

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).

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

Board Chair

Clerk of the Board