

End of Year Report SY 2016-2017

Budget Advisory Council ■ Arlington Public Schools

June 15, 2017

The purpose of the Budget Advisory Council (BAC) is:

..to make recommendations on policies and practices related to the presentation and preparation of the operating budget and the financial management of the school system; to make recommendations to the School Board on budget priorities before the Board gives its annual budget direction to the Superintendent and at other times as appropriate; to advise on the degree to which the Superintendent's Proposed Budget supports best fiscal practices and the School Board's priorities; to assist in educating the community about the budgeting process and the contents of each year's budget; and to provide, upon the Board's request, study and recommendations on special topics or issues. (Arlington Public School Policy 10-6.3)

In addition, we consider our role to include representing the interests of Arlington taxpayers, since nearly half of the County Government's total revenues flow through to Arlington Public Schools (APS).

The principal activities of the BAC in 2016-2017 were associated with the Fiscal Year (FY) 2018 budget and the APS Compensation Study, to include:

- monthly meetings during the school year to review staff reports on the financial management of the school system, review the APS Compensation Study, and review the Proposed FY 2018 budget;
- communicating our recommendations and views to the School Board and APS via memoranda (included as an Annex to this report);
- initiating the year with a joint meeting between the BAC and the Fiscal Affairs Advisory Council, our counterpart on the County Government side;
- hosting a number of guest speakers, including Dr. Kristi Murphy (APS) on the compensation philosophy and continuing study; Erin Wales smith (APS) on the compensation study; the consultant teams conducting the compensation study for APS; and, Lionel White (APS) on school enrollment trends; and,
- submitting a series of written questions to APS related to the Proposed FY 2018 Budget.

The discussions and recommendations by the Budget Advisory Council often touched on four general themes:

- Compensation Issues & Investment in HR Data
- The Technology Budget for Personalized Devices
- Social Services in Schools
- High School Choices & Construction Costs

Compensation Issues & Investment in HR Data

It was extremely helpful for the BAC to receive the compensation study and have the opportunity to meet with APS staff and the study consultants on the details of the analysis. With the continued need to grow APS teachers and staff to meet rising enrollment, it is positive to see that APS is well positioned with its compensation and benefits versus competing school systems.

The BAC supports the multi-year approach to bring the identified under-market positions to market levels. Should data show that these areas become difficult to hire and retain in the meantime, the timing of the increases should be re-visited. It is unclear to the BAC how these positions became so out of market, so the BAC urges the School Board to take the necessary steps to ensure more timely compensation reviews. Additionally, APS should review other positions that were determined to be below market and recommend any action on those positions for next year's budget.

The BAC agrees with the creation of the 3-5-year compensation philosophy to guide HR and budget priorities. As part of this, the BAC also recommends that the key measurements necessary to measure and support staff growth and retention be identified, and the proper tracking of such measurements be put in place. There were many data points discussed by the BAC, APS staff and the study consultants that APS is currently unable to produce in a scalable manner, due to underlying HR system challenges, staff bandwidth and inadequate processes. The BAC recognizes that these issues cannot be solved overnight, but believes efforts should be focused around hiring and turnover data.

BAC would like to see a thorough review of the consultant recommendations related to compensation and benefits and ensure reasonable ones are implemented for future benefit, such as adjusting rate differentials on benefit plans, tracking reasons for staff turnover, and conducting more useful employee satisfaction surveys.

The Technology Budget for Personalized Devices

The Personalized Learning Device Initiative, entering its fourth year this fall, has often animated BAC discussions this past year and in previous years. Our deliberations have focused on the overall costs of the program, as well as its effectiveness when deployed to elementary school students as young as second graders. Two of the goals of the Initiative -- ensuring that all APS high school graduates have the technology skills to succeed in college and in careers, as well as ensuring that any digital gaps among APS households are eliminated -- are broadly supported by the BAC. Efforts by APS to reduce the cost of devices, such as the contract renegotiation and budget savings for the next fiscal year, are strongly commended by the BAC.

The BAC recognizes that APS, even without a Personalized Learning Device Initiative, will necessarily spend money on technology to support. It is important to consider that factor when assessing the technology budget associated with the Personalized Learning Device Initiative.

