

# Alexandria City Public Schools

## FISCAL FORECAST



Operating Budget: Fiscal Years 2009 to 2013



# Elements of Forecasting

- Identify major areas of change within the organization
- Identify factors that may impact the organization but that cannot be controlled
- Estimate upper and lower ranges of change
- Use as basis for long-range financial and strategic planning



# AGENDA

- Review internal areas of change
- Review external factors
- Discuss the five-year expenditure projections for a high and low scenario
- Discuss the five year revenue projections for the low and high scenarios
- Determine impact of each scenario on the City appropriation to Schools



# Methodology

- Used historical trends for most items
- Some areas held to minimal increases, i.e., materials and supplies, capital outlay
- Fully budgeted for all items based on expenditure history
- Analyzed history of additions and reductions to calculate net change
- Assumed change in enrollment stays on same trend line



## Major Areas of Internal Change

- Step increase and market rate adjustments (MRA)
- Health benefit costs
- Legal expenses
- Private carrier transportation costs



## Major Areas of Internal Change (cont.)

- Tuition to other school divisions
- Substitutes
- FMLA and workers compensation
- Bus driver, maintenance, and custodial overtime
- Essential increases



# External Factors

- School enrollment and composition of enrollment
- Economic climate and impact on state and local revenues
- Virginia Retirement System rates
- Health benefit rate increases



## External Factors (cont.)

- Retiree health benefit costs
- Workers compensation and FMLA payments
- Vehicle fuel costs
- Special education-related costs: outside service providers; transportation via private carrier; tuition to other school divisions
- OPEB liability costs

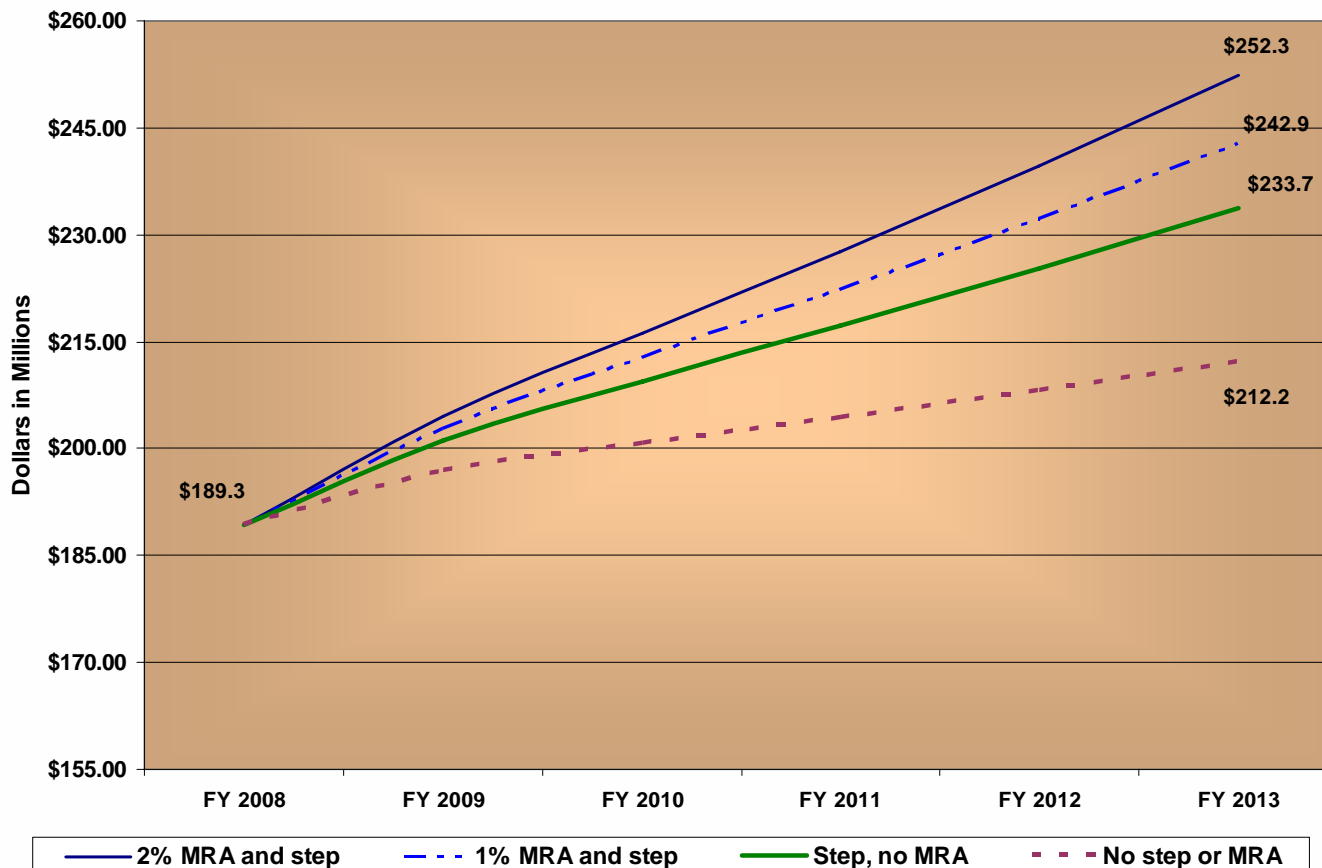


## GASB 45 and OPEB Liability

- Shift from pay-as-you go to accrual basis, similar to the way retirement costs are handled
- Required annual funding of \$4.9 million, based on 2006 actuarial study
- Annual increase of \$0.8 million above the previously discussed items until total allocation reaches \$4.9 million in FY 2013



