

Ministry of Education
School Business Support Branch
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Ministère de l'Éducation
Direction du soutien aux activités scolaires
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2007: SB17

MEMORANDUM TO: Directors of Education

FROM: Cheri Hayward
Director
School Business Support Branch

DATE: August 20, 2007

SUBJECT: Cost Study Funding Enhancements

Further to Memorandum 2007:B9, I am writing to provide additional information on cost study funding enhancements, the data required to determine enhancements and the methodology by which enhancements will be calculated.

COST STUDY- BACKGROUND

To ensure the delivery of safe, effective and efficient student transportation service, and at the request of the sector, the government engaged Deloitte & Touche LLP to conduct a cost study for school buses incorporating standards for safe vehicles and trained drivers. The cost study was released on August 13 in Memorandum 2007:SB 16 – Student Transportation – Cost Study. The cost study establishes a cost benchmark for the operation of a 72-passenger school bus. The benchmark is primarily intended to serve as a reference and resource for school boards and operators in negotiating school bus contracts.

As indicated in Memorandum 2007:SB16, the results of the cost study are not intended to set a provincial contract rate. There are a number of variables included in this study that will vary from board to board, including (but not limited to) average daily kilometres, average age of the vehicles in use, number of operating days and the way in which operators are compensated for fuel.

FUNDING ENHANCEMENTS

Subsequent to the cost study release, the government announced an estimated \$12M in one-time additional funding for the 2007-08 school year. This funding is intended to support boards in areas of the province where current contract rates are below the cost benchmark, when adjusted to reflect local circumstances. The additional funding will increase the financial capacity of boards to provide safe and effective transportation services.

The Ministry used contract data from the 2006-07 Student Transportation Survey to prepare preliminary projections for the estimated \$12 million funding adjustments. The Ministry calculated the percentage difference between average contract rates

and cost benchmark rates weighted to reflect local average daily kilometres. Where average rates were less than the weighted benchmark, the percentage difference in contract rates was applied to 80% of total board transportation expenditures. The resulting value, net of any board surplus, was used as the projected board-level enhancement (see Appendix A for an example). A breakdown of the board by board projected amounts are tabled in Appendix B.

The survey data represents a snapshot of transportation operations on October 31, 2006. Thus, it is possible that the reported contract expenditures did not reflect all payments to operators made in the 2006-07 school year. In particular, year-end payments for items such as fuel may not be reflected in the reported survey data. Boards and operators are advised to use these projections with caution pending confirmation of eligibility for 2007-08 funding. In particular, it is possible that a board with a projected enhancement may not actually be eligible for funding. Conversely, a board not projected for any enhancement may be eligible based on their revised data to be submitted to the Ministry.

In order to confirm eligibility for the 2007-08 one-time funding enhancements, the Ministry will initiate a data collection process to obtain accurate 2006-07 contract information from school boards. Details regarding the data collection process are included below.

It should be noted that the cost benchmark study is one of three major components in the transportation funding reform process. Any funding enhancements provided as a result of the cost study are intended primarily to increase the financial capacity of boards to enter into contracts for the provision of safe and effective transportation services.

Other aspects of student transportation operations, including consortium management, policies and practices, routing and technology use, contract structure and contract procurement will be examined as part of the on-going Effectiveness & Efficiency (E&E) review process. As was the case in 2006-07, funding adjustments to address these areas will be made following E&E reviews. Boards and operators are encouraged to read the E&E review reports as they are made available.

DATA COLLECTION

Not all boards will be eligible for cost study funding enhancements. In order to confirm eligibility for funding, the Ministry will provide boards with an electronic reporting template that will allow boards to determine their weighted cost benchmark by entering five pieces of data (detailed below). Boards that wish to receive funding enhancements will be required to send their completed reporting template, with sign-off from the Senior Business Official (or designate), to the Ministry. The Ministry will then review submitted data and follow up, if necessary, before calculating specific funding amounts. The Ministry will reserve the right to audit submitted data before funding enhancements are provided. Submissions from boards should be sent to student.transportation@ontario.ca no later than **December 31, 2007**.

For each site in their jurisdiction, boards that wish to receive funding enhancements will be required to gather and verify the following information for submission to the Ministry:

