

Alexandria City Public Schools

**FISCAL
FORECAST**



Operating Budget: Fiscal Years 2009 to 2013



Elements of Forecasting

- Identify major areas of change within the organization
- Identify factors that may impact the organization but that cannot be controlled
- Estimate upper and lower ranges of change
- Use as basis for long-range financial and strategic planning



AGENDA

- Review internal areas of change
- Review external factors
- Discuss the five-year expenditure projections for a high and low scenario
- Discuss the five year revenue projections for the low and high scenarios
- Determine impact of each scenario on the City appropriation to Schools



Methodology

- Used historical trends for most items
- Some areas held to minimal increases, i.e., materials and supplies, capital outlay
- Fully budgeted for all items based on expenditure history
- Analyzed history of additions and reductions to calculate net change
- Assumed change in enrollment stays on same trend line



Major Areas of Internal Change

- Step increase and market rate adjustments (MRA)
- Health benefit costs
- Legal expenses
- Private carrier transportation costs



Major Areas of Internal Change (cont.)

- Tuition to other school divisions
- Substitutes
- FMLA and workers compensation
- Bus driver, maintenance, and custodial overtime
- Essential increases



External Factors

- School enrollment and composition of enrollment
- Economic climate and impact on state and local revenues
- Virginia Retirement System rates
- Health benefit rate increases



External Factors (cont.)

- Retiree health benefit costs
- Workers compensation and FMLA payments
- Vehicle fuel costs
- Special education-related costs: outside service providers; transportation via private carrier; tuition to other school divisions
- OPEB liability costs

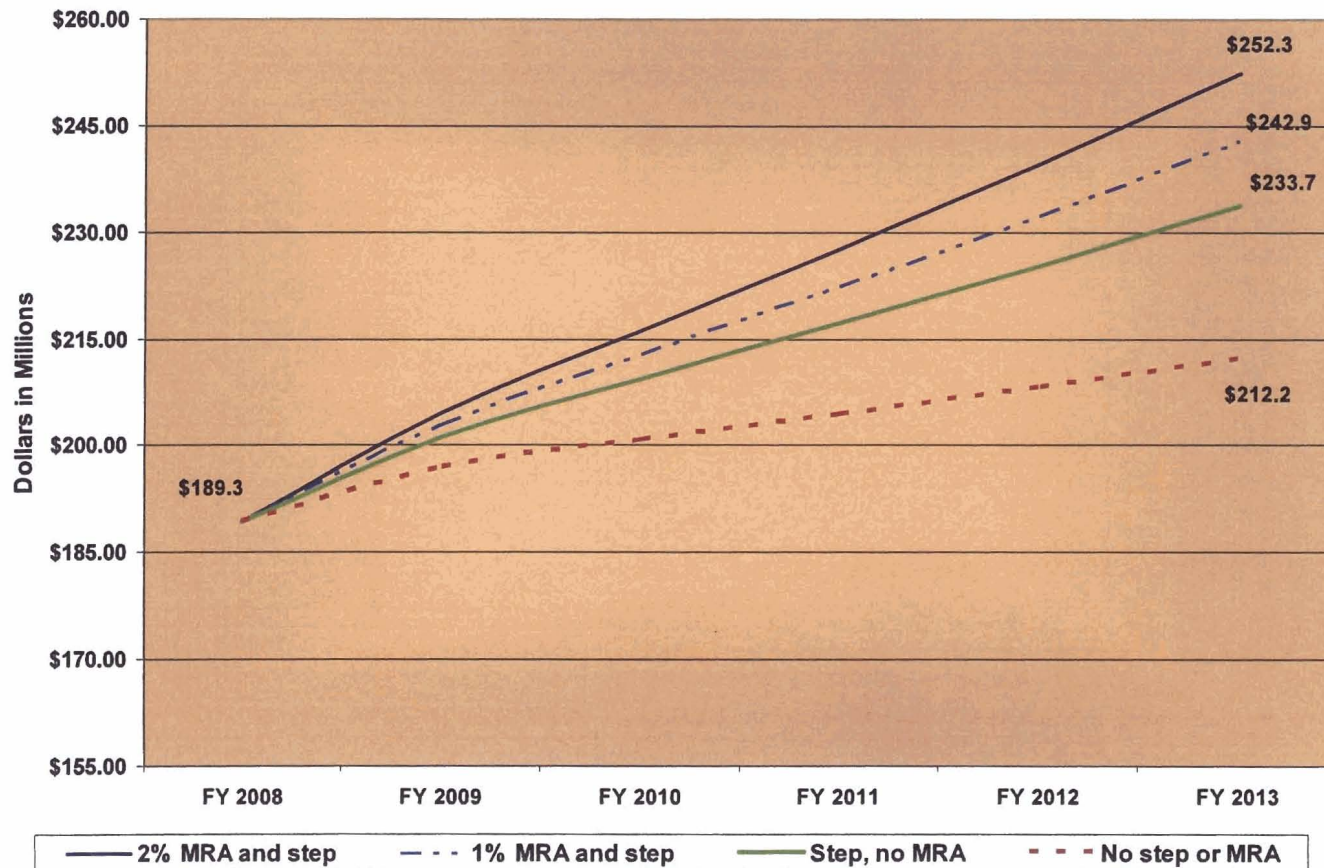


GASB 45 and OPEB Liability

- Shift from pay-as-you go to accrual basis, similar to the way retirement costs are handled
- Required annual funding of \$4.9 million, based on 2006 actuarial study
- Annual increase of \$0.8 million above the previously discussed items until total allocation reaches \$4.9 million in FY 2013



