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Superintendent
Alvin L. Crawley, Ed.D.

School Board

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December 8, 2016

Mr. Mark B. Jinks
City Manager

Dear Mr. Jinks,

Per the City Council's request, the School Board, via the Superintendent, is delivering supplemental information regarding the proposed purchase of 1701 and 1705 N. Beauregard for conversion into a West End elementary school. Included are two resolutions approved by the School Board to request the transfer of funds to:

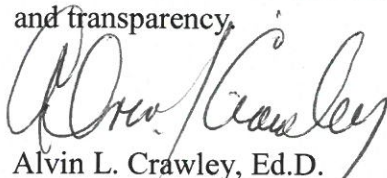
- Re-appropriate \$1.9 million of ACPS fund balance to its Capital Improvement Program (CIP) budget, in accordance with adopted School Board Policy DAB and Council's approved process; and
- Transfer \$2.5 million from the ACPS Operating Budget to the ACPS CIP Budget.

All requested transfers utilize existing ACPS funds.

Further, in response to questions asked by Council related to several ACPS projects at the recent City Schools meeting, the School Board has provided an overview of the school division's fiscal oversight improvements since 2013. Included in this information are details on:

- Risk Assessment
- Internal Audit Program
- Reconstitution of the Budget and Audit Board Committees
- Establishment of the Committee of the Whole for Policy Enactment and Revision
- Fiscal Policy Overhaul
- Reconstitution of the Budget Advisory Committee
- Financial Reporting and Transparency

In addition, we are providing a quick reference guide to locating the School Board's online video and document repository to ensure sound business practices and transparency.



Alvin L. Crawley, Ed.D.
Superintendent of Schools

cc: Alexandria City School Board

1701 and 1705 N. Beauregard Street Update



City Council

December 13, 2016



Every Student Succeeds

Essential Questions

- What is the planned use for 1701 and 1705 N. Beauregard?
- Why was the property selected and how does it meet the school division's needs?
- Why did ACPS decide to buy the building vs. lease?
- What is the timeline for the acquisition of 1701 and 1705?
- What are the costs associated with acquisition of this property and how has the Board addressed them?
- How does this project impact seating capacity?

Planned Use for 1701/1705 N. Beauregard

- **1701 N. Beauregard:** Retrofit the office building, making substantial changes to convert it into space suitable for approximately 650 elementary students
- **1705 N. Beauregard:** Convert parking garage adjacent to the building into outdoor space for students

Benefits of 1701/1705

N. Beauregard Site Selection

- Fiscally responsible solution that addresses elementary capacity on the West End
- Helps address future capacity needs
- Modern and up to date building condition
- Ample space for conversion to outdoor learning and room for possible expansion
- Lessens impact of capacity reassignments for students across the City
- Increases walkability of students

Cost Details:

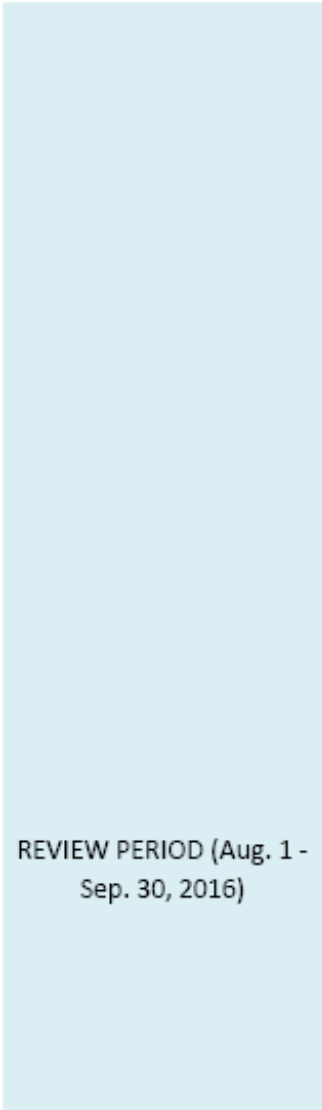
Purchasing vs. Leasing

- Purchase price : \$15 million
- Future Potential Savings: Approximately \$28 million over ten years or \$64 million over twenty years*
- Retrofit cost: approximately \$23.2 million

*based on initial lease terms, current purchase price, and other anticipated costs to retrofit the building

Timeline Status of 1701/1705

1701 & 1705 N. Beauregard St. School Conversion Checklist

<u>TASKS</u>	<u>CONTRACT TIMELINE</u>	<u>COMMENTS</u>
<input checked="" type="checkbox"/> Executed Contract <i>August 1, 2016</i>		Documents received and reviewed-there are no environmental concerns at the site
<input checked="" type="checkbox"/> Earnest Money Deposit Completed <i>August 5, 2016 (5 days after executed contract)</i>		
<input checked="" type="checkbox"/> Review Phase I ESA from Owner <i>Aug. 1 - Aug. 5, 2016</i>		
<input checked="" type="checkbox"/> Building Fireproofing Assessment <i>August 5, 2016</i>		
<input checked="" type="checkbox"/> 9.06 Review Submission <i>August 5, 2016</i>		
<input checked="" type="checkbox"/> SUP Application <i>August 5, 2016</i>		
<input checked="" type="checkbox"/> Title Search Complete <i>August 5, 2016</i>		
<input checked="" type="checkbox"/> Complete Building Assessment Report <i>August 11, 2016</i>		
<input checked="" type="checkbox"/> Appraisal Completed <i>September 1, 2016</i>		

REVIEW PERIOD (Aug. 1 -
Sep. 30, 2016)

Timeline Status of 1701/1705, contd.

