

# Alexandria City Public Schools

Department of Financial Services

October 19, 2009

## FISCAL FORECAST



Operating Budget: Fiscal Years 2011 - 2015

# AGENDA



- The context
  - Population and enrollment
  - Capacity
  - Budget trends
  - Compensation and benefits
- Methodology and revenue assumptions
- Demonstration of the forecast model
- Sample cases

# Strategic Plan



## VISION

Set the international standard for educational excellence, where all students achieve their potential and actively contribute to our local and global communities.

## MISSION

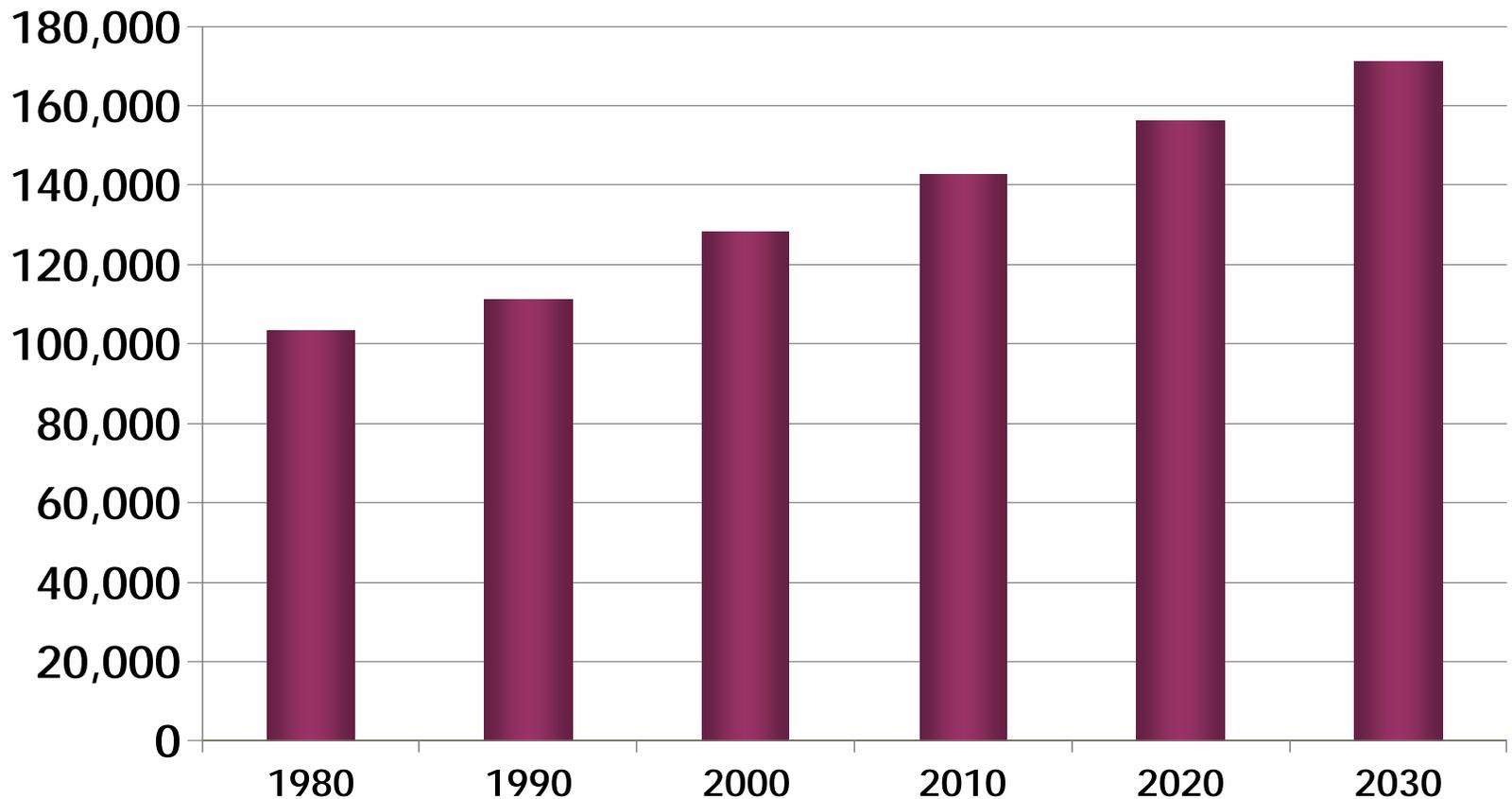
Provide the environment, resources, and commitment to ensure that each and every student succeeds — academically, emotionally, physically, and socially.

## GOALS

**Equity and Excellence: Every student prepared for college, work, and life.**

Each student, with support for their unique circumstances, will graduate from high school with the knowledge and skills necessary for higher education, multiple career paths and active citizenship.

