Arlington County Civic Federation (ACCF)
Revenues & Expenditures (R&E) Committee
Report on the County Manager's Proposed Fiscal Year 2012 (FY12) Budget
Presented April 5, 2011

I. Executive Summary

- A balanced base budget recommendation for FY12 with <u>no real estate tax rate increase</u>.

- A supplemental recommendation for the disposition of now identified FY11 surplus from the Manager's FY11 mid-year review of $22.2M, including a one-time real estate tax rate <u>decrease</u> of 1.6 cents.

- Additional recurring revenue of $1.2M and one-time revenue of $900K identified.

- Full funding of ACCF Schools Committee requests (assuming approval of both base year FY12 and mid-year FY11 surplus recommendations).

- Additional one-time Affordable Housing Investment Fund (AHIF) funding of $1M included in the mid-year FY11 surplus recommendations.

- One-time funding of $400K for Artisphere unbudgeted operating deficit and $250K for Lubber Run Amphitheatre repairs included in the mid-year FY11 surplus recommendations.

- $2.1M parking meter increases supported to fund Emergency Communications Center (ECC) initiatives and Safety-Net enhancements.

II. Introduction

To borrow a phrase from the world of politics, Arlington's FY12 budget preparation cycle could be best described as "the January Surprise."

When the FY12 budget cycle began last fall, the operative term was "budget gap." Real estate assessments for calendar year 2011 (CY11) were projected to increase by only 1%. That level of growth was projected to result in a combined County/Schools budget gap ranging from $25M to $35M. While not as steep as the projected gaps for the prior two budget cycles, it remained a projection that Arlingtonians were not used to seeing, especially after the "go-go" budget times of the prior mid-decade.

In October of 2010, the County Board provided its budget guidance to the County Manager. The Board's guidance was very detailed, and for the first time in this committee's memory, the main component was a defined percentage of growth for County expenditures (excluding the Schools). This percentage was set at 1.14%, which had been the change in the Consumer Price Index over the previous twelve months. R&E fully supports this approach to the annual budget guidance, and urges the County Board to make this method a permanent feature of its annual guidance to the Manager.

There were other provisos in the Board's guidance. Most noteworthy of the allowable exceptions to the 1.14% limit, allowing for additional budget growth, were provisions for funding new County facilities not included in prior year base budgets (the Mary Marshall Assisted Living Facility, the new Cherrydale fire station, phase one of Long Bridge Park, and the Penrose Square-Columbia Pike garage). Any new initiatives the Manager wanted to undertake had to be covered by new dedicated funding sources.

Even with these spending limits, it was assumed that the Manager's proposed budget for FY12 would have to contain another appreciable real estate tax rate increase in order to close the anticipated deficit.

Then came the "January Surprise" – the release of the CY11 real estate assessments.

Assessments showed growth of 6.3% - not the 1% previously projected. The growth was mainly driven by commercial properties, as shown in this table:

PROPERTY CLASSIFICATION	CY11 ASSESSMENT CHANGE
Single family homes (pre-existing)	1.5%
Condominiums (pre-existing)	1.1%
Rental apartments (pre-existing)	8.9%
Commercial (pre-existing)	12.3%
Pre-existing property (as a group)	5.6%
New construction	0.7%
Total all property	6.3%

This 6.3% increase in assessments and the resulting increase in revenue did not change the expenditure side of the Manager's proposed budget – since the Board's budget guidance did not make revenues the controlling factor. But the increase in assessments did enable the Manager, as she strictly followed the County Board's budget guidance, to produce a proposed budget that was balanced at the existing tax rate of 94.5 cents (95.8 cents if you include the stormwater surcharge) while simultaneously covering the budget gaps that had been projected in the fall and providing full-year funding of $3.35M for the new County facilities.

As is the case each year, the Manager's proposed budget is R&E's starting point. The February 12 release date gave us seven weeks to complete our review and produce this report. Our review consisted of over 20 hours of full R&E Committee meetings, with most R&E members attending all seven weekly meetings. R&E also monitored the County Board budget work sessions and the meetings of the Fiscal Affairs Advisory Commission (FAAC) and met with four other ACCF committees to hear their views on the budget areas within their purview.

Given that the entire proposed budget is 849 pages long and that the time for our review is by definition compressed, we've tried to be a thorough as possible in our work. We hope you'll find this report both informative and thought-provoking, and that you'll vote to adopt its recommendations.

Our recommendations this year are arranged somewhat differently than in recent years.

First, we report on the FY12 base budget, with our recommendations of changes resulting in a balanced budget at the current real estate tax rate of 94.5 cents.

Second, we propose, for a separate ACCF membership vote, our recommendations for the disposition of over $20M in projected FY11 surplus funds, identified by the Manager in her March 17 report on the mid-year review of FY11. Included in our recommendations here are a one-time 1.6 cent real estate tax rate reduction.

Attachment 1 to this report, following the narrative section, is our Scorecard that recaps our financial adjustments to the base year FY12 budget and disposition of the projected surplus from the mid-year FY11 review.

III. FY12 Revenues

The Manager's proposed budget shows FY12 revenues totaling $981.0M, representing growth over the FY11 adopted budget of $37.9M (4.0%).

Increased real estate tax revenue of $36.3M makes up 96% of the revenue growth. All other tax line-item classifications show changes of 3% or less.

Embedded in the Manager's proposal is a projected 3% increase in real estate assessments for CY12. This assumption adds $8.1M to projected FY12 revenues.

Also embedded in the Manager's proposal is a subtraction from projected revenue of $455K, representing an allocation of real estate tax revenue into the new Crystal City/Potomac Yard/Pentagon City Tax Increment Financing (TIF) Area Fund. This $455K normally would have gone into the County's General Fund and been available for general County spending. By County Board action in October of 2010, one-third of any increased real estate tax revenue in the TIF area (over baseline assessed values as of January 2011) will be diverted into this new TIF fund, to be used for infrastructure improvements in the specified area.

As we discussed earlier, under the Manager's budget guidance any new spending initiatives had to be covered by dedicated new income stream(s). We will discuss the spending initiatives involving the ECC and Safety Net spending increases later in this report. The cost increase is $2M, which the Manager proposes to cover by increasing parking meters rates $0.25 per hour. Short term (four hours or less) parking rates are proposed to increase from $1.00 per hour to $1.25 per hour; long term (over four hours) parking rates are proposed to increase from $0.75 per hour to $1.00 per hour.

We have three separate changes to the Manager's revenue proposals:

1. In item #5 on our Scorecard we added $179K in permit fee income to the Community Planning, Housing & Development (CPHD) budget. The Manager's proposal decreased the revenue line item by this amount in FY12. In their budget work session with the County Board, CPHD staff acknowledged that permit activity has increased, and that as a result their budgeted fee income is understated. We are simply adding back the initially projected decrease for FY12.

2. Item #6 on our Scorecard adds $1M in projected revenues, spread over four separate line items (personal property, car rental, commercial utility, and meals taxes). The Manager's mid-year FY11 review cited revenue increases (over the FY11 budgeted amounts) in all four of these areas. Our analysis of the Manager's FY12 proposal indicates that the FY11 re-projected amounts now exceed the FY12 proposed budget by a combined total of $1M. Our increase here of $1M simply moves these four line items up to the amounts equal to their re-projected FY11 levels.

3. The County's recent problems in generating accurate billings to the City of Falls Church for their inmates housed in the Arlington Detention Center have been well-publicized in the media. Errors in billing methodology also spilled over into the Manager's proposed budget. Staff has subsequently advised R&E that fees within the Sheriff's Department for the FY12 budget were overstated by $440K for this item, and we have included this adjustment in our recommendations in item #7.

