



FY 2018 SCHOOL BOARD BUDGET WORK SESSIONS

Budget Work Session #3

March 15, 2017

AGENDA

- Budget Forecast
- Compensation
- Budget Investments
 - Continuing Initiatives
 - New Requests
- Tiered Reductions
- Wrap Up



Budget Forecast

BUDGET FORECAST SUMMARY

	FY 2018 SUPERINTENDENT'S PROPOSED		FY 2019 PROJECTED	FY 2020 PROJECTED	FY 2021 PROJECTED
	FUNDS	FTE	FUNDS	FUNDS	FUNDS
REVENUE					
Prior Year Budget – All Funds	\$581,941,859		\$616,977,524	\$628,275,477	\$640,194,778
Increase in County Revenue	\$13,774,822		\$11,947,386	\$12,697,036	\$12,522,959
Increase in County Revenue – Additional Request	\$13,977,917		\$0	\$0	\$0
Increase/(Decrease) in Local Revenue	\$1,367,947		\$300,000	\$300,000	\$300,000
Increase/(Decrease) in State Funds – All Funds	\$4,373,292		\$3,153,721	\$1,240,027	\$1,332,442
Increase/(Decrease) in Federal Revenue	\$913,569		\$200,000	\$200,000	\$200,000
TOTAL REVENUE	\$616,349,406		\$632,578,632	\$642,712,539	\$654,550,179
VRS Reserve Used in Prior Year Budget	(\$1,000,000)		(\$2,125,000)	(\$1,500,000)	(\$1,012,239)
Debt Service Reserve Used in Prior Year Budget	(\$650,000)		(\$1,300,000)	(\$2,900,000)	(\$410,000)
Future Budget Years Reserve Used in Prior Year Budget	(\$7,739,537)		(\$4,842,655)	(\$1,464,500)	(\$5,574,500)
Compensation Reserve Used in Prior Year Budget	(\$3,800,000)		(\$5,550,000)	(\$3,650,000)	\$0
Future Budget Years Reserve Used in Current Year Budget	\$4,842,655		\$1,464,500	\$5,574,500	\$5,100,000
Compensation Reserve Used in Current Year Budget (see Note 1)	\$5,550,000		\$3,650,000	\$0	\$0
VRS Reserve Used in Current Year Budget (see Note 1)	\$2,125,000		\$1,500,000	\$1,012,239	\$0
Debt Service Reserve Used in Current Year Budget (see Note 1)	\$1,300,000		\$2,900,000	\$410,000	\$0
TOTAL FUNDS AVAILABLE	\$616,977,524		\$628,275,477	\$640,194,778	\$652,653,440
EXPENDITURES					
Prior Year Budget – All Funds	\$581,941,859	4,544.85	\$616,977,524	\$650,517,385	\$692,033,442
BASELINE ADJUSTMENTS					
Salaries and Benefits Baseline Adjustments and Efficiencies	\$2,425,000		\$2,500,000	\$2,500,000	\$2,500,000
Baseline Savings					
Eliminate One-time Costs in Prior Year	(\$7,753,537)	0.00	(\$2,050,000)	(\$1,200,000)	(\$1,000,000)
Other Baseline Savings	(\$65,541)	(1.50)	\$0	\$0	\$0
Contractual Obligations					
Debt Service	\$2,476,380		\$5,817,102	\$1,768,827	\$2,836,989
Other Contractual Obligations	\$436,335		\$1,987,500	\$1,912,000	\$855,000
Additional Funds for Baseline Services					
Baseline Services in Oother Funds (CSA, F&NS, Grants, Ext. Day)	\$2,817,150	11.30	\$300,000	\$300,000	\$300,000
Other Baseline Services	\$2,581,765	0.00	\$112,700	\$112,700	\$112,700
Additional Costs for New Capacity					
Additional Operating Costs	\$0	0.00	\$0	\$5,428,000	\$244,005
Start-up Costs	\$275,000		(\$275,000)	\$3,100,000	(\$3,100,000)
NET BASELINE ADJUSTMENTS	\$3,192,552	9.80	\$8,392,302	\$13,921,527	\$2,748,694

Budget Forecast



BUDGET FORECAST SUMMARY (CONT.)