Five-Year Forecast of Expenditures: A Range of Options



Annual Increases

- 2% MRA and step: 5.9%
- 1% MRA and step: 5.1%
- Step: 4.3%
- No step or MRA: 2.3%



FY 2009 Personnel Cost Increases

Low Scenario	
	Dollars in <u>Millions</u>
Step Increase	\$ -
Market rate adjustment of 2% (MRA)	-
Lapse	(1.77)
Salaries	
<u>Major Changes:</u>	
Substitutes	\$ 0.49
Bus Driver, Maintenance, and Custodial Overtime	0.41
Essential Increases	0.43
Subtotal, Major Changes	\$ 1.33
Benefits	
<u>Major Changes:</u>	
VRS Retirement	2.87
Health Insurance	0.94
Retiree Health Benefits	0.17
Other Post-Employment Benefits (OPEB)	0.80
Termination Benefits	0.06
Workers Compensation	0.21
FMLA payments	0.24
Subtotal, Major Changes	\$ 5.28
Grand Total	\$ 4.85

High Scenario	
	Dollars in <u>Millions</u>
Step Increase	\$ 4.28
Market rate adjustment of 2% (MRA)	3.33
Lapse	(1.85)
Salaries	
<u>Major Changes:</u>	
Substitutes	\$ 0.49
Bus Driver, Maintenance, and Custodial Overtime	0.41
Essential Increases	0.43
Subtotal, Major Changes	\$ 1.33
Benefits	
<u>Major Changes:</u>	
VRS Retirement	2.87
Health Insurance	0.94
Retiree Health Benefits	0.17
Other Post-Employment Benefits (OPEB)	0.80
Termination Benefits	0.06
Workers Compensation	0.21
FMLA payments	0.24
Subtotal, Major Changes	\$ 5.28
Grand Total	\$ 12.38



ACPS has Cut Positions to Fund New Initiatives

Increases

	Personnel	
	Salaries and Benefits	FTE
FY 2003	1,133,655	35.00
FY 2004	1,362,526	24.50
FY 2005	1,550,046	32.05
FY 2006	1,973,935	34.45
FY 2007	1,068,234	27.50
FY 2008	1,211,990	15.50
Grand Total	8,300,386	169.00
Average Per Year	1,383,398	28.17

