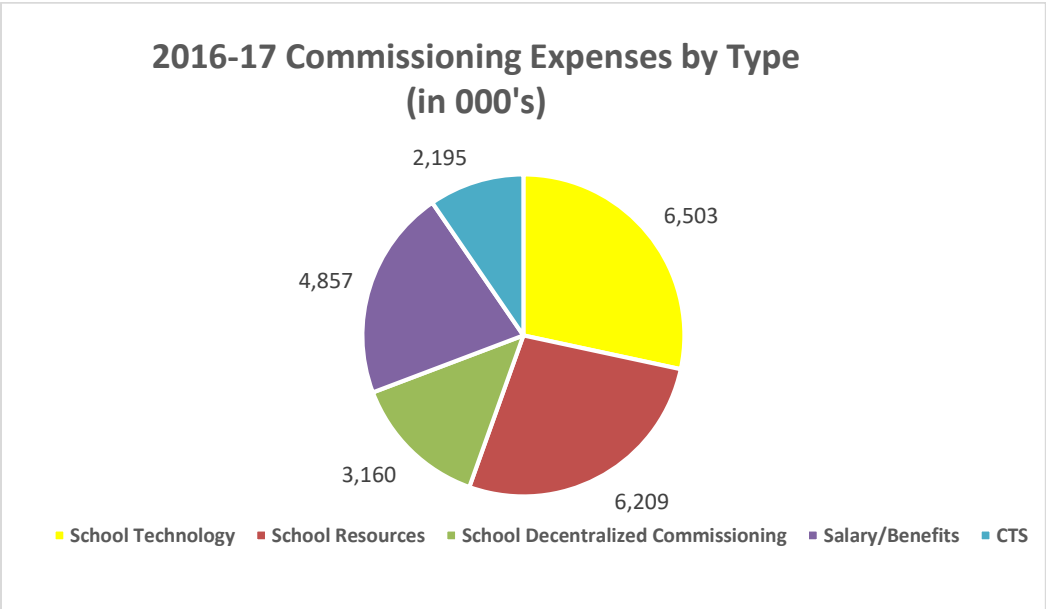
Commissioning activity and costs for senior high schools are much more intensive due to the level of specialization in programming. Staff are brought on board one year in advance, with the principal and administrative assistant commencing a full year before opening, and approximately seven other staff beginning between five and nine months prior to opening. School divisions are responsible for these costs, using their operating budgets. Additional furniture and equipment and change orders to the school are also the responsibility of the school jurisdiction.

CBE commissioned four middle schools and one high school in the 2014/15 school year. Board-funded commissioning costs were approximately \$4 million, as follows:

- Robert Thirsk High School: \$2 million total (\$704,000 salary and benefits).
- Ted Harrison Middle School: \$462,000 total (\$160,000 salary and benefits).
- Twelve Mile Coulee School: \$403,000 total (\$189,000 in salary and benefits).
- Nose Creek School: \$607,000 total (\$211,000 in salary and benefits).
- Captain Nichola Goddard: \$561,000 total (\$193,000 in salary and benefits).

For the 2016/17 school year, 20 schools were opened by the CBE.

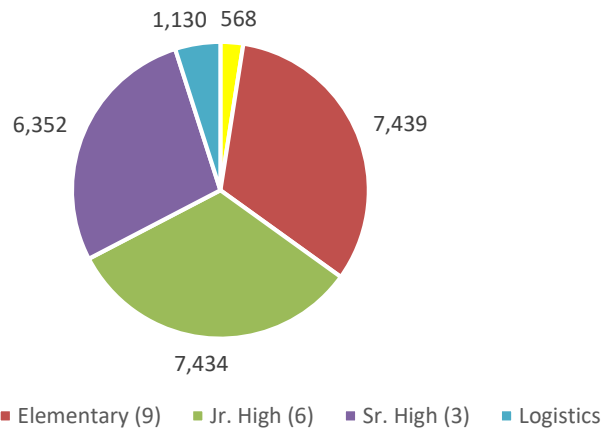
- This included 15 new schools, three modernizations and two replacement schools.
- CBE budgeted \$22.9 million for commissioning costs.
  - This included costs to warehouse and ship supplies and materials to new schools.
  - It was classified as a mix of capital additions and operating expenses in budget.
- Commissioning costs for 2016/17 included:
  - \$6.5 million for technology;
  - \$6.2 million for school resources (textbooks);
  - \$4.9 million for salary and benefits;
  - \$2.2 million for Career and Technology Studies (CTS); and
  - \$3.1 million for school decentralized commissioning costs (costs unique to each school’s programming).



- Schools commissioned were:
  - nine elementary schools (\$7.4 million);
  - six junior high schools (\$7.4 million);
  - one new and two modernized senior high schools (\$6.4 million); and
  - Christine Meikle replacement (a school dedicated to students with unique learning needs) and Niitsitapi Learning Centre for Aboriginal students (\$568,000 combined).

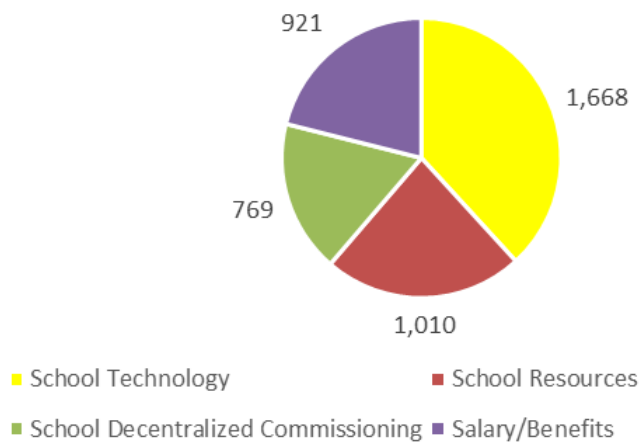


**2016-17 Commissioning Expenses by School Type  
(in 000's)**



- Annual operating costs of \$11 million were also budgeted to operate the schools opening in 2016/17.
  - These are considered to be the annual fixed costs associated with operating these schools (e.g., utilities, school administration).
- For the 2017/18 school year, four new schools will be opened by the CBE.
  - Commissioning costs of \$4.4 million have been or will be spent on two elementary (\$1.9 million) and two junior high schools (\$2.5 million).

