

MEMORANDUM

DATE: May 18, 2021
TO: Members of the Alexandria City School Board
FROM: Budget Advisory Council
Erin Dahlin (Chair); Nancy Drane (Secretary); Selena El Hajji; Sean McEnearney; Sukumar Rao
SUBJECT: Budget Process Report
CC: Dominic Turner, ACPS Chief of Financial Services
Robert Easley, ACPS Director of Budget, Financial Systems, and Reporting
Kathy Stenzel, Alexandria City Budget and Fiscal Affairs Advisory Committee

The Alexandria City School Board Budget Advisory Committee (“BAC”) presents the following report and recommendations to members of the Alexandria City School Board (“Board”) in furtherance of BAC’s 2020-2021 proposed scope of work.

Background

During its 2019-2020 term, BAC surveyed the Board for input on ways that BAC could support its efforts, with the expectation that this feedback would inform BAC’s 2020-2021 scope of work. One of the issues Board members identified was the relative sequencing of the Board’s and Alexandria City Council’s (“Council”) budget review and approval. Several Board members voiced concern that the Board’s role in approving the Superintendent’s proposed budget had been devalued over time because the Alexandria City Manager typically releases his proposed budget to the Council (including the ACPS appropriation) *before* the Board is scheduled to approve the Superintendent’s proposed budget. This was described as problematic because: (1) a Board vote adjusting the Superintendent’s proposed budget *after* the City Manager’s budget is released would be practically difficult, if not impossible, to implement; (2) that it undermined one of the primary roles and functions of the School Board, to review and approve the budget; and (3) that optically, having the City Manager saying that he’s “met ACPS’ request 100%” when the School Board has not actually approved the budget diminishes the Board’s role and autonomy. Board members noted that in recent years, this concern was less acute because the Board was sufficiently aligned with the Superintendent on the budget request, but that if that were not the case, it could be highly problematic – and that as a best practice, it should be corrected.

Board members shared that this concern had been discussed over many years both internally within the Board and during joint Board-Council discussions, but that cited challenges in aligning the schedules effectively deemed the problem “too difficult” to solve. During the Ad Hoc Joint City-Schools Facility Investment Task Force meetings, reference to the a 2007 recommendation to establish budget targets for the Schools was referenced in an available BFAAC memo, this memo provided a history lesson, of sorts, on how the city and schools budget timelines have evolved as a result of hugely misaligned processes in the past. [Insert reference to Joint Task Force.] Board

Formatted: Font: (Default) Calibri, 11.5 pt

Formatted: Font: (Default) Calibri, 11.5 pt

Commented [1]: <https://www.alexandriava.gov/uploadedFiles/planning/info/BFAACReport041207.pdf>

Formatted: Not Highlight

Formatted: Not Highlight

Formatted: Not Highlight

Commented [2]: Need to ask if current board members are aware of this history from 2005-2007

Formatted: Not Highlight

members thus asked BAC to examine the issue with “fresh eyes,” and endeavor to identify potential ways to streamline the budget process in order to allow for more optimal alignment between the Board and Council calendars. BAC agreed, and incorporated this into its 2020-2021 Scope of Work. (*Appendix A*)

Goals

BAC’s goal in taking on this work was to determine whether there is a way for the Board to develop a more streamlined, efficient budget process. While the concerns addressed above were the primary impetus for seeking this examination, BAC endeavored to look at the budget process holistically. In BAC’s view, the most pressing issues to be explored included:

- an overview of the ACPS budget¹ process and identification of sequencing concerns with the City budget calendar;
- identification and exploration of the most significant impediments to aligning the Board and City budget calendars;
- comparisons with other neighboring or comparable jurisdictions’ budget calendars; and
- identification of potential recommendations for a more streamlined, efficient Board budget process, with the related costs/benefits identified.

While one option might be to ask the City to adjust its calendar, BAC endeavored to identify adjustments that were within ACPS and Board control, and thus easier to implement. BAC explored these issues through discussions with individual Board members, ACPS finance staff, and through comparison with neighboring or comparable jurisdictions identified in consultation with ACPS finance staff. BAC’s goal was to be guided by principles of efficiency and “working smarter, not harder,” knowing that having a simpler process often leads to better engagement.