Reductions

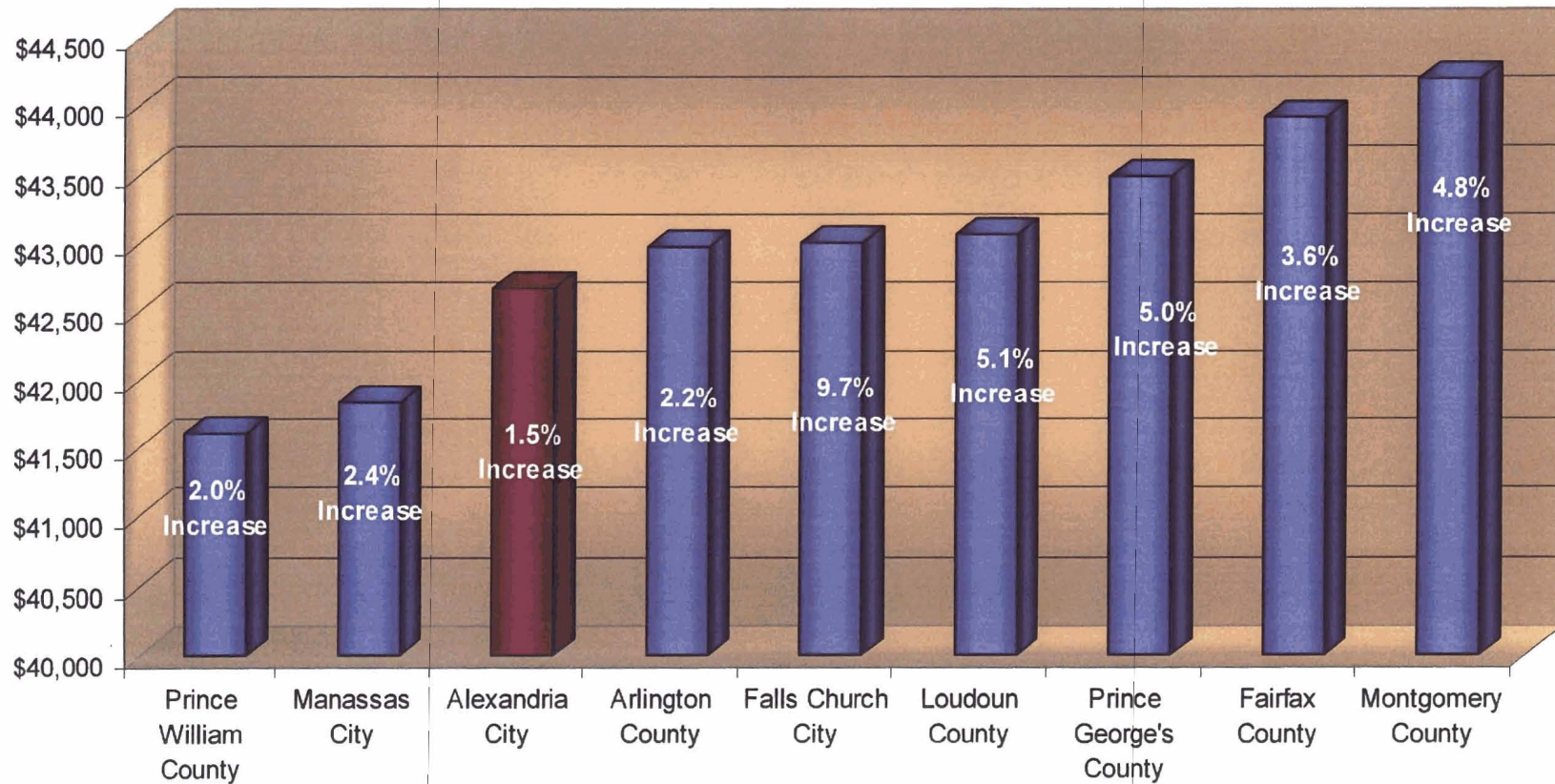
	Personnel	
	Salaries and Benefits	FTE
FY 2003	(1,316,458)	(24.00)
FY 2004	(1,973,370)	(37.30)
FY 2005	(1,508,672)	(33.00)
FY 2006	(232,800)	(4.40)
FY 2007	(1,935,527)	(32.00)
FY 2008	(5,423,272)	(90.23)
Grand Total	(12,390,099)	(220.93)
Average Per Year	(2,065,016)	(36.82)
Average wo FY08	(1,393,365)	(26.14)

As identified in the final approved budget books. Does not include reserve positions.



Washington Area Teacher Salaries

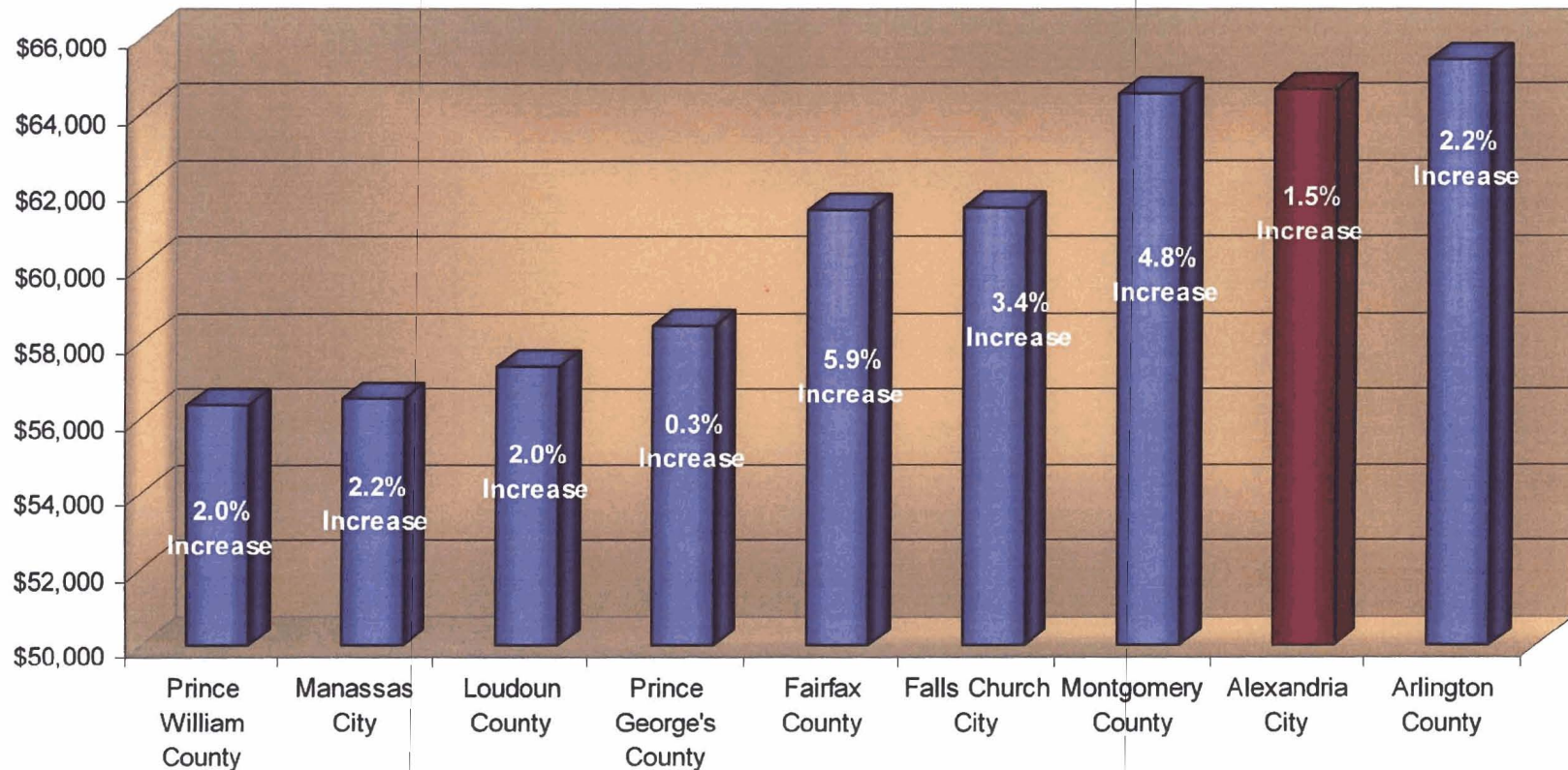
FY 2008 Teacher Salaries - Bachelor's Degree
and Percent Increase in Salaries, FY 2007 to FY 2008