But the BAC continues to encourage APS to develop and share:

- more comprehensive and granular budget data on technology to support learning;
- metrics to gauge the device use and impact on learning outcomes;
- research on the impact of a 1-to-1 device curriculum and the associated screen time on

- elementary school students, particularly those in the second and third grades; and,
- a comprehensive technology device plan, with enough flexibility to incorporate new technology.

A Personalized Device Learning Initiative also should be incorporated into the recruitment and professional development of APS teachers and support staff. What it means to be “tech savvy” has changed dramatically during the time our current high school students have been at APS. A district wide commitment to a 1-to-1 device curriculum needs to identify and support teachers able to effectively deploy a device supported strategy.

Social Services in Schools

During the 2017-2018 budget consultations, the postponement of a planned investment of \$1.2 million to add 6 new school psychologists and 6 new social workers was included in the list of Tier 1 cuts, should a budget shortfall occur. Postponement offered a way to cut a substantial dollar amount of funds in the short term, without eliminating the investment altogether.

As a core element of Meeting the Needs of the Whole Child, however, and because Arlington is only now catching up in this area in the context of both unmet needs and rising enrollments, the BAC voted 9-0-1 to move this item to Tier 2 (at a minimum). Despite near unanimity, nevertheless, the issue generated a lengthy discussion about relative tradeoffs and alternatives. One of the issues raised was whether the focus on improving ratios by hiring more specialists—an extremely critical but costly strategy—was causing the Board to overlook alternative approaches to creating access to student services that could meet a wider range needs for a greater number of children and youth, such as prevention or peer-to-peer approaches.

Although the budget was finally fully funded, this issue will come up again next year given the likelihood of another budget gap and need to look for cuts. Consequently, we would like to focus next year on better informing our discussions through closer communications with the Student Services Advisory Committee and by inviting specialists to address council meetings.

High School Choices & Construction Costs

The BAC would like to offer advice regarding the decision about the new high school capacity from our perspective of the past year and from a fiscal perspective. We are concerned that the budget outlook for the years to come is particularly tight. Preliminary projections are for a deficit as high as \$60 million as early as FY 2020. With such a significant deficit over time, we recommend that the School Board give serious consideration to costs in considering where and how to add seats.

We feel particularly strongly about the importance of cost given that APS discussions have moved from 30,000 students in 2025 to focus on 40,000 students by 2035. A building to meet that additional number of students should, in our view, be thoroughly considered in the next CIP year. Rushing to a conclusion this year on significant spending without thorough analysis of the cost of high school seats would concern us. We see merit instead in planning for swing space to provide time for the urgent, but not immediate challenges presented for 2019 through 2022.

Given the explosive growth in the APS student population over the past decade and the continued

forecasted high growth rates, we believe it is prudent for APS to explore ways to build and renovate schools more economically. In addition, we believe APS should explore ways to identify when reusing existing county buildings is more appropriate than demolishing and rebuilding structures.

One of the factors that leads to high construction costs are the LEED certifications of many of the new APS buildings. The BAC encourages APS to develop and share the data necessary to do a break-even or cost-benefit analysis of these investments.

Some lessons learned from other large school districts who have embarked on substantial construction projects include:

- Choosing the right architect and construction company for the community’s specific needs is very important.
- School facilities need to provide only what students actually require, so that they are not built and then left unused or underused.
- Do not build classrooms larger than needed.
- Decide if a cafeteria and auditorium can be placed in one dual-purpose space.
- Consider the height of ceilings. A 20-foot-high ceiling reduces materials costs during construction and lowers HVAC costs every day, compared with a 30-foot-high ceiling.
- If several schools will be built, select a common design or architectural prototype that can be used for multiple sites.
- Wherever possible, select locations that don’t require substantial site work to prepare them for building, or involve wasted space.
- Consider sharing infrastructure by siting multiple campuses together.

APS has not relied upon common designs that can replicated to save costs, while Loudoun County has used this tactic effectively.

The following table presents data from the Virginia Department of Education highlighting the high construction costs included in our current capital improvement plan. The planned budget to acquire additional high school seats is nearly three times the per seat cost in Arlington’s already above average seat costs.

