



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of January 21, 2012

DATE: December 20, 2011

SUBJECT: Amendments to Schools appropriations for Fiscal Year (FY) 2012 based on closeout of FY 2011.

C. M. RECOMMENDATION:

Approve the revised appropriations for various School funds in FY 2012 to reflect the approved School Board resolutions in the FY 2011 Final Fiscal Status Report and appropriate \$16,376,297 from the FY 2011 fund balance to Non-departmental to increase the transfer to the Schools as follows:

Schools Operating Fund:	\$ 3,150,000
Capital Projects Fund:	<u>\$ 13,226,297</u>
Total	\$16,376,297

ISSUES: As part of the regular process, County Board authorization is sought for Arlington Public Schools' FY 2012 appropriations based on FY 2011 closeout. No issues have been identified.

SUMMARY: As with County agencies, the Schools require an annual carryover of incomplete capital projects, purchase order obligations, unexpended grant funds and other obligations. The County Board allocated \$32,064,816 in FY 2011 fund balance for Schools when it approved the County closeout report at the November meeting. At the time, the Schools had not finalized the specific allocations by fund.

DISCUSSION: In its closeout report, the Board allocated \$32,064,816 for Schools from FY 2011 fund balance. After subtracting the FY 2011 additional tax revenue (\$6,790,625) and FY 2011 Schools expense saving (\$8,897,894) previously appropriated to FY 2012, there remained \$16,376,297 for the Board to appropriate at FY 2011 closeout to the Schools FY 2012 budget.

County Manager:

BMD/mjs

County Attorney:

[Signature]

26.

Staff: Richard Stephenson, Budget Director, Department of Management and Finance

In general, these funds are derived from FY 2011 Schools expense savings and Schools share of additional tax revenue pursuant to County/Schools Revenue Sharing.

Schools have proposed to use the additional funds in the following ways:

- Contingent to maintain class sizes no larger than recommended maximums (\$1,750,000);
- Health care reserve (\$1,000,000)
- School technology (\$400,000)
- Current and future capital needs (\$13,226,297)

The School Board approved the allocation of carryover amounts to various School funds, as detailed in the attached draft FY 2011 Final Fiscal Status Report, on December 15, 2011 requiring revised appropriations for FY 2012.

FISCAL IMPACT: The County's FY 2012 appropriations for Schools will be revised to reflect the stated carryover amounts from FY 2011.

ARLINGTON PUBLIC SCHOOLS
Department of Finance and Management Services

MEMORANDUM

November 28, 2011

TO: Patrick K. Murphy, Superintendent

THROUGH: Deirdra Mclaughlin, Asst. Superintendent for Finance and Management Services

FROM: David Blorstad, Director of Finance

SUBJECT: FY 2011 Final Fiscal Status Report

The financial records for the 2010-2011 school year (FY 2011) have been closed and the Annual School Report has been prepared for the State Department of Education. This summary report is prepared for information and Board action as noted. The detailed information by fund is provided below.

School Operating Fund

Appropriation Level – School Operating Fund				
	Budget	Actual	Encumbrances	Variance from Budget
Expenditures	\$352,227,179	\$332,076,831	\$3,054,067	\$17,096,281
Reserves	\$33,132,239	\$33,132,239	\$0	\$0
Revenue	\$44,952,599	\$50,103,961	\$0	\$5,151,362
County Transfer	\$340,406,819	\$315,105,109	\$3,054,067	\$22,247,643

In the School Operating Fund, total expenditures were within the appropriated budget. In addition, expenditure savings were greater than expected. The table below summarizes the categories of expenditure savings:

Salaries	\$ 3,849,876
Benefits	10,123,509
Non-Salary Expenditures	<u>3,122,897</u>
Total Expenditure Savings	\$17,096,281

Salary savings were generated from higher salary lapse and turnover which resulted in lower salary costs through the year. Benefit savings were primarily from health insurance claims, for which APS is self-insured. Additional benefit savings were realized in most other fringe benefit accounts since lower salary costs result in lower fringe benefit expenses. Non-salary expense

savings were realized in utility costs, telephone, bus purchases, scholarships, TJ High School tuition, insurance, legal fees and recruitment costs.

