



Budget Assumptions Report 2015-18

June 18, 2015



**Calgary Board
of Education**

note |
This Budget Assumptions Report replaces the
previous report dated April 14, 2015

Table of Contents

Introduction..... 1
Mission 1
Values..... 1
Guiding documents 2
Current and future context..... 3
Funding per student 4
Background 5
General assumptions 8
Revenue assumptions..... 10
Expense assumptions 12
Capital & student accommodation 15
Impacts on student learning 16
Opportunities and risks..... 17
Conclusion..... 18
Glossary of terms 19

Superintendent |

Brad Grundy, CA CIA
Superintendent, Chief Financial Officer, Corporate Treasurer

Contributors |

Superintendents' Team
Finance / Technology Services staff
Communications staff

Introduction

Mission

The Board of Trustees sets as its Mission that “each student, in keeping with his or her individual abilities and gifts, will complete high school with a foundation of learning necessary to thrive in life, work and continued learning.” We therefore know that we must consider each individual student and his or her learning requirements while balancing all student needs against the resources available across the organization.

Values

Administration’s approach to the operating budget is guided by our values:

- Students come first;
- Learning is our central purpose; and
- Public education serves the common good.

Therefore, we will work to optimize student learning while recognizing the reality of our fiscal constraints.

We do our work within the framework of Alberta Education’s Inspiring Education which sets out the following values for public education: opportunity, fairness, citizenship, choice, diversity and excellence. Balancing those values with the resources at hand takes careful consideration.

We are also guided by CBE’s Three-Year Education Plan, which focuses attention on personalized learning, building our professional capital, engaging our public and stewarding our resources. Taken together, these action areas allow us to maximize student learning and achievement.

In building the 2015-16 budget we know that public education is a shared responsibility. With our students, families, employees, communities and Alberta Education in mind, we make budgetary decisions knowing we need to work together to build positive learning and working environments. By sharing a common goal of student success, each one of us contributes to make it happen within our available financial resources.

Guiding documents

- *Inspiring Education* – Developing the qualities and abilities of ethical citizen, engaged thinker and entrepreneurial spirit
- *CBE Three-year Education Plan* – Personalize learning, build professional capital, engage our public, steward our resources
- *CBE Results* – Our Mission, academic success, citizenship, personal development, character
- *2015-16 School Funding* – the Alberta Government’s updates regarding education funding for the 2015-16 school year

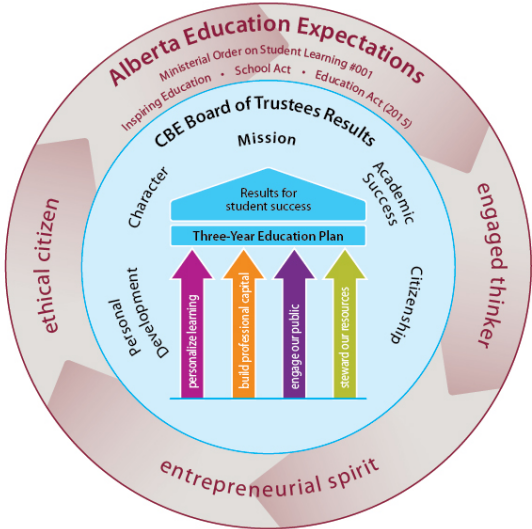
2015-16 Budget \$1.3 billion

Schools: 227

Students: (projected) 116,955

Staff: 13,000+

Supporting



Current and future context

The CBE is grateful for the provincial funding update on May 28, 2015 that restored education funding for the 2015-16 school year. The financial resources that accompany the provincial funding update will allow the CBE to maintain student to teacher ratios system-wide, accommodate enrolment growth and maintain services and supports to students, teachers, and schools that is relatively consistent with 2014-15 levels.

Generally, provincial funding announcements are made in late February or early March of each year. In turn, school boards submit budgets by the end of May. This year, due to a number of unique circumstances, the provincial funding announcement was not made until late May. To meet the legislated requirement to submit a budget by June 30, the CBE will submit a budget based on information provided by the Province on May 28. A full provincial budget will be tabled in the fall which may include additional changes for school boards. As a result, the CBE will develop an updated, detailed budget package for presentation to the Board once the provincial budget has passed and Sept. 30, 2015 enrolments are confirmed.