	School District	Total Cost (mlns)	Number of seats	Cost per seat	Year of opening
Patriot High School	Prince William County	\$70.7	2,041	\$35K	2011
Kellam High School	City of Virginia Beach	\$73.9	2000	\$37K	2014
TC Williams High School	City of Alexandria	\$88.5	2,945	\$30K	2007
Riverside High School*	Loudoun County	\$75.2	1,775	\$42K	2015
Colgan High School	Prince William County	\$97.9	2,053	\$48K	2016
Wakefield High School	Arlington County	\$88.4	2,173	\$41K	2013
Washington-Lee High School	Arlington County	\$84.8	1,600	\$53K	2008
APS CIP FY 2017-2026					
Additional High School Seats	Arlington County	\$146.7	1,300	\$113K	2022

* Includes cost of extensive road improvements near school site.

The salient point on this issue is that we are rising rapidly towards the target ceiling on our debt

service ratio (the ratio of debt service payments to the level of general expenditures). Our target, when combining APS and the County, is that the debt service ratio should not exceed 9.80 percent. Under the capital improvement plan (CIP) adopted by APS last year, the combined APS and County debt service ratio will rise from 8.07 percent in FY 2017 to 9.78 percent in FY 2022. The ratio for APS alone is planned to exceed 10 percent during the next decade while the ratio for the County alone is below 9.80 percent as an offset. Unanticipated revenue shortfalls will require a cut in planned bond funding to retain the target debt service ratio.

Given that our current CIP all but takes us to the limit on our debt service, and the continued pressure on our operating budgets due to rising enrollment, it would make sense to undertake a thorough examination of APS construction costs looking for ways to find efficiencies.

FUTURE CONSIDERATIONS

Looking forward, the Budget Advisory Council appreciates the difficult fiscal challenges facing the School Board, the Superintendent, and APS as a whole. These are challenges of rising enrollment and what feels like shrinking space and flat resources, challenges that Arlington faces as a County.

The BAC encourages APS to strive for efficiencies small and large, conduct more frequent budget studies to assess the effectiveness of initiatives and programs, and rein in the growth of construction costs. In the past few years, the BAC has been appreciative of APS efforts to improve the presentation of the budget and to deepen community engagement. We are more than willing and able to assist in both those areas in our advisory role.

Budget Advisory Council Membership: SY 2016-2017

Lida Anestidou	Daniel Rosman
Michael Bruce	Michael Shea (chair)
Cecilia Ciepiela-Kaelin	Ainsley Stapleton
Matthew de Ferranti (vice chair)	Jennifer Wagener
Heather Jones	Aaron Wajsgras
Tina Kuklenski-Miller	Jack Washington
Robert Ramsey	Heather Wathington

APS Staff: Leslie Peterson, Assistant Superintendent for Finance & Management Services
Tameka Lovett-Miller, Budget Director
Endia Holmes, Administrative Assistant

School Board Liaison: Dr. Barbara Kanninen

The Budget Advisory Council thanks the APS staff who so diligently supported our work and the many contributions from Dr. Kanninen, our School Board liaison. The BAC also greatly appreciates the many speakers who gave presentations at our monthly meetings, as well as the regular attendance and comments from Josh Folb from the Arlington Education Association.

ANNEX: Budget Advisory Council Reports to the School Board SY 2016-2017

MEMORANDUM

November 14, 2016

To: Nancy Van Doren, Chair, Arlington School Board
Barbara Kanninen, Vice Chair
James Lander, Member
Emma Violand-Sanchez, Member
Reid Goldstein, Member

From: Michael A. Shea, Chair, Budget Advisory Council

Re: Proposed Revision to School Board Policy 35-8.1 (Salary)

The Budget Advisory Council, at its November 9th monthly meeting, reviewed the proposed revision to the School Board policy on Salary and the following recommendation was proposed and adopted:

With respect to the proposed revision to the policy on Salary (35-8.1), the Budget Advisory Council recommends that the School Board strike the first and third proposed sentences of the added text, and edit the remaining sentence to not include the word “sufficient” and to change the phrase “the step increase” to read “a step increase.” If followed, this recommendation would make the only addition to the first paragraph of 35-8.1 the sentence: “During its budget deliberations, the School Board shall determine whether or not funding is available to provide a step increase.”

The BAC voted: Yes = 9; No = 1; Abstain = 0. (Three BAC members were not present.)

The Budget Advisory Council advises the School Board that it should retain its flexibility in offering a step increase to APS employees each year, making that decision on an annual basis if the Board has the goal of making an annual step increase standard whenever possible. The BAC views the idea of including a proposed step increase every year in the Superintendent’s Proposed Budget as a bad policy choice and as not fiscally prudent. In addition, if there were to be an additional proposed revision to policy 35-8.1, one that would require an automatic step increase on an annual basis, the BAC would be strongly opposed to such a proposed policy change.

