

Learning to Live • Loving to Learn



Alexandria City Public Schools

Retreat
11-4-06

October 31, 2006

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From: Rebecca L. Perry *Rebecca L. Perry*
Superintendent of Schools

To: James K. Hartmann
City Manager

Attachments:

- Attachment 1 – FY 2008 Operating Budget Preliminary Forecast Assumptions
- Attachment 2 – FY 2008 Operating Budget Preliminary Forecast Summary by Budget Priority and CIP Budget Preliminary Forecast
- Attachment 3 – Overview of ACPS Federal Programs: FY 05-06 to FY 07-08
- Attachment 4 – Overview of ACPS State Grants: FY 05-06 to FY 07-08

ISSUE: The Superintendent has been requested to furnish the City Manager with a forecast of the FY 2008 Operating and CIP budgets by October 31, 2006.

BACKGROUND: Last year, City Council adopted a new budget process resolution that requested the school system to issue a budget forecast prior to the City Council retreat in the fall. The resolution also changed the budget process by the issuance of a budget target by the City Council after its retreat, and the request that the budget be approved by the School Board by January 31. On October 10, 2006, the City Council adopted a resolution that requested the school system to issue a budget forecast by October 31, 2006, prior to the City Council retreat on November 4, 2006 and that this forecast include any requested cost of living adjustment (COLA). As it did last year, the resolution also requested that the School Board approve its budget by January 31, 2007.

DISCUSSION: The following outlines and summarizes the FY 2008 Operating Budget Preliminary Forecast and the FY 2008 CIP Budget Forecast:

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OMB
ALEXANDRIA VIRGINIA

FY 2008 Preliminary Budget Forecast Assumptions

The assumptions used to formulate the preliminary budget forecast are outlined in Attachment 1, FY 2008 Operating Budget Preliminary Forecast Assumptions. The forecast being developed in October 2006 covers revenues and expenditures for the period of July 2007 through June 2008. These assumptions are the best estimates we can make based on the information available at this time. A key driver of the schools' budget is enrollment. As indicated in our list of assumptions (Attachment 1), the FY 2008 enrollment forecast will be updated and published in the Superintendent's FY 2008 CIP budget which will be presented to the School Board on November 2, 2006.

Should any of the assumptions used to build the FY 2008 preliminary budget forecast change between now and budget approval by the School Board, it is our intent to inform the School Board and the City Council of the change and seek an adjustment. A number of budget factors such as the Governor's budget, actions by the General Assembly, natural disasters, changes in state/federal aid, unfunded mandates, or changes in world markets can all have a major financial impact on the school system.

FY 2008 Operating Budget Preliminary Forecast

In response to City Council's request for an expedited budget process, I have developed a preliminary budget forecast that maintains existing programs and carries forward the goal of achieving accreditation of all our schools. No new initiatives are funded in this forecast but essential program improvements are included. Several initiatives are still under consideration for future budget years.

The FY 2008 operating budget preliminary forecast shown in Attachment 2 builds on the FY 2007 final approved budget and funds necessary increases in fuels, utilities, rent, and property and liability insurance. Over the course of the next seven weeks, I will be analyzing the entire budget for possible efficiencies and reductions as the Superintendent's proposed FY 2008 budget is developed. The School Board will then have six weeks to review the proposed FY 2008 budget and make any adjustments it feels necessary. The School Board's approved FY 2008 budget will then come to the City Council for its review and approval.

The FY 2008 budget will be impacted by a mandated increase in the Virginia Retirement System (VRS) rate for retirement benefits for professional staff. This line item totals \$1,190,000 and accounts for approximately 7.6% of the FY 2008 budget increase¹.

¹ The percentage increase calculated throughout this memo is based on the FY 2008 preliminary forecast total without COLA.

The new T. C. Williams High School will be opening in September 2007. In order to ensure that the building opens on schedule and with all the necessary supplies, included in the forecast is a contingency fund to cover anticipated expenses (e.g., moving expenses, trash removal and disposal fees, loss/breakage of materials moving from the old school to the new, etc.). In addition, because of the expanded square footage of the building, additional building maintenance positions will be needed. The total of these two items for the new TC is \$973,616, or approximately 6.2% of the total increase.