# City of Alexandria: Population forecast to reach approx. 170,000 by 2030



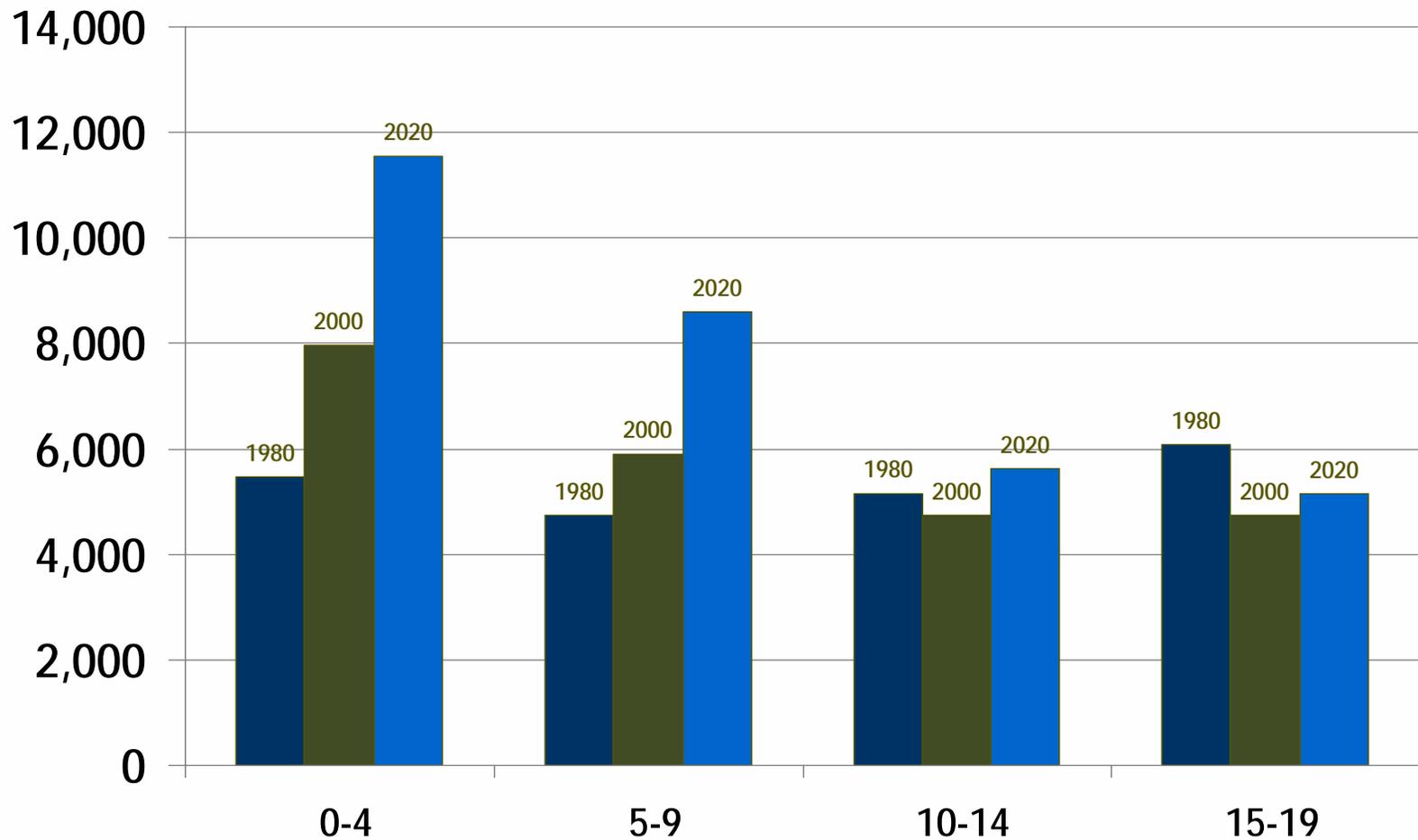
Sources: City of Alexandria Planning Department, US Census Bureau & MWCOC Cooperative Forecasts

# DC Region Population Change



- **None of the Washington DC region's population gain over the past 22 years can be attributed to domestic migration.**
- **Over the past two decades, nearly all of the population growth in the Washington DC region was due to international immigration and the higher fertility rates of the foreign-born population.**
- **Households that move into the Washington DC region from other parts of the U.S. tend to be smaller and have lower incomes than households moving out.**
- **People moving into the region tend to be younger, and therefore have smaller household sizes and lower incomes. Out-migrants are more likely to be families and have higher incomes.**