IV. FY12 Expenditures

The Manager's proposed budget shows County-side (excluding the Schools Transfer) expenditures totaling $607.1M, representing growth over the FY11 adopted budget of $11.5M (1.9%).

For the Schools Transfer, the Manager disregarded the Revenue Sharing Agreement between the County and School Boards and provided an amount equal to the same percentage of total tax revenues as in FY11 (46.1%). This calculation resulted in a transfer payment for FY12 of $378.2M, an increase of $17.9M (4.9%) over FY11.

Combining County-side spending with the Schools Transfer, the total expenditure budget for FY12 is $985.2M, an increase of $29.3M (3.1%) over FY11.

The Manager's proposal does include step pay increases for County employees and restores the tuition reimbursement program.

As we mentioned earlier, the budget contains one new spending initiative (the ECC) and considerable increases in Safety Net spending.

The operational difficulties in the ECC have been a point of discussion among public safety officials and activists for some years now. We commend the Manager's initiative here, which she described in her 3/15/11 budget briefing this way:

> *Proposing comprehensive initiative to ensure ECC functions at a high level on a consistent basis*
> *• Proposed enhancements based on two full years of operational experience and prior studies*
> *• Elements include:*
> *– Additional staffing – 8 FTEs (2 per shift) to meet minimum staffing requirements and reduce reliance on overtime from uniformed employees*
> *– Accurately budget amounts needed to cover structural overtime needs*
> *– Improve supervisory salaries to aid in retention of qualified staff and to be competitive with region*
> *– Improve recruitment efforts*
> *– Reduce training time for new employees*
> *– Total cost of $0.7 million*

R&E supports the Manager's proposed increases for the ECC.

In the Safety-Net spending category, the Manager has proposed a base budget increase of $1.26M (27%), with the major line-item increases going to Housing Grants ($631K) and Permanent Supportive Housing ($467K).

R&E supports these Safety-Net increases, but we again urge the County to make the Housing Grants program budget-limited, closing the program to new applicants once projected grants for each fiscal year have reached the originally budgeted amount. This recommendation was also contained in the original report of the Affordable Housing Task Force in 2000.

We recommend the following changes to the Manager's expenditures proposals:

1. Item #10 on our Scorecard deducts $616K from the Non-Departmental category. The Manager's budget in total provides full-year funding for the new facilities of Mary Marshall and Long Bridge Park. The respective department budgets covering these facilities include their costs for only a partial year, with the balance being placed in Non-Departmental, allowing full-year costs to be included in the budget base for future years. Since this $616K is undesignated, we have used it elsewhere in our recommendations and subtracted it in item #10.

2. Item #11 follows the Manager's FY11 methodology of pegging the Schools Transfer payment at 46.1% of County tax revenue. This item represents 46.1% of the additional FY12 tax revenue we identified earlier.

3. Item #12 adds an additional $2M to the Schools Transfer. When combined with our recommended $6M from the available funds from FY11, we have complied with the request of the ACCF Schools Committee for a total $8M of funds to be added to the Schools' reserves, as discussed in the Schools Committee report.

4. Item #14 partially responds to requests from the ACCF Environmental Affairs Committee. We recommend adding $30K for additional tree planting and related maintenance, bringing this item back up to roughly replacement level for stated typical annual tree loss. We also recommend adding $80K for a new position of a natural resources manager to coordinate implementation of the Natural Resources Management Plan adopted by the Board in November 2010.

5. Item #15 partially responds to requests from the ACCF Cultural Affairs Committee. We recommend adding $25K to the new materials budget for libraries. Additionally, we support Cultural Affairs request for restoration of .75 FTE for the Costume Shop operation, but only in conjunction with an increase in rental fee charges to cover the additional .75 FTE.

6. Item #17 deducts $1.536M from the elimination of approximately 16 FTEs across the County budget. A Freedom of Information Act (FOIA) request to the County yielded various information on vacant but still-funded positions. As of mid-March 2011, 158 positions were vacant. Of those, 141 were full-time positions, and of this group, 32 had been vacant for 9 months or more (7 had been vacant for over 18 months). We've taken the combined budgeted costs of the 32 full-time positions that have been vacant for 9 or months and have deducted half of the resulting total expense to arrive at our recommended reduction. We believe that, if the County has run its operations for over 9 months without filling any of these 32 positions, then going forward the County should be able to manage by now filling only half of them.

7. Item #18 adds back $22K of projected FY12 savings from a plan to convert certain heating, ventilating and air-conditioning (HVAC) preventative maintenance work from outside contractors to County employees. The Manager's budget recommends adding 5 new FTEs to takeover HVAC maintenance work currently being performed by outside contractors. We oppose this change. Preventative maintenance on specialized HVAC equipment is best performed and managed by outside specialists, as has been abundantly documented by the track-record of in-house HVAC maintenance by Arlington Public Schools.

8. Item #20 of $273K is our “budget balancing number”, which could be used an addition to the County’s PAYG maintenance budget.

V. Disposition of FY11 mid-year review funds (a separate ACCF vote)

On March 17, 2011, the County Manager released her report on the mid-year review of FY11. The complete report can be found at http://www.arlingtonva.us/departments/ManagementAndFinance/budget/file80811.pdf

In brief, this report shows new total funds of $21.3M now being available. The major component is additional real estate tax revenue ($16.1M), resulting from the unanticipated assessment increase effect on the June 2011 real estate tax payment. Some expense line-item savings ($3M on debt service, primarily due to bond refinancing done last year; $2M on Metro, primarily due to a lower than budgeted local transfer payment) are also included in the $21.3M total.

Our committee submits, for a separate vote by ACCF members, our recommendations regarding the disposition of funds described in the mid-year FY11 report:

1. Item #3 adds $900K for the reimbursement from FEMA for extraordinary costs incurred as a result of the winter 2010 snowstorms. The Manager references this item in her report, but she omitted it from the FY11 amounts since it may not be received until FY12.

2. Item #9 spends $200K as a transfer of certain dedicated revenue increases to Pay-As-You-Go (PAYG) and the Affordable Housing Investment Fund. This amount is specifically referenced in the Manager’s report.

3. Item #12 gives the Schools an additional one-time funding of $6M. When combined with our recommended $2M in FY12 as discussed previously, we have complied with the request of the ACCF Schools Committee for a total $8M of funds to be added to the Schools’ reserves, as discussed in the Schools Committee report.

4. Item #13 provides additional one-time funding of $1M for AHIF, giving AHIF the same amount of funding it received for FY11. This recommendation is consistent with the request of the ACCF Housing Committee.

5. Item #16 provides additional one-time funding of $400K for the additional operating deficit for the Artisphere in Rosslyn for FY12. A report disclosing the serious financial issues at the Artisphere was released on March 31, and can be found at http://www.arlingtonva.us/departments/ManagementAndFinance/budget/file81057.pdf $800K of additional over-budget tax support is already being provided for the Artisphere budget shortfalls projected for FY11. The March 31 report requests an additional $800K of taxpayer funding for FY12 (over and above the Manager’s original budget proposal, which was based on the Artisphere’s adopted business plan when the County Board

originally approved the facility). Projected FY12 admissions and ticket revenue are $455K lower than the business plan's projections, and expenses are projected as over-plan by a similar amount. As our committee opposed the Artisphere project, we reluctantly recommend $400K of additional one-time funding for FY12 and strongly urge the County to take immediate steps to bring the Artisphere budget for FY12 into balance with these extra funds. We do not view our proposed additional one-time funding as permanent. If these operating shortfalls for the Artisphere are projected to continue for FY13, the viability of the facility must be reassessed.