	FY 2018 SUPERINTENDENT'S PROPOSED		FY 2019 PROJECTED	FY 2020 PROJECTED	FY 2021 PROJECTED
	FUNDS	FTE	FUNDS	FUNDS	FUNDS
NEW INVESTMENTS					
Enrollment Growth					
Changes in Enrollment	\$7,145,524	67.50	\$8,800,000	\$10,000,000	\$9,800,000
Other Enrollment-related Needs	\$2,050,000		\$1,000,000	\$1,000,000	\$1,000,000
Compensation					
Step increase	\$8,700,000		\$9,200,000	\$9,700,000	\$10,200,000
Other Compensation Increases	\$2,400,000		\$2,400,000	\$2,400,000	\$0
New Initiatives					
Student Services and Instructional Support	\$364,524	4.00	(\$75,000)		
Building Maintenance and Security	\$767,984	3.00	(\$40,000)		
Transportation Needs	\$446,630	11.00	\$446,630	\$446,630	\$446,630
Other Infrastructure Support	\$679,508	5.00	\$0	\$0	\$0
Growth Initiatives					
Arlington Tech	\$1,214,312	10.00	\$960,000	\$752,900	
Central Registration	\$63,708	1.00			
Student and Instructional Support	\$5,075,896	16.50	\$3,817,127	\$3,310,000	
Safety and Security Needs	\$321,250		(\$50,000)	(\$15,000)	
Infrastructure and Support Needs	\$1,113,777	21.50	\$188,802		
TOTAL NEW INVESTMENTS	\$30,343,113	139.50	\$26,647,559	\$27,594,530	\$21,446,630
USE OF ONE-TIME FUNDS (NOT INCLUDED ELSEWHERE)	\$1,500,000		(\$1,500,000)	\$0	\$0
TOTAL EXPENDITURES	\$616,977,524	4,694.15	\$650,517,385	\$692,033,442	\$716,228,766
Surplus/(Shortfall)	\$0		(\$22,241,909)	(\$51,838,664)	(\$63,575,326)
POSSIBLE COMPENSATION ADJUSTMENTS					
Step Increase			\$9,200,000	\$9,700,000	\$10,200,000
1% Compensation Adjustment			\$4,600,000	\$4,800,000	\$5,000,000

Note 1: Compensation Reserve, VRS Reserve, and Debt Service Reserve used in FY 2019 through FY 2021 assumes full depletion of current reserve balances if no additional funding is provided.



Budget Forecast

The budget forecasts for FY 2019 through FY 2021 are based on the proposed budget for FY 2018. Given the revenue and expenditure assumptions below, the potential deficits or surpluses are as shown above. However, should any of the variables change, the surpluses or shortfalls will change as well and could be higher or lower. These forecasts are intended to show how the budget will change in order to maintain the current instructional, support, and extracurricular programs and services as well as to provide services to the 2,260 additional students projected to enroll in APS in FY 2019 through FY 2021. The forecast also assumes that all new investments approved in the Superintendent's Proposed budget will be approved. As a result, any known out-year costs, as indicated in the 'Building the Budget' section, are included in the forecast. These forecasts are not intended to show the effects of any new programmatic decisions that might be made in any of those years.

The revenue and expenditure assumptions used to build the three-year forecast are listed below.

