

SCHOOL BOARD BUDGET QUESTIONS

FY 2019 BUDGET DEVELOPMENT

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QUESTIONS FROM SEPTEMBER 7, 2017 WORK SESSION

QUESTION B19-01: WHAT IS THE BREAKDOWN OF THE \$6 MILLION IN ADDITIONAL FY 2019 OPERATING COSTS ASSOCIATED WITH THE NEW WEST END ELEMENTARY SCHOOL?

Question Number: B19-01
Board Member(s): Mr. Cardwell
Staff Respondent: Michael Herbstman, Chief Financial Officer

Response: See the chart below outlining projected West End Elementary operating impacts over five years. This includes operations of both the school at 1701 N. Beauregard and garage at 1705 N. Beauregard. Amounts are subject to minor changes as additional information becomes available during the budget development process.

Description	Cost Type	Position Type	FTE	FY 2019 Estimate*	FY 2020 Estimate**	FY 2021 Estimate**	FY 2022 Estimate**	FY 2023 Estimate**	Comments and Additional Assumptions (All comments below refer to Year 1 - FY 2019)
PRINCIPAL-ELEMENTARY	Personnel	Administrative	1.00	174,527	179,763	185,156	190,710	196,432	1.0 FTE Per Elementary School
ASST PRINCIPAL	Personnel	Administrative	2.00	260,695	268,516	276,571	284,869	293,415	2.0 FTE for schools with enrollment between 600-900 students.
ADMIN ASSISTANT II	Personnel	Administrative	1.00	83,570	86,078	88,660	91,320	94,059	1.0 FTE Per Elementary School
REGISTRAR I	Personnel	Administrative	1.00	63,165	65,060	67,012	69,022	71,093	1.0 FTE Per Elementary School
SUPPORT SPECIALIST I	Personnel	Administrative	0.50	24,982	25,731	26,503	27,298	28,117	Average elementary allocation for FY 2018 (rounded).
TAG TCHR	Personnel	Instruction	1.00	106,777	109,980	113,279	116,678	120,178	Assumes 50% of allocation will move with students from prior school.
EL TCHR	Personnel	Instruction	3.00	280,102	288,505	297,160	306,075	315,257	Assumes 50% of allocation will move with students from prior school.
SPECIAL ED TCHR	Personnel	Instruction	3.00	284,515	293,050	301,842	310,897	320,224	Estimate includes minimum elementary allocation. Remaining staff will likely shift with students from prior school.
PARAPROFESSIONAL II	Personnel	Instruction	3.00	116,258	119,745	123,338	127,038	130,849	Estimate includes minimum elementary allocation. Remaining staff will likely shift with students from prior school.
STUDENT IMPROVEMENT	Personnel	Instruction	3.50	392,224	403,991	416,110	428,594	441,452	Each school receives a base of 3.5 FTE. An additional allocation of 1.0 FTE is provided to schools that meet additional enrollment criteria that will not likely be met at this school.
CLASSROOM TEACHERS	Personnel	Instruction	18.00	1,685,258	1,735,816	1,787,891	1,841,527	1,896,773	Assumes 40% of Classroom Teachers will move with students from prior school.
SCHOOL COUNSELOR	Personnel	Student Support	1.50	154,231	158,858	163,624	168,533	173,589	Average elementary allocation for FY 2018 (rounded).
SOCIAL WORKER	Personnel	Student Support	1.00	117,750	121,282	124,921	128,668	132,529	1.0 FTE Per Elementary School
PSYCHOLOGIST	Personnel	Student Support	1.00	104,236	107,363	110,584	113,901	117,318	Average elementary allocation for FY 2018 (rounded).
SCHOOL NURSE	Personnel	Student Support	1.00	117,147	120,662	124,282	128,010	131,850	1.0 FTE Per Elementary School up to 1,000 Students
LIBRARY MEDIA SPEC	Personnel	Encore	1.00	108,461	111,715	115,066	118,518	122,074	1.0 FTE Per Elementary School
