

June 7, 2022
APS CIP Work Session

Dear Chair Kanninen and APS School Board Members,

The mission of the Joint Facilities Advisory Commission (JFAC) as defined on the County website reads:

The mission of the JFAC is to provide input to the Boards on capital facilities needs assessment, capital improvement plans and long-range facility planning for both the Arlington County Government and Arlington Public Schools.

We are a Commission that seeks to advise on County and APS facilities decisions with a broad and long-range vision that takes into consideration the needs of all APS students and Arlington County residents.

JFAC PRINCIPLE CONCERNS

1. The main concern of JFAC is this CIP in the broader context all the known facility and infrastructure needs of APS and ACG; that it presently does not transparently demonstrate long-term financial viability for short term projects and expenditures or demonstrate that long-range planning processes for land use or capital projects have been fully considered.
2. APS is presenting a four-year plan as a 10-year CIP and has not clearly identified a plan to ensure that funding will be available for known and identified projects within the 10-year time period.
3. APS presents a line item, “Additional Bonding Capacity Available” (estimated at what seems to be a now inaccurate amount of \$320 million) to attempt to demonstrate long-term fiscal viability for the near-term expenses of the \$174.62 million Career Center project and the projected bond referendum numbers of \$165.20.
 - a. ACG is presenting different available bonding capacity for APS in their proposed CIP.¹
 - b. It has not been transparently demonstrated that APS will be able to afford to fund Long- Range Renovation projects and/or needed swing space and/or needed site work on the Career Center site (that also requires County planning and cooperation.
 - c. This strategy of demonstrating that future projects, without a specified timeline or estimated cost, are affordable by showing what funds may be available only if APS maxes out the debt service at 9.8% for every FY has never been used as a planning tool before. This strategy makes it harder for the public to recognize the planning commitments APS is making in this CIP.

¹ <https://www.arlingtonva.us/files/sharedassets/public/budget/documents/cip-webpage/upfront/b.-capital-funding.pdf> Page 15

4. The APS Superintendent's Proposed CIP does not clearly reflect an analysis of the County's debt capacity, debt ratio, long-term financial plan, or a plan for impact of debt service on the operating budget as is stipulated by County CIP Policy².
5. The lack of line item place holders for known projects does not provide the information needed demonstrate that these projects are affordable within a timeline and more importantly communicate with the County the need for funds or planning collaboration commitments.
 - a. Swing Space
 - b. Site planning for the Career Center
6. APS and ACG view debt capacity on a combined basis and cap the ratio of debt service to general expenditures at no greater than 10%
 - a. ACG proposed CIP includes planned and designated projects that bring the combined debt service to 9.8-9.9% in FY 2027-2032 leaving very little room for APS to find additional bonding capacity without asking for ACG trade-offs.

DISCREPANCIES BETWEEN APS and ACG PLANNING AND NUMBERS

In examining the alignment of APS and ACG CIPs JFAC noticed and confirmed with County Finance staff discrepancies in the accounting for available bonding capacity for APS.

Understanding that project needs, priorities, budgets and bond availability change in the later years of CIP planning this discrepancy would not be concerning except that APS seems to be using this (now questionable) number to demonstrate that there is enough bond capacity available in the later years to afford articulated needs.

The discrepancy is:

- APS proposed CIP accounts for **\$708 million** in available bonding capacity for APS.
- ACG proposed CIP accounts for **\$466 million** in available bonding capacity for APS.
- That is a variance of **\$242 million**.

- APS proposed CIP accounts for **\$320 million** in available bonding capacity after \$388.23 million in identified expenses.
- ACG proposed CIP accounts for **\$78.3 million** in available bonding capacity after \$388.23 million in identified expenses.
- That is a variance of **\$242 million**, or about ¼ of what was claimed by APS.
- **\$78.3 million** (a number available only at a rate of 9.8-10% debt service) is what is available in this scenario and expected to fund the following identified projects:
 - Long Range Facilities Renovations on existing schools

² <https://www.arlingtonva.us/files/sharedassets/public/budget/documents/cip-webpage/overview/2.-financial-debt-management-policies-introduction-22-32-cip.pdf> Page 2

- Swing space
- Relocating MPSA
- Reuse of the legacy Career Center
- Site work on the Career Center site including fields.

