



Initial Report:

Calgary Board of Education Operational Review

September 2017

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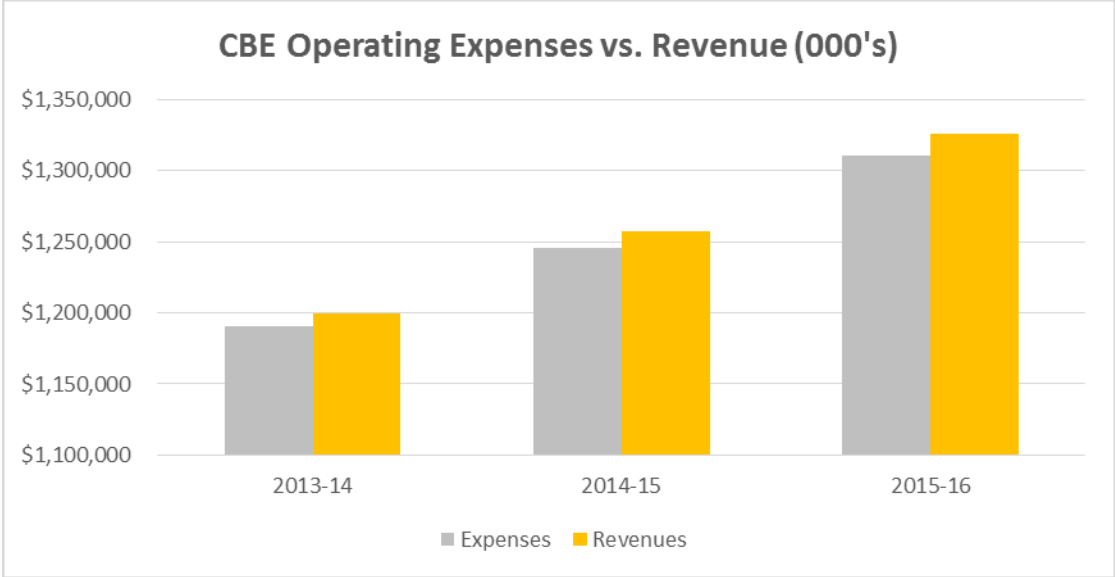
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Overview

In April 2017, the Calgary Board of Education (CBE) presented to their board a Budget Assumptions Report identifying a potential \$38.6 million shortfall for the 2017-18 school year. This shortfall was based on the CBE maintaining the same level of services as in 2016-17.

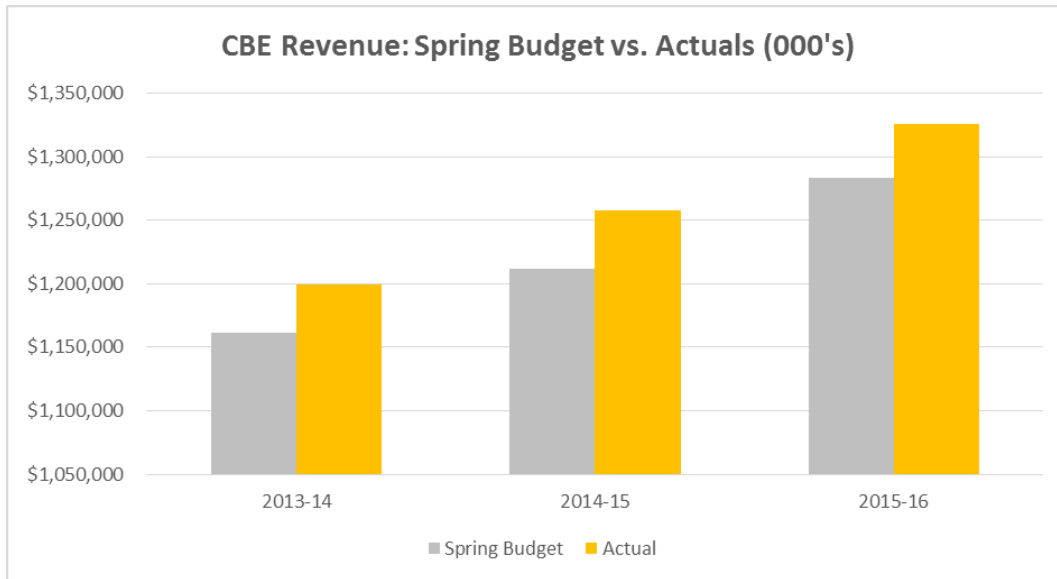
The final approved budget submitted to Alberta Education in June 2017 reported a budgeted deficit of \$15 million in the 2017-18 school year which balanced the identified \$38.6 million potential shortfall by utilizing reserves and implementing service unit reductions; however, various media outlets reported the \$38.6 million potential shortfall as the 2017-18 budgeted deficit. This more significant figure raised questions regarding CBE’s spending practices and the adequacy of provincial funding. Alberta Education provides more than \$1.1 billion annually to CBE and recently committed to provide CBE with over \$18 million to help alleviate pressures created by reduced fee revenue resulting from *An Act to Reduce School Fees* (formerly Bill 1). \$10 million of this funding was to eliminate fees for instructional supplies & 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 and concerns from Calgary parents, Minister David Eggen ordered a financial review on June 9, 2017 of the Board System and Administration and Transportation areas of the CBE under section 77(1) of the *School Act*. The preliminary observations and next steps contained in this document are a result of the review directed by the Minister. This is an initial report that seeks to address pressing issues right away. A more detailed and finalized report resulting from this review, including comparisons to other large school boards in Alberta, will be provided later this year.

