

Superintendent's Proposed FY 2019 Combined-Funds Budget

Work Session #1: Overview and Employee Compensation

January 18, 2018

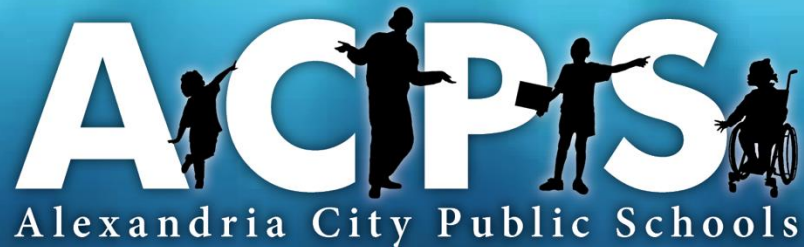


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Essential Questions

- What are the strategic goals and priorities for this FY 2019 Proposed Budget?
- What revenues and expenditures are included in the FY 2019 Proposed Budget?
- What are the proposed compensation changes and how do they affect employees?
- How will the budget process move forward through final adoption?

Strategic Plan and Budget Priorities



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ACPS 2020 Strategic Plan Goals

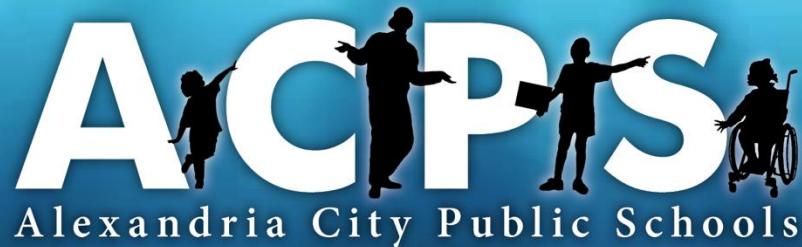
- **Goal 1 – Academic Excellence and Educational Equity:** Every student will be academically successful and prepared for life, work, and college.
- **Goal 2 – Family and Community Engagement:** ACPS will partner with families and the community in the education of Alexandria’s youth.
- **Goal 3 – An Exemplary Staff:** ACPS will recruit, develop, support, and retain a staff that meets the needs of every student.
- **Goal 4 – Facilities and the Learning Environment:** ACPS will provide optimal and equitable learning environments.
- **Goal 5 – Health and Wellness:** ACPS will promote efforts to enable students to be healthy and ready to learn.
- **Goal 6 – Effective and Efficient Operations:** ACPS will be efficient, effective, and transparent in its business operations.



FY 2019 Combined-Funds Budget Priorities

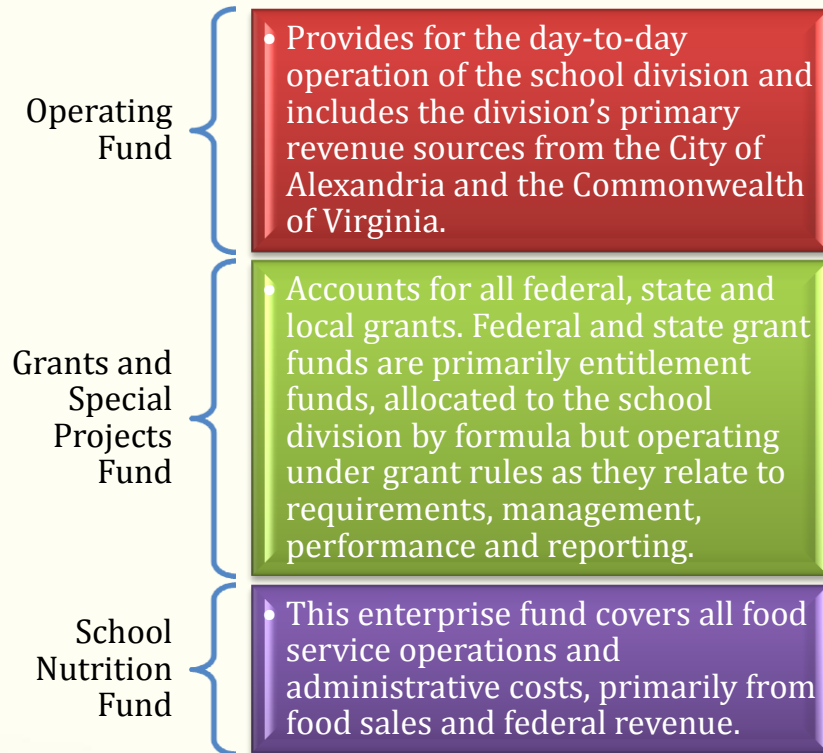
| Goal 1: Academic Excellence and Educational Equity | Goal 2: Family and Community Engagement | Goal 3: An Exemplary Staff | Goal 4: Facilities and the Learning Environment | Goal 5: Health and Wellness | Goal 6: Effective and Efficient Operations |
|---|---|--|--|--|---|
| <ul style="list-style-type: none"> • Specialized Instruction • English Learner Services • Gap Group Achievement • Math • Literacy • Writing | <ul style="list-style-type: none"> • Communications and Customer Service for External Stakeholders | <ul style="list-style-type: none"> • Leadership and Professional Development • Competitive Compensation • Retention and Recruitment | <ul style="list-style-type: none"> • Safe Schools for Students and Faculty • Optimal and Equitable Learning Environments | <ul style="list-style-type: none"> • Mental and Social/Emotional Health • Physical Education/Fitness • Nutrition Programs | <ul style="list-style-type: none"> • Communications and Customer Service for Internal Stakeholders |

FY 2019 Budget Overview: General Overview

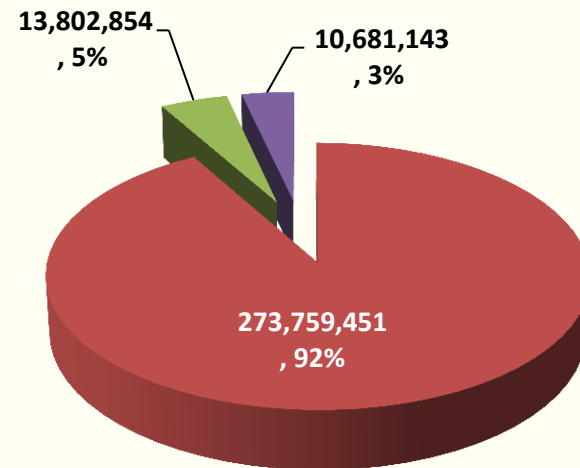


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Combined Funds Budget Overview