As is the practice in all school budgets, included are reserve elementary teachers and kindergarten paraprofessionals as well as special education teachers and paraprofessionals in the budget forecast. These reserves are included in order to address the possibility of unexpected changes in enrollment by grade level at each school or changes in special education populations since regular staffing is accomplished on a formula-driven basis and staffed "tightly." The budget forecast includes the number of reserve teacher and paraprofessional positions we have actually used, on average, over the past three years (a reduction from what has been budgeted to reflect actual and projected needs). These reserves must also cover any critical staffing areas no longer funded by grants. The total of these reserves is \$1,010,197, which represents approximately 6.4% of the total budget increase.

Granting eligible employees a step increase on the pay scale amounts to \$4,500,000 or 28.6% of the increase. This year, for the first time, we have been asked to include the cost of living adjustment (COLA) in the preliminary budget forecast. In past years, the City has accorded the same COLA to both City and Schools employees. This practice has been positive for employees. Should the City's forecast include a COLA of a different percentage than the one included in the Schools' forecast, I would request a change in the amount of the Schools' COLA to reflect the City's COLA amount. Each 1% of COLA costs \$1,500,000; a 3% COLA would amount to \$4,500,000.

Health insurance rates have been rising steadily in recent years and it is anticipated that next year's rates will continue to rise. Therefore, included is funding to increase the School Board's contribution by the anticipated amount of the premium rate increase. Assuming the premium rate increase is no greater than what is anticipated at this time, the employee will be held harmless. In addition, funding of \$65,000 is added to increase the monthly health insurance contribution for school system retirees. These increases, in the amount of \$1,625,000, account for approximately 10.3% of the budget increase.

Funding for program support and improvements in the amount of \$5,046,967 is included in the FY 2008 preliminary forecast. This funding amount is based on the three-year average of actual funded supplemental requests. It does not include the average amounts for increases in fuel, utilities, insurance and rent or special education teacher reserves which were specifically listed as individual line items in the forecast (see items 1 and 4 on Attachment 2). This item includes not only improvements to programs but essential operating expenses such as textbooks and consumable print materials for students. This funding accounts for approximately 32% of the overall budget increase.

The FY 2008 budget forecast includes funding for an adjustment to the support salary scale as well as the administrative salary scale. I have proposed these adjustments to reflect increased employment requirements and to continue to be as competitive as possible with surrounding jurisdictions. In addition, funding is included to revise the stipend schedule and to adjust the daily rate for substitutes, both short term and long term. These needed salary adjustments account for approximately 6.5% of the overall increase and total \$1,020,000.

Attachments 3 and 4 outline the federal and state grants received by ACPS over the past two years and the outlook for those grants for FY 2008. We predict changes in several federal grants for next that may require additional funding from the operating budget; however, any additional funding needed in the operating budget will be funded within the preliminary forecast amount and will not increase the forecast total.

FY 2008 CIP Budget Preliminary Forecast

The FY 2008 CIP Preliminary budget forecast is \$16,249,275. This amount is the same total for FY 2008 as presented in the Approved FY 2007 – 2012 budget last year. The City has indicated that the amount of the FY 2008 CIP budget is at or near the targeted bonding capacity level. The rising cost of construction in the last few years will require staff to examine and develop new budget estimates for all projects planned in FY 2008 – FY 2013. Even though the total amount for the FY 2008 CIP budget will not change, it is possible that some projects may need to be re-sequenced and rescheduled in order to adjust for the rising costs of construction. The funding required for the succeeding five years, FY 2009 through FY 2013, will be forthcoming in the Superintendent's Proposed FY 2008 CIP budget which will be presented to the School Board on November 2, 2006.

cc: The Honorable Mayor and Members,
Alexandria City Council
The Honorable Chair and Members,
Alexandria School Board

FY 2008 OPERATING BUDGET PRELIMINARY FORECAST ASSUMPTIONS

REVENUE

1. State Aid is projected at the amount approved by the General Assembly in June 2006. In addition, the sales tax estimate approved by the General Assembly in June 2006 has been revised to correct the overestimation discovered after approval of the biennial budget.
2. Local Revenue is projected at our best estimate of revenue likely to be received based on the actual revenue received over the past three years.
3. Federal Revenue is projected at our best estimate of revenue likely to be received based on the actual revenue received over the past three years.
4. City Appropriation is forecast at the amount needed to fund the FY 2008 budget based on the forecasted expenditures, the projected State, local, and federal revenue to be received, and the unaudited fund balance amount.
5. Fund Balance is projected at the unaudited fund balance amount provided by the Finance Office.