**2017-18 Commissioning Expenses by Cost Type  
(in 000's)**



- The division also budgeted annual operating costs of \$2.3 million per year to operate these four schools, including:

- the new schools' share of Alberta Education funding (before the per-student allocation); and
  - utilities, insurance and maintenance.
- Increased operating costs for the 24 schools opened during the 2016/17 and 2017/18 years total \$13.4 million annually, in addition to the commissioning costs of \$27.3 million (ignoring inflation).

Amounts budgeted by the school jurisdiction for commissioning and operating costs of new schools appear to be significant, given the number of new school openings. However, large numbers of school openings are not unique to Calgary, and school divisions must use their expertise and knowledge of their districts to make the best use of the resources that are available. Comparable commissioning costs from other school jurisdictions are not available, but consideration could be made to exploring how other metros or school boards budget and prepare for new school openings.

## 6. Utilization of School Facilities

Alberta Education examined the utilization rates of all the schools in CBE. As of 2014, Alberta Education measures utilization on an instructional space basis. A factor of 100 per cent is a fully utilized school. Alberta Education defines optimal utilization of a school between 80 per cent and 100 per cent. Optimization under 70 per cent is considered to be very low. Overall, the total utilization rate for CBE is 82 per cent, which indicates utilization is optimal to low. A further examination of utilization by area, which is how CBE is organized, shows all areas but one with a utilization rate over 80 per cent. Area V has a 79 per cent utilization rate.

Examining utilization on a school-by-school basis identified 10 schools that have a provincial utilization below 55 per cent and a rated-room utilization below 55 per cent. Of these 10 schools, eight schools have both a provincial and rated-room utilization below 50 per cent.

CBE provides each school it operates with a minimum allocation per school. This allocation consists of one FTE principal, one 10-month FTE administrative secretary and a .43 FTE library assistant. This allocation costs approximately \$220,000 per year. Estimated average annual facility operating costs per school, which includes utilities, is approximately \$225,000. This average annual operating cost of \$445,000 per school does not take into consideration costs of repairs and maintenance, other staff savings as a result of consolidating certificated and non-certificated staff, or the reduced workload to support the operation of lower-utilized schools by central service. Staff consolidation would add additional savings to this annual saving but has not been factored into the calculation.

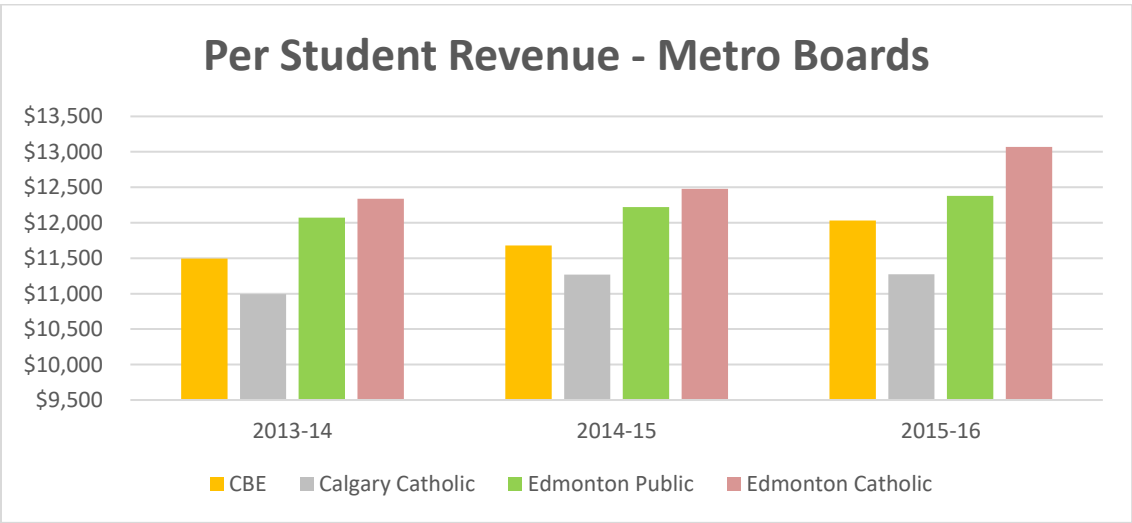
Since 2012/13, CBE has closed one school and a couple of programs and opened 28 new schools. In Alberta Education’s discussions with CBE regarding school utilization, CBE indicated it is continuously evaluating its school buildings. CBE is also developing methods for evaluating the viability of operating a school. This is an ongoing process established by CBE.

While the recurring costs of CBE operating and maintaining underutilized schools represent a cost burden, it should be noted that there is significant complexity with respect to the decision made about closing and/or consolidating underutilized schools.

