

Date: March 8, 2019

For ACTION _____

For INFORMATION X

Board Agenda: Yes _____

No X

FROM: Dominic B. Turner, Acting Chief Financial Officer

THROUGH: Dr. Gregory C. Hutchings, Jr., Superintendent of Schools

TO: The Honorable Cindy Anderson, Chair, and Members of the Alexandria City School Board

TOPIC: Long-term Financial Impact of Reinstating 30 Custodians

BACKGROUND: On Thursday, February 21, 2019, the School Board approved the FY 2020 Combined Funds Budget. The adoption of the Combined Funds Budget is an annual commitment to programs and activities for Alexandria City Public Schools. ACPS is moving forward in our efforts to realize the mission and vision established in ACPS 2020 strategic plan, and to prepare every student to have the skills necessary to be successful in the 21st century. We are guided by a commitment to achieving academic excellence, where every school is high performing and every student succeeds.

The Approved FY 2020 Budget appropriated funds to achieve the 6 goals outlined in the Strategic Plan 2020, with emphasis on the areas adopted by the School Board as budget priorities on September 27, 2018.

On Wednesday, March 6, 2019, at the Joint City/Schools Work Session discussion was held in regards to adding an additional 30 FTEs for custodial services. The implementation of a plan to outsource custodial services through attrition was developed due to the recommendation from the facilities audit, as well as efforts to fulfill the Strategic Plan Goals 4 (Facilities and the Learning Environment) and 6 (Effective and Efficient Operations). Specifically the outsourcing of custodial services through attrition ensures that facilities are maintained at high levels in an efficient manner to support the educational mission and daily operations of the School Division. Cost savings was not the driver for custodial outsourcing, however, adding the 30 FTEs back will have a long-term financial impact on ACPS' operating budget.

SUMMARY: This memorandum outlines the long-term financial impact that adding these positions will have on the FY 2020 budget, and beyond.

IMPACT: A change of \$500K is required to fund the additional FTEs in FY 2020. As discussed in the Work Sessions held on February 14, and 19, 2019, in-house custodial services costs an estimated \$1M more than contractors. This amount is largely salaries and employees' fringe benefits, the fastest growing part of ACPS' operating budget. With the average step increase being 2.63%, Market Rate Adjustments in the local market ranging from 1-2.5%, and past healthcare plan (UHC and Kaiser) premium increases of 15% and 9.5%, this \$1M premium for in-house custodial services will continue to grow (See Exhibit 1).

Exhibit 1. Estimated Costs					
Expenditure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Salary	\$ 502,500	\$ 520,741	\$ 539,644	\$ 559,233	\$ 579,533
Fringe Benefits	\$ 247,500	\$ 280,170	\$ 317,152	\$ 359,017	\$ 406,407
Supplies Materials	\$ 250,000	\$ 255,000	\$ 260,100	\$ 265,302	\$ 270,608
Total	\$ 1,000,000	\$ 1,055,911	\$ 1,116,896	\$ 1,183,551	\$ 1,256,548

At the September 20, 2018, School Board Work Session the 5-year Fiscal Forecast was presented illustrating a large structural deficit (expenditures outpacing revenues). Staffing growth, salaries, and employees' fringe benefits are largely the reasons behind the structural deficit. Specific steps were taken in the FY 2020 Approved Budget to combat this concern. A health benefits committee evaluated our health plans and made recommendations to change certain benefits to limit our premium increases, and staffing growth slowed. The impact of adding 30 FTEs back into the budget would lessen the effects these decisions had on our structural deficit, leading to greater, future budget trade-offs/cuts.

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ATTACHMENTS: FY 2020-2024 Fiscal Forecast