

**Arlington Public Schools
Budget Advisory Council**

END OF YEAR REPORT SY2015/2016

June 16, 2016

The purpose of the Budget Advisory Council (BAC) is:

..to make recommendations on policies and practices related to the presentation and preparation of the operating budget and the financial management of the school system; to make recommendations to the School Board on budget priorities before the Board gives its annual budget direction to the Superintendent and at other times as appropriate; to advise on the degree to which the Superintendent's Proposed Budget supports best fiscal practices and the School Board's priorities; to assist in educating the community about the budgeting process and the contents of each year's budget; and to provide, upon the Board's request, study and recommendations on special topics or issues. (Arlington Public School Policy 10-6.3)

In addition, we consider our role to include representing the interests of Arlington taxpayers, since nearly half of the County's total revenues flow through to Arlington Public Schools (APS).

The principal activities of the BAC in 2015-2016 were associated with the Fiscal Year (FY) 2017 budget. Specifically, the BAC as a whole or in part:

- met monthly during the school year to review staff reports on the financial management of the school system, review and make recommendations on School Board draft guidance documents, and review the proposed FY 2017 budget and CIP for FY2017-FY2026;
- communicated our recommendations and views to the School Board and APS via memoranda (attached);
- met with the Assistant Superintendent for Human Resources and provided our recommendations and views on the recruitment of a new Assistant Superintendent for Finance and Management;
- hosted a number of guest speakers, including Dr. Kristi Murphy (APS) on the system's compensation philosophy and administration; Greg Greeley on the new elementary school siting recommendations of the South Arlington Working Group; and, Lionel White (APS) on school enrollment trends.
- held our December monthly meeting in the library at Wakefield High School, to enable BAC members to see the newest high school building in the County, and participated in tours of the new science labs at Thomas Jefferson High School for Science & Technology and the elementary arts education program at the Fillmore Arts Center;

- attended School Board budget-related work sessions, joint County-Schools budget-related work sessions, a sounding board meeting with APS finance and budget staff, and community forums on the FY 2016 operating budget;
- presented a general outline of the BAC function and workings to the Executive Committee of the Arlington County Civic Federation and to the County Council of PTAs training session for new members; and,
- attended other advisory committee meetings (FAC, ACI, and CCPTA) to foster greater collaboration among the varied committees supporting APS.

Highlights

- A distinctly less pressured budget cycle for FY2017 gave the School Board and Superintendent much-needed room for strategic budget investments, but should not be seen as lessening the need for thoughtful budget deliberations.
- The BAC commends the School Board for continuing to promote greater collaboration among advisory groups, including the BAC, so that APS deliberations are better rooted in the context of instruction, budget, and facilities.
- The BAC is disappointed that the Compensation Study remains incomplete, but is anticipating that a thorough study will enhance the FY2018 budget process.
- The BAC commends the School Board for increasing its collaboration with the County Board and encourages further efforts to maximize cost savings through coordination of School and County resources.
- Budget pressures are likely to continue over the next several years and the School Board needs to be ever vigilant against the overuse of short-term strategies that risk long-term adverse consequences.
- Given the rising debt service ratio for APS, and continued pressure on facilities, the BAC urges the School Board to continue pursuing opportunities for joint use with County facilities and for lower cost options for school construction and expansion.

Progress on Prior Recommendations

During the 2014/2015 school year, the BAC made several recommendations to the School Board, with associated specific suggestions for the Board and staff. Some of the recommendations have resulted in continued progress, while others have yet to fully bear fruit

A year ago, the BAC advised the School Board and APS **to plan carefully for the compensation study**. The BAC had good reason to expect that a thorough compensation study would be completed in time to inform budget decisions in the FY2017 budget process. As the

delivery date of the compensation study continues to be delayed, we have expressed some frustration with not being able to rely on a study for budget decisions. We remain hopeful that the compensation study will be available and thoroughly vetted well in advance of the FY2018 budget process.

At a minimum, in order to decide future wage adjustments, the BAC looks forward to receiving enough information to determine which positions are competitive or exceed competition, as well as those positions that are significantly underpaid or hard to fill. In the event that positions are hard to fill, it would be helpful to have a turnover report including typical information such as length of service, location, manager, and reasons for leaving, as well as a new hire report that also identifies the number declines of hire, along with the reason for non-acceptance.