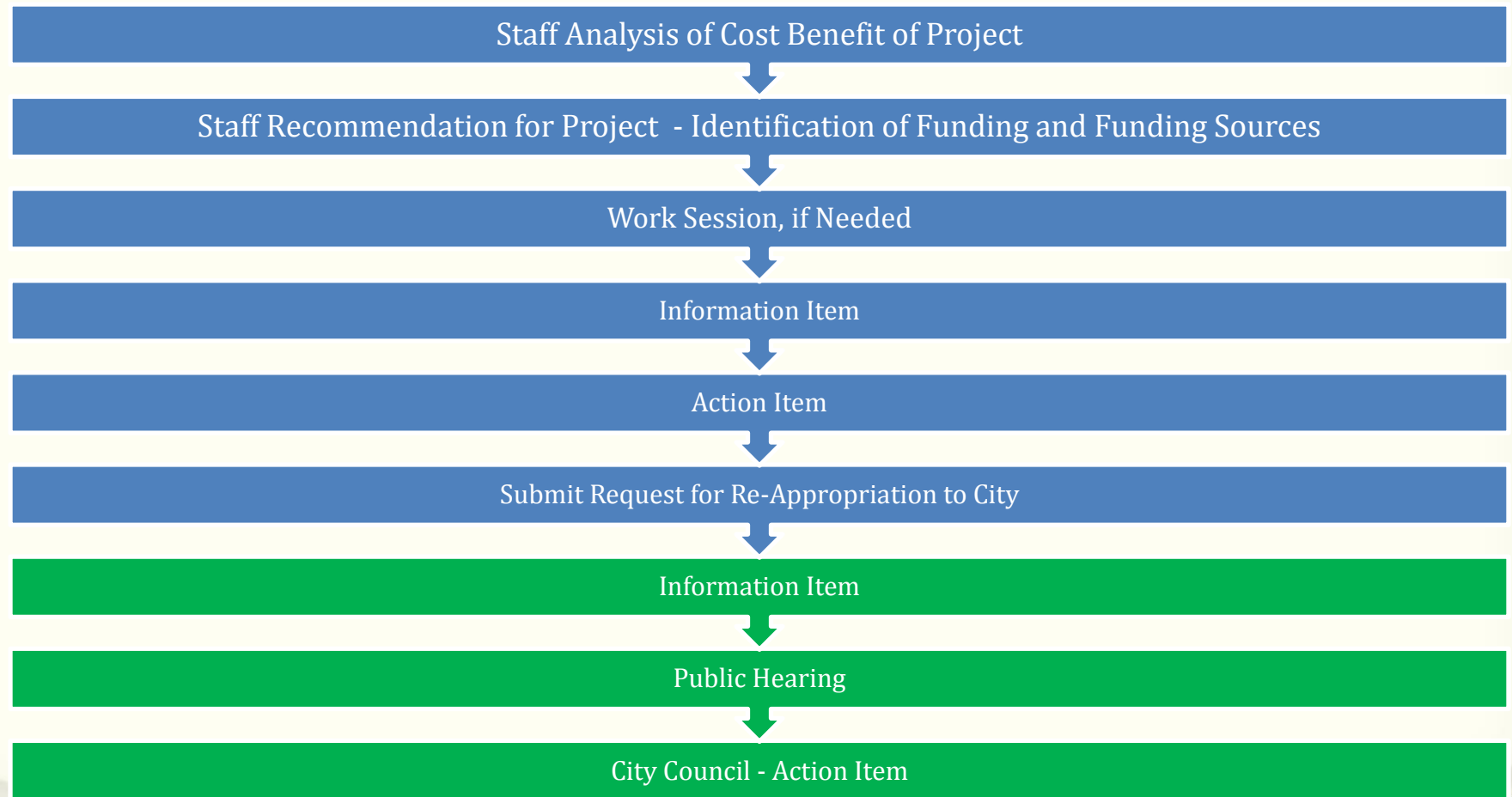
X	Security Review Completed	No significant concern found
	<i>September 1, 2016</i>	
X	Engage Community	
	<i>September 1, 2016</i>	
X	Give School Board an Update	
	<i>September 1, 2016</i>	
X	9.06 Review Public Hearing	Approved by Planning Commission
	<i>September 8, 2016</i>	
X	Civil Engineer Development of Concepts	The City has asked for a complete Concept II Submission prior to providing comment. Staff submitted on 09.29.16
	<i>August 1 - September 9, 2016</i>	

X	Feasibility Study Report w/ Preliminary Cost Estimates	
	<i>October 17, 2016</i>	
X	Determination of Covenant Modification Process	
	<i>December, 2016</i>	
X	Present Total Project Cost and Funding Requirements for Information	CIP Budget Transfer, Use of Fund Balance and Reallocation of Operating Funds to Support the New School Project
	<i>January 10, 2017</i>	

Timeline Status of 1701/1705, contd.

<input type="checkbox"/>	Final Decision to Pursue Closing and Forego Earnest Money Deposit	EXTENDED REVIEW PERIOD (Oct. 1-Jan. 31, 2017)
	<i>January 12, 2017</i>	
<input type="checkbox"/>	Public Hearing	
	<i>January 21, 2017</i>	
<input type="checkbox"/>	Present Total Project Cost and Funding Requirements for Action	
	<i>January 24, 2017</i>	CLOSING PERIOD (Feb. 1-Feb. 28, 2016)
<input type="checkbox"/>	City Staff Presents Supplemental Appropriation Ordinance for Use of Fund Balance	
	<i>January, 2017</i>	
<input type="checkbox"/>	School Board Adopts Revised FY 2017 Budget to Include the Adjustments for the New School	EXTENDED CLOSING (Mar. 1 - Mar. 31, 2017, if pursued)
	<i>February, 2017</i>	
<input type="checkbox"/>	City's Determination of DSUP	OWNERSHIP AND RETROFIT OF PROPERTY W/LAND USE (Apr. 1 - Aug. 30, 2018)
	<i>TBD</i>	
<input type="checkbox"/>	Procure A&E Firm/Project Management	
	<i>TBD</i>	
<input type="checkbox"/>	Design	
	<i>TBD</i>	
<input type="checkbox"/>	Construction	
	<i>TBD</i>	

Budget Transfer Process and City Council Appropriation Process



Budget Transfer Request & Action

- Transfer \$1.9 million from ACPS fund balance to ACPS CIP budget, in accordance with adopted School Board Policy DAB and Council approved process
- Transfer \$2.5 million from ACPS Operating Budget to ACPS CIP Budget
- All requested transfers utilize existing ACPS funds

Budget Transfer

Description	Funding allocation
CIP: Retrofit a new West End elementary school	\$16.1 million
CIP: Retrofit a new pre-K center	\$8.3 million
Operating: Estimated partial year leasing costs	\$2.5 million
Fund Balance to address unanticipated needs	\$1.9 million
Total	\$28.8 million

