

## DRAFT MEMORANDUM

To: Alexandria City Public Schools (ACPS) School Board  
From: Budget Advisory Committee (BAC) through Michael Herbstman, Chief Financial Officer  
Re: 2016-2017 BAC Report  
Date: September 14, 2017

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The purpose of the Alexandria City Public Schools (ACPS) Budget Advisory Committee (BAC) is to advise and support the School Board regarding the budget.

After meeting with ACPS staff throughout the 2016 – 2017 school year and reviewing the Superintendent’s proposed FY 2017 Combined Funds Budget and FY 2017 – FY 2026 Capital Improvement Plan (CIP), BAC members prepared a following report and recommendations for the Board’s consideration.

### 1. Budget Process and Presentations

- a. BAC worked with staff to develop a schedule of deliverables for FY 2019 that will provide more timely and frequent input to the School Board. Instead of a single report submitted to the board after the budget process is completed, BAC will provide several memos throughout the budget cycle. This will provide feedback to inform decisions the board is making during the process as opposed to BAC reacting to decisions after they are made. See Appendix B for a draft schedule.

Staff Response: Staff is very supportive of these changes. The new reporting format will allow the School Board to consider BAC advice prior to several key decision points. This better aligns with the intended advisory role of the Committee.

- b. Capital Improvement Plan – ACPS staff was effective in communicating the growth in enrollment and the resulting over-crowding in the CIP plan. BAC recommends keeping this long-term enrollment and capacity plan updated and highlighted in the beginning of next year’s budget process to make clear the impact of funding decisions. The City and ACPS should also discuss ways to ensure that developers are setting aside land and funds to cover the costs to house new students moving into their developments.

Staff Response: Updated long-term enrollment and capacity data will be presented throughout the FY 2019 budget development year. ACPS Facilities and Finance staff will seek a more active role in the development process and will work with City Staff in order to ensure that sufficient land and funding is set aside for schools as part of development projects.

- c. Budget Priorities – as included in the past few years’ budgets are very broad and as most areas are included, are not as relevant as they could be for prioritizing spending. BAC has in its work schedule time to work with staff prior to the FY 2019 budget kick off to revise the Budget priorities document to create a more useful rubric.

Staff Response: ACPS Staff concurs with the overall BAC assessment and welcomes the upcoming BAC comments to the School Board on improving their Budget Priorities.

- d. BAC had recommended in last year's report a focus on developing new revenue streams such as grants or a foundation. A new leader for this function joined in FY 2017 and met with BAC. BAC expressed a willingness to assist with the development of policies and engaging the business community and other stakeholders. We recommend that additional attention on this effort in FY 2018.

Staff Response: Staff agrees with this recommendation. Revenue enhancement will be critical to bridging the annual operating budget gap for the next few years. The Office of School, Business, and Community Partnerships is focusing on obtaining larger state and federal grants while exploring the potential of a foundation.

## **2. Review of risk assessment and risk mitigation work to date**

Staff Note: One overall set of staff comments is included at the end of this section because all Section 2 items are closely related to the overall topic of risk management and mitigation efforts.

- a. As part of the ACPS Budget Advisory Committee's charter, the committee members wished to examine if the ACPS budget mitigated the strategic risks and address issues toward achieving these goals. Our purpose therefore, is to ensure the budget proactively addresses risk and issues to the ACPS goals and mission in the most efficient and effective way possible.
- b. The BAC currently is in progress and nearly complete with risk identification and capture. We estimate this phase will be complete before completion of the September 2017 report. We are concurrently assessing risks – leveraging the 2013 ACPS Risk Assessment definitions for consequence.
- c. Once we nail down the risks and issues, establish their category/level, and determine their priority, we will then, working with ACPS Budget staff, identify if the risks / issues are addressed in the budget (working with the MUNIS system). Our understanding of how the system works leads us to believe that this should be feasible. The results of this effort should provide a good indication of any glaring issues/risks. Recommendations to address any of these issues would be a second interim report.
- d. The BAC will formally submit a more comprehensive risk assessment to the board for review after incorporating staff feedback. The report will provide identification of critical issues not addressed in the budget and recommendations as to their mitigation.

Staff Response: The BAC is correct in pointing out that this type of risk management effort has not been a major area of focus in previous budgets. ACPS Staff believes that the budget development process would benefit from more careful consideration and mitigation of risks.