# Five-Year Forecast of Expenditures: A Range of Options



## Annual Increases

- 2% MRA and step: 5.9%
- 1% MRA and step: 5.1%
- Step: 4.3%
- No step or MRA: 2.3%



# FY 2009 Personnel Cost Increases

<b>Low Scenario</b>	
	<b>Dollars in Millions</b>
Step Increase	\$ -
Market rate adjustment of 2% (MRA)	-
Lapse	(1.77)
<b>Salaries</b>	
<u>Major Changes:</u>	
Substitutes	\$ 0.49
Bus Driver, Maintenance, and Custodial Overtime	0.41
Essential Increases	0.43
<b>Subtotal, Major Changes</b>	<b>\$ 1.33</b>
<b>Benefits</b>	
<u>Major Changes:</u>	
VRS Retirement	2.87
Health Insurance	0.94
Retiree Health Benefits	0.17
Other Post-Employment Benefits (OPEB)	0.80
Termination Benefits	0.06
Workers Compensation	0.21
FMLA payments	0.24
<b>Subtotal, Major Changes</b>	<b>\$ 5.28</b>
<b>Grand Total</b>	<b>\$ 4.85</b>

<b>High Scenario</b>	
	<b>Dollars in Millions</b>
Step Increase	\$ 4.28
Market rate adjustment of 2% (MRA)	3.33
Lapse	(1.85)
<b>Salaries</b>	
<u>Major Changes:</u>	
Substitutes	\$ 0.49
Bus Driver, Maintenance, and Custodial Overtime	0.41
Essential Increases	0.43
<b>Subtotal, Major Changes</b>	<b>\$ 1.33</b>
<b>Benefits</b>	
<u>Major Changes:</u>	
VRS Retirement	2.87
Health Insurance	0.94
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Other Post-Employment Benefits (OPEB)	0.80
Termination Benefits	0.06
Workers Compensation	0.21
FMLA payments	0.24
<b>Subtotal, Major Changes</b>	<b>\$ 5.28</b>
<b>Grand Total</b>	<b>\$ 12.38</b>



# ACPS has Cut Positions to Fund New Initiatives

## Increases

	Personnel	
	Salaries and Benefits	FTE
FY 2003	1,133,655	35.00
FY 2004	1,362,526	24.50
FY 2005	1,550,046	32.05
FY 2006	1,973,935	34.45
FY 2007	1,068,234	27.50
FY 2008	1,211,990	15.50
<b>Grand Total</b>	<b>8,300,386</b>	<b>169.00</b>
<b>Average Per Year</b>	<b>1,383,398</b>	<b>28.17</b>