Budget Transfer

Description	Reasoning	CIP Allocation	Return to Future CIP
System-wide Furniture, Fixtures, and Equipment (FF&E)	These funds are available to use for the new school project given the FF&E requirements for the new school.	\$200,000	No
George Washington Roof Replacement	Due to budget savings, after substantial completion of a partial roof replacement at GW, there are no further costs anticipated for this project.	\$790,796	No
Charles Barrett Cafeteria Expansion	This expansion was previously allocated to expand the CB cafeteria given recent classroom additions and anticipated pressure on core spaces. Based on a study of our cafeterias this year, this project can be deferred.	\$910,267	No
Transportation Facility	These funds were allocated in FY 2012 to expand the parking lot for school buses at the transportation facility. The City has not authorized approval for this lot expansion.	\$2,070,174	Yes, not within 5 years
Minnie Howard Capacity and Modernization Project	Originally allocated for the design, project management, and other soft costs for the 10-classroom addition and modernization of Minnie Howard. Based on School Board feedback and a review of capacity needs we recommend that the approved Minnie Howard project be reprioritized to reflect the need to address high school capacity in grades 9 through 12.	\$5,159,585	Yes, within 3 years
Matthew Maury Roof Replacement	These funds were allocated to support the replacement of the roofing over the school. Since that time ACPS completed its system wide roof assessments to determine the condition of all of our roofs and developed a database for tracking the need for maintenance, repair or replacement.	\$1,345,759	No
Total		\$10,476,581	

Budget Transfer

Budget Transfer- 1701/1705 N. Beauregard Street					
From Account					
<u>ORG</u>	<u>OBJECT</u>	<u>PROJECT</u>	<u>TITLE</u>	<u>Amount Transferring</u>	<u>ACPS Account #</u>
41861560	52121	20135	GW-Facility Maintenance-Roof Replacement	\$ 790,796.00	41861560-7-P150087
41862554	NEW	NEW	TCWM-Capacity-Capacity Addition A&E	\$ 327,455.00	41862554-4-P160013
			TCWM-Capacity-Design, Project Management and Other Soft		
61862554	NEW	NEW	Cost	\$ 4,832,585.00	41862554-4-P170119
41861582	53601	20149	SW-Facility Maintenance-FF&E	\$ 200,000.00	41861582-7-P160028
41862350	NEW	NEW	CB-Capacity-Core Space Renovation	\$ 910,267.00	41862350-4-P150004
41861543	52121	20140	MM-Facility Maintenance-Roof Replacement	\$ 1,345,759.00	41861543-7-P170087
41862228	52121	20148	TF-Capacity-Upgrade transportation shop	\$ 94,044.00	41862228-4-P140104
41862228	52121	20148	TF-Facility Maintenance-Parking Lot Expansion	\$ 1,976,130.00	41862228-7-P150113
41862556	52102	20534	CP-Capacity-Retrofitting Leased Space for Central Preschool	\$ 7,220,505.00	41862556-4-P170114
To Account					
41862553	NEW	NEW	WE-Capacity-Retrofitting Leased Space for West End Elementary	\$ 17,697,541.00	41862553-4-P170115

Capacity Adjustments

Status	K-5 Capacity	K-5 FY 16 Enrollment	K-5 Seating Change (Deficit)/ Additions
Current Capacity	6974	7911	-937
New School	638		638
<i>Capacity with New School</i>	<i>7612</i>	<i>7911</i>	<i>-299</i>

Note: This analysis does not take into consideration any other approved capacity projects.

Next Steps in Timeline

- Continuing to work with City staff throughout DSUP process
- Resolving covenants discovered in the title examination
- Addressing contractual matters through the extended Review Period: January 23, 2017

Questions?

Date: December 1, 2016

For ACTION _____ X _____
For INFORMATION _____

Board Agenda: Yes _____ X _____
No _____

FROM: Clarence E. Stukes, Chief Operating Officer
Elijah Gross, Director, Planning, Design and Construction

THROUGH: Alvin L. Crawley, Ed.D., Superintendent of Schools
Michael R. Herbstman, Director of Budget and Financial Systems

TO: The Honorable Karen Graf, Chair, and Members of the Alexandria City School Board

TOPIC: CIP Budget Transfer – 1701 and 1705 N. Beauregard

BACKGROUND: Since February 2016, staff has been engaged in a search for properties that can accommodate the increased enrollment of students in the school division. After looking at several available properties and applying our criteria of needed square footage, site conditions and access for West End families, staff pursued the 1701/1705 N. Beauregard Street location.

The plan currently under review is to purchase and retrofit the office building at 1701 N. Beauregard, making substantial changes to the inside to convert it into space suitable for approximately 650 elementary students. The purchase would include the parking garage adjacent to the building, part of which would be converted into outdoor space for students at the school.

ACPS staff is confident that this model is an efficient and effective way to create new learning spaces and help reduce capacity issues. The anticipated cost of purchasing the land and retrofitting the building will be significantly lower than long-term leasing of the building, or purchasing land and constructing a new school. This school is needed to help resolve capacity issues on the West End.

Cost Benefits for Purchasing vs. Leasing

Preliminary lease vs. purchase analyses indicate a potential savings of approximately \$28 million over ten years or \$64 million over twenty years based on the initial lease terms, current purchase price, retrofitting costs, and projected property value.

Total Estimated Costs for Purchasing and Retrofitting 1701 and 1705 N. Beauregard and Addressing Pre-K Center Needs

At a purchase price of \$15 million and retrofitting costs of approximately \$23.2 million, the total up-front costs to purchase and retrofit 1701 and 1705 for a new elementary school is approximately \$38.2 million.

There is a need to reconfigure and modestly update John Adams Elementary School to accommodate a separate pre-K center. Due to the building layout of John Adams and existing early childhood section, it is anticipated that minor reconfiguration will be necessary. Costs are estimated at \$1.0 million.

Funding Options for Purchase and Retrofit of the New West End Elementary School and Pre-K Center

Staff has identified the following estimated funding sources to support the purchase and retrofitting of 1701 and 1705:

Description	Funding allocation
CIP: Retrofit a new West End elementary school	\$16.1 million
CIP: Retrofit a new pre-K center	\$8.3 million
Operating: Estimated partial year leasing costs	\$2.5 million
Fund Balance to address unanticipated needs	\$1.9 million
Total	\$28.8 million

In accordance with School Board Policy DAB, Operating Fund Balance, the School Board may reserve available fund balance for certain circumstances including significant unanticipated expenditures of a nonrecurring nature. At its meeting on May 26, 2016 to adopt the FY 2017 budget, the School Board committed approximately \$1.9 million in compliance with this policy. The circumstances surrounding the funding gap for the new West End elementary school and pre-K center meet these requirements.