FY 2019 Proposed Budget Expenditures by Fund



FY 2019 Combined Funds Budget

Total expenditures of \$298.2 million, or 5.0% growth over FY 2018

| Combined Funds Budget (\$ in thousands) | Operating | Grants and Special Projects | School Nutrition | FY 2019 Proposed Budget | FY 2018 Final Budget | Change FY 2017 to 2018 | % Change FY 2018 to 2019 |
|---|-----------|-----------------------------|------------------|-------------------------|----------------------|------------------------|--------------------------|
| Total Expenditures | \$273,759 | \$13,802 | \$10,681 | \$298,243 | \$283,997 | \$14,246 | 5.0% |
| Total Full-Time Equivalent (FTE) | 2,374.89 | 85.25 | 111.00 | 2,571.14 | 2,517.93 | 53.21 | 2.1% |

FY 2019 Operating Funds Budget

Projected Revenue

| Revenue Type | Amount |
|-------------------------------------|----------------------|
| City Appropriations (FY 2018 Final) | (214,061,472) |
| State Revenue (FY 2019 Proposed) | (45,013,454) |
| Federal Revenue (FY 2019 Proposed) | (286,713) |
| Local Revenue (FY 2019 Proposed) | (1,037,747) |
| FY 2019 Projected Revenue | (260,398,986) |

Projected Budget Gap

| Description | Amount |
|---|------------------|
| FY 2019 Projected Revenue | (260,398,986) |
| FY 2019 Projected Expenditures ¹ | 275,373,064 |
| FY 2019 Allowable Use of Fund Balance | (5,206,249) |
| FY 2019 Projected Budget Gap | 9,767,829 |

¹ Includes transfer to Grants and Special Projects Fund to subsidize costs of Virginia Preschool Initiative.

² Includes Step Increase for eligible employees, salary scale change and 1% bonus for hold-step employees.

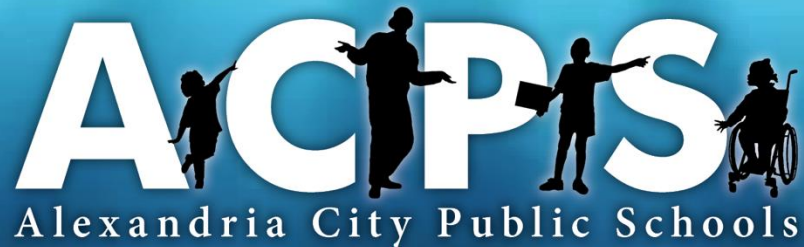
³ Savings from positions staffed at lower pay than exiting employees.

⁴ Salary portion only. Includes new West End Elementary positions.

Projected Expenditures

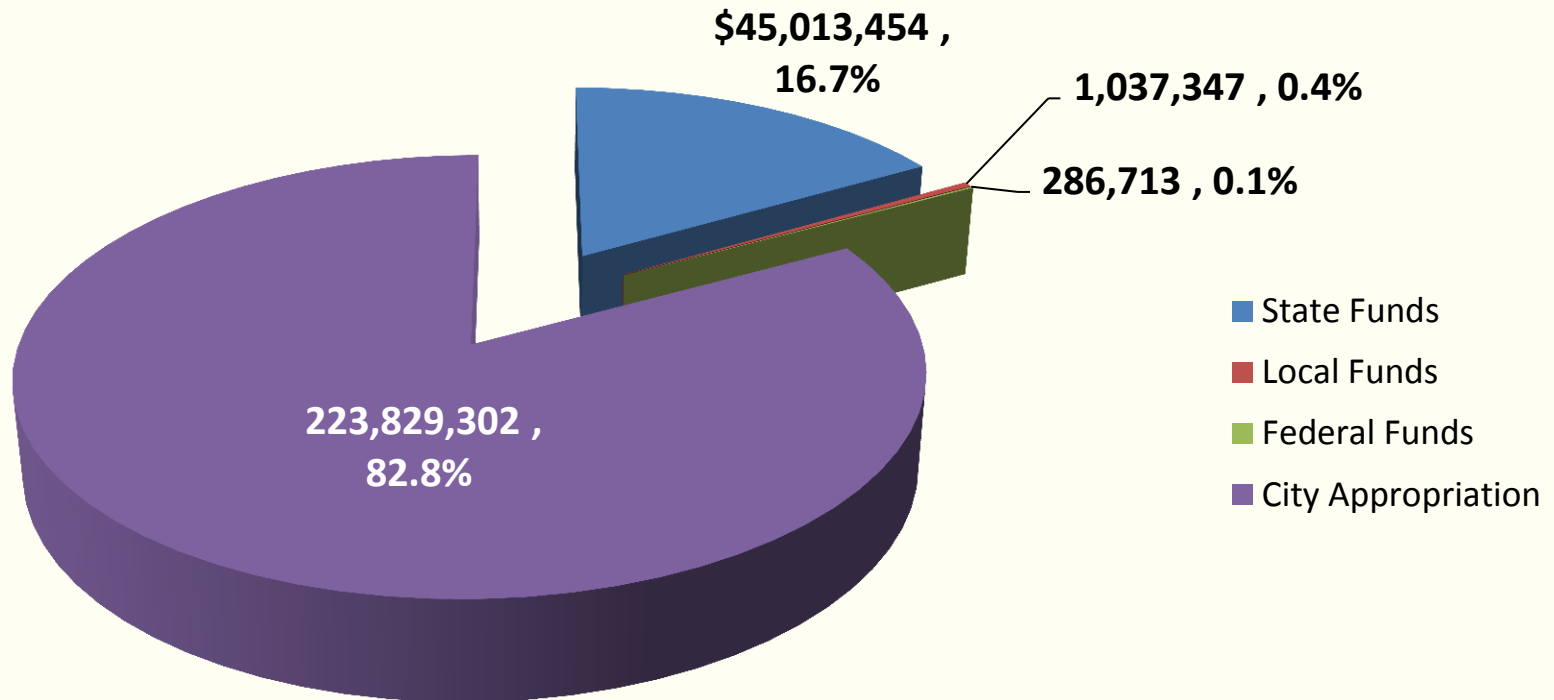
| Expenditure Type | Amount |
|--|--------------------|
| FY 2018 Final Budget ¹ | 261,894,427 |
| Non-Discretionary Changes | 15,265,839 |
| Health Care/Benefits Changes | 4,682,200 |
| VRS Changes | (235,600) |
| Employee Salary Changes ² | 4,711,000 |
| Salary Savings ³ | (550,000) |
| Enrollment-Driven Staffing Changes ⁴ | 3,888,300 |
| Textbook Adoptions (Including TAG) | 1,281,600 |
| New Elementary O&M Costs | 1,221,600 |
| Other Non-Discretionary Changes | 266,739 |
| Discretionary Changes | (1,787,200) |
| 5% Central Office Non-Pers. Reductions | (535,300) |
| Targeted Overtime Reduction | (250,000) |
| Reduction in Student Improvement FTE | (979,800) |
| Discontinuing PIE Grants | (175,900) |
| Other Discretionary Changes | 153,800 |
| FY 2019 Projected Expenditures ¹ | 275,373,064 |