1.1 Operating Expenses versus Operating Revenues

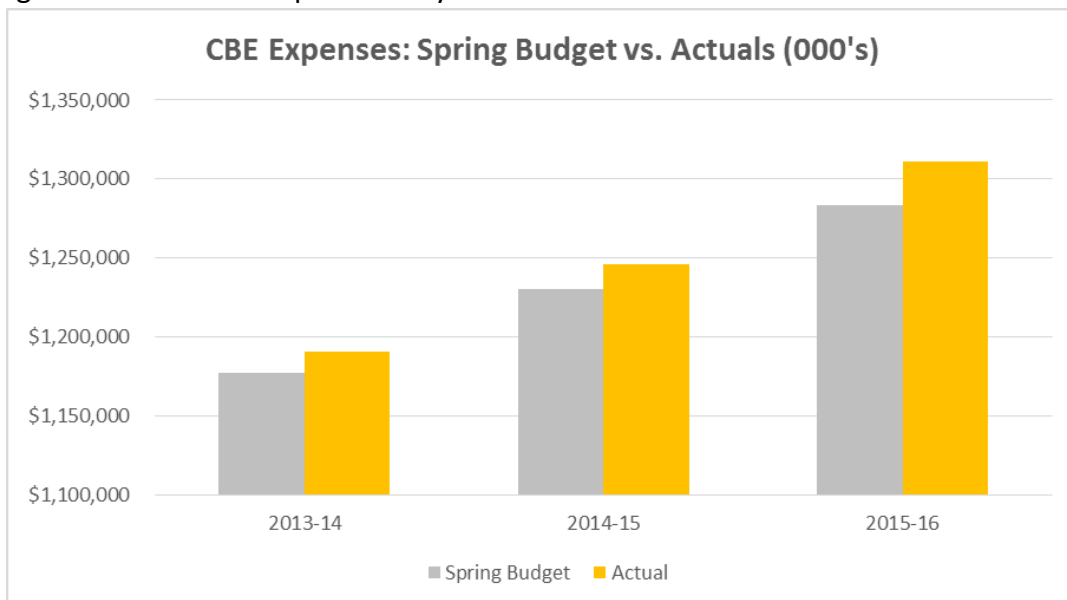


- CBE’s total revenue has increased 11 per cent in the past three fiscal years from \$1.199 billion to \$1.326 billion while total expenditures have increased 10 per cent in the same period from \$1.190 billion to \$1.311 billion. This has resulted in CBE reporting an annual surplus increasing in all 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 last three years compares to an enrolment increase of six per cent in the same period.