To fully cover the funding gap with CIP funding previously allocated to ACPS, staff recommends the following project funds be used as prioritized below:

Description	Reasoning	CIP allocation	Return to Future CIP
System-wide Furniture, Fixtures, and Equipment (FF&E)	These funds are available to use for the new school project given the FF&E requirements for the new school.	\$200,000	No
George Washington Roof Replacement	Due to budget savings, after substantial completion of a partial roof replacement at GW, there are no further costs anticipated for this project. According to a recent roof assessment, the last section of the roof is in good condition and does not represent an immediate need at this time.	\$790,796	No

Charles Barrett Cafeteria Expansion	This expansion was previously allocated to expand the CB cafeteria given recent classroom additions and anticipated pressure on core spaces. Based on a study of our cafeterias this year, this project can be deferred and funds can be reprioritized.	\$910,267	No
Transportation Facility	These funds were allocated in FY 2012 to expand the parking lot for school buses at the transportation facility. The City has not authorized approval for this lot expansion. ACPS continues to be concerned about the condition of this facility and the availability of space for school buses. However, without the City's approval to use the adjacent lot, this project cannot move forward and funds can be reprioritized to support the new school.	\$2,070,174	Yes, not within 5 years
Minnie Howard Capacity and Modernization Project	Originally allocated for the design, project management, and other soft costs for the 10-classroom addition and modernization of Minnie Howard. Based on School Board feedback and a review of capacity needs we recommend that the approved Minnie Howard project be reprioritized to reflect the need to address high school capacity in grades 9 through 12. As a result, the allocated soft costs from FY 2016 and FY 2017 are being redirected to close the gap to support the new (1701) elementary school. During FY 2018-2027, the Superintendent recommends construction of a new building that would accommodate 1600 students.	\$5,159,585	Yes, within 3 years
Matthew Maury Roof Replacement	These funds were allocated to support the replacement of the roofing over the school. Since that time ACPS completed its system wide roof assessments to determine the condition of all of our roofs and developed a database for tracking the need for maintenance, repair or replacement. In addition, a roof maintenance contract was entered into to properly maintain these roofs between replacements. It was determined that a portion of Mathew Maury roof needed immediate replacement, while the rest of the roof could be maintained. Thus, we are recommending that a portion of the funds allocated be used to support 1701 with the remainder being used to support a partial roof replacement at Mathew Maury.	\$1,345,759	No
Total		\$10,476,581	

The cost of purchasing and retrofitting 1701 and 1705 properties through the use of the above ACPS funds will allow ACPS to move forward with this project without requesting additional funds from City Council.

Below is the detailed project account adjustment.

Budget Transfer- 1701/1705 N. Beauregard Street						
From Account						
ORG	OBJECT	PROJECT	TITLE	Amount Transferring	ACPS Account #	
41861560	52121	20135	GW-Facility Maintenance-Roof Replacement	\$ 790,796.00	41861560-7-P150087	
41862554	NEW	NEW	TCWM-Capacity-Capacity Addition A&E	\$ 327,455.00	41862554-4-P160013	
			TCWM-Capacity-Design, Project Management and Other Soft			
61862554	NEW	NEW	Cost	\$ 4,832,585.00	41862554-4-P170119	
41861582	53601	20149	SW-Facility Maintenance-FF&E	\$ 200,000.00	41861582-7-P160028	
41862350	NEW	NEW	CB-Capacity-Core Space Rennovation	\$ 910,267.00	41862350-4-P150004	
41861543	52121	20140	MM-Facility Maintenance-Roof Replacement	\$ 1,345,759.00	41861543-7-P170087	
41862228	52121	20148	TF-Capacity-Upgrade transportation shop	\$ 94,044.00	41862228-4-P140104	
41862228	52121	20148	TF-Facility Maintenance-Parking Lot Expansion	\$ 1,976,130.00	41862228-7-P150113	
41862556	52102	20534	CP-Capacity-Retrofitting Leased Space for Central Preschool	\$ 7,220,505.00	41862556-4-P170114	
To Account						
41862553	NEW	NEW	WE-Capacity-Retrofitting Leased Space for West End Elementa	\$ 17,697,541.00	41862553-4-P170115	

RECOMMENDATION: The Superintendent recommends that the School Board approve the attached budget transfer request in the amount of \$17,697,541.

CONTACT PERSON: Clarence E. Stukes, 703-619-8038

Date: December 1, 2016

For ACTION X
For INFORMATION
Board Agenda: Yes X
No

FROM: Michael R. Herbstman, Director of Budget and Financial Systems
THROUGH: Alvin L. Crawley, Ed.D., Superintendent of Schools
TO: The Honorable Karen Graf, Chair, and Members of the Alexandria City School Board
TOPIC: Resolution to Designate Fund Balance for the New Elementary School Project

BACKGROUND: The School Board and staff have been actively performing the necessary due diligence with regards to the prospective purchase of a new elementary school at 1701 and 1705 North Beauregard Street. Staff has reviewed the building condition, academic programming feasibility, covenant modifications, and land use requirements to inform the School Board's decision to proceed with this purchase. This building and adjacent garage became the most optimal solution for addressing elementary capacity given its square footage, location on the West End, and good building condition. At a sales price of \$15.0 million and preliminary retrofit estimates of \$23.2 million, the total cost of this project is approximately \$38.2 million. Additionally, the total cost to establish a separate Pre-K Center at John Adams Elementary School is approximately \$1.0 million.

With available Capital Improvement Program (CIP) funding of \$24.3 million, an additional \$14.9 million is required and anticipated to be covered through a reprioritization of capital improvement program projects, the use of school board reserves/ operating fund balance, and a transfer of operating funds to the ACPS Capital Improvement Program.

Use of Fund Balance

On May 19, 2016, the School Board adopted a new fund balance policy (Policy DAB) that outlines the acceptable levels and uses of unrestricted operating fund balance. The policy was established in collaboration with the City, giving the School Board the authority to establish a reserve to address any unanticipated funding needs or revenue shortfalls. Based on the available, unassigned fund balance as of June 30, 2015, the School Board designated \$1,934,459 as School Board Reserves on May 26, 2016.

Pursuant to School Board Policy DAB, the Superintendent is recommending that the School Board adopt a new fund balance resolution to use \$1,934,459 from School Board Reserves to partially fund the New Elementary School CIP Project.

To do this, the School Board will need to adopt a new Fund Balance Resolution that specifies the use of \$1,934,459 from School Board Reserves/ Operating Fund Balance for the new elementary school CIP project (see Attachment 1). This resolution authorizes the following: 1) an increase in the use of Spendable Fund Balance in FY 2017 for the ACPS Operating Fund by \$1,934,459 to a total of \$6,996,799, and 2) an increase in the operating expenditure budget from \$253,400,479 to \$255,334,938 in support of the new elementary school and pre-k center, thereby increasing the FY 2017 ACPS Capital Improvement Program budget from \$44,193,551 to \$46,128,010.