EXPENDITURES

1. Operating Increases are made up of the following:
 - a) Motor vehicle fuels increases are estimated based on the same average price per gallon as actually paid in FY 2006, plus an increase of 3.4% in usage to account for an increased number of buses in use this year over last year.
 - b) Utilities increases are estimated based on a 16% increase in the cost of electricity and a 15% decrease in the cost of natural gas plus an estimate of the increased usage in both categories as a result of the opening of the new TC.
 - c) Insurance increases are estimated based on an increase of 8% for liability insurance, 7% for property insurance, 7% for auto insurance, and 9% for worker's compensation excess insurance.
 - d) Rent increases are based on a 3% increase per year, according to the terms of the leases.
2. VRS rate increase is based on the latest information we have from the Virginia Retirement System and the state. The following is the current rate and the projected rate for the professional category of VRS retirement:

	Current	Projected	Difference
VRS Retirement - Professional Category	9.20%	10.30%	1.10%

3. Because of the opening of the new TC Williams High School, we have budgeted a contingency fund of \$500,000 to cover those expenses which we anticipate but cannot estimate at this time (e.g., specialized moving expenses, trash removal and disposal fees, loss/breakage of materials, etc.). In addition, because of the expanded square footage of the building, additional custodial services will be needed.
4. Reserves are broken down as follows:

7.0 FTE elementary teachers	\$ 545,069
2.0 FTE kindergarten paraprofessionals	\$ 76,830
4.0 FTE special education teachers	\$ 311,468
2.0 FTE special education paraprofessionals	\$ 76,830

The reserves are based on the average number of reserves used over the past three years.
5. The amount for Step Increase is projected based on the salaries of the staff in place as of September 21, 2006.
6. Health Insurance Increase is based on an estimate from the City's and schools' health insurance consultant who indicates we should budget for an 11% increase in MAMS/United Healthcare and a 13% increase in Kaiser. Included in the health insurance increase is funding to raise the monthly contribution for retirees from \$265 to \$280 (\$65,000).

FY 2008 OPERATING BUDGET PRELIMINARY FORECAST ASSUMPTIONS

Funding for program support and improvements is based on the three-year average of actual funded supplemental requests but does not include the average amounts for operating increases and special ed teacher reserves which are specifically listed as individual line items in the forecast. Included in this amount is funding for textbooks.

8. Adjustment to support and administrative salary scales proposes changes in those salary scales to reflect increased responsibilities and to be more competitive with surrounding jurisdictions. This figure is a placeholder only; the details of the changes are currently being worked out. In addition, the stipend schedule will be revised and the per diem rates for substitutes, both short term and long term, will be adjusted.
9. Each 1% of COLA is forecasted to cost \$1,500,000 based on the salaries of the staff in place as of September 21, 2006. In years past, the City has accorded the same COLA to both City and Schools employees. Even though the Schools have been asked to include the cost of a COLA in its forecast, we presume and hope this practice will continue this year. Should the City's forecast include a COLA of a different percentage than we have included here, we would request to change our forecast request to match that requested by the City Manager.
10. The FY 2008 budget is based on an enrollment projection of 10,063, which was calculated in Fall 2005. Because this projection is 6 students higher than the September 30 enrollment for the current year, no changes in staffing were made. A new enrollment projection for FY 2008, which is based on September 30, 2006 enrollment, will be forthcoming in the Superintendent's Proposed FY 2008 CIP budget which will be presented to the School Board on November 2, 2006. Any changes in staffing as a result of this new projection will be included in the Superintendent's Proposed FY 2008 Operating Budget which will be presented to the School Board on December 19, 2006. Last year, this same process resulted in a reduction of 22.0 FTE teachers and 2.0 FTE paraprofessionals for a total of over \$1.4 million.

**FY 2008 OPERATING BUDGET PRELIMINARY FORECAST
EXPENDITURES BY BUDGET PRIORITY**

FY 2007-08 FORECASTED REVENUES

1. State Aid	\$ 26,508,553
2. Local Revenue	\$ 446,984
3. Federal Revenue	\$ 204,443
4. City Appropriation (FY 2007 level = \$149,873,621)	\$ 168,900,592
5. Fund Balance	<u>\$ 1,781,367</u>
	Forecasted FY 2008 Revenue Before COLA \$ 197,841,940

