

ALEXANDRIA CITY PUBLIC SCHOOLS (ACPS)

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Alexandria City Public Schools (ACPS) City Manager’s Proposed FY 2016 - 2025 Capital Improvement Program (CIP)

Overview

On March 3, 2015, the City Manager proposed the FY 2016 -2025 Capital Improvement Program (CIP), which included funding over the ten-year plan for Alexandria City Public Schools (ACPS) equal to \$296.9 million, and represents \$35.6 million over that included in the prior year CIP. The City Manager’s Proposed FY 2016 capital year expenditure budget for ACPS totals \$44.3 million and is funded with \$38.8 million in new City funding and \$5.5 million in prior year ACPS project balances proposed to be reallocated to support FY 2016 capital projects.

Prior to the release of the City Manager’s Proposed FY 2016 - 2025 CIP, the ACPS School Board adopted their CIP on February 5, 2015 totaling \$311.4 million over ten-years with 70% of that amount requested in the first four years of the ten-year CIP. The School Board adopted a CIP that totaled \$305.9 million; however, that total excluded \$5.5 million in prior year balances to support FY 2016 capital projects. Thus the total amount of projects in the School Board approved FY 2016 – 2025 CIP is \$311.4 million. The School Board’s CIP over the ten years is \$14.5 million more than the City Manager’s Proposed FY 2016 – 2025 CIP, and is \$3.3 million more than the City Manager’s Proposed CIP in FY 2016. There are significant differences in the timing of the funding that will need to be resolved between the adoption of the City’s CIP in May and ACPS’s next proposed CIP.

As there are significant differences between the two CIPs regarding the timing of funding, the City Manager’s Proposed FY 2016 - 2025 CIP includes funding for ACPS capital infrastructure needs at the same levels approved by City Council in last year’s ten-year plan, adding \$29.0 million for FY 2025. Since the level of capital infrastructure investment proposed by the City Manager is not equal to the School Board’s approved CIP, no assumptions have been made by City staff on specific projects or specific amounts associated with projects in the ten-year plan.

FY 2016 Capital Year Budget

The City Manager’s FY 2016 Proposed capital year budget totals \$44.3 million from new funding (\$38.8 million) and prior year balances (\$5.5 million) held by ACPS. This is a difference of -\$3.3 million from the School Board FY 2016 Adopted capital year budget of \$47.6 million, which also includes requested new funding (\$42.1 million) and use of prior year balances (\$5.5 million).

FY 2016 Capital Year Budget (one-year only)			
Capital Improvement Program	New Funding	Prior Year Balances	Total Funding
ACPS School Board Adopted CIP	\$ 42,080,824	\$ 5,500,000	\$ 47,580,824
City Manager's Proposed CIP	\$ 38,808,279	\$ 5,500,000	\$ 44,308,279
Difference: City Manager - ACPS	\$ (3,272,545)	\$ -	\$ (3,272,545)

ACPS has proposed capital projects in FY 2016 totaling \$47.6 million including:

- \$38.1 million for modernization and capacity projects at Patrick Henry;
- \$1.2 million for planning/design of a capacity related project at James K. Polk (with an additional \$4.8 million requested for FY 2017);
- \$3.6 million for planning/design of a capacity and modernization project at Minnie Howard (with an additional \$24.0 million requested for FY 2017);
- \$3.3 million for system-wide and specific school site capital improvements related to existing facility infrastructure;
- \$1.35 million for exterior playgrounds and sports related facilities; and
- \$0.11 million for stormwater improvements.