Revenue Assumptions

- **County Transfer**—The County publishes two separate revenue forecasts: a low growth scenario and a moderate growth scenario. This forecast assumes the moderate growth scenario which projects 2.52% growth in total County local tax revenue in FY 2019, 2.59% in FY 2020, and 2.49% growth in FY 2021. The County Transfer amount is based on 46.6%, the share received in FY 2018, of County local tax revenue. Any tax increases in future years for either the County or the Schools would change the Schools' share and would change the projected revenue in the out years.
- **State Revenue**—Assumes growth in State funding in FY 2019 based on the General Assembly's adopted 2016-2018 biennial budget. Also assumes some growth in State funding in FY 2020 and FY 2021 strictly for increased enrollment. Any changes to the General Assembly's adopted 2016-2018 biennial budget would change the projected revenue in the out years.
- **Local Revenue**—Assumes a slight increase in Local revenue each year based on historical trends.
- **Federal Revenue**—Assumes a slight increase in Federal revenue each year based on historical trends, primarily in the Food and Nutrition Services Fund.
- **Carry Forward**—Assumes Carry Forward will remain at the same level as FY 2018.
- **Reserves**—The School Board has created a number of reserves over the past six years as a way to help offset the increasing costs of capital, VRS, debt service, compensation, health insurance, and other unfunded liabilities in the out years. In addition, the School Board has allocated funds from closeout of the past four fiscal years to create a Future Budget Years reserve to help defray one-time costs in upcoming fiscal year budgets. Reserves are used in the forecast to partially offset any projected increases in VRS and debt service in the FY 2018 budget and in the out years until depleted. Reserves are also used to offset one-time costs in the FY 2018 budget and any known one-time costs in the out years related to Enrollment, Additional Capacity, and New Investments in FY 2018. Compensation reserves are used only in the FY 2018 budget to offset 50 percent of the step increase cost. A step compensation increase is assumed in the out years so compensation reserves are used to offset 50 percent of the cost. Because the reserves are one-time revenue sources each year, the subsequent year is decreased by the amount of reserves used in the prior year.

Budget Forecast



Expenditure Assumptions

- Salaries and Benefits Baseline Adjustments and Efficiencies includes:
 - ✦ Estimated changes in the salary and benefits base from the prior year adopted budget to current and on board
 - ✦ Projected changes in fringe benefit rates
 - Using the rates in the General Assembly's adopted 2016-2018 biennial budget, the VRS retirement rate for professional staff will increase 1.00 percentage points in FY 2019. For FY 2020 and FY 2021, it is estimated that the rate will continue to increase one percentage point each year. The VRS retirement rate for non-professional staff, the group life insurance rate, and the retiree health care credit rate are projected to remain the same as in FY 2018 in the out years
 - Health insurance premiums are projected to increase \$1 million per year based on historical trends and premium increases of 3% in FY 2019 and beyond
- *Baseline Savings* includes costs removed from the budget because they were one-time costs in the prior year, or because the cost of an item or service has decreased.
- *Contractual Obligations* includes those items for which we are legally bound to pay such as Debt Service and Building Lease Costs, and those items which must be paid in order for schools to run such as Utilities.
- *Additional Funds for Baseline Services* includes increases necessary in order to maintain the same level of service as is currently in place such as increased expenditures for the Food and Nutrition Services and Grants and Restricted Programs funds and the Extended Day program, funding of items with ongoing funding that were funded with one-time funds in the prior year, funding of ongoing positions paid for from contingency in FY 2017, and increased maintenance and repair costs.
- *Additional Costs for New Capacity* include additional operating costs required for either new or enlarged schools such as staffing and utilities as well as any start-up costs needed such as equipment, technology, library materials, buses, etc.
- *Enrollment Growth includes:*
 - ✦ Changes in enrollment which includes additional positions and additional materials and supplies resulting from applying the FY 2018 Adopted planning factors to the projected increase in enrollment
 - ✦ Other enrollment-related needs include funds to purchase additional relocatables along with technology and furniture for the relocatables to address capacity as well as additional buses to meet increased transportation demands.
- *Compensation* in FY 2018 consists of a step increase for eligible employees plus \$2.4 million to bring positions identified in the compensation study up to market over the next three years. The baseline forecast also includes a step increase in FY 2019 and beyond.
- *Student Services and Instructional Support* are costs associated with increasing paraprofessional support for elementary interlude classrooms, Medicaid billing software, and an increase in the number of technicians. Any one-time costs are funded with one-time funds and eliminated in the following year.