This Budget Assumptions Report (BAR) replaces the previous BAR dated April 14, 2015.

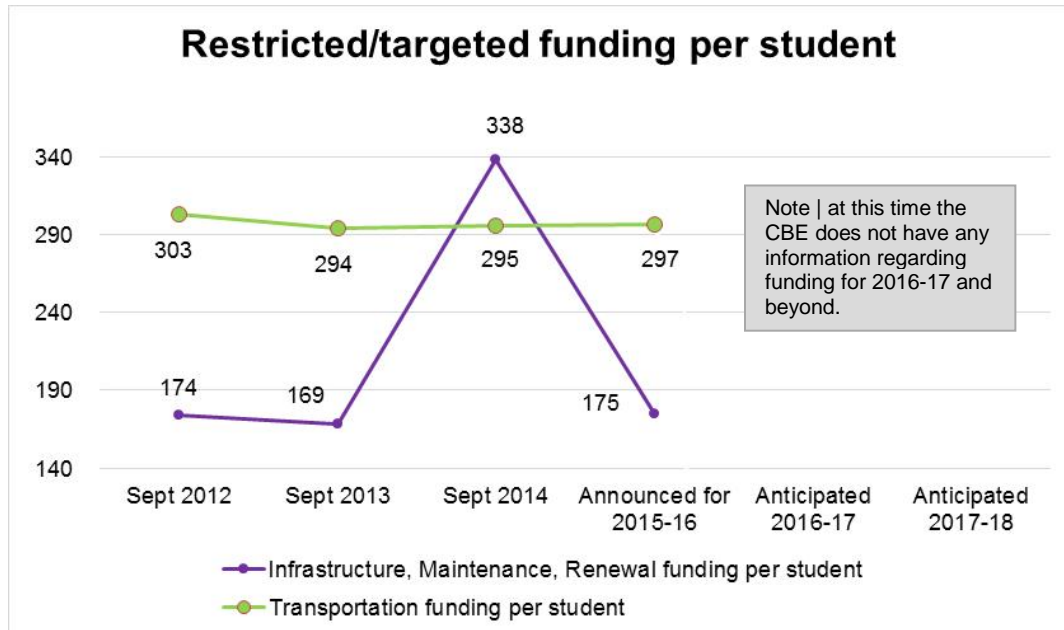
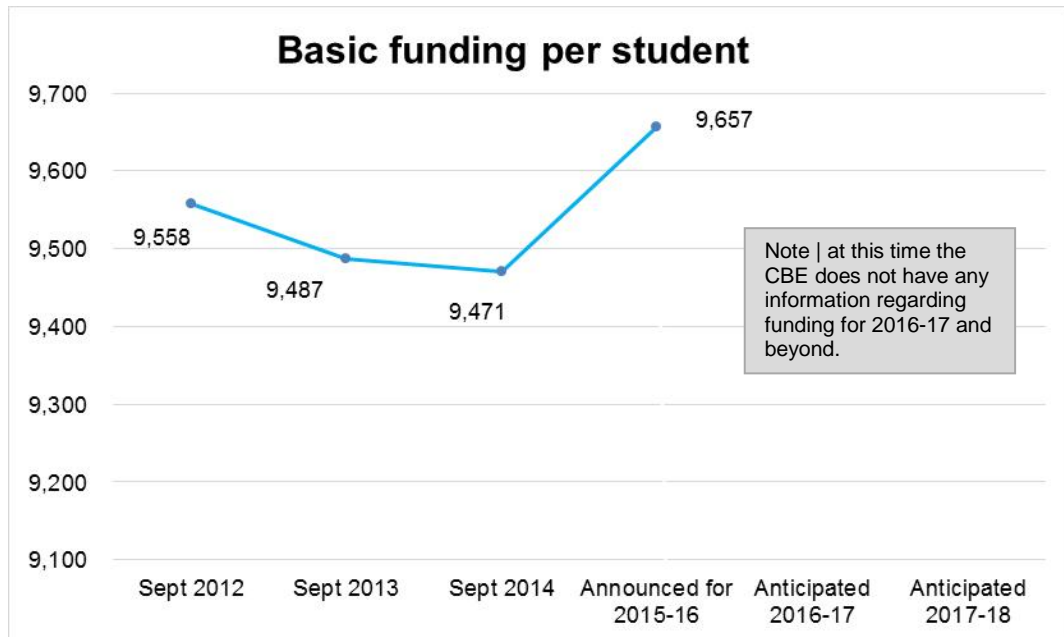
The CBE operates to fulfill the accountabilities of the School Act. We anticipate receiving \$1.185 billion of annual operating provincial funding, which represents 92 per cent of total CBE revenues. This is an increase of \$48 million from \$1.137 billion in 2014-15.