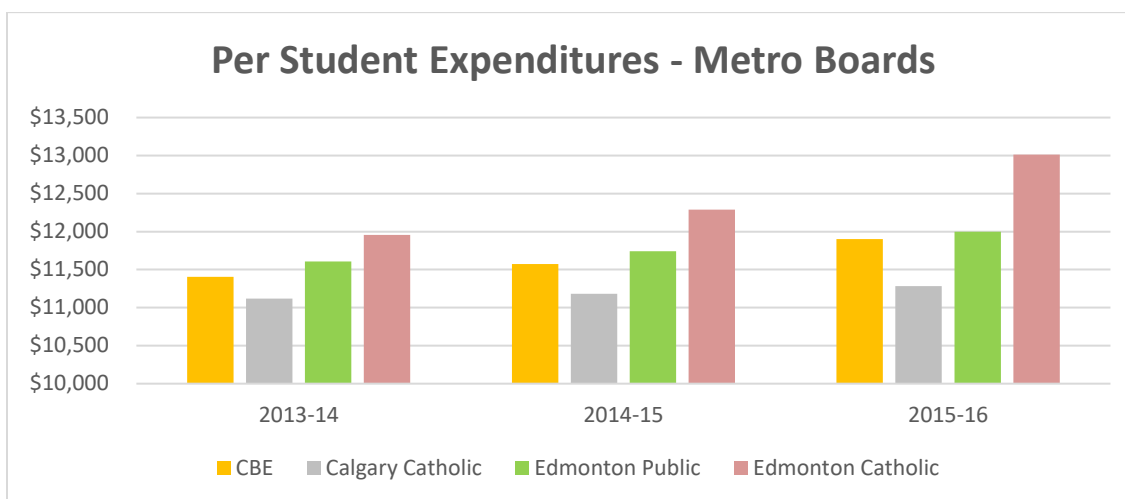
## 7 Student Programming

Student programming is included in this financial review with the focus on instruction funding received by CBE, as well as its allocation and the costs related to these programs.

- Alberta Education student funding allocations are distributed based on five categories and are underscored based on enrolment figures: base instruction funding, additional funding for differential cost factors, targeted funding for provincial initiatives, other provincial support and capital funding.
- All school boards receive the same per-student base instruction funding. Additional funding for differential factors is based on distribution formulas designed to address variable cost factors, such as specifically identified student populations. For example, as a result of CBE having a smaller student population of First Nations, Métis and Inuit students, it receives less revenue when compared to some of its metro counterparts but receives the equivalent levels for base student funding.



- The chart below reflects that CBE per-student expenditures align with the other metro school boards.



Although revenue and expenditures on a per-student basis are comparable among all metros, the funding allocations, funding support for specific programs and the magnitude of supports are a local board decision.

CBE has made decisions to support specific programs for students above the provincial resource allocation model. This includes ELL students, who are funded for two years more than the available funding from Alberta Education, full-day Kindergarten and most special needs programs. The allocation of additional funding for specific programs is common in Alberta school divisions. From a comparative point of view, per-student costs for these programs in CBE should not be greater than in other metros. However, the actual spending on each program will vary depending on the enrolment and the extent of additional funding provided.

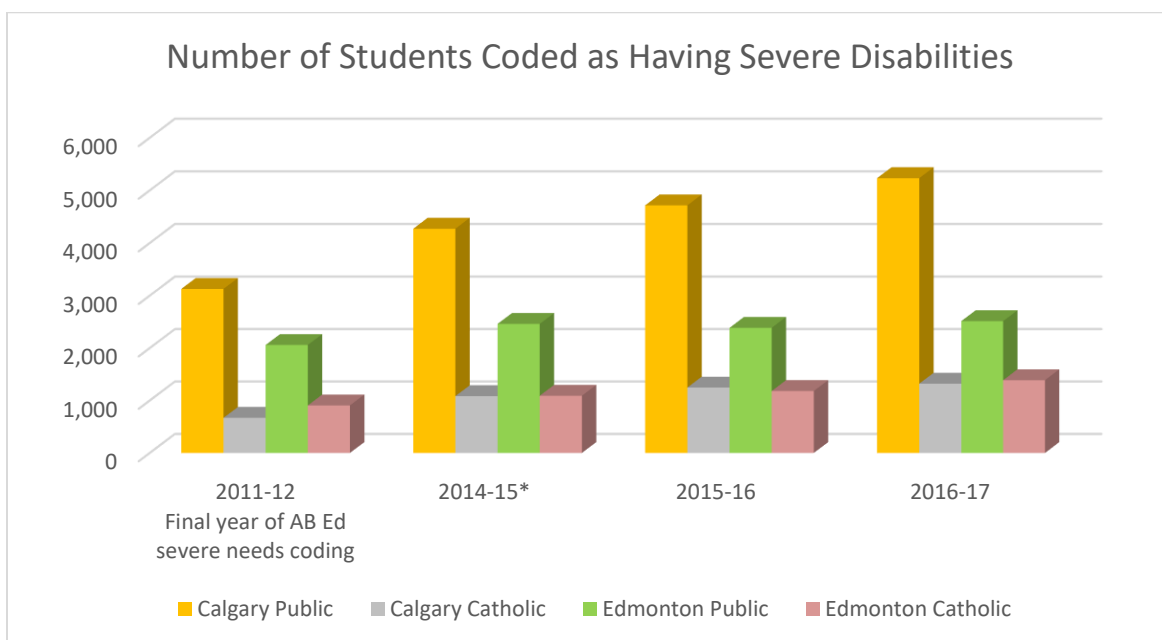
Alberta Education reviewed the various costs of educational programming offered to students by the CBE and have the following observations.