Overview of ACPS Budget Process and Streamlining Opportunities

BAC conferred with ACPS budget finance staff to seek their qualitative assessment of the budget process. Generally, ACPS budget finance staff shared that the Board’s deliberation of the budget feels “compressed” to them. In fact, ACPS staff urged BAC to consider whether the Board might move the approval vote to an even later date in order to allow for more time for Board deliberation. At the same time, during discussions, ACPS budget finance staff expressed an openness to streamlining certain parts of the process to promote efficiency, as discussed below.

While the ACPS budget calendar (*Appendix B*) speaks for itself, we have included this short summary of the budget development process, incorporating a discussion of some of the external factors that play a role in the timeline.

Brief Overview of the ACPS Budget Process

¹ For the purposes of this effort, BAC was focused on the Board’s Combined Funds budget process and not the Capital Improvement Projects (“CIP”) budget process. Since the Board’s review of the CIP occurs in November and December, it doesn’t raise the same sequencing concerns. ~~It seemed prudent to focus instead on the Combined Funds budget process.~~ That said, we do note that adjustments to the CIP budget review might allow more time for the Combined Funds budget review. **[DOES EVERYONE AGREE WITH THIS FOCUS?]**

Commented [3]: Robert - It would be great if you could review this section and suggest any corrections that are needed.

ACPS budget finance staff generally begins the budget process during the month of July. During the month of August, ACPS budget finance staff meet with Board members in two-by-two meetings to provide introductory, 'budget 101' information to get the process started. Separately, an ACPS health benefits committee convenes during the summer months to consider whether there will be any recommended benefits-related changes to incorporate into the budget.² This is a critical piece, since such a high percentage of the ACPS operating budget is dedicated to staff compensation and benefits.

The Board typically holds a retreat/work session in late August to set substantive budget priorities and rules of engagement for the budget process. This budget priority work session is guided by a comprehensive set of materials prepared by ACPS staff, including achievement data, and is reflective of the Board's strategic vision. Several related work sessions follow in early September before the priorities and rules of engagement are formally adopted by the Board. These, then, guide the development of the ACPS budget.

After budget priorities are set, ACPS budget finance staff meet with ACPS principals and staff to promote and support the development of budget requests reflective of those priorities. These budget requests are received by ACPS budget finance staff during the month of October. Also during October, the Board holds a public hearing (it was on October 1, 2020, the same day as the budget priorities are adopted), and ACPS budget finance staff traditionally holds a Community Budget Forum to preview the budget process for that year and the priorities that will guide the budget process (it was on October 19, 2020).

Several other pieces of critical information are received by ACPS budget finance staff during the months of October and November. Despite being targeted to arrive in late-September, it is usually during the month of October that ACPS receives "actual enrollment" or average daily membership (ADM) data. This data guides Virginia state funding projections for the fiscal year, which make up about \$50M of the total ACPS Operating budget (close to \$300M in FY21). The City's budget guidance, which typically comes out at the end of October or beginning of November following a Council retreat, is another critical piece of information since City funds formulate approximately 75% of the total budget. Finally, enrollment projections are usually received the first or second week of November.³ ACPS staff complete as much of the draft budget as they can without these projections, but they are needed in order to finalize the draft budget. ACPS budget finance staff noted that inputting the enrollment numbers is not as simple as it might seem, and that principals often need to go back to their staffing plans to readjust not just classroom, but other positions. During the months of November and December, ACPS budget finance staff work on reviewing and refining budget proposals and compiling them into a workable budget proposal.

It is during this same time that the Capital Improvement Plan ("CIP") is considered by the Board. This is handled separately from the Combined Funds budget and in the ACPS budget finance staff's view, more straightforward as it is a five-year document. The Superintendent typically presents the proposed CIP in November (during a regular Board meeting), followed by two Board work sessions,

² This work actually begins earlier in the Spring, when ACPS works with a third-party consultant to develop and refine benefits projections.

³ Note: In 2020, these were received during the last week of November/first week of December due to pandemic-related delays.