Washington Area Teacher Salaries

FY 2008 Teacher Salaries - Master's Degree Step 9
and Percent Increase in Salaries, FY 2007 to FY 2008





FY 2009 Non-Personnel Cost Increases

	Dollars in <u>Millions</u>
<u>Major Changes:</u>	
Legal Fees	\$ 0.42
Special Education Outside Service Providers	0.66
Private Carrier Transportation Costs	0.57
Tuition to other School Divisions	0.43
Vehicle Fuel and Supplies	0.08
Essential Increases	0.39
Change due to Growth	(0.07)
Subtotal, Major Changes	\$ 2.47



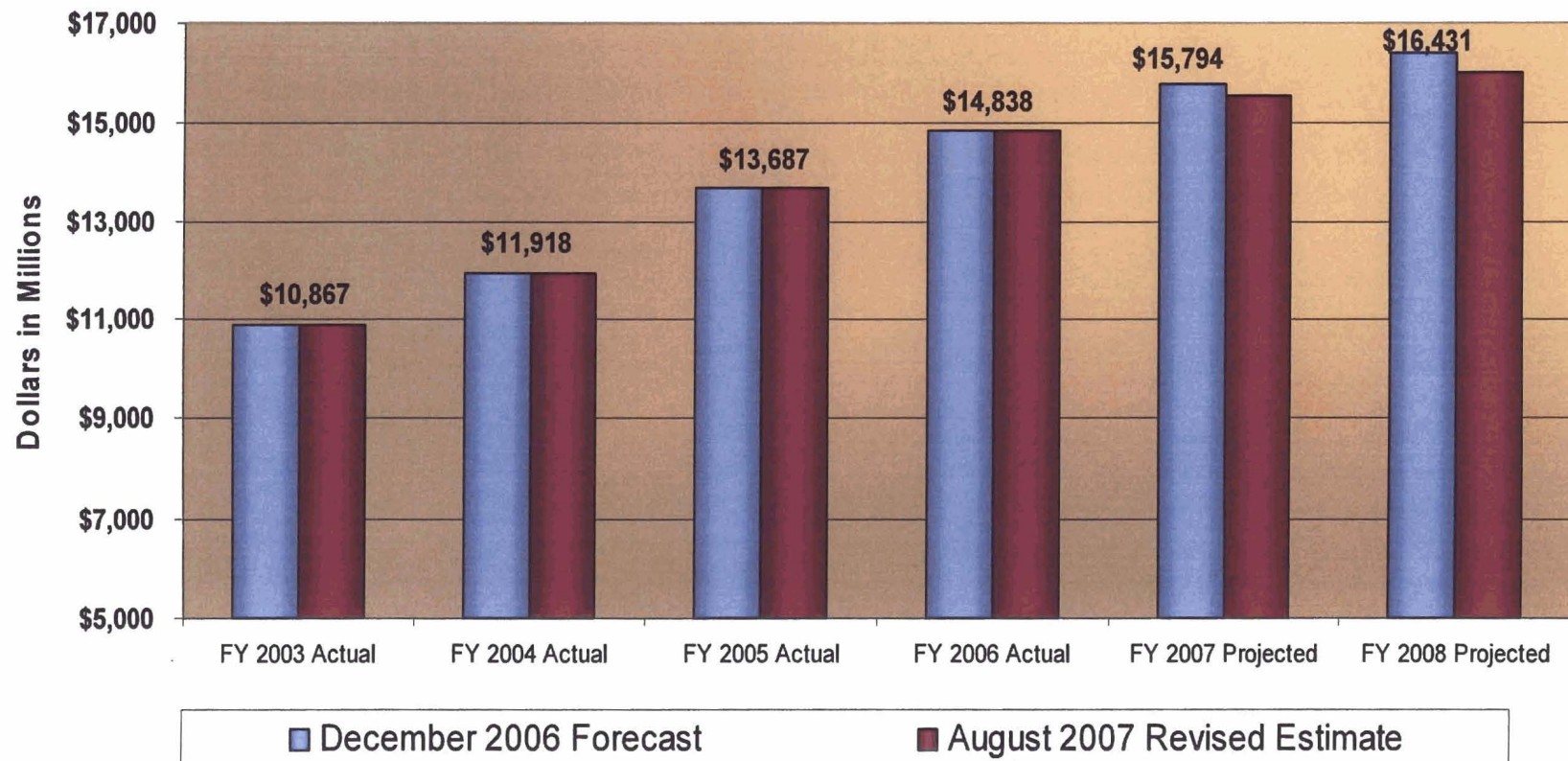
FY 2009 Forecasted Expenditures: High and Low Scenarios

