

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.

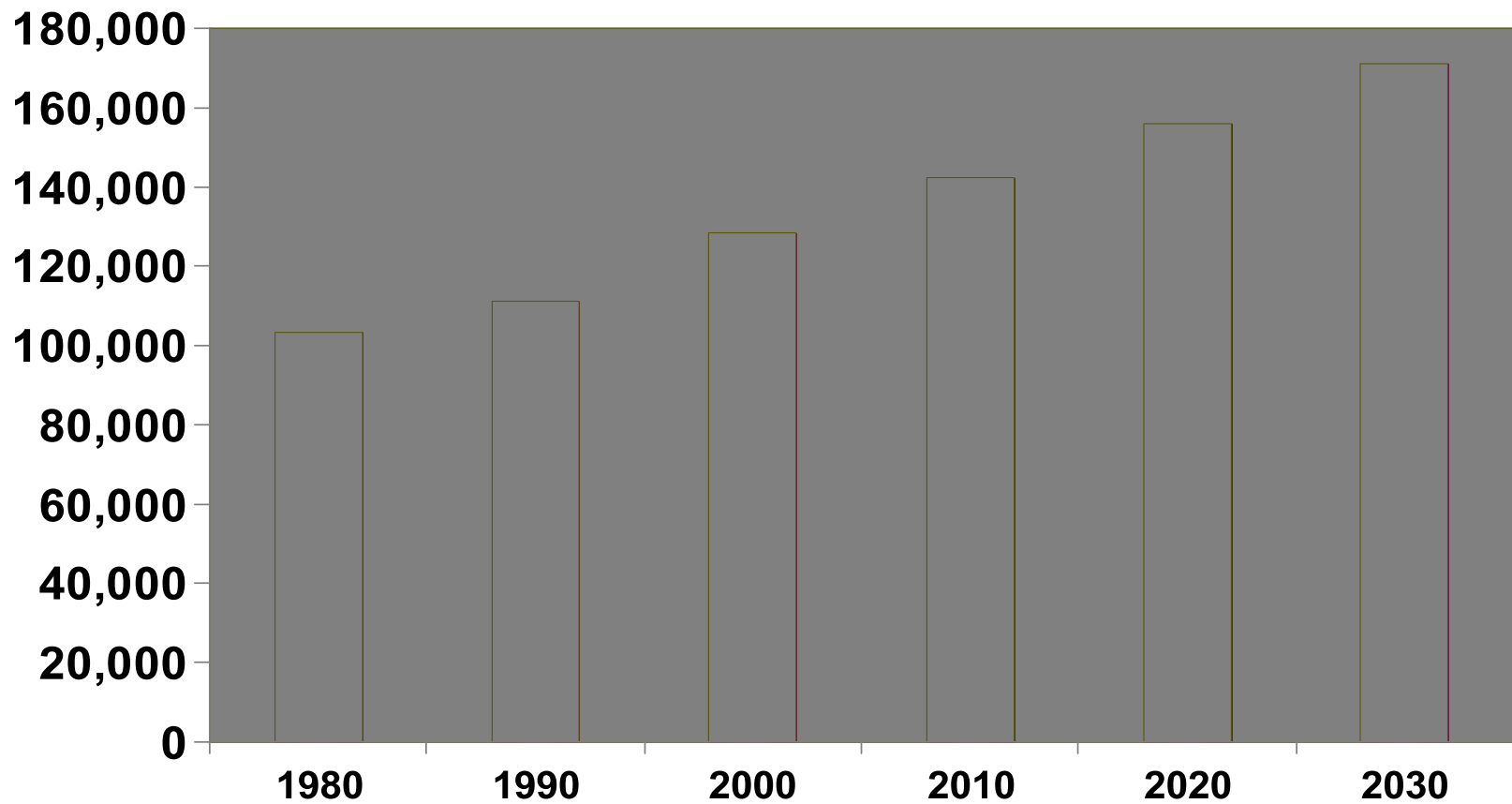
MISSION

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**