Revenues from sources other than the County Transfer exceeded budgeted amounts in the School Operating Fund (Attachment I). Revenue from the State was \$506,987 higher than budgeted due to increased Sales Tax revenue and increased enrollment. In addition, APS received interest on reserve funds of \$59,672, which was unbudgeted. Local revenue was greater than budgeted by \$4,644,375, which includes \$4,337,888 of Bond Premium on two bond sales during FY 2011. The Bond Premium was received as a result of our G.O. Bond issuances in FY 2011 which was highly sought after by investors. The details of Local Revenue are included in Attachment I.

The expenditure savings combined with the revenue surplus will provide carry forward funds for FY 2012 in the amount of \$22,247,643 from the School Operating Fund. Of this amount, \$3.5 million was already included in the FY 2012 budget as carry forward and is not available to be appropriated again.

Community Activities Fund

Appropriation Level – Community Activities Fund				
	Budget	Actual	Encumbrances	Variance to Budget
Expenditures	\$13,753,819	\$13,394,276	\$74,836	\$284,707
Revenue	\$6,914,989	\$7,893,257	\$0	\$978,268
County Transfer	\$6,838,830	\$5,501,019	\$74,836	\$1,262,975

Expenditures were under the appropriated budget for the Community Activities Fund by \$284,707. In addition, program revenue exceeded the budget by \$978,268, resulting in a savings in County Transfer to this fund in the amount of \$1,262,975. Attachment II details the revenue and expenditures for each of the programs included in the Community Activities Fund. Overall, the Community Activities Fund realized savings of \$1,262,975, all of which is available for carry forward to FY 2012.

Cafeteria Fund

Appropriation Level – Cafeteria Fund				
	Budget	Actual	Encumbrances	Variance to Budget
Expenditure	\$6,641,223	\$6,638,951	\$93,675	(\$91,403)
Revenue	\$6,058,782	\$6,860,562	\$0	\$801,780
County Transfer	\$582,441	\$0	\$0	(\$582,441)
Addition to Fund Balance	\$0	\$221,611	(\$93,675)	\$127,936
Fund Balance 6/30/10				\$235,834
Fund Balance 6/30/11				\$363,770

In the Cafeteria Fund, FY 2011 revenues and fund balance were sufficient to cover the direct costs of the program. County Transfer revenue totaling \$582,441 was included in the FY 2011 budget to support this fund; however, no actual County Transfer was required, resulting in a savings of \$582,441 in County Transfer. Food Services staff has been working diligently to increase sales and decrease costs in this fund. In FY 2011, revenue was \$801,780 higher than budgeted. Sales of meals were \$224,934 higher than budgeted, Federal revenue was \$580,527 higher than budgeted, and State revenue was \$3,681 lower than budgeted. Increased participation by students has resulted in this increase in revenue. The Cafeteria Fund ended the fiscal year with a fund balance of \$363,770.

Debt Service Fund

Appropriation Level – Debt Service Fund				
	Budget	Actual	Encumbrances	Variance to Budget
Expenditures	\$36,139,100	\$33,238,053	\$0	\$2,901,047
Revenue	\$0	\$0	\$0	\$0
County Transfer	\$36,139,100	\$33,238,053	\$0	\$2,901,047

The Debt Service Fund savings in the amount of \$2,901,047 were the result of a combination of lower than budgeted interest rates on the 2010 bond sale, savings from refinancing existing bonds, and the timing of debt payments in FY 2011 for the 2010 bond sale.

Comprehensive Services Act Fund

Appropriation Level – Comprehensive Services Act Fund				
	Budget	Actual	Encumbrances	Variance to Budget
Expenditures	\$3,650,000	\$3,906,666	\$0	(\$256,666)
Revenue	\$1,342,500	\$1,849,061	\$0	\$506,561
County Transfer	\$2,307,500	\$2,057,605	\$0	\$249,895

Expenditure overages of \$256,666 in the CSA Fund were the result of higher than anticipated mandated expenditures. Additionally, State revenue was \$506,561 above the budgeted amount due to the State providing full funding of its 55% share of non-transportation expenditures. The FY 2011 budget was adopted with the anticipation that State funding would be cut. The net effect is savings of \$249,895 in the budgeted County Transfer.