FY 2019 Budget Overview: Revenue

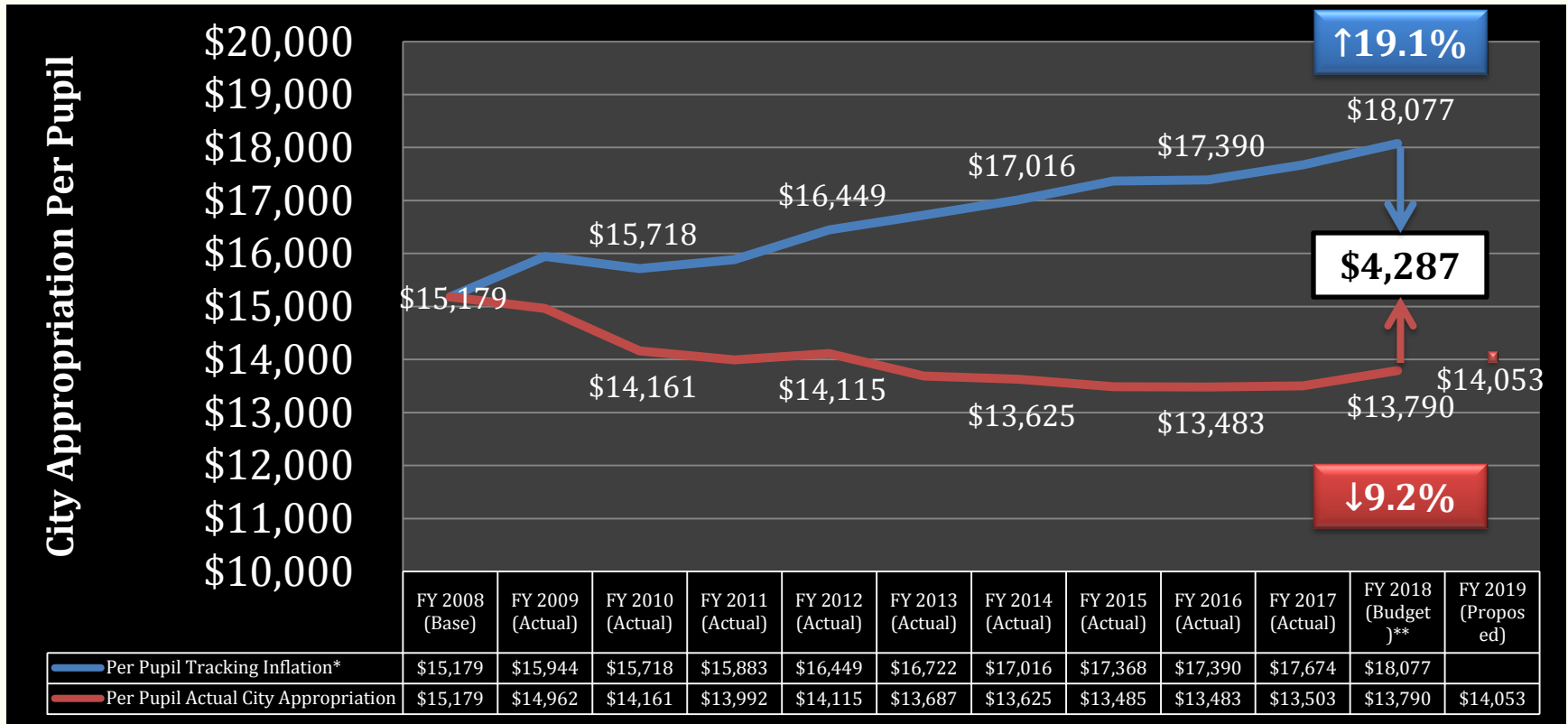


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Revenue Overview: Operating Fund



Per Pupil City Appropriation over Time



\$4,287/Pupil = \$66.5 Million for FY 2018

*Proxy for Inflation Rates: CPI-U monthly data from U.S. Department of Labor Bureau of Labor Statistic as of October 31, 2017

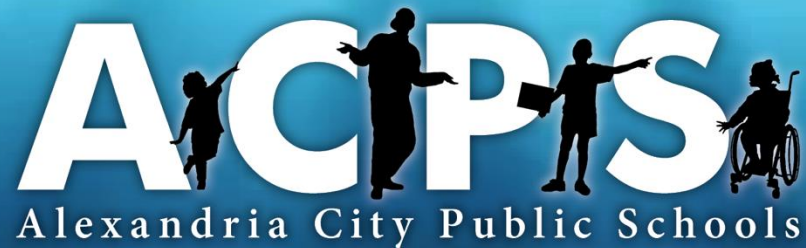
** FY 2018 inflation projection based on average month July 2017 to September 2017. September 2017 is last month where data is available from U.S. Department of Labor Bureau of Labor Statistic as of October 31, 2017.

FY 2018 Local Funding Effort

| Virginia School Division | % of City/County General Fund (Excluding School Debt Service) | % of City/County General Fund (Including School Debt Service) |
|--------------------------|---|---|
| Alexandria | 29.4% | 33.3% |
| Arlington | 33.9% | 37.7% |
| Fairfax | 48.2% | 52.8% |
| Falls Church | 47.1% | 52.0% |
| Loudoun | 49.2% | 57.9% |
| Manassas | 41.8% | 48.3% |
| Manassas Park | 27.6% | 44.1% |
| Prince William | 40.5% | 49.2% |