### 7.1 Inclusive Education

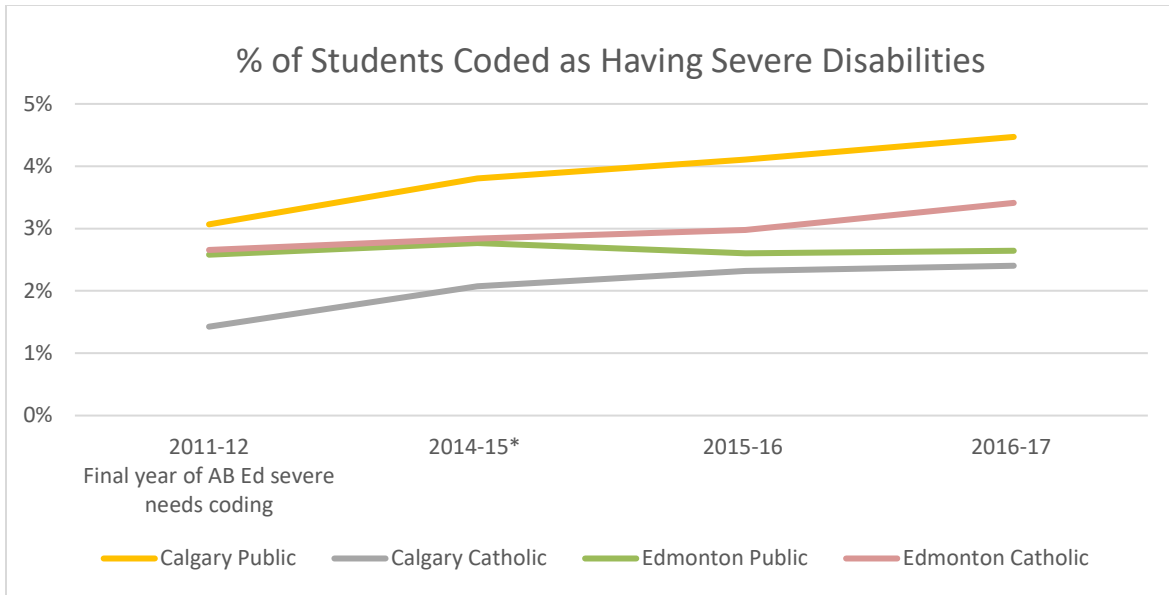
- Inclusive Education is funded on four different allocation factors: supports and services; differential modifiers; program equity; and an additional per-student amount.
- Every board receives the same per-student amount of funding for supports and services, with the exception of instances where historically there was a request for a Program Equity Allocation of funds. This is the case for CBE, which has received \$4.3 million annually for the past five years. It is the only metro board to receive program equity funding.

- School jurisdictions select their own method of allocating funding received under the Inclusive Education model. Each board determines the amount of funding to allocate to students and whether the method of allocation will be per student, per program or both.
- In 2011/12, Alberta Education discontinued the use of a severe disabilities coding profile to fund Grade 1 to 12 students with severe disabilities based on a recommendation from the *Setting the Direction* report. CBE continues to use the previous Alberta Education special education coding criteria and code students with severe disabilities for their internal funding allocation purposes.
- CBE has approximately 290 specialized classrooms. In 2016/17, more than 5,200 (4.4 per cent) funded students were coded by CBE as students with severe disabilities. Another 13,400 (11.4 per cent) were coded as students having mild/moderate disabilities, for a total of more than 18,500 students.
- The last time the profile for students with severe disabilities was adjusted by Alberta Education for CBE was 2006/07. No change was made to the profile subsequent to this date unless the school board requested a review.
  - For 2011/12, CBE was funded by Alberta Education for 3,128 students with severe disabilities (see chart below). Alberta Education now provides funding using an Inclusive Education funding model.
  - Under this methodology used by CBE over the succeeding five years (to 2016/17), the number of CBE students with severe disabilities increased 67 per cent, an average of over five per cent per year. Eligible funded enrolment has increased approximately 12.5 per cent over the same period. Funding for inclusive education has increased approximately 48 per cent over the period from 2012 to 2017.
  - A number of factors may have contributed to this increase, including the quality of the programming, the coding methodology used by CBE for its students, program reductions by other school boards and the variety of the programming offered by CBE, which may lead parents to relocate to access this programming.
- Under the Inclusive Education model, CBE's funding for the Differential Modifiers component of the grant increased over 63 per cent over a five-year period, with the 2016/17 increase being 27 per cent year over year.
- The increased growth in enrolment of students with severe and mild/moderate disabilities resulted in CBE's decision to provide additional funding for students with severe disabilities to meet their needs.
  - For the 2016/17 school year, there was over \$13.7 million in additional funds added above the normal resource allocation. The amount of additional funds provided by CBE to schools over the last three years is over \$13 million per year.
  - Actual costs for students with severe disabilities exceeds \$119 million per year for the period 2014 to 2017. These amounts are less than budgeted.
  - The number of classes rose from 222 to 236 as a result of enrolment growth.

- This decision to allocate additional funding is at the board’s discretion. CBE distributes resources to schools, balancing ratios of students/teachers while supporting specialized settings. No comparative information from other metro boards was available.
- Alberta Education’s historical records have provided information regarding the number of students with severe disabilities identified in the funding profile and coded by the school boards in the years subsequent to 2011/12.
  - The chart below differs slightly from some of the information gathered from the metro boards, but does show some similar trends.
  - The final year of funding students with severe disabilities on a profile basis was 2011/12. Since then, the coding function is performed in-house by school boards.
  - Since 2011/12, Calgary Catholic has seen an increase of 97 per cent in students coded with severe disabilities. CBE is next at 67 per cent. Edmonton Catholic is at 53 per cent and Edmonton Public at 22 per cent.
  - Students with severe disabilities as a percentage of the total population is provided in the graph below.
- Similar trends are seen in the growth of board coding for students having mild and moderate disabilities, where the percentage of the total population is 11.4 per cent for CBE, 10 per cent for Calgary Catholic, 5.2 per cent for Edmonton Public and 5.8 per cent for Edmonton Catholic. Additional funding allocations to these students are made based on local board decisions.