LIBRARY MEDIA ASSIST	Personnel	Encore	0.60	23,981	24,701	25,442	26,205	26,991	# of homerooms x .00175, additional rounding rules
ART TCHR	Personnel	Encore	1.00	94,210	97,037	99,948	102,946	106,035	# of homerooms/30, additional rounding rules
MUSIC TCHR-VOCAL	Personnel	Encore	1.00	97,315	100,234	103,241	106,339	109,529	# of homerooms/30, additional rounding rules
PHYSICAL ED TCHR	Personnel	Encore	2.00	187,014	192,624	198,403	204,355	210,486	# of homerooms/15, additional rounding rules
MUSIC TCHR-INSTR	Personnel	Encore	1.00	131,477	135,421	139,484	143,668	147,978	Includes Band and Orchestra
CAFETERIA AIDE	Personnel	Operational Support	1.25	37,503	38,628	39,787	40,981	42,210	Average elementary allocation for FY 2018 (rounded).
BUILDING ENGINEER I	Personnel	Operational Support	1.00	65,367	67,328	69,347	71,428	73,571	Assumes 1.0 FTE Building Engineer.
BUS DRIVER	Personnel	Operational Support	4.00	148,891	153,358	157,959	162,697	167,578	Assumes four buses. Position budgeted centrally.
BUS MONITOR	Personnel	Operational Support	1.00	27,889	28,726	29,587	30,475	31,389	Assumes 1.0 FTE Bus Monitor position.
SECURITY MONITOR	Personnel	Operational Support	2.00	73,886	76,102	78,385	80,737	83,159	Assumes 2.0 FTE Security Monitor positions.
TECH INTEG SPECIALST	Personnel	Technology	1.00	119,929	123,527	127,233	131,050	134,981	Position budgeted centrally.
TECHNICIAN I	Personnel	Technology	1.00	57,862	59,598	61,386	63,228	65,125	Position budgeted centrally.
EXEMPLARY PROGRAM	Non-Personnel	Non-Personnel	n/a	20,000	20,400	20,808	21,224	21,649	
STANDARD SCHOOL ALLOCATION	Non-Personnel	Non-Personnel	n/a	10,000	10,200	10,404	10,612	10,824	Current formula is \$10,000 per school plus \$95/student. Students will be moving from other schools.
GRADE LEVEL/DEPARTMENT CHAIR STIPENDS	Non-Personnel	Non-Personnel	n/a	6,136	6,259	6,384	6,512	6,642	Assumes \$767 per stipend * 8 stipends.
STUDENT ACTIVITY STIPENDS	Non-Personnel	Non-Personnel	n/a	1,534	1,565	1,596	1,628	1,660	Assumes \$767 per stipend * 2 stipends.
EXTENDED LEARNING	Non-Personnel	Non-Personnel	n/a	38,462	39,231	40,015	40,816	41,632	Average elementary allocation for FY 2018.
BUS DUTY STIPEND	Non-Personnel	Non-Personnel	n/a	3,600	3,672	3,745	3,820	3,897	Assumes four buses.
SUBSTITUTE FUNDS	Non-Personnel	Non-Personnel	n/a	47,749	48,704	49,678	50,672	51,685	Assumes regular teacher substitute rate for additional teachers only.
PUPIL TRANSPORTATION - BUS MAINTENANCE AND GAS COSTS	Non-Personnel	Non-Personnel	n/a	71,822	73,258	74,724	76,218	77,742	Average non-personnel Transportation costs per school.
ADDITIONAL RECURRING UTILITY COSTS	Non-Personnel	Non-Personnel	n/a	229,987	234,587	239,278	244,064	248,945	Separate analysis from Educational Facilities Department.
ADDITIONAL RECURRING TECHNOLOGY COSTS	Non-Personnel	Non-Personnel	n/a	40,800	41,616	42,448	43,297	44,163	Separate analysis from Technology Services Department. Includes estimated contract costs of Verizon (for land lines and two Administrative Cell Phones), Aerohive, Shoretel, Discovery, BrainPop, CTSI and SOL temps.
ADDITIONAL RECURRING FACILITIES COSTS	Non-Personnel	Non-Personnel	n/a	397,080	405,022	413,122	421,384	429,812	Separate Educational Facilities Analysis. Includes: Water , Sewer, Gas, Cleaning, HVAC, Elevator, Generator, Parking Management (Net of Parking Revenue), Pest Control, Snow Removal, Plumbing, Fire Alarm, Association Fees and Security.
TOTALS				59.35	6,006,392	6,177,912	6,354,404	6,536,015	6,722,893