Source: FY 2018 Final WABE Guide

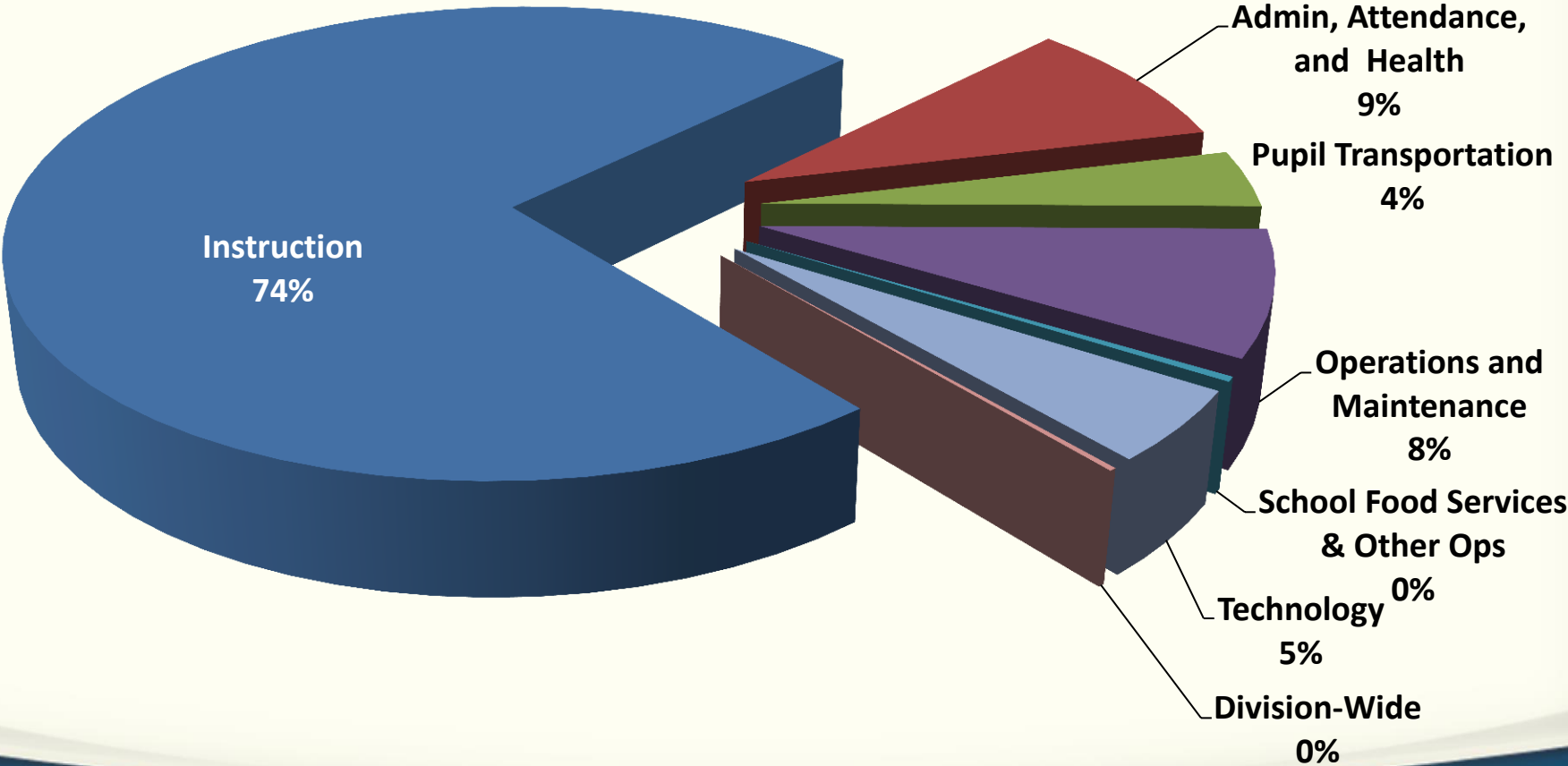
FY 2019 Budget Overview: Expenditures



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FY 2019 Classification of Operating Expenditures

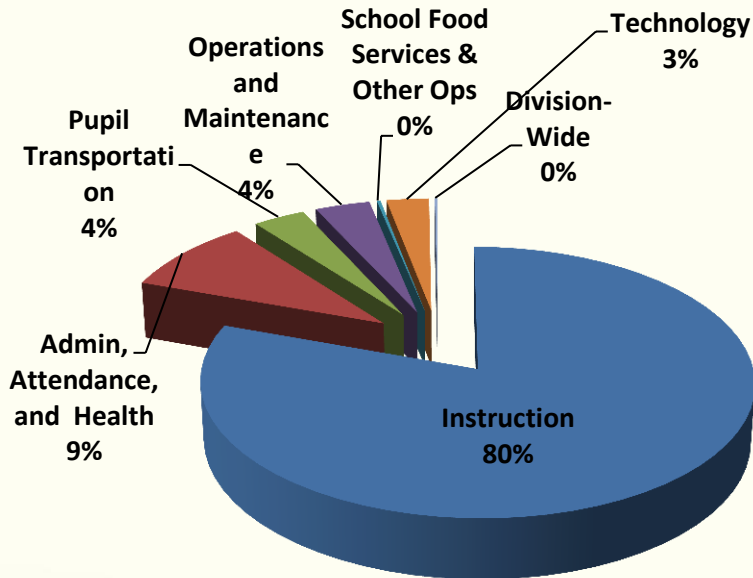
Total Expenditures = \$273.76 Million



FY 2019 Classification of Operating Expenditures

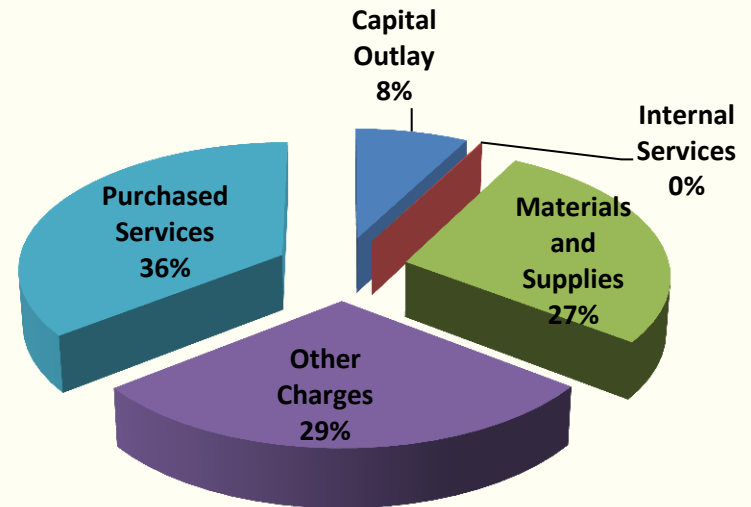
Personnel: \$239.7M

88%

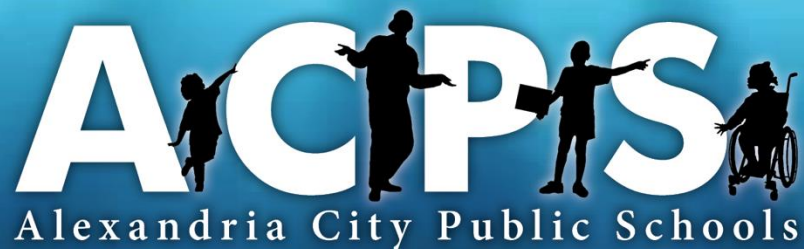


Non-Personnel: \$34.0M

12%



Remaining Competitive in FY 2019



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Recent Pay Actions - ACPS

| Fiscal Year | Step Increase | Market Rate Adjustment |
|---------------------|--|-------------------------------|
| FY 2010 | Full Step, Mid-Year | No |
| FY 2011 | Full Step, Mid-Year | No |
| FY 2012 | Full Step | No |
| FY 2013 | No | Yes, 2.2% + (5.0% VRS) |
| FY 2014 | Full Step, Mid-Year | No |
| FY 2015 | No | Yes, 2.0% Support, 1.0% Other |
| FY 2016 | Full Step Bonus to Top-of-Scale and Hold Step | No |
| FY 2017 | Full Step Bonus to Top-of-Scale and Hold Step | No |
| FY 2018 | Full Step Bonus to Top-of-Scale and Hold Step | No |
| FY 2019 Proposed | Full Step Bonus to Hold Step Remove Bottom Step / Add New Top Step | No |