Supplemental Appropriation Ordinance and Required Budget Revisions

Upon the concurrent approval of this resolution and the “Resolution to Transfer FY 2017 Operating Budget Funding to the ACPS Capital Improvement Program Budget for the New Elementary School” by the School Board, staff will forward the appropriate documentation and requests to City staff for consideration by City Council. It is anticipated that City staff will introduce a Supplemental Appropriation Ordinance to City Council on January 10, 2017 to present the School Board’s request for City Council to appropriate an additional \$1,934,459 of ACPS Operating Fund Balance for FY 2017 and transfer \$2,540,975 from the ACPS operating appropriation to the ACPS Capital Improvement Program, in order to increase the FY 2017 ACPS Capital Improvement Program allocation by \$4,475,434.

The City Council will hold a public hearing regarding the Supplemental Appropriation Ordinance on January 21, 2017, with adoption scheduled for January 24, 2017. These dates are subject to change.

Upon City Council’s adoption of the supplemental requests, the School Board will need to amend both its FY 2017 Operating Budget and FY 2017 - 2026 Capital Improvement Program Budget to reflect these adjustments. This will be presented in a format similar to the Superintendent’s Recommended Adjustments discussed during the budget process. This action is recommended to take place in early February 2017, prior to closing on the new school.

RECOMMENDATION: The Superintendent recommends that the School Board adopt the attached resolution to designate and appropriate \$1,934,459 from available operating fund balance in support of the new elementary school and pre-k center projects. Adoption of both this resolution and the concurrent “Resolution to Transfer FY 2017 Operating Budget Funding to the ACPS Capital Improvement Program Budget for the New Elementary School” will result in a total of \$4,475,434 additional CIP funding for the new elementary school and pre-k center.

CONTACT: Michael R. Herbstman, 703-619-8098

ATTACHMENT:

1. Resolution to Designate Fund Balance for the New Elementary School

Resolution to Designate and Appropriate Fund Balance for the New Elementary School

WHEREAS, the School Board adopted a new fund balance policy (Policy DAB) on May 19, 2016 outlining the minimum levels and appropriate uses of operating fund balance for the school division;

WHEREAS, Policy DAB allows the School Board to designate fund balance of up to 1% of the upcoming Final Operating Budget for circumstances including, but not limited to, natural disasters and other unforeseen emergencies, significant unanticipated expenditures of a nonrecurring nature, and unforeseen governmental revenue shortfalls as School Board Reserves;

WHEREAS, the School Board committed \$1,934,459 on May 26, 2016 as School Board Reserves pursuant to Policy DAB; and

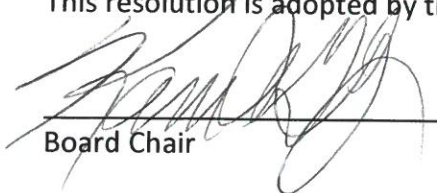
WHEREAS, the School Board is anticipating a funding shortfall for the acquisition and retrofit costs associated with the New Elementary School Project;

NOW, THEREFORE BE IT RESOLVED that the Alexandria City School Board eliminates the full committed amount of current School Board Reserves and commits \$1,934,459 from available operating fund balance for the New Elementary School Project; and requests that City Council approve a Supplemental Appropriation to increase the Spendable Fund Balance for the ACPS Operating Fund by \$1,934,459 to a total of \$6,996,799 for FY 2017.

FURTHER, BE IT RESOLVED that with City Council's approval of the requested supplemental appropriation of ACPS fund balance, the Alexandria City School Board authorizes an expenditure increase of \$1,934,459 to the FY 2017 Revised Operating Budget from \$253,400,479 to \$255,334,938 which is to be recorded as a transfer of \$1,934,459 out of the ACPS Operating Fund to the City's Capital Projects Fund in support of the new elementary school project, thereby increasing the FY 2017 ACPS Capital Improvement Program budget from \$44,193,551 to \$46,128,010.

FURTHER, BE IT RESOLVED that the foregoing fund transfers by the School Board will be effective fourteen days prior to the scheduled closing date of the purchase contract for the property at 1701 and 1705 North Beauregard Street, as that date may be amended.

This resolution is adopted by the Alexandria City School Board on December 1, 2016.


Board Chair


Clerk of the Board

Date: December 1, 2016

For ACTION X
For INFORMATION
Board Agenda: Yes X
No

FROM: Michael R. Herbstman, Director of Budget and Financial Systems

THROUGH: Alvin L. Crawley, Ed.D., Superintendent of Schools

TO: The Honorable Karen Graf, Chair, and Members of the Alexandria City School Board

TOPIC: Resolution to Transfer FY 2017 Operating Budget Funding to the ACPS Capital Improvement Program Budget

BACKGROUND: The School Board and staff have been actively performing the necessary due diligence with regards to the prospective purchase of a new elementary school at 1701 and 1705 North Beauregard Street. Staff has reviewed the building condition, academic programming feasibility, covenant modifications, and land use requirements to inform the School Board's decision to proceed with this purchase. This building and adjacent garage became the most optimal solution for addressing elementary capacity given its square footage, location on the West End, and good building condition. At a sales price of \$15.0 million and preliminary retrofit estimates of \$23.2 million, the total cost of this project is approximately \$38.2 million. Additionally, the total cost to establish a separate Pre-K Center at John Adams Elementary School is approximately \$1.0 million.

With available Capital Improvement Program (CIP) funding of \$24.3 million, an additional \$14.9 million is required and anticipated to be covered through a reprioritization of capital improvement program projects, the use of school board reserves/ operating fund balance, and a transfer of operating funds to the ACPS Capital Improvement Program.

Use of Operating Funds

The FY 2017 Operating Budget includes \$2,540,975 allocated for leasing and personnel costs related to the new elementary school and pre-k center. The Superintendent recommends that the School Board transfer this amount from the ACPS Operating Fund to the City's Capital Projects Fund in support of the new elementary school and pre-k center projects.

To do this, the School Board will need to adopt a resolution to transfer \$2,540,975 in FY 2017 Operating Budget Funding to the City's Capital Projects Fund in support of the new school project (see Attachment 1). This resolution authorizes the following: (1) a reduction of the City's operating appropriation to ACPS from \$206,561,472 to \$204,020,497, (2) a reduction in the ACPS operating expenditure budget by \$2,540,975, to a total of \$252,793,963 inclusive of the

fund balance adjustment described in the concurrent “Resolution to Designate and Appropriate Fund Balance for the New Elementary School,” and (3) a request to further increase the City’s Capital Projects Fund by \$2,540,975 to support the new elementary school and pre-k center, thereby increasing the FY 2017 ACPS Capital Improvement Program budget to \$48,668,985, inclusive of the aforementioned fund balance allocation.