Commented [4]: There are at least five Board sessions devoted to setting priorities, budget engagement rules, etc. in August, September, October. Is this necessary? Could it be an opportunity for streamlining? (See events from 8/27/20 to 10/1/20)

Commented [5R4]: There is retreat on 8/27, work session on 9/10, adoption of calendar, process on 9/17, fiscal forecast work session on 9/17, and adoption of budget priorities on 10/1.

Commented [6]: Should this be "Combined Funds" or "Operating"

~~two add/delete sessions~~, a public hearing (held on the same day as one of the work sessions), ~~two add/delete sessions~~, and ultimately, the adoption of the CIP in mid-December.

The Superintendent's combined funds budget proposal is typically released in early January, accompanied by a comprehensive "budget book." ACPS budget ~~finance~~ staff continue to support the Superintendent and the Board during the months of January and February through a series of two work sessions, ~~two add/delete sessions, and two~~one public hearings (~~both on the same dates as regular Board meetings held separately from any other Board work session~~), and ~~two add/delete sessions~~, culminating in the Board's vote on the proposed budget with any amendments in mid-February. As noted above, this vote typically occurs after the City Manager has released his proposed budget (including the ACPS allocation). For example, in 2020 the City Manager released his proposed budget to the Council on February 16 and the Board adopted the ACPS Combined Funds budget on February 18.

Attention then turns to the Council's budget process. The Council typically votes on its budget in mid-April. The Board then reconsiders the Superintendent's adjusted CIP and Combined Funds budgets in light of the Council's appropriation. The Board holds one work session, one add/delete session, another public hearing (on the same date as one of the Board work sessions) and then ultimately adopts the adjusted budgets in early June.

Coordination with City Staff

ACPS staff noted that there is robust City-Schools coordination throughout the year. The Superintendent and the City Manager meet bi-weekly, and the ACPS Chief Financial Officer ~~Finance Director~~ meets frequently with the Deputy City Manager and has direct access to the Director of the Office of Management and Budget. These conversations, particularly among budget ~~finance~~ staff, accelerate in October and throughout the remainder of the budget process. Similarly, there are frequent opportunities for Council and Board leadership to meet throughout the year, including formal joint Council-Board sessions and a 'City-Schools subcommittee,' comprised of elected and staff leadership. A joint Council-Board budget work session occurs in late February (after the release of the City Manager's proposed budget).

Streamlining Opportunities

BAC explored opportunities for streamlining the budget process with ACPS budget ~~finance~~ staff, beginning with the budget development process. ACPS budget ~~finance~~ staff noted several downsides to trying to shorten the timeline leading up to the Superintendent's proposed budget release, going so far as to say it would be practically "impossible." One cited risk of shortening the budget development timeline would be to reduce opportunities for staff engagement. ACPS budget ~~finance~~ staff described a robust, deliberative process between its office and other ACPS leaders as the budget is refined and developed. Faced with a reduced timeline, ACPS budget ~~finance~~ staff might need to make quicker, final decisions on smaller questions where otherwise they'd prefer to engage with responsible staff. In making this point, ACPS budget ~~finance~~ staff noted that even budgetary decisions that appear data or formula driven can have nuances with respect to staffing or individual school needs that they like to have time to assess with staff.

Commented [7]: Are two work sessions and add/delete sessions necessary here? Could there be one work session, a public hearing, deadline for Board questions, and then one add/delete? (Alternatively, could you do public hearing, questions, work session, and then add/delete?) This might not result in a change in the CF budget release, but ease burden on finance staff during this busy period.

Commented [8]: Are two work sessions and add/delete sessions necessary here? Could there be one work session, a public hearing, deadline for Board questions, and then one add/delete? (Alternatively, could you do public hearing, questions, work session, and then add/delete?) This might not result in a change in the CF budget release, but ease burden on finance staff during this busy period.

Commented [9]: Could the public hearing be combined with an existing hearing - maybe the first work session? Is there a need for two add/delete sessions?

Commented [10]: Could the public hearing be combined with an existing hearing - maybe the first work session? Is there a need for two add/delete sessions?