6. Item #19 provides one-time funding of $250K for repairs and renovations to the Lubber Run Amphitheater (LRA). The LRA has been closed due to an accumulation of years of a lack of proper maintenance by the County. Within the last month, the County released an engineering study for the LRA, reviewing its current condition and estimating costs ranging between $2.5M to $3.0M for renovations or replacement, excluding costs for compliance with the Americans with Disabilities Act (ADA) and Resource Protection Area (RPA) compliance. The newly-formed Lubber Run Amphitheatre Foundation has disputed the need for such extensive renovations. Several R&E members, including some with construction backgrounds, have reviewed these reports and toured the LRA site. We have concluded that $250K should be a more than sufficient placeholder for immediate repairs and renovations to the current facility, to return it to a usable condition for a number of years until a long-term plan for LRA can be developed and funded.

7. Item #4 provides for a one-time real estate tax reduction of 1.6 cents. The total cost of this reduction is $13.95M, as it would affect three real estate tax payments (June 2011, as well as the two payments that fall within FY12). As we discussed above, $16.1M of the additional mid-year FY11 funds came from the unbudgeted 6.3% increase in CY11 real estate assessments. The adopted FY11 budget projected no increase at all for CY11. In retrospect, the CY10 real estate tax increase of 8 cents could have been appreciably lower and still yielded a balanced actual result for FY11. Therefore, R&E deems this one-time rate reduction fully justified.

VI. Non-monetary FY12 observations and recommendations

In R&E reports for the prior two fiscal years, our committee dealt almost exclusively with reviewing proposed budget reductions. Since FY12 marks a return to a somewhat more typical budget environment, R&E is returning to our historical practice of making certain observations and recommendations that do not have any monetary effects in FY12.

1. <u>Comparison of tax & fee burden with other Northern Virginia jurisdictions</u>

Consistent with past practice, the FY12 budget book contains a chart comparing the average Arlington household's tax and fee burden with other jurisdictions in Northern Virginia for CY2010. The Manager's presentation, on its face, makes Arlington look comparatively attractive, with a total burden lower (in some comparisons, dramatically lower) than 5 of the 6 benchmarked jurisdictions.

We find the Manager's presentation statistically misleading, in that its methodology calculates the real estate taxes for the benchmarked jurisdictions using the average Arlington residential value for all jurisdictions in the comparison – rather than using the unique average residential value of each jurisdiction.

Attachment 2 to this report is our version of this same analysis, using the average residential value within each of the other six benchmarked jurisdictions to calculate real estate taxes. This analysis leads to a different conclusion – that Arlington has the highest average tax and fee burden.

2. The Manager's compensation analysis for FY12

Part of the County Board's budget guidance to the Manager for FY12 read as follows:

"Provide comparative analysis of compensation in the region showing Arlington's performance in recent years and assessing current standing, and relating to longstanding County compensation goals."

The Manager's response to this Board requirement was not included in her FY12 budget presentation, but followed on March 17. Links to the Manager's report and its related PowerPoint presentation can be found at http://www.arlingtonva.us/departments/ManagementAndFinance/budget/file80779.pdf and at http://www.arlingtonva.us/departments/ManagementAndFinance/budget/file80799.pdf

R&E was very disappointed by this report, as it is sorely lacking in meaningful analysis that could enable the reader to intelligently discern the fiscal appropriateness of Arlington's total compensation structure.

Specifically, the report is devoid of any analysis of comparative total compensation costs (salary and all benefits) between Arlington and the usually benchmarked neighboring jurisdictions. It is also devoid of any comparison with the private sector on the many job classifications within County government where direct comparables with the private sector would exist. We note that FAAC unanimously voted to urge the County to use private-sector comparisons when analyzing compensation packages.

R&E also notes that the Manager's report makes several observations that are a quite interesting commentary on the County's compensation structure. To quote directly from the report's executive summary (emphasis added):

- *Pay structure is based upon a system that focuses on internal equity, not external equity (market)*

- *Historically, pay competiveness issues have been addressed in aggregate and this has caused some jobs to be significantly behind the market and others to be significantly ahead of the market*

As the report suggests, there is work ahead here over the next year, and R&E hopes the Manager and the Board take note of our observations.

3. Pension plan funding

Compared to many jurisdictions, we are fortunate that the Arlington County Employees' Retirement System (ACERs) showed an actuarial valuation of 95% of its liabilities as 6/30/10. R&E would not like to see ACERS fall into the same funding pit that many municipal and state pensions have found themselves in.

To facilitate reaching full funding for ACERS, R&E urges the County to consider increasing the General Employees contribution rate from its current 4% to 4.5% for FY13 and 5.0% for FY14 while leaving the County contribution rate at its FY12 budgeted rate of 14.6%. The 5.0% employee contribution would be consistent with County practice prior to FY04.

Additionally, R&E acknowledges the national trend away from defined benefit retirement plans and concurs with FAAC's recommendation that the County study the implications of shifting employee retirement funding from a defined benefit plan toward a defined contribution plan.

4. Concerns on the CPHD Development Fund

Back in FY08, the Zoning Administration Section of the CPHD Planning Division and the Permit Processing, Code Compliance and Plan Review Sections of the Inspection Services Division were moved into a newly created enterprise fund, with the goal of improving customer service performance of these functions. Additional staff and higher fees for the new enterprise fund were approved by the Board in September 2007. This enterprise fund now has 87 FTEs and an annual budget in excess of $13M.

R&E's concern on the CPHD Development Fund relates to its fee structure. Through the end of FY10, this Fund had an accumulated surplus of $6.9M. For FY10 alone, its surplus was $2.4M; fees for FY10 could have been 20% lower and the Fund still would have broken even for the year.

While R&E recognizes that some amount of carryover fund balance would be prudent, it would seem that since its inception the fees within this Fund may well have been excessive, even with the Manager's stated intent to use some of the accumulated surplus for one-time technology upgrades (a practice R&E also questions as perhaps being beyond the scope of what fees charged within this Fund should be required to cover).

R&E recommends a comprehensive review of the fee structure within this Fund, including a cross-jurisdictional comparative analysis of fees.

5. Emergency preparedness recommendations

The Committee heard from the ACCF's representative to the County's Emergency Preparedness Advisory Commission (EPAC) and supports the following EPAC recommendations:

- Accepting the Manager's ECC initiative [which largely mirrors a Federation recommendation of nearly a decade ago];
- Formally studying issues concerning ECC staff retention including the possibility of making them uniformed public safety officers;
- Update the decade-old Fire Tri-Data Study to recognize both planned County population growth and changes in Fire facilities since the last study; and
- Expanding the Police 'over-strength authorization' from five to ten so that, as EPAC states, "The training pipeline can keep up with attrition" and overtime can be better managed.

Accepting these recommendations will not increase the base allocations in the Manager's FY12 budget proposal. Some, like the update of the Tri-Data Study, could be accomplished with one-time carryover funds available in the fall of this year or built into the FY13 budget proposal.

In addition, EPAC recommends that (1) in creating performance measures to monitor the ECC initiative above, the County should explicitly create measures which would be useful in assessing how a 911/611 response system could be established in the County and (2) the County Manager explicitly study, and report to the public, how the proposed organizational restructuring of the Department of Environmental Services (DES) will affect emergency preparedness

6. Establishment of an Inspector General or Special Auditor Office

As the County's budget approaches the $1 billion mark, it is worthwhile noting that there is no specific independent office within Arlington's government structure tasked specifically for critical review of budgets or operations. While it is true that the County's books are reviewed for their conformance with accounting principles each year, with the results published in the annual Comprehensive Annual Financial Reports (CAFR), the independent accountants are still selected and paid for by County officers.

