

Date: September 6, 2018

For ACTION _____

For INFORMATION X

Board Agenda: Yes X
No _____

FROM: Dominic B. Turner, Director of Budget and Financial Systems

THROUGH: Gregory C. Hutchings Jr., Ed.D., Superintendent of Schools
Michael R. Herbstman, Chief Financial Officer

TO: The Honorable Ramee A. Gentry, Chair, and Members of the Alexandria City School Board

TOPIC: FY 2020 Preliminary Budget Work Session

BACKGROUND:

Each September, the School Board begins budget development for the next fiscal year. This preliminary budget work session commences public work on the budget process and introduces the below key planning documents that will be used throughout the development of the FY 2020 Combined-Funds Budget and the FY 2020 – 2029 Capital Improvement Program (CIP) Budget.

Budget Process Resolution and Rules of Engagement: Each year, the School Board establishes the process by which the Capital Improvement Program and Combined Funds budgets will be developed, discussed, amended and ultimately approved through the adoption of a budget process resolution and the associated rules of engagement. The rules of engagement were developed and approved three years ago to establish written guidelines that all School Board members must follow throughout the budget process regarding the submission of budget questions and add/delete recommendations. The FY 2019 documents were last revised by the School Board on January 24, 2018 in order to clarify several key points in the process.

Budget Calendar: Annually, the School Board adopts a budget calendar to define the timeframe under which the proposed budget will be prepared, discussed, and approved. The School Board approves the budget calendar as part of setting the work and meeting schedule for both the Combined Funds and CIP budgets.

Five-Year Fiscal Forecast: In order to facilitate long-term planning and budgeting efforts, ACPS Staff provides the School Board with periodic updates on the long-term fiscal forecast of the Operating Fund.

SUMMARY:

The following documents will be discussed during the FY 2020 Preliminary Budget Work Session on September 6, 2018:

Budget Process Resolution and Rules of Engagement: The FY 2020 Budget Process Resolution and Rules of Engagement remain consistent with last year's versions as revised on January 24, 2018. No changes are recommended to these documents for the FY 2020 cycle.

Budget Calendar: The FY 2020 Budget Calendar follows the same general timeline as the FY 2019 Budget Calendar, with one exception related to the timing of the proposed CIP.

- Recommended Change: The Superintendent's Proposed CIP presentation is scheduled for November 8, approximately three weeks earlier than last year's November 30 presentation. The other CIP dates, leading up to the scheduled School Board adoption on December 20, are also advanced accordingly.
- Reason for Recommended Change: Last year, the Ad-Hoc Joint City-Schools Investment Task Force was scheduled to recommend a CIP during the fourth week of October. In order for the Superintendent's Proposed CIP to consider the Task Force's recommendations, a delay was required. Because the Task Force work is complete, the Superintendent can now propose the CIP in early-November.

Five-Year Fiscal Forecast: The FY 2020 – FY 2024 Operating Fund Fiscal Forecast reflects the financial challenges that the Division will face in the coming years. Over the previous decade, student enrollment and expenditures have increased at a far quicker pace than the corresponding revenue has grown. ACPS Staff analysis shows that this trend will continue into the future, requiring a combination of revenue enhancements and expenditure reductions to balance sizable projected budget gaps.

For FY 2020, the projected budget deficit is \$17.8 million. Each year, as expenditures outstrip revenues, the estimated budget gap will continue to expand. By FY 2024, the annual funding deficit projection grows to \$95.1 million.

This fiscal forecast begins with the FY 2019 Final Operating Fund Budget which was balanced with the use of \$5.2 million in fund balance. In each fiscal year beginning with FY 2020, adjustments were made to reflect the anticipated revenue and expenditure assumptions. These assumptions (based on historical data and analysis of the operating impacts of the Capital Improvement Program) will be discussed in the work session.

RECOMMENDATION: The Superintendent recommends that the School Board review the draft Budget Process Resolution, Rules of Engagement, Budget Calendar and Five-Year Fiscal Forecast in preparation for the work session.

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ATTACHMENTS:

- 1) FY 2020 Budget Process Resolution
- 2) FY 2020 Rules of Engagement
- 3) FY 2020 Budget Calendar
- 4) FY 2019 – FY 2024 Operating Fund Fiscal Forecast