# Population change by age group (1980 - 2020)



Source: US Census Bureau and Virginia Employment Commission

# ACPS Enrollment is Increasing

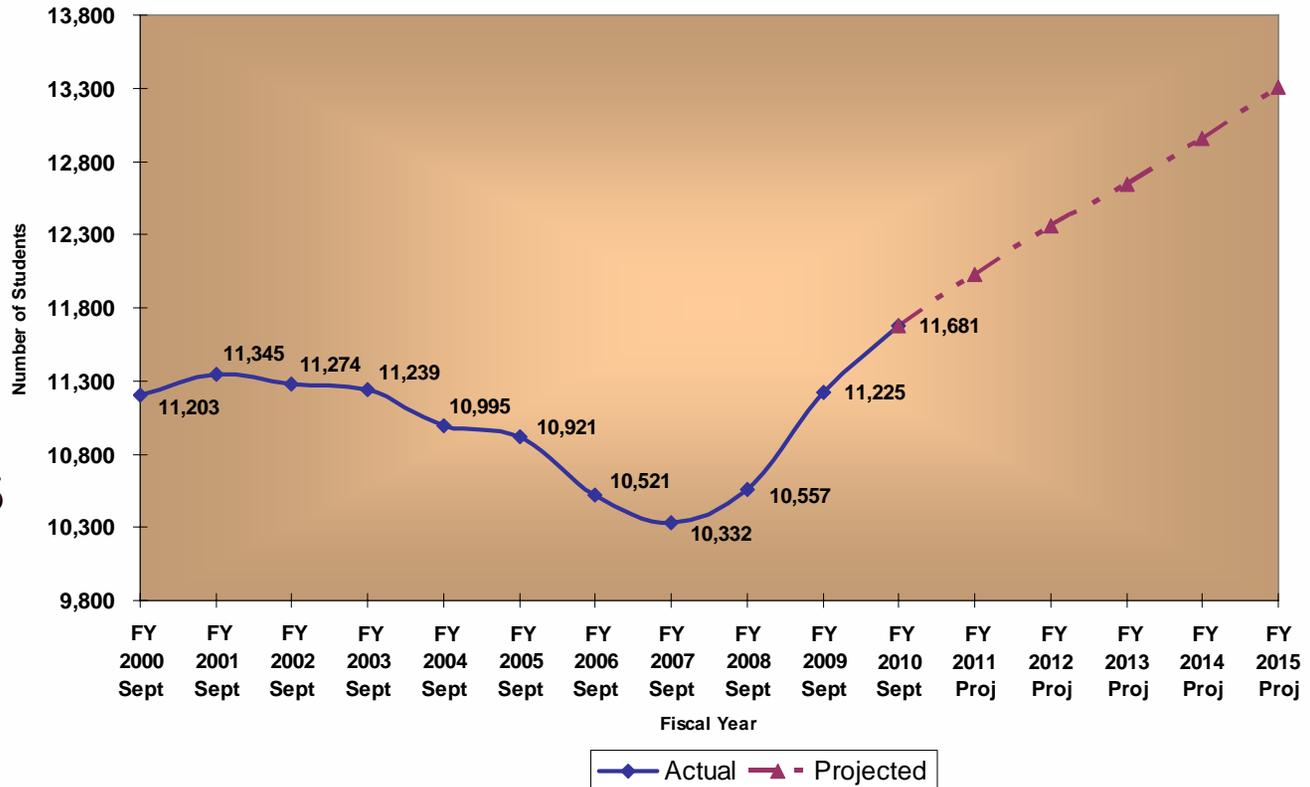


**ACPS Enrollment Trends:  
Actual and *Preliminary* Projections**

FY07 to FY10  
up 13.1%

FY09 to FY10  
up 4.1%

FY 11 to FY15  
up 13.9%

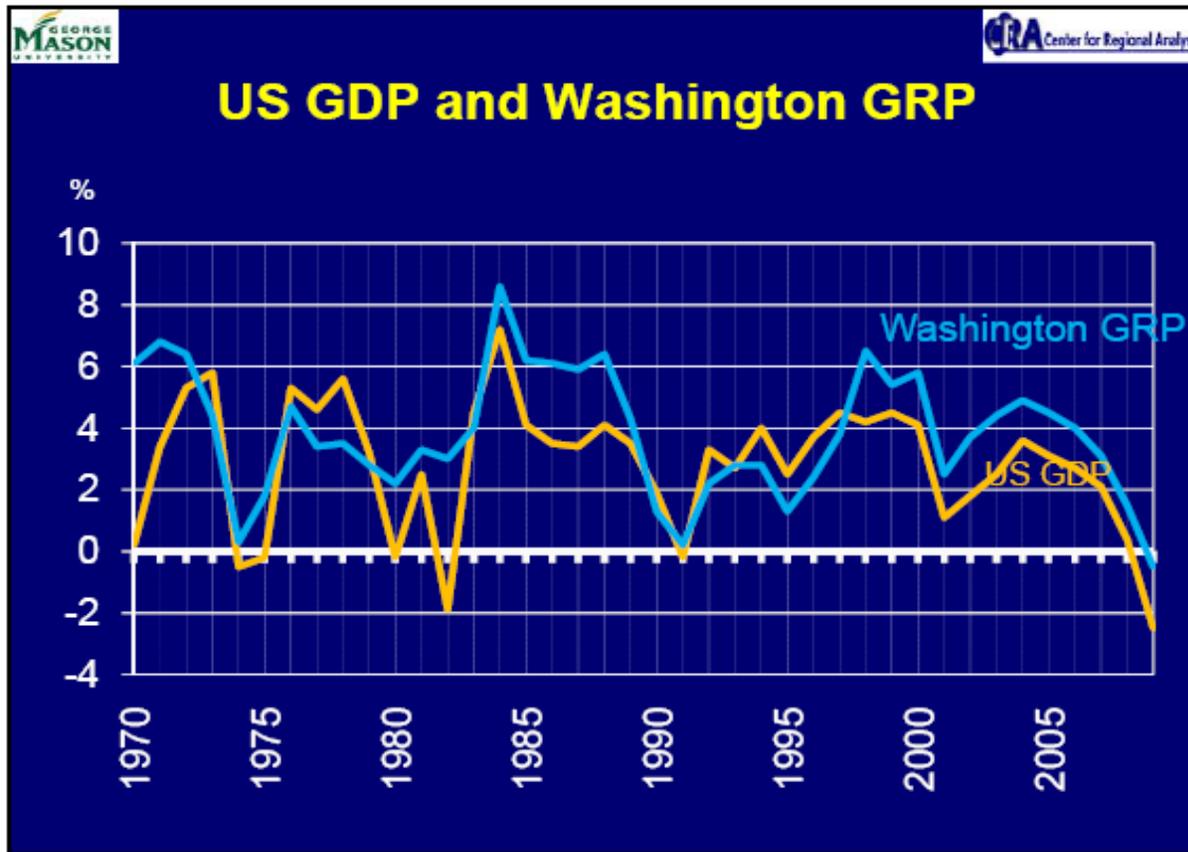


# Economic Constraints



- **Macro-Economic outlook**
  - GDP
  - Unemployment
  - Consumer confidence index
  - CPI and Inflation (CPI-Education component)
  - Budget shortfall
- **Real estate outlook**
  - Residential properties
  - Commercial properties
- **Revenue outlook for**
  - Cities
  - Counties
  - Other school divisions
  - Other states
- **Other factors**
  - Income distribution
  - At risk factors
  - Etc.

