



FY 2020 SCHOOL BOARD BUDGET WORK SESSIONS

Budget Work Session # 1

February 28, 2019

AGENDA

- Budget Overview/Forecast
- Budget Question Process
- Topics for Future Work Sessions
- Wrap Up

Budget Forecast

BUDGET FORECAST SUMMARY

	FY 2020 SUPERINTENDENT'S PROPOSED	FTEs	FY 2021 PROJECTED	FY 2022 PROJECTED	FY 2023 PROJECTED
REVENUE					
Prior Year Budget - All Funds	\$640,131,422		\$662,679,013	\$664,052,805	\$675,300,564
CHANGES IN REVENUE					
Increase in County Revenue	\$20,599,917		\$11,234,350	\$12,003,393	\$12,813,361
County One-Time Revenue	\$7,388,851		\$0	\$0	\$0
County One-Time Revenue - Prior Year	(\$2,923,240)		(\$7,388,851)	\$0	\$0
Increase/(Decrease) in Local Revenue	\$1,232,417		\$600,000	\$750,000	\$600,000
Increase/(Decrease) in State Funds - All funds	\$5,630,487		\$1,266,000	\$1,245,042	\$1,238,160
Increase/(Decrease) in Federal Revenue	\$889,282		\$200,000	\$200,000	\$200,000
NET REVENUE	\$672,949,136		\$668,590,512	\$678,251,240	\$690,152,085
USE OF RESERVES					
VRS Reserve Used in Prior Year Budget	\$0		\$0	(\$1,000,000)	(\$1,000,000)
Debt Service Reserve Used in Prior Year Budget	(\$4,666,379)		(\$303,088)	(\$340,533)	\$0
Future Budget Years Reserve Used in Prior Year Budget	(\$11,203,194)		(\$4,616,362)	(\$5,671,210)	(\$3,061,067)
Compensation Reserve Used in Prior Year Budget	(\$5,950,000)		(\$6,450,000)	\$0	\$0
Carry Forward from Prior Year - Food & Nutrition Services	\$180,000		(\$180,000)	\$0	\$0
Future Budget Years Reserve Used in Current Year Budget	\$4,616,362		\$5,671,210	\$3,061,067	\$2,692,230
Compensation Reserve Used in Current Year Budget (see Note 1)	\$6,450,000		\$0	\$0	\$0
VRS Reserve Used in Current Year Budget (See Note 1)	\$0		\$1,000,000	\$1,000,000	\$512,239
Debt Service Reserve Used in Current Year Budget (see Note 1)	\$303,088		\$340,533	\$0	\$0
NET USE OF RESERVES	(\$10,270,123)		(\$4,537,707)	(\$2,950,676)	(\$856,598)
TOTAL FUNDS AVAILABLE	\$662,679,013		\$664,052,805	\$675,300,564	\$689,295,487
EXPENDITURES					
Prior Year Budget - All Funds	\$640,131,422	4,737.74	671,594,599	699,353,340	727,775,031
BASELINE ADJUSTMENTS					
Salaries and Benefits Baseline Adjustments and Efficiencies	(\$2,550,000)		\$2,000,000	\$2,000,000	\$2,000,000
Baseline Savings					
Eliminate one-time costs in prior year	(\$6,164,043)	(5.25)	(\$6,730,345)	(\$5,671,210)	(\$3,061,067)
Contractual Obligations					
Debt Service	\$606,175		\$1,973,027	(\$202,867)	\$25,462
Other contractual obligations	\$1,087,541		\$456,616	\$300,357	\$310,343
Additional Funds for Baseline Services					
Baseline services in other funds (CSA, F&NS, Grants, Ext. Day)	\$2,812,317	13.82	\$550,000	\$700,000	\$550,000
Other baseline services	\$1,909,279	3.70	\$2,816,329	\$2,942,264	\$2,750,364
NET BASELINE ADJUSTMENTS	(\$2,298,731)	12.27	\$1,065,627	\$68,544	\$2,575,102
ONGOING EXPENDITURES					
Enrollment Growth					
Changes in enrollment	\$6,640,000	77.90	\$6,730,000	\$7,195,000	\$8,095,000
Additional bus drivers (2) and bus attendants (3)	\$207,492	5.00	\$0	\$0	\$0
Spring update placeholder	\$800,000		\$800,000	\$800,000	\$800,000
Other enrollment related needs (contingencies)	\$250,000		\$0	\$100,000	\$0

Budget Forecast



BUDGET FORECAST SUMMARY (CONT.)