The BAC **applauded the introduction of future budget studies** in the Superintendent's Proposed FY2016 budget. The BAC, over the years, has observed that significant program changes are difficult to fully vet within a single budget cycle and has supported efforts to publicly identify programs that could be cut or significantly changed long before specific proposals are included in a proposed budget. A year ago, we commended the School Board and Superintendent for taking an analytical approach to some key issues outside the intense, busy period of budget deliberations. And we commend them for progress on the budget studies. We recommend more consistent progress in the seven budget studies identified a year ago, as well as in other areas.

Taking an analytical approach is important for both finding budget savings and identifying worthy budget increases. The BAC expects the School Board to adjust the Superintendent's Proposed Budgets, but we were disappointed this year when the School Board's proposed budget additions were presented as simple line items in a table, without a persuasive narrative or clear rationale. The BAC understands that our schools face many challenges and can typically make productive use of additional resources, as well as understands that the School Board knows well its reasoning for budget decisions. However, explanatory narrative texts facilitate BAC review of proposals and also benefit the wider community following the budget.

In last year's report, the BAC made several **suggestions on how to improve the effectiveness of the BAC**. These were primarily related to fostering liaison relationships, advisory group coordination, and community engagement on budget issues. Progress in this area has been made and we look forward to further gains next year. School Board Chair Emma Violand-Sanchez and the rest of the School Board have been very supportive of increasing BAC effectiveness and advisory group collaboration. BAC School Board Liaison Nancy Van Doren has been an effective communicator of School Board thoughts on issues and has greatly improved the ability of the BAC to focus its efforts.

One suggestion from the BAC on how to improve its effectiveness was not pursued this year, but we restate it here. The main charge of the BAC is to review the annual operational budget and ongoing financial management of the school system. We suggest that the Board consider adding to our charge the explicit goal of examining long-term approaches to contain the rate of cost growth in the school system. Given that we continue to anticipate significant enrollment growth over the next ten years, it will continue to be necessary to find efficiencies and make structural

changes in order to contain or reduce per-student spending. We support budget studies of the type introduced by the FY2016 Budget, we stand ready to assist in the conduct of such studies, and we suggest that this be made a permanent part of our charge.

The BAC advised the School Board, both in last year's report and in many earlier communications, to **be cautious about the long-term effects of budget balancing strategies**. The outcome of the FY2017 budget process demonstrated much progress in this area. The BAC commends APS for continuing to improve its approach to facility maintenance. In addition, the BAC commends the School Board and Superintendent for recognizing areas where several years of tight budgets and rapid student enrollment growth were straining the ability of APS to support all its students. The BAC commends the School Board and Superintendent for a thoughtful and budget-sensible plan to increase the number of school psychologists and related staff throughout APS.

Even though this past budget cycle was far less pressured than those which immediately preceded it, resources remain tight and needs remain challenging. The BAC also advises **caution with respect to the short-term effects of budget balancing strategies**. We recommended in March that the School Board not use reserves to balance the budget if the County Board fully funded the budget as requested. Indeed, the County Board funded less than the full amount requested. The School Board decision to draw upon reserves this year leaves APS in a less advantageous position for the FY2018 budget, as APS staff noted in a March 25th memorandum to the School Board (Question #17-58).

Compliance with Public Meetings Laws & FOIA

Along with the other advisory committees to the School Board, the BAC has worked to ensure compliance with all relevant public meetings laws and continue to conduct its deliberations in a transparent manner. In practice, this has limited our ability to research issues in depth through sub-committee work. We will continue to look for ways to be fully compliant and increase the depth of our analysis and deliberations.

To ensure that all BAC email exchanges are part of the public record and accessible to future Freedom of Information Act (FOIA) inquiries, the BAC will deliver to APS an electronic file with our emails between July 1, 2015 and June 30, 2016.

For the upcoming school year, the BAC requests that APS establish an email address (*e.g.*, BAC@apsva.us) to facilitate permanent records of our exchanges. This would not be an email address that anyone on the BAC or within APS would use to send messages. Our BAC practice would be to cc: this email address on all our email exchanges. The inbox of this email address would become the electronic record of all BAC email exchanges and would be immediately and permanently accessible by anyone in APS responding to a FOIA inquiry. There would be no outbox for this email address.

BAC Views Going Forward

The School Board and County have made great progress in collaboration over planning and resource use. The BAC supports continued efforts in this area as the needs of the schools will continue to grow. We encourage thoughtful consideration of all areas of joint use and resource sharing that could offer cost savings.

APS has significantly improved community engagement and information flow during the budget cycle. The BAC supports continued efforts in this area. We recommend improved documentation on APS programs and services as a complement to the budget. For example, in our review of the professional development budget choices for FY2017, we felt limited by not having a comprehensive grasp of the full range of APS professional development efforts. A comprehensive and continuously updated Guide to all activities, produced apart from the budget exercise, would greatly enhance understanding of the budget.