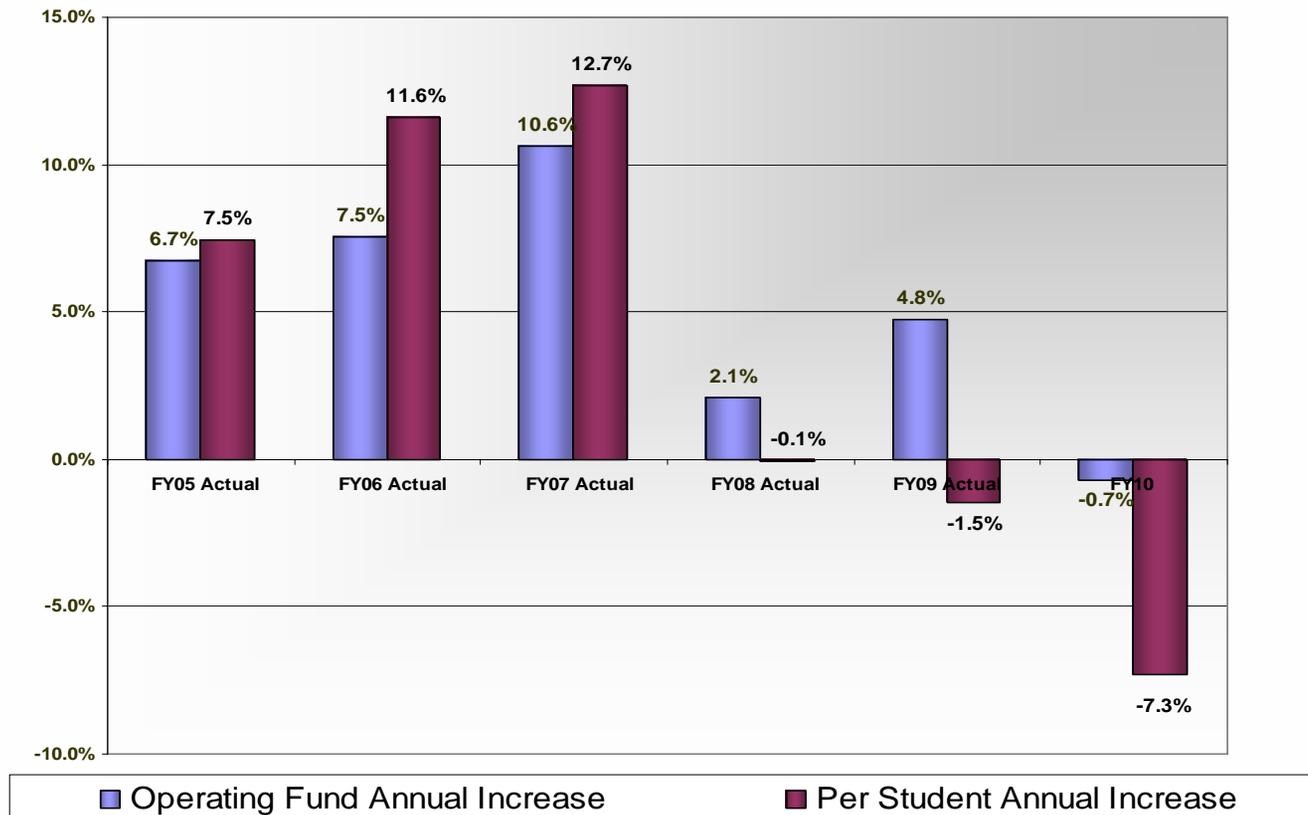
# Economic Constraints



# Strategic Efforts to contain expenditure growth



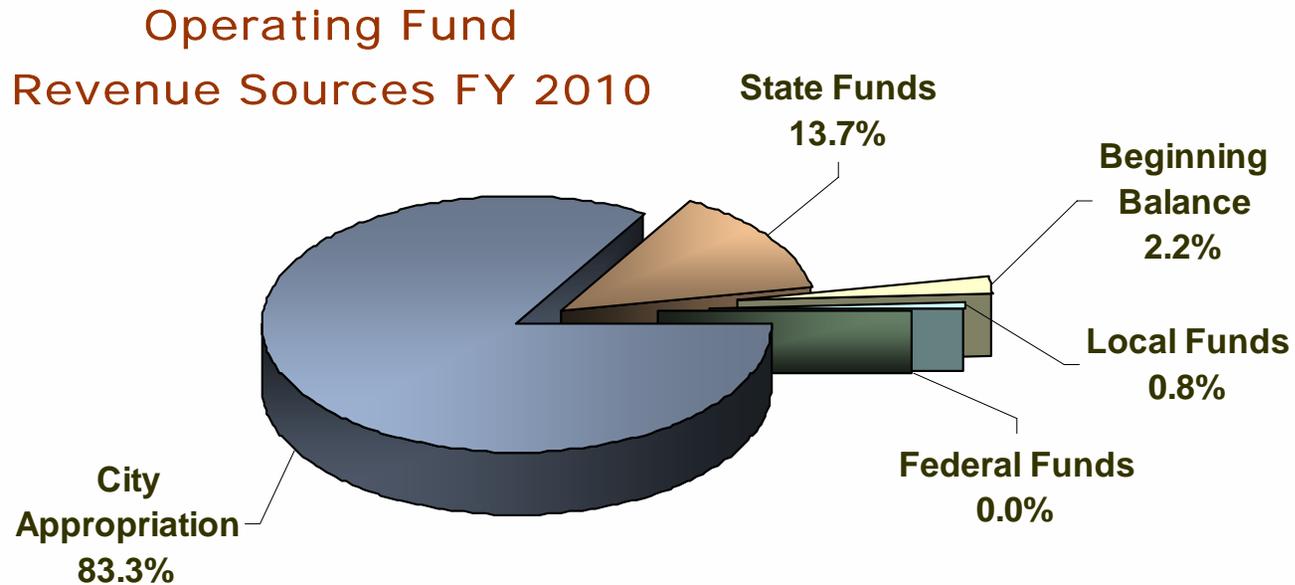
Increase in Operating Fund Expenditures  
FY 2004 Actual to FY 2010 Budgeted



Where does the money come from?



## ACPS Revenue Sources



# Methodology



- Grouped expenditures into several categories
- Fully budgeted for all items needed (completeness rule)
- Identified other mandatory increases
- Used data-driven allocations
- Used historical trends (adjusted) for other non-personnel items and benefits rates
- Collaborated with City, state and other stakeholders
- Forecasted revenues based on City and state projections, adjusted for economic outlook

# Revenue Assumptions:



## **FY2011 compared to FY2010**

- City appropriation: -2% to +2% change
- State sales tax: 5% decrease
- State basic aid is enrollment-driven
- ARRA funding: SFSF (State Fiscal Stabilization Fund) may no longer be available
- Beginning fund balance: an increase of \$1.2 million compared to beginning balance for FY 2010 budget (see FY2009 year-end fund balance report)

# 5-Year Revenue Assumptions



## City Appropriation

City appropriation accounts for about 83% of ACPS operating revenue

FY 11	2.0%
FY 12	2.5%
FY 13	3.0%
FY 14	3.5%
FY 15	4.0%

## State sales tax revenue

Sales tax accounts for about 4.7% of ACPS operating revenue

FY 11	-5.0%
FY 12	-1.0%
FY 13	+1.0%
FY 14	+1.5%
FY 15	+1.5%

## State basic aid revenue (9% of ACPS operating revenue)

Change is based on enrollment. No modifications to state legislature approved funding formulas are assumed.

# Expenditure Assumptions

(Preliminary subject to change)



- Student growth: based on preliminary budget projections. The key variable here is “absorptive capacity”, the number of students who can be absorbed with existing staffing.

The preliminary forecast assumes 20% absorption rate.