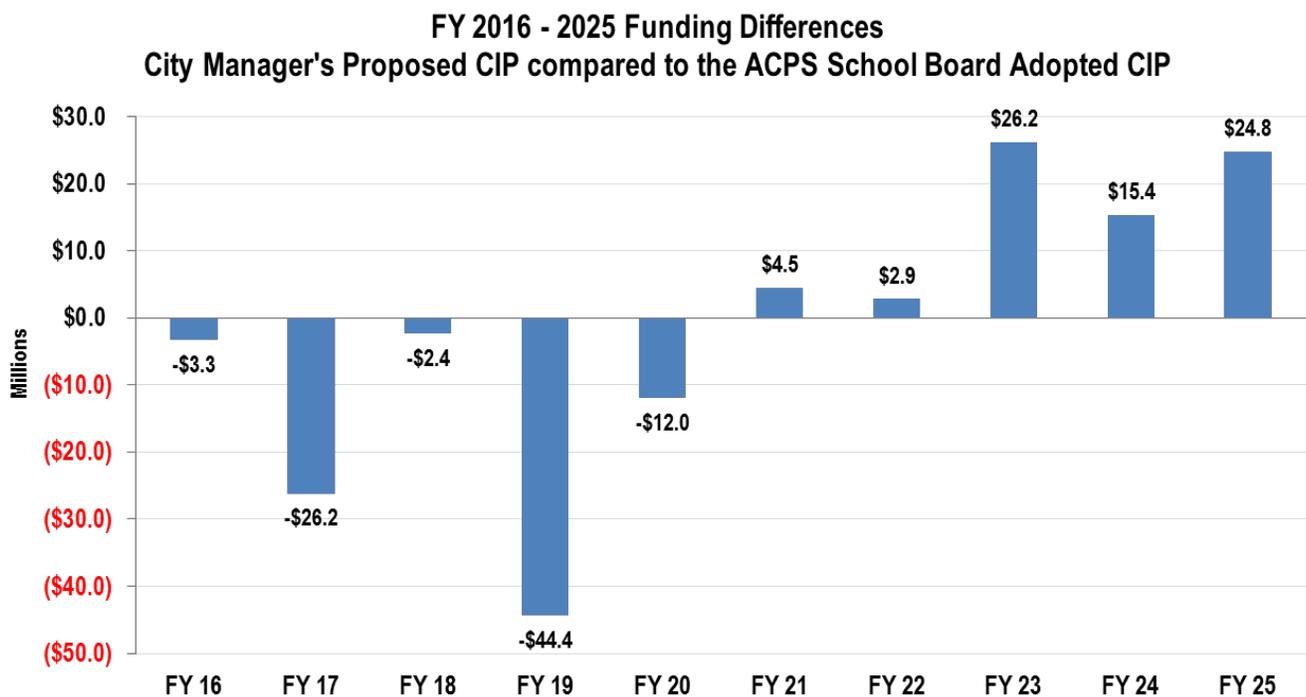
The City Manager’s Proposed CIP includes \$44.3 million in total funding and does not make assumptions on the types of projects or funding amounts associated with ACPS capital projects. It provides a level of capital investment that will require ACPS to prioritize projects to fit within available funding. The level of investment in ACPS capital infrastructure for FY 2016 will require additional discussion during the post-proposed CIP budget development process.

FY 2016 – 2025 City Manager’s Proposed ACPS CIP

The City Manager’s Proposed FY 2016 – 2025 ACPS CIP totals \$296.9 million, and includes the use of \$5.5 million in prior year ACPS balances to fund FY 2016 projects. This is \$14.5 million less than the ACPS School Board approved amount of \$311.4 million, which also includes the use of \$5.5 million in prior year ACPS balances.

FY 2016 - 2025 Capital Improvement Program					
Capital Improvement Program	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
ACPS School Board FY 16-25 Adopted CIP	\$ 47,580,824	\$ 58,214,000	\$ 34,851,000	\$ 76,292,000	\$ 26,853,000
City Manager's FY 16-25 Proposed CIP	\$ 44,308,279	\$ 32,000,000	\$ 32,500,000	\$ 31,900,000	\$ 14,875,000
Difference: City Manager - ACPS	\$ (3,272,545)	\$ (26,214,000)	\$ (2,351,000)	\$ (44,392,000)	\$ (11,978,000)
Capital Improvement Program	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
ACPS School Board FY 16-25 Adopted CIP	\$ 10,522,502	\$ 20,042,510	\$ 10,780,000	\$ 22,044,000	\$ 4,238,000
City Manager's FY 16-25 Proposed CIP	\$ 15,000,000	\$ 22,900,000	\$ 37,000,000	\$ 37,400,000	\$ 29,000,000
Difference: City Manager - ACPS	\$ 4,477,498	\$ 2,857,490	\$ 26,220,000	\$ 15,356,000	\$ 24,762,000
ACPS School Board FY 16-25 Adopted CIP	\$ 311,417,836				
City Manager's FY 16-25 Proposed CIP	\$ 296,883,279				
Difference: City Manager - ACPS	\$ (14,534,557)				

While there is only a \$14.5 million difference in total funding over the ten-year plan, there is a significant difference in the first five years of the plan. The School Board has requested the majority of their capital investments be funded in the first five years of the plan, which totals an additional \$88.2 million over what the City Manager’s CIP includes. The City Manager has proposed \$155.6 million from FY 2016 – 2020 while the School Board Adopted CIP requested \$243.8 million over the same time period. The chart below shows the funding difference between the City Manager’s Proposed FY 2016 – 2025 CIP and the School Board Approved FY 2016 – 2025 CIP.