The compensation study has taken longer than expected to complete, reflecting the underlying difficulty in the process. The BAC suggests that APS strive to always review salary comparisons with other school districts, possibly forming partnerships to facilitate data availability.

As the budget moves from introduction to adoption, it is inevitable that some programs will get funding increases. Each increase should be judged on its own merits. As a general principle or practice the BAC recommends that proposed budget “adds” be paired with proposed offsets..

The BAC often emphasizes the important distinction between one-time and on-going expenditures. It is a distinction that bears repeating. We continue to encourage the School Board to stand guard against using one-time funds to meet on-going needs. A budget balanced in this manner sows the seeds of budget gaps in future years.

With respect to future school construction and expansions, the BAC encourages reviews which could potentially scale back the costs of each project. Given the large number of projects planned, even modest savings at each one could add up quickly. APS plans for new secondary seats are budgeted on a cost per seat basis at more than three times the state average for school construction, suggesting that savings can be found.

Note of Appreciation

BAC appreciates the opportunity to work with the Board and the community on budget issues.

We are also very grateful for the support of the APS staff, especially Leslie Peterson, Budget Director, and Deirdra McLaughlin, Assistant Superintendent for Finance, and many others who gave up Wednesday evenings to provide information to the BAC. Finally, we want to thank Moira Forbes, Kathryn Ricard, and Linda Hearne, departing members of the BAC, for their contributions. On behalf of the students and other constituents of APS, thank you.

2015–2016 Budget Advisory Council Members

Michael Shea, Chair

Matt de Ferranti, Vice Chair

Moira Forbes

Lida Anestidou

Michael Bruce

Heather Jones

Tina Kuklenski-Miller

Dan Murray

Kathryn Ricard

Daniel Rosman

Ainsley Stapleton

Robert Crider

Robert Ramsey

Linda Hearne

Liaisons

FAC Liaisons (in rotation): Bill Schimmel, Don Weinstein, Stacy Snyder, Steve Maguire, Pam Silberstein, Lois Thomas Koontz, and Eric Harold

ACI Liaisons (in rotation): Ted Black and Louisa Marinaccio

Civic Federation: Allan Gajadhar

School Board: Nancy Van Doren

Staff

Deirdra McLaughlin, Assistant Superintendent for Finance and Management Services

Leslie Peterson, Budget Director

Endia Holmes, Executive Administrative Specialist

ATTACHMENTS

March 15th Memorandum to APS School Board Chair Dr. Emma Violand-Sanchez

March 16th Memorandum to Assistant Superintendent for Human Resources Dr. Kristi Murphy

March 22nd Memorandum to APS School Board Chair Dr. Emma Violand-Sanchez

MEMORANDUM

March 15, 2016

To: Dr. Emma Violand-Sanchez, Arlington School Board Chair
From: Michael Shea, Budget Advisory Council Chair
Re: BAC Initial Review of Superintendent's Proposed Budget for FY 2017

Dr. Violand-Sanchez:

On behalf of the APS Budget Advisory Council, I want to express our thanks to you, your School Board colleagues, Dr. Murphy, and the Executive Leadership Team for steering APS through the past few years of budget strains. The Superintendent's Proposed Budget for FY 2017 reflects the ongoing challenges faced by APS, but the immediate pressures have lessened in comparison with past years.

Past budget strains have justified cuts in areas such as maintenance that were not sustainable, as well as deferrals of spending on staff such as school psychologists that was needed to cope with growing enrollment. The BAC commends the Superintendent for taking corrective action in those areas for FY 2017.

In past budget cycles, the BAC has urged the School Board to measure the effectiveness of programs with data. Initiatives, even if not on a large scale, should be justified by showing a positive impact on meeting strategic goals. The BAC commends the Superintendent for new budget investments proposed for FY 2017 where the ability of APS to use data more effectively is enhanced or the proposal is tied to a program evaluation for enhanced effectiveness.

The BAC supports the Superintendent's proposal for compensation increases, but we are disappointed that the Compensation Study is not yet complete and available to inform budget choices for FY 2017. We eagerly await the delivery of the Compensation Study in the expectation that it will be a robust foundation upon which to design compensation choices in the FY 2018 budget cycle. It is our intention to thoroughly review the Compensation Study and weigh compensation options for APS, delivering a report to the School Board by November 2016 – in time for the School Board to consider our views when crafting its Budget Direction for FY 2018.