March 23, 2017

To: Nancy Van Doren, Chair, Arlington School Board
Fr: Michael A. Shea, Chair, Budget Advisory Council
re: BAC Discussion of the Superintendent's Proposed Budget for FY2018
cc: Barbara Kanninen, Vice Chair, Arlington School Board
James Lander, Member, Arlington School Board
Reid Goldstein, Member, Arlington School Board
Tannia Talento, Member, Arlington School Board
Leslie Peterson, Assistant Superintendent for Finance & Management Services, APS
Tameka Lovett-Miller, Budget Director, APS
Matt de Ferranti, Vice Chair, Budget Advisory Council

The Budget Advisory Council (BAC) for Arlington Public Schools discussed the Superintendent's Proposed Budget for FY 2018 at its meetings on March 8th and March 22nd. After the first meeting, we presented APS staff with a series of budget questions. Several of the questions were answered before our March 22nd meeting. The BAC appreciates the quick turnaround and thoughtful answers provided by the staff. We have several recommendations to report, and anticipate more discussion and making further recommendations at our April 19th meeting.

March 8th Recommendations

At our March 8th meeting, the BAC voted to support the proposed step increase for APS employees in the FY2018 budget. The vote was ten in favor, none opposed, and none abstaining (10-0-0). Several months ago, the BAC had voted (9-1-0) to recommend against the School Board direction to the Superintendent to include a step increase for APS employees as part of the proposed budget each year. But on the issue of giving a step increase this year, the BAC unanimously supports the proposal.

The BAC also supports the proposed compensation increase of \$2.4 million designed to begin a three-year process of bringing the pay levels of certain employee groups up to the market level, as identified by the APS Compensation Study. This vote to support the increase was also unanimous (10-0-0).

March 22nd Recommendations

The BAC recommends moving the proposed delay of filling 12 additional psychologist and social worker positions from Tier 1 to Tier 2. The vote was nine in favor, none opposed, and one abstention (9-0-1). The BAC believes this cut should not be among the first several million dollars of cuts. BAC members also expressed views that a delay be considered for part of the proposed increased staff, and, if the School Board does decide to hire fewer than the twelve FTEs in FY2018, those hired should be allocated to the schools with the greatest needs, including the Title I schools, rather than by system wide ratios.

The BAC supports the proposed Tier 1 cut of combining or eliminating underutilized routes for after school bus services, with the view that this cut should be implemented whether or not budget pressures require the School Board to apply Tier 1 cuts. The vote in favor of combining or eliminating underutilized after school bus routes was unanimous (10-0-0). (These are not bus services to school in the morning or from school at the end of the regular school day, but are bus services currently offered later in the afternoon to enable students to participate in after school activities.) The BAC discussion included the view that all students not in walk zones should continue to be offered some after school late bus service, but going from two after school bus runs to just one run was an acceptable outcome of this efficiency move. APS should identify a reasonable maximum length of time a student would have to ride an after school bus or walk from a bus stop, but combining bus routes to avoid underutilized routes should be implemented.

The BAC discussed the proposed budget addition for a new Planner FTE to support the work of the Joint Facilities Advisory Commission (JFAC). Given the urgent need for Arlington to expand its school facilities in an increasingly crowded county and to ensure that project choices balance diverse community needs, full time planning support to the JFAC is essential. **The BAC supports the proposed new position for FY2018 and urges the County Board to fully support JFAC with a Planner from its staff. The vote in favor of that motion was unanimous (10-0-0).** Several BAC members expressed the view that if a Planner to support the JFAC was not funded by the County Board, then the full time JFAC Planner from APS should be jointly funded by APS and the County Board.

The BAC supports the proposal by the County Manager for a one cent increase in the property tax rate which would be devoted to funding APS, above the funds provided to APS under the Revenue Sharing Principles. The vote in favor of the one cent increase was unanimous (10-0-0).

The BAC supports most of the proposed Tier 1 cuts as appropriate first round cuts if the School Board needs to close a budget gap: Reducing the number of administrative assistants in the Department of Instruction (budget savings of \$300K); Eliminate the part-time Professional Development School Coordinator (\$50K); Staff reductions for Facilities & Operations (\$200K); Removing personal appliances (\$70K); Changing temperature set points (\$200K); Eliminate “Live Where You Work” grant (\$200K); Reduce three online facilitator positions (\$200K); Instructional software efficiencies (\$200K); and, Eliminate print shop hourly funds (\$18,600). The vote favoring these Tier 1 cuts was eight for, two against, and none abstaining (8-2-0). This proposed subset of Tier 1 cuts totals \$1.4 million.