In addition, we expect to receive \$402 million (confirmed to date) in infrastructure project funding. We have received \$117 million and expect the remaining \$285 million over the next three years.

The provincial budget update contains provisions to fund the final year of the Teachers' Framework Agreement, funding for enrolment growth and maintaining the level of grant rates from 2014-15.

The CBE does not have any information regarding anticipated budget announcements for 2016-17 or 2017-18. Actual figures will vary based on future funding announcements and direction. The CBE appreciates that Alberta is still facing a challenging economic environment.

Funding per student



For the first time since 2012, the CBE will see basic funding per student increase. This year it is increasing by two per cent, or \$186 per student. The government is funding the CBE for enrolment growth and providing rate increases to basic instruction and class size in order to cover the wage increases negotiated in the Teacher Framework Agreement.

The CBE expects 2,455 more students – an increase of more than two per cent in 2015-16. At the same time, inflation, salary grid movement, and other operating expenses will combine to increase the costs of delivering a basic education to our students.

We allocated an additional \$31.2 million directly to schools via the Resource Allocation Method (RAM). The funds directed to schools will maintain current student to school-based staff ratios, subject to individual principal staffing deployment decisions. The number of school-based teachers will increase by approximately 114 full time equivalent positions (FTEs) and support staff in schools will increase by approximately 79 FTEs. Non-school based permanent FTEs will increase by approximately 8 FTEs due to the conversion of temporary staffing dollars.

The increase in provincial funding allows the CBE to maintain service levels in 2015-16 without reliance on reserves for regular operational expenses. Sixteen new schools are scheduled to open in the fall of 2016 and approximately \$19 million will be needed in 2015-16 to prepare these schools for opening in the next year. The CBE will continue discussions with the Province to identify a funding source for these costs as they are currently unfunded.

There continues to be uncertainty around long-term funding to education due to economic challenges in Alberta. This could result in difficulties in presenting balanced budgets in future years.

Background

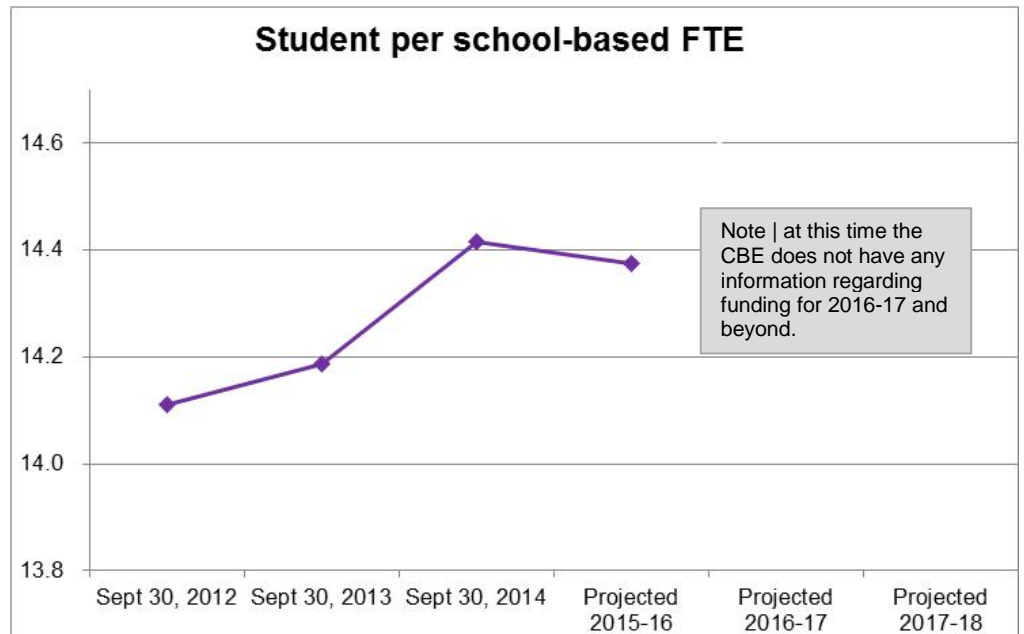
Guided by our Values and our Mission and Results focus, we have always looked to maximize the dollars directed towards our top priority: student success.