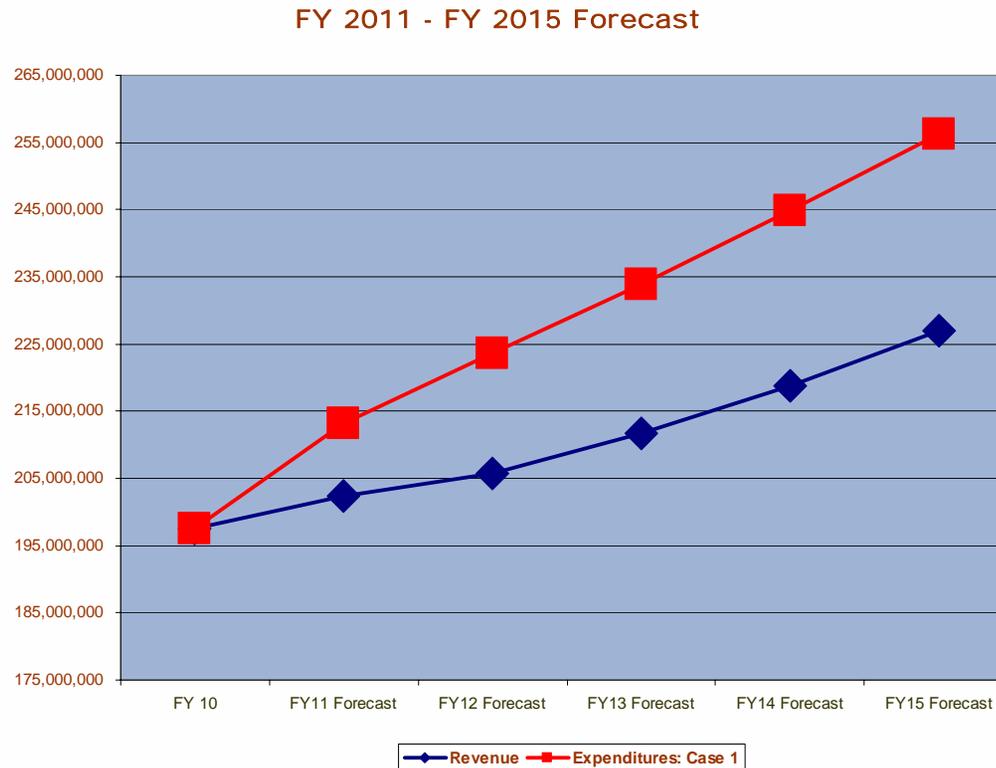
- Modified zero-based budgeting
- Data-driven resource allocations
- Step: the preliminary forecast includes the cost of step.
- Student-teacher ratio: staff is reviewing best use of capacity and will report results to the Board in November

- Strategic plan implementation might require reallocation or redirection of resources
- ARRA (SFSF) expenditures expected to come off of ARRA funding and returned to the operating fund in FY 2012
- **17.91%** VRS contribution rate, compared to 13.81% in FY 2010
- ACPS supplemental retirement: **2.70%** compared to 2.25% in FY 2010
- **13%** annual health insurance increase based on the history of paid claims.

# 5-Year Projected Budget Gap



## Impact on five-year budget forecast



# The forecast model



## Demonstration

# Forecasted Funding Gap



## Funding Gap

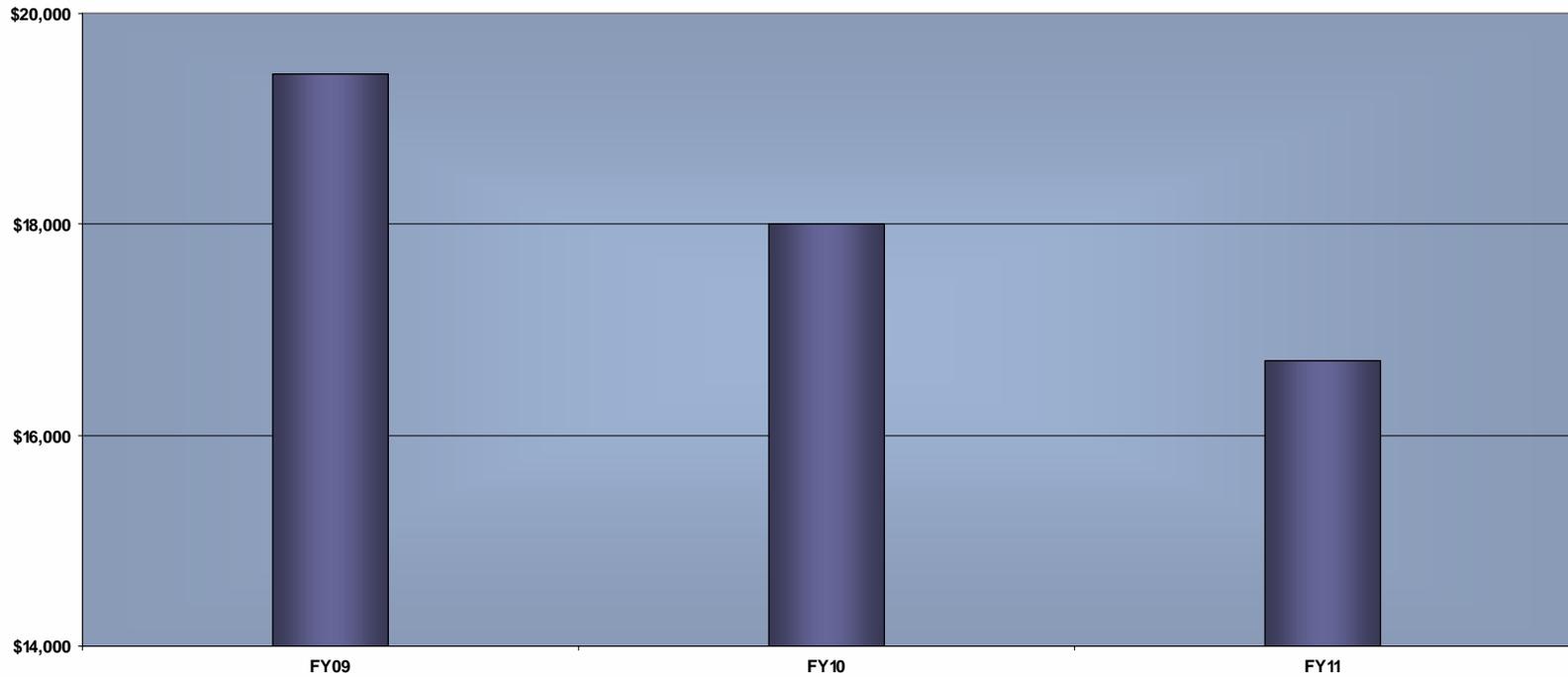
Based on a 2% Increase to the City Appropriation

