

Date: May 18, 2017

For ACTION \_\_\_\_\_

For INFORMATION  X

Board Agenda: Yes  X   
No \_\_\_\_\_

**FROM:** Clarence E. Stukes, Chief Operating Officer  
Michael R. Herbstman, Chief Financial Officer

**THROUGH:** Alvin L. Crawley, Ed.D., Superintendent of Schools

**TO:** The Honorable Ramee A. Gentry, Chair, and Members of the Alexandria City School Board

**TOPIC:** FY 2018 Combined-Funds Budget and Capital Improvement Program Budget – Preliminary Add-Delete Session Materials

**BACKGROUND:**

**FY 2018 Combined-Funds Budget**

The Alexandria City School Board and ACPS Staff began work on the FY 2018 Combined-Funds Budget during the summer of 2016. By October 2016, initial revenue and expenditure projections were complete and indicated a preliminary budget gap of \$16.2 million in the operating fund.

Between the initial projections and the School Board’s adoption of the combined-funds budget on February 23, 2017, every effort was made to thoughtfully reduce the funding shortfall while keeping reductions away from classrooms and maintaining competitive employee compensation. Each central office department was asked to reduce their budget leading to \$1.6 million in overall expenditure cutbacks. Fund balance was utilized to the maximum level allowable by ACPS Fund Balance Policy DAB, jointly written by ACPS and City of Alexandria staff. These efforts left a remaining deficit of \$9.6 million, which ACPS requested as additional City appropriation.

On May 4, 2017, the Alexandria City Council adopted their FY 2018 General Fund Operating Budget including an operating transfer to ACPS of \$214.1 million. This was \$2.1 million short of the amount requested in the School Board Approved Budget.

During a School Board Budget Work Session on May 11, 2017, the Superintendent proposed recommendations for closing the \$2.1 million Operating Fund gap and detailed minor changes to the Grants and Special Projects Fund as well as the School Nutrition Fund.

**FY 2018 – 2027 Capital Improvement Program (CIP) Budget**

The Alexandria City School Board was presented with the Superintendent's proposed FY 2018 – 2027 CIP Budget on October 27, 2016. A series of School Board add-delete work sessions and thorough consideration for the absolute needs of the School Division to address the seating deficit, as was requested by City Council in the FY 2017 – 2026 CIP approval process, resulted in a School Board Adopted CIP totaling \$611.0 million with \$89.7 million in FY 2018 on December 15, 2017. An expected budget gap of \$57.2 million based on the previous City Council approved allocation of \$32.5 million for FY 2018 was principally due to the adopted swing space budget of \$55.4 million to purchase and retrofit a building.

On May 4, 2017, the Alexandria City Council adopted the FY 2018-2027 CIP budget of \$373 million with an FY 2018 appropriation of \$19 million increasing the FY 2018 budget gap to \$70.7 million and 10-year budget gap to \$238.0 million.

During a School Board Budget Work Session on May 11, 2017, the Superintendent proposed recommendations for fully closing the FY 2018 CIP budget deficit and reducing the ten-year funding gap by 64% from \$238.0 million to \$86.4 million.

## **DISCUSSION:**

### **FY 2018 Combined-Funds Budget**

In a Budget Work Session on May 11, 2017, the School Board discussed several potential changes to the Operating Fund adjustments proposed by the Superintendent. School Board Members further formalized their positions through their submission of Add/Deletes on May 12, 2017 and Co-Sponsorships of Add-Deletes on May 15, 2017. Listed below are the Superintendent's recommended changes to the Operating Fund in consideration of the School Board consensus opinions:

- **Additions: \$923,177**
  - **Employee Step Increase Timing Change: \$743,415**  
Restores the Step Increase for all eligible employees from October 1, 2017 to the original date of July 1, 2017 in the School Board Approved Budget.
  - **Science Instructional Specialist Position Reinstatement: \$103,693**  
Reinstates the Instructional Science Specialist position recommended for reduction on May 11, 2017.
  - **Extended Learning Funding Restoration: \$76,096**  
On May, 11, 2017, a 10% reduction in Extended Learning funding was recommended, totaling \$76,069. Based on the School Board Add/Deletes, this amount is recommended to be added back to school budgets.
- **Deletions: (\$923,177)**
  - **Textbook Adoption Deferral: (\$435,000)**  
Based on Add/Delete Co-Sponsorships, textbook adoptions totaling \$435,000 will be deferred from the FY 2018 budget. The Spanish English Learning and Dual Language Reading Program: *Maravillas* textbook adoption is still recommended for FY 2018 with the following adoptions deferred:
    - English Language Arts (Grades K-2): \$232,500
    - World Language – French I-III (Grades 6-12): \$116,250
    - World Language – Spanish for Heritage Speakers I-III (Grades 6-12): \$86,250
  - **T.C. Williams Instructional Periods: (\$300,000)**

Staff is currently conducting a position-by-position analysis of the instructional and planning periods for all T.C. Williams teaching staff. Based on preliminary projections, 3.0 FTE positions can be reduced through leveling instructional periods and consolidating positions. The amount shown is a savings estimate pending the full analysis.