For some of the budget choices we supported in past years, such as the addition of a new position to increase Medicaid reimbursement, we are encouraged to see the report in this Proposed Budget that a significant increase in revenue followed that addition. For other budget choices we have supported, such as increased effort to verify residency status and the transfer of capital fund positions to bond fund positions, we will continue to ask for measures of the impact from those changes.

In our discussions about the Proposed Budget, we have raised questions and concerns about the choices being made on World Languages and distance learning. The BAC understands and supports that APS is striving to design a comprehensive K-12 continuum of online learning that includes World Languages, as well as an effective continuum of classroom World Language instruction. We further understand that a budget study of the consistency of FLES instruction is forthcoming. And the BAC is keenly aware that our own understanding and views on these

budget choices would be greatly informed by discussions with the ACI and its committees. To that end, we are planning to collaborate with ACI over the rest of the school year and deliver a report to the School Board on these issues by June.

We do see a risk that a relatively calmer budget climate will inadvertently lessen the close scrutiny of new budget investments. Capacity pressures will continue throughout our projection horizon. Opportunities to build up reserves now should not be ignored and would pay dividends in future years.

At our BAC meeting on March 16th, we will continue to review specific parts of the Proposed Budget and draft comments and recommendations. The absence of references in this report to any new FY 2017 budget investments or choices should not be interpreted as a lack of support or interest on the BAC. We are simply doing our budget review in two phases so as to go more in depth.

More detailed comments follow.

Preventive Maintenance, Adding Positions and Contracts

Budget strains in the past few years had the unfortunate effect of shortchanging preventive maintenance funding at time of increased pressure on facilities. Those budget choices were unsustainable. The BAC commends the Superintendent for taking action, in this relatively easier budget climate, to get APS back on track.

In addition to the two FTEs for preventive maintenance in the Proposed Budget, funds are included for a preventive maintenance contract (\$100K in FY 2017 and an additional \$100K in FY 2018). The contract arrangement is for the newest HVAC systems (Wakefield, Yorktown, and Discovery) which are seen as beyond current staff capacities.

As with all funding for infrastructure, the BAC encourages APS to strategically utilize a balance of FTEs and contractual services, and to develop metrics to measure the impact of different approaches.

School Psychologists and Social Workers: Three-year Plan

The Proposed Budget for FY 2017 starts a three-year, phased-in plan to adjust the planning factors for school psychologists and social workers. The intent is to move APS ratios for these key support staff more in line with recommendations from the National Association of School Psychologists, and more in line with ratios for neighboring school divisions. APS currently provides less than half the school psychologists and social workers recommended by the guidelines.

With rising enrollment over the past decade, this shortfall has been exacerbated. Budget strains in recent years understandably delayed a remedy. The BAC commends the Superintendent for taking action this year and taking a reasonable approach by phasing it in over three years. We also commend the Superintendent for addressing this need by restoring the stipend for interns and providing training for mental health first aid.

Adding 11 or 12 school psychologists each year for three years does present an opportunity to evaluate the impact or effectiveness of additional school psychologists. APS should consider ways to estimate the impact, even if outside a formal evaluation of the program.

Using Data More Effectively, Differentiated Instruction, Supportive Interventions

The BAC supports APS efforts to measure the impact of different programs and to learn from evaluations to better implement initiatives and services. We commend the Superintendent for several choices in the Proposed Budget for FY 2017 based on this approach. These include:

□ Administrative Services Specialist (1.0 FTE) – monitoring, evaluating, coordinating related to disciplinary referrals. □ ATSS Data Specialist (1.0 FTE) – support for a centralized data and intervention monitoring system; based on recommendation from Minority Achievement Program Evaluation □ Elementary Education Specialist (1.0 FTE) and Secondary Education Specialist (1.0 FTE) – support to coordination on programs between schools and program offices, using data to better serve specific student groups and strengthen differentiated instruction □ Minority Achievement Office Restructuring (\$400K) – placeholder funding to implement the recommendations from the Minority Achievement Program Evaluation and the discussion at the Minority Achievement Office Program Evaluation Data Retreat (December 4th)

We encourage APS to continue working on improving its evaluation capabilities. Going forward, there would be great benefit to having evaluations more readily available, both internally to APS and externally to better inform community discussion.

Other choices in the Proposed Budget are directly related to the ability of APS to manage and analyze data. Adding the positions listed above underscores the importance of continued improvement in APS data systems access and functionality.

