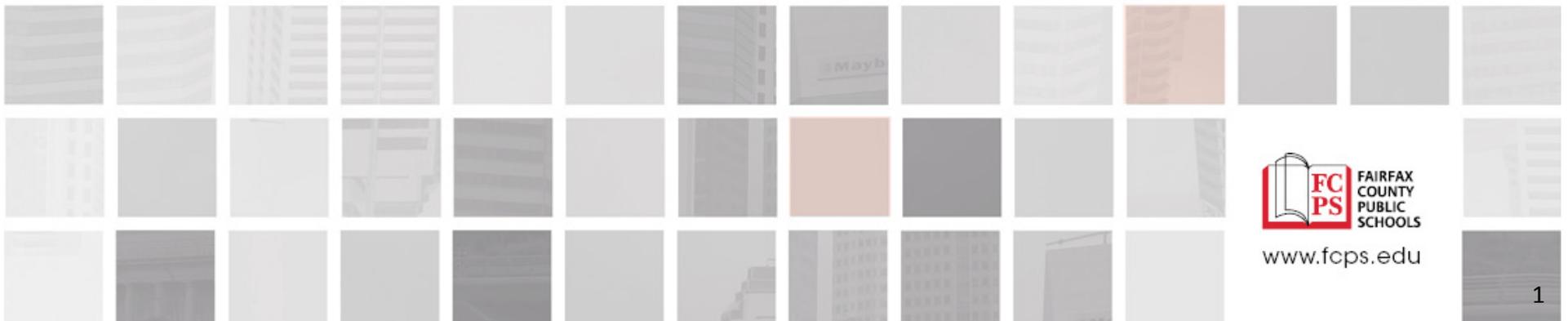




ADVERTISED BUDGET

BUDGET FY 2014 | FAIRFAX COUNTY, VIRGINIA

Updated to reflect state budget conference report
Presented to the School Board and Board of Supervisors
March 12, 2013



www.fcps.edu

FY 2014 Advertised Budget Overview

- \$2.5 billion operating budget
 - \$65.7 million, or 2.7%, more than the FY 2013 Approved Budget
 - Membership and compensation drive increase
 - \$13,680 average cost per pupil
- 184,393 students, an increase of 2,857
 - 16.0% English for Speaker of Other Languages, 13.8% Special Ed., 27.3% Free/Reduced Meals
- 196 schools and centers
- 23,856.6 full-time equivalent positions
 - 93.1% school-based, 6.9% nonschool-based

FY 2014 Updated Revenue Assumptions

	\$ change in millions from FY 2013 approved	
	Advertised	Updated
• County Transfer		
○ Requested increase of 5.7 percent	\$95.4	\$95.4
○ County Executive recommended 2 percent		(\$61.7)
• State Aid	\$0.0	(\$3.3)
○ Update assumes FCPS will not be eligible for compensation incentive		
• Sales Tax	\$3.2	\$9.0
○ Includes increase in school-aged population		
• Federal Aid	\$1.1	\$1.1
○ Increase is for current grant awards		
○ Sequestration impact unknown		