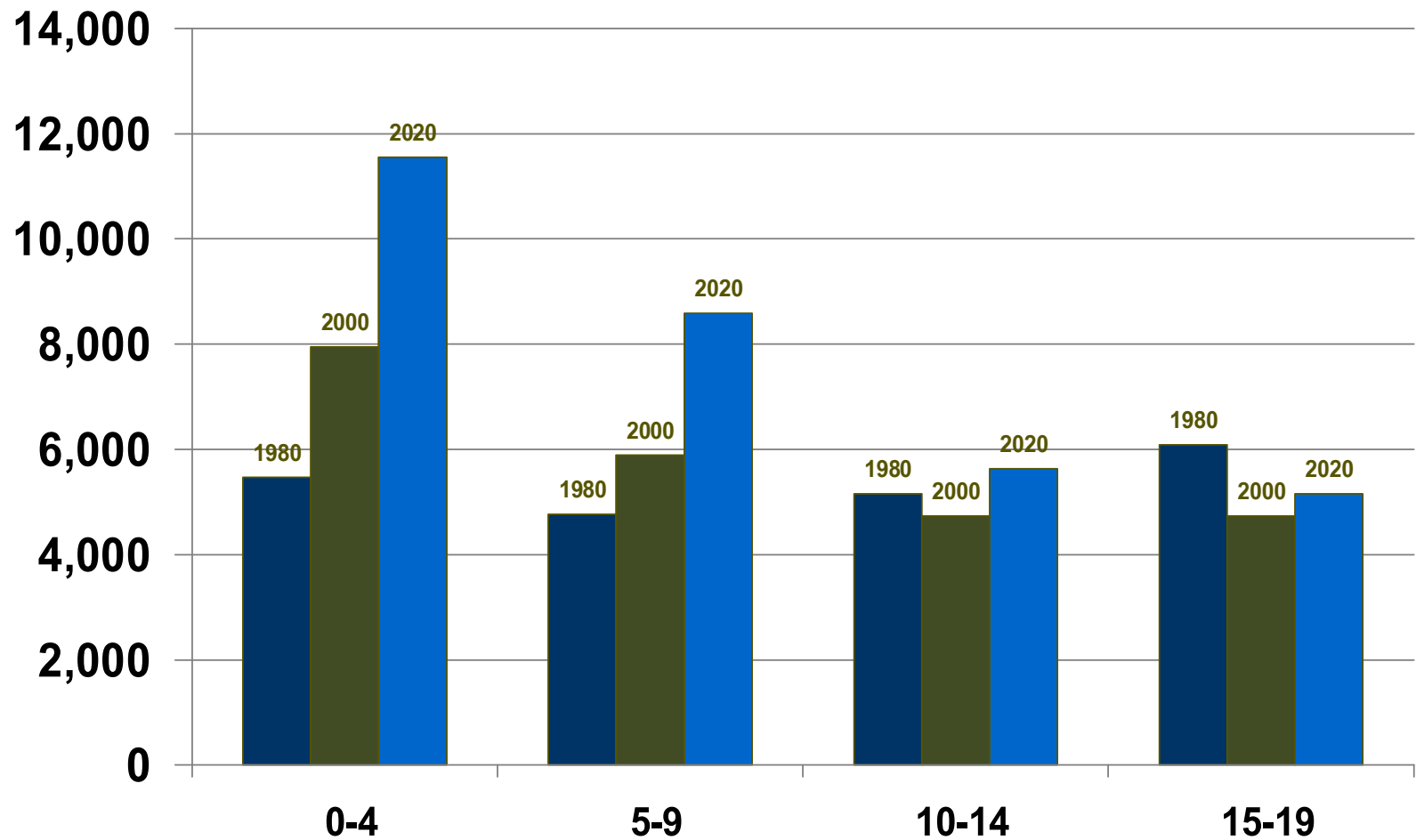
Sources: City of Alexandria Planning Department, US Census Bureau & MWCOG Cooperative Forecasts