Recent Pay Actions – Other Divisions

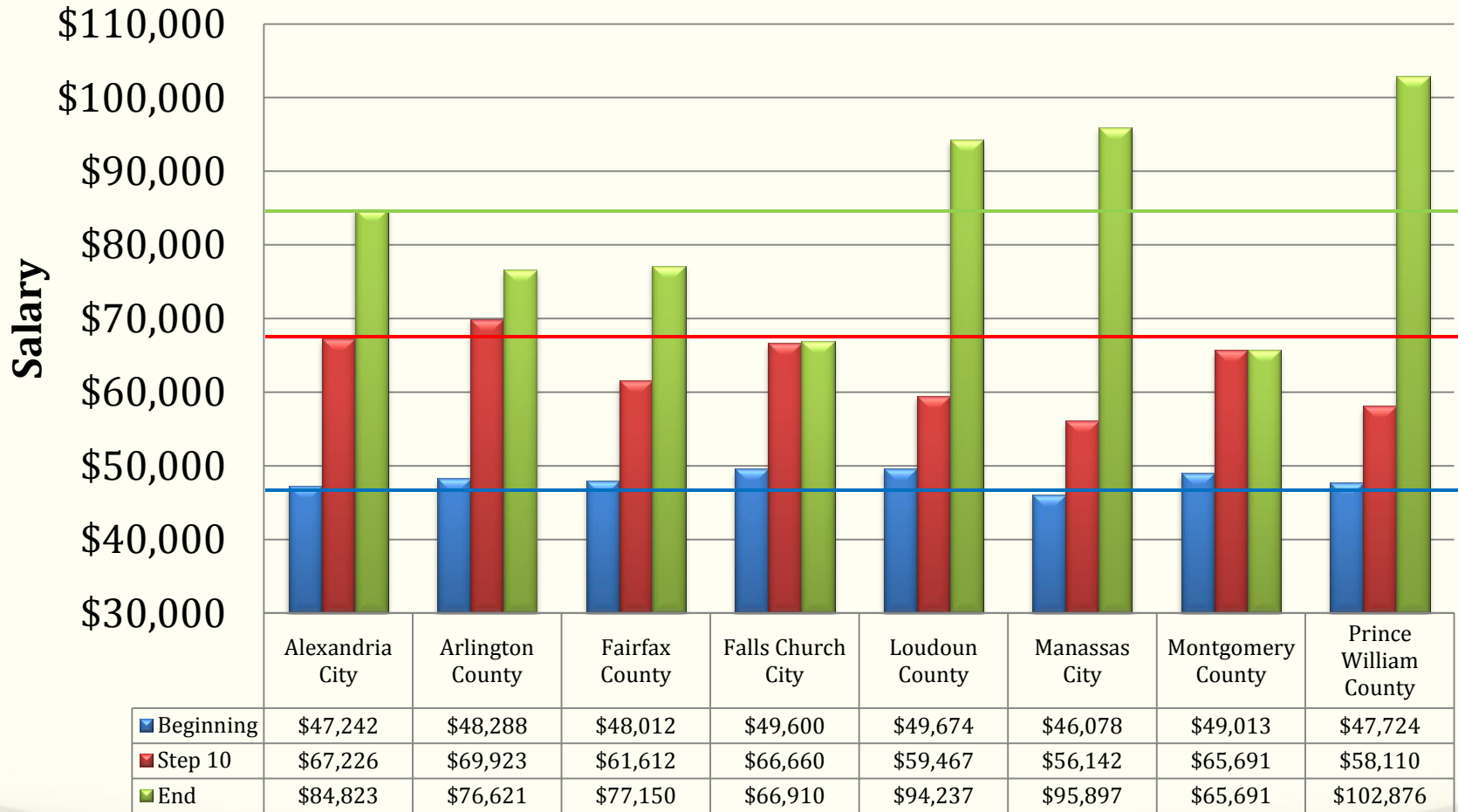
| | <u>FY 2012</u> | | <u>FY 2013</u> | | <u>FY 2014</u> | | <u>FY 2015</u> | | <u>FY 2016</u> | | <u>FY 2017</u> | | <u>FY 2018</u> | |
|--|-----------------|-----------|--------------------|-----------|----------------|-----------------------|----------------------------|--------------------------|----------------|-----------|----------------|----------------------------------|---|-----------|
| School Division | MRA | Step | MRA | Step | MRA | Step | MRA | Step | MRA | Step | MRA | Step | MRA | Step |
| Alexandria City Public Schools | No | Full Step | 2.2% + 5% VRS | No | No | Full Step Mid Year | 2% Support; 1% Other | No | No | Full Step | No | Full Step | No | Full Step |
| Arlington County | No | Full Step | 2.68% + 5% VRS | No | No | Full Step | 2% | No | No | Full Step | No | Full Step | Yes, Specific Positions | Full Step |
| Fairfax County | 1% | Full Step | 1.25 % + 2% VRS | No | 2% Mid Year | No | No | Yes | .62% | Full Step | 1% | Full Step | No | Full Step |
| Falls Church City | No | No | No | Yes | 1% | Full Step | 1% | Full Step | | | No | Full Step | No | Full Step |
| Loudoun County | 3% | No | Yes | No | 2% | No | 2.6% to 4% + 1% VRS | No | No | Full Step | 1% | Full Step | Restructure of Teacher Salary Scale | Full Step |
| Manassas City | 2.25%- 2.36% | No | 2.5% + 1% VRS | No | No | Full Step | 2% | Full Step -- Teachers | No | Full Step | 2% | Place on appropriate steps | No | Full Step |
| Montgomery County | No | No | No | Yes | No | Full Step | 1.5% | Full Step | No | Full Step | 2% | Full Step | 1% | Full Step |
| Prince William County | 2.35% | No | 1% VRS | No | 2% | No | 2% + 1% VRS | No | No | Full Step | No | Full Step | No | Full Step |
| City of Alexandria (Non-School-Division Employees) | No | Full Step | No | Full Step | No | Full Step | No | Full Step | No | Full Step | No | Full Step | No | Full Step |