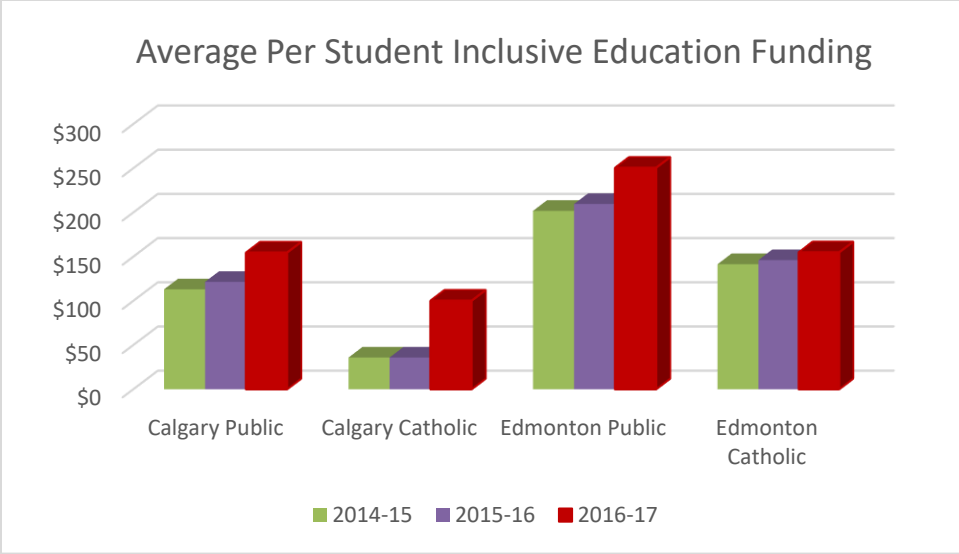


\* Starting in 2012/13, coding for students with severe disabilities was completed internally by each school board.



\* Starting in 2012/13, coding for students with severe disabilities was completed internally by each school board.

- At the CBE, costs allocated to special education programs are calculated based on the severity of the student’s needs. Each program has a set staffing component that includes, at a minimum, one certificated FTE and a different level of non-certificated support, including educational assistants, behaviour workers, psychologists, etc. Discussions with CBE indicated that this basic support is not altered or supplemented.
  - Class sizes vary depending on the needs of the students. Placement in programs is dependent on many factors, including student need and parental choice.
  - At the beginning of each school year, programs may not be filled to capacity for a number of reasons. The programs either become filled early in the school year or at some time during the year as students relocate and are reassessed.
  - Most programs are filled by September 30. CBE identified more than 35 different types of special classes for students.

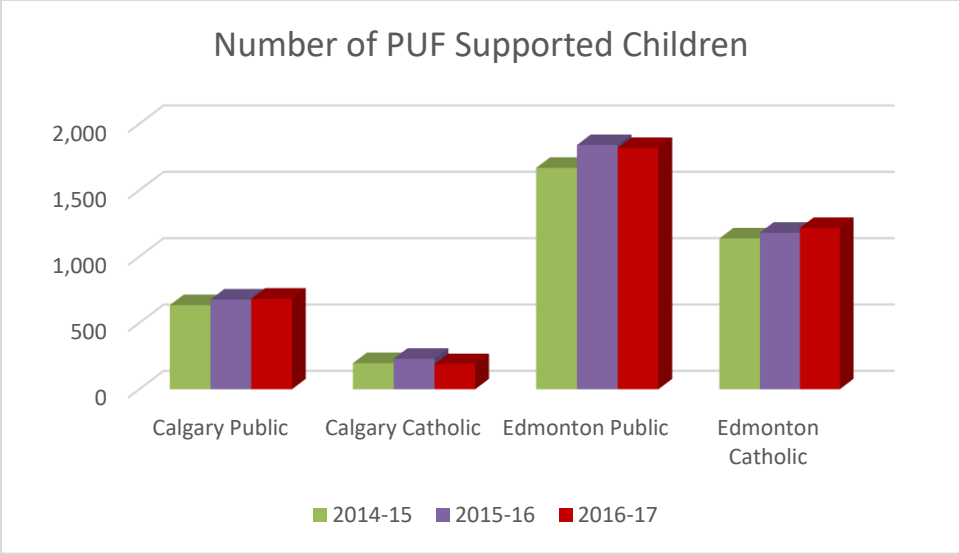


- The chart above reflects that CBE receives \$155 per student for inclusive education students. This is consistent with Edmonton Catholic and lower than Edmonton Public, but considerably higher than Calgary Catholic’s \$100 per student.
  - The major differences between Edmonton Public and CBE are based on the modifying factors of average family income and children in care.
  - These research-based Differential Modifiers address diversity factors that vary across school jurisdictions to ensure an equitable distribution of funding. Funding received by CBE is comparable to the other metro boards.