Supplemental Appropriation Ordinance and Required Budget Revisions

Upon approval of both resolutions by the School Board, staff will forward the appropriate documentation and requests to City staff for consideration by City Council. It is anticipated that City staff will introduce a Supplemental Appropriation Ordinance to City Council on January 10, 2017 to present the School Board’s request for City Council to appropriate an additional \$1,934,459 of ACPS Operating Fund Balance for FY 2017 and transfer \$2,540,975 from the ACPS operating appropriation to the ACPS Capital Improvement Program, in order to increase the FY 2017 ACPS Capital Improvement Program allocation by \$4,475,434.

The City Council will hold a public hearing regarding the Supplemental Appropriation Ordinance on January 21, 2017, with adoption scheduled for January 24, 2017. These dates are subject to change.

Upon City Council’s adoption of the supplemental requests, the School Board will need to amend both its FY 2017 Operating Budget and FY 2017 - 2026 Capital Improvement Program Budget to reflect these adjustments. This will be presented in a format similar to the Superintendent’s Recommended Adjustments discussed during the budget process. This action is recommended to take place in early February 2017, prior to closing on the new school.

RECOMMENDATION: The Superintendent recommends that the School Board adopt the attached resolution to reduce the FY 2017 City Appropriation by \$2,540,975 in order to transfer these funds from the Operating Budget to the Capital Improvement Program Budget in support of the new elementary school and pre-k center projects. Adoption of both this resolution and the concurrent “Resolution to Designate Fund Balance for the New Elementary School” will result in a total of \$4,475,434 additional CIP funding for the new elementary school and pre-k center.

CONTACT: Michael R. Herbstman, 703-619-8098

ATTACHMENT:

1. Resolution to Transfer FY 2017 Operating Budget Funding to the ACPS Capital Improvement Program Budget for the New Elementary School

**Resolution to Transfer FY 2017 Operating Budget Funding to the
ACPS Capital Improvement Program Budget for the New Elementary School**

WHEREAS, the Alexandria City Council adopted its Final FY 2017 Operating Budget on May 5, 2016, which included an appropriation of \$206,561,472 to the Alexandria City Public Schools (ACPS);

WHEREAS, the Alexandria City Council adopted its Final FY 2017 – FY 2026 Capital Improvement Program budget on May 5, 2016, which included a \$44,193,551 appropriation to ACPS in FY 2017;

WHEREAS, the Alexandria City School Board adopted its Final FY 2017 Combined Funds Budget on May 26, 2016, which included an operating budget of \$253,400,479 for both revenues and expenditures;

WHEREAS, the Alexandria City School Board adopted its Final FY 2017-2026 Capital Improvement Program (CIP) Budget on May 26, 2016 which included \$44,193,551 for FY 2017;

WHEREAS, the Final FY 2017 Combined Funds Budget adopted by the Alexandria City School Board included \$2,540,975 for leasing and personnel costs related to the new elementary school and pre-k center approved in the CIP budget;

WHEREAS, an unforeseen opportunity arose to purchase 1701 and 1705 N. Beauregard Street as the new elementary school and a buy vs. lease analysis exhibited substantial long-term savings with purchasing the building; and

WHEREAS, the School Board is anticipating a CIP funding shortfall for the acquisition and retrofit costs associated with the New Elementary School Project;

NOW, THEREFORE BE IT RESOLVED that the Alexandria City School Board authorizes the transfer of \$2,540,975 from the FY 2017 Operating Budget to the FY 2017 Capital Improvement Program Budget to support the new elementary school. To accomplish this request, the School Board authorizes the following:


- 1) a reduction in the City Appropriation to ACPS for the FY 2017 Operating Budget from \$206,561,472 to \$204,020,497;
- 2) a corresponding reduction of \$2,540,975 in operating expenditures for FY 2017 bringing the FY 2017 Revised Operating Budget to \$252,793,963 (inclusive of the approved fund balance adjustment); and

3) a request to City Council to increase the City's Capital Projects Fund by \$2,540,975 to support the new elementary school, thereby increasing the FY 2017 ACPS Capital Improvement Program budget to \$48,668,985 (inclusive of the approved fund balance adjustment).

FURTHER, BE IT RESOLVED that the foregoing fund transfers by the School Board will be effective fourteen days prior to the scheduled closing date of the purchase contract for the property at 1701 and 1705 North Beauregard Street, as that date may be amended.

This resolution is adopted by the Alexandria City School Board on December 1, 2016.


Board Chair


Clerk of the Board



ACPS Fiscal Oversight

History and Timeline of Fiscal Improvements: 2013 – Present

December 8, 2016

Description of the financial policies, procedures and other improvements enacted by the Alexandria City School Board in recent years to enhance fiscal oversight and transparency in the Alexandria City Public Schools.

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Introduction

Beginning in 2013, the Alexandria City School Board and Alexandria City Public Schools staff have taken extensive action to increase transparency and enhance the financial policies, procedures and systems of the school division. Just a few of the many recent fiscal improvements are listed below:

1. Entity-wide business Risk Management Assessment
2. Commencement of a Board-governed audit program in alignment with the Risk Assessment
3. Reconstitution of Board advisory committees to provide fiscal expertise and community input
4. Complete update of all fiscal and budget policies
5. Additional reporting on financial status and budget transfers

Both the School Board and ACPS staff are proud of the resultant robust and transparent system currently in place. This work has been recognized in each year between FY 2013 and the present with the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting, Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting Award, GFOA Distinguished Budget Presentation Award and ASBO International Meritorious Budget Award. For the most recent fiscal year, ACPS also won, for the first time, the Annual Achievement of Excellence in Procurement Award from the National Procurement Institute.

Risk Assessment

The School Board voted in April of 2013 to initiate a risk management assessment. Risk management is a process, and the performance of this risk assessment represented a critical first step for ACPS in the pursuit of healthy fiscal oversight.

In September of 2013, the risk assessment was delivered for use as a tool for ACPS and the School Board to enhance or develop strategies for managing potential risks. Upon the hiring of Dr. Crawley as the Division Superintendent in October 2013, the School Board continued its discussion and planning around the document's findings, including how to move forward in the coming budget year to fund annual audit program recommendations. It was decided that the School Board would select particular areas of the organization to analyze and audit. Governance of these audits would rest with the School Board.

