



November 11, 2009

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The Honorable William D. Euille, Mayor
Members of the Alexandria City Council
Room 2300, City Hall
301 King Street
Alexandria, VA 22314

Dear Mayor Euille and Members of the City Council:

From the informal feedback I received about the ACPS budget and CIP presentations at the City Council retreat on Saturday, I perceive that we were a bit long on narrative and a bit short on precision.

Superintendent of Schools
Morton Sherman Ed.D

Please accept the following bulleted notes as summative highlights of our presentations.

School Board

Overview of Operating Fund

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- **Projected Expenditures:** The ACPS operating budget continued services cost is \$213.2 million, or a \$15.7 million increase compared to the FY 2010 final budget. Major components of this increase are as follows:
 - The VRS rate increase from 13.81% to 17.91%: \$4.8 million
 - Health and other benefits: \$3.0 million
 - Student growth: \$3.4 million
 - 2011 step: \$3.0 million not including benefits
 - FY 2011 full-year cost of the FY 2010 half-year step: \$1.8 million including benefits
 - Change in lapse: -\$0.3 million
- **Estimated Revenue:** Assuming a 0% change in the city appropriation, total projected revenues are \$199.0 million, an increase of \$1.5 million over the FY 2010 final approved budget.
 - This increase is due primarily to an increase in available fund balance from FY 2009.
 - There are minor increases in state revenues due to anticipated enrollment growth, offset by anticipated decreases in sales tax.
- **Projected Gap:** The projected net change in expenditures compared to revenue is a gap of \$14.2 million. Meeting this gap, without an adjustment to the projected expenditures, would be equivalent to an increase in the City appropriation to schools from \$164.6 million in FY 2010 to \$178.8 million in FY 2011.

Overview of CIP

- CIP needs are driven by program, enrollment, and facility maintenance requirements.
- Because of the timing of the ACPS budget process compared to the City process, specific CIP projections for FY 2011-2015 have not been provided.
- The CIP budget that will be presented to the School Board will include:
 - A needs-based request based on the EMG facilities needs assessment. The EMG needs assessment indicated a need of \$155.8 million in maintenance over the next 20 years.
 - The capacity needs for FY 2011 through FY 2015, including consolidation of early childhood programs from the west end at John Adams Elementary School. The school will become a pre-kindergarten through 5th grade school. The projected cost for this capacity project is \$1.4 million, unadjusted for building cost increases.
 - The construction of two modular additions to address capacity needs in FY 2012. The estimated cost is \$5.2 million, unadjusted.
 - A new school building on the west end to accommodate the projected continued enrollment growth. The projected site is Patrick Henry Elementary School, as the Patrick Henry building needs to be replaced. If the enrollment growth materializes, the building will be used to house one-half of a pre-kindergarten through 8th grade campus, with pre-kindergarten through 2nd grade in one building and 3-8 grade in another building. If the enrollment growth does not materialize, the building will replace the current Patrick Henry facility. ACPS and the City Recreation, Parks, and Cultural Activities department will coordinate planning for this new building, and additional planning will be done with other city agencies to ensure connected services from all sectors of the city. The projected unadjusted cost for this facility is \$20.7 million
 - A proposal to address the replacement of the Jefferson-Houston facility with a multi-use school and community building funded through a public- private partnership.

Key Issues facing ACPS

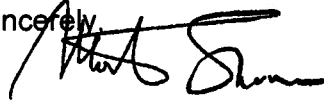
- Enrollment is the highest in 31 years and is projected to climb from 11,681 this year to over 12,000 students next year. Even with conservative estimates, establishing ranges of projections, and addressing issues of nonresidents, the indicators all point to continued growth.
- Our elementary schools are particularly crowded, with little room to continue offering focus school options through lotteries or other forms of choice.
- The CIP plans above will meet ACPS elementary capacity needs if they are implemented in conjunction with a modified open enrollment policy. This facilitates more efficient use of buildings and staff, by enrolling students where there are "seats" still available in classrooms, within specific constraints to be established by the School Board.

- Enrollments alone do not drive budget or CIP forecasts. Programs are an essential part of our planning. Several strategic efforts, including:
 - Connected services... not only looking at shared services (e.g., the city cutting the schools' lawns) but also looking at putting an umbrella over services serving children, such as recreation, health, after-school, and other related school services. The concept used in Chicago by Secretary Duncan is called Community Schools.
 - Early Childhood... our school models for the future are looking at the concept of ages 3,4 through grades 2 or 3 as part of an "early school" within a K-5 or K-8 setting
 - Changing programs... we must serve the full range of our students, from those in most need to those talented and gifted who also deserve to be challenged and encouraged to higher levels of achievement. Special focus within this category is closing the longstanding ACPS achievement gaps.

- We recognize our fiscal responsibility and will work closely with the city to address our pressing needs for children and to economic realities. During my first year here as superintendent, we cut the budget, reduced the amount of funding from the city as we dealt with approximately 6.5% enrollment increase. Not sure we can replicate that feat, but we will certainly give it a try.

Please let me know if we can provide any back up materials or answer questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Morton Sherman". The signature is written in a cursive style with a large, sweeping initial "M".

Morton Sherman, Ed. D.
Superintendent of Schools

cc: Alexandria City School Board