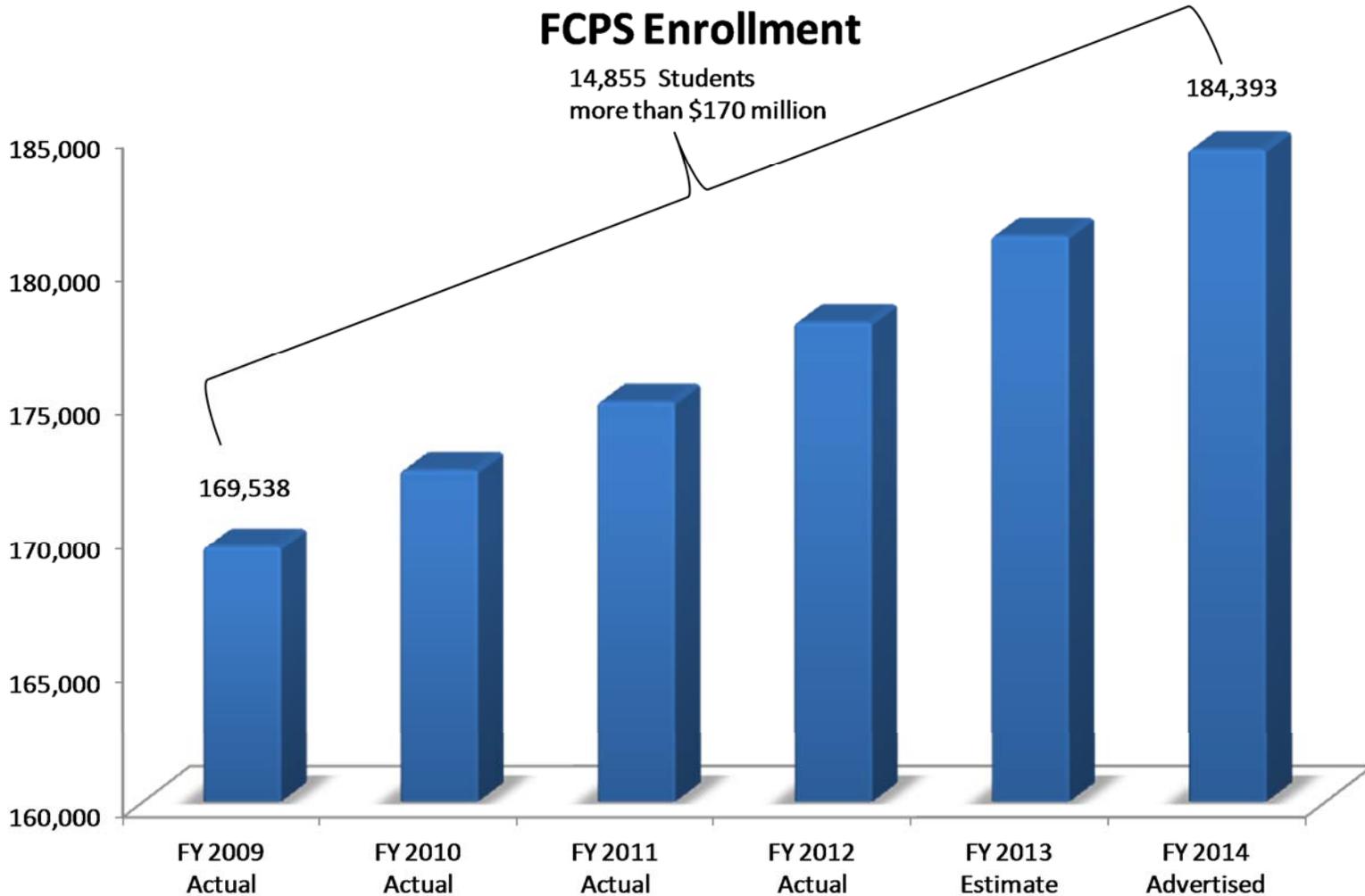


FY 2014 Updated Revenue Assumptions (cont.)

