Monitoring Report - Executive Limitations Policy
EL-7, Budget Planning

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 24th, 2010.

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**
   Once again this year, our budget planning required significant attention to the reduced revenues coming from the state. I am pleased to report that due to continued effort by our staff, we have been able to maintain and in some cases expand services by thinking differently about how we provide these services to students without the same revenues. As one consequence, our class sizes in some grades in the elementary may need to increase slightly as a result of less revenues from the state, but I feel confident that the impact will be minimized by changes in class organization and teamwork by our teachers. With that said, our class sizes are still reasonable and in several cases I would describe them as optimal.

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. During our budget briefings with the board this year, we went beyond this expectation by designing work sessions that got beyond the bottom line numbers and helped uncover the values behind our collective decisions. This was very helpful for both Brett and I as we worked to produce the 2010/11 budget.

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**
   Through a variety of communication mechanisms (face-to-face, reports, presentations, email, phone calls, etc.), I have communicated fiscal issues with the board and with all stakeholder groups about major fiscal challenges that have occurred. Just like last year, we started our conversations early with not only the board, but with stakeholder groups and with association leadership.

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**
   Due to the continued reduction of funding from the state, the 2010/11 school budget once again plans for a draw into reserves by about $200K. Just like last year, our conservative budget estimates have tried to show the board that a draw into reserves may be necessary. However, last year showed that no draw down of the district reserves was necessary and in fact we were able to bolster it slightly as we brace for further state cuts in the future. The board was briefed that an imbalance in expenditures to revenues was once again planned for in the upcoming budget, therefore even though this projected imbalance in the budget planning process did occur, I believe I am still in compliance with this expectation.

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**

Even with our anticipated draw into our unrestricted fund balance for the 2010/11 school year, 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 once again 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 been tested once again. I am confident our fiscal system and the people who use and manage these tools have adapted well to these challenges so as to continue our record of fiscal success.

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. Even though we have this system in place, due to the economic conditions and ever-growing state budget shortfalls, the employee wages/salaries recommended to the board showed no increase other that those called for as a result of longevity or certificated staffing continuing education pay increases.