Alberta Education provides 92 per cent of CBE funding. Fees, sales and services, and other small revenue sources account for the remaining eight per cent. Overall, funding from Alberta Education is expected to increase by about \$48 million, or 4.2 per cent, year over year.

The provincial funding announcement provides additional funding to cover the provincially negotiated increases in teacher compensation costs, including wage increases and a one-time, one per cent lump sum payment. Other than a two per cent increase for class size funding, all other funding grant rates were held steady at 2014-15 rates.

In total, 85 per cent of provincial funding is spent on staffing costs - 90 per cent of staff positions work directly in schools, including custodial staff.

The chart below shows the average number of students per school-based FTE (not including custodial staff).



The CBE's programs and services are delivered under collective agreements with four unions: the Alberta Teachers' Association, Staff Association, Skilled Trades Unions and Canadian Union of Public Employees. In 2014-15, 75 per cent, or \$920 million of total revenue is spent on costs directly in schools. Of that, approximately 96 per cent (\$880 million) is spent exclusively on staffing in schools for positions such as teachers, school support staff and custodians.

We await future provincial direction with respect to settlements and no incremental funding has been included in the proposed budget for wage settlements.

The CBE also has about 205 positions in 2014-15 that are non-unionized. This group makes up 2.2 per cent of total staff positions. Other than superintendents (7) and directors (23 positions), 85 per cent of the exempt group (175 positions) are not in senior leadership positions. This group of employees includes, but is not limited to, people who pay the bills and issue paycheques, answer questions for the public, help with the payment of fees, provide technology support, design and build schools and information systems, and people who ensure our buildings are safe.

In addition the CBE has entered into a number of long-term service agreements to support the delivery of programs and services. These agreements are in the area of software systems relating to student information, payroll, accounting, utilities, student transportation and leased facilities. Long-term agreements support cost certainty and increased cost effectiveness. The CBE's ability to change those

costs is restricted. This comprises about \$327 million or 26 per cent of our \$1.2 billion budget for 2014-15.

Nearly 60 per cent of CBE schools were built prior to 1970 and are in need of maintenance, modernization and repair. The CBE's deferred maintenance has increased to \$1.0 billion. This is growing at a rate of approximately \$40 million per year while provincial maintenance and repair funding is running at around \$18 - \$20 million per year. Each year approximately \$20 - \$22 million dollars of needed repairs and maintenance goes undone. Our capital reserve of \$21.8 million (as at Aug. 31, 2014) to support our asset base is modest.

General assumptions

The CBE's 2015-16 budget will:

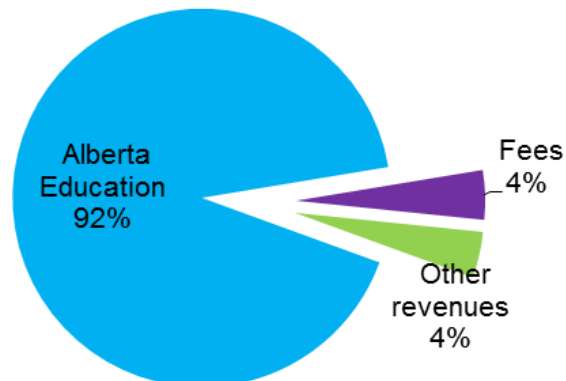
- Be guided by the CBE's mission, operational expectations and core values. Our core values are:
 - Students come first;
 - Learning is our central purpose; and
 - Public education serves the common good.
- Derive guidance from the direction provided by Alberta Education through Inspiring Education, the CBE's Results, the Three-Year Education Plan and the Chief Superintendent's priorities.
- Recognize that school principals, working with their school communities, are best positioned to make the ultimate school-based decisions related to staffing and resourcing.
- Maintain funding for enrolment growth and class sizes, subject to decisions made by principals on a site-by-site basis
- Support the provision of safe and healthy learning environments for students and staff.
- Provide for CBE-funded capital projects to meet the priorities established by our Three-Year Education Plan. These projects include program moves and expansions, software programs, and equipment used by facility operations to maintain our schools. These are the capital costs of running a school system.
- Take a system approach to budgeting, bearing in mind that all work is done in support of student learning. This means that the budget will ensure that the organization can continue to provide basic supports to comply with the Board's mandated Operational Expectations as well as legal and regulatory requirements as set out in the School Act.
- Not provide funding for Education Act implementation costs. Future impacts for changes to the Alberta Education Act, which is awaiting proclamation, are still being examined.
- Maintain the systems and processes that allow the CBE to attract, retain, and pay our employees.

- Prioritize investment in infrastructure and programs to address current challenges and anticipate future-year enrolment growth. We will continue to make critical investments, subject to ministry direction, which will position our students for success now and into the future.
- Not include a provision for new school commission costs. The CBE will continue to work with the Province regarding commissioning costs, which include furniture and equipment to prepare the new schools for students on the day they open. These costs will include preparing the learning environment with learning materials, sound systems, specialty equipment and technology. Other costs are related to the staff time (principals, assistant principals, learning leaders, school secretaries, etc.) required to engage with the new school communities, develop time-tables, and make pre-school opening curricular decisions.

As of the date of this report, no funding sources for these costs have been identified; however, we will seek additional funding from Alberta Education to cover these one-time new commissioning costs. With respect to the use of operating reserves we will seek the Board's support.

- Make prudent use of operating reserves considering the many pressures, such as new school commissioning costs and staff contract settlements
- Avoid putting the organization in fiscal jeopardy.
- Be balanced.

Revenue assumptions



Our budget revenue assumptions are:

- Alberta Education's funding formula is based on:
 - Sept. 30, 2015 enrolment
 - An increase of:
 - 1.8 per cent to the base and Home Education funding rates (to fund the wage increases under the ATA collective agreement)
 - 2.0 per cent to the Class Size funding rate.
 - 0 per cent increase to all other grant rates.
- A prudent level of reserves will be maintained to address unanticipated operational costs. Operational Expectation 5: Financial Planning requires that Administration "strive to develop and maintain an operating reserve base equal to one per cent of jurisdiction revenues, whenever possible". For the CBE, that suggests a minimum operating reserve level of \$13 million.
- We will make prudent decisions with respect to the use of operating reserves and will seek the Board's support if and when necessary. Circumstances where we would seek the Board's approval may be:
 - new school commissioning;
 - addressing implementation issues associated with the Education Act;
 - providing an initial response to in-year collective agreement changes; and
 - other emergent issues that are sure to arise as the year unfolds.
- We will apply Alberta Education targeted/restricted funding for the specified purpose, as directed.

- We will apply fees principals consistent with 2014-15 as follows:
 - All revenue from Alberta Education related to transportation, noon supervision and instructional materials and supplies (ISM) will be fully applied to the cost of these services. There will be no contribution from the instructional budget to support fee-based programs and services. Fee revenue for transportation, noon supervision, and instructional materials and supplies will fully fund the gap between Alberta Education funding and direct program costs, including waivers and bad debts.
 - Any Transportation Fee Reserve at the end of a fiscal year is applied to reduce fee levels in the following year. It is anticipated that there will be no Transportation Fee Reserve at Aug. 31, 2015. Fees will meet the cost of transportation.
 - There is no provincial funding for instructional supplies and materials or noon supervision. These programs are solely funded by student fees. In all, 50,100 Grade 1-6 students were supervised over the noon hour in CBE schools in 2014-15.

- Opportunities to grow non-Alberta Education revenue will be explored where it is consistent with our vision and values. A small team is charged with this corporate partnership work and that work will continue.

- Lease revenues from charter schools will continue to be restricted by Alberta Education. In most cases revenue is \$1 per year per school.

