5-Year Financial Plan

Joint Boards Meeting

November 12, 2014

Today’s Agenda

- Background Information
- Review Revenue Assumptions
- Review Expenditure Assumptions
  - *Scenario 1*
  - *Scenario 2*
  - *What Scenarios do not address*
- Next Steps

Five Year Financial Plan

- **Not next year's budget** or a five-year budget
- Brings together the three major components of the County budget – schools, general government, and capital
- Critical process for our AAA Bond-ratings
- Assumptions are based on the best information available *as of today*
- There will be 4 Five Year Financial Plan Work Sessions this fall (one with the School Division) and a Joint Work Session on the Five Year Capital Improvement Plan
- Creates a framework for the annual budget development process

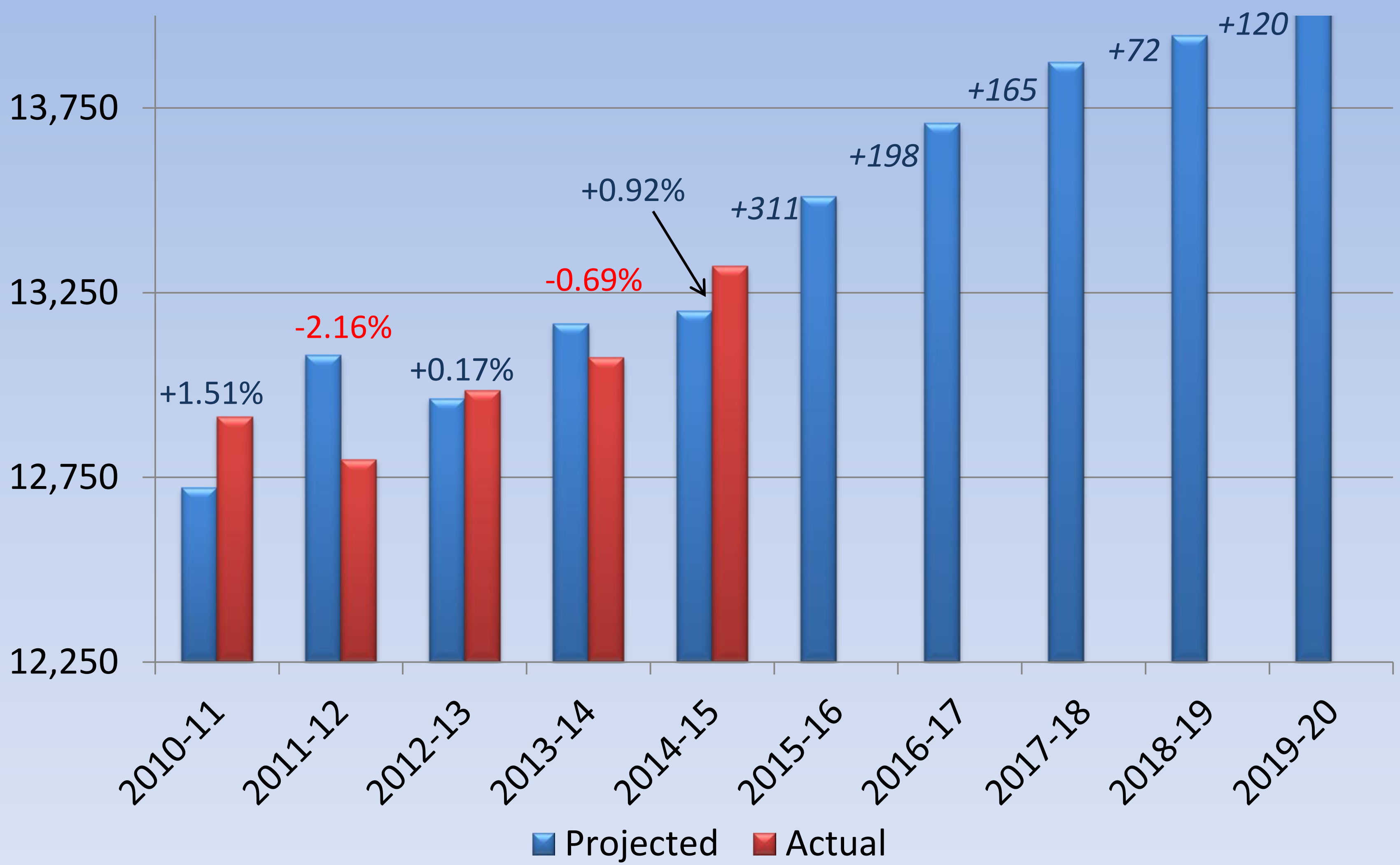
Guiding Principles

- **Shared Understanding**: *We will have a shared understanding of basic facts, clarified assumptions, processes, and the needs of both the Local Government and the School Division.*
- **Mandates and Obligations**: *We recognize the continuing challenge of meeting evolving mandates and obligations and their impacts on local resources.*
- **Staff Capacity**: *Our organization will have adequate staff capacity across all functional areas with a focus on both performance competencies and the number of employees required to meet service demands.*
- **Compensation and Benefits**: *We will strive to maintain our salaries and compensation in accordance with our identified market and to the principles of commonality.*
- **Physical Infrastructure**: *We will invest in physical infrastructure that addresses community needs and priorities.*

Systemic Assumptions

- Free/reduced lunch student percentages/numbers slightly increase in the out-year projections
- Salaries: All scenarios are consistent between Local Government and Schools
- Inflation, compensation and benefit costs (excluding VRS costs) are the same used in Local Government's presentation on 11/5/2014