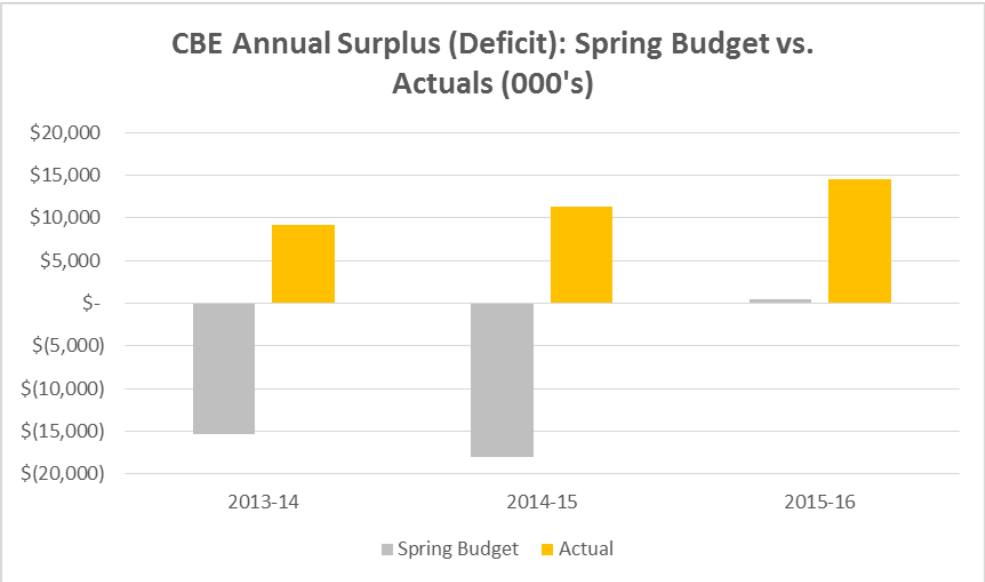
1.2 CBE Actuals versus Budget



- CBE’s actual revenue has historically been three-to-four per cent higher than amounts included in the spring budget. This has resulted in actual revenue being \$38 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 their spring budget. This has resulted in actual expenses being \$13 to \$28 million higher than budgeted expenses in the past three years.



- CBE has budgeted either a deficit or balanced budget in each of the last three fiscal years. Actual results have reported annual surpluses of \$9.1, \$11.4, and \$14.6 million, 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 lead to differences in revenues and expenses from what was budgeted.
- CBE reported an adjusted accumulated surplus from operations (ASO) of \$39.8 million in 2015-16 which is 3.04 per cent of expenses compared to a provincial average of 6.50 per cent.

1.3 Central Administration Building

The administration offices of the Calgary Board of Education (CBE) are housed in a six-year old building that was built to specifications of CBE after a financing and lease agreement was reached in 2006 with the leasing company. This agreement took place at the height of real estate prices before the financial market correction in 2008 and softening oil prices in 2015. 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 sub-lease of the top 2 floors of the Education Centre to commercial tenants. If that sub-lease 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 are in and are paid off.

In Alberta Education's review of CBE's board system and administration, 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 would suggest that such an allocation might be high and requires further analysis.

1.4 Transportation

Overview

Historically, CBE's transportation service model has been based on providing an equal level of service at an equal cost for all students, regardless of whether they attend their local neighbourhood school for regular programming or a program of choice many kilometers away. 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 kilometers or more from that school. CBE has been implementing changes to their 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 to other school boards; however, the average number of students on each route is lower than 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 preregistered eligible students at each stop. If 10 eligible students are not preregistered, the stop will be combined with the next closest stop. This policy allows for savings when double-routing buses by ensuring 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 of less than 30 students have been eliminated and students are required to travel several kilometers 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 now been revised so that the school still determines whether a student requires special transportation service but the transportation department now determines the mode of transportation. This new process has been put into place for the 2017/18 school year and, as a result, CBE expects to reduce their 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 to 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 with students, but, 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 the students from five schools offering alternative programs from yellow bus service to municipal transit.

1.5 Observations and Next Steps

- The review has highlighted that a more thorough examination and comparison of the operations of the four metro boards is warranted.
- A preliminary examination of spending versus the other three metro boards reveals CBE is comparable in per student spending. How that funding is spent and allocated to schools differs among the boards as they respond to and reflect local circumstances. From the department's observation, it is possible that a sharing of best practices amongst the metro boards related to programming and funding support methodologies may lead to cost savings.
- Alberta Education is still in the process of analyzing the allocation methods used for the board system and administration.
- Alberta Education will be working with the CBE to review neighborhoods impacted by their congregated stop policy and look at financially sustainable ways to bring existing nearby routes into these neighborhoods instead of having students travel several kilometers to meet the nearest route at an existing stop. This will entail revisiting ride times and finding an appropriate balance number and location of congregated stops and student ride time to alternative program sites. We expect CBE will have concrete solutions in place after Thanksgiving.
- A more detailed and finalized report resulting from this review, including comparisons to other large school boards in Alberta, will be provided later this year.