ACPS budget finance staff also voiced concern about its capacity to move the budget more quickly. As it is, the ACPS budget finance staff is hard pressed to complete the 500 page “budget book” and related materials by the Superintendent’s early January release, and this requires working over the winter break. If ACPS budget finance staff were forced to move the release of the Superintendent’s proposed budget to December (a month earlier) it’d only have 3-4 weeks from the receipt of enrollment figures and other key data received in November (if timely received) to put together 75% of the budget and publish a 500 page document. ACPS budget finance staff raised concerns that this would necessarily impact the quality of the proposed budget, with less time to do due diligence on budget items, develop justifications for budget changes, solicit feedback from ACPS staff and other stakeholders, and do a true analysis. In sum, they felt that the quality of the budget might be compromised by pushing it back into December.

Commented [11]: It should be noted that this length of budget book for just ACPS, rivals other jurisdictions entire budget for city and schools.

In BAC’s view, the availability of key data does seem a significant barrier to moving the Superintendent’s budget release much earlier. That said, there may be opportunities for streamlining that would free up ACPS budget finance staff to work on the Combined Funds budget and result in some time savings. For example, there may be opportunities to consolidate the budget priorities and engagement guidance process in the early Fall. ACPS budget finance staff mentioned that moving the CIP budget process earlier might also open up some additional staff time to work on the operating budget. This could be feasible since there is not as much dramatic movement from year to year in the CIP budget.

In contrast, ACPS budget finance staff felt that looking for efficiencies in the timeline after the budget is presented in January would be a more promising area to examine.

In Section D of the School Boards policies, Board policy⁴ DB requires at least one work session and at least one public hearing. For FY22, for the CIP budget there were two work sessions, two add/delete sessions, and a public hearing (held on the same day as one of the work sessions). For the Combined Funds budget, there were another two work sessions, two add/delete sessions, and one public hearing (held separately from any other Board work session). In addition, there is a public hearing, work session, and add/delete session scheduled for the adjusted CIP and Combined Funds budgets (after the City’s budget is finalized).

Commented [12]: We need to pull this policy and incorporate the specifics into this sentence.

Commented [13R12]: <https://www.acps.k12.va.us/cms/lib/VA01918616/Centricity/Shared/documents/school-board-policies/db.pdf>

ACPS staff noted that public hearings can be hard to place. Board members have found it important to have public hearings early on, in advance of their opportunity to ask questions, so that their questions can be informed by feedback from the community. This has been viewed as preferable to holding them during or after the add/delete process, which leaves little time or opportunity to react to public comments. Another observation is that multiple public hearings on the budget are perhaps unnecessary, since there is an opportunity to provide public comment at every Board meeting. This year, the Board wanted to do two public hearings, at least one before add/deletes. Finally, while add/deletes are often scheduled for multiple meetings, the second add/delete is often unnecessary.

Commented [14]: Need to check this - don't see two public hearings on the published calendar.

Commented [15R14]: There were public hearings scheduled on Jan21 and Feb 4 – plus additional ones on CIP in November/December.

Commented [16R14]: Yes - sorry. I just figured out how I missed this.

With the opportunity for virtual community engagement, the board could consider eliminating one public hearing and looking for alternative ways of asking for community input. We believe this also meets the School Boards stated equity and inclusion goal, giving parents and community members

⁴ Policy DB (add cite)

multiple ways to engage that do not require physically showing up for a budget hearing would allow for more equitable access to providing feedback to the School Board.

On the question of alignment with the City calendar, ACPS staff observed that Board approval would have to move up significantly to be meaningful. A Board vote just a few days before the City Manager's proposed budget release, which might be viewed as symbolically important, is unlikely to provide any meaningful opportunity to change the trajectory of budget decision-making. In reality, the City's budget is well into its development even before the Superintendent releases his budget in early-January, and ACPS represents approximately 1/3 of that budget. The City would be unlikely to make large changes to the budget unless it had significant lead time. For example, if the Board votes and asks for an additional \$10M more than what the Superintendent proposes, the City might be hard pressed to make that change in January or February. They'd need to approve that kind of increase earlier. However, the Council does have the opportunity to reallocate or identify additional revenue through its own budget process after the City Manager's budget is released. For that reason, a Board budget that exceeded the Superintendent's proposed budget might still be considered by the Council. As discussed below, these dynamics make frequent and open communication between ACPS and the City all the more important.