In recent years, the two largest counties in the metropolitan Washington DC area have found it appropriate to set up positions with oversight authority over their budgets and operations. Each has a varying degree of independence in the issues and topics that they review. In Fairfax County, a Financial and Program Auditor with separate staff and funding has been established. In Montgomery County, an Office of Inspector General has been established. Both have staffing and funding to pursue their mandates. Both have reported significant savings resulting from these activities. For example, for the periods FY 2006-2010, Montgomery County has reported actual and potential savings of almost $25 million from recommendations made by the Inspector General. In Fairfax County, for the periods FY 2007-2010, its audit operations achieved savings of 200-553% of the audit operations costs. Fairfax County operates its audit/review activities with a budget of $330,227 (FY 2011), while Montgomery County's budget was $612,226 in FY 2010.

It is long past the time that a government of Arlington's size should have a separate entity (with an appropriate degree of independence from current staff structure) to review its budget and operations. In recent years, the County Board under the leadership of Jay Fisette took the step of establishing outside reviews (a.k.a. 'performance reviews') of certain of its operations. The health care practices and costs at the Arlington County Jail, as well as the licensing and review operations for contractors, were both given a thorough outside review, which produced a number of recommendations - some of which were implemented. However, the County seems to have abandoned these efforts without explanation several years ago.

Given the level of taxes and fees paid by Arlington County residents, the minimum that should be expected is that the County provides residents and taxpayers with some form of independent review of its budget and operations.

R&E recommends the following:

- The County immediately fund a study by an outside independent consultant to determine the form, function and purpose of an Inspector General and/or Special Auditor;
- Following the completion and publication of the study with appropriate public comment, the County should establish and fund an office that will provide the community with a degree of assurance that its taxes and fees are being effectively and efficiently spent, with adequate safeguards to protect against waste, fraud and abuse; and
- A citizen's advisory committee should be set up to interface with the new office, solicit public comment, and hold public meetings on an ongoing basis.

7. <u>Proposal for a Board-appointed Best Practices or Business Process Re-engineering Committee</u>

The addition of an Office of Inspector General or Special Auditor would be an important step forward to ensure that County operations are efficient and economical. However, the County Board can take a second step toward an effective, efficient and economical county by creating a committee specifically charged with identifying best practices or implementing government process re-engineering.

The goals of this new committee would be to review and redesign various processes within County government from the ground up, going beyond simple automation of existing tasks and functions and examining core organizational and service delivery systems, with a defined customer (citizen) orientation.

Possible areas where initial reviews may be warranted could include consolidation of the 21 housing-related County programs, review of construction inspection practices (including possible privatization of some functions), merging of emergency medical services (EMS) and firefighting services with neighboring jurisdictions and consolidation of various programs within the Department of Human Services (DHS).

8. Proposal for a County-equivalent to the Washington Area Boards of Education (WABE)

It would be helpful to anyone assessing the economy and efficiency of any local government if there was an entity that maintained statistics about local government equivalent to the statistics available at the "Statistics & Reports" webpage of the Virginia Department of Education. The statistics available there facilitate comparisons of all of Virginia's school districts. To the best of our knowledge, there is no agency of Virginia government that maintains a similar set of statistics for comparing local governments.

The entity that comes closest to the statistics maintained by the Virginia Department of Education is Virginia's Auditor of Public Accounts (APA). The APA does provide an annual report, but unfortunately, the report is quite cumbersome to use.
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The Metropolitan Washington Council of Governments (MWCOG) produces many publications, but the focus of the publications available at the MWCOG publications webpage includes areas such as transportation, environment and homeland security.

What R&E recommends is a publication akin to the Guide produced by the nine local school districts that cooperate under the umbrella of the Washington Area Boards of Education (WABE), with data compilation performed by the Fairfax County Public Schools. WABE performs a valuable service because there are numerous ways to compute, for example, a school district's operating budget, teacher pay scales, and the cost per student.

One example may highlight the type of comparable statistic we have in mind. Through some effort, one member of R&E researched the Arlington and Fairfax counties CAFR's and determined that for FY 2010, there were 17.61 FTE county positions in Arlington County for each 1,000 residents, while there were 10.41 FTE county positions per 1,000 residents in Fairfax County. It would be significantly more useful if there were a single report, similar to the WABE Guide that could be easily referenced. By easily referenced, R&E notes the six most recent WABE Guides that are available at the APS website.

VII. Closing thoughts on what may lie ahead

The FY12 budget process has been driven almost exclusively by the unexpected 6.3% increase in CY11 real estate assessments.

Looking forward to FY13 and beyond, is R&E confident that the FY12 cycle could be the "norm" for the next several years? The answer is no.

The driver for the CY11 assessment increases was commercial properties. The increase was primarily driven by a fairly dramatic lowering of real estate capitalization rates (roughly, the rate of return an investor will require when purchasing real estate, which mostly determines price). The lower the cap rate, the higher the valuation is. Cap rates had dropped to historic lows in the middle of the last decade. The 2008 financial turmoil drove cap rates up, lowering valuations. The 2011 commercial assessments reflect a drop in cap rates – not quite as low as they had been pre-2008, but close.

Given all that, does R&E see commercial assessments for CY12 increasing anywhere near the 12% seen this year? Again, the answer is no.

The residential market, though stabilized, could be exposed to valuation drops caused by a variety of factors, such as an increase in long-term interest rates or any notable contraction of Federal employment in the DC area resulting from budget adjustments.

So, R&E closes our report this year by simply quoting from the Manager's budget transmittal letter:

> *"Looking beyond FY 2012, our outlook remains cautious. While I do not believe we'll experience the tax base declines of FY 2010 and FY 2011, I similarly do not believe that we'll see the increases of 2005-2007. At this time, we are assuming modest tax base growth (3%) in calendar year 2012 for planning purposes. We also know that in FY 2013-FY 2014, we will experience pressures unique to our budget – the cost of new facilities (in both debt service and operating costs) – and perennial pressures such as Metro, compensation, retirement and health care funding."*

Submitted on April 3, 2010 by the Revenues & Expenditures Committee

Robert Atkins	Wayne Kubicki, Chairman	Suzanne Sundburg
Burt Bostwick	Roger Morton	Tim Wise
Frank Emerson	Terry Showman	

Arlington County Civic Federation FY12 County Budget Resolution

Whereas, the Revenues & Expenditures Committee of the Arlington County Civic Federation has reviewed the County Manager's Proposed FY12 County Budget and has issued a report to the Federation commenting thereon, which report proposes certain changes to the proposed FY12 budget;

Therefore, be it resolved that the Federation accepts and adopts the report of the Revenues & Expenditures Committee on the Manager's Proposed FY12 County Budget and directs the Federation President to transmit the report to the Chairman of the County Board as the official position of the Federation on the FY12 County Budget.

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Arlington County Civic Federation Resolution on the FY11 Mid-year Financial Review by the County Manager

Whereas, the Revenues & Expenditures Committee of the Arlington County Civic Federation has reviewed the County Manager's report to the County Board dated March 17, 2011 on the Mid-year Review of Fiscal Year 2011 and has issued a report to the Federation commenting thereon, which report proposes a recommended method of disposition of extra revenues and expense savings as detailed in the Manager's report;

Therefore, be it resolved that the Federation accepts and adopts the report of the Revenues & Expenditures Committee on the Manager's Mid-year Review of Fiscal Year 2011 and directs the Federation President to transmit the report to the Chairman of the County Board, as the official position of the Federation.