## Reductions

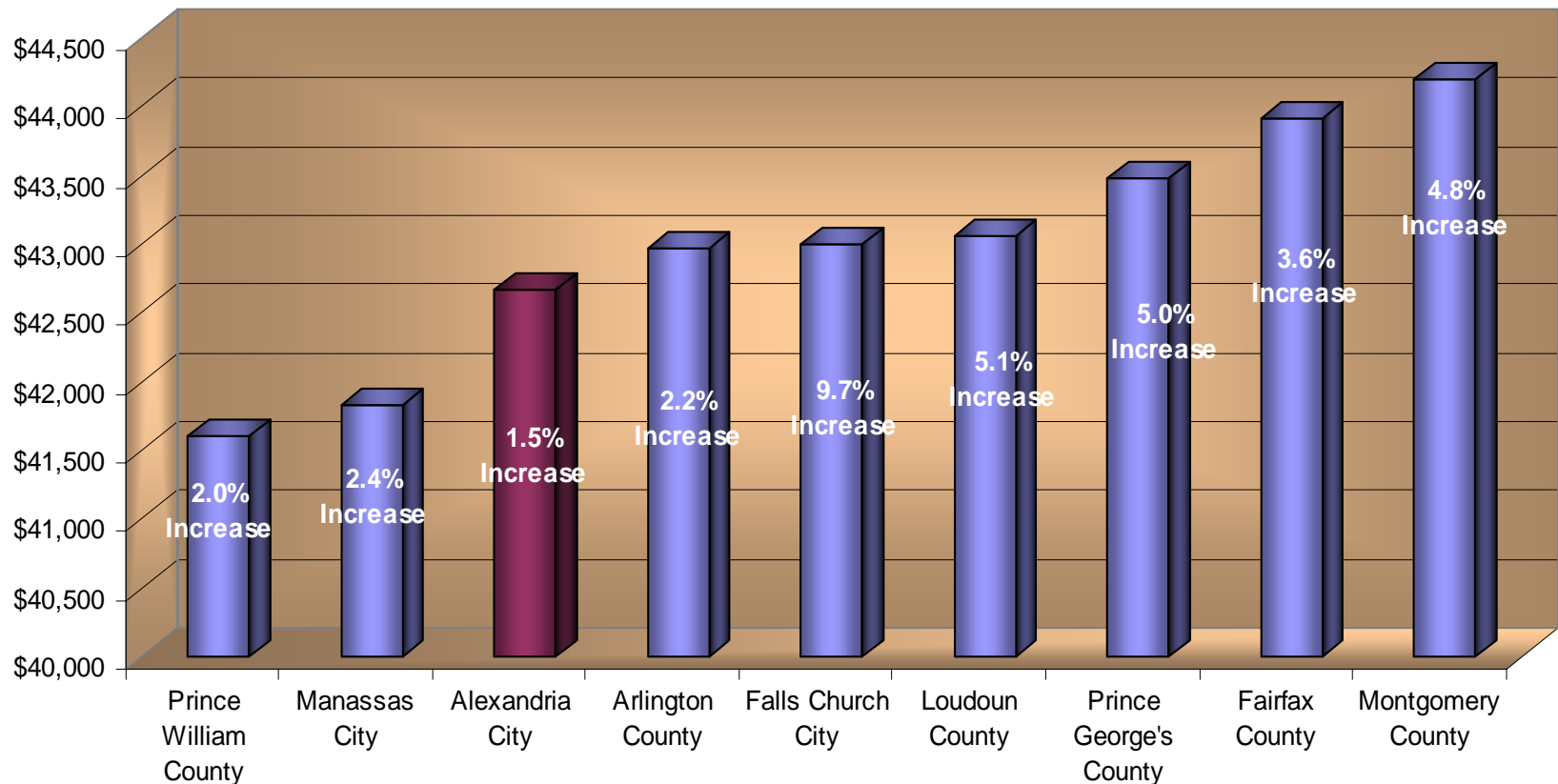
	Personnel	
	Salaries and Benefits	FTE
FY 2003	(1,316,458)	(24.00)
FY 2004	(1,973,370)	(37.30)
FY 2005	(1,508,672)	(33.00)
FY 2006	(232,800)	(4.40)
FY 2007	(1,935,527)	(32.00)
FY 2008	(5,423,272)	(90.23)
<b>Grand Total</b>	<b>(12,390,099)</b>	<b>(220.93)</b>
<b>Average Per Year</b>	<b>(2,065,016)</b>	<b>(36.82)</b>
<b>Average wo FY08</b>	<b>(1,393,365)</b>	<b>(26.14)</b>

As identified in the final approved budget books. Does not include reserve positions.



# Washington Area Teacher Salaries

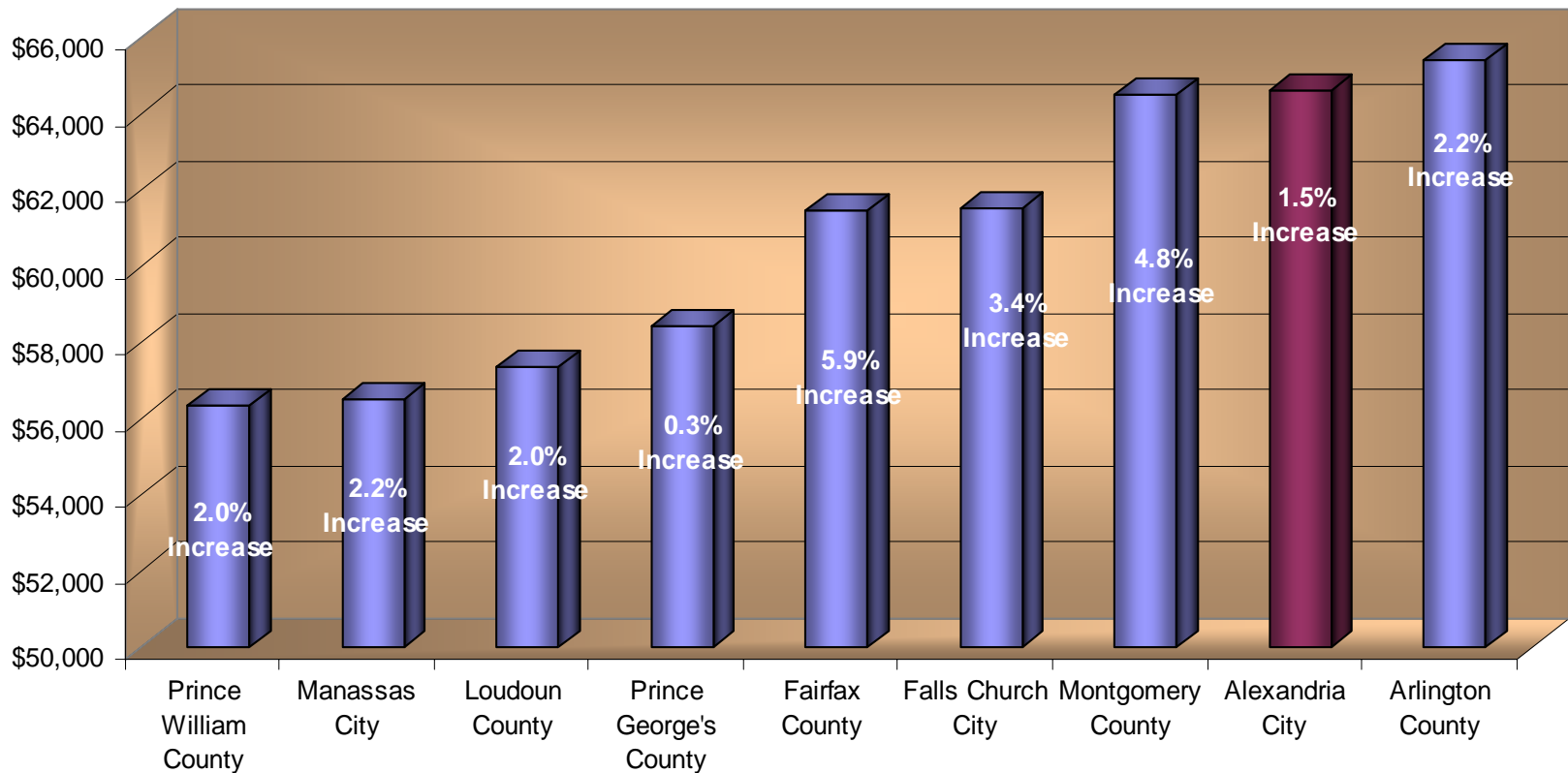
**FY 2008 Teacher Salaries - Bachelor's Degree  
and Percent Increase in Salaries, FY 2007 to FY 2008**