	FY 2007
	% Increase Preliminary
	Over FY 2007 Forecast
	Total Budget Increase %

FY 2007-08 FORECASTED EXPENDITURES

FY 2006-07 Final Approved Budget	\$ 182,091,160		
1. Operating increases (fuel, utilities, insurance, rent)	<u>\$ 385,000</u>		
	Subtotal \$ 182,476,160	0.21%	
2. VRS rate increase	<u>\$ 1,190,000</u>		
	Subtotal \$ 183,666,160	0.86%	
TC Williams			
Contingency Fund	\$ 500,000		
Additional Custodial Staffing	<u>\$ 473,616</u>		
	Subtotal \$ 184,639,776	1.40%	
4. Teacher Reserves (elementary and special education)	<u>\$ 1,010,197</u>		
	Subtotal \$ 185,649,973	1.95%	
5. Step increase	<u>\$ 4,500,000</u>		
	Subtotal \$ 190,149,973	4.43%	
6. Health insurance increase	<u>\$ 1,625,000</u>		
	Subtotal \$ 191,774,973	5.32%	
7. Funding for program support and improvements	<u>\$ 5,046,967</u>		
	Subtotal \$ 196,821,940	8.09%	
8. Adjustment to support & admin salary scales; stipend schedule; substitute rates	<u>\$ 1,020,000</u>		
	Total Budget for Preliminary Forecast Before COLA \$ 197,841,940	8.65%	8.54%
9. COLA - 1%	\$ 1,500,000	9.47%	
COLA - 2%	\$ 3,000,000	10.30%	
COLA - 3%	\$ 4,500,000	11.12%	

Note: Item numbers above correspond to item numbers on Preliminary Forecast Assumptions pages.

Overview of ACPS Federal Programs: FY 05-06 through FY 07-08					
Grant	Type	Actual FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
Title I, Part A (Improving Basic Programs)	Federal/ Entitlement	\$2,919,945	\$2,890,325	\$2,890,325	Provides supplementary reading and/or math instruction to struggling K-5 students in eight schools (JA, PH, JH, CK, MM, MV, WR, and ST) Strengthens and enhances teachers' content knowledge and teaching proficiency in mathematics Provides Title I parents with meaningful resources and services to improve their children's achievement in school
Title I School Improvement	Federal/ Entitlement	\$202,000	\$200,000	\$50,000	Provides schools in <i>Title I School Improvement</i> with additional funds to increase student achievement FY 05-06: JA, JH, and PH \$50,000 each and MM \$52,000 FY 06-07: JA, JH, MM, and PH \$50,000 EACH FY 07-08: JH \$50,000 Note: During the 2005-06 and 2006-07 school years, JA, MM, & PH used these funds to pay a portion of math specialists' salary and benefits. Next school year these costs will be covered by the FY 07-08 Title I, Part A (Improving Basic Programs) budget.
Title I Workforce Investment (CTE Federal Perkins)	Federal/ Entitlement	\$249,716	\$251,668	\$251,668	Provides materials, supplies, and equipment for teachers in the Career and Technical Education Program Provides staff development for teachers in the Career and Technical Education Program
Title I, Part D (Neglected or Delinquent)	Federal/ Entitlement	\$59,886	\$00.00	\$00.00	Placed an <i>Intervention Specialist</i> at Maury who worked with staff and parents to increase student attendance and to reduce disruptive classroom behavior

Overview of ACPS Federal Programs: FY 05-06 through FY 07-08					
Grant	Type	Actual FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
Title II, Part A (Teacher Quality)	Federal/ Entitlement	\$623,891*	\$616,674*	\$616,674*	<p>Provides staff development activities focusing on improving English, math, science, and social studies instruction</p> <p>Provided professional development activities for paraprofessionals</p> <p>Places at least one teacher in Title schools that are or were in <i>School Improvement</i> or did not make AYP during the current school year</p> <p>Note: Currently five schools--JH (2), JA (2), CK (1), MM (1) and PH (1)--have class size reduction teachers. Because of increased private school and highly qualified teaching funding requirements, both JH and JA will lose a class size reduction teacher.</p>
Title II, Part D (Technology)	Federal/ Entitlement	\$56,543	\$29,518	\$29,518	Provides staff development activities focusing on integrating technology into the classroom and developing teachers' and administrators' abilities to use technology
Title III (Limited English Proficient)	Federal/ Entitlement	\$294,854*	\$338,879*	\$271,525*	<p>Provides K-12 ESL instruction</p> <p>Note: For FY 06-07, ACPS received more Title III funding because immigrant enrollment increased.</p>
Title IV, Part A (Safe and Drug-Free Schools)	Federal/ Entitlement	\$75,177*	\$59,981*	\$59,981*	<p>Operates the PATHS and peer mediation programs in all elementary schools</p> <p>Operates a conflict resolution program at both middle schools</p> <p>Trains middle school P.E. teachers to integrate <i>Life Skills</i> into the curriculum</p> <p>Trains 9th grade P.E. teachers to integrate the <i>Get Real About Violence Program</i> into the curriculum</p> <p>Operates a <i>Student Against Destructive Decisions Club</i> at T.C. Williams</p>

