

BOARD MEMO

Date: May 8, 2020

For ACTION

For INFORMATION

Board Agenda: Yes

No

FROM: Dominic B. Turner, Chief Financial Officer

THROUGH: Gregory C. Hutchings, Jr., Ed.D., Superintendent of Schools

TO: The Honorable Cindy Anderson, Chair, and
Members of the Alexandria City School Board

TOPIC: Recommendations for Superintendent’s Adjusted Combined Funds and CIP
Budgets

ACPS 2020 STRATEGIC PLAN GOAL: ALL

SY 2020-2021 FOCUS AREA: ALL

FY 2021 BUDGET PRIORITY: ALL

SUMMARY: On Friday, May 8, 2020, the Superintendent will submit his Adjusted Combined Funds and CIP Budgets which must factor in any changes since the School Board approved the budget on February 20, 2020. Revenue and Expenditure adjustments, to the Operating Fund, and adjustments to the CIP, since the budget was approved are enumerated below:

Revenue:

- City Appropriation reduction (\$7,400,000)
 - State Revenue reduction (\$4,000,000)
 - Local Revenue reduction (\$309,700)
- TOTAL: (\$11,709,700)**

Expenditure:

- Health Benefit Savings (\$720,500)
 - Eliminate Employer Contribution to Supplemental Retirement (\$886,400)
 - Eliminate 2% One-time Bonus reduction (\$557,500)
 - Eliminate Employee Step Increase (\$5,524,000)
 - Reduce New Positions (\$1,514,200)
 - 5% Reduction to Non-personnel costs (\$1,777,100)
 - Institute Hiring Freeze for Non-classroom positions (\$750,000)
- TOTAL: (\$11,709,700)**

The most notable adjustment for the FY 2021-2030 Capital Improvement Program (CIP) budget is that \$103.7M for the High School Project was removed from the FY 2021 budget. The Superintendent is proposing adjustments to meet this change. The total budget information is provided in the following table.

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Superintendent's Adjusted FY 2021 CIP	\$95.1M
City's Adjusted FY 2021 CIP	\$95.1M
Superintendent's Adjusted FY 2021-2030 CIP	\$ 532.5M
City's Adjusted FY 2021-2030 CIP	\$ 427M
Gap In FY 2021-2030 CIP	\$ 105.5M

Please note that the \$103.7M that was removed by the City from the FY 2021 CIP budget has not been replaced in the ten-year at this time; however, based on discussions with the City, the intent is to replace the funding in an out-year of the CIP to accommodate this project and remain on schedule.

BACKGROUND: In the current FY 2020 Budget year, financial activities and all ACPS operations have been greatly impacted by the nation's reaction to the COVID-19 pandemic which, as of mid-March, has closed all schools and has forced student instruction as well as most administrative functions to be performed from home. Similarly, the FY 2021 Operating Budget is expected to see significant changes as a result of the pandemic. The resulting economic impacts manifest in anticipated reductions in all sources of revenue to ACPS.

The largest revenue reduction ACPS will experience is the reduction to the City appropriation. The City appropriation was unanimously adopted by the City Council on April 29, 2020. The adopted appropriation reduced the operating transfer to the Alexandria City Public Schools by \$7.4 million, an amount equivalent to previously proposed pay increases for ACPS staff. The Financial Services Department is, likewise, anticipating a reduction to State revenue as well. Staff is currently projecting a \$4.0 million reduction, largely contingent upon the Commonwealth of Virginia revenue projections and the resulting impact to public school divisions. Staff also expects to experience reductions in Local revenue, largely dependent upon fees and activities associated with the use of ACPS facilities.

To present a balanced budget to the School Board, the Superintendent, in collaboration with the Senior Leadership Team and principals has presented offsetting expenditure reductions to account for the anticipated revenue reductions. Primarily a result of the reduction to the City appropriation, the Operating Budget seeks to largely eliminate compensation increases to ACPS staff in FY 2021. The adjusted budget also proposes to reduce the number of new positions in FY 2021 and similarly limit the hiring of employees by instituting a hiring freeze for non-classroom positions. A 5% across the board reduction to all non-personnel expenditure types is expected to result in a \$1.7 million savings, while a reduced estimate to the increased Health Benefit costs will also result in expenditures savings. All together, these expenditure reductions present a balanced budget while maintaining the integrity to adhere to the School Board's Budget Priorities and also seeks to retain and protect the positions of the current valued staff of ACPS.

Adjustments to the Grants & Special Projects Fund, as a result of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to ACPS. The estimated \$3.6 million in aid will be established in the fund for specific eligible expenses and primarily one-time in nature.

FY 2021-2030 Capital Improvement Program

The Superintendent's Proposed Adjustments account for more up-to-date priority, scope and

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cost estimate information, especially in FY 2021, to ensure adequate funding and the highest priority projects are being pursued. Below are the proposed adjustments.

Superintendent's Proposed Adjustments:

In FY 2021:

- Remove Cora Kelly HVAC project for insulating ducts; work included as part of roof scope. (\$75,000)
- Increase Cora Kelly Elevator project based on current estimates from \$150,000 to \$225,000. +\$75,000
- Remove Cora Kelly restroom upgrades for 2nd floor bathrooms based on plan to modernize and other priorities. (\$150,000)
- Reduce Francis C. Hammond Renovation and Reconfiguration by \$70,000 based on current estimates and work already conducted. (\$70,000)
- Increase Francis C. Hammond Building Envelope Repair for windows by \$70,000 based on current estimates. +\$70,000
- Reduce James K. Polk playground from \$250,000 to \$175,000 based on work recently conducted in existing funds and current estimates. (\$75,000)
- Reduce James K. Polk Renovation and Reconfiguration from \$350,000 to \$250,000 based on current scope. (\$100,000)
- Reduce Matthew Maury Envelope Repair from \$100,000 to \$75,000 based on work previously completed and current scope. (\$25,000)
- Increase System-Wide Project Planning by \$83,317 to accommodate increased need for legal and other indirect project expenses. +\$83,317
- Increase Douglas MacArthur Project budget by \$167,000 based on anticipated escalations in costs. +\$167,000

In FY21-30:

- Increase System-Wide Direct or Contract Employee Support by \$100,000 annually to accommodate CIP staffing support. +\$1M
- Defer HSP funding to \$30M in FY22 and \$128M in FY 23 based on attached funding schedule. Note that procurement methods will need to be resolved.

RECOMMENDATION:

The Superintendent recommends that the School Board approve the Superintendent's adjustments to the Alexandria City Public Schools Combined Funds Budget and CIP as submitted.

IMPACT:

ATTACHMENTS:

<https://www.alexandriava.gov/Budget>

Revised Budget Presentation

CIP FY 21-30 Summary

CIP FY 21-30 Details

CIP HSP Funding Schedule

5 Percent Reductions By Location

State Superintendent Memo #110-20 CARES Act

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Responses to Dr. Rief
Actuarial Report
Investment Advisory Board Minutes

REFERENCES:

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