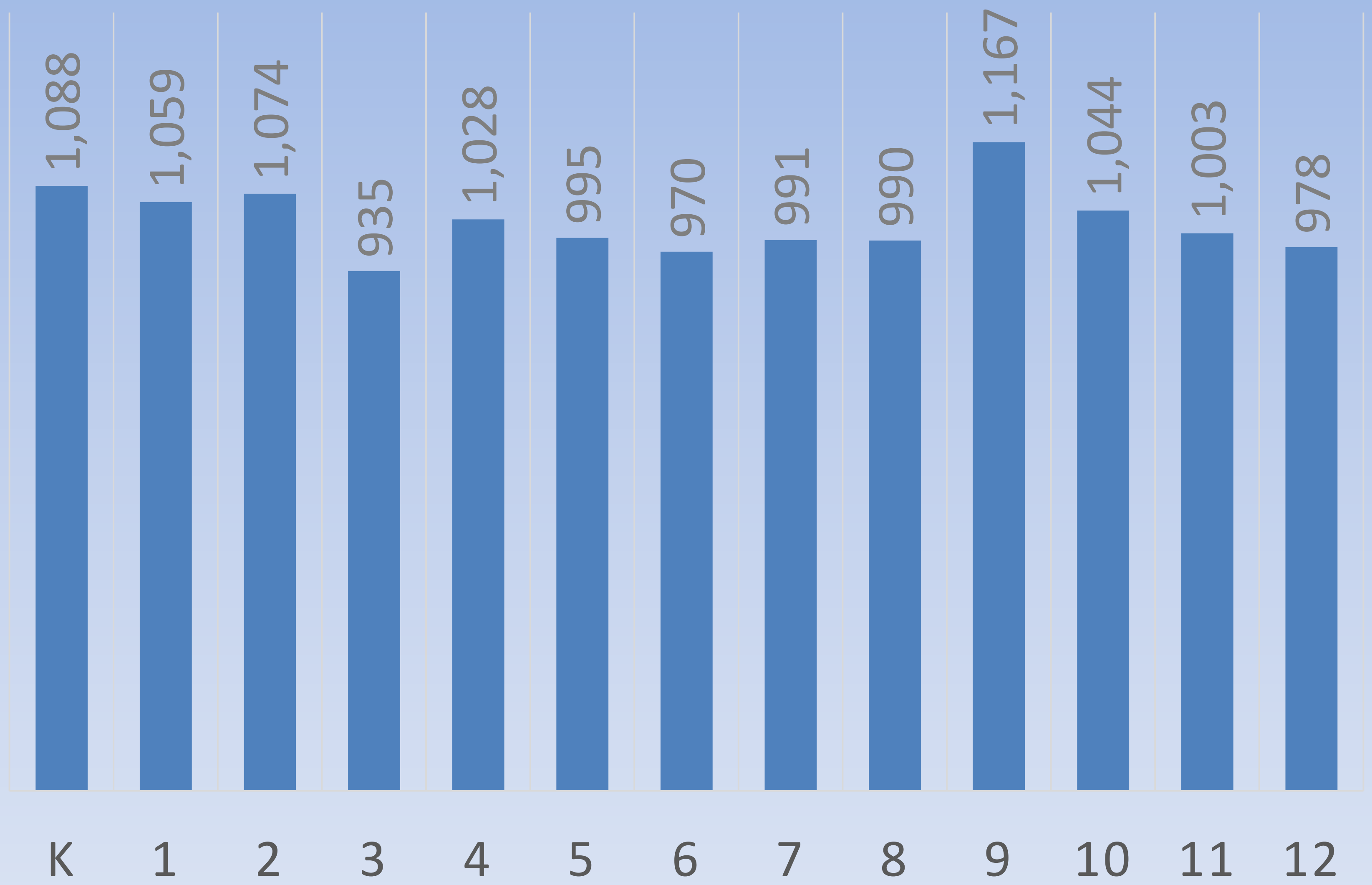
Assumptions: Enrollment



Percentages indicate variance between projected and actual

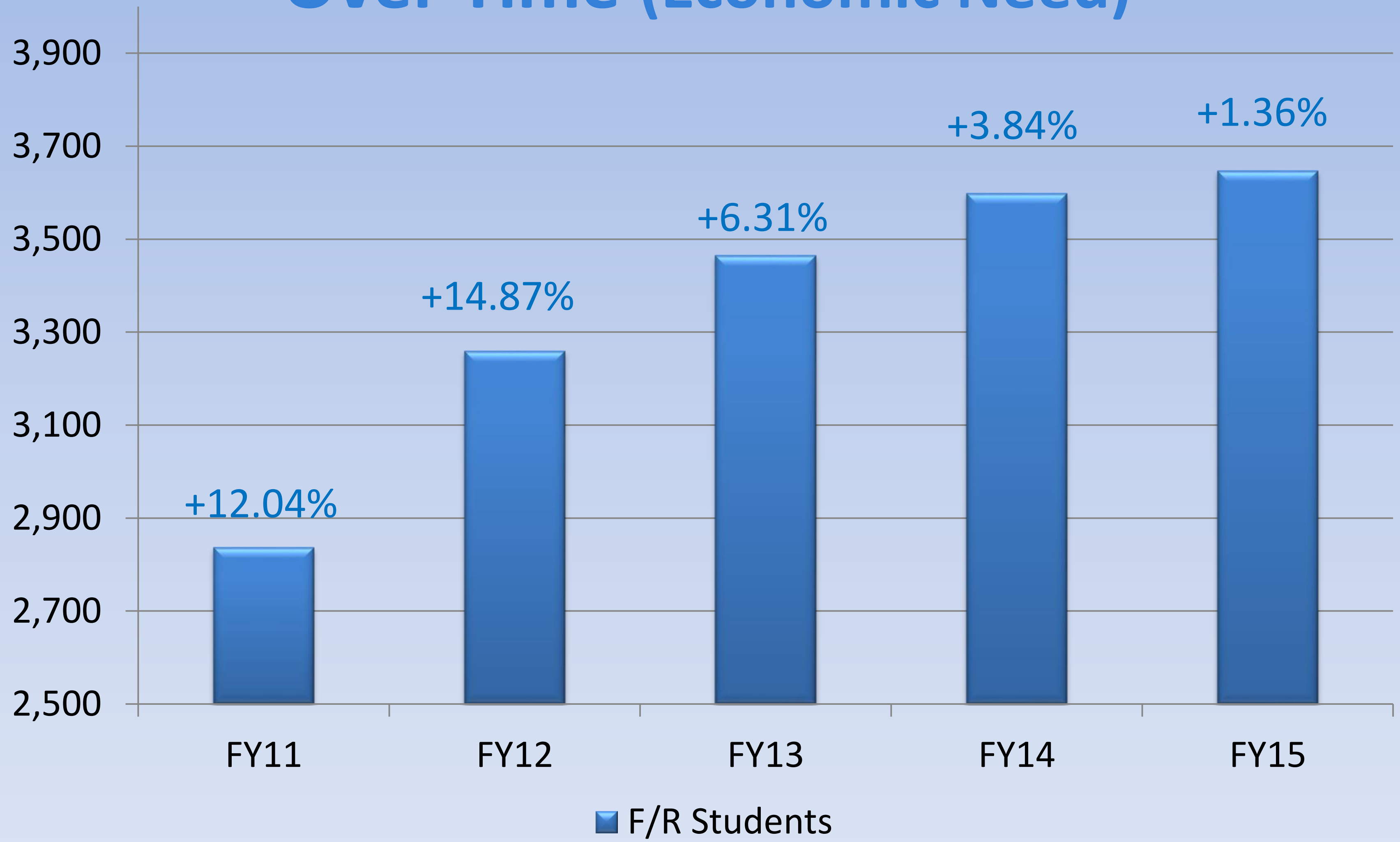
Raw numbers indicate projected budget to budget increases over the next five years