	FY11 Forecast	FY12 Forecast	FY13 Forecast	FY14 Forecast	FY15 Forecast
<b>Funding Gap</b>	<b>(10,925,306)</b>	<b>(7,002,581)</b>	<b>(4,334,358)</b>	<b>(3,834,360)</b>	<b>(3,190,495)</b>

# Impact on Cost per Student



**Impact of Five Year Forecast on Cost per Student**  
Assumes 2% Increase in City Appropriation in FY 2011



# Other Cost Variables



- \$11 million gap represents almost **100%** of the total budget for utilities, leases, educational supplies, and textbooks
- \$11 million gap equals also to **77%** of the employer's share of health care benefit
- \$11 million is also the equivalent of:
  - 254 FTE's on Support Scale (35% of all support employees) or
  - 116 FTE's on Teacher Scale (9% of all teachers) or
  - 76 FTE's on Administrator Scale (79% of all administrators)

# Other Revenue Variables



- Value of one-cent on the real property tax rate: approx. \$3.0 million
- 1% change in City appropriation: \$1.6 million
- 1% change in state sales tax: approx. \$0.1 million
- 1% change in state aid: approx. \$0.17 million.

# Summary



## Our Challenges

- Closing the “A B C Gap”
  - Achievement
  - Budget
  - Capacity
- Educating More students
- Greater pressure on school facilities due to population growth
- Revenue constraints and uncertain economic environment
- Expenditure: cost drivers and cost structure

# ACPS Commitment



## Our Commitment

- To meet the division goal of higher achievement for **each and every** student
- To attract and retain the best and highest performing employees
- To think creatively about how to reach our goals
- To be careful stewards of the public funds
- To work collaboratively with the City, Board, staff, state, and all other organizations and stakeholders.

# Next Steps?



- November 1, Sunday: School Board retreat
- November 3, Tuesday: CIP long-range plan
- November 7, Saturday: City budget retreat



Your Questions ?

ACPS Forecast: Five Scenarios for FY 2011							
			Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Remaining funding (gap)/surplus			(17,509,093)	(15,863,146)	(14,217,199)	(12,571,253)	(10,925,306)
(Gap)/surplus as percent of prior year			-8.86%	-8.03%	-7.20%	-6.36%	-5.53%
Annual expenditure change including stimulus funds			7.94%	7.94%	7.94%	7.94%	7.94%
Balancing reduction as % of city revenue			-10.85%	-9.74%	-8.64%	-7.56%	-6.51%
Forecasting Assumption Details							
Item	Element		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
1	Maintain 2010 half-year step?	Y	\$ 1,848,047	\$ 1,848,047	\$ 1,848,047	\$ 1,848,047	\$ 1,848,047
2	MRA		0.00%	0.00%	0.00%	0.00%	0.00%
	\$ impact (salaries only)		\$ -	\$ -	\$ -	\$ -	\$ -
3	Step	Full Year	2.60%	2.60%	2.60%	2.60%	2.60%
	\$ impact (salaries only)		\$ 2,983,661	\$ 2,983,661	\$ 2,983,661	\$ 2,983,661	\$ 2,983,661
4	New Lapse Savings Rate		1.50%	1.50%	1.50%	1.50%	1.50%
	Change in Lapse Savings		\$ (265,345)	\$ (265,345)	\$ (265,345)	\$ (265,345)	\$ (265,345)
5	Benefits Cost Increase		16.20%	16.20%	16.20%	16.20%	16.20%
	Benefits cost increase \$ impact		\$ 7,645,941	\$ 7,645,941	\$ 7,645,941	\$ 7,645,941	\$ 7,645,941
6	Enrollment growth		3.70%	3.70%	3.70%	3.70%	3.70%
7	Absorption		20.00%	20.00%	20.00%	20.00%	20.00%
	New students		432	432	432	432	432
	Homeroom FTE teachers		29.00	29.00	29.00	29.00	29.00
	Special education, ELL, art, music, PE		14.11	14.11	14.11	14.11	14.11
	\$ impact (salaries and benefits)		\$ 3,375,176	\$ 3,375,176	\$ 3,375,176	\$ 3,375,176	\$ 3,375,176
<i>Other operating expenditures</i>							
8	Outside services		0.70%	0.70%	0.70%	0.70%	0.70%
	\$ impact		\$ 50,117	\$ 50,117	\$ 50,117	\$ 50,117	\$ 50,117
9	Cost of contracted transportation		10.00%	10.00%	10.00%	10.00%	10.00%
	\$ impact		\$ 91,629	\$ 91,629	\$ 91,629	\$ 91,629	\$ 91,629
10	Other		1.67%	1.67%	1.67%	1.67%	1.67%
	\$ impact		\$ 255,520	\$ 255,520	\$ 255,520	\$ 255,520	\$ 255,520
11	Utilities		0.00%	0.00%	0.00%	0.00%	0.00%
	\$ impact		\$ -	\$ -	\$ -	\$ -	\$ -
12	Fuel		0.00%	0.00%	0.00%	0.00%	0.00%
	\$ impact		\$ -	\$ -	\$ -	\$ -	\$ -
13	New expenditures		\$ -	\$ -	\$ -	\$ -	\$ -
14	ARRA funded-projects returned to operating						
2010 City appropriation							
15	<b>City Appropriation Change</b>		<b>-2.00%</b>	<b>-1.00%</b>	<b>0.00%</b>	<b>1.00%</b>	<b>2.00%</b>
16	State Sales Tax Rate of Change		-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
	\$ impact		\$ (461,135)	\$ (461,135)	\$ (461,135)	\$ (461,135)	\$ (461,135)
	Sales tax estimate		\$ 8,761,565	\$ 8,761,565	\$ 8,761,565	\$ 8,761,565	\$ 8,761,565