Recent Pay Actions – Other Divisions

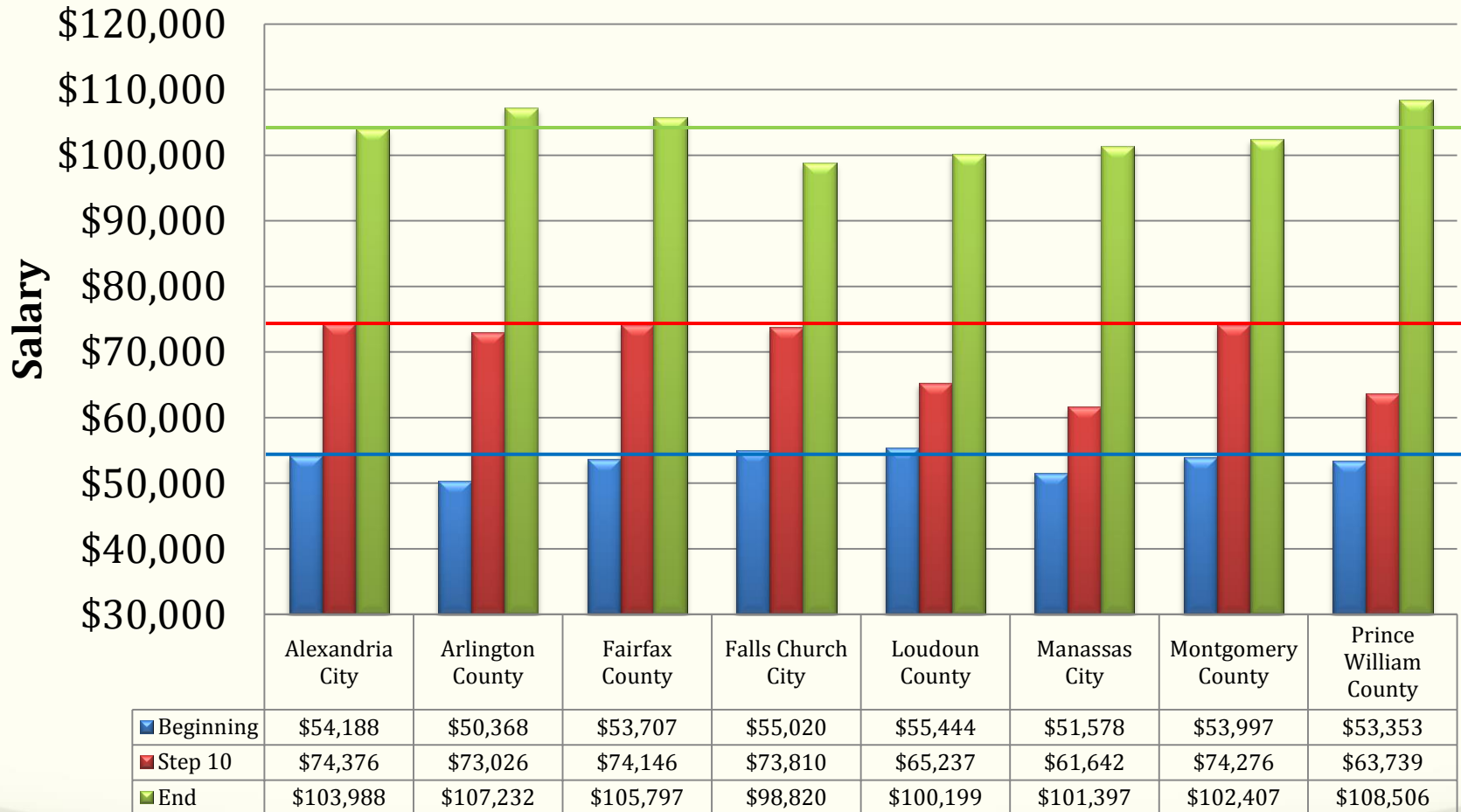
| | <u>FY 2014</u> | | <u>FY 2015</u> | | <u>FY 2016</u> | | <u>FY 2017</u> | | <u>FY 2018</u> | |
|--------------------------------|------------------|---------------------|-----------------------------|-----------|----------------|-----------|----------------|-----------|-------------------------|-----------|
| Jurisdiction | MRA | STEP | MRA | STEP | MRA | STEP | MRA | STEP | MRA | STEP |
| Alexandria City Public Schools | No | Full Step, Mid-Year | Yes, 2% Support 1% Other | No | No | Full Step | No | Full Step | No | Full Step |
| Arlington County Schools | No | Full Step | Yes, 2% | No | No | Full Step | No | Full Step | Yes, Specific Employees | Full Step |
| Fairfax County Schools | Yes, 2% Mid-Year | No | No | Full Step | Yes, .62% | Full Step | Yes, 1% | Full Step | No | Full Step |
| City of Alexandria | No | Full Step | No | Full Step | No | Full Step | No | Full Step | No | Full Step |

| Jurisdiction | Average Employee Raise from FY 2018 Step Increase |
|--------------|---|
| ACPS | 2.6% |
| Arlington | 2.8% |
| Fairfax | 2.5% |
| COA | 2.9% |

