Issaquah School District
Executive Limitations Monitoring Report

EL-4 FINANCIAL PLANNING AND BUDGETING
(Internal Annual Report) August 22, 2024

The Superintendent certifies that the District is in compliance with EL-4 with no exceptions.

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

Interpretation:

I interpret adequate financial planning to mean a Board-adopted budget that incorporates the following major elements:

- Board's Budget Development Guidelines (adopted on 1-11-24)
- Multi-year financial planning (4 year levies), multi-year Capital Bonds, 3-to-4-year collective bargaining agreements, review of 2-year biennial legislative budgets as available
- Five-year enrollment projections, 2024-25 Annual Budget Guide
- Compensation and benefits built on negotiated agreements and enacted legislative budgets

Evidence of Compliance:

The above-named documents were enacted by the Board, provided to the Board/community, and are fully incorporated into the current (2023-24) and the Draft 2024-25 Budget, which includes a Four-Year Outlook.

1. ***The Superintendent shall not allow budgeting that risks incurring those situations or conditions described as unacceptable in the Board policy entitled "Financial Conditions and Activities."***

Interpretation:

I interpret this to mean that the adopted budget must provide adequate resources to:

- Settle known District obligations (payroll and operating),
- Collect funds owed the District,
- Maintain reserves as set forth by the Board, and

- Ensure sufficient funding to complete building projects in progress.

Evidence of Compliance:

The inspection of all relevant documents from July 1, 2023—June 30, 2024 continue to show compliance with these requirements. Additionally, compliance is demonstrated by monthly financial reports provided to the Board, as provided in the Draft 2024-25 Budget and the most recent year-end financial statements.

2. ***The Superintendent shall not allow budgeting that omits credible projection of revenues and expenses, separation of capital and operational items, cash flow and disclosure of planning assumptions.***

Interpretation:

I interpret this to mean that the budget must be based on reliable planning assumptions that are made transparent to the Board and general public; cash flow must be appropriately managed for timely response to District needs, and the integrity of capital and operational budgets must be maintained.

Evidence of Compliance:

The budget development process contains numerous systems to guarantee reliable revenue/expenditure projections and communicates these to the public. The following documents and processes fulfill this requirement in annual cycles. Projected/actual dates are noted:

- Five-Year enrollment projection (Annual Budget Guide, 2024-25)
- Revenue projections based on enrollment (Annual Budget Guide, 2024-25)
- Compensation and benefit budgets built on current negotiated agreements
- Distribution of building budgets based on enrollment projections (will be adjusted to actual enrollment on October 1, 2024)
- Public hearings conducted to confirm community values and priorities (ongoing).
- Adoption and implementation of Board Budget Guidelines (January 2024)
- Historical fund balance analysis with monthly reporting (ongoing reports)
- Separation of operational funds from debt service, capital projects, and ASB funds (ongoing reports)
- Maintenance of reserves to cover start-up operating costs associated with opening new schools (as needed) (certified in year-end financial report – August 31, 2023 and ongoing reports)
- Continuous monitoring of enrollment, revenue and expenditure budgets in order to manage any fluctuations from projections (ongoing reports)

- Work with legislators, administrators, staff, and community to create an understanding of the District processes outlined above (ongoing)
- Continued online presence regarding the budget, finances, and opportunities for community involvement.

3. The Superintendent shall not allow budgeting that provides less for Board prerogatives during the year than is set forth in the Board-developed budget for Cost of Governance.

Interpretation:

I interpret this to mean that the budget established by the Board must be incorporated into the adopted budget.

Evidence of Compliance:

The Board via discussion and governance policy has provided guidance to the administration regarding a Board Operating Budget for 2024-25. I certify that these identified requirements have been incorporated into the District budget. There may also be physical inspection by the Board of its budget, upon request.

4. The Superintendent shall not allow budgeting that fails to show the amount spent in each budget category for the most recently completed fiscal year and the amount budgeted for each category for the current fiscal year.

Interpretation:

I interpret this to mean that the budget (Proposed 2024-25 F-195 Budget) submitted to the Board must show this information in the following categories:

- Summary of Budget (All Funds)
- Summary of Revenues (All Funds)
- Summary of Expenditures by Program (General Fund)
- Summary of Expenditures by Activity (General Fund)
- Summary of Expenditures by Object (General Fund)

Evidence of Compliance:

These comparisons are provided in the 2024-25 Budget submitted for adoption.

5. ***The Superintendent shall not allow budgeting that plans for the expenditure in any fiscal year of more funds than are conservatively projected to be available during the year.***

Interpretation:

I interpret this to mean that the budget submitted to the Board must balance revenues and expenditures in a way that meets the Board's targeted goals for reserves.

Evidence of Compliance:

The proposed 2024-25 General Fund Operating Budget targets an unassigned (unreserved) ending fund balance of 3.93% of budgeted expenditures. The budget sets aside $6,500,000 for future school facilities, $1,500,000 reserved for unexpended and obligated building funds, $500,000 restricted for food service carryover, committed amount of $108,170 for petty cash accounts, $7,000,000 designated for uninsured risk/inventory pre-paid items (required in accounting standards), $1,000,000 for board reserve, and $500,000 for other contingencies. Total equity reserves are projected to decline with an estimated beginning fund balance of $48,300,114 (12.48% of 2023-24 budgeted expenditures) to an estimated $41,600,114 (10.17% of 2024-25 operating expenses).

6. ***The Superintendent shall not allow budgeting that fails to reflect anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits.***

Interpretation:

I interpret this to mean that the budget submitted to the Board must include all anticipated employee compensation costs including any changes resulting from:

- Legislative Action for FY 2024-25
- Local bargaining
- Step increases for education and/or experience
- Performance/Market increases, if applicable
- Health insurance contributions
- Pension contribution costs

Evidence of Compliance:

The budget submitted to the Board for adoption on August 22, 2024 includes all anticipated costs associated with employee compensation. The administration followed the Board's budget development parameters and incorporated the guidelines into the 2024-25 budget. The administration held board retreats, board meeting budget presentations, Cabinet budget reflection meetings, Financial Advisory Core Team meetings, and a public hearing.

7. ***The Superintendent shall not allow budgeting that is not in a summary format understandable to the Board and presented in a manner that allows the Board to understand the relationship between the budget and the Ends priorities for the year.***

Interpretation:

I interpret this to mean that the budget document for any fiscal year will be summarized for ease of understanding and will specifically support the Board's Ends priorities.

Evidence of Compliance:

Along with the 2024-25 annual budget (to be submitted for approval on August 22, 2024), the Administration provided a 2024-25 Annual Budget Guide. This is an updated version of the previous annual Guide to Understanding the Budget. It maintains a summary of the budget in a straightforward narrative and includes simplified charts and tables. These documents directly tie the budget to the Board's Ends priorities for the District.

Board Approval: August 22, 2024