Item	High Scenario	Low Scenario
	Dollars in Millions	
Personnel Expenditures		
Compensation and Benefits Base	\$ 163.89	\$ 163.89
Major Required Increases	6.18	6.18
Essential Increases	0.43	0.43
Step Increase	4.28	-
Market rate adjustment of 2% (MRA)	3.33	-
Lapse	(1.86)	(1.78)
Total Compensation and Benefits	\$ 176.24	\$ 168.71
Non-personnel expenditures		
Non-personnel expenditure base	\$ 25.54	\$ 25.54
Major Required Increases	2.23	2.23
Essential Increases	0.39	0.39
Change due to growth	(0.07)	(0.07)
Total Non-personnel expenditures	\$ 28.27	\$ 28.27
Grand Total, FY 2009 Forecast	\$ 204.50	\$ 196.97
Increase over FY 2008	8.1%	4.1%



State Revenue Trends

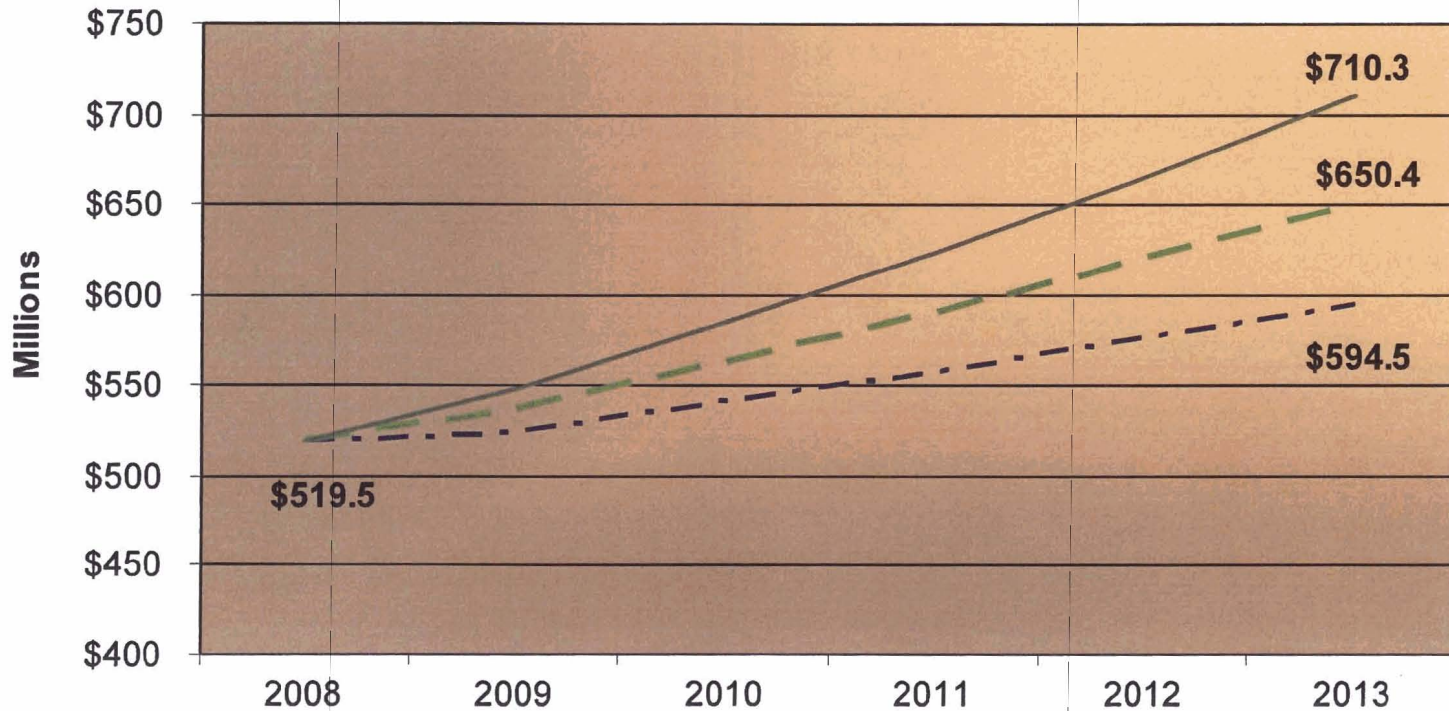
Commonwealth of Virginia General Fund Revenue Trends