2014 Student Enrollment by Grade*



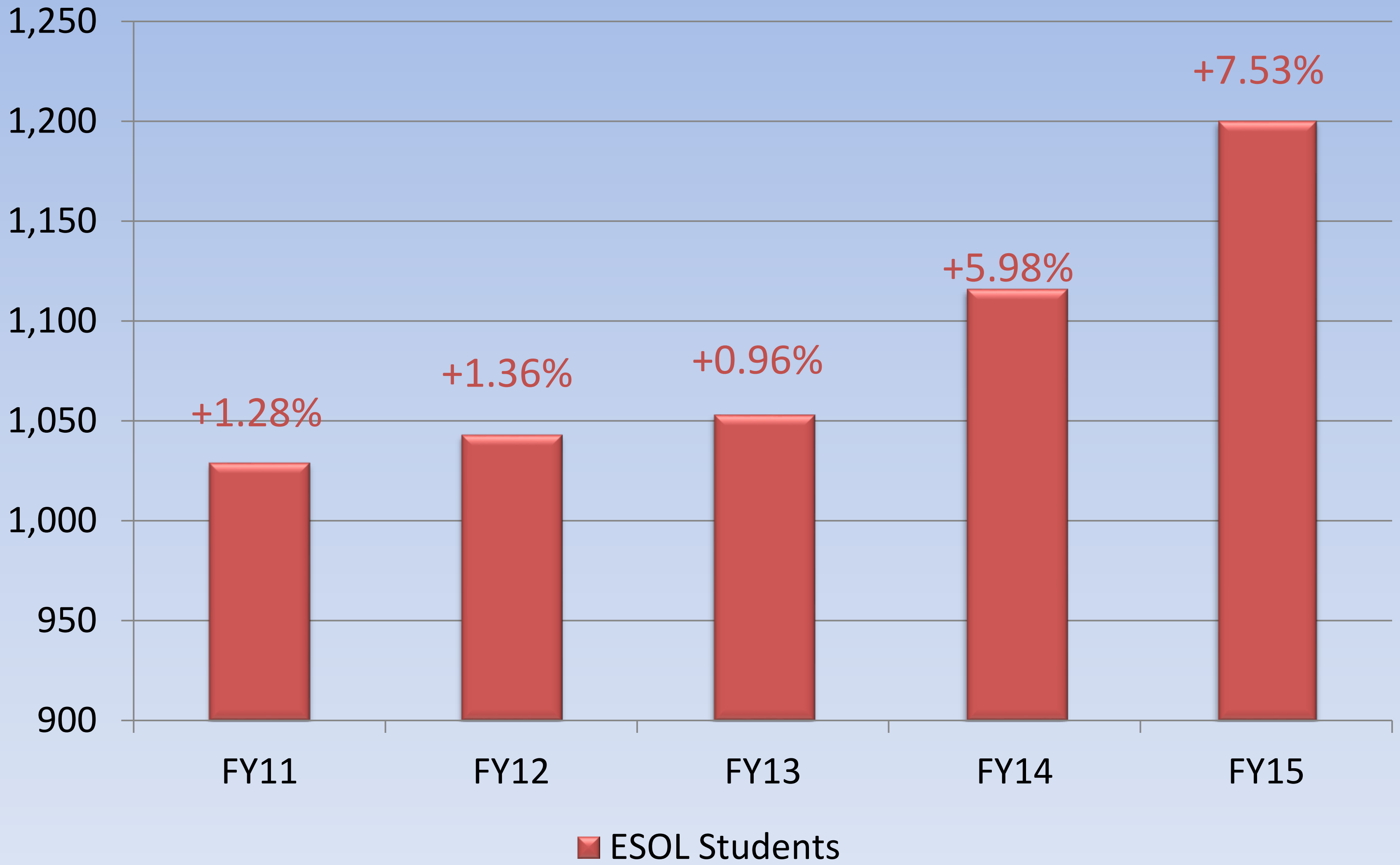
*September 30, 2014 Enrollment

Free/Reduced Lunch Student Increases Over Time (Economic Need)