MEMORANDUM

March 16, 2016

To: Dr. Kristi Murphy, APS
From: Michael Shea, BAC Chair
Re: Recruitment of Assistant Superintendent, Finance and Management Services (ASFMS)

Dr. Murphy:

On behalf of the APS Budget Advisory Council, I want to express our thanks to you for meeting with us to discuss the efforts to recruit a new Assistant Superintendent, Finance and Management Services (ASFMS). We commend the timely and transparent manner in which APS is working to fill this key position in the Executive Leadership Team, as well as the wide-ranging outreach for input from stakeholders. And we want to express our deep gratitude to Deirdra McLaughlin for her excellent stewardship of APS finances and years of extensive collaboration with the BAC.

The BAC supports a wide search for a new ASFMS, with due consideration to external and internal candidates. The BAC also supports the potential recruitment of a candidate from outside the education field, provided that all candidates demonstrate understanding of the special features of school division finance in the Commonwealth of Virginia, as well as the unique qualities of APS, as stated below.

The Department of Finance and Management Services most important strengths include: (1) mastery of the complex constraints and obligations in school division finance; (2) stamina to successfully explain budget items to advisory groups and other parts of the community during the course of many meetings outside regular work hours; and, (3) high levels of productivity from a relatively lean staffing pattern. We have duly noted the extensive number of evening meetings that the ASFMS and the Budget Director attend, typically playing key roles in the discussion.

The Department of Finance and Management Services greatest challenges include: (1) the need to re-align budgetary factors with the rapid rise in student enrollment within a district with limited land resources, while integrating best practices in technology, LEED requirements, and other cutting edge practices and (2) continuing to meet the extensive demands for engagement with advisory groups and partners in the community. Any recruitment effort should be transparent about the heavy demand to attend night meetings in this position.

The BAC would suggest that **the most important qualities or attributes of an ASFMS include:** (1) understanding of the budgetary pressures faced by school divisions experiencing a long-term growth in enrollment; (2) the ability to communicate budget concepts and items to a variety of community audiences; (3) stamina and patience; (4) knowledge of sound business practices and the unique qualities of business operations in school divisions; and, (5) openness to new approaches and demonstrates ability to initiate proactive ideas .

The BAC is looking forward to assisting APS in this recruitment process in whichever capacity seems most appropriate.

MEMORANDUM

March 22, 2016

To: Dr. Emma Violand-Sanchez, Arlington School Board Chair
From: Michael Shea, Budget Advisory Council Chair
Re: BAC Review of Superintendent's Proposed Budget for FY 2017

Dr. Violand-Sanchez:

At our BAC meeting on March 16th, we deliberated and drafted additional recommendations on the Superintendent's Proposed Budget for FY 2017. Our recommendations in this report are in addition to the comments presented at the March 15th School Board Work Session.

The BAC supports the proposed FY 2017 funding for the new Arlington Tech program. The Career Center classes are highly beneficial to many APS students and a larger high school program on the Career Center site offers a partial solution to the need for more seats. The BAC does, however, recommend that the School Board carefully gauge the best level of enrollment for this new program and only move to the planned 800 student program if the number of annual applicants supports that number. In addition, while the first year of the program does not represent a significant added investment from the operating budget, the out years do imply a large commitment. The School Board should be able to review detailed planning for a multi-year period at Arlington Tech when it deliberates on the second year funding.

The BAC recommends that the School Board request a description of the several initiatives and programs related to professional development and employee training within APS. In our review of the Proposed Budget for FY 2017, we have noted multiple additions to the budget under various programs but we lack the context to understand how different programs relate to each other. A short "Guide to Employee Training at APS" would be a report outside the budget, but if updated annually it would facilitate an understanding of how new budget investments in this area support strategic goals. The "Guide" would have program descriptions, objectives, and service delivery models.

The BAC opposes using one-time funds of any amount in lieu of the \$6 million from ongoing funds in the Proposed Budget for Minor Capital/Major Maintenance (MC/MM). Adequately funding MC/MM is a prudent budget and management practice. With growing enrolment, APS is particularly pressured to ensure that facilities are well maintained. One-time funds should not be used for ongoing needs such as maintenance. Displacing parts of the base budget with one-time funds generates both an appearance of budgetary tricks and the reality of needing a base budget increase a year later.

The BAC commends APS for steps in recent years to deliberate program changes earlier in the budget cycle. For example, the ACI recommendation calendar was shifted forward to better vet program additions that could later appear in the Proposed Budget. With that in mind, it would be disappointing if new budget investments were added to the budget late in the game, without having been worked through any of the usual deliberate processes. What blooms in the Spring of a budget cycle should have strong roots in a Fall of planting..

The Budget Advisory Council eagerly awaits seeing the School Board's Proposed Budget for Fy 2017 and will be reviewing it and drafting recommendations at our April 13th BAC meeting.