

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.

This resolution is adopted by the Alexandria City School Board on _____.
Date

Board Chair

Clerk of the Board