- Facility rental rates charged are currently set to break even (cover incremental direct costs) as set out in Administrative Regulation 8004 and by agreement with the Calgary Separate School District and the City of Calgary. The CBE will undertake a review, in conjunction with its partners, of the current facility rental model with an eye towards increasing revenue from this source.

- Revenue from the sale of CBE-owned properties, if any, will be applied to providing facilities to support student learning.

- The CBE will continue to participate in the Joint Use Agreement framework with the City of Calgary and the Calgary Separate School District respecting land and schools.

- Income earned on CBE cash balances will be assumed to accrue at a rate averaging between five and seven per cent over the medium to long term. Short-term investments will average one per cent, subject to changes in the Bank of Canada rate. Income earned on cash balances will be devoted to enhancing student outcomes.

Expense assumptions

- Certificated salaries, wages & benefits
- Non-certificated salaries, wages & benefits
- Services, contracts & supplies
- Amortization & other



Our budget expense assumptions are:

- The budget will ensure that the CBE complies with all requirements of current collective agreements including general wage increases, employee salary grid movement and benefits changes. The CBE will follow the Province's lead on future negotiations with our unions and associations.
- No funding will be provided for in-year collective agreement settlements.
- The number of superintendents will be reduced by 22 per cent (from nine to seven) with duties consolidated under the remaining positions. This will allow \$0.6 million in salaries, benefits and supplies to be allocated to other priorities.
- Administration will continue to review business processes in our service units. Where appropriate, service unit staffing reductions may occur if there are compelling business reasons to move forward with them. Any planned reductions will come to the Superintendents' Team for approval. Similarly, any hiring for new/replacement positions also needs to be approved by Superintendents' Team.
- The CBE will continue implementation of its system-wide software management strategy.
- The CBE will introduce a new model for technology replacement and refresh and move to a "break/fix" model until an alternative strategy has been implemented.
- There are no blanket provisions for inflationary increases built into the 2015-16 budget; projections for 2016-17 and 2017-18 (where presented) will include an inflationary increase of 1.6 per cent based on the five-year trend for Calgary.

- The CBE will meet all contractual obligations. All known changes in contractual obligations will be included based on current information.

Examples include:

- Significant increases in the cost of software licences and fees as well as the impact of the weaker Canadian dollar on contracts stated in US dollars.
 - Future tax and fee increases are unknown at this time.
- Where practical, the CBE will enter discussions with contracted service providers with an eye to reducing costs.
 - System administration costs will remain well below the provincially mandated cap of 3.6 per cent of total expenditures. For the CBE, which has system administration costs of approximately 2.7 per cent, this means that \$11.2 million is available to support other critical student support needs. Current projections suggest that the CBE's administrative costs in 2015-16 will be maintained at 2.7 per cent. CBE also has the lowest administration proportion of the four Alberta metro boards for 2014-15.
 - Learning Innovation and Learning Services units will be consolidated into one integrated unit under one Superintendent to ensure that our reduced resources are focused on the areas of greatest need.
 - The CBE has provided school principals with additional discretion within the Resource Allocation Method (RAM) by changing the mandate to have certain CBE staff positions. Principals are best positioned to make staffing and resource allocation decisions at the school level.
 - We will continue with deployment of technology to support the personalization of learning.
 - The CBE will face continued accommodation challenges as enrolment numbers increase and more students from outer areas are bussed to schools with available capacity. New schools are expected to open in the 2016-17 fiscal year.
 - With the support of Alberta Education, the CBE will be rolling out an upgraded Student Information System for the commencement of the 2017-18 school year.
 - CBE will face continued accommodation challenges as enrolment numbers increase and more students from outer areas are bused to schools with available capacity. New schools don't come into service until fiscal 2016-17.
 - CBE will continue to seek strategies and actions related to aspects of our service delivery within the financial resources available. It is anticipated these actions will include:

- Further integrating the provision of centralized and decentralized specialized supports and services to students, teachers and schools.
- Enhancing and integrating programs and services provided by CBe-Learn, Chinook Learning Services, Encore, Discovering Choices and our outreach services.
- Making school-based management easier by streamlining the provision of administrative services and supports to schools and moving to further standardization in non-teaching supports.
- Evaluating the current model of the RAM to schools.
- Seeking further operational efficiencies where appropriate.