# Washington Area Teacher Salaries

**FY 2008 Teacher Salaries - Master's Degree Step 9  
and Percent Increase in Salaries, FY 2007 to FY 2008**





# FY 2009 Non-Personnel Cost Increases

	<b>Dollars in <u>Millions</u></b>
<u>Major Changes:</u>	
Legal Fees	\$ 0.42
Special Education Outside Service Providers	0.66
Private Carrier Transportation Costs	0.57
Tuition to other School Divisions	0.43
Vehicle Fuel and Supplies	0.08
Essential Increases	0.39
Change due to Growth	(0.07)
<b>Subtotal, Major Changes</b>	<b>\$ 2.47</b>



# FY 2009 Forecasted Expenditures: High and Low Scenarios

Item	High Scenario	Low Scenario
	Dollars in Millions	
<b>Personnel Expenditures</b>		
Compensation and Benefits Base	\$ 163.89	\$ 163.89
Major Required Increases	6.18	6.18
Essential Increases	0.43	0.43
Step Increase	4.28	-
Market rate adjustment of 2% (MRA)	3.33	-
Lapse	(1.86)	(1.78)
<b>Total Compensation and Benefits</b>	<b>\$ 176.24</b>	<b>\$ 168.71</b>
<b>Non-personnel expenditures</b>		
Non-personnel expenditure base	\$ 25.54	\$ 25.54
Major Required Increases	2.23	2.23
Essential Increases	0.39	0.39
Change due to growth	(0.07)	(0.07)
<b>Total Non-personnel expenditures</b>	<b>\$ 28.27</b>	<b>\$ 28.27</b>
<b>Grand Total, FY 2009 Forecast</b>	<b>\$ 204.50</b>	<b>\$ 196.97</b>