\$ change in millions from FY 2013 approved

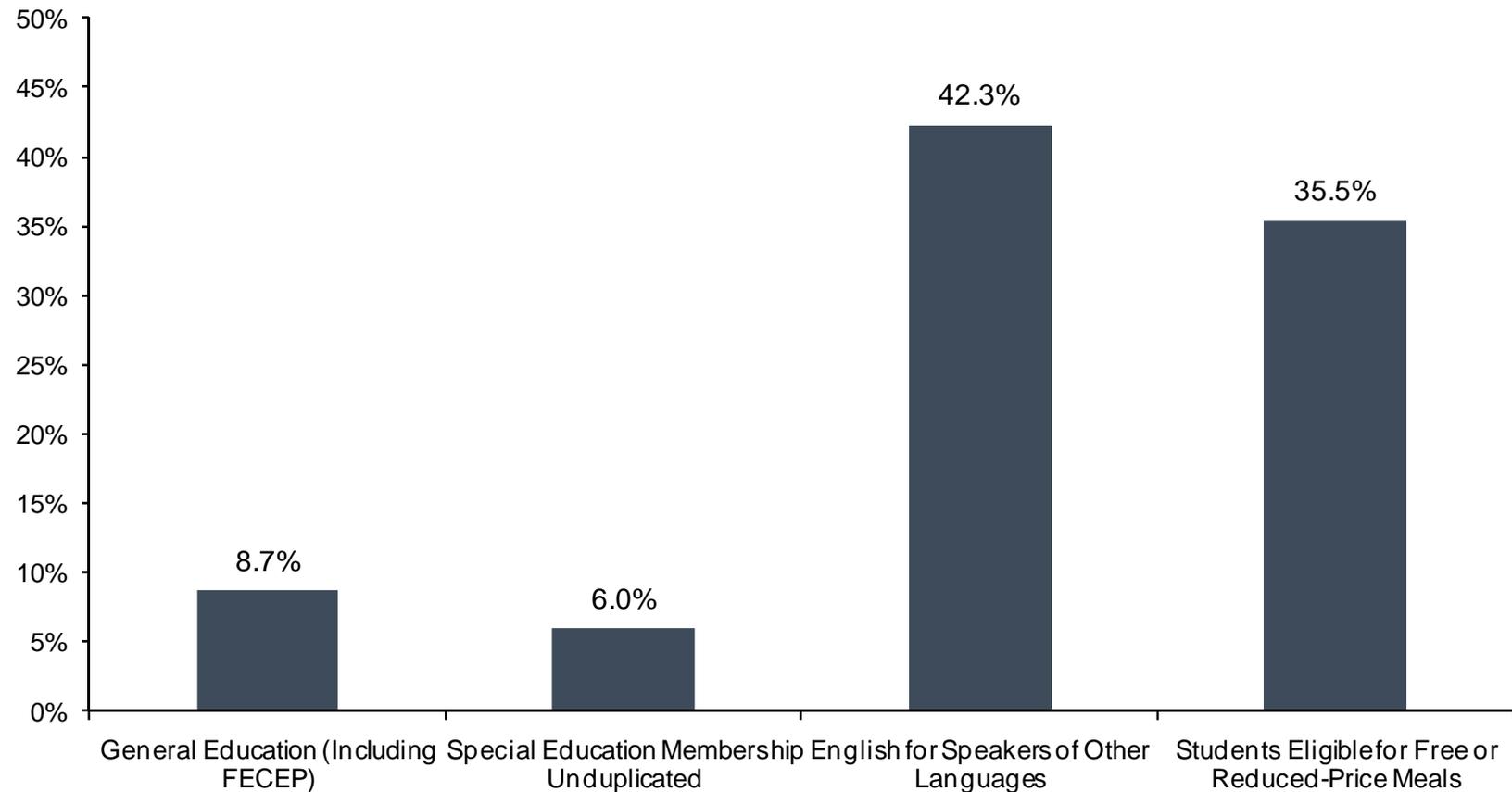
	Advertised	Updated
• City of Fairfax	\$0.9	\$0.9
• Other Revenue	\$0.6	\$0.6
• Beginning Balance	(\$6.2)	\$8.2
○ FY 2014 beginning balance is \$65.7 million as compared to \$57.5 million in FY 2013		
• VRS Reserve	(\$43.7)	(\$43.7)
○ Only \$16.9 million in one-time funding is available for FY 2014		

Trends In Membership



Student Demographic Changes

FY 2009 to 2014 Growth in Membership



Expenditures—Unavoidable

(\$ change in millions from FY 2013 approved)

- Membership Growth \$21.8
 - Increase of 2,857 students
 - Demographic adjustments
- Local Retirement Rate Increases \$6.1
- Health Insurance Rate Increases \$13.3
- VRS Employer/Employee Cost Shift
 - A minimum of 1% is mandated by the state
 - Shifting 1% costs \$5.8 million
 - The cost of completing the VRS shift is included in compensation (slide 9)

Expenditures—Unavoidable

(\$ change in millions from FY 2013 approved)

- Service Contracts \$1.5
- Electrical Hazard Mitigation \$1.3
- School Renovation Equipment \$1.2
- AP/IB Test Fees \$0.9
- Storm Water Mandate \$0.4
- Building Leases \$0.3