Comparison with other Jurisdictions

BAC examined the school budget process in four neighboring or comparable jurisdictions that were identified in consultation with ACPS budget finance staff: Arlington County, Fairfax County, City of Newport News, and City of Richmond. BAC's examination was focused generally on timing and sequencing of budget decision-making by School Board and City/County officials and the components of the budget process, and specifically on the following areas:

1. review of budget calendar(s) with attention to key dates including the release of the proposed budget by the Superintendent to the School Board; School Board vote on Superintendent's proposed budget; release of City/County proposed budget by City Manager/County Executive or equivalent; City/County vote on final budget;
2. formal interplay between School Board and City/County around budget setting (e.g., joint budget work sessions, meetings, etc.);
3. level of public engagement during School Board budget process (e.g., community budget forum, public hearings, etc.);
4. rules of engagement for budget process (e.g., add/deletes, etc.); and
5. whether, how and when budget priority setting is made and how it is incorporated into budget planning and decision making.

A detailed chart summarizing BAC's findings on some of these questions is attached (*Appendix C*) as are other related materials (*Appendix D* - Arlington County; *Appendix E* - Fairfax County; *Appendix F* - City of Newport News; and *Appendix G* - City of Richmond). BAC's examination was almost exclusively based on publicly available information. BAC made some general observations of how Alexandria's process compares to the other jurisdictions studied, including the following:

- In terms of setting budget priorities, Alexandria's timeline is fairly comparable to the other jurisdictions we studied.
- Some jurisdictions have a fairly truncated deliberation process. For example, the City of Richmond only examines the Superintendent's proposed budget for about one month

before it is approved and sent on to the Mayor. [We discussed this, but our Board only has about a month as well.]

- The date that the Superintendent releases his or her budget to the School Board is fairly similar across jurisdictions. For example, for FY22 the Alexandria and Fairfax County Superintendents released proposed budgets on the same date (January 7). In Arlington and the City of Richmond, the Superintendent releases his or her budget in late February.
- Alexandria is somewhat of an outlier in having the School Board approve the Superintendent's proposed budget *after* the general budget is proposed by the City Manager/Executive to the City/County governing body. For example, the Fairfax County School Board approves its budget five days before the County Executive releases the County proposed budget, and the City of Richmond School Board also adopts its budget before submission to the City Council for inclusion in the Mayor's budget proposal. However, in Arlington County, it appears that the County budget is proposed a few days before the Superintendent issues the school budget.
- In general, Alexandria's budget process appears quite complex; compare the ACPS calendar to the Fairfax County calendar, for example.
- Alexandria's budget calendar offers more formal opportunities for public engagement during the budget process. For example, the Alexandria School Board holds approximately 5 budget-related public hearings plus a Community Budget Forum. In contrast, the City of Richmond offers only one public hearing before its School Board, but offers other opportunities for public engagement through the City's budget process. Arlington appears to have 3 public hearings, with Fairfax offering 3-5 hearings (they schedule one and set aside an additional hearing, if needed).
- It also appears that Alexandria includes more work and related sessions than other jurisdictions. For example, Alexandria holds 10 budget related work sessions, as opposed to 6 for Arlington and 7 in Fairfax County.
- It appears that Alexandria's budget calendar offers more formal opportunities for the School Board and Council to meet around budget setting (e.g., priority setting, joint budget work sessions, meetings, etc.).
- There were some differences in how capital budget decisions were made.

Recommendations

- The Board should consider adopting a budget calendar that allows for a Board vote on the Superintendent's proposed budget before the City Manager presents his or her budget to the Council. Every effort should be made to schedule the Board's vote as far in advance of the City Manager's budget release as possible in order to be meaningful. It is BAC's view that this sequencing is in keeping with and will reinforce the Board's appropriate governance role, allow for genuine Board feedback on the Superintendent's proposed budget, and demonstrate to the Council and the community that the school team (both staff and Board) is aligned in the assessment of its needs.
- The Board should continue to have robust engagement with the Council on budget related issues both before and during the budget process. Not only is this level of public engagement good governance, but it allows the Board to communicate frequently with the Council on its budget views and preview any discussions that might occur during the approval process for the Superintendent's proposed budget – knowing that the time between that vote and the release of the City Manager's budget will be short, even if better

aligned. Most importantly, if the Board is interested in pursuing a big fluctuation from the prior year, it would behoove the Superintendent and Board to preview that to the City Manager and City Council as early as possible to allow for planning.