- **School Board Office Reduction: (\$50,000)**  
This will reduce the purchased services line within the School Board Office budget, utilized primarily for internal audits and legal expenses, from \$750,200 to \$700,200. Funding is currently available in this budget for two smaller internal performance audits. This budget decrease would likely provide funding for only one audit. Overall, this change represents a 4.1% decrease to the School Board Office budget.
- **Technology Services Reduction: (\$75,000)**  
In addition to previous reductions from the Technology Services Department early in the budget process and a \$92,416 reduction to capital replacement of hardware budget recommended on May 11, 2017, this recommendation will reduce the non-personnel budget by an additional \$75,000. This will reduce the number of mobile hotspots available to students.
- **Support Operations Reduction: (\$48,177)**  
In addition to previous FY 2018 budget reductions including \$100,000 recommended on May 11, 2017, the Support Operations budget will decrease by \$48,177 requiring reductions to non-personnel funding within the Risk Management section.
- **Partnership Funding: (\$15,000)**  
Currently, \$200,000 is budgeted for Community partner support funding formerly known as Partners in Education (PIE) funding. This would reduce that amount by \$15,000 or 7.5%.

Taken together, all of the recommended changes above would balance the Operating Fund budget.

### **FY 2018 – 2027 Capital Improvement Program (CIP) Budget**

ACPS has several capacity projects that may require land or building acquisition in the future. Staff has been working with a consultant to determine available land throughout the City and is continually updated on any progress. Throughout this process, ACPS has discovered the difficulty in finding available land within the City and is proposing to request funds from the tax increase to give the School Division the flexibility to explore land or building acquisition options as they become available in the future. Specific projects supported by this land acquisition line item include the pre-K center, swing space, new elementary school, new middle school and high school capacity, if needed.

Below is a chart showing conceptual cost estimates using information from ACPS's real estate consultant. The chart is broken down by costs for land only and costs for developed land with buildings to retrofit into schools. Ranges have been provided to account for inflation across the ten years of the CIP. Actual costs will be impacted by the type of property and the latest market trends. All numbers below are approximations and solely intended to provide high-level estimates to the School Board. Actual costs will have to be verified at the time of project development and budget allocation.

Project	Student Capacity	Total Developable Square Footage Needed	Land Cost Range	Developed Land Cost Range
Pre-K Center	360	52,900	\$4.8 - 6 million	\$10.8 - 13.5 million
Swing Space	800	122,400	\$11 - 13.8 million	\$25.1 - 31.3 million
New Elementary School	600	91,800	\$8.3 - 10.3 million	\$18.8 - 23.5 million
New Middle School	600	111,430	\$10 - 12.5 million	\$22.8 - 28.5 million
High School Capacity	1,600 - 1,800	285,270	\$25.7 - 32.1 million	\$58.5 - 73.0 million
<b>TOTAL</b>	<b>3,960 - 4,160</b>	<b>663,800</b>	<b>\$59.8 - 74.7 million</b>	<b>\$136 - 169.8 million</b>

Based on the above capacity discussion and the School Board Add/Delete consensus, the following changes are recommended:

- **Supplemental Capacity Funding Request Adjustments: No Cost Changes**  
 In the Superintendent’s recommendations presented on May 11, 2017, a supplemental line was added in the amount of \$8.0 million for “Land Acquisition.” This supplemental amount was not included in the budget totals. Instead, it was shown as a separate line-item proposed for consideration by the Joint City/Schools Facilities Task Force, beyond the current City Appropriation. Per the Board Add/Deletes and the capacity summary above, two changes are recommended:
  - Change the description from “land acquisition” to “High priority capacity expenses which could include land or other purchase options.”
  - Increase the FY 2018 amount to \$10.9 million and a total of \$130.1 million for the 10-year CIP. Note that this is equal to the full amount currently placed in Facilities Investment Contingency for both City and Schools projects.

The adjustments listed above have no additional impact on the total CIP amounts or funding deficit because they are part of a supplemental request. The FY 2018 CIP budget remains in balance and the ten-year CIP budget deficit remains at \$86.4 million, which represents a 64% decrease from the ten-year funding deficit after City Council approved its FY 2018-2027 CIP.

**Remaining Add/Delete and Adoption Process for Combined Funds and CIP**

- Thursday, May 18: Preliminary Add/Delete Session.
- Tuesday, May 23: Final Add/Delete Session.
- Thursday, May 25: School Board Adoption of CIP and Combined-Funds Budget.

**RECOMENDATION:** The Superintendent recommends that the School Board reviews the proposed modifications in consideration of their Add/Delete discussion.

**CONTACT PERSON:** Michael R. Herbstman, 703-619-8098

**Attachments:**

1. School-Board Combined Funds Add-Delete Co-Sponsorships
2. School-Board CIP Add-Delete Co-Sponsorships
3. Superintendent’s Recommended Adjustments to the FY 2018 – 2027 Approved Capital Improvement Program Summary (Revised May 16, 2017)