Arlington County Civic Federation/Revenues & Expenditures Committee **ATTACHMENT 1**

Scorecard on FY12 Manager's Proposed Budget & FY11 Mid-Year Review

	Item #	Description	R&E Recommendations Combined	FY12 Base	Mid-Yr FY11
Revenues	1	County Manager Proposal 2/15/11	985,234,436	985,234,436	
	2	Add'l FY11 carryover from Mgr. mid-year review	21,300,000		21,300,000
	3	Add'l revenue FEMA reimb 2010 snow storms	900,000		900,000
	4	One-time real estate tax rate reduction (1.6 cents)	(13,950,123)		(13,950,123)
	5	Permit fee adjust in CPHD	179,000	179,000	
	6	Add'l FY12 revenue to match FY11 mid-year report:			
		Personal property	200,000	200,000	
		Car rental	200,000	200,000	
		Commercial utility	400,000	400,000	
		Meals	200,000	200,000	
	7	Estimated lost fees in Sheriff's Office from City of Falls Church billing error	(440,000)	(440,000)	
		R&E revised revenues	**994,223,313**	**985,973,436**	**8,249,877**
Expenditures	8	County Manager Proposal 2/15/11	985,234,436	985,234,436	
	9	Mid-year FY11 revenue increases to PAYG & AHIF	200,000		200,000
	10	Amount incl. in Non-Departmental for unneeded full-year funding at Mary Marshall & Long Bridge Park	(615,882)	(615,882)	
	11	Increase in School Transfer from item #6 above	461,000	461,000	
	12	Add'l School Transfer requested by Schools Committee	8,000,000	2,000,000	6,000,000
	13	Add'l AHIF funding requested by Housing Committee	1,000,000		1,000,000
	14	Environmental Affairs Committee requests (partial)			
		Tree planting & maintenance	30,000	30,000	
		Natural Resource Manager	80,000	80,000	
	15	Cultural Affairs Committee requests (partial)			
		Library materials	25,000	25,000	
	16	Artisphere one-time funding for FY12 deficit	400,000		400,000
	17	Elimination of vacant FTE positions	(1,536,300)	(1,536,300)	
	18	Reversal of HVAC projected savings	22,000	22,000	
	19	Lubber Run Amphitheatre one-time repair/renovation	250,000		250,000
	20	Add'l PAYG (balancing number)	673,059	273,182	399,877
		R&E revised expenditures	**994,223,313**	**985,973,436**	**8,249,877**
		Check to balance	-	-	-

Northern Virginia Tax & Fee Comparison **ATTACHMENT 2**

CY10

Real Estate at Average SF Assesed Value within Each Jurisdiction

	Arlington County	Fairfax County	City of Fairfax	City of Alexandria	Pr. William County	Loudoun County
Real Estate	4,821	4,778	4,075	4,380	3,306	5,028
Personal Property	733	702	605	696	542	616
Consumer Utility	72	96	54	58	72	65
Water/Sewer	822	553	545	902	716	531
Trash/Recycling	344	405	n/a	336	432	362
Decal Fee	66	66	50	66	48	50
Total	6,858	6,600	5,329	6,438	5,116	6,652
Amount less than Arlington		**258**	**1,529**	**420**	**1,742**	**206**
% less than Arlington		**3.8%**	**22.3%**	**6.1%**	**25.4%**	**3.0%**

Arlington County Civic Federation, Schools Committee
Recommendations on the FY 2012 Schools Budget

Committee Actions and Next Steps

The Schools Committee held four in person meetings, two conference calls, and one meeting with two school board members to review the FY 2012 Superintendent's Proposed Budget document and the changes approved by the School Board on March 24, 2012. The School Board's budget will be presented to the County Board on April 4th and will have a public hearing on April 7th. The County Board will include a transfer to the School Board in the FY 2012 budget which they will adopt on April 16th. Based on the County transfer, the School Board will adjust and adopt their budget. The Schools' committee recommendation is in three parts. First, the committee addresses the current proposed budget. Second, the committee recommends a transfer of 6 million dollars from the additional midyear transfer. Finally, the committee makes some procedural budgeting recommendations.

I. Committee Review and Recommendation regarding the Proposed Budget

On the expenditures side, the Schools Committee recommends a total budget for the Schools for FY 2012 of $470,784,261. This is an increase of $2.46 million from the County Managers original proposal and includes designated funds for addressing capacity. Additionally, the committee is recommending a reduction of $492 thousand from the budget approved by the School Board.

The recommended budget includes a County Transfer of $380.6 million, which is the proposed level in the County Manager's budget adjusted for additional revenue identified by the R&E Committee.

In thousands	FY 2011 Adopted	FY 2012 School Board	School Committee	FY 2012 Difference
Total Expenditures	442,029	469,276	470,784	+1,508
County Transfer	360,346	379,788	380,635	+848
(Proposed Addition)		378,175	380,635	+2,260

The rapidly rising number of students is a major cost driver in the School Operating FY 2012 budget representing $11.2 million of the proposed increases over 2011. Enrollment increases are projected to be 20% higher in 2016 with a total of 26,548 students. APS currently has 22,128 students. The increased enrollment has already pushed numerous schools beyond their design capacity. This is not isolated to any part of the county and is particularly serious in the elementary schools, with 14 of the 22 schools projected to be over capacity in September of 2012 and the collective overcapacity will be more than 104.3%. Unless significant additional capacity is added, by FY 2016, 20 of the 22 elementary schools will be over capacity; the elementary schools as a whole will be 14% over capacity with half at 20% over capacity. As the bump in the number of students work through the system, the problem will exacerbate the already increasing enrollment at the middle schools and the high schools. The School Boards' budget proposed that the high schools increase class size in 2012 to address current increases in enrollment and the committee concurred with this proposal. However, the projected increases can be only partially accommodated through adding more relocatables and modest increases in class size. In the near future, (FY 2012 bond) Arlington will need to construct additional capacity by building a new school and/ or building a several additions on existing elementary schools.

The School Board added to its budget $697,603 in FY 2012 to identify options for addressing capacity needs including: renovations additions and new buildings. Since bonds are only issued every two years, it is critical the Capital Improvement Plan (CIP) for the schools of April 2012 have a complete plan for any additions or new construction, for the funding to be proposed in the November 2012 bond referendum. The $697,603 in the budget is only a small part of the funds which will be needed to complete these preliminary designs; the School Board has committed to put a substantial amount of any FY 2011 close-out fund to meet this critical need. In light of this pressing need which will require resources that are readily available the Schools committee also recommend that additional county dollars be transferred at this time. To meet this need the Schools committee recommends an additional 2 million dollars from the county transfer. As noted below the Schools committee recommends that the majority of this money be designated for addressing capacity.

Specifics of Schools Committee Changes to School Budget

School Board Proposed Budget Expenditures	$469,276
Planetarium	-238
Supervisor of counseling position	-130
Additional funding for teacher assistance to become teachers	-50
Position at Hoffman-Boston to refocus the Edison project.	-73
Additional Funds to Address Capacity	+2,000
Recommended Expenditures	470,785

Planetarium

The School Board has inserted a placeholder of $238,700 for the Planetarium which is to be used if the community raises additional private money to support the program. The committee did not support this element of the proposed budget because the committee believes that the Planetarium is not an integral part of the school education program when compared to other needs. For example, when the committee first reviewed the budget, the school system included the Planetarium funding instead of Assistant Principals at the High Schools.