Expenditures—Compensation

(\$ change in millions from FY 2013 approved)

- **Market Scale Adjustment** **\$18.9**
 - 1% for all employees
- **VRS Employer/Employee Cost Shift** **\$16.6**
 - Proposed budget shifts the remaining 3% of the required 5% shift
 - A minimum of 1% is mandated by the state
 - Without other salary increases, to hold employees harmless would cost \$4.9 million
- **Local Retirement (ERFC) Shift of 1%** **\$13.5**
 - Less expensive option for increasing employees take home pay
 - Improves rate equity between County FCERS and Schools VRS/ERFC

FY 2013 Salary Comparisons

Starting Teacher Salaries FY 2013		Teacher Salaries Step 9, Masters Degree FY 2013		Maximum Teacher Salaries FY 2013	
Division		Division		Division	
Arlington	\$47,282	Arlington	\$71,982	Arlington	\$109,078
Alexandria City	\$46,773	Alexandria City	\$70,808	Alexandria City	\$106,197
Montgomery	\$46,410	Montgomery	\$67,723	Montgomery	\$103,634
Loudoun	\$45,167	Prince George's	\$63,020	Manassas Park City	\$102,775
Fairfax	\$45,161	Falls Church City	\$62,388	Prince William	\$100,427
Prince George's	\$44,799	Prince William	\$58,895	Loudoun	\$100,072
Manassas City	\$44,564	Fairfax	\$58,303	Falls Church City	\$99,443
Falls Church City	\$44,290	Manassas Park City	\$55,758	Manassas City	\$98,021
Prince William	\$44,048	Manassas City	\$54,197	Fairfax	\$96,039
Manassas Park City	\$42,799	Loudoun	\$54,040	Prince George's	\$91,752

Not all Virginia school systems, including FCPS, completed the 5% Virginia Retirement Shift in FY 2013.

Expenditures—Program Needs

(\$ change in millions from FY 2013 approved)

- Major Maintenance \$3.6
- Extended Time for Teachers \$3.5
- FECEP Expansion \$3.0
- Preventive Maintenance \$2.8
- Bus Replacement \$2.1
- Advanced Academic Resource Teachers \$2.0
- World Languages \$1.0
- Homebound Services, Technology Support for Student Learning Plans, and Multiagency Services \$0.8
- Reductions/Savings (\$48.9)

FY 2014 Updated Advertised Summary

Revenue	(\$ in millions)	Advertised	Updated	Change
Beginning Balance		\$ 51.3	\$ 65.7	\$ 14.4
VRS Reserve		16.9	16.9	-
County Transfer		1,779.3	1,779.3	-
County Executive's Recommendation		-	(61.7)	(61.7)
State Aid		384.1	380.9	(3.3)
Sales Tax		164.1	169.9	5.8
All Other Revenue		103.1	103.1	-
Revenue Total		\$ 2,498.8	\$ 2,454.1	\$ (44.7)
Expenditure				
FY 2013 Approved Base		\$ 2,429.1	\$ 2,429.1	\$ -
Unavoidable Expenditure Increases		46.8	46.8	-
VRS Shift		16.6	16.6	-
Identified Compensation		32.4	32.4	-
Significant Program Needs		20.3	20.3	-
Reductions and Savings		(48.9)	(48.9)	-
Expenditure Total		\$ 2,496.3	\$ 2,496.3	\$ -
VRS Reserve		-	-	-
Textbook Reserve		2.6	2.6	-
Ending Balance		\$ 0.0	\$ (44.7)	\$ (44.7)

Does not add due to rounding.

