

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 23, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #23: REPORT ON CITY/SCHOOLS STAFF DISCUSSIONS
ON SHORT TERM SCHOOLS CAPITAL IMPROVEMENT PROGRAM
REQUEST

At the March 21, 2011 Joint Budget Work Session with the City Council and the School Board, City and Schools staff were directed to discuss and attempt to reconcile differences in the City Manager's proposed Capital Improvement Program (CIP) for at least the first 3 years (FY 2012 through FY 2014) with the School Board's Approved CIP for the same period. The direction to staff was to focus on meeting the immediate capacity needs of the schools, but also to sort through what essential repair, renovation, and maintenance items may be most important to address during this period as well. The remainder of the 10 year CIP plan did not necessarily have to be addressed at this time. Both City and Schools staff have agreed to form a joint work group that will examine long term Schools capital needs.

This memorandum reports on the results of those discussions and the development of a joint staff proposal that covers the first 4 to 5 years of the CIP for consideration by City Council and the School Board at their joint Budget Work Session on March 30, 2011.

Major Objectives of a Joint Proposal

Schools and City staff have agreed on the outlines of a joint proposal. City staff believes the joint staff proposal addresses immediate capacity needs and other essential and immediate non-capacity needs.¹ The joint proposal limits the potential impact on the operating budget to the equivalent of 1 cent on the real estate tax rate over the next 3 years (recognizing that revenue reestimates or expenditure reductions may offset some or all of the need for a potential tax rate increase) and no more than 1.5 cents in the peak year (FY 2015), 1.3 cents in FY 2016 and returns to about 1 cent a year in the following years for the continuing costs of debt service.

¹ Non-capacity projects include such activities as ADA projects, asset loss prevention, asset replacement, Ecocity, Equipment and Systems Replacements, Facility Maintenance, Instructional Environment, and Shared Program Priorities.

Key Features of the Joint Staff Proposal

The joint staff proposal has the following key features:

- Through FY 2015 the joint staff proposal provides \$109.2 million for Schools CIP projects. See the attached **Table A** for a 4 year summary of the joint proposal on a year-to-year basis.
- The joint staff proposal provides funding for School system capacity needs over 4 years through FY 2016 as follows:
 - It provides funding for 20 additional modular classrooms at 3 elementary schools in FY 2013 -- Charles Barrett (\$2.0 million), James Polk (\$2.0 million), and Patrick Henry (\$4.1 million).
 - It provides \$39.6 million in funds for a new K-8 school at Jefferson-Houston to replace the existing school.
 - It provides \$36.3 million in funds for a new K-8 school at Patrick Henry (including \$24.9 million in FY 2016 to complete construction).
- Based on ACPS priorities the joint staff proposal assumes Jefferson-Houston to be constructed first with construction starting in FY 2013 and the Schools hope for completion in time for opening in September 2014. Patrick Henry construction would begin in FY 2014 or FY 2015 and would open in September of 2016.
- City staff note the following issues raised by this proposed sequencing.
 - An accelerated schedule developed by Planning Zoning) would have a DSUP approved by the Planning Commission at the end of this calendar year, but an additional 6 to 9 months would be necessary for site plan approval and construction permits to be issued. (A separate budget memo is planned on this topic for discussion at the March 30th work session.)
 - There is no guarantee that City staff, the Planning Commission, and the City Council will be able to approve the necessary permits and site plans for either project in time for architectural and engineering services to be completed and construction to start in FY 2013 for the first project.
 - The Jefferson-Houston facility may be more difficult to move through the planning and zoning process, given its location in more densely populated area of the City with a very high level of interest from immediate neighbors and others in Old Town.
 - Patrick Henry would have a much bigger impact on the Schools ability to handle additional capacity (adding space for approximately 840 additional K-8 students on the West end where capacity needs are greatest.
 - Jefferson-Houston adds capacity for fewer students since the current building will be demolished. Current enrollment at Jefferson Houston is projected to be 307 students in FY 2012 in School budget documents, but in the past the current

facility has held as many as 669 students (in the 1999/2000 school year). With a new K-8 facility adding space for approximately 840 additional students, the net increase in capacity is no more than about 270 students.

- Although City Staff take no position on whether the Jefferson-Houston or Patrick Henry facility should be constructed first, we do believe that City Council and the School Board should discuss this issue on March 30th.
- The joint staff proposal provides a total of \$59.4 million for capacity projects through FY 2015. It provides a total of \$49.9 million for non-capacity capital projects through FY 2015. See attached **Table B** for a year-by-year listing of the categories of uses contained in the joint proposal through FY 2015.