Overview of ACPS Federal Programs: FY 05-06 through FY 07-08					
Grant	Type	Actual FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
Title V, Part A (Innovative Programs)	Federal/ Entitlement	\$71,065*	\$34,155*	\$34,155*	Purchases library books that have significant relevance to identified areas of need as determined by each school's performance on the Virginia Standards of Learning Assessment (Note: Books are selected on the basis of (1) their potential for improving academic achievement in the content area(s) targeted for improvement, and (2) representation of cultural / gender diversity)
IDEA - Part B Section 611 (Special Education)	Federal/ Entitlement	\$2,519,905	\$2,454,826	\$2,454,826	Provides staff, materials and equipment for the instructional program for students with disabilities in grades K-12
IDEA - Part B Section 619 (Special Education Preschool)	Federal/ Entitlement	\$93,760	\$92,775	\$92,775	Provides staff, materials and equipment for the instructional program for students with disabilities ages 3-5 years
	Subtotal	\$7,166,733	\$6,968,801	6,751,447	
21st Century Community Learning Center	Federal/ Competitive	\$180,000	\$00.00	\$00.00	Operated a comprehensive after-school program for students at <u>Maury, Jefferson-Houston and S.T.E.P.</u> Provided participants' parents with meaningful resources and services to improve their children's achievement in school Note: During FY 06-07, MM is using Title I and differentiated funds to provide these after school services. JH is using Title I School Improvement Funds to maintain these services.
21st Century Community Learning Center	Federal/ Competitive	\$170,729	\$170,729	\$00.00	Operates a comprehensive after-school program for students at <u>John Adams, Ramsay, and Tucker</u> Provides participants' parents with meaningful resources and services to improve their children's achievement in school Note: During FY 07-08, JA, WR, and ST can use Title I and differentiated funds to maintain these services for students.

Overview of ACPS Federal Programs: FY 05-06 through FY 07-08					
Grant	Type	Actual FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
21st Century Community Learning Center (This grant was secured by the Campagna Center)	Federal/ Competitive	\$170,000	\$00.00	\$00.00	Operated a comprehensive after-school program for students at <u>Mount Vernon</u> Provided participants' parents with meaningful resources and services to improve their children's achievement in school Note: The Campagna Center raised funds to maintain these services at MV. Also, a small portion of Title I funds are being used to maintain these services.
	Subtotal	\$520,729	\$170,729	\$00.00	
Total		\$7,687,462	\$7,139,530	\$6,751,447	

* a portion of these funds are for private schools within Alexandria

Overview of ACPS State Grants: FY 05-06 - FY 07-08

Grant	Type	FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
Individual Student Alternative Education Plan (ISAEP)	State/Incentive	\$ 31,434	\$ 31,434	\$ 31,434	To provide partial funding of a GED instructor and program coordination stipend. Outlook: No change in funding; no change in program.
Juvenile Detention	State/ Categorical	\$ 709,538	\$ 890,581	\$ 931,859	To provide education services in the Northern Virginia Juvenile Detention Home. Outlook: Increased funding; no change in program.
Early Reading Intervention	State/Incentive	\$ 63,337	\$ 48,254	\$ 47,048	To provide additional reading instruction for at-risk students. Outlook: Slight decrease in funding; no change in program.
SOL Algebra Readiness	State/Incentive	\$ 64,068	\$ 37,042	\$ 36,409	To provide a remediation program for 7th and 8th graders who are at-risk of failing the Algebra I end of course test. Outlook: Slight decrease in funding; no change in program.
Mentor Teacher	State/ Competitive	\$ 10,416	\$ 10,416	\$ 10,416	Mentor teacher programs. Outlook: No change in funding; no change in program.
State of Virginia Medicaid Reimbursement	State/ Reimbursement	\$ 537,018	\$ 300,000	\$ 300,000	Reimbursement for services provided to disabled students. Outlook: Level or increased funding.
Total		\$1,415,811	\$1,317,727	\$1,357,166	