Through the FY16 budget work sessions, the School Board had conversations about the audit program funding and ultimately approved it within the Combined Funds Budget in May of 2015. In June of 2015, the School Board discussed potential audits in the areas of:

- Payroll: Compensation Data Integrity, Time Management, Pay Accuracy
- Facilities: Asset Management, Budget Management, and Contract Management
- Procurement: Compliance with the Virginia Public Procurement Act (VPPA) , Board Policies, and Division Procedures
- Communications: Crisis Management and Division-wide Communications Protocols

After the funds became available in July of 2015, the School Board convened a Procurement Committee to develop the scope of work and execute the RFP. In November of 2015, the committee went through a procurement process during which the bids of several firms were analyzed. In the spring of 2016, the School Board awarded a contract to one firm to conduct audits in the following areas: procurement, facilities, and payroll.

It was decided that communications processes, upon the hiring of the current Director of Communications, had improved considerably. The department had established a Division Communication Plan and had developed funding goals that had yet to be realized. If needed, future review of this area will be included in the next risk assessment.

In August of 2016, the Procurement Department functional performance audit began and is scheduled to be delivered to the Superintendent and School Board in December of 2016. In December of 2016, the Facilities Department functional performance audit will commence and is expected to be completed in August of 2017. The Payroll Department functional performance audit is scheduled to begin in February 2017. To take the place of the Communications Department audit, the Superintendent recommended analysis of the Human Resources Department instead. The Board will be discussing that proposal in the FY18 Combined Funds Budget Work Sessions this winter. If approved, the Human Resources audit would begin in the summer of 2017, with an estimated completion date of February 2018.

Timeline - Risk Assessment and Business Audit Program

<i>Date</i>	<i>Details</i>
April 11, 2013	Board initiates Risk Assessment
September 26, 2013	School Board delivers Risk Assessment Report in public meeting
November 13, 2013	Discussion of necessary actions, review and recommendations about the ACPS Risk Assessment Report
March 5, 2014	Further discussion of necessary actions, review and recommendations about the ACPS Risk Assessment Report
October 2014-March 2015	The FY16 Operating Budget includes internal audit funding
June 2015	Board discussion of departmental audits for Payroll, Facilities, Procurement and Communications
August 2015	Committee to procure services convenes
November 2015	Committee reviews firms to perform the functional performance audits
May 2016	Board awards contract to perform the functional performance audits
August 2016	Procurement Department audit begins
December 2016	Facilities Department audit begins
December 2016	Procurement Department audit scheduled to be delivered
February 2017	Payroll Department audit scheduled to begin
Spring-Summer 2017	Payroll Department audit scheduled to be delivered
August 2017	Facilities Department audit scheduled to be delivered
Summer of 2017	Human Resources Department audit is scheduled to begin (if Superintendent's recommendation is accepted by the Board);
February 2018	Human Resources Department audit is scheduled to be delivered (if Superintendent's recommendation is accepted by the Board)

Reconstitution of the Budget and Audit Board Committee

As of the winter of 2013, the Budget and Audit Committee, a Board committee made up of three Board members and one staff member, had not convened in some time. The School Board at the time decided to reassemble various Board committees, including the Budget and Audit Committee to review specific areas of the organization. The Budget and Audit Committee convened on the following dates:

1/11/13	5/15/13	11/13/13
2/4/13	6/19/13	3/5/14
2/20/13	8/21/13	4/9/14
3/19/13	9/11/13	5/7/14
4/17/13	10/9/13	6/10/14

Establishment of the Committee of the Whole for Policy Enactment and Revision

On June 12, 2014, the Superintendent recommended a move to centralizing responsibility of the School Board to set policies for the school division. The Superintendent recommended that the School Board delete references to Standing Committees in policy BCE and shift to a Work Session or Committee of the Whole structure to review new policies and significant revisions to existing policies. The Budget and Audit Committee dissolved and the work was assigned to the Budget Advisory Committee or directly to the School Board.

Fiscal Policy Improvements

In the same recommendation for centralizing responsibility of the School Board policies, the Policy Committee was dissolved in June 2014. The Superintendent and the School Board set in motion a full review of all the policies that govern the Division. As part of this comprehensive effort, each of the following fiscal management policies were reviewed and updated:

- [DA - Management of Funds](#)
- [DAA - Investment Policy Statement](#)
- [DAB - Operating Fund Balance](#)
- [DB - Annual Budget](#)
- [DG - Custody and Disbursement of School Funds](#)
- [DGB - Authorization of Procurement and Credit Card Use](#)
- [DGB-R - Alexandria City Public Schools Procurement and Credit Card Regulations](#)
- [DGC - School Activity Funds](#)
- [DGC-R - Student Activity Funds Manual](#)
- [DGD - Funds for Instructional Materials and Office Supplies](#)
- [DI - Financial Accounting and Reporting](#)
- [DIA - Reporting Per Pupil Costs](#)
- [DJ - Small Purchasing](#)
- [DJA - Purchasing Authority](#)
- [DJA-R - Procurement Manual](#)
- [DJB - Petty Cash Funds](#)

- [DJB-R - Petty Cash Fund Regulations](#)
- [DJF - Purchasing Procedures](#)
- [DJFA - Purchasing Procedures - Construction Services](#)
- [DJFB - Contract Execution](#)
- [DJG - Vendor Relations](#)
- [DK - Payment Procedures](#)
- [DL - Payroll Procedures](#)
- [DLB - Salary Deductions](#)
- [DLC - Expense Reimbursements](#)
- [DLC-R - Business Meals and Travel Regulations and Procedures](#)
- [DM - Cash in School Buildings](#)
- [DN - Disposal of Surplus Items](#)
- [DO - Non-Locally Funded Programs](#)
- [FB- Facilities Planning and Community Funded Facilities Projects](#)
- [FB-R – Regulations for Community Funded Capital Projects](#)
- [FEF – Supervision of Construction](#)
- [FEF-R – Capital Improvement Program Regulations](#)

These new policies represent a vigorous reinforcement of fiscal practices throughout the school division. Specifically, Policy DAB (Operating Fund Balance) was developed together by ACPS and the City to develop a fund balance policy for schools that outlines the appropriate level of unrestricted fund balance for ACPS, addresses the amount of the City's fund balance that should be designated for schools (if any), and establishes the protocols and guidelines that govern the process and criteria by which ACPS may access the City's funds.

Reconstitution of the Budget Advisory Committee

The Budget Advisory Committee (BAC) was reconstituted in the winter of 2014. BAC is charged with making recommendations on budget and financial management policies and practices, the presentation and preparation of the operating budget, the execution of the financial management of the school division, and annual budget priorities. BAC is asked to advocate for the Division by assisting in the education of the community with regard to the budgeting process and the contents of the annual operating and 10-year Capital Improvement Program budgets.