*For FY 2019 Personnel, estimates are based on the average FY 2018 salary of current ACPs staff with the same job title, scaled up 3% to account for salary inflation of one year, plus a rate of 28% benefits for all employees.

**FY 2020 - FY 2023 include estimated inflation of 3% for personnel and 2% for non-personnel.

QUESTION B19-02: WHY IS THE GROWTH PROJECTION FOR HEALTHCARE COSTS, WITHIN THE FIVE-YEAR FISCAL FORECAST, ONLY 5.0% IF WE HAVE EXPERIENCED HIGHER GROWTH IN PAST YEARS?

Question Number: B19-02
Board Member(s): Ms. Anderson
Staff Respondent: Michael Herbstman, Chief Financial Officer

Response: Following this question, we looked back at our data and determined that this assumption required an update. The annual growth estimate was increased to 9.0% throughout the FY 2019 – FY 2023 Fiscal Forecast.

In November 2013, the School Board authorized the establishment of a Health Benefits Fund to better manage the costs of health care programs provided to active ACPS employees and retirees and their families. Prior to FY 2014, health care expenditures were not sufficiently delineated to allow for a complete analysis. Overall health-benefits fund expenditures since FY 2014 have grown from \$20.7 million to \$27.8 million. This is an average of 10.4% per year. With careful management and cost mitigation techniques, we believe that we can reduce this average increase to 9.0%.

	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual*
Health-Benefits Fund Expenditures	20,651,891	23,459,760	24,438,607	27,750,076
Annual Increase	n/a	13.60%	4.17%	13.55%
Avg. Increase Since FY 2014 (Compounded Annually)	n/a	13.60%	8.79%	10.35%

*FY 2017 actual expenditures have not yet been audited as of September 2017.

QUESTIONS FROM SEPTEMBER 21, 2017 WORK SESSION

QUESTION B19-03: WHAT WAS THE AVERAGE PERCENTAGE RAISE FROM THE CITY OF ALEXANDRIA STEP INCREASE FOR FY 2018?

Question Number: B19-03
Board Member(s): Various
Staff Respondent: Dominic Turner, Director – Budget and Financial Systems; Michael Herbstman, Chief Financial Officer

Response: The average raise for City of Alexandria employees for FY 2018 is 2.9%. This increase is attributed to their merit step increase. There was not a Cost of Living Adjustment (COLA) planned for FY 2018.

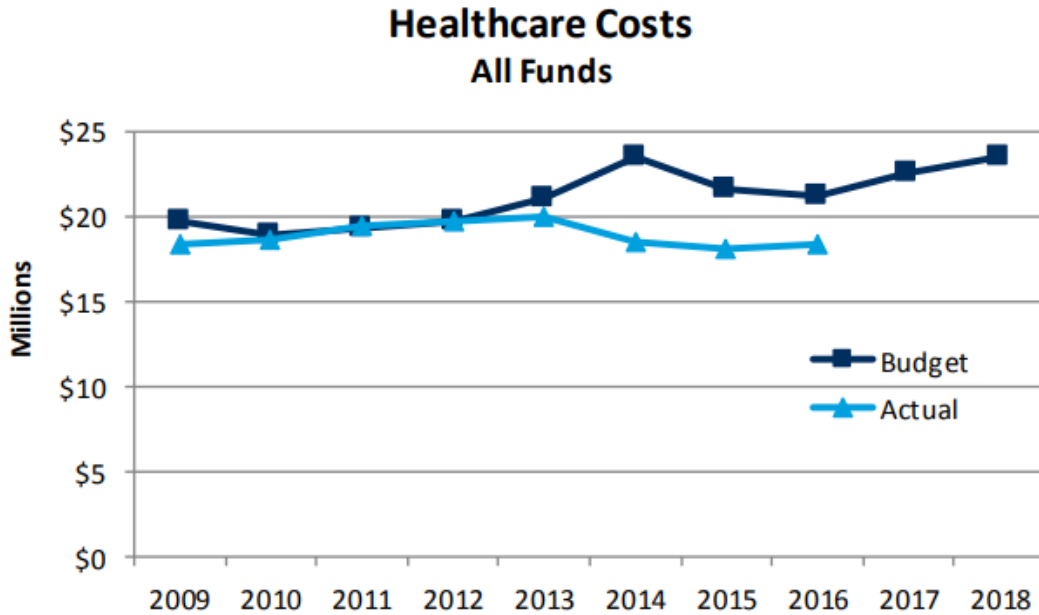
Source: City of Alexandria, Office of Management and Budget

QUESTION B19-04: HOW HAVE THE CITY OF ALEXANDRIA’S HEALTHCARE COSTS INCREASED OVER THE LAST TWO BUDGETS?

Question Number: B19-04

Board Member(s): Various
Staff Respondent: Dominic Turner, Director – Budget and Financial Systems; Michael Herbstman, Chief Financial Officer

Response: Between FY 2016 and FY 2017, healthcare cost growth was budgeted at 7% and between FY 2017 and FY 2018, health care cost growth was budgeted at 9.5% for Kaiser plans and 18.1% for United Healthcare plans. The table below, from the City of Alexandria personnel summary, shows actual and budgeted healthcare costs since FY 2009:



Source: City of Alexandria, Office of Management and Budget

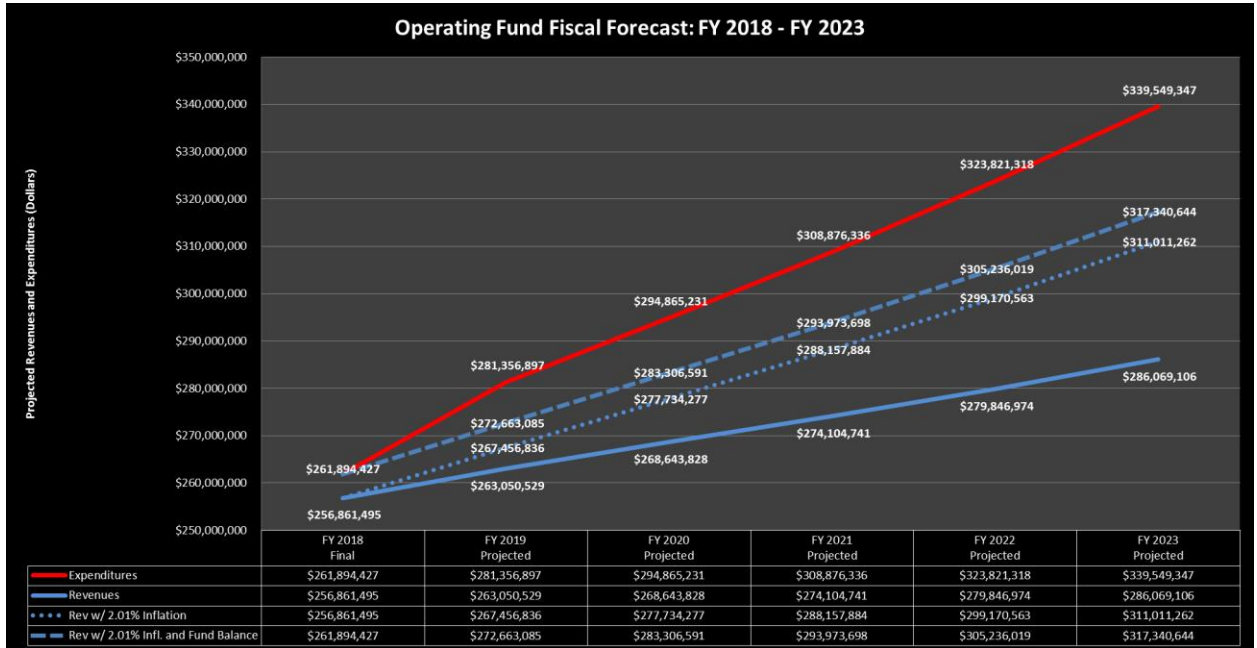
QUESTION B19-05: WHAT WOULD THE FIVE-YEAR FISCAL FORECAST CHART LOOK LIKE IF WE ASSUMED AN INFLATION FACTOR IN THE CITY’S ANNUAL APPROPRIATION?

Question Number: B19-05
Board Member(s): Mr. Cardwell
Staff Respondent: Michael Herbstman, Chief Financial Officer

Response: The Federal Reserve Bank of St. Louis publishes a 5-Year Forward Inflation Expectation Rate. This rate “is a measure of expected inflation (on average) over the five-year period that begins five years from today.” (Federal Reserve Bank of St. Louis, 2017). In other words, this number predicts the average annual inflation over the next five years. As of September 28, 2019, the value was 2.01%. This estimate was used for the below calculations and diagrams.

Including a 2.01% inflation factor on per-pupil City appropriation significantly reduces the projected budget gaps. The comparisons with the inflation adjustments are shown below in chart and graph formats.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Forecasted Revenues and Expenditures	Final	Projected	Projected	Projected	Projected	Projected
Revenues	256,861,495	263,050,529	268,643,828	274,104,741	279,846,974	286,069,106
Expenditures	261,894,427	281,356,897	294,865,231	308,876,336	323,821,318	339,549,347
Revenues Less Expenditures	(5,032,932)	(18,306,368)	(26,221,402)	(34,771,594)	(43,974,344)	(53,480,241)
Revenues w/ 2.01% Inflation	256,861,495	267,456,836	277,734,277	288,157,884	299,170,563	311,011,262
Expenditures	261,894,427	281,356,897	294,865,231	308,876,336	323,821,318	339,549,347
Revenues w/ 2.01% Inflation Less Expenditures	(5,032,932)	(13,900,061)	(17,130,954)	(20,718,452)	(24,650,755)	(28,538,085)
Rev w/ 2.01% Inflation and Fund Balance	261,894,427	272,663,085	283,306,591	293,973,698	305,236,019	317,340,644
Expenditures	261,894,427	281,356,897	294,865,231	308,876,336	323,821,318	339,549,347
Revenues w/ 2.01% and Inf. and FB Less Expenditures	-	(8,693,812)	(11,558,640)	(14,902,638)	(18,585,299)	(22,208,703)



SOURCES OUTSIDE OF ACPS AND CITY OF ALEXANDRIA

Federal Reserve Bank of St. Louis. (2017, October 3). *5-Year, 5-Year Forward Inflation Expectation Rate [T5YIFR]*. Retrieved from FRED, Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/T5YIFR>