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

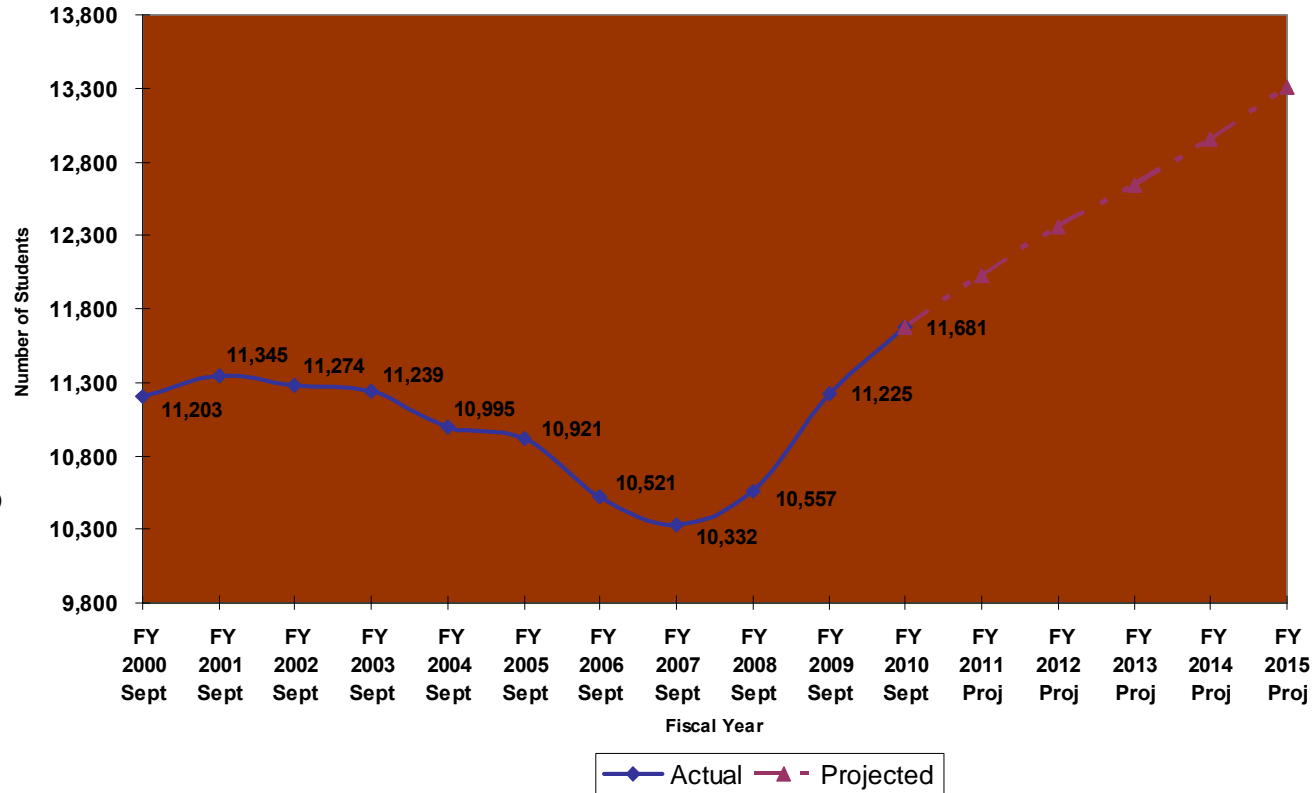


ACPS Enrollment Trends:
Actual and *Preliminary* Projections

**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**

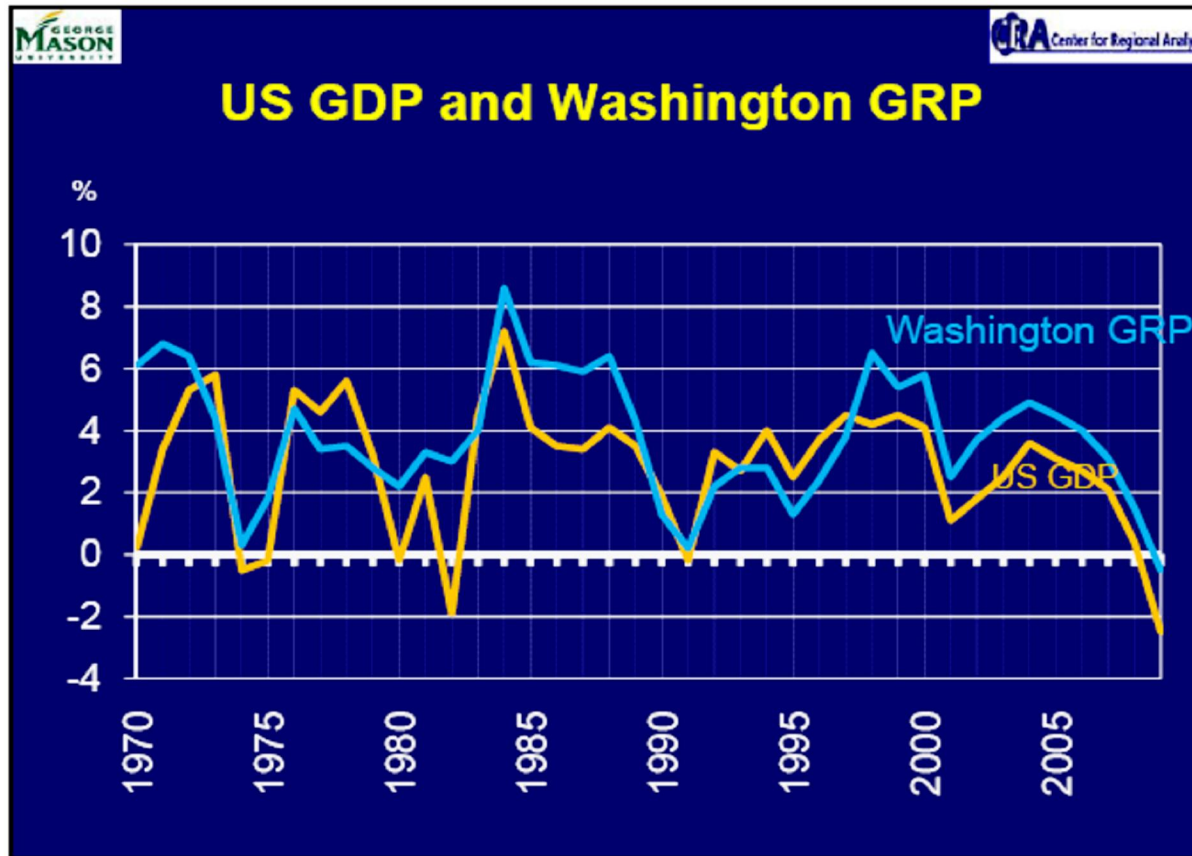