This underscores the importance of transparency and the need to acknowledge within the financial document of the CIP specific funds that may be needed or available for each project within a given timeline and how the projects will be balanced within a responsible bonding capacity.

JFAC has since its inception advocated for improved planning cooperation between APS and ACG and over the years there have been great strides forward in that regard. As part of that advocacy JFAC has heard and made the argument that APS Planning needs “to speak the same language” as County planning. For a CIP, ACG “language” is defined within its policy (cited previous) stipulating clearly defined projects, planning timelines, articulated bond capacity needs and planning for operating budget implications articulated within the funding scenario. Since APS only stipulated in the CIP funding scenario that it would need \$71.12 million in FY 2027-2028 ACG only allotted for that request adding a “generous” additional \$78.8 million which is all that could be added to remain under the 10% shared debt limit.

JFAC SPECIFIC RECOMMENDATIONS

- 1) JFAC recommends specific separate line item placeholders within the Project Funding scenarios that include dedicated money for planning:
 - a) Include \$500,000 swing space planning money in 2023 and a separate line- item TBD to reflect timing.
 - b) Include \$1-\$2 million in each of the TBD place holders for the long-range renovation projects for planning. These funds will be used if APS finds itself without the bonding capacity needed to address the top priorities. This demonstrates the commitment to begin the renovations and the ability to fund planning activities and/or emergent issues.
 - c) A line item with \$500,000 planning money and identified timing for potential site work, fields on the Career Center site.

JFAC has expressed concerns and offered recommendations to including line items with specific planning money within funding scenarios or identifying available funding or estimated costs for identified projects. The implications of the lack of specificity and transparency we believe led to discrepancies between the assumptions made by APS for available bonding capacity beyond the Career Center project and the amount of bonds stipulated within the proposed ACG CIP.

It is also important for APS to acknowledge projects within the CIP funding scenarios not only to understand cost and bond capacity and debt service implications but also because identifying projects within the plan of the CIP sets in motion a process that begins to identify sites, helps

define parameters for solutions, and initiates communication with ACG planning (which is critical if the project requires joint collaboration) . Unless a project is identified within the plan of the CIP what is essentially being conveyed is that there is no plan and that there won't be additional project costs to consider. It could also mean delays on projects in the future if important planning processes are initiated, funded and communicated.

Additional JFAC Concerns

- 1) Swing space.
 - a) In 2024, APS will receive facilities assessments for all APS facilities, and expects to begin renovations and/or new construction in 2026 on the top priority projects, as indicated in the TBD placeholders in the later years of the CIP.
 - b) If APS decided to do major renovations or replace schools it will be necessary to designate and create swing space timed before major renovation begins so that students do not have to be educated in a building while under construction. This is not only disruptive to instruction it also adds to project costs and time spent under construction.
 - c) Even if swing space was leased utilizing operating budget funds CIP policy stipulates that project budgets within the CIP must identify the financial impact on the operating budget. Identifying swing space within the timeline is an important planning tool for the operating budget.
- 2) Lack of demonstration within a funding scenario that the Base Ed Specs are the better option in the context of all of APS defined needs and budget and space constraints.
 - a) JFAC recommends that APS generate a funding scenario for the Alternative Ed Specs adopted as part of the Career Center Concept Design that included placeholders for timing for other identified projects.

Summary

JFAC supports the planned projects included within this CIP and understands the needs for each. We want to see APS succeed in developing the best possible solution that is in alignment fiscally and in terms of planning with the County that balances the needs of all of Arlington.

However, as a commission that advises both Boards we have strong concerns about the alignment of the APS and ACG CIPs and do not feel that long-range implications for budget, land-use and capital expenditure planning have been fully considered or clearly articulated.

Thank you again for the opportunity to provide input at this APS Work Session.

Thank you,
Stacy Snyder JFAC Vice-Chair (Presenting)
Kathleen McSweeney JFAC Chair

Copy:

Katie Cristol, Chair, Arlington County Board

Matt de Ferranti, Member, Arlington County Board

Christian Dorsey, Vice Chair, Arlington County Board

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Dr. Francisco Durán, Superintendent, Arlington Public Schools

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