1. Total 2006-07 expenditures on 72-passenger school buses
 - Include all payments to operators for AM/PM transportation including any additional payments for items such as fuel (one-time year-end enhancement) and driver training.
 - Do not include noon-hour transportation costs, board-owned vehicle costs, or expenditures on buses adapted for wheelchair use.
 - For boards that purchase service from another school board or consortium, this refers to vehicle payments made indirectly to the operators through the school board or consortium who holds the contract with the operators; administrative expenditures charged as part of the purchase of service agreement should be excluded.
2. Number of 72-passenger school buses used in 2006-07
 - The number of vehicles should align with the total expenditures reported in (1) above; shared buses should be counted in a way that reflects the percentage of the bus that is paid for by the board.
 - Include 72-passenger school buses used in the provision of AM/PM transportation; exclude buses used for noon-hour transportation, board-owned buses and buses adapted for wheelchair use.
3. Total daily kilometres for 72-passenger school buses paid in 2006-07
 - The total paid daily kilometres should align with the total expenditures reported in (1) above; kilometres driven by shared buses should be counted in a way that reflects the percentage of the bus that is paid for by the board.
 - Include paid daily kilometres for 72-passenger school buses used in the provision of AM/PM transportation; exclude kilometres paid for noon-hour transportation, board-owned buses and buses adapted for wheelchair use.
 - For contracts that do not pay on a per kilometre basis, include the total daily route kilometres driven by all vehicles reported in (2) above.
4. Number of paid operating days in 2006-07
 - Include the total number of school days in which the board paid contracted operators to run school bus service during the 2006-07 school year.
 - Indicate the number of days in which a partial payment was provided, and the approximate percentage of payment that was provided (e.g. inclement weather days).
 - Provide reasons if the number of operating days is more than 188; for example - school calendars do not align for three professional activity days.
5. Total 2006-07 site-level student transportation expenditures
 - Include all final 2006-07 transportation expenditures, broken down by site; exclude expenditures for provincial schools transportation
 - Total site expenditure cannot be less than the total expenditure on 72-passenger school buses referred to (1) above.

- The sum of all site-level student transportation expenditures for a given board should reconcile with the total student transportation expenditures (net of provincial schools transportation) that will be submitted to the Ministry as part of the boards audited financial statements

A sample reporting template is included in Appendix C. An electronic copy of the Reporting Template will be available on the Student Transportation website:

<http://transport.edu.gov.on.ca/>.

CALCULATION OF FUNDING ENHANCEMENTS

The Ministry will compare boards' 2006-07 contract rates to the cost benchmark with adjustments for average kilometres travelled. In boards with multiple consortium partners, adjustments may also be provided to recognize additional operating days due to differences in school board calendars. Also, it is the intention of the Ministry that any enhancements will be net of boards' transportation surplus.

Enhancements will be provided as one-time funding for the 2007-08 school year.

APPLICATION OF FUNDING ENHANCEMENTS

Funding enhancements will be based on average contract rates from the 2006-07 school year. In areas where contract rates have been changed for 2007-08, boards and operators should consider current contract rates in relation to 2006-07 contract rates when determining how funding enhancements will be applied. Also, the assumptions in the cost benchmark study should be carefully compared to local circumstances and service levels. It is the expectation of the Ministry that the application of any funding enhancements will ultimately provide stability and improve service to students.

FUNDING FOR 2008-09

This funding may be continued in 2008-09 and future years where boards have a consortium plan approved by the Consortia Plan Review Team indicating that the Board will be in full consortium status by the September 2008 deadline.

NEXT STEPS

COSBO, OASBO and OSBA have indicated interest and support for further work on bus contracting practices in light of the recommendations put forward by the E&E Review Team. The Ministry will convene a committee to provide a forum for information sharing and discussion. Further information about this committee will be forthcoming in the near future.

If you have any questions or comments regarding the cost study or the student transportation reforms please contact Sandy Chan at (416) 325-2464, or sandy.chan@ontario.ca.

A handwritten signature in black ink that reads "Cheri Hayward". The signature is written in a cursive, flowing style.

Cheri Hayward
Director
School Business Support Branch

Cc: Superintendents of Business
Transportation Managers
Ontario School Bus Association

Attachment

Appendix A: Projected Funding Enhancement Sample Calculation

Name	Identifier	Method of Calculation	Fictional Sample Value
Weighted Benchmark for Site	A	<p>Calculated using the values included in the Cost Benchmark Study Report, with fuel and maintenance costs adjusted based on Average Paid Daily kms on Full-Size Buses reported in survey.</p> <p>For urban sites, the weighted benchmark (WB) can be calculated using the Average Paid Daily kms on Full-Sized Buses (k) with the following formula: $WB = 29,300 + 122k$</p> <p>For rural sites, the variable component of the formula is changed to reflect a slight increase in the cost of fuel: $WB = 29,300 + 123k$</p> <p>Note that these formulae yield weighted benchmarks of \$41,500 for urban and \$41,600 for rural when $k=100$.</p>	<p>Urban site;</p> <p>$k = 84$;</p> <p>Weighted Benchmark for Site = \$39,548</p>
2006-07 Average Contract Rate in Site	B	<p>2006-07 Transportation Survey data was used to obtain: Total reported expenditure on full-size buses; and Total reported number of full-size buses.</p> <p>Average contract rate was the total expenditure divided by total number of buses.</p>	\$37 800
Difference	C	A - B	\$1 748
% Difference	D	C / B	4.6%
2006-07 Expenditure in Site	E	2006-07 Revised Estimates of Board-level expenditures (pro-rated by number of vehicles in site, if required)	\$8 000 000
Expenditure Potentially Eligible for Enhancement	F	$80\% \times E$	\$6 400 000
Potential Cost Study Funding Enhancement in Site	G	$D \times F$	\$295 958
For boards with multiple sites, A through G would be calculated for each site and the resulting site-level Potential Cost Study Funding Enhancements would be added to arrive at a board-level Potential Cost Study Funding Enhancement			
Board-Level Transportation Surplus	H	<p>2006-07 Revised Estimates of Board-level Net Expenditures - Board-level Allocation (net of Provincial School);</p> <p>(Boards with a 2006-07 transportation deficit would have H equals to "0" and not be affected in this calculation)</p>	\$100 000
Projected Board-Level Funding Enhancement	I	$G - H$	\$195 958