Capital Projects Fund

Appropriation Level – Capital Projects Fund				
	Budget	Actual	Encumbrances	Variance to Budget
Expenditures	\$7,290,456	\$3,307,633	\$2,394,846	\$1,587,977
Revenue	\$0	\$0	\$0	\$0
County Transfer	\$7,290,456	\$3,307,633	\$2,394,846	\$1,587,977

Due to long-term planning and implementation cycles, Capital Projects funds were not fully obligated by the end of FY 2011. As a result, \$1,587,977 remains in the expenditures budget. The balance in the Capital Projects Fund of \$1,587,977 is broken down as follows:

Minor Construction/Major Maintenance (MCMM)	\$ 750,708
Major Construction	<u>\$ 837,269</u>
Total	\$1,587,977

Summary of Closeout of the FY 2011 Appropriated School Board Budget

In the six funds requiring a County Transfer, expenditure savings and excess revenues from sources other than County Transfer resulted in a total of **\$28,831,978** in unobligated County Transfer. The FY 2012 School Board Adopted Budget included carry forward funding in the amount of \$3,500,000.

The balance available from FY 2011 totals \$25,331,978 as outlined below:

School Operating Fund	\$22,247,643
Community Activities Fund	\$1,262,975
Cafeteria Fund	\$582,441
Debt Service Fund	\$2,901,047
CSA Fund	\$249,895
Capital Projects Fund	<u>\$1,587,977</u>
Total Savings	\$28,831,978
Less: FY12 Adopted Budget Carry Forward from FY11	<u>\$(3,500,000)</u>
Balance Available at 06/30/11	\$25,331,978

Additional County Tax Revenue due to APS for FY 2011

Under the Revenue Sharing Agreement between the County and APS, APS was entitled to 49.1% of net local tax revenue in FY 2011. The School Board's FY 2012 Adopted Budget includes \$6,790,625 of additional FY 2011 re-estimated revenue. The actual amount of re-estimated revenue due to APS for FY 2011 is \$11,097,555 as outlined in the County Closeout Report, resulting in net additional revenue to APS of \$4,306,930. As in prior years, the County closeout amount to the Schools was adjusted by the amount required to be set aside to meet the General Fund reserve to which the Schools contribute. During the FY 2011 close out process, the County elected to increase the General Fund reserve from 4% to 5% of total expenditures. As a result, the APS is contributing \$7,864,717 from closeout to the General Fund reserve. The increase in revenue combined with the required contribution to the General Fund reserve results in a decrease in the County Transfer to the Schools in FY 2011 of (\$3,557,787).

Summary of FY 2011 Balance and Additional Revenue

FY 2011 balance from above	\$25,331,978
Plus: Additional County Revenue	\$4,306,930
Less: Contribution to General Fund Reserve	<u>(\$7,864,717)</u>
Total funds available from FY 2011	\$21,774,191**

**Arlington County appropriated \$5,397,894 of this amount to APS in its FY 2012 Adopted Budget so the requested appropriation will be reduced accordingly

Use of Funds Available from FY 2011

The APS balance from FY 2011 combined with the reduction in County Transfer provide a total of \$21,774,191 from FY 2011 available to be used in FY 2012. Staff recommends the following uses of these funds:

Capital Projects Fund **\$1,587,977**

To provide continuity to the planning and implementation cycles of the construction projects in the Capital Projects Fund, it is recommended that construction funds available in the Capital Projects Fund at the end of FY 2011 be re-appropriated to the Capital Projects Fund in FY 2012 to continue the ongoing projects.

Staff Contingency Accounts **\$1,750,000**

Because of changes in enrollment and staff's commitment to keeping class sizes no larger than the recommended maximum, a net total of 51.61 teachers, 22.50 assistants, and 1.50 custodians were added above the positions allocated in the budget. These funds are required to cover the overages in the staff contingency accounts.