FY 2016 Agreement and Differences

- The joint proposal includes an additional \$24.9 million in FY 2016 for completing a new K-8 school at the Patrick Henry site.
- The joint proposal also includes an additional \$11.5 million in non-capacity projects in FY 2016.
- The City and Schools staff have not been able to come to agreement on other costs in FY 2016, except for start-up costs totaling \$6.4 million for 3 additional capacity projects in FY 2016.
 - \$0.8 million in preliminary funding for a transportation facility in FY 2016 (with an additional \$9.1 million requested for FY 2017).
 - \$3.4 million in architectural and engineering services for a new K-8 school at Cora Kelly (with an additional \$40.0 million in total requested in FY 2017 and FY 2018).
 - \$2.0 million in architectural and engineering services for an expansion of Minnie Howard campus (with an additional \$25.3 million in total requested in FY 2017 and 2018).
- As a result, Schools staff and City staff still have different proposals in total for FY 2016 – the City staff proposal would provide \$36.4 million in FY 2016, and Schools staff would provide \$42.7 million.

Ten Year Totals Agreement and Differences

- The City staff proposal for CIP projects for the Schools totals \$211.1 million over 10 years. This compares with the original City Manager's proposed CIP of \$158.1 million.
- The Schools staff proposal for CIP projects over 10 years totals \$345.0 million. This compares with the School Board approved request of March 3, 2011 of \$372.6 million.
- **Table C**, which is attached, shows the 10 year comparison of the Schools staff proposal and the City staff proposal. Assuming the joint staff proposal as common ground, note that the differences in the two alternatives are only found in FY 2016 through FY 2021.

- Before the March 30 joint work session, City staff will provide an additional budget memorandum that analyzes the impact of the joint staff proposal and these two 10 year alternatives on future General Fund Operating Budgets and debt policy guidelines similar to the analysis contained in Budget Memorandum #13.

Schedule for Consideration of the Joint Staff Proposal

This joint proposal will be discussed at the monthly City Council/School Board Subcommittee meeting on March 28th, and at the Joint Budget Work Session on March 30th with the School Board. City Staff recommends that City Council consider the joint proposal recommended funding levels through FY 2016 as a possible “add” during the add-delete process (including alternative amounts for FY 2016). City Staff recommends that City Council note the differences in FY 2016 through FY 2021 between the City and Schools staff recommended levels, but continue to reflect the City Manager’s proposed funding levels for Schools project in the adopted CIP (including adjustments in FY 2016 for the completion of the new Patrick Henry facility). These FY 2016 through FY 2021 CIP numbers would then be the subject of the joint staff review outlined below.

Joint Staff Review of FY 2016 through FY 2022 Schools CIP Needs

Assuming City Council concurrence, City Staff recommend the Mayor formally request of the Schools for the two staffs to prepare a memorandum of understanding that outlines a work plan to jointly examine the remaining differences in FY 2016 through FY 2017. City staff recommends that his joint analysis include:

- A review of student enrollment projections for the latter half of this decade and beyond through 2030 given demographic forecasts for school age children;
- The potential economic development activity in City and the potential effects on student enrollment through this time period;
- The potential impact of effects of efforts to reduce the drop-out rate among secondary students;
- The effects of educational policies such as class size, space utilization, modified open enrollment on future capacity needs;
- Facility siting, planning, architectural design, construction management and cost estimates;
- Impacts on student transportation needs of potential alternatives; and
- Review of all other non-capacity needs and proposed project spending in FY 2017 through FY 2022.

Such a work plan should include representatives from the following City departments:

- The Department of Planning and Zoning,
- The Department of General Services,
- The Department of Recreation, Parks and Cultural Affairs, and
- The Office of Management and Budget.

Schools staff does not agree with the scope of this review, and recommend it be limited to enrollment projections and their impact on school capacity projects.

The scheduled completion of this joint review should be in time for consideration by City Council and the School Board in October, leading to adoption of budget guidance for the FY 2013-2022 CIP by City Council in November of 2011 and development of a School Board proposed CIP by the first week in February, 2012.

Attachments:

Table A: Comparison of Different CIP Plans for School Capital Projects: FY 2012 to FY 2015

Table B: Joint Staff Proposal ACPS CIP Plans by Project Category: FY 2012 to FY 2015

Table C: Comparison of 10 Year Alternative Plans for School Capital Projects: FY 2012 to FY 2021

**Comparison of CIP Plans for School Capital Projects
FY 2012 - FY 2015**

TABLE A

| | Funding Version | FY 2012 | FY 2013 | FY 2014 | FY 2015 | Total |
|----------|-----------------------|----------------|----------------|-----------------|-----------------|-----------------|
| A | ACPS Board Request | \$ 30,037,516 | \$ 34,716,383 | \$ 60,957,676 | \$ 45,462,690 | \$ 171,174,265 |
| B | City Manager Proposed | \$ 13,694,616 | \$ 26,613,000 | \$ 9,000,000 | \$ 11,865,000 | \$ 61,172,616 |
| C | Joint Staff Proposal | \$ 21,986,475 | \$ 30,949,356 | \$ 24,930,211 | \$ 31,371,027 | \$ 109,237,069 |
| | DIFFERENCE | FY 2012 | FY 2013 | FY 2014 | FY 2015 | Total |
| | A to C | \$ 8,051,041 | \$ 3,767,027 | \$ 36,027,465 | \$ 14,091,663 | \$ 61,937,196 |
| | B to C | \$ (8,291,859) | \$ (4,336,356) | \$ (15,930,211) | \$ (19,506,027) | \$ (48,064,453) |
| | A to B | \$ 16,342,900 | \$ 8,103,383 | \$ 51,957,676 | \$ 33,597,690 | \$ 110,001,649 |