This last recommendation covers all of the proposed Tier 1 budget cuts **except** (1) Postpone the addition of new psychologists and social workers (separately recommended by the BAC to be moved to Tier 2); (2) Combine or eliminate underutilized after school bus routes (separately recommended by the BAC to be implemented in any scenario); and, (3) Reduce STEM curriculum specialists positions (no position taken by the BAC).

April 20, 2017

To: Nancy Van Doren, Chair, Arlington School Board
Fr: Michael A. Shea, Chair, Budget Advisory Council
Re: BAC Discussion of the School Board's Proposed Budget for FY2018
cc: Barbara Kanninen, Vice Chair, Arlington School Board
James Lander, Member, Arlington School Board
Reid Goldstein, Member, Arlington School Board
Tannia Talento, Member, Arlington School Board
Leslie Peterson, Assistant Superintendent for Finance & Management Services, APS
Tameka Lovett-Miller, Budget Director, APS
Matt de Ferranti, Vice Chair, Budget Advisory Council

The Budget Advisory Council (BAC) for Arlington Public Schools discussed the School Board's Proposed Budget at its April 19th meeting. We strongly commend the Board and APS for reviewing technology spending and gaining a \$1.8 million savings by taking a different approach. This is an issue upon which the BAC has been concerned for some time. We appreciate the Board's taking into consideration community input and our concerns about the impact of technology on our youngest students. We encourage the Board to continue to review and adjust the technology program.

We also commend the Board for its thoughtful approach to changes in placeholder and contingency amounts related to enrollment projections, Special Education, and ESOL/HILT. And we commend the Board for proposing an offset to the addition of an FTE position. The BAC has often encouraged the School Board to identify offsets when it adds funding to the Superintendent's Proposed Budget, so we commend the Board's work in this case.

In addition, the BAC has several recommendations for the Board.

With respect to the proposal to reduce or combine some bus routes in the after school program, the BAC shares the School Board concern that any reductions in service not fall disproportionately on students from low-income families. We agreed that bus service to enable participation in extracurricular activities and sports should be available to all students. **The BAC voted (10 yes, 0 no, and 1 abstention) to recommend that APS look for efficiencies in the after school bus program, including consideration of any recommendations from the Advisory Council on Transportation Choices and from the new APS Transportation Planner.** This re-affirms our prior recommendation to look closely at efficiency options regardless of the outcome of the budget decisions by the County Board.

The reduction of a planned new position in the Central Registration Office is currently presented as a Tier 2 budget cut. The BAC voted (10-0-1) to recommend that this proposed cut be moved into the Tier 1 list. BAC members expressed the view that maintaining the status quo rather than cutting existing positions might be preferable when

budget cuts are necessary.

The BAC voted (7-2-2) in favor of moving the proposed addition of an AETV producer from the Tier 2 list to the Tier 1 list. At least some BAC members are persuaded by the APS response to the County Board question on this position and see the need for this new position, but should budget cuts be needed, the majority would put this position in Tier 1.

The BAC voted (6-1-4) in favor of moving the Tier 3 budget cut of utility efficiencies up into Tier 2, while also moving the budget cut of two STEM coordinator positions from Tier 2 down into Tier 3. This re-prioritization would not change the total amount of Tier 2 or Tier 3 cuts.

Regarding class size, there are three proposed budget cuts, representing increased class sizes at three different grade levels, currently in Tier 2. The BAC had a robust discussion of class sizes in APS. Some BAC members expressed the view that low class sizes were an important part of the APS identity and that the community likely would need more extensive deliberation before this change could occur without a contentious reaction. **The BAC voted (9-2-0) to recommend that the proposed increases in class size be kept in Tier 2, but be designated to be last among the Tier 2 cuts. In addition, if class size increases are necessary, the increase for grades 9-12 should be implemented first; for grades 4-5 next; and lastly for grades 6-8.** Believing that our middle schools are currently and will continue to be the most overcrowded, they seemed least able to tolerate an increase in class size until a new middle school is built.

###