Five Year Forecast of City Revenue Trends

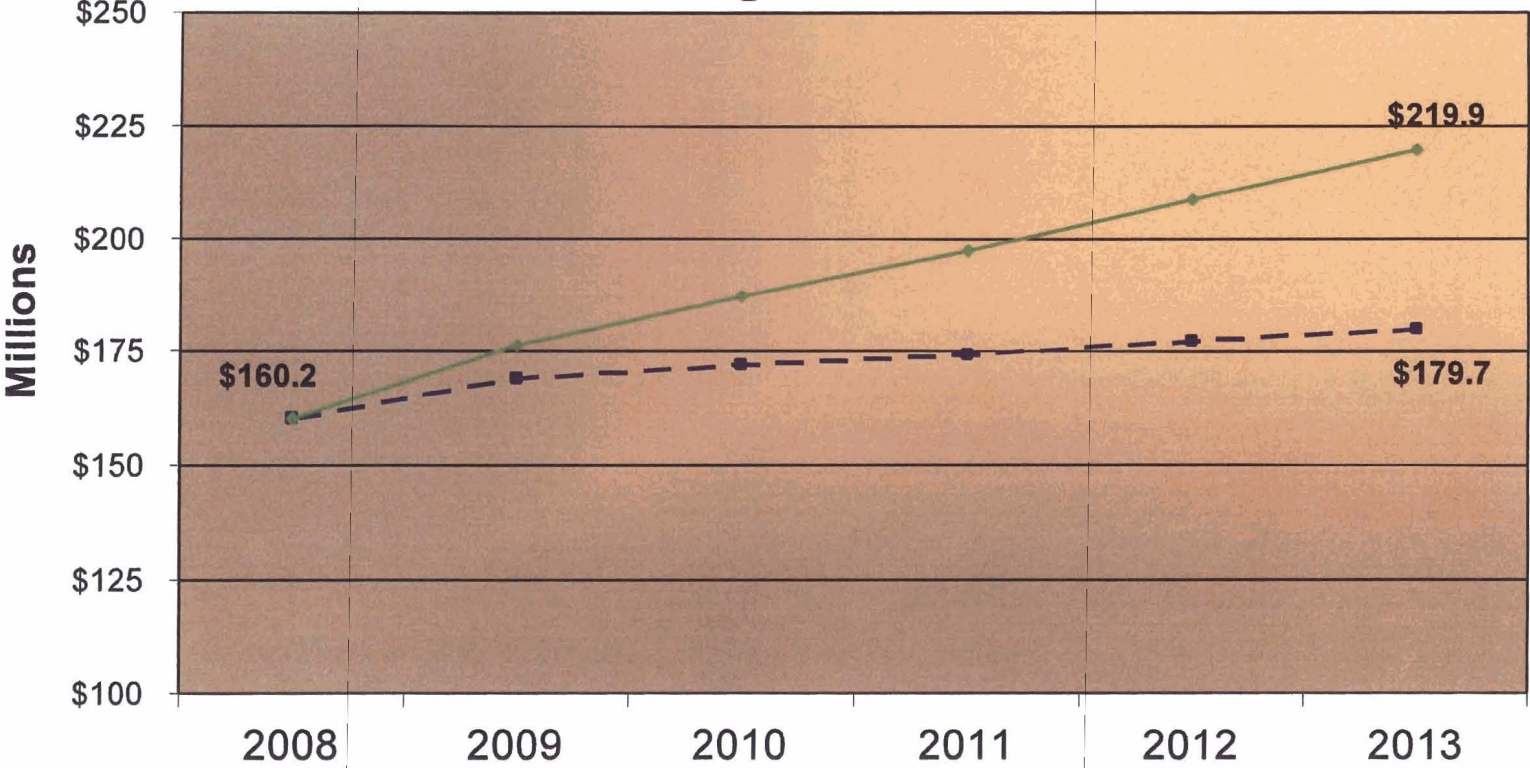
City's Projected Revenue Growth Under Low, Medium, and High Forecasts