At the Board's request, BAC provides studies and recommendations on special topics or issues. BAC presents an annual written report of the committee's work as part of the School Board's annual budget process, and collaborates with other advisory committees as appropriate. Additionally, the BAC leadership works with the Division's Budget and Fiscal Affairs Advisory Committee (BFAAC) representative to make sure there is communication throughout the City and school division budget process.

Financial Reporting and Transparency

Monthly, Quarterly and Annual Financial Reports

The School Board receives monthly statements of the funds available for schools and can track spending throughout the year. Monthly reports are provided to the School Board for the three primary funds covering school division operations: Operating Fund, Grants and Special Projects Fund, and the School Nutrition Services Fund.

Additionally, a quarterly report is prepared by the Financial Services Department and the Educational Facilities Department called the Capital Improvement Program (CIP) Quarterly Report. The purpose of this report is to provide the School Board with the status of each project and its progress in the most recent quarter.

Another quarterly report is the Budget Transfer Report. Policy DA – Management of Funds requires the submission of a quarterly report detailing all budget transfers in the Operating, School Nutrition Services, and Grants and Special Projects funds greater than or equal to \$25,000.

Lastly, the Comprehensive Annual Financial Report (CAFR) is reviewed by independent auditors from CliftonLarsonAllen LLP (CLA) once it is prepared by ACPS financial staff. These audits are conducted in accordance with the standards applicable to financial audits, including Government Auditing Standards issued by the Comptroller General of the United States and the specific audit standards for local jurisdictions issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. These reports are typically published in December of each year.

Practice for Large Budget Transfers

The School Board has practiced a separate process for large operating and capital transfers. For transfers meeting the developed size criteria outlined in Policy DA, the Superintendent prepares a memo to be presented to the Board for information in New Business. After two weeks, the item is presented to the Board for action in Old Business. Each meeting also allows time for public comment.

As outlined in Policy DA, the Superintendent has established financial management procedures for the Combined Funds and Capital Improvement Program budgets that adequately ensure proper and effective use of these funds. These procedures shall address or incorporate, at a minimum, the following:

For the Operating Fund, School Nutrition Services Fund, and Grants and Special Projects Fund (Policy DA):

- The Superintendent must approve budget transfers for all amounts equal to or greater than \$25,000.
- A report detailing all budget transfers within these funds greater than or equal to \$25,000 will be provided to the School Board each quarter.

For the Capital Improvement Program (Policy FEG):

- Board approval is required for all CIP contracts above \$500,000.

- School Board approval is required to transfer funds equal to or greater than \$50,000 from one CIP project and/or site/location to another CIP project and/or site/location;
- School Board approval is required to expend any amount over 110 percent or \$50,000, whichever is greater, on any CIP contract, even if the Board has previously approved a project budget that exceeds 110 percent of the contract; and
- The Superintendent shall provide to the School Board, on a quarterly basis, a report detailing the status of CIP projects to include encumbrances, expenditures, and available balances.

In the event that approved project funds exceed the actual and final cost of a project, surplus funds will be transferred to a contingency account within 90 days of closing out CIP projects, subject to the budget transfer approval requirements outlined above. During the budget process each spring and upon request, surplus project funds shall be used as shown below and in the order of priority specified (Policy FEG).

- Fund emergency repairs and/or system replacements if funding is not available;
- Fund previously approved projects that are determined to be underfunded due to market condition changes, unanticipated project costs or programmatic adjustment as approved by the School Board;
- Fund recommended capital projects that are not approved in the CIP budget, but are identified by the Superintendent or School Board as an area of need based on prioritization and anticipated costs; and
- Fund capital projects identified for future years to offset the funds that may otherwise be requested during the annual budget process.

ACPS 2020 Strategic Plan - Goal 6: Effective and Efficient Operations

ACPS 2020 Strategic Plan Goal 6 states that ACPS will be efficient, effective, and transparent in its business operations. ACPS handles its business operations with diligent care and the highest ethical standards in order to provide proper stewardship and a full accounting of its resources. Having Strategic Goal 6: Effective and Efficient Operations in the 2020 strategic plan demonstrates the importance of this work for all ACPS staff. This goal means ACPS establishes a system of accountability in order to be prudent in its use and allocation of funds, to maintain sound business practices and procedures, and to be transparent in everything the school division does. ACPS continues to gain and maintain the confidence of its community, its staff and its students in order to grow Alexandria's financial investment in its children. By doing so, every student succeeds.

The Key Performance Indicators (KPIs) are reviewed annually at a School Board meeting and posted on the ACPS web site. The KPIs for Goal 6 are:

6.1 Fiscal Policies and Practices: ACPS will plan, manage, monitor, and report spending to provide decision-makers and the community with a reliable, accurate, and complete view of the financial performance of the educational system at all levels.

6.2 Continuous Improvement: ACPS will engage in cycles of continuous improvement at every level of the school division, and it will employ evidence-based decision-making in its consideration of process improvements, policy making, and budgeting and accountability.

6.3 Operational Efficiency and Performance Management: ACPS will focus resources on student learning by utilizing a comprehensive performance management system that ensures efficient, cost-effective business operations.



Alexandria City School Board Online Resources

1. <http://esbpublic.acps.k12.va.us/>: Electronic School Board houses all of the documentation for School Board meetings, work sessions, board briefs, and advisory committees.
 - a. Click the meeting date on the calendar to open the agenda.
 - b. Select items on the agenda to access the memo and supporting documents.
2. <http://www.acps.k12.va.us/board/meetings/>: To view School Board meetings, go to this page and click the Watch Meetings button. You can find the video by date and start the video from that link. If you want to view a specific item on the agenda, click the agenda item title and it will take you directly to that conversation. Videos are available for most Board meetings and work sessions from 2008 to present.
3. <http://www.acps.k12.va.us/idashboard/>: Recently, ACPS launched a pilot of the Division's data dashboard. The ultimate goal is to have all ACPS 2020 Key Performance Indicators (KPIs) accessible through this dashboard. Currently you may view individual school demographics, Division-level SOL results, attendance, suspension information, on-time graduation information, and AP/SAT information.
4. <http://www.acps.k12.va.us/budgets/>: This area of the web site shows quick links to Electronic School Board during the budget season to help citizens access this complex and evolving information.
5. <http://www.acps.k12.va.us/board/manual/>: Board policies are indexed and searchable here or by clicking Policies and Regulations in Electronic School Board. For the last 18 months, each Board agenda item is aligned to the applicable Board policy and ACPS 2020 Strategic Plan objective.



Every student succeeds: Educating lifelong learners and inspiring civic responsibility.