	FY 2020 SUPERINTENDENT'S PROPOSED	FTEs	FY 2021 PROJECTED	FY 2022 PROJECTED	FY 2023 PROJECTED
Compensation					
Step increase	\$10,700,000		\$11,700,000	\$12,700,000	\$13,700,000
Additional compensation - below market positions	\$2,200,000		\$0	\$0	\$0
Investments to Support Growth	\$830,172	7.00	\$365,564	\$365,564	\$0
Growth Initiatives					
Arlington Tech	\$1,106,054	11.40	\$849,600	\$0	\$0
Student and Instructional Support	\$1,500,000		\$0	\$1,700,000	\$0
Psychologists and Social Workers (<i>partially postponed in FY 2019</i>)	\$872,395	9.25	\$0	\$0	\$0
Academic Support for Level 5 English Language Learners (<i>postponed in FY 2019</i>)	\$0	0.00	\$0	\$0	\$0
Infrastructure and Support Needs	\$319,245	7.00	\$319,245	\$0	\$0
New Schools and Program Moves: Ongoing Costs	\$6,450,759	72.40	\$257,495	\$2,431,516	\$0
NET ONGOING EXPENDITURES	\$31,876,117	189.95	\$21,021,904	\$25,292,080	\$22,595,000
ONE-TIME EXPENDITURES					
Additional Funds for Baseline Services					
One-time costs in the baseline	\$1,488,065		\$1,376,210	\$1,376,210	\$1,376,210
Enrollment Growth					
Redistributing existing relocatables including furniture, equipment, and technology	\$825,000		\$825,000	\$825,000	\$825,000
Growth Initiatives					
Arlington Tech	\$0		\$0	\$0	\$0
Student and Instructional Support	\$0		\$0	\$0	\$0
Safety and Security Needs	\$256,250		\$0	\$0	\$0
Capital Improvement Plan Requirements					
Turf Field Replacements	\$279,175		\$1,345,000	\$0	\$491,020
New Schools and Program Moves: Start-up Costs	\$3,881,855		\$2,125,000	\$859,857	\$0
NET ONE-TIME EXPENDITURES	\$6,730,345	0.00	\$5,671,210	\$3,061,067	\$2,692,230
TOTAL ONGOING + ONE-TIME	\$38,606,462	189.95	\$26,693,114	\$28,353,147	\$25,287,230
NET EXPENDITURES	\$676,439,153	4,939.96	\$699,353,340	\$727,775,031	\$755,637,363
REDUCTIONS					
Continuing FY 2019 Reductions					
Class Size Increase (<i>postponed in FY 2019</i>)	(\$2,100,000)	(22.20)			
Adjust Contract Hours for Library Media Assistants (<i>two year phase-in</i>)	(\$116,000)				
FY 2020 Tier 1 Reductions					
Workers Compensation	(\$400,000)				
Changes to Workers' Compensation days paid	(\$160,000)				
Administrative Assistant position	(\$68,554)	(1.00)			
Revise Elementary Summer School model	(\$500,000)				
Eliminate additional funding for lease payments	(\$1,500,000)				
TOTAL REDUCTIONS	(\$4,844,554)	(23.20)	\$0	\$0	\$0
TOTAL EXPENDITURES	\$671,594,599	4,916.76	\$699,353,340	\$727,775,031	\$755,637,363
Surplus/(Shortfall)	(\$8,915,586)		(\$35,300,535)	(\$52,474,467)	(\$66,341,876)

Note 1: Compensation Reserve, VRS Reserve, and Debt Service Reserve used in FY 2020 through FY 2022 assumes full depletion of current reserve balances if no additional funding is provided.

Budget Forecast

The budget forecasts for FY 2021 through FY 2023 are based on the proposed budget for FY 2020. Given the revenue and expenditure assumptions below, the potential deficits or surpluses are as shown on the previous pages. However, should any of the variables change, the surpluses or shortfalls will change as well and could be higher or lower. These forecasts are intended to show how the budget will change in order to maintain the current instructional, support, and extracurricular programs and services as well as to provide services to the 2,274 additional students projected to enroll in APS in FY 2020 through FY 2023. These forecasts are not intended to show the effects of any new schools, programmatic changes, or school boundary decisions that might be made in any of those years.

The revenue and expenditure assumptions used to build the three-year forecast are listed below.