Budget Forecast

- *Building Maintenance and Security* includes costs for HVAC maintenance technicians and a preventative maintenance contract as well as consulting fees for a Safety Coordinator.
- *Transportation Needs* includes funding for full-time positions for additional bus drivers and bus attendants. Any known out-years costs are included in fiscal years 2019 through 2021.
- *Other Infrastructure Support* includes funding to provide additional central office support for our growing school division such as additional AETV Producer for increased AETV programming, a Planner to support the Joint Facilities Advisory Commission, and an Integrated Project Planning Team.
- *Arlington Tech* includes the costs expansion of the program in FY 2018 and the continuing expansion of the program in fiscal years 2019 through 2020. Staffing costs were increased based on projected enrollment in this program being higher than previously stated. Any one-time costs are funded with one-time funds and eliminated in the following year.
- *Central Registration* includes the second-year cost of implementation of this initiative; out-year costs are still to be determined.
- *Student and Instructional Support* includes costs for new initiatives to provide specific, targeted assistance to students and staff in support of the School Board's priority around the whole child. Any known out-years costs are included in fiscal years 2019 through 2020 and any one-time costs are funded with one-time funds and eliminated in the following year.
- *Safety and Security Needs* includes initiatives to increase the safety of students and staff and the security of school buildings. Any known out-years costs are included in fiscal years 2019 through 2020 and any one-time costs are funded with one-time funds and eliminated in the following year.
- *Infrastructure and Support Needs* includes funding to provide additional central supports for students and staff in preparation for becoming a 30,000-student school division in 2021. Any known out-years costs are included in fiscal years 2019 through 2020 and any one-time costs are funded with one-time funds and eliminated in the following year.
- *Use of One-time Funds* includes those items that will be funded with one-time funds from the Future Budget Years reserve that have not been included elsewhere in the forecast such as replacement buses and technology. One-time funds will also be used to offset the technology start-up costs for the addition at Abingdon Elementary included in Additional Costs for New Capacity, the relocatables and necessary furnishings for the relocatables as well as additional buses included in Enrollment Growth, and any one-time costs included in New Investments and Continuing Growth Initiatives.
- *Possible Compensation Adjustments* outlines the costs of possible adjustments to compensation in the out years.

Building the FY 2018 Budget

Compensation Adjustment

\$11.1 / 0.0

Because teacher and staff quality are fundamental to student achievement and student success, funds are provided for a step increase for all eligible employees at a cost of \$8.7 million. This increase supports the School Board's goal to ensure that APS attracts and retains a high quality work force. In addition, 2.4 million is included to begin the first year of a three-year phase in plan to increase the salaries of the positions identified in the compensation study as being under market.

The chart below outlines the compensation adjustments provided since FY 2009.

FY	STEP INCREASE?	OTHER SALARY ADJUSTMENTS
2016-17	Yes	1.75% increase for eligible employees at the top of the scale or on longevity steps.
		Increase in the minimum wage to \$14.50 per hour for eligible employees with regularly-scheduled work hours.
2015-16	Yes	\$1000 one-time bonus for employees who would move a step without an increase in salary or who are at the top of the scale.
2014-15	No	2% compensation adjustment
		\$500 one-time bonus for all eligible employees
2013-14	Yes	\$1000 one-time bonus for employees who would move a step without an increase in salary or who are at the top of the scale.
2012-13	No	2.68% compensation adjustment
		5% compensation adjustment required by General Assembly as part of VRS '5 for 5' Swap
2011-12	Yes	\$1000 one-time bonus for employees who would move a step without an increase in salary or who are at the top of the scale.
2010-11	No	No other salary adjustments provided.
2009-10	Yes, mid-way through the year	No other salary adjustments provided.
2008-09	Yes	2.2% compensation adjustment

Compensation

- Cost of step increase: \$8.7 million
- First year of a three-year phase in plan to increase the salaries of the positions identified in the compensation study as being under market: \$2.4 million