Staff is enthusiastic about working closely with the BAC throughout the process described above.

### **3. Communication and Engagement**

- a. The BAC commends ACPS staff for working to increase the opportunities and turn out for public participation in this year's budget process. As recommended in the last year's BAC report the Superintendent's Public Forum on the budget took place in early October rather than mid-December, earlier in the process and at a more conducive time for public attendance. The partnership staff formed with PTAC and other community stake holders was also an effective means for increasing public engagement.

Staff Response: The Public Forum is again planned for October this year. ACPS greatly values its community stakeholder relationships and looks forward to developing them further this year.

- b. As mentioned in last year's BAC report, the committee believes it is important to communicate early and often with the community during the budget process. In an effort to support these efforts, BAC plans to adjust the timing and number of its deliverables in the upcoming budget cycle to provide feedback to the board and the public during each phase of the budget cycle. We will also work with staff to continue to generate ideas for making communications user-friendly and digestible for the public.

Staff Response: ACPS Staff agrees on the importance to communicate early and often with the public throughout the process. Staff fully supports the BAC's new deliverable structure and welcomes the Committee's suggestions on making communications more accessible and user-friendly.

- c. ACPS staff and Alexandria City staff and the School Board and City Council have all worked hard to improve communication regarding the budget process and stewardship has improved greatly over the past two years. The formation of the joint City – School CIP planning committee is another positive step to ensure efficiency and transparency in decision making. The BAC recommends that the School Board continue to focus on improving this cooperation to allow for faster decision making and project execution. Sub-committees of BAC and the City Budget and Fiscal Affairs Advisory Committee held a meeting in early August 2017 and the outcome will be shared with the school board and city in the fall. BAC suggests making these meetings more frequent, with readouts to the board and city council as a way to continue this focus.

Staff Response: ACPS and City Staff have increased their focus on collaborative efforts and communications. The recent joint BAC/BFAAC meeting was a great opportunity for both committees and staffs to learn from each other and to continue building their partnerships. ACPS Staff supports additional joint meetings and reports.

## Appendix A:

### **Risk Assessment Background**

One concern of the Budget Advisory Committee (BAC) with previous ACPS budgets is the apparent deferment of risk and delay of actions regarding issues. During our discussions, we decided to pursue a risk assessment and issue evaluation of the budget. Our methodology includes business practices consistent with industrial practices of risk assessment/ risk management and are limited to the scope and capabilities of the BAC staff. In addition, members of the BAC agreed upon a set of guidelines that look forward and not fall into the trap of second-guessing the ACPS decisions but to make recommendations to improve the overall budget. The approach that follows is consistent with the objectives, scope, and limitations of the BAC.

Our approach was to identify potential risks, estimate their severity (in terms of consequences and probability of occurrence), determine their relative priority, and examine if the ACPS budget addressed the potential issue. We would also identify any issues that would result in reduced mission accomplishment. Our overall question or basis of our examination was that if an issue were identified, what actions or alternatives were included to mitigate the issue in the most efficient and effective way?

To maximize the chance of success in reaching the goals of ACPS 2020 Strategic Plan, our objectives are to first mitigate the risks to those goals. In order to accomplish this, the ACPS BAC intends to:

- Identify Risks and Issues to achieving the ACPS 2020 Strategic Plan
- Assess those Risks and Issues
- Determine if the ACPS budget addresses issues and mitigates risks identified
- Identify Alternatives to Critical Risks and Issues
- Make Recommendations to the School Board

Appendix B:

<b>Proposed BAC Deliverables</b>
Mid – September – Priorities and Outlook <ul style="list-style-type: none"><li>- “Budget Reality” overview</li><li>- Revised FY 2019 Budget priorities aligned with strategic goals</li><li>- Risk assessment update</li><li>- Discuss / provide recommendations on public engagement events</li></ul>
Early – November - 2019 CIP plan (before jt city school work session – check timing) <ul style="list-style-type: none"><li>- Feedback on CIP</li><li>- Review of Jt. Task Force report (4<sup>th</sup> week of October)</li><li>- Interim Risk Assessment</li></ul>
Mid – February – Report on Combined Funds Budget and BFAAC/City interaction <ul style="list-style-type: none"><li>- Longer report, including feedback on combined funds and progress on coordination with the City</li><li>- Final Risk Assessment</li></ul>