FCPS: Looking Forward—Challenges

- Structural Imbalance
- State
 - Mandated VRS rate increases
 - Local Composite Index adjustment
- Students
 - Increasing enrollment and shifting demographics
 - Textbooks
 - Class size
- Employees
 - Step increase needed to compensate teachers for years of experience and to address beginning teacher salaries
 - Addressing competitiveness of teacher salaries in the region
 - Retirement and health insurance rates continue to increase
 - Time for teachers

Structural Challenges: One-Time Funding

- One-time funding used in FY 2013 (\$ in millions)
 - Budgeted beginning balance \$57.5
 - VRS reserve 43.7
 - Total \$101.2

- One-time funding for FY 2014
 - Budgeted beginning balance \$65.7
 - VRS reserve 16.9
 - Total \$82.6



Challenges: VRS Rates

- Virginia Retirement System rates are mandated to increase to the actuarial rate over the coming years

VRS Rate Summary			
Fiscal Period	VRS Employer Rate	Mandated % of Actuarial Rate	Estimated Impact of Rate Increase
FY 2010	8.81%		
FY 2011	3.93%		
FY 2012	6.33%		
FY 2013 - FY 2014	11.66%	70%	
FY 2015 - FY 2016*	14.50%	80%	\$36.8 million
FY 2017 - FY 2018*	16.35%	90%	\$23.9 million
FY 2019 - FY 2020*	18.20%	100%	\$23.9 million

* Estimated based on the June 30, 2012 actuarial rate of 18.2 percent.

Challenges: State Revenue

- Local Composite Index will reset for FY 2015, and significant losses are projected

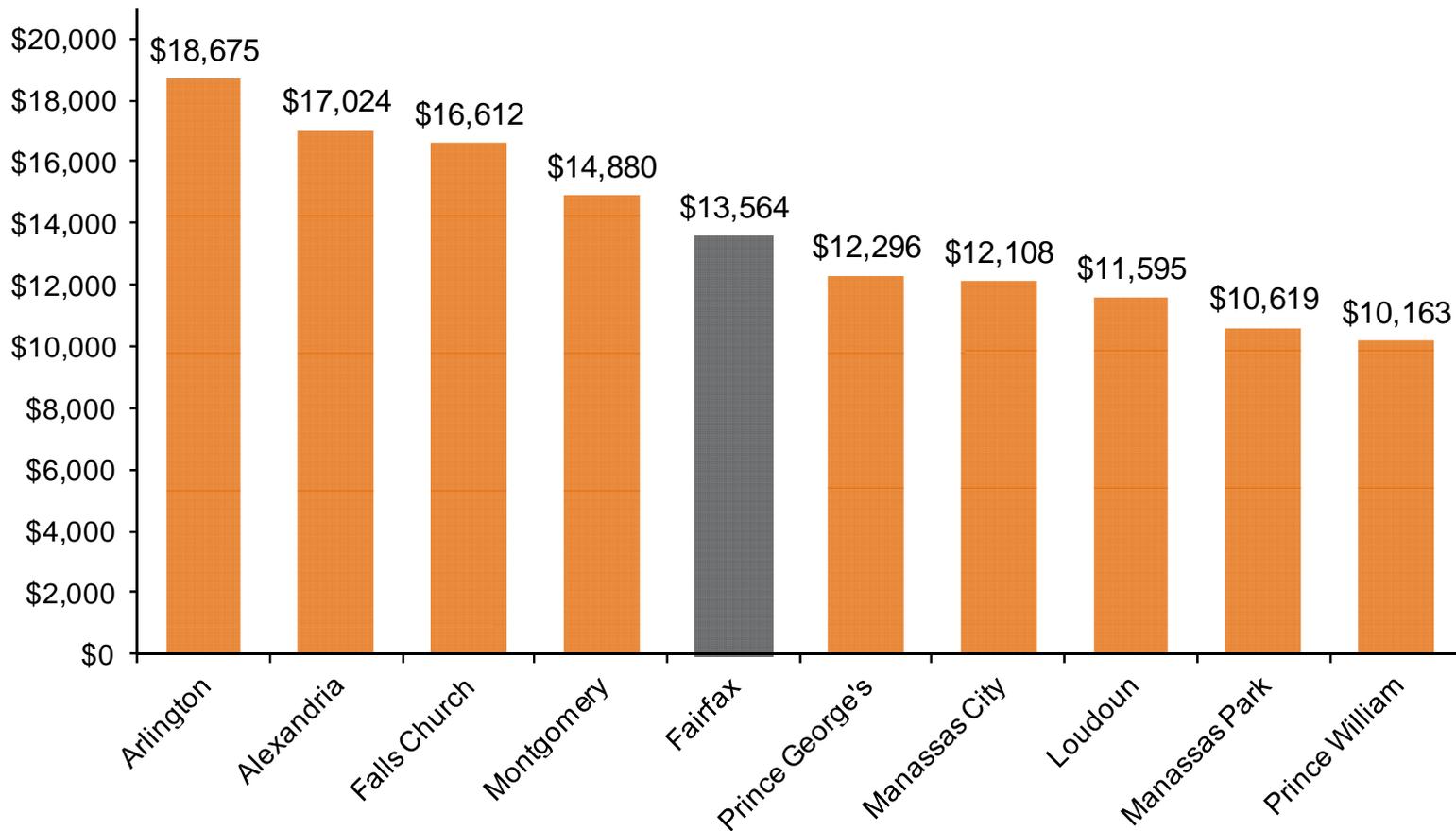
FCPS' LCI History				
Biennium	Fiscal Years	LCI	% Change	Est. \$ Impact in Millions
2012-2014	FY 2013-2014	0.6789	-4.73%	\$40.0
2010-2012	FY 2011-2012	0.7126	-6.85%	\$60.0
2008-2010	FY 2009-2010	0.7650	2.60%	(\$24.0)
2006-2008	FY 2007-2008	0.7456	-0.44%	\$3.0
2004-2006	FY 2005-2006	0.7489	-0.39%	\$3.0