Scale	Scale Description	Total FTE	# of FTE at Top of Scale	% of FTE at Top of Scale	# of FTE on Longevity Step	% of FTE on Longevity Step
A	Assistants	672.10	192.50	28.6%	N/A	N/A
C	Food Service	89.00	43.00	48.3%	N/A	N/A
D	Bus Drivers and Attendants	200.00	38.00	19.0%	N/A	N/A
G	Clerical/Technical	287.55	137.05	47.7%	N/A	N/A
M	Maintenance/Custodial	328.00	116.00	35.4%	N/A	N/A
X	Extended Day	51.00	12.00	23.5%	N/A	N/A
E	Exempt	208.06	8.00	3.8%	90.06	43.3%
P	Professional	147.00	3.00	2.0%	49.00	33.3%
T	Teachers	2,820.42	62.45	2.2%	737.40	26.1%
Total		4,803.13	612.00	12.7%	876.46	27.6%

Building the FY 2018 Budget

Continued Implementation of FY 2017 Growth Initiatives

The FY 2017 budget included funding for various new investments that would be phased in and fully implemented over a number of years. Details of the initiatives with multi-year implementation plans are outlined and explained in the section that follows.

INVESTMENTS	FY 2017		FY 2018		FY 2019		FY 2020	
	ADOPTED	FTEs	PROPOSED	FTEs	PROPOSED	FTEs	PROPOSED	FTEs
<i>(Dollars in Millions)</i>								
ARLINGTON TECH @ THE CAREER CENTER								
Arlington Tech	\$0.75	4.30	\$1.21	10.00	\$1.00	8.10	\$0.71	5.00
Subtotal Arlington Tech @ The Career Center	\$0.75	4.30	\$1.21	10.00	\$1.00	8.10	\$0.71	5.00
CENTRAL REGISTRATION								
Central Registration	\$0.07	1.00	\$0.07	1.00	TBD		TBD	
Subtotal Central Registration	\$0.07	1.00	\$0.07	1.00	TBD		TBD	
STUDENT AND INSTRUCTIONAL SUPPORT								
School Psychologist and Social Worker/Visiting Teacher Planning Factor Adjustments	\$1.16	12.00	\$1.13	12.00	\$1.03	11.00		
Substance Abuse Counselor	\$0.09	1.00	\$0.09	1.00				
Academic Support for Level 5 English Language Learners	\$0.32	3.50	\$0.28	3.00	\$0.28	3.00	TBD	
Social Studies Textbooks	\$0.40		\$0.01		\$0.01		\$0.01	
Instructional Technology Coordinators (ITCs)	\$0.32	3.00	\$0.06	0.50				
Technology Funding	\$0.00		\$3.50		\$2.50		\$3.30	
Subtotal Student and Instructional Support	\$2.30	19.50	\$5.08	16.50	\$3.83	14.00	\$3.31	0.00
SAFETY AND SECURITY NEEDS								
Distributed Antenna System and Bi-Directional Amplifier	\$0.17		\$0.17		\$0.17		\$0.17	
Safety and Security Upgrade	\$0.11		\$0.16		\$0.11		\$0.09	
Subtotal Safety and Security Needs	\$0.27	0.00	\$0.32	0.00	\$0.27	0.00	\$0.26	0.00
INFRASTRUCTURE AND SUPPORT NEEDS								
Full-time Bus Driver Positions	\$0.44	9.00	\$0.43	9.00				
Full-time Bus Attendant Positions	\$0.38	11.00	\$0.35	10.00				
Preventive Maintenance HVAC Contract	\$0.10		\$0.10					
Facilities and Operations Communication Services Coordinator	\$0.05	0.50	\$0.05	0.50				
Technicians	\$0.12	1.00	\$0.19	2.00	\$0.19	2.00		
Subtotal Infrastructure and Support Needs	\$1.09	21.50	\$1.11	21.50	\$0.19	2.00	TBD	
GRAND TOTAL	\$4.48	46.30	\$7.79	49.00	\$5.28	24.10	\$4.28	5.00

Building the FY 2018 Budget

FY 2018 NEW BUDGET INVESTMENTS

NEW INVESTMENTS	IN MILLIONS	FTE
STUDENT SERVICES AND INSTRUCTIONAL SUPPORT		
Medicaid Third Party Billing and Documentation Software	\$0.08	
Paraprofessional Support for Elementary Interlude	\$0.10	2.00
Technicians currently funded through Comcast Franchise grant	\$0.19	2.00
Subtotal Student Services and Instructional Support	\$0.36	4.00
BUILDING MAINTENANCE AND SECURITY		
Three Full-time High School HVAC Technicians	\$0.24	3.00
Additional Vehicle for added PM HVAC Staff	\$0.04	
Preventative Maintenance Services Contract	\$0.35	
Safety Coordinator's Consulting fees	\$0.15	
Subtotal Building Maintenance and Security	\$0.77	3.00
TRANSPORTATION NEEDS		
Additional Bus Driver Positions	\$0.24	5.00
Additional Bus Attendant Positions	\$0.21	6.00
Subtotal Transportation Needs	\$0.45	11.00
OTHER INFRASTRUCTURE SUPPORT		
AETV Producer	\$0.11	1.00
Professional Development for Facilities and Operations	\$0.03	
Integrated Project Planning Team	\$0.29	3.00
Aquatics Salary Increases for Aides	\$0.11	
Planner to Support Joint Facilities Advisory Commission	\$0.14	1.00
Subtotal Other Infrastructure Support	\$0.68	5.00
NEW INVESTMENTS TOTAL	\$2.26	23.00

Building the FY 2018 Budget

TIERED REDUCTIONS

In its Budget Direction, the School Board directed the Superintendent to provide a prioritized list of cost savings in the event the County transfer would not fully fund the requested needs-based budget. The following section provides potential cuts to the budget in three tiers with Tier 1 being the cuts that would be recommended first and Tier 3 being the ones recommended last.

TIER	ITEM	SAVINGS IN MILLIONS	FTE
TIER 1	Postpone the addition of new psychologists and social workers	(\$1.11)	(12.00)
	Reduce central office positions and hourly funds for Print Shop	(\$0.90)	(11.50)
	Instructional software efficiencies	(\$0.24)	
	After School Activity Buses Efficiencies	(\$0.20)	
	Eliminate Employee Benefits (Live Where You Work)	(\$0.15)	
	Utility efficiencies	(\$0.27)	
	Reduce Professional in-service for new co-hort	(\$0.10)	
	Tier 1 Total	(\$2.97)	(23.50)
TIER 2	Increase class size by 1 at grades 9-12	(\$1.26)	(13.60)
	Increase class size by 1 at grades 6-8	(\$1.20)	(12.80)
	Increase class size by 1 at grades 4-5	(\$0.52)	(5.60)
	Reduce central office positions	(\$0.31)	(3.00)
	Reduce cellular service for administrative staff	(\$0.12)	
	Reduce professional development provided to school-based staff	(\$0.07)	
	Tier 2 Total	(\$3.48)	(35.00)
TIER 3	Postpone step increase to halfway through the year	(\$4.35)	
	Increase class size by 1 at grades K-3	(\$0.66)	(8.60)
	Change square footage planning factor for custodians from 21,000 to 22,000	(\$0.48)	(9.50)
	Reduce central office positions	(\$0.27)	(2.00)
	Tier 3 Total	(\$5.76)	(20.10)
TOTAL REDUCTIONS		(\$12.21)	(78.60)

Work Session #4

March 21, 2017 (6:30 pm)

- Advisory Groups
- Spring enrollment changes
- State revenue update
- County revenue update
- School Board proposed changes to Supt's proposed budget

OTHER TOPICS TO BE SCHEDULED AS APPROPRIATE:

- Budget question responses
- Topics requested by School Board