- ACPS' practice appears to be to produce proposed budgets that generally comport with the budget guidance issued by the City in the fall. While this ensures a narrowly tailored budget that fits within the funds that can reasonably be expected to be available to ACPS, it doesn't allow for the identification of additional or expanded budget items that might be pursued should there be additional funding. As noted above, the Council does have opportunities to raise revenue through its budget process that, theoretically, could be utilized to expand ACPS' budget in order to fund additional budget items. ACPS should consider preparing a list of "reach" items beyond the Superintendent's proposed budget that could be pursued with additional funding. In BAC's view, this would be an invaluable tool for the Board, community members, and individual Councilmembers as they engaged in City-level public engagement on the budget.
- The Board should revamp its public engagement on budget issues to be more equitably accessible, meaningful, and efficient. On this latter point, it is BAC's view that these efficiencies – while independently valuable – could also create opportunities to streamline the budget calendar to allow for the alignment referenced above. It may seem counter-intuitive to reduce public engagement on an item as critical as the school budget, but in BAC's view, "bigger is not better." ACPS public engagement opportunities like the Community Budget Forum and public hearings on the budget are poorly attended and participation skewed heavily in favor of a particular demographic. BAC's view is that being more strategic, deliberate, and targeted with public engagement might yield better results. Further, equity demands engagement opportunities other than formal public hearings.

Some recommendations include:

- ACPS should use online tools like a survey/comment page on Division's budget page (e.g., Fairfax County and Newport News) to solicit feedback on the budget;
- ACPS should engage with the FACE Center or PTAs to push out budget information and solicit feedback on the budget;
- ACPS should continue to accept written comments (in lieu of live testimony) from ACPS families during Board meetings and public hearings and allow for video participation rather than in-person testimony;
- The Community Budget Forum has been a missed opportunity for public engagement and should be revamped if continued – ACPS budget finance staff should consider partnering with the FACE Center, PTAC, or other entities to gain feedback on program format and ideas for generating interest and participation;
- Generally, public engagement opportunities are often poorly noticed to the public - participation in these public engagement tools should be sought from ACPS families well in advance using email and text and more on-the-ground outreach, such as through the FACE Center and PTAs;
- If it had a full complement of members, BAC might also be utilized to solicit and synthesize public feedback on the budget and then submit to the School Board for its consideration.
- Note: there is a requirement to have 1 public hearing for CIP and 1 public hearing for Combined Funds.

- ACPS budget finance staff has made positive improvements to the website in the past several years – ACPS should continue to pair the public engagement opportunities listed above with robust public information on budget-related issues (e.g., interactive and educational materials on ACPS budget web page);
- ACPS' efforts to improve its budget-related communications through use of short, digestible fact sheets and on the budget "telling a story," etc. should be pursued;
- The development of the budget book requires significant staff time. Further, at nearly 500 pages, the budget book is challenging for the public (and presumably Board members) to digest. In consultation with the Board, ACPS budget finance staff should consider whether a streamlined version of the budget book might be possible.
- ACPS budget finance staff, in consultation with the Board, should consider streamlining the budget calendar as follows:
 - Priority Setting and Rules of Engagement [insert specific ideas]
 - CIP budget [insert specific ideas]
 - Combined Funds budget [insert specific ideas]
 - Adjusted CIP and Combined Funds budgets [insert specific ideas]

Conclusion

BAC is pleased to submit this information to the Board for its consideration. We stand ready to support the Board and ACPS finance staff as it pursues planning towards its FY23 budget process and beyond.

APPENDICES

- A BAC 2020-2021 Scope of Work (includes BAC Report on Budget Feedback)
- B ACPS Budget Calendar FY22, FY21, FY20
- C Comparison Chart – City of Alexandria and Other Jurisdictions
- D Arlington County Materials
- E Fairfax County Materials
- F City of Newport News Materials
- G City of Richmond Materials

DRAFT