**Increase over FY 2008**

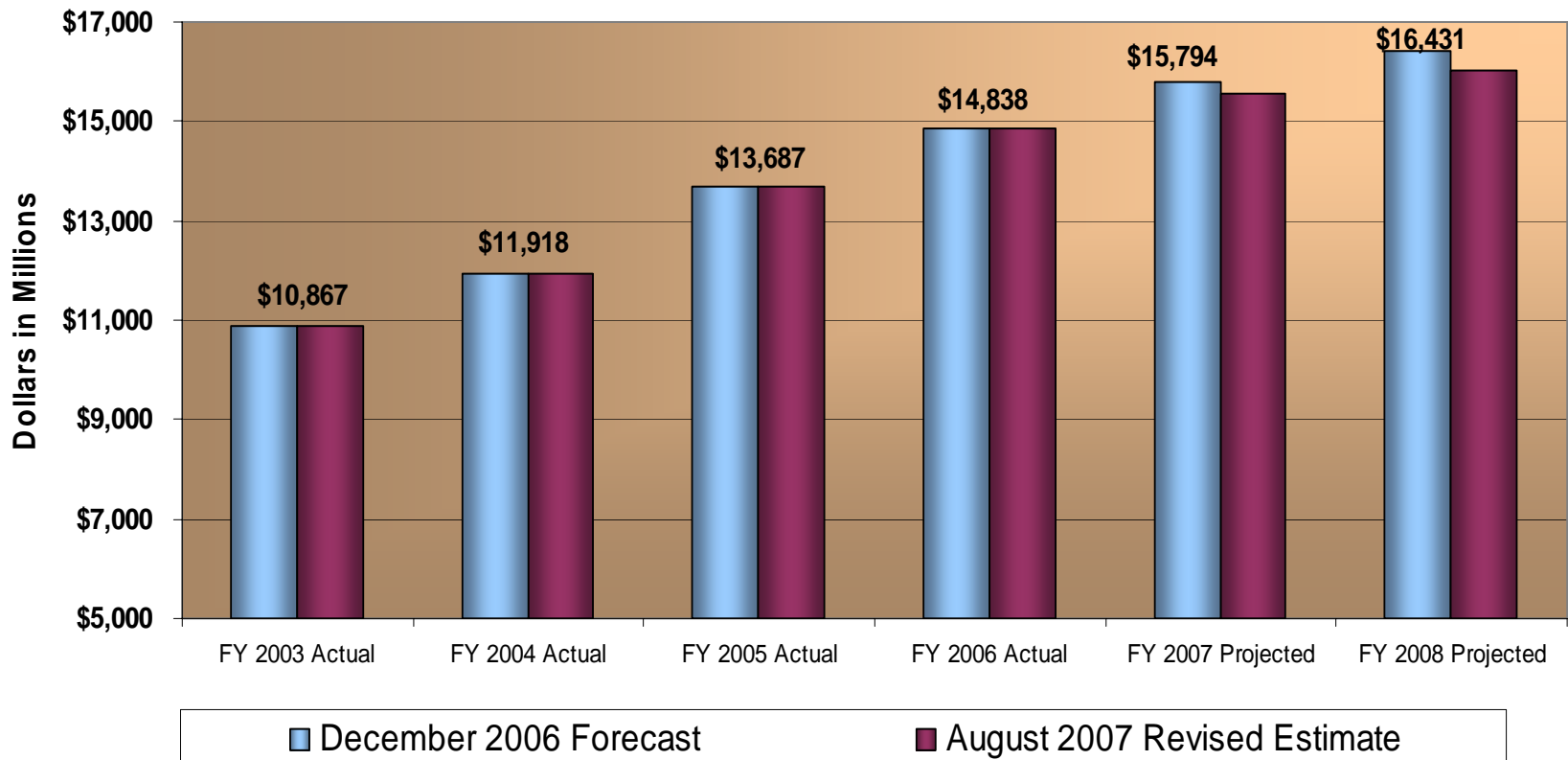
**8.1%**

**4.1%**



# State Revenue Trends

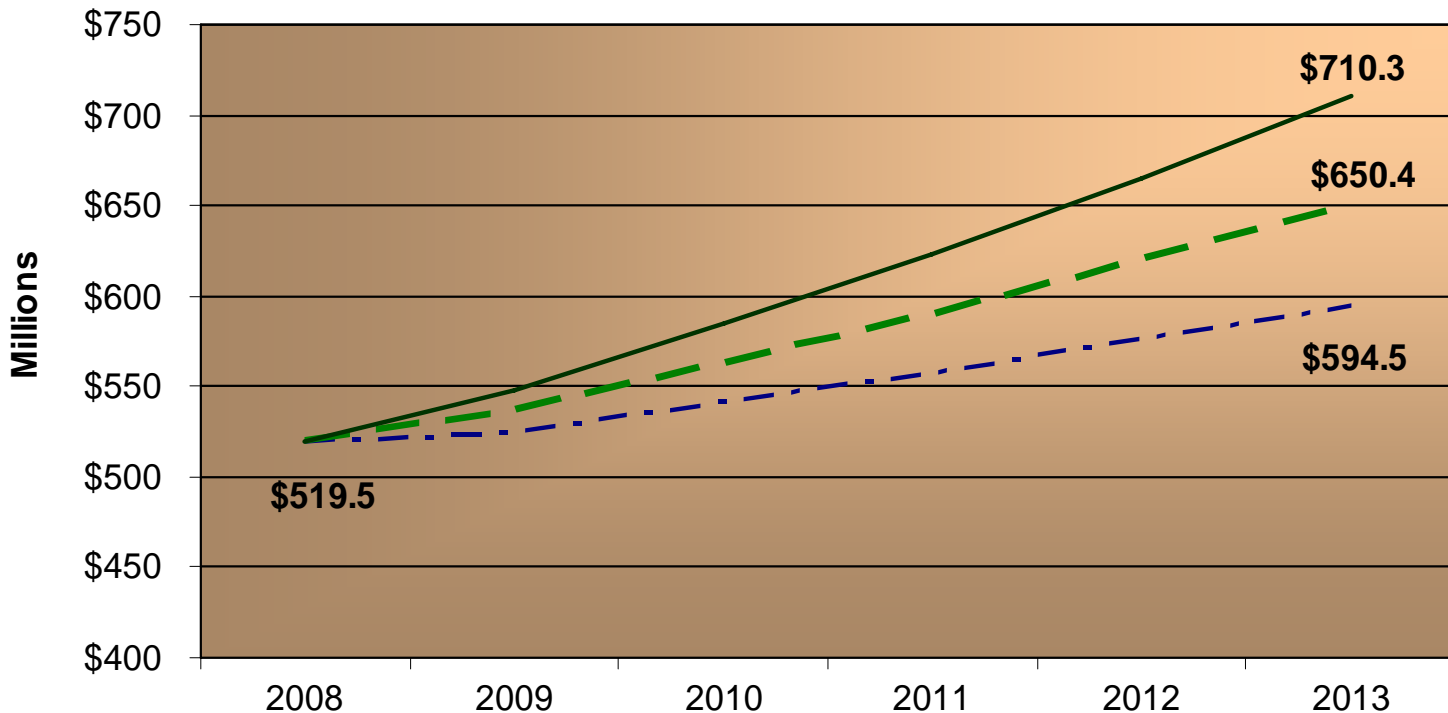
Commonwealth of Virginia General Fund Revenue Trends