Revenue Assumptions

- ◆ **County Transfer**—The County publishes two separate revenue forecasts: a low growth scenario and a moderate growth scenario. This forecast assumes the moderate growth scenario which projects 2.2% growth in total County local tax revenue in FY 2021, 2.3% growth in FY 2022, and 2.4% growth in FY 2023. The County Transfer amount is based on 46.8% share of County local tax revenue. Any tax increases in future years for either the County or the Schools would change the Schools' share and would change the projected revenue in the out years.
- ◆ **State Revenue**—Assumes growth in State funding beyond FY 2020 strictly for increased enrollment based on the Governor's 2019-2020 biennial budget as amended on December 18, 2018.
- ◆ **Local Revenue**—Assumes a slight increase in Local revenue each year based on historical trends and projected increases in expenditures for self-funded programs such as Extended Day and Food and Nutrition Services.
- ◆ **Federal Revenue**—Assumes a slight increase in Federal revenue each year based on historical trends, primarily in the Food and Nutrition Services Fund.
- ◆ **Carry Forward**—Assumes Carry Forward will remain at the same level as FY 2020.
- ◆ **Reserves**—The School Board has created a number of reserves over the past seven years as a way to help offset the increasing costs of capital, VRS, debt service, compensation, health insurance, and other unfunded liabilities in the out years. In addition, the School Board has allocated funds from closeout from the past several fiscal years to create a Future Budget Years reserve to help defray one-time costs in upcoming fiscal year budgets. Reserves are used in the forecast to partially offset any projected increases in debt service in the FY 2020 budget and in the out years until depleted.

Reserves are also used to offset one-time costs in the FY 2020 budget and the Minor Construction/ Major Maintenance accounts. Any known one-time costs in the out years related to Enrollment, Additional Capacity, and New Investments are also included. Compensation reserves are used in the FY 2020 budget to offset 50 percent of the step increase cost and market rate adjustment. Although a step increase is assumed in the out years, the compensation reserve is depleted in FY 2020 so any compensation increases cannot be offset in FY 2021 and beyond. Because the reserves are one-time revenue sources each year, the subsequent year is decreased by the amount of reserves used in the prior year.

Budget Forecast

Expenditure Assumptions

- ◆ Salaries and Benefits Baseline Adjustments and Efficiencies includes:
 - ✦ Estimated changes in the salary and benefits base from the prior year adopted budget to current and on board.
 - ✦ Projected changes in fringe benefit rates
 - Using the rates in the General Assembly's adopted 2019-2020 biennial budget, the VRS retirement rate for professional staff for FY 2021 and FY 2022, it is estimated that the rate will increase one percentage point in FY 2021 and remain at that level for FY 2022 and FY 2023. The VRS retirement rate for non-professional staff, the group life insurance rate, and the retiree health care credit rate are projected to remain the same as in FY 2020 in the out years.
 - Health insurance premiums are projected to increase \$1.5 million per year based on historical trends and premium increases of 3% in FY 2021 and beyond.
- ◆ *Baseline Savings* includes costs removed from the budget because they were one-time costs in the prior year, or because the cost of an item or service has decreased.
- ◆ *Contractual Obligations* includes those items for which we are legally bound to pay such as Debt Service and Building Lease Costs, and those items which must be paid in order for schools to run such as Utilities.
- ◆ *Additional Funds for Baseline Services* includes increases necessary in order to maintain the same level of service as is currently in place such as increased expenditures for the Food and Nutrition Services fund, the Extended Day program, as well as increased maintenance and repair costs.
- ◆ *Additional Costs for New Capacity* include additional operating costs required for either new or enlarged schools such as staffing and utilities as well as any start-up costs needed such as furniture, equipment, technology, library materials, buses, etc.
- ◆ *Enrollment Growth includes:*
 - ✦ Changes in enrollment which includes additional positions and additional materials and supplies resulting from applying the FY 2019 Adopted planning factors to the projected increase in enrollment
 - ✦ Other enrollment-related needs include funds to move currently owned relocatables to a new location along with technology and furniture for the relocatables, if needed, to address capacity.
- ◆ *Compensation* in FY 2020 consists of a step increase for eligible employees plus \$2.2 million to bring positions identified in the compensation study up to market in the final year of a three-year phase-in. The baseline forecast includes a step increase in FY 2021 and beyond.