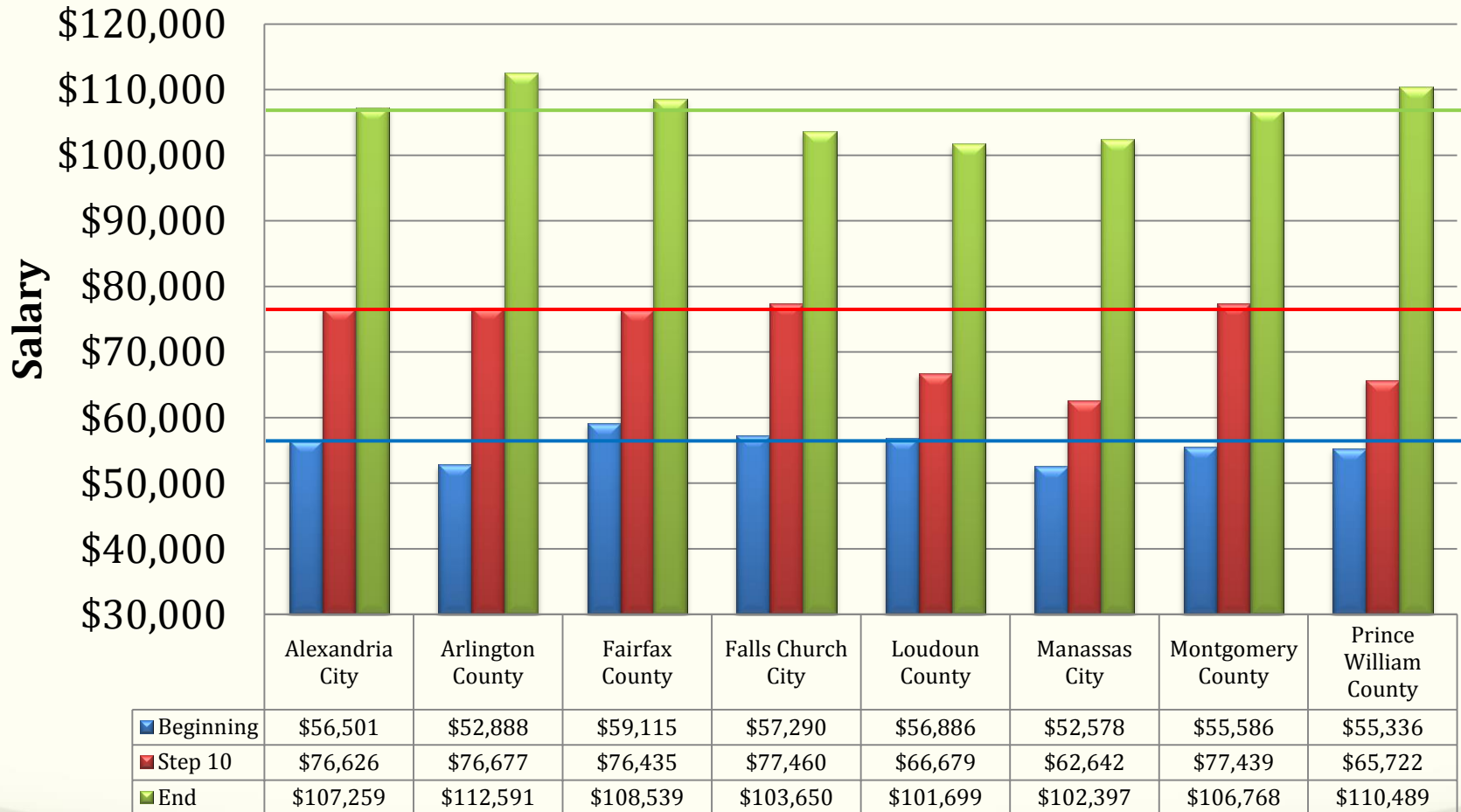
Teacher Salary: Bachelor's Degree



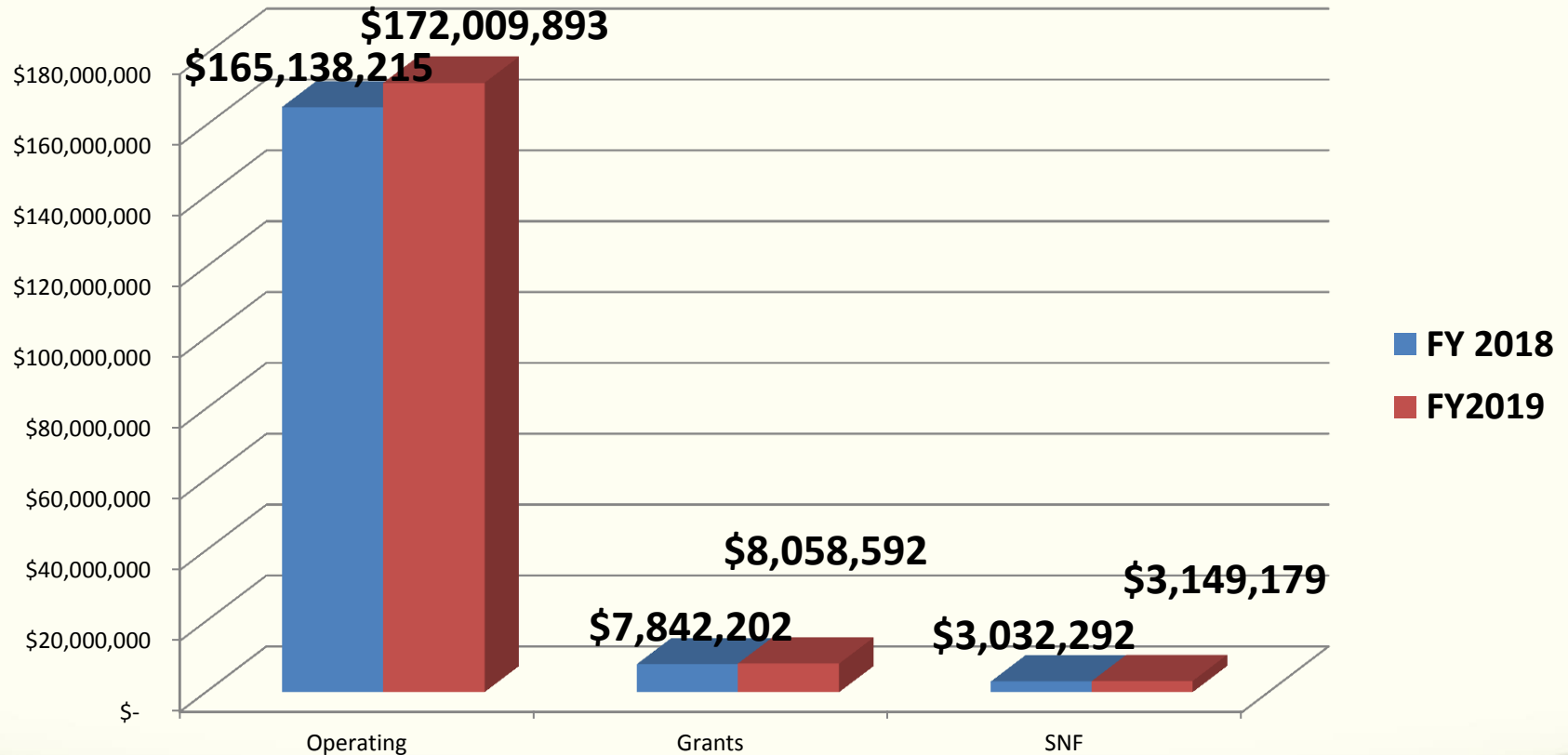
Teacher Salary: Master's Degree



Teacher Salary: Master's Degree + 30



Annual Salary Changes

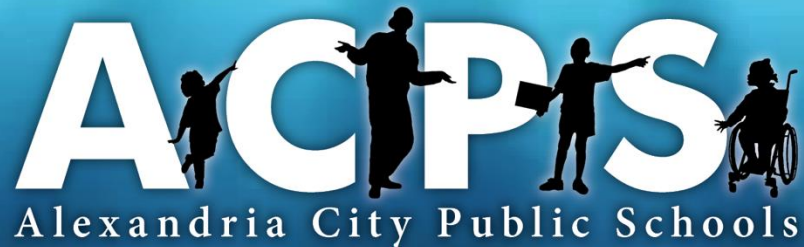


Understanding the Salary Increase

Operating Fund

| | |
|-----------------------------|-----------------------|
| FY 2018 Salary | \$ 165,138,215 |
| Step Increase | \$ 4,326,300 |
| Increased Staffing | \$ 2,656,900 |
| Additional Top Step | \$ 242,000 |
| Bonus | \$ 142,700 |
| Employee Turnover Savings | \$ (496,222) |
| FY 2019 Total Salary | \$ 172,009,893 |