7.2 Program Unit Funding

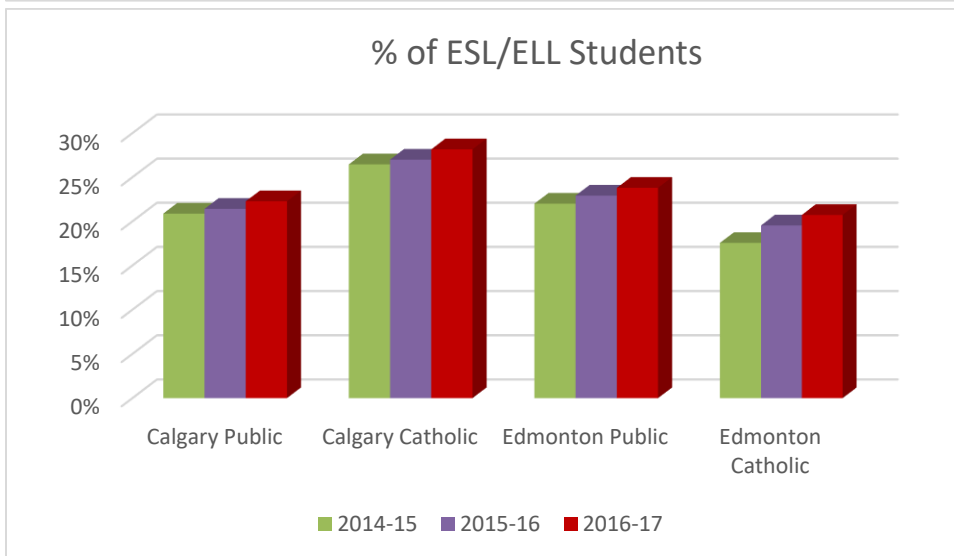
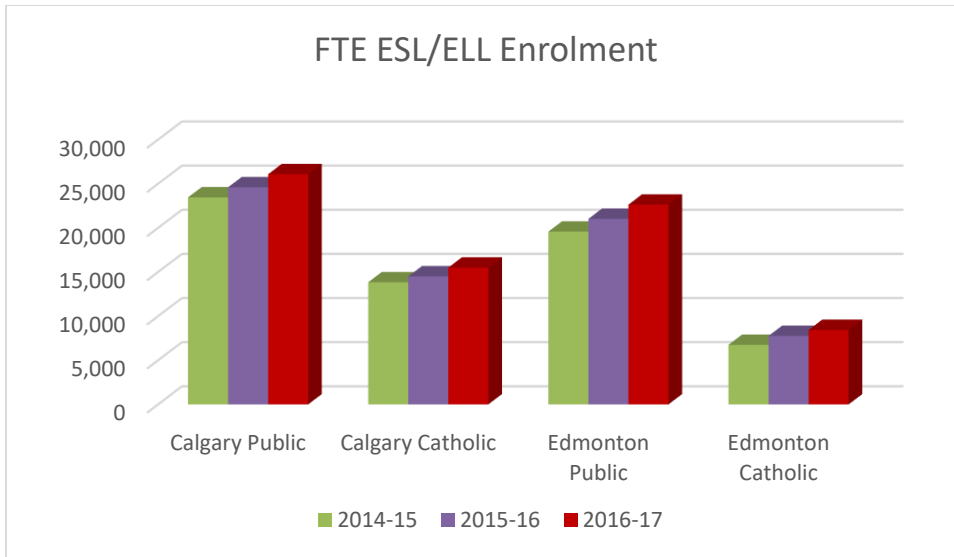
- To be eligible for Program Unit Funding (PUF), a child with a severe disability/delay must be at least 2.5 years old and less than six years old. This funding continues until the student is at least 5.5 years old but less than six years old on September 1 of the school year and has not spent three years in an ECS program.
  - These students will enter the school system without PUF support. School boards are then required to support these students using base instruction funding and Inclusive Education funding.
- For 2016/17, CBE had 683 PUF-supported children, resulting in average funding of \$20,028 per student. Funding is comparable to Edmonton Public at \$21,724 and Edmonton Catholic at \$21,092. Enrolments at Edmonton Public and Edmonton Catholic are 1,849 and 1,216 respectively, which are significantly higher than at CBE (see graph below).
- The funding received by CBE for PUF-supported children should meet the cost to operate the program.





### 7.3 English as a Second Language

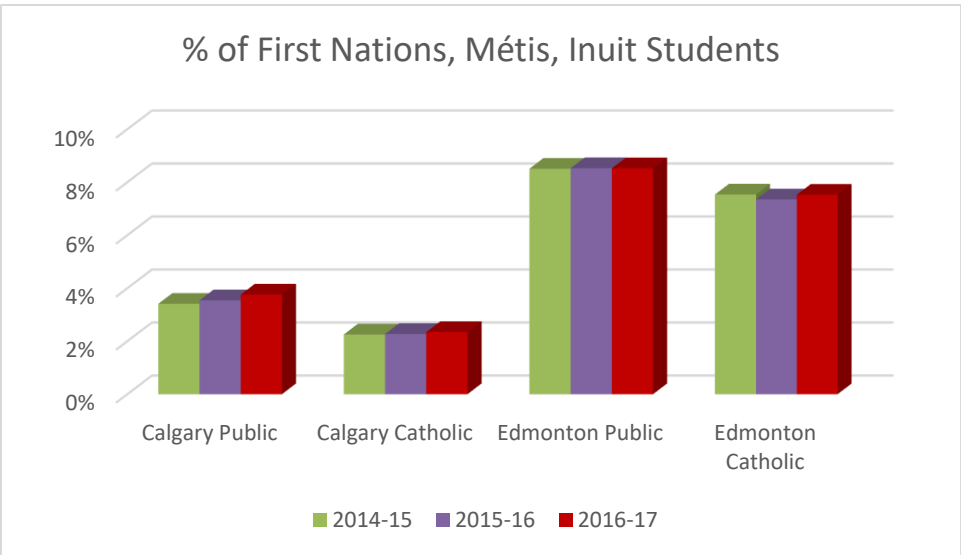
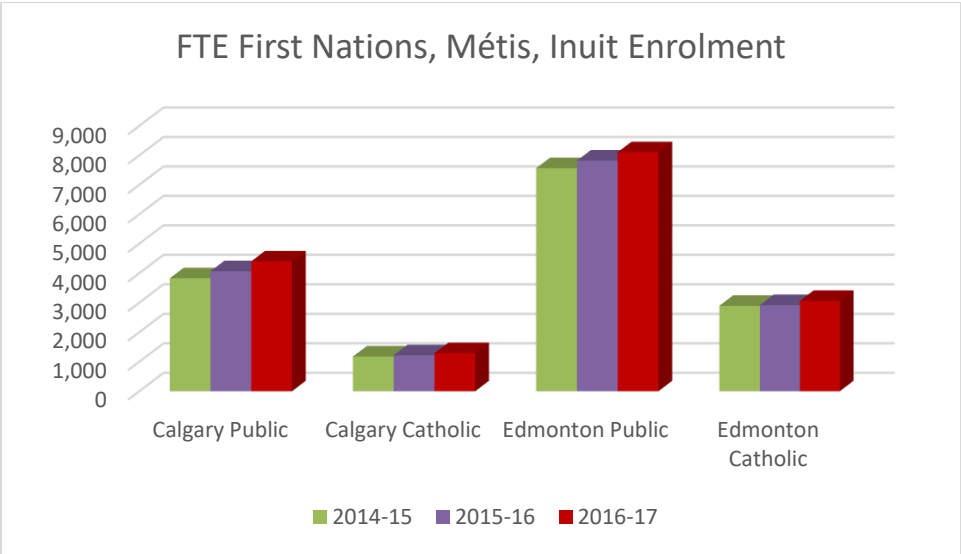
- Funding for English as a Second Language (ESL) or English Language Learner (ELL) students is claimed for students who require additional English language supports. Funding is provided by Alberta Education for a maximum of five years.
  - School boards indicate that this period of time may be adequate for students in the lower grades; however, transitioning a student to English is more difficult in the later grades, especially in high school.
- The CBE supports all ESL/ELL students for a seven-year period, with supplemental funding for these two years coming from other instruction grants. For 2016/17, this supplement totaled \$3.4 million.
- The other three metro boards also supplement their ESL students, but do not precisely monitor the additional cost incurred. Each board offers different programs and supports to these identified students.
- Statistically, Calgary Catholic has over 28 per cent (15,498 students) of its funded student population coded as ESL. Edmonton Public is next at almost 24 per cent. CBE is at 22 per cent and Edmonton Catholic at 21 per cent. All four metros have a large percentage of ESL students for whom they program. CBE has more than 26,000 ESL students – the most in the province (see charts below).
- The decision to extend funding for an additional two-year period was made by CBE and was a local decision. This decision resulted in additional costs to that program. Each metro board has determined a method to support their ESL/ELL students and have decided to supplement their ESL/ELL programs financially. CBE is not unique in its funding allocation to ESL/ELL students.