\*\*\*revised October 19, 2009

ACPS 5-year forecast: Results							
			FY11	FY12	FY13	FY14	FY15
Remaining funding (gap)/surplus			(10,925,306)	(7,002,581)	(4,334,358)	(3,834,360)	(3,190,495)
(Gap)/surplus as percent of prior year			-5.53%	-3.28%	-1.94%	-1.64%	-1.30%
Annual expenditure change including stimulus funds			7.94%	4.91%	4.59%	4.65%	4.66%
Balancing reduction as % of city revenue			-6.51%	-4.07%	-2.45%	-2.09%	-1.67%
Forecasting Assumption Details (figures in blue may be modified)***							
Item	Element		FY11 Forecast	FY12 Forecast	FY13 Forecast	FY14 Forecast	FY15 Forecast
1	Maintain 2010 half-year step?	Y	\$ 1,848,047	\$ 1,848,047	\$ 1,848,047	\$ 1,848,047	\$ 1,848,047
2	MRA		0.00%	0.00%	0.00%	0.00%	0.00%
	\$ impact (salaries only)		\$ -	\$ -	\$ -	\$ -	\$ -
3	Step	Full Year	2.60%	2.60%	2.60%	2.60%	2.60%
	\$ impact (salaries only)		\$ 2,983,661	\$ 3,099,524	\$ 3,180,112	\$ 3,262,795	\$ 3,347,628
4	New Lapse Savings Rate		1.50%	1.50%	1.50%	1.50%	1.50%
	Change in Lapse Savings		\$ (265,345)	\$ (381,454)	\$ (500,972)	\$ (625,159)	\$ (753,068)
5	Benefits Cost Increase		16.20%	5.39%	5.17%	5.31%	5.47%
	Benefits cost increase \$ impact		\$ 7,645,941	\$ 3,001,672	\$ 3,084,057	\$ 3,384,424	\$ 3,721,267
6	Enrollment growth		3.70%	3.70%	3.70%	3.70%	3.70%
7	Absorption		20.00%	20.00%	20.00%	20.00%	20.00%
	New students		432	448	465	482	500
	Homeroom FTE teachers		29.00	30.00	31.00	33.00	34.00
	Special education, ELL, art, music, PE		14.11	14.63	15.13	15.66	16.34
	\$ impact (salaries and benefits)		\$ 3,375,176	\$ 3,494,218	\$ 3,611,152	\$ 3,809,072	\$ 3,941,020
	<i>Other operating expenditures</i>						
8	Outside services		0.70%	0.70%	0.70%	0.70%	0.70%
	\$ impact		\$ 50,117	\$ 50,468	\$ 50,821	\$ 51,177	\$ 51,535
9	Cost of contracted transportation		10.00%	10.00%	10.00%	10.00%	10.00%
	\$ impact		\$ 91,629	\$ 100,792	\$ 110,871	\$ 121,958	\$ 134,154
10	Other		1.67%	1.67%	1.67%	1.67%	1.67%
	\$ impact		\$ 255,520	\$ 259,794	\$ 264,140	\$ 268,559	\$ 273,052
11	Utilities		0.00%	0.00%	0.00%	0.00%	0.00%
	\$ impact		\$ -	\$ -	\$ -	\$ -	\$ -
12	Fuel		0.00%	0.00%	0.00%	0.00%	0.00%
	\$ impact		\$ -	\$ -	\$ -	\$ -	\$ -
13	New expenditures		\$ -	\$ -	\$ -	\$ -	\$ -
14	ARRA funded-projects returned to operating		\$ -	\$ 546,736	\$ -	\$ -	\$ -
	2010 City appropriation						
15	City Appropriation Change		2.00%	2.50%	3.00%	3.50%	4.00%
16	State Sales Tax Rate of Change		-5.00%	-1.00%	1.00%	1.50%	1.50%
	\$ impact		\$ (461,135)	\$ (87,616)	\$ 86,739	\$ 131,410	\$ 133,381
	Sales tax estimate		\$ 8,761,565	\$ 8,673,949	\$ 8,760,689	\$ 8,892,099	\$ 9,025,481

Revised October 19, 2009