Moreover, when the planetarium was excluded from funding in the 2010 Schools operations budget the School Board noted that it was not a core education program. Public pressure alone does not change that evaluation. However, in light of the great community concern and commitment to the planetarium, the Schools committee believes that the expenditures should come from the county and not the schools. The public support does indicate that the program should continue, therefore the Schools committee is proposing by separate vote that the Civic Federation determine whether this is an expenditure that should be funded from the County budget.

Supervisor of Counseling – The committee is not persuaded that the addition of staffing to the Central office would help students in the schools. It is not clear what benefit, the addition of this position would provide.

Additional Funding for Teacher Assistant Education Stipends and Hoffman Boston

The Committee had concerns about the next two items which were proposed at the last minute and were not able to be staffed or properly discussed by the School Board. When proposals, such as these are not well defined, the committee determined that they should not be added.

A placeholder was added to the budget for a position at Hoffman-Boston to refocus the Exemplary Project Edison (1 FTE and $73.3 thousand). As proposed the position would specifically focus on enhancements through Science, Technology, Engineering, and Mathematics (STEM) but was amended to allow considerations of other possibilities, such as a community school. In the absence of a more clear rationale the inclusion seems premature.

The budget proposed by the Superintendent included $25 thousand to support 10 teacher assistants to become teachers. An additional $50 thousand was added to expand the number and scope of the program. The Committee supports the smaller funding, followed by an assessment its success, and if necessary expansion or termination of the program.

II. Committee Review and Recommendation Regarding Mid-Year Revenues & Reserves

Mid-Year Revenues (FY2011)

The Schools committee report recommends an additional transfer of 6 million dollars from the midyear revenue. As noted above, this money has not been factored into the proposed budget. It is the recommendation of the Schools committee that the majority of this money should be set aside as part of a Capacity Initiative from Reserves fund. This is necessary to fund and response to the looming capacity crisis that exists in the schools.

Reserves

The Schools Committee has carefully reviewed the reserves within the Schools operating funds. Overall, the existing reserves include funds for contingencies that are prudent and based in realistic needs facing the schools system. Some reserves are clearly identified in the APS budget and include line items for: VRS and OPEB funds. In addition, the committee was able to identify other reserves which were not set forth in such a clear manner. Having evaluated these funds, the schools committee makes two recommendations. First, the Schools committee recommends that APS be clearer in its delineation of reserves to ensure that the public can track expenditures from year to year to evaluate whether the purposes of reserves are reasonable. Second, to address the looming capacity crisis that is facing the schools, the committee recommends that a new fund consisting of $13.5 million be designated as a Capacity Initiative from Reserves. Therefore, the Committee is including this recommendation to emphasize the importance of APS clearly earmarking sufficient funds to address the capacity concerns as soon as possible.

III. Concerns and Recommended Changes to the Budgeting Processes

Finally, as part of our report, the committee makes two additional process recommendations.

Revenue Sharing Agreement

First, the Schools Committee recommends that a more transparent process in use of the Revenue Sharing Agreement (RSA). During this process APS identified additional money that would have come to it had the terms of the RSA were followed. The purpose of the agreement is to provide clarity in the budgeting process. The failure to adhere to it this year unnecessarily clouded the process. Thus, if adjustments need to be made to the RSA then the adjustments should be made publically by the elected officials, not by the staff in closed door meetings. Additionally, the agreement should be clearly include factors beyond enrollment such as the need for additional buildings and transportation.

Joint County and School Assessment of Facilities

Second, the Schools committee recommends that APS and the County adopt a process for a joint County and School assessment of priority investment in facilities. Currently the Schools and County independently assess their need for investment in new facilities. The decision on whether to propose bonds for School facilities and/or various ones for County investments are decoupled. However, the financial rating agencies look at the combined debt and debt service County-wide so in this way, they are tied together. This lack of combined assessment of what the overall priorities of facilities are for Arlington, can, and probably has, lead to lower priority projects being funded. We recommend that as part of the CIP process that once the Schools and County have each prioritized their own projects that the two meet to agree on an overall priority list.

<u>Members of the Committee</u>

Michael Beer and Cecelia Espenoza, Co-Chairs
Kenneth Friedli,
Allan Gajadhar,
Anya Gann,
Peter Olivere,
Patrick Spann,
John Vihstadt

<u>Appendices</u>
A) Revenues
B) Expenditures
C) Reserves

Arlington County Civic Federation FY10 Schools Committee Budget Resolution

Whereas, the Schools Committee has reviewed the School Superintendant and School Board's proposed budgets for FY11, and has issued a report to the Federation commenting thereon, which report proposes certain changes to the proposed budget;

Therefore, be it resolved that the Federation accepts and adopts the report of the School Committee, and directs the Federation President to transmit the report to the Chairmen of the County Board and the School Board.

Schools Committee Resolution on the Planetarium

Whereas, the Schools Committee has removed the Planetarium from its proposed budget because it is not a integral part of the school education program when compared to other needs; and

Whereas, the Planetarium is a valuable community asset;

Therefore, be it resolved that the Federation votes to recommend that future funding for the Planetarium come from the County budget. Moreover, the Federation directs the Federation President to transmit this recommendation to the Chairmen of the County Board and the School Board.

Civic Federation Schools Committee Recommendations on the FY 2012 School's Budget

Appendix A

Expenditures

	Superintendent Proposed Budget Document		School Board Adopted				School Committee Recommendations to School Board Budget			
	Amount $	**FTE**	**Chg Amt**	**Chg FTE**	**Amount**	**FTE**	**Chg Amt**	**Chg FTE**	**Amount**	**FTE**
TOTAL FY 2011 ADOPTED BUDGET	**442,029,383**	**3,787.5**			**442,029,383**	**3,787.5**			**442,029,383**	**3,787.5**
MAINTAIN LEVEL OF CURRENT SERVICES										
Baseline Adjustments										
One-time Costs in FY 2011					0	0.0			0	0.0
Reserve for VRS	**(10,537,239)**				(10,537,239)	0.0			(10,537,239)	0.0
Reduction State VRS Rate (defer)			(1,800,000)		(1,800,000)	0.0			(1,800,000)	0.0
Place savings in Reserve			1,800,000		1,800,000	0.0			1,800,000	0.0
Fuel price busses etc			125,000		125,000	0.0			125,000	0.0
Electricity rate increase			1,000,000		1,000,000	0.0			1,000,000	0.0
	(10,537,239)	**0.0**	**1,125,000**	**0.0**	**(9,412,239)**	**0.0**	**0**	**0.0**	**(9,412,239)**	**0.0**
Baseline Savings/Reductions					0	0.0			0	0.0
Grant programs	(3,733,120)	(17.0)			(3,733,120)	(17.0)			(3,733,120)	(17.0)
Contracts	(927,882)				(927,882)	0.0			(927,882)	0.0
Change in salary base from adopted budget to current and on board	(965,400)				(965,400)	0.0			(965,400)	0.0
Yorktown technology equipment for Phase I	(367,763)				(367,763)	0.0			(367,763)	0.0
Food and Nutrition Services	(128,715)	(0.5)			(128,715)	(0.5)			(128,715)	(0.5)
Other	(84,294)				(84,294)	0.0			(84,294)	0.0
	(6,207,174)	**(17.5)**	**0**	**0.0**	**(6,207,174)**	**(17.5)**	**0**	**0.0**	**(6,207,174)**	**(17.5)**
Maintain Current Services										
Debt service	2,123,547				2,123,547	0.0			2,123,547	0.0
Technology	1,579,593				1,579,593	0.0			1,579,593	0.0
Textbooks	870,000				870,000	0.0			870,000	0.0
Stimulus	822,088	12.5			822,088	12.5			822,088	12.5
Instructional support	688,268	7.2			688,268	7.2			688,268	7.2
Transportation (replacement vehicles, fuel)	675,400				675,400	0.0			675,400	0.0
Elementary & Secondary Education Act (ESEA) set aside	480,000				480,000	0.0			480,000	0.0
Facilities (utilities, building leases)	258,130				258,130	0.0			258,130	0.0
Other	90,442				90,442	0.0			90,442	0.0
Missing amount in budget detail	51,352				51,352	0.0			51,352	0.0
	7,638,820	**19.7**	**0**	**0.0**	**7,638,820**	**19.7**	**0**	**0.0**	**7,638,820**	**19.7**