#### 7.4 First Nations, Métis and Inuit Student Funding

- Funding for First Nations, Métis and Inuit students is provided by Alberta Education in different forms: base per-student funding; First Nations, Métis and Inuit funding; and Inclusive Education.
- Funding is provided under the First Nations, Métis and Inuit grant to assist school jurisdictions in meeting local needs for First Nations, Métis and Inuit students for regular program planning and instructional supports.
- Over the past five years, CBE received almost \$116 million in First Nations, Métis and Inuit funding, an average of approximately \$1,200 per self-identified First Nations, Métis and Inuit student – the highest average of any metro school board.

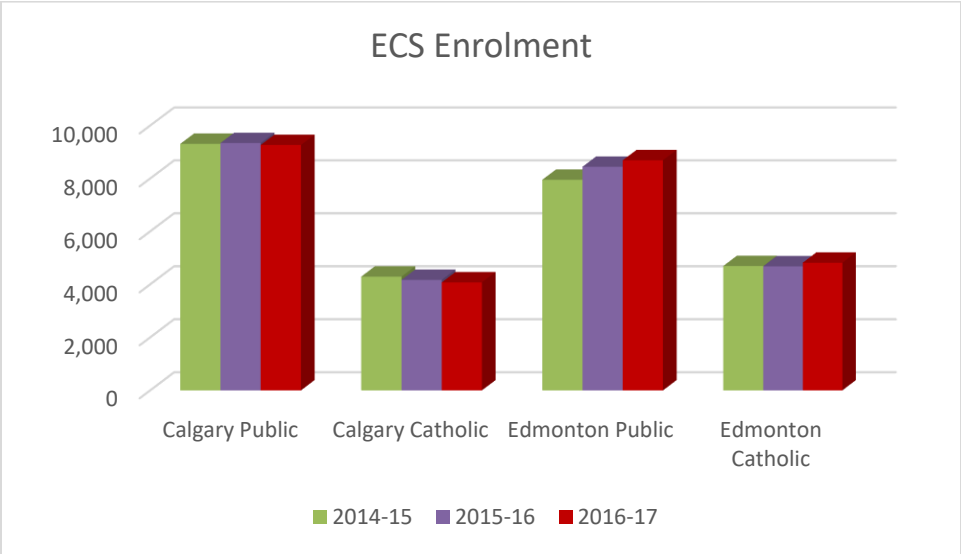
- First Nations, Métis and Inuit students account for approximately 3.8 per cent of the total CBE population. This compares to 8.5 per cent and 7.5 per cent of the population for Edmonton Public and Edmonton Catholic, respectively.



**7.5 Early Childhood Services (ECS)**

- ECS access to 475 hours of programming is funded by Alberta Education. School boards may charge a fee for an ECS program with more than 475 hours of instruction.
- A review of the 2017/18 budget reports shows no metro board is charging an enhanced ECS programming fee even though three of the four metro boards offer a full-day Kindergarten program at selected sites. Calgary Catholic is the only metro board that does not offer full-day Kindergarten. The other three metros offer selected full-day Kindergarten programming, mostly in areas of socio-economic need.

- CBE offers full-day Kindergarten in approximately 40 classes and allocates \$2.2 million from the general instruction grant to do so. For Edmonton Public, 22 schools (32 classes) offer full-day Kindergarten at a cost of around \$1.7 million. Edmonton Catholic allocates an additional \$1.4 million for full-day Kindergarten. Calgary Catholic no longer offers a full-day Kindergarten program, as it estimates the additional cost to be in the range of \$50,000 to \$75,000 per class.
- Costs/allocation for full-day Kindergarten by CBE are comparable to the other metro boards that provide full-day Kindergarten.
- CBE also enrolls children who have been registered in private ECS programs. As some of the children have exhausted their per-child funding entitlement, there is no longer any ECS funding that is provided to these children when they attend CBE.



7.6 Other programs

- Alternative programs are offered by CBE. The CBE states that to establish an alternative program, a minimum of 30 students per grade is required for a strong program. CBE suggests that alternative programs do not add incremental costs to the school board, with the exception of transportation. Alternative programs are offered by all four metro school boards.
- CBE has expanded outside of its core educational focus by prioritizing some alternative programs, thus creating other challenges. An example is distance education, which is offered by CBE even though Alberta Education provides this service through the Alberta Distance Learning Centre. Although some of these programs are self-funding, this programming can direct resources for students in Kindergarten to Grade 12 to other focus areas.