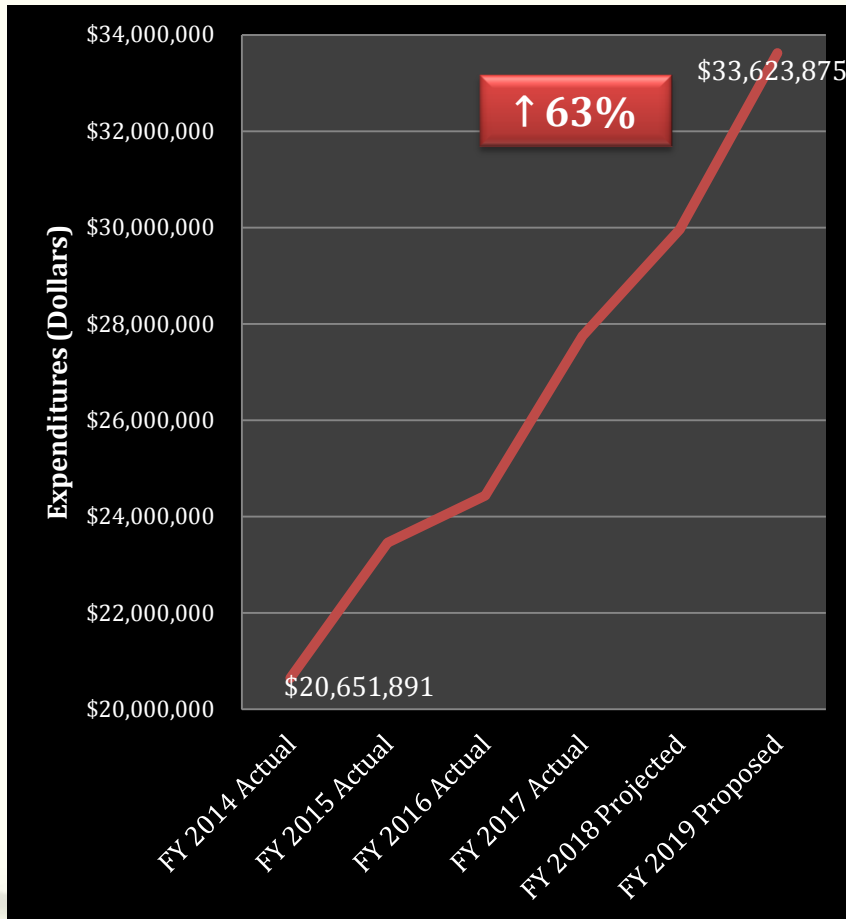
Impacting Our Employees Bottom Line



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Health-Care Costs

Health-Benefit Fund Expenditures



Key Information

- FY 2019 Projected Rate Increases:
 - Kaiser Permanente (Fully-Insured): ↑ 9%
 - United Health Care (Self-Insured): ↑ 15%
- 63% Projected Cost Increase Over Five Years
 - Nationwide rise in Health Care premiums
 - Poor loss experience in Self-Insured Fund
- Employee Health-Care Cost Sharing:
 - Professional: 20% Employee
 - Support Grade <25: 10% Employee
 - Admin & Support Grade ≥ 25: 16% Employee
- FY 2015 – FY 2017 Transfers from Health-Benefits Fund to Close Operating Budget Gap and Fund OPEB Contributions (Outlined Below)

Uses of Health-Benefit Funds

| | FY 2015 | FY 2016 | FY 2017 | Totals |
|---|---------------|---------------|---------------|----------------|
| Health-Benefit Fund | \$2.3M | \$1.3M | \$2.5M | \$6.2M |
| Transfers to Operating Fund | | | | |
| OPEB Contributions | \$1.9M | \$0.8M | n/a | \$2.6M |
| Foregone Contributions for Premium Holidays | n/a | \$0.7M | \$0.8M | \$1.5M |
| Totals | \$4.2M | \$2.8M | \$3.3M | \$10.2M |

Health Care Premium Rate Increases

| Health Plan | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 Est.* |
|---|---------|---------|---------|---------|---------|---------|---------|---------------|
| Self Insured Medical - United Healthcare & CareFirst CVS Caremark | 20% | 9.8% | 0% | 0% | -15% | 0% | 5% | 15% |
| Fully Insured Medical - Kaiser | 14% | 0.2% | 5% | 1% | 1.4% | 5% | 5% | 9% |
| Fully Insured Dental | 3% | 8% | 8% | 12% | 15% | 5.6% | - 7.8% | 0% |
| Fully Insured Vision | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

* Estimated rates based on October 2017 data. Final rates will be confirmed in March/April 2018.

Impact of All Changes on Employee Take-Home Pay

| | Bus Driver | | School Nutrition | | Teacher | | Assistant Principal | |
|--------------------------------|---------------------|---------------|---------------------|---------------|--------------------|-----------------|---------------------|-----------------|
| | 6 hrs/day, 188 days | | 6 hrs/day, 187 days | | 196 days, Master's | | 215 days | |
| Fiscal Year | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Gross Salary | \$ 25,391 | \$ 26,147 | \$ 18,794 | \$ 19,355 | \$ 71,516 | \$74,376 | \$ 92,138 | \$ 95,823 |
| VRS Retirement | \$ 1,270 | \$ 1,307 | \$ 940 | \$ 968 | \$ 3,576 | \$ 3,719 | \$ 4,607 | \$ 4,791 |
| Supplemental Retirement | \$ 381 | \$ 392 | \$ 282 | \$ 290 | \$ 1,073 | \$ 1,116 | \$ 1,382 | \$ 1,437 |
| Life Insurance | \$ 201 | \$ 207 | \$ 148 | \$ 153 | \$ 565 | \$ 588 | \$ 728 | \$ 757 |
| Health Insurance | \$ 1,092 | \$ 1,212 | \$ 1,092 | \$ 1,212 | \$ 1,894 | \$ 2,135 | \$ 1,573 | \$ 1,766 |
| Net Pay | \$ 22,447 | \$ 23,029 | \$ 16,332 | \$16,732 | \$ 64,408 | \$ 66,819 | \$ 83,848 | \$ 87,072 |
| Change | | \$ 581 | | \$ 400 | | \$ 2,410 | | \$ 3,224 |

For illustrative purposes, employee salary based on Step 9 of their respective salary scale in FY 2018 and Step 10 in FY 2019; health insurance includes self insured UHC POS medical plan, dental, vision, individual coverage

Questions/Comments

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