Five Year Forecast of City Appropriation to Schools

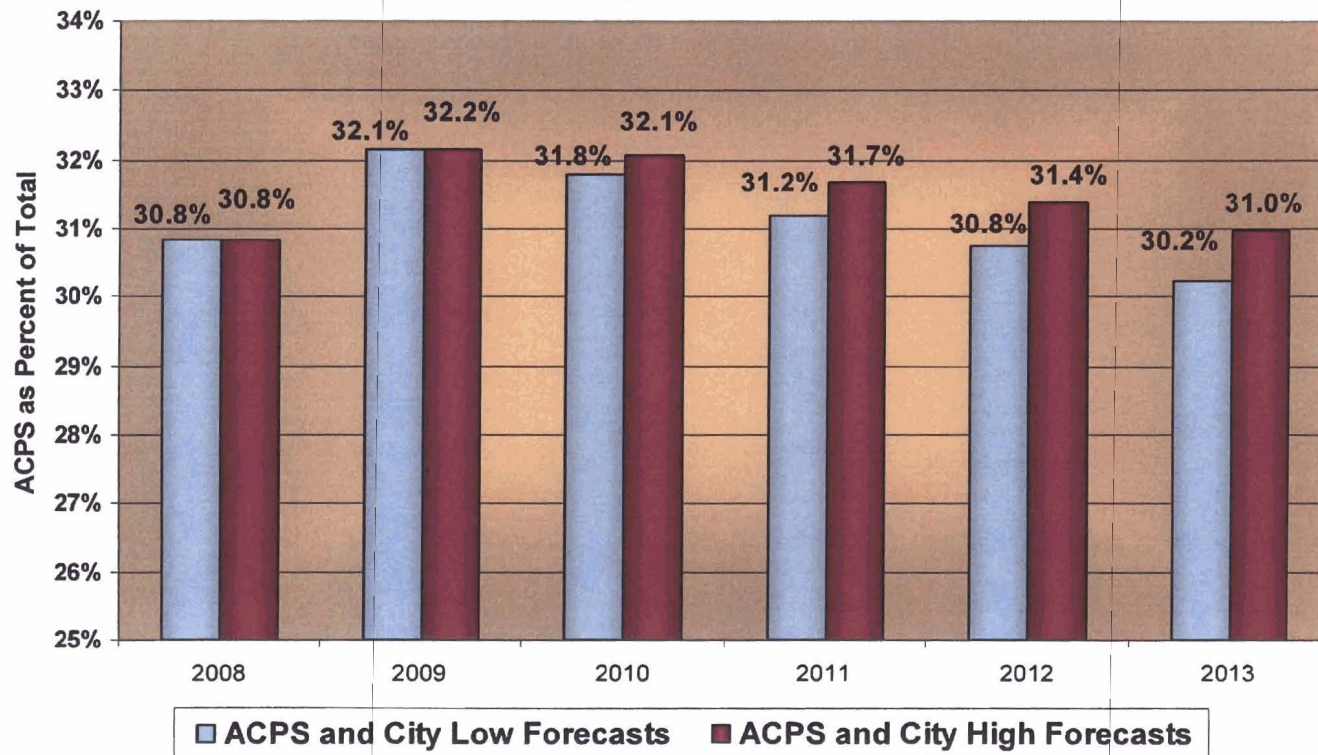
City Appropriation to ACPS Low and High Forecasts





Five Year Forecast: City Appropriation as a Percent of Total City Revenue

ACPS City Appropriation Compared to Total City Revenue
Low and High Forecasts





FY 2009 ACPS Revenue Estimates

High Scenario: Step and 2% MRA

Item	FY 2008 Final Approved Revenues		Change, FY 08 to Forecast		Historical Annual Percent Change, FY03 to FY07
		FY 2009 Forecast	Dollars	Percent	
Beginning Balance	\$ 1.78	\$ 1.01	\$ (0.77)	-43.3%	NA
State Funds	26.51	26.51	(0.00)	0.0%	7.5%
Local Funds	0.52	0.57	0.05	9.6%	-1.4%
Federal Funds	0.20	0.19	(0.01)	-2.9%	8.2%
City Appropriation	160.24	176.22	15.98	10.0%	6.8%
Grand Total, Revenue	\$ 189.25	\$ 204.50	\$ 15.25	8.1%	8.1%