# Five Year Forecast of City Revenue Trends

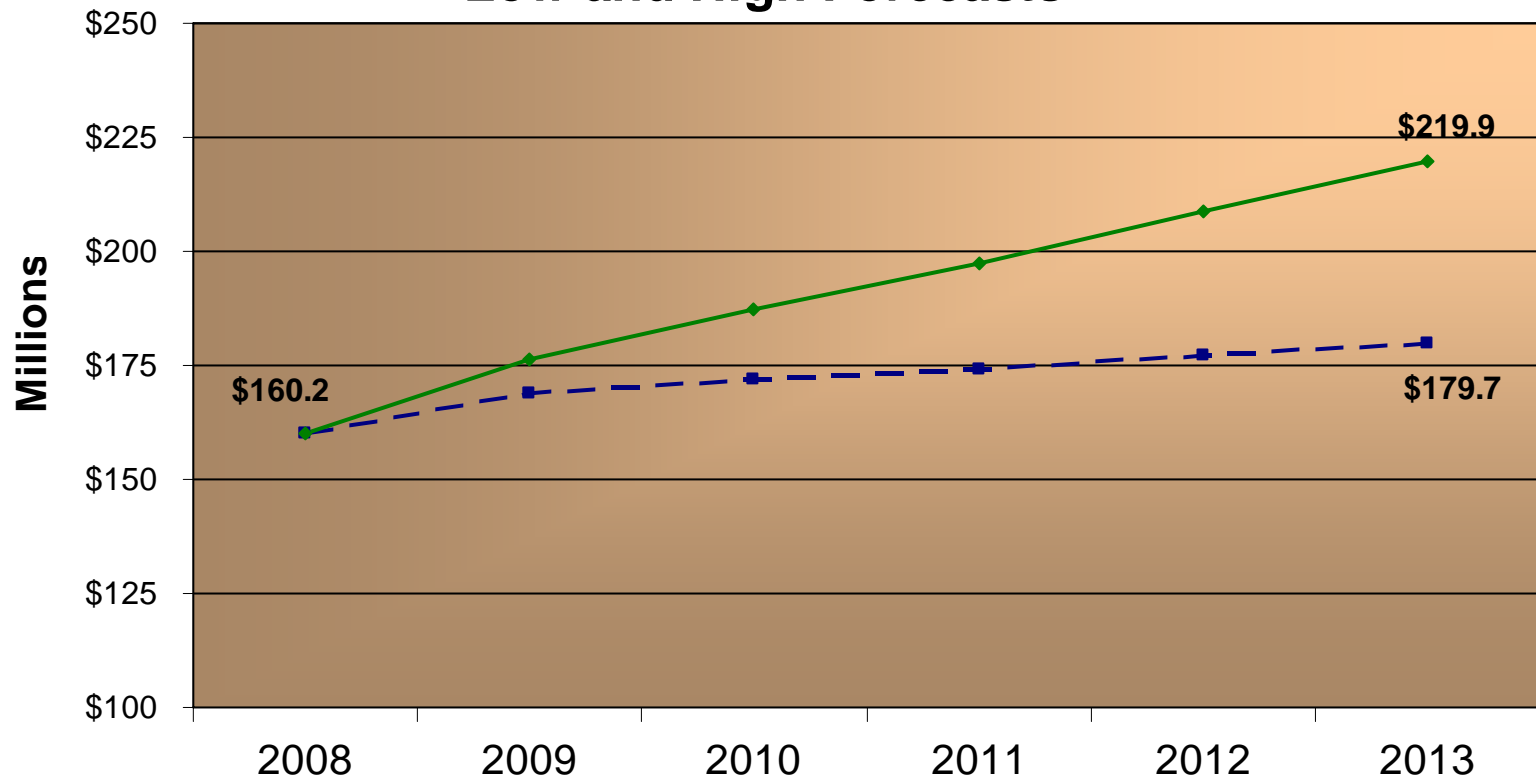
## City's Projected Revenue Growth Under Low, Medium, and High Forecasts





