

BOARD POLICY EXPECTATION

Financial planning for any fiscal year shall not deviate materially from the Board's Ends policies, risk fiscal jeopardy to the district, or fail to be derived from a multi-year plan.

CERTIFICATION

I hereby present my monitoring report on Executive Limitations Policy EL-7 "Budget Planning" in accordance with the monitoring schedule set forth in board policy. I certify that the information contained in this report is true as of August 27th, 2013.

Mark Mansell, Superintendent

SUPERINTENDENT'S INTERPRETATION OF POLICY

I interpret budget planning to mean that the board expects me to prepare the annual district budget to meet their Ends policies, account for all the variables of funding and expenditures for both the short and long-term, and to communicate the budget in a clear and concise manner to the board and all interested stakeholders.

REPORT

There are ten specific areas described in this policy. The following will address each specific area of EL-7 as best as possible. At the time of this report, I believe that the district is in compliance with the Board's expectations.

1. The superintendent may not present a budget which is not consistent with the board's established priorities. IN COMPLIANCE

For the first time in many years, the state legislature has added funding to our school budget in their effort to respond to the McCleary lawsuit. With that said, their efforts continue to fall short of the true costs of providing public education and our local taxpayers have filled in the difference. With that in mind, the district receives the second lowest M & O levy funding per student within our county, yet we have the second highest on-time graduation rate (per current OSPI data). This is a great example of how district staff have worked very hard to meet the Board's priorities of a great educational value for our students.

2. The superintendent may not present a budget which is not in a comprehensive summary format understandable to the Board and community. IN COMPLIANCE

Probably the most important document given annually to the board that provides a fiscal overview is the F-196 document. We have also supplemented these state reports with locally produced summary spreadsheets, graphs and narratives on a

monthly basis in order to provide the board with a variety of fiscal perspectives about the budget.

3. *The superintendent shall not fail to adequately describe major budget initiatives and funding sources.* IN COMPLIANCE

Within our planning processes for considering new proposals to improve services, provide greater support or to create new opportunities, we always determine how the funding will be provided to support this change. With the legislature not approving their budget until late June, our processes this budget cycle were truncated compared to normal years. Within this short timeline, I believe we did a good job of sharing with the Board and interested stakeholders the budget variables and changes necessary to move the district forward again this year.

4. *The superintendent shall not fail to compare, for each major fund type and activity, the amount of actual expenditures for the most recently closed fiscal year, budgeted expenditures for the current fiscal year, and proposed budget expenditures for the next fiscal year.* IN COMPLIANCE

The district's effort to meet this expectation is contained in the annual F-196 report provided to the board.

5. *The superintendent shall not fail to disclose major budget development assumptions, including anticipated changes in state funding.* IN COMPLIANCE

As stated in #3 above, the state legislature was extremely late in producing its biannual budget, which caused us to initiate a very short timeline for budget review and adoption. With that said, throughout the late spring and early summer, I provided many updates to the Board on our work to create new services to students and families for the coming year based on a range of funding options that the legislature was considering. As it turned out, the projected revenue from the state matched up with our estimated needs to implement these enhanced services and meet the needs of the district.

6. *The superintendent may not present a budget which plans for the expenditure in any fiscal year of more funds than are conservatively projected to be received or appropriated during the year unless otherwise approved by the Board in a multi-year projection.* IN COMPLIANCE

Last year the Board approved a budget with a pre-authorization to draw into reserves just under \$100K. This year, we worked to lower that estimated draw into reserves for normal operations to around \$8K. With that said, the Board actually approved a reauthorization to draw into reserves of up to \$142K if necessary in order to pay for the district's portion of the energy upgrade projects we have been working on with the assistance of a state grant awarded back in 2011.

The superintendent may not present a budget which plans for the reduction, without approval of the Board, of the unreserved and undesignated general fund balance for any fiscal year to less than 5.0 percent of total expenditures.

IN COMPLIANCE

The budget presented to the Board once again exceeds the 5.0 percent ending fund balance expectation.

7. *The superintendent may not present a budget which fails to provide adequate and reasonable budget support for Board development and other governance priorities, including the costs of fiscal audits, Board and committee meetings, Board memberships and district legal fees.* **IN COMPLIANCE**

As stated above, we traditionally budget conservatively in most areas so despite the fiscal issues facing the district, we have confidence we have fully planned for the expenses the Board needs to fulfill its responsibilities.

8. *The superintendent may not present a budget which fails to take into consideration fiscal soundness in future years or ignores the building of organizational capabilities sufficient to achieve Ends in future years.* **IN COMPLIANCE**

The district uses a comprehensive forecasting model that uses a base five-year projection that gathers and quantifies the fiscal impacts of variables used to create our budgets. The district's strong track record of fiscal stability provides ample evidence of the effectiveness of this model and the reliability of the data used. With our recent economic challenges across the state and the nation, our models and variables have consistently withstood the tests over time.

9. *The superintendent may not present a budget which fails to reflect anticipated changes in employee compensation including inflationary adjustments, step increases, and benefits.* **IN COMPLIANCE**

Our system of changes in employee compensation continues to serve us well, while at the same time greatly reducing traditional personnel conflicts associated with these types of annual compensation adjustments. All of our contractual agreements have in place a system of adjustment (classified – SIRS data, certificated – teachers' salary schedule) that are as objective as possible and makes changes while reducing the likelihood of conflict.