FY 2016 – 2020 Capital Improvement Program

If the ACPS CIP request were to be fully funded for the first five years, there would be impacts to both the amount of debt service paid by the City on behalf of ACPS and impacts to the City Council approved debt ratios. The analysis below assumes that if the request was fully funded, additional General Obligation Bonds would be issued to account for the \$88.2 million difference.

New ACPS Debt Service

The impact of fully funding the ACPS CIP in the first five years is shown in the table below. By FY 2020, an additional \$7.9 million in debt service would be paid on behalf of ACPS for an additional \$88.2 million in borrowing from FY 2016 – 2020. This is over and above \$11.6 million in new debt services payments on \$131.1 million in General Obligation Bonds planned to be issued on behalf of ACPS in the City Manager’s Proposed CIP from FY 2016 – 2020. Existing debt service payments for ACPS for General Obligation Bonds issued through FY 2015 are estimated at \$21.0 million annually. The debt service impact of the additional ACPS capital projects totals \$7.9 million, or about an additional 2 cents on the City’s real estate tax rate above and beyond the impact of the City proposed capital funding amount for ACPS.

Total New ACPS Debt Service (Cumulative)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
New ACPS Debt Service - Projected	\$ 427,912	\$ 5,749,946	\$ 8,263,280	\$ 10,685,377	\$ 11,555,982
New ACPS Debt Service - with Additional ACPS Bonds	\$ 719,169	\$ 8,444,380	\$ 11,113,216	\$ 17,634,534	\$ 19,477,381
Difference: Additional Debt Service Required	\$ 291,257	\$ 2,694,434	\$ 2,849,936	\$ 6,949,157	\$ 7,921,399

Debt Ratios

The tables below show the debt ratios impact of additional borrowing for ACPS capital projects from FY 2016 – 2020. The City Manager’s CIP is in compliance with debt ratios for all years of the ten-year plan, excluding the previously planned exception for Potomac Yard Metrorail Station debt. The tables below show the impact of additional borrowing on the City’s debt ratios excluding Potomac Yard. While the City barely stays in compliance with the Debt as a Percentage of Fair Market Real Property Value Debt Ratio, encroaching on the ratio’s limits in FY beginning in FY 2019, it exceeds the Debt as a Percentage of Total Personal Income Debt Ratio beginning in FY 2017.

Debt as a Percentage of Fair Market Real Property Value	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Target	1.10%	1.10%	1.10%	1.10%	1.10%
Limit	1.60%	1.60%	1.60%	1.60%	1.60%
City Manager's Proposed CIP	1.31%	1.41%	1.43%	1.42%	1.41%
Proposed CIP with Additional ACPS Borrowing	1.32%	1.48%	1.50%	1.59%	1.59%

Debt as a Percentage of Total Personal Income	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Target	3.20%	3.20%	3.20%	3.20%	3.20%
Limit	4.50%	4.50%	4.50%	4.50%	4.50%
City Manager's Proposed CIP	3.99%	4.36%	4.48%	4.47%	4.42%
Proposed CIP with Additional ACPS Borrowing	4.02%	4.58%	4.70%	4.99%	4.99%

Next Steps

Fiscal restraints and maintaining compliance with City Council approved debt ratios would not allow for the ACPS School Board Approved CIP to be funded as requested without a reduction in planned City projects or changes to the current City Council approved debt ratios. Additionally, with work being completed on the ACPS Long Range Educational Facilities Plan (LREFP), City staff believes that funding levels requested by the School Board in FY 2021 – 2025 may increase further in future CIPs as the fiscal impacts for modernization and capacity at each school site are finalized in the LREFP.

Due to the significant differences in City Council approved funding versus the capital needs related to capacity identified by ACPS, City staff will continue to discuss capital needs with ACPS staff to determine before the next ACPS CIP is prepared and released later in 2015, the appropriate level of capital investments over the ten-year plan. Staff collaboration includes a joint City – ACPS work group determining a methodology for long range enrollment projections and the impact those projections will have on future capital infrastructure needs.

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