Capital & student accommodation

The CBE appreciates that the government has recognized the incredible growth in our student numbers and is building many of the schools required to support the growing educational needs of our students. The Province has committed to keeping its promise to continue with the 31 major capital projects the CBE currently has underway. Those projects include new school construction, replacement school construction and major modernizations.

The new school openings beginning September 2016 will further increase cost pressures. A new school requires a principal, assistant principals, secretaries, library assistants, facility operators and other staff in support of student learning. As well, new schools consume additional utilities and require facility maintenance services. Beyond these costs, new schools need teachers, learning assistants, library assistants, as well as other services and supports to maximize student learning. Some of these will transfer from our existing facilities and some may require additional dollars to deploy. Over the next three years the CBE will support nearly 9,000 additional students.

Enrolment by Program	Actual 2014-15	Projection 2015-16	Projection 2016-17	Projection 2017-18
Pre-K & Kindergarten	9,389	9,750	10,015	10,270
Grades 1-6	51,253	53,075	55,390	57,025
Grades 7-9	22,237	22,670	23,535	24,545
Grades 10-12	26,420	26,210	25,940	26,175
Unique/Outreach	2,219	2,250	2,313	2,397
Chinook Learning Serv	2,393	2,400	2,400	2,400
Cbe-Learn	589	600	600	600
Total Enrolment	114,500	116,955	120,193	123,412
Total Annual Change		2,455	3,238	3,219
Total % Change		2.1%	2.8%	2.7%

Impacts on student learning

We expect average class size and complexity in each classroom to remain relatively consistent with those in 2014-15, subject to individual principal decisions. We also expect the teachers and schools to continue to change practices and processes guided by our Three-Year Education Plan.

While we are grateful for the Alberta Government's funding update, the funding cannot support everything that we would like to do to support student learning and our staff. Some examples of impacts on student learning include:

- Student engagement and achievement will be advanced through personalized instruction and assessment; however, innovations and supports to respond to student learning interests and needs and the changing face of education will be somewhat constrained. For example High School Success will continue without previous levels of funding.
- Existing resources will support the implementation of result for:
 - First Nations, Metis and Inuit student achievement
 - Grade 9 English Language Learners achievement on Provincial Achievement Tests (PATs)
 - Grade 9 achievement on PATs in Math and Science
- Teachers will have time and opportunity to learn together and build their collective capacity to meet student learning needs and ensure student success.
- Schools will organize for instruction and make choices about the deployment of their resources to best meet the learning needs of students. As schools prioritize for the best use of their resources, some program offerings or services may be enhanced, replaced, modified, or reduced. Staffing levels may be impacted.
- Groups of students who would most benefit from extended early learning experiences will have access to full-day kindergarten.
- Maintaining the current level of system supports for an increasing number of students with complex learning needs and the increasing complexity of needs will impact student learning and support for teachers.
- Students and teachers will have access to the learning tools, resources, and environments that help create flexible, responsive and personalized learning opportunities and support student success.
- Student learning environments will be impacted as increased costs for supplies and maintenance are not addressed. Costs throughout the system continue to outpace funding.
- The impact of school leaders on student learning is second only to the teacher in the classroom. Continued excellence in student learning

depends on our leadership strategy designed to continuously develop the competencies of all CBE staff. The implementation of the strategy will be limited.

- Some things that we would like to enhance but that are limited by this budget include fully funding the replacement and growth of technology and technology infrastructures that enhance the personalization of learning, transitioning all libraries to learning commons and purchasing equipment and resources to enhance the implementation of Career & Technology Foundations and Career & Technology Services learning opportunities.

Opportunities and risks

The single biggest opportunity presented by these assumptions is that the resulting budget will continue to support the reliable achievement of the Board's Results consistent with the values of:

- Students come first;
- Learning is our central purpose; and
- Public education serves the common good.

