

BOARD BRIEF

Date: April 24, 2020

BOARD INFORMATION: X

MEETING PREPARATION:

FROM: Robert Easley, Director of Budget and Financial Systems

THROUGH: Gregory C. Hutchings, Jr., Ed.D., Superintendent of Schools
Dominic B. Turner, Chief Financial Officer

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

TOPIC: COVID-19 Impact on FY 2021 Revenue

ACPS 2020 STRATEGIC PLAN GOAL:

Goal 6: Effective and Efficient Operations

SY 2019-2020 FOCUS AREA:

Focus Area 2: Budget Process

Focus Area 5: Strategic Plan

FY 2020 BUDGET PRIORITY:

Communications and Customer Service for External Stakeholders

Communications and Customer Service for Internal Stakeholders

SUMMARY: On April 7, City Manager Mark Jinks announced revisions to his proposed Fiscal Year (FY) 2021 operating and capital budgets for the City of Alexandria, responding to the nearly \$100 million budget gap created by the economic impact of the COVID-19 pandemic. The revised proposal for a \$753.3 million operating budget in FY 2021 is 5.8% lower than the \$799.9 million operating budget Jinks proposed on February 18 and represents a 1.6% decrease from the current-year operating budget. Of note, the prior FY 2021 City Manager’s proposed budget fully funded the Alexandria City Public Schools’ (ACPS) funding request from the City Appropriation of \$241.4 million. The revised budget proposes to decrease the City Appropriation to ACPS by approximately \$7.4 million to \$234.0 million.

BACKGROUND: According to Mr. Jinks, “the COVID-19 pandemic has triggered the biggest health crisis in a century, and caused what may be one of the biggest, most sudden economic downturns the nation has ever seen. While we don’t yet know the full extent to which this deadly virus will impact Alexandria residents, businesses and City government, I am recommending significant budget changes to continue the City’s record of prudent fiscal management, while relieving some of the burden on taxpayers and focusing on delivering core services to our community.”

To maintain equity between City and ACPS employees, the City Manager proposed to reduce the recommended City operating transfer to ACPS by \$7.4 million. This amount is equivalent to the cost to

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ACPS to provide merit step increases, a 2% bonus for top of scale, targeted market rate adjustments, and the elimination of an employer-paid contribution to the ACPS supplemental retirement plan.

Accounting for the reduction in the City Appropriation for FY 2021 is a significant task, however, it is not the only factor that needs to be considered when revising the ACPS Approved Budget. The ACPS Financial Services' staff is mindful to consider the COVID-19 pandemic effects on Local, State, and Federal revenue sources as well. While those sources are secondary to the City's Appropriation, they, too have an important role.

The Virginia Department of Education (VDOE) is currently projecting to have an estimate, in the coming weeks, for State funding to public schools after incorporating the General Assembly's and Governor's amendments to the State's budget.

Staff is also projecting to see a modest decrease in Local Revenue as well. Revenue derived from the Rental of buildings, Summer School fees, and the Indirect Costs charged to Grant programs is anticipated to be affected resulting in decreased revenue from what was previously proposed.

While the City's revised budget proposal seeks to reduce the City Appropriation to the ACPS Operating fund, the revision also proposes changes to the ACPS Capital Improvement Program (CIP) including deferring \$103.7 million in funding for the new ACPS high school facility project. Planning for the project will continue in FY 2021, while the construction funding for the project will be delayed. The rescheduling of this project will allow other priority projects, such as the new MacArthur Elementary School project, to proceed on schedule.

Potential federal funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act included \$30.75 billion education stabilization fund. The VDOE expects to receive approximately \$238.6 million through the Elementary and Secondary School Emergency Relief Fund. Funding to local educational agencies (LEAs) will be based on each LEAs relative share of Title I, Part A, Federal Fiscal Year 2019 funds. Currently, the state has estimated that approximately \$3.56 million would be allocated to ACPS.

Preparation for the Future: There remains a large uncertainty as to the near-term future in terms of whether the City's revenue projections are too high and whether further reductions will be needed in FY 2021. If economic recovery is slower than projected, further reductions may also be needed.

RECOMMENDATION: The Superintendent recommends that the School Board review the above-mentioned Board Brief regarding the ACPS FY 2021 Operating Fund update.

IMPACT: The Superintendent will present an adjusted FY 2021 Combined Funds and Capital Improvement Program Budget for the School Board review and consideration.

ATTACHMENTS:

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