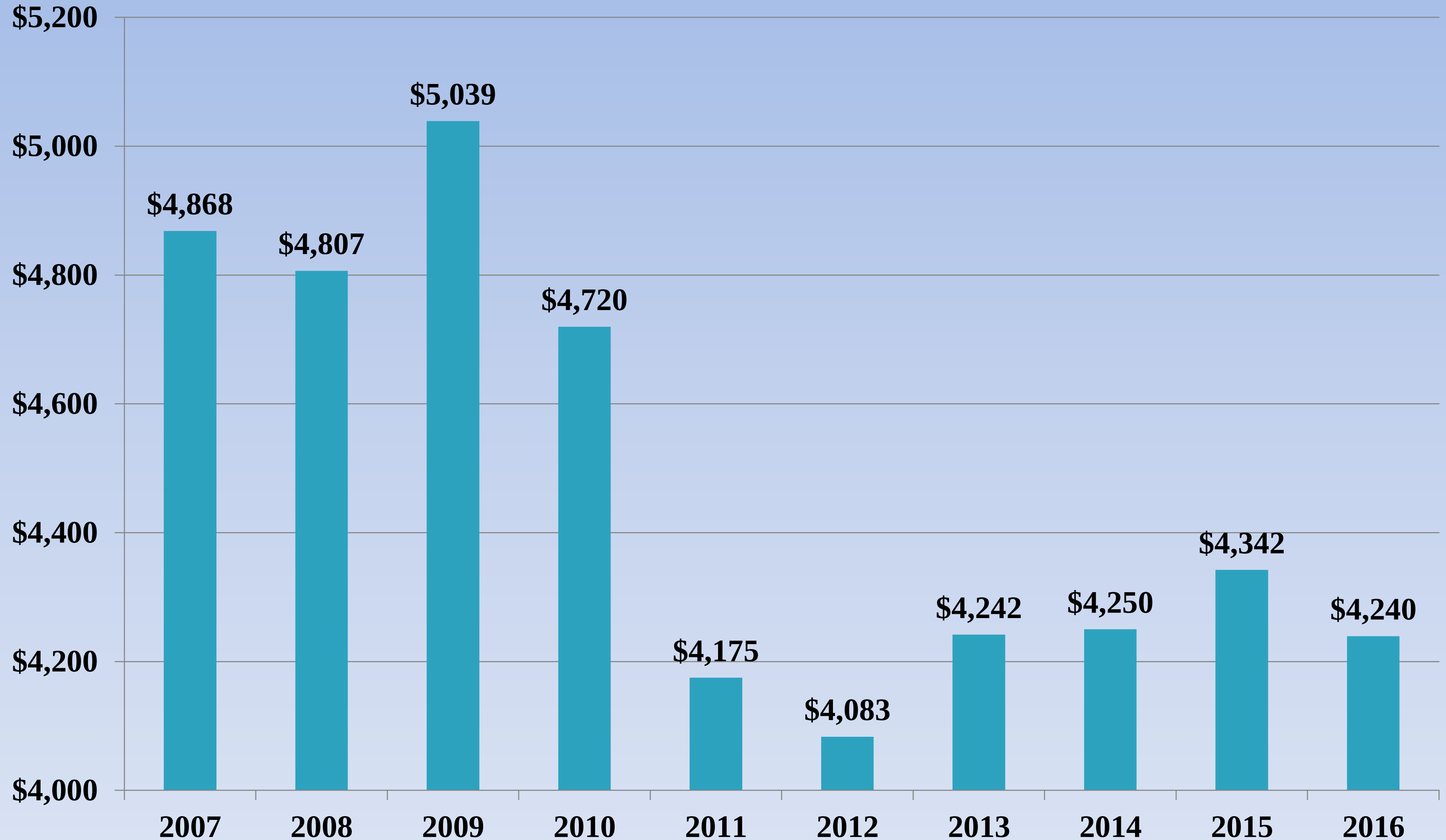
Percentages indicate growth in F/R lunch numbers from year to year

English as a Second or Other Language (ESOL) Student Increases Over Time



Percentages indicate growth in ESOL numbers from year to year

Inflation-Adjusted State Per Pupil K-12 Funding

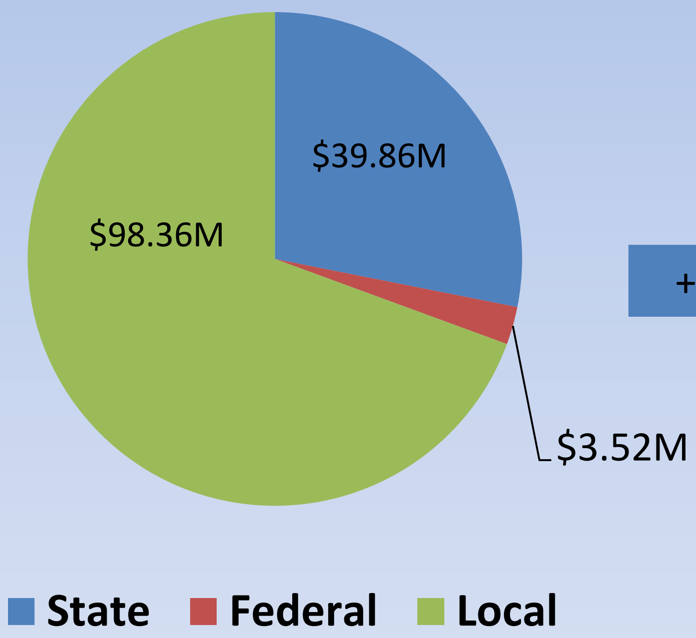


Includes GF, lottery profits, miscellaneous NGF, and state appropriated federal stimulus funds *adjusted by the CPI*