# Five Year Forecast of City Appropriation to Schools

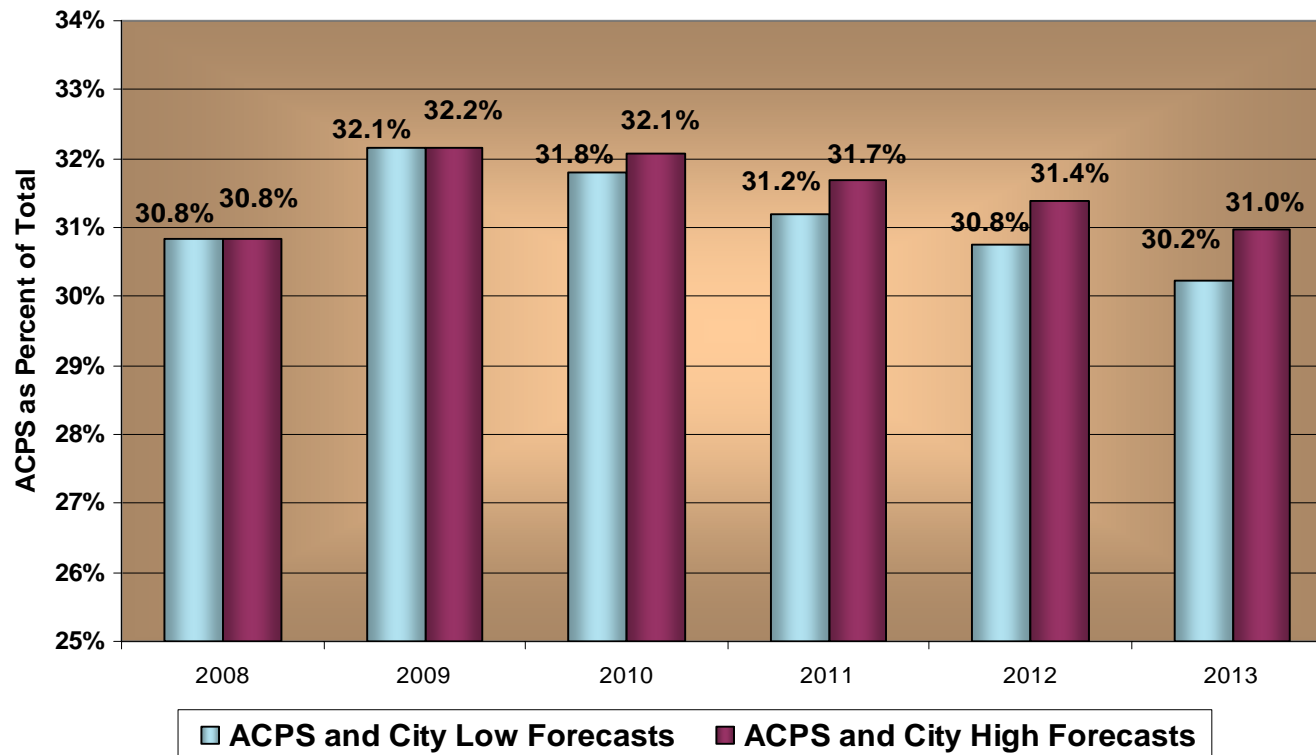
## City Appropriation to ACPS Low and High Forecasts