Health Care Reserve **\$1,000,000**

To set aside funds as a health insurance reserve. APS is self insured for a large part of the health insurance benefits provided to employees and retirees. These funds will be used to start a health insurance reserve for the purpose of smoothing the costs and premiums paid by APS and employees each year that can vary significantly.

School Technology **\$400,000**

To set aside funds for technology needs at schools such to purchase computers, smart boards, and tablets.

Current Capital Needs **\$3,658,000**

Additional funds are required in FY 2012 for capital projects that are currently in progress or planned. Included are funds for following projects:

- \$800,000 - Career Center
- \$400,000 - ,Magnolia Bog (County to share 50% of cost)
- \$250,000 - Wakefield Stadium
- \$200,000 - Trade Center Parking
- \$300,000 - Jefferson Basement Walls
- \$500,000 - Softball Field for W-L (County to share 50% of cost)
- \$1,000,000 - Relocatables
- \$208,000 - Planetarium
- \$3,658,000

Reserve for Capital Needs **\$13,378,214**

Funds set aside as a reserve for beginning needed capital projects to accommodate capacity issues.

Total **\$21,774,191**

Summary of Proposed Uses of Budget Savings and Additional County Revenue by Fund

School Operating Fund	\$3,150,000
Capital Projects Fund	<u>\$18,624,191</u>
Total	\$21,774,191

RECOMMENDED RESOLUTIONS:

1. To carry forward funds remaining from FY 2011 to FY 2012, it is recommended that the School Board adopt the following resolution:

The School Board requests the appropriation of \$13,226,297 to the Capital Projects Fund and the appropriation of \$3,150,000 to the School Operating Fund, which represents the combination of budget savings from FY 2011 in the amount of \$25,331,978, less \$5,397,894 which is already appropriated to APS in the County Adopted FY 2012 budget, plus an increase in local tax revenue from FY 2011 in the amount of \$4,306,930, less the contribution to the County's General Reserve of \$7,864,717.

The School Board also requests an increase in the FY 2012 County Transfer of \$6,650,000 for the School Operating Fund and of \$18,624,191 for the Capital Projects Fund. This includes the budget savings of \$25,331,978 from FY 2011, plus the additional local tax revenue of \$4,306,930, less the contribution to the County's General Reserve of (\$7,864,717), plus the budget savings (carryforward) of \$3,500,000 that was included in the FY 2012 Schools Adopted Budget and the budget savings carryforward of \$5,397,894 was included in the County Adopted 2012 Budget for schools.

2. To provide for the purchase orders encumbered as of June 30, 2011 that will be paid in FY 2012, it is recommended that the School Board adopt the following resolution:

The School Board requests the re-appropriation of purchase order encumbrances and budget increases to the FY 2012 Schools Budget as indicated below:

School Operating Fund	\$3,054,067
Capital Projects Fund	\$2,394,846
Community Activities Fund	\$74,836
Cafeteria Fund	\$93,675

3. In order to continue the special projects and construction projects for which the budget period does not coincide with the school year, it is recommended that the School Board adopt the following resolution:

The School Board requests the re-appropriation to FY 2012 of the balances in both the Grants and Restricted Programs Fund and the Bond Construction Fund as follows:

Grants and Restricted Programs Fund.....\$2,200,295
Bond Construction Fund.....\$65,064,048

4. In order to retain the current fund balance reserves it is recommended that the School Board adopt the following resolution:

The School Board requests the carry forward of the following fund balance reserves:

In the School Operating Fund:

\$2,000,000 – Operating Reserve (undesignated)
\$6,545,000 – FY 2012 Budget Reserve
\$2,000,000 – Reserve for unfunded liabilities
\$7,000,000 – Reserve for future debt service
\$4,000,000 – General Reserve
\$11,587,239 – VRS Reserve

In the School Cafeteria Fund:

\$363,770 – Fund Balance

These reserves will be carried on the books of Arlington Public Schools until the School Board authorizes the use of these reserve funds.