Source: Fiscal Analytics, Ltd.'s Presentation to TJPDC October 2014

A Look Back: 2010-11 Revenues Vs. Current Projected

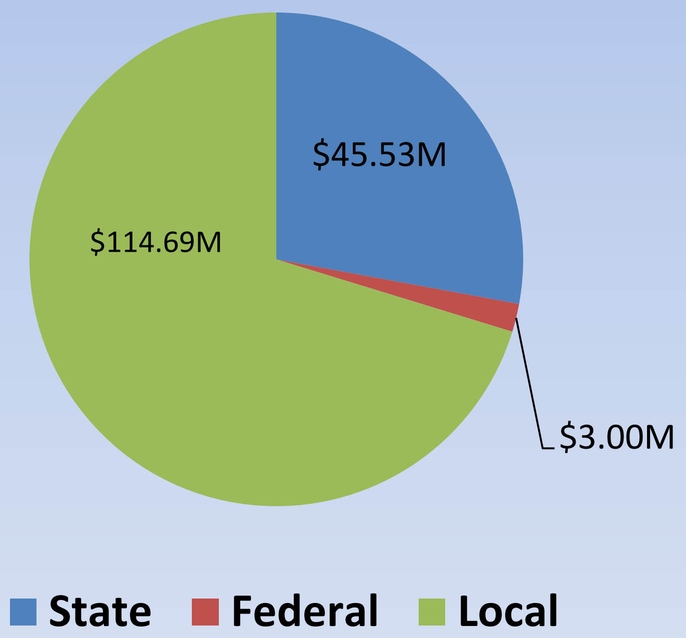
2010-2011



28.12% 2.48% 69.40%

+5 Years

2015-2016

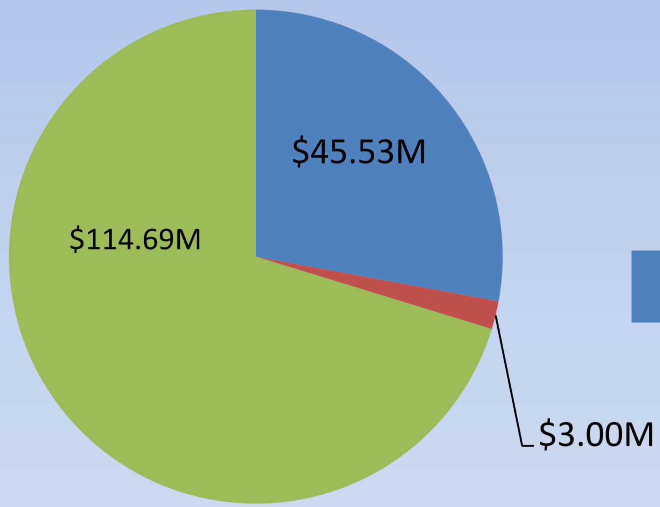


27.89% 1.84% 70.27%

0.23% 0.64% 0.87%

A Look Ahead: 2015-16 Revenues Vs. 2019-2020 Revenues

2015-2016

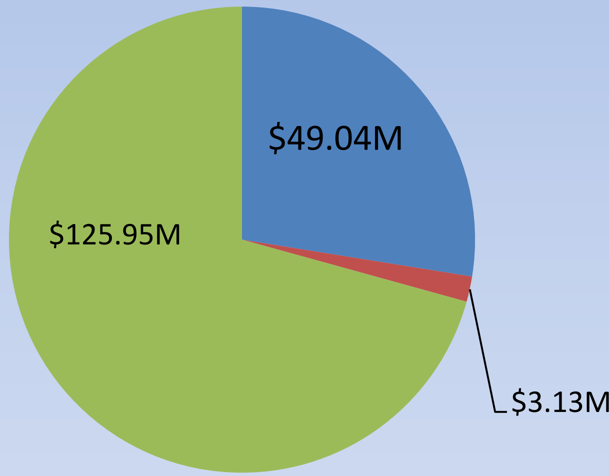


State **Federal** **Local**