Expenditures

Appendix A

	Superintendent Proposed Budget Document		School Board Adopted				School Committee Recommendations to School Board Budget			
	Amount $	**FTE**	**Chg Amt**	**Chg FTE**	**Amount**	**FTE**	**Chg Amt**	**Chg FTE**	**Amount**	**FTE**
Enrollment and Capacity										
Staffing, materials, equipment, supplies	6,832,000	88.5			6,832,000	88.5			6,832,000	88.5
Staffing, materials, equipment, supplies - **spring 2011 contingency**	2,000,000		(2,000,000)		0	0.0			0	0.0
Staffing, materials, equipment, supplies - spring 2011 **Update for actual**			1,391,200		1,391,200	0.0			1,391,200	0.0
Staff contingency	1,000,000				1,000,000	0.0			1,000,000	0.0
Relocatables	880,000				880,000	0.0			880,000	0.0
Relocatables **/ Update 2011 spring**			345,000		345,000	0.0			345,000	0.0
Buses, bus drivers, and bus attendants	671,088	8.0			671,088	8.0			671,088	8.0
Computer lab conversions	128,480				128,480	0.0			128,480	0.0
	11,511,568	**96.5**	**(263,800)**	**0.0**	**11,247,768**	**96.5**	**0**	**0.0**	**11,247,768**	**96.5**
Salaries and Benefits										
Step increase	6,200,000				6,200,000	0.0			6,200,000	0.0
One-time payment	1,750,000				1,750,000	0.0			1,750,000	0.0
VRS and County retirement contributions	7,018,000				7,018,000	0.0			7,018,000	0.0
Health insurance	998,000				998,000	0.0			998,000	0.0
OPEB obligation - Annual OPEB Cost	400,000				400,000	0.0			400,000	0.0
	16,366,000	**0.0**	**0**	**0.0**	**16,366,000**	**0.0**	**0**	**0.0**	**16,366,000**	**0.0**
MAINTAIN LEVEL OF CURRENT SERVICES TOTAL	**18,771,975**	**98.7**	**861,200**	**0.0**	**19,633,175**	**98.7**	**0**	**0.0**	**19,633,175**	**98.7**
INSTRUCTIONAL INVESTMENTS										
Student Achievement and Student Success										
Increased Instructional Time										
Limited early release - 4 additional schools / Update for inc enrollment	1,710,000	18.0	34,800	0.4	1,744,800	18.4			1,744,800	18.4
Career Center - transportation to and from home	867,100	5.6			867,100	5.6			867,100	5.6
Middle schools - ACT II after-school program	213,200	2.5			213,200	2.5			213,200	2.5
Virginia Preschool Initiative (VPI) - 2 additional classes	648,700	8.0			648,700	8.0			648,700	8.0
College and Career Readiness	111,700	0.9			111,700	0.9			111,700	0.9
Formative Assessments/Intervention	495,100				495,100	0.0			495,100	0.0
Alternative Programs - Additional Teachers	147,900	1.7			147,900	1.7			147,900	1.7
Supervisor of Counseling	130,000	1.0			130,000	1.0	(130,000)	(1.0)	0	0.0
Planetarium	238,700	0.1			238,700	0.1	(238,700)	(0.1)	0	0.0
	4,562,400	**37.8**	**34,800**	**0.4**	**4,597,200**	**38.2**	**(368,700)**	**(1.1)**	**4,228,500**	**37.1**

Expenditures

Appendix A

	Superintendent Proposed Budget Document		School Board Adopted				School Committee Recommendations to School Board Budget			
	Amount $	**FTE**	**Chg Amt**	**Chg FTE**	**Amount**	**FTE**	**Chg Amt**	**Chg FTE**	**Amount**	**FTE**
Strategic Planning										
Increase Class Size - grades 9-12	(995,400)	(12.6)			(995,400)	(12.6)			(995,400)	(12.6)
Program Evaluations/Efficiencies	220,000				220,000	0.0			220,000	0.0
	(775,400)	**(12.6)**	**0**	**0.0**	**(775,400)**	**(12.6)**	**0**	**0.0**	**(775,400)**	**(12.6)**
Teacher and Staff Quality										
Professional Learning Day - T Scale and Assistants	1,325,000				1,325,000	0.0			1,325,000	0.0
Teacher Hourly Rate - Professional Learning	325,000				325,000	0.0			325,000	0.0
Professional Learning - Other Opportunities	235,000	4.0	50,000		285,000	4.0	(50,000)		235,000	4.0
	1,885,000	**4.0**	**50,000**	**0.0**	**1,935,000**	**4.0**	**(50,000)**	**0.0**	**1,885,000**	**4.0**
Communication										
Community Satisfaction and Site-based Surveys	155,000				155,000	0.0			155,000	0.0
Pre-K Survey	150,000		(50,000)		100,000	0.0			100,000	0.0
School Wires and APS School Talk	50,000				50,000	0.0			50,000	0.0
	355,000	**0.0**	**(50,000)**	**0.0**	**305,000**	**0.0**	**0**	**0.0**	**305,000**	**0.0**
Other New Items after Proposed										
Increase funds for Evaluation of Services Provided to Students with Special Needs	**0**	0.0	50,000		50,000	0.0			50,000	0.0
Counselor for Arlington Mill HSC Program	**0**	0.0	87,000		87,000	0.0			87,000	0.0
Convert Assistant Principals to full time at Ashlawn, Campbell, and Henry	**0**	0.0	196,400	1.5	196,400	1.5			196,400	1.5
Increase Assistant Principals at Washington-Lee (1.0) and Yorktown (0.5)	**0**	0.0	187,800	1.5	187,800	1.5			187,800	1.5
Benefits Administrator	**0**	0.0	99,700	1.0	99,700	1.0		(1.0)	99,700	0.0
					0	0.0			0	0.0
Facilities Manager at W-L			73,100	1.0	73,100	1.0			73,100	1.0
Autism Specialist			87,000	1.0	87,000	1.0			87,000	1.0
Special Projects Position for Hoffman-Boston			73,300	1.0	73,300	1.0	(73,300)	(1.0)	0	0.0
Planning and Design Funds to Add Capacity in Preparation of 2012 CIP	0	0.0	697,603		697,603	0.0	2,000,000		2,697,603	0.0
	0	**0.0**	**1,551,903**	**7.0**	**1,551,903**	**7.0**	**1,926,700**	**(2.0)**	**3,478,603**	**5.0**
INSTRUCTIONAL INVESTMENTS TOTAL	**6,027,000**	**29.2**	**1,586,703**	**7.4**	**7,613,703**	**36.6**	**1,508,000**	**(3.1)**	**9,121,703**	**33.5**
Add to Buget Stabilization Reserve	**3,000,000**		**(3,000,000)**		0	0.0			0	0.0
					0	0.0			0	0.0
TOTAL FY 2012 PROPOSED BUDGET	**469,828,358**	**3,915.3**	**(552,097)**	**7.4**	**469,276,261**	**3,922.7**	**1,508,000**	**(3.1)**	**470,784,261**	**3,919.6**