Budget Forecast

- ◆ *Arlington Tech* includes the costs expansion of the program in FY 2020 and the continuing expansion of the program in fiscal years 2021 through 2022. Staffing costs were decreased based on actual enrollment in this program being slightly lower than previously anticipated. Any one-time costs are funded with one-time funds and eliminated in the following year.
- ◆ *Safety and Security Needs* includes initiatives to increase the safety of students and staff and the security of school buildings. Any one-time costs are funded with one-time funds and eliminated in the following year.
- ◆ *Infrastructure and Support Needs* includes funding for additional contracted bus drivers and bus attendants. Any known out-years costs are included in FY 2021.
- ◆ *New Investments* includes funding for additional central office assistance to support students and staff in preparation for becoming a 30,000 student school division in 2021. Any known out-years costs for technicians are included in FY 2021 and FY 2022.
- ◆ *Use of One-time Funds* includes those items that will be funded with one-time funds from the Future Budget Years reserve that have not been included elsewhere in the forecast such as replacement buses and technology. One-time funds will also be used to offset the technology and furniture start-up costs for The Heights building, Alice West Fleet Elementary School, Dorothy Hamm Middle School and the Montessori Program at the Henry building, the redistribution of existing relocatables and necessary furnishings for the relocatables, turf field replacements as outlined in the FY 2019-2028 CIP, as well as and any one-time costs included in Continuing Growth Initiatives.
- ◆ *Reductions*—Recognizing that, as the budget process began, the Schools were facing a very large deficit, a variety of *efficiencies and changes in service delivery* were implemented in order to reduce the funding gap. These reductions include reducing the budget for workers’ compensation and changing when APS begins to pay for a workers’ compensation claim, reducing an administrative assistant in the Department of Teaching and Learning, revising the elementary summer school model, eliminating additional funding for lease payments used to purchase technology, and using one-time funds for the Minor Construction/Major Maintenance accounts. Additionally, the second year phase in to reduce library media assistants contract hours and class size increases, which was postponed in FY 2019 using one-time funds, are implemented.

Work Session #1

February 28, 2019 (After presentation at School Board meeting at 7:00 p.m.)

- Budget Overview/Forecast (30 minutes)
- Budget Question Process (10 minutes)
- Agendas and topics for future work sessions (10 minutes)

Work Session #2

March 12, 2019 (5:00 p.m. – 9:00 p.m. with break for dinner from 6:15-7 p.m.)

- Employee Advisory Groups (5:00 p.m. – 6:15 p.m.)
 - Summary – Processes for Employee Advisory Committee (EAC) and Collaborative Professional Strategies Team (CPST)
 - Employee Advisory Committees (A, C, D, E, G, M, X-scales)
 - Collaborative Professional Strategies Team (T-scale)
- School and Department Budget Reviews (7:00 p.m. – 9:00 p.m.)
 - New Schools and Programs (20 minutes)
 - Overview of Ongoing and Start-up Costs
 - Schools Reductions by Level and Tier (75 minutes)
 - Elementary
 - Middle
 - High
 - School & Community Relations (15 minutes)
 - Department Overview
 - Review of:
 - New funding
 - Reductions and Changes in Service Delivery by Tier

Work Session #3

March 19, 2019 (7:00 p.m. – 9:00 p.m.)

- Department Budget Reviews (continued)
 - Planning & Evaluation (20 minutes)
 - Department Overview
 - Review of:
 - New funding
 - Reductions and Changes in Service Delivery by Tier
 - Human Resources (30 minutes)
 - Department Overview
 - Review of:
 - New funding
 - Reductions and Changes in Service Delivery by Tier

Work Session #3 (continued)

- Compensation (30 minutes)
 - Compensation History
 - APS
 - Surrounding school divisions
 - Comparison of Teacher Salary Scales
 - Options and Costs
- Information Services (30 minutes)
 - Department Overview
 - Review of:
 - New funding
 - Reductions and Changes in Service Delivery by Tier

Work Session #4

March 26, 2019 (7:00 p.m. – 9:00 p.m.)

- Department Budget Reviews (continued)
 - Administrative Services (15 minutes)
 - Department Overview
 - Review of:
 - New funding
 - Reductions and Changes in Service Delivery by Tier
 - Finance & Management Services (Including Extended Day and Food & Nutrition Services) (45 minutes)
 - Department Overview
 - Review of:
 - New funding
 - Reductions and Changes in Service Delivery by Tier
 - Facilities & Operations (including Aquatics) (45 minutes)
 - Department Overview
 - Review of:
 - New funding
 - Reductions and Changes in Service Delivery by Tier

Work Session #5

April 2, 2019 (6:30 p.m. – 9:00 p.m.)

- Discussion with Advisory Groups – BAC, FAC, ACI (1 hour)
- Revenue and Enrollment Updates
- Department Budget Reviews (continued)
 - Teaching & Learning (45 minutes)
 - Department Overview
 - Review of:
 - New funding
 - Reductions and Changes in Service Delivery by Tier
- Discussion of School Board proposed changes to Supt's proposed budget (45 minutes)

Work Session #6

April 9, 2019 (7:00 p.m. – 9:00 p.m.)

- Finalize School Board proposed changes to Supt's proposed budget

Work Session #7, IF NEEDED

May 7, 2019 (7:00 p.m. – 9:00 p.m.)