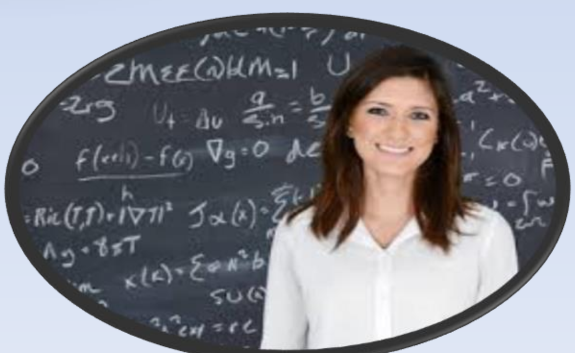
State	Federal	Local
27.89%	1.84%	70.27%

+5 Years

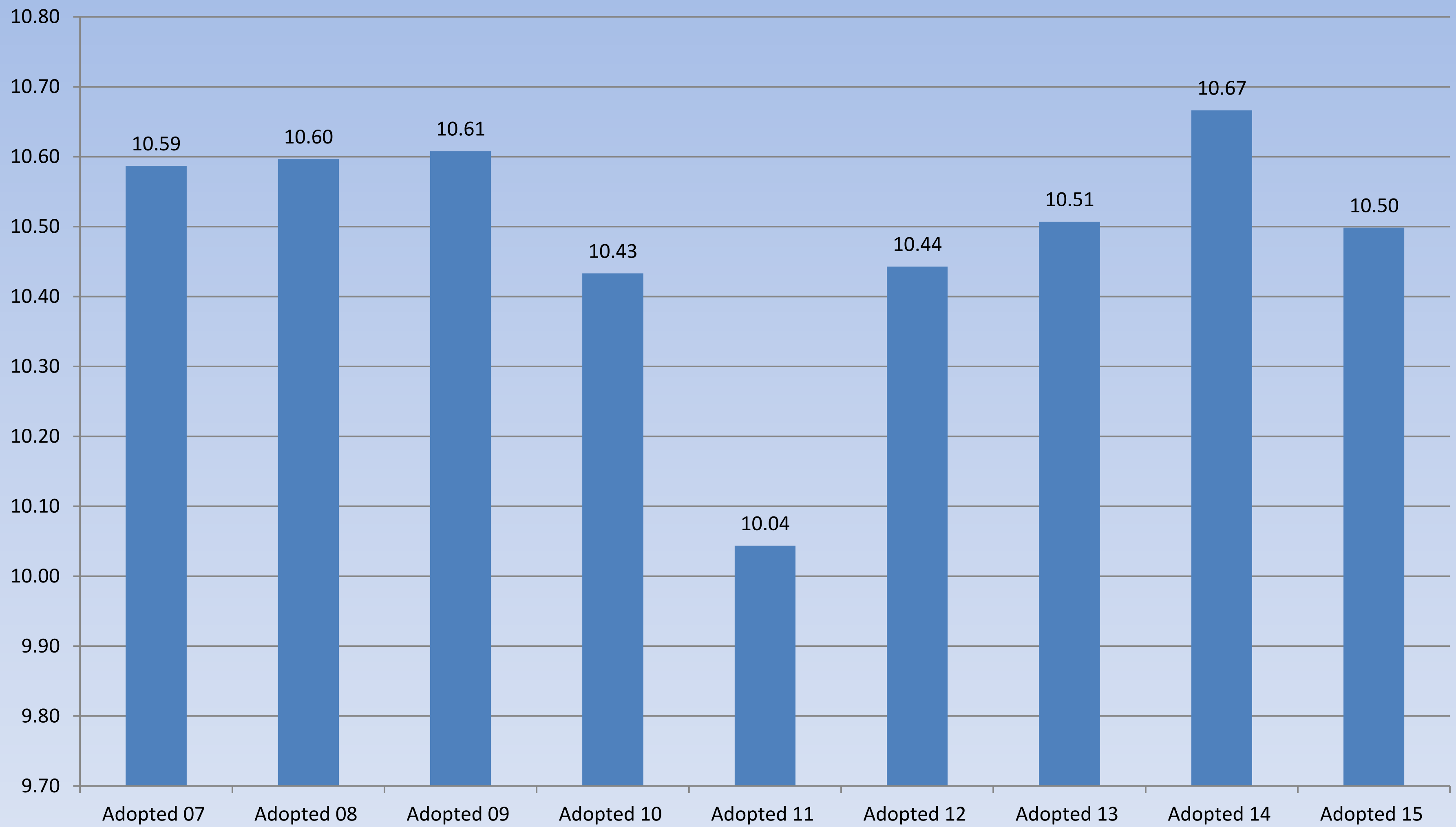
2019-2020



State	Federal	Local
27.53%	1.76%	70.71%
0.36%	0.08%	0.44%

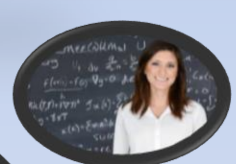


School-Based Staffing per 100 Students



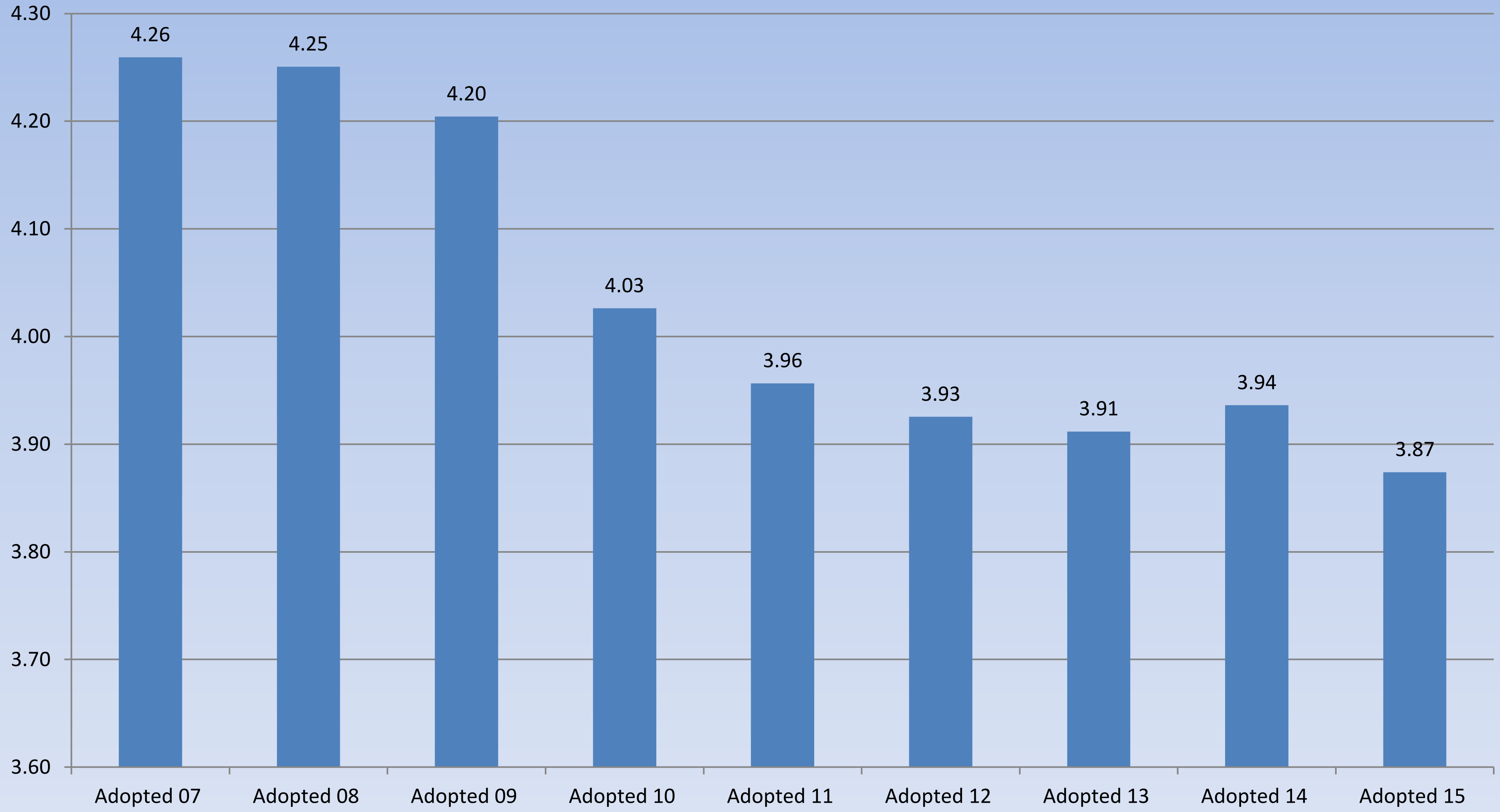
School Based Staffing includes all positions based at a school directly serving students