COMPARISON OF DIFFERENT ACPS CIP PLANS

Joint Staff Proposed ACPS CIP Plan by Project Category
FY 2012 - FY 2015

TABLE B

| ACPS Source | FY 2012 | FY 2013 | FY 2014 | FY 2015 | Total |
|------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Non-Capacity | | | | | |
| ADA Projects | \$ 1,860,090 | \$ 310,726 | \$ - | \$ - | \$ 2,170,816 |
| Asset Loss Prevention | \$ 1,103,722 | \$ 276,774 | \$ 210,408 | \$ 286,717 | \$ 1,877,621 |
| Asset Replacement | \$ 419,000 | \$ 377,000 | \$ 405,896 | \$ 447,104 | \$ 1,649,000 |
| EcoCity | \$ 1,976,417 | \$ 736,895 | \$ 849,241 | \$ 1,153,003 | \$ 4,715,556 |
| Equipment & Systems | | | | | |
| Replacements | \$ 1,440,125 | \$ 938,576 | \$ 285,376 | \$ 866,493 | \$ 3,530,570 |
| Facility Maintenance | \$ 10,016,495 | \$ 7,603,143 | \$ 5,080,367 | \$ 7,772,314 | \$ 30,472,319 |
| Instructional Environment | \$ 1,235,000 | \$ 756,452 | \$ 2,015,945 | \$ 662,288 | \$ 4,669,685 |
| Shared Program Priorities | \$ 675,625 | \$ 63,552 | \$ 21,015 | \$ 21,541 | \$ 781,733 |
| subtotal non-capacity | \$ 18,726,474 | \$ 11,063,118 | \$ 8,868,248 | \$ 11,209,460 | \$ 49,867,300 |
| Capacity | | | | | |
| Jefferson-Houston | \$ 3,120,000 | \$ 11,752,652 | \$ 14,422,986 | \$ 10,353,239 | \$ 39,648,877 |
| Patrick Henry | \$ - | \$ 4,066,792 | \$ 1,638,977 | \$ 9,808,329 | \$ 15,514,098 |
| Barrett Modulars | \$ - | \$ 2,033,397 | \$ - | \$ - | \$ 2,033,397 |
| Polk Modulars | \$ - | \$ 2,033,397 | \$ - | \$ - | \$ 2,033,397 |
| Other Minor Capacity | \$ 140,000 | | | | \$ 140,000 |
| subtotal capacity | \$ 3,260,000 | \$ 19,886,238 | \$ 16,061,963 | \$ 20,161,568 | \$ 59,369,769 |
| TOTAL | \$ 21,986,474 | \$ 30,949,356 | \$ 24,930,211 | \$ 31,371,028 | \$ 109,237,069 |

**Comparison of 10-year Alternative Plans for School Capital Projects
FY 2012 - FY 2021**

TABLE C

| | Negotiated Period | | | | Transition Year | Unnegotiated Period | | | | | TOTAL |
|----------------------------|-------------------|---------------|---------------|---------------|-----------------|---------------------|---------------|---------------|---------------|---------------|----------------|
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | |
| Negotiated Totals | \$ 21,986,475 | \$ 30,949,356 | \$ 24,930,211 | \$ 31,371,027 | | | | | | | |
| Transition Year | | | | | | | | | | | |
| <i>City Staff</i> | | | | | \$ 36,386,123 | | | | | | |
| <i>ACPS Staff</i> | | | | | \$ 42,652,481 | | | | | | |
| Unnegotiated Totals | | | | | | | | | | | |
| <i>City Staff</i> | | | | | | \$ 12,000,000 | \$ 13,000,000 | \$ 13,500,000 | \$ 13,366,000 | \$ 13,564,267 | |
| <i>ACPS Staff</i> | | | | | | \$ 49,353,624 | \$ 56,890,042 | \$ 33,698,383 | \$ 37,845,290 | \$ 15,354,062 | |
| GRAND TOTALS | | | | | | | | | | | |
| <i>City Staff</i> | \$ 21,986,475 | \$ 30,949,356 | \$ 24,930,211 | \$ 31,371,027 | \$ 36,386,123 | \$ 12,000,000 | \$ 13,000,000 | \$ 13,500,000 | \$ 13,366,000 | \$ 13,564,267 | \$ 211,053,459 |
| <i>ACPS Staff</i> | \$ 21,986,475 | \$ 30,949,356 | \$ 24,930,211 | \$ 31,371,027 | \$ 42,652,481 | \$ 49,353,624 | \$ 56,890,042 | \$ 33,698,383 | \$ 37,845,290 | \$ 15,354,062 | \$ 345,030,951 |
| Difference | \$ - | \$ - | \$ - | \$ - | \$ 6,266,358 | \$ 37,353,624 | \$ 43,890,042 | \$ 20,198,383 | \$ 24,479,290 | \$ 1,789,795 | \$ 133,977,492 |