- “ **Revenue outlook for**

- **Cities**
- **Counties**
- **Other school divisions**
- **Other states**

- **Other factors**

- **Income distribution**
- **At risk factors**
- **Etc.**

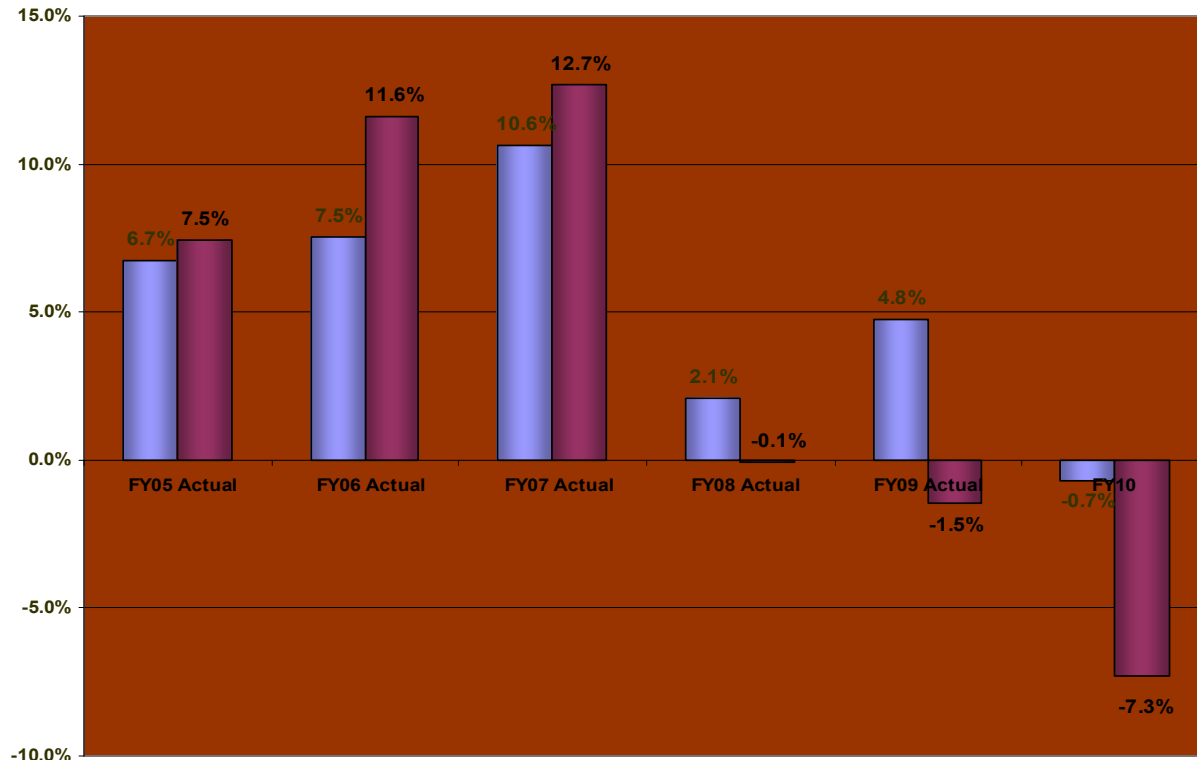