Appendix B: Projected Cost Study Funding Enhancements

NOTE: These projections are subject to change based on data submitted by boards

BOARD	Projected 2007-08 Cost Benchmark Funding Enhancement
Algoma DSB	\$0
Algonquin and Lakeshore Catholic DSB	\$92 077
Avon Maitland DSB	\$0
Bluewater DSB	\$385 489
Brant Haldimand Norfolk Catholic DSB	\$0
Bruce-Grey Catholic DSB	\$90 437
Catholic DSB of Eastern Ontario	\$0
Conseil des écoles catholiques de langue française du Centre-Est	\$31 488
Conseil des écoles publiques de l'Est de l'Ontario	\$169 291
CSD catholique Centre-Sud	\$22 038
CSD catholique de Nouvel-Ontario	\$0
CSD catholique des Aurores boréales	\$0
CSD catholique des Grandes Rivières	\$0
CSD catholique Franco-Nord	\$223 859
CSD catholiques de l'est Ontarien	\$752 832
CSD des écoles catholiques du Sud-Ouest	\$250 654
CSD du Centre Sud-Ouest	\$88 830
CSD du Grand Nord de l'Ontario	\$0
CSD du Nord-Est de l'Ontario	\$75 223
DSB of Niagara	\$51 483
DSB Ontario North East	\$318 029
Dufferin Peel Catholic DSB	\$0
Durham Catholic DSB	\$116 998
Durham DSB	\$0
Grand Erie DSB	\$68
Greater Essex County DSB	\$244 141
Halton Catholic DSB	\$0
Halton DSB	\$0
Hamilton-Wentworth Catholic DSB	\$362 339
Hamilton-Wentworth DSB	\$657 424
Hastings and Prince Edward DSB	\$133 755
Huron-Perth Catholic DSB	\$0
Huron-Superior Catholic DSB	\$0
Kawartha Pine Ridge DSB	\$748 947
Keewatin-Patricia DSB	\$0
Kenora Catholic DSB	\$0

BOARD	Projected 2007-08 Cost Benchmark Funding Enhancement
Lakehead DSB	\$0
Lambton Kent DSB	\$90 510
Limestone DSB	\$142 202
London District Catholic SB	\$1 019 348
Near North DSB	\$595 220
Niagara Catholic DSB	\$31 166
Nipissing-Parry Sound Catholic DSB	\$129 663
Northeastern Catholic DSB	\$122 976
Northwest Catholic DSB	\$0
Ottawa-Carleton Catholic DSB	\$0
Ottawa-Carleton DSB	\$0
Peel DSB	\$0
Peterborough Victoria Northumberland Clarington Catholic DSB	\$0
Rainbow DSB	\$0
Rainy River DSB	\$0
Renfrew County Catholic DSB	\$375 921
Renfrew County DSB	\$680 917
Simcoe County DSB	\$155 120
Simcoe Muskoka Catholic DSB	\$0
St. Clair Catholic DSB	\$19 591
Sudbury Catholic DSB	\$0
Superior North Catholic DSB	\$0
Superior-Greenstone DSB	\$0
Thames Valley DSB	\$2 849 050
Thunder Bay Catholic DSB	\$0
Toronto Catholic DSB	\$0
Toronto DSB	\$0
Trillium Lakelands DSB	\$513 416
Upper Canada DSB	\$0
Upper Grand DSB	\$0
Waterloo Catholic DSB	\$0
Waterloo Region DSB	\$0
Wellington Catholic DSB	\$0
Windsor-Essex Catholic DSB	\$0
York Catholic DSB	\$0
York Region DSB	\$0

Appendix C: Sample Reporting Template

Site (Consortium Name)	Total Expenditures on 72-Passenger Buses	Number of 72-Passenger Buses	Total Paid Kilometres for 72-Passenger Buses	Number of Paid Operating Days	Total Site Expenditures (2006-07)	Comments regarding Data