# Five Year Forecast: City Appropriation as a Percent of Total City Revenue

**ACPS City Appropriation Compared to Total City Revenue  
Low and High Forecasts**





# FY 2009 ACPS Revenue Estimates

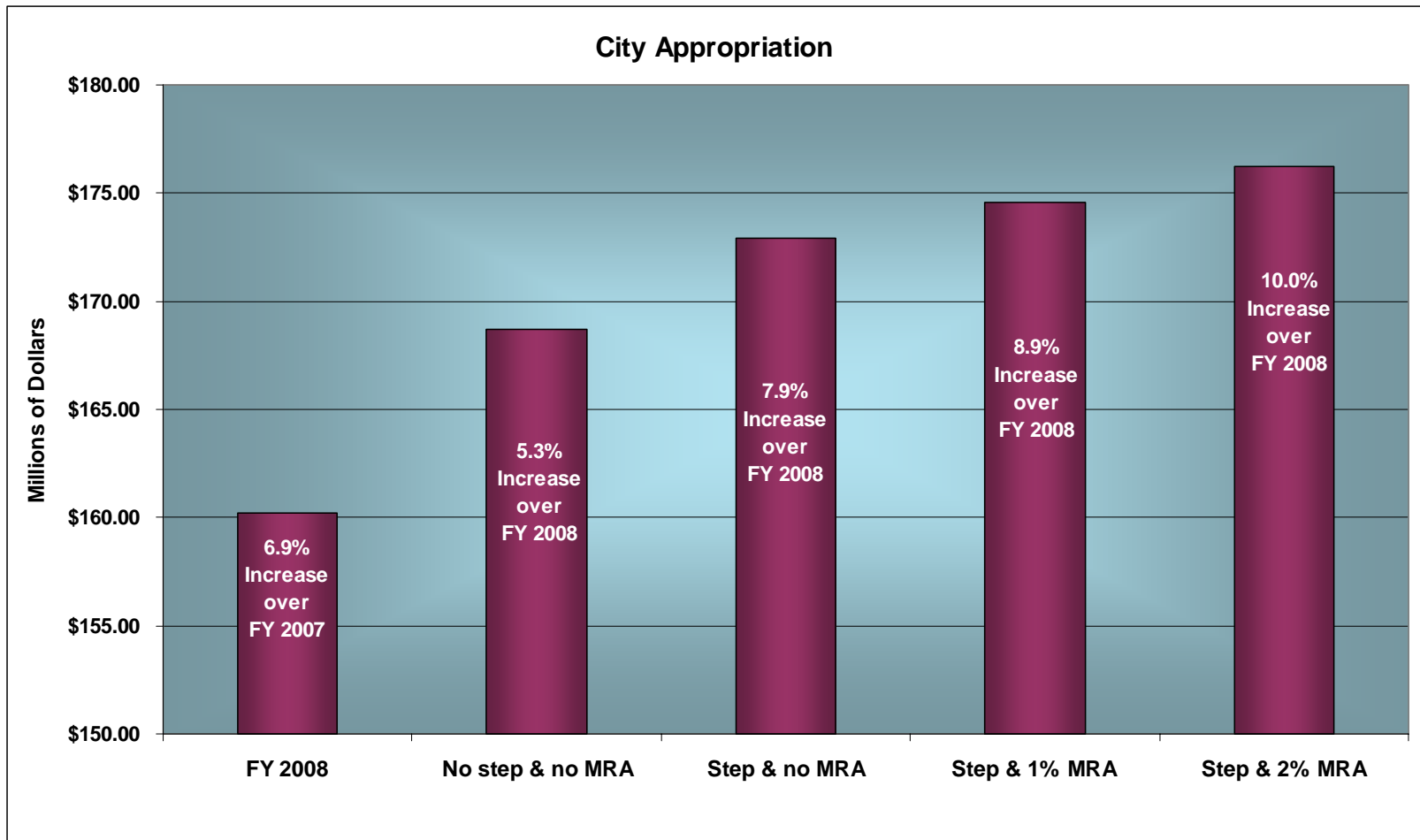
High Scenario: Step and 2% MRA			Change, FY 08 to Forecast		Historical
Item	FY 2008 Final Approved Revenues	FY 2009 Forecast	Dollars	Percent	Annual Percent Change, FY03 to FY07
Beginning Balance	\$ 1.78	\$ 1.01	\$ (0.77)	-43.3%	NA
State Funds	26.51	26.51	(0.00)	0.0%	7.5%
Local Funds	0.52	0.57	0.05	9.6%	-1.4%
Federal Funds	0.20	0.19	(0.01)	-2.9%	8.2%
City Appropriation	160.24	176.22	15.98	10.0%	6.8%
<b>Grand Total, Revenue</b>	<b>\$ 189.25</b>	<b>\$ 204.50</b>	<b>\$ 15.25</b>	<b>8.1%</b>	<b>8.1%</b>

ACPS beginning balance declines by \$0.77 million in FY 2009. Most of this decrease is due to the use of \$577,000 to fund the Memorandum of Understanding with the City for grounds maintenance at school sites.

Low Scenario: No Step or COLA			Change, FY 08 to Forecast		Historical
Item	FY 2008 Final Approved Revenues	FY 2009 Forecast	Dollars	Percent	Annual Percent Change, FY03 to FY07
Beginning Balance	\$ 1.78	\$ 1.01	\$ (0.77)	-43.3%	NA
State Funds	26.51	26.51	(0.00)	0.0%	7.5%
Local Funds	0.52	0.57	0.05	9.6%	-1.4%
Federal Funds	0.20	0.19	(0.01)	-2.9%	8.2%
City Appropriation	160.24	168.69	8.45	5.3%	6.8%
<b>Grand Total, Revenue</b>	<b>\$ 189.25</b>	<b>\$ 196.97</b>	<b>\$ 7.72</b>	<b>4.1%</b>	<b>8.1%</b>



# Impact on FY 2009 City Appropriation





## FY 2009 Forecast

- Total increase in expenditures ranges from a low of \$7.7 to a high of \$15.3 Million, or 4.1% to 8.1%
- Beginning balance declines over 40%, due primarily to funding the MOU with the City
- State revenues stay constant
- As a result, the City appropriation increases by a low of \$8.5 to a high of \$16.0 million, or 5.3% to 10.0%



## Next steps

- FY 2009 proposed budget Presented to School Board on December 20, 2007
- Public hearings and work sessions in January, 2008
- Approved budget adoption on January 31, 2008