Civic Federation Schools Committee Recommendations on the FY 2012 School's Budget

Revenues

	FY 2011 Adopted	Superintendent Proposed FY 2012	School Board Adopted		School Committee Recommendations to School Board Budget	
	Amount $	Amount $	Chg Amt	Amount	Chg Amt	Amount
County Transfer Funding						
School Operations	309,837,044	326,463,613		326,463,613	847,732	327,311,345
Debt Service	**36,139,100**	**38,262,647**		38,262,647		38,262,647
Other Revenue	**14,370,142**	**15,061,336**		15,061,336		15,061,336
County total	360,346,286	379,787,596	0	379,787,596	847,732	380,635,328
Other Revenue						
State sales tax	16,488,388	17,764,602		17,764,602		17,764,602
State Other	30,326,711	32,545,968	347,903	32,893,871		32,893,871
Federal	13,574,540	13,195,761		13,195,761		13,195,761
Title I Stimulus	922,392	0		0		0
IDEA Stimulus	2,160,411	0		0		0
Local Other Revenue (cafeteria, community activites fund, grants)	14,710,655	15,589,431		15,589,431		15,589,431
Carryforward -(from reserves)	3,500,000	10,945,000	(900,000)	10,045,000	660,268	10,705,268
Total Other	**81,683,097**	**90,040,762**	**(552,097)**	**89,488,665**	**660,268**	**90,148,933**
Total Revenue	**442,029,383**	**469,828,358**	**(552,097)**	**469,276,261**	**1,508,000**	**470,784,261**
Expenditures amt other sheet		469,828,358		469,276,261		470,784,261
Difference Rev and Exp		0		0		0

Civic Federation Schools Committee Recommendations on the FY 2012 School's Budget

Reserves

<u>Sources of Reserves</u>	Prior to FY10	FY11 Budget	FY10 Closeout	FY11 Mid Year	Adj in FY 12 Adopted	Total	Code for School allocation
Undesignated reserve - in Fund Balance	2,000,000					2,000,000	a
VRS reserve		10,537,239				10,537,239	b
VRS reserve change in Adopted					1,800,000	1,800,000	b
Reserve to Offset Increases in FY 2012							
- OPEB annual contribution			400,000			400,000	c
- Debt Service			2,000,000			2,000,000	c
- Art Textbooks			870,000			870,000	c
- Yorktown Technology			675,000			675,000	c
Reserve for Unfunded Liabilities							
- OPEB Trust			2,000,000			2,000,000	d
- Separation Pay			2,000,000			2,000,000	e
- VRS reserve			3,650,000			3,650,000	b
Reserve for Debt Service in FY13 & beyond			7,000,000			7,000,000	f
General and Capital Reserve			4,000,000			4,000,000	g
Additional Revenue in FY11 - State and school activities				1,986,203		1,986,203	h
Expenditure Savings in FY11 - see note #3				4,826,047		4,826,047	h
Pay for staff with Federal Stimulus funds see note #3				2,085,644		2,085,644	h
School Committee Proposed transfer of County Revenue mid-year				6,000,000		6,000,000	Versus $8 mill
TOTAL RESERVES AVAILABLE	2,000,000	10,537,239	22,595,000	14,897,894	1,800,000	**51,830,133**	

<u>School Staff Allocation as of mid-March</u>	FY 2011	FY12 Budget	Adj in FY 12 Adopted	FY13 and Beyond	Adj to FY13 and Beyond	Total	Available for FY 13 & beyond		
Transfer to OPEB Trust in FY 2011	2,000,000					2,000,000		d	
Use for One-Time Costs in FY 2012									
- VRS Increase		3,500,000	(900,000)			2,600,000		b	
- Debt Service, Textbooks, Technology, OPEB		3,945,000				3,945,000		c	
Carry forward in FY12 Budget		3,500,000				3,500,000		h	
Savings from FY11 not yet designated				3,312,250		3,312,250	3,312,250	h	
Pay for staff with Federal Stimulus funds				2,085,644		2,085,644	2,085,644		
Maintain in General and Capital Reserve				4,000,000		4,000,000	4,000,000	g	
Use in FY 2013 and Beyond							-		
- VRS Reserve				10,687,239	2,700,000	13,387,239	13,387,239	b	$1.8m + 900k
- Separation Pay				2,000,000		2,000,000	2,000,000	e	
- Future Debt Service				7,000,000		7,000,000	7,000,000	f	
Undesignated Reserve - Maintain in Fund Balance				2,000,000		2,000,000	2,000,000	a	
School Committee Proposed transfer of County Revenue mid-year					6,000,000	6,000,000	6,000,000		Versus $8 mill
TOTAL ALLOCATION OF RESERVES	2,000,000	10,945,000	(900,000)	31,085,133	8,700,000	**51,830,133**	**39,785,133**		
		Uses 2011 and 2012->>	12,045,000						
				Available 2013 & Beyond->>	**39,785,133**				
<u>FY 2012 Superintendent's Proposed Budget</u>									
- Budget Stabilization Reserve (moved and added removal)		3,000,000	(3,000,000)			$0	0		

School Committee - Possible Allocation of Reserves Not Used in the FY 2012 Budget

	School Comm Suggested	Note # below
VRS Reserves	13,387,239	#1
Future Debt service	7,000,000	#4
Separation Pay likely bump in retirements	2,000,000	
Capacity Initiative from Reserves		
Funding for the addressing capacity	9,500,000	See note #2
Funding for the addressing capacity, but may be reduced if the FY 2012 mid year revenues decrease	2,000,000	See note #2
Unexpected repairs needed throughout the system - capital	1,500,000	$1.7 allocated at the end of 2010
Possible unexpectedly higher enrollment 2012	1,500,000	FY 2012 has $1 million contingency for this
School Committee increase use of Carryover as revenue for the FY 2012 budget	660,268	
General reserve	2,237,626	
	39,785,133	Allocation of Available 2013 & Beyond on School Staff Allocation table

Description of Uses and other Notes

#1 VRS Liability - In 2010, 2011, 2012 the Schools have been putting into reserves 1/2 of the reduced VRS liability which has been enacted. The adjustment of $900K in FY 2012 reflects the reduction in the expected increase cost by $1,8000k - so 1/2 of the amount to come from reserve to cover those costs is also reduced.
Note - the VRS rate being set by the state is substantially lower than what the VRS board has recommended.

2# The School Committee has recommended "Capacity Initiative from the Reserve" for a total of $11.5 million. This is in addition to the $697 included by the School Board in the 2012 budget. for capacity and the additional $2 million added to 2012 by the Schools Committee. These funds would be available to begin design and work on additions and/or new construction of elementary schools to address the significant capacity issue. We had identified that $ 2 million of this amount may be subject to changes in the FY 2012 mid-year estimates, if January 2012 tax assessments drop.
On past projects, substantial amounts from reserve were able to be used to cover the costs and reduce the bond amounts, e.g. $35 million of W and L and all of the Reed renovation.

#3 Savings from 2011 school include -- $2.9 million is debt service, most from one time refinancing by the County; and some savings because of staff turnover.

#4 Group B $7 million of future Debt Service (2013 & beyond) - holding funds to reduce the need for higher County transfer in future years as the debt service increases from bonds which have been approved through 2011.

Year	Debt Service	Difference from 2012
2012	38,262	
2013	42,146	3,884
2014	44,520	6,258
2015	42,346	4,084
2016	40,280	2,018
		16,244