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 25th, 2009.

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**
   This year provided ample opportunities to consider new ways to produce a budget that would support the board's priorities as stated in the Ends and Executive Limitations policies. I believe we were able to do that well even considering the fiscal hurdles we faced. For example, even with the fiscal shortfall from the state we were able to expand services to students, maintain current class sizes, continue to support capital expenditures in music/fine arts as well as for extra-curricular activities to name a few. The proposed budget required a planned draw into the district's fiscal reserved in order to do this, but the budget still attains the board's minimum reserve balance as required in policy.

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. The most specific example of this over this past year was the creation of our budget reduction matrix that showed how we were going to address the state budget shortfall with staffing cuts/adjustments and funding realignments. This example also demonstrated how within our fiscal planning processes, we almost always have multiple options planned into our efforts so as to handle the variables that we cannot control.

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. Again, the fiscal challenges we faced this spring from the state's budget shortfall have provided ample examples of this effort that as a board you experienced first hand.

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**
   This year is the first year in my time as your superintendent where I presented a budget that projects a draw into the unrestricted general fund balance. As a board, your support for the budget reduction matrix plan that was used throughout the spring served as my authorization to present a budget that draws into the fund balance and therefore keeps me in compliance with this expectation. With that said, all budgets are best guesses and we have a strong track record of budgeting conservatively. Even though we are budgeting for a reduction in our overall unrestricted fund balance over this next fiscal year, changes in our enrollment and tight fiscal controls could result in a smaller impact on the fund balance than we expect.

7. ***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 2009/10 school year, the budget presented to the board once again exceeds the 5.0 percent ending fund balance expectation.

8. ***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.

9. ***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.

10. ***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 has served us well again this year in making the appropriate adjustments (up and down), 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.