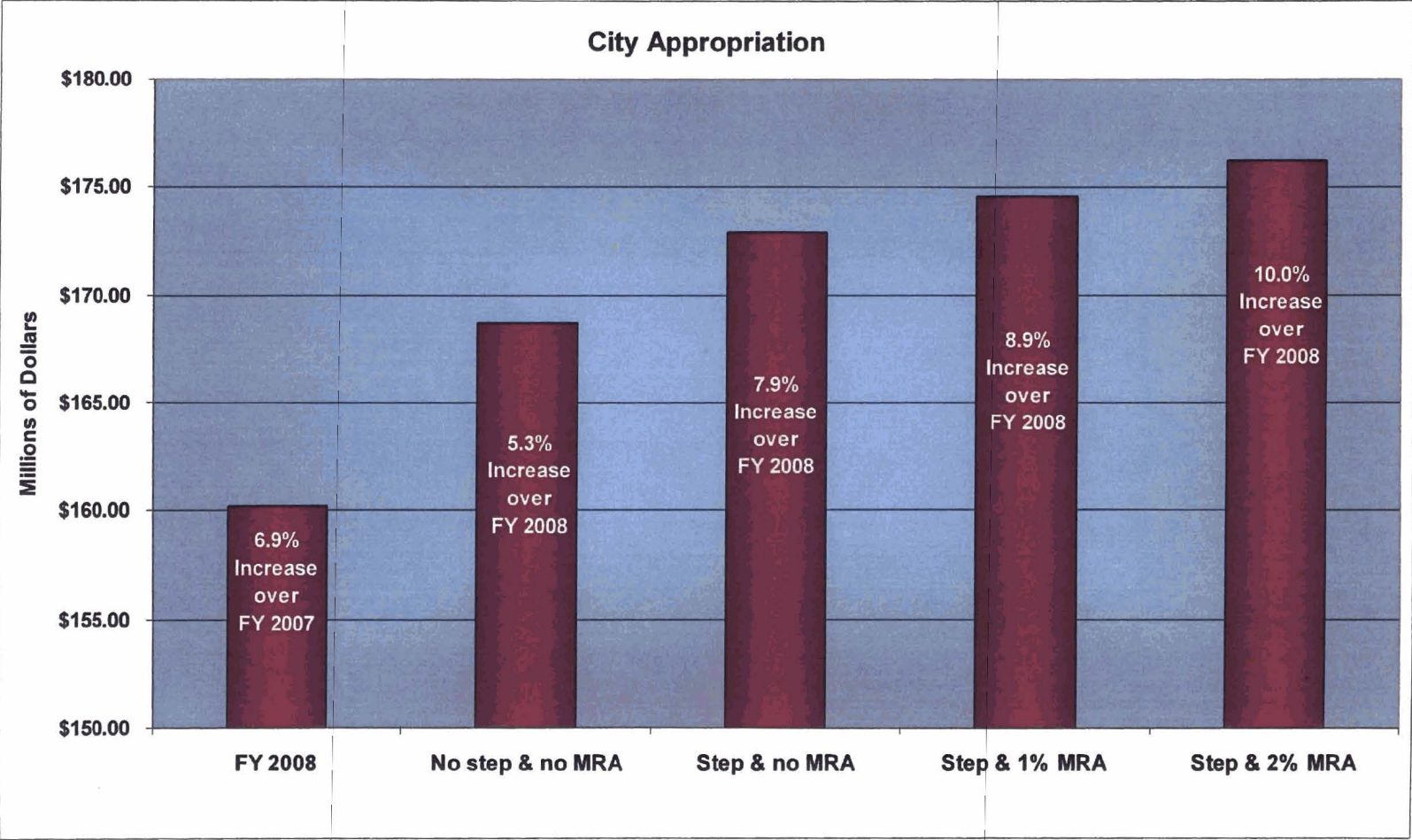
Low Scenario: No Step or COLA

Item	FY 2008 Final Approved Revenues		Change, FY 08 to Forecast		Historical Annual Percent Change, FY03 to FY07
		FY 2009 Forecast	Dollars	Percent	
Beginning Balance	\$ 1.78	\$ 1.01	\$ (0.77)	-43.3%	NA
State Funds	26.51	26.51	(0.00)	0.0%	7.5%
Local Funds	0.52	0.57	0.05	9.6%	-1.4%
Federal Funds	0.20	0.19	(0.01)	-2.9%	8.2%
City Appropriation	160.24	168.69	8.45	5.3%	6.8%
Grand Total, Revenue	\$ 189.25	\$ 196.97	\$ 7.72	4.1%	8.1%

ACPS beginning balance declines by \$0.77 million in FY 2009. Most of this decrease is due to the use of \$577,000 to fund the Memorandum of Understanding with the City for grounds maintenance at school sites.



Impact on FY 2009 City Appropriation





FY 2009 Forecast

- Total increase in expenditures ranges from a low of \$7.7 to a high of \$15.3 Million, or 4.1% to 8.1%
- Beginning balance declines over 40%, due primarily to funding the MOU with the City
- State revenues stay constant
- As a result, the City appropriation increases by a low of \$8.5 to a high of \$16.0 million, or 5.3% to 10.0%



Next steps

- FY 2009 proposed budget Presented to School Board on December 20, 2007
- Public hearings and work sessions in January, 2008
- Approved budget adoption on January 31, 2008