The assumptions included in this report were developed based on the best information currently available. A full budget report will be presented to the Board of Trustees in the fall, shortly after the Sept. 30, 2015 enrolment funding date. Given that assumptions have been made and there are uncertainties in the related estimates, there is a risk that actual results may differ. Notable risk areas include:

- The budget is lean. With the funding we have available, we made the best choices in the interest of student success.
- Actual costs may be higher than assumed. We are planning in the spring for a budget year that does not begin until September. Specific areas of concern include the cost of utilities, wages, insurance premiums and uninsured losses.
- As the deferred maintenance backlog continues to grow, our facilities will be more susceptible to extreme weather events and mechanical and structural failure. This reality could increase costs beyond assumed levels. Our capital reserve of \$21.8 million as at Aug. 31, 2014 to support our asset base is modest.
- Support services that are minimally resourced after four years of reductions beginning in 2010. Significant events or broad system changes could affect the continuity of operations.
- Changes within the *Education Act* (to be proclaimed) extend the provision of services to Albertans aged less than 22. The impact of this new cohort of students on the CBE is unknown at this time. The CBE is assuming that Alberta Education will provide additional funding to support these students.

Conclusion

These assumptions will allow us to build a budget that is balanced and stays true to our values.

This budget will allow the CBE to continue to be the strong educational system that Calgarians have come to expect.

Our choices will be guided and informed by our values of students come first, learning is our central purpose, and public education serves the common good.

The CBE, working with students, parents, stakeholders, and Alberta Education will continue to provide the best public education programs and supports possible within the financial resources made available to us.

Glossary of terms

Accumulated Operating Surplus	The school jurisdiction's residual interest in assets after deducting liabilities. Definition provided by Alberta Education.
Alberta Education revenue	All funds received from Alberta Education, including amortization of Alberta Education-funded facilities. This is sometimes referred to as provincial funding.
Base funding	Kindergarten to Grade 9 students are funded on a per-student basis and students in Grades 10 to 12 are funded based on a high school credits formula. Base funding is the largest component of funding and is provided for each eligible student, regardless of other factors that drive additional funding.
Board-funded capital	The acquisition of all capital assets other than those specifically funded by Alberta Education. This includes technology, maintenance equipment, furniture and fixtures, musical instruments, and other capital purchases.
Capital assets	These are goods that are acquired that have a useful life that extends beyond one year and are of more than minor value. For example, computers, most musical instruments, furniture, machinery, etc.
Classroom complexity	The variety of different needs of the students in a classroom
Collective agreement	An agreement between a union or association that sets out terms and conditions of employment including general wage increases, benefits, grid movement, and other employment terms.
Deferred maintenance	The practice of postponing repair and maintenance activities to property (such as school buildings) in order to save costs and/or meet budget funding levels.
Enrolment	Total number of students including those enrolled in Home Education, outreach programs and Chinook Learning Services.
Exempt employee	Employees who are not covered by a collective agreement (207 positions in 2014-15). Exempt employees do not experience grid movement. Superintendents and directors make up the minority of this group. Approximately 86 per cent of the exempt group are staff who are not in senior leadership positions. This group of employees includes, but is not limited to, administrative assistants; human resources, communications and finance personnel; business analysts; engineers; and, managers and supervisors from various service units.
Fixed cost	A cost that will not change based on fluctuations in activity.
Grid movement	The increase in the salary paid to an employee based on movement through progressive salary grid levels. The movement is based on the passage of time. Employees covered by a collective agreement may benefit from grid movement.

Operational Expectations	Policies established by the Board of Trustees by which the Chief Superintendent's performance and successful operation of the organization is evaluated
Reserves	Dollars that have been accumulated from prior years that are available to support current year projects, programs and services. Reserves can be restricted by board motion or external parties.
School-based teaching staff	Includes all certificated staff including school based administration such as principals.
Student Outcome measures	Measures against which Alberta Education accumulates data to evaluate achievement of a School Jurisdiction, including student learning achievement, safe and caring schools, preparation for lifelong learning, world of work, citizenship, parental involvement, continuous and improvement and ACOL measure. For more information, see our Annual Education Results Report
System administration	The overall management, administration and educational leadership of the CBE at the system level. Also includes Board of Trustees remuneration and office budgets. Examples include functions in human resources, finance, information technology, legal and communications that provide system-level support.
Total revenue	All funds received from Alberta Education plus all other revenues.