Economic Constraints



Strategic Efforts to contain expenditure growth



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



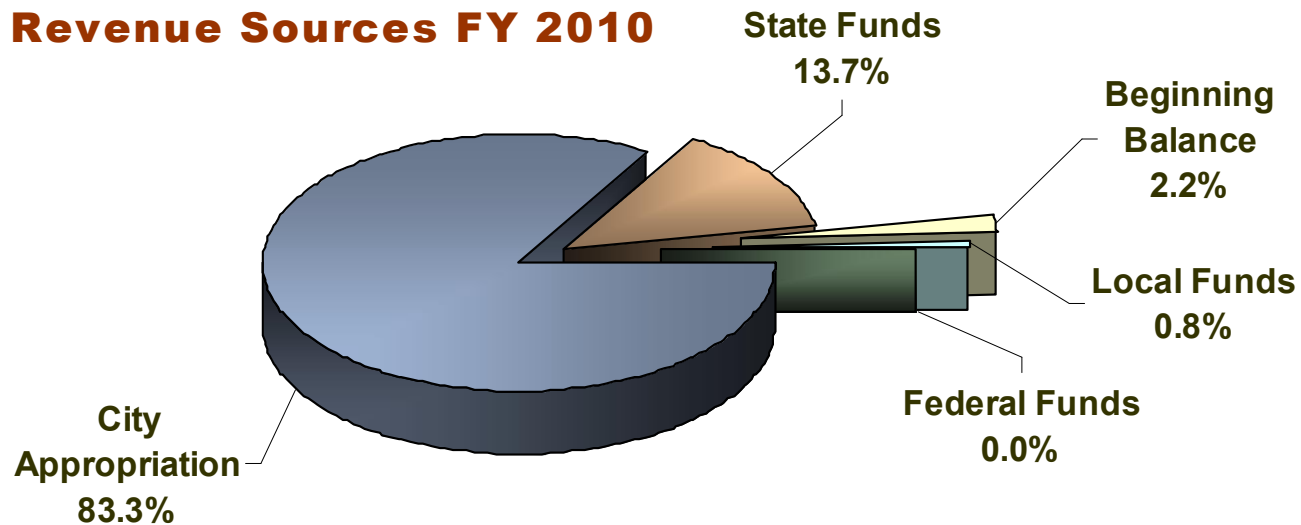
■ Operating Fund Annual Increase
 ■ Per Student Annual Increase