Challenges: FY 2015 Requirements

- FCPS faces revenue requirements and required expenditure increases in FY 2015
- Structural Revenue Requirements (Est. \$ in Millions)
 - One Time Funding from Prior Year \$82.6
 - Loss of State Funding from LCI adjustment \$40-\$60
- Unavoidable Expenditure Increases
 - Membership Growth/Student Demographics \$25.0
 - VRS Rate Increase \$36.8
- Compensation and other program needs

Accountability

FY 2013 WABE Cost Per Pupil



Accountability

- School-based positions increased by 8.0 percent
- Nonschool-based positions decreased by 5.8 percent

FY 2009 to FY 2014 Position Growth						
Description	FY 2009 Actual		FY 2014 Advertised		Change FY 2009 to 2014	
	Amount	Percent	Amount	Percent	Amount	Percent
School-Based	20,552.9	92.1%	22,199.7	93.1%	1,646.8	8.0%
Nonschool-Based	1,758.3	7.9%	1,656.9	6.9%	(101.4)	-5.8%
Total	22,311.2	100.0%	23,856.6	100.0%	1,545.4	6.9%

- 93.1 percent of operating positions are in classrooms and school buildings directly serving the needs of our students
- Nonschool-based positions deliver central support to schools and represent 6.9 percent of operating positions
- This emphasizes FCPS' commitment to dedicating resources to the classroom

Financial And Operational Audits

- FCPS receives many regular financial and operational audits to ensure financial and operational accountability to the public including:
 - Independent external audit
 - Annual financial report
 - A-133 single audits of federal grant programs
 - FCPS Internal Audit
 - FCPS Office of Program Evaluation

State Efficiency Review

- FCPS is participating in the State Efficiency Review Program
- The program identifies savings through best practices in central support
- FCPS requested to participate and had been on the waiting list since 2009
- The cost is shared between the state and FCPS
- Final report is expected to be completed by summer

Challenges: Capital Improvement Plan

- FCPS is not able to sustain a 25-year renovation cycle and address the needs of increasing student enrollment within the \$155M annual allocation
 - An increase of \$25 million annually beginning in FY 2015
 - Accelerate new construction/renovations by 1-2 years on average
 - Provide overcrowding relief
- Without an increase in funding
 - Current renovation cycle of 32 years will grow worse
 - Ability to draw down the 911 temporary classrooms in current inventory is reduced

Budget Documents

- Budget documents prepared by FCPS include the Proposed, Advertised, and Approved Budgets representing different stages of the overall budget process
- Detailed Budgets providing line item detail by FCPS' financial structure
- Program Budgets reflecting resource allocation by purpose
- Washington Area Boards of Education (WABE) Guides which provide comparative data for local area school systems
- Further information, including the documents described above, is available online at <http://www.fcps.edu/fs/budget/budgetdocuments.shtml>