From an overall perspective, there are complexities within a metro school board that exist as a result of the diversity of programs offered and demanded by the students in these communities. Without an

in-depth examination of the specific programs offered by each metro school board, it is difficult to determine if the expenditures for special needs are reasonable.

An examination of the funding per student for CBE is comparable to the funding received by each of the other three metro boards. How that funding is spent and allocated differs from board to board, as this funding is a local decision. It is possible that a sharing of programming ideas and funding for these programs among the metro boards may lead to cost savings.

## 8 Transportation

### Overview

Historically, CBE's transportation service model was based on providing an equal level of service at an equal cost for all students, regardless of whether they attended their local neighbourhood school for regular programming or a program of choice which could be located anywhere in the city. This level of service exceeds the requirements of the *School Act*, which requires a board to provide transportation for eligible students who attend their designated school for regular or special education programming and reside 2.4 kilometres or more from that school. CBE has implemented changes to its service levels over the past few years, particularly for students who attend a program of choice.

### Service Levels

In reviewing the routing information provided, it appears ride times for all students, regardless of the school they attend, are comparable with other school boards. However, the average number of students on each route is lower than the provincial average, particularly for elementary school routes. Bus load utilization is about 60 per cent for elementary students and about 75 per cent for middle/junior high students. Provincially, many boards transport three students per seat for elementary students and two students per seat for middle/junior high students. CBE elementary school policy routes Grade 4 to 6 students at two students per seat.

### Congregated Stops

There is a direct relationship between the length of a bus ride and the number of congregated stops on a route. CBE's congregated stop policy applies to students attending alternative programs and requires at least 10 pre-registered eligible students at each stop. If 10 eligible students are not pre-registered, the stop will be combined with the next closest stop. This policy allows for savings when double routing buses by ensuring that the first route is completed with enough time remaining for the same bus to provide service for students attending a second school in a nearby area. In many situations, routes with low ridership (less than 30 students) have been eliminated, and students are required to travel several kilometres to existing stops in nearby neighbourhoods.

## **Special Needs Transportation**

Over the past year, CBE has reviewed the policy and procedures used to determine whether a student requires special transportation service and the mode of transportation that should be used. In the past, this was decided solely at the school level, where staff may not be fully aware of other more cost-effective options (other than taxi service) that would be able to provide safe transportation service. This process has been revised – the school still determines whether a student requires special transportation service; however, the transportation department determines the mode of transportation. This process was put into place for the 2017/18 school year. As a result, CBE expects to reduce its taxi ridership and costs by more than 50 per cent, for a savings of more than \$500,000.

## **Impact of Program Choice on Transportation Operations**

Alternative program routes suffer from lower ridership due the size of the transportation service area for many of these schools, as well as how students are spread throughout the area. Alternative programs such as Traditional Learning Centre, French immersion and bilingual programs are very popular; however in many cases, the revenue generated by funding and fees only covers 50 to 75 per cent of the total cost of providing yellow bus service. In the 2017/18 school year, CBE expedited the implementation of the transportation plan and shifted students from five schools offering alternative programs from yellow bus service to municipal transit.

## **2017/18 Operations Update**

The Minister of Education took an active role in responding to parent concerns regarding the changes to student transportation service levels that CBE implemented this fall. The Minister held a telephone town hall meeting on September 21, 2017 to give Calgary parents an opportunity to express their concerns about school and transportation fees. Parents were also encouraged to contact his office directly with questions and concerns.

The CBE took into consideration the recommendations from the September 2017 initial report, as it made adjustments to transportation services based on new registrations, GPS data, driver feedback, bus stop change requests and actual ridership counts. Bus stop changes were made immediately if there was a safety concern with the bus stop location. Other stop changes were accommodated if they did not add additional costs or impact the timing of the bus route.

Below is a summary of the transportation service changes and adjustments that were made during September and October 2017:

- Approximately 50 stop change requests were granted.
- Approximately 35 congregated bus stops were moved or added based on requests from parents or if they met CBE criteria of more than 10 students at a stop and did not add costs or time to the route.
- Over 100 routes were adjusted based on new registration information.
- Seven buses were added to existing routes to reduce overcrowding.

- Yellow school buses were reintroduced to 75 students from the community of Mahogany attending Henry Wise.
- Express transit service was added for students from Sage Hill attending James Fowler High School; Nolan Hill students attending H. D. Cartwright School; and Walden and Legacy students attending Dr. E.P. Scarlett School.
- 1,700 Calgary Transit youth passes were distributed to schools for low-income students.

As directed by the Minister, CBE ensured that approximately 1,300 students attending the five alternative program schools that were moved to Calgary Transit this year were eligible for a rebate of up to \$365 per year. In doing so, these families will pay no more than \$335 per student, the same as the cost of yellow school bus service. In collaboration with Calgary Transit, the CBE hosted orientation sessions in August for families of these five alternative program schools. At these sessions, families met with Calgary Transit staff to review route options, fares, how to ride the bus or CTrain, and transit safety.

A new online Calgary Transit pass rebate program was launched in November. CBE has contracted a third-party vendor to distribute rebates on behalf of CBE. Parents have the option of using an online portal or mailing in their expired passes and receipts. An email was sent to parents/guardians of eligible students with a link to the online rebate portal. If families do not have an email address on file at their school, or if they have not subscribed to receive commercial emails, they will receive paper registration by mail.

CBE provided the following transportation facts about its 2017/18 transportation services:

- Ninety-three per cent of all yellow school bus riders are travelling less than 1.6 kilometres to a bus stop.
- The average distance to a yellow school bus stop from a student's home is 685 metres.
- The average ride time for a student is about 18 minutes.