Where does the money come from?



ACPS Revenue Sources

Operating Fund Revenue Sources FY 2010



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**

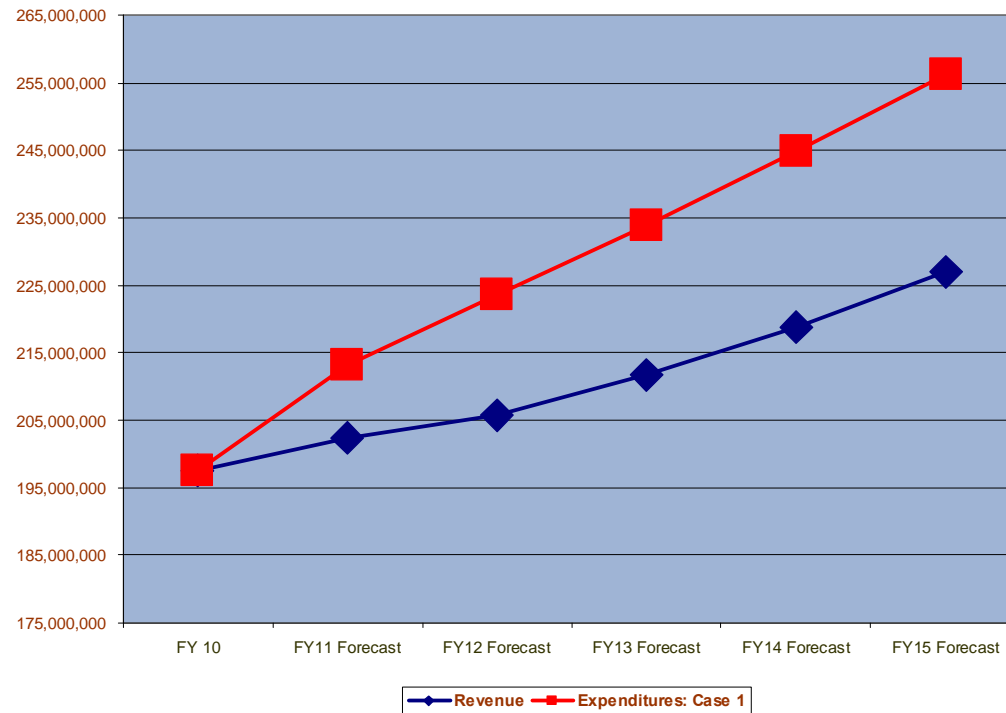
- **Strategic plan implementation might require reallocation or redirection of resources**
- **ARRA (SFSF) expenditures expected to come off of ARRA funding and returned to the operating fund in FY 2012**
- **17.91% VRS contribution rate, compared to 13.81% in FY 2010**
- **ACPS supplemental retirement: 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

FY 2011 - FY 2015 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
Funding Gap	(10,925,306)	(7,002,581)	(4,334,358)	(3,834,360)	(3,190,495)

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 ?