SCHOOL BUS




ALBEMARLE COUNTY OFFICE BUILDING

Non School-Based Staffing per 100 Students



Non-School Based Staff includes Transportation Staff, Building Services Staff and Central Office Staff

Informing the 5-Year Projection

Current Challenges	Watch List	Future Challenges
• Compensation • Increasing Enrollment • Unfunded Capital Needs • Changing Demographics (F/R Lunch, ESOL, etc.) • CSA • Operational Budget Reductions	• Building capacity • State Commitment/SOQ • Composite index • Sequestration / Federal Budget • VRS • Disability Insurance Mandate	• Assessment beyond Virginia SOLs—workforce/college readiness skills • Professional Development • Balanced assessment model • Continuous improvement • Instructional Technology/Learning • World Languages

Staff prepared two scenarios for consideration

Scenario 1

- **What it does:**
  - **Provides funding for mandates/obligations**
  - **Provides for increased Board costs associated with Health Care**
  - **Provides for operational increases associated with inflation**

- **However, it …**
  - **Fails to provide identified market salary increases for existing staff over the five year period**
  - **Fails to provide any additional staffing to meet needs associated with enrollment growth**
  - **At current tax rate, does not support our capital program, as currently adopted**
  - **Individual employee health insurance obligations will result in reduced take-home pay**

Scenario 1

Allocation of Growth in General Fund Revenues

	FY 16	FY 17	FY 18	FY 19	FY 20
Assumptions: **Available Funding Increases**	**$5.1 M**	**$6.5 M**	**$6.5 M**	**$6.8 M**	**$6.6M**
School Transfer	$2.5M	$2.8M	$2.8M	$2.8M	$2.8M
Local Gov't Obligations: Revenue Sharing, CIP Transfer, CSA	$1.2M	$1.8M	$1.7M	$1.6M	$1.6M
LG Operations – Personnel, Operational, Core Agencies and Regional Partnerships	$1.8M	$1.9M	$2.0M	$2.4M	$2.2M
Local Gov't Reserves & Contingencies	-$0.4M	$0.0M	$0.0M	$0.0M	$0.0M
Assumptions: **Total Expenditure Increases**	**$5.1 M**	**$6.5 M**	**$6.5 M**	**$6.8 M**	**$6.6M**

Scenario 1

Transfer to School Division provided generally based on formula guidelines

Fiscal Year	Actual/Proj	$ Change	% Change
FY 11	$96.1M	($0.9M)	-1.0%
FY 12	$97.2M	$1.2M	1.2%
FY 13	$100.1M	$2.9M	2.9%
FY 14	$103.3M	$3.2M	3.2%
FY 15	$109.8M	$6.5M	6.3%
FY 16	$112.3M	$2.5M	2.3%
FY 17	$115.1M	$2.8M	2.5%
FY 18	$118.0M	$2.8M	2.5%
FY 19	$120.8M	$2.8M	2.4%
FY20	$123.6M	$2.8M	2.3%

VRS and Health Insurance Obligations

Fiscal Year	VRS-Related Changes		Health Insurance Increases	
	Local Government	Schools	Local Government	Schools
FY 16	**--**	**--**	**$370k**	**$1.37M**
FY 17	**($350k)**	**$825k**	**$337k**	**$1.05M**
FY 18	**--**		**$249k**	**$784k**
FY 19	**$365k**	**$1.27M**	**$172k**	**$544k**
FY 20	**--**		**$281k**	**$888k**
Five Year Totals	**$15K**	**$2.06M**	**$1.41M**	**$4.64M**

VRS Retirement Rate Estimates

	Local Gov't Rates	School Rates
FY16	13.49%	15.68%
FY17	12.51%	16.68%
FY18	12.51%	16.68%
FY19	13.51%	18.18%
FY20	13.51%	18.18%

Health Insurance Rate Increases

FY16 – 9.6%
FY17 – 6.7%
FY18 – 4.7%
FY19 – 3.1%
FY20 – 4.9%

CSA Mandate Increases

- Comprehensive Services Act (CSA) Program: Provides for mandated child-centered, family-focused and community-based services for at-risk youth and families.

CSA Shared Funding	FY 15	FY 16	Increase
State share	$4.8M	$7.4M	$2.6M
School Fund*	$1.4M	$2.1M	$677K
General Fund*	$2.7M	$2.8M	$99K
Total	**$8.9M**	**$12.3M**	**$3.4M**

General Fund and School Fund annual increase in FY 16 anticipated to be = $776K

*CSA funding formula changes under consideration

Scenario 1
Summary

- **Utilizes current tax rate and balanced to such**

- **Provides for:**
  - **Mandates/Obligations – (ESOL, SPED, CSA)**
  - **Only Board increased costs associated with Health Care**

- **Fails to:**
  - **Provide market salary increases for existing staff over the five year period**
  - **Provide any additional new positions to address enrollment growth**
  - **Support the capital program, as currently adopted**
  - **Maintain current service levels**

Take Away – Scenario 1

- Resources insufficient to meet salary requirements
- Resources insufficient to maintain existing service levels
- Basic needs of the School Division are not met
- No pay increases means that employees with health insurance will take home less pay

Scenario 2

- **What it does:**
  - **Generally aligns with Board and School Board Guiding Principles**
  - **Funds all mandates and obligations outlined in Scenario 1**
  - **Provides salary increases for employees within HR's recommended range (mid-year salary increases lag market and never catches up)**
  - **Provides funding to meet current service levels**
  - **Provides staffing to keep pace with anticipated enrollment growth over the five year period**

- **What it does not do:**
  - **Provide identified full market compensation**
  - **Provide any new monies to fund Board goals or initiatives**

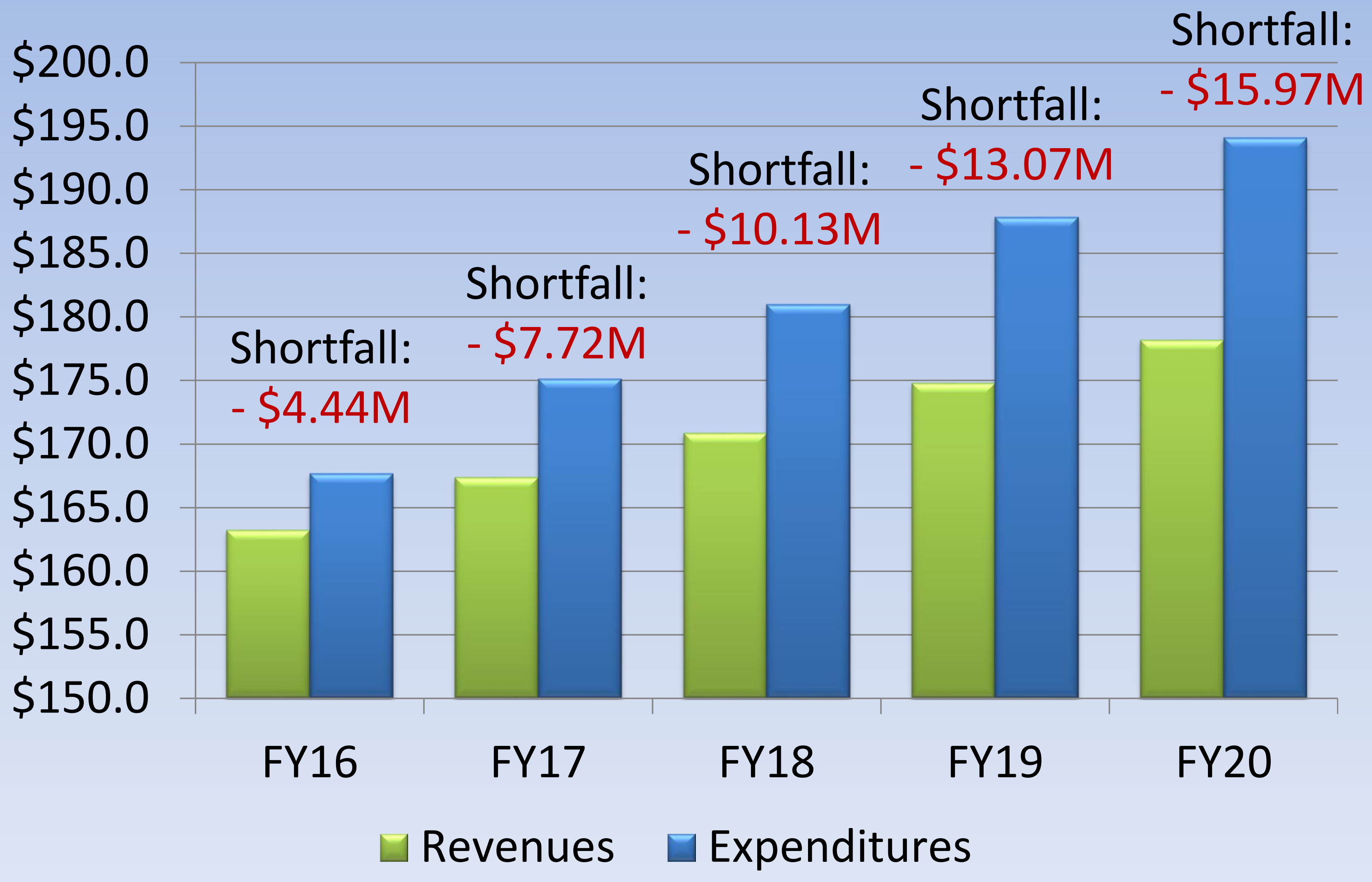
Scenario 2

- **Provides for mid-year salary increases within recommended range**

Beginning	Salary Increases	Teacher Salary Increases
Mid-Year 2016	2.3% and pay for performance	2%
Mid-Year 2017	2%	2%
Mid-Year 2018	2%	2%
Mid-Year 2019	2%	2%
Mid-Year 2020	2%	2%

Mid-Year salary increases are less than market indicates and employees continue to lag market in total compensation throughout the entire 5 year forecast

Scenario 2: School Projections



Scenario 2
Summary

- **Generally aligns with Board and School Board's guiding principles**
- **Funds mandates and obligations**
- **Provides salary increases for employees within recommended range (lags market by six months)**
- **Provides staffing to keep pace with anticipated enrollment growth over the five year period**
- **Opportunities for efficiencies/service level decisions**
- **Requires additional resources**

Take Away – Scenario 2

- Resources required to meet salary that approaches market levels, yet lags market by half a year
- Resources required to maintain existing service levels as delivered today
- No new funding for strategic plan initiatives is provided for any of the next 5 years

Neither Scenario provides for aspirations identified in Strategic Plan:

Long-term Division Improvements, such as:

- **Expansion of World Language program to other schools, catching up on professional development, continued improvement of instructional technology, enhancement of the continuous improvement process**

Other Capital Needs such as:

- **Learning Space Modernization for all